

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

DARE TO MOVE FORWARD TOGETHER.



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CHARLES BOUAZIZ
CHIEF EXECUTIVE OFFICER

CAN YOU GIVE A BRIEF DESCRIPTION OF THE YEAR?

Charles: In 2018, we continued to invest in sales, marketing and R&D to support top-line growth. And thanks to the resilience and hard work of our people all over the world, we managed to negate most of the potential roadblocks to achieve low single digit like-for-like growth in what were broadly flat hygiene markets. Our results, more details of which can be found on page 52-53, are a testimony to our employees' commitment and I would like to thank everyone for their outstanding efforts during the year.

Luc: The Board recognizes the strong foundations of the company and the commitment of our people which was tested to the full in 2018. The Board had open, transparent and robust debates with the executive team in the course of the year, challenging them where needed, and supporting the long-term aspirations and strategy even when things did not turn out as anticipated. In the course of the year, the company received an unsolicited takeover proposal from PAI. As a board, we were unanimous in not supporting a potential offer on the terms discussed and the matter closed in September.



HOW DID YOU ADDRESS THE CHALLENGES IN BRAZIL IN 2018?

Charles: We acted decisively to address the situation in Brazil and our plans to turn the business around are well on track. Our first priority was to stabilize the business and ensure a sustainable model going forward. To do this, we consolidated production to one single site, we started up Ontex proprietary production lines and re-launched two of our local baby diaper brands. As a result, Brazil revenue in local currency and adjusted EBITDA both improved sequentially each quarter.

Luc: The Brazilian acquisition was important from a strategic point of view. We have always been open about the gaps that we need to address, for example, our geographic scope (historically too focused on Western Europe) and our reliance on retailer brands. Brazil was part of the plan to redress these imbalances. The issues we had in Brazil are an exception to our track record. The decisions made by management to address top line and margin improvement were reassuringly swift. The focus on efficiency, innovation and attractive products is the right path. The signs of recovery are encouraging.

WHAT ABOUT THE REST OF THE GROUP?

Charles: There were strong performances in Mexico and North America as well as the Middle East North Africa and the Growth Markets Divisions despite challenging conditions. Our Healthcare Division also performed well in a tricky pricing environment. Our Mature Markets Retail Division had a tougher year. We made it very clear that we would increase prices in view of input cost pressures. This resulted in some volume losses in the short term and, even though it was a conscious decision, it did affect performance.

We continued to invest in initiatives that support profitable growth, for example progressing strongly in organic cotton tampons and shipping our first full quarter of retailer brand baby diapers to a major US retailer. The latter presents a significant market opportunity in the coming years. Other success stories also include our baby diaper subscription business in France (see page 24) and adding capacity for higher-margin adult and baby pants.

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LUC MISSORTEN
CHAIRMAN OF THE BOARD

LAST YEAR YOU MENTIONED THE WORK BEING DONE IN TERMS OF PEOPLE, DIGITALIZATION, INNOVATION AND SUSTAINABILITY. CAN YOU SUMMARIZE THE PROGRESS IN EACH?

Charles: You can read more about our progress in the relevant sections of this report. What I can say here in summary is that the work in these four cross-company areas has continued with unrelenting focus and vigor.

The skills and adaptability of our people are key to running the complex world in which we operate whether that's in manufacturing or on the commercial side. And our attraction as a company is ultimately driven by our ambition and vision. Our transformation to an international player means that we can offer exciting jobs in many places across the globe. One of the highlights of the year for me, therefore, was the introduction of the new Ontex Leadership Model to prepare each and every one of our people for the future.

We continued to exploit the possibilities of digital in improving our operations and also in connecting with consumers. Our commitment to digital go-to-market channels creates a strong affinity with today's digital natives both externally and

internally, and we launched a number of innovative digital product platforms, for example, 'Little Big Change' (see page 24), to meet unmet consumer needs. We also continued to exploit the opportunities of the digital world to optimize our manufacturing and logistics operations.

The number of product and product platform launches and re-launches across all our categories, highlighted in the following pages, once again demonstrated our ability to delight our customers and consumers with innovation. We focused also on the innovation process itself introducing new thinking, and even looking at specific approaches for retailer brands and own brands to ensure that we are focusing on what is important for each category.

In terms of sustainability, we are very conscious of the impact that we as a company can have on the environment and have a clear strategy to ensure we remain sustainable for the long term. Within sustainability, we focus on three key pillars – products, production and people – to ensure that sustainability forms an integral part of all our policies and activities. We saw progress across almost all of our key performance indicators (see page 16) for example, continuing to improve the environmental profiles of our products



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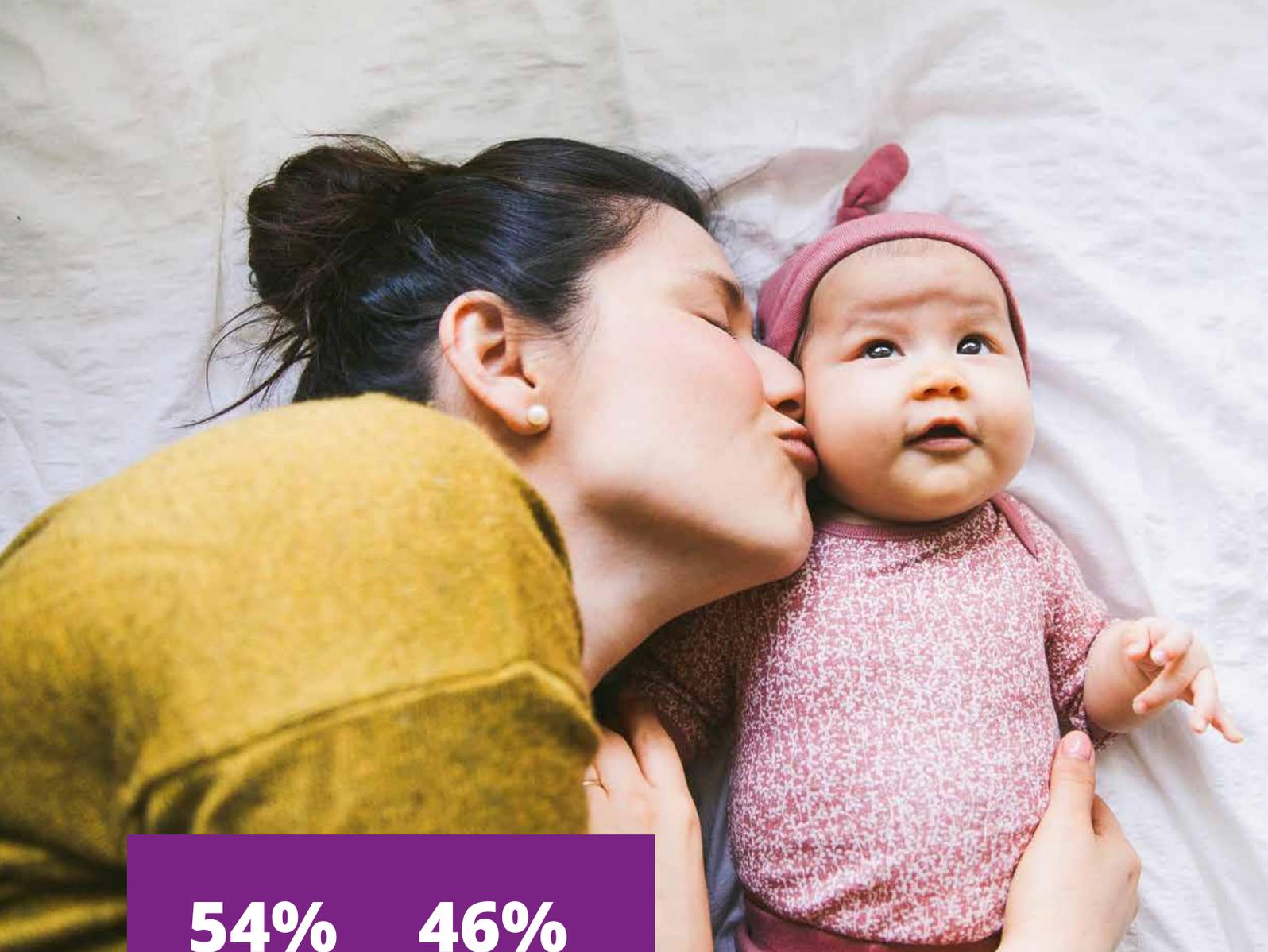
CHARLES BOUAZIZ
CHIEF EXECUTIVE OFFICER

and looking at ways to reduce materials without loss of performance. I am also very encouraged by the progress we have made in terms of safety. Waste remains an issue as often we are dependent on local infrastructure which can vary widely. The review of strategy and goals in 2019 will take this into account.

Luc: At Board level, we closely follow how each of the four areas – people, digitalization, innovation and sustainability – are being further developed. Together, they are key to creating value for our business and the communities in which we work. Importantly, they are essential to our risk management. We realize that the market for talent is competitive and the breadth and the depth of our personal development programs are an important factor in attracting the right people. Also, being a growth company renowned for innovation is always positive in this respect. Our progress on the digital front gives us an opportunity to be different, to be unique. It also strikes a very positive chord among the younger generation. The 2019 review of the sustainability strategy and related goals is timely and will strengthen the link between sustainability and our innovation program, which we see as intimately intertwined. The expectations of our customers are clearly changing and the impending review will strengthen our foundations and help ensure that we are ready for the future.

YOU MENTIONED IN THE COURSE OF THE YEAR THAT YOU WOULD BE CONDUCTING A REVIEW OF THE BUSINESS TO ACCELERATE THE DELIVERY OF VALUE. CAN YOU UPDATE?

Charles: Challenging times often bring out the best in your people, and our results in 2018 certainly bear this out. They also stimulate you to ask the right questions, to review your models, and really take a close look at yourselves. And this can only be positive for the company's future. We have always been bold in our approach. Now we must dare to take the next step. In the first quarter of 2019, we announced the evolution of our commercial structure as well as changes to our internal organization. In short, the main aims are to attain customer leadership through commercial focus and cost leadership through standardization and optimal use of our operational network. The shift from five to three Divisions is a natural and logical evolution. The Divisions now better re-



54%

RETAILER
BRANDED
PRODUCTS

46%

ONTEX
BRANDED
PRODUCTS

MORE AND MORE CONSUMERS ARE ATTRACTED BY THE PERFORMANCE AND VALUE FOR MONEY OF OUR RETAILER BRANDS. AT THE SAME TIME, WE CONTINUE TO STEADILY INCREASE OUR OWN BRANDED BUSINESS. BOTH CONTRIBUTE TO OUR OVERARCHING AIM TO OUTGROW THE MARKET



flect our business – own branded goods and retailer branded goods – with Healthcare as its own separate business. The focus will help us speed up decision-making, make us more agile in response to changing customer requirements, and make our industrial processes more efficient. We also introduced a new centralized operational structure. This will help standardize our end-to-end operations, progress them to best-in-class industry standards and to reap the benefits of scale.

Luc: The approach from PAI strengthened our resolve to deliver more value faster and as a Board we are fully supportive of the transformation. We appreciate the inherent strength of the business and we are positive about our future potential. The executive team, indeed the entire business, is working with focus and urgency in their effort to implement the transformation and to create a new platform that, I am confident, will lead to enhanced value for consumers, customers and all our stakeholders.