

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED
DECEMBER 31, 2018 AND 2017

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STATEMENT OF THE BOARD OF DIRECTORS

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

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

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

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

INDEPENDENT AUDITORS' REPORT

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ONTEX GROUP NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

We have been appointed as statutory auditor by the general meeting d.d. 24 May 2017, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated accounts of Ontex Group NV for 5 consecutive years.

REPORT ON THE CONSOLIDATED ACCOUNTS

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 2,789.6 million and a profit for the year of EUR 97.0 million.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from 31 December 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of goodwill and indefinite useful life intangible assets

Description of the key audit matter

Ontex carries a significant value of goodwill on the balance sheet amounting to EUR 1,165.2 million as detailed in disclosure 7.9. Under The International Financial Reporting Standards as endorsed by the EU ("IFRS's"), the Company is required to test the amount of goodwill and indefinite useful life intangible assets for impairment at least annually. We consider this matter to be of most significance because of the complexity of the assessment process and significant judgments in respect of assumptions about the future results of the business and the discount rates applied to future cash flow forecasts. The most important assumptions relate to the discount rate, growth rates of revenue and operating margin. We focused on the goodwill, intangible assets and property, plant and equipment of the Cash Generating Unit (further CGU) Americas because the headroom between the value in use of this CGU and its carrying value was significantly lower compared to the headroom in the other CGUs.

How our audit addressed the key audit matter

We challenged if the goodwill impairment test was performed at the lowest CGU level at which the goodwill is monitored. We challenged the cash flow projections used in the impairment tests and the process through which they were prepared. We found that the projected cash flow for 2019 were consistent with the Board approved budgets, which were subject to timely oversight and challenge by the Directors. We have critically assessed the historical accuracy of management's estimates and evaluation of business plans by comparing the prior year's forecast with the company's actual performance. For the cash flows after 2019 we critically assessed and checked the assumptions related to the long term growth rates, by comparing them to industry forecasts and historical growth rates. We compared the weighted average cost of capital to the cost of capital and debt of the company and comparable organisations, as well as considering territory specific factors. We tested the calculation method used and the accuracy thereof. We compared operating margin, working capital- and CAPEX percentage with past actuals. We challenged the adequacy of management's sensitivity analysis of the headroom. For all CGUs we calculated the degree to which these assumptions would need to move before an impairment conclusion was triggered. We discussed the likelihood of such a movement with management. We included valuation specialists in our team to assist us with these procedures. We also assessed the adequacy of the disclosures (Note 7.9 and Note 7.4.3) in the financial statements.

Our results

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

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

Description of the key audit matter

Ontex has recognised a deferred tax asset and deferred tax liability of respectively EUR 26.5 million and EUR 49.9 million. EUR 86.7 million deferred tax asset position was not recognised, as disclosed in Note 7.18. Ontex recognised in 2018 EUR 8.5 million deferred tax assets on previously unrecognised tax losses as disclosed in Note 7.26. The valuation of the deferred tax positions at Ontex involved significant judgement, more specifically in the determination of the recognition of deferred tax assets related to tax losses carried forward. The estimation of the future taxable basis is highly judgemental as well as the assessment of the impact of tax laws and regulations, tax planning action and strategies, rulings and transfer pricing. Because of all the aforementioned reasons, we found this key audit matter to be of most significance for our audit.

How our audit addressed the key audit matter

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

We also assessed the adequacy and completeness of the Company's disclosure included in Note 7.4.1, 7.18 and 7.26 in respect of deferred taxes.

Our results

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

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

Description of the key audit matter

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

How our audit addressed the key audit matter

We have agreed the discount percentages or lump sum payments to underlying customer and purchase agreements, we recalculated the accrual and challenged the estimated impact of commercial negotiations taking into account the results. We also performed back-testing on the accruals per 31 December 2017. We also reviewed credit notes and other adjustments to trade receivables and trade payables after 31 December 2018 as part of our work around subsequent events. Finally we have audited manual journal entries related to discounts in order to confirm that sufficient documentation and suitable attestations exist for these entries.

Our results

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

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors and with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors and the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors and with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this report is consistent with the consolidated accounts for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the integrated annual report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 119, §2 of the Companies' Code is included in the directors' integrated annual report on the consolidated accounts. The Company has prepared the non-financial information based on the Global Reporting Initiative Standards and with reference to the Sustainable Development Goals. However, in accordance with article 148, §1, 5° of the Companies' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiative Standards and with reference to the Sustainable Development Goals.

Statement related to independence

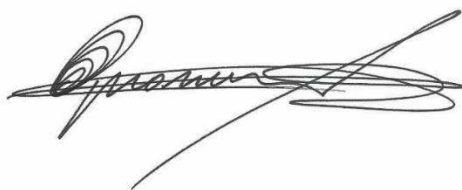
- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Other statements

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Ghent, 29 March 2019

The statutory auditor
PwC Bedrijfsrevisoren CVBA
Represented by



Peter Opsomer
Registered Auditor

1. GENERAL INFORMATION

1.1. CORPORATE INFORMATION

The consolidated financial statements of Ontex Group NV for the year ended December 31, 2018 were authorized for issue in accordance with a resolution of the Board of Directors on March 25, 2019.

1.2. BUSINESS ACTIVITIES

Ontex is a leading international provider of personal hygiene solutions, with expertise in baby care, feminine care and adult care. Ontex's innovative products are distributed in more than 110 countries through Ontex brands such as BBTips, BioBaby, Pompom, Bigfrol, Canbebe, Canped, ID and Serenity, as well as leading retailer brands. Employing 11,000 passionate people all over the world, Ontex has a presence in 21 countries, with its headquarters in Aalst, Belgium. Ontex is part of the Bel20 and STOXX® Europe 600.

1.3. HISTORY OF THE GROUP

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

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

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

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

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

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

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

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

In October 2018, Ontex opened a new production plant in Radomsko, Poland to support its Central European business.

1.4. LEGAL STATUS

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

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

ASSETS in € million	Note	December 31, 2018	December 31, 2017
Non-current Assets			
Goodwill	9	1,165.2	1,163.6
Intangible assets	9	51.8	50.6
Property, plant and equipment	10	599.9	578.3
Deferred tax assets	18	26.5	18.3
Non-current receivables	5.1	5.1	3.9
		1,848.5	1,814.7
Current Assets			
Inventories	11	365.9	327.2
Trade receivables	12	355.4	369.8
Prepaid expenses and other receivables	12	69.1	80.6
Current tax assets	18	12.5	7.1
Derivative financial assets	5.1	3.6	1.6
Cash and cash equivalents	13	130.6	118.5
Non-current assets held for sale	10	4.0	-
		941.1	904.8
TOTAL ASSETS		2,789.6	2,719.5
EQUITY AND LIABILITIES in € million			
Equity attributable to owners of the company			
Share capital & Premium	14	1,208.0	1,208.0
Treasury shares		(42.1)	(31.3)
Cumulative translation reserves		(189.7)	(158.9)
Retained earnings and other reserves		208.0	160.2
TOTAL EQUITY		1,184.2	1,178.0
Non-current liabilities			
Employee benefit liabilities	17	22.6	21.7
Provisions	20	-	0.4
Interest-bearing debts	16	786.6	772.0
Deferred tax liabilities	18	49.9	42.8
Other payables		0.3	0.2
		859.4	837.1
Current liabilities			
Interest-bearing debts	16	104.0	69.9
Derivative financial liabilities	5.1	6.7	4.2
Other current financial liabilities	19	-	20.8
Trade payables	19	501.0	473.3
Accrued expenses and other payables	19	31.8	32.8
Employee benefit liabilities	19	47.9	44.7
Current tax liabilities	18	46.0	50.9
Provisions	20	8.6	7.8
		746.0	704.4
TOTAL LIABILITIES		1,605.4	1,541.5
TOTAL EQUITY AND LIABILITIES		2,789.6	2,719.5

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

3. CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31

in € million	Note	Full Year	
		2018	2017 Restated ¹
Revenue	6	2,292.2	2,335.0
Cost of sales	24	(1,666.5)	(1,674.4)
Gross Margin		625.7	660.6
Distribution expenses	24	(208.7)	(213.1)
Sales and marketing expenses	24	(158.8)	(154.5)
General administrative expenses	24	(83.0)	(79.7)
Other operating income/(expenses), net	22-24	1.9	(0.5)
Income and expenses related to changes to Group structure	23	(15.5)	(4.4)
Income and expenses related to impairments and major litigations	23	(8.8)	(0.1)
Operating profit		152.8	208.3
Finance income	25	2.5	12.3
Finance costs	25	(29.9)	(48.3)
Net exchange differences relating to financing activities	25	(1.2)	(7.8)
Net finance cost		(28.6)	(43.8)
Profit before income tax		124.2	164.5
Income tax expense	26	(27.2)	(36.1)
Profit for the period from continuing operations		97.0	128.4
Profit for the period		97.0	128.4
Profit attributable to:			
Owners of the parent		97.0	128.4
Non-controlling interests		-	-
Profit for the period		97.0	128.4

Earnings per share:

in €	Note	Full Year	
		2018	2017
Basic earnings per share	15	1.20	1.61
Diluted earnings per share	15	1.20	1.61
Adjusted basic earnings per share	15	1.35	1.65
Adjusted diluted earnings per share	15	1.35	1.64
Weighted average number of ordinary shares outstanding during the period		81,020,929	79,661,317

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

¹ Following the implementation of IFRS 15 – *Revenue from contracts with Customers* as from January 2018, prior year figures have been restated to ensure comparability. For more details, we refer to note 7.1.2.

4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31

in € million	Note	Full Year	
		2018	2017
Profit for the period		97.0	128.4
Other comprehensive income / (loss) for the period, after tax:			
Items that will not be reclassified subsequently to income statement			
Remeasurements of defined benefit plans	17	0.3	1.0
Items that will be reclassified subsequently to income statement			
Exchange differences on translating foreign operations		(30.8)	(116.4)
Cash flow hedge		(3.1)	(0.4)
Other		-	(0.2)
Other comprehensive income / (loss) for the period, net of tax		(33.6)	(116.0)
Total comprehensive income for the period		63.4	12.4
Total comprehensive income attributable to:			
Owners of the parent		63.4	12.4
Total comprehensive income for the period		63.4	12.4

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

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

in € million	Attributable to equity holders of the Company						
	Number of shares	Share capital	Share Premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at December 31, 2017	82,347,218	795.2	412.8	(31.3)	(158.9)	160.2	1,178.0
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	1.2	-	2.4	3.6
Dividends	-	-	-	-	-	(48.8)	(48.8)
Treasury Shares	-	-	-	(12.0)	-	-	(12.0)
Total transactions with owners 2018	-	-	-	(10.8)	-	(46.4)	(57.2)
Comprehensive income:							
Profit for the period	-	-	-	-	-	97.0	97.0
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(30.8)	-	(30.8)
Remeasurements of defined benefit plans	-	-	-	-	-	0.3	0.3
Cash flow hedges	-	-	-	-	-	(3.1)	(3.1)
Total other comprehensive income / (loss)	-	-	-	-	(30.8)	(2.8)	(33.6)
Balance at December 31, 2018	82,347,218	795.2	412.8	(42.1)	(189.7)	208.0	1,184.2

in € million	Attributable to equity holders of the Company						
	Number of shares	Share capital	Share Premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at December 31, 2016	74,861,108	722.0	266.8	(22.3)	(42.5)	75.1	999.1
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	-	-	1.7	1.7
Dividends	-	-	-	-	-	(44.8)	(44.8)
Treasury Shares	-	-	-	(9.0)	-	(0.6)	(9.6)
Issuance expenses new shares	-	(1.7)	-	-	-	-	(1.7)
Capital increase	7,486,110	74.9	146.0	-	-	-	220.9
Total transactions with owners 2017	7,486,110	73.2	146.0	(9.0)	-	(43.7)	166.5
Comprehensive income:							
Profit for the period	-	-	-	-	-	128.4	128.4
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(116.4)	-	(116.4)
Remeasurements of defined benefit plans	-	-	-	-	-	1.0	1.0
Cash flow hedges	-	-	-	-	-	(0.4)	(0.4)
Other movements	-	-	-	-	-	(0.2)	(0.2)
Total other comprehensive income / (loss)	-	-	-	-	(116.4)	0.4	(116.0)
Balance at December 31, 2017	82,347,218	795.2	412.8	(31.3)	(158.9)	160.2	1,178.0

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

The shareholding of Ontex Group NV based on the declarations, received in the period up to December 31, 2018, is as follows:

Shareholder	December 31, 2018	% ¹
Groupe Bruxelles Lambert (GBL)	16,454,453	19.98%
Janus Capital Management LLC	3,424,055	4.75%
The Pamajugo Irrevocable Trust	2,722,221	3.64%
Black Creek Investment Management Inc.	2,493,603	3.03%
AXA Investment Managers SA	2,053,236	3.02%

¹At the time of the transparency declaration

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

6. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

in € million	Note	Full Year	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		97.0	128.4
Adjustments for:			
Income tax expense		27.2	36.1
Depreciation and amortization		56.9	53.7
(Profit) / loss on disposal of property, plant and equipment		7.1	0.3
Provisions (including employee benefit liabilities)		5.3	(0.2)
(Gain) / loss on earn-out liabilities		(4.9)	(7.8)
Net finance cost		28.6	43.8
Changes in working capital:			
Inventories		(39.9)	(8.3)
Trade and other receivables and prepaid expenses		24.5	(56.4)
Trade and other payables and accrued expenses		4.4	26.1
Employee benefit liabilities		2.6	(1.5)
Cash from operating activities before taxes		208.8	214.2
Income taxes paid		(39.1)	(44.9)
NET CASH GENERATED FROM OPERATING ACTIVITIES		169.7	169.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(103.8)	(111.9)
Proceeds from disposal of property, plant and equipment and intangible assets		2.6	(0.6)
Payment for acquisition of subsidiary, net of cash acquired	8	(16.5)	(297.6)
Commitments from business combinations		(0.3)	(7.1)
NET CASH USED IN INVESTING ACTIVITIES		(118.0)	(417.2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	16	58.6	1,108.2
Borrowing expenses paid	16	-	(3.9)
Repayment of borrowings	16	(25.4)	(1,087.7)
Interests paid	25	(21.8)	(28.3)
Interests received	25	2.5	3.3
Cost of refinancing & Other costs of financing		(3.0)	(10.7)
Realized foreign exchange (losses)/gains on financing activities		(0.5)	0.7
Derivative financial assets		(1.2)	(2.4)
Dividends paid		(48.8)	(44.8)
Capital increase (net of issuance expenses new shares)		-	219.2
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES		(39.6)	153.6
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		12.1	(94.3)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		118.5	212.8
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		130.6	118.5

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

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1.1. Introduction

The accounting policies used to prepare the consolidated financial statements for the period from January 1, 2018 to December 31, 2018 are consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2017 of Ontex Group NV, except for the introduction of the new requirements applied to revenue as a result of the application of IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* (see below). The accounting policies have been consistently applied to all the periods presented.

7.1.2. Basis of preparation

These consolidated financial statements of the Ontex Group NV for the year ended December 31, 2018 have been prepared in compliance with IFRS (“International Financial Reporting Standards”) as adopted by the European Union. These include all IFRS standards and IFRIC interpretations issued and effective as at December 31, 2018. The new standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning January 1, 2018, did not have a significant impact. No new standards, amendments to standards or interpretations were early adopted.

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments for which fair value is used (such as derivative instruments).

These financial statements are prepared on an accrual basis and on the assumption that the entity is in going concern and will continue in operation in the foreseeable future.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 7.4.

IFRS accounting standards to be adopted as from 2018 and onwards

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, 2018:

IFRS 9 Financial instruments: IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and brings together the following aspects of accounting for financial instruments: classification and measurement, impairment, and hedge accounting. IFRS 9 changes the classification and measurement of financial assets and includes a new model for assessing the impairment of the financial assets based on expected credit losses. Most of the basics of hedge accounting do not change as a result of IFRS 9. However, hedge accounting can be applied to a larger number of risk exposures than before and hedge accounting principles have been harmonized with those used in risk management.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 supersedes IAS 18 *Revenue* and IAS 11 *Construction Contracts* and establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize for all contracts with customers, except for revenue from leases, financial instruments and insurance contracts. The timing of the revenue recognition can take place over time or at a point in time, depending on the transfer of control. The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalized or expensed when incurred. Furthermore, the new disclosures included in IFRS 15 are more detailed than those applicable under IAS 18.

Improvements to IFRS (2014-2016): This set of amendments impacts: IFRS 1 *First-time adoption of IFRS*, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10; and IAS 28 *Investments in Associates and Joint Ventures* regarding measuring an associate or joint venture at fair value.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions: The amendment clarifies the measurement basis for cash-settled payments and the accounting for modifications that change an award from cash settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay the amount to the tax authorities.

IFRIC 22 Foreign Currency Transactions and Advance Consideration: This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.

The above-mentioned standards did not have an impact on the financial statements, except for IFRS 15.

The impact of the changes in accounting policies due to the application of IFRS 15 on the consolidated income statement for the year ended December 31, 2017 is presented below. As a result of the application of the revised accounting policies due to the application of IFRS 15 on a full retrospective basis, reclassifications were done in the consolidated income statement for the year ended December 31, 2017 relating to fees paid to customers and agents for distinct services from net sales to distribution expenses and sales and marketing expenses for respectively € 12.2 million and € 8.2 million:

in € million	2017	IFRS 15	2017
	As reported	Restatement	Restated
Mature Market Retail	901.7	(0.9)	900.7
Growth Markets	193.1	(0.8)	192.3
Healthcare	433.4	-	433.4
MENA	189.8	(5.3)	184.5
Americas Retail	637.5	(13.4)	624.1
Ontex Group Revenues	2,355.4	(20.4)	2,335.0
Cost of sales	(1,674.4)	-	(1,674.4)
Gross Margin	681.0	(20.4)	660.6
Distribution expenses	(225.3)	12.2	(213.1)
Sales and marketing expenses	(162.7)	8.2	(154.5)
General administrative expenses	(79.7)	-	(79.7)
Other operating income/(expenses), net	(0.5)	-	(0.5)
Income and expenses related to changes to Group structure	(4.4)	-	(4.4)
Income and expenses related to impairments and major litigations	(0.1)	-	(0.1)
Operating profit	208.3	-	208.3

Relevant IFRS accounting pronouncements to be adopted as from 2019 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, 2019 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.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases* and related interpretations. For lessees, IFRS 16 requires most leases to be recognized on-balance (under a single model), eliminating the distinction between operating and finance leases. In accordance with the new standard, the lessee will recognize assets and liabilities for the rights and obligations created by leases. The standard increases interest-bearing liabilities and non-current assets (new class "Right-of-use assets") in the consolidated financial statements of the Ontex Group. In addition, the rental expenses recognized in profit or loss will decrease and depreciation and amortization as well as interest expenses will increase. As a result of these impacts, EBITDA will be impacted significantly. However, operating result and net result (profit of the period) will only be impacted to a limited extent.

IFRS 16 is effective for the reporting periods beginning on January 1, 2019. The Ontex Group applies the new guidelines for lease accounting retrospectively with the cumulative effect of initially applying the standard recognized on January 1, 2019 (modified retrospective approach) in accordance with the transition requirements of IFRS 16. The comparative statements will not be restated. Upon transition, the Group uses following practical expedients authorized by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease;
- Not reassessing whether a contract is, or contains, a lease at the date of initial application, for contracts entered into before January 1, 2019.

Furthermore, the Group will use the exemptions not to apply the recognition requirements of the standard for short-term leases and low-value assets.

Upon transition, the Group measures the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The related right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position per December 31, 2018.

At transition date, the right-of-use assets will mainly comprise offices, plants, machinery and vehicles. Based on the preliminary analysis conducted at closing 2018, the right-of-use assets and the lease liabilities amount to € 147.2 million.

If IFRS 16 had been applied as from January 1st, 2018, the EBITDA would have been between € 28.0 and € 30.0 million higher.

Other relevant standards and interpretations

The following new relevant standards, amendments to standards and annual improvement cycles have been issued, but are not mandatory for the first time for the financial periods beginning January 1, 2018 and are expected not to have a significant impact on the Ontex' consolidated financial statements:

Amendments to IFRS 3 *Definition of a Business* (effective January 1, 2020, but not yet endorsed in EU): The amendments aim to assist companies to determine whether it has acquired a business or a group of assets.

Amendments to IAS 1 and IAS 8 *Definition of Material* (effective January 1, 2020, but not yet endorsed in EU): The amendments clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards.

Amendments to IAS 19 *Employee Benefits* (effective January 1, 2019, but not yet endorsed in EU): The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

Annual improvements 2015-2017 (effective January 1, 2019, but not yet endorsed in EU): The Improvements contain amendments to four standards as a result of the IASB's annual improvements project. Amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* clarify the definition of a business and the accounting for previously held interests. The amendment to IAS 12 'Income Taxes' clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises and finally, the amendment to IAS 23 *Borrowing Costs* clarify the accounting for specific borrowings which remain outstanding after the related asset is ready for its intended use or sale.

IFRIC 23 *Uncertainty over Income Tax Treatments* (effective January 1, 2019): This Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Group has performed an assessment of its uncertain tax positions and the application of IFRIC 23 is not anticipated to have a significant impact on the future consolidated financial statements. The Group applies these new guidelines retrospectively with the cumulative effect of initially applying the interpretation recognized on January 1, 2019 (modified retrospective approach) in accordance with the transition requirements of IFRIC 23.

7.1.3. Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is established when the Group is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary in the case of a bargain purchase, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

Transactions with non-controlling interests

The Group treats the transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains and losses on disposal to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

7.1.4. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in "investments in associates" and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The goodwill recognized in the statement of financial position is allocated to five Cash Generating Units (CGUs). These CGUs are Mature Market Retail, Growth Markets, Healthcare, Middle East North Africa (MENA) and Americas Retail. They represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. This is in line with the centralized business model that was implemented during 2010.

7.1.5. Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses that relate to interest-bearing debts and cash and cash equivalents are presented in the income statement within "Net Finance cost". All other foreign exchange gains and losses are presented in the income statement within "Other operating income/(expenses), net".

For the purpose of presenting consolidated financial statements, assets and liabilities of the Group's foreign operations are translated at the closing rate at the end of the reporting period. Items of income and expense are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and equity items are translated at historical rates. The resulting exchange rate differences are recognized in other comprehensive income and accumulated in a separate component of equity.

The principal exchange rates that have been used are as follows:

Currency	December 31, 2018		December 31, 2017	
	Closing Rate	Av Rate Year	Closing Rate	Av Rate Year
AUD	1.6220	1.5798	1.5346	1.4729
BRL	4.4440	4.3089	3.9729	3.6085
CZK	25.7240	25.6440	25.5350	26.3277
GBP	0.8945	0.8847	0.8872	0.8761
MXN	22.4921	22.7141	23.6612	21.3261
PLN	4.3014	4.2605	4.1770	4.2562
RUB	79.7153	74.0385	69.3920	65.8859
TRY	6.0588	5.6968	4.5464	4.1214
USD	1.1450	1.1814	1.1993	1.1293

7.1.6. Intangible assets

An intangible asset is recognized on the statement of financial position when the following conditions are met: (1) the asset is identifiable, ie either separable (if it can be sold, transferred, licensed) or it results from contractual or legal rights; (2) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; (3) the Group can control the resource; and (4) the cost of the asset can be measured reliably.

Intangible assets are carried at acquisition cost (including the costs directly attributable to the transaction) less any accumulated amortizations and less any accumulated impairment losses.

Within the Group, internally generated intangibles represent IT projects and product/process development projects.

Development costs that are directly attributable to the design and testing of identifiable and unique projects controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the project so that it will be available for use
- management intends to complete the project and use or sell it
- there is an ability to use or sell the project
- it can be demonstrated how the project will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the project are available, and
- the expenditure attributable to the project during its development can be reliably measured.

The Group's systems allow a reliable measure of expenses directly attributable to the different IT and product/process development projects.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Externally acquired software is carried at acquisition cost less any accumulated amortization and less any accumulated impairment loss.

Maintenance costs as well as the costs of minor upgrades whose objective is to maintain (rather than increase) the level of performance of the asset are expensed as incurred.

Borrowing costs that are directly attributable to the acquisition, construction and or production of a qualifying intangible asset are capitalized as part of the cost of the asset.

Intangible assets are amortized on a systematic basis over their useful life, using the straight-line method. The applicable useful lives are:

Intangible assets	
Brands	20 years
IT implementation costs	5 years
Capitalized development costs	3 to 5 years
Licenses	3 to 5 years
Acquired concessions, patents, know-how, and other similar rights	5 years

Amortization commences only when the asset is available for use.

7.1.7. Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Acquisition cost includes any directly attributable cost of bringing the asset to working condition for its intended use. Borrowing costs that are directly attributable to the acquisition, construction and/or production of a qualifying asset are capitalized as part of the cost of the asset.

Expenditure on repair and maintenance which serve only to maintain, but not increase, the value of fixed assets are charged to the income statement. However, expenditure on major repair and major maintenance, which increases the future economic benefits that will be generated by the fixed asset, is identified as a separate element of the acquisition cost. The cost of property, plant and equipment is broken down into major components. These major components, which are replaced at regular intervals and consequently have a useful life that is different from that of the fixed asset in which they are incorporated, are depreciated over their specific useful lives. In the event of replacement, the component is replaced and removed from the statement of financial position, and the new asset is depreciated up until the next major repair or maintenance.

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost, less residual value, if any. The applicable useful lives are:

Property, plant and equipment	
Land	N/A
Land improvements and buildings	30 years
Plants, machinery and equipment	10 to 15 years
Furniture and vehicles	4 to 8 years
Other tangible assets	5 years
IT equipment	3 to 5 years

The useful life of the machines is reviewed regularly. Each time a significant upgrade is performed, such upgrade extends the useful life of the machine. The cost of the upgrade is added to the carrying amount of the machine and the new carrying amount is depreciated prospectively over the remaining estimated useful life of the machine.

7.1.8. Leases

Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment for which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized. Contingent rentals are recognized as expenses in the periods in which they are incurred.

If there is reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset shall be depreciated over the useful life. In all other circumstances the asset is depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

A lease agreement is classified as an operating lease if all of the risks and rewards of ownership have not been transferred to the lessee. Payments under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

7.1.9. Impairment of non-financial assets, other than goodwill

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not subject to amortization, but are tested annually for impairment.

Other assets which are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

7.1.10. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises the production costs, like raw materials, direct labor, and also the indirect production costs (production overheads based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Spare parts held by the Group are classified as property, plant and equipment if they are expected to be used in more than one period and if they are specific to a single machine. If they are not expected to be used in more than one period or if they can be used on several machines, they are classified as inventory. For the spare parts classified as inventory, the Group uses write-down rules based on the economic use of these spare parts.

7.1.11. Revenue recognition

Ontex Group's core activity is the sale of goods. As such, the Group recognizes revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The Group sells its products to its customers directly, through distributors or agents. This can result in a different moment to recognize revenue. Following delivery to distributors, the distributor has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Next to the sale of goods, distinct services – mainly customer training or customer assistance services – are rendered predominantly over the period that the corresponding goods are sold to the customer. Transportation (shipping) is not be considered as a separate performance obligation as control over the goods is only transferred to the customer after the shipment.

Payment terms can differ depending on the customer, based on the credit risk and prior payment behavior of the customer. In addition, the geographical location of the company and the customer have an effect on the payment terms. There are no significant financing components in the transaction prices and the considerations are paid in cash.

Customer contracts include trade discounts or volume rebates, which are granted to the customer if the delivered quantities exceed a certain threshold. In these cases, the transaction price includes a variable consideration. The effect of the variable consideration on the transaction price is taken into account in revenue recognition by estimating the probability of the realization of the discount or rebate for each contract. Furthermore, the estimated variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (constraining the variable consideration). Furthermore, the Group considers all payments made to customers and whether these are related to the revenue generated from the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

7.1.12. Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value and financial assets at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell an asset.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets (such as loans, trade and other receivables, cash and cash equivalents) are subsequently measured at amortized cost using the effective interest method, less any impairment if they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade and other receivables after and within one year are recognized initially at fair value and subsequently measured at amortized cost, i.e. at the net present value of the receivable amount, using the effective interest rate method, less allowances for impairment.

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. For trade receivables, the group applies the simplified approach permitted by IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The amount of the allowance is deducted from the carrying amount of the asset and is recognized in the income statement within 'sales and marketing expenses'.

Trade receivables are no longer recognized when (1) the rights to receive cash flows from the trade receivables have expired, (2) the Group has transferred substantially all risks and rewards related to the receivables.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than in its entirety (eg when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

7.1.13. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

7.1.14. Share capital

Ordinary shares are classified as equity. Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to owners of the company until the shares are cancelled or reissued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments, such as the Convertible Preferred Equity Certificates (CPECs), are either classified as financial liabilities or equity. The financial instrument is included in equity if, and only if, the instrument does not include a contractual obligation to deliver cash or another financial asset or to exchange financial assets or liabilities under conditions that are potentially unfavorable to the Group, and if the instrument will or may be settled in a fixed number of the Group's own equity instruments.

7.1.15. Government grants

Grants from governments are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are deducted from the acquisition cost of the assets to which they relate and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

7.1.16. Employee benefits

Short-term employee benefits

Short-term employee benefits are recorded as an expense in the income statement in the period in which the services have been rendered. Any unpaid compensation is included in 'Employee benefit liabilities' in the statement of financial position.

Post-employment benefits

Group companies operate various pension schemes. Most of the schemes are unfunded. Some schemes are funded through payments to insurance companies or pension funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income. The net interest cost relating to the defined benefit plans is recognized within financial expenses.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Long-term employee benefits

Unfunded obligations arising from long-term benefits are provided for using the projected unit credit method.

Termination benefits

Early termination obligations are recognized as a liability when the Group is 'demonstrably committed' to terminating the employment before the normal retirement date. The Group is 'demonstrably committed' when, and only when, it has a detailed formal plan for the early termination without realistic possibility of withdrawal. Where such benefits are long term, they are discounted using the same rate as above for defined benefit obligations.

7.1.17. Share-based payments

The Group operates an equity settled share-based compensation plan, consisting of stock options (hereafter 'options') and restricted stock units ('RSU'). For grants of options and RSU's, the fair value of the employee services received is measured by reference to the fair value of the shares or options granted on the date of the grant. The Group recognizes the fair value of the services received in exchange for the grant of the options as an expense and a corresponding increase in equity on a straight-line basis over the vesting period. The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the share price at date of grant of the option, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms relate to market conditions. Non-market vesting conditions are considered by adjusting the number of shares or options included in the measurement of the cost of employee services so that ultimately the amount recognized in the income statement reflects the number of vested shares or options.

At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable and recognizes the impact of revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

When the options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

7.1.18. Provisions

Provisions are recognized when (I) the Group has a present legal or constructive obligation as a result of past events; (II) it is probable that an outflow of resources will be required to settle the obligation; (III) and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost.

If the Group has an onerous contract, it will be recognized as a provision. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

A provision for restructuring is only recorded if the Group demonstrates a constructive obligation to restructure at the balance sheet date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

7.1.19. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. In line with paragraph 46 of IAS 12 *Income taxes*, management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This evaluation is made for tax periods open for audit by the competent authorities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred tax is not recognized for:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and
- deferred tax is recognized on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax liabilities are generally recognized for taxable temporary differences.

Deferred tax assets are generally recognized for tax losses and tax attributes to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxes are calculated at the level of each fiscal entity in the Group. The Group is able to offset deferred tax assets and liabilities only if the deferred tax balances relate to income taxes levied by the same taxation authority.

7.1.20. Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are classified as at amortized cost, except for derivative instruments (see 7.1.21 below).

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

When a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss is recognized in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

A limited part of trade payable is subject to reverse factoring. As the main risk and rewards of the trade payable remain with the Group, the financial liability is not de-recognized from trade payables.

7.1.21. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity price risks and equity price risks associated with share-based payments, including foreign exchange forward contracts, commodity hedging contracts and interest rate CAP's and SWAP's and a total return swap.

Derivatives are accounted for in accordance with IFRS 9. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The fair values of various derivative instruments are disclosed in note 7.4 Financial Instruments and Financial Risk Management. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

If no hedge accounting is applied, the Group recognizes all gains or losses resulting from changes in fair value of derivatives in the consolidated income statement within Other operating income/expense to the extent that they relate to operating activities and within Net finance cost to the extent that they relate to the financing activities of the Group (e.g. interest rate swaps relating to the floating rate borrowings).

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

7.1.22. Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk and commodities, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the 'other operating income/(expense)' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated income statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

7.1.23. Operating segments

The Group's activities are in one segment. There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, reviews the operating results (defined as EBITDA) and operating plans, and make resource allocation decisions on a company-wide basis; therefore, the Group operates as one segment.

7.1.24. Statement of cash flows

The cash flows of the Group are presented using the indirect method. This method reconciles the movement in cash for the reporting period by adjusting net profit of the year for any non-cash items and changes in working capital, and identifying investing and financing cash flows for the reporting period.

7.2. ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (non-GAAP) are used in the financial communication of the Group since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

7.2.1. Non-recurring income and expenses

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. They are presented separately as they are important for the understanding of users of the consolidated financial statements of the “normal” performance of the Company due to their size or nature. The non-recurring income and expenses relate to:

- acquisition-related expenses;
- changes to the measurement of contingent considerations in the context of business combinations;
- business restructuring costs, including costs relate to the liquidation of subsidiaries and the closure, opening or relocations of factories and
- impairment of assets.

Non-recurring income and expenses of the Group for the years ended December 31 are composed of the following items presented in the consolidated income statement and can be reconciled in note 7.23:

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

7.2.2. EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before net finance cost, income taxes, depreciations and amortizations. Adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses.

EBITDA and Adjusted EBITDA reconciliation of the Group for the years ended December 31 are as follows:

In € million	Full Year	
	2018	2017
Operating Profit	152.8	208.3
Depreciation and amortization	56.9	53.7
EBITDA	209.7	262.0
Non-recurring income and expenses	24.3	4.4
Adjusted EBITDA	234.0	266.4

7.2.3. Net financial debt/LTM Adjusted EBITDA ratio (Leverage)

Net financial debt is calculated by adding short-term and long-term debt and deducting cash and cash equivalents.

LTM adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses for the last twelve months (LTM).

Net financial debt/LTM Adjusted EBITDA ratio of the Group for the years ended December 31 are presented in note 7.4 ‘Capital Management’.

7.2.4. Adjusted Free Cash Flow

Adjusted Free Cash Flow is defined as Adjusted EBITDA less capital expenditures (Capex, defined as purchases of property, plant and equipment and intangible assets), less change in working capital, less income taxes paid.

Adjusted Free Cash Flow of the Group for the years ended December 31 is as follows:

in € million	Full Year	
	2018	2017
Operating profit	152.8	208.3
Depreciation and Amortization	56.9	53.7
EBITDA	209.7	262.0
Non-recurring income and expenses	24.3	4.4
Adjusted EBITDA	234.0	266.4
Change in Working Capital		
Inventories	(39.9)	(8.3)
Trade and other receivables and prepaid expenses	24.5	(56.4)
Trade and other payables and accrued expenses	4.3	26.1
Capex	(103.8)	(111.9)
Adjusted Free Cash Flow (pre-tax)	119.1	115.9
Income taxes paid	(39.1)	(44.9)
Adjusted Free Cash Flow (post-tax)	80.0	71.0

7.2.5. 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.

Adjusted Basic Earnings per Share for the years ended December 31 are presented in note 7.15 'Earnings per share'.

7.2.6. Working Capital

The components of our working capital are inventories, trade receivables and prepaid expenses and other receivables plus trade payables and accrued expenses and other payables.

7.2.7. Alternative Performance Measures included in the Press releases and other Regulated information

Pro-forma revenue at constant currency

Pro-forma revenue at constant currency is defined as revenue for the 12 months period ending on the reporting date at prior year foreign exchange rates and inclusive of impact of mergers and acquisitions.

Like-for-Like (LFL) revenue

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

Adjusted profit for the period

Adjusted profit is defined as profit for the period plus non-recurring income and expenses and tax effect on non-recurring income and expenses, attributable to the owners of the parent.

Adjusted EBITDA margin

Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

7.3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide benefits for shareholders.

The Group monitors capital on the basis of the net debt position. The Group's net debt position is calculated by adding all short and long-term interest-bearing debts and by deducting the available short-term liquidity.

The net debt positions of the Group for the years ended December 31 are as follows:

in € million	December 31, 2018	December 31, 2017
Non-current interest-bearing debts	786.6	772.0
Current interest-bearing debts	104.0	69.9
Other current financial liabilities	-	20.8
Cash and cash equivalents	(130.6)	(118.5)
Total net debt position	760.0	744.2
LTM Adjusted EBITDA	234.0	266.4
Net financial debt/LTM Adjusted EBITDA ratio	3.25	2.79

7.4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The amounts presented in the consolidated financial statements involve the use of estimates and assumptions about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual amounts may differ from these estimates. The estimates and assumptions that could have an impact on the consolidated financial statements are discussed below.

7.4.1. Income taxes

The Group has tax losses and other tax incentives usable to offset future taxable profits, mainly in Belgium, Brazil, France and Spain, amounting to € 378.4 million at December 31, 2018 (€ 401.9 million at December 31, 2017).

As mentioned in the 2017 consolidated financial statements, the European Commission challenged Belgium's excess profit ruling (EPR) system, characterizing this system as illegal state aid. Ontex, through its Belgian subsidiary Ontex BVBA, had an EPR covering the years 2011-2015. Ontex has lodged an appeal against this EC decision. The General Court has handed down its judgment on February 14, 2019 in the joint case of Belgium vs Commission and Magnetrol International vs Commission. The General Court has annulled the Commission's Decision for the reason that the Commission erroneously considered that the excess profit exemption system constituted an aid scheme. Further to the General Court's decision, the excess profit regime is at this moment considered valid, the Belgian government was allowed to grant the different EPRs and Ontex BVBA was entitled to apply the ruling it was granted in the years 2011-2015. An appeal may be brought by the European Commission before the Court of Justice against the decision of the General Court within two months of notification of the judgment.

Ontex had fully taken into account the impact of the Commission's Decision in its tax position. Since the outcome is not yet final, Ontex will await the decision of the European Commission whether or not to appeal the General's Court judgment and will not release the relevant provisions at this stage. In case of appeal, it is expected that it will take some time before the European Court of Justice would make a decision on the appeal and the final outcome will not be known until that moment.

The Group has only recognized deferred tax assets on € 76.5 million of tax losses and other tax incentives out of the € 378.4 million mentioned above. The measurement of these deferred tax assets depends on a number of judgmental assumptions regarding the future probable taxable profits of different Group subsidiaries in different jurisdictions. These estimates are made prudently to the extent of the best current knowledge.

7.4.2. Business combinations

For business combinations, the Group must make assumptions and estimates to determine the purchase price allocation of the business being acquired. To do so, the Group must determine the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. These assumptions and estimates have an impact on the asset and liability amounts recorded in the Consolidated Statement of Financial Position on the acquisition date. In addition, the estimated useful lives of the acquired property, plant and equipment, the identification of other intangible assets and the determination of the indefinite or finite useful lives of other intangible assets acquired requires significant judgments and will have an impact on the Group's profit or loss.

7.4.3. Impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 7.1.4 "Goodwill". The outcome of these goodwill impairment tests in 2018 did not result in an impairment loss (2017: nil).

The recoverable amounts of cash-generating units ('CGUs') have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions, including macroeconomic conditions, demand and competition in the markets where we operate, product offerings, product mix and pricing, raw materials availability and cost, direct and indirect expenses, operating margins, growth rates, capital expenditure and working capital, etc. as reflected in Ontex' financial budgets and strategic plans, as well as discount rates. For more details on the impairment test performed, we refer to note 7.9 'Goodwill and intangible assets'. The discount rates used are summarised here below:

in € million	Full Year	
	2018	2017
Pre-tax discount rate		
Mature Market Retail	7.1%	6.6%
Growth Markets	12.7%	11.2%
Healthcare	6.7%	6.0%
Middle East North Africa	11.7%	13.8%
Americas Retail	9.5%	10.5%

A sensitivity analysis indicates that the recoverable amount of Mature Market Retail, Growth Markets, Healthcare, Middle East North Africa and Americas Retail would be equal to their carrying amount if the pre-tax discount rates of the CGUs were 12.7%, 23.2%, 19.1%, 18.4% and 10.7%, respectively and all other variables kept constant.

As indicated in note 7.9, cash flows beyond the three-year period are extrapolated using an estimated growth rate of 1.0% for Mature Market Retail, 2.0% for Growth Markets, 2.0% for Healthcare, 3.0% for MENA and 3.6% for Americas Retail. 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 five CGUs are currently operating. Should the growth rate for any of the CGUs decrease by 40%, no impairment would need to be recognized.

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

Future cash flows are estimates that are likely to be revised in future periods as underlying assumptions change. Key assumptions in supporting the value of goodwill include long-term interest rates and other market data. Should the assumptions vary adversely in the future, the value in use of goodwill may reduce below their carrying amounts. Based on current valuations, headroom appears to be sufficient to absorb a normal variation in the underlying assumptions.

7.4.4. Expected useful lives

The expected useful lives of the property, plant and equipment and intangible assets must be estimated. The determination of the useful lives of the assets is based on management's judgment and it is reviewed at least at each financial year-end, pursuant to IAS 16 and IAS 38.

7.4.5. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. All derivative financial instruments are, in accordance with IFRS 7, level 2. This means valuation methods are used for which all inputs that have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.

7.4.6. Employee benefits

The carrying amount of the Group's employee benefit obligations is determined on an actuarial basis using certain assumptions. One particularly sensitive assumption used for determining the net cost of the benefits granted is the discount rate. Any change to this assumption will affect the carrying amount of those obligations.

The discount rate depends on the duration of the benefit, ie the average duration of the engagements, weighted with the present value of the costs linked to those engagements. According to IAS 19, the discount rate should correspond to the rate of high-quality corporate bonds of similar term to the benefits valued and in the same currency.

7.4.7. Revenue recognition

For the accrual for volume discounts (to customers and from suppliers) important judgements are made on the impact of commercial decisions that will influence the final discount to be received or to be granted

7.5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

7.5.1. Overview of financial instruments

The table below summarizes all financial instruments by category in accordance with IFRS 9 and discloses the fair values of each instrument and the fair value hierarchy:

in € million	December 31, 2018			
	Designated in hedge relationship	At amortized cost	Fair value	Fair value level
Non-current receivables		5.1	5.1	Level 2
Trade receivables		355.4	355.4	Level 2
Other receivables		69.1	69.1	Level 2
Derivative financial assets	3.6		3.6	
<i>Cross-currency interest rate swap</i>	1.4		1.4	Level 2
<i>Forward foreign exchange contracts</i>	2.0		2.0	Level 2
<i>Commodity hedging contracts</i>	0.2		0.2	Level 2
Cash and cash equivalents		130.6	130.6	Level 2
Total Financial Assets	3.6	560.2	563.8	
Interest-bearing debts - non-current		786.6	798.8	
<i>Syndicated Term Loan A > 1 year</i>		587.8	600.0	Level 2
<i>Term Loan > 1 year</i>		150.0	150.0	Level 2
<i>Total return swap</i>		33.0	33.0	Level 2
<i>Financial lease & other liabilities</i>		15.8	15.8	Level 2
Derivative financial liabilities	6.7		6.7	
<i>Interest rate swap</i>	5.3		5.3	Level 2
<i>Cross-currency interest rate swap</i>	0.9		0.9	Level 2
<i>Forward foreign exchange contracts</i>	0.2		0.2	Level 2
<i>Commodity hedging contracts</i>	0.2		0.2	Level 2
Other payables - non-current		0.3	0.3	Level 2
Interest-bearing debts - current		104.0	104.0	
<i>Revolver credit loan</i>		82.4	82.4	Level 2
<i>Accrued interests - Other</i>		1.2	1.2	Level 2
<i>Financial lease & other liabilities</i>		20.4	20.4	Level 2
Trade payables		501.0	501.0	Level 2
Other payables - current		31.8	31.8	Level 2
Total Financial Liabilities	6.7	1,423.7	1,442.6	

in € million	December 31, 2017			
	Designated in hedge relationship	At amortized cost	Fair value	Fair value level
Non-current receivables		3.9	3.9	Level 2
Trade receivables		369.8	369.8	Level 2
Other receivables		56.4	56.4	Level 2
Derivative financial assets	1.6		1.6	
<i>Forward foreign exchange contracts</i>	1.6		1.6	Level 2
Cash and cash equivalents		118.5	118.5	Level 2
Total Financial Assets	1.6	548.6	551.7	
Interest-bearing debts - non-current		772.0	787.3	
<i>Facility A Loan 2017 > 1 year</i>		584.7	600.0	Level 2
<i>Facility BNP Paribas Fortis > 1 year</i>		150.0	150.0	Level 2
<i>Total return swap</i>		25.6	25.6	Level 2
<i>Financial lease & other liabilities</i>		11.7	11.7	Level 2
Derivative financial liabilities	4.2		4.2	
<i>Interest rate swap</i>	1.2		1.2	Level 2
<i>Forward foreign exchange contracts</i>	2.9		2.9	Level 2
Other payables - non-current		0.2	0.2	Level 2
Interest-bearing debts - current		69.9	69.9	
<i>Accrued interests - Other</i>		1.0	1.0	Level 2
<i>Revolver credit loan</i>		30.0	30.0	Level 2
<i>Financial lease & other liabilities</i>		38.9	38.9	Level 2
Other current financial liabilities		20.8	20.8	Level 3
Trade payables		473.3	473.3	Level 2
Other payables - current		12.5	12.5	Level 2
Total Financial Liabilities	4.2	1,348.8	1,368.3	

In the context of the Group's financial risk management, the Group uses derivative instruments to cover specific risks, such as foreign currency exposure, interest rate exposure and commodity price exposure. The following table presents an overview of the derivative instruments outstanding at reporting date:

in € million	Fair value		Nominal amounts	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Derivative financial assets	3.6	1.6		
<i>Cross-currency interest rate swap</i>	1.4	-	20.0	-
<i>Forward foreign exchange contracts</i>	2.0	1.6	105.4	54.0
<i>Commodity hedging contracts</i>	0.2	-	1.8	-
Derivative financial liabilities	6.7	4.2		
<i>Interest rate swap</i>	5.3	1.2	767.4	785.0
<i>Cross-currency interest rate swap</i>	0.9	-	32.4	-
<i>Forward foreign exchange contracts</i>	0.2	2.9	30.1	83.8
<i>Commodity hedging contracts</i>	0.2	0.0	2.9	2.1

The derivative instruments presented in the tables above are all designated in a cash flow hedge relationship (see below in notes 7.5.3 to 7.5.5).

The fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is exceeding 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The fair value of the derivatives is based on level 2 inputs as defined under IFRS 7§27, meaning inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognized on the statement of financial position or disclosed in the notes) is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial assets and financial liabilities are based on mathematical models that use market observable data and are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- Level 3 liabilities: the amount has been determined based on contractual agreements.

The Group has derivative financial instruments which are subject to offsetting, enforceable master netting arrangements and similar agreements. No offsetting needed to be done per December 31, 2018 (nor 2017).

The counterparties of the outstanding derivative instruments have an A-credit rating.

7.5.2. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk.

There have been no changes in the risk management department since last year-end or in any risk management policies.

7.5.3. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British pound (GBP), the Turkish lira (TRY), the Polish zloty (PLN), the Australian dollar (AUD), the Mexican peso (MXN), the Brazilian real (BRL) and Russian ruble (RUB) in relation to sales, and the US dollar (USD), the Czech koruna (CZK), the Mexican peso (MXN) and the Brazilian real (BRL) in relation to procurement. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. The Group also has exposures to the Turkish lira (TRY), Algerian dinar (DZD), Russian ruble (RUB), Czech koruna (CZK), Australian dollar (AUD) Pakistani rupee (PKR), Mexican peso (MXN) and Brazilian real (BRL) due to their net investments in foreign operations.

The carrying amounts of the Group's main foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

in € million	Assets		Liabilities	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
EUR	1,976.1	1,706.7	2,711.9	2,345.6
BRL	70.3	147.6	45.3	150.4
USD	83.1	52.1	144.9	112.9
MXN	43.2	51.0	59.8	75.7
PLN	95.1	46.9	47.9	0.3
DZD	21.3	22.7	1.0	5.4
RUB	21.1	19.5	2.3	1.2
GBP	43.1	18.6	27.2	1.7
TRY	16.4	17.6	9.3	8.6
AUD	29.0	16.6	15.4	3.6

The Group monitors its foreign exchange exposure closely and will enter into hedging transactions if deemed appropriate to minimize exposure throughout the Group to foreign exchange fluctuations. All hedging decisions are subject to approval of the Board of Directors. The strategy regarding FX hedges was maintained.

To manage their foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, the Group uses forward exchange contracts. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group treasury is responsible for optimizing the net position in each foreign currency when possible and appropriate. The Group applies hedge accounting for the hedgerelated transactions, the impact of the revaluation is recognized in other comprehensive income.

The Group has entered into foreign exchange forward contracts at the beginning of each quarter in 2018 maturing at the latest in September 2019 in order to limit volatility in the business resulting from exposures to sales in British pound, Polish zloty, Australian dollar as well as purchases in US dollar and Czech crown during 2018 and 2019. Based on the hedge strategy, the foreign exchange forward contracts hedge the following forecasted exposures until September 30, 2019: for British pound (GBP) 32.5 million, for Polish zloty (PLN) 75.8 million, for Australian dollar (AUD) 22.1 million, for Czech crown (CZK) 176.0 million, for US dollar (USD) 56.2 million versus EUR, US dollar (USD) 14.0 million versus Mexican peso (MXN) and US dollar (USD) 1.4 million versus Brazilian real (BRL).

The terms of the foreign currency forward contracts have been negotiated to match the terms of the highly probable forecast transactions. The Group applies hedge accounting to the foreign currency forward contracts. At inception, these instruments were designated as cash flow hedges. At the moment the forecast transactions materialise, the foreign exchange forward contracts become fair value hedges. As the terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions, there is no hedge ineffectiveness to be recognized in the statement of profit or loss.

As of December 31, 2018, an unrealized gain of € 1.6 million (US dollar, British pound,) and an unrealized loss of € 0.4 million (Australian dollar, Czech koruna) have been recognized in other comprehensive income

As of December 31, 2018, the fair value of the derivative financial asset for the foreign exchange contracts amounted to € 2.1 million (2017: € 1.6 million) and of the derivative financial liability amounted to € 0.4 million (2017: € 3.0 million).

The following table sets forth the impact on pre-tax profit and equity for the year of a 10% weakening/strengthening of the Euro against the reported currency with all other variables held constant. The impact is mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade receivables and payables and related derivative positions as at the respective balance sheet dates.

in € million	10% weakening of the EUR		10% strengthening of the EUR			
	2018	2017	2018	2017		
	Impact on P&L	Impact on Equity	Impact on P&L	Impact on equity		
AUD	(0.3)	(1.2)	(1.4)	0.3	1.0	1.2
GBP	(0.8)	(3.3)	(2.6)	0.7	2.7	2.1
PLN	3.1	-	-	(2.5)	-	-
USD	(5.0)	2.8	3.2	4.1	(2.3)	(2.6)

7.5.4. Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. These risks are managed centrally by Group treasury taking into account the expectations of the Group with respect to the evolutions of the market rates. The Group has used interest rate swaps and cross-currency interest rate swaps to manage these risks.

Considering that the floating rate borrowings (EURIBOR + margin) are hedged through interest rate swaps, the interest expense recognized in the consolidated income statement is not subject to interest rate volatility and therefore no sensitivity analysis has been prepared.

Sensitivity of the fair value of derivative financial instruments related to loans: at December 31, 2018, if EURIBOR interest rates had been 10bps higher/lower with all other variables held constant, pre-tax other comprehensive income for the year would have been respectively € 1.1 million higher / € 1.0 million lower. At December 31, 2017, if EURIBOR interest rates had been 10bps higher/lower with all other variables held constant, pre-tax other comprehensive income for the year would have been respectively € 1.7 million higher / € 1.6 million lower.

Floating Rate Syndicated Term Loan A of € 600 million due 2022 is carrying an interest of EURIBOR 3 month + margin of 1.50%. Floating Rate Syndicated Term Loan B of € 82.4 million due 2022 is carrying an interest of EURIBOR 3 month + margin of 1.30%. Floating Rate Term Loan of € 150 million due 2024 is carrying an interest of EURIBOR 3 month + margin of 1.40%. The notional principal amounts of the outstanding fixed payer interest rate swap and cross-currency interest rate swap contracts at December 31, 2018 are € 787.4 million as per below table:

Duration	Fixed interest rate %	Amount in € million
1 Year	0.6650%	100.0
1 Year	0.1390%	50.0
1 Year	0.1430%	75.0
1 Year	7.9600%	20.0
1 Year	7.9580%	18.4
1 Year	7.7100%	14.0
4 Year	0.3890%	85.0
4 Year	0.4950%	50.0
4 Year	0.6250%	75.0
4 Year	0.6290%	75.0
4 Year	0.6220%	75.0
6 Year	0.5950%	150.0
Total		787.4

7.5.5. Price risk (commodity)

The Group has some exposure to the price of oil because certain of the raw materials used in production are manufactured from oil derivatives. These include glues, polyethylene, propylene and polypropylene.

In relation to our fluff and propylene exposure, the Group has arrangements with certain of their fluff suppliers that reduce our exposure to volatility in fluff prices. The Group also decided to hedge a portion of the propylene exposure that is not covered by such arrangements for 2018.

Sensitivity of the fair value of derivative financial instruments related to commodities: at December 31, 2018 if there would be a shift of the commodity forward curve by 10% increase/decrease with all other variables held constant, pre-tax other comprehensive income for the year would have been respectively € 0.3 million higher / € 0.3 million lower (2017: impact was less than € 0.1 million).

7.5.6. Equity price risk

Following the issuance of options and RSU's as share-based payment arrangements under the different LTIP programmes (refer to note 7.27 for details of these programs), the Group is exposed to variations in the Group share price. The Board of Directors of the Group has decided on June 1, 2015 to implement a full hedging program through a total return swap. The purpose of this financial instrument is to effectively hedge the risk that a price increase of the Ontex shares would negatively impact future cash flows related to the share-based payments.

The Group entered into a total return swap ('TRS') agreement with a financial institution to manage its exposure to price volatility related to the shares subject to the stock option and RSU plans as disclosed in note 7.27. Under the total return swap agreement, the Company will pay interest to the financial institution. At the settlement of the TRS, the Group will receive the underlying shares which will be granted to the beneficiaries of the stock options or RSU's upon exercise. As such, the Group hedges the risk that the share price would increase when shares have to be issued upon exercise by the beneficiaries of their options/RSUs. The shares bought in this context are recognized in deduction of Group equity at the strike price at the moment of entering into the TRS. As the Group takes physical delivery of the shares upon settlement of the TRS (no net settlement), the TRS does not meet

the scope of financial instruments in accordance with IAS 32 / IFRS 9. As such, the TRS should not be remeasured at fair value at each closing date.

As a result, the Group recognized treasury shares for an amount of € 42.1 million (represented by 1,559,874 shares) and a related financial liability for an amount of € 33.0 million (see note 7.15). These amounts do not require to be remeasured during the contract time and consequently, all volatility has been eliminated.

7.5.7. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to corporate customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors based on which individual risk limits are set in accordance with the limits set by business managers. Historical default rates have been below 1% for 2018 and 2017. Trade receivables are spread over different countries and counterparties and there is no large concentration with one or a few counterparties.

We refer to note 7.12 for the aging of the receivables and the doubtful receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount as presented in the table above in the note 7.5.1.

7.5.8. Liquidity risk

Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 7.16 Interest-bearing debts) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on its borrowing facilities.

The table below analyses the Group's financial liabilities (including interest payments) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

in € million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2018				
Interest-bearing debts	(103.0)	(17.6)	(633.3)	(152.0)
Trade payables	(501.0)	-	-	-
Total non-derivative financial liabilities	(604.0)	(17.6)	(633.3)	(152.0)
Interest rate swaps	(3.6)	(2.9)	(6.3)	(0.9)
Forward foreign exchange contracts	(135.5)	-	-	-
Total derivative financial liabilities	(139.0)	(2.9)	(6.3)	(0.9)
At December 31, 2017				
Interest-bearing debts	(49.4)	(13.8)	(632.9)	(154.1)
Other financial liabilities	(20.8)	-	-	-
Trade payables	(473.3)	-	-	-
Total non-derivative financial liabilities	(543.6)	(13.8)	(632.9)	(154.1)
Interest rate swaps	(2.4)	(2.4)	(8.3)	(1.8)
Forward foreign exchange contracts	(137.8)	-	-	-
Total derivative financial liabilities	(140.2)	(2.4)	(8.3)	(1.8)

The table above does not contain finance lease liabilities. The maturity of these financial liabilities was less than one year at each balance sheet date.

7.6. OPERATING SEGMENTS

According to IFRS 8, reportable operating segments are identified based on the “management approach”. This approach stipulates external segment reporting based on the Group’s internal organizational and management structure and on internal financial reporting to the chief operating decision maker. The Group’s activities are in one segment, “Hygienic Disposable Products”. There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, reviews the operating results and operating plans, and make resource allocation decisions on a company-wide basis. Therefore, the Group operates as one segment. Enterprise-wide disclosures about product sales, geographic areas and revenue from major customers are presented below²:

7.6.1. Information by Division

in € million	Full Year	
	2018	2017
Mature Market Retail	880.2	900.7
Growth Markets	197.6	192.3
Healthcare	435.6	433.4
MENA	160.8	184.5
Americas Retail	618.0	624.1
Total revenue	2,292.2	2,335.0

7.6.2. Information by product group

The key product categories are:

- Babycare products, principally baby diapers, baby pants and, to a lesser extent, wet wipes;
- Feminine care products, such as sanitary towels, panty liners and tampons;
- Adult incontinence products, such as adult pants, adult diapers, incontinence towels and bed protection.

in € million	Full Year	
	2018	2017
Babycare	1,345.1	1,410.5
Femcare	222.8	221.2
Adult Incontinence	693.6	689.5
Other	30.6	13.8
Total revenue	2,292.2	2,335.0

7.6.3. Information by geographic area

The organizational structure of the Group and its system of internal information indicates that the main source of geographical risks results from the location of its customers (destination of its sales) and not the physical location of its assets (origin of its sales). The location of Group’s customers is accordingly the geographical segmentation criterion and is defined as below:

- Western Europe
- Eastern Europe
- Americas
- Rest of the World

in € million	Full Year	
	2018	2017
Western Europe	1,075.2	1,073.9
Eastern Europe	292.9	314.4
Americas	620.2	628.1
ROW	303.8	318.6
Total revenue	2,292.2	2,335.0

² Note that following implementation of IFRS 15 as from January 2018, prior year revenue figures have been re-stated to ensure comparability. There is no impact on operating profit and EBITDA.

The sales in the country of domicile of Ontex Group NV (Belgium) represent less than 3% of Ontex Group NV Revenue. Sales to countries in our top four markets are presented in the table below. The sales in all other individual countries represent less than 10% of the Group's revenue.

in € million	Full Year	
	2018	2017
Mexico	282.1	283.8
United Kingdom	237.9	240.0
France	209.7	202.0
Italy	203.9	197.6
Other countries	1,358.6	1,411.6
Total revenue	2,292.2	2,335.0

The following table presents an overview of the non-current assets (property, plant and equipment (PP&E) and intangible assets) located in the main countries. The non-current assets in all other individual countries represent less than 10% of the Group's total non-current assets (excluding financial instruments, deferred tax assets and goodwill). Goodwill is not included in the below table as this not monitored on a country-basis, but at the divisional level.

in € million	December 31, 2018	December 31, 2017
Belgium	132.7	121.1
Mexico	138.5	129.3
Brazil	97.9	103.9
Germany	65.0	60.5
Other countries	217.6	214.1
Total	651.7	628.9

7.6.4. Revenue from major customers

The Group does not have a single significant customer. In 2018 the largest customer represents 6.2% (2017: 6.0%) of the revenue. The 10 largest customers represent 35.2% of 2018 revenue (2017: 35.0%).

7.7. LIST OF CONSOLIDATED COMPANIES

Name	Country	Percentage of interest held by the group		Registered office	Company legal number
		2018	2017		
Can Hygiene SPA	Algeria	100.0%	100.0%	Haouch Sbaat Nord, Zone Industrielle de Rouiba, Voie H, lot 83B, 16012 Rouiba, Alger, Algeria	04/B/0965101
Ontex Australia Pty Ltd	Australia	100.0%	100.0%	Suite 10, 27 Mayneview Street, Milton, QLD 4064, Australia	ABN 59 130 076 283
Ontex Manufacturing Pty Ltd (former Ontex Australia Pty Ltd)	Australia	100.0%	100.0%	Wonderland Drive 5, Eastern Creek, NSW, 2766, Australia	ABN 16 145 822 528
Eutima bvba	Belgium	100.0%	100.0%	Korte Moeie 53, 9900 Eeklo, Belgium	0415.412.891
Ontema bvba	Belgium	100.0%	100.0%	Genthof 12, 9255 Buggenhout, Belgium	0453.081.852
Ontex bvba	Belgium	100.0%	100.0%	Genthof 5, 9255 Buggenhout, Belgium	0419.457.296
Active Industria De Cosméticos S.A.	Brazil	100.0%	100.0%	Rua Contorno Oeste 1/16 Quadra 01, Lote 01/16, Modulo 2 Senador Canedo, Goiania, Brazil	CNPJ 22.010816/0001-39
Falcon Distribuidora Armazenamento E Transporte S.A.	Brazil	100.0%	100.0%	Rua Iza Costa 1.104 Quadra: Area Lote Modulo 2, Fazenda Retio, Goiania, Brazil	CNPJ 23.191.831/0001-93
Ontex Brasil Holding Ltda (*)	Brazil	0.0%	100.0%	Avenida Magalhaes de Castro, 4800, 22° andar, parte 05676-120 Sao Paulo, Brazil	CNPJ 25.186.120/0001-56
Chicolastic Chile, S.A.	Chile	100.0%	100.0%	Calle la Concepcion 81, D 603 P 06, Providencia, Santiago, Region Metropolitana, 8320000 Santiago de Chile, Chile	96886530-7
Ontex Hygienic Disposables (Yangzhou) Co.TD	China	100.0%	100.0%	Hangji industrial park, Hanjiang District, N°1 Zhaizhuang Road, 225111 Yangzhou, China	321000400010102
Valor Brands Centroamerica, S.A.	Costa Rica	100.0%	100.0%	100 norte del Centro Comercial Tres Rios a mano izquierda- Apartamento Tinoco #02, City Cartago, 10106 San José, Costa Rica	3-101-645685
Ontex CZ Sro	Czech Republic	100.0%	100.0%	Vesecko 491, 51101 Turnov, Czech Republic	44564422
Ontex Hygienic Disposables PLC	Ethiopia	100.0%	100.0%	Tracon Tower Building Addis Ababa, Subcity Arada, Werada 02, Kebele 01, House n° : 30/97, Ethiopia	EIA-PC/01/005318/08
Hygiène Medica SAS	France	100.0%	100.0%	30 Rue Hubble, 59262 Sainghin-en-Mélantois, France	401 439 872
Ontex France SAS	France	100.0%	100.0%	586 Boulevard Albert Camus, 69400 Villefranche-sur-Saône, France	338 081 102
Ontex Santé France SAS	France	100.0%	100.0%	Quai du rivage 62119 Dourges, France	502 601 297
Moltex Baby-Hygiene GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 5260
Ontex Beteiligungsgesellschaft mbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 15558
Ontex Engineering GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRA 21335
Ontex Healthcare Deutschland GmbH	Germany	100.0%	100.0%	Hansaring 6, Lotte 49504, Germany	HRB 9669
Ontex Hygienartikel Deutschland GmbH	Germany	100.0%	100.0%	Fabrikstrasse 30, 02692 Grosspostwitz, Germany	HRB 3865
Ontex Inko Deutschland GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 20630
Ontex Logistics GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 21024
Ontex Mayen GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 11699

Name	Country	Percentage of interest held by the group		Registered office	Company legal number
		2018	2017		
Ontex Vertrieb Gmbh & Co. KG	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 4983
WS Windel-Shop GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 2793
Ontex Italia Srl	Italy	100.0%	100.0%	Via Oberdan 140, 25128 Brescia, Italy	BS-347522
Ontex Manufacturing Italy S.r.l.	Italy	100.0%	100.0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti),Italy	02456370697
Serenity Holdco S.r.l.	Italy	100.0%	100.0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti),Italy	CH-178769
Serenity Spa	Italy	100.0%	100.0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti),Italy	CH-99632
Ontex Central Asia LLP	Kazakstan	100.0%	100.0%	Almaty, Bostandyk district, Al-Farabi Avenue 5, Business, Center Nurly Tau, Blok 1A, Suite 502, Kazakstan	600400642455
Comercializadora Intercional de comercio Mabe, S.A de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	CIPQ210141Z8
Compania Interoceanica de productos Higionicos, S.A de C.V	Mexico	100.0%	100.0%	Retorno 2 Esteban De Antunano no.8, Col. Parque Industrial CD. Textil De Puebla, 74160 Puebla, Mexico	IPH060317DPA
Corporativo de administracion con calidad, S.A de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	CAC920612HE9
Grupe P.I Mabe, S.A de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	GPI950824N64
Inmobiliaria Kiko S.A de C.V	Mexico	100.0%	100.0%	Calle 27 Norte 7402, Zona Industrial Anexa a la loma, Puebla Mexico CP 72230	IKI811207FG8
P.I Mabe Internacional, S de R.L de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	GPU950824N64
Productos Internacionales Mabe, S.A de C.V	Mexico	100.0%	100.0%	Calle Norte 12, Ciudad Industrial 105.22505 Tijuana, Mexico	PIM810710R32
Promotora Internacional de comercio Mabe, S.A de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	PIC001031K61
Servicios Administrativos E. inmobiliaria Gima S.C	Mexico	100.0%	100.0%	Calle 27 Norte 7402, Zona Industrial Anexa a la loma, Puebla Mexico CP 72230	SAI880817KP4
Transportes P.I Mabe, S.A de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	TPM960709QS1
Ontex Hygiene Sarlau	Morocco	100.0%	100.0%	Quartier Al Hank Boulevard De La Corniche, 6ième étage, immeuble Yacht A/B Anfa - Casablanca, Morocco	240709
Ontex Pakistan ltd	Pakistan	100.0%	100.0%	Office No 705, 7th Floor, Park Avenue, Main Sharh-e-Faisal, Karachi Sindh 7400, Pakistan	0076658
Ontex Polska sp. z.o.o.	Poland	100.0%	100.0%	ul. Legionów 93/95, lok 26, 91-072 Lodz, Poland	0000010044
Ontex Romania Srl	Romania	100.0%	100.0%	Bucharest, 46 Grigore Cobalcescu Street, 2nd floor, 1st District	R 7682053
Ontex RU LLC	Russia	100.0%	100.0%	Zemlyanoy Val Street 9, 10564 Moscow, Russia	1055008702649
Ontex ES Holdco SL	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	B85082832
Ontex ID SAU	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	NIFA-60617875
Ontex Peninsular SAU	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C,	A40103855

Name	Country	Percentage of interest held by the group		Registered office	Company legal number
		2018	2017		
Valor Brands Europe, S.L	Spain	100.0%	100.0%	40140 Valverde del Majano, Segovia, Spain Torviscal 12, 45007 Toledo, Spain	B2837-1540
Ontex Hygienic Spain, S.L.	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	M635-328
Ontex Tuketim. Urn. San. ve Tic. AS	Turkey	100.0%	100.0%	Tekstilkent Cad. Koza Plaza B Blok Kat:31 No:116-117 Esenler, Istanbul	137334
Ontex Ukraine LLC	Ukraine	100.0%	100.0%	Building 7(C), 13 M. Pymonenko Street, 04050 Kyiv, Ukraine,	37728333
Ontex Health Care UK Ltd.	United Kingdom	100.0%	100.0%	Kettering Parkway, Kettering Venture Park, Kettering, Northants, NN156XR, United Kingdom	02274216
Ontex Retail UK Ltd.	United Kingdom	100.0%	100.0%	Unit 5 (1st Floor), Grovelands Business Centre, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7TE, United Kingdom	1613466
Ontex US Holdco, LLC	USA	100.0%	100.0%	1201 North Market Street, 19801 Wilmington, New Castle county, Delaware, United States of America	N/A
Valor Brands, LLC	USA	100.0%	100.0%	960 North Point Parkway, Suite 100, Alpharetta, GA 30005, USA	06-1661367

(*) Merged in the course of 2018 with Active Industria De Cosméticos S.A.

The voting rights equal the percentage of interest held.

The most significant Group subsidiaries are Ontex bvba, Ontex Mayen GmbH, Ontex CZ Sro, Ontex Tuketim AS, Serenity Spa, Ontex Manufacturing Italy S.r.l., Productos Internacionales Mabe, Active Industria De Cosméticos S.A. and Falcon Distribuidora Armazenamento E Transporte S.A.

7.8. BUSINESS COMBINATIONS

7.8.1. 2017 Acquisition

On March 7, 2017, Ontex completed the acquisition of the personal hygiene business of Hypermarchas (renamed to Ontex Brazil). At year-end 2017, purchase price allocation and hence the determination of the goodwill was still provisional and was finalized in 2018.

Consequently, the Group adjusted the goodwill from € 124.7 million to € 128.3 million in the statement of financial position.

The goodwill of € 128.3 million arising from the acquisition is attributable to acquired workforce, scale and geographical spread of the operations.

The following table summarizes the changes to the goodwill:

in € million	As recognized per December 31, 2017	Adjustments	As recognized per December 31, 2018
Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	56.8		56.8
Intangible assets	24.3		24.3
Property, plant and equipment	82.9	(2.0)	80.9
Non-current receivables	0.6		0.6
Inventories	64.9	(0.5)	64.4
Trade and other receivables	9.2	(0.5)	8.6
Prepaid expenses and other receivables	12.9		12.9
Deferred tax assets	7.0		7.0
Interest-bearing debts	(17.1)		(17.1)
Trade and other payables	(45.7)		(45.7)
Other liabilities	(0.2)		(0.2)
Accrued expenses and other payables	(13.8)	(0.5)	(14.3)
Current income tax liabilities	(1.1)		(1.1)
Total identifiable net assets acquired	180.6	(3.6)	177.0
Allocation to Goodwill	124.7	3.6	128.3
Total consideration	305.3	-	305.3

7.8.2. Reconciliation with cash flow statement

The consolidated cash flow statement presents the following relating to the acquisition of subsidiaries within the investing activities:

in € million	Full Year	
	2018	2017
Consideration paid in cash for the acquisition of Ontex Brazil (net of cash acquired)	-	(249.8)
Contingent consideration paid for the acquisition of Grupo Mabe	(16.5)	(47.8)
Payment for acquisition of subsidiary, net of cash acquired	(16.5)	(297.6)

7.9. GOODWILL AND INTANGIBLE ASSETS

in € million	Goodwill	Brands	Capitalized Development	IT implementation costs	Other intangibles	Total
Year ended December 31, 2018						
Opening carrying amount	1,163.6	34.0	0.1	16.3	0.1	1,214.1
Additions	-	-	0.1	8.9	1.5	10.5
Transfers	-	-	-	0.5	-	0.5
Disposals	-	-	-	-	-	-
Amortization expense	-	(1.9)	-	(7.0)	-	(8.9)
Exchange differences	(2.0)	(0.5)	-	(0.3)	-	(2.8)
Acquired through business combination	3.6	-	-	-	-	3.6
Closing carrying amount	1,165.2	31.6	0.2	18.4	1.6	1,217.0
At December 31, 2018						
Cost or valuation	1,165.2	35.9	0.2	43.6	15.6	1,260.5
Accumulated amortization and impairment	0.0	(4.3)	(0.0)	(25.2)	(14.0)	(43.5)
Carrying amount	1,165.2	31.6	0.2	18.4	1.6	1,217.0

in € million	Goodwill	Brands	Capitalized Development	IT implementation costs	Other intangibles	Total
Year ended December 31, 2017						
Opening carrying amount	1,096.2	22.2	-	10.1	0.2	1,128.7
Additions	-	-	-	6.4	-	6.4
Transfers	-	(0.1)	0.1	0.8	(0.1)	0.7
Disposals	-	(0.1)	-	-	-	(0.1)
Amortization expense	-	(2.0)	-	(5.7)	-	(7.7)
Exchange differences	(57.3)	(4.4)	-	(0.7)	-	(62.4)
Acquired through business combination	124.7	18.3	-	6.0	-	149.1
Closing carrying amount	1,163.6	34.0	0.1	16.3	0.1	1,214.1
At December 31, 2017						
Cost or valuation	1,163.6	36.4	0.1	34.8	14.1	1,249.0
Accumulated amortization and impairment	-	(2.4)	-	(18.5)	(14.0)	(34.9)
Carrying amount	1,163.6	34.0	0.1	16.3	0.1	1,214.1

Capitalized IT implementation costs represent internally developed and externally purchased software for own use.

Brands represent the capitalization of some of the brands acquired through the acquisitions of Grupo Mabe and Ontex Brazil.

The amortization expense is included in the captions of the consolidated income statement as follows:

In € million	2018	2017
Cost of sales	1.0	2.0
Distribution expenses	0.6	0.1
Sales and marketing expenses	1.9	0.9
General and administrative expenses	5.4	4.7
Total amortization expense	8.9	7.7

The Group incurred € 6.3 million of research and development expenses in 2018 (2017: € 9.6 million) that has been recorded under the caption 'General and administrative expenses'.

No intangible assets have been pledged in the context of financial liabilities.

Goodwill impairment

For the purpose of performing impairment reviews, the Group has identified five cash generating units (CGUs): Mature Market Retail, Growth Markets, Healthcare, Middle East North Africa and Americas Retail. Annual impairment reviews are performed as at December 31 for all CGUs. These reviews compare the carrying value of each CGU with the recoverable amount of the CGU's assets calculated using a discounted cash flow model. If the recoverable amount is less than the carrying value of the CGU, an impairment loss is recognized immediately in the income statement.

Goodwill allocated to the CGUs as at December 31 was as follows:

in € million	2018	2017
Mature Market Retail	732.5	732.5
Growth Markets	25.2	25.2
Healthcare	60.4	60.4
Middle East North Africa	42.0	42.0
Americas Retail	305.1	303.5
Goodwill allocated to the CGU's	1,165.2	1,163.6

The recoverable amount of a CGU is determined by means of value-in-use calculations. These calculations are based on pre-tax cash flow projections (prepared in euros) using key parameters from the consolidated financial budget approved by Ontex' Board of Directors and the Group's Strategic Plan through 2021. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 1.0% for Mature Market Retail, 2.0% for Growth Markets, 2.0% for Healthcare, 3.0% for MENA and 3.6% for Americas Retail. The growth rate does not exceed the current market expectations in which the five CGUs are currently operating.

The key assumptions for the value-in-use calculations used to determine the recoverable amount are those regarding the discount rates, estimated changes to selling prices, product offerings, direct costs, operating margins and terminal growth rates.

The discount rate is a measure based on industry average weighted cost of capital and risk-free rates weighted for the different regions in which the CGU's are operating.

Changes in selling practices and direct costs are based on past practices and expectations of future changes in the market. The calculation uses cash flow projections based on key parameters from the consolidated financial budget approved by the Board of Directors, the Group's Strategic Plan through 2021, and pre-tax discount rates for each CGU as described in note 7.4.3 Impairment based on current market assessments of the time value of money and the risks specific to the Group.

The development of the financial budget and Strategic Plan relies on a number of assumptions, including:

- The market growth, the evolution of the Group's market share, competitive landscape and innovation trends in the different markets as well as strategic initiatives.
- The product mix.
- The expected evolution of various direct and indirect expenses.
- The estimated future capital expenditure.

The assumptions were derived mainly from:

- Available historic data.
- External market research.
- Internal market expectations based on trend reports, etc.

The key assumptions used are reviewed and updated on a yearly basis by the Group's management. Taking into account the considerable excess of the cash generating unit's recoverable amount over its carrying amount, and based on sensitivity testing performed, management is of the opinion that any reasonably possible changes in key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount at December 31, 2018.

The Group has performed a sensitivity analysis by reducing the risk-adjusted cash flow projections and by increasing the pre-tax discount rate as disclosed in note 7.4.3 Impairment.

7.10. PROPERTY, PLANT AND EQUIPMENT

in € million	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
Year ended December 31, 2018						
Opening carrying amount	151.1	326.0	1.7	9.9	89.7	578.3
Additions	2.1	34.6	0.3	0.2	59.0	96.2
Transfers	5.0	59.8	0.2	(0.6)	(64.9)	(0.5)
Disposals	(1.4)	(5.8)	(0.0)	(0.0)	0.0	(7.2)
Depreciation expense	(6.1)	(40.5)	(0.4)	(1.0)	-	(48.0)
Impairments	(1.6)	(0.7)	0.0	-	-	(2.3)
Exchange differences	(2.8)	(7.5)	(0.1)	(0.3)	0.0	(10.6)
Transfer to asset held for sale	(2.0)	(2.0)	-	-	(0.0)	(4.0)
Acquired through business combination	-	(2.0)	-	-	-	(2.0)
Closing carrying amount	144.3	361.9	1.7	8.2	83.8	599.9
At December 31, 2018						
Cost	182.1	573.8	3.4	17.7	83.8	860.8
Accumulated depreciation and impairment	(37.8)	(211.9)	(1.7)	(9.5)	-	(260.9)
Carrying amount	144.3	361.9	1.7	8.2	83.8	599.9

in € million	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
Year ended December 31, 2017						
Opening carrying amount	121.1	267.7	1.6	9.4	55.7	455.5
Additions	1.0	37.4	0.6	1.4	78.2	118.6
Transfers	28.0	33.7	-	0.3	(62.7)	(0.7)
Disposals	(0.6)	4.9	(0.1)	0.8	(5.5)	(0.5)
Depreciation expense	(5.5)	(38.7)	(0.4)	(1.4)	-	(46.0)
Exchange differences	(6.2)	(18.0)	(0.1)	(0.5)	(6.7)	(31.5)
Acquired through business combination	13.3	38.9	-	-	30.6	82.9
Closing carrying amount	151.1	326.0	1.7	9.9	89.7	578.3
At December 31, 2017						
Cost	181.6	505.2	3.0	19.3	89.7	798.8
Accumulated depreciation and impairment	(30.6)	(179.2)	(1.4)	(9.4)	-	(220.5)
Carrying amount	151.1	326.0	1.7	9.9	89.7	578.3

The additions to property, plant and equipment represent mainly investments in capacity extension, investments in innovation, investments to improve the efficiency and IT investments.

The transfer to non-current assets held for sale relates to the building in Arras and machines and plant equipment in Brazil.

The following annual operating lease payments have been included in the income statement for the years ended December 31:

in € million	2018	2017
Land and buildings	20.1	20.5
Machinery and equipment	10.7	6.2
Rent of pallets	4.9	4.4
Furniture and vehicles	7.8	7.0
Other lease rentals	0.2	2.2
Total operating lease payments	43.7	40.2

The depreciation expense is included in the consolidated income statement as follows:

in € million	2018	2017
Cost of Sales	42.2	38.7
Distribution expenses	2.0	2.4
Sales and marketing expenses	0.7	1.3
General administrative expenses	2.8	3.4
Other operating income	0.3	0.2
Total depreciation expense	48.0	46.0

Property, plant and equipment include assets under finance lease arrangements for a total carrying amount of € 6.5 million (2017: € 7.2 million).

No pledges have been set on the items of property, plant and equipment.

7.11. INVENTORIES

Inventories can be split as follows:

in € million	December 31, 2018	December 31, 2017
Raw materials	169.3	158.5
Work in progress	1.1	1.0
Finished goods	204.2	175.4
Other	6.9	6.8
Write-down on inventories	(15.6)	(14.6)
Inventories	365.9	327.2

The Group mainly uses fluff, super-absorbers and non-woven fabrics. Other raw materials used by the Group for its production include polyethylene, adhesives and tapes as basic raw materials. The finished products are baby diapers, baby pants, towels, tampons, panty liners, incontinence products and trade goods.

The cost of inventories recognized as an expense and included under 'Cost of sales' amounted to € 1,666.5 million in 2018 (€ 1,647.4 million in 2017).

7.12. TRADE RECEIVABLES, PREPAID EXPENSES AND OTHER RECEIVABLES

in € million	December 31, 2018	December 31, 2017
Trade receivables	362.2	375.3
Less: allowance for impairment of trade receivables	(6.8)	(5.5)
Trade receivables - net	355.4	369.8
Prepayments	14.1	24.2
Other amounts receivable	55.0	56.4
Prepaid expenses and other receivables	69.1	80.6
Trade and other receivables - Current	424.5	450.3

Other amounts receivable include recoverable VAT for an amount of € 46.4 million for 2018 (2017: € 43.1 million). The fair value of the current receivables approximates their carrying amounts.

The aging of the trade receivables (net) at December 31 is as follows:

in € million	December 31, 2018	December 31, 2017
Not due	304.6	302.9
0 to 30 days	24.8	40.3
31 to 60 days	4.8	13.1
61 to 90 days	6.6	5.3
Over 90 days	14.6	8.3
Total	355.4	369.8

The Group doesn't apply systematically external credit rating. An impairment analysis of trade receivables is done on an individual level, but there are no individual significant impairments.

The carrying amount of the Group's trade receivables (gross) are denominated in the following currencies:

in € million	December 31, 2018	December 31, 2017
EUR	101.9	115.8
BRL	53.2	67.9
PLN	45.7	45.5
MXN	50.0	44.5
USD	26.6	18.0
RUB	12.2	17.3
TRY	15.4	16.6
GBP	15.3	16.4
AUD	10.3	10.5
Other	24.8	22.9
Total	355.4	375.3

During the year, the payment terms for the receivables have neither deteriorated nor been renegotiated. The maximum credit risk exposure at the end of the reporting period is the carrying value of each caption of receivables mentioned above. The Group does not hold any collateral as security.

Movements on the Group allowance for impairment of trade receivables are as follows:

in € million	December 31, 2018	December 31, 2017
Opening Balance	5.5	5.0
Allowance for receivable impairment	2.4	1.8
Receivables written off during the year as uncollectible	(0.4)	(0.1)
Unused amounts reversed	(0.5)	(0.9)
Foreign exchange differences	(0.2)	(0.3)
At December 31	6.8	5.5

The creation and the release of the allowance for impaired receivables have been included in 'Sales and marketing expense' in the income statement.

The Group has entered into a Group non-recourse syndicate factoring agreement with BNP Paribas Fortis Factor and KBC Commercial Finance. The Agreement provides us with a maximum credit facility of up to € 200 million and up to 95% of the amount of the approved outstanding receivables on all debtors that we transfer to the Factor. The remaining 5% of the relevant receivables is paid by the Factor to us upon receipt of payment from the relevant debtor, upon which also the remaining balance of the receivable is derecognized. Financing per debtor is capped at 10% of the aggregate amount of all approved outstanding receivables transferred to the Factor. Any financing within the credit limit is non-recourse to us. This factoring agreement is an off-balance sheet arrangement.

Next to the above-mentioned Group factoring agreement, Serenity (Italian subsidiary) entered into a bilateral factoring agreement with Ifitalia and Banca Sistema. Furthermore, also Ontex Russia has entered into a bilateral factoring agreement with Rosbank. All these agreements are non-recourse agreements.

As at December 31, 2018, € 163.2 million of financing was obtained through the factoring programs (€ 175.0 million in 2017). The late payment risk related to the factoring has been assessed as immaterial at closing 2018 and 2017.

In accordance with IFRS 9 *Financial instruments*, all non-recourse trade receivables, included in these factoring programs, are derecognized for the non-continuing involvement part.

7.13. CASH AND CASH EQUIVALENTS

The net cash position as presented in the consolidated statement of cash flows is as follows:

in € million	December 31, 2018	December 31, 2017
Short-term bank deposits (no longer than 3 months)	46.3	18.5
Cash at bank and on hand	84.3	100.0
Total	130.6	118.5

The carrying amount of the cash and cash equivalents is a reasonable approximation of their fair value.

The credit quality of the banks and financial institutions the Group is working with is mentioned in the following table:

in € million	December 31, 2018	December 31, 2017
AA	26.5	7.2
A	75.7	88.5
BBB	3.7	10.5
BB	19.5	9.1
C	1.3	-
No credit rating	3.9	3.2
Total	130.6	118.5

7.14. SHARE CAPITAL

in € million	Number of shares	Share capital	Share Premium	Total
Opening balance at January 1, 2017	74,861,108	722.0	266.8	988.8
Capital Increase	7,486,110	74.9	146.0	220.8
Issuance expenses new shares	-	(1.7)	-	(1.7)
Closing balance at December 31, 2017	82,347,218	795.2	412.8	1,208.0
Closing balance at December 31, 2018	82,347,218	795.2	412.8	1,208.0

In March 2017, a capital increase was realized in an accelerated bookbuilt placement. The share capital increased with € 74.9 million, and the share premium increased with €146.0 million pursuant to a capital increase in cash.

The capital of € 1,208.0 million is represented by 82,347,218 shares, of which 1,559,874 treasury shares (2017: 1,068,684 treasury shares). As such, the ordinary shares held by third parties amount to 80,787,344 shares (2017: 81,287,534).

7.15. 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 2017 was 79,661,317, which is the weighted average number of shares for 2017, given the capital increase in March 2017, see also note 7.14. The number of shares used for 2018 was 81,020,929, which is the weighted average number of shares for 2018.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for the effects of all dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

In case of Ontex Group NV, no effects of dilution affect the net profit attributable to ordinary equity holders. The table below reflects the income and share data used in the basic and diluted earnings per share computations:

in € million	Full year	
	2018	2017
Basic earnings		
Profit from continuing operations attributable to owners of the parent	97.0	128.4
Adjustment dilution	-	-
Profit from continuing operations attributable to owners of the parent, after dilution effect	97.0	128.4
Adjusted Basic Earnings		
Profit from continuing operations attributable to owners of the parent	97.0	128.4
Total Non-recurring Income & Expenses	24.3	4.4
Tax correction	(11.6)	(1.4)
Adjusted Basic Earnings	109.7	131.4
Adjustment dilution	-	-
Adjusted Earnings, after dilution effect	109.7	131.4

Number of shares	Full year	
	2018	2017
Weighted average number of ordinary shares outstanding during the period	81,020,929	79,661,317
Dilution	94,940	239,792

Earnings per share (€)	Full year	
	2018	2017
Basic earnings per share	1.20	1.61
Diluted earnings per share	1.20	1.61
Adjusted basic earnings per share	1.35	1.65
Adjusted diluted earnings per share	1.35	1.64

A weighted average number of 393,672 options were not included in the denominator of the diluted earnings per share as they were out-of-the-money at year-end 2018 (2017: 18,716 options).

7.16. INTEREST-BEARING DEBTS

In € million	December 31, 2018	December 31, 2017
Non-current		
Borrowings:		
Syndicated Term Loan A > 1 year	587.8	584.7
Term Loan > 1 year	150.0	150.0
Total return swap	33.0	25.6
Financial lease and other liabilities	15.8	11.7
Interest-bearing debts non-current	786.6	772.0
Current		
Borrowings:		
Senior revolving credit loan	82.4	30.0
Interests:		
- Other borrowings	1.2	1.0
Financial lease and other liabilities	20.4	38.9
Interest-bearing debts current	104.0	69.9
Total interest-bearing debts	890.6	841.9

Reconciliation to statement of cash flows:

December 31, 2018 in € million	Opening carrying amount	Cash flows	Non-cash movements						Closing carrying amount
			Acquisition	Business combination	Fair value changes	Exchange differences	Re- classes	Other	
Non-current interest-bearing debts									
Borrowings	760.3	(4.7)	-	-	-	-	-	15.2	770.8
Financial lease and other liabilities	11.7	4.0	-	-	-	0.6	(0.5)	-	15.8
Current interest-bearing debts									
Borrowings	31.0	52.4	-	-	-	-	-	0.3	83.7
Financial lease and other liabilities	38.9	(18.5)	-	-	-	(0.6)	0.5	-	20.3
Total liabilities from financing activities	841.9	33.2	-	-	-	-	-	15.5	890.6
<i>Presented in the statement of cash flows (financing activities) as follows:</i>									
Proceeds from borrowings		58.6							
Borrowing expenses paid		-							
Repayment of borrowings		(25.4)							

December 31, 2017	Opening carrying amount	Cash flows	Non-cash movements						Closing carrying amount
			Acquisition	Business combination	Fair value changes	Exchange differences	Re- classes	Other	
in € million									
Non-current interest-bearing debts									
Borrowings	768.7	(15.5)	-	-	-	-	-	7.1	760.3
Financial lease and other liabilities	10.4	2.2	-	-	-	(1.1)	0.2	-	11.7
Current interest-bearing debts									
Borrowings	2.3	28.7	-	-	-	-	-	-	31.0
Financial lease and other liabilities	20.7	1.3	-	17.1	-	-	(0.2)	-	38.9
Total liabilities from financing activities	802.1	16.7	-	17.1	-	(1.1)	-	7.1	841.9
<i>Presented in the statement of cash flows (financing activities) as follows:</i>									
Proceeds from borrowings		1,108.2							
Borrowing expenses paid		(3.9)							
Repayment of borrowings		(1,087.7)							

All borrowings are denominated in € as of December 31, 2018 and 2017. On November 14, 2014, Ontex Group NV closed the offering of € 250.0 million 4.75% Senior Secured Notes due November 15, 2021 for an issue price of 100%. On November 15, 2017, the Group redeemed all outstanding Notes. As a result of this early redemption, the Group incurred a redemption expense of € 5.9 million, which is presented in 'Net finance cost' in the 2017 consolidated income statement.

On September 26, 2017, the Group entered into a syndicate credit facilities agreement (Syndicated Term Loan A) in an amount of € 600.0 million, and a revolving credit facility (Senior Revolving Facility B) in an amount of up to € 300.0 million. The Syndicated Term Loan A of € 600 million due 2022 is carrying an interest rate of EURIBOR 3 months + margin of 1.50%. The Senior Revolving Facility B of € 82.4 million due 2022 is carrying an interest rate of EURIBOR 3 months + margin of 1.30%.

Furthermore, the Group has also closed a Term Loan of € 150 million due 2024, carrying an interest rate of EURIBOR 3 months + margin of 1.40%. This agreement also includes an accordion option of € 100 million, carrying an interest rate of EURIBOR 3 months + margin of 1.40%.

As of December 31, 2018, € 217.6 million of the Senior Revolving Facility is undrawn (2017: € 270.0 million).

On July 29, 2015, a full hedging program (total return swap) for the share-based payment arrangements (LTIP) was implemented. For more information we refer to note 7.5.6 and 7.27.

This program was extended and the total return swap increased to an amount of € 33.0 million (2017: € 25.6 million).

7.16.1. Collateral for borrowings

The Group is subject to regular information covenants, and certain financial ratios are monitored.

No assets have been pledged in the context of the syndicated term loans. However, certain subsidiaries act as guarantors for these loans.

7.16.2. Other information

- Following lines of credit have been granted to Productos Internacionales Mabe, S.A de C.V, of which nothing has been used:
 - USD 25.0 million from HSBC;
 - USD 6.0 million from Banamex;
 - USD 2.3 million and MXN 192.7 million from Banregio.
- Following lines of credit have been granted to Ontex Tuketim A.S.:
 - TRY 24.1 million and USD 1.6 million from Isbank Turkey. Over this line of credit in USD, 0.2 million has been utilized for letters of guarantees given to one of the suppliers.
 - TRY 10.1 million from Akbank Turkey. Over this line nothing has been used.
 - TRY 3.9 million and USD 0.9 million from Garanti Turkey. Over the line of credit of USD 0.9 million, USD 0.1 million has been utilized for a letter of guarantee given to one of the suppliers.
- Following lines of credit have been granted to Active Industria De Cosméticos S.A., of which BRL 25.2 million has been used:
 - BRL 113.5 million from Banco Itaù.
 - BRL 26.8 million from Safra.
- Following lines of credit have been granted to Ontex Manufacturing Australia Pty Ltd, of which nothing has been used:
 - AUD 1.0 million and USD 0.4 million from Commonwealth Bank Australia.
- Ontex BVBA has given bank guarantees for an amount of € 10.2 million in favor of the Italian VAT authorities and € 2.0 million in favor of the Italian Custom Agency as at December 31, 2017.

7.17. EMPLOYEE BENEFIT LIABILITIES

The Group grants its working and retired personnel post-employment benefits, long-term benefits, and termination benefits. These benefits have been valued in conformity with IAS 19. The related IAS 19 liability recognized in the statement of financial position can be analysed as follows:

in € million	December 31, 2018	December 31, 2017
Post-employment benefits	19.9	19.3
Long-term benefits	2.6	2.3
Termination benefits ¹	0.1	0.1
Employee benefit liabilities	22.6	21.7
Short-term employee benefit liabilities	47.9	44.7
Net liability	70.4	66.4

¹The termination benefits include also the pre-pensions.

The calculation of the liability is based on actuarial assumptions that have been determined on the various balance sheet dates. They are based not only on macro-economic factors valid for the dates in question but also on the specific characteristics of the various schemes evaluated. They represent the Group's best estimate for the future. They are periodically reviewed in accordance with the evolution of the markets and available statistics.

Post-employment benefits

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

Ontex also operates several unfunded pension arrangements in respect of our German operations. The German operations do not fund the pension arrangements but reflect pension scheme liabilities in company accounts on an IAS 19 basis. The pension benefits are paid by the relevant company as they fall due.

The Group operates a couple of defined contribution (DC) plans which receive fixed contributions. The Group's legal or constructive obligation for these plans is limited to the contributions. The expense recognized in the current period in relation to these contributions amounts to € 3.6 million (see also note 7.21 below; 2017: € 4.1 million).

In Belgium, the defined contribution (DC) plans are subject to a minimum guaranteed rate of return by law and are hence treated as defined benefit (DB) plans. In practice, this guarantee is mainly covered by insurance companies. As there is no deficit as per December 31, 2018, no liability has been recognized (2017: nil). The accumulated reserves of these plans are equal to the assets. There are no risks to which the plan exposes the entity, focusing on any unusual, entity-specific or plan-specific risks, and of any significant concentrations of risk.

Reconciliation of the post-employment employee benefit liabilities

in € million	December 31, 2018	December 31, 2017
RECOGNITION OF THE OBLIGATION		
Defined benefit obligation (DBO) at end of period	(30.0)	(28.1)
Fair value of plan assets at end of period	11.3	9.4
Funded status	(18.7)	(18.7)
Net (Liability)/Asset in statement of financial position	(18.7)	(18.7)
Defined Benefit Cost		
Current service cost	(2.4)	1.7
Past service cost	-	(0.3)
Service cost recognized in Income Statement	(2.4)	1.4
Interest expense on DBO	(0.5)	0.5
Interest income on plan assets	0.1	-
Net interest cost	(0.3)	0.5
Remeasurement of other long term benefits	-	0.0
Pension expense	(2.7)	1.9

in € million	December 31, 2018	December 31, 2017
RECONCILIATION OF THE OBLIGATION		
Defined benefit obligation (DBO) at beginning of year	(28.4)	(28.1)
Current service cost	(2.4)	(1.7)
Past service cost	-	0.3
Service cost	(2.4)	(1.4)
Interest expense on DBO	(0.5)	(0.5)
Participant contributions	(0.1)	(0.1)
Administrative expenses included in the DBO	0.1	0.1
Taxes included in the DBO	0.2	0.1
Other significant events (transfers)	-	(0.3)
Benefit payments from plan	0.1	0.1
Benefit payments from employer	0.4	0.5
Effect of changes in financial assumptions	0.2	(0.7)
Effect of experience adjustments	(0.1)	1.6
Effect of changes in foreign exchange rates	0.4	0.3
Defined benefit obligation (DBO) at end of year	(30.0)	(28.4)

in € million	December 31, 2018	December 31, 2017
RECONCILIATION OF PLAN ASSETS AT FAIR VALUE		
Fair value of plan assets at beginning of year	9.4	8.1
Interest income	0.1	0.2
Employer contribution	2.2	1.5
Plan participants' contributions	0.1	0.1
Other significant events (transfers)	-	0.3
Benefit payments from plan	(0.1)	(0.1)
Benefit payments from employer	(0.4)	(0.5)
Administrative expenses included in the DBO	(0.1)	(0.1)
Taxes paid from plan assets	(0.2)	(0.2)
Return on plan assets (excluding interest income)	0.2	0.1
Fair value of plan assets at end of period	11.3	9.4

in € million	December 31, 2018	December 31, 2017
RECONCILIATION OF NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION		
Net (liability)/asset at beginning of year	(18.9)	(19.8)
Business combination	-	-
Other significant events (transfers)	-	-
Defined benefit cost included in the income statement	(2.4)	(1.9)
Net interest expense	(0.3)	-
Total remeasurements included in OCI	0.3	1.0
Employer contributions	2.2	1.7
Effect of changes in foreign exchange rates	0.4	0.3
Net (liability)/asset at end of year	(18.7)	(18.7)
Unfunded Versus Funded		
Part of DBO from plans that are wholly unfunded	(18.7)	(18.9)

The plan assets consist of insurance contracts.

Expected contributions to post-employment benefit plans for the year ending December 31, 2019 are € 2.5 million.

Significant actuarial assumptions

As at December 31, 2018	COUNTRY					
	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate	1.65% *	1.35% / 1.65% / 1.50% *	1.55% *	17.0%	1.55% *	7.9%
Expected Interest Income	1.7%	1.35% / 1.65% / 1.50%	1.6%	17.0%	1.6%	7.9%
Salary increase rate (on top of inflation)	3.3%	0.00% / N/A / N/A	2.5%	12.0%	N/A	4.5%
Rate of inflation	1.8%	1.75% / 1.75%	1.8%	12.0%	1.8%	4.0%
Mortality table	MR FR with age correction minus 3years	Heubeck 2018 G	INSEE 2013/2015 par sexe	C.S.O. 1980	IPS55	EMSSA09
Turnover table/rates	None	N/A	Table 1	company specific	5% flat	Based on company experience
Disability table/rates	N/A	Heubeck 2018 G	N/A	N/A	N/A	N/A
Weighted average durations	14.1	10.9	13.0	4.6	12.4	11.0

* plan durations < 11: 1.35% ; plan durations between 11 and 12: 1.50% ; plan durations between 12 and 13: 1.55% ; plan durations > 13: 1.65%

As at December 31, 2017	COUNTRY					
	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate	1.5% *	1.20% / 1.50% / 1.25% *	1.5% *	9.7%	1.35% *	7.5%
Expected Interest Income	1.5%	1.20% / 1.50% / 1.25%	1.5%	9.7%	1.4%	7.5%
Salary increase rate (on top of inflation)	3.3%	0.00% / N/A / N/A	2.5%	5.0%	N/A	4.5%
Rate of inflation	1.8%	1.75% / 1.75% / 1.75%	1.8%	5.0%	1.8%	4.0%
Mortality table	MR FR with age correction minus 3years	Heubeck 2005 G	INSEE 2012/2014 par sexe	C.S.O. 1980	RG48 Italian tables	EMSSA09
Turnover table/rates	none	N/A	Table 1	company specific	3% flat	Based on company experience
Disability table/rates	N/A	Heubeck 2005 G	N/A	N/A	N/A	N/A
Weighted average durations	14.1	10.9	13.0	4.6	12.4	11.0

* plan durations < 12: 1.3% ; plan durations <= 15: 1.4% ; plan durations > 15: 1.8%

There are no unusual entity-specific or plan-specific risks to which the plan exposes the entity, neither are there any significant concentrations of risk.

The sensitivity analyses below have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Sensitivity analysis in € million	As at December 31, 2018					
	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate - 0.25bp	(15.9)	(10.2)	(2.8)	(1.4)	(1.0)	(1.0)
Discount rate + 0.25bp	14.8	9.7	2.6	1.4	1.8	1.0
Salary increase - 0.25bp	(15.2)	(2.9)	(2.6)	(1.4)	(1.8)	(1.0)
Salary increase + 0.25bp	15.5	2.9	2.8	1.4	1.8	1.0

in € million	As at December 31, 2017					
	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate - 0.25bp	(13.3)	(9.3)	(2.7)	(0.4)	(2.0)	(1.2)
Discount rate + 0.25bp	12.4	8.8	2.5	0.4	1.8	1.2
Salary increase - 0.25bp	(12.7)	(2.9)	(2.5)	(0.4)	(1.9)	(1.2)
Salary increase + 0.25bp	13.0	2.9	2.7	0.4	1.9	1.2

Post-Employment Benefits by Country

in € million	As at December 31, 2018					
	Belgium	Germany	France	Turkey	Italy	Mexico
RECOGNITION OF THE OBLIGATION						
Defined benefit obligation (DBO) at end of period	(14.6)	(8.8)	(2.7)	(1.1)	(1.8)	(1.1)
Fair value of plan assets at end of period	11.3	-	-	-	-	-
Funded status	(3.3)	(8.8)	(2.7)	(1.1)	(1.8)	(1.1)
Net (liability)/asset in statement of financial position	(3.3)	(8.8)	(2.7)	(1.1)	(1.8)	(1.1)

in € million	As at December 31, 2017					
	Belgium	Germany	France	Turkey	Italy	Mexico
RECOGNITION OF THE OBLIGATION						
Defined benefit obligation (DBO) at end of period	(12.9)	(9.1)	(2.6)	(0.5)	(1.9)	(1.2)
Fair value of plan assets at end of period	9.4	-	-	-	-	-
Funded status	(3.4)	(9.1)	(2.6)	(0.5)	(1.9)	(1.2)
Net (liability)/asset in statement of financial position	(3.4)	(9.1)	(2.6)	(0.5)	(1.9)	(1.2)

7.18. DEFERRED TAXES AND CURRENT TAXES

Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred taxes relate to the same fiscal authority. The deferred tax assets and liabilities are attributable to the following items:

in € million	2018		2017	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Intangible assets	0.2	-	-	(1.9)
Property, plant and equipment	-	(43.7)	-	(42.9)
Inventories	-	(1.9)	0.2	-
Financial instruments	1.0	-	0.4	-
Employee benefits	1.0	-	2.5	-
Accrued expenses and other payables	2.7	-	4.3	-
Others	-	(2.7)	-	(1.6)
Tax losses	105.3	-	109.1	-
Tax credit	1.4	-	0.6	-
Total deferred tax assets & liabilities related to temporary differences	111.6	(48.3)	117.1	(46.4)
Net deferred tax assets not recognized	(86.7)	-	(95.2)	-
Reclass (net deferred tax position by company)	1.6	(1.6)	(3.6)	3.6
Total deferred tax assets & liabilities	26.5	(49.9)	18.3	(42.8)

Deferred tax assets are recognized on temporary differences, tax attributes carried forward and tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable.

The tax losses carried forward mainly relate to France, Belgium, Brazil and Spain. In Belgium and France, deferred tax assets have been recognized on tax losses carried forward considering the expected taxable profits in the foreseeable future.

The Group did not recognize deferred tax assets of € 86.7 million (2017: € 95.2 million) on the tax losses carried forward (see also note 7.4.1).

In Spain, this relates to tax losses at the level of the Spanish subsidiary acquired as part of Grupo Mabe. In Brazil this relates to tax losses at the level of the Brazilian subsidiaries. In both countries, tax losses can in principle be carried forward indefinitely but the current profit levels in the relevant entities are such that no deferred tax asset has been recognized per December 31, 2018, bearing in mind that in Brazil no tax consolidation is allowed and that in Spain pre-acquisition tax losses cannot be offset against profits of legacy Ontex entities.

The Group did not recognize deferred taxes associated with investments in subsidiaries. There is currently no policy or detailed plan in relation to the payment of dividends within the Group.

Current taxes

in € million	December 31, 2018	December 31, 2017
Current tax assets	12.5	7.1
Current tax liabilities	(46.0)	(50.9)

The current tax assets mainly relate to the excess of pre-payments made compared to the actual income tax payable for the year. The current tax liabilities include an amount of € 35.6 million actual corporate taxes payable (2017: € 36.8 million) and € 10.4 million of provision for uncertain taxes (2017: € 14.1 million).

7.19. CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities (excluding provisions, income tax liabilities, financial liabilities and liabilities directly associated with non-current assets intended for sale) can be presented as follows:

in € million	December 31, 2018	December 31, 2017
Accrued expenses and other payables	31.8	32.8
Less: Non-current portion	-	-
Current accrued expenses and other payables	31.8	32.8
Other current financial liabilities	0.0	20.8
Trade payables	501.0	473.3
Employee benefit liabilities	47.9	44.7
Total current liabilities	580.7	571.7
Other non-current financial liabilities	-	-

The Other current financial liabilities as per December 31, 2017 included the deferred consideration payment for the acquisitions of Grupo Mabe (€ 15.8 million) and Serenity (€ 5.0 million).

7.20. PROVISIONS

in € million	Legal claims	Restructuring	Other	Total
Opening Balance	7.2	1.0	-	8.2
Additional provisions	0.4	2.2	0.1	2.7
Unused amounts reversed	(0.1)	(0.5)	(0.2)	(0.8)
Used during the year	(0.1)	(1.4)	-	(1.5)
Transfers	(0.6)	(0.5)	1.1	-
As at December 31, 2018	6.8	0.8	1.0	8.6
<i>Of which non-current</i>	-	-	-	-
<i>Of which current</i>	6.8	0.8	1.0	8.6

The Group recognizes a provision for certain legal claims filed against the Group by customers, suppliers or former employees.

On September 2, 2014, Ontex received a notification that the Spanish Competition Authorities (CNMC) opened infringement proceedings against 15 companies in the sector (including three subsidiaries of the Company: Ontex Es Holdco, S.A., Ontex Peninsular, S.A.U. and Ontex ID, S.A.U.) with respect to alleged conduct of fixing prices and other commercial conditions in the Spanish market for heavy adult incontinence products. On May 26, 2016, following the investigation, the CNMC issued its decision. In its decision it has found eight companies, including Ontex' Spanish subsidiaries guilty of being part of a cartel. For its involvement from 1999 to 2014, Ontex was fined € 5.2 million. Ontex initiated an appeal against the decision and this appeal is pending. As per December 31, 2016, a provision amounting to € 5.2 million has been accounted for. The provision has not been adjusted per December 31, 2018.

7.21. EMPLOYEE BENEFIT EXPENSES

in € million	Full Year	
	2018	2017
Wages and salaries	(255.6)	(243.7)
Social security costs	(61.6)	(61.1)
Defined benefit plans - Service cost (note 17)	(2.4)	(1.4)
Defined contribution costs	(3.6)	(4.1)
Other employee benefit expenses	(31.1)	(26.5)
Total employee benefit expenses	(354.4)	(336.7)

In Full-Time Equivalents	2018	2017
Average number of total employees	10,750	11,013
Of which:		
- workers	6,944	7,475
- employees	3,706	3,431
- management	100	107

The 2017 figures include Ontex Brazil average number of total employees since March 7, 2017.

7.22. OTHER OPERATING INCOME/(EXPENSES), NET

in € million	Full Year	
	2018	2017
Gain on sale of assets	0.9	(0.1)
Foreign exchange differences on operating activities	2.7	(0.5)
Losses on sale of assets	(1.0)	(0.6)
Other income/(expenses)	(0.7)	0.7
Total other operating income/(expenses), net	1.9	(0.5)

7.23. NON-RECURRING INCOME AND EXPENSES

in € million	Full Year	
	2018	2017
Factory closure	(5.9)	(0.1)
Business restructuring	(11.1)	(4.2)
Acquisition-related items	2.5	2.1
Change in fair value of contingent consideration	(1.0)	(2.2)
Income and expenses related to changes to Group structure	(15.5)	(4.4)
Impairment of assets	(8.8)	(0.1)
Income and expenses related to impairments and major litigations	(8.8)	(0.1)
Total non-recurring income and expenses	(24.3)	(4.5)

Items classified under the heading non-recurring income and expenses are those items that are considered by management not to relate to items in the ordinary course of activities of the Company. The Group has adopted this classification to allow a better understanding of its recurring financial performance.

These items are presented as follows in the consolidated income statement as follows:

- income and expenses related to changes to Group structure; and
- income and expenses related to impairments and major litigations

7.23.1. Income and expenses related to changes to Group structure

Factory closure

The Group announced in May 2018 the decision to transfer its manufacturing operation in Aparecida de Goiânia to its manufacturing site in Senador Canedo, both in the State of Goiás. This move was made after an in-depth analysis and considering the efficiency of combining the entire production into a single unit, where it will be possible to deploy efficient technologies and processes. All alternatives were investigated to minimize impact on Ontex employees in Aparecida de Goiânia, the majority of whom will transfer to Senador Canedo. The costs recognized to date relates mainly to the restructuring expenses (€ 5.9 million) and impairment losses (see below in 7.23.2). The change will continue through 2019 in order to finalize the turnaround in Brazil.

Business restructuring

The Group undertook several projects to optimize the management of its business. In 2018, the expenses relate to the opening of our new production facility in Poland, the fees incurred in the context of the unsolicited and non-binding proposal to a possible cash offer for the outstanding shares in Ontex by PAI Partners SAS and the costs incurred in the context of the optimization of the sales activities in Brazil.

In 2017, the expenses related to the move of the two existing factories in France into one new site. The 2017 costs further include the costs for the move to a new production facility in Russia and the start-up of a new entity in Ethiopia, hosting both production and commercial activities.

Acquisition-related items

In 2018, an income of € 5.0 million was realized as a result of the reversal of the liability relating to the deferred consideration for the acquisition of Serenity as it is considered not probable. Furthermore, the Group incurred expenses relating to the continuing integration of Grupo Mabe and Ontex Brazil.

In 2017, an income of € 10.0 million was realized as the performance target set for the additional deferred consideration for the acquisition of Grupo Mabe relating to 2017 EBITDA was not achieved. Cost for integration of Grupo Mabe totalled € 1.8 million in 2017. The expenses for the acquisition and integration of Ontex Brazil amounted to € 6.1 million in 2017.

Change in fair value of contingent consideration

Expenses relate to losses from revaluation of the deferred consideration payments expressed in MXN in the context of the acquisition of our Mexican business in 2016.

7.23.2. Income and expenses related to impairments and major litigations

Impairment of assets

The impairment loss is a non-cash item and relates in 2018 mainly to the impairment of assets as a result of the transfer of the manufacturing operation in Aparecida de Goiânia in Brazil to its manufacturing site in Senador Canedo.

7.24. EXPENSES BY NATURE

Expenses by nature represent an alternative disclosure for amounts included in the Consolidated Income Statement. There are classified under 'Cost of Sales', 'Distribution Expenses', 'Sales and Marketing Expenses', 'General Administrative Expenses' and 'Other operating income / expense (Net)' in respect of the years ended December 31:

in € million	Note	Full Year	
		2018	2017
Changes in inventories		9.7	(58.3)
Raw materials and consumables purchased		(1,358.9)	(1,307.5)
Employee benefit expenses	21	(354.4)	(336.7)
Depreciation and amortization	9-10	(56.9)	(53.5)
Rendered services		(312.8)	(345.8)
Operating lease payments	10	(43.7)	(40.2)
Other income / (expenses)	22	1.9	(0.5)
Total cost of sales, distribution expenses, sales and marketing expenses, general administrative expenses and other operating income/(expenses)		(2,115.1)	(2,142.5)

7.25. NET FINANCE COST

The various items comprising the net finance cost are as follows:

in € million	Full Year	
	2018	2017
Interest income on current assets	2.5	3.5
Gain on refinancing	-	8.8
Other	-	0.1
Finance income	2.5	12.4
Interest expense on interest-bearing debts	(14.4)	(21.3)
Fair value adjustment deferred consideration	0.0	(1.2)
Amortization borrowing expenses	(3.6)	(5.9)
Interest expense on other loans	(7.1)	(7.3)
Interest expense	(25.1)	(35.6)
Banking cost	(2.2)	(8.9)
Factor fee	(1.1)	(1.5)
Losses on derivatives and deports forward contracts	(1.2)	(2.3)
Other	(0.3)	-
Finance cost	(29.9)	(48.3)
Finance income as per income statement	2.5	12.3
Finance expense as per income statement	(29.9)	(48.3)
Net exchange differences relating to financing activities	(1.2)	(7.8)
Net finance cost as per income statement	(28.6)	(43.8)

Reconciliation to the statement of cash flows:

in € million	Full Year	
	2018	2017
Total interest expense	(21.1)	(27.1)
Movement in accrued interest and accreting interest	(0.7)	(1.2)
Interest paid	(21.8)	(28.3)
Total interest income	2.5	3.5
Movement in accrued interest	-	(0.2)
Interest received	2.5	3.3

7.26. INCOME TAX EXPENSE

The income tax (charged)/credited to the income statement during the year is as follows:

in € million	Full Year	
	2018	2017
Current tax (expense)/income	(28.9)	(43.1)
Deferred tax (expense)/income	1.7	7.0
Total income tax expense	(27.2)	(36.1)

The income tax expense can be reconciled as follows:

in € million	Full Year	
	2018	2017
Profit before income tax	124.2	164.5
Income tax expense calculated at domestic tax rates	(31.2)	(44.3)
Disallowed expenses	(4.3)	(4.4)
Use of previously unrecognized tax losses	1.6	5.1
Use of previously recognized tax losses	3.3	0.8
Effect of unused tax losses not recognized as deferred tax assets	(3.7)	(4.7)
Effect of previously unrecognised tax losses now recognised as deferred tax assets	8.5	6.9
Adjustments in respect of prior year	(3.4)	(1.5)
Effect on deferred tax balances due to change in tax rates	-	4.8
Other	2.0	1.2
Total income tax expense	(27.2)	(36.1)

7.27. SHARE-BASED PAYMENTS

Since September 2014 the Company implemented yearly Long-Term Incentive Plans ('LTIP'), which are based on a combination of stock options (further 'Options') and restricted stock units (further 'RSU's'). The Options and RSU's are accounted for as equity-settled share-based payments. The options and RSU's can only vest and options giving the right to receive shares of the Company (further 'Shares') or any other rights to acquire Shares can only be exercisable as from three years after the grant. The RSU and Options will vest subject to the condition that the participant remains in service. The share price is considered to be the relevant performance indicator and the vesting of the award will not be subject to additional specific performance conditions. The Articles of Association authorize the Company to deviate from such rule, as allowed under the Belgian Companies Code.

The exercise price of the Options will be equal to the last closing rating of the Share immediately preceding the option grant date. For the Options, the exercise period will start on the vesting date.

The Shares underlying the RSU's will be granted for free as soon as practicable after the vesting date of the RSU's.

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

On or about September 26, 2014, a total of 242,642 stock options and 49,040 RSU's were granted, 69,644 options and 49,040 RSU's have forfeited, expired or have been exercised as of December 31, 2018. The stock options and RSU's are exercisable between September 2017 and September 2022.

On or about June 26, 2015, a total of 159,413 stock options and 38,294 RSU's were granted, 19,746 options and 38,294 RSU's have forfeited, expired or have been exercised as of December 31, 2018. The stock options and RSU's are exercisable between June 2018 and June 2023.

On or about June 15, 2016, a total of 322,294 stock options and 75,227 RSU's were granted, 51,027 options and 11,909 RSU's have forfeited, expired or have been exercised as of December 31, 2018. The stock options and RSU's are exercisable between June 2019 and June 2024.

On or about May 10, 2017 a total of 299,914 stock options and 69,023 RSU's were granted, 36,078 options and 8,303 RSU's have forfeited, expired or have been exercised as of December 31, 2018. The stock options and RSU's are exercisable between June 2020 and June 2025.

During the period, the Group granted a new LTIP plan consisting of 471,064 stock options and 93,576 RSU's, 37,406 options and 7,430 RSU's have forfeited, expired or have been exercised as of December 31, 2018. The stock options and RSU's are exercisable between June 2021 and June 2026.

The Board of Directors of the Group has decided on June 1, 2015 to implement a full hedging program (total return swap) for the share-based payment arrangements starting July 1, 2015 and renewed on an annual basis.

The following share-based payment arrangements were in existence during the current and prior years:

	Expiry Date	Exercise Price per stock option (€)	Fair value (€)	# stock options/RSU's December 31, 2018	# stock options/RSU's December 31, 2017
LTIP 2014					
Options	2022	17.87	3.57	172,998	184,666
RSU's	2017	N/A	15.97	-	-
LTIP 2015					
Options	2023	26.60	6.39	139,667	139,667
RSU's	2018	N/A	24.45	-	33,551
LTIP 2016					
Options	2024	28.44	6.64	271,267	291,689
RSU's	2019	N/A	26.48	63,318	68,084
LTIP 2017					
Options	2025	33.11	7.62	263,836	299,914
RSU's	2020	N/A	30.45	60,720	69,023
LTIP 2018					
Options	2026	23.56	4.68	433,658	-
RSU's	2021	N/A	21.35	86,146	-
Total outstanding stock options				1,281,426	915,936
Total outstanding RSU's				210,184	170,658

The following reconciles the options and RSU's outstanding at the beginning and end of the year:

	Average exercise price per stock option (€) ¹	Stock options	RSU's
As at January 1, 2017	23.54	686,430	108,849
Granted	33.11	299,914	69,023
Forfeited	24.39	(46,426)	(7,214)
Exercised ²	17.87	(23,982)	-
As at December 31, 2017	27.56	915,936	170,658
Granted	33.11	471,064	93,576
Forfeited	32.09	(93,906)	(20,499)
Exercised ²	17.87	(11,668)	(33,551)
As at December 31, 2018	29.35	1,281,426	210,184
<i>of which vested and exercisable</i>	<i>21.77</i>	<i>312,665</i>	<i>-</i>

¹ The average exercise price mentioned in the table above relates only to the stock options, as the RSU's do not have an exercise price.

² The weighted average share price of options exercised during the year ended December 31, 2018 was € 22.64 (2017: € 29.08).

The fair value of the stock options has been determined based on the Black and Scholes model. The expected volatility used in the model is based on the historical volatility of the Company.

Below is an overview of all the parameters used in this model:

	LTIP 2014	LTIP 2015	LTIP 2016	LTIP 2017	LTIP 2018
Exercise Price (€)	17.87	26.60	28.44	33.11	23.56
Expected volatility of the shares (%)	23.58%	26.32%	26.56%	27.12%	25.63%
Expected dividends yield (%)	2.94%	2.14%	1.98%	2.31%	2.70%
Risk free interest rate (%)	1.13%	1.02%	0.37%	0.60%	0.69%

The fair value of the RSU's has been determined by deducting from the exercise price the expected and discounted dividend flow, based on the same parameters as above.

Social charges related to the LTIP are accrued for over the vesting period.

7.28. 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.

7.29. COMMITMENTS

7.29.1. Capital commitments

The Group has contracted expenditures for the acquisition of property, plant and equipment at December 31, 2018 of € 26.3 million (2017: € 40.1 million).

7.29.2. Operating lease commitments

The Group has also contracted a number of property leases that can be terminated by respecting the notice period which is different in each jurisdiction.

The Group leases machinery used in the production. The typical lease terms vary depending upon which country the lease agreement is entered into. The majority of lease agreements are renewable at the end of the lease period at market rate.

The lease expenditure charged to the income statement during the respective years is disclosed in note 7.10 'Property, Plant and Equipment'. Commitments in respect of future minimum lease payments that may be claimed under simple non-cancellable leases break down as follows:

in € million	December 31, 2018	December 31, 2017
Within one year	35.7	18.4
From 1 to 5 years	91.4	42.4
Beyond 5 years	33.8	20.3
Total	160.9	81.1

7.29.3. Bank guarantees

As indicated in note 7.16 'Interest-bearing debts', no assets are pledged as security for these borrowings. The entire amount of the Group's bank borrowings and accrued interest are secured according to collective pledge agreements.

The Group has given bank guarantees for an amount of € 41.8 million in order to participate in public tenders as at December 31, 2018 (2017: € 29.2 million).

7.30. RELATED PARTY TRANSACTIONS

As part of our business, Ontex has entered into several transactions with related parties.

7.30.1. Consolidated companies

A list of subsidiaries is given in note 7.7 'List of Consolidated Companies'.

7.30.2. Relations with the shareholders

There are no transactions with shareholders per December 31, 2018 (nor in 2017).

7.30.3. Relations with non-executive members of the Board of Directors

in € million	Full Year	
	2018	2017
Remuneration	0.9	0.7

7.30.4. Relations with the key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management for the Group are all the members of Management Committee.

7.30.5. Key management compensation

Remuneration of the CEO in € million	Full Year	
	2018	2017
Fixed and variable remuneration	1.6	1.3

Remuneration of the Executive Team (excluding the CEO) in € million	Full Year	
	2018	2017
Fixed remuneration	4.7	4.3
Variable remuneration	1.9	1.2
Other remuneration	0.8	0.5
Total	7.4	6.0

The company implemented Long-Term Incentive Plans ('LTIP'), which are based on a combination of stock options and restricted stock units (see note 7.27).

The number of stock options and restricted stock units granted to the CEO and the Executive Management Team is summarized below:

For the year ended December 31, 2018	Number of RSU's	Number of Stock Options
LTIP 2014		
CEO	7,868	38,930
Executive Team (excluding CEO)	21,163	104,720
LTIP 2015		
CEO	6,884	28,661
Executive Team (excluding CEO)	15,786	65,718
LTIP 2016		
CEO	14,522	62,220
Executive Team (excluding CEO)	37,496	160,65
LTIP 2017		
CEO	10,368	45,052
Executive Team (excluding CEO)	36,982	160,699
LTIP 2018		
CEO	14,921	75,114
Executive Team (excluding CEO)	47,478	239,016

7.31. EVENTS AFTER THE END OF THE REPORTING PERIOD

On March 7, 2019, Ontex informed its employees at the Yangzhou (China) plant of its intention to cease production by mid-2019. This plant primarily manufactures feminine care products for the Western European market, and this production will be re-allocated to other Ontex plants. Ontex does not expect this decision to have a significant impact on the Group financial results

The Board of Directors will propose to the Annual General Meeting to approve the distribution of a gross dividend of € 0.41 per share (2017: € 0.60 per share). In accordance with IAS 10 *Events after the Reporting Period*, the proposed dividend has not been recognized as a liability at year-end.

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

7.32. AUDIT FEES

in € thousands	Full Year	
	2018	2017
Audit Fees	1,108.4	1,090.0
Additional Services rendered by the auditor's mandate:		
Audit related fees	95.5	48.0
Tax advisory & compliance services	270.3	639.0
Due diligence fees	-	-
Other Services	22.9	-
Total	1,497.1	1,777.0

SUMMARY STATUTORY FINANCIAL STATEMENTS

STATUTORY BALANCE SHEET AFTER APPROPRIATION

in € million	December 31, 2018	December 31, 2017
ASSETS	3,282.5	3,231.8
FIXED ASSETS	3,078.9	3,036.2
Formation expenses	1.6	2.2
Intangible assets	45.4	72.0
Tangible assets	2.1	2.6
Financial fixed assets	3,029.9	2,959.4
<i>Participating interests</i>	1,908.0	1,908.0
<i>Amounts receivable</i>	1,121.8	1,051.3
<i>Other financial fixed assets</i>	0.1	0.2
CURRENT ASSETS	203.5	195.6
Amounts receivable within one year	121.3	119.4
Treasury shares	27.9	29.3
Cash at bank and in hand	52.1	43.4
Deferred charges and accrued income	2.2	3.5
EQUITY AND LIABILITIES	3,282.5	3,231.8
EQUITY	1,994.0	2,032.4
<i>Capital</i>	823.6	823.6
<i>Share premium</i>	412.7	412.7
<i>Reserves</i>	285.6	321.3
<i>Retained earnings</i>	472.1	474.7
PROVISIONS AND DEFERRED TAXES	4.4	7.1
AMOUNTS PAYABLE	1,284.0	1,192.3
Amounts payable after more than one year	806.5	793.6
<i>Financial debt</i>	806.5	793.6
Amounts payable within one year	476.6	397.6
<i>Financial debt</i>	241.5	184.1
<i>Trade debts</i>	8.9	6.3
<i>Taxes, remunerations and social security</i>	5.4	3.5
<i>Other amounts payable</i>	220.7	203.8
Accruals and deferred income	0.9	1.0

STATUTORY INCOME STATEMENT

in € million	Full Year	
	2018	2017
Operating income	41.9	46.4
Operating charges	(69.5)	(68.8)
Operating loss	(27.7)	(22.4)
Financial result	24.5	27.5
Profit/(loss) for the period before taxes	(3.2)	5.1
Income taxes	(1.4)	(1.1)
Profit/(loss) for the period	(4.6)	4.0

EXTRACT FROM ONTEX GROUP NV SEPARATE (NON-CONSOLIDATED) FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH BELGIAN GAAP

The preceding information is extracted from the separate Belgian GAAP financial statements of Ontex Group NV and is included as required by article 105 of the Belgian Company Code. The separate financial statements, together with the annual report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Ontex Group NV, Korte Keppestraat 21, 9320 Aalst (Ereembodgem).

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Ontex Group NV prepared in accordance with Belgian GAAP for the year ended December 31, 2018 (full financial year) give a true and fair view of the financial position and results of Ontex Group NV in accordance with the legal and regulatory dispositions applicable in Belgium.