Ontex H1 2018: Solid progress against 2018 priorities

- **Growing share in core markets with our robust portfolio: LFL ex Brazil +2.2%**
- **Actions to drive margin improvement coming through: price/mix +1%**
- **Execution of comprehensive Brazil turnaround plan on track**

Aalst-Erembodegem, July 26, 2018 - Ontex Group NV (Euronext Brussels: ONTEX; 'Ontex,' 'the Group' or 'the Company') today announced its results for the six-month period ended June 30, 2018.

H1 2018 Financial Highlights

- Like-for-like (LFL) revenue growth of 2.2% ex Brazil on higher volumes and positive price/mix
  - 5% LFL revenue growth in both Adult Inco and Femcare categories
  - Brazil Q2 2018 revenue excluding FX accelerated strongly versus Q1 2018, up by 52%
  - LFL Group revenue up 0.4%; foreign exchange (FX) headwind of €58.8 million
- Adjusted EBITDA of €117.7 million, Adjusted EBITDA margin of 10.4% (11.6% ex Brazil);
  - Consistent actions to drive positive price/mix and savings delivering
  - Adjusted EBITDA margin 10.9% at constant FX (2018 FX headwind of €12.2 million)
  - Steady reduction of losses in Brazil through H1
- Adjusted EPS of €0.70 supported by benefits of the 2017 refinancing and a lower tax rate

H1 2018 Operational Highlights

- Accelerating innovation pipeline across categories and markets
- Continued growing supply to e-commerce retailers; startup of own digital initiatives
- New capacities in Adult and Baby pants, startup of proprietary production technology in Brazil
- Announced consolidation of production in Brazil, yielding €7 million annual EBIT savings

Key Financials H1 2018 and Q2 2018

In € million, except margin & per share data	H1 2018	H1 2017	% Change		Q2 2018	Q2 2017	% Change
Reported Revenue	1,129.6	1,164.1	-3.0%		571.5	612.2	-6.6%
LFL Revenue	1,168.3	1,164.1	0.4%		607.3	612.2	-0.8%
Adjusted EBITDA	117.7	144.7	-18.7%		60.2	74.8	-19.4%
Adj. EBITDA Margin	*10.4%*	*12.4%*	-201 bps		*10.5%*	*12.2%*	-167 bps
Adj. profit/(loss) for the period	57.2	71.5	-20.1%		-	-	-
Adjusted EPS	0.70	0.90	-22.2%		-	-	-
Profit/(Loss) for the period	50.6	62.6	-19.2%		-	-	-
Basic EPS	0.62	0.79	-21.5%		-	-	-
Adj. Free Cash Flow	36.2	68.9	-47.4%		-	-	-
Net Debt	778.3	743.9	4.6%		-	-	-
Net Debt / LTM Adj. EBITDA	3.25	2.75	n.a.		-	-	-

Ontex Group reported revenue includes 6 months of Ontex Brazil in H1 2018, and 4 months of Ontex Brazil in H1 2017

Charles Bouaziz, Ontex CEO: "This is a resilient set of results amid challenging conditions and we have made good progress against our 2018 priorities. We achieved solid LFL revenue growth outside of Brazil driven by volume and price/mix, while Ontex Brazil improved markedly in Q2. I am pleased that Group adjusted EBITDA margin has improved sequentially since Q4 2017 despite worsening FX and increased input costs. In Brazil, the production consolidation we announced in May and improved trading have ensured that the turnaround is starting to take effect. Finally, we continued to make progress in launching innovations and ramping up capacity for faster-growing, higher-margin products, both of which should increasingly serve us well in the second half of the year."

Market Dynamics

In the first half of 2018 our markets declined slightly in value versus last year, with strong growth in the Adult Inco category, lower sales in the Babycare category and the Femcare category essentially unchanged. Note that market data does not capture online sales. Sales of retailer brand diapers continued to represent more than half of all diaper volumes sold in the markets of our Mature Market Retail Division, confirming the long term-trend of consumers turning to high-quality innovative products offered by leading retailers.

As expected all raw material indices in H1 2018 increased strongly year-on-year. Current market data points to a similar increase in the second half of 2018.

Nearly all of the currencies in which we conduct business weakened versus the euro in H1 2018, with the weakness intensifying in Q2.

PAI approach

PAI Partners ("PAI") issued a statement on Monday July 9 which confirmed that it had approached Ontex with an unsolicited and non-binding proposal relating to a possible cash offer for the outstanding shares in Ontex for €27.50 per share. While the Ontex Board of Directors has not agreed to recommend an offer that would be made on these terms, PAI has been given permission to conduct a due diligence which is currently taking place. There can be no certainty that an offer would be made, and if so on which terms and whether or not it would be recommended by the Ontex Board of Directors.

OUTLOOK

We aim to outperform our markets by delivering a low single-digit LFL revenue growth for 2018 in broadly flat hygiene markets. For the balance of 2018, we expect that the hygiene industry will continue to face raw material headwinds, and at current rates FX will have a negative impact on revenue and EBITDA. Notwithstanding these headwinds, we anticipate that adjusted EBITDA margins will improve in H2 as our actions including pricing - which will result in some volume losses; mix and cost savings; new product launches; and, an improving performance in Brazil increasingly take effect.

Operational Review: Categories

in € million	Six Months				Second Quarter			
	H1 2018	H1 2017	% Δ as reported	% Δ at LFL	Q2 2018	Q2 2017	% Δ as reported	% Δ at LFL
Ontex Reported Revenue*	**1,129.6**	**1,164.1**	**-3.0%**	**0.4%**	**571.5**	**612.2**	**-6.6%**	**-0.8%**
Babycare	655.2	704.4	-7.0%	-2.8%	333.5	373.5	-10.7%	-4.0%
Femcare	113.9	109.5	4.1%	5.3%	56.3	55.1	2.3%	4.1%
Adult Inco	348.4	339.1	2.8%	5.2%	174.0	177.3	-1.8%	3.2%

** Includes €12.0 million of Other in H1 2018; €11.1million of Other in H1 2017, €7.7 million of Other in Q2 2018; €6.3 million of Other in Q2 2017*

Babycare

LFL revenue in the Babycare category was down 2.8% in H1 2018, reflecting lower diaper volumes in Brazil. Baby pants continued to record strong growth particularly in Europe, where we have invested in new production capacity. Baby diapers had competitive growth in most of our markets outside Brazil.

Femcare

The Femcare category in H1 2018 grew 5.3% LFL, primarily driven by new organic cotton tampon business, as consumers are increasingly looking for attractive alternatives to the international brands.

Adult Inco

Adult Inco category revenue was up 5.2% in H1 2018, reflecting a 9% increase in sales in retail channels, and solid growth in institutional channels. Adult pants sales were significantly higher, and we are investing to ensure we can meet the strong growth in future demand.

Operational Review: Divisions

in € million	Six Months				Second Quarter			
	H1 2018	H1 2017	% Δ as reported	% Δ at LFL	Q2 2018	Q2 2017	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	**1,129.6**	**1,164.1**	**-3.0%**	**0.4%**	**571.5**	**612.2**	**-6.6%**	**-0.8%**
Mature Market Retail	445.6	445.6	0.0%	0.6%	226.4	224.7	0.8%	1.7%
Growth Markets	99.8	96.4	3.5%	11.6%	49.5	50.5	-2.0%	7.0%
Healthcare	221.2	215.9	2.4%	2.9%	108.0	108.4	-0.4%	0.0%
MENA	77.7	99.9	-22.2%	-8.3%	38.0	45.0	-15.7%	0.5%
Americas Retail	285.3	306.3	-6.8%	-2.5%	149.6	183.6	-18.5%	-6.8%

Ontex Group reported revenue includes 6 months of Ontex Brazil in H1 2018, and 4 months of Ontex Brazil in H1 2017

Mature Market Retail

In continued challenging markets, H1 2018 revenue in our Mature Markets Retail Division grew 0.6% LFL against a strong year-on-year comparable, as sales in key categories and to key customers improved in Q2. Volume growth was led by a strong performance in Adult Incontinence and Baby Pants. Competitive performances in the Femcare category and Baby Diapers represented an improvement in Q2. Diapers with our latest channel core technology reached customers' shelves in H1 2018, allowing leading retailers to offer state-of-the-art innovation with their brands to families.

Strong input cost increases over the past 18 months have been largely absorbed through ongoing savings and operational efficiencies, while we transferred a limited amount to our customers via a price increase during the second quarter. This modest improvement in price/mix in H1 2018 should continue to support Divisional revenue into mid-2019. We will continue strengthening our position as the leading partner for retailers in our categories, by helping them to build their business with an attractive and differentiated offering.

Growth Markets
Growth Markets Division revenue grew 11.6% LFL in H1 2018, building on a strong comparable from 2017 and materially ahead of underlying market growth. The strong revenue performance in H1 was driven by higher volumes and positive price/mix. Growth was broad-based across geographies and categories, with a further acceleration of our Baby Pants business. The Division continues to grow its Russian and Eastern European business despite a very challenging competitive landscape, with levels of promotion remaining extremely high and strong FX headwinds. Our Ethiopian plant ramp-up continued to supply the strong demand for our Canbebe diaper brand, the market leader.

Healthcare
Revenue in the Healthcare Division was up 2.9% in H1 2018, well ahead of estimated market growth. New business wins contributed to higher volumes in most of our geographies. Sales of Adult Pants and Light Inco products continued to increase due to our consistent focus on launching innovative products that respond to consumer needs.

MENA
Middle East and North Africa Division revenue was 8.3% lower in H1 2018 compared to last year, with a clear improvement in Q2 2018 (up 0.5%) after a soft start to the year. A tough competitive environment in Babycare resulted in lower market volumes with positive market pricing. In Turkey, we launched an innovative ultra-thin diaper supported by enhanced in-store activation, while in Algeria we also launched an innovative new diaper. Both cases leveraged the Group's strong innovation capability together with local marketing and R&D. A lack of liquidity resulted in lower export sales in H1 2018, with signs of improvement for H2.

Americas Retail
H1 2018 Americas Retail Division revenue was down 2.5% compared to a strong first half a year ago. Outside Brazil, revenue was up 5.6%, led by the ongoing success of our local brands in the Babycare and Adult Inco categories in Mexico. When we acquired Grupo Mabe in 2016, we planned to leverage this platform to explore opportunities to develop retailer brands in the US, the world's largest market by value, and in Q2 we started shipping our first, highly differentiated retailer branded diaper to a major US retailer. In Brazil, we have rapidly taken several important steps in the first half of 2018 which will result in new product innovations and improved operational efficiency in the second half of the year. We have already started to see early benefits from these actions on revenue and profitability. Brazil delivered more than 50% sequential revenue growth in Q2 2018 compared to Q1 excluding FX. From a profitability perspective, losses in Brazil reduced steadily over the course of the first half.

Operational Review: Geographies

in € million	Six Months				Second Quarter			
	H1 2018	H1 2017	% Δ as reported	% Δ at LFL	Q2 2018	Q2 2017	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	**1,129.6**	**1,164.1**	**-3.0%**	**0.4%**	**571.5**	**612.2**	**-6.6%**	**-0.8%**
Western Europe	548.2	536.0	2.3%	2.5%	275.4	269.1	2.4%	2.5%
Eastern Europe	142.7	151.7	-5.9%	-2.0%	71.8	78.0	-8.0%	-2.4%
Americas	286.6	308.4	-7.1%	-2.7%	150.4	184.7	-18.6%	-6.9%
ROW	152.1	168.0	-9.5%	1.4%	73.9	80.5	-8.1%	3.8%

In spite of strong negative FX impacts, more than half of Group reported revenue was generated outside of Western Europe, mostly in developing markets, which based upon demographics and product usage rates are projected to grow faster than overall category growth for the next several years. Sales in Western Europe represented 49% of Group reported revenue, supported by LFL growth and a limited negative FX impact.

Financial Review

Selected Financial Information

in € million	Six Months		
	H1 2018	H1 2017	% Δ
Ontex Reported Revenue	**1,129.6**	**1,164.1**	**-3.0%**
Cost of sales	(812.8)	(831.6)	-2.3%
Gross margin	316.8	332.5	-4.7%
Operating expenses	(227.9)	(213.1)	6.9%
Non-recurring income and expenses	(10.0)	(12.7)	-21.3%
Operating profit	78.9	106.6	-26.0%
Net finance cost	(14.1)	(23.4)	-39.9%
Income tax expense	(14.2)	(20.6)	-31.1%
Profit for the period	50.6	62.6	-19.2%
Basic EPS	0.62	0.79	-21.5%
Adjusted Free Cash Flow (post-tax)	36.2	68.9	-47.4%
- Of which change in WC	(20.9)	(20.9)	0.1%
- Of which Capex	(39.0)	(29.8)	31.0%
Net debt	778.3	743.9	4.6%

Note that following implementation of IFRS 15 from January 2018, prior year revenue, gross margin and operating expenses figures have been restated to ensure comparability. There is no impact on operating profit and EBITDA. Please see annex for details.

Gross Margin

Gross margin came in at €316.8 million in H1 2018, and gross margin as a percentage of sales of 28.0% was 52 basis points below last year. This is entirely due to a lower gross margin in Brazil, whereas the balance of the Ontex business demonstrated resilience as higher sales volumes, a positive price/mix impact and significant savings offset the large negative impacts of higher raw materials and FX.

Adjusted EBITDA
H1 2018 Adjusted EBITDA was €117.7 million, or 18.7% lower than the high comparable base a year ago. Apart from the change in gross margin explained above, the evolution is mainly due to higher sales and marketing expenses, mostly reflecting the inclusion of the fully branded Brazil business for 6 months in 2018 compared to only 4 months last year.

Foreign Exchange
As expected and communicated previously, there was a meaningful negative impact from changes in foreign exchange rates on both Group revenue and Adjusted EBITDA in H1 2018, with nearly all currencies weakening versus the euro compared to a year ago. At Group revenue level, the FX impact was -€58.8 million, mostly due to the main currencies in the Americas Retail, MENA and Growth Markets Divisions. For Adjusted EBITDA, the impact was -€12.2 million as a result of the same currencies except the US Dollar (USD), which had a positive impact due to the amount of raw materials purchased in USD.

Net Finance Costs
Net finance costs were €14.1 million in H1 2018, a decrease of €9.3 million versus last year. The decrease is primarily due to a lower interest expense, as a result of the successful refinancing completed at the end of 2017.

Income Tax Expense
H1 2018 income tax expense was €14.2 million. The effective tax rate was 21.9%, within the company's expectation of an effective tax rate of 24% or less.

Working Capital
Working capital as a percentage of revenue was 11.5% in H1 2018, within our target to keep at 12% or lower.

Capex
Capital expenditure amounted to €39.0 million in the first half of 2018, including investments in Adult and Baby pants, and leveraging our proprietary in-house diaper production technology to place new lines in Brazil. Full year 2018 capex is expected to be approximately 5% of sales, slightly above the mid-term rate due to the planned production upgrade in Brazil and focus on capturing higher growth in Baby and Adult pants.

Adjusted Free Cash Flow (post-tax)
Adjusted free cash flow (post-tax) was €36.2 million in H1 2018. The main driver compared to last year was lower adjusted EBITDA compared to a high comparable base in 2017. In addition, capex increased as expected.

Net debt
At June 30, 2017, net debt was €778.3 million with net leverage based on the last twelve months Adjusted EBITDA of 3.25x.

Corporate information

The above press release and related financial information of Ontex Group NV for the three and six months ended June 30, 2018 was authorized for issue in accordance with a resolution of the Board of Directors on July 25, 2018.

Conference call

Management will host a presentation for investors and analysts on July 26, 2018 at 8:00am BST/9:00am CEST. A copy of the presentation slides will be available at:

http://www.ontexglobal.com/financial-reports-including-annual-reviews

If you would like to participate in the conference call, please dial-in 5 to 10 minutes prior using the details below:

United Kingdom	+44 (0)330 336 9125
United States	+1 929 477 0448
Belgium	+32 (0)2 404 0659
France	+33 (0)1 70 72 25 50
Germany	+49 (0)69 2222 25574
Passcode	**1336905**

A replay of the conference call will also be available for one week afterwards:

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Financial calendar 2018

Q3 2018	November 7, 2018

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ANNEX A
ONTEX GROUP NV
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

STATEMENT OF THE BOARD OF DIRECTORS

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

The financial report gives an accurate overview of the information that needs to be disclosed pursuant to paragraphs 5 and 6 of article 13 of the Royal Decree of 14 November 2007.

Statutory auditor's report on review of consolidated condensed financial information for the period ended 30 June 2018

pwc

Ontex Group NV
Korte Keppestraat 23
B-9320 EREMBODEGEM

To the Board of Directors

Review Report of the Statutory Auditor on the condensed consolidated interim financial statements for the period ended 30 June 2018

Introduction

We have reviewed the accompanying consolidated statement of financial position of Ontex Group NV and its subsidiaries as of 30 June 2018 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 6-month period then ended, as well as the explanatory notes (the "Interim Financial Information"). The board of directors is responsible for the preparation and presentation of the Interim Financial Information in accordance with IAS 34 Interim financial reporting as adopted by the European Union. Our responsibility is to issue a report on the Interim Financial Information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" (ISRE 2410). A review on interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. As such our review does not provide the assurance that we will identify all significant matters that we might have discovered during an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the attached Interim Financial Information as of 30 June 2018 has not been prepared, in all material respects in accordance with IAS 34 Interim Financial reporting as adopted by the European Union.

Ghent, 25 July 2018

Statutory auditor
PwC Bedrijfsrevisoren bcvba / Réviseurs d'Entreprises sccrl
Represented by

Peter Opsomer
Registered auditor

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Consolidated Income Statement

in € million	Note	First Half 2018	First Half 2017 restated[1]
Revenue	3	1,129.6	1,164.1
Cost of sales		(812.8)	(831.6)
Gross Margin		**316.8**	**332.5**
Distribution expenses		(104.9)	(104.5)
Sales and marketing expenses		(81.2)	(72.9)
General administrative expenses		(40.8)	(39.3)
Other operating income/(expenses), net		(1.0)	3.6
Income and expenses related to changes to Group structure	9	(8.1)	(12.3)
Income and expenses related to impairments and major litigations	9	(1.9)	(0.3)
Operating profit		**78.9**	**106.6**
Finance income		1.6	1.6
Finance costs		(15.2)	(20.4)
Net exchange differences relating to financing activities		(0.5)	(4.6)
Net finance cost		**(14.1)**	**(23.4)**
Profit before income tax		**64.8**	**83.2**
Income tax expense		(14.2)	(20.6)
Profit for the period from continuing operations		**50.6**	**62.6**
Profit for the period		**50.6**	**62.6**
Profit attributable to:			
Owners of the parent		50.6	62.6
Profit for the period		**50.6**	**62.6**

The notes 1 to 15 are an integral part of the Condensed Consolidated Interim Financial Statements.

[1] Following the implementation of IFRS 15 – *Revenue from contracts with Customers* as from January 2018, prior year figures have been re-stated to ensure comparability. For more details, we refer to note 2.1.

EARNINGS PER SHARE

		First Half	
in €	**Note**	**2018**	**2017**
Basic Earnings per share	10	0.62	0.79
Diluted Earnings per share	10	0.62	0.79
Weighted average number of ordinary shares outstanding during the period		81,284,546	79,020,058

The notes 1 to 15 are an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Comprehensive Income

	First Half	
in € million	**2018**	**2017**
Profit for the period	**50.6**	**62.6**
Other comprehensive income/(loss) for the period, after tax:		
Items that will be reclassified subsequently to income statement		
Exchange differences on translating foreign operations	(28.6)	(23.7)
Cash flow hedge	1.8	(1.5)
Other comprehensive income /(loss) for the period, net of tax	**(26.9)**	**(25.2)**
Total comprehensive income for the period	**23.7**	**37.4**
Total comprehensive income attributable to:		
Owners of the parent	23.7	37.4
Total comprehensive income for the period	**23.7**	**37.4**

The notes 1 to 15 are an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Financial Position

ASSETS *in € million*	**Note**	**June 30, 2018**	**December 31, 2017**
Non-current Assets			
Goodwill	4	1,160.8	1,163.6
Intangible assets	5	48.8	50.6
Property, plant and equipment	6	575.7	578.3
Deferred tax assets		16.0	18.3
Non-current receivables		4.3	3.9
		1,805.6	**1,814.7**
Current Assets			
Inventories		339.4	327.2
Trade receivables		375.4	369.8
Prepaid expenses and other receivables		75.2	80.6
Current tax assets		6.9	7.1
Derivative financial assets		7.2	1.6
Cash and cash equivalents	8	118.3	118.5
Non-current assets held for sale		0.7	-
		923.1	**904.8**
TOTAL ASSETS		**2,728.7**	**2,719.5**

The notes 1 to 15 are an integral part of the Condensed Consolidated Interim Financial Statements**.**

Consolidated Statement of Financial Position (continued)

EQUITY AND LIABILITIES *in € million*	**Note**	**June 30, 2018**	**December 31, 2017**
Equity attributable to owners of the company			
Share capital & Premium		1,208.0	1,208.0
Treasury shares		(42.3)	(31.3)
Cumulative translation reserves		(187.5)	(158.9)
Retained earnings and other reserves		164.7	160.2
TOTAL EQUITY		**1,142.9**	**1,178.0**
Non-current liabilities			
Employee benefit liabilities		22.1	21.7
Provisions		0.4	0.4
Interest-bearing debts	8	788.8	772.0
Deferred tax liabilities		38.9	42.8
Other payables		0.2	0.2
		850.4	**837.1**
Current liabilities			
Interest-bearing debts	8	85.9	69.9
Derivative financial liabilities		3.5	4.2
Other current financial liabilities	8	21.9	20.8
Trade payables		475.0	473.3
Accrued expenses and other payables		49.4	32.8
Employee benefit liabilities		44.6	44.7
Current tax liabilities		45.5	50.9
Provisions		9.6	7.8
		735.4	**704.4**
TOTAL LIABILITIES		**1,585.8**	**1,541.5**
TOTAL EQUITY AND LIABILITIES		**2,728.7**	**2,719.5**

The notes 1 to 15 are an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Cash Flows

	First Half	
in € million	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**50.6**	**62.6**
Adjustments for:		
Income tax expense	14.2	20.6
Depreciation and amortization	28.8	25.5
(Profit)/loss on disposal of property, plant and equipment	1.1	0.3
Provisions (including employee benefit liabilities)	2.7	0.9
(Gain)/loss on earn-out liabilities	0.5	4.6
Net finance cost	14.1	23.4
Changes in working capital:		
Inventories	(13.7)	(7.7)
Trade and other receivables and prepaid expenses	(0.8)	(37.5)
Trade and other payables and accrued expenses	(6.4)	24.3
Employee benefit liabilities	(0.6)	(0.6)
Cash from operating activities before taxes	**90.5**	**116.4**
Income taxes paid	(21.5)	(25.1)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**69.0**	**91.3**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(39.0)	(29.8)
Proceeds from disposal of property, plant and equipment and intangible assets	1.5	(0.2)
Payment for acquisition of subsidiary, net of cash acquired (note 14)	-	(307.8)
Commitments from business combinations	(0.3)	(3.7)
NET CASH USED IN INVESTING ACTIVITIES	**(37.8)**	**(341.5)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	50.8	146.0
Repayment of borrowings	(31.5)	(74.6)
Interests paid	(9.1)	(13.6)
Interests received	1.7	1.7
Cost of refinancing & Other costs of financing	(2.3)	(3.6)
Realized foreign exchange (losses)/gains on financing activities	(1.2)	0.2
Derivative financial assets	(1.2)	(1.2)
Dividends paid	(38.6)	(44.9)
Capital increase (net of issuance expenses new shares)	-	219.2
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	**(31.4)**	**229.2**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(0.2)**	**(21.0)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**118.5**	**212.8**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**118.3**	**191.8**

The notes 1 to 15 are an integral part of the Condensed Consolidated Interim Financial Statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						
in € million	Number of shares	Share capital	Share Premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at December 31, 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:							
Settlement of Share-based payments	-	-	-	-	-	1.1	1.1
Dividend	-	-	-	-	-	(48.8)	(48.8)
Treasury Shares	-	-	-	(11.0)	-	(0.1)	(11.1)
Total transactions with owners 2018	**-**	**-**	**-**	**(11.0)**	**-**	**(47.8)**	**(58.8)**
Comprehensive income:							
Profit for the period	**-**	**-**	**-**	**-**	**-**	**50.6**	**50.6**
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(28.6)	-	(28.6)
Cash flow hedge	-	-	-	-	-	1.8	1.8
Total other comprehensive income	**-**	**-**	**-**	**-**	**(28.6)**	**1.8**	**(26.9)**
Balance at June 30, 2018	**82,347,218**	**795.2**	**412.8**	**(42.3)**	**(187.5)**	**164.7**	**(1,142.9)**

Consolidated Statement of Changes in Equity (Continued)

	Attributable to equity holders of the Company						
in € million	**Number of shares**	**Share capital**	**Share Premium**	**Treasury shares**	**Cumulative translation reserves**	**Retained earnings and other reserves**	**Total Equity**
Balance at December 31, 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:							
Settlement of Share-based payments	-	-	-	-	-	1.1	1.1
Dividend	-	-	-	-	-	(44.8)	(44.8)
Treasury Shares	-	-	-	(10.7)	-	-	(10.7)
Issuance expenses new shares	-	(1.6)	-	-	-	-	(1.6)
Capital increase	7,486,110	74.9	146.0	-	-	-	220.8
Total transactions with owners 2017	**7,486,110**	**73.3**	**146.0**	**(10.7)**	**-**	**(43.8)**	**164.8**
Comprehensive income:							
Profit for the period	**-**	**-**	**-**	**-**	**-**	**62.6**	**62.6**
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(23.7)	-	(23.7)
Cash flow hedge	-	-	-	-	-	(1.5)	(1.5)
Total other comprehensive income	**-**	**-**	**-**	**-**	**(23.7)**	**(1.5)**	**(25.2)**
Balance at June 30, 2017	**82,347,218**	**795.3**	**412.8**	**(33.1)**	**(66.2)**	**92.4**	**1,201.2**

The notes 1 to 15 are an integral part of the Condensed Consolidated Interim Financial Statements.

Notes to the Condensed Consolidated Interim Financial Statements

NOTE 1 Corporate Information

The interim condensed consolidated financial statements of Ontex Group NV (the 'Group' or 'Ontex') for the first six months ended 30 June 2018 were authorized for issue in accordance with a resolution of the Board on July 25, 2018.

NOTE 1.1 Legal status

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

NOTE 2 Summary of significant accounting policies

NOTE 2.1 Basis of preparation

The condensed consolidated interim financial statements of the Group for the half year ended June 30, 2018 have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all the information required for the preparation of the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017 of Ontex Group NV, that can be found on the website: http://www.ontexglobal.com.

The amounts in this document are presented in € millions, unless noted otherwise. In most of the tables of this report, amounts are shown in € million for reasons of transparency. This may give rise to rounding differences in the tables presented in the report.

This report has been prepared in Dutch and translated into English. In the case of discrepancies between the two versions, the Dutch version will prevail.

A summary of the significant accounting policies can be found in the audited consolidated financial statements for the year ended December 31, 2017 of Ontex Group NV that can be found in the Integrated Annual Report 2017 on the website (www.ontexglobal.com), from page 85 through page 97. The accounting policies have been consistently applied to all the periods presented.

The accounting policies used to prepare the condensed consolidated interim financial statements for the period from January 1, 2018 to June 30, 2018 are consistent with those applied in the audited consolidated financial statement 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*:

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.

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.

Relevant IFRS accounting pronouncements adopted as from 2018

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 currently 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 Condensed consolidated income statement for the six months ended 30 June 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 Condensed consolidated income statement for the six months ended 30 June 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 € 6.0 million and € 3.9 million:

in € million	First Half 2017 as reported	 IFRS 15 impacts	 2017 restated
Mature Market Retail	445.8	(0.2)	445.6
Growth Markets	96.6	(0.1)	96.4
Healthcare	215.9	-	215.9
MENA	102.5	(2.6)	99.9
Americas Retail	313.1	(6.9)	306.3
Ontex Group Revenue	**1,173.9**	**(9.9)**	**1,164.1**
Cost of sales	(831.6)	-	(831.6)
Gross Margin	**342.3**	**(9.9)**	**332.5**
Distribution expenses	(110.5)	6.0	(104.5)
Sales and marketing expenses	(76.8)	3.9	(72.9)
General administrative expenses	(39.3)	-	(39.3)
Other operating income/(expenses), net	3.6	-	3.6
Income and expenses related to changes to Group structure	(12.3)	-	(12.3)
Income and expenses related to impairments and major litigations	(0.3)	-	(0.3)
Operating profit	**106.6**	-	**106.6**

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 new standard will increase interest-bearing liabilities and property, plant and equipment 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, net result (profit of the period) will only be impacted to a limited extent.

The Ontex Group is currently assessing the impact of the new standard. The Group expects main impacts for leases currently classified as operating leases and for which the Group acts as a lessee. As at December 31, 2017, the Group had non-cancellable (undiscounted) operating lease commitments of € 81.1 million.

IFRS 16 is effective for the reporting periods beginning on 1 January 2019. The Ontex Group will apply the modified retrospective approach upon transition to IFRS 16, but has not yet decided whether it will use all optional exemptions.

The other issued standards, amendments to standards and interpretations which are applicable for reporting periods beginning on or after 1 January 2019 are expected not to have a significant impact on the Ontex' consolidated financial statements.

NOTE 2.2 Measurement in the consolidated interim financial statements

Revenues and costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such revenues and costs at the end of the financial year.

NOTE 2.3 Critical accounting estimates and judgments

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2017.

NOTE 3 Segment reporting

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 makers, the Board of Directors, review the operating results and operating plans, and make resource allocation decisions on a company-wide basis. Therefore the Group operates as one segment. Enterprise-wide disclosures about product sales and geographic areas are presented below[2]:

NOTE 3.1 Information by Division

in € million	**First Half 2018**	**First Half 2017**
Mature Market Retail	445.6	445.6
Growth Markets	99.8	96.4
Healthcare	221.2	215.9
MENA	77.7	99.9
Americas Retail	285.3	306.3
Ontex Group Revenue	**1,129.6**	**1,164.1**

NOTE 3.2 Information by product group

in € million	**First Half 2018**	**First Half 2017**
Babycare	655.2	704.4
Feminine care	113.9	109.5
Adult Incontinence	348.4	339.1
Other	12.0	11.1
Ontex Group Revenue	**1,129.6**	**1,164.1**

NOTE 3.3 Information by geographic area

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

in € million	**First Half 2018**	**First Half 2017**
Western Europe	548.2	536.0
Eastern Europe	142.7	151.7
Americas	286.6	308.4
Rest of the World	152.1	168.0
Ontex Group Revenue	**1,129.6**	**1,164.1**

[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 activity of Ontex Group is not subject to significant seasonality throughout the year. Therefore, the additional disclosure of financial information for the 12-month period ended on the interim reporting date, encouraged in IAS 34.21, is not provided.

NOTE 4 Goodwill

The movement in goodwill relates to the finalization of the goodwill recognized as a result of the acquisition of Hypermarcas Personal Hygiene (hereafter 'Ontex Brazil') for an amount of €3.6 million. We refer to note 14 relating to the business combinations.
Next to the finalization of the provisional goodwill recognized upon the acquisition of Ontex Brazil, the remaining movement relates to exchange differences.

In the first half of the year, the Group did not recognize any impairment on the goodwill.

NOTE 5 Intangible assets

The Group acquired intangible assets for a total amount of €3.7 million, relating to IT implementation costs (2017: €2.3 million relating to IT implementation costs).

The amortization charge for the period amounts to € 4.3 million (2017: €3.5 million).

NOTE 6 Property plant and equipment

Separate additions to property, plant and equipment represent mainly investments in capacity extension, investments in innovation, investments to improve the efficiency and IT investments for a total amount of €38.4 million (2017: €36.9 million).

Furthermore, property, plant and equipment were disposed of for a carrying amount of €3.0 million. Remaining movement of the period relates to exchange differences.

The depreciation charge for the period amounts to €24.5 million (2017: €22.0 million).

The Group has contracted expenditures for the acquisition of property, plant and equipment at June 30, 2018 of € 40.3 million.

NOTE 7 Legal claims

The Group is involved in a number of environmental, contractual, product liability, intellectual property, employment and other claims and disputes incidental to our business.

On September 2, 2014, Ontex received a notification that the Spanish Competition Authorities (CNMC) opened infringement proceedings against 15 companies in the sector (including three subsidiaries of the Company: Ontex Es Holdco, S.A., Ontex Peninsular, S.A.U. and Ontex ID, S.A.U.) with respect to alleged conduct of fixing prices and other commercial conditions in the Spanish market for heavy adult incontinence products. On May 26, 2016, following the investigation, the CNMC issued its decision. In its decision it has found 8 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 June 30, 2018, a provision amounting to €5.2 million has been recognized.

COFECE, the Mexican antitrust authority, is conducting an investigation in our industry. To the best of the Group's knowledge, the facts under investigation relate to periods prior to its acquisition of Grupo

PI Mabe, S.A. de C.V. ("Mabe"). Ontex and Mabe have been proactively and fully cooperating with COFECE in the investigation and intend to continue to do so.

Based on the facts and circumstances known to it and in light of the contractual terms of the Mabe acquisition, the Group does not expect the investigation to result in a net financial cost to it.

The Group currently believes that the disposition of all other claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

NOTE 8 Net Debt

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

The net debt positions of the Group for the periods ended June 30, 2018 and December 31, 2017 are as follows:

in € million	**June 30, 2018**	**December 31, 2017**
Non-current interest-bearing debts	788.8	772.0
Other non-current financial liabilities	-	-
Current interest-bearing debts	85.9	69.9
Other current financial liabilities	21.9	20.8
Cash and cash equivalents	(118.3)	(118.5)
Total net debt position	**778.3**	**744.2**

NOTE 9 Non-recurring income and expenses

	First Half	
in € million	**2018**	**2017**
Factory Closure	(3.4)	-
Business restructuring	(0.5)	(1.7)
Acquisition-related expenses	(3.7)	(6.0)
Change in fair value of contingent consideration	(0.5)	(4.6)
Income and expenses related to changes to Group structure	**(8.1)**	**(12.3)**
Impairment of assets	(1.9)	-
Other	-	(0.4)
Income and expenses related to impairments and major litigations	**(1.9)**	**(0.4)**
Total non-recurring Income and Expenses	**(10.0)**	**(12.7)**

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/(expenses) related to impairments and major litigations

7.22.1. 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 change will continue through the third quarter of 2018, at which time the Aparecida de Goiânia plant will become inactive. The costs recognized to date relates mainly to the restructuring expenses (€ 3.4 million) and impairment losses (see below in 7.22.2). Total costs estimated amount to € 30.0 million, which includes impairment of assets.

Business restructuring: The Group undertook a number of projects to optimize the management of its business. 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 expenses: 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. In 2018, the expenses relate to the continuing integration of Grupo Mabe and Ontex Brazil.

Change in fair value of contingent consideration: Expenses in 2017 relate to losses from revaluation of the deferred consideration payments expressed in MXN.

7.22.2. Income/(expenses) related to impairments and major litigations

Impairment of assets: The asset impairment charge is a non-cash item and relates in 2018 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.

NOTE 10 Earnings per share

In accordance with IAS 33, the basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The number of shares used for the years 2018 and 2017 respectively amounts to 81,284,546 shares and 79,020,058 shares.

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 period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	First Half	
In € million	**2018**	**2017**
Basic Earnings		
Profit from continuing operations attributable to owners of the parent	50.6	62.6
Adjustment dilution	-	-
Profit from continuing operations attributable to owners of the parent, adjusted for dilution	50.6	62.6

	First Half	
Number of Shares	**2018**	**2017**
Weighted average number of ordinary shares outstanding during the period	81,284,546	79,020,058
Dilution	110,564	188,920

	First Half	
Earnings per share (€)	**2018**	**2017**
Basic Earnings per share	0.62	0.79
Diluted Earnings per Share	0.62	0.79

NOTE 11 Share-based payments

Following the IPO, the Company implemented a Long Term Incentive Plan ('LTIP'), which is 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.

On or about September 26, 2014 a total of 242,642 stock options and 49,040 RSU's were granted. 63,034 share options and 49,040 RSU's have forfeited, expired or have been exercised as of June 30, 2018.

On or about June 26, 2015 a total of 159,413 stock options and 38,294 RSU's were granted. 19,746 share options and 38,294 RSU's have forfeited, expired or have been exercised as of June 30, 2018.

On or about June 15, 2016 a total of 322,294 stock options and 75,227 RSU's were granted. 30,605 share options and 7,143 RSU's have forfeited, expired or have been exercised as of June 30, 2018.

On or about May 10, 2017 a total of 299,914 stock options and 69,023 RSU's were granted. No share options and/or RSU's have forfeited, expired or have been exercised as of June 30, 2018.

During the period, the Group granted a new LTIP plan consisting of 471,064 stock options and 93,576 RSU's. No share options and/or RSU's have forfeited, expired or have been exercised as of June 30, 2018. This new LTIP plan has following characteristics:

Period ended June 30, 2018	**Expiry Date**	**Exercise Price per share (€)**	**Fair value (€)**	**# Options/RSU's:**
LTIP 2018				
Options	2026	23.56	4.68	471,064
RSU's	2021	N/A	21.35	93,576

The fair value of the stock options has been determined based on the Black and Scholes model. The expected volatility used in the model for LTIP 2018 is the realized volatility of the return of the share price since the listing of Ontex, increased with 5%.

Below is an overview of all the parameters used in this model for the 2018 LTIP plan:

	LTIP 2018
Exercise Price	23.56
Expected volatility of the shares	25.63%
Expected dividends yield	2.70%
Risk free interest rate	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.

NOTE 12 Contingencies

The Group is involved in a number of environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business.

We currently believe that the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

NOTE 13 Related Party transactions

There are no substantial related party transactions during the first half-year of 2018.

The remuneration of the members of the Board of Directors and key management is determined on an annual basis, for which reason no further details are included in this interim report.

NOTE 14 Business combinations

2017 Acquisitions

On March 7, 2017, Ontex has completed the acquisition of the personal hygiene business of Hypermarcas S.A. (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 the first half of 2018.

As a consequence, 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 June 30, 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**

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	First Half 2018	2017
Consideration paid in cash for the acquisition of Ontex Brazil (net of cash acquired)	-	(259.9)
Contingent consideration paid for the acquisition of Grupo Mabe	-	(47.9)
Acquisition price paid	**-**	**(307.8)**

NOTE 15 Events after the reporting period

There were no significant events that occurred after the end of the reporting period.

ANNEX B

Alternative Performance Measures

Following alternative performance measures (non-GAAP) have been included in the financial reporting 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.

Non-recurring Income and Expenses

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 related to the liquidation of subsidiaries and the closure, opening or relocations of factories;
- asset impairment costs.

Non-recurring income and expenses of the Group are composed of the following items presented in the consolidated income statement as reported in the half-year condensed financial statements and the annual financial statements:

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

Non-recurring income and expenses of the Group for the periods ended June 30 are presented in note 9 'Non-recurring Income and Expenses'.

This definition of non-recurring income and expenses is also included in the "Summary of Significant Accounting Policies" under sections 7.1.26 of the annual report 2017.

EBITDA and Adjusted EBITDA

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

EBITDA and Adjusted EBITDA reconciliation of the Group for the periods ended June 30 are as follows:

	First Half	
in € million	**2018**	**2017**
Operating Profit	**78.9**	**106.6**
Depreciation and amortization	28.8	25.5
EBITDA	**107.7**	**132.1**
Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA) to adjusted EBITDA		
EBITDA	**107.7**	**132.1**
Non-recurring income and expenses	10.0	12.6
Adjusted EBITDA	**117.7**	**144.7**

Net financial debt/LTM Adjusted EBITDA ratio (Leverage)

Net financial debt is calculated by adding current and non-current debt and deducting cash and cash equivalents.

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

Net financial debt/LTM Adjusted EBITDA ratio of the Group for the periods ended June 30 are presented below:

in € million	**June 30, 2018**	**December 31, 2017**
Total net debt position (note 8 of the condensed financial statements)	**778.3**	**744.2**
LTM Adjusted EBITDA	239.4	266.4
Net financial debt/LTM Adjusted EBITDA ratio	**3.25**	**2.79**

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 cash taxes paid.

Adjusted Free Cash Flow of the Group for the periods is as follows:

in € million	First Half 2018	2017
Operating profit	**78.9**	**106.6**
Depreciation and Amortization	28.8	25.5
EBITDA	**107.7**	**132.1**
Non-recurring income and expenses	10.0	12.6
Adjusted EBITDA	**117.7**	**144.7**
Change in Working Capital		
Inventories	(13.7)	(7.7)
Trade and other receivables	(0.8)	(37.5)
Trade and other payables	(6.4)	24.3
Capex	(39.0)	(29.8)
Adjusted Free Cash Flow (pre-tax)	**57.7**	**94.0**
Income taxes paid	(21.5)	(25.1)
Adjusted Free Cash Flow (post-tax)	**36.2**	**68.9**

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 by Adjusted Basic Earnings divided by the weighted average number of ordinary shares.

In € million	First Half 2018	2017
Profit from continuing operations attributable to owners of the parent	50.6	62.6
Total Non-recurring Income & Expenses	10.0	12.7
Tax correction	(3.4)	(3.8)
Adjusted Basic Earnings	**57.2**	**71.5**
Adjustment dilution	-	-
Adjusted Earnings, adjusted for dilution	**57.2**	**71.5**

Number of Shares	First Half 2018	2017
Weighted average number of ordinary shares outstanding during the period	81,284,546	79,020,058
Dilution	110,564	188,920

Earnings per share (€)	First Half 2018	2017
Adjusted basic earnings per share	0.70	0.90
Adjusted diluted earnings per share	0.70	0.90

Working Capital

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

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 perimeter 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.

DISCLAIMER

This report may include forward-looking statements. Forward-looking statements are statements regarding or based upon our management's current intentions, beliefs or expectations relating to, among other things, Ontex's future results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. By their nature, forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein.

Forward-looking statements contained in this report regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this report.

The information contained in this report is subject to change without notice. No re-report or warranty, express or implied, is made as to the fairness, accuracy, reasonableness or completeness of the information contained herein and no reliance should be placed on it.

In most of the tables of this report, amounts are shown in € million for reasons of transparency. This may give rise to rounding differences in the tables presented in the report.

This report has been prepared in Dutch and translated into English. In the case of discrepancies between the two versions, the Dutch version will prevail.