ONTEX GROUP NV

Additional Information

JUNE 28, 2021

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FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and the securities laws of other jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “estimates”, “aims”, “targets”, “anticipates”, “expects”, “intends”, “plans”, “continues”, “ongoing”, “potential”, “product”, “projects”, “guidance”, “seeks”, “may”, “will”, “could”, “would”, “should” or, in each case, their negative, or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. The absence of such terminology does not necessarily mean that a statement is not forward-looking. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, competition in areas of our business, outlook and growth prospects, strategies and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are based on potentially inaccurate assumptions and are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those material differences include:

- the effect of increases in raw material costs or the unavailability of raw materials on our business, financial condition and results of operations;
- the effect of fluctuations in exchange rates on our raw material costs;
- the effect of disruptions to or a loss of one of our production facilities;
- our ability to compete successfully with our competitors;
- our ability to maintain our on-time service delivery record;
- the effect of product recall or liability claims, a shifting regulatory environment and/or any adverse publicity;
- the impact of broader and stricter medical device regulations to which we are subject and any increases in enforcement;
- our ability to protect our intellectual property rights;
- our ability to retain key customers;
- our ability to successfully integrate any future acquisitions;
- the effect of any disease outbreak, including epidemics, pandemics (including the recent COVID-19 pandemic) or similar widespread health concerns on our business;
- risks inherent to our global operations, including currency devaluations and the effect of regional or jurisdictional instability on our international operations;
- changes in the requirements of our customers or end-users of our products;
- changes in the payment and reimbursement policies of governments and other parties;
- reliance on our executive management team and our ability to recruit, train, motivate and retain employees;
- the effect of uninsured losses;
- employment disputes and increased labor costs;
- disruption due to failure of our information systems;
- breaches of data privacy regulations;

- changes in consumer attitudes and expectations with respect to sustainability and environmental matters;
- adverse publicity and risks associated with our use of social media;
- the effects of adverse market condition on the carrying value of our assets;
- the effects of changes in tax rules on our results;
- the effects of legal and arbitration proceedings;
- the effects of certain competition and antitrust laws;
- risks associated with our dealings with third parties;
- interest rate risk associated with our variable-rate debt instruments;
- our ability to generate the funds needed to service our debt; and
- other factors discussed under "*Risk Factors*".

The foregoing factors and others described under "*Risk Factors*" should not be construed as exhaustive. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. We urge you to read the sections of this document entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*" and "*Business*" for more detailed discussions of the factors that could affect our future performance and the industry and geographic markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this document may not occur. Moreover, we operate in a very competitive and rapidly changing environment. We may face new risks from time to time, and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

The forward-looking statements are based on plans, estimates and projections as they are currently available to our management. We undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this document.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Statements

The financial information contained in this document is taken from (i) the audited consolidated financial statements of Ontex Group NV ("**Ontex**" or, as the context requires, "**we**", "**our**", the "**Group**" and "**us**") as of and for the years ended December 31, 2018, 2019 and 2020, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), and (ii) the Group's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2020 and 2021, prepared in accordance with IFRS.

The Group's audited consolidated financial statements for the years ended December 31, 2018, 2019 and 2020 were subject to an audit by PwC Bedrijfsrevisoren BV / PwC Reviseurs d'Entreprises SRL, the Group's statutory auditors for those years. The statutory auditor's report of PwC Bedrijfsrevisoren BV / PwC Reviseurs d'Entreprises SRL on the audited consolidated financial statements for the year ended December 31, 2019, without qualifying the audit opinion expressed therein, contains an emphasis of matter with respect to the outbreak of COVID-19 whereby attention is drawn to the report of the board of directors and Section 7.32 (*Subsequent events*) of the consolidated financial statements for the year ended December 31, 2019 contained elsewhere in this document, in which the Group expresses their view that, although the consequences of the COVID-19 pandemic 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 December 31, 2019.

In our consolidated financial statements for the year ended December 31, 2020, we restated our previously published divisional revenue figures for the year ended December 31, 2019 to reflect the effect of a shift in responsibility for one customer from our AMEAA division to our Healthcare division, effective January 1, 2020. Overall revenue for these periods is unchanged, and we have not restated these figures for any prior period.

To facilitate the review of the periods presented in this document and to present our financial information in a comparable manner:

- where we present revenue by division for the year ended December 31, 2020 alongside revenue by division for the year ended December 31, 2019, we present such information for the year ended December 31, 2019 on a restated basis, as it appears in our consolidated financial statements as of and for the year ended December 31, 2020;
- where we present revenue by division for the year ended December 31, 2019 alongside revenue by division for the year ended December 31, 2018, we present such information for the year ended December 31, 2019 on a non-restated basis, as it appears in our consolidated financial statements as of and for the year ended December 31, 2019; and
- where we present revenue by division for each of the three years ended December 31, 2020, 2019 and 2018, we present such information for the years ended December 31, 2019 and December 2018 on a restated basis, as if this shift in responsibility had been effective as of January 1, 2018.

The Group adopted 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. In the consolidated financial statements as of and for the year ended December 31, 2019, the comparative financial information for the year ended December 31, 2018 was not restated to reflect the retrospective impact of this adoption. Accordingly, except as otherwise expressly identified herein, financial information presented for the year ended December 31, 2018 in this document has not been adjusted for the retrospective application of IFRS 16.

This document also includes unaudited consolidated financial information for the 12 months ended March 31, 2021. This financial data is unaudited and has been calculated by *adding* (i) the audited consolidated financial information for the year ended December 31, 2020 and (ii) the unaudited interim consolidated financial information for the three months ended March 31, 2021 *and then subtracting* (i) the unaudited interim consolidated financial information for the three months ended March 31, 2020. The unaudited consolidated financial information for the 12 months ended March 31, 2021 has been prepared solely for the purpose of this document, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by our independent auditors. The unaudited consolidated financial information for the 12 months ended March 31, 2021 presented herein is not required by or presented in accordance with IFRS or any other generally accepted accounting principles. The unaudited consolidated financial information for the 12 months ended March 31, 2021 is not necessarily indicative of the results that may be expected for any future period and should not be used as the basis for, or prediction of, an annualized calculation.

The unaudited condensed consolidated interim financial statements of the Group and the financial information for the three months ended March 31, 2021 and 2020 presented herein are provided solely for convenience purposes, and the Group will not be furnishing quarterly financial statements on an ongoing basis.

Other Financial Measures

This document contains non-IFRS measures and ratios, including EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin and free cash flow, that are not required by, or presented in accordance with IFRS. EBITDA is defined as earnings before net finance cost, income taxes, depreciation and amortization. EBITDA margin is defined as EBITDA divided by revenue. Adjusted EBITDA is defined as EBITDA before non-recurring income and expenses. Non-recurring income and expenses are defined as 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 the Group's activities. 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 Group. Non-recurring 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; and
- impairment of assets and major litigations.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue. 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 (defined as purchases of property, plant and equipment and intangible assets), *less* repayment of lease liabilities and including cash (used in)/from disposal. Like-for-like (LFL) is defined as at constant currency excluding change in perimeter of consolidation or acquisitions.

We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS 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 as reported under IFRS. Non-IFRS measures such as EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin and free cash flow are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider EBITDA, Adjusted EBITDA or free cash flow as an alternative to: (i) operating profit or profit for the period (as determined in accordance with IFRS) as a measure of our operating performance; (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs; or (iii) any other measures of performance under generally accepted accounting principles. Some of the limitations of EBITDA and Adjusted EBITDA are:

- they do not reflect our cash expenditures or future requirements for capital expenditure or contractual commitments; and
- they do not reflect changes in, or cash requirements for, our working capital needs.

For a reconciliation of EBITDA and Adjusted EBITDA to operating profit and free cash flow to operating profit, see "*Summary Historical Consolidated Financial Information and Other Data*".

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. These standards also require management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes to our unaudited condensed consolidated interim financial statements included elsewhere in this document, and our audited consolidated financial statements as of and for the years ended December 31, 2020, 2019 and 2018 and the related notes thereto, in each case included in the annual report corresponding to such year and available on our website at https://ontex.com/investors/.

Rounding

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

Industry and Market Data

This document contains statistical data, estimates and forecasts that are based on independent industry publications, such as those published in databases and reports by Euromonitor International Limited ("**Euromonitor**"), Nielsen, IQVIA Inc. ("**IQVIA**"), or other publicly available information, as well as other information based on our internal sources. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates or place undue reliance on this information. This information has been obtained from sources believed to be reliable, but some information may be derived from estimates or subjective judgments or may not have been subject to limited audit or validation. Neither we nor Euromonitor, Nielsen or IQVIA have independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information and make no guarantees as to the accuracy thereof. In addition, we believe that data regarding the industry and industry market and sales positions, shares, market sizes and growth provide general guidance but are inherently imprecise. None of the industry publications referred to in this document were prepared on our or on our affiliates' behalf or at our expense. While we are not aware of any misstatements regarding any third-party information presented in this document, such information is based in part on official statistics, trade associations, trade press, company research, trade interviews and trade services, and as such have not been independently verified by the relevant provider in each case. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the section titled "*Risk Factors*", that could cause results to differ materially from those expressed in these publications and other publicly available information, including "*Forward-Looking Statements*" which are not guarantees of future performance. This document also contains illustrations and charts derived from our internal information, which has not been independently verified unless specifically indicated.

Trademarks and Trade Names

We have proprietary and/or license rights to certain trademarks or trade names that we use in conjunction with the operation of our businesses. We do not intend our use or display of other companies' trademarks or trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies. Each trademark, trade name or service mark of any other company appearing in this document belongs to its respective holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this document may be listed without the ©, ® and TM symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks, trade names and copyrights.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The summary financial information presented below is taken from (i) the Group's audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020, prepared in accordance with IFRS, and (ii) the Group's unaudited condensed consolidated interim financial statements as of and for the three months ended March 31, 2020 and 2021, prepared in accordance with IFRS.

The Group's audited consolidated financial statements for the years ended December 31, 2018, 2019 and 2020 were subject to an audit by PwC Bedrijfsrevisoren BV / PwC Reviseurs d'Entreprises SRL, the Group's statutory auditors for those years.

The summary financial information presented below also includes unaudited consolidated financial information for the 12 months ended March 31, 2021. This financial data is unaudited and has been calculated by *adding* (i) the audited consolidated financial information for the year ended December 31, 2020 and (ii) the unaudited interim consolidated financial information for the three months ended March 31, 2021 *and then subtracting* (iii) the unaudited interim consolidated financial information for the three months ended March 31, 2020. The unaudited consolidated financial information for the 12 months ended March 31, 2021 is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by our independent auditors. The unaudited consolidated financial information for the 12 months ended March 31, 2021 presented herein is not required by or presented in accordance with IFRS or any other generally accepted accounting principles. The unaudited consolidated financial information for the 12 months ended March 31, 2021 is not necessarily indicative of the results that may be expected for any future period and should not be used as the basis for, or prediction of, an annualized calculation.

Except as otherwise expressly identified herein, financial information presented for the year ended December 31, 2018 in this document has not been adjusted for the retrospective application of IFRS 16.

The unaudited condensed consolidated interim financial statements of the Group and the financial information for the three months ended March 31, 2021 and 2020 presented herein are provided solely for convenience purposes, and the Group will not be furnishing quarterly financial statements on an ongoing basis.

Results of operations for prior periods or years are not necessarily indicative of the result to be expected for any future period. Readers should bear in mind that the performance indicators and ratios that we report herein, such as EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin and free cash flow (each as defined in this document) are not financial measures defined in accordance with IFRS and, as such, may be calculated by other companies using different methodologies and having different results. Therefore, these performance indicators and ratios are not directly comparable to similar figures and ratios reported by other companies.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31, 2021
	2018	2019	2020	2020	2021	
			(€ in millions)			
Selected Consolidated Income Statement Data:						
Revenue	2,292.2	2,281.3	2,086.8	574.2	479.7	1,992.3
Cost of sales	(1,666.5)	(1,661.3)	(1,477.7)	(401.7)	(344.0)	(1,420.0)
Gross margin	625.7	620.0	609.1	172.5	135.7	572.3
Distribution expenses	(208.7)	(203.4)	(194.6)	(51.4)	(47.4)	(190.6)
Sales and marketing expenses	(158.8)	(168.3)	(166.0)	(47.6)	(36.3)	(154.7)
General administrative expenses	(83.0)	(90.4)	(91.2)	(24.0)	(22.9)	(90.1)
Net other operating income/(expenses)	1.9	(0.5)	(8.5)	(5.4)	(1.4)	(4.5)
Income/(expenses) related to changes to Group structure	(15.5)	(58.8)	(25.4)	(5.3)	(6.6)	(26.7)
Income/(expenses) related to impairments and major litigations	(8.8)	(11.5)	(12.4)	(1.3)	(0.8)	(11.9)
Operating profit	152.8	87.2	110.9	37.5	20.3	93.7
Finance income	2.5	2.6	1.8	0.7	0.3	1.4
Finance cost	(29.9)	(39.3)	(38.0)	(9.2)	(8.9)	(37.7)
Net exchange differences relating to financing activities	(1.2)	(1.0)	0.5	2.3	(1.0)	(2.8)
Net finance cost	(28.6)	(37.7)	(35.7)	(6.2)	(9.7)	(39.2)
Profit before income tax	124.2	49.5	75.2	31.3	10.7	54.6
Income tax expense	(27.2)	(12.2)	(21.3)	(7.2)	(3.0)	(17.1)
Profit/(loss) for the year	97.0	37.3	54.0	24.1	7.7	37.6

	As of December 31,			As of March 31,
	2018	2019	2020	2021
			(€ in millions)	
Selected Consolidated Balance Sheet Data:				
Goodwill and other intangible assets	1,217.0	1,223.2	1,160.2	1,156.0
Property, plant and equipment	593.4	622.7	615.9	614.1
Right of use assets	6.5	150.4	126.8	123.9
Deferred tax assets	26.5	29.3	24.9	24.1
Non-current receivables	5.1	18.1	6.9	6.5
Total non-current assets	1,848.5	2,043.7	1,934.7	1,924.6
Inventories	365.9	318.8	319.1	325.1
Trade receivables	355.4	324.2	286.3	268.8
Prepaid expenses and other receivables	69.1	49.1	57.0	61.4
Current tax assets	12.5	15.8	18.8	21.6
Derivative financial assets	3.6	1.4	18.0	22.0
Cash and cash equivalents	130.6	127.8	430.1	227.4
Non-current assets held for sale	4.0	4.2	2.9	2.8
Total current assets	941.1	841.2	1,132.4	929.1
Total assets	2,789.6	2,884.9	3,067.0	2,853.7
Interest-bearing debts	104.0	69.6	366.3	209.2
Derivative financial liabilities	6.7	11.9	14.1	10.8
Trade payables	501.0	465.6	476.9	466.1
Accrued expenses and other payables	31.8	39.0	40.9	38.3
Employee benefit liabilities	47.9	55.1	52.5	48.1
Current tax liabilities	46.0	39.4	31.8	30.5
Provisions	8.6	24.4	18.5	19.7
Total current liabilities	746.0	705.0	1,001.1	822.7
Employee benefit liabilities	22.6	26.9	26.6	27.0
Interest-bearing debts	786.6	919.5	911.4	863.6
Deferred tax liabilities	49.9	34.7	29.2	29.3
Other payables	0.3	0.6	0.5	0.5
Total non-current liabilities	859.4	981.7	967.6	920.4
Total liabilities	1,605.4	1,686.7	1,968.7	1,743.1
Stockholder's equity	1,184.2	1,198.2	1,098.4	1,110.6
Total equity and liabilities	2,789.6	2,884.9	3,067.0	2,853.7

	Year ended December 31,			Three months ended March 31,	
	2018	**2019**	**2020**	**2020**	**2021**
			(€ in millions)		
Selected Cash Flow Statement Data:					
Net cash flow from operating activities	169.7	239.0	190.5	27.5	24.4
Net cash flow used in investing activities	(118.0)	(101.7)	(112.6)	(15.3)	(12.1)
Net cash flow from/(used in) financing activities	(39.6)	(141.0)	242.6	8.6	(215.5)
Net increase/(decrease) in cash and cash equivalents	12.1	(3.6)	320.5	20.8	(203.2)
Cumulative translation differences on cash movements	—	0.9	(18.2)	(10.5)	0.4
Cash and cash equivalents at end of period	130.6	127.8	430.1	138.1	227.4

	As of and for the year ended December 31,			As of and for the three months ended March 31,		As of and for the twelve months ended March 31,
	2018	2019	2020	2020	2021	2021
				(€ in millions)		
Other Financial Data:						
EBITDA[(1)]	209.7[(2)]	174.8	197.7	59.5	42.2	180.5
EBITDA margin[(3)]	9.1%[(2)]	7.7%	9.5%	10.4%	8.8%	9.1%
Adjusted EBITDA[(4)]	234.0[(5)]	245.1	235.6	66.0	49.6	219.1
Adjusted EBITDA margin[(6)]	10.2%[(5)]	10.7%	11.3%	11.5%	10.3%	11.0%
Cash and cash equivalents	130.6	127.8	430.1	138.1	227.4	227.4
Total financial debt[(7)]	890.6[(8)]	989.1	1,277.7	1,009.2	1,072.8[(9)]	1,072.8[(9)]
Net financial debt[(10)]	760.0[(11)]	861.3	847.6	871.1	845.4[(9)]	845.4[(9)]
Free cash flow[(12)]	66.1[(13)]	109.7	59.5	5.3	6.3	60.5
Income taxes paid	(39.1)	(42.3)	(33.3)	(10.7)	(5.6)	(28.2)
Capital expenditures	(103.8)	(103.9)	(105.6)	(15.8)	(12.2)	(102.0)

Notes:

(1) EBITDA is defined as earnings before net finance cost, income taxes, depreciation and amortization. See "—*Reconciliations of Non-IFRS Financial Measures*" below. EBITDA has not been audited. Please also see "*Presentation of Financial and Other Information—Other Financial Measures*" for information on the limitations of these measures as analytical tools.

(2) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, EBITDA for the year ended December 31, 2018 would have been €239.3 million and EBITDA margin would have been 10.4% (based on management estimates).

(3) EBITDA margin is defined as EBITDA divided by revenue.

(4) Adjusted EBITDA is defined as EBITDA before non-recurring income and expenses (which for the periods under review include 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; and impairment of assets and major litigations). See "—*Reconciliations of Non-IFRS Financial Measures*" below. Adjusted EBITDA has not been audited. Please also see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*" for information on the limitations of these measures as analytical tools.

(5) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, Adjusted EBITDA for the year ended December 31, 2018 would have been €263.6 million and Adjusted EBITDA margin would have been 11.5% (based on management estimates).

(6) We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenue.

(7) Total financial debt is defined as the sum of the current and non-current portions of interest-bearing debts.

(8) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, total financial debt as of December 31, 2018 would have been €1,038.2 million (based on management estimates).

(9) Excludes the repayment of €60.0 million in principal amount of borrowings outstanding under the Existing Revolving Credit Facility with cash on balance sheet, which occurred on May 10, 2021.

(10) Net financial debt is defined as total financial debt, net of cash and cash equivalents.

(11) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, net financial debt as of December 31, 2018 would have been €907.6 million (based on management estimates).

(12) 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 (defined as purchases of property, plant and equipment and intangible assets), less repayment of lease liabilities and including cash (used in)/from disposal. See "—*Reconciliations of Non-IFRS Financial Measures*" below.

(13) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, free cash flow for the year ended December 31, 2018 would have been €72.9 million (based on management estimates).

Reconciliations of Non-IFRS Financial Measures

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to operating profit for the periods indicated:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2018	2019	2020	2020	2021	2021
	(€ in millions)					
Operating profit	152.8	87.2	110.9	37.5	20.3	93.7
Depreciation and amortization	56.9	87.6	86.8	22.0	21.9	86.7
EBITDA	209.7[1]	174.8	197.7	59.5	42.2	180.5
Non-recurring income and expenses[2]						
Restructuring expenses	(17.0)	(57.6)	(19.9)	(5.3)	(5.6)	(20.2)
Acquisition-related expenses	2.5	(1.2)	(5.5)	—	(1.0)	(6.5)
Change in fair value of contingent consideration	(1.0)	—	—	—	—	—
Impairment losses[2]	(8.8)	(7.6)	(3.5)	—	(1.3)	(4.8)
Other[2]	—	(3.9)	(8.9)	(1.2)	(0.5)	(7.2)
Adjusted EBITDA	234.0[3]	245.1	235.6	66.0	49.6	219.1

Note:

(1) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, EBITDA for the year ended December 31, 2018 would have been €239.3 million (based on management estimates).

(2) For a description of the non-recurring income and expenses, please see Note 6.10 to our unaudited condensed consolidated interim financial statements included elsewhere in this document.

(3) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, Adjusted EBITDA for the year ended December 31, 2018 would have been €263.6 million (based on management estimates).

The following table presents a reconciliation of free cash flow to operating profit for the periods indicated:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2018	2019	2020	2020	2021	2021
	(€ in millions)					
Operating profit	152.8	87.2	110.9	37.5	20.3	93.7
Depreciation and amortization	56.9	87.6	86.8	22.0	21.9	86.7
EBITDA	209.7[(1)]	174.8	197.7	59.5	42.2	180.5
Non-cash items in cash flows from operating activities	7.5	30.3	4.1	(8.7)	0.4	13.2
Changes in working capital						
Inventories	(39.9)	49.8	(29.9)	(5.8)	(5.6)	(29.7)
Trade and other receivables and pre-paid expenses	24.5	44.4	(0.8)	(10.1)	11.0	(20.3)
Trade and other payables and accrued expenses	4.4	(25.1)	51.5	1.8	(13.6)	36.1
Employee benefit liabilities	2.6	7.0	1.2	1.6	(4.3)	(4.7)
Cash from operating activities before taxes	208.8	281.3	223.8	38.2	30.0	215.6
Income taxes paid	(39.1)	(42.3)	(33.3)	(10.7)	(5.6)	(28.2)
Net cash generated from operating activities	169.7	239.0	190.5	27.5	24.4	187.4
Capital expenditure[(2)]	(103.8)	(103.9)	(105.6)	(15.8)	(12.2)	(102.0)
Cash (used in)/from disposals	2.6	2.2	0.6	0.5	0.0	0.1
Repayment of lease liabilities	(2.4)[(3)]	(27.6)	(26.0)	(6.8)	(6.0)	(25.2)
Free cash flow	66.1[(4)]	109.7	59.5	5.3	6.3	60.5

Note:

(1) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, EBITDA for the year ended December 31, 2018 would have been €239.3 million (based on management estimates).

(2) Capital expenditure is defined as purchases of property, plant and equipment and intangible assets.

(3) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, repayment of lease liabilities for the year ended December 31, 2018 would have been €25.2 million (based on management estimates).

(4) Does not reflect the impact of IFRS 16 Leases, which came into effect on January 1, 2019. On a post-IFRS 16 basis, as if IFRS 16 Leases were in effect from January 1, 2018, free cash flow for the year ended December 31, 2018 would have been €72.9 million (based on management estimates).

RISK FACTORS

The occurrence of any of the events discussed below, as well as additional risks not currently known to us or that are presently deemed immaterial, may harm us. This document contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results expressed or implied in such forward-looking statements. Factors that might cause such differences include those discussed below. Please see "Forward-Looking Statements".

We cannot ensure that we will continue to have access to sufficient quantities of raw materials and our results of operations are exposed to fluctuations in raw materials prices.

We are dependent upon the availability of raw materials for the manufacture of our products. Raw materials and packaging costs accounted for between 70% and 75% of our cost of sales for the year ended December 31, 2020 and the year ended December 31, 2019. The key raw materials we use are fluff, super-absorbers, non-woven fabrics and polyethylene film.

Despite a trend toward industry consolidation among suppliers of our raw materials, we seek to maintain a diverse supplier base. Our top 10 suppliers accounted for 46% of total supplier spend in 2020 and, aside from a single contract covering approximately 11%, no single supplier accounted for more than 5% of total supplier spend. Nonetheless, we cannot ensure that our current suppliers will be able to supply us with sufficient quantities of raw materials at reasonable prices in the future. Furthermore, if we were to lose any of our suppliers, whether as a result of the commencement of bankruptcy proceedings, decisions by suppliers to allocate raw materials to other purchasers or otherwise, there can be no assurance that we will be able to replace any such suppliers or procure substitute raw materials in a timely manner, on acceptable commercial terms, or at all.

Furthermore, the raw materials we use 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 (including supplier capacity constraints); general economic conditions; commodity price fluctuations (particularly of crude oil); demand by other industries for the same raw materials; and the availability of complementary and substitute materials. In particular, certain chemicals used in our raw materials, including polyethylene, propylene and polypropylene (which is used in the production of non-woven fabrics), are derived from crude oil. Accordingly, fluctuations in the price of crude oil may lead to volatility in our raw materials costs. Furthermore, fluctuations in the U.S. Dollar/Euro exchange rate may also cause volatility in our raw materials costs, since we make purchases of fluff products in U.S. Dollars and since the reference currency for crude oil is the U.S. Dollar. See "—*We make substantial sales and purchases of raw materials in currencies other than Euros, which exposes us to risks resulting from exchange rate fluctuations*". In 2020, a reduction in global commercial and industrial activity due to COVID-19 impacted the prices for several of our primary raw materials, resulting in lower commodity index prices relative to prior periods. The loosening of COVID-related restrictions and resulting rebound in economic activity, among other things, subsequently caused prices to increase, and as of the date of this document index prices of our primary raw materials are higher than pre-pandemic levels. We generally purchase most of our raw materials against an index which is based on the average price for the previous quarter. Accordingly, as of the date of this document, the cost of our raw materials does not yet fully reflect the impact of the recent rise in commodity prices. We expect that our raw materials costs will temporarily increase as the index prices for our purchases of raw materials reflect current higher commodity prices, and we cannot assure that our raw materials costs will return to previous levels or that they will not increase further in the future, which would adversely affect our results.

The majority of our customer contracts are based on fixed pricing models and do not contain raw materials price indexation clauses. If we are unable to pass on increases in raw materials prices to our customers in a timely manner, we may experience lower margins. We may also lose customers and/or revenue to the extent our customers do not agree to price increases.

We seek to reduce a portion of our exposure to raw material price volatility through arrangements with our fluff suppliers that reduce our exposure to volatility in fluff prices as well as through hedging of propylene, polypropylene and polyethylene. There can be no assurance, however, that we will continue to hedge our exposure to volatility in raw material prices or that, where we plan to enter into a hedge, such arrangements will continue to be available to us on commercially reasonable terms or will effectively address the risks relating to fluctuations in raw material prices. Furthermore, while our fluff hedges currently qualify for hedge accounting treatment, there can be no assurance that this will continue to be the case. Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge will be recorded directly on the income statement. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations and ability to meet our profitability targets.

We make substantial sales and purchases of raw materials in currencies other than Euros, which exposes us to risks resulting from exchange rate fluctuations.

Although we prepare our financial statements in Euros, we make substantial sales and purchases of raw materials in currencies other than Euros. In the three months ended March 31, 2021 and the year ended December 31, 2020, we generated 54.1% and 52.7%, respectively, of our revenue in currencies other than Euros, principally Mexican Pesos, Brazilian Reals, U.S. Dollars, Pounds Sterling, Polish Zloty, Russian Roubles and Turkish Lira. A weakening of one or more of these currencies against the Euro necessarily reduces our revenues. We also make purchases of certain raw materials, primarily fluff, in U.S. Dollars. Fluff represented 17% and 18%, respectively, of our cost of raw materials (including packaging) for the three months ended March 31, 2021 and the year ended December 31, 2020. Purchases of oil-based raw materials also indirectly increase our exposure to the U.S. Dollar, since the reference price for crude oil is U.S. Dollars. Any strengthening of the U.S. Dollar against the Euro, or against any other currencies in which we generate revenues, would adversely affect our results of operations. Furthermore, as we expand our operations our exposure to foreign exchange rate movements and related risks will increase. For example, following our acquisitions in Brazil and Mexico, we have significant exposure to the Brazilian Real and the Mexican Peso, respectively, and in recent periods our revenues have been impacted by adverse exchange movements in these currencies relative to the Euro. Exchange rates have also recently become more volatile in certain other countries in which we operate, such as Turkey and Russia.

We entered into foreign exchange forward contracts in 2020 maturing at the latest in April 2022 in order to limit volatility in our business resulting from exposures to sales in Pounds Sterling, Polish Zloty and Australian Dollars as well as purchases in U.S. Dollars and Czech Crowns. Please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure About Market Risk—Foreign Exchange Risk*" for more information on our management of foreign exchange risk. There can be no assurance, however, that we will continue to hedge our exposure to foreign exchange rate fluctuations with such forward contracts or that such forward contracts will continue to be available to us on commercially reasonable terms or will effectively address the risks relating to fluctuations in foreign exchange rates. Furthermore, while the terms of our foreign currency forward contracts have been negotiated to match the terms of our forecasted transactions in the relevant foreign currency, enabling us to apply hedge accounting, there can be no assurance that these contracts will continue to qualify for hedge accounting treatment. Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge will be recorded directly on the income statement.

Foreign exchange rate fluctuations can also affect the relative competitive position of our various production facilities. Competitors that operate production facilities in different jurisdictions may benefit from foreign exchange rate fluctuations, thereby causing our products to become less attractive. This could particularly be the case for competitors with production facilities located outside the Eurozone, since a significant portion of our production facilities are located inside the Eurozone. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations and ability to meet our profitability targets.

We may experience disruptions at our production facilities or, in extreme cases, our production facilities may be shut down.

We have 19 production facilities located across five continents. Should a disruption occur at one or more of our production facilities, we could experience temporary shortfalls in production or an increase in our cost of sales or distribution expenses, which could have an adverse effect on our results of operations. In the case of fire, flood, storms, earthquakes, pandemics or other catastrophic events, we may be required to shut down the affected production facilities and there can be no assurance that we would be able to completely or partially utilize our other production facilities to compensate for or mitigate the effects of any such shutdowns. Any disruptions at or shutdowns of our production facilities could compromise our on-time delivery record and diminish our production capacity and thereby have a material adverse effect on our business, financial condition and results of operations. For example, following the outbreak and spread of COVID-19 in early 2020, we undertook various precautionary measures in our facilities, including in certain limited instances plant closures or reductions in capacity at certain facilities. While we were successful in reallocating production capacity and there was no impact to customer deliveries as a result of these measures, we cannot assure that we will always have the ability to redistribute our production in order to meet customer needs in the event of unforeseen plant closures or capacity reductions. Please also see "*—A global pandemic (or any disease outbreak, including epidemics, pandemics, or similar widespread public health concerns such as the recent COVID-19 pandemic) could have a material adverse effect on our business operations, results of operations, cash flows and financial position*".

We may be adversely affected by competition from branded product manufacturers and retailer brand manufacturers.

The categories in which we operate are mature and highly competitive, as a number of companies compete for consumer acceptance, limited retail shelf space and e-commerce opportunities. Because of the highly competitive environment in which we operate, as well as increasing retailer concentration, our retailer customers, including online retailers, frequently seek to obtain pricing concessions or better trade terms, resulting in either reduction of our margins or losses of distribution to lower-cost competitors. This is particularly true in our Europe division, where our revenues have in recent years been adversely impacted by new market entrants and related pricing pressures, which have contributed to contract losses to competitors.

Competition in our segments is based upon brand perceptions, product performance and innovation, customer service and price. Our ability to compete effectively may be impacted by a number of factors, including:

- certain of our competitors may have substantially greater financial, marketing, research and development and other resources and greater market share in certain segments than we do, which could provide them with greater scale and negotiating leverage with retailers and suppliers;
- our competitors may have lower production, sales and distribution costs, and higher profit margins, which may enable them to offer aggressive retail discounts and other promotional incentives;
- our competitors may be able to obtain exclusive distribution rights at particular retailers or favorable in-store placement;
- our retailers could reduce inventories, shift to different products, or require us to lower our prices to retain shelf placement of our products; and
- we may lose market share to other private label brands sold by retailer chains, or to value brands sold by local and regional competitors, which, in each case, may be sold at lower prices than our products.

We face competition from branded product manufacturers, who produce, promote and sell products under their own names or brands. Pure branded product manufacturers may have greater financial resources than we have. From time to time, they may increase their marketing and promotional activities in order to preserve market share and pricing for their products. For example, during periods of adverse economic conditions, branded product manufacturers may respond by introducing discounts on their products, which would negatively affect our margins. We also compete with retailer brand manufacturers, who primarily produce products on behalf of national and international retailers, who in turn promote and sell the products under their own brands or labels. Price is often a key consideration in purchasing retailer brand products and our retailer customers may lose market share to other retailers or brands whose products are priced more competitively than theirs, which could in turn adversely impact our sales.

We also face competition from both branded product manufacturers and retailer brand manufacturers in the area of product innovation. Rapid time to market for innovative products is key to our competitiveness, both against branded products and against manufacturers' retailer brand offerings. There can be no assurance that we will be able to launch innovative products in a timely or successful manner. There can also be no assurance that we will be able to obtain and license patents, trademarks and similar proprietary rights from third parties in order to respond to the innovations of our competitors. If we are unable to timely develop innovative products or are unable to obtain and license such proprietary rights, we may lose market share. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations and ability to meet our profitability targets.

If we are unable to maintain our on-time service delivery record, this could adversely affect our ability to attract new customers and retain existing customers.

Our ability to deliver our products on time is key to attracting new customers and retaining existing customers. On-time delivery is particularly important to our large retailer customers. Our ability to deliver products on time may be adversely affected by events or circumstances beyond our control, including, but not limited to, catastrophic events causing the shutdown of one or more of our production facilities, unforeseen increases in order volumes as a result of changes to the competitive landscape or otherwise, the failure of third-party freight carriers to meet scheduled delivery times, any prolonged shortage of freight capacity or other extended disruption of transport services or the failure of our IT platform. If we are unable to maintain our on-time service delivery record, we may be unable to attract new customers or retain existing customers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

A crucial component of our ability to meet our customers' on-time delivery requirements is our ability to maintain a robust and resilient supply chain, both for the raw materials required to manufacture our products and for the delivery of our finished products to customers. Any failure by our transportation and logistics providers to ensure a steady supply of raw materials to our facilities or timely deliveries of our products to customers, including as a result of labor disputes, significant changes in trade policy, shortages or other inability to procure sufficient shipping capacity, disruption or outage of information and data systems, natural disasters, increasing severity or frequency of extreme weather events due to climate change or otherwise, acts of war or terrorism, disease outbreaks or other external factors over which we have no control, could interrupt our continuous product supply and, if not effectively managed and remedied, could result in contract losses and could have an adverse impact on our business, financial condition, results of operations or cash flows.

Adverse developments with respect to the safety and quality of our products may damage our reputation, increase our costs of operations or decrease demand for our products, and increasingly stringent product safety regulations may subject us to significant costs and liabilities.

Product safety and the public's perception that our products are safe and high-quality are essential to our reputation and our business. We may be required to recall our products if they fail to meet our customers' quality standards and/or the applicable health and safety standards of the country in which a product is distributed, and we may be subject to product liability claims in connection with or independent of any product recall. We may incur significant expenditures as a result of product recalls or product liability claims. We may also suffer other commercial and financial consequences in connection with product recalls or product liability claims, including fines and payments to customers in respect of destroyed inventory, out-of-stock penalties and consumer complaints. Furthermore, if our products fail to meet our customers' specifications, the contracts governing such products may be terminated and we may not have an opportunity to provide conforming products. Any product recall or product liability claim against us could also subject us to adverse publicity which could harm our reputation and could ultimately adversely affect our business, financial condition and results of operations. Aside from legal obligations, we are also subject to and must consider consumer perceptions of our products' safety. Even if a claim regarding our products is unsuccessful or unwarranted, or is not formally pursued, the negative publicity surrounding such assertions could adversely impact our reputation and brand image and require significant resources to restore our reputation, which could have a material adverse effect on our business.

We are subject to medical device regulations in the markets in which we operate. Legislation concerning medical devices has a tendency to become broader and stricter over time, and enforcement has tended to increase. These regulations vary by jurisdiction and can change frequently, requiring continuous adaptation of our operations and processes to maintain compliance with these varying regimes. We cannot predict the amounts of any increases in capital expenditures or operating expenses that may be required to comply with applicable regulatory requirements, or whether these costs can be passed on to customers through price increases. We expect that future changes to existing or new regulations may affect our business and could lead to higher costs, or may result in adjustments to our business model. Additionally, in the future we may introduce and manufacture products categorized in stricter regulatory classes than the products we currently produce, which would subject us to increased regulation and scrutiny by competent regulatory authorities. Non-compliance with such laws and regulations may give rise to significant liability, including fines, damages, fees and expenses, and could restrict our access to relevant markets. Any increase in our cost of regulatory compliance, as a result of more burdensome regulations or the introduction of more highly regulated products, could have a material adverse effect on our business, financial condition and results of operations.

Additionally, the medical nature of our products makes their manufacture, packaging, labeling, storage, distribution, advertising and sale subject to extensive and increasing regulation. A number of our products are regulated by health authorities in the E.U., the U.S. and other jurisdictions, and by consumer protection organizations in these markets. These regulatory frameworks focus on our product ingredients, the overall safety and efficacy of our products, and our marketing and advertising. These regulatory frameworks exist at the supranational, national, state and local level in the markets where we sell our products. New or more restrictive regulations, or more restrictive interpretations of existing regulations, are likely and could lead to additional compliance costs and could have an adverse impact on our business.

As a “convertor” of complex articles, we are at the end of a long supply chain beginning with our basic raw materials, such as wood and oil derivates. We are required to demonstrate maximum transparency in defining different substances and in identifying potential contaminants in our products, to ensure that our products are always safe for end-consumers and compliant with relevant laws. The long, multi-stage supply chain and the potential for cross-contamination of our product components makes it difficult to guarantee the absence of certain trace chemicals in our products. Authorities have imposed greater transparency obligations on substances used in these products and from time to time have restricted the use of certain chemicals, which could impact future product developments by restricting the use of certain raw materials or suppliers. Close cooperation with our global suppliers is key to managing these changing regulatory requirements, and we cannot assure that we will be successful in doing so.

We rely on independent third-party certification to differentiate our products from others, and any failure to maintain these third-party certifications could adversely affect consumers’ perceptions of our products’ safety and quality. For example, we must comply with the requirements of independent organizations or certification authorities in order to label our products as certified (e.g. organic, originating from sustainable sources or the absence of certain chemicals) and we can lose our certifications if we use unapproved raw materials, or incorrectly use a certification on product labels or in marketing materials. The loss of any independent certification could adversely affect our market position and brand reputation as a maker of clean, safe, or environmentally friendly products, and our business, financial condition, results of operations and prospects could be adversely affected.

We may be subject to claims asserting the infringement of intellectual property rights and may be unable to protect our own intellectual property rights.

Our success depends in part on our ability to develop our own innovative products or to respond quickly to the introduction of innovative products by branded product manufacturers and retailer brand manufacturers. We have an internal intellectual property team which collaborates with various other departments to ensure that our products and features are compliant with third party intellectual property rights. Please see “*Business—Intellectual Property*” for more details of our intellectual property rights and the approach we take to intellectual property. Our intellectual property team uses internal (access to market databases) and external (intellectual property attorneys and consultants) resources to evaluate innovations and developments from an intellectual property perspective at the start of each new project. The team continues to discuss with our competitors the licensing of certain intellectual property rights in relation to our products and technologies. From time to time, we are subject to claims by third parties asserting the infringement of their intellectual property rights. While to date these claims have not been material to our business, any such future claims could lead to litigation, which could be long and costly, and the outcome of which may be uncertain. Furthermore, if we were required to obtain a license in respect of the disputed rights, there can be no assurance that such license would be available on commercially reasonable terms, if at all. Any detrimental decision in patent infringement litigation, or our inability to acquire intellectual property licenses on commercially reasonable terms, could have a material adverse effect on our business, financial condition and results of operations.

Additionally, we have obtained and applied for intellectual property rights in relation to our own products and will continue to evaluate the registration of additional intellectual property rights, as appropriate. We cannot guarantee, however, that any pending applications will be approved by applicable governmental authorities and, even if approved, third parties may seek to oppose or otherwise challenge the registrations. Failure to secure pending applications may limit our ability to protect the intellectual property rights that these applications were intended to cover. In addition, third parties may infringe our intellectual property rights, thereby causing us to lose sales and requiring us to expend significant effort and resources to pursue such parties, including through litigation, and limit or curtail such infringement. From time to time, we pursue legal remedies against certain third parties who we believe have infringed our intellectual property rights. We cannot guarantee that any such legal action will be successful in preserving our intellectual property rights or in preventing unauthorized third-party use.

We may not be successful at retaining our key customers.

Our top 10 customers by revenue accounted for 33% of our revenues for the year ended December 31, 2020. Our largest customer accounted for 5.9% of our revenues over the same period. While we believe we benefit from a diversified customer base, in particular given our recent expansion into new markets, we are nonetheless subject to regular renewals and competitive tender processes with these customers which could result in contract losses that, individually or in the aggregate, could materially impact our results.

We enter into framework agreements with the majority of our retail customers and distributors. These agreements are generally on a non-exclusive basis and contain, in general, no minimum purchase obligations. These agreements typically do not have a fixed term, and when they do, the term is generally one to two years. Some of these agreements are automatically renewed or continue indefinitely, unless either party terminates. As a result of the non-exclusive basis on which we contract with our customers, as well as the competitive markets in which we operate, our key customers may have stronger bargaining power and may use this leverage to demand higher discounts or allowances, which could adversely impact our margins. In some cases, when we attempt to increase our prices, we may lose customers. During the year ended December 31, 2020, net contract losses (i.e. losses of customer contracts not offset by renewals or new contract wins), particularly in our Europe division, contributed to the decline in our consolidated revenues. Such contract losses can occur for a variety of reasons, including as a result of our inability to meet a customer's product, price or volume requirements, for instance if a competitor offers a new, innovative product at a competitive price or a customer refuses to agree to price increases required as a result of rising raw materials costs. If we lose one or more of our key customers, or if any of our key customers demand higher discounts or allowances, this could have a material adverse effect on our business, financial condition and results of operations.

We may fail to realize the anticipated business growth opportunities, revenue benefits, cost synergies, operational efficiencies and other benefits anticipated from, or may incur unanticipated costs associated with, potential future acquisitions and divestitures.

From time to time, we evaluate possible acquisitions that would complement our existing operations and enable us to grow our business, or sales of existing assets or non-core lines of business no longer consistent with our strategic direction. For example, in 2020 we acquired the US feminine hygiene assets from Albaad Massuot Yitzhak Ltd. in Rockingham County to further develop our North American business. As part of a broad strategic reevaluation of our portfolio, we are also actively considering options to create value for the Group, including exiting from certain geographies, lines of business or sales channels that do not form a core part of our renewed focus. See "*Business—Strategies—Focused Portfolio—Divest Certain Non-Core Assets*". The success of any acquisition depends on our ability to integrate acquired businesses effectively. The integration of acquired businesses, or the spin-off and sale of existing businesses or assets, may be complex and expensive and may present a number of risks and challenges, including:

- the diversion of management time, effort and attention from existing business operations;
- the possible loss of key employees, customers or suppliers;
- the unanticipated loss of revenue or increase in operating or other costs;
- the challenge of developing an understanding of, and new technical skills with respect to, any acquired business;
- the assumption of debt or other liabilities of an acquired business, including litigation related to the acquired business;
- the challenge of realizing a satisfactory purchase price for, and the potential assumption of contingent liabilities and indemnification obligations in respect of, any divested assets or business; and
- expansion into new geographical markets, which may require us to cooperate with local partners with whom we have not previously done business and may subject us to local regulations that may be more onerous than the regulations to which we are subject in our existing geographic markets.

Integrating any acquired business or divesting existing assets may result in additional unforeseen difficulties or liabilities and could impact the effectiveness of our internal controls over financial reporting. A divestiture of assets below book value would result in losses. Furthermore, there can be no assurance that we will realize any or all of the anticipated benefits of any future acquisitions or divestitures, including any expected business growth opportunities, revenue benefits, cost savings or synergies and other operational efficiencies. Any of the foregoing or other factors could have a material adverse effect on our business, financial condition and results of operations.

A global pandemic (or any disease outbreak, including epidemics, pandemics, or similar widespread public health concerns such as the recent COVID-19 pandemic) could have a material adverse effect on our business operations, results of operations, cash flows and financial position.

Our business may be negatively impacted by the fear of exposure to or actual effects of a disease outbreak, epidemic, pandemic or similar widespread public health concern, such as travel restrictions, business closures or recommendations or mandates from governmental authorities to avoid large gatherings or to self-quarantine, for example as a result of the coronavirus (COVID-19) pandemic. These impacts include, but are not limited to:

- significant reductions in demand or significant volatility in demand for one or more of our products, which may be caused by, among other things, the temporary inability of consumers to purchase our products due to illness, quarantine or other travel restrictions, or financial hardship, shifts in demand away from one or more of our more discretionary or higher priced products to lower priced products, or stockpiling or similar pantry-loading activity. If prolonged, such impacts can further increase the difficulty of business or operations planning and may adversely impact our results of operations and cash flows;
- inability to meet our customers' needs and achieve cost targets due to disruptions in our manufacturing and supply arrangements caused by constrained workforce capacity or the loss or disruption of other essential manufacturing and supply elements such as raw materials or other finished product components, transportation, or other manufacturing and distribution capability;
- failure of third parties on which we rely, including our suppliers, contract manufacturers, distributors, contractors, commercial banks and external business partners, to meet their obligations to us, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties and may adversely impact our operations; or
- significant changes in the political conditions in markets in which we manufacture, sell or distribute our products, including quarantines, import/export restrictions, price controls, or governmental or regulatory actions, closures or other restrictions that limit or close our operating and manufacturing facilities, restrict our employees' ability to travel or perform necessary business functions, or otherwise prevent our third-party partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale, and support of our products, which could adversely impact our results of operations and cash flows.

Despite our efforts to manage and remedy these impacts, their ultimate impact also depends on factors beyond our knowledge or control, including the duration and severity of any such outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects.

Our business is subject to numerous risks as a result of our having significant operations and sales in international markets.

We operate 19 production facilities and have 28 sales and marketing teams located across Europe, Africa, the Americas and Asia & Oceania through which we make sales in more than 110 countries worldwide. As a result, we are subject to economic, regulatory, political and other risks associated with operating internationally. As we expand our operations in emerging and developing markets (including the opening of a production plant in Ethiopia in 2017 for the manufacturing of baby diapers that are specifically designed to meet the needs of African families), our exposure to these risks increases. Therefore, our business may be adversely affected by economic, regulatory or political conditions or instability in any of the jurisdictions in which we operate or plan to operate, including financial crises, inflation or hyperinflation, currency devaluations, expatriation of cash, civil unrest, acts of terrorism, wars, international conflicts, difficulties in enforcement of contractual obligations (including in respect of payments and receivables and intellectual property rights), difficulties in adopting or complying with or changes in applicable local and international laws or regulations (including environmental laws and regulations and permit and authorization regimes and as a result of new interpretations and more rigorous enforcement, as well as anti-corruption, anti-money laundering and economic sanctions laws and regulations), nationalization of property without fair compensation, corruption and extortion, and greater and tighter government regulation on cross-border trading, production and pricing. Furthermore, many emerging markets do not possess the full business, legal and regulatory infrastructure that would generally exist in more mature free market economies. In addition, the taxation, currency and customs legislation within such markets are subject to varying interpretations and changes, which can occur frequently and unpredictably.

Following our recent expansion into Latin America, in particular through acquisitions in Brazil and Mexico, we have significant exposure to these markets and our business, financial condition and results of operations could be materially impacted by adverse political, social or economic developments in these countries. In particular, we are subject to currency volatility in these countries, and in prior periods significant weakening of the Brazilian Real and Mexican Peso relative to the Euro have adversely impacted our results. In addition, we derive a portion of our revenue from the Middle East and Africa, regions in which we have made significant investments and are targeting for continued growth. In particular, we currently operate facilities in Algeria, Turkey, Pakistan and Ethiopia and generate sales in those countries and surrounding countries. During the past few years, there has been significant political and social unrest across the Middle East and Africa and political systems across the region have been and continue to be unstable. Furthermore, a deterioration of relations between any of these countries and Western countries generally could indirectly affect our business.

As we are operating around the globe, we also need to ensure the personal safety of our employees in production and other facilities and during travel to high-risk locations. If we are not able to safeguard our employees, this may lead to reputational damage and difficulties in hiring people.

Any such conditions or instability could impact our operations and result in additional expenditure and other commercial and financial impacts being incurred by us in order to comply with or adapt to such conditions or instability and consequently this could have a material adverse effect on our business, financial condition and results of operations.

Changes in customer and end-consumer requirements may negatively impact our sales.

Our ability to timely respond to changing customer and end-consumer requirements is key to retaining and growing our business. Changes in the policies and requirements of our customers, particularly our retailer customers, may negatively impact us. These could include, among other things, changes with regard to inventory destocking, limitations on access to shelf space and the removal of our products, and additional requirements related to safety, environmental, social and other sustainability issues. Changes in end-consumer requirements could include, among other things, changes in favored sales channels (e.g. through a shift to e-commerce versus traditional brick-and-mortar retailers), product innovations and enhanced consumer focus or changing attitudes on safety, environmental, social and sustainability issues. In particular, increasing consumer awareness and rising demand for eco-friendly products has required us to invest significantly in developing products made with organic, recycled, sustainable or environmentally friendly materials. Even if we are successful in creating innovative products that meet consumers' evolving requirements in this regard, we cannot assure that sales of such products or our margins thereon will be sufficient to offset any resulting decline in sales of our traditional products. If sales of our products materially decrease or cease as a result of changes to any customer or end-consumer requirements or our inability to respond adequately to such changes, this could have a material adverse effect on our business, financial condition and results of operations.

Additionally, sales of disposable hygiene products via e-commerce has increased in adoption and importance among market participants as more consumers purchase these goods through e-commerce channels. We and our retailer customers are engaged in e-commerce sales channels with respect to many of our products; however, if e-commerce and other sales channels were to take significant market share away from traditional brick and mortar retailers, and if we or our retailer customers are not successful in achieving sales growth in e-commerce, our business, financial condition and results of operations may be negatively impacted. While we are establishing an e-commerce footprint, there can be no assurances that these initiatives will be successful.

Governments may reduce their spending on healthcare, which could adversely affect the business that we do with public institutions.

A significant portion of the customers in our Healthcare division are government and health administration authorities and other third-party payers. Consequently, sales through that division, which are largely of Adult Incontinence products, depend, in part, on the extent to which payments and reimbursements for our products are available from these customers. Given pressure to reduce government spending in many countries, payments or reimbursements for our products may be delayed, reduced or cancelled, governments could default or the collection of outstanding accounts receivable could become more difficult. Through our subsidiary Serenity S.p.A. ("**Serenity**"), an Italian seller of incontinence products, we are particularly exposed to this risk, since Serenity currently generates more than half of its revenue from public tender contracts with regional health authorities. Governments are also increasing pressure to move away from single use products.

We have to date been successful in partially mitigating the reduction or cancellation of government payments or reimbursements for these products through product upselling and an increase in sales of our Adult Incontinence products via self-pay channels, such as drugstores, pharmacies, e-commerce and retail outlets. There can be no assurance, however, that we will be successful in offsetting further reductions or cancellations of payments or reimbursements, or that any resulting loss in revenue will be fully compensated by an increase in sales through our other channels. Any reduction or cancellation of payments or reimbursements for Adult Incontinence products sold through the Healthcare division could have a material adverse effect on our business, financial condition and results of operations.

We rely on key personnel and on our ability to attract and retain employees.

The successful management and operation of our business depends in part upon the contribution of our executive management team and other key personnel. In addition, our future success depends in part on our ability to continue to recruit, train, motivate and retain employees. The loss of, or diminution in, service of any of our executive management team or other key personnel, or our inability to attract and retain new employees, could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to losses that might be completely or partially uninsured.

We maintain insurance policies with respect to certain operating risks, including product liability, damage to property (including buildings, plants, machinery and stock, including as a result of catastrophic events such as fire, flood, storms and earthquakes), industrial accidents and directors' and officers' liability. There can be no assurance that the level of insurance we maintain is appropriate for the risks to our business or adequate to cover all potential claims. Certain types of losses (such as freight losses and losses resulting from terrorist activities and wars) are not covered by our insurance policies and may be either completely or partially uninsurable or not insurable on commercially reasonable terms. A completely or partially uninsured loss suffered by us could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to extend, renew or renegotiate our collective bargaining agreements or if our relationship with our employees or trade unions deteriorates, our business could be adversely affected, and we may incur material one-off costs associated with reductions in our workforce.

We had an average of 9,927 full-time equivalent employees during the year ended December 31, 2020. A majority of our employees in Belgium, France, Spain, Italy and Germany are covered by collective bargaining agreements or represented by trade unions, local works councils or the European Works Council. Additionally, a large portion of our workforce in Turkey, Algeria, Mexico and Brazil is covered by collective bargaining agreements. In the Czech Republic, a minority of employees are represented by a trade union.

While certain of our collective bargaining agreements are for an indefinite duration, others need to be renewed from time to time. In the past five years, we have successfully concluded and/or renegotiated collective bargaining agreements without material work stoppages. See "*Business—Employees*" for further details of our collective bargaining agreements. Although we have not experienced difficulties in the past in renewing our collective bargaining agreements on acceptable terms, there can be no assurance that we will be able to continue to do so in the future.

Furthermore, in the future, should there be significant industrial action, disruptive works council activity or disturbances across our workforce, we could experience a disruption of operations and increased costs as a result. Although we can generally shift production to other facilities that are not affected by industrial action, there can be no assurance that we will be able to do so in all cases.

Our business may also be adversely affected as a result of a deterioration of our relationship with our employees, trade unions and other employee representative bodies. We continuously seek to optimize our operating efficiency, including by rationalizing our manufacturing footprint, and we have closed production facilities in the past and may do so in the future. As part of a broad strategic reevaluation of our portfolio and the realignment of our business divisions, we have reviewed our global footprint and are actively considering the best options to create value for the Group, including exiting from certain geographies, lines of business and sales channels that do not form a core part of our renewed focus. See "*Business—Strategies—New Culture—Roll Out New Organizational Model and Performance*

Culture" and "*Business—Strategies—Focused Portfolio—Divest Certain Non-Core Assets*". These strategic changes in our business may entail the closure of certain production facilities and the consolidation of certain of our head office functions, either of which may result in meaningful headcount reductions. We may incur one-off costs in connection with the implementation of these initiatives, including in relation to employee severance and required social security payments, and these costs could be material. Further, we may face industrial action or employees may otherwise oppose the closure of production facilities. Any such actions could result in a deterioration of our relationship with our employees. Any deterioration in our relationships with employees, trade unions, local work councils or the European Works Council could have a material adverse effect on our business, financial condition and results of operations.

Increasing labor costs may adversely affect our profitability.

An increase in our labor and employee benefit costs could adversely affect our profitability. Most of the factors affecting labor costs are beyond our control and we may not be able to adjust our pricing to reflect an increase in labor costs. A shortage of qualified employees, general inflationary pressure on wages or an increase in national minimum wages or industry or union agreed wages in any of the jurisdictions in which we operate could increase our labor costs and have a material adverse effect on our business, financial condition and results of operations.

Failure of our information systems and software could adversely affect our operations.

Our business is dependent on the effective operation of our information technology, databases, telecommunications networks, computer systems and other infrastructure, in particular the IT platform we use to manage our operations, including sales, customer service, logistics and administration. Any failure of our information technology networks and systems (or those of our third-party service providers) could result in unforeseen expenses, disrupt our operations (via operational outages or aberrations or otherwise) and adversely affect our relationships with our customers, suppliers and others. In addition, our information systems may be subject to damage or unanticipated interruptions from security breaches, computer viruses, computer system or network failures, fire, flood, storms and other natural disasters, power loss, operator negligence, physical or electronic loss of data, telecommunications failures, vandalism or other extraordinary events. Although we are in the process of implementing a formal business continuity program, until such program is complete and the required technology refinements fully implemented, we can provide no assurance that any such failure, damage or interruption would not have a material adverse effect on our operations and thereby our business, financial condition and results of operations.

Further, our systems and networks, as well as those of our retailer customers, suppliers, service providers, and banks, may become the target of advanced cyber-attacks or information security breaches which will pose a risk to the security of our services, systems, networks and supply chain, as well as to the confidentiality, availability and integrity of data of our Company, employees, customers or consumers, and disrupt our operations or damage our facilities or those of third parties. As cybersecurity threats rapidly evolve in sophistication and become more prevalent across the industry globally, we are continually increasing our attention to these threats. We assess potential threats and vulnerabilities and make investments seeking to address them, including ongoing monitoring and updating of networks and systems, increasing specialized information security skills, deploying employee security training, and updating security policies for our Company and our third-party providers. However, because the techniques, tools and tactics used in cyber-attacks frequently change and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures or fully mitigating harms after such an attack. As a result, a cyber-attack could negatively impact our net sales and increase our operating and capital costs. In addition, our employees frequently access our suppliers' and customers' systems and we may be liable if our employees are the source of any breaches in these third-party systems. It could also damage our reputation with retailer customers and consumers and diminish the strength and reputation of our brands, or require us to pay monetary penalties.

Periodically, we also need to upgrade our information technology systems or adopt new technologies. If such a new system or technology does not function properly or otherwise exposes us to increased cybersecurity breaches and failures, it could affect our ability to order materials, produce and ship orders, and process payments in addition to other operational and information integrity and loss issues. The costs and operational consequences of responding to the above items and implementing remediation measures could be significant and could adversely impact our results.

A breach of data privacy regulations may result in significant fines and penalties, affect our reputation and adversely affect our business.

In the conduct of our business, we collect, use, transmit and store data in our technology systems. This data includes confidential information belonging to us, our customers and other business partners, as well as personally identifiable information of individuals, including our employees. Although there is a particular focus on the European General Data Protection Regulation ("**GDPR**"), several other countries in which we operate have also recently adopted similar data protection legislation, including Brazil (LGPD), Turkey (KVKK) and others. While this legislation varies by country or region, it is often comprehensive and becoming more complex. There has also been a recent trend toward more stringent enforcement of requirements regarding protection of personal data under these regimes, and our failure to comply with these regulations could subject us to significant monetary forfeitures and other penalties. In particular, through our Healthcare division, we routinely process and retain sensitive personal data, including specific information regarding individuals' health histories or medical conditions, which we request in order to recommend the most appropriate Adult Incontinence products for each individual. The processing and storage of such information is highly regulated under GDPR and other applicable privacy regimes, and any mishandling of this data could subject us to significant regulatory penalties or civil liabilities. As such, any breach in data privacy protection regulations could have a material adverse effect on our business and could lead to a negative reputational impact.

Climate and environmental expectations and requirements may negatively affect our business and results of operations.

Climate change resulting from increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere could present risks to our operations, including an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. Natural disasters and extreme weather conditions, such as a hurricane, tornado, earthquake, wildfire or flooding, may pose physical risks to our facilities and disrupt the operation of our supply chain.

Concern over climate change may also result in new or additional legal or regulatory requirements designed to reduce greenhouse gas emissions and/or mitigate the effects of climate change on the environment. If such laws or regulations are more stringent than current legal or regulatory obligations, we may experience disruption in, or an increase in the costs associated with sourcing, manufacturing and distribution of our products, which may adversely affect our business, results of operations or financial condition.

We are furthermore subject to the risk that we would not be able to respond in a timely manner to climate and environmental expectations and requirements from our customers, governments and other stakeholders. This is particularly relevant in relation to certain sensitive raw materials which we require to manufacture our products and produce disposable finished products, such as paper pulp and plastics. Restrictions or bans on the sale of single-use plastics have been increasing in certain parts of the world and represent one of our primary challenges in coming years. Heightened consumer scrutiny of disposable products and packaging (in particular plastics), and increased consumer demands with respect to sustainable, recyclable and eco-friendly products could ultimately require us to incur significant costs in substituting certain materials or designing new products. We cannot assure that we will be successful in sourcing alternate materials or developing sustainable products, or that we will be able to pass on any increased costs of such products to our customers. We are at risk of losing market share if stakeholder expectations cannot be met at a competitive price. New regulations in this respect may also increase the cost of doing business.

Adverse publicity and the use of social media may adversely affect our reputation or subject us to fines or other penalties.

We may be subject to adverse publicity relating to, among other things, our product quality, brands, customer complaints, production facilities and employee relationships. Adverse publicity may negatively impact our reputation, regardless of whether the allegations are valid. The negative impact of adverse publicity relating to any of our products, brands or production facilities may extend far beyond the product, brand or facility involved to affect some or all of our other products, brands and facilities. Any such adverse publicity may have a material adverse effect on our business, financial condition and results of operations.

We use third-party social media platforms as, among other things, marketing tools. For example, we maintain Instagram, Facebook, LinkedIn and YouTube accounts. As existing e-commerce and social media platforms continue to rapidly evolve and new platforms develop, we must continue to maintain a presence on these platforms and establish presences on new or emerging social media platforms. As laws and regulations and public opinion rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices or otherwise could subject us to regulatory investigations, class action lawsuits, liability, fines or other penalties and have an adverse effect on our business, financial condition and results of operations.

Negative commentary regarding us, our products and other third parties who are affiliated with us may also be posted on social media platforms and may be adverse to our reputation or business. It is not possible to prevent such behavior, and the precautions we take to detect and respond to this activity may not be effective in all cases. Consumers rely increasingly on social media platforms for readily available information and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate, without affording us an opportunity for redress or correction.

Changes in assumptions underlying the carrying value of our assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.

As of December 31, 2020, we had goodwill and other intangible assets of €1,160.2 million, representing 37.8% of our total assets. There can be no assurance that we will not in the future be required to recognize an impairment charge in respect of our goodwill or other intangible assets.

Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are tested at least annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might 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. Goodwill on acquisitions of subsidiaries is included in intangible assets and is tested annually for impairment and carried at cost less accumulated impairment losses.

Although we did not recognize any impairments in respect of goodwill or other intangible assets during the years ended December 31, 2020, 2019 or 2018, there can be no assurance as to the absence of significant impairment charges in the future, especially if market conditions were to deteriorate. While impairments do not affect our cash flows, a small impairment charge relative to the total amount of goodwill could, given the significant amount of goodwill recorded on our statement of financial position, adversely affect our operating profit and equity. For instance, an impairment charge in the amount of 10% of the goodwill on our balance sheet as of December 31, 2020 would have resulted in a 99.8% reduction in our operating profit for the year ended December 31, 2020 and a 10.1% reduction in our equity as of December 31, 2020. Therefore, a goodwill impairment could have a material adverse effect on our business, financial condition and results of operations.

Changes in tax rates, tax liabilities or tax accounting rules could affect future results.

As a multi-national company, we are subject to taxation in various jurisdictions. Significant judgment is required to determine worldwide tax liabilities, including, among other reasons, because tax laws and regulations in effect in the various countries in which we operate do not always provide clear and definitive guidelines. Our effective tax rates and tax exposure could be affected by changes in the composition of our earnings in countries or jurisdictions with higher or lower tax rates, changes to transfer pricing rules, changes in the valuation of our deferred tax assets and liabilities, our ability to utilize tax losses and tax credits (of which we had €557.3 million as of December 31, 2020) or changes in the tax laws and the way such tax laws are applied by tax administrations (possibly with retroactive effect), including through tax rulings issued by the relevant competent tax authorities.

In addition, we are subject to regular audits of our income tax returns by the tax authorities in the various countries in which we operate. From time to time various governments make substantive changes to tax rules and the application of rules to companies, including changes potentially impacting our ability to defer taxes on international earnings. We regularly assess the likelihood of favorable or unfavorable outcomes in tax audits and amendments to tax laws and regulations in order to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, there can be no assurance that any final determination will not be materially different from the treatment reflected in our historical income tax provisions and accruals. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks from legal and arbitration proceedings, which could adversely affect our results of operations and financial condition.

From time to time we are involved in labor, tax and commercial legal proceedings, the outcomes of which are difficult to predict. We could become involved in legal disputes in the future which may involve substantial claims for damages or other payments. Although individually these proceedings do not typically involve substantial amounts, in the aggregate such proceedings or any increase in the number of such proceedings may have a material adverse effect on our business, results of operations and financial condition.

In the event of a negative outcome of any material legal proceeding, whether based on a judgment or a settlement agreement, we could be obligated to make substantial payments, which could have a material adverse effect on our business, results of operations and financial condition. In addition, the costs related to litigation proceedings may be significant. Even if there is a positive outcome of such proceedings, any negative publicity surrounding assertions against our business or products could adversely affect our reputation and we may still have to bear part or all of our advisory and other costs to the extent they are not reimbursable by other litigants, insurance or otherwise, which could have a material adverse effect on our business, results of operations and financial condition. See "*Business—Legal Proceedings*".

We are subject to certain competition and antitrust laws.

Our business is subject to applicable competition and antitrust laws, as well as rules and regulations of the European Union. We may become subject to legal action or investigations and proceedings by national and supranational competition and antitrust authorities for alleged infringements of antitrust laws, which could result in fines or other forms of liability, or otherwise damage our business reputation, which could have a material adverse effect on our business, results of operations and financial condition. For example, in 2018 COFECE, the Mexican antitrust authority, opened an investigation in relation to potential anticompetitive conduct among manufacturers in the personal hygiene industry in Mexico, including Grupo Mabe, which we acquired in 2016. The investigation relates to periods prior to our acquisition of Mabe, and we have been proactively and fully cooperating with COFECE in its investigation. While this investigation is ongoing, we do not believe that it will result in material liabilities for Ontex. Please see "*Business—Legal Proceedings*". However, we cannot assure that we will not be subject to similar investigations in the future or that such investigations will not result in significant monetary penalties or other remedies. Such laws and regulations could limit or prohibit our ability to grow in certain markets, in particular markets characterized by a high degree of industry consolidation.

We are exposed to general counterparty risk.

We have contracts with a variety of third parties including, among others, customers, suppliers and hedging counterparties. We do not have control over the management or business of these third parties except indirectly through terms we negotiate in our contracts with these third parties and we are exposed to risks associated with the financial condition of these third parties. If any of these third parties experience financial difficulties or changes or terminates its contractual commitments to us, we may incur costs enforcing our contractual rights and we may incur significant losses from our exposure to third parties. This could materially adversely affect our business, financial condition and results of operations.

We are subject to interest rate risks.

We are subject to interest rate risks as we have certain interest determined on a variable basis, either through unhedged variable rate debt or derivative hedging contracts, that could lead to a material increase in our obligations. Furthermore, there can be no assurance that we will, or will be able to, hedge our full exposure or that our hedging transactions will be effective. The use of derivatives is a highly specialized activity that involves investment techniques and risks different from those associated with our ordinary business. Depending on market conditions and movements in interest rates, our use of hedging transactions could enhance or harm our overall performance compared to our competitors. In addition, we are subject to the creditworthiness of the counterparties under our hedging transactions, and we will be exposed to the risk of insolvency or default on the part of our hedge counterparties.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with, and is qualified in its entirety by reference to, our unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2021 and the related notes thereto included elsewhere in this document, and our audited consolidated financial statements as of and for the years ended December 31, 2020, 2019 and 2018 and the related notes thereto, in each case included in the annual report corresponding to such year and available on our website at https://ontex.com/investors/. The following discussion should also be read in conjunction with "Presentation of Financial and Other Information" and "Summary Historical Consolidated Financial Information and Other Data".

In the following discussion, we present certain information by product, by division and by geography. Effective January 1, 2019, the Group has three commercial divisions, whereas prior to that date, it had five commercial divisions. For ease of comparison across periods, we have elected to present the Group's results of operations for the years ended December 31, 2020, 2019 and 2018 based on the Group's current divisional structure, and as a result the Group's divisional results for the year ended December 31, 2018 are presented herein as if the Group's current divisional structure had been in place for such period.

Except for the historical information contained herein, the discussions in this section contain forward-looking statements that reflect our plans, estimates and beliefs and involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this document, particularly in "Risk Factors" and "Forward-Looking Statements".

Overview

We are a leading international provider of personal hygiene solutions, with a focus and expertise in Baby Care, Adult Incontinence and Feminine Care products. Our products are distributed in more than 110 countries, both through leading retailer brands and through our own brands such as bbTips, BioBaby, Pompom, Bigfral, Canbebe, Canped, ID, Cremer, Affective, Chicolastic and Serenity. Headquartered in Belgium, we manufacture and supply retailer brands, partner brands and our own Ontex brands in Baby Care, Adult Incontinence and Feminine Care to consumers and customers in Europe, the Americas, the Middle East, Africa, Asia and Australia, and as of March 31, 2021 employed approximately 9,600 people globally.

We primarily sell products to large retailers to be sold under their brands ("**retailer brands**") and a range of own-brand products under our proprietary labels ("**Ontex brands**"), with the mix between retailer brand and Ontex brand sales varying by product category and geography. In Europe, we primarily sell our products to retailers, manufacturing products to be sold under established retailer brands and helping them to establish or enhance their own brands. We believe that we are the largest supplier of retailer brand personal hygiene products in Europe by sales, with a market share we estimate to be around double that of the second-largest supplier of retailer brands in the same region. We also sell Ontex brand products to institutional and other customers (such as drugstores and specialty medical retailers), in particular through our Healthcare division. Outside of Europe, our sales mix varies by geography and the maturity of a given market. For instance, in North America we sell retailer brand products, and have also begun to capitalize on shifts in consumer preference by partnering with third-party brands which are mostly active in the lifestyle market ("**third-party brands**"); in selected other markets across the Americas, the Middle East, Africa and Asia, we primarily sell Ontex brand products. We also sell a small amount of finished products to other manufacturers, which is referred to as contract manufacturing. For the three months ended March 31, 2021 and the year ended December 31, 2020, respectively, 52% and 54% of our revenue was generated from retailer brands (including third-party brands and our contract manufacturing activities), with the remaining 48% and 46% being generated from Ontex brands.

Our commercial activities are organized across three divisions, namely (i) Europe, (ii) Americas, Middle East, Africa and Asia, and (iii) Healthcare:

- Our Europe division is predominantly focused on the production and sale of retailer brands in Western, Central and Eastern Europe, Russia, Australia and New Zealand. Our contract manufacturing activities also fall within this division. The Europe division accounted for 40.0% of our revenue for the three months ended March 31, 2021, and 41.8% of our revenue for the year ended December 31, 2020;

- Our Americas, Middle East, Africa and Asia (or "**AMEAA**") division is predominantly focused on the production, marketing and sales of our own local or regional brands, with the notable exception of North America, where we primarily sell retailer brands and third-party brands. We conduct our sales and marketing activities through dedicated teams in North America, Mexico and Central America, South America, and the Middle East, Africa and Asia. The AMEEA division accounted for 37.3% of our revenue for the three months ended March 31, 2021 and 37.1% of our revenue for the year ended December 31, 2020; and
- Our Healthcare division is focused on institutional customers (e.g. hospitals, nursing homes and homecare channels) to which we sell Ontex expert brands and distributor brands. Marketing is organized at the divisional level, with dedicated support at the area level. Sales activities in Healthcare are split into three geographical areas: (i) Australia and New Zealand, (ii) France, Belgium, The Netherlands and Luxembourg, Germany, the United Kingdom & Ireland and distributors and (iii) Italy and Iberia. The Healthcare division accounted for 22.7% of our revenue for the three months ended March 31, 2021 and 21.1% of our revenue for the year ended December 31, 2020.

In addition, our operations activities (including our procurement, manufacturing, supply chain, engineering, quality assurance and EH&S functions) are consolidated into our Group Supply function. This centralized set-up ensures that we drive scale and productivity across our global operations, thanks to our end-to-end ownership of the product lifecycle: the creation of the right products, at the right cost, with the right materials and the right technologies, with a constant focus on product quality and safety.

Our core product categories include:

- Baby Care, which includes baby diapers, baby pants and wet wipes. Baby Care products accounted for 53% of our revenue for the three months ended March 31, 2021 and 56% of our revenue for the year ended December 31, 2020;
- Adult Incontinence, which comprises light, medium and heavy incontinence solutions for sale to both retail and specialized (e.g. healthcare institutions and pharmacies) channels. Our Adult Incontinence products include adult diapers, adult pants, pads and underpads. We also offer continence care services to support healthcare institutions (e.g. Odobin). Adult Incontinence products accounted for 35% of our revenue for the three months ended March 31, 2021 and 33% of our revenue for the year ended December 31, 2020; and
- Feminine Care, which includes a range of products such as ultra-towels, fluff towels, panty liners and tampons, sold through both retailer brands and our own Ontex brands. Through a broad range of Feminine Care products, 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 and in a variety of circumstances. Feminine Care products accounted for 10% of our revenue for the three months ended March 31, 2021 and 10.2% of our revenue for the year ended December 31, 2020;
- Other products, which comprise complementary personal hygiene products, including face masks, gloves, body washes and skin care products. These are mostly traded products, purchased by us from third parties and sold commercially. Other products accounted for 2% of our revenue for the three months ended March 31, 2021 and 1.6% of our revenue for the year ended December 31, 2020.

We are headquartered in Erembodegem (Aalst), Belgium and have a well-balanced manufacturing and sales footprint. We have 19 production facilities located across Europe (including two in Belgium, one in the Czech Republic, one in France, two in Germany, one in Italy, one in Poland, and one in Spain), Turkey, Algeria, Russia, Australia, Pakistan, Ethiopia, two in Mexico, Brazil and the U.S. In the U.S., we are in the process of expanding our operations with the construction of a new production facility in North-Carolina where we also intend to commence baby diaper production in early 2022. We have 28 sales and marketing sites globally, through which we make sales in more than 110 countries worldwide. The wide reach of our production facilities and sales offices enables us to operate across a broad range of markets in a cost-effective manner. We believe they also allow us to be the only hygiene manufacturing company capable of effectively serving a range of increasingly international customers. We employed approximately 9,600 full time equivalent employees as of March 31, 2021.

We enjoy deep and longstanding relationships with our top customers, which are primarily retailers and third-party brand owners. In certain markets, our relationships with top customers date to our entry into that market, and are often decades in duration. We also benefit from a diversified customer base, with our largest customer accounting for 5.9% of our revenue and our ten largest customers accounting for 33.0% of our revenue for the year ended December 31, 2020.

By geographic market, for the year ended December 31, 2020, 47% of our revenue was attributable to Western Europe, 12% to Eastern Europe, 28% to the Americas and 13% to the rest of the world.

During the period from 2015 through 2020, our revenue grew at a compound annual growth rate of 4.3% (including the impact of acquisitions), with average organic revenue growth (i.e. growth at reported currency, excluding the impact of acquisitions) of approximately 0.7% per year.

For the three months ended March 31, 2021, our revenue was €480 million, our EBITDA was €42 million and our Adjusted EBITDA was €50 million. For the year ended December 31, 2020, our revenue was €2,087 million, our EBITDA was €198 million and our Adjusted EBITDA was €236 million.

Factors Affecting Our Results of Operations

Our results of operations have been, and will continue to be, affected by many factors, some of which are beyond our control. This section sets out certain key factors that we believe have affected our results of operations in the periods under review and could affect our results of operations in the future. While the factors described below have significantly influenced our results of operations during historical periods, they may vary in importance from period to period. For a discussion of certain factors that may adversely affect our results of operations and financial condition, please see "*Risk Factors*".

Market Dynamics

Our revenue is influenced both by growth of the overall market for hygienic disposable products, which is in turn largely driven by demographic trends, including product adoption rates, and by growth in penetration of retailer brands. Changes in the competitive landscape may also affect the penetration of retailer brands as well as our market share within the retailer brand segment.

Demographic Trends

Demand for hygienic disposables is influenced by demographic trends in the markets in which we operate, including population growth and trends in the adoption of our products. In the baby care market, demand for our products is driven by the number of babies; in the adult incontinence market, demand is driven by the size of the population over 45 years; and in the feminine care market, demand is driven by the size of the female population aged 12 to 49 years. The adoption of our products is affected by factors such as changes in GDP per capita, awareness of product availability, product innovation and other trends, such as the average age of potty training and the number of people suffering from incontinence. The geographic markets in which we operate have very different demographic profiles and are in different stages in terms of the adoption of our products. For a detailed discussion of demographic trends in the regions where we operate, see "*Industry—Overview & Market Trends—Underlying Socio-demographic trends*".

Although the hygienic disposables market as a whole is resilient and generally not directly exposed to economic cycles given the relatively non-discretionary nature of the products, the overall trend of adoption of hygienic disposables in emerging markets may slow during economic downturns due to consumers' price sensitivity. For example, during the year ended December 31, 2020 and continuing into 2021, demand for our products across most markets was negatively impacted by the COVID-19 pandemic. Despite the essential nature of our products, the combined impacts of governmental restrictions on human activity and associated reduction in retail footfall, reduced out-of-home activity due to government advice or restrictions, as well as significant and prolonged economic downturns in several of our geographic markets, resulted in decreased demand for and delays in adoption of our products. However, an increased focus on general health and wellbeing following the pandemic, in particular in relation to elderly and vulnerable populations, may provide an opportunity to accelerate awareness of common health issues and therefore drive increased adoption our products, such as adult incontinence products. Additionally, a shift in consumer preference to lower-priced products as a result of uncertain economic conditions in certain of our markets could benefit our competitive but affordable retailer brand and Ontex brand product offerings.

Share of Retailer Brands

Hygienic disposables are manufactured by branded product manufacturers, often well-known companies with large-scale operations such as Procter & Gamble, Johnson & Johnson, Kimberly Clark and Essity, who produce, promote and sell products under their own names or brands, and retailer brand manufacturers (certain of whom may also produce branded products) who produce products on behalf of national and international retailers, who in turn promote and sell the products under their own brands or labels. Our revenue is influenced by changes in the overall share of retailer brands in the market.

The overall share of retailer brands in the market, as well as our own market share, can be influenced by factors such as trends in GDP growth, marketing and promotional activity and product innovation. While the overall market for hygienic disposable products is resilient and benefits from a relative inelasticity of demand, consumers may become more price sensitive during economic downturns, and may increasingly buy retailer branded products, which are generally less expensive than branded products. For that reason, competition from branded product manufacturers and other retailer brand manufacturers may increase during economic downturns. For example, during economic downturns, branded product manufacturers may increase their marketing and promotional activities (including by offering discounts on their products) in order to preserve market share. Economic downturns can also result in lower overall consumption of hygienic products, as occurred in 2020 and continued into 2021 when a combination of reduced out-of-home activity and heightened economic uncertainty as a result of the COVID-19 pandemic resulted in many consumers postponing or limiting their purchases of such products.

Branded product manufacturers periodically introduce new products with various innovations to existing products. Rapid time to market for comparable products is key to our competitiveness, both against branded products and other manufacturers' retailer brands that are introduced in response. Our revenue is affected by our ability to develop and launch comparable new product innovations rapidly, and also by our ability to introduce new innovations that will diversify and differentiate our product offering from that of branded product manufacturers and other retailer brand manufacturers.

Competitive Landscape

Across the various divisions and geographies in which we operate, we compete with both branded product manufacturers and other retailer brand manufacturers.

In Europe, the largest manufacturers of branded hygienic disposable products are Procter & Gamble, Essity and Kimberly-Clark which sell brands such as Pampers, Always and Tampax (Procter & Gamble), Tork and Lotus Baby (Essity), and Huggies and Intimus (Kimberly-Clark). According to Euromonitor and management estimates, Procter & Gamble, Essity and Kimberly-Clark's businesses had market shares within the total hygienic disposables market in Europe (including both branded and retailer brand businesses) of approximately 38%, 16% and 6%, respectively, based on value in 2020. Ontex had an overall market share of 8%.

For further discussion of the competitive landscape in the various geographies in which we operate, see "*Industry—Analysis by Product Category and Geography*".

According to Euromonitor, the share of retailer brands within the overall market based on value in 2020 was 20% in Europe, 18% in the United States, 5% in Mexico and 1% in Brazil. The shares of retailer brands based on Nielsen data (which measures the brick-and-mortar retail market only, and does not account for online sales) were higher, representing 37% in Europe, 25% in the United States, 8% in Mexico and 1% in Brazil. Within retailer brands in Europe, we estimate that we are the leading player, with 2.4 times the market share of our nearest competitor according to management estimates. We are also the leading player in Mexico by a significant margin, according to Euromonitor and management estimates, and hold a growing share in the United States.

Government Spending

Our Healthcare Division primarily sells Ontex branded products to public institutions. The method of payment or reimbursement for the healthcare market for adult incontinence products varies by country. However, it is typically a governmental body or health insurer who ultimately pays for the products and contracts are generally granted by way of public tender. Accordingly, trends in government spending on adult incontinence products will affect the share of our brands in the market. Due to reductions in budgets by many European governments, public institutions such as hospitals and nursing homes may be required to limit their expenditures, resulting in reductions or cancellations of reimbursement policies relating to these products. We believe that due to the necessity of our Adult Incontinence products, any reduction or cancellation of payments or reimbursements for these products by governments or other parties will result, over time, in an increase in sales of such products through retail channels. The timing of any such impact and the degree to which the loss of revenue in our Healthcare Division will be compensated by growth in revenue from retail channels is difficult to predict.

Business Relationships, Retention of Contracts and New Business Wins

Our revenue and cash flows are affected by our ability to retain existing business and generate new business from existing and new customers. We enter into framework agreements with the majority of our retail customers and distributors. These agreements are generally on a non-exclusive basis and contain, in general, no minimum purchase obligations. These agreements typically do not have a fixed term, and when they do, the term is generally one to two years. Some of these agreements are automatically renewed or continue indefinitely, unless either party terminates. While we usually do not have long-term contracts, we have enjoyed long-standing relationships with all of our top ten customers over the last ten years. In certain markets, our relationships with top customers date to our entry into that market, and are often decades in duration.

The terms on which we retain business directly affects our results of operations. While price is a key factor, other factors influence our relationship with our customers, such as performance track record, including product quality, product innovation, on-time service delivery and operational efficiency. The overall quality of the relationship between us and our customers is important for business generation and retention, and it can be leveraged to increase profitability.

In connection with new business wins or the expiration of contractual agreements, we are typically invited to tender for a new contract with the customer, or to negotiate a new agreement with the customer. Because of the generally flexible nature of these contractual arrangements, additional business depends largely on the ongoing relationships with existing and potential customers. The factors that influence the terms on which we retain business, and thereby affect our results, are the same factors that influence the terms on which we win new business. The retention of our key customer base gives us a strong platform from which to win new business. In particular, as major retailer customers expand into new markets and the penetration of retailer brands grows in such markets, we are well positioned to accompany our customers and expand our business.

We are also highly focused on ensuring profitability by customer and product, and this focus has informed our efforts to win business from new and existing customers, more so than simply increasing sales volume alone. This profit focus can in the short term periodically lead to customer losses, with a consequential negative effect on revenue.

Cost of Raw Materials

Our results of operations are impacted by the prices we pay for the raw materials we use to manufacture our products. Raw materials are the principal component of our cost of sales. Raw materials and packaging costs accounted for 72% and 70%, respectively, of our cost of sales for the three months ended March 31, 2021 and the three months ended March 31, 2020. Traded goods accounted for 2% of our cost of sales for each of the three months ended March 31, 2021 and the year ended December 31, 2020.

The principal raw materials we use include:

- Fluff, the common name for milled wood pulp, which is used in the absorbent core of hygienic disposable products. Wood pulp, often bleached, is milled to separate the fibers into “fluff,” a process which increases the pulp’s bulk. Fluff represented 17% and 18%, respectively, of our cost of raw materials (including packaging) for the three months ended March 31, 2021 and the year ended December 31, 2020.
- Super-absorber, which consists of a material which can absorb many times its own weight in aqueous fluids. The majority of super-absorbers for the hygienic disposables market are polyacrylates made from caustic soda and acrylic acid and are sold in granular form. Super-absorber represented 18% of our cost of raw materials (including packaging) for each of the three months ended March 31, 2021 and the year ended December 31, 2020.
- Non-woven fabrics, which are high-tech, engineered fabrics made from fibers used across a wide range of applications in consumer and industrial products. A significant portion of non-woven

fabrics used in the hygienic disposables market are made using polypropylene. Non-woven products represented 24% of our cost of raw materials (including packaging) for each of the three months ended March 31, 2021 and the year ended December 31, 2020.

Other raw materials we use include tapes, polyethylene, adhesives, various packaging and other materials. Most of our products contain polyethylene film, which is mainly used in back-sheets to prevent leakage.

The prices we pay for raw materials can be highly variable, depending on a number of factors, including, but not limited to, the following:

- the availability of supply, including supplier capacity constraints;
- general economic conditions globally and in particular markets;
- fluctuations in commodity prices, particularly crude oil prices, since certain chemicals used in our raw materials, including polyethylene, propylene and polypropylene, are derived from crude oil;
- fluctuations in exchange rates, since we make purchases of fluff products in U.S. Dollars. A strengthening of the U.S. Dollar against the Euro would adversely affect our results of operations. Purchases of oil-based raw materials referred to above also increase our exposure to the U.S. Dollar, since the reference price for crude oil is U.S. Dollars;
- whether, under the terms of the relevant supply agreement, the purchase price of a particular raw material is linked to a price index, either for the raw material itself or one of its principal components. Our supply contracts for fluff are typically linked to the RISI index; supply contracts for super-absorber are typically linked to the index for propylene (propylene accounts for approximately 30% of acrylic acid); supply contracts for polyethylene products are linked to the index for low density polyethylene; and supply contracts for non-woven fabrics are linked to the index for polypropylene. The indices for propylene, polyethylene and polypropylene are correlated with the price of crude oil. We estimate that, at current commodity price levels, between 70% and 85% of our raw materials and packaging costs is directly linked to the evolution of commodities indices. The remaining 15% to 30% is subject to general inflation, and can be influenced to a greater degree by price negotiations;
- whether the relevant supply agreement contains provisions that reduce our exposure to volatility in raw materials prices (which is the case for certain of our fluff supply agreements) and whether the purchase price is adjusted in advance or in arrears under the relevant supply agreement;
- competing demand from other industries for the same raw materials; and
- the availability of complementary and substitute materials.

Fluff pulp index prices varied during the three most recent fiscal years:

	FY2018	% change	FY2019	% change	FY2020
RISI average in USD (per ton)	$1301	*(6.6)*	$1215	*(4.4)*	$1161
RISI average in Euro (per ton)	€1103	*(1.6)*	€1085	*(6.1)*	€1019
Average price including rebates, in Euro (per ton) . . .	€ 574	*13.8*	€ 653	*(9.2)*	€ 593

Fluff pulp index prices have decreased from recent peaks due to good availability, however in USD terms have strengthened. Our fluff costs increased in 2019 due to purchases of special fluff types and certifications. These prices are based on the index for bleached kraft (untreated) fluff North America, CIF North Sea Ports, expressed in ADMT (Air dry metric ton). We estimate that a 10% movement in the RISI index translates into an approximately 5% impact on our gross margin (based on fluff elasticity to the RISI index of 100% and certain other assumptions), before taking into account any arrangements we have entered into with fluff suppliers to manage volatility or hedging arrangements.

Crude oil prices, to which pricing for super absorber and non-woven fabrics is linked, have experienced significant volatility during the periods under review, averaging US$41.76, US$ 64.34, US$71.06 for the years ended December 31, 2020, 2019 and 2018, respectively, based on the spot price for Brent crude. Spot prices fell dramatically in early 2020, to a low of US$18.38 in 2020, as the onset of the COVID-19 pandemic and related restrictions on travel and trade resulted in reduced demand. Prices recovered through the remainder of 2020 and into 2021, with an average price of US$60.82 for the three months ended March 31, 2021. We estimate that a 10% movement in the various petrochemicals indices to which our raw materials prices are correlated would translate into an impact on our gross margin of approximately 4%.

While we have been successful in compensating for increases in our raw material costs with adjustments to the prices of our products, if we are unable to pass on increases in raw material costs to our customers, our profitability can be adversely affected. The majority of our customer contracts are based on fixed pricing models and do not contain raw materials price indexation clauses, although we are increasingly seeking to introduce these clauses into our contracts. In particular, we have sought to introduce "escalator" clauses relating to oil-based products and currency movements in contracts with key customers. However, we are not always successful in adding them.

We have also periodically sought to manage our raw materials costs through hedging, in particular the price of oil or derivative products used in the manufacture of our products. For example, in 2020 we entered into arrangements to hedge a portion of our propylene, polypropylene and polyethylene exposure. We also maintain a hedging committee; see "*—Qualitative and Quantitative Disclosure About Market Risk—Hedging Committee*".

As noted above, our purchases of raw materials also entail foreign exchange risk, since we purchase fluff in U.S. Dollars and the reference price for crude oil is U.S. Dollars. We entered into foreign exchange forward contracts in 2020, the latest of which matures in April 2022, in order to limit the volatility in the business resulting from exposure to sales and purchases in foreign currencies. Please see "*—Foreign Exchange Rate Fluctuations"* below for more detail of these arrangements.

In recent years we have implemented new capabilities such as "should-cost analytics," to estimate our suppliers' costs, and in-depth market analytics, that together allow us to negotiate more favorable terms in our purchases of raw materials and packaging. We work in close collaboration with our manufacturing and R&D departments to implement our cost-saving measures and optimize our resource allocations.

Foreign Exchange Rate Fluctuations

Currency exchange rate fluctuations can have a substantial impact on our results of operations. Our main functional and reporting currency is the Euro, and we make substantial sales and purchases denominated in other currencies, and have significant operations in, several countries that use other currencies.

Transactional Impact

Sales and purchases of raw materials in foreign currencies

Foreign currency transactions are translated into the functional currency of the relevant subsidiary using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the income statement. Accordingly, transactions in foreign currencies, including sales of our products denominated in foreign currencies and purchases of raw materials in foreign currencies, directly affect our results of operations. Translations of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are also recognized in the income statement.

We make substantial sales denominated in currencies other than Euros. In the three months ended March 31, 2021 and the year ended December 31, 2020, we generated 54.1% and 52.7%, respectively, of our revenue in currencies other than Euros, principally Mexican Pesos, Brazilian Reals, U.S. Dollars, Pounds Sterling, Polish Zloty, Russian Roubles and Turkish Lira. The strengthening of these currencies against the Euro will have a favorable impact on our results of operations, whereas the weakening of these currencies will have an adverse impact.

We make purchases of certain raw materials, primarily fluff, in U.S. Dollars. U.S. Dollar-denominated fluff purchases amounted to €201 million in the year ended December 31, 2020. Purchases of oil-based raw materials also indirectly increase our exposure to the U.S. Dollar, since the reference price for crude oil is U.S. Dollars. The strengthening of the U.S. Dollar against the Euro will adversely affect our results of operations.

The principal relevant exchange rate movements during the period under review were as follows:

	Three months ended March 31, 2021	Year ended December 31,		
		2020	2019	2018
	Average exchange rate (relative to Euro)			
Mexican Pesos (in MXN)	24.5163	24.5118	21.5573	22.7141
Brazilian Reals (in BRL)	6.5927	5.8900	4.4135	4.3089
U.S. Dollars (in US$)	1.2056	1.1413	1.1234	1.1814
Pounds Sterling (in £)	0.8747	0.8892	0.8773	0.8847
Polish Zloty (in PLN)	4.5431	4.4432	4.2975	4.2605
Russian Roubles (in RUB)	89.7192	82.6454	72.4593	74.0385
Turkish Lira (in TRY)	8.9049	8.0436	6.3573	5.6968

The aggregate period-on-period impact of exchange rate fluctuations on our revenue was a negative impact of €33.2 million in the three months ended March 31, 2021 and a negative impact of €130 million, a positive impact of €11.1 million and a negative impact of €102 million in the years ended December 31, 2020, 2019 and 2018, respectively. The impact across our divisions varies. For example, the impact in 2020 was concentrated in the Americas region. The aggregate impact of exchange rate fluctuations on our Adjusted EBITDA was a negative impact of €10.2 million in the three months ended March 31, 2021 and a negative impact of €74.0 million, a negative impact of €15.7 million and a negative impact of €26.8 million in the years ended December 31, 2020, 2019 and 2018, respectively.

Finance income/(finance cost)

Foreign exchange gains and losses that relate to interest-bearing debt and cash and cash equivalents are presented in the income statement within “net exchange differences relating to financing activities”. All other foreign exchange gains and losses are presented in the income statement within “other operating income/(expense), net”. During the three months ended March 31, 2021 and the years ended December 31, 2020, 2019 and 2018, the net impact of exchange rate differences on our net finance expense was negative €1.0 million, positive €0.5 million, negative €1.0 million and negative €1.2 million, respectively. Exchange rate differences were primarily related to borrowings and cash balances denominated in Euro in countries with a functional currency different from the Euro.

Translation Impact

We have significant operations in countries located outside the Eurozone. The functional currencies of our subsidiaries in these countries are the relevant local currencies. For the purposes of presenting our consolidated financial statements, assets and liabilities of our foreign subsidiaries are translated at the closing foreign exchange rate at the end of the reporting period. Items of income and expense are translated at the average exchange rate (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 of the dates of the transactions), and equity items are translated at historical rates. The resulting exchange differences are recognized in other comprehensive income and accumulated in a separate component of equity. Accordingly, any such differences do not affect our results of operations.

Hedging

We have a hedging committee in place, as described in detail in “*—Qualitative and Quantitative Disclosure About Market Risk—Hedging Committee”.* In accordance with the hedging policy developed by the hedging committee, we entered into foreign exchange forward contracts in 2020, maturing through April 2022, in order to limit volatility in our business resulting from exposures to sales in Pounds Sterling, Polish Zloty, Australian Dollars, Czech Crowns, U.S. Dollars, Mexican Pesos and Brazilian Reals, as well as purchases of raw materials in U.S. Dollars and Czech Crowns.

At inception of the foreign exchange contracts, they were designated as cash flow hedges. At the time the forecasted transactions materialize, the foreign exchange forward contracts become fair value hedges. The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions. We apply hedge accounting to the foreign currency forward contracts. Accordingly, fluctuations in the value of our foreign exchange forward contracts are reflected in other comprehensive income and do not directly impact our income statement. Please see "—*Qualitative and Quantitative Disclosure About Market Risk—Foreign Exchange Risk*" for more detail on our foreign currency hedging arrangements.

Operational Productivity and Efficiency

Our profitability and competitiveness can be affected by the productivity and efficiency of our operations. We have a history of implementing productivity and efficiency improvements on a continuous basis. We will continue to focus on managing our business in a cost-effective manner through optimizing our procurement and manufacturing operations. We have also in the past restructured our operations in order to improve our production efficiency. For example, in 2019 we launched a comprehensive, data-driven organizational transformation initiative called Transform2Grow, or "**T2G**," which aimed to accelerate value creation through a focus on operational and commercial excellence. T2G touched every facet of our business, as we reexamined each of our business processes for ways to innovate or increase efficiencies.

In terms of direct cost savings in connection with our procurement activities, we have a diversified base of raw material suppliers, thereby allowing us to benchmark our suppliers' pricing broadly. Moreover, the centralization of our procurement function allows us to benefit from our scale. T2G has also allowed us to optimize our costs, translating business requirements into concrete initiatives such as reducing the weight of raw materials, removing product features that do not add value, harmonizing standards and reducing complexity.

This strategy has been supported by our investment in technologies that have enabled us to operate our machines faster and in a more efficient and flexible manner. For example, we invested in the roll-out of a manufacturing execution system (MES) and quality information system (QIS) which allow us to gather and analyze data to guide the operations on efficiency. Our operations team is continuing to work together to pool the collective knowledge of our executive operational managers at each of our production facilities so that any advance or development utilized by a facility that leads to efficiencies is rolled out to our other production facilities as soon as possible. This knowledge transfer is formally organized through two technical meetings per year, where new ideas are presented and best practices are shared. Through our T2G transformation initiatives, we have taken measures to enhance this knowledge sharing on a day-to-day basis and further streamline our operations by, among other things, bringing together our Supply Chain and Manufacturing functions, enabling them to work as one effective and agile unit. This integrated, hands-on approach will result in better levels of service for our customers. We also integrated the majority of our change agents (people who build capability) into key leadership roles in Manufacturing and Supply Chain.

In terms of direct cost savings focused on distribution expenses, we have sought to improve prices with our transport providers and have initiated changes to our warehousing and inventory policies, with a focus on inventory reduction and further consolidation of external warehouses lower costs. We have both negotiated with our existing transport providers and diversified the number of our providers to achieve more favorable terms, and effected changes to product design elements to reduce product weight, optimize cargo unit palletization and improve truck fill factors, all of which help to reduce transportation costs. In respect of warehousing costs, we have increased our use of third-party warehousing arrangements, whereby we pay by cargo unit as opposed to renting or owning floor space, thereby decreasing fixed costs.

In addition to these cost savings initiatives launched by our previous management, our new leadership, in place since the arrival of our new CEO Esther Berrozpe, has engaged in a detailed strategic review in order to further drive operational productivity and cost savings. We are in the process of implementing a combination of efficiency initiatives targeting, among other things, operational productivity gains, increases in capacity utilization and a reduction in overhead costs, which together we believe will result in a significant positive impact to the Group's Adjusted EBITDA margin.

As a result of our cost savings initiatives, and in light of our current strategic objectives and business model, we do not expect our general and administrative expenses and sales and marketing expenses to increase significantly in the medium term as a percentage of our revenues.

Mix of Revenues and Effect on Margins

The principal factors affecting our margins, as described in further detail above, are raw materials prices and exchange rate fluctuations and our ability to pass these on to customers or manage them through hedging. As our margins also vary across products, geographies, divisions and customers, our results of operations are also influenced by our mix of revenues.

In particular, our margins vary from country to country primarily due to: (i) the length of our presence in a country; (ii) the relative level of competition; (iii) whether the business is weighted toward retailer branded or branded products; and (iv) the distribution model. When we first enter a country, we incur certain start-up costs and typically have relatively low volumes to absorb fixed costs, which may result in margins being lower than those of countries in which we have a longstanding presence. As we increase the level of sales in a country, our margins generally improve. As a result, we do not expect the expected increase in sales in such countries as a percentage of our total sales to weigh heavily on our overall gross margin going forward. Also, our margins are typically lower when we are shipping into (rather than producing in) a country due to the higher transportation costs and the payment of import duties. Our margins may also vary from country to country due to the relative level of competition. The higher level of sales and marketing expenses associated with branded products may also affect our margins for a particular country. The nature of our distribution model also affects our gross margin. In particular, in our Healthcare Division, our gross margin is significantly higher than for our other divisions because a greater proportion of the cost base is included in distribution expenses and sales and marketing expenses instead of cost of sales. This is particularly true in relation to businesses with a high proportion of home delivery, where sales prices and thus gross margins are higher to cover higher distribution costs.

Across divisions, our margins are also affected by product improvements and innovations as well as the introduction of new products within a particular product category. Premium products may allow us to charge our customers higher prices. In addition, product innovations, in particular changes to product specifications that improve our operational efficiency and optimize our cost base, may have a favorable effect on our margins to the extent they require fewer or less expensive raw materials to produce. Finally, actions taken by branded competitors, such as entry into new areas or targeted price reductions, can affect our margins.

Income Tax

Our income tax expense is affected by the statutory rate and the way in which the tax base is computed in the various countries in which we operate (including pursuant to tax rulings and other arrangements that we may agree from time to time with the competent tax authorities), the geographical mix of our operations, the ability to deduct net financing costs in the legal entities in which such net expenses fall, and our ability to use tax losses and credits or to recognize deferred tax assets on such losses and credits, among other factors. The Group has tax losses and other tax incentives usable to offset future taxable profits, mainly in Belgium, Brazil, France and Spain, amounting to €557.3 million as of December 31, 2020 (€583.0 million as of December 31, 2019).

The rate at which we are able to use our tax losses and tax credits to offset future taxable profits may be affected by changes in how the tax base is computed in various jurisdictions, changes in rules relating to the utilization of tax losses or tax credits and tax rulings we receive from the competent tax authorities.

Recent Developments

Full-Year 2021 Outlook

The below information is not intended to be a comprehensive statement of our financial or operational results for the three and six-month periods ending June 30, 2021. The statements and figures contained herein were prepared based on a number of assumptions and estimates that are subject to inherent uncertainties and subject to change. Accordingly, our actual results for the three and six-month periods ending June 30, 2021 may vary from our preliminary estimates below, and such variations could be material. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operation.

We currently expect stable full-year revenue on a like-for-like basis, with revenue growth beginning in the second quarter and the first benefits of selective pricing investments in Europe and retailer brand contract wins in Europe and North America expected later in 2021. We are observing short-term pressure on margins due to the expected effects of significant increases and continued volatility in commodity prices translating into peak raw material costs. Despite strong initial results from cost-saving programs (with which we target net savings of approximately €60 million in 2021) and other initiatives intended to mitigate a portion of our cost inflation, which helped to partially offset these effects, we expect our Adjusted EBITDA margin for the second quarter of 2021 to be slightly below that of the first quarter of 2021. The implementation of strategic decisions is expected to result in non-recurring expenses of approximately €55 million, to be recorded in 2021 (including €40 million in connection with our cost saving initiatives).

Key Components of our Income Statement

The key components of certain line items of our consolidated income statement are described below.

Revenue

Revenue represents the amounts received or receivable from the sale of our products. Revenue is presented net of VAT, product returns, rebates and discounts and after eliminating intragroup sales.

Revenue is recognized upon delivery of the products to the customer and its acceptance thereof. This means that at that time, the following criteria are met: we cease to exercise ownership over the products sold, we cease to have effective control over the products sold, and collection of the products sold is reasonably assured. The Group sells its products to its customers directly, through distributors or agents. This can result affect the timing of revenue recognition. Following delivery to distributors, the distributor has full discretion over the manner of distribution and pricing of the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Products are generally sold to customers on an ex-works basis; however, at their request, additional services may be offered by us in expediting delivery to customer premises or warehouses. The price for our products generally reflects an amount of delivery expenses incurred by us. Revenue thereby reflects this component, while related charges are included in distribution expenses.

Our customer contracts may 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.

Cost of Sales

Cost of sales represents expenses incurred by us in connection with the manufacture of our products. Raw material purchases are the principal expenses recognized in cost of sales. Other expenses recognized in cost of sales include packaging costs, maintenance expenses, utility bills and conversion costs, as well as production-related labor costs.

We recognize in our cost of sales the depreciation expenses that are directly attributable to the production of the products.

Operating Expenses

Operating expenses include distribution expenses, sales and marketing expenses and general administrative expenses, as well as foreign exchange differences on operating activities due to changes in exchange rates on settled transactions.

Distribution Expenses

Distribution expenses are the principal component of our operating expenses and represent the cost relating to the shipping of finished products to the customer. Distribution expenses include transport costs, warehousing costs, costs in support of customer service and related labor costs.

Product delivery costs are recorded under distribution expenses but, as noted above, are also generally reflected in the price of our products.

We recognize in our distribution expenses the depreciation and amortization expenses that are directly attributable to the distribution chain.

Sales and Marketing Expenses

Our sales and marketing expenses represent costs in connection with sales of our products, including promotional giveaways. In the AMEAA division, as well as in our Healthcare Division, sales and marketing expenses are also incurred in connection with brand support in relation to our branded products. Sales and marketing expenses include sales commissions, fees for market research, advertising expenses, publication costs, samples costs, exhibition costs and the labor costs of our sales teams and sales back-office. We also recognize in our sales and marketing expenses the depreciation and amortization expenses that are directly attributable to sales and marketing activities.

General Administrative Expenses

Our general administrative expenses represent the costs of our headquarters and the central divisional management teams, including salaries and performance-based compensation. The headquarters expenses and the costs of our central management team include, but are not limited to, support services for our production facilities, such as system contracts for our IT systems as well as audit fees, legal fees and other expenses. The management team of the Ontex group together with the central team oversee purchasing, R&D, planning and logistics, manufacturing, sales as well as the legal and finance functions and related risks.

Other Operating Income/Expenses

Other operating income and expenses are presented as a net amount and primarily represent gains or losses on the sale of assets, foreign exchange differences on operating activities and other expenses.

Income and Expenses Related to Changes in Group Structure

Income and Expenses Related to Changes in Group Structure include income and charges that we consider to be of a one-off and non-recurring nature. These include costs relating to manufacturing facility closures, business restructuring costs, acquisition-related costs and the setting up and moving of certain production facilities.

Income and Expenses Related to Impairments and Major Litigations

Income and Expenses Related to Impairments and Major Litigations include income and charges that we consider to be of a one-off and non-recurring nature. These include costs relating to asset impairment and legal fees in the context of certain ongoing or potential litigation matters, which are expected to result in a potential benefit for the Company or in the avoidance of potential future liabilities.

Net Finance Cost

Net finance cost comprises our finance costs, net of finance income.

Our finance costs primarily represent the interest paid by us or accrued on our financial debt. The transaction costs related to the issuance of a financial liability are as a general matter initially deducted from the proceeds of the financial liability and subsequently recognized as interest cost over the period of the liability.

Our finance income primarily represents interest received on our short-term deposits, as well as any gains on derivatives and derecognition of loans and receivables and financial liabilities carried at amortized costs.

Income Tax Expense

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 our subsidiaries operate and generate taxable income.

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.

Non-IFRS Measures

EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin and free cash flow are presented to enhance the reader's understanding of our results of operations and financial condition. We define EBITDA as earnings before net finance cost, income taxes, depreciation and amortization. We define EBITDA margin as EBITDA divided by revenue. We define Adjusted EBITDA as EBITDA before non-recurring income and expenses. Non-recurring income and expenses are defined as 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 for the periods under review include 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; and impairment of assets and major litigations. We define Adjusted EBITDA margin as Adjusted EBITDA divided by revenue. We define free cash flow as net cash generated from operating activities (as presented in the consolidated cash flow statement, i.e. including income taxes paid), *less* capital expenditures (defined as purchases of property, plant and equipment and intangible assets), *less* repayment of lease liabilities and including cash (used in)/from disposal. These measures have been included in this document because they are measures that our management uses to assess our operating performance. Please see *"Presentation of Financial and Other Information"* for information on the limitations of these measures as analytical tools. For a reconciliation of EBITDA, Adjusted EBITDA and free cash flow to operating profit, please see *"Summary Historical Consolidated Financial Information and Other Data—Reconciliations of Non-IFRS Financial Measures".*

Results of Operations for the Three months ended March 31, 2021 and 2020

The following table sets forth certain income statement data for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,			
	2021		2020	
	(€ millions)	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*
Revenue	479.7	100.0	574.2	100.0
Cost of sales	(344.0)	(71.7)	(401.7)	(70.0)
Gross margin	**135.7**	**28.3**	**172.5**	**30.0**
Distribution expenses	(47.4)	(9.9)	(51.4)	(9.0)
Sales and marketing expenses	(36.3)	(7.6)	(47.6)	(8.3)
General administrative expenses	(22.9)	(4.8)	(24.0)	(4.2)
Other operating income/(expense), net	(1.4)	(0.3)	(5.4)	(0.9)
Income and expenses related to changes to Group structure	(6.6)	(1.4)	(5.3)	(0.9)
Income and expenses related to impairments and major litigations	(0.8)	(0.3)	(1.3)	(0.2)
Operating profit	**20.3**	**4.1**	**37.5**	**6.5**
Finance income	0.3	0.1	0.7	0.1
Finance cost	(8.9)	(1.9)	(9.2)	(1.6)
Net exchange differences relating to financing activities	(1.0)	(0.2)	2.3	0.4
Net finance cost	**(9.7)**	**(2.0)**	**(6.2)**	**(1.1)**
(Loss)/profit before income tax	**10.7**	**2.1**	**31.3**	**5.5**
Income tax expense	(3.0)	(0.6)	(7.2)	(1.3)
(Loss)/profit for the period	**7.7**	**1.5**	**24.1**	**4.2**

Revenue

Revenue decreased by €94.5 million, or 16.5%, from €574.2 million for the three months ended March 31, 2020 to €479.7 million for the three months ended March 31, 2021. On a like-for-like ("**LFL**") basis, which we define as revenue at constant currency excluding change in scope of consolidation or M&A, revenue decreased by 11.1%. Foreign currency effects were unfavorable, mainly due to the depreciation versus the first quarter of 2020 of several key currencies against the euro, notably the Brazilian Real, Mexican Peso, Turkish Lira and Russian Rouble. The decrease in revenue was primarily attributable to a particularly strong prior-year comparison period, combined with lower demand for personal hygiene products in tracked retail channels and certain contract losses in Europe.

Revenue by Product

The following table sets forth revenue and the percentage change in revenue by product for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,		
	2021	2020	Change
	(€ millions)		(%)
Baby Care products	254.1	328.3	(22.6)
Adult Incontinence products	169.8	177.1	(4.1)
Feminine Care products	47.3	62.0	(23.7)
Other products[1]	8.5	6.8	25.0
Total	479.7	574.2	(16.5)

Note:

(1) Other products comprise a range of traded products purchased by us and sold commercially including cosmetics, medical gloves, face masks and other traded products.

Revenue from Baby Care products decreased by €74.2 million, or 22.6%, from €328.3 million for the three months ended March 31, 2020 to €254.1 million for the three months ended March 31, 2021. On a like-for-like (LFL) basis, revenue decreased by 15.9% as a result of lower demand relative to a particularly strong first quarter of 2020 due to impending COVID-19 restrictions and certain customer contract losses in Europe, while AMEAA revenue was also lower versus a particularly strong first quarter of 2020.

Revenue from Adult Incontinence products decreased by €7.3 million, or 4.1%, from €177.1 million for the three months ended March 31, 2020 to €169.8 million for the three months ended March 31, 2021. On a like-for-like (LFL) basis, revenues from Adult Incontinence products increased by 1.3%. The decrease in revenue for the period can be primarily attributed to lower sales through institutional channels as a result of reduced occupancy rates in care homes, partially offset by higher sales in self pay channels.

Revenue from Feminine Care products decreased by €14.7 million, or 23.7%, from €62.0 million for the three months ended March 31, 2020 to €47.3 million for the three months ended March 31, 2021. On a like-for-like (LFL) basis, revenue decreased by 26.8% versus a particularly strong first quarter of 2020 due to impending COVID-19 restrictions, both in Europe, where we generate the majority of our Feminine Care sales, and the AMEAA division.

Revenue by Division

The following table sets forth revenue and the percentage change in revenue by division for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,		
	2021	2020	Change
	(€ millions)		(%)
Europe	191.7	250.1	(23.4)
AMEAA	178.9	213.5	(16.2)
Healthcare	109.1	110.6	(1.4)
Total	479.7	574.2	(16.5)

Revenue from the Europe Division decreased by €58.4 million, or 23.4%, from €250.1 million for the three months ended March 31, 2020 to €191.7 million for the three months ended March 31, 2021. On a like-for-like basis, revenues decreased by 21.5%. This decrease has two main drivers: the comparison to a strong first quarter of 2020, during which we benefited from a significant surge in demand (in particular in March 2020 as lockdowns were announced), and a net loss in customer contracts year-on-year. In addition, revenue was negatively impacted by the continued shift in sales of personal hygiene products to online channels, where our retailer brand products are less represented, partially offset by strong sales growth in Russia.

Revenue from the AMEAA Division decreased by €34.6 million, or 16.2%, from €213.5 million for the three months ended March 31, 2020 to €178.9 million for the three months ended March 31, 2021. On a like-for-like basis, revenues decreased by 4.2%. Year-on-year revenues were negatively impacted by the exceptionally strong demand experienced in the first quarter of 2020 and by lower sales in the Middle East, Africa and Australia regions, partially offset by revenue growth in markets such as Brazil and Turkey.

Revenue from the Healthcare Division decreased by €1.5 million, or 1.4%, from €110.6 million for the three months ended March 31, 2020 to €109.1 million for the three months ended March 31, 2021. On a like-for-like basis, revenue decreased by 1.2%. This decrease was due to lower occupancy rates in care homes across a number of markets and destocking of inventory built up in the U.K. in 2020 due to Brexit uncertainty, partially offset by a strong revenue performance in e-commerce, self-pay channels and new business development.

Revenue by Geography

The following table sets forth revenue and the percentage change in revenue by geography for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,		
	2021	2020	Change
	(€ millions)		*(%)*
Western Europe	223.0	274.8	(18.9)
Eastern Europe	57.5	63.3	(9.2)
Americas	138.4	160.1	(13.6)
Rest of world(1)	60.8	76.0	(20.0)
Total	479.7	574.2	(16.5)

(1) Rest of world comprises revenues from our operations in the Middle East, Africa, Asia and Australia.

Revenue from Western Europe decreased by €51.8 million, or 18.9%, from €274.8 million for the three months ended March 31, 2020 to €223.0 million for the three months ended March 31, 2021. The decrease was mainly due to the impact of extraordinary demand in the first quarter of 2020, as well as certain contract losses in Europe year-over-year. On a like-for-like (LFL) basis, revenue decreased by 18.9%.

Revenue from Eastern Europe decreased by €5.8 million, or 9.2%, from €63.3 million for the three months ended March 31, 2020 to €57.5 million for the three months ended March 31, 2021. Revenues were negatively impacted by devaluations in certain local currencies (in particular the Polish Zloty and Russian Rouble) relative to the Euro. On a like-for-like (LFL) basis, revenue remained stable, rising by 0.2%.

Revenue from the Americas decreased by €21.7 million, or 13.6%, from €160.1 million for the three months ended March 31, 2020 to €138.4 million for the three months ended March 31, 2021. Revenues were negatively impacted by devaluations in certain local currencies (in particular the Mexican Peso and Brazilian Real) relative to the Euro. On a like-for-like (LFL) basis, revenue decreased by 2.4%.

Revenue from the rest of the world decreased by €15.2 million, or 20.0%, from €76.0 million for the three months ended March 31, 2020 to €60.8 million for the three months ended March 31, 2021. The decrease in rest of world was primarily attributable to devaluations in certain local currencies (in particular the Turkish Lira and the Algerian Dinar) relative to the Euro, as well as lower sales in certain specific countries, including Australia. On a like-for-like (LFL) basis, revenue decreased by 10.8%.

Cost of Sales

Cost of sales decreased by €57.7 million, or 14.4%, from €401.7 million for the three months ended March 31, 2020 to €344.0 million for the three months ended March 31, 2021. Cost of sales represented 71.7% of our revenue for the three months ended March 31, 2021, compared to 70.0% for the three months ended March 31, 2020, reflecting a gross margin of 28.3% and 30.0%, respectively. The decrease in gross margin was driven by lower pricing (mainly in Europe and in our Healthcare division), a negative product mix and lower volumes, only partially offset by efficiency gains. Our raw materials costs were slightly lower in the first quarter of 2021 versus the comparable period in 2020; increases in commodity indices in 2021 are not reflected in our results for the three months ended March 31, 2021, as we are able to exhaust inventories of raw materials purchased in prior periods and pricing increases in our raw materials generally lag increases in broader commodity indexes.

Distribution Expenses

Distribution expenses decreased by €4.0 million, or 7.6%, from €51.4 million for the three months ended March 31, 2020 to €47.4 million for the three months ended March 31, 2021. Distribution expenses represented 9.9% of our revenue for the three months ended March 31, 2021, compared to 8.9% for the three months ended March 31, 2020. The decrease in distribution expenses was primarily due to lower volumes sold. The increase in percentage terms was due to a strong comparable period in 2020 (with high volumes shipped while inventories and related storage costs remained low) versus the first quarter of 2021, when distribution expenses as percentage of sales increased due to higher transport costs resulting from, among other things, container shortages on the international market and Brexit-related costs.

Sales and Marketing Expenses

Sales and marketing expenses decreased by €11.3 million, or 23.8%, from €47.6 million for the three months ended March 31, 2020 to €36.3 million for the three months ended March 31, 2021. Sales and marketing expenses represented 7.6% of our revenue for the three months ended March 31, 2021, compared to 8.3% for the three months ended March 31, 2020. The decrease in sales and marketing expenses was primarily due to cost-saving measures, reduced marketing expenditure and the devaluation of local currencies year-over-year which resulted in lower relative spend in Euro.

General Administrative Expenses

General administrative expenses decreased by €1.1 million, or 4.6%, from €24.0 million for the three months ended March 31, 2020 to €22.9 million for the three months ended March 31, 2021. General administrative expenses represented 4.8% of our revenue for the three months ended March 31, 2021, compared to 4.2% for the three months ended March 31, 2020. The decrease in general administrative expenses was due to the implementation of organizational cost-saving measures.

Net Other Operating Income/(Expense)

Net other operating income/(expense) was an expense of €5.4 million for the three months ended March 31, 2020, compared to an expense of €1.4 million for the three months ended March 31, 2021. The decrease in net operating expense was attributable primarily to lower currency revaluation losses on trade receivables and payables versus the first quarter of 2020.

EBITDA and Adjusted EBITDA

EBITDA decreased by €17.3 million, or 29.1%, from €59.5 million for the three months ended March 31, 2020 to €42.2 million for the three months ended March 31, 2021. Our EBITDA margin was 8.8% for the three months ended March 31, 2021, compared to 10.4% for the three months ended March 31, 2020.

Adjusted EBITDA decreased by €16.4 million, or 24.9%, from €66.0 million for the three months ended March 31, 2020 to €49.6 million for the three months ended March 31, 2021. Our Adjusted EBITDA margin was 10.3% for the three months ended March 31, 2021, compared to 11.5% for the three months ended March 31, 2020. The decrease in Adjusted EBITDA was due to lower volumes versus the strong prior-year comparative period, as well as a negative product pricing mix and €10.2 million in unfavorable currency effects, which were only partially offset by savings in operational and overhead costs. Negative currency impacts were primarily from the Brazilian Real, Russian Rouble, Turkish Lira, Pound Sterling and Polish Zloty, partially offset by favorable impacts from the Czech Crown and Mexican Peso.

Income and Expenses Relating to Changes to Group Structure

Expenses relating to changes to group structure increased by €1.3 million, from €5.3 million for the three months ended March 31, 2020 to €6.6 million for the three months ended March 31, 2021. In the three months ended March 31, 2021, these expenses primarily related to restructuring expenses for the re-allocation of production capacity and the commencement of a strategic review of the geographical footprint of the Group. Following this review, the Company decided to downsize some production capacity, resulting in the recognition of a restructuring provision. In the three months ended March 31, 2020, these expenses related to the Group's reorganization and comprehensive transformation plan, T2G, and related to in-depth assessments of our operational and commercial processes and the commencement of certain projects intended to increase operational efficiency.

Income and Expenses Relating to Impairments and Major Litigations

Expenses relating to impairments and major litigations decreased by €0.5 million from €1.3 million for the three months ended March 31, 2020 to €0.8 million for the three months ended March 31, 2021. These expenses primarily relate to impairments recognized on intangible assets in the three months ended March 31, 2021, and primarily related to costs incurred in the context of certain ongoing litigation in the three months ended March 31, 2020.

Net Finance Costs

Net finance costs increased by €3.5 million, or 56.5%, from €6.2 million for the three months ended March 31, 2020 to €9.7 million for the three months ended March 31, 2021. The increase in net finance costs was primarily due to negative currency revaluations on foreign bank accounts in the first quarter of 2021 (relative to favorable currency revaluations in the first quarter of 2020).

Income Tax

Income tax decreased by €4.2 million, or 58.3%, from €7.2 million for the three months ended March 31, 2020 to €3.0 million for the three months ended March 31, 2021, reflecting an increase in the effective tax rate from 23.0% to 27.7%. The higher effective tax rate in the first quarter of 2021 was due to lower profitability and the resulting partial write-off of a previously recognized deferred tax asset in respect of certain tax losses.

Results of Operations for the Years Ended December 31, 2020 and 2019

The following table sets forth certain income statement data for the years ended December 31, 2020 and 2019 as reported in the consolidated financial statements for the year ended December 31, 2020:

	Year ended December 31,			
	2020		2019	
	(€ millions)	(% of total revenue)	(€ millions)	(% of total revenue)
Revenue	2,086.8	100.0	2,281.3	100.0
Cost of sales	(1,477.7)	(70.8)	(1,661.3)	(72.8)
Gross margin	**609.1**	**29.2**	**620.0**	**27.2**
Distribution expenses	(194.6)	(9.3)	(203.4)	(8.9)
Sales and marketing expenses	(166.0)	(7.9)	(168.3)	(7.4)
General administrative expenses	(91.2)	(4.4)	(90.4)	(4.0)
Other operating expenses, net	(8.5)	(0.4)	(0.5)	(0.0)
Income and expenses related to changes to Group structure	(25.4)	(1.2)	(58.8)	(2.6)
Income and expenses related to impairments and major litigations	(12.4)	(0.6)	(11.5)	(0.5)
Operating profit	**110.9**	**5.3**	**87.2**	**3.8**
Finance income	1.8	0.1	2.6	0.1
Finance cost	(38.0)	(1.8)	(39.3)	(1.7)
Net exchange differences relating to financing activities	0.5	0.0	(1.0)	(0.0)
Net finance cost	**(35.7)**	**(1.7)**	**(37.7)**	**(1.7)**
Profit before income tax	**75.2**	**3.6**	**49.5**	**2.2**
Income tax expense	(21.3)	(1.0)	(12.2)	(0.5)
Profit for the period	**54.0**	**2.6**	**37.3**	**1.6**

Revenue

Revenue decreased by €194.5 million, or 8.5%, from €2,281.3 million for the year ended December 31, 2019 to €2,086.8 million for the year ended December 31, 2020. The decrease in revenue was primarily due to lower demand for personal hygiene products in traditional retail channels and the negative impact of contract losses in Europe, partially offset by resilient performance in our Healthcare division, growth in Brazil, Turkey and the U.S. Our revenues in 2020 also reflected a €130 negative currency effect due to the depreciation of several key functional currencies against the Euro. At constant currency, revenue decreased by 3.1%. On a divisional basis, we experienced absolute revenue declines of 8.9% and 12.3%, respectively, in the Europe and AMEAA Divisions, while revenues in our Healthcare Division remained stable. Our branded business saw declines of 10.3%, and represented 46.5% of overall revenue in 2020, as compared to 47.4% in 2019.

Revenue by Product

The following table sets forth revenue and the percentage change in revenue by product for the years ended December 31, 2020 and 2019:

	Year ended December 31,		
	2020	2019	Change
	(€ millions)		(%)
Baby Care products	1,162.5	1,345.7	(13.6)
Adult Incontinence products	679.5	692.0	(1.8)
Feminine Care products	212.2	212.7	(0.2)
Other products[(1)]	32.6	30.9	5.5
Total	2,086.8	2,281.3	(8.5)

Note:

(1) Other products comprise a range of traded products purchased by us and sold commercially including cosmetics, medical gloves, face masks and other traded products.

Revenue from Baby Care products decreased by €183.2 million, or 13.6%, from €1,345.7 million for the year ended December 31, 2019 to €1,162.5 million for the year ended December 31, 2020. At constant currency, revenue from Baby Care products decreased by 7.1%. After a strong surge at the end of the first quarter triggered by increased demand at the onset of the COVID-19 pandemic, demand for Baby Care products contracted in retail channels and accelerated in online channels as consumer purchase habits shifted during the pandemic. We also experienced net contract losses in Europe in 2020. Demand in several emerging markets decreased due to the economic downturn, outweighing growth in Brazil and the U.S.

Revenue from Adult Incontinence products decreased by €12.5 million, or 1.8%, from €692.0 million for the year ended December 31, 2019 to €679.5 million for the year ended December 31, 2020. At constant currency, revenue from Adult Incontinence products increased by 3.3%. The like-for-like increase in revenues from Adult Incontinence products was primarily due to strong sales in retail channels (in particular through retailer brands in Europe) as well as strong Ontex brand sales in Brazil, Mexico and Turkey. In our Healthcare division, growth in self-pay channels, home delivery and e-commerce offset lower activity with hospitals and nursing homes due to lower occupancy as a result of the pandemic.

Revenue from Feminine Care products decreased by €0.5 million, or 0.2%, from €212.7 million for the year ended December 31, 2019 to €212.2 million for the year ended December 31, 2020. At constant currency and excluding the impact of the acquisition of Albaad's feminine hygiene business in the U.S. in July 2020, revenue from Feminine Care products decreased by 1.5%. The decrease was primarily attributable to decreased revenue in Europe, due to lower in-store demand for retailer brands and net contract losses, which outweighed revenue growth in the AMEAA division in the first half of 2020.

Revenue by Division

The following table sets forth revenue and the percentage change in revenue by division for the years ended December 31, 2020 and 2019:

	Years ended December 31,		
	2020	**2019(1)**	**Change**
	(€ millions)		*(%)*
Europe	872.2	956.9	(8.9)
AMEAA	774.1	882.9	(12.3)
Healthcare	440.5	441.6	(0.2)
Total	2,086.8	2,281.3	(8.5)

(1) 2019 revenues for the Healthcare and AMEAA divisions are shown as reported in our consolidated financial statements for the year ended December 31, 2020, and have been restated to reflect the effect of a shift in responsibility for one customer from our AMEAA division to our Healthcare division, effective January 1, 2020. This resulted in a decrease in AMEAA revenues of €9.1 million, and a corresponding increase in Healthcare revenues of €9.1 million, for 2019, versus the amounts reported in our financial statements for 2019. Overall 2019 revenues are unchanged.

Revenue from the Europe Division decreased by €84.7 million, or 8.9%, from €956.9 million for the year ended December 31, 2019 to €872.2 million for the year ended December 31, 2020. At constant currency, revenue decreased by 6.8%. The decrease in revenues in Europe was primarily due to decreased demand from retail customers beginning in the second quarter, as well as net contract losses in Europe, only partially offset by sales growth in Adult Incontinence products and strong growth in our online baby diaper subscription service. Sales of retailer brands were impacted by increasing online sales, where retailer brands are less present, and by intensified competition from A-brands.

Revenue from the AMEAA Division decreased by €108.8 million, or 12.3%, from €882.9 million for the year ended December 31, 2019 to €774.1 million for the year ended December 31, 2020. At constant currency, revenue decreased by 0.7%. The decrease was primarily due to lower volumes, entirely in Baby Care products, partially offset by a favorable pricing mix. Revenue in the Americas rose due to growth in Brazil and the U.S., while sales declined in Mexico as a result of adverse economic conditions during the COVID-19 pandemic. Sales also decreased in the Middle East, Africa and Australia, as a strong performance in Turkey could not offset lower sales in other geographies, many of which faced lower demand due to economic downturns, extended store closures and heightened competitive pressure.

Revenue from the Healthcare Division decreased slightly by €1.1 million, or 0.2%, from €441.6 million for the year ended December 31, 2019 to €440.5 million for the year ended December 31, 2020. At constant currency, revenue in Healthcare was in line with the prior year, increasing by 0.1%. This was mainly due to market share gains in fast-growing self-pay channels, as well as strong home delivery and ecommerce activity boosted by lockdown measures, partially offset by lower demand from hospitals and nursing homes, whose occupation rates were strongly impacted by the pandemic.

Revenue by Geography

The following table sets forth revenue and the percentage change in revenue by geography for the years ended December 31, 2020 and 2019:

	Years ended December 31,		
	2020	2019	Change
	(€ millions)		(%)
Western Europe	983.0	1,027.5	(4.3)
Eastern Europe	250.7	276.6	(9.4)
Americas	592.9	667.8	(11.2)
Rest of world(1)	260.2	309.3	(15.9)
Total	2,086.8	2,281.3	(8.5)

(1) Rest of world comprises revenues from our operations in the Middle East, Africa, Asia and Australia.

Revenue from Western Europe decreased by €44.5 million, or 4.3%, from €1,027.5 million for the year ended December 31, 2019 to €983.0 million for the year ended December 31, 2020. The decrease was primarily due to the impact of net contract losses and lower demand from retailers in Western Europe, partially offset by strong performance with Healthcare customers. At constant currency, like-for-like revenue from Western Europe decreased by 4.0%.

Revenue from Eastern Europe decreased by €25.9 million, or 9.4%, from €276.6 million for the year ended December 31, 2019 to €250.7 million for the year ended December 31, 2020. At constant currency, revenue from Eastern Europe decreased by 3.4%. The decline in revenue was driven by lower demand from retailers in Eastern Europe. Poland and Russia together accounted for 78.8% of revenue in Eastern Europe in 2020, compared to 80.9% in 2019.

Revenue from the Americas decreased by €74.9 million, or 11.2%, from €667.8 million for the year ended December 31, 2019 to €592.9 million for the year ended December 31, 2020. The decrease was primarily due to the impact of the devaluation of certain local currencies (in particular the Mexican Peso and Brazilian Real) relative to the Euro and decreased sales in Mexico due to adverse economic conditions, partially offset by increased revenues in North America. At constant currency, revenue from the Americas increased by 1.0%.

Revenue from the rest of the world decreased by €49.1 million, or 15.9%, from €309.3 million for the year ended December 31, 2019 to €260.2 million for the year ended December 31, 2020. The decrease was primarily due to soft demand in several emerging markets due to economic downturns. At constant currency, revenue from the rest of the world decreased by 8.6%. The top three countries in the rest of the world region—Turkey, Australia and Algeria—accounted for 61.3% of revenue for the region in 2020.

Cost of Sales

Cost of sales decreased by €183.6 million, or 11.1%, from €1,661.3 million for the year ended December 31, 2019 to €1,477.7 million for the year ended December 31, 2020. The decrease in overall cost of sales was primarily due to lower volumes sold as compared with the comparable prior year period. Cost of sales represented 70.8% of our revenue for the year ended December 31, 2020, compared to 72.8% for the year ended December 31, 2019, reflecting a gross margin of 29.2% and 27.2%, respectively. This increase in gross margin was attributable to savings in procurement costs, in particular as a result of lower raw materials cost, partially offset by the depreciation of certain of our functional currencies versus the U.S. Dollar and lower volumes which negatively impacted operating leverage.

Distribution Expenses

Distribution expenses decreased by €8.8 million, or 4.3%, from €203.4 million for the year ended December 31, 2019 to €194.6 million for the year ended December 31, 2020. Distribution expenses represented 9.3% of our revenue for the year ended December 31, 2020, compared to 8.9% for the year ended December 31, 2019. The decrease in distribution expenses was primarily due lower volumes sold as compared with the prior year period. The increase in distribution expenses as a percentage of revenue was mainly due to an unfavorable sales mix—characterized by a higher proportion of sales in Healthcare (e.g. home delivery services) and e-commerce and lower sales to retailers—as well as higher transportation costs.

Sales and Marketing Expenses

Sales and marketing expenses decreased by €2.3 million, or 1.4%, from €168.3 million for the year ended December 31, 2019 to €166.0 million for the year ended December 31, 2020. Sales and marketing expenses represented 8.0% of our revenue for the year ended December 31, 2020, compared to 7.4% for the year ended December 31, 2019. The decrease in sales and marketing expenses was primarily due to the devaluation of certain lower currencies which resulted in a lower relative spend in Euros, while the increase in sales and marketing expenses as a percentage of our revenue was attributable to a relative sharper decrease in revenues for the period than in sales and marketing expenses for the same period.

General Administrative Expenses

General administrative expenses increased by €0.8 million, or 0.9%, from €90.4 million for the year ended December 31, 2019 to €91.2 million for the year ended December 31, 2020. General administrative expenses represented 4.4% of our revenue for the year ended December 31, 2020, compared to 4.0% for the year ended December 31, 2019. The increase in general administrative expenses was primarily due to the inflation of costs and investment in IT resources, partially offset by our implementation of cost-saving projects at the end of 2020.

Net Other Operating Income/(Expense)

Net other operating expense increased by €8.0 million, from an expense of €0.5 million for the year ended December 31, 2019 to an expense of €8.5 million for the year ended December 31, 2020. The increase was attributable primarily to foreign exchange losses.

EBITDA and Adjusted EBITDA

EBITDA increased by €22.9 million, or 13.1%, from €174.8 million for the year ended December 31, 2019 to €197.7 million for the year ended December 31, 2020. Our EBITDA margin was 9.5% for the year ended December 31, 2020, compared to 7.7% for the year ended December 31, 2019. The increase in EBITDA was primarily due to lower non-recurring & restructuring costs in 2020 as compared to 2019.

Adjusted EBITDA decreased by €9.5 million, or 3.9%, from €245.1 million for the year ended December 31, 2019 to €235.6 million for the year ended December 31, 2020. Our Adjusted EBITDA margin was 11.3% in 2020, compared to 10.7% in 2019. Adjusted EBITDA for the year ended December 31, 2020 benefited from strong procurement savings and lower raw material costs, but these benefits were outweighed by the combined impact of lower sales and operating leverage, cost inflation, €14 million in COVID-19 related costs and a €74 million unfavorable currency effect.

Income and Expenses Relating to Changes to Group Structure

Expenses relating to changes to Group structure decreased by €33.4 million, from €58.8 million for the year ended December 31, 2019 to €25.4 million for the year ended December 31, 2020. For the year ended December 31, 2020, these expenses primarily related to the restructuring expenses in connection with the re-allocation of certain production capacity and the commencement of a strategic review of the geographical footprint of the Group. commencement of a strategic review of the geographical footprint of the Group. Following this review, the Company decided to downsize some production capacity, resulting in the recognition of a restructuring provision of €5.0 million. Furthermore, in the fourth quarter of 2020 the Group announced an in-depth review of its overhead cost structure, and the expenses incurred in 2020 primarily relate to the start of this review (€ 12.7 million). In the year ended December 31, 2019, these expenses primarily related to the Group reorganization and comprehensive transformation plan, T2G, and related to in-depth assessments of our operational and commercial processes and the commencement of certain projects intended to increase operational efficiency.

Income and Expenses Relating to Impairments and Major Litigations

Expenses relating to impairments and major litigations increased by €0.9 million from €11.5 million for the year ended December 31, 2019 to €12.4 million for year ended December 31, 2020. In the year ended December 31, 2020, these expenses primarily related to impairment losses on idle machinery and legal fees in connection with certain ongoing or potential litigation matters. For the year ended December 31, 2019, these expenses primarily related to the impairment of assets as a result of the transfer of our manufacturing operations in Aparecida de Goiânia in Brazil to our manufacturing site in Senador Canedo.

Operating Profit

Operating profit increased by €23.7 million, or 27.2%, from €87.2 million for the year ended December 31, 2019 to €110.9 million for the year ended December 31, 2020. Our operating margin was 5.3% for the year ended December 31, 2020, compared to 3.8% for the year ended December 31, 2019.

Net Finance Costs

Net finance costs decreased by €2.0 million, or 5.3%, from €37.7 million for the year ended December 31, 2019 to €35.7 million for the year ended December 31, 2020. The decrease in net finance costs was primarily due to currency impacts related to interest expense on debt denominated in local currencies.

Income Tax

Income tax increased by €9.1 million, or 74.6%, from €12.2 million for the year ended December 31, 2019 to €21.3 million for the year ended December 31, 2020. The increase was primarily due to the increase in our profit before income tax. Our effective tax rate for the year ended December 31, 2020 was 28.3%. Our tax charge in 2019 was affected by tax incentives received in respect of certain industrial investments.

(Loss)/Profit for the Year

Profit for the year ended December 31, 2019 was €37.3 million, and profit for the year ended December 31, 2020 was €54.0 million.

Results of Operations for the Years Ended December 31, 2019 and 2018

The following table sets forth certain income statement data for the years ended December 31, 2019 and 2018 as reported in the consolidated financial statements for the year ended December 31, 2019:

	Year ended December 31,			
	2019		2018	
	(€ millions)	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*
Revenue	2,281.3	100.0	2,292.2	100.0
Cost of sales	(1,661.3)	(72.8)	(1,666.5)	(72.7)
Gross margin	**620.0**	**27.2**	**625.7**	**27.3**
Distribution expenses	(203.4)	(8.9)	(208.7)	(9.1)
Sales and marketing expenses	(168.3)	(7.4)	(158.8)	(6.9)
General administrative expenses	(90.4)	(4.0)	(83.0)	(3.6)
Other operating income/(expense), net	(0.5)	(0.0)	1.9	0.1
Income and expenses related to changes to Group structure	(58.8)	(2.6)	(15.5)	(0.7)
Income and expenses related to impairments and major litigation	(11.5)	(0.5)	(8.8)	(0.3)
Operating profit	**87.2**	**3.8**	**152.8**	**6.7**
Finance income	2.6	0.1	2.5	0.1
Finance cost	(39.3)	(1.7)	(29.9)	(1.3)
Net exchange differences relating to financing activities	(1.0)	(0.0)	(1.2)	(0.1)
Net finance cost	**(37.7)**	**(1.7)**	**(28.6)**	**(1.2)**
Profit before income tax	**49.5**	**2.2**	**124.2**	**5.4**
Income tax expense	(12.2)	(0.5)	(27.2)	(1.2)
Profit for the period	**37.3**	**1.6**	**97.0**	**4.2**

Revenue

Revenue decreased by €10.9 million, or 0.5%, from €2,292.2 million for the year ended December 31, 2018 to €2,281.3 million for the year ended December 31, 2019. At constant currency, revenue decreased by 1.0%. The decrease was due to a decrease in volumes sold, largely offset by a favorable product and price mix in each division and across all three product lines. In geographical terms, we experienced strong revenue growth in markets such as Turkey, Mexico and Brazil as a result of price increases, while revenues decreased in France, Germany, Poland and other European countries primarily as a result of a contract with retailers lost in 2018 (and impacting revenue in 2019). On a divisional basis, we saw strong year-over-year performance in the AMEAA division (increasing 6.7%), which only partially compensated for lower sales in our Europe division (which declined by 6.3%) and a slight decline in Healthcare revenues in 2019. We continued to grow our branded business, which represented 47.4% of revenue in 2019, as compared to 46.1% in 2018.

Revenue by Product

The following table sets forth revenue and the percentage change in revenue by product for the years ended December 31, 2019 and 2018:

	Years ended December 31,		
	2019	**2018**	**Change**
	(€ millions)		*(%)*
Baby Care products	1,345.7	1,345.1	0.0
Adult Incontinence products	692.0	693.6	(0.2)
Feminine Care products	212.7	222.8	(4.5)
Other products[(1)]	30.9	30.6	0.9
Total	2,281.3	2,292.2	(0.5)

Note:

(1) Other products comprise a range of traded products purchased by us and sold commercially including cosmetics, medical gloves, face masks and other traded products.

Revenue from Baby Care products remained stable, increasing by €0.6 million from €1,345.1 million for the year ended December 31, 2018 to €1,345.7 million for the year ended December 31, 2019. At constant currency, revenue from Baby Care products decreased by 0.9% due to lower volumes, in particular of retailer brand products in Europe. This decrease was partially offset by recoveries in volumes in Baby Care products and in European retailer brands in the second half of the year.

Revenue from Adult Incontinence care products decreased by €1.6 million, or 0.2%, from €693.6 million for the year ended December 31, 2018 to €692.0 million for the year ended December 31, 2019. At constant currency, revenue from Adult Incontinence care products increased slightly by 0.1%. In retail channels, revenue grew by 2%, with a sales increase of Ontex brands in developing markets only partially offset by lower sales of retailer brands in Europe. Revenue in institutional channels decreased slightly relative to a strong 2018 in spite of increased demand for adult pants which experienced sales increases in both retail and institutional channels.

Revenue from Feminine Care products decreased by €10.1 million, or 4.5%, from €222.8 million for the year ended December 31, 2018 to €212.7 million for the year ended December 31, 2019. At constant currency, revenue from Feminine Care products decreased by 5.0%. Our Europe division record lower sales of retailer brands, which comprise the largest contributor to category revenue, while Ontex brands and sales to third-party brand customers posted growth in the AMEAA division.

Revenue by Division

The following table sets forth revenue and the percentage change in revenue by division for the years ended December 31, 2019 and 2018:

	Years ended December 31,		
	2019[(1)]	**2018**	**Change**
	(€ millions)		*(%)*
Europe	956.9	1,020.7	(6.3)
AMEAA	891.9	835.8	6.7
Healthcare	432.5	435.6	(0.7)
Total	2,281.3	2,292.2	(0.5)

(1) For ease of comparison, we present 2019 revenues as reported in our consolidated financial statements for the year ended December 31, 2019. Accordingly, 2019 revenues as presented in this table do not reflect the effect of a shift in responsibility for one customer from our AMEAA division to our Healthcare division, as effective January 1, 2020 and subsequently restated in our consolidated financial statements for the year ended December 31, 2020. This restatement would result in decreases in AMEAA revenues (and corresponding increases in Healthcare revenues) of €9.1 million and €8.1 million for 2019 and 2018, respectively. Overall revenues for 2019 and 2018 are unchanged.

Revenue from the Europe Division decreased by €63.8 million, or 6.3%, from €1,020.7 million for the year ended December 31, 2018 to €956.9 million for the year ended December 31, 2019. At constant currency, revenue in the Europe Division decreased by 6.4%. The decrease was primarily due to lower volumes as a result of contracts lost in 2018, which had an impact on revenue in 2019 in several European countries, most notably in France, Poland, the United Kingdom, Germany and Belgium. However, sales trends improved in the second half of 2019, reflecting measures undertaken to improve execution and organic revenue growth, including the replacement of our Europe leadership team, improvements to our sales and operations planning processes and the opening of a new plant in Poland to better serve the needs of customers in Central and Eastern Europe.

Revenue from the AMEAA Division increased by €56.1 million, or 6.7%, from €835.8 million for the year ended December 31, 2018 to €891.9 million for the year ended December 31, 2019. At constant currency, revenue increased by 5.6%. The increase was primarily due to increased volumes as well as a year-over-year improvement in product and price mix, including strong demand for Ontex brand baby diapers and light Adult Incontinence products in Brazil (Cremer, Pompom and Moviment) and Mexico (bbtips and Chicoclastic). Revenue increased in the US on the back of growing third-party brand and retailer brand volumes. Revenue also grew in the Middle East, Africa and Asia due to increased demand for Ontex brand Baby Care and Adult Incontinence products, in spite of challenging political and economic environments in certain markets, including a partial recovery of sales in Turkey.

Revenue from the Healthcare Division decreased by €3.1 million, or 0.7%, from €435.6 million for the year ended December 31, 2018 to €432.5 million for the year ended December 31, 2019. At constant currency, revenue decreased by 0.8%. The decline was primarily attributable to lower sales to institutional customers, the result of budget constraints and decreasing public healthcare spending, and also reflected elevated raw material prices during the period. We were able to partially offset raw materials costs in our product pricing.

Revenue by Geography

The following table sets forth revenue and the percentage change in revenue by geography for the years ended December 31, 2019 and 2018:

	Years ended December 31,		
	2019	2018	Change
	(€ millions)		*(%)*
Western Europe	1,027.5	1,075.2	(4.4)
Eastern Europe	276.6	292.9	5.6
Americas	667.8	620.2	7.7
Rest of world[(1)]	309.3	303.8	1.8
Total	2,281.3	2,292.2	(0.5)

(1) Rest of world comprises revenues from our operations in the Middle East, Africa, Asia and Australia.

Revenue from Western Europe decreased by €47.7 million, or 4.4%, from €1,075.2 million for the year ended December 31, 2018 to €1,027.5 million for the year ended December 31, 2019, reflecting net contract losses in Europe in 2018 which detrimentally impacted revenues in 2019. At constant currency, revenue from Western Europe decreased by 4.6%.

Revenue from Eastern Europe decreased by €16.3 million, or 5.6%, from €292.9 million for the year ended December 31, 2018 to €276.6 million for the year ended December 31, 2019. At constant currency, revenue from Eastern Europe decreased by 6.0%. The decrease was primarily attributable to the effect of a contract loss in 2018, most notably in Poland. Poland and Russia together accounted for 80.9% of revenue from Eastern Europe in 2019, compared to 80.7% in 2018. In Poland, revenues decreased by 12%, reflecting the above-mentioned contract loss in 2018. In Russia, revenues increased by 6%, more than offsetting the effects of a contract loss.

Revenue from the Americas increased by €47.6 million, or 7.7%, from €620.2 million for the year ended December 31, 2018 to €667.8 million for the year ended December 31, 2019. At constant currency, revenue from the Americas increased by 4.5%. The increase was primarily due to strong sales across in Brazil, Mexico and the United States.

Revenue from the rest of the world increased by €5.5 million, or 1.8%, from €303.8 million for the year ended December 31, 2018 to €309.3 million for the year ended December 31, 2019. At constant currency, revenue from the rest of the world increased by 5.7%.

Cost of Sales

Cost of sales decreased by €5.2 million, or 0.3%, from €1,666.5 million for the year ended December 31, 2018 to €1,661.3 million for the year ended December 31, 2019. Cost of sales represented 72.8% of our revenue for the year ended December 31, 2019, compared to 72.7% for the year ended December 31, 2018, reflecting a gross margin of 27.2% and 27.3%, respectively. The slight decrease in the gross margin was attributable to lower sales volumes, higher cost of raw materials, inflation, investment in manufacturing and unfavorable currency movements, largely offset by positive pricing and mix impact and operational savings. Raw materials prices increased in 2019, which had a negative impact of approximately 370 basis points on the gross margin. Fluctuations in exchange rates other than the Euro/U.S. Dollar exchange rate also had a slightly negative impact on the gross margin of approximately 250 bps.

Distribution Expenses

Distribution expenses decreased by €5.3 million, or 2.5%, from €208.7 million for the year ended December 31, 2018 to €203.4 million for the year ended December 31, 2019. Distribution expenses represented 8.9% of our revenue for the year ended December 31, 2019, compared to 9.1% for the year ended December 31, 2018. The decrease in distribution expenses was due primarily to decreased sales volumes in 2019 and certain efficiency gains.

Sales and Marketing Expenses

Sales and marketing expenses increased by €9.5 million, or 6.0%, from €158.8 million for the year ended December 31, 2018 to €168.3 million for the year ended December 31, 2019. Sales and marketing expenses represented 7.4% of our revenue for the year ended December 31, 2019, compared to 6.9% for the year ended December 31, 2018. The increase in sales and marketing expenses, both overall and as a percentage of our revenue, was primarily due to increased marketing investment in e-commerce activities.

General Administrative Expenses

General administrative expenses increased by €7.4 million, or 8.9%, from €83.0 million for the year ended December 31, 2018 to €90.4 million for the year ended December 31, 2019. The increase was primarily due to investments in R&D and IT capabilities. General administrative expenses represented 4.0% and 3.6% of our revenue for the years ended December 31, 2019 and 2018, respectively.

Net Other Operating Income/(Expense)

Net other operating income/(expense) was income of €1.9 million for the year ended December 31, 2018, compared to an expense of €0.5 million for the year ended December 31, 2019.

EBITDA and Adjusted EBITDA

EBITDA decreased by €34.9 million, or 16.6%, from €209.7 million for the year ended December 31, 2018 to €174.8 million for the year ended December 31, 2019; excluding the impact of IFRS 16, EBITDA would have decreased by 26.9% for the year. Our EBITDA margin was 7.7% for the year ended December 31, 2019, compared to 9.1% for the year ended December 31, 2018.

Adjusted EBITDA increased by €11.1 million, or 4.7%, from €234.0 million for the year ended December 31, 2018 to €245.1 million for the year ended December 31, 2019. The increase in Adjusted EBITDA for 2019 was due primarily to the initial application of IFRS 16; excluding the impact of IFRS 16, Adjusted EBITDA would have decreased by 7.0% for the year ended December 31, 2019.

Income and Expenses Related to Changes in Group Structure

Expenses related to changes in Group structure increased by €43.3 million, or 279.4%, from an expense of €15.5 million for the year ended December 31, 2018 to an expense of €58.8 million for the year ended December 31, 2019. For the year ended December 31, 2019, these expenses primarily related to our reorganization and comprehensive transformation plan, T2G, and related to in-depth assessments of our operational and commercial processes and the commencement of certain projects intended to increase operational efficiency. For 2018, these expenses were primarily related to the transfer of our manufacturing operations in Aparecida de Goiânia in Brazil to our manufacturing site in Senador Canedo. This move was made after an in-depth analysis and considering the efficiency of consolidating our production into a single facility, where it will be possible to deploy efficient technologies and processes.

Income and Expenses Related to Impairments and Major Litigations

Expenses related to impairments and major litigations increased by €2.7 million, or 30.7%, from €8.8 million for the year ended December 31, 2018 to €11.5 million for the year ended December 31, 2019. The main expense in 2019 and 2018 was related to the impairment of assets as a result of the transfer of our manufacturing operations in Aparecida de Goiânia in Brazil to our manufacturing site in Senador Canedo.

Operating Profit

Operating profit decreased by €65.6 million, or 42.9%, from €152.8 million for the year ended December 31, 2018 to €87.2 million for the year ended December 31, 2019. Our operating profit margin was 3.8% for the year ended December 31, 2019 and 6.7% for the year ended December 31, 2018. The decline in operating profit for 2019 was primarily attributable to the incurrence of certain significant non-recurring costs, in particular the expenses related to our reorganization and comprehensive transformation plan, T2G.

Net Finance Costs

Net finance costs increased by €9.1 million, or 31.8%, from an expense of €28.6 million for the year ended December 31, 2018 to an expense of €37.7 million for the year ended December 31, 2019. Finance costs in 2019 were impacted by a higher average interest rate due to an increase in net debt and an increase in the proportion of local debt (which generally carries a higher interest rate) within total debt, in order to better match our financing payments with operating cash flows. Finance income was stable in 2019 as compared to 2018, at €2.6 million (as compared to €2.5 million in 2018).

Income Tax

Income tax decreased by €15.0 million, or 55.1%, from €27.2 million for the year ended December 31, 2018 to €12.2 million for the year ended December 31, 2019. The decrease was primarily due to lower profit before tax.

(Loss) / Profit for the Year

Profit for the year decreased by €59.7 million, or 61.5%, from €97.0 million for the year ended December 31, 2018 to €37.3 million for the year ended December 31, 2019. The decrease in profit for the year was attributable primarily to non-recurring incurred in connection with our reorganization and comprehensive transformation plan, T2G.

Liquidity and Capital Resources

Capital Resources

Our primary sources of liquidity are and are expected to continue to be cash flows from operations, future borrowings under our Revolving Credit Facility, the Factoring Agreement (as defined below) and potential future borrowings through the issuance of debt securities. We have also entered into bilateral factoring arrangements in respect of our Italian, Mexican, Brazilian and Russian operations.

Although we believe that our expected cash flows from operations, future borrowings under our Revolving Credit Facility and potential future borrowings under debt securities will be adequate to meet our anticipated general liquidity needs and debt service obligations, we cannot assure that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our liquidity needs, including making payments our debt when due. If our cash flows from operating activities are lower than expected or our capital expenditure requirements exceed our projections, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and our cost of capital depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions, and capital markets, restrictions in instruments governing our debt, and our general financial performance.

Cash flows

The following table sets forth our cash flows for the three months ended March 31, 2021 and 2020 and the years ended December 31, 2020, 2019 and 2018:

	Three months ended March 31,		Year ended December 31,		
	2021	2020	2020	2019	2018
			(€ millions)		
Net cash generated from operating activities	24.4	27.5	190.5	239.0	169.7
Net cash used in investing activities	(12.1)	(15.3)	(112.6)	(101.7)	(118.0)
Net cash generated from (used in) financing activities	(215.5)	8.6	242.6	(141.0)	(39.6)
Net increase/(decrease) in cash and cash equivalents	(203.2)	20.8	320.5	(3.6)	12.1
Cumulative translation differences on cash movements	0.4	(10.5)	(18.2)	0.9	—
Cash and cash equivalents at end of period	227.4	138.1	430.1	127.8	130.6

Cash Flow from Operating Activities

Cash flow from operating activities decreased by €3.1 million, from €27.5 million for the three months ended March 31, 2020 to €24.4 million for the three months ended March 31, 2021. Working capital benefited from proceeds from factoring in the amount of €145.5 million.

Cash flow from operating activities decreased by €48.5 million, from €239.0 million for the year ended December 31, 2019 to €190.5 million for the year ended December 31, 2020. The decrease was due to lower EBITDA generation resulting from significantly lower sales and lower cash generation from working capital. Working capital benefited from proceeds from factoring in the amount of €156.0 million.

Cash flow from operating activities increased by €69.3 million, from €169.7 million for the year ended December 31, 2018 to €239.0 million for the year ended December 31, 2019. The increase was mainly due to strict working capital management. Working capital benefited from proceeds from factoring in the amount of €161.4 million.

Cash Flow Used in Investing Activities

Cash flow used in investing activities decreased by €3.2 million, from €15.3 million for the three months ended March 31, 2020 to €12.1 million for the three months ended March 31, 2021. The decrease was due to lower capital expenditures for the first quarter of 2021.

Cash flow used in investing activities increased by €10.9 million, from €101.7 million for the year ended December 31, 2019 to €112.6 million for the year ended December 31, 2020. The increase was mainly due to the acquisition of the feminine hygiene business of Albaad in Rockingham County, North Carolina, consisting of production lines and related equipment as well as a license for all corresponding inventory and intellectual property.

Cash flow used in investing activities decreased by €16.3 million, from €118.0 million for the year ended December 31, 2018 to €101.7 million for the year ended December 31, 2019. The decrease was due to the payment of contingent consideration in 2018 relating to our acquisition of Grupo Mabe.

Cash Flow Used in Financing Activities

Cash flow from financing activities was an outflow of €215.5 million for the three months ended March 31, 2021, compared to an inflow of €8.6 million for the three months ended March 31, 2020. The outflow for the three-month period ended March 31, 2021 was primarily the result of the repayment of our syndicated revolving credit facility in the amount of €210.0 million, which had been drawn to provide financial flexibility in the context of the economic uncertainty caused by the COVID-19 pandemic.

Cash flow from financing activities was €242.6 million for the year ended December 31, 2020, compared to cash flow used in financing activities of €141.0 million for the year ended December 31, 2019. The increase in cash flow from financing activities in 2020 was mainly due to the drawdown of €300.0 million under our syndicated revolving credit facility to provide financial flexibility in the context of the economic uncertainty as a result of the COVID-19 crisis. The main cash outflow from financing activities in 2019 was due to dividend distributions, net cash interest expense and debt repayment as a result of strong cash flow generation from working capital.

Cash flow used in financing activities was €39.6 million for the year ended December 31, 2018 compared to cash flow used in financing activities of €141.0 million for the year ended December 31, 2019. In 2018, the cash outflow from financing activities resulted mainly from dividend distributions and net cash interest expense, partially offset by an increase in debt usage.

Working Capital

The following table sets forth the components of our working capital as of March 31, 2021 and 2020 and as of December 31, 2020, 2019 and 2018:

	As of March 31,		As of December 31,		
	2021	2020	2020	2019	2018
	(€ millions)				
Inventories	325.1	299.8	319.1	318.8	365.9
Trade and other receivables and pre-paid expenses	330.2	352.3	343.3	373.3	424.5
Trade and other payables and accrued expenses	(504.4)	(475.7)	(517.8)	(504.6)	(532.8)
Working capital	151.0	176.3	144.6	187.5	257.6

Working capital as of December 31, 2020 was €144.6 million, compared to €187.5 million as of December 31, 2019. The decrease in trade and other receivables and pre-paid expenses to €343.3 million as of December 31, 2020 from €373.3 million as of December 31, 2019 was primarily due to lower sales.

Working capital as of December 31, 2019 was €187.5 million, compared to €257.6 million as of December 31, 2018. The decrease was due to in part to a decrease in inventories, from €365.9 million as of December 31, 2018 to €318.8 million as of December 31, 2019, which was in turn due to a high inventory balance at the end of 2018, which included a strategic stock build-up. The decrease in working capital was also attributable to a decrease in trade and other receivables and pre-paid expenses, from €424.5 million as of December 31, 2018 to €373.3 million as of December 31, 2019, which was primarily due to an improvement in receivables management (and reduction in DSO).

We believe that our current working capital, together with the amounts to be available under the New Syndicated Facilities Agreement, are sufficient for our current working capital requirements.

Capital Expenditures

Our capital expenditures during the three months ended March 31, 2021 were €12.2 million, as compared to €15.8 million during the three months ended March 31, 2020. The decrease in capital expenditures for the three months ended March 31, 2021 was primarily driven by a strong focus on cash flow and the prioritization of required capital expenditures.

Our capital expenditures during the years ended December 31, 2020, December 31, 2019 and December 31, 2018 were stable. Our capital expenditures during the years ended December 31, 2020 were €105.6 million, as compared to €103.9 million during the year ended December 31, 2019 and €103.8 million during the year ended December 31, 2018.

We estimate that our capital expenditures for 2021 will decline versus prior years, in line with our target to normalize capital expenditures at a run-rate level of approximately 4% of revenue.

Outstanding Financial Liabilities

The table below summarizes our outstanding financial liabilities as of December 31, 2020:

	Less than 1 year	1 – 5 years	More than 5 years	Total
		(€ millions)		
Senior Facilities				
Existing Term Loan Facility	—	600.0	—	600.0
Existing Revolving Credit Facility	300.0	—	—	300.0
Existing Bilateral Facility	—	150.0	—	150.0
Lease liabilities	21.6	63.5	47.6	132.7
Other financial liabilities[1]	42.1	52.8	0.1	95.0
Total	363.7	866.2	47.7	1,277.7

(1) Other financial liabilities include, among other things, €31.2 million in respect of the Group's obligations under the TRS Agreement, the full amount of which matures within one year, subject to further extensions of the TRS Agreement.

This table presents the carrying amount of our total financial debt by contractual maturity of the underlying cash flows.

Investment of Surplus Cash

We primarily use surplus cash for general corporate purposes. Otherwise, we deposit surplus cash in either money market or deposit accounts held with banks. These deposits are made for fixed terms and interest is generally payable to us (or, in cases where accounts bear interest at negative rates, payable by us) at the market rate for deposits or at such other rate as may be commercially agreed with the relevant deposit bank.

Group Cash Management

Our Group-wide cash management is centralized to the extent possible and reasonable. Our operating subsidiaries keep liquidity only to the extent needed for their daily operations. Any surplus liquidity in our operating subsidiaries is transferred to Ontex Group NV. Surplus liquidity is used for our general corporate purposes.

Syndicated Factoring Agreement

To optimize our cash management, we entered into a Group non-recourse syndicated factoring agreement (the "**Factoring Agreement**") dated February 21, 2018 with BNP Paribas Fortis Factor N.V. and KBC Commercial Finance N.V. (together, the "**Factors**"), The Factoring Agreement provides us with a 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 Factors. The remaining 5% of the relevant receivables is available to us upon receipt of payment from the relevant debtor. Financing per debtor is capped at 10% of the aggregate amount of all approved outstanding receivables transferred to the Factors. Any financing within the credit limit is non-recourse to us. The initial term of the Factoring Agreement expired on March 20, 2021, upon which the Factoring Agreement was renewed automatically by tacit agreement between the parties for a new period of one year. At the end of the current one-year term, and each subsequent one-year term for which the Syndicated Factoring Agreement has been renewed, any party may terminate the agreement upon 90 days' notice.

Other Factoring Agreements

In addition to the Factoring Agreement described above, our subsidiaries in Italy, Russia, Brazil and Mexico have entered into their own bilateral factoring arrangements. All of these agreements are non-recourse.

As of December 31, 2020, €143.2 million of financing was outstanding under our factoring arrangements (compared to €149.1 million in 2019). This is in addition to €12.8 million of financing obtained through the use of supply chain financing programs offered by our customers. The late payment risk related to our factoring arrangements has been assessed as immaterial as of December 31, 2020 and 2019.

In accordance with IFRS 9 Financial instruments, the non-continuing involvement portion of all non-recourse trade receivables included in these factoring programs is derecognized.

Off-Balance Sheet Arrangements

Other than the Syndicated Factoring Agreement and the other factoring arrangements discussed above, we believe that we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenue or expenses, operating results, liquidity, capital expenditures or capital resources that is material.

Qualitative and Quantitative Disclosure About Market Risk

Foreign Exchange Risk

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British Pound, Turkish Lira, Polish Zloty, Australian Dollar, Mexican Peso, Brazilian Real and Russian Rouble in relation to sales, and the U.S. Dollar, Czech Crown, Mexican Peso and Brazilian Real in relation to procurement. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. We also have exposure to the Turkish Lira, Algerian Dinar, Russian Rouble, Czech Crown, Australian Dollar, Pakistani Rupee, Mexican Peso and Brazilian Real due to our net investments in foreign operations.

To manage our foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, we use 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. Our treasury is responsible for monitoring the net position in each foreign currency when possible and appropriate. We apply hedge accounting for hedge related transactions and the impact of the revaluation is recognized in other comprehensive income.

We entered into foreign exchange forward contracts in 2020 maturing at the latest in April 2022 in order to limit volatility in the business resulting from exposures to sales in British Pound, Polish Zloty and Australian Dollar, as well as purchases in U.S. Dollar and Czech Crown during 2021. Based on the hedge strategy, the foreign exchange forward contracts hedge the following forecasted exposures until December 31, 2021: for British Pound, £60.4 million; for Polish Zloty, PLN 299.7 million; for Australian Dollar, A$23.9 million; for Czech Crown, CZK 645.7 million; for U.S. dollar (US$66.8 million versus Euro, US$12.5 million versus Mexican Peso, US$18.7 million versus Brazilian Real and US$13.1 million versus Czech Crown); for Brazilian Real, BRL 6.4 million; and for Mexican Peso, MXN 3.8 million.

The terms of our foreign currency forward contracts have been negotiated to match the terms of highly probable forecast transactions. We apply hedge accounting to the foreign currency forward contracts. At inception of the foreign exchange contracts, these instruments were designated as cash flow hedges. At the moment the forecasted transactions materialize, the foreign exchange forward contracts become fair value hedges.

As of March 31, 2021, an unrealized net loss of €1.9 million was recognized in other comprehensive income, relating to foreign exchange hedging contracts for which hedge accounting is applied. As of March 31, 2021, the fair value of the derivative financial asset for the foreign exchange contracts amounted to €2.2 million and the derivative financial liability amounted to €4.6 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 derivative positions as at the respective balance sheet dates.

	10% weakening of the EUR				10% strengthening of the EUR			
	As of December 31,							
	2020		2019	2018	2020		2019	2018
	Impact on equity(1)	Impact on income statement(2)	Impact on income statement(2)	Impact on income statement(2)	Impact on equity(1)	Impact on income statement(2)	Impact on income statement(2)	Impact on income statement(2)
	(€millions)							
AUD	(1.5)	(0.2)	(0.4)	(0.3)	1.2	0.2	0.3	0.3
GBP	(5.8)	(1.8)	(0.9)	(0.8)	4.7	1.5	0.8	0.7
PLN	(5.0)	(2.3)	(1.6)	3.1	4.1	1.9	1.3	(2.5)
USD	4.2	(2.6)	(5.6)	(5.0)	(3.5)	2.1	4.6	4.1

Notes:

(1) Impact on other comprehensive income of a 10% weakening/strengthening of the Euro against the reported currency on hedged positions of trade receivables and trade payables balances.

(2) Impact on income statement of a 10% weakening/strengthening of the Euro against the reported currency on trade receivables and trade payables balances.

Interest Rate Risk

Our interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose us to fair value interest rate risk. These risks are managed centrally by our treasury team taking into account our expectations with respect to the evolution of market rates. We have used interest rate swaps and cross-currency interest rate swaps to manage these risks.

Sensitivity of Fair Value of Derivative Financial Instruments Related to Loans

As of December 31, 2020, if EURIBOR interest rates had been 10 basis points higher or lower, with all other variables held constant, the impact on pre-tax other comprehensive income for the year would have been negligible. As of December 31, 2019, if EURIBOR interest rates had been 10 basis points higher or lower, with all other variables held constant, pre-tax other comprehensive income for the year would have been €0.2 million higher and €0.2 million lower, respectively. As of December 31, 2018, if EURIBOR interest rates had been 10 basis points higher or lower, with all other variables held constant, pre-tax other comprehensive income for the year would have been €1.1 million higher and €1.0 million lower, respectively.

Sensitivity of the Fair Value of Loans

The notional principal amounts of outstanding fixed payer interest rate swap/cap contracts as of December 31, 2020, 2019 and 2018 was €557.0 million, €557.0 million and €787.4 million, respectively.

Commodity Price Risk

We have 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. We have in the past and from time to time sought to manage our raw materials costs, including those tied to the price of oil, through hedging.

In relation to our fluff exposure, we have arrangements with certain of our fluff suppliers that reduce our exposure to volatility in fluff prices. We also decided to hedge a portion of our propylene, polypropylene and polyethylene exposure that is not covered by such arrangements for 2020.

Sensitivity of the fair value of derivative financial instruments related to commodities

As of December 31, 2020, if the commodity forward curve had been 10% higher or lower, with all other variables held constant, pre-tax other comprehensive income for the year would have been €2.5 million higher and €2.5 million lower, respectively. As of December 31, 2019, if the commodity forward curve had been 10% higher or lower, with all other variables held constant, pre-tax other comprehensive income for the year would have been €1.1 million higher and €0.5 million lower, respectively. As of December 31, 2018, if the commodity forward curve had been 10% higher or lower, with all other variables held constant, pre-tax other comprehensive income for the year would have been €0.3 million higher and €0.3 million lower, respectively.

See *"—Hedging Committee"* below for a description of our hedging policies.

Credit Risk

Credit risk is managed on a group-wide 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. We assess 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% in each of 2020, 2019 and 2018. Trade receivables are spread over different countries and counterparties and there is no large concentration with one or a few counterparties.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets on the statement of financial position. We have introduced a hedging committee, as described in more detail below under *"—Hedging Committee".*

Liquidity Risk

Our treasury team monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on our borrowing facilities.

Hedging Committee

We have a hedging committee in place, currently at the level of Ontex Group NV, which meets quarterly. The purpose of the committee is to assist the Board of Directors in defining and implementing policies to utilize financial hedging instruments to mitigate foreign exchange and commodity risks. The Board of Directors of ONV Topco NV adopted a hedging committee charter, setting up guidelines for the activities of the committee. The committee (i) will hedge only foreign exchange and commodity risks (collectively, the "Risks"); (ii) will not engage in speculative trading (i.e., take positions with no underlying Risks); (iii) will only take positions that hedge exposure for a period of less than one year; (iv) will only trade with counterparties that have been previously approved by the Board of Directors; (v) will only trade within pre-defined "trading windows;" and (vi) will only execute hedges that qualify for hedge accounting treatment. The committee shall submit a hedging "strategy" to the Board of Directors for approval which quantifies the overall Risk exposure, specifies the Risks that it intends to hedge, indicates the instruments it intends to use and the specific counterparties it intends to trade with and the trading windows. The committee shall report its actions and recommendations to the Board of Directors after each committee meeting.

Critical Accounting Estimates and Judgments

Our consolidated financial statements are prepared in accordance with IFRS. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates and judgments could cause actual results to differ.

Our accounting policies are more fully described in Note 3 to our audited consolidated financial statements as of and for the years ended December 31, 2020, 2019 and 2018 and the related notes thereto, in each case included in the annual report corresponding to such year and available on our website at https://ontex.com/investors/. We believe the following policies to be the most significant policies that require management to consider matters that are inherently uncertain or to make subjective and complex judgments.

COVID-19

Infectious diseases of epidemic and pandemic potential are considered a significant risk to economic activity and consequently one faced by us. The outbreak of the COVID-19 pandemic, which has been visible since early 2020 and continues into 2021 is a clear example of such risk.

The COVID-19 pandemic and the related measures taken to contain the virus and minimize its consequences (including government lockdowns in most countries), have had and are expected to continue to have adverse effects on our activities and financial results, 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 our colleagues is our paramount priority. Since the spread of the COVID-19 virus to countries where we have operations, we have followed all guidelines provided by 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 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.

We complied with all requirements of our loan covenants under our 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. Our solid finance and liquidity structure should however be more than sufficient to ensure the going concern of the Company.

Income taxes

We have tax losses and other tax incentives usable to offset future taxable profits, mainly in Belgium, Brazil, France and Spain, amounting to €557.3 million as of December 31, 2020 (compared to €583.0 million as of December 31, 2019).

The European Commission challenged Belgium's EPR system, characterizing this system as illegal state aid. Ontex, through its Belgian subsidiary Ontex BV, had an EPR covering the years 2011 through 2015. We have lodged an appeal against this EC decision. The General Court handed down its judgment on February 14, 2019 in the joint case of *Belgium vs Commission* and *Magnetrol International vs Commission*. In its decision, the General Court annulled the Commission's Decision, finding 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 opened individual investigations in September 2019 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. We 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.

We 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, we will not release the relevant provisions at this stage.

We have only recognized deferred tax assets on €124.1 million of tax losses and other tax incentives out of the €557.3 million mentioned above. The measurement of these deferred tax assets depends on a number of judgmental assumptions regarding the future probable taxable profits of our different subsidiaries in different jurisdictions. These estimates are made prudently to the extent of our best current knowledge.

We apply significant judgement in identifying uncertainties over income tax treatments. Since we operate in a complex multinational environment, we assess whether certain uncertain tax provisions should be recognized in our consolidated financial statements (based on the requirements of IFRIC 23).

Impairment

We test annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. As of December 31, 2020, we used a pre-tax discount rate of 5.7%, 5.3%, 11.2% and 7.4% for our (i) Europe, (ii) Healthcare, (iii) Middle East, Africa and Asia and (iv) Americas cash-generating units, respectively.

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.

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.

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. We use our 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.

Employee benefits

The carrying amount of our 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.

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.

INDUSTRY

There is no complete set of third-party data for the hygienic disposables market. Accordingly, in preparing this overview, we have utilized data from several different sources as well as management estimates. Unless otherwise noted, all data relating to the size of the hygienic disposables market, the baby care and Feminine Care markets and the retail market for adult incontinence products, as well as demographics and adoption rates, are derived from Euromonitor data (in euro, constant exchange rates, current prices including inflation). All data relating to the market share of Ontex and our competitors is based on data produced by Euromonitor, adjusted by management estimates where appropriate to take account of the portion of the market not covered by Euromonitor. Unless otherwise noted, data concerning the share of retailer brands within overall markets is based on Euromonitor. Data for the healthcare market (for adult incontinence products) is based on management estimates, which are in turn informed by Euromonitor and IQVIA data.

The third-party sources we have used generally state that the information contained therein was obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these third-party sources are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness.

Overview & Market Trends

Market Size and Growth

The global hygienic disposables market represented an €85 billion market in 2020. Hygienic disposable products are essential consumer staples that benefit from a relative inelasticity of demand, which contributes to stable growth even during periods of recession. Over the last five years, the global market has expanded at a 4.5% CAGR. Given our current business footprint, in particular the relatively limited exposure to high-growth Asian regions such as China, the market served by Ontex grew at an estimated rate of 2.8% per year over this period, with many attractive pockets of higher projected growth.

The hygienic disposables market consists of three distinct product segments: baby care, feminine care, and adult incontinence products, which respectively account for €42 billion, €27 billion, and €16 billion of overall hygienic disposables market value. Given favorable demographic and adoption trends, these three markets have grown over the last five years at an estimated CAGR of 4.6%, 3.4%, and 6.1%, respectively.

From a regional perspective, the size and growth of the hygienic disposable products market in 2020 is detailed in the table below:

	Market Value in 2020	2015 – 2020 CAGR
Europe	€16.3bn	+1.0%
North America	€14.2bn	+2.6%
o.w. United States	*€13.2bn*	*+2.5%*
Latin America	€8.9bn	+6.0%
o.w. Brazil	*€2.5bn*	*+5.2%*
o.w. Mexico	*€2.3bn*	*+5.5%*
Middle East & Africa	€9.1bn	+10.9%
Australia and New Zealand	€1.0bn	+2.5%
Asia	€35.4bn	+5.3%
Total	**€85.0bn**	**+4.5%**

Underlying Socio-demographic Trends

We believe that demand for hygienic disposable products is influenced notably by demographic growth and increasing adoption rates. Demand is driven in the baby care market by the number of babies, in the feminine care market by the size of the female population aged 12-49 years and in the adult incontinence market by the size of the population over 45 years old. Even though the majority of individuals above 45 years old do not use adult incontinence products, the penetration rate of incontinence solutions in this segment of the population is increasing, notably thanks to the advent of “light” incontinence products covering the 45-65 age range. Additionally, the adoption of our products is affected by factors such as changes in GDP per capita, urbanization trends, awareness of product availability, product innovation, increasing modern retail trade, and other trends such as the average age of potty training and the number of people suffering from incontinence.

In Western Europe and the United States, demographics for baby care and feminine care products are relatively stable and rates of adoption for these products are also relatively high. In Eastern Europe, demographics for baby care and feminine care products are also relatively stable but an adoption gap remains in comparison with Western Europe. In emerging markets, we believe that population growth and increasing adoption rates will contribute to growth in demand for all hygienic disposable products. Across all geographies, an aging population, resulting in growth in the population over 45 years old, is expected to contribute to strong demand for adult incontinence products.

The following table sets forth historical population CAGRs for the period from 2015 to 2020:

	Growth in children aged 0 – 2 years	**Growth in females aged 12 – 49 years**	**Growth in persons aged over 45 years**
Europe	(1.8)%	(0.6)%	+0.9%
North America	(0.8)%	+0.3%	+1.1%
o.w. United States	*(0.9)%*	*+0.2%*	*+1.1%*
Latin America	(0.6)%	+0.5%	+2.7%
o.w. Brazil	*(0.3)%*	*+0.2%*	*+2.7%*
o.w. Mexico	*(0.1)%*	*+0.6%*	*+3.1%*
MEA	+0.9%	+2.3%	+3.4%
Australia and New Zealand	(0.2)%	+1.4%	+1.9%
Asia	(0.5)%	+0.2%	+2.7%

The following table, based on management estimates, shows per capita consumption data by geography in 2020, illustrating the comparative adoption rates of hygienic disposable products and highlighting the growth potential in selected markets stemming from increased adoption rates across product segments:

	Baby care: Number of diapers used per baby per day	**Feminine care: Number of sanitary protection products per female per month**	**Adult incontinence: Number of sanitary pads and diapers per head per month**
North America	5	23	10
Europe	4	25	4
Latin America	3	15	1
Other countries	1	10	1

The combination of expanding populations, economic growth and increasing adoption rates is expected to result in a significant expansion in the market for personal disposable hygienic products in several of the emerging markets where Ontex already holds strong positions (calculated below considering constant 2020 prices):

	Estimated CAGR (2020A – 2025E)	**Market Size (2020)**
Ethiopia	+8.8%	€0.3bn
Pakistan	+8.7%	€0.1bn
Turkey	+4.6%	€0.8bn
Algeria	+3.6%	€0.7bn
Mexico	+3.3%	€2.3bn

Shift in Consumer and Shopper Purchasing Behaviors

We believe a certain number of secular trends are driving a shift in behavior from which we expect ultimately to benefit:

- Smart choice: consumers around the world are becoming increasingly conscious about their choices, increasingly favoring retailer brands or local and regional value brands over established international “premium” brands. This trend has accelerated with the COVID-19 pandemic and related financial crisis, as much of the population has been required to economize on grocery expenses, resulting in a direct increase in demand for our own-brand and retailer branded products.

- Lifestyle brands: consumers are increasingly looking for brands which promote a mission and value, and they stay loyal to purpose-driven brands. Individualized preferences and tastes drive demand for customized products and services. Personalized designs and experiences have evolved from revolutionary to near ubiquitous. In today's consumption landscape, every consumer wants to feel unique and seeks out products and services that reflect their identities, and lifestyle brands are well positioned to benefit from this trend. In the role of trusted partner to these brands, acting as contract manufacturer, Ontex is also poised to benefit from their growth.
- Sustainability: consumers are looking for sustainable product choices with an ecological footprint and are rewarding companies that put these values high on their priority list. For example, according to an internal analysis conducted using Nielsen data, sales in Europe and the U.S. of baby care brands and sub-brands classified as sustainable or eco-friendly grew by more than 50% over a three-year period ending in August 2020.
- Convenience: for busy consumers, convenience is now a prerequisite, and their definition of it becomes ever more comprehensive. Consumers seek brands that cater to their specific needs with new solutions, bundled products, integrated add-ons and innovative business or service models that provide convenience or an improvement in experience. Strong growth in smart diapers, baby pants and services for healthcare institutions are key illustrations of this trend, and thanks to our capabilities we are well positioned to benefit from these shifts.
- E-commerce: the pandemic has accelerated this trend as a result of health concerns, convenience, lockdowns and shop closures, and has brought a lot of opportunities for pure-players (e.g. Amazon), online retailers (e.g. Tesco.com) and the Direct-to-Consumer segment (incl. subscriptions), which we supply with our products.
- Homecare: the shift from institutional care to homecare, or "aging in place," has accelerated, resulting in growth for adult incontinence sales through retail self-pay channels (rather than sales to institutional customers).

Analysis by Product Category and Geography

The hygienic disposables industry includes five types of players: (i) global brands, (ii) local and regional brands, (iii) retailer brands, (iv) growing and increasingly important lifestyle/insurgent brands, and (v) healthcare-specialist distributors. Among these players, Ontex is an international company active in the growing market segments (ii) to (v). Over the last decade, we have fundamentally transformed Ontex from a mostly European-focused retailer brand manufacturer into a leading international personal hygiene company, focused on local consumer and customer needs, across both retailer branded products and own brand products. As a result, we have now a higher portfolio balance towards the US and developing markets (vs. Europe) and to the branded business (vs. retailer brands), while maintaining a stable category mix.

In developed markets, retailer brand products have expanded in recent years as (i) consumers shop more often at larger retailers, which are much more likely to offer their own branded products in comparison to smaller retailers, and (ii) consumers' perceptions of a quality gap between branded and retailer-branded products have significantly diminished. The table below shows private label market share as of 2020 in selected developed markets, as well as the change in position over the period from 2015 to 2020:

	Private Label Market Share (2020)	2015 – 2020 Change
Germany	29%	+176 bps
France	24%	*(-330 bps)*
Western Europe	23%	+1 bps
United Kingdom	22%	+59 bps
United States	18%	+54 bps
Italy	15%	+304 bps
Australia and New Zealand	13%	+24 bps
Eastern Europe	12%	+198 bps

Recently, economic uncertainty resulting from the COVID-19 pandemic has contributed to a general trend of growth in retailer brands, in particular in Europe, where according to Nielsen the share of consumers claiming to be budget-constrained rose to 63%, up from only 17% prior to the pandemic. As a result of COVID-19's impact on their finances, European consumers have expressed a desire to economize, with 77% shopping more frequently at discount retailers or value stores, and 89% switching to more affordable alternative products such as retailer brands. Another trend, more specific the US, is that the recent COVID-19 related stimulus packages have provided consumers with unexpected liquidity, which has strengthened the willingness of consumers to try more expensive, purpose-driven lifestyle brands, thereby accelerating premiumization of the market.

In emerging markets, although retailer brands are expanding, their share remains relatively low, and even nonexistent in some countries, while a variety of branded players have established leading competitive positions (such as Procter & Gamble, Kimberly-Clark and Unicharm). In Turkey, for example, market share of retailer brands was approximately 16% in 2020, representing growth from 2015 to 2020 of 228 basis points. In Mexico, by contrast, retailer brand market share was a mere 5% in 2020, a decline of 10 bps since 2015. Our strategy in these regions has been primarily based on providing our customers with our own brands, which are positioned as competitive but affordable alternatives to these A-brands. Nevertheless, we believe we are also in a prime position to profit from the increasing share of retailer brands going forward thanks to our global expertise in the segment.

Today, Ontex has a unique position in the competitive landscape of our core markets. In Europe, we have a leading position in the retailer brand segment (with a large market share lead over the second-largest player) and strong healthcare brands. Globally, and particularly in the US, we are a key partner for fast-growing lifestyle brands. In emerging markets such as Mexico, Brazil and the Middle East and Africa, we operate our own brands with a leading position in selected geographies and market categories. We are recognized as the worldwide leading alternative to global brands.

Baby Care Market

The principal products within the baby care category are baby diapers and pants. For further discussion of these products and their distinct characteristics and features see "*Business—Products—Baby Care products*". Globally, the majority of baby care sales is still of diapers, however for several years we have seen a significant shift from baby diapers to baby pants, with some countries already selling more pants than diapers. While birth rates over the next ten years are predicted to remain stable, this does not translate into a stagnant market for baby care products. For example, sales of baby diapers in the U.S. and Europe grew by three percentage points over the period from 2015 to 2020. Developing economies also offer rich potential: North American daily consumption of diapers per capita is five times higher than that of emerging countries. Growth is set to be stimulated by a change in product mix, as consumers move to more convenient products. Most of the value growth in the category in recent years has resulted from the increase in sales of higher-margin products such as baby pants.

The global baby care market represents a €42 billion market, with a compound annual growth rate of 4.6% over the past five years. The following table shows the detailed data for key geographies in the baby care market:

	Market Value in 2020	2015 – 2020 CAGR
Europe	€6.8bn	+0.2%
North America	€5.9bn	+0.6%
o.w. United States	*€5.5bn*	*+0.5%*
Latin America	€5.9bn	+5.5%
o.w. Brazil	*€1.6bn*	*+5.5%*
o.w. Mexico	*€1.8bn*	*+5.0%*
MEA	€6.4bn	+11.5%
Australia and New Zealand	€0.5bn	+1.5%
Asia	€16.1bn	+5.9%
Total	**€41.7bn**	**+4.6%**

In Europe, the baby care market leader is Procter & Gamble, which holds a 43% market share overall (i.e. including both branded and retailer brand businesses), followed by Essity, Kimberly-Clark and Ontex, which hold shares of 11%, 10% and 9%, respectively. In the United States, Ontex holds a 1% market share in the overall baby care market. In Mexico, Ontex has consistently grown its market share in recent years, to its current 26% of the overall baby care market. In Brazil, Ontex holds a 10% market share.

Retailer branded baby care products accounted for approximately 8% of the global baby care market based on value in 2020, and 24% of the European market, according to Euromonitor. For reference, the shares of retailer brands based on Nielsen data (which measures the brick-and-mortar retail market only, and does not account for online sales) are higher, representing 28% and 48% of the global and European markets, respectively. According to Euromonitor, the share of retailer brands reached 50% in Poland, 43% in Belgium, 35% in Austria, 33% in Germany, 30% in the United Kingdom and 25% in France. In the US, the share of retailer brands is at 17%. In emerging markets, the share of retailer brands remains low; in Mexico and Brazil, for instance, retailer brands comprise 6% and 1% of the market, respectively. In these markets our focus remains on offering our affordable local and regional brands.

With regard to the retailer brand segment specifically, Ontex is the European market leader with more than twice the market share of its nearest competitor. In the United States, Ontex has been consistently increasing its share of the retailer brand segment, and is a leading provider of the fast-growing lifestyle brands in baby care. In Mexico, Ontex is the clear market leader among retailer brand manufacturers.

Feminine Care Market

Feminine care products include external products, such as pads, which are used outside the body, and internal products, such as tampons, which are for internal body use. The principal products in this market are pads, panty liners and tampons. For further discussion of these products and their distinct characteristics and features see "*Business—Products—Feminine Care products*".

Innovations in the feminine care market in the last few years have included the introduction of more natural materials like cotton, new ultra-thin and flexible products that adapt better to the body, improved night protection, odor control and more sophisticated prints. The number of women in the target population is expected to grow and, together with economic development, points to a further growth opportunity. Monthly consumption of feminine care products per capita in Europe, for example, is 2.5 times higher than in developing markets. There is also an opportunity in the shift in demand towards products with natural or more sustainable components.

The global feminine care market represents a €27 billion market, with a compound annual growth rate of approximately 3.4% from 2015 to 2020. The following table shows the detailed data for key geographies:

	Market Value in 2020	2015 – 2020 CAGR
Europe	€4.7bn	+0.6%
North America	€3.2bn	+0.9%
o.w. United States	*€2.9bn*	*+0.9%*
Latin America	€1.9bn	+4.9%
o.w. Brazil	*€0.5bn*	*+1.7%*
o.w. Mexico	*€0.4bn*	*+6.7%*
MEA	€2.1bn	+9.3%
Australia and New Zealand	€0.2bn	(1.4)%
Asia	€15.2bn	+4.1%
Total	**€27.3bn**	**+3.4%**

In Europe, the leader in feminine care products is Procter & Gamble, with a 44% market share overall (i.e. including both branded and retailer brand businesses). We also believe that the largest producers include Johnson & Johnson (principally in tampons) and Essity with market shares of approximately 16% and 10%, respectively, while Ontex is the fourth-largest player with a 6% market share. In the United States, we hold a 1% share of the overall feminine care market.

Retailer brand feminine care products accounted for approximately 5% of the global feminine care market based on value in 2020, and 16% of the European market, according to Euromonitor. The shares of retailer brands based on Nielsen data (which measures the brick-and-mortar retail market only, and does not account for online sales) are higher, representing 29% for the global market and 32% for the European market. According to Euromonitor, the share of retailer brands within the overall market reached 31% in Germany, 28% in Switzerland, 27% in Belgium and 26% in each of Ireland and Portugal. In the United States, retailer brands represent 21% of the overall market. In emerging markets, feminine care retailer brands still hold a relatively low share; in these markets our focus remains on offering our affordable local and regional brands.

In the retailer brand segment, Ontex is the European leader, with approximately 3.5 times the market share of our nearest competitor, according to management estimates. We are also a growing player in retailer brands in the United States.

Adult Incontinence Market

Adult incontinence products are targeted at adults aged 45 to 65 people with light to medium incontinence, as well as adults with heavy incontinence, generally over age 65. For further discussion of these products and their distinct characteristics and features see "*Business—Products—Adult Incontinence products*".

The adult incontinence segment has two main growth opportunities: the increase in the aging population—by 2030, there are expected to be 2.6 billion people over 45 years old globally—and the development of emerging economies which is expected to drive adoption rates in these markets. As an illustration of the potential, the monthly consumption of adult incontinence products in the US is ten times higher than in developing countries. There is also a trend towards pants and light incontinence products for adults where the margins are higher than the rest of the category. In addition, care institutions are increasingly looking for integrated solutions to manage incontinence, not only products but associated services as well.

The global adult incontinence market represents a €16 billion market, with a compound annual growth rate of 6.1% from 2015 to 2020. The following table shows detailed data for key geographies:

	Market Value in 2020	2015 – 2020 CAGR
Europe	€4.9bn	+2.7%
North America	€5.1bn	+6.7%
o.w. United States	*€4.8bn*	*+6.5%*
Latin America	€1.0bn	+11.3%
o.w. Brazil	*€0.4bn*	*+8.8%*
o.w. Mexico	*€0.1bn*	*+10.7%*
MEA	€0.6bn	+11.3%
Australia and New Zealand	€0.4bn	+6.6%
Asia	€4.0bn	+8.2%
Total	**€16.0bn**	**+6.1%**

Growth in adult incontinence is expected to be significant in developed markets as well as emerging economies. Nevertheless, emerging markets offer the greatest upside as the aging population combines with increasing adoption. For instance, the adult incontinence market in Turkey has in recent years seen double-digit growth across all segments. Ontex is capturing that growth and strengthening its position as the market leader. In Turkey, we are also seeking to strengthen our leadership in the high-growth light incontinence segment by increasing category penetration and through awareness campaigns. More generally, across emerging markets and notably in Mexico and Brazil, we are focused on raising awareness of incontinence and fighting the stigma surrounding the use of adult incontinence products in an effort to further drive category growth.

In the retailer brand segment, we are the European leader, with a market share approximately 2.8 times that of our nearest competitor, according to management estimates. In the Middle East and Africa, we hold several leadership positions in selected markets. And in Mexico, we have consistently expanded our market share and are currently the number one player in the country by volume. We are also market leaders in Turkey and hold a 24% market share in Brazil.

There are two distinct markets for adult incontinence products, characterized by distribution channel: (i) the retail market, comprising sales to supermarkets, grocery stores and other retailers; and (ii) the healthcare market, comprising sales to healthcare institutions such as hospitals and nursing homes as well as homecare (which includes sales by specialized shops, including pharmacies) and home delivery services. While developed markets are generally well balanced between these two channels, sales in emerging economies are primarily through the retail market.

a. Retail Market

The retail market for adult incontinence products accounts for €9 billion, and is the fastest growing sub-segment within adult incontinence, growing at a CAGR of 7.9% over the period from 2015 to 2020. This strong growth has been driven by factors such as (i) economic development, which has allowed more consumers to afford adult incontinence products, especially in emerging markets; (ii) the shift to homecare from institutional care; (iii) a growing acceptance of adult incontinence products in the retail sector generally (with an increasing adoption of pants, notably in the US); and (iv) favorable demographic trends. The following table shows detailed data for key geographies:

	Market Value on 2020	2015 – 2020 CAGR
Europe	€2.1bn	+5.9%
North America	€2.6bn	+7.4%
o.w. United States	*€2.3bn*	*+7.0%*
Latin America	€1.0bn	+12.0%
o.w. Brazil	*€0.4bn*	*+9.5%*
o.w. Mexico	*€0.1bn*	*+11.0%*
MEA	€0.3bn	+11.8%
Australia and New Zealand	€0.1bn	+7.8%
Asia	€2.9bn	+8.5%
Total	**€8.9bn**	**+7.9%**

Looking forward, we believe that the following factors will contribute to future growth in demand for retail adult incontinence products:

- *Changes in reimbursement schemes*: as customers' ability to obtain reimbursement upon purchasing these products (through social security or other healthcare institutions) is becoming more restricted, the self-pay segment is increasing. In Europe, sales of adult incontinence products through retail and self-pay channels grew at a rate nine times faster than sales through institutional or reimbursed channels over the period from 2015 to 2020. Consumers who previously received these products for free or subsidized through public healthcare institutions are now increasingly purchasing their products directly from retailers, which in turn provides an opportunity for growth in retailer brands and in our Healthcare brand products sold through specialty retailers;
- *Growth of home care*: an ongoing shift from institutional care to at-home care, which has been further accelerated by the COVID-19 crisis, will favor retail sales of adult incontinence products;
- *Institutions such as hospitals and nursing homes limiting expenditure*: this is expected to result in consumers increasingly buying adult incontinence products from retailers and pharmacies; and
- *Consumers' increasing acceptance of adult incontinence products*: we believe that retailers are aware of growing demand for these products and have increasingly been stocking them. Consumers experiencing adult incontinence, who see these products becoming more widely available through retailers, in turn feel more comfortable purchasing these products through this channel.

In Europe, the leader in the retail market for adult incontinence products is Essity, with a market share of 50% overall (i.e. including both branded and retailer brand businesses). Procter & Gamble is the second-largest, followed by Ontex and TZMO, with market shares of 9%, 8% and 6%, respectively.

Globally, the share of retailer brands as a proportion of the overall adult incontinence market is 11%. In Europe, retailer brands have gained significant share over the past several years, now reaching a share of 18%. The shares of retailer brands based on Nielsen data (which measures the brick-and-mortar retail market only, and does not account for online sales) are higher, at 31% globally and 39% in Europe. According to Euromonitor, the share of retailer brands is as high as 54% in Portugal, 29% in France and Switzerland, 26% in Ireland and 25% in Italy. The aforementioned shift from healthcare institutions to home care and associated growth in self-pay channels is set to bring new opportunities for retailers as the market expands, and thus to retailer brands.

In the retailer brand segment, Ontex is the European leader, with approximately 2.8 times the market share of our nearest competitor, according to management estimates. In Mexico, Ontex is the clear market leader among retailer brand manufacturers.

b. Healthcare Market

The healthcare market for adult incontinence products comprises: (i) institutions such as hospitals and nursing homes; (ii) homecare and home delivery services; and (iii) pharmacies. The healthcare market is relatively fragmented, with suppliers selling directly or through distribution channels based on the relevant country's healthcare framework and reimbursement system. Suppliers may have contact with or otherwise make sales through governmental departments, local authorities, health insurers, distributors, hospitals, pharmacies and in some cases consumers in their own homes.

The method of payment or reimbursement for the healthcare market for adult incontinence products varies by country. However, it is typically a governmental body or health insurer who ultimately pays for the products. For example, in the United Kingdom, the National Health Service (a governmental body) pays for all products used by consumers, while in Spain authorized pharmacists pay for products and are then reimbursed by the government. In Germany, the role of health insurers is more prominent as no reimbursement is provided by the government. In Italy, regional authorities purchase adult incontinence products with funds provided by the national government. In the United States, around 85% of home products (corresponding to 60% of the total adult incontinence market) are reimbursed through state-funded health insurance, and delivered by dealers ordering products either directly from manufacturers or through distributors. In recent years, low-price vertically-integrated distributors have been gaining market share at the expense of premium manufacturers.

Healthcare accounts for €7 billion of the total adult incontinence market. Although lower than in retail, growth in the healthcare market remains significant (growing at a CAGR of 4.0% from 2015 to 2020). The following table shows the detailed data for key geographies:

	Market Value in 2020	2015 – 2020 CAGR
Europe	€2.8bn	+0.6%
North America	€2.5bn	+6.0%
o.w. United States	*€2.5bn*	*+6.0%*
Latin America	€0.1bn	+4.7%
o.w. Brazil	*€0.0bn*	*(0.2)%*
o.w. Mexico	*€0.0bn*	*+6.7%*
MEA	€0.3bn	+11.0%
Australia and New Zealand	€0.2bn	+6.0%
Asia	€1.1bn	+7.2%
Total	**€7.1bn**	**+4.0%**

The further analysis of the healthcare market which follows only includes core Western Europe markets (Belgium, France, Germany, Italy, Spain and the United Kingdom) and is based on management estimates, which are in turn based on Euromonitor, IQVIA data and "healthcare division data mapping". Approximately 33% of the market by value in 2020 was comprised of home delivery, 31% by hospitals and nursing homes, 30% by homecare and pharmacies and 6% by distributors. Our market share varies considerably by country, with estimated market shares ranging from approximately 5% to 35% in core Western Europe markets. Across these markets, we believe we are the second-largest provider of adult incontinence products based on management estimates.

In Europe, we have a leading competitive position both in healthcare institutions and in the home delivery segments. In the US, we remain a relatively small player, with significant opportunities for growth in this sizeable and growing market.

BUSINESS

Overview

We are a leading international provider of personal hygiene solutions, with a focus and expertise in Baby Care, Adult Incontinence and Feminine Care products. Our products are distributed in more than 110 countries, both through leading retailer brands and through our own brands such as bbTips, BioBaby, Pompom, Bigfral, Canbebe, Canped, ID, Cremer, Affective, Chicolastic and Serenity. Headquartered in Belgium, we manufacture and supply retailer brands, partner brands and our own Ontex brands in Baby Care, Adult Incontinence and Feminine Care to consumers and customers in Europe, the Americas, the Middle East, Africa, Asia and Australia, and as of March 31, 2021 employed approximately 9,600 people globally.

We primarily sell products to large retailers to be sold under their brands ("**retailer brands**") and a range of own-brand products under our proprietary labels ("**Ontex brands**"), with the mix between retailer brand and Ontex brand sales varying by product category and geography. In Europe, we primarily sell our products to retailers, manufacturing products to be sold under established retailer brands and helping them to establish or enhance their own brands. We believe that we are the largest supplier of retailer brand personal hygiene products in Europe by sales, with a market share we estimate to be around double that of the second-largest supplier of retailer brands in the same region. We also sell Ontex brand products to institutional and other customers (such as drugstores and specialty medical retailers), in particular through our Healthcare division. Outside of Europe, our sales mix varies by geography and the maturity of a given market. For instance, in North America we sell retailer brand products, and have also begun to capitalize on shifts in consumer preference by partnering with third-party brands which are mostly active in the lifestyle market ("**third-party brands**"); in selected other markets across the Americas, the Middle East, Africa and Asia, we primarily sell Ontex brand products. We also sell a small amount of finished products to other manufacturers, which is referred to as contract manufacturing. For the three months ended March 31, 2021 and the year ended December 31, 2020, respectively, 52% and 54% of our revenue was generated from retailer brands (including third-party brands and our contract manufacturing activities), with the remaining 48% and 46% being generated from Ontex brands.

Our commercial activities are organized across three divisions, namely (i) Europe, (ii) Americas, Middle East, Africa and Asia, and (iii) Healthcare:

- Our Europe division is predominantly focused on the production and sale of retailer brands in Western, Central and Eastern Europe, Russia, Australia and New Zealand. Our contract manufacturing activities also fall within this division. The Europe division accounted for 40.0% of our revenue for the three months ended March 31, 2021, and 41.8% of our revenue for the year ended December 31, 2020;
- Our Americas, Middle East, Africa and Asia (or "**AMEAA**") division is predominantly focused on the production, marketing and sales of our own local or regional brands, with the notable exception of North America, where we primarily sell retailer brands and third-party brands. We conduct our sales and marketing activities through dedicated teams in North America, Mexico and Central America, South America, and the Middle East, Africa and Asia. The AMEEA division accounted for 37.3% of our revenue for the three months ended March 31, 2021 and 37.1% of our revenue for the year ended December 31, 2020; and
- Our Healthcare division is focused on institutional customers (e.g. hospitals, nursing homes and homecare channels) to which we sell Ontex expert brands and distributor brands. Marketing is organized at the divisional level, with dedicated support at the area level. Sales activities in Healthcare are split into three geographical areas: (i) Australia and New Zealand, (ii) France, Belgium, The Netherlands and Luxembourg, Germany, the United Kingdom & Ireland and distributors and (iii) Italy and Iberia. The Healthcare division accounted for 22.7% of our revenue for the three months ended March 31, 2021 and 21.1% of our revenue for the year ended December 31, 2020.

In addition, our operations activities (including our procurement, manufacturing, supply chain, engineering, quality assurance and EH&S functions) are consolidated into our Group Supply function. This centralized set-up ensures that we drive scale and productivity across our global operations, thanks to our end-to-end ownership of the product lifecycle: the creation of the right products, at the right cost, with the right materials and the right technologies, with a constant focus on product quality and safety.

Our core product categories include:

- Baby Care, which includes baby diapers, baby pants and wet wipes. Baby Care products accounted for 53% of our revenue for the three months ended March 31, 2021 and 56% of our revenue for the year ended December 31, 2020;
- Adult Incontinence, which comprises light, medium and heavy incontinence solutions for sale to both retail and specialized (e.g. healthcare institutions and pharmacies) channels. Our Adult Incontinence products include adult diapers, adult pants, pads and underpads. We also offer continence care services to support healthcare institutions (e.g. Odobin). Adult Incontinence products accounted for 35% of our revenue for the three months ended March 31, 2021 and 33% of our revenue for the year ended December 31, 2020; and
- Feminine Care, which includes a range of products such as ultra-towels, fluff towels, panty liners and tampons, sold through both retailer brands and our own Ontex brands. Through a broad range of Feminine Care products, 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 and in a variety of circumstances. Feminine Care products accounted for 10% of our revenue for the three months ended March 31, 2021 and 10.2% of our revenue for the year ended December 31, 2020;
- Other products, which comprise complementary personal hygiene products, including face masks, gloves, body washes and skin care products. These are mostly traded products, purchased by us from third parties and sold commercially. Other products accounted for 2% of our revenue for the three months ended March 31, 2021 and 1.6% of our revenue for the year ended December 31, 2020.

We are headquartered in Erembodegem (Aalst), Belgium and have a well-balanced manufacturing and sales footprint. We have 19 production facilities located across Europe (including two in Belgium, one in the Czech Republic, one in France, two in Germany, one in Italy, one in Poland, and one in Spain), Turkey, Algeria, Russia, Australia, Pakistan, Ethiopia, two in Mexico, Brazil and the U.S. In the U.S., we are in the process of expanding our operations with the construction of a new production facility in North-Carolina where we also intend to commence baby diaper production in early 2022. We have 28 sales and marketing sites globally, through which we make sales in more than 110 countries worldwide. The wide reach of our production facilities and sales offices enables us to operate across a broad range of markets in a cost-effective manner. We believe they also allow us to be the only hygiene manufacturing company capable of effectively serving a range of increasingly international customers. We employed approximately 9,600 full time equivalent employees as of March 31, 2021.

We enjoy deep and longstanding relationships with our top customers, which are primarily retailers and third-party brand owners. In certain markets, our relationships with top customers date to our entry into that market, and are often decades in duration. We also benefit from a diversified customer base, with our largest customer accounting for 5.9% of our revenue and our ten largest customers accounting for 33.0% of our revenue for the year ended December 31, 2020.

By geographic market, for the year ended December 31, 2020, 47% of our revenue was attributable to Western Europe, 12% to Eastern Europe, 28% to the Americas and 13% to the rest of the world.

During the period from 2015 through 2020, our revenue grew at a compound annual growth rate of 4.3% (including the impact of acquisitions), with average organic revenue growth (i.e. growth at reported currency, excluding the impact of acquisitions) of approximately 0.7% per year.

For the three months ended March 31, 2021, our revenue was €480 million, our EBITDA was €42 million and our Adjusted EBITDA was €50 million. For the year ended December 31, 2020, our revenue was €2,087 million, our EBITDA was €198 million and our Adjusted EBITDA was €236 million.

History

Ontex was founded in 1979 by Paul Van Malderen and initially produced underpads (mattress protectors) for the Belgian institutional market. During the 1980s and 1990s, the Company expanded its product range into our 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, we 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. We acquired the 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, we acquired ID Medica, which sells incontinence products in Germany.

In 2010, Ontex was acquired by funds managed by GSCP and TPG. In 2011, we 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 October 2011. In 2013, we acquired Serenity, a company operating in the adult incontinence market in Italy, and opened a production facility in Pakistan. In 2014, we completed our initial public offering, and our shares are listed on the Euronext Brussels, trading under the ticker “ONTEX”.

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

In 2017, we acquired the personal hygiene business of Hypermarcas in Brazil (renamed to “Ontex Brazil”). In 2017, we also opened a production plant in Ethiopia for the manufacture of baby diapers specifically designed to meet the needs of African families.

In February 2019, we opened a production plant in Radomsko, Poland to support our Central European business.

In July 2020, we acquired a production facility for feminine hygiene assets from Albaad Massuot Yitzhak Ltd. in Rockingham County, North Carolina, United States, to further develop our North American business.

Our Competitive Strengths

Focus on attractive product categories with strong market dynamics

We are a leading international producer of hygienic disposable products, with a broad global footprint and a focus on innovation that we believe will allow us to capitalize on structural growth trends across our product categories and geographic markets. In 2020, the global hygienic disposables market was an €85 billion market, split into 3 main categories: baby care products (representing €42 billion), feminine care products (representing €27 billion), and adult incontinence products (representing €16 billion). Between 2015 and 2020, the global hygienic disposables market has grown at a compound annual growth rate (CAGR) of 4.5%, driven primarily by strong growth in adult incontinence (6.1% CAGR), followed by baby care (4.6% CAGR) and feminine care (3.4% CAGR). Growth in each of these markets is driven by favourable underlying secular trends across all geographies, including ageing populations, demographic growth (for instance, projected increases in the number of babies aged 0 to 2 years, the target market for our Baby Care products) and economic development in our markets. We estimate that our exposure to this overall market growth over 2015-2020 is slightly lower, a CAGR of approximately 2.8%, given our geographical business mix, in particular our lower share of sales generated by fast-growing Asian markets.

Apart from robust growth prospects, our products benefit from a relative seasonal inelasticity of demand as non-discretionary consumer staples. Demand for our products is generally not subject to seasonality, and has historically demonstrated stable growth even during periods of adverse economic conditions. In fact, in economic downturns, consumer demand tends to shift to more affordable retailer brand alternatives, in which we are a leading player. Once consumers trial retailer brands, they tend not to revert back to more expensive A-brand products. Additionally, our products are strategically important to our retailer customers; these products are key drivers of traffic in their stores and attract profitable shoppers, including households with children.

We also believe that we are well positioned to benefit from two significant ongoing shifts in shopper and consumer behavior and related competitive dynamics. First, consumers are increasingly seeking out affordable alternatives to “A-brands” (in particular, favoring the retailer and value brands that represent a significant majority of our product offer and revenue). Our leadership in retailer brands in Europe and our focus on affordable branded products in emerging markets leave us ideally positioned to meet this shifting demand.

In addition, several consumer trends are driving the premiumization of our three product categories. Firstly, consumers are turning increasingly to premium third-party “lifestyle” brands aimed at specific consumer segments and generally sold online or through subscription services. These brands are often positioned as sustainable and of high quality (e.g. organic composition, natural features). In the US, these third-party brands expanded by approximately 280% over the period from 2015 to 2020. We are the preferred supplier for companies entering this space, particularly in the US, where we maintain strong relationships with key players in the baby care and feminine care categories. Secondly, a desire for convenience is driving consumer preferences toward more sophisticated products, as illustrated by the shift from open diapers to closed baby pants and connected adult diapers, which is expected to positively impact our sales mix.

Finally, shifts in the preferred channels by which consumers purchase our products are expected to create further growth opportunities for Ontex. For example, sales of our products through online e-commerce channels have benefited from strong momentum over the past few years, and COVID-19 has accelerated this trend. In 2020, e-commerce sales of baby care, feminine care and adult incontinence products represented approximately 17%, or €13 billion, of overall sales of €75 billion (as compared to 10% of €63 billion in 2016, and 13% of €69 billion in 2018), according to Euromonitor. The fact that retailer brands are currently underrepresented in retailers' online sales represents an additional growth opportunity for Ontex. Additionally, a shift in preference from long-term adult care institutions (who have comprised an important customer base for our Adult Incontinence products) to homecare (i.e. self-pay) solutions within Adult Incontinence also represents a significant opportunity for Ontex. We have strong Adult Incontinence category expertise and trusted expert brands which we leverage to accelerate sales through mass retail as well as through specialized retail channels such as pharmacies and e-commerce.

Competitive advantages stemming from the scale of our business

We are a leading in supplier for trusted local brands, and benefit from strong market positions in several different geographies and market segments. In Europe, we are the leading retailer brand company in baby care, with a market share that according to management estimates is approximately double that of our nearest competitor, rising to 2.8 and 3.5 times larger, respectively, in Adult Incontinence and Feminine Care. We are also a close number three by market share in the healthcare segment. Thanks to these strongholds, we estimate that we are the number 3 player overall in Europe. In emerging markets such as Mexico, Brazil, Turkey, Algeria, and Pakistan, we have leading first or second positions, thanks to the strength of our trusted local brands. Moreover, we have a become a preferred partner for third-party brands, particularly in the United States.

Our strong position as an international hygiene player drives our scale and provides us with competitive advantages in the areas of customer relationships, manufacturing, R&D and procurement. As a result of our broad geographic reach spanning 110 countries across 5 continents, we have been able to build and maintain deep relationships with leading retailers and aim to act as a single-source provider for retailers across the various geographies in which they operate. Thanks to our broad operational footprint (19 factories across Europe, the Americas, the Middle East, Africa and Australia; four R&D centers of excellence and three R&D hubs), we are among the few companies capable of serving increasingly international customers and expanding alongside them into new markets. In addition, our overall scale has also allowed us to develop strong manufacturing capabilities, which have enabled us to continuously optimize our cost base, while the breadth of our manufacturing footprint allows us to respond quickly and effectively to changes in customers' requirements while minimizing distribution costs. We believe that our scale also supports significant investments in R&D. Despite offering a wide product portfolio and options for differentiation to our customers, we are able to leverage our scale across common product platforms and R&D developments. This in turn allows us to offer products of comparable quality to those of our branded competitors and to continue to deliver innovations and cost-saving opportunities.

Our scale also enables us to effectively control our costs, for instance in the centralized procurement of raw materials, including arrangements that allow us to benefit from volume discounts. Finally, centralized organizational set-ups for selected corporate functions and capabilities (e.g. operations, human resources and product innovation) allow us to further leverage our scale at efficient cost.

High quality products across partner-branded and own-branded labels

Hygienic disposables are complex products requiring deep expertise in raw materials and production technologies. Ontex has mastered these technologies through its long history in the industry, through continuous investments in our in-house capabilities, and by leveraging the know-how of our supplier partners. Over the years, we have broadened our R&D footprint to four centers of excellence and three R&D hubs, each co-located at manufacturing sites to ensure a strong symbiosis with operations and quality departments. We work closely with and maintain close proximity to our customers, to ensure that we understand the latest developments in their markets and evolution of their needs. This consumer & customer proximity as well as our deep category expertise feed our innovation pipeline. Our R&D teams then develop in-house technologies to deliver these innovations. We have our own in-house engineering department which designs, constructs and adapts production machines to our standards and requirements. As a result of our industry-leading R&D capabilities, Ontex has a rich portfolio of significantly innovative and high-quality products. This portfolio enables us to meet our customers' and end-consumers' demands for high-quality yet affordable products, competitive to those offered by the leading A-brands and customized further to the demands of our customers.

In independent panel tests, laboratory tests and reviews, many of our products receive quality ratings that are comparable to and sometimes even exceeding those of equivalent branded products. For instance, the absorbency level of our newest generation of baby diapers tested in independent laboratories such as Hy-Tec shows a higher level of absorption in our products as compared to that of leading branded diapers. Additionally, thanks to our patented Secondry® technology, we were the first retailer brand manufacturer in Europe capable of matching the same "instant dryness" qualities as our primary branded baby diaper competitor, a feature they have advertised as a point of superiority for several years, thereby setting us ahead of most of our retailer brand competitors.

Another example of leveraging our scale, know-how and intellectual property to create innovative new products is our development of absorbent products with a channel inside the absorbing core. This channel technology has been proven in independent Hy-Tec laboratories to absorb fluids at up to twice the speed as non-channel products. We rolled out this technology on baby diapers across several of our geographic markets in Europe, the U.S., Mexico and Turkey. In Brazil, we debuted this technology in the market on our PomPom brand before the leading A-brand upgraded their product with a similar technology. Moreover, to maximize the value of this innovation, we applied the underlying technology on other products, including our Feminine Care ultra-towels. This has resulted in a product that absorbs even faster than comparable products from our chief competitors. We also plan on applying this technology to some ranges of our Adult Incontinence products, which we believe will differentiate us from our Adult Incontinence competitors.

Our ability to supply high-quality products that can compete with those of branded manufacturers is of paramount importance in retaining and winning new business from retailer brand customers. Our customers invest in quality-led products for their store brands, believing that a quality own-label offer is a decisive factor for shoppers in choosing their "go-to" store. As a result, retailers maintain and demand of us very strict quality requirements, including inspections of our production facilities.

Quality is at the very heart of all of our activities. We take compliance and product safety very seriously and have implemented a rigorous system of controls, audits and certification to support our high standards. All of our sites operate by the same Ontex Quality Policy, which is supported by ISO, BRC and IFS certifications. Our functions, production units and sales offices are all ISO 9001 certified (certification pending in Karachi, Pakistan). Our plants producing medical devices (mainly incontinence products) and tampons are ISO13485 certified. Our systems are regularly audited by external certification bodies as well as customers.

Many of our products also undergo additional external accreditations such as the Dermatest skin safety label, the Allergy Certified label, the Oekotex certification that tests for harmful substances, or the GOTS label (compliance with Global Organic Textile Standards). We believe that this demonstrated commitment to product quality and safety makes us a reliable and trusted partner—for our retail customers and end consumers—and enables us to build solid and longstanding customer relationships.

Deep and longstanding relationships with leading retailers and third-party brands and a diversified customer base

We enjoy deep relationships with the largest retailers in markets where we operate, such as Europe, North America, Australia, Mexico, Brazil and Turkey. Depending on the market, we sell to retailers our retailer brands (Europe, North America, Australia) or our portfolio of over 30 own-label Ontex brands (Mexico, Brazil, Turkey). We leverage these relationships to offer our customers products across all categories and the various geographies in which they operate, with the aim of becoming a single-source provider of disposable hygiene products. We currently supply our products through over 200 retailer brands globally and believe we are the only company able to serve increasingly international customers.

In Europe, we provide retailers with predominantly retailer brands, which is to say that we design, manufacture and market personal hygiene products sold under retailers' own brands. We have strong relationships with international and national retailers in several markets, and our relationships with these retailers allow us to grow as they expand their businesses (including through market share gains and distribution expansion). We are also able to generate incremental growth through the introduction of new products picked up by these retailer customers.

In North America and Mexico, a significant portion of our revenues is also generated by sales of retailer brand products (with an increasing importance of online channels). In Mexico, we provide them with both retailer brands and our own Ontex brands. In both the US and Mexico, key customers purchasing our products for sale under their own-brands include large national and international retail chains.

We also enjoy deep relationships with leading third-party brands—either A-brands or smaller third-party brands sold primarily via e-commerce—for whom we undertake contract manufacturing. Thanks to our strong Product & Development capabilities, we are the preferred partner for many of these third-party brand customers to develop the differentiated offerings that will support their growth and bring innovative products to their consumers.

Our business nonetheless remains relatively diversified, with our largest customer accounting for 5.9% of our revenue and our ten largest customers accounting for 33.0% of our consolidated revenue in the year ended December 31, 2020.

Broad manufacturing footprint with well-invested asset base and flexible operating capabilities

We have a broad manufacturing footprint, with 19 production facilities located across 17 countries, 4 centers of excellence and 3 R&D hubs, which allows us to meet the needs of our customers with a multi-national presence in a flexible and agile way. Thanks to this global presence, we believe we are the only company among retailer brand producers to be able to serve increasingly international customers. We also believe that we are able to offer customers competitive prices since our manufacturing footprint allows us to leverage scale and optimize logistics costs.

We continuously consider opportunities to optimize our operations, and have made investments in order to improve our production efficiency while also positioning us for future growth. For instance, over the last three years, we have (i) constructed a new factory in Radomsko (Poland) to optimize cost-to-serve for our European customers, (ii) acquired external Feminine Care assets from Albaad to support our growth in U.S., (iii) built a production facility in the U.S. to localize baby diaper production, (iv) upgraded diaper production lines to newer technologies in Brazil, (v) rolled out new baby pants lines in Europe, Mexico, Pakistan and Brazil and (vi) added several new tampon lines in Germany to support our growth. With these recent and ongoing initiatives, we believe that we are well positioned to continue to grow our revenue with limited additional capital expenditure requirements. In coming years, management expects capital expenditures will remain broadly in line with 2020 levels, at a run-rate level of approximately 4.0% of revenue excluding special projects.

We also maintain a continuous focus on cost excellence in our end-to-end supply chain. We continuously invest in improving the efficiency of our factories and warehouses through, among other things, planned maintenance, machine upgrades, automation systems and racking systems to increase storage capacity. Additionally, we have advanced in-house manufacturing excellence and engineering capabilities. Furthermore, as part of our T2G organizational transformation initiative, we have defined and rolled out manufacturing and warehousing best practices to all Ontex locations, which will remain a strong focus going forward.

We also constantly seek to optimize the use of our assets across our footprint, either by shifting volumes and lines across our network or closing factories. From 2018 through 2019 we closed two factories, in Brazil and China.

The flexibility of our production facilities allows us to deliver customized products to our customers and to respond to changes in demand for our products by reallocating production across our production facilities. It also enables us to respond with agility when facing unpredictable disruptions in our supply chain, such as factory closures driven by the COVID-19 crisis and raw material sourcing issues. We can also upgrade the technology of our product lines with minimal business disruption because of our ability to temporarily reallocate production across facilities. This also facilitates the sharing of manufacturing best practices, which enables us to realize production efficiencies and optimize our cost base across the plant network. Our deep engineering expertise also allows us to redeploy existing machines to support our expansion into new geographies while limiting capital expenditure and operating costs. For instance, when we opened our production facilities in Algeria and Australia, we were able to redeploy machines from other production facilities.

Last but not least, we are able to manage a high level of complexity, demonstrated by our wide range of stock keeping units, or SKUs, which involve different sizes, concepts and absorption levels. We offer a high level of product differentiation while leveraging common product platforms across our customers, thereby leveraging the scale of our R&D investments. We are also working continuously to improve how we manage the increased complexity inherent to a growing and dynamic product range.

R&D capabilities enabling us to deliver a steady stream of innovations

Our ability to deliver product innovations is illustrated by an average of 30 innovations (requiring technology developments and including product upgrades, new features and range extensions) delivered for our customers each year since 2017. Many of the product technologies underlying our product platforms can be adapted across multiple geographies and product segments (such as baby diapers, Adult Incontinence products, and Feminine Care fluff towels) to meet varying market-specific consumer preferences at an efficient cost.

Our ability to deliver a steady stream of innovations is underpinned by our continuous investments as well as the unique organization of our R&D infrastructure and team, encompassing more than 100 employees. Our R&D function is primarily conducted through four centers of excellence across Belgium and Germany and three R&D hubs located in Italy, Brazil and Mexico. As we are committed to applying the highest scientific and quality standards, our unique innovation capabilities are strengthened by state-of-the-art laboratories, test stands for core development, dedicated full diaper pilot production lines, and an in-house engineering department designing and building our proprietary manufacturing equipment. We believe that the strength of our R&D department is directly attributable to this unique research infrastructure as well as its close integration with manufacturing capabilities. Furthermore, we continuously seek to enhance our R&D capabilities through extensive collaboration with external laboratories, and partnerships with leading research institutes and start-ups.

We also believe that the strength of our R&D capabilities and deep innovation pipeline is due in part to our proximity to our different types of clients, which provides us with valuable insights into what consumers want and how their needs evolve. We use these customer insights to feed our internal innovation cascade; for example, working closely with retailers that want their brands to be reliable alternatives to international A-brands obliges us to follow the latest technological advancements in the market and master the ability to replicate them swiftly, both for our retailer brand customers and for our own brands. The channel diaper technology, as an example, was initially developed for a retailer brand client in Europe before being rolled out globally, including through our brand Canbebe in Turkey. Like our retailer customers, we also create synergies between our third-party brand business and our retailer brands and own brands. Third-party brands are trendsetters and, by working closely with them, we remain on top of the innovation agenda and use this experience to feed innovation to other products. In that sense, we play a key role in democratizing great innovations and making them available across our product portfolio. For instance, to develop our offer in terms of sustainability, we have worked with different third-party brands on organic cotton tampons that are now being launched across our retailer brands.

Our strong track record of delivering innovation over recent years includes: (i) channel technology in diapers, launched in Europe in 2017 and then rolled out to other geographies, including the Middle East and Africa in 2019, Brazil in 2019-2020 and the U.S. in 2020; (ii) adult pants “discreet-core” platform (both lycra and elasticated film types) launched in Europe in 2017, with lycra type products introduced to Brazil in 2020; (iii) organic tampons launched in 2018; (iv) lycra baby pants with channels, launched in Europe in 2019 and then introduced to other geographies such as Pakistan and Mexico in 2021; (v) channel technology in feminine hygiene products, launched in Europe in 2019 and then applied to other geographies such as the US in 2021; (vi) heavy flow towels launched in Mexico in 2020; and (vii) Feminine Care towels launched in Pakistan in 2021.

This accelerated pace innovation is set to continue over the coming months. Selected examples of upcoming innovations include:

- *Baby Care segment*: introduction of a new core platform on the European retail market, which is a new generation of diapers incorporating improved absorption characteristics;

- *Adult Incontinence segment*: a new generation of adult pants with channels; Orizon (for European nursing homes), which are connected diapers able to monitor wetness and the body posture of patients, sending real-time alerts to caregivers;
- *Feminine Care segment*: ultra-absorbent pad with 100% organic cotton top sheet for US third-party brand;
- *Packaging innovations*: sustainable packaging solutions, using alternative and recycled content;
- *Sustainability Initiatives (pilot programs)*: circular solutions and services addressing the waste impact of our products, including several pilot initiatives in the field of recycling and composting.

Invigorated management team supported by reputable and experienced board of directors

We believe that our management team possesses a unique blend of operational expertise developed through longstanding service with Ontex and newly introduced brand and commercial experience needed to drive the implementation of our strategic initiatives. Members of our Executive Management Team possess an average of over five years of experience with Ontex, and 21 years in the retail consumer goods industry.

The longstanding operational experience of our Executive Management Team is complemented by the consumer expertise and commercial capabilities of several recently hired new members. Our new chief executive officer, Esther Berrozpe, was appointed in January 2021 and brings over 25 years of experience in the consumer goods sector, including in senior roles with blue chip companies in Europe and the US. We also recently hired our new chief financial officer, Peter Vanneste, whose strategic mindset and thought leadership, combined with his broad experience and knowledge of global consumer industries, will be key assets to restore our profitable growth. Additionally, in May 2021 we appointed Vincent Crepy as our chief supply chain officer, a newly created position intended to closely manage our supply chain end-to-end, drive a step change in our customer service level and maximize operational efficiencies. Mr. Crepy's wealth of international experience in consumer goods, in-depth knowledge of the supply chain and experience in transformation projects to drive operational excellence and performance improvement will be a catalyst to transforming our manufacturing and distribution networks and to strengthening our global procurement function. Finally, in January 2021 we appointed Laurent Nielly as President of our Europe division. Since joining Ontex in 2017, Mr. Nielly has transformed the Company's operations in the face of many challenges and will play a key role moving forward in returning our Europe segment to profitable growth. The remaining members of our Executive Management Committee—Armando Amselem (President, AMEAA division; with Ontex since 2016), Astrid De Lathauwer (EVP, Human Resources; with Ontex since 2014); Annick De Poorter (EVP, R&D and Sustainability; with Ontex since 2003) and Jonas Deroo (EVP Legal and General Secretary; with Ontex since 2015)—bring decades of experience and deep expertise in their respective fields that we believe will be crucial to implementing our strategic transformation.

Our dynamic management team is complemented by a strong board of directors possessing a wide variety of skills and deep expertise in relevant fields and industries. The members of our board possess an average of 32 years of experience, and a majority have experience and skills in the consumer goods and retail industries.

Our Strategies

Introduction

Ontex enjoys a leading position in the personal hygiene market across our three core categories and the geographies where we operate. Our strategic positioning, extensive industrial footprint and recognized expertise allow us to benefit from the continued structural growth in demand for our products, driven by positive socio-demographic and adoption trends and shifts in consumer behavior.

We have a unique business model that is based on three elements: proximity, flexibility and affordability. We are close to our customers and consumers, and are able to leverage flexibility in operations in order to deliver winning solutions in an affordable way. This model has been the key driver of our success in the past, and we believe that it can be reinvigorated through the launch of new strategic initiatives aimed at restoring growth, improving profitability, stepping up cash generation and building a future-proof business model. We believe we will achieve these goals by following six strategic pillars:

- Focusing more sharply on our portfolio, via simplification of businesses and products;

- Enhancing customer-centricity, with a strengthening of customer relations leading to a return to growth;
- Accelerating the cadence of product innovation;
- Restoring our operational excellence via improvement of cost competitiveness and service levels;
- Transforming our organization and culture by driving individual accountability and performance, while reviewing our structure to improve speed to market; and
- Setting clear long-term environmental and social objectives.

We expect the turnaround of our business to be realized over coming years. We have prepared a strategic agenda, which is outlined in the following paragraphs, organized around three main themes: (i) a new culture, (ii) a focused portfolio, and (iii) a reinforced value-creation model.

New Culture

Roll Out New Organizational Model and Performance Culture

Since the beginning of 2021, we have been developing a new organizational model, structured around: (i) Commercial Divisions, including a new Europe Division (resulting from the merger of our current Europe and Healthcare divisions) and AMEAA Division (overseeing our operations in North America, Brazil, Mexico, the Middle East, Africa and Asia); (ii) Operational Functions, including a supply chain and an R&D division and (iii) Supporting Functions, including our Finance & Technology, HR and Legal divisions. Our organization has also been renewed with new arrivals, notably and most recently of our CFO, Peter Vanneste, in May 2021.

We expect these changes to strengthen our performance based on the above-mentioned three elements:

- *Proximity*: the development of a de-layered commercial organization will bring us closer to consumers (with senior sales leaders closer to our customers than previously). In Europe, proximity will also be reinforced by an omni-channel approach and less duplication of functions. In addition, our two geographical divisions will be accountable for all channels in a geography—instead of our previous structure comprising three divisions that mixed geographies and channels, with no single ownership across channels—which will bring us closer to customers;
- *Flexibility*: consolidating the internal ownership of our products and innovation, instead of the existing delegation of product portfolio ownership locally, is expected to drive scale while still allowing for flexibility to meet local requirements; and
- *Affordability*: implementation of end-to-end productivity targets with single points of accountability for total delivered cost, service, quality, and safety, in contrast to the current approach which siloed these functions. We expect this new organizational model to streamline the organization, resulting in a lower cost structure.

In addition, we aim to create a new winning, performance-driven culture cemented in a new incentivization and remuneration policy aligned with shareholders' interests. Our objective is to clearly cascade ownership and accountability on key goals, which should increase the speed of decision-making. Our performance management system will be reinforced by several measures (including target setting, monitoring of performance, feedback, etc.), and a culture emphasizing results over effort. Transparency in the disclosure of performance targets will be a key element in the success of our project.

Focused Portfolio

Over the past several months we conducted a comprehensive review of our portfolio in order to maximize value from our businesses and brands. As a result, we have identified clear priorities: (i) turnaround Europe retailer brands, (ii) outperform in North America, (iii) grow our brands in selected emerging markets, (iv) accelerate growth in our Adult Incontinence segment globally and (v) divest certain non-core assets.

Turnaround Europe Retailer Brands

Ontex enjoys a strong leadership position in the retailer brands segment in Europe, which is a promising and growing market, in particular given the expected further increase of the value share of retailer brands within the overall market and favorable demographic trends, especially in relation to adult incontinence products. Nevertheless, more recently we have been underperforming in this segment, with our net sales decreasing between 2017 and 2021 at a like-for-like CAGR of -5%. Our goal is to reverse this trend and to achieve growth in the European retailer brands segment over the period from 2021 to 2023, by (i) capturing profitable growth in fast-growing product segments, channels and customers and (ii) regaining contracts by re-establishing our position as the #1 partner of choice.

In particular, we aim to reposition ourselves in identified areas of expected profitable growth, by (i) capturing our fair share of baby pants and ecological credentials growth, (ii) outperforming in Adult Incontinence growth, especially in pants and light incontinence products, (iii) improving our Feminine Care profitability through innovation and better mix management, and (iv) a step-change in our online presence, supporting omni-channel strategies and stepping up our presence in Pure Plays.

In order to regain contracts, we intend to restore our position as the preferred partner of European retailers by rebuilding trustworthy relationships. Our levers to achieve this strategy consist notably of:

- *Customer centricity*: performing customer segmentation in order to “win with the winners”, by bringing sales leadership closer to customers across all functions;
- *Excellence on basics*: promoting a level of excellence in services, quality and innovation, with accelerated innovation cascade and strengthened portfolio management capabilities; and
- *Cost and price competitiveness*: optimizing operations and implementing selected pricing investments based on customer segmentation.

Preliminary measures are already starting to show results, with recent contract gains in 2021 and no contracts lost since the beginning of the year, resulting in an expected return to net sales growth in the retailer brands segment later in the year.

Outperform in North America

The United States hygiene market is the second-largest personal care market worldwide (representing €13.2 billion in 2020) with attractive growth rates overall (+2.5% CAGR over 2015 to 2020) and in particular in the adult incontinence segment (+6.5% CAGR over the same period). Future prospects are also positive, especially for Ontex, since we intend to leverage on specific trends that will enable us to outperform the total market, with the aim of continuing to grow our net sales in North America over the period from 2020 to 2023. These trends and our strategy to capitalize on each one of them consist of:

- *Retailer brands still have significant headroom for growth in North America, given their lower relative penetration compared to the European market*. We aim to become the go-to partner for consumer-driven retailer brands, scaling up our existing strong positions with selected customers. In addition, we can rely on our already strong position in retailer brands in Europe, where we are the undisputed number one player, in order to support our strategy in North America;
- *Third-party brands represent the fastest growth niche in the North American market*. We intend to further expand our strongholds in this segment, leveraging on our current position as the number one partner of third-party “lifestyle” brand owners, thanks to our solid relationships with them in Baby Care and Feminine Care;
- *Strong healthcare distributors (driven by their own private labels) are gaining market share in the fragmented US healthcare segment (in which participants are not the same as in retail)*. We intend to position ourselves as a trusted expert partner for incontinence, building a strong competitive position in the US adult incontinence market which is still underplayed by Ontex.

We believe we can achieve these objectives in part by leveraging our existing strengths, such as (i) our category and retailer brand expertise built in Europe, (ii) our commercial relationships with leading retailer and third-party brands in North America and (iii) our Mexican business, which would allow us to further leverage scale on procurement, operations and R&D in the region.

Furthermore, we intend to realize targeted investments in order to unlock our growth plans, with focuses on:

- *Reinforcement of US production*: bringing more agility to our operations while focusing on increasing cost-competitiveness and adding production capacity (including our new North Carolina factory which is expected to ramp up production in the first half of 2022), including new Baby Care production lines and the integration of our Feminine Care production assets;

- *Revamp of product and innovation capabilities*: improving speed-to-market focused on US consumer needs, via new product developments and deployment of an innovation "incubator" model; and
- *Strengthening of commercial capabilities*: strengthening commercial teams to increase customer proximity and intimacy, in particular with third-party brands and retailer brands, enabling us to gain more granular consumer and shopper insights.

Grow Our Brands in Selected Emerging Markets

Today, Ontex holds strong leading positions in selected emerging markets, in both adult incontinence (#1 in Turkey, #2 in Mexico and Brazil) and baby care (#1 in Ethiopia, #2 in Pakistan, Algeria and Mexico). We can consequently take full advantage of the positive underlying socio-demographic trends, including an aging population in Latin America, the Middle East and Africa and Asia, collectively representing 90% of global growth in the population over 45, and positive birthrate trends in the Middle East and Africa. Besides profiting from demographics, we believe we can also benefit from the anticipated increase in product utilization. Indeed, usage of the products we produce remains significantly lower than in developed markets (2.5x lower in feminine care, 5x in baby care, 10x in adult incontinence) and our affordable brands put us in prime position to profit from increasing access to the market and utilization rates.

Our strategy for these geographies consists of driving profitable growth in existing regions, notably by growing our brands in selected countries. In order to reach this objective, we intend to take specific actions including (i) disciplined investments in distribution, pricing, mix and innovation, (ii) support of our customers in retailer brand development, and (iii) further standardization of our products and brands across platforms, to benefit from scale advantages.

In addition, we will adopt a more disciplined and focused approach in assessing our exposure to emerging markets, based on selective criteria and oriented towards value creation. Our key geographies should be under-served markets, providing us with a right-to-win with strong local trusted brands. They should also leverage and contribute to global scale, without increasing complexity. Moreover, we will work on mitigating the impact of foreign exchange rate fluctuations by maintaining a more balanced exposure between developed and emerging market currencies. Finally, for further eventual geographical expansion, we will rely on our scale-up model that starts with leveraging our existing positions as hubs for exports (for instance, in Puebla, Mexico, and Istanbul, Turkey) and building sizeable business, before considering establishing local sales forces and launching local operations. Our strategy for further expansion would therefore be based on a very selective approach, enabling us to keep a lean cost structure through centralized operations and avoiding significant investments.

Accelerate Adult Incontinence Globally

Adult incontinence products represent a fast-growing market (comprising €16 billion globally in 2020, and demonstrating revenue growth of +6.1% CAGR from 2015 to 2020) in which Ontex is a leading player, with a strong right-to-win and revenues of €679.5 million in 2020. The company has the number one position among retailer brands in Europe, a close third position in expert brands in European healthcare (especially in institutions and home delivery channels), and first or second positions in selected emerging countries such as Brazil, Mexico and Turkey with our multi-channel approach (retail and pharma). This is the result of strong competitive advantages expected to continue to drive growth in the future: expertise and proximity with consumers, a full product range and available capacity, innovative products and services, cost-competitiveness through operational efficiencies and an omni-channel go-to-market approach.

However, we have not been able to capture our fair share of the market growth over the past few years. Accelerating in this category should thus enable us to benefit from the market opportunities and align our net sales growth with the market growth trends. To that extent, Ontex has implemented a strategic plan with clear objectives for each geography in which we operate:

- *Europe*: protect leadership positions in retailer brands (notably by protecting our fair share, especially in adult pants and light incontinence, while supporting further market share gains in the retailer brand segment in general) and scale up in healthcare (notably by strengthening the "expert brands" positioning and expanding into continence care services);

- *North America*: establish a position in the retail channel through partner brands (retailer brands and third-party brands), and scale-up our position in the healthcare channel by partnering with selected distributors;
- *Emerging markets*: regain and/or protect our number one positions in selected markets (Mexico, Turkey, Brazil) by accelerating pants and light incontinence product growth while protecting our strong position in heavy incontinence, and by leveraging leading positions to further expand regionally following our disciplined profitable expansion model.

Divest Certain Non-Core Assets

As part of the broad strategic reevaluation of our portfolio undertaken over the past several months, we have reviewed our global footprint and are actively considering the best options to create value for the Group, including exiting from certain geographies, lines of business and sales channels that do not form a core part of our renewed focus. We may, as a result of this strategic review, divest certain assets or exit specific regions in favor of markets where we see more favorable trends, more stable economic conditions, or where we feel we can better leverage our existing business to support our growth model. In line with our current financial strategy, we would expect to apply the proceeds from material asset sales to repay a portion of our existing indebtedness.

Reinforced Value Creation Model

Deliver Flexibility at Best Cost

From an operational standpoint, Ontex has clear strengths it can build on, including a global manufacturing and R&D footprint, significant scale, a wide range of production equipment, operational excellence and technical know-how. However, these strengths have not been working in full synchronization, which we have addressed by creating the new supply chain function, with full end-to-end responsibility designed to break functional silos.

We have established a clear vision for our operations: deliver flexibility at best cost. To achieve this objective, we have articulated a roadmap around 4 goals, each one defined by priorities and measured by key metrics: (i) putting consumer and customer first; (ii) becoming more agile; (iii) turning leaner and more scalable; (iv) developing a virtuous mindset.

First and foremost, the shift from an "operations first" model to a "consumer and customer first" mindset is one of our key priorities and translates into the way we work through our quality standards and service levels, and our operational priorities. These will be driven increasingly by consumer satisfaction metrics, which we will start to track with closer attention.

Secondly, we believe that agility in delivering innovation comes with simple, flexible, and pragmatic processes, with mastery of the technology and smart complexity management. We are currently focused on improving these execution capabilities through measures such as the phasing-out of old product platforms and rollout specifications and process development.

Thirdly, on a cost and cash management perspective, we plan to shift from an opportunistic model to a strategic model, breaking functional silos as described above and focusing on net cost savings instead of gross cost savings only. In addition, we will focus on optimizing capacity and better allocating our capital.

Finally, from a cultural standpoint, we will focus on building a results-based collaboration between our dedicated teams, enabled by simple and focused organization and processes, alignment of incentives across functions, and definition of clear accountabilities and expectations. Our goal is ultimately to build trust and respect among our employees, while increasing their performance thanks to more objective evaluations based on clear KPIs and less diluted responsibilities.

All of the above will allow us to deliver flexibility at best cost, resulting in expected year-over-year productivity gains of more than 2% thanks to very specific and concrete initiatives organized around four areas: (i) procurement (e.g. further leveraging our scale and stepping up our capabilities, tools and processes), (ii) design to value (e.g. never compromising on quality and harmonizing raw materials), (iii) manufacturing (e.g. increasing asset utilization and optimizing our maintenance) and (iv) supply chain (e.g. increasing truck fill-rate and improving our warehouse management).

Maximize Value Creation Through Innovation

Innovation is deeply rooted in our DNA, developed by specialists based in our worldwide centers of excellence and R&D hubs. Over the past 18 years, we have launched 150 new innovations. Indeed, as an international producer of both retailer and our own Ontex brands, product innovation has proven essential to our success. We have chosen to constantly invest in our R&D capabilities to further develop our product portfolio by delivering a steady stream of innovations, and to maintain our leadership position by creating value jointly with customers.

As a result, our engineers reinvent and design innovative solutions that can easily travel across our global "technology park". Our dedicated pilot lines also allow our R&D teams to test new innovations with zero impact on current operations. As a consequence, we currently have a strong innovation pipeline to support our growth strategies. Selected products which have been recently launched or will be launched shortly include:

- A new generation of diapers, with an ultra-light and ultra-absorbent core, inspired by the Asian hygiene market;
- A new generation of disposable adult pants to capture the category's rapid growth by leveraging both our expertise in channel core technology and our patented instant dryness system; and
- Smart premium absorbent slips using integrated sensor technology to monitor the wetness and body posture, able to provide home care staff with accurate real-time information on mobile or web app.

In order to reinforce this virtuous cycle of new product and value creation through innovation, and to leverage R&D synergies for our different businesses, we have simplified our organizational structure, making it leaner and more sharply focused on fewer projects, in order to enhance agility and speed-to-market in key areas when it comes to innovation.

Generate New Value Streams Through Sustainability

In 2019, we updated our sustainability strategy to ensure that we continue to make a positive difference, both for our stakeholders and ultimately to the planet. Since then, with the support of different sector associations, we have been working towards our 2030 goals and evaluating organizations, while stepping up our social agenda built around diversity, inclusion and the resolute purpose of serving every group of the population with our affordable and high-quality product offering.

Our sustainability ambitions can be articulated around four pillars: (i) to move towards a circular business model; (ii) to create a positive impact in our supply chain with the regeneration of natural resources; (iii) to achieve climate-neutral operations; and (iv) to build trust through enhancing transparency and leading the way to a fair society.

With regard to the first pillar in particular, we invest significant time and resources on research related to circular solutions such as reusable products (for example, our hybrid diaper concept), recycling and composting of the used products. In addition, we are redeveloping the composition of our diapers, using materials of natural and renewable origin, and launching packaging with significant amounts of recycled content as well as paper bags.

Innovation across the complete lifecycle of our products—from sourcing sustainable materials to minimizing the end-of-life impact—is key to achieving our sustainability ambitions.

Continued focus on proactive deleveraging

In addition to the strategic initiatives described above, we intend to continue pursuing a sound financial policy aimed at reducing the Group's overall indebtedness and financial leverage. We believe that certain of our turnaround policies are already showing results, and that the continued implementation of our strategic overhaul will support our deleveraging in coming years. As part of this plan we intend to more proactively manage our cash and our costs, with a focus on optimizing capacity and better allocating our capital. We also aim to focus our capital expenditures on initiatives that we believe will have the biggest impact on our business, with the ultimate aim of normalizing our capital expenditures at a lower run-rate level than in recent years.

Finally, we aim to continue our deleveraging through the proactive reduction of the Group's indebtedness. In 2020, as a precautionary measure due to the economic uncertainty resulting from the COVID-19 pandemic, we drew down the full €300.0 million available under our existing revolving credit facility to provide us with financial flexibility. In the first quarter of 2020 we repaid €210.0 million in principal amount thereunder, and in May of 2021 we paid down a further €60.0 million. Additionally, in line with our current financial strategy, we would expect to apply the proceeds from material asset sales to repay a portion of our existing indebtedness.

Divisions

We operate our business through three commercial divisions: (i) Europe, (ii) the Americas, Middle East, Africa and Asia (or AMEAA) and (iii) Healthcare. These divisions are mainly organized by sales channel and by the nature of our customer relationships. Our Europe division focuses predominantly on large, sophisticated chain retailers who wish to build strong retailer brands, to whom we supply retailer brand products. The AMEAA division is a geographically organized division in which local and regional brands and traditional sales and distribution channels are predominant. In North America, we sell primarily retailer brand products and third-party lifestyle branded products, whereas in selected other markets across our AMEAA division we primarily sell Ontex brand products. Our Healthcare division focuses on sales to institutional customers, such as hospitals, nursing homes and homecare channels, which are typically government funded or reimbursed by other third-party payers. While our divisions correlate to some extent with the geographies in which we operate (i.e., the Europe and Healthcare divisions operate mainly in Europe), the emphasis is on the sales channel and the nature of the customer, rather than the geography.

The following table sets forth our revenue by division for the three months ended March 31, 2021 and 2020 and the years ended December 31, 2020, 2019 and 2018:

	Three months ended March 31,				Year ended December 31,					
	2021		2020		2020		2019		2018	
	(€ millions)	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*
Europe	191.7	40.0	250.1	43.6	872.2	41.8	956.9	41.9	1,020.7	44.5
AMEAA[(1)]	178.9	37.3	213.5	37.2	774.1	37.1	882.9	38.7	827.7	36.5
Healthcare[(1)]	109.1	22.7	110.6	19.3	440.5	21.1	441.6	19.4	443.7	19.0
Total	479.7	100.0	574.2	100.0	2086.8	100.0	2,281.3	100.0	2,292.2	100.0

(1) Revenues for the Healthcare and AMEAA divisions have been restated for 2019 and 2018 to reflect the effect of a shift in responsibility for one customer from our AMEAA division to our Healthcare division, effective January 1, 2020. This resulted in decreases in AMEAA revenues (and corresponding increases in Healthcare revenues) of €9.1 million and €8.1 million for 2019 and 2018, respectively. Overall revenues for 2019 and 2018 are unchanged.

Europe Division

Our Europe division is predominantly retailer brand-focused. Using our expertise and innovation capabilities, we partner with retail customers to design, manufacture and market personal hygiene products sold under their own brands. Our Europe division also encompasses our contract manufacturing activities (i.e. production for other manufacturers) as well as some sales of Ontex own brands (e.g. Moltex, Helen Harper and iD).

Through our Europe division we sell all three of our primary product categories: Baby Care, Adult Incontinence & Feminine Care products. This division generates the majority of its sales in countries where demographic trends are relatively stable. For example, adoption rates for Baby Care and Feminine Care products are already relatively mature, whereas the adoption rate for Adult Incontinence products is still expanding strongly with ageing populations, supported by wider acceptance and decreased stigma and trends toward seniors living more active lifestyles and staying at home for longer (rather than transitioning to institutional care).

The Europe division's customers primarily comprise large national and international chain retailers, mostly discount stores, drugstores, supermarkets and hypermarkets. This division has also a small but growing presence in online sales channels (such as through pure players like Amazon or our retailer partners' proprietary web shops). This division also encompasses our baby diaper subscription and delivery business Big Little Change. Through our Europe division we hold strong, leading positions in the retailer brand segment in each of our three product categories.

Products

The following table sets forth the Europe division's revenues by product category for the three months ended March 31, 2021 and 2020 and the years ended December 31, 2020, 2019 and 2018.

	Three months ended March 31,				Year ended December 31,					
	2021		2020		2020		2019		2018	
	(€ millions)	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*
Baby Care	116.8	60.9	163.1	65.2	560.2	64.2	634.4	66.3	679.1	66.5
Feminine Care	36.9	19.3	47.5	19	165.7	19	173.4	18.1	190.6	18.7
Adult Incontinence	37	19.3	38.9	15.6	142.1	16.3	144.5	15.1	145.5	14.3
Other[(1)]	0.9	0.5	0.6	0.2	4.2	0.5	4.5	0.5	5.6	0.5
Total	191.7	100.0	250.1	100.0	872.2	100.0	956.9	100.0	1,020.7	100.0

Note:

(1) Other products comprise a range of traded products purchased by us and sold commercially, including cosmetics, medical gloves and other traded products.

Americas, Middle East, Africa and Asia Division

Our AMEAA division is predominantly focused on the production, marketing and sales of local or regional brands. In most of our markets across the Americas, the Middle East, Africa and Asia, we primarily sell Ontex brand products, such as Pompom and Bigfral in South America, bbtips and Affective in Mexico and Canbebe in Africa and the Middle East. The notable exception to this is North America, where we primarily sell retailer brands and have also begun to capitalize on shifts in consumer preference by partnering with third-party brands.

The AMEAA division is organized into four geographical areas: North America (encompassing the U.S. and Canada), Mexico & Central America, South America and the Middle East, Africa & Asia (encompassing Turkey, the Middle East, Africa, Pakistan and Southeast Asia).

The AMEAA division is active across all three of our primary product categories: Baby Care, Adult Incontinence & Feminine Care products. This division makes most of its sales in countries where the potential for growth of hygienic disposable products market is supported by lower, but increasing, adoption rates for such products as compared to the markets served by our Europe division. In such markets, it sells both retailer brand products and Ontex branded products, to national and international retailers, and also sells a portion of its products through distributors and wholesalers. The North American market, by contrast, is demographically more similar to Europe and characterized by a mature market with high adoption rates for each of our product categories and a high degree of consumer choice. In North America we supply primarily retailer brand products as well as partnering with third-party brands. This division has also a small but growing presence in online sales channels (such as through pure players like Amazon or our retailer partners' proprietary web shops).

For the three months ended March 31, 2021 and the year ended December 31, 2020, 33% and 32% of the AMEAA division's revenue was generated from retailer or third-party brand products, with the remaining 67% and 68% being generated from Ontex brand products, respectively.

Geographies

The following table sets forth the AMEAA division's revenue by geography for the three months ended March 31, 2021 and 2020 and the years ended December 31, 2020, 2019 and 2018.

	Three months ended March 31,				Year ended December 31,					
	2021		2020		2020		2019		2018	
	(€ millions)	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*
North America . .	31.7	17.7	34.0	15.9	130.9	16.9	113.6	12.9	105.2	12.7
Mexico & CA . . .	73.3	41.0	89.5	41.9	297.4	38.4	354.9	40.2	325.7	39.4
South America . .	30.6	17.1	34.5	16.1	153.4	19.8	186.7	21.1	179.0	21.6
MEAA	43.3	24.2	55.5	26.0	192.4	24.9	227.6	25.8	217.8	26.3
Total	178.9	100.0	213.5	100.0	774.1	100.0	882.8	100.0	827.7	100.0

Products

The following table sets forth the AMEAA division's revenue by product category for the three months ended March 31, 2021 and 2020 and the years ended December 31, 2020, 2019 and 2018.

	Three months ended March 31,				Year ended December 31,					
	2021		2020		2020		2019		2018	
	(€ millions)	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*
Baby Care	133.5	74.6	161.6	75.7	586.4	75.7	691.8	78.4	652.5	78.8
Feminine Care . .	9.6	5.4	14.3	6.7	46.1	6.0	38.7	4.4	31.5	3.8
Adult Incontinence . .	32.0	17.9	35.1	16.4	129.4	16.7	139.3	15.8	135.6	16.4
Other[(1)]	3.7	2.1	2.5	1.2	12.2	1.6	12.9	1.5	8.1	1.0
Total	178.9	100.0	213.5	100.0	774.1	100	882.8	100.0	827.7	100.0

Note:

(1) Other products comprise a range of traded products purchased by us and sold commercially, including cosmetics, medical gloves and other traded products.

Healthcare Division

The Healthcare division primarily sells Adult Incontinence products through distributors or directly to institutional customers in the healthcare market, such as governmental departments, local authorities, health insurers, hospitals and nursing homes and in some cases directly to consumers in their homes (sales of Adult Incontinence products through retail channels are included in the revenue of our other divisions). This division also sells to the "self-paid" segment, including pharmacies, specialized medical shops and e-commerce outlets.

For the three months ended March 31, 2021 and the year ended December 31, 2020, sales of Adult Incontinence products accounted for 92% and 93% of the Healthcare division's revenue, respectively. The Healthcare division also sells small volumes of Baby Care, Feminine Care and certain other products to institutional customers. The division sells branded and, to a much lesser extent, retailer brand products, and operates almost exclusively in Western Europe. The Healthcare division's branded products, such as iD, Lille and Serenity, are well known in their respective markets and have been established for many years. For the three months ended March 31, 2021 and the year ended December 31, 2020, 85% and 86% of the Healthcare division's revenue was generated from Ontex brand products, with the remaining 15% and 14% being generated from retailer brands, respectively.

The following table sets forth the Healthcare division's revenue by product category for the three months ended March 31, 2021 and 2020 and the years ended December 31, 2020, 2019 and 2018.

	Three months ended March 31,				Year ended December 31,					
	2021		2020		2020		2019		2018	
	(€ millions)	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*
Baby Care	3.8	3.5	3.7	3.4	16.0	3.6	19.5	4.4	13.5	3.0
Feminine Care	0.7	0.6	0.1	0.1	0.5	0.1	0.5	0.1	0.7	0.2
Adult Incontinence	100.8	92.3	103.0	93.1	407.9	92.6	408.2	92.4	412.5	93.0
Other[(1)]	3.8	3.5	3.8	3.4	16.1	3.7	13.5	3.1	17	3.8
Total	109.1	100.0	110.6	100.0	440.5	100	441.7	100.0	443.7	100.0

Note:

(1) Other products comprise a range of traded products purchased by us and sold commercially, including cosmetics, medical gloves and other traded products.

Products

The following table sets forth our revenue by products for the three months ended March 31, 2021 and 2020 and the years ended December 31, 2020, 2019 and 2018:

	Three months ended March 31,				Year ended December 31,					
	2021		2020		2020		2019		2018	
	(€ millions)	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*	*(€ millions)*	*(% of total revenue)*
Baby Care	254.1	53.0	328.3	57.2	1,162.5	55.7	1,345.7	59.0	1,345.1	58.7
Feminine Care	47.3	9.9	62.0	10.8	212.2	10.2	212.7	9.3	222.8	9.7
Adult Incontinence	169.8	35.4	177.1	30.8	679.5	32.6	692.0	30.3	693.6	30.3
Other[(1)]	8.5	1.8	6.8	1.2	32.6	1.6	30.9	1.4	30.6	1.3
Total	479.7	100.0	574.2	100.0	2,086.8	100.0	2,281.3	100.0	2,292.2	100.0

Note:

(1) Other products comprise a range of traded products purchased by us and sold commercially, including cosmetics, medical gloves and other traded products.

Baby Care Products

Our Baby Care segment consists of three product lines: baby diapers, baby pants and wet wipes, which are described below. The Baby Care category represented €1,163 million of our revenue for the year ended December 31, 2020, of which approximately 87% was contributed by baby diapers, 12% by baby pants and 1% from wet wipes. Our Baby Care products are mostly sold to retailers via our Europe and AMEAA divisions. In our Europe division, our Baby Care products are mostly sold as retailer brands. In the AMEAA division, we sell our Baby Care products primarily under Ontex brands, with the exception of North America where they are mostly sold as retailer brands or to third-party brands.

Baby Diapers

Baby diapers are disposable garments consisting of a waterproof layer, an absorbent core (made from fluff and super-absorbent powder) and mainly non-woven and elasticized materials. Baby diapers have an open construction (as differentiated from baby pants as described below) and are closed on the front side using adhesive tape.

We produce a range of basic to premium-quality baby diapers for use by premature babies up to older infants (typically up to 3 years old). The differentiation of basic versus premium diapers is based on factors such as the core technology, parameters of absorption, rewet capacity, softness and fit. Our basic diaper meets basic absorption and fit requirements and has no extra features, whereas our premium diaper offers better stretch, softness and absorption qualities.

We offer different core technologies (e.g. with or without channels, “thin anatomical” vs. “optimized straight” cores) and a wide range of product features (e.g. frontal tapes, elastic ears, closure tapes, levels of softness, tailor-made print designs) to allow customers a variety of choices to best suit their needs. Certain of our baby diaper offerings also include natural or sustainable components, in keeping with recent consumer trends towards more ecological products.

Baby Pants

Baby Pants have the same basic construction as Baby Diapers, except that they have a closed construction and therefore resemble classic underwear. The elastic ears and adhesive tapes of a typical baby diaper are replaced by a sealed elastic belt, and their elastic sides allow baby pants to be pulled up and down. Our Baby pants have the same absorption and features as our baby diapers.

Our range of baby pants include three main types: regular pants, swim pants and night pants. Regular pants are intended for babies and toddlers up to 3 years old. They provide parents a more convenient changing experience when toddlers start to crawl or potty-train. Swim pants have a slightly different construction (no fluff or super absorber) and are intended to be worn while swimming. Night pants are intended to be worn while sleeping, and target children up to age 15 facing bedwetting.

Baby Wipes

Baby wipes are synthetic cloths used for cleaning or drying and are designed specifically for use on babies.

Feminine Care Products

Our Feminine Care products range consists of external products, such as sanitary towels and panty liners, and internal products such as tampons. The Feminine Care category represented €212 million of our revenue for the year ended December 31, 2020.

Our Feminine Care products are mostly sold through our Europe division to retailer brands and in our North America business unit to both third-party brands and as retailer brands.

Sanitary Towels

Sanitary towels are disposable absorbent pads used by women to absorb menstrual flow. They are made of a back sheet to protect underwear from leakage, an absorbent core comprised of fluff or air-laid sheet and super-absorbent powder, an acquisition and distribution layer and a top sheet in contact with the skin. An adhesive strip keeps the fluff towel in position during use. Individual wrapping enables these products to be discreetly carried and provides an easy method of hygienically wrapping the used product for disposal.

We produce a range of sanitary towels in different formats and shapes and with a wide variety of features in order to allow for proper differentiation to our customers. Our sanitary towels range from towels for discreet daytime use to towels for heavy night use, are offered with and without wings and are anatomically shaped for women, and certain towels are constructed using sustainable or eco-friendly materials. Our range of sanitary towels include thin Ultra towels and classic Fluff towels.

Panty Liners

Panty liners are thin absorbent pads used to protect underwear in daily usage. Panty liners are layered, containing a back sheet, absorbent core, a light acquisition and distribution layer, and a soft top sheet. The essential requirements for panty liners are comfort and protection. We produce wide a range of panty liners because their consumption pattern, as well as their composition, differ across countries.

Tampons

Tampons are absorbent plugs for internal body use by women to absorb menstrual flow. We produce a wide range of tampons, including both digital tampons (non-applicator tampons) and tampons with applicators (short plastic, long plastic and cardboard). We also offer both viscose and 100% organic cotton fiber tampons. Tampons are available in various sizes, which correspond to their absorbency levels.

Adult Incontinence Products

Adult Incontinence products are disposable devices specifically designed to manage light, moderate and heavy incontinence.

The Adult Incontinence category represented €680 million of our revenue for the year ended December 31, 2020. Our Adult Incontinence products are sold across all three of our commercial divisions. In our Europe division, they are mostly sold as retailer brands. In our Healthcare division, they are mostly sold under Ontex brands (e.g. iD, Lille, Serenity) to specialized healthcare channels (e.g. hospitals/clinics, pharmacies and home delivery channels). In our AMEAA division, they are mostly sold under Ontex brands in Mexico (e.g. Affective, Liverty), Turkey (e.g. Canped) and Brazil (e.g. Bigfral, Moviment).

Light Incontinence Products

Light incontinence products are disposable small pads made of an absorbent core (comprised of fluff and super-absorbent powder), a waterproof plastic layer and soft non-woven fabrics. These feature a wide adhesive strip to secure the pad in position, and an anatomical shape and elasticized to help achieve a comfortable fit. Several levels of absorbency are available, offering solutions for different levels of stress and light incontinence.

Adult Pants

Adult pants are disposable adult garments resembling underwear with an absorbent core (fluff and super-absorbent powder), a plastic layer, elastics and soft non-woven fabrics. Adult pants are designed for users with an active lifestyle and can prolong independence. The pants are typically fully elasticized to ensure a close fit.

All-in-one Tape Systems

All-in-one tape systems are diaper-like products for adults with adhesive tapes operating as a closure system, an absorbent core and non-woven materials. They are suitable for moderate to heavy incontinence and are produced in a wide range of sizes and absorbencies. The products with a textile back sheet feature breathable side panels as well as fully resealable fixing tapes to ensure a secure fit and anti-leak cuffs to minimize the risk of leakage.

Belt Diapers

Belt diapers are disposable diapers for adults featuring a specific closure system with an absorbent core and non-woven materials. The belt product offers an alternative to all-in-one tape systems and the two-piece shaped pad system. The use of a belt with resealable hook and loop fasteners removes the need for separate fixation pants, making the pad easier to fit and more comfortable. The product also features anti-leak cuffs to minimize leakage.

Shaped Pads

Shaped pads are larger pads for adults with an absorbent core made of super-absorbent materials. They are available in several absorbencies and are suitable for moderate to heavy incontinence. Shaped pads feature a white textile back sheet with double wetness indicator and anti-leak cuffs to minimize the risk of leakage.

Underpads

Underpads are absorbent sheets used to protect beds and seats. They consist of a plastic back sheet, an absorbent thin fluff-mat and a non-woven cover. They are available in a number of sizes and absorbencies.

Customers

Retailers

In our Europe and AMEAA divisions, we sell our products primarily to retailers. In Europe, most of our revenues are generated from “modern trade” retailers that sell their products both in brick and mortar stores (e.g. hypermarkets and supermarkets) and through online channels. Sales to retailers also represent a significant share of our revenues in North America and Mexico.

In our Europe division, we supply retailers predominantly with retailer brand products: we design, manufacture and market personal hygiene products which these retailers sell under their own brands. We have strong relationships with a number of national and international retailers. These relationships allow us to grow alongside these retailers as they expand their businesses. We also are able to generate incremental growth through the introduction of new products.

A significant portion of our revenues in North America and Mexico are also generated from retailer customers. In North America, we sell primarily under retailer brands, and in Mexico we provide them with both retailer brand and Ontex brand products. Key North American customers and Mexican customers include a number of national and international retailer chains.

We enter into framework agreements with the majority of our retailer customers. These agreements are generally on a non-exclusive basis and generally contain no minimum purchase obligations. These agreements typically do not have a fixed term, and when they do, the term is generally one to three years. Some of these agreements are automatically renewable or continue indefinitely if neither party terminates. In the event a customer wishes to cease purchasing products from us, we are usually provided with sufficient notice to allow us to run down inventories dedicated to that customer while that customer works to ramp up production with its new supplier.

Third Party Brands—Contract Manufacturing

Our activities also include contract manufacturing, in which we manufacture products for third parties that own the brands and manage their commercialization across wide range of customers and/or channels. We distinguish between 2 types of contract manufacturing customers.

First, we engage in contract manufacturing of products for large brands that are also produced by the manufacturer itself. In this case, production is usually outsourced for selected product ranges because the manufacturer does not have the appropriate equipment and/or enough capacity to produce in sufficient quantities.

Second, we provide contract manufacturing for smaller brands that are owned and managed by companies that usually do not have their own production facilities, focusing instead on the commercialization aspects (e.g. sales and marketing). These third-party brands are usually positioned as “lifestyle” brands and are sold primarily online. These customers usually have a good understanding of what their consumers are looking for, and partner with us to develop the right solution for them, leveraging our expertise, innovation capabilities and a collaborative approach for development of products.

Distributors

In several of the countries comprising our AMEAA division (in particular certain countries in Central America, the Middle East and Africa) we primarily sell products to distributors, wholesalers and other intermediaries who market our products to traditional stores. Our Healthcare division also sells a portion of its products through distributors.

Contracts with distributors typically have a one-year term, with automatic renewals. Distributors are mainly appointed on an exclusive basis within our product portfolio. Pursuant to our contracts, distributors are responsible for delivering products to retailers and must also maintain a certain minimum level of goods in stock.

Institutional

Our Healthcare division supplies institutions such as governmental departments, local authorities, hospitals, health insurers and nursing homes, either directly or through distributors. Typically, agreements with these customers are based on open tender processes (generally for a term of two to four years) or contractual supply agreements based on detailed price conditions by product reference.

Direct-to-consumer

In our Europe division we sell our exclusive brands, Little Big Change (Baby Care) and A Lovely Day (Adult Incontinence), exclusively online in specialized marketplaces via a direct-to-consumer subscription model. In our Healthcare division, our Ontex brands, iD and Serenity, are also sold via our proprietary e-commerce platform and in specialized online marketplaces.

In our AMEAA division, we sell several of our own Ontex brands in different regional online marketplaces.

Production, Transportation and Delivery

Production Facilities

We currently operate 19 production facilities located across Europe (two in Belgium, one in the Czech Republic, one in France, two in Germany, one in Italy, one in Poland and one in Spain), Turkey, Algeria, Russia, Australia, Pakistan, Ethiopia, two in Mexico, Brazil and the U.S. The total production capacity of our production facilities across all products was approximately 26.1 billion products per annum as of April 30, 2021. Our production facilities are strategically located in our core markets and close to our major customers, which helps limit transportation costs. Our operations in Eastern Europe, the Middle East and Africa also allow us to take advantage of lower production costs. We endeavor not to rely solely on any single facility for any of our products, and to maintain flexibility to redistribute production among our facilities as needed in the event of planned maintenance, unforeseen shutdowns or fluctuations in demand.

In terms of our product range, as of April 30, 2021, 13 of our production facilities produce Baby Care products using 105 machines; six of our production facilities produce Feminine Care products using 110 machines; and nine of our production facilities produce Adult Incontinence products using 61 machines.

The table below sets forth our production facilities and the products they currently manufacture:

	Product manufactured		
	Baby Care	**Feminine Care**	**Adult Incontinence**
Buggenhout, Belgium			X
Eeklo, Belgium	X	X	
Mayen, Germany	X		
Grosspostwitz, Germany		X	
Dourges, France			X
Turnov, Czech Republic	X	X	X
Segovia, Spain	X	X	X
Ortona, Italy			X
Radomsko, Poland	X		X
Noginsk, Russia	X		X
Istanbul, Turkey	X		X
Sydney, Australia	X		
Algiers, Algeria	X		
Karachi, Pakistan	X		
Hawassa, Ethiopia	X		
Puebla, Mexico	X	X	X
Tijuana, Mexico	X		
Senador Canedo, Brazil	X		X
Reidsville, North Carolina, USA		X	
Total	13	6	9

We have well-maintained production facilities with capacity for growth. All of our production facilities are regularly inspected and are maintained to high standards. In addition, our larger retail customers regularly audit our production facilities. We believe that our investment in improving and maintaining production facilities has resulted in a regular improvement in production efficiency across product categories during the past few years. Since 2018, we have invested in 16 new production lines, mainly in the fast-growing categories of adult and baby pants, but also in baby diaper lines in our new Polish plant and for replacement of older technology in our Brazilian plant. In the U.S., we intend to relocate our U.S. Feminine Care product production to a new plant and to start baby diaper production in the second half of 2021.

The flexibility of our production facilities allows us to deliver customized products to our customers and respond to changes in demand for our products or to disruptions across our business while minimizing our costs of production. For example, during the COVID-19 pandemic we experienced production disruptions in certain of our factories, but were able to secure supply in all countries by redirecting production via temporary support flows organized between our plants. See "*Risk Factors—Risks relating to our industry and our business—We may experience disruptions at our production facilities or, in extreme cases, our production facilities may be shut down*".

Transportation and Delivery

In general, we arrange for our products to be delivered to our customers directly. In some instances, however, the customer collects the products from the relevant production facility or warehouse or distribution center. Where we deliver our products to our customers directly, we transport our products using a range of third-party transport companies. Where possible, we consolidate shipments of our products to our customers, which can lead to cost savings. We may also engage a transport company to transport products from our production facilities to the relevant warehouse or distribution center. To provide maximum flexibility, we utilize a mixture of leased and owned warehouses which we operate ourselves and distribution centers which are operated by third parties, whom we pay for each pallet that passes through the facility. Our transportation and delivery costs vary by sales channel. For example, such costs can be a larger percentage of sales in the Healthcare division, particularly in the home delivery and nursing home channels, relative to similar retailer branded products distributed by our Europe division.

Raw Materials

Raw materials and packaging costs accounted for between 70% and 75% of our cost of sales for the year ended December 31, 2020 and the year ended December 31, 2019, respectively. Our key raw materials are fluff, super-absorber and non-woven fabrics. The relative percentage of these materials varies by product.

We purchase our key raw materials from a broad base of suppliers and endeavor to have two to three suppliers capable of meeting our requirements for each key raw material. Our top 10 suppliers accounted for 46% of total supplier spend in 2020 and, aside from a single contract covering approximately 11%, no single supplier accounted for more than 5% of total supplier spend. In general, we pursue long-term relationships with our primary suppliers, and certain suppliers have been supplying raw materials to Ontex at varying levels since its founding. Our top five suppliers across several raw materials categories have remained stable over the past ten years. Where possible, in the future we intend to further consolidate our supplier basis with a focus on strategic integrated collaboration with our trusted suppliers. We believe that this will maintain stability while increasing efficiency throughout the organization, enhancing access to co-development & innovation and reducing costs for us and our supplier. When we co-develop a material for our exclusive use with one of our suppliers, we aim to identify suitable back-up materials readily available from other suppliers to ensure supply, without creating a copy of the proprietary material.

The contracts we have with our raw material suppliers vary as to price, payment terms, quantities and duration, and our raw material costs are also subject to price volatility attributable to a number of factors beyond our control, including, but not limited to, the availability of supply (including supplier capacity constraints); general economic conditions; commodity price fluctuations (particularly of petroleum); demand by other industries for the same raw materials; and the availability of complementary and substitute materials. We are focused on tightly controlling our raw material costs by carrying out reviews and benchmarking analyses of suppliers' pricing so as to achieve the best possible terms. Certain of our supply agreements with fluff suppliers contain provisions that reduce our exposure to volatility in fluff prices. We maintain in-house resources dedicated to in-depth market and cost analyses that guide our materials purchasing. Our suppliers are required to undergo detailed onboarding procedures, including education and acknowledgement of our compliance policies for third-party vendors, and submit to a regular monitoring and audit program.

We have a central procurement department that continuously supervises raw material procurement and monitors our supply chain costs, which include logistics (transport and warehousing of raw materials) and stock and procurement overheads. We manage our supply chain costs through our central IT platform, which enables us to forecast future operational demands across our business.

In order to better control our exposure to price changes in raw materials, we have entered into hedging arrangements. We try to hedge a portion of our propylene, polypropylene and polyethylene exposure. However, we do not currently hedge our exposure to fluff or paper-indexed raw materials, as we have agreed arrangements with our suppliers that allow us to contractually manage these exposures. We maintain a hedging committee which meets quarterly to assess our hedging strategy. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Qualitative and Quantitative Disclosure About Market Risk—Commodity Price Risk" and "—Hedging Committee".*

Marketing and Sales

We have 28 sales and marketing teams located across Europe, the Americas, Asia, Africa, Turkey, the Middle East and Australia through which we make sales in more than 110 countries worldwide. We believe in the power of local brands, and our direct presence in these markets allows us to easily adapt our commercial plans and products to specific local regulations and market demands, while maintaining a strong focus on account management. We centralize certain supporting roles at the divisional level to leverage our institutional expertise and synergies (in areas such as product management, digital marketing and e-commerce), but maintain strong local sales forces and marketing management.

Marketing

In the Europe division, given the focus on retailer brands, we do not carry out any significant direct advertising or marketing campaigns. Rather, our retailer customers market their own brands directly to consumers, which we support through product innovation, design differentiation, category management (online and offline) and trade marketing campaigns. Retailer brands are increasingly viewed as real brands and are actively promoted by retailers, and we partner with these clients to provide key support in brand positioning and asset development (e.g. packaging, key visuals and point-of-sale materials).

In order to maintain and develop our market positions in our AMEAA markets, where we operate predominantly as a branded business, we focus on the development of premium consumer ranges and improvement of brand awareness and consideration through direct-to-consumer advertising (mass and digital media) campaigns focused on brand values and differentiated product benefits. As we mostly operate through distributors and retailers, we also focus on B2B or account marketing, working with our customers to develop concrete category and trade marketing plans through their professional or consumer-facing media and point of sales activation campaigns. Additionally, we support socially responsible campaigns or events in which values like proper infant care and support, access to feminine hygiene protection or adult incontinence awareness are promoted by authorities, health institutions or respected consumers' associations.

In our Healthcare division, or healthcare segments in other divisions, we are required to comply with specific local regulations on product performance, market conditions and advertising of medical devices (applicable to certain of our Adult Incontinence products). We focus our marketing plans on well-known and respected Ontex brands, targeting both professional and consumer channels (primarily through digital media) to develop brand awareness and consideration among shoppers, relatives and professionals. Sales tools (e.g. professional leaflets and product brochures) and product sampling are critical to promote trial and conversion. We also provide certain value-added services to customers in this division to support healthcare professionals and institutions in reducing the cost of change, through efforts aimed at product conversion and optimization, staff training, and managing the total cost of management platforms. We also participate in healthcare congresses or fairs and endorse activities of medical or nurses associations.

Sales

We maintain 28 sales offices globally, serving customers in more than 110 countries. General managers and regional sales directors are responsible for defining concrete commercial targets, required resources, and specific business key performance indicators for their respective geographies, in overall alignment with broader divisional strategy and financial objectives.

We approach large accounts and retail customers by adapting our sales process and team organization to their organizational structures and specific needs. Consequently, our sales targets are not only focused on the acquisition of new customers, but on the development of existing business with dedicated account and category plans (offline and online) defined and implemented by a team of specialized key account managers, supported by regional account managers, technical product managers, trade marketing, and merchandisers.

The size of each sales team is based on local market structure and customer focus. Sales teams are generally larger when they primarily support our own brands (thereby servicing multiple retailers) than when they support retail customers promoting their own brands or third-party manufacturing opportunities. Our Healthcare division sales teams focus on institutional buyers of Adult Incontinence products, distributors and medical retailers (such pharmacies, drug stores or specialist medical shops). Frequently these teams also need to visit doctors and nurses to promote the prescription or recommendation of our products and brands. This complex and fragmented route to market requires larger sales forces and the support of continence care specialists (nurses), facilitating conversion and training on the optimal use of our solutions and on general elderly care.

E-commerce is acquiring a growing importance as a sales channel, and we have in place specialized teams that work with our retail customers on the development of their own online platforms (category and retail brand development). We also develop our own direct-to-consumer online platforms, promoting our Ontex brands, or propose specific trade plans with specialized online distributors to increase online distribution of our products.

Pricing Policy

Retailer brands' prices are based on the specific customer's price positioning in relation to an expected index versus the "lead" brand. The analysis of the complete value chain and our customer's expectation on margins is critical to defining our own price and allows us to maintain a competitive position in the negotiation or tender processes and preserve our profitability targets. Final pricing is determined on a centralized basis (for large accounts) or locally, according to clearly identified parameters.

Healthcare tenders issued by national or regional health services, nursing home groups or medical insurance providers are normally based on a combination of pricing (critical element) and quality scores. There is often an indication of expected maximum prices to be respected. We base our decision on historical prices, total value and logistical conditions, and we complete a detailed profit run study before taking a final decision.

Pricing for our Ontex brands, especially in the consumer segment and e-commerce, are based on market standards and intended brand positioning—for example, positioning versus the "lead" brand, as a lifestyle brand or as a "challenger" brand to established names. We prepare price lists with centrally defined parameters to guarantee competitiveness and profitability.

Research and Development

We have a proven ability to deliver product innovations, having delivered an average of 30 innovations (e.g. product technologies new to Ontex, product upgrades and features, and range extensions) Group-wide each year since 2017. The technology "platforms" underlying our product developments are capable of being adapted and deployed across geographies and product segments (e.g. applications across baby diapers, Adult Incontinence products and Feminine Care fluff towels).

Our R&D team is centrally managed and has proven in-house R&D capabilities. Our R&D team consists of over 100 professionals (product design & development specialists, lab staff, management and planning personnel) who are principally based across four R&D centers of excellence, which are located in our major production facilities in Belgium and Germany, and three R&D hubs (one each in Italy, Brazil and Mexico). The R&D team is primarily responsible for the validation of new product designs, the optimization of existing products and the product qualification of new raw materials.

The R&D team pursues a collaborative approach with our sales and marketing, legal, procurement, engineering, quality and production teams to coordinate rapid deployment and scale-up of innovations and product upgrades. We have unique innovation capabilities in-house, in strong collaboration with our in-house engineering department, including a dedicated full diaper pilot line and test stands for absorbent core development. We also have our own state-of-the-art laboratories, have established longstanding collaboration with external laboratories, and we partner with start-ups and research institutes for selected innovation projects.

Intellectual Property (IP)

The intellectual property rights in relation to our products are retained by us, rather than by our retailer customers. It is of the utmost importance to us and our customers that we ensure that our products, machines and manufacturing procedures do not infringe any third-party intellectual property rights. We assess our products, machines and manufacturing procedures from a legal, regulatory and intellectual property standpoint in order to achieve this objective.

As part of this process, we strive to keep our knowhow confidential and file for intellectual property rights to obtain relevant protection towards third parties, safeguard our own freedom to operate and maximize business and commercial opportunities arising therefrom. Our approach to protection of our intellectual property varies depending on the nature of the technology we are attempting to safeguard. For manufacturing processes and machines, we often choose to keep our knowhow and technology confidential without any disclosure outside the company, while for product innovation we may file for relevant intellectual property rights and thereby disclose the product technology within the relevant application. The reason we take this differentiated approach is that product technologies may be more easily reversed-engineered once the relevant product is placed on the market, while this is not the case for machines and processes, which remain confidential within our production facilities. Any innovation must still be assessed on a case-by-case basis, and we may take a different approach in certain cases and based on our IP policy.

We mainly protect our intellectual property through patents and trademarks. We currently have approximately 130 distinct patent families which relate to various product specifications for our absorbent hygiene product categories—being (i) internal and external feminine hygiene, (ii) Baby Care and (iii) Adult Incontinence products—as well as the production processes and technologies used to manufacture them. Within these patent families, several regional and national patents have been filed and granted, and in the ordinary course we generally have pending applications in respect of products, processes and technologies. In total, we hold more than 450 patents worldwide. In addition to patent protection, we also register and expand our brands and trademarks into the various territories which are or might become of importance to Ontex. Our brands and trademarks include, among others, iD, Canbebe, Helen Harper, Canped, Lille Healthcare, Babycharm, Baby Soft Moltex, Secondary, Climaflex, Orizon, Serenity, bbtips, Affective, Pompom and Cremer. We further hold a total of more than 160 registered designs protecting aesthetic aspects of several of our commercial products and features such as print designs, absorbent core channel shapes and the like.

Further, if there is customer demand for a new product or innovation which is protected by third-party rights, where possible we will seek to negotiate and either cross-license or purchase a license from the relevant third party in order to be able to manufacture the product.

Employees

In 2020, we had an average of 9,927 full-time equivalent employees. The following table shows, for the last three financial years, average headcount by geographical area:

	Year ended December 31,		
	2020	2019	2018
Algeria	350	384	373
Australia	103	101	103
Brazil	1,593	1,655	2,017
Belgium	1,196	1,316	1,276
China	7	3	3
Czech Republic	765	705	731
Ethiopia	96	91	64
France	297	300	312
Germany	1,131	1,114	804
Italy	270	250	598
Mexico	2,137	1,945	3,082
Pakistan	159	146	131

	Year ended December 31,		
	2020	2019	2018
Poland	251	174	74
Russia	408	405	416
Spain	400	340	340
Turkey	454	465	476
United Kingdom	102	95	88
United States	76	30	27
Other	12	10	10
Total	9,807	9,529	10,925

We consider our relations with our employees to be good. The terms and conditions for employees, including working hours, termination rights and benefits, are governed by standard employee contracts together with, in certain circumstances, a variety of collective bargaining agreements. A European Works Council was set up by us for the purpose of discharging certain requirements to inform and consult with employees on an international level.

A majority of our employees in Belgium, France, Spain, Italy and Germany are covered by collective bargaining agreements or represented by trade unions, local works councils or the European Works Council. Additionally, a large portion of our workforce in Turkey, Algeria, Mexico and Brazil is covered by collective bargaining agreements. In the Czech Republic, a minority of employees are represented by a trade union.

While certain of our collective bargaining agreements are for an indefinite duration, others need to be renewed from time to time. In the past five years, we have successfully concluded and/or renegotiated collective bargaining agreements without meaningful work stoppages. Although we have not experienced difficulties in the past in renewing our collective bargaining agreements on acceptable terms, there can be no assurance that we will be able to continue to do so in the future. Should there be significant industrial action, disruptive works council activity or disturbances across our workforce, we could experience a disruption of operations and increased costs as a result. Although we can generally shift production to other facilities that are not affected by industrial action, there can be no assurance that we will be able to do so in all cases.

Employee Incentives

We seek to incentivize our employees in a number of ways. The principal method we employ to achieve this is awarding key managers bonuses pursuant to our management incentive program. Under our management incentive program, employees may receive a bonus equal to a certain percentage of their basic salary upon the achievement of certain personal and business goals.

We also award bonuses to certain employees, in particular to our sales team, which are dependent upon the level of sales achieved by the relevant team. In addition, we have set up a long-term incentive plan for members of the executive management team, certain other senior managers and other persons assimilated to these categories.

We also operate a bonus program for our plant-based staff, whereby the level of the bonus depends on the achievement of plant-specific targets for production efficiency, quality, service level and safety.

Pensions

We make payments on a defined contribution basis to both state and private pension arrangements across our operations. In addition, we operate a defined benefit insurance scheme in Belgium and we also have an obligation to make severance payments to employees upon their retirement in France and Turkey.

We also operate 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.

Insurance

We have insurance policies in place that cover liability for public and product liability, death or injury to employees and damage to property, including buildings, plant, machinery and stock. We also have insurance coverage for business interruption.

We work closely with our insurance brokers to ensure that we are adequately protected and to minimize the risk of any loss. Our insurance, however, does not cover every potential risk associated with our business. We do not carry freight insurance for our products because of the large volumes of products transported and the relatively small monetary loss that could result from any given incident.

The Company maintains a directors and officers insurance policy covering claims that would be made against directors and officers of the Company and its subsidiaries in relation to their functions. The Company has entered into indemnification agreements with its directors supplementing this policy.

Information Technology and Data

We enable all our key business processes on 3 main enterprise resource planning (ERP) platforms: one Oracle system to support our Mexican operations; one specific SAP instance supporting Brazil; and one central core Ontex SAP instance operating all other businesses/territories (with the exception of China, Pakistan and Ethiopia having small systems). These main systems are hosted in professional data centers (in Belgium for our central SAP environment and in Mexico City for our Oracle base). We recently migrated our Brazilian SAP systems to the cloud (Microsoft Azure). None of these IT services are outsourced, and we run these systems with internal expert IT resources located primarily in our Aalst headquarters (Belgium), Puebla (Mexico) and Goiania (Brazil). We contract with external suppliers to plan and execute major IT projects. All of our global sites are interconnected via a Wide Area Network (WAN), which is controlled centrally by our expert IT infrastructure and operations (I&O) team with standardized network equipment (such as firewalls, switches and wi-fi)

We recently created a “Digital Factory” for the design, development and implementation of new online services, including our direct-to-consumer subscription services, our Healthcare division’s home delivery business in Europe, our internet-enabled “connected” diaper and several Ontex brand websites. These applications and technologies are developed in-house to ensure the best user experience for our consumers and deliver a competitive advantage, and are fully proprietary. Our online services are run out of AWS (Amazon) and AZURE (Microsoft) cloud systems, leveraging software development and IT operations technics.

We also leverage a Microsoft cloud environment for our employees’ “digital workplace,” with a global contract through which we license products and services such as Office 365, Teams, SharePoint, Outlook, PowerBI and secured user authentication services.

Realizing the increasing exposure of many companies to cyberattacks and the potential consequences for our business, we completed a complete cybersecurity assessment in 2019, following which we engaged in an overhaul of our cybersecurity capabilities to limit perceived vulnerabilities. We reinforced our security governance and established a dedicated team of cybersecurity experts led by an experienced CISO. We defined our security roadmap to address the immediate cyber risks and implemented a number of foundational projects required to achieve the target maturity for our cyber capabilities. This allowed us to significantly improve our overall “IT Security Maturity Level” as measured through the industry standard (ISO 27001-2 / NIST cybersecurity / SANS top 20 Model) and an initial audit by an independent consultant. In the past five years we have not faced any material cyberattacks or data breaches.

Environmental, Health & Safety

Sustainability

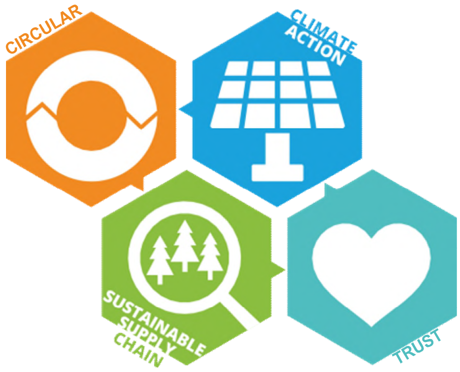
As a leading supplier of affordable personal hygiene products, Ontex believes that sustainable business practices contribute to genuine business success. We have an opportunity—and an obligation—to drive positive change.

We are committed to achieving climate neutral operations by 2030 and moving towards a circular business model. We want to create a positive impact in our supply chain and regenerate natural resources. We aim to enhance transparency and lead the way to a fair society.

By mobilizing our people, our suppliers, our customers, and our consumers, Ontex aims to actively contribute to the achievement of the UN's Sustainable Development Goals.

Our sustainability approach is based on 4 pillars:

- Climate action;
- Circular solutions;
- Building trust; and
- Sustainable supply chain.



These four pillars form the basis of our strategy, and are all interconnected. For example, working to implement circular solutions will have an impact on climate change. Creating transparency throughout the supply chain will increase trust across all identified stakeholders, in our company and products.

We have taken concrete steps in furtherance of this sustainability commitment, including the reduction of our overall carbon emissions by 15% versus 2018. We also achieved the following ESG milestones in 2020:

- Achieved 100% renewable electricity for our European plants (and 75% globally);
- Inaugurated a solar rooftop in our Segovia plant, expected to provide more than 20% of the plant's electricity needs;
- Achieved carbon-neutral production in two of our European plants;
- Completed an innovation project to add recycled content in our plastic bags;
- Maintained 100% certified or controlled wood-based raw materials;
- Utilized 96% organic cotton in our products;
- 86% of our main plants certified ISO14001, and 51% ISO5001;
- Awarded upgrades in our CDP Climate (B) and CDP Forest (B) scores;
- Maintained our MSCI "AA" ESG rating;
- Progressed in our goal to become a more diverse and inclusive workplace, with 28% female management (up from 24% in 2019, and 27% in 2018);
- Continued reduction of our Accident Frequency Rate (the number of labor accidents per million hours worked), now at 5.45 (as compared to 9.2 in 2018, and 5.9 in 2019); and
- Three years without an accident at our Baby Care products plant in Karachi, Pakistan.

Our standards, policies & certifications are essential to ensure sustainability is systematically embedded in our daily operations. The below table provides an overview of the different components of Ontex's sustainability governance.

	CLIMATE ACTION	CIRCULAR SOLUTIONS	BUILDING TRUST	SUSTAINABLE SUPPLY CHAIN
Policies, guidelines or statements			• Code of ethics • Human rights policy • Speak up policy/line • Diversity policy • Covid-19 donations policy	• Supplier code of conduct • Ethical sourcing policy • Modern slavery statement • Fiber sourcing policy • Animal testing statement
	SHEQ policy			
Management systems & certifications	ISO50001	ISO14001	BSCI ISO45001	• BSCI
External charters or initiatives	Greenhouse Gas Protocol	LCA based on ISO14040		• FSC® & PEFC • GOTS & OCS
			• UN Universal Declaration of Human Rights • ILO Declaration on Fundamental Principles and Rights at Work • UN Guiding Principles on Business and Human Rights	
	UNSDGs			

None of our sites have been the subject of any significant environmental prosecutions for violating environmental regulations, licenses or other requirements during the past five financial years.

Health and Safety

As stated in our Corporate Health & Safety Policy, we are committed to providing a safe and healthy work environment for all employees, contractors and visitors. This commitment also extends to ensuring that our operations do not place local communities or the environment at risk of injury, illness or damage.

We monitor incident figures on a monthly basis at the local level and take appropriate action to address any issues as necessary. In addition, in response to the outbreak of COVID-19, we swiftly implemented a number of measures intended to mitigate the risk of the virus in our facilities, to protect the health and safety of our employees and to ensure the flow of our essential products. These measures were applied uniformly across all Group facilities worldwide, and were invariably more stringent than requirements imposed by local authorities. Our safety protocols included cleaning and disinfection routines, social distancing rules, enhanced employee training and the provision of hand sanitizers, protective gloves and face masks. We enabled work-from-home where possible and any corporate travel was subject to a COVID-19 risk assessment. Employees confirmed with COVID-19 were required to quarantine for 14 days and could only return to work after medical clearance. For their efforts in meeting this extraordinary challenge, we awarded our plant-based employees five additional days of holiday.

Legal Proceedings

We are subject to legal, administrative or regulatory proceedings in the ordinary course of our business. Other than the investigations described below, we believe that none of the legal, administrative or regulatory proceedings pending against us or with which we are threatened, individually or collectively, will have a material adverse effect on the Group.

Provisions for legal claims amounted to €7.3 million as of December 31, 2020.

In 2018 COFECE, the Mexican antitrust authority, opened an investigation in relation to potential anticompetitive conduct among manufacturers in the personal hygiene industry in Mexico, including Grupo Mabe, which we acquired in 2016. The investigation relates to periods prior to our acquisition of Mabe, and Ontex and Mabe have been proactively and fully cooperating with COFECE in its 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.

On September 2, 2014, Ontex received a notification that the Spanish Competition Authorities (CNMC) opened infringement proceedings against 15 companies (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 price-fixing and other anti-competitive commercial conditions in the Spanish market for heavy adult incontinence products. On May 26, 2016, following the conclusion of its investigation, the CNMC issued its decision, finding that eight companies, including Ontex's 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 CNMC decision which remains pending. From December 31, 2016, a provision amounting to € 5.2 million has been accounted for, which remains unadjusted as of December 31, 2020.

INDEX TO THE FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 3 MONTHS ENDED MARCH 31, 2021

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 MARCH 31, 2021

Ontex Group NV
Korte Keppestraat 23
9230 EREMBODEGEM

To the Board of Directors

Review Report of the Statutory Auditor on Interim Financial Information

Introduction

We have reviewed the accompanying consolidated statement of financial position of Ontex Group NV and its subsidiaries as of 31 March 2021 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 3 month period then ended , as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with IAS 34 as adopted by the European Union. Our responsibility is to issue a report on the Interim Financial Information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” (ISRE 2410). A review on interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. As such our review does not provide the assurance that we will identify all significant matters that we might have discovered during 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 attached accompanying condensed consolidated interim financial statements have not been prepared, in all material respects in accordance with IAS 34 Interim Financial reporting as adopted by the European Union.

Ghent, 27 May 2021

Statutory auditor
PwC Bedrijfsrevisoren BV / Réviseurs d'Entreprises SRL
Represented by

Lien Winne
Partner

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1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31

ASSETS in € million	Note	March 31, 2021	December 31, 2020
Non-current Assets			
Goodwill	6.4.	1,104.6	1,106.7
Intangible assets	6.5.	51.4	53.5
Property, plant and equipment	6.6.	614.1	615.9
Right-of-use assets	6.7.	123.9	126.8
Deferred tax assets		24.1	24.9
Non-current receivables		6.5	6.9
		1,924.6	**1,934.7**
Current Assets			
Inventories		325.1	319.1
Trade receivables		268.8	286.3
Prepaid expenses and other receivables		61.4	57.0
Current tax assets		21.6	18.8
Derivative financial assets		22.0	18.0
Cash and cash equivalents	6.8.	227.4	430.1
Non-current assets held for sale		2.8	2.9
		929.1	**1,132.4**
TOTAL ASSETS		**2,853.7**	**3,067.0**

EQUITY AND LIABILITIES in € million	Note	March 31, 2021	December 31, 2020
Equity attributable to owners of the company			
Share capital & premium		1,208.0	1,208.0
Treasury shares		(38.2)	(38.8)
Cumulative translation reserves		(331.7)	(333.5)
Retained earnings and other reserves		272.6	262.7
TOTAL EQUITY		**1,110.6**	**1,098.4**
Non-current liabilities			
Employee benefit liabilities		27.0	26.6
Interest-bearing debts	6.8.	863.6	911.4
Deferred tax liabilities		29.3	29.2
Other payables		0.5	0.5
		920.4	**967.6**
Current liabilities			
Interest-bearing debts	6.8.	209.2	366.3
Derivative financial liabilities		10.8	14.1
Trade payables		466.1	476.9
Accrued expenses and other payables		38.3	40.9
Employee benefit liabilities		48.1	52.5
Current tax liabilities		30.5	31.8
Provisions	6.9.	19.7	18.5
		822.7	**1,001.1**
TOTAL LIABILITIES		**1,743.1**	**1,968.7**
TOTAL EQUITY AND LIABILITIES		**2,853.7**	**3,067.0**

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

2. CONSOLIDATED INCOME STATEMENT
FOR THE FIRST 3 MONTHS ENDED MARCH 31

in € million	Note	First 3 months 2021	First 3 months 2020
Revenue	6.3.	479.7	574.2
Cost of sales		(344.0)	(401.7)
Gross Margin		**135.7**	**172.5**
Distribution expenses		(47.4)	(51.4)
Sales and marketing expenses		(36.3)	(47.6)
General administrative expenses		(22.9)	(24.0)
Other operating income/(expenses), net		(1.4)	(5.4)
Income and expenses related to changes to Group structure	6.10.	(6.6)	(5.3)
Income and expenses related to impairments and major litigations	6.10.	(0.8)	(1.3)
Operating profit		**20.3**	**37.5**
Finance income		0.3	0.7
Finance costs		(8.9)	(9.2)
Net exchange differences relating to financing activities		(1.0)	2.3
Net finance cost		**(9.7)**	**(6.2)**
Profit before income tax		**10.7**	**31.3**
Income tax expense		(3.0)	(7.2)
Profit for the period from continuing operations		**7.7**	**24.1**
Profit for the period		**7.7**	**24.1**
Profit attributable to:			
Owners of the parent		7.7	24.1
Profit for the period		**7.7**	**24.1**

Earnings per share:

in €	Note	First 3 months 2021	First 3 months 2020
Basic earnings per share	6.11.	0.10	0.30
Diluted earnings per share	6.11.	0.10	0.30
Weighted average number of ordinary shares outstanding during the period		80,839,869	80,756,824

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 FIRST 3 MONTHS ENDED MARCH 31

	First 3 months	
in € million	**2021**	**2020**
Profit for the period	**7.7**	**24.1**
Other comprehensive income/(loss) for the period, after tax:		
Remeasurements of defined benefit plans	-	-
Deferred tax on items that will not be reclassified subsequently to income statement	-	-
Items that will be reclassified subsequently to income statement, net of tax		
Exchange differences on translating foreign operations	1.9	(139.0)
Fair value remeasurements - Cash flow hedge	1.9	3.7
Deferred tax on items that will be reclassified subsequently to income statement	-	-
Other comprehensive income/(loss) for the period, net of tax	**3.8**	**(135.3)**
Total comprehensive income for the period	**11.5**	**(111.3)**
Total comprehensive income attributable to:		
Owners of the parent	11.5	(111.3)
Total comprehensive income for the period	**11.5**	**(111.3)**

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 FIRST 3 MONTHS ENDED MARCH 31

	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, 2020	**82,347,218**	**795.2**	**412.8**	**(38.8)**	**(333.5)**	**262.7**	**1,098.4**
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	-	-	1.0	1.0
Settlement of share-based payments	-	-	-	0.8	-	(0.8)	-
Treasury Shares	-	-	-	(0.2)	-	-	(0.2)
Total transactions with owners 2021	**-**	**-**	**-**	**0.5**	**-**	**0.2**	**0.7**
Comprehensive income:							
Profit for the period	**-**	**-**	**-**	**-**	**-**	**7.7**	**7.7**
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	1.9	-	1.9
Fair value remeasurements - Cash flow hedge	-	-	-	-	-	1.9	1.9
Total other comprehensive income	**-**	**-**	**-**	**-**	**1.9**	**1.9**	**3.8**
Balance at March 31, 2021	**82,347,218**	**795.2**	**412.8**	**(38.2)**	**(331.7)**	**272.6**	**1,110.6**

	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		-	-	-	-	1.0	1.0
Treasury Shares	-	-	-	(0.9)	-		(0.9)
Total transactions with owners 2020	**-**	**-**	**-**	**(0.9)**	**-**	**1.0**	**0.1**
Comprehensive income:							
Profit for the period	**-**	**-**	**-**	**-**	**-**	**24.1**	**24.1**
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(139.0)	-	(139.0)
Fair value remeasurements - Cash flow hedge	-	-	-	-	-	3.7	3.7
Total other comprehensive income	**-**	**-**	**-**	**-**	**(139.0)**	**3.7**	**(135.3)**
Balance at March 31, 2020	**82,347,218**	**795.2**	**412.8**	**(41.2)**	**(311.6)**	**231.9**	**1,087.0**

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 FIRST 3 MONTHS ENDED MARCH 31

	First 3 months	
in € million	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**7.7**	**24.1**
Adjustments for:		
Income tax expense	3.0	7.2
Depreciation and amortization	21.9	22.0
Impairment losses and results on disposal of property, plant and equipment	1.3	(0.3)
Provisions (including employee benefit liabilities)	2.6	(2.9)
Change in fair value of financial instruments	(3.5)	(5.5)
Net finance cost	9.7	6.2
Changes in working capital:		
Inventories	(5.6)	(5.8)
Trade and other receivables and prepaid expenses	11.0	(10.1)
Trade and other payables and accrued expenses	(13.6)	1.8
Employee benefit liabilities	(4.3)	1.6
Cash from operating activities before taxes	**30.0**	**38.2**
Income taxes paid	(5.6)	(10.7)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**24.4**	**27.5**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(12.2)	(15.8)
Proceeds from disposal of property, plant and equipment and intangible assets	0.0	0.5
NET CASH USED IN INVESTING ACTIVITIES	**(12.1)**	**(15.3)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	8.5	30.0
Repayment of borrowings	(217.9)	(11.1)
Interests paid	(7.5)	(7.4)
Interests received	0.3	0.7
Cost of refinancing & other costs of financing	0.2	(5.0)
Realized foreign exchange (losses)/gains on financing activities	1.2	1.6
Derivative financial assets	(0.4)	(0.2)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	**(215.5)**	**8.6**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(203.2)**	**20.8**
Effects of exchange rate changes on cash and cash equivalents	0.4	(10.5)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**430.1**	**127.8**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**227.4**	**138.1**

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 three months ended March 31, 2021 were authorized for issue in accordance with a resolution of the Board on [●].

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 first three months ended March 31, 2021 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, 2020 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, 2020 of Ontex Group NV that can be found in the Integrated Annual Report 2020 on the website (http://www.ontexglobal.com), from page 109 through page 118. 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, 2021 to March 31, 2021 are consistent with those applied in the audited consolidated financial statement for the year ended December 31, 2020 of Ontex Group NV.

IFRS accounting standards to be adopted as from 2021

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, 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (effective January 1, 2021). These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

Amendments to IFRS 16 – Covid 19-Related Rent Concessions (effective June 1, 2020): 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.

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 beyond June 30, 2021* (effective April 1, 2021, 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 1 and Practice Statement 2 – Disclosure of Accounting Policies (effective January 1, 2023, but not yet endorsed in EU). The amendments provide more guidelines on which accounting policies to disclose in the financial statements.

Amendments to IAS 8 – Definition of Accounting Estimates (effective January 1, 2023, but not yet endorsed in EU). The amendments clarify the distinction between accounting policies and accounting estimates.

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.

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full 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, 2020.

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 3 months	
in € million	**2021**	**2020**
Europe	191.7	250.1
AMEAA	178.9	213.5
Healthcare	109.1	110.6
Total revenue	**479.7**	**574.2**

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 3 months	
in € million	**2021**	**2020**
Babycare	254.1	328.3
Adult Incontinence	169.8	177.1
Femcare	47.3	62.0
Other	8.5	6.8
Total revenue	**479.7**	**574.2**

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

	First 3 months	
in € million	**2021**	**2020**
Western Europe	223.0	274.8
Americas	138.4	160.1
Rest of the World	60.8	76.0
Eastern Europe	57.5	63.3
Total revenue	**479.7**	**574.2**

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 € 2.1 million).

The Group identifies the following cash-generating units:

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

Annual impairment reviews are performed during the fourth quarter of each year 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.

Due to the current economic circumstances and the COVID-pandemic, the Group has performed an updated impairment test as per March 31, 2021. The outcome of these goodwill impairment tests did not result in any impairment loss.

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 %	March 31, 2021	December 31, 2020
Pre-tax discount rate		
Europe	7.0%	5.7%
Healthcare	6.2%	5.3%
Middle East, Africa and Asia	11.3%	11.2%
Americas	8.0%	7.4%

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 7.8%, 21.4%, 14.5% and 9.3%, respectively and all other variables kept constant.

Cash flows beyond the period of the strategic plan are extrapolated using an estimated growth rate of 1.0% for Europe, 1.5% 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 30%, no impairment would need to be recognized.

Should the estimated operating margins decrease by 10%, no impairment would be recognized.

6.5. INTANGIBLE ASSETS

The Group acquired intangible assets for a total amount of € 2.1 million, mainly relating to IT implementation costs (2020: € 2.4 million relating to IT implementation costs) and capitalized development costs.

The amortization charge for the period amounts to € 2.7 million (2020: € 2.4 million).

Most significant movement of the period relates to exchange differences (loss of € 2.3 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 € 11.1 million (2020: € 15.3 million).

Furthermore, property, plant and equipment were disposed of for a carrying amount of € 0.1 million (2020: € 0.2 million).

The depreciation charge for the period amounts to € 12.7 million (2020: € 12.7 million). No impairment losses have been recognized in the first quarter of 2020 and 2021.

The Group has contracted expenditures for the acquisition of property, plant and equipment at March 31, 2021 of € 9.7 million.

6.7. RIGHT-OF-USE ASSETS

6.7.1. Right-of-use assets

The Group entered into new lease contracts for a total amount of € 2.4 million, mainly relating to furniture and vehicles (2020: € 1.4 million).

Furthermore, modifications to lease contracts have an impact of € 1.1 million.

The depreciation expense for the period amounts to € 6.4 million (2020: € 6.9 million).

Remaining movement of the period relates to exchange differences.

6.7.2. Lease liabilities

The lease liabilities are included in the interest-bearing debts and amount to € 109.4 million under non-current liabilities and € 21.3 million under current liabilities (2020: € 111.0 million as non-current and € 21.7 million as current).

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 March 31, 2021 and December 31, 2020 are as follows:

in € million	March 31, 2021	December 31, 2020
Non-current interest-bearing debts	863.6	911.4
Current interest-bearing debts	209.2	366.3
Cash and cash equivalents	(227.4)	(430.1)
Total net debt position	**845.4**	**847.6**
LTM Adjusted EBITDA	219.1	235.6
Net financial debt/LTM Adjusted EBITDA ratio	**3.86**	**3.60**

In the first quarter of 2021, the Company has reimbursed the syndicated revolving credit facility of € 210 million which was drawn down to provide financial flexibility in the context of the economic uncertainty caused by the COVID-crisis.

6.9. PROVISIONS

6.9.1. Restructuring

In 2021, the Group has recognized additional restructuring provisions in the context of the redistribution/re-allocation of production capabilities and the strategic review of the geographical footprint of the Group, launched at year-end 2020. As such, the Company decided to downsize some production capacity which has been announced to the relevant stakeholders and resulted in the recognition of a additional restructuring provision (€ 3.7 million). The provision mainly includes termination benefits. The additional provisions have been recognized in 'Non-recurring income and expenses', under the heading 'Restructuring'.

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 March 31, 2021.

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

	First 3 months	
in € million	**2021**	**2020**
Restructuring	(5.6)	(5.3)
Acquisition-related expenses	(1.0)	(0.0)
Income and expenses related to changes to Group structure	**(6.6)**	**(5.3)**
Impairment of assets	(1.3)	-
Litigation and legal claims	(0.4)	(1.3)
Other	0.9	0.1
Income and expenses related to impairments and major litigations	**(0.8)**	**(1.3)**
Total non-recurring income and expenses	**(7.4)**	**(6.6)**

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

Restructuring

In 2021, the cost relates to the restructuring expenses in the context of the redistribution/re-allocation of production capabilities and the strategic review of the geographical footprint of the Group. As such, the Company decided to downsize some production capacity which has been announced to the relevant stakeholders and resulted in the recognition of a restructuring provision (€ 3.7 million).

The expenses recognized in 2020 related to the Group reorganization and comprehensive transformation plan, Transform2Grow (T2G), announced in May 2019, which aimed to step-change the operational efficiency and commercial practices. 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 amounted to € 4.9 million in 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 2021 mainly to the impairment recognized on some intangible assets..

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 2020 was 80,756,824, which is the weighted average number of shares for 2020. The number of shares used for 2021 was 80,839,869, which is the weighted average number of shares for 2021.

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:

	First 3 months	
in € million	**2021**	**2020**
Basic earnings		
Profit from continuing operations attributable to owners of the parent	7.7	24.1
Adjustment dilution	-	-
Profit from continuing operations attributable to owners of the parent, after dilution effect	**7.7**	**24.1**

	First 3 months	
Number of Shares	**2021**	**2020**
Weighted average number of ordinary shares outstanding during the period	80,839,869	80,756,824
Dilution	156,125	161,215

	First 3 months	
Earnings per share (€)	**2021**	**2020**
Basic earnings per share	0.10	0.30
Diluted earnings per share	0.10	0.30

A weighted average number of 2,258,360 options were not included in the denominator of the diluted earnings per share as they were out-of-the-money at the end of the first quarter of 2021 (2020: 1,031,068 options).

6.12. FINANCIAL INSTRUMENTS

6.12.1. Fair value of financial instruments measured at amortized cost

For all financial instruments not measured at fair value in the Group's consolidated statement of financial position as of March 31, 2021, the fair value of those financial instruments is not significantly different from the ones published in Note 7.5 of the consolidated financial statements for the year ended December 31, 2020.

As mentioned in Note 6.8 above, the Company has reimbursed the syndicated revolving credit facility of € 210 million in the first quarter of 2021 for which the fair value approximated the carrying amount per December 31, 2020.

6.12.2. Financial instruments measured at fair value

The financial instruments measured at fair value in the Group's consolidated statement of financial position are the derivative instruments, such as interest rate swaps and foreign currency forward contracts. These are presented in the consolidated statement of financial position under the headings "Derivative financial assets" and "Derivative financial liabilities".

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), which is consistent with the measurement in the consolidated financial statements for the year ended December 31, 2020.

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 quarter of 2021.

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

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

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 three first months ended March 31 are composed of the following items presented in the consolidated income statement and can be reconciled in note 6.9.:

- 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 March 31 are as follows:

	First 3 months	
in € million	**2021**	**2020**
Operating profit	**20.3**	**37.5**
Depreciation and amortization	21.9	22.0
EBITDA	**42.2**	**59.5**
Non-recurring income and expenses	7.4	6.6
Adjusted EBITDA	**49.6**	**66.0**

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	March 31, 2021	December 31, 2020
Non-current interest-bearing debts	863.6	911.4
Current interest-bearing debts	209.2	366.3
Cash and cash equivalents	(227.4)	(430.1)
Total net debt position	**845.4**	**847.6**
LTM Adjusted EBITDA	219.1	235.6
Net financial debt/LTM Adjusted EBITDA ratio	**3.86**	**3.60**

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 March 31 is as follows:

	First 3 months	
in € million	2021	2020
Operating profit	**20.3**	**37.5**
Depreciation and amortization	21.9	22.0
EBITDA	**42.2**	**59.5**
Non-cash items in cash flows from operating activities	0.4	(8.7)
Change in working capital		
Inventories	(5.6)	(5.8)
Trade and other receivables and prepaid expenses	11.0	(10.1)
Trade and other payables and accrued expenses	(13.6)	1.8
Employee benefit liabilities	(4.3)	1.6
Cash from operating activities before taxes	**30.0**	**38.2**
Income taxes paid	(5.6)	(10.7)
Net cash generated from operating activities	**24.4**	**27.5**
Capex	(12.2)	(15.8)
Cash (used in)/from on disposal	0.0	0.5
Repayment of lease liabilities	(6.0)	(6.8)
Free cash flow	**6.3**	**5.3**

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 3 months	
in € million	2021	2020
Adjusted Basic Earnings		
Profit from continuing operations attributable to owners of the parent	7.7	24.1
Non-recurring income and expenses	7.4	6.6
Tax correction	(2.2)	(1.9)
Adjusted Basic Earnings	**12.9**	**28.8**
Adjustment dilution	-	-
Adjusted Earnings, after dilution effect	**12.9**	**28.8**

Number of Shares	First 3 months	
	2021	2020
Weighted average number of ordinary shares outstanding during the period	80,839,869	80,756,824
Dilution	156,125	161,215

Earnings per share (€)	First 3 months	
	2021	2020
Adjusted basic earnings per share	0.16	0.36
Adjusted diluted earnings per share	0.16	0.36

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.