

**Ontex Group NV  
Korte Keppestraat 21  
9320 Erembodegem (Aalst)  
0550.880.915 RLE Ghent (Division Dendermonde)  
(the “Company”)**

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**ANNUAL BOARD REPORT ON THE STATUTORY ANNUAL ACCOUNTS FOR FINANCIAL YEAR 2022**

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In accordance with articles 3:5 and 3:6 of the Belgian Companies and Associations Code (“BCAC”), the board of directors of the Company (the “Board”) hereby issues its annual report on the activities of the Company during financial year 2022 and to submit the statutory annual accounts of the Company for the financial year ended 31 December 2022 for approval by the Company’s shareholders’ meeting.

## **1. Activities of the Company**

The Company is the ultimate parent company of the Ontex group of companies (the “Group”), and its main activities include owning and managing its shareholding in Ontex BV (which in turn directly or indirectly owns shareholdings in the remaining subsidiaries of the Group), providing certain management, IT and other services to the companies of the Group, and financing the Group through its external bank and bond financing. The Company’s shares are listed on Euronext Brussels.

## **2. Explanations to the key financial movements in financial year 2022**

### **2.1 Balance sheet**

As at the end of financial year 2022, the Company’s balance sheet total was €3,031,285,919, compared to €3,225,036,728 as at the end of financial year 2021, a decrease of €193,750,809.

Fixed assets decreased from €2,824,068,975 as at the end of financial year 2021 to €2,699,468,843 as at the end of financial year 2022. This is explained mainly by the following elements:

- Intangible fixed assets decreased from €15,691,224 as at the end of financial year 2021 to €14,317,567 as at the end of financial year 2022. These assets consist mainly of the Company’s concessions and licenses for the Group’s SAP and Microsoft software. Concessions amounted to €13,773,885 as at the end of financial year 2022 and decreased due to a combination of additions during the year for €4,692,022 and amortizations for €6,357,578.
- Tangible fixed assets decreased from €867,822 to €580,088 due to depreciations during the year. These assets mainly consists of IT servers and IT related material.
- During financial year 2022, the Company recorded an impairment of €220,900,000 on its participation in Ontex BV, its wholly-owned subsidiary, thereby reducing the value of its participation from €1,907,965,289 to 1,687,065,289.
- Financial fixed assets also include loans to the Company’s affiliates for an amount of €997,365,222, increased from €899,403,963 as at the end of financial year 2021, and guarantees for an amount of €140,677.

Current assets decreased from €400,889,304 as at the end of financial year 2021 to €331,817,076 as at the end of financial year 2022. This is explained mainly by the following elements:

- Amounts receivable within one year decreased from €221,649,959 as at the end of financial year 2021 to €183,761,022 as at the end of financial year 2022. This results largely from a decrease of “Other amounts receivable” from €173,965,762 as at end of financial year 2021 to €134,226,696 as at end of financial year 2022. This amount consists mainly of current accounts with other members of the Group, which are managed on a daily basis and on which monthly interest is charged. Conversely, the amounts receivable within one year from trade debtors increased slightly from €47,684,197 as at the end of financial year 2021 to €49,534,326 as at the end of financial year 2022. This amount consists mainly of factored trade receivables.
- Cash at bank and in hand decreased from €153,195,034 as at the end of financial year 2021 to €109,976,600 as at the end of financial year 2022.
- Deferred charges and accrued income increased from €16,390,142 as at end December 2021 to €30,151,534 as at the end of financial year 2022 and mostly reflect accrued interests on intercompany loans.

Equity decreased from €1,904,017,712 as at the end of financial year 2021 to €1,659,049,581 as at the end of financial year 2022. This decrease follows mainly from the Company’s result for financial year 2022, being a loss of € 244,962,844.

As at the end of 2022, the ‘Reserves’ accounts of the Company amounted to €265,564,741 in aggregate, and consisted of the following reserves:

- The legal reserve account remained unchanged at an amount of €29,660,184. This reserve was established pursuant to article 7:211 BCAC.
- The reserve for purchase of own shares amounted to €7,927,920. In view of the recognition of treasury shares held by the Company as at the end of financial year 2022, the Company formed an unavailable reserve pursuant to article 7:217 BCAC.
- Available reserves remain unchanged at an amount of €227,976,637.

The section ‘Provisions for liabilities and charges’ amount to €6,067,602, increased from €5,012,473 as at the end of financial year 2021, and consists of the provision taken by the Company in view of its long-term incentive plans (LTIP), which consist of a combination of stock options, restricted stock units (RSUs) and performance stock units (PSUs). For more information on these incentive plans, please refer to section 9 (*Remuneration Report*) of the chapter “*Corporate Governance, Risk & Remuneration*” of Ontex’s Integrated Annual Report 2022 (enclosed in appendix).

The ‘Amounts payable after more than one year’ amount to € 800,000,000 as at the end of financial year 2022 (decreased from €830,000,000 as at the end of financial year 2021) and is composed of the Company’s liabilities under its senior term loan (€220,000,000) and its unsubordinated bond (€580,000,000).

The ‘Amounts payable within one year’ amount to €555,069,678 as at the end of financial year 2022 and mainly consists of the Company’s revolving credit facility of €250,000,000, of which €115,000,000 was drawn as per the end of financial year 2022, loans received from members of the Group (€31,811,680), the Company’s outstanding debt in connection with the factoring agreements in place

for all the members of the Group (€160,247,412), trade debts (€14,895,581), tax payables (€453,751) and payables with regard to remuneration and social security (€3,185,942).

The 'Other amounts payable' amount to €229,475,312 as at the end of financial year 2022, decreased from €287,276,150 as at the end of financial year 2021, and mainly consist of current accounts with other members of the Group (€ 229,406,981).

The accruals and deferred income consist mainly of the accrued interests on the abovementioned borrowings.

## **2.2 Income Statement**

The Company's operational loss amounts to €37,278,358 at the end of financial year 2022.

The financial result at the end of financial year 2022 amounts to a loss of €205,679,764. This is mainly the result of an impairment of the participation with Ontex BV (€220,900,000) and of interests calculated on loans issued to different members of the Group (€46,486,771) and interest charges on the Company's debt (€34,337,577) and current account positions with the different members of the Group.

The Company closed financial year 2022 with a loss of €244,962,844.

## **2.3 Allocation of results**

The Board proposes the following allocation of results to the Company's shareholders' meeting:

*Carry forward of the loss of the financial year amounting to € -244,962,844 to next year:*

<i>Profit carried forward from last year:</i>	€ 400,391,827
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<i>Result of the year to be appropriated:</i>	€ -244,962,844
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<i>Profit to be appropriated:</i>	€ 155,428,983
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<i>Accumulated profits:</i>	€157,155,232
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<i>Withdrawal from reserves:</i>	€ 1,726,249
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<i>Allocation to legal reserves:</i>	€ 0
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## **3. Significant events that occurred after the end of the reporting period**

There were no significant events that occurred after the end of the reporting period. **Error! Bookmark not defined.**

#### **4. Key risks and uncertainties**

Considering the activities of the Company (as described above), the Company is not exposed to operational risks other than those applicable to the entire Group.

For an overview of the key risks and uncertainties of the Group, please refer to section 8 (*Risk Management and Internal Control Framework*) of the chapter “*Corporate Governance, Risk & Remuneration*” of Ontex’s Integrated Annual Report 2022 (enclosed in appendix).

#### **5. Circumstances that may materially affect the Company’s development**

Except as otherwise referenced in this report, no circumstances are to be reported that may significantly affect the Company's development.

#### **6. Research and development**

Considering the activities of the Company (as described above), the Company did not engage in activities related to research and development during financial year 2022.

#### **7. Information in relation to branch offices**

The Company does not have any branch offices.

#### **8. Going concern of the Company**

Since the Company reported a loss during financial years 2021 and 2022, the application of the valuation rules on the assumption of a going concern, in accordance with article 3:6, § 1, 6<sup>o</sup> BCAC, must be justified.

The Company’s statutory (and consolidated) financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities during the normal course of business. The €220.0 million term loan and the €250.0 million revolving credit facility, of which €115.0 million was utilized on December 31, 2022, are subject to debt covenants. For the full year 2022, these debt covenants have been renegotiated and replaced by a liquidity covenant which the Group complied with. For 2023, the liquidity covenant to be met on March 31 is defined as cash and cash equivalents plus the non-used portion of the revolving credit facility to exceed €200.0 million. The leverage covenants to be met at June 30, 2023 and December 31, 2023 are defined as the ratio of net financial debt over the last-twelve-months adjusted EBITDA not to exceed 4.75 and 3.75 respectively.

The Company is subject to the same continuity risk as the Group as a whole. Management has prepared detailed budgets and cash flow forecasts, which reflect the strategy of the Group. While there may be limited headroom on reaching the covenants, the Company is confident that it will meet them, reassured by the business performance so far in 2023, and the progress made in the divestment of the Mexican assets. The closing is expected in the second quarter and the proceeds will be used to pay back the €220.0 million term loan. Moreover, the Group is currently in discussions with the banks to discuss the revolving credit facility extension, currently maturing mid-2024, and will address conditions that meet the financing needs of the company.

## **9. Financial instruments and financial risk management**

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity price risks, including foreign exchange forward contracts, commodity hedging contracts and interest rate CAPs and SWAPs. During 2019, the Group decided to enter into cross currency interest rate SWAPs and commodity hedging contracts for the raw material prices. The policy related to the currency risk hedging was followed appropriately. During 2022, the Group did not renew its hedging program for share-based payments through a total return swap (the purpose of this was to hedge the risk that a price increase of the Company's shares would negatively impact future cash flows related to share-based payments).

We refer to the appendix "Financial instruments and financial risk management" for more details on the accounting policies and financial risks at Group level.

## **10. Independence and expertise in accounting and audit of members of the Audit and Risk Committee**

Several members of the Company's Audit and Risk Committee have extensive expertise in the areas of accounting and audit, through their studies and professional careers. As an example, we note that Ms Inge Boets, who is the chairwoman of the Audit and Risk Committee and an independent director, was a partner with Ernst & Young from 1996 through 2011 where she was the Global Risk leader and held several other roles in audit and advisory.

## **11. Corporate Governance Statement**

The Company is committed to upholding high standards of corporate governance. It applies the Belgian Corporate Governance Code (2020) for listed companies (the "2020 Corporate Governance Code"), which can be found on the website of the Belgian Corporate Governance Committee (<http://corporategovernancecommittee.be>).

Further, the Company has adopted a Corporate Governance Charter, which describes the main aspects of the Company's corporate governance, including its governance structure and the terms of reference of the Board, the Board committees and the Executive Committee. The Charter is available on the Company's website.

The Company complies with all provisions of the 2020 Corporate Governance Code, except in respect of the following:

- Provision 4.2 of the 2020 Corporate Governance Code provides that strategy formulation should not be referred to any permanent committee. In October 2020 the Board created the Strategy Committee in light of the strategic challenges and need for a strategic review of the Company's business and operations. The Strategy Committee, an advisory committee, aimed to enhance and expedite the Board's strategic decision-making, and to support Executive Management's reshaping of the Company's strategic agenda and to exercise support and oversight in relation to the implementation thereof. Following the successful initial deployment in 2022 of Ontex's new strategy, the Board of Directors decided to dissolve the Strategy Committee with effect from January 1st, 2023. As a result, the Company is now compliant with provision 4.2 of the 2020 Corporate Governance Code.

- Provision 7.6 of the 2020 Corporate Governance Code provides that non-executive board members should receive part of their remuneration in the form of shares in the Company. After due consideration, it has been decided that the remuneration of the Non-Executive Directors will continue to be paid fully in cash, because of the complex tax and social security consequences of paying part of the remuneration in shares, both for the beneficiaries and for the Company. We are, however, of the opinion that share ownership by Non-Executive Directors can have a positive impact on their commitment and engagement. Therefore, the Company has issued a recommendation to Non-Executive Directors to build, over their four-year tenure, an Ontex equity stake equivalent to one time the Non-Executive Director's fixed fee, and to keep this equity stake during at least one year following the end of their Board mandate.

The Company's Corporate Governance Statement, which forms part of Ontex's Integrated Annual Report 2022, is enclosed in appendix.

## **12. Conflicts of interest (Article 7:96 BCAC)**

In accordance with Article 7:96 BCAC, if a Board member has a direct or indirect financial interest that is contrary to the interest of the Company in respect of a decision or transaction which is the responsibility of the Board, he/she must inform the other Board members before any decision by the Board is taken and the statutory auditor must also be notified. The conflicted Board member cannot be present during the deliberations of the Board relating to these transactions or decisions and cannot vote.

In addition to the legal requirements, the Company, as a general matter and as set forth in its Corporate Governance Charter, also expects each Board member to arrange his or her personal and business affairs in such a way as to avoid any (appearance of) conflict of interest of a personal, professional or financial nature with the Company, directly or through relatives (including spouse or life companion, or other relatives (by blood or marriage) up to the second degree and foster children).

No conflicts of interest within the meaning of Article 7:96 BCAC arose in 2022.

## **13. Related-party transactions (Article 7:97 BCAC)**

During 2022, the Company did not enter into any transactions with related parties within the meaning of Article 7:97 BCAC.

## **14. Authorized capital (Article 7:198 and following BCAC)**

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

The Board may increase the registered capital of the Company in one or several times by an amount cumulated over five years of maximum 50% of the amount of the registered capital as such amount is recorded immediately after the shareholders' meeting of 25 May 2018, of which maximum 20% of the amount of the registered capital as such amount is recorded immediately after the shareholders' meeting of 25 May 2018, in the event of a capital increase with cancellation or limitation of the preferential subscription rights of the shareholders.

This authorization may be renewed in accordance with the relevant legal provisions. The Board can exercise this power for a period of five years as from the date of publication in the Annexes to the

Belgian State Gazette of the amendment to the Articles of Association approved by the shareholders' meeting on 25 May 2018.

**15. Capital increases, issuance of convertible bonds or subscription rights (Article 7:203 BCAC)**

During 2022, the Company's share capital was not increased and the Company did not issue convertible bonds or subscription rights.

**16. Acquisition of own shares (Article 7:215 and following BCAC)**

On 25 May 2018, the Company's extraordinary shareholders' meeting renewed the authorization towards the Board with respect to the acquisition of own shares subject to the following conditions:

The Company may, without any prior authorization of the shareholders' meeting, in accordance with Articles 7:215 and following of the Belgian Companies and Associations Code and within the limits set out in those provisions, acquire, on or outside the stock market, up to 10% of its own shares, profit-sharing certificates or associated certificates for a price that complies with the legal requirements, but which shall in any case not be more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 5% above the highest closing price in the last thirty trading days preceding the transaction. This authorization is valid for five years as from May 25, 2018. This authorization includes the acquisition on or outside the stock market by a direct subsidiary within the meaning and the limits set out by Article 7:221, first indent of the Belgian Companies and Associations Code. If the acquisition is made by the Company outside the stock market, even by a subsidiary, the Company shall comply with Article 7:215, §1, 4° of the Belgian Companies and Associations Code.

In the course of 2022, the Company has not acquired nor disposed of any own shares pursuant to this authorisation.

**17. Non-financial information**

The Belgian legislation on non-financial information legislation requires the Company to report on five corporate social responsibility areas: environmental, social and employee matters, human rights, anti-corruption and bribery and diversity and inclusion. This information is included in Ontex's 2022 Integrated Annual Report, which can be consulted on the website of the Company ([www.ontex.com](http://www.ontex.com)).

**18. Discharge of the directors and auditor**

The Board requests the Company's shareholders' meeting to give discharge to the Company's (past and present) directors and statutory auditor for the execution of their mandate during financial year 2022.

On behalf of the Board of Directors,

31 March 2023,

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ViaBylity BV, represented by Mr Hans Van Bylen  
Authorised representative

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Inge Boets BV, permanently  
represented by Ms Inge Boets  
Authorised representative