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

ANNUAL BOARD REPORT ON THE STATUTORY ANNUAL ACCOUNTS FOR FINANCIAL YEAR 2023

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 2023 and submits the statutory annual accounts of the Company for the financial year ended 31 December 2023 to the Company's shareholders' meeting for its approval.

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 2023

2.1 Balance sheet

As at the end of financial year 2023, the Company's balance sheet total was €3,018,673,791, compared to €3,031,285,919 as at the end of financial year 2022, a decrease of €12,612,128.

Fixed assets decreased from €2,699,468,843 as at the end of financial year 2022 compared to €2,583,382,317 as at the end of financial year 2023. This is explained mainly by the following elements:

- Intangible fixed assets decreased from €14,317,567 as at the end of financial year 2022 to €14,197,088 as at the end of financial year 2023. These assets consist mainly of the Company's concessions and licenses for the Group's SAP and Microsoft software. Concessions amounted to €14,053,817 as at the end of financial year 2023, an increase compared to 2022 with €279,932, due to a combination of additions during the year for €6,098,262 and amortizations for €5,818,330.

- Tangible fixed assets decreased from €580,088 to €369,889 due to depreciations during the year. These assets mainly consist of IT servers and IT-related material.

- Apart from the participation in Ontex BV for €1,687,065,289 which has remained unchanged, the financial fixed assets also include loans to the Company's affiliates for an amount of €881,562,177, decreased from €997,365,222 as at the end of financial year 2022, and guarantees for an amount of €187,874.

Current assets increased from €331,817,076 as at the end of financial year 2022 to €435,291,474 as at the end of financial year 2023. This is explained mainly by the following elements:

- Amounts receivable within one year increased from €183,761,022 as at the end of financial year 2022 to €349,725,981 as at the end of financial year 2023. This results largely from an increase of "Other amounts receivable" from €134,226,696 as at end of financial year 2022 to €238,600,417 as at end of financial year 2023. 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. Additionally, the amounts receivable within one year from trade debtors increased from €49,534,326 as at the end of financial year 2022 to €111,125,564 as at the end of financial year 2023. This amount consists mainly of factored trade receivables.

- Cash at bank and in hand decreased from €109,976,600 as at the end of financial year 2022 to €53,033,099 as at the end of financial year 2023.

- Deferred charges and accrued income decreased from €30,151,534 as at end December 2022 to €23,410,737 as at the end of financial year 2023 and mostly reflect accrued interests on intercompany loans.

Equity increased from €1,659,049,581 as at the end of financial year 2022 to €1,661,725,038 as at the end of financial year 2023. This increase follows mainly from the Company's result for financial year 2023, being a profit of €2,675,457.

As at the end of 2023, the 'Reserves' accounts of the Company amounted to €266,892,252 in aggregate, and consisted of the following reserves:

- The legal reserve account increased to an amount of €29,793,957. This reserve was established pursuant to article 7:211 BCAC.

- The reserve for purchase of own shares amounted to €9,121,658. In view of the recognition of treasury shares held by the Company as at the end of financial year 2023, 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' amounts to €8,468,079, increased from €6,067,602 as at the end of financial year 2022, 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 2023 (enclosed in appendix).

The 'Amounts payable after more than one year' amount to €580,000,000 as at the end of financial year 2023 (decreased from €220,000,000 as at the end of financial year 2022) and consists of the Company's liabilities under its unsubordinated bond (€580,000,000). The senior term loan of €220,000,000 was repaid after the sale of the Mexican business in May 2023.

The 'Amounts payable within one year' amount to €758,935,390 as at the end of financial year 2023 and mainly consists of the Company's revolving credit facility of €269,000,000, of which €115,000,000 was drawn as per the end of financial year 2023, the Company's outstanding debt in connection with the factoring agreements in place for all the members of the Group (€178,269,256), trade debts (€7,604,820), tax payables (€2,091,279) and payables with regard to remuneration and social security (€2,737,329).

The ‘Other amounts payable’ amount to €453,232,706 as at the end of financial year 2023, increased from €229,475,312 as at the end of financial year 2022, and mainly consist of current accounts with other members of the Group (€453,164,375).

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

2.2 Income Statement

The Company’s operational profit amounts to €6,592,952 at the end of financial year 2023.

The financial result at the end of financial year 2023 amounts to a loss of €786,292. This is mainly the result of interests calculated on loans issued to different members of the Group and interest charges on the Company’s debt and current account positions with the different members of the Group.

The Company closed financial year 2023 with a profit of €2,675,457.

2.3 Allocation of results

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

Carry forward of the profit of the financial year amounting to € 2,675,457 to next year:

Profit brought forward from last year:	*€157,155,232*
Result of the year to be appropriated:	*€ 2,675,457*
Profit to be appropriated:	*€159,830,689*
Accumulated profits:	*€158,503,178*
Transfer to other reserves:	*€1,193,738*
Transfer to legal reserves:	*€ 133,773*

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 2023 (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 2023.

7. Information in relation to branch offices

The Company does not have any branch offices.

8. Going concern of the Company

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.

In May 2023, the Group reimbursed its €220 million term loan, with proceeds from its recently divested Mexican business activities. On June 1, 2023, the Group announced that it had reached an agreement with its bank syndicate to extend its current revolving credit facility of € 250 million, from June 2024 to December 2025. The maximum amount of the extended revolving credit facility was increased to €269 million until June 2024 and then set at €242 million until maturity. The facility continues to limit dividend pay-out over its term and remains subject to covenant tests. The new covenant tests, measured over the Total Group's financials, including discontinued operations, consist of:

- Leverage covenant: The leverage ratio of net financial debt over the last-twelve-months adjusted EBITDA is not to exceed 3.60 by June 2024, and 3.25 by December 2024 and June 2025.
- Liquidity covenant: The sum of cash & cash equivalents and the non-utilized portion of the revolving credit facility is set at minimum €215 million at the end of each quarter until June 2024, and €194 million beyond that date.

Management has prepared detailed budgets and cash flow forecasts for the next years, which reflect the strategy of the Group. While cash flow forecasts are by nature uncertain, Management is confident that the Company has sufficient liquidity to meet its present and future obligations and cover working capital needs, taking into account the business performance in 2023 and early 2024 and the cash, cash equivalents and facilities available to the Company.

The Group complied with all requirements of the loan covenants on its available credit facilities throughout the reporting period, i.e. a liquidity covenant of €215 million and a leverage covenant of 4.25.

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. Since 2019, the Group has maintained cross currency interest rate SWAPs and commodity hedging contracts for the raw material prices. The Group follows a similar policy related to the currency risk hedging.

We refer to the appendix "Financial instruments and financial risk management" for more details on the accounting policies and financial risks at Group level. This appendix is also part of Ontex's integrated annual report 2023.

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 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 equity stake in the Company equivalent to one time the Non-Executive Director's fixed fee, and to maintain 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 2023, is enclosed in appendix.

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

In accordance with Article 7:96 of the Belgian Code of Companies and Associations, 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).

In 2023, the conflict of interest procedure, prescribed by article 7:96 of the Belgian Code of Companies and Associations, was applied on one occasion: HVV GmbH, represented by Jesper Hojer, indicated that it had a potential conflict of interest regarding a consultancy agreement to be entered into between HVV GmbH, as consultant, and the Company. An excerpt of the resolutions of the board of directors of the Company, dated December 18, 2023, is included below:

> "*First, Jesper Hojer, as permanent representative of HVV GmbH, declared a potential financial conflict of interest, within the meaning of article 7:96 BCAC, with the proposal that the Company enters into the Consultancy Agreement with HVV GmbH, and pursuant to which HVV GmbH will provide certain advisory and consultancy services to the Company from time to time until 31 December 2025 (and as may be extended by subsequent one-year periods upon mutual agreement). Jesper Hojer, as permanent representative of HVV GmbH, noted that the expected time commitment of HVV GmbH for the consultancy services is five hours per month, and the proposed consideration payable by the Company to HVV GmbH for the services is a fixed fee of EUR 30,000 (excl. VAT) on a yearly basis, to be invoiced in equal monthly instalments (in addition to customary reimbursement of expenses). Any additional services, outside of the fixed fee arrangement, agreed between the Company and HVV GmbH shall be rendered by HVV GmbH at an hourly rate of EUR 750 (excl. VAT).*
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> *Finally, Jesper Hojer, as permanent representative of HVV GmbH, noted that, as per article 7:96 BCAC, he did not, and shall not, participate to any deliberations or vote of the Board on these resolutions.*
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> *The Board acknowledges that article 7:96 BCAC is proposed to be applied insofar and to the extent applicable, and that article 4.6.4 of the Company's Corporate Governance Charter also requires the Board's approval of the Consultancy Agreement. Article 7:96 BCAC requires the Board to (i) set forth the nature of the relevant decision or transaction and the financial implications thereof for the Company, and (ii) justify its decision (in accordance with the Company's interest).*
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> *In response thereto, reference is made to the Consultancy Agreement and the descriptions in the preceding paragraphs. The Board agreed that it is in the corporate interest of the Company to enter into the Consultancy Agreement and, consequently, give the Company the benefit of*

the expertise of Jesper Hojer (through HVV GmbH) in the areas of consumer goods and retail sectors on certain discrete projects or questions. The Board also agreed that the annual fixed fee of EUR 30,000 (excl. VAT) is an arms' length consideration for the requested services, and the same applies to the EUR 750 (excl. VAT) hourly rate for any additional agreed services.

(…)

After due and careful deliberation, the Board then unanimously resolved to approve the following resolutions:

(1) to approve the Consultancy Agreement;"

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

During 2023, 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 May 5, 2023, the Company's extraordinary shareholders' meeting renewed the authorization to the Board with respect to authorized capital under certain conditions. The Board may increase the share capital of the Company in one or several times by a maximum of up to: (i) € 82,358,746.64 in the event of a (or multiple) capital increase(s) with cancellation or limitation of the preferential subscription rights of shareholders, including in favour of one or more specified persons that are not members of the personnel of the company or its subsidiaries; and (ii) € 164,717,493.28 in the event of a (or multiple) capital increase(s) without cancellation or limitation of the preferential subscription rights of 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 May 5, 2023.

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

During 2023, 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 May 5, 2023, the Company's extraordinary shareholders' meeting renewed the Board's authorization with respect to the acquisition of own shares subject to the conditions set forth below.

The Company may, without any prior authorisation of the shareholders' meeting, and the Board is authorised to, take as pledge and acquire, on or outside of the stock exchange, its own shares, profit-sharing certificates and associated certificates up to a maximum of 10% of each of the outstanding shares, profit-sharing certificates and associated certificates of the Company for a price that is not more than 5% above the highest closing price on Euronext Brussels during the last 30 trading days preceding the transaction, and not more than 10% below the lowest closing price on Euronext Brussels during the last 30 trading days preceding the transaction, in accordance with the provisions of the

Belgian Code of Companies and Associations where applicable. This authorisation is valid for a period of five years starting on the date of the publication in the Annexes to the Belgian Official Gazette of the amendment to the Company's articles of association resolved upon by the Company's extraordinary shareholders' meeting of May 5, 2023. The authorisation may be renewed in accordance with the relevant provisions of the Belgian Code of Companies and Associations.

In the course of 2023, 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 2023 Integrated Annual Report, which can be consulted on the website of the Company (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 2023.

On behalf of the Board of Directors,

28 March 2024,

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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