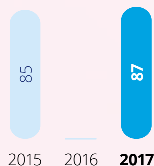
Dare to make a **difference**

Integrated Annual Report 2017

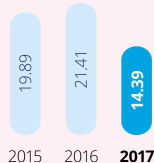
People **rely on us** for their personal hygiene. That's a big responsibility.

Our progress in 2017

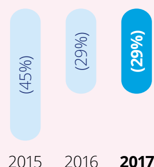
Biennial employee engagement survey (%)



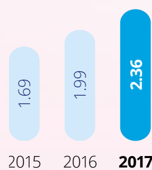
Accident frequency rate
(see page 23)



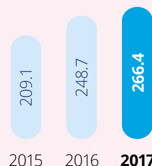
Carbon intensity ratio
(gCO_2/EUR)
(Base year 2014, scope 1-2)



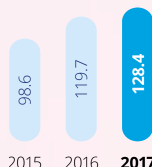
Revenue (€/bn)



Adjusted EBITDA (€/m)



Profit (€/m)



We deliver affordable high value hygiene solutions in baby, feminine and adult care for our customers and consumers worldwide.

And as you read this opening paragraph, millions of people around the world will either be using one of our products or putting one into their shopping basket or trolley. They may be even buying them online.

That adds up to a lot of responsibility.

Because we touch so many lives every day, we cannot just measure our performance in terms of financial outcomes. What we do and how we do it are inseparable and that is why, this year, we are publishing an integrated annual report covering all material matters that impact our ability to create value.

It documents the high standards we have set for ourselves right across the business, and how we empower our people to do what is right.

It shows how we are working with others towards sustainable solutions that are fundamental to near-term success and long-term prosperity and to protecting the interests of all our stakeholders.

Find out more online

Our website has a dedicated webpage for our 2017 integrated annual report: http://www.ontexglobal.com/integrated-report-2017.

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. This report represents the directors' report prepared in accordance with article 119 of the Belgian Company Code. 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.

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To help navigate through our report, the following bookmark icons, when highlighted, represent what section you're reading. They are positioned at the top left-hand corner of the page.

A strong and diversified **value-adding** business

€2.36bn
in sales in over 110 countries

19
production facilities in 15 countries

29
sales and marketing sites

11,000
employees (average)

50
nationalities

21%
female managers

100%
of our wood-based fibers come from certified or controlled resources

100%
of our cotton comes from organic sources

We are a growing international personal hygiene business organized into five separate Divisions so that we stay focused on the specific needs of our customers and consumers.

We offer affordable hygiene solutions for all generations, selling our products in more than 110 countries through leading retailer brands as well as under our own brands.

Our 19 manufacturing sites are strategically located across Europe, Africa, Russia, Asia Pacific and the Americas, supported by seven specialized R&D centers that focus on continuous innovation for our end-users.

We add value through the products we make, the jobs we create, the way we steward the natural resources we use and the high standards of responsible behavior we set ourselves.

Revenue split by Product Category (%)

Category	%
Baby Care	61%
Feminine Care	9%
Adult Care	29%
Other	1%

Ontex brands (%)

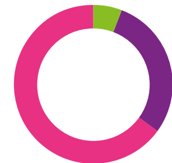
Brand	%
Retailer brands	52%
Ontex own brands	48%

Diverse markets (%)

Market	%
Western Europe	46%
Eastern Europe	13%
Americas	27%
Rest of the World	14%

Customer base (%)

Customer	%
Largest customer	6%
Customers 2–10	29%
All other customers	65%



Divisions (%)

Division	%
Mature Markets Retail	38%
Americas Retail	27%
Healthcare	19%
Middle East North Africa	8%
Growth Markets	8%

Our top five brands

Our product categories

Baby Care
Baby Care is the largest part of our business encompassing a broad range of baby diapers, and disposable baby pants sold under our own Ontex brands and retailer brands. Our baby diapers and pants production combine almost 40 years of experience and are designed to perform to the very high standards to bring comfort to babies.

Adult Care
Our Adult Care products help to guarantee discretion, protection and dignity for those with light, medium or heavy incontinence. We use high quality materials and forward-thinking design to develop solutions that include pads, pants, adult diapers and underpads that are sold to institutions as well as directly to customers and consumers under our own Ontex brands as well as retailer brands.

Feminine Care
Our range of Feminine Care products, including ultra-towels, fluff towels, panty liners and tampons, have innovative features to offer protection and comfort at all times. Thanks to our market knowledge and emphasis on R&D, we can respond to the needs and different lifestyles of women of today. We sell our feminine care products under our own Ontex brands as well as retailer brands.

Our five Divisions

1 Mature Markets Retail
Mature Markets Retail supplies mainly retailer branded baby care, feminine care and adult care products in Western Europe and Australia.

Revenue
€901.7m
2016: €854.6m
5.1% Like-for-like growth

Key markets
- Western Europe
- Australia

2 Americas Retail
Our Americas Retail Division was born following our acquisition of Mexican-based Grupo Mabe. This Division is built up in three clusters: Mexico and Central America, Brazil, and North America and supplies Ontex branded and retailer branded baby care, adult care and feminine care products.

Revenue
€637.5m
2016: €333.9m
12.2% Like-for-like growth

Key markets
- Mexico and Central America
- Brazil
- North America

3 Healthcare
We supply mainly Ontex branded adult care products through institutional channels such as hospitals, nursing homes, health insurers and local authorities. We also sell directly to consumers through pharmacies, home delivery and self-paid channels.

Revenue
€433.4m
2016: €428.8m
2.0% Like-for-like growth

Key markets
- Benelux and France
- Germany, Spain, Italy
- UK and Ireland

4 Growth Markets
Our Growth Markets Division is characterized by dynamic markets where the retail landscape is transforming from traditional to modern. With agile working practices, insight and advanced production technology, we supply retailer brands or Ontex brands, depending on the needs of our customers.

Revenue
€193.1m
2016: €169.6m
8.5% Like-for-like growth

Key markets
- Commonwealth of Independent States,
- Central and Eastern Europe
- Asia and Sub-Saharan Africa

5 Middle East North Africa
With our own regional local hero brands, we have grown closer to our consumers. We have built further on our strong market position in baby care, the largest category of the Middle East North African markets, and in adult care.

Revenue
€189.8m
2016: €206.2m
1.4% Like-for-like growth

Key markets
- Turkey
- Algeria
- Pakistan

Chairman of the Board and Chief Executive Officer

As our business evolves year-on-year, Charles Bouaziz, our CEO, and Luc Missorten, Chairman of the Board, take a brief look back at 2017 and pick out some of the areas that will be key to the continued development of the Company.

Left to right:
Charles Bouaziz, Chief Executive Officer and Luc Missorten, Chairman of the Board

How would you describe 2017?

Charles: When we look back in 10 years, we'll see 2017 as pivotal in our transformation. We continued to invest in branding, sales, marketing and innovation capabilities to support our entrepreneurial mindset as we celebrated our transition to a consumer goods company. We also continued to embed our PRIDE values.

It is thanks to our own people that we have the unique ability to meet the needs of our customers and consumers with specific rather than general solutions. I thank them for their commitment and willingness to adapt as we consolidated our strongholds and grew in new markets. Wherever I am in the company, I see how we are firmly focused on bringing affordability and high value to our customers and consumers.

Luc: Investment in relationships and partnerships with key customers as well as innovation are matters close to the heart of the Board. During the year, Ontex continued to profile itself as a caring solutions provider. Moving the focus from the end-product itself to the experience we provide is helping to further differentiate us and decommoditize our products.

2017 was a year of many 'firsts' for the company.

Charles: Yes, we passed the €2 billion mark for the first time as we grew like-for-like revenue 5.5%. And we again outperformed the market in terms of topline, driven by most Divisions and all three categories.

More than 50% of our revenue came from outside Western Europe, a clear sign that we are an international player.

We also made our first steps into Sub-Saharan Africa with the opening of our plant in Ethiopia, emphasizing Ontex's belief in a local market approach. Brazil was another important strategic move. By seizing this opportunity, we have established a firm foothold in an important market.

Luc: All these 'firsts' are results of the strategic choices that we have made. The local production plant in Ethiopia is a good example of our organic roll-out approach in new markets, while the South American acquisition has added impetus to our geographical growth and given us leading regional positions in two categories, Baby Care and Adult Care.

What about the challenges in 2017?

Charles: While adjusted EBITDA was 7.1% higher, we saw extreme price pressure in many of our markets, unprecedented rises in raw materials costs and unfavorable currency movements which affected margins. We also faced a particularly challenging market in Brazil as well as increased distribution costs to meet customer needs in some regions owing to our own full-capacity utilization.

What would you like to particularly highlight from the year?

Charles: There are many highlights which you can read about in this report (see pages 8 and 9). But in terms of our journey, the start of our digital transformation program stands out. Led by a dedicated team, it will touch every part of our operation. For our customers, it's about helping to accelerate the share of e-commerce.

It's not a one-size-fits-all approach but about making sure that each Division is equipped to understand and adapt to new shopping or purchasing patterns and use that experience to accompany customers on their journey.

In manufacturing, it's all about data harvesting and analysis to improve our safety, efficiency and ability to adapt quickly and effectively.

And, of course, there is the benefit for the development of our people and in maximizing the value and impact of our organization through learning opportunities, career progression and more.

"Wherever I am in the company, I see how our people are firmly focused on bringing **affordability** and **high value** to our customers and consumers."

Luc: It is in the company's DNA to provide new services and products. Digitalization is not an end in itself. The investments will help put us in a position to provide what our customers and consumers need. As a Board, we ensure that systems are implemented in a structured and controlled manner and only in areas where it will bring tangible benefits to our customers and ourselves.

What about the balance of the business?

Charles: Nourishing local hero brands is central to our business model and our Ontex branded products accounted for almost 50% of our sales in 2017, perhaps reflecting our own local hero character and can-do spirit. Having said that, our aim is to grow faster than the market, and the weight of that growth can be in either local brands or retailer brands.

Luc: 2017 has seen further improvement in terms of product mix, brand mix and geographical mix and we have invested to strengthen our footprint in some regions and adjust it to changing needs in others. Whether we grow organically or through acquisitions, we maintain a flexible and resilient capital structure so that we are ready to act when the opportunities arise.

In terms of sustainability, do you feel that you have progressed in 2017?

Luc: The sustainability question remains high on the list of our priorities. Each year we review the sustainability strategy and related goals. We see it as a key element in creating value for our business and the communities in which we work and essential to the way we manage risk.

Charles: Our focus is on three strategic areas: products, people and planet (see page 13). It is our ambition to integrate sustainability into all policies, aspects and activities of the organization. I am pleased with the progress that we made towards our goals. We have introduced a number of new eco-friendly products during the year. When it comes to people, we have improved our safety performance on the shop floor, provided more opportunities for development and introduced a graduate program to ensure a pipeline of new talent.

"The start of our **digital transformation** program is certainly a highlight of 2017. Led by a **dedicated team,** it will touch every part of our operation."

Retailer branded products

52%

Ontex branded products

48%

And in terms of our environmental impact, the switch to green electricity in our European plants, the adoption of a sustainability scorecard at all our R&D centers and our commitment to communicate on progress in line with the UN Global Compact reporting obligations are just a few examples of what we have done.

And finally, a brief look ahead?

Luc: The group is well positioned to maintain its growth path. The new members of the Board (see page 50) will add value and contribute to the various aspects of our business as we become more international and broaden our mix.

Digitalization:
In manufacturing, it's all about data harvesting and analysis to improve our safety, efficiency and ability to adapt quickly and efficiently.

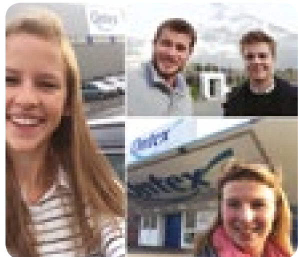
Charles: We see huge potential for growth in what is a highly fragmented market and we are in the fortunate position that all regions are relevant to all our categories, driven by positive demographics and increasing adoption rates. We see no immediate easing of the challenges experienced in recent years. The actions we have taken to increase our capacity of higher-margin products and the further integration of our Brazil business are all expected to show benefits in the coming years.

Key highlights of the year

JAN 01

Launch of Global Graduate Program

We're growing, and we're growing fast. To meet our rate of expansion, we launched a graduate program that gives candidates the chance to work in different functions and departments over a period of 18 months and embrace the full Ontex experience. The uptake was very encouraging. The aim is not only to contribute to their personal development but make them part of our ambitions and our growth story as well.



FEB 02

UNICEF partnership

We reconfirmed our long-term partnership with the UNICEF WaSH (Water, Sanitation and Hygiene) program. The program covers a wide range of activities such as the installation of water pumps, educating adolescents on menstruation, spreading the practice of hand-washing, building toilets and hand-washing facilities in schools and health centers, and more. With this partnership we aim to take care of the people who need it most and improve hygiene practices around the world.

MAR 03

Brazil acquisition completed

We finalized the acquisition of the Brazil-based personal hygiene business of Hypermarcas, which extended our market position in the Americas. This addition to the Americas Retail Division enabled us to grow our business outside Western Europe and further strengthen our position worldwide. It also increased sales from Ontex's own brands, and gave us access to a fast-growing market for adult incontinence in the region.

APR 04

Improving on all fronts

The biennial Ontex employee engagement survey returned a very healthy result. We had a participation rate of 71% and we saw improvement in every single category, with the overall engagement score moving up to 87%, 2 percentage points better than 2015. Each business and leadership team has set up its own action plans to address the results of the feedback from their organization as we seek to take full benefit from the learnings.

Strong world player

In our recently acquired business in Brazil, we hosted a visit by Geert Bourgeois, the Minister-President of Flanders. He 'tweeted' to say how proud he was of Ontex's growth from a Flemish family company to a strong world player, thanks to innovative and environmentally friendly products.

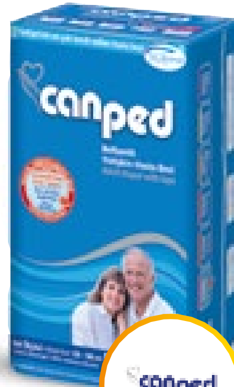
Signatory of the UNGC

To show our commitments towards fair business practices we committed towards the UN Global Compact business principles.

MAY 05

Smart business solutions

Ontex participated at the Private Label Manufacturers' Association Fair in Amsterdam. The PLMA is the only organization of its kind and constitutes an important platform for us as we continue to build our relationships and provide smart business solutions and affordable hygiene products for everyone.



New Code of Ethics

We launched our new Code of Ethics reinforcing our commitment to behave ethically towards our employees and in all of our business practices. It provides guidance to employees and those doing business on behalf of Ontex to act with honesty and integrity at all times.

JUN 06

Raising urinary incontinence awareness

Under our leading Adult Care brand, Canped, we launched a campaign to draw attention to and reduce the taboo around the problem of urinary incontinence in Turkey, where one in four females aged 40 years and over, and one in ten males aged 50 years and over experience urinary incontinence. While there have been significant medical advances in urinary incontinence, it remains a common health problem. The campaign which lasted three months was aimed at 10 million women over the age of 40 and led to the Turkish team winning two Felis communication awards, an initiative organized by the Turkish magazine, MediaCat.

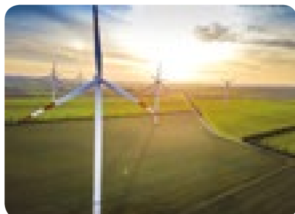
JUL 07

Another step in our expansion strategy

We opened a new plant in Ethiopia, the second largest country in Africa in terms of population, increasing the availability of our products in the East African region. The new 11,000 m² factory site in Hawassa uses state-of-the-art technology to produce baby diapers under the Canbebe brand and is the first international personal hygiene company in Ethiopia. It is a prime example of our local market approach and allows us to respond efficiently and flexibly to consumers and customer needs.

Green electricity for our plants in Europe

Part of our sustainability strategy is to operate efficiently and reduce our carbon emissions. Electricity is our main source of energy. In Europe, all our plants are now powered completely by electricity from certified 'renewable' sources.



AUG 08

Launch first local intranet

In Mexico, we launched our first local intranet, Ontex connect Mexico. Local intranet aims to increase the communication and interaction within the Ontex community. It allows the Mexican teams to post their local news, pictures and documents in their local language.

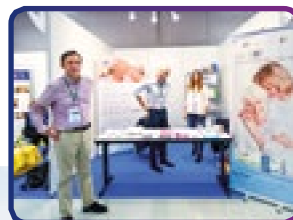
SEP 09

Czech celebrations

Ontex Turnov marked its 20th anniversary (and 25 years of Ontex in the Czech Republic) with a celebratory open day. In recognition of the efforts and skills of its employees, families and friends as well as the general public were invited to tour the production plant and warehouses. During these 20 years, we have grown from 130 employees in a 7,000 m² plant to just under 900 employees in a 67,000 m² one, which makes Turnov one of our largest plants.

Ontex at EUGMS Congress

In September, a Healthcare team was present with an Ontex booth at the Congress of the European Medicine Society in Nice, France. During this congress, Ontex organized a seminar on 'Prevention, Detection and Management of Incontinence' and received an award for Best Communication on urinary incontinence by the academic director of the EUGMS.



OCT 10

Broadened international presence

As part of our growth plans, we announced an investment in a new production facility in Radomsko, Poland. Due to come online by the end of 2018, it will enable us to optimize manufacturing and service for our expanding customer and consumer base in Central and Eastern Europe. It will also create around 170 job opportunities in the region by 2020.

NOV 11

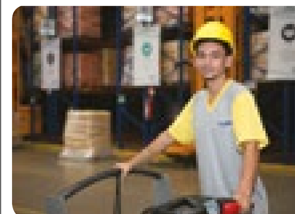
New brand launched in Brazil

In Brazil, we launched Moviment, a new brand of unisex pants for adult incontinence aimed at active adults with moderate or severe urinary incontinence. The launch campaign sought to demystify urinary incontinence and show consumers that they can live a normal life without restrictions.

DEC 12

Towards zero accidents

Safeguarding and enhancing the lives of our employees is a key part of our sustainability agenda and we have stated that by 2020, 50% of our plants will be formally certified according to OHSAS 18001 which sets out the minimum requirements for occupational health and safety management best practice. We took a next step in reaching that target with the certification of our manufacturing plant in Italy, as well as our Serenity incontinence brand.



Continued **growth potential** in our markets

The three categories in which we are active – **Baby Care**, **Adult Care** and **Feminine Care** – continue to offer significant growth potential.

Our baby diapers, incontinence products and feminine care products are essential consumables that play a key role in sustainable development in terms of improved quality of life, hygiene and healthier skin as well as cost-effective convenience, independence and dignity.

Each category is driven by generally favorable social trends which in the developed world center mainly on a healthier life style, and in developing markets, focus on the increased awareness of the importance of hygiene to the improvement of health and avoidance of disease.

The following section looks at each of our product categories and how they are affected by a number of main trends.

How trends are affecting each category

Baby Care

Socio-demographics	While baby numbers globally still showed a positive trend for 2015-2017, the expected slow-down over the next four to five years is likely to have an overall adverse impact on baby diaper growth in some regions. In developing regions, a rise in disposable incomes, allied to growing literacy rates among the female population and awareness of the importance of health and hygiene, is expected to fuel diaper demand.
Category adoption and usage	In developing markets, there is still potential to further increase category adoption as people move from cloth to disposable hygiene products. In some developed markets, we see that people tend to use Baby Care products longer than in the past, and toddlers getting clean later than before.
GDP and pricing	Baby Care is the category that has recently experienced the strongest price pressure. In addition, the increased pressure on disposable income has helped to fuel the rise of retailer and value brands in this category.
Innovation	Globally, we see a material shift in focus from taped diapers towards baby pants, already well adopted by Asian consumers and now impacting the Russian, Western European and North American markets, and also a shift towards thinner diapers. In developed countries, there is an increasing demand for more sophisticated and premium-priced products (mainly focusing on dryness, softness and new designs), as well as for organic products
Competitive dynamics	Consumers are increasingly comfortable with buying retailer brand products and we can also see a worldwide rise of local brands versus global brands.

Adult Care

Socio-demographics	Continued growth of an aging population, urbanization, economic affluence and increased awareness of treatment methods for incontinence are expected to be major drivers for the global Adult Care market.
Category adoption and usage	Globally, the Adult Care category adoption is increasing, driven by new product offerings addressing consumer needs that were so far unmet, breaking down taboos related to incontinence, and increased product availability in retail channels, following changes in reimbursement methods.
Innovation	Emergence of new solutions addressing specific needs, for example male pads and pants, are expected to further unlock consumer needs.
Competitive dynamics	Competitive dynamics are becoming more pronounced as new players enter the category attracted by favorable conditions and prospects.

Feminine Care

Socio-demographics	Overall, stable Feminine Care population.
Category adoption and usage	Slight decline in tampon usage owing to increased concerns regarding safety, cannibalization of Adult Care products that better address feminine incontinence needs and increase in daily usage of panty liners in Europe and increased category adoption in developed markets.
Competitive dynamics	Less volatile than Baby and Adult Care as retailer brands are not as active in this category in Europe and the US.

Megatrends fueling market dynamics

In 2017, a combination of emerging societal and categorical trends helped fuel market dynamics.

Global demographics

Global demographics are changing across most countries and regions in which we operate. Birth rates are declining as a result of the combined effect of wider and easier access to contraceptives and the emancipation of women. At the same time, life expectancy is increasing, especially for today's aging baby boomer generation.

Revenue pressure

Revenue pressure in some geographies is causing consumers to radically change their consumption patterns, either buying fewer products or resorting to the cheapest ones. This has led to a **new set of competitive dynamics** where retailer brands are gaining market share in off-line retail sales in Europe against a background of strong promotional pressure by leading A-brands. This means that competitive pressure is very strong in some key Ontex geographies such as Brazil, Mexico, and Turkey.

The reality of channel shifts

In almost all of our markets we see hard discounters growing in strength. Consumers are not just looking for the best value for money. They also want access to a wider choice of goods, simplicity and ease of purchase.

These reasons are also driving consumers towards e-commerce. A recent study by Citibank concluded that the online channel shift would be most prevalent in the Baby Care category in the US.

The emergence of subscription models is supporting this trend.

Category adoption

Category adoption is also gaining pace. There are differences between regions and markets, but increased category penetration presents a significant opportunity. Adult Care, which has been recently gaining acceptance in Europe, is a good example of this as is Baby Care in Brazil, Asia and Africa.

The emergence of pants in both Baby and Feminine Care shows how **product innovation** and **premiumization** can also drive growth in all categories.

Competitive advantage

A unique competitive advantage to create sustainable value

Our unique combination of attributes makes Ontex a competitive force in delivering high-performance and affordable hygiene solutions for our customers and consumers.

01 Innovation and quality

By listening to our consumers, and by following trends closely, we deliver a comprehensive range of high-quality, affordable and effective local products and brands that genuinely improve people's lives. From raw material purchase through manufacturing to finished goods deliveries, our structured and efficient Quality Management System and innovation pipeline ensure we deliver on our promises to partners and consumers.

02 Manufacturing expertise

Our years of experience make us experts in navigating the complexities of evolving markets, customers' and consumers' needs. We adapt our technology and machinery to suit the purpose and have plants all over the world, close to the markets in which we operate. From engineering capability to consumer insights, we offer the smart response to customer and local market preferences.

03 Flexibility and scale

Our business is flexible, delivering affordable products through multiple channels, with the agility to adapt technology and response to local market preferences. Being a leading international producer of personal hygiene solutions brings significant scale advantages for us, and also for our customers: security of supply from our 19 production sites, and procurement advantages make sure we stay at the forefront of our local consumer demands.

04 Communities

People are the heart of our business and it's our employees that make the Ontex difference every day. It's with their passion, reliability, integrity and drive that we are able to create affordable hygiene solutions that are accessible for all people. We take action to enhance the lives of not only our employees and people who work with Ontex, but all people around us.

05 Partnership

We are a trusted partner to our customers, our suppliers and distributors, and healthcare institutions. From concept development, R&D and technology, to production and global logistics, we constantly monitor what is key to our partners and our customers: high-performance, better value and excellent service.

Affordable high value hygiene products

Our aim is to bring affordable quality to current and new markets with local hero brands while delivering sustainable value to our employees, shareholders, partners, customers, and suppliers.

We believe in growing and developing our people and increasing our relevance and positive impact on the communities around us.

Business strategy

Further strengthen our position in more developed markets
Continue to strengthen retailer and partner brands and Healthcare owned brands in our more developed markets. We continue to lead in innovation, shopper and consumers insights, and building close relationships with retailers, partners, and healthcare providers.

Build our local hero brands
Focus on growing Ontex's brands, locally differentiated and tailored to the preferences of the local consumers and customers. We will continue to leverage deep consumer insights on a local level that allow us to innovate on products, packaging, services and communication that meet the needs of our consumers and customers.

Explore new business development opportunities
To better serve our consumers and customers, we will develop new business models with products and services and enter new geographies through organic expansion and mergers and acquisitions.

Sustainability strategy

Sustainable growth
We develop responsible products at an affordable price.

- Offering eco-brands and labeling for consumers wanting to make responsible personal hygiene purchases.
- Investing in innovative products that have smaller environmental footprints than the products they replace.

People at the heart
We want to create a positive impact in society and improve people's lives whenever we connect with them.

For our employees:

- Prioritize a safe and healthy working environment.
- Provide a working environment that attracts and retains the best employees.
- Create an entrepreneurial environment that gives responsibility to employees and allows them to develop.

For our community:

- Contribute to a better life for the people impacted by our business.
- Ensure our locations and supply chains prioritize and uphold human rights.

Responsible production
We strive to operate within the limits of our planet so that we support the needs of present and future generations.

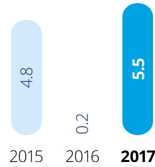
- Reduce the impact on the environment of our operations by minimizing emissions.
- Minimize waste from our production sites and products.
- Implement sustainable purchasing.
- Offer environmentally efficient transport and packaging.

The Ontex **KPI's**

Like-for-like revenue growth (%)

Read more about this KPI on page 42

Outperform the markets we chose to play in



Adjusted EBITDA margin (bps)

Read more about this KPI on page 44

Expand profit margin over time

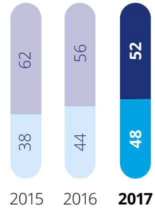
Balanced portfolio:

1. Brands (%)

Read more about this KPI on page 6

Grow balance in own brands vs. partner brands in terms of business

- Ontex brands
- Partner brands

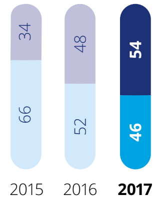


2. Geographies (%)

Read more about this KPI on page 5

Grow further outside Western Europe

- Western Europe
- Rest of the World

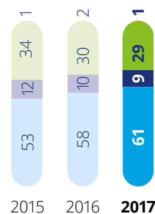


3. Categories (%)

Read more about this KPI on page 30

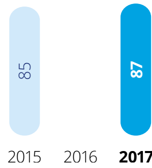
Grow our three product categories

- Baby Care
- Feminine Care
- Adult Care
- Other



Engaged employees* (%)

Be a preferred employer with highly engaged employees

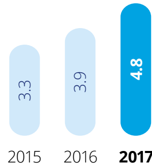


Read more about this KPI on page 22

* Our employee engagement survey is a bi-yearly survey so there are no figures from 2016.

CAPEX spending (% net sales)

Remain efficient in capex spending in the personal hygiene industry



Read more about this KPI on page 42

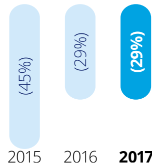
Nurture local brands

Build sustainable leading positions in our core categories and countries

Read more about this KPI on page 6 and on the Divisional pages

Carbon intensity ratio (gCO_2/EUR) (Base year 2014, scope 1-2)

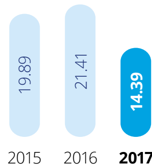
We aim to be carbon neutral by 2030



Read more about this KPI on page 28

Healthy and Safe working conditions (frequency rate)

Continue to decrease the number of accidents towards a vision of 'zero accidents'



Read more about this KPI on page 23

Engaging with our stakeholders to build a **sustainable** business

Our approach to stakeholder engagement

We invest time and effort in building strong relationships with a wide range of stakeholders including customers and consumers, suppliers, communities and relevant NGOs. We consider them our key influencers – the eyes and ears of Ontex – challenging what we do and how we do it. Each provides important input so that we can identify and address issues with far greater impact than if we had been working alone.

Our approach to our stakeholders constitutes of three elements:

1. Understand stakeholder interactions throughout our value chain.
2. Engage with stakeholders to understand concerns and expectations.
3. Determine most material business issues and sustainability strategy.

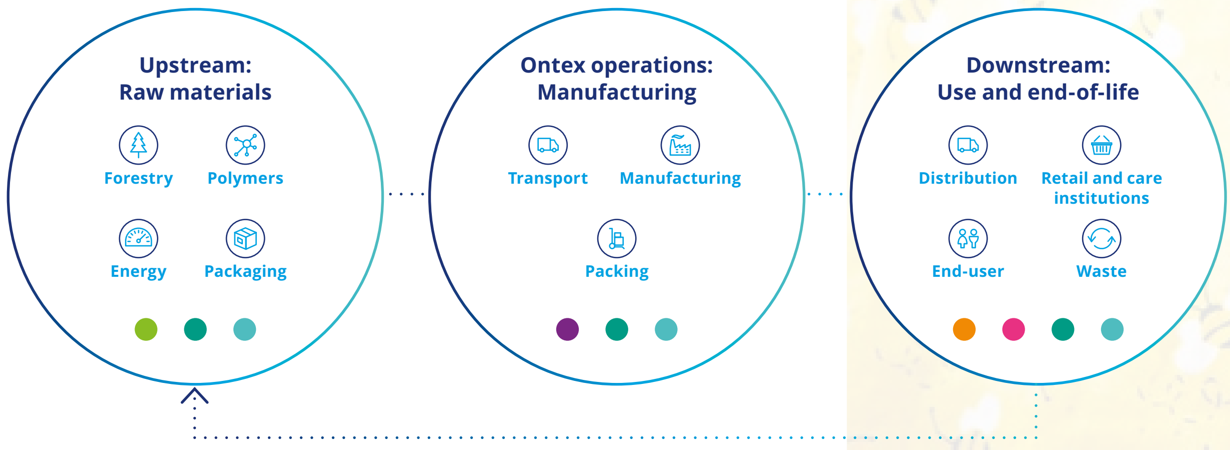
Key

- Suppliers
- Employees
- Customers
- Consumers
- Investors
- Communities and non-governmental organizations

Understand stakeholder interactions throughout our value chain

01

Our value chain is connected to a wide variety of people, communities, ecosystems and other businesses around the world. Our business' social, environmental and economic impact is significant and far-reaching, and we want it to be as positive as possible. Therefore, we invested in building strong relationships.



Engage with stakeholders to understand concerns and expectations

02

We engage with our stakeholder groups in a variety of formal and informal settings. These range from meetings with local, regional and national groups to ongoing dialogues with our customers and consumers. At an international level, we are involved in multi-stakeholder initiatives, such as the United Nations Global Compact so that we can help address pressing global challenges. The table below shows how we engage, the topics of concern and how we try to address them.

Stakeholder group	How we engage	Key topics and concerns	Our response
Suppliers	• Visits and meetings • Supplier conferences • Procurement • Supplier tracker	• Raw material sourcing • Business ethics/human rights • Management systems • Quality • Innovation • Safe raw materials	• Responsible sourcing • Vetting suppliers • Aligning suppliers with Code of Ethics • Operating sustainably
Employees	• Recruitment • Personal development reviews • Surveys • Union/worker representative meetings • Internal and external audits • Senior executive business updates • Internal communication via intranet, staff updates, newsletter • Community and employee well-being projects • 'Speak Up' hotline • Social media and website	• Health and safety • Working conditions • Equal opportunities • Business ethics • Leadership • Personal development	• Ensuring safe and healthy working conditions • Ensuring the ethics of our own operations • Supporting diversity and equal opportunities • Training and education • Graduate program • Internal mobility • Talent development • Leadership competency model • Personal Growth Plan
Customers	• Monitoring product sales • Contact through our sales team • Regular customer visits • Joint business planning • Surveys and research	• Product quality/safety • Carbon footprint • Smart, innovative solutions • Eco-labeling • Sourcing • Innovation • Working conditions • Human rights • Consumer insights	• Sustainable manufacturing/production • Offering more eco-labeled products • Ensuring safe and healthy working conditions • Responsible and documented sourcing • Eco-innovation • Ethical operations • Training our institutional customers
Consumers	• Consumer panels and focus groups • Social media networks	• Product quality/safety • Environmental impact of our product • Product labeling • Product quality • Service	• Ensuring consumer health and safety • Reducing the environmental impact of our products • Offering more eco-labeled products • Innovation • Customized products addressing local needs
Investors	• Ongoing dialogue with investors/analysts • Investor presentations/ meetings • AGM • Quarterly earnings reports and webcasts • Materiality exercise with investors • PR • SRI indices and information requests	• Governance • Business ethics • Risk management • Environment/carbon footprint	• Clear and transparent governance framework • Ensuring the ethics of our own operations • Reducing the environmental impact of our products • Operating sustainably
Communities and non-governmental organizations	• Ongoing dialogue • Partnerships on common issues • Memberships of business and industry associations • Charitable activities • Information requests from academics and students • Corporate website and social media networks	• Human rights • Environment • End-of-life waste • Consumer health and safety • Local community involvement	• Affordable personal hygiene solutions • Ensuring consumer health and safety • Research • Chemicals/quality protocols/policies • Donations

Examples of engagement

Suppliers
Ontex China: Supplier audits to secure quality of raw materials

"**Caring** for our consumers starts with the selection of our suppliers. Based upon a risk assessment we audited 58 suppliers in 2017."

Sophia Chen
Quality Manager
Ontex China

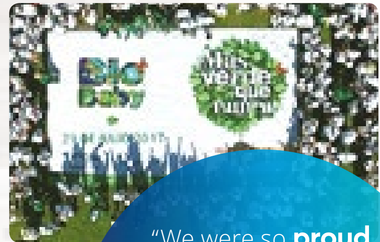
Customers
Ontex UK Stronger Together training: together with UK customers eliminating risks of Modern Slavery

Employees
Bi-yearly employee engagement survey with an 87% engagement rate in 2017

Consumers
Creation and local production of a Canbebe diaper, meeting the specific needs of East African moms and dads

Investors
Transparency through, amongst others, Carbon Disclosure Project Questionnaire

Communities and non-governmental organizations
Reforestation in Puebla, Mexico, initiated by the BioBaby team of Ontex Mexico and their families (in collaboration with Reforestamos Mexico)



"We were so **proud** to have a participation of almost 300 employees with their families. In total, we planted 2,600 trees!"

BioBaby team

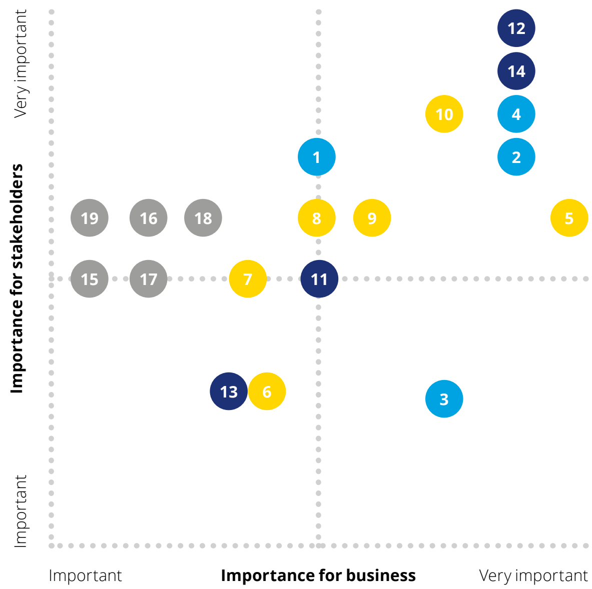
"As an athlete but also as a mother, I always strive for the **best performance**, and this is what the Canbebe Comfort & Dry diapers can offer me. Being successful in sports is all about making **smart choices**, just like you constantly try to do in motherhood."

Meseret Defar
Ethiopian World Champion Athlete and Canbebe Brand Ambassador

Determine most material business aspects from a sustainability perspective

03

In 2016, we reviewed our material aspects (along with our main stakeholders) to take into account the United Nations' Sustainable Development Goals (SDGs). Our materiality assessment process involving our stakeholders was disclosed in detail in last year's sustainability report and can be found on our website. The materiality matrix shows the main themes and why they matter, the links to the SDGs and where you can find more information on the topic in this report. We are due to review the matrix in 2018 to reassess our most material business aspects. It will help ensure relevance and that we remain focused on delivering long-term business success.



Areas of focus and why they matter	SDGs addressed	Our material aspects	More information
Sustainable growth We strive for sustainable growth, offering customers and consumers responsible products at an affordable price.		1 Product labeling	Page 33
		2 Customer health and safety	Page 29
		3 Eco innovations	Page 26
		4 End-of-life waste	Page 28
People at the heart We want to create a positive impact on society and improve people's lives whenever we connect with them.		5 Occupational health and safety	Page 23
		6 Training and education	Page 22
		7 Diversity and equal opportunities	Page 20
		8 Local community engagement	Page 24
		9 Business ethics	Page 25
		10 Human rights	Page 24
Responsible production We strive to operate within the limits of our planet so that we can support the needs of present and future generations.		11 Emissions	Page 28
		12 Energy	Page 28
		13 Environmental impacts of transporting our products	Page 29
		14 Materials	Page 28
Other aspects While these aspects are important to us as a business, they are not discussed in detail within this report, as they are not considered to be currently material. We continue to monitor stakeholder, financial, and non-financial issues and assess their materiality to Ontex.	N/A	15 Biodiversity	N/A
		16 Employment	
		17 Sustainability communications	
		18 Supplier environmental assessment	
		19 Water	

People at the **heart**

We say it often, and with good reason. People lie at the heart of our business. They are our greatest asset.

It is their innovative skills, passion and drive and, vitally, their empowerment that enable us to serve our customers and generate long-term value for all our stakeholders. In 2017, all these attributes were evident as we continued to grow as a company, not just in size but in terms of maturity.

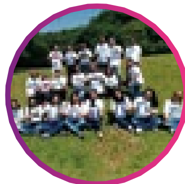
Diversity a key to success

We value the benefits that diversity brings. We believe that there is no way to better understand our consumers than by having an organization made up of people from different nationalities, genders and ages and giving them the opportunities to develop. We outline our commitment towards diversity in our Diversity policy.

We added 2,300 new employees following the completion of the Brazilian acquisition. Cultural fit plays an important part in our recruitment policy, and it was encouraging to see how quickly our new colleagues took on the values and culture of our company, and how eager they were to participate in making them come to life in a way that reflected themselves.

There are more than 50 different nationalities among our 11,000 people worldwide. Of those, 29% are women (2016: 26%), and women now occupy 21% (2016: 22%) of our senior management positions. 67% of employees working in our plants are covered by collective bargaining agreements. Emphasizing our commitment to invest in the people we employ, more than 91% of employee contracts have no fixed duration.

As we expand our business and acquire new plants in new countries, our diverse nature puts us in a good position to understand the local market and culture. We firmly believe that this is a major factor in our success.

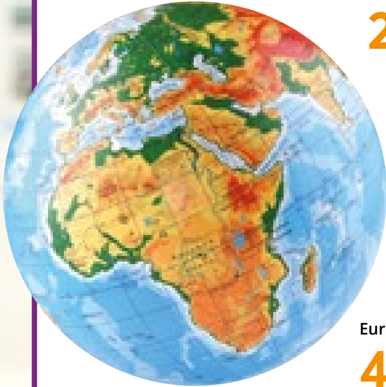


Each quarter, we singled out one of the five PRIDE values and asked employees to contribute with their own thoughts to create a sense of dialogue about our values. The response was very positive. Here we see a Brazilian team working around our values.

Our workforce profile

(% of our total global workforce)

Nationalities



Asia
2.20%

Americas
41.73%

Oceania
0.93%

Africa
8.85%

Europe
46.29%

Age division

Over 50
13%

Below 30
27%

30–50
60%

Contract type

Limited duration
6%

No fixed duration
91%

Undisclosed
3%

Female management

21%

Number of employees

11,000

Gender (%)

Female
29.3%

Male
70.6%

Undisclosed
0.1%

"Diversity is the inclusion of everyone and giving pace to everyone to contribute. About ensuring that all employees at all levels have a **voice** and that the voice is heard."

Astrid De Lathauwer
Group Human Resources Director

Employee survey shows all-round improvement

We are encouraged by the results of our second employee engagement survey, showing an engagement rate of 87% (+2% compared to 2015). There were improvements in all categories compared with the 2015 survey. The results confirm that the work done to put people first is being appreciated. They are also a strong indication that our people share the vision and that they understand their role in making it come to life.

With this overall engagement score, we clearly outperform our benchmark organizations within FMCG.

Bringing on talent

We are growing fast and we need to recruit extensively. As part of this, during the year we had our first intake of our new graduate trainee program, the Global Graduate Program.

At the same time, we continued to provide further training opportunities for our own employees. We also created a number of online knowledge modules to enable our people to upgrade their skills and develop the capabilities we require as a dynamic FMCG company.

The opening of the new Ethiopian plant presented a great opportunity for further development. The employees at the new plant followed various induction training courses at our factories in Europe where our engineers and technicians had the chance to lead, share their knowledge and enrich their own set of skills. When the plant opened later in the year, they were there on-site again to help with the start-up.

Internal mobility also offers the opportunity for our people to develop skills and experience, and during the year there was an increase in the number of internal moves between functions, Divisions and regions.

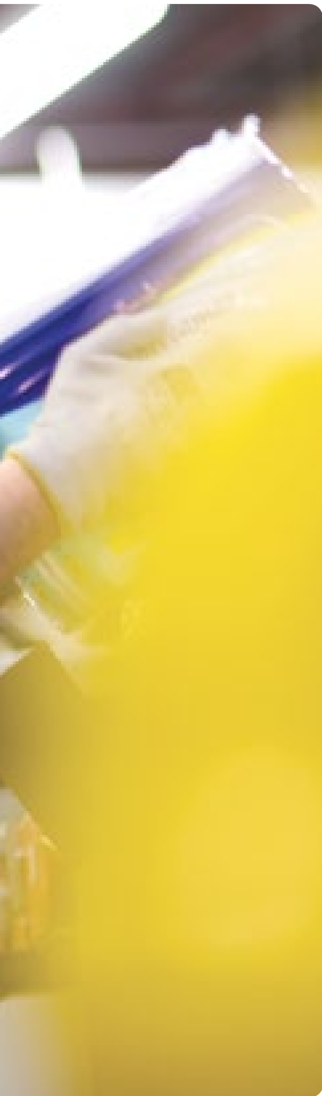
Investing in our talent

207,255
hours of training have been given

19
the average number of hours training per full-time equivalent employee

Engaged and well-supported employees

The roll-out and affirmation of the PRIDE values continued during the year. In true Ontex fashion, it was left up to each site or business to do it in a way that is close to their local culture and encourages the participation of everyone. For example, at our Villefranche sales office in France, they organized a 'values workshop' focused on Passion. They asked all the employees to share their own passions and turned them into a striking photo campaign. In Brazil, more than 35 values and vision workshops were conducted for the various functions in which all Ontex leaders participated. They were encouraged to think of actions to reinforce our PRIDE values and how to engage their teams in new and creative ways. Music and theatre contests, badges representing each value, and a PRIDE race were just some of the ideas that emerged.



Proactive health and safety

Creating a healthy and safe working environment is a key pillar of our sustainability efforts. Health and safety (H&S) is governed by a steering committee comprising of five members of our executive team. The committee's purpose is to ensure quick decision-making as we accelerate our shift towards an ingrained safety culture at Ontex. In 2017, we continued to implement OHSAS 18001 at our production sites to ensure demonstrably sound occupational H&S practices. We now have 15% of our main production sites certified. We plan to have at least 50% certified by 2020.

We also launched a major program to progress from a compliance state of mind to a proactive stance where we drive improvement. It included the introduction of a Group-wide accidents and incidents reporting system in accordance with international standards, supported by a full training program.

The recruitment of more H&S experts to our plants and offices will help ensure that we have the right capabilities to take ourselves to the next level.

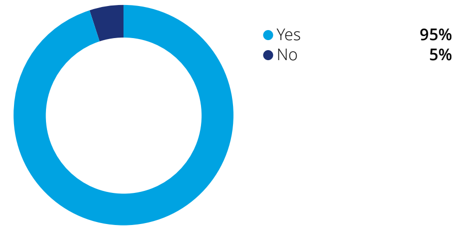
Our accident frequency rate dropped by 33% to 14.39 which keeps us on track for our 2020 target of maximum 6.5. The improvement is due to both the concentrated effort that we have put in to improving safety as well as a change in reporting methodology. The figures for 2017 include, for the first time, figures from our sales offices and warehouses.

In August, Ontex Großpostwitz in Germany welcomed its employees and their families for a relaxed family summer party. There were lots of games for the whole family as well as face painting and different handicraft activities for the children. In addition, the employees' children were encouraged to dress up in protective gear such as safety helmets, goggles and clothing and get their photo taken. The pictures were then used to produce engaging health & safety posters to create more awareness around these topics in the workplace.

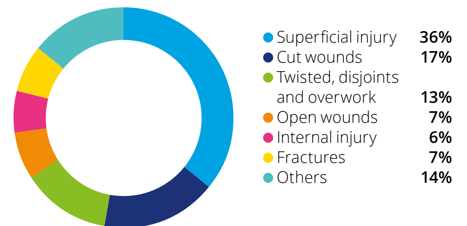
Zero

fatalities in any of our sites across the world

Plants with Health & Safety committees



Types of accidents



Frequency rate*

Our frequency rate dropped

-33%

compared with last year

Severity rate***

Asia · North & Sub-Saharan Africa · Europe · Americas · Oceania

* The number of labor accidents per million worked hours.

** Scope: Production sites and offices (excluding the Brazilian sales office).

*** Severity is calculated on the total lost days compared to the total number of hours scheduled to be worked by the employees. Days mean scheduled worked days. The counting of the lost days begins the day after the accident.

Respect for human rights...

We value the rights of the people who are involved in our products or operations along the supply chain. We need to make sure that the human rights of everyone involved in the supply of our products are respected, that we maintain high ethical standards and that we comply with all international and national rules and regulations during the manufacture and supply of our materials and products.

Our employees are expected to comply with all legal requirements as well as our new Code of Ethics which, among other things, includes a number of separate policies that specify our corporate compliance requirements.

During the year, we became a signatory to the UN Global Compact to show our commitments towards fair business practices, and introduced our first formal human rights policy.

We started to implement a social accountability system at 14 of our 19 sites with the aim of conducting third-party social audits during 2018.

...along the value chain

In all, we work with more than 200 suppliers globally. 93% of our raw material and packaging suppliers signed our supplier Code of Conduct, compared with 59% in 2016. In addition, during the year we introduced a third-party social audit scheme for suppliers in risk areas to be implemented in 2018 and beyond.

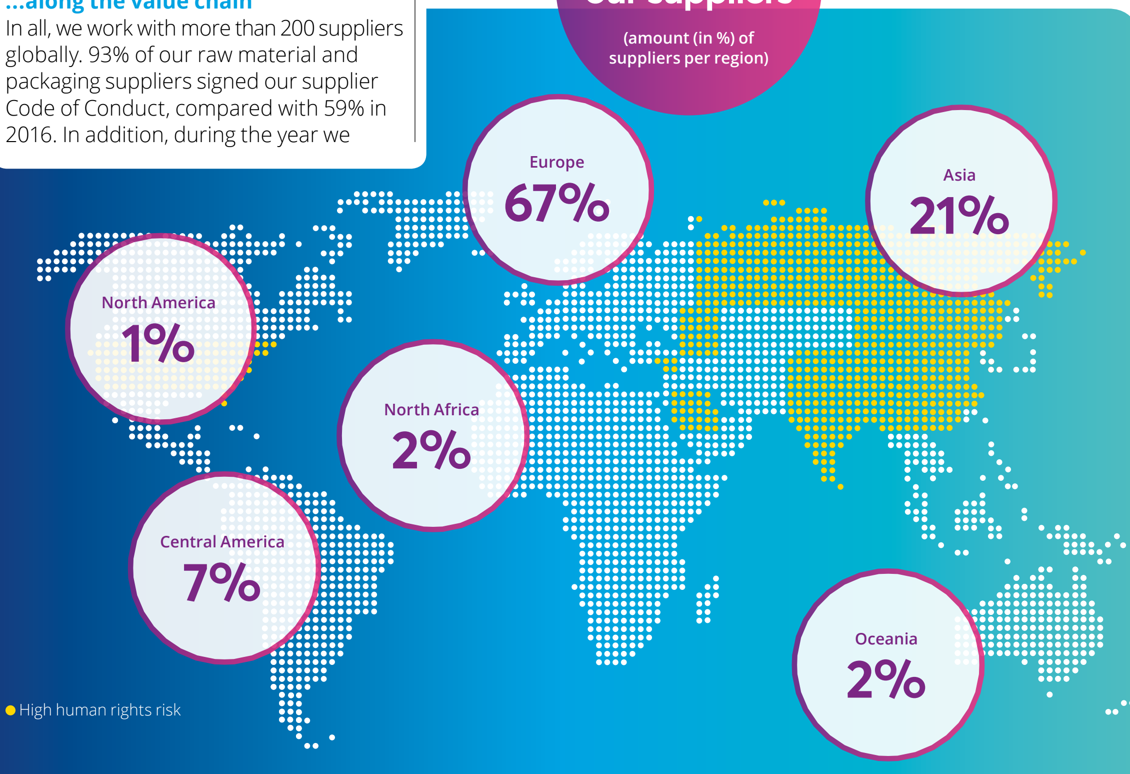
One of the key aspects of our supplier partnership program is measuring our suppliers' sustainability performance. Each year we carry out a supplier survey to ensure that the level of our suppliers' engagement in sustainability matters aligns with our ambitions. In 2017 HB Fuller won the biennial supplier sustainability award.

Engaging locally

We are essentially a community of local businesses each with a deep connection to and understanding of our local communities. While each plant has its own specific sustainability targets to help ensure we grow our businesses and create value consistently and relevantly, our plants collaborate and share good practices.

We want to support our communities and build partnerships with local organizations. We have a long-term goal that all of our plants and offices engage in some sort of activity based on local needs and employee engagement and which is linked to their business in some social or environmental way.

Our aim is that by end 2020 all plants have selected a local community project In 2017, 70% of our plants engaged in some sort of local initiative. Examples included the donation and distribution of Biobaby diapers following the earthquake in September in Mexico; the sponsorship and support by the Healthcare Division to ERIC, the only charity dedicated to the bowel and bladder health of all children and teenagers in the UK; Ontex Russia's participation in a charity program called 'Health for People' with a full truck of diapers and underpads to enhance the life of disabled people and to help children in hospitals, and the building of a local school playground by the management team of the Ontex plant in Mayen, Germany, to demonstrate our care for society.



Business **ethics**

New Code of Ethics

The way we do business is closely linked to our values, including integrity. We do not only expect our employees and those doing business on behalf of Ontex to comply with the law, but also to conduct our business in accordance with the highest ethical standards. In 2017, we broadened the scope of our former Code of Conduct and we introduced our new Code of Ethics in 14 languages.

Our Code of Ethics serves as a guide for doing business 'the Ontex way' covering the key ethical and compliance areas relevant for all employees and people doing business on behalf of Ontex in our manufacturing plants and in our office-based locations.

Our new Code of Ethics covers areas such as community involvement, health and safety, economic sanctions, fair competition and anti-bribery. Each topic of our Code of Ethics is owned by a specific department within Ontex that has particular expertise in that subject and can be contacted in case of questions.

Our Code of Ethics is published on our corporate website.

Focus on fair competition

For the second year in a row we organized an e-learning on competition law for our Marketing and Sales employees and our extended leadership team, followed by a knowledge test. 98% of invited employees completed the training and reached a score of 90% to the test. Additionally, all Sales managers attended a face-to-face competition law workshop.

Anti-bribery and corruption

Anti-bribery and corruption is another important topic in our Code of Ethics. We help our employees to fully comply with all anti-bribery laws and to not accept business if it requires giving or receiving a bribe. We ask our employees to look out for certain 'red flags' that may indicate a risk of bribery or other form of corruption prior to entering any contract or providing any services to a customer, supplier or other business partner. We also have a clear policy on gifts and hospitality, including a list of maximum monetary values to help our employees in assessing the reasonableness of a gift or hospitality. Line managers must be notified (or give their approval in certain cases) when those monetary values are exceeded. Approval of line managers is also required when a public or government official is involved.

Speak up

We encourage our employees to speak up and to report any suspected unethical behavior or other misconduct, so it can be addressed. We provide several channels for raising concerns, including through an external speak up line. Reports of concerns are evaluated internally by an evaluation team (consisting of Legal, Human Resources, Audit and Compliance) and appropriate measures are taken. The Compliance Steering Committee receives a report of all concerns raised when meeting on a quarterly basis.

Our Code of Ethics serves as a guide for doing business 'the Ontex way' and covers working areas such as working conditions, health and safety, fair competition, anti-bribery and corruption.

Innovation strengthened

Innovation is a key strategic pillar at Ontex.

Drawing on market trends and customer and consumer insights, and combining them with our technical expertise and creativity, we develop products that meet specific consumer needs all the while keeping focus on cost-effectiveness and manufacturing efficiency.

The acquisition of the Grupo Mabe business in Mexico in 2016 further strengthened our R&D capabilities and product developments based on understanding our customers and consumers in this part of the world. Throughout the year, we arranged virtual or face-to-face meetings as well as workshops and training sessions for our Sales and Marketing people to share knowledge and leverage our joint expertise. The new local brands, strong in digital communication and disruptive by nature, are a good fit with our agility and our entrepreneurial culture, and there were many exchanges to inspire our Marketing community.

Innovation in products

The addition of a further R&D center in Mexico provided the impetus to optimize our innovation processes further and ensure that we involve all stakeholders. For example, an innovation pipeline was set up per region, we started to develop a sustainability scorecard for all new projects of which the implementation is planned in 2018, based upon life-cycle assessment and we initiated a new program to clearly describe the requirements for each development stage of a project to ensure consistency of execution.

During the year, we continued to bring innovative, affordable and high-performing personal hygiene products to our markets. Together with trend agencies, local experts as well as bloggers, online influencers and our Marketing teams, we study the trends that are shaping consumers' desires and behavior globally and then look at how these may translate locally. The task of our cross-functional team is to assess their relevance to personal hygiene and design new value propositions for our customers and consumers.

Innovative in connecting with our consumers digitally

We continued to exploit innovative ways to establish a relationship with our consumers. All our brands are very active in the digital space, and today a considerable part of our marketing efforts is focused on digital channels and that share is growing.

Digital solutions, whether they are apps or sites where we offer help and advice, speak to consumers in a personalized way and are a natural part of us being a sponsor of local hero brands. We notice that social communities are strong and loyal supporters of our brands. It is where our consumers are and how we best connect with them.

Our forum for our incontinence brand, Serenity, is a good illustration of sharing experience online, while the example of Canbebe in Turkey, where we set up a real-time expert panel for new mothers, preserved the legacy of the brand but in a modern and accessible way.

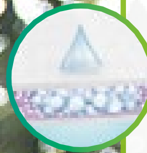
Direct access to consumers also enables us to understand any issues and rectify them quickly. How you deal with issues says a lot about a company, and we have seen how an open and transparent approach helps strengthen emotional links with our community.

"We have a single set of global quality compliance standards in order to ensure production **excellence**."

Annick De Poorter
Group Quality, R&D and Sustainability Director

"We want to **delight** all the senses and provide our consumers a positive and personalized experience."

Oriane Perreaux
Group Marketing Director



Light-fit technology

We successfully launched a light version to our iD incontinence brand which combines ultra-light weight and thinness with absorption comparable with thicker products. The new product's flexibility, discrete feminine profile and high performance were all highly appreciated during product testing as it scored more highly than all other products tested.

Skin protection formula

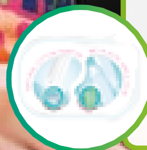
In 2017, we launched PRODERM® for our Mexican baby brand bbtips. It was developed for diapers and baby wipes as a protective formula that helps to preserve and restore babies' skin, a fundamental concern for first-time parents. The formula, along with long-lasting performance and extra-soft materials were tested in collaboration with the Mexican National Institute of Pediatrics.

Flow channel

Consumers rank long-lasting diaper dryness very highly as they seek best value for money. We launched a new flow channel technology which combines better fluid distribution and faster absorption rates. With 12 hours of dry feeling and improved sagging, it matches the consumer's expectations.

Flexfit

Thanks to our manufacturing synergies, we created a unique solution for Turkish parents with a revised Canbebe baby diaper. The Flexfit diaper is thinner and more comfortable for the baby, on top of the unique front and back barriers of the diaper.



Organic tampons

In our efforts to support more sustainable consumption, we launched a tampon with organic cotton and a compact bio-plastic and plant-based applicator.

Modern day consumers love to share their positive experiences online. This represents a real opportunity for our local brands. People are more than willing to try a product recommended by a friend or even by someone they don't know.

Assurance for our customers

Ensuring that we make our products in a responsible manner is central to our human approach to success and to near- and long-term prosperity.

Responsible production serves as an assurance for our customers and consumers as we all seek to reduce our environmental impact.

A detailed overview of the progress on our sustainability efforts can be found in the online performance addendum.

Greenhouse gas (GHG) emissions

In 2017, we refined our energy-related goals introducing a new target to be carbon neutral across all our operations by the end of 2030.

In 2017, we had an increase of 7% in our absolute GHG emissions (scope 1-2) compared with the year before, from 64,288 tons in 2016 to 68,957 tons in 2017. The increase is due to the extension of our scope in 2017. When looking to the emissions intensity ratio we see a slight decrease compared with last year from 32.3 gCO_2/€ in 2016 to 32.0 gCO_2/€ in 2017. When comparing with 2014 we even see a further decrease in the carbon intensity ratio of 29%.

The decrease in carbon emissions is mainly due to the shift towards green electricity. Moreover, we continuously look for ways to increase our energy-efficiency. For example, in 2017, 3.5 million kWh were saved with lighting optimization projects at our plants.

Materials

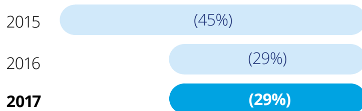
Sourcing of suitable raw materials, including chemical substances and packaging, is one of the main areas of focus in our sustainability efforts. It is not just a question of ensuring an ethical supply chain but developing ways of reducing our need for raw materials and finding sustainable options, all the while ensuring the high performance of our products.

In 2017, we managed to decrease the raw material usage in all product categories except for our baby pants and external Feminine Care category.

The amount of renewable raw material in our products decreased slightly, ending up at 48%. For our packing we stayed at 80%.

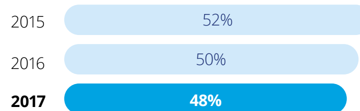
Moreover, we are also investigating the opportunities for our consumers to recycle products at the end of life. We are actively involved in stakeholder discussions in Belgium and the Netherlands, aimed at evaluating the feasibility of recycling used products. During 2017, a mapping of the recycling options was conducted. As a next step we set up a mutli-stakeholder project for recycling diaper waste that will be tested in 2018.

Reducing our carbon intensity ratio* (gCO_2/EUR) (Scope 1–2, base year 2014)



* Excluding data from the Brazilian sites

Share of renewable raw materials in our products (%)

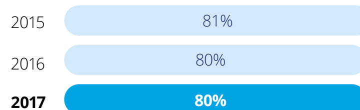


Main raw materials

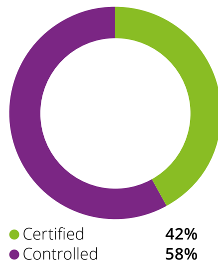
Material and packaging use per 1,000 units (kgs)

Product categories	Compared with 2014
Baby diaper	(5%)
Baby pants	0%
External Feminine Care	6%
Light incontinence	(3%)
Heavy incontinence	(7%)

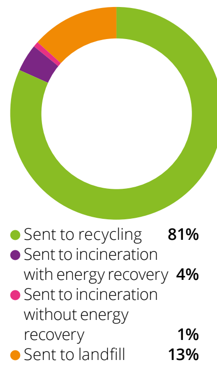
Share of renewable raw materials in our packaging (%)



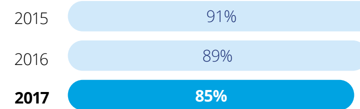
Wood sourcing



Waste



Waste recycling (% of our waste which is recycled or incinerated with energy recuperation)



Sustainable forestry

Pulp (fluff) is one of our most significant raw materials. All the pulp that we use is Elemental Chlorine Free or Total Chlorine Free bleached and comes from certified or controlled sources. In 2017, we added Brazil as a pulp-sourcing country, next to the US and Sweden. All our fluff originates from softwood pine trees.

Waste

In spite of our continuous efforts in improving our production efficiency, the joint-production of waste is inevitable. But the way we manage these by-products makes a great difference.

At Ontex, the majority of our production waste is recycled or converted back into useful energy.

By the end of 2020, our goal is to reduce production waste going to landfill to zero. In 2017, nine plants achieved that goal ahead of schedule. However, owing to the increase in production in countries with poorer recycling infrastructure, overall waste going to landfill increased from 11% to 13% compared with 2016.

In keeping with the Ontex spirit, we want plants to seek the best solution for their specific needs but also encourage them to share those practices that are working for them.

In Italy, for example, the plant has been experimenting with new methods to re-use pulp and super-absorbent dust from filter cleaning. They send the mixture to an earthworm breeder where the worms feed on the organic matter and digest it into humus soil to provide nutrients for plants. Early results are positive, and we plan to expand testing in 2018.

Green transport

Our products cover many kilometers before reaching the end-user. As part of the Lean & Green program, our goal was to reduce the carbon emissions from our logistics by 20% by the end of 2017, compared with 2012. 2017 was the last year of measurement. Before publication of the final results, the VIL* will analyze the reduction in carbon emissions. The result will be published on our website after confirmation by the VIL.

ISO certification

By the end of 2020, our aim is to have all main production sites independently certified to ISO 14001 and ISO 50001 – the internationally recognized standards for environmental management and energy management. In 2017, 69% of our main production plants were ISO 14001 certified and 62% are ISO 50001 certified.

Ensuring consumer health and safety

Consumer health and safety is a top priority for Ontex.

A certified multi-site ISO 9001 Quality Management System was integrated in each production facility. Our quality management processes are audited annually and regularly monitored through performance indicators that drive continuous improvement activities.

During supplier and raw material selection and product development we systematically evaluate all potential risks to make sure we meet consumers' expectations as well as all regulatory requirements.

All raw materials are screened toxicologically by an independent toxicologist to make sure chemical safety can be ensured.

Our products are rigorously tested in our own and independent quality laboratories. The tests focus on product performance such as rashes caused by baby diapers (due to rewet issues). To ensure a healthy and safe product we take a number of steps throughout our value chain. Any potential safety issue that is identified during production is thoroughly investigated to understand the nature of the problem and prompt actions are taken to eliminate any safety risk for the end-consumer. One of the tools we have at our disposal is voluntary product recall. Over the last three years we have had no product recalls.

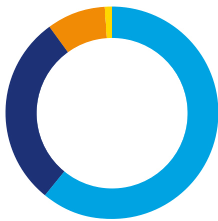
We audit our suppliers to ensure the quality of our raw materials and additionally we regularly monitor the quality of all material received to ensure that we meet the rigorous quality standards for our products.

In the event of an incident relating to the safety of our consumers or the quality of our products, crisis management teams are activated in the affected markets under the direction of our product quality, science and communications experts, to ensure timely and effective marketplace action.

* VIL is the Flemish Institute for Logistics.

Growth across all product categories

Revenue by category
(%)



- Baby Care 61%
- Adult Care 29%
- Feminine Care 9%
- Other 1%

Reported revenue
(€/m)
(LFL growth %)

Mature Markets Retail
901.7
+5.1 %

Healthcare
433.4
+2.0%

Middle East North Africa
189.8
+1.4%

Growth Markets
193.1
+8.5%

Americas Retail Division
637.5
+1 2.2%

Ontex' performance was strong in 2017 against a generally disruptive background.

We faced tough competition and an uncertain economic environment in many of our markets. Internally, we pursued our own ongoing transformation into a consumer goods company.

The passion and drive of our people were very much in evidence. This was not just in our operational performance, but also reflected in the employee survey which encouragingly showed improvement in all categories versus our 2015 results, and that we are on a par with the best-in-class.

Developing our people

The company has grown quickly in the last four years and our ambition is to continue this growth and success. In 2017, we reconfigured the set-up of some of our teams to become even more responsive to customer needs and sustain our growth. We also continued to put the systems in place internally to support the structured growth of our people through career progression opportunities, regular assessments, cross-functional moves and more. The establishment of the Americas leadership team is a good example of how we can develop and progress our people's careers.

Digitalization

During the year, we also embarked on a digitalization program that will affect every part of our company. We are an agile and lean company, which enables us to implement changes relatively quickly. The nature of the digital transformation will depend on the function and the Division. We have a dedicated team to lead the change but, in Ontex style, the approach is pragmatic and flexible to ensure we get the best returns for ourselves, our customers and our consumers.

Growth across all product categories

In terms of categories, we grew our business across all three: Baby Care, Adult Care and Feminine Care.

Baby Care

In Baby Care, our biggest category, there was a general increase in demand driven by further penetration in various parts of the world and the continued growth of emerging markets. Our revenue increased 6.3% on a like-for-like basis. In Western Europe, we benefited from retailer brands' share gains in diapers, and also increased our share of retailer brands. Our own brands gained share in Mexico and Algeria, although these were partly offset by a lower share in Turkey and Brazil where the market dynamics are extremely challenging. During the year, baby pants grew strongly driven by category leader activity to push this more profitable subcategory.

Feminine Care

Feminine Care is the most commoditized category and we try to engage with consumers not just on comparable product quality but on an emotional level as well through the packaging design and on-pack messaging. During the year, our retailer brands in Western Europe maintained share in a slightly declining category.

"The FMCG environment is moving faster and faster every day. We are aligning our organization to make sure that we remain fully **connected** with the reality of the outside world"

Thierry Navarre
Chief Operational Officer

Like-for-like revenue in the category grew 4.2% driven by new business gains, and consolidating our leading position in retailer brands.

Adult Care

Adult Care is the fastest-growing category with penetration driven by the breakdown of taboos surrounding such products and by the increase in purchasing power in emerging markets. We sell through two main channels: institutional and retail. Revenue in both channels was up in 2017 to give an overall increase of 5.2% on a like-for-like basis. In institutional channels, revenue growth was supported by innovations to strengthen our offer and included the launch of Serenity pants in Spain. Revenue from retail channels increased, and we also increased our leading branded positions in Italy, Mexico and Brazil.

Approach to digitalization: We have a dedicated team to lead our digital transformation but, in Ontex style, the approach is pragmatic and flexible and we will invest only where we know we will get the returns for ourselves, our customers and our consumers.

Responding to **a challenging market**

Revenue

€901.7m

(2016: €854.6m)

Mauricio Troncoso
General Manager,
Mature Markets Retail Division

Key Markets
Western Europe
Australia

Mature Markets Retail Division supplies retailer branded Baby Care, Feminine Care and Adult Care products in Western Europe and Australia.

Performance

Mature Markets Retail Division delivered a strong top-line performance with higher volumes in most of our markets. The like-for-like improvement in revenue, at 5.1%, was ahead of market growth, and came from new business gained across all three categories and the substantial organic growth of some of our key retailer customers.

We faced continued price pressure in raw materials, energy and transportation and while our cost-saving program helped us to mitigate these spikes our margins remain under pressure. We invested in price in certain areas of our business but largely offset this by maximizing the mix through higher value products such as baby pants and adult pants. The ability to manage our portfolio gives us a degree of flexibility and adds a further layer of resilience to this business.

"A strong performance, in a year of leadership change, demonstrated the **capability** and **depth** of talent in our team as well as the undeniable drive of Ontex."

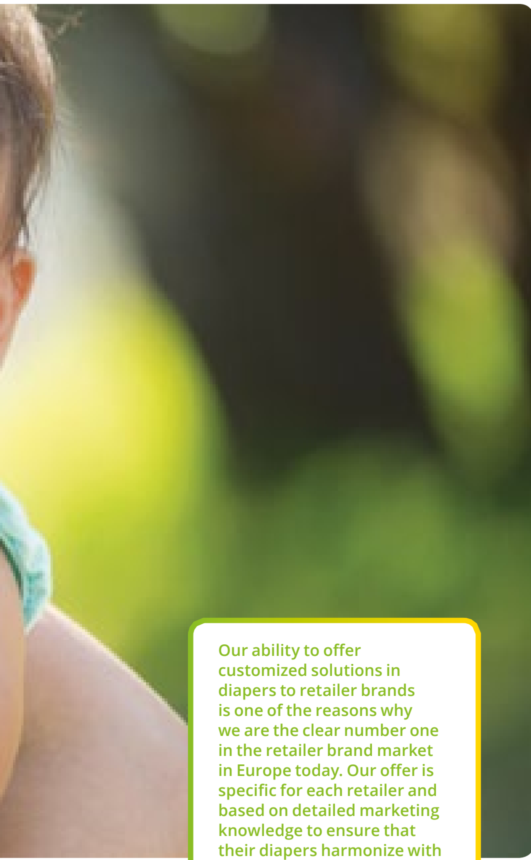
Mauricio Troncoso
General Manager
Mature Markets Retail Division

Strategy

Our strategy to develop more in-depth partnerships with our retailer customers is paying off. While we maintain our product quality and entrepreneurship, we add value in terms of business-planning processes, category management, unique shopper insights, as well as innovation. At the end of the day, this allows us to offer high value products to consumers at an attractive price.

Investing in people

The quality of our people, and their increased understanding of markets and end-users, play a key differentiating role. In 2017, we continued to transform the Mature Markets Retail organization to better respond to the business needs of our customers, investing in people and training as well as in various tools, such as shopper analytics, to serve our customers with what they need to succeed.



"In every category, our overriding aim is to produce quality products at an **affordable** price so that everyone can have access to them."

Laurent Bonnard
Group Sales Director

Our ability to offer customized solutions in diapers to retailer brands is one of the reasons why we are the clear number one in the retailer brand market in Europe today. Our offer is specific for each retailer and based on detailed marketing knowledge to ensure that their diapers harmonize with their overall positioning.

Growth

In line with our strategy to expand in stages, in October we announced the construction of a new €40 million plant in Poland to support the growth of our retailer customer and consumer base in Central and Eastern Europe. The new factory is planned to come online by the end of 2018 and aims to be fully operational by 2020.

Sustainability matters

Just like the rest of Ontex, we put special emphasis in continuously improving the sustainability of our products. Ontex is committed to supporting the marketing of products with eco and/or health labels to better meet market requirements. Our commitment is unwavering, not only because consumers' increasing awareness of ecological and health-related issues put special demands on the products that we make, but more importantly, because we are committed to do our part in leaving a better world for the future generations. For example, 60% of our turnover from the Nordic countries come from products with one or more eco or health labels. An overview of the different labels can be found on our website.

Our market*

Our Mature Markets Retail Division operates in regions that represent 15% of the global disposable hygiene retail market in value terms. Baby Care and Feminine Care categories declined in value -3% and -1% respectively owing to their mature nature and pressure on pricing. Adult Care grew by 9%.

In volume terms, retailer brands in all three categories increased their share of the total market. In Baby Care, they now account for 50% of the market, in Feminine Care 37% and in Adult Care 39%.

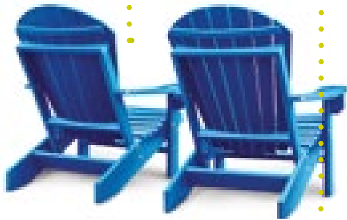
Looking ahead

During the year, we proved that the fundamentals of the business are sound and strong. Our people continue growing with new and essential capabilities. The Group-wide digitalization program will help us better deal with the complexity of the range we offer and bring even greater efficiency. All of this will underpin the basis of our success: offering the best value to our customers and consumers, which is the reason why more and more consumers are choosing retail brands. It is simply a better value equation for them.

* Sources:
Nielsen Full Year December 2017
Euromonitor 2017 actuals

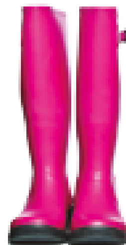
Market value

Adult Care
15%



Baby Care
50%

Feminine Care
35%



Giving **confidence**

"We never forget that our business is all about dignity and **quality** of life. It's also about smart solutions at affordable prices and maintaining the human factor."

Xavier Lambrecht
General Manager,
Healthcare Division

Revenue

€433.4m

(2016: €428.8m)

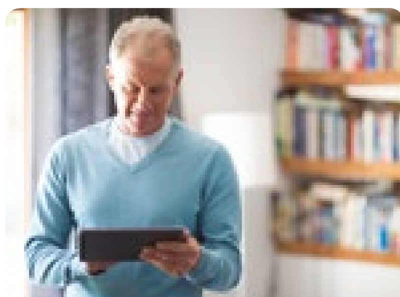
Our goal is to help adults who are experiencing incontinence to live their lives with dignity and in comfort. We are a predominantly business-to-business operation, supplying our products to healthcare institutions. We also sell directly to consumers through pharmacies, home delivery and online.

Performance

Growth in 2017 followed the similar steady pattern of recent years. In a declining market, revenue grew 2.0% on a life-for-like basis, supported by increased volumes of our branded Adult Care products. We performed well in the majority of our markets, despite significant price pressures during the year, especially in Italy where we are Number 1 supplier.

"We are now the Number 5 player in the World. Our international positions are **attractive** to suppliers looking to extend their business. The larger volumes put us in a stronger position and suppliers are more willing to develop with us."

Philippe Agostini
Chief Procurement and Supply Chain Officer



E-commerce has been one of our routes to market. We are used to serving patients at home and have experience delivering to home. We are accelerating our efforts in digitalization as part of the Group-wide effort.

We remained focused on product and channel mix, as well as cost control without sacrificing the quality of the product. We also continued to evolve our business model, broadening our range of services to the customer, such as management systems for institutional customers and training for carers so that they understand how to optimize the use of our products.

Strategy

In terms of institutional customers, we aim to bring cost-efficient, innovative products and solutions to the market without compromising product quality, or patient dignity, or comfort.

As the more profitable self-pay channel continues to develop as a result of the reduction in funding and reimbursement, our strategy is to grow our share by addressing consumers' unmet needs.

Growth

Changes to reimbursement programs in many countries may mean that users are left only with a choice of low-cost and, potentially, inferior products. In 2017, we made our first steps into the retail world in Italy to help ensure that our market-leading products remain available to end-users. We capitalized on the equity in our leading brand, Serenity, to launch this retail initiative through e-commerce channels and in pharmacies.

We also started to penetrate private nursing home groups, where we have been less strong, and where the value of having a strong set of values is proving an advantage. In true Ontex spirit, our value proposition is broader than just the product. Management systems for patient follow-up and online training for carers as well as accredited online training for nurses all form part of the offer.

Investing in people

We invested substantially in training during the year for both our office and shop-floor people. In our factories, new technology means we have to constantly upgrade our skills, and in the new factory in France we introduced a dedicated change management plan to enhance team work which has resulted in increased output.

Sustainability matters

In 2017, we carried out a detailed survey of energy consumption, scrap reduction and raw materials usage on our lines. We also looked at ways we could reduce the environmental impact of the supply chain. In Brussels, Belgium, we found a company that specialized in city deliveries using electric vehicles.

Looking ahead

Market conditions will probably remain largely unchanged. A vibrant product pipeline and the addition of further services should help strengthen our position in the traditional institutional market while we continue to explore the opportunities of the self-pay business and other market opportunities.

Key Markets
Benelux and France
Germany
Spain and Italy
UK and Ireland

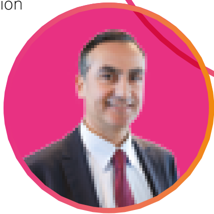
Unlocking new **opportunities**

Revenue

€189.8m

(2016: €206.2m)

Özgür Akyildiz
General Manager, Middle East North Africa Division



Our Middle East North Africa Division manufactures and markets branded products in mainly Turkey, Algeria and Pakistan on a local basis and reaches other countries in the region through exports.

Performance

Our operations in MENA are almost entirely focused on local hero brands. The challenging political and economic backdrop in the region was compounded in 2017 by new entrants and aggressive action from local hard discounters in Turkey. Revenue growth slowed to 1.4% on a like-for-like basis as volumes fell and pricing came under pressure.

Some share gains and volume improvement in our international export markets, and the continued good performance of Canped, the leading brand in Adult Care in Turkey, helped to offset the impact.

Despite the top-line challenges to our diaper products, we were able to continue our profitable growth journey taking advantage of the breadth of our portfolio.

Strategy

We seek to unlock new untapped opportunities in the region, both in terms of new countries and product penetration. We dedicate resources both category and country-wise, building on

In September 2017, we launched the Canbebe 'To the Future with Moms' campaign in Turkey aiming to provide knowledge about physiological and pedagogical development to 14,000 mothers while raising their children.

the success of the Incontinence Task Force, which was formed specifically to grow our adult care business in the region.

We aim to create greater awareness of our Canbebe and Canped brands, through higher marketing investment in Turkey and Pakistan using modern channels.

Growth

Growth is driven by innovation as well as penetration. During the year, we set up a local R&D center in Istanbul. Co-operation with the Group's and other regional R&D resources will help drive product development specific to the region and strengthen our local hero approach.

We also took an innovative approach to nurturing our Canbebe brand and fill a gap in the local market. In September, we set up an online panel comprising of leading Turkish baby care specialists to answer questions and concerns from new mothers. The project typified Ontex's aim to bring value to local consumers.

Growth of the personal hygiene market in Turkey*

"We transfer best practices across our different plants. In the Istanbul plant, the noise reduction measures were so **successful** that all other sites are being asked to use their plan as a reference in 2018 and beyond."

Özgür Akyildiz
General Manager,
Middle East North Africa Division

Key Markets
Turkey
Algeria
Pakistan

Investing in people

The actions implemented following the 2015 employee engagement survey, with individual targets for each country, have clear born fruit. In the 2017 survey, we saw significant improvement especially in those countries that had scored less well and where we put in extra resources to deal with shortfalls. The work continues.

The organizational structure has now caught up with our rapid growth and we are better balanced to face the future. During the year, we used all the resources available to us through the Ontex Group functions to further develop and educate our people. The strong collaborative ties with the Group sales team, and the consumer and market data provided, made a strong contribution to our operation and are typical of the way Ontex operates.

Sustainability matters

Many end-users in the MENA region are generally looking at the basic level of needs in terms of products, but having said that, we continue to grow the company in an environmentally sustainable way with quality products using less energy and less raw materials.

The transfer of best practices between our different plants was very much in evidence in 2017. Noise reduction measures introduced at our Istanbul production site were so successful that all other sites are being asked to use their plan as a reference in 2018 and beyond.

Looking ahead

We will continue to focus on profitable growth segments despite competition pressure from new entrants. We see considerable further potential for growth in sales of our incontinence brands, due to the aging population in the region, both in Turkey and in other regions.

* Source:
Nielsen Full Year ending December 2017 (Baby Care),
IMS Full Year December 2017 (Adult Care)

Delivering growth through local expertise

Revenue

€193.1m

(2016: €169.6m)

"Our PRIDE values are evident each and every day as our people deploy their high technical **capabilities** and **entrepreneurial skills** in a fast-moving environment."

Thierry Viale
General Manager,
Growth Markets Division

Growth Markets supplies both retailer brands and Ontex brands to developing and emerging markets which tend to be a mix of high growth and high volatility. We have a growing presence in adult and feminine care but baby care accounts for the most significant portion of our business.

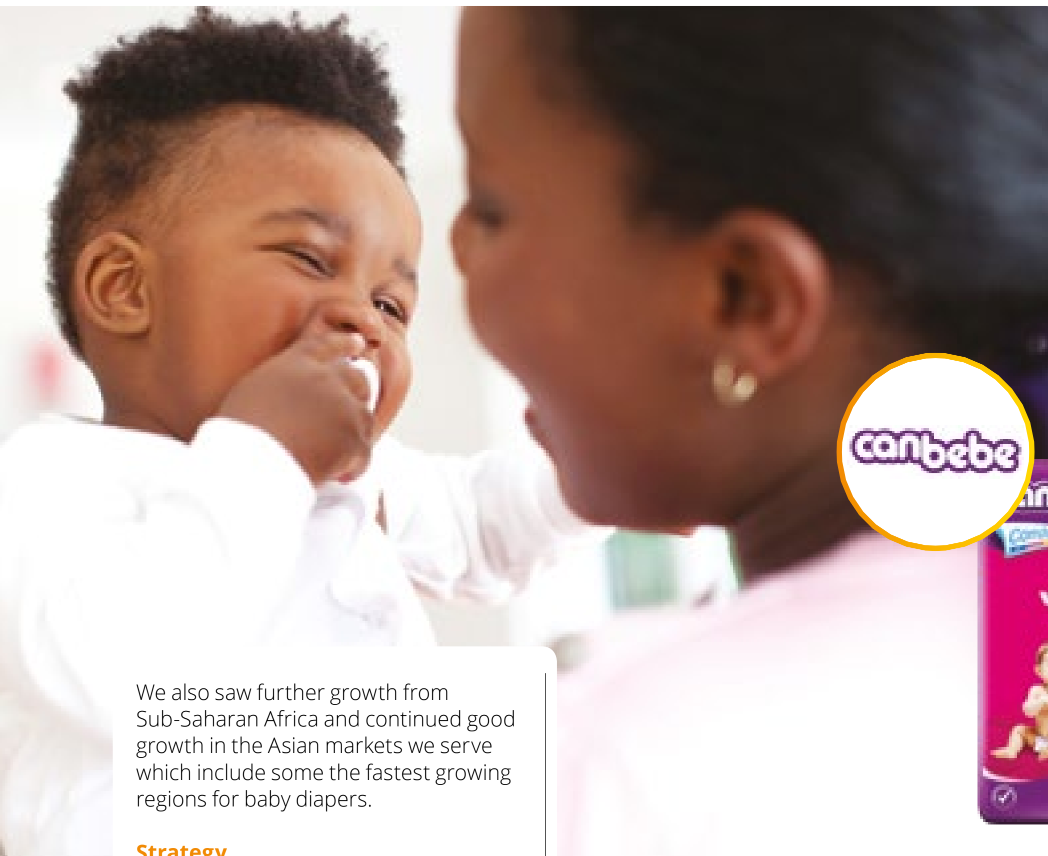
Performance

In 2017, we delivered another year of uninterrupted growth to underline the sustainability of our business model for Growth Markets. Revenue grew 8.5% on a like-for-like basis, outstripping market growth as we benefited from higher volumes and a more favorable mix, further confirming our model of driving both retailer brands and our own Ontex brands. Russia, one of the world's biggest markets, was the main driver of growth as retailer brands continued to develop positively. We are the leader in retailer brands and during the year we helped retailers launch their own brands or accelerate the growth of existing ones. Some of our fastest-growing products stretched our capacity but the extension of our local manufacturing plant in Noginsk and more local sourcing should remedy what are short-term issues. Revenues from Ontex's own branded products grew, owing to better distribution and the introduction of the baby pants format to improve the mix.

Growth in Growth Markets
In 2017, revenue grew 8.5% on a like-for-like basis, outstripping market growth as we benefitted from higher volumes and a more favorable mix.

2017 like-for-like revenue growth

8.5%



Key Markets
Commonwealth of Independent States
Central and Eastern Europe
Asia
Sub-Saharan Africa

We also saw further growth from Sub-Saharan Africa and continued good growth in the Asian markets we serve which include some the fastest growing regions for baby diapers.

Strategy

Our strategy is to build on the expertise gained from our experience of operating in Western Europe, including an ability to understand the customer and build retailer brands. We intend to drive sustainable, profitable growth in CIS and CEE and to continue growing the business through our local presence and market knowledge in Sub-Saharan Africa.

Growth

In July, we opened a new, advanced plant in Hawassa, Ethiopia. It will allow us to feed growth in the region and better serve consumers with our Canbebe diapers which have just the right combination of features that mothers in East Africa are looking for. The plant underlines our strong belief in a local market approach and provides a solid bridgehead to develop the region.

We relocated the Russian production plant in Noginsk, doubling our production capacity for both our own and retailer brands across all three product categories. Increased localization will reduce costs and help us better serve our market. The project was another example of our values in action. Everyone came together to ensure that it was brought to a successful conclusion while still managing the day-to-day business.
We also successfully launched our Adult Care brand iD through pharmacies, leveraging our technology and our heritage in this growing category.

Investing in people

Since 2013, we have led the profitable transformation from a small export business with a single production line and revenues of €88 million, into a €193 million business, and a workforce of 536 people with one of the Group's most modern plants in Russia and a brand new plant in Ethiopia. The investment in the quality of our people and the leadership team has been critical in this respect. Our PRIDE values are evident each and every day as they deploy their highly technical capabilities and entrepreneurial skills in this fast-moving environment.

Sustainability matters

The two new factories in Russia and Ethiopia were built in full compliance with our approach to sustainability and our aim to increase our relevance and positive impact in our communities. The localization of our production facilities not only brings jobs but helps to reduce the environmental impacts of transportation. In Noginsk, energy efficient lighting, a heat recuperation system, automated control system for compressors as well as an efficient central system for line waste removal and collection all help contribute to reduce the environmental impact.

In Ethiopia, we are in a water-scarce environment so we installed systems to ensure that all the water we use is recycled.

Looking ahead

The combination of the resources of an international company and the agility of a small business are serving us well. The environment remains uncertain and complex but through the actions we have taken we aim to continue delivering growth ahead of our markets.

Building scale in key markets

Armando Amselem
General Manager,
Americas Retail Division

Revenue

€637.5m

(2016: €333.9m)

"Our people make who we are, and we benefited from the talent available to us in the Ontex Group as we assembled a strong Americas leadership team during the year."

Armando Amselem
General Manager
Americas Retail Division

The Americas Retail Division supplies branded products to 11 markets across the Americas from production plants in Brazil and Mexico. We have strong positions in Mexico and Brazil, two of the top five personal hygiene markets in the world.

Key Markets
Mexico and Central America
Brazil
North America

Performance

Revenue in the Americas Retail Division increased by 12.2% on a like-for-like basis. We continued to improve our position in Mexico and increase our share in both the Baby Care and Adult Care categories despite currency volatility and reduced consumer spending power. We grew sales in the US where our focus is on eco-friendly diapers and feminine care products. In the Adult Care category in Brazil, we continued to grow and extended our leading position.

In Baby Care in Brazil, we experienced a decline in overall category value. Actions to improve our position and results started to show positive signs towards the end of the year.

Strategy

Our aim is to be the clear Number 3 player in the region in disposable hygiene products. We plan to strengthen our profitability in Mexico and Brazil, exploit growth potential in North America and improve our supply chain.

Growth
We realized a double-digit growth in Mexico and managed to reach a new volume share record of 42.9% for Ontex's own brands and retailer brands in the Supermarkets channel (2017 Nielsen data).

Driving growth through innovation, during the year we launched a new incontinence brand, Moviment, in Brazil and in Mexico, we did a relaunch of our BioBaby diapers.

Investing in people
It was an intensive year in terms of people. The Division has only been in existence a short while, and we dedicated much resource to building the right leadership team as we assimilated the business in Brazil. The pool of skills available to us around the company, especially the entrepreneurial mindset, has been invaluable. The new Division provides excellent opportunities for the development of our people wherever they may be in the Ontex community.

Sustainability matters
Around 80% of sales in the US are in what we term eco-friendly products, a small but fast-growing segment. This means that sustainability is a core concern of ours all along the value chain from procurement through production to the consumer. Energy and water usage reduction at all our plants is a key focus, for example, and when it comes to getting our products to the customer, during the year we increased the use of rail freight instead of trucks.

Looking ahead
The acquisition of the Brazil business gave us access to one of the largest personal hygiene markets in the world and we aim to further develop the brand portfolio and maximize the operational synergies while continuing to grow our other businesses.

Mexico's aging population
Mexico's aging population is creating growing demand for incontinence products.

Life expectancy in 1960

57 years

Life expectancy in 2017

75 years

In Mexico the number of inhabitants aged 60 years or more has increased an impressive

118%
since 1990

Sources:
National Institute of Health and Aging
National Population Council

"During the year, we enlarged our base of in-house built machines with **new lines** in Mexico and Ethiopia. We now have ten locations where we run our own machines."

Martin Gärtner
Group Manufacturing Director

We introduced Moviment, our new Brazilian brand of unisex pants that are ideal for active adults with moderate or severe urinary incontinence. The launch was backed by a campaign to demystify urinary incontinence and show that people can live a normal life without restrictions.

Continued strong revenue growth in **challenging market** conditions

Financial highlights

Revenue (€/bn)
2.36
+5.5%
(LFL growth %)

Gross margin (€/m)
681.0
+16.3%

Adjusted EBITDA (€/m)
266.4
+7.1%

Adjusted net profit (€/m)
131.4
-0.2%

Investing in people and processes
2017 was an excellent year in terms of people development. As we grow, we are putting in more structures and more processes. We have, of course, a set of basic rules and regulations but we are conscious not to stifle our entrepreneurial culture. We remain pragmatic because in the fast-moving and fast-changing world we serve we need to remain flexible.

Jacques Purnode
Chief Financial Officer

We saw a strong performance in our underlying business in 2017 but a disappointing first year from the Brazilian business acquired in March 2017.

On a like-for-like basis, the underlying Ontex business continued to perform well. Ontex Group, excluding the Brazilian acquisition, and representing more than 90% of 2017 full-year revenue of €2.36 billion, significantly outperformed consumer staples in a broadly flat personal hygiene market, delivering 5.5% like-for-like revenue growth across all three categories. This demonstrated strong consumer demand for the portfolio of Ontex products, resulting in market share gains across most of our Divisions. Our Mature Market Retail had a particularly strong performance (with revenue growing like-for-like of 5.1%) confirming the strengths we have built over decades in these markets after some temporary challenges in 2016.

Adjusted EBITDA of €266.4 million was 7.1% higher year-on-year, despite a €7.8 million FX headwind. Adjusted EBITDA margins of the Group (excluding Brazil) proved robust at 12.0% compared with 12.5% in 2016. This was a resilient performance with our cost savings and efficiencies programs largely offsetting significant external headwinds, and some capacity constraints that limited our profitability in the near term.

Adjusted earnings per share of €1.65, down 6.8% compared with a year ago.

> "The year 2017 saw very solid topline **growth** well ahead of peers and specifically a very **strong bounce-back** by our Mature Markets Retail Division from a difficult 2016."
>
> **Jacques Purnode**
> Chief Financial Officer

"Despite the challenges, we remain **confident** in the long-term value of the Brazilian business to the Ontex Group."

Jacques Purnode
Chief Financial Officer

Brazil

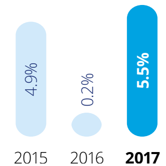
The overall performance of the Brazilian business acquired in March 2017 fell well short of our expectations. At the end of the year, we learned that discounts to customers, a standard retail industry practice, had been made above the budgeted levels, and that these excess discounts had not been registered during the year. As a consequence, in December, we took a charge of €15 million to revenue and adjusted EBITDA to fully cover the year, resulting in the 2017 adjusted EBITDA margin in Brazil of 3.8%.

Significant actions have already been taken to address the issues in Brazil, including some changes in the sales incentive system, and reinforced processes and controls. We are reviewing ways in which we can sustainably improve the business performance on the top and bottom line. Despite these challenges, we remain confident in the long-term value of the Brazilian business to the Ontex Group. It provides an important branded position in the fourth largest hygiene market in the world, with opportunities to improve manufacturing efficiencies and leverage our innovation expertise as originally foreseen.

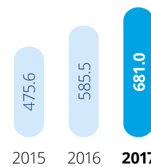
Revenue by Division
(€/m)

Mature Markets	**901.7**
Healthcare	**433.4**
MENA	**189.8**
Growth Markets	**193.1**
Americas Retail	**637.5**

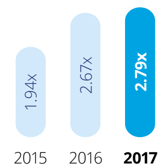
Revenue growth
(LFL growth %)



Gross margin
(€/m)



Leverage



(€/m unless otherwise specified)	2017	2016	Change (%)
Revenue	2.36 bn	1.99 bn	18.2
Gross margin	681.0	585.5	16.3
Adjusted EBITDA	266.4	248.7	7.1
Adjusted net profit	131.4	131.7	-0.2
Adjusted free cash flow	71.0	131.1	-45.8
Net debt	744.2	664.9	11.9
Leverage	**2.79x**	**2.67x**	**N/A.**

Outlook

We have three priorities for 2018: continue investing in initiatives which will support sustainable profitable growth; strengthen further the underlying Ontex business, continuing to build on our leadership position in retailer brands in Europe and on our portfolio of local brands, and achieve sustainable improvements in our Brazil business. In challenging markets, we expect a better balance between top line and profitability in 2018. On the top line, we expect a low single-digit like-for-like revenue growth in broadly flat hygiene markets. After a lower first half of the year, we anticipate a sequential improvement in adjusted EBITDA margins in the second half as our actions across all aspects of the business, including pricing, mix and cost savings, increasingly take effect.

Our commitment to improve our margins over time is unchanged. We will work through the short-term challenges we are facing, while our long-term objectives remain fully intact.

Gross Margin

Gross margin was €681.0 million, an increase of 16.3% compared with last year. Gross margin as a percentage of sales was 47 basis points lower, from 29.4% in 2016 to 28.9% in 2017. Strong like-for-like revenue growth and savings generated throughout the year did not fully compensate higher raw material pricing, and to a lesser extent a negative FX impact and additional manufacturing expenses to service the top line.

Adjusted EBITDA

2017 adjusted EBITDA was 7.1% higher than in 2016 at €266.4 million. Other than the evolution in gross margin as detailed above, we absorbed the temporary impact of higher distribution expenses mainly due to strong revenue growth, and continued to invest in our sales and marketing capabilities.

Foreign Exchange

Movements in the value of foreign currencies versus the euro had a negative impact on Group revenue and Adjusted EBITDA in 2017. The full year impact of -€21.3 million on revenue was mainly related to a weakening of the Turkish Lira and the British Pound, the Mexican Peso and US Dollar, while the Russian Rouble and the Polish Zloty strengthened compared with the previous year.

The FX impact on Adjusted EBITDA in 2017 was -€7.8 million mostly from a weakening of the British Pound and the Turkish Lira, while the Russian Rouble and the Czech Koruna were stronger. In addition to the above, the Brazilian Real weakened in 2017 versus the exchange rate at the time of acquisition.

Net Finance Costs

In 2017 net finance costs were €43.8 million. Compared to 2016, the increase in net finance costs is fully explained by higher net exchange rate differences related to financing activities. Total interest expenses in 2017 were above a year ago, and were essentially offset by the gain arising from the amendment of our syndicated loan.

Income Tax Expense

The income tax expense was €36.1 million for 2017, resulting in an effective tax rate of 22.0%, below our guidance of approximately 24%.

Working Capital

Working capital as a percentage of revenue was 11.3% in 2017, within our objective of keeping working capital requirements at or below 12% of revenue.

Capital Expenditure

Capital expenditure was €111.9 million in 2017, or 4.8% of revenue. This is above our historical level of investment as expected and previously disclosed, mainly reflecting the capex program foreseen in the acquisition of Ontex Brazil, and to a lesser extent increasing capacity of faster-growing, margin-accretive products. We expect this to have a positive impact on our manufacturing and supply chain as the new production comes online, alleviating the temporary pressures we have absorbed from strong revenue growth.

Adjusted Free Cash Flow (post tax)

Adjusted free cash flow (post tax) was €71.0 million in 2017, 45.8% lower than in 2016. The main reasons for the decline are higher capex as planned, increased working capital and cash taxes paid. The higher working capital was due to the significant build-up of working capital in Ontex Brazil. The carved-out company, which became operational in January 2017, did not receive historical receivables from Hypermarcas. This effect was fully expected and was factored into the cash consideration. Excluding this one-time impact, adjusted free cash flow (post tax) would have been some 15% lower than in 2016.

Financing

Net debt at December 31, 2017 amounted to €744.2 million, and net leverage based on the last 12 months Adjusted EBITDA was 2.79x.

The refinancing of debt in the second half of 2017 resulted in a meaningful extension of debt maturities to 2022 and 2024 and a lower average cost of debt with the interest rate risk largely hedged, in line with the Group's hedging policy. Estimated annual savings before tax are expected to be approximately €10 million.

Dividends

The Board of Directors has proposed a dividend of €0.60 per share, an increase of €0.05 per share subject to shareholder approval at the next Annual General Meeting of Shareholders.

Check out our press releases here: http://www.ontexglobal.com/news-media

Reporting methodology for declaration non-financial disclosure

Each year Ontex reports upon its economic and sustainability performance.

In previous years, in addition to the Annual Report, Ontex has published a Sustainability Report covering the social, environmental and economic sustainability issues that matter most to us and to our stakeholders. The previous report was published on 11 April 2017.

This year marks the publication of our first integrated annual report. In highlighting what is material to our business, our stakeholders and our Company, we aim to present transparently how we address our key economic, environmental and social impacts.

The financial and non-financial information contained in this report covers the period January 1, 2017 to December 31, 2017, unless otherwise specified, and appertains to the Ontex Group which employ some 11,000 people.

The report covers our different units in 22 countries and our headquarters in Aalst, Belgium. For the first time, our sales offices and on-site warehouses are included in the sustainability data as well.

The scope changed significantly over the reporting year, adding the start-up of a new plant in Ethiopia and the acquisition of the personal hygiene business of Hypermarcas in Brazil. Note that the scope for energy consumption and carbon emissions indicators does not include the two plants in Brazil. In addition, the plants in Mexico and Brazil are excluded from the scope of the electricity intensity ratio.

The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and with reference to the UN Global Compact & UN's Sustainable Development Goals (SDGs). GRI is the international standard for sustainability reporting. The SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilize global efforts around a common set of goals and targets. Scope 1 and 2 carbon emissions are calculated based on the Greenhouse Gas Protocol definition. Note that the transport of goods via owned trucks is currently not included in the scope of carbon reporting.

A full overview can be found in the Sustainability Performance Addendum at the back of this report.

This report has been validated by the Ontex management team and external assurance has been performed for selected indicators.

Corporate Governance Statement

In accordance with the Belgian Companies Code (wetboek van vennootschappen) and the 2009 Belgian Code on Corporate Governance (hereafter the 'Corporate Governance Code', the following section provides information about Ontex Group NV's (also referred to herein as the 'Company') corporate governance.

This section includes changes to Ontex Group NV's corporate governance, together with the relevant events that took place during 2017, such as changes in Ontex Group NV's capital or shareholder structure, modifications in Ontex Group NV's governance and in the composition of the Board of Directors of Ontex Group NV (hereafter the 'Board') and its committees, the main features of the Remuneration Report, and the internal control and risk management systems of the Ontex group. This chapter also includes explanations, where applicable, of any deviations from the Corporate Governance Code (see section 7 of this Corporate Governance Statement).

1. Reference Code

Pursuant to Article 96, § 2 of the Belgian Companies Code and the Royal Decree of June 6, 2010 designating the Corporate Governance Code to be complied with by listed companies, Ontex Group NV has adopted the Corporate Governance Code as its reference code on corporate governance.[1]

As appropriate for a Belgian listed company with a commitment to high standards of corporate governance, the Board adopted a Corporate Governance Charter in June 2014 (hereafter the 'Corporate Governance Charter'), as required by the Corporate Governance Code. The Board amended the Corporate Governance Charter on June 28 2016. The Corporate Governance Charter can be consulted on the Company's website.[2]

The Corporate Governance Charter describes the main aspects of Ontex Group NV's corporate governance, including its governance structure and the terms of reference of the Board, as well as those of the Board committees and of the Management Committee. The Corporate Governance Charter is regularly updated and will be annually reviewed by the Board to be in line with applicable laws and regulations, the Corporate Governance Code, and their interpretation.

2. Capital and Shareholders

2.1. Capital and capital evolution

2.1.1. Capital and capital evolution during 2017

As at December 31, 2017, the capital of Ontex Group NV amounted to €823,587,466.38 and was represented by 82,347,218 shares without nominal value. Each share represents 1/82,347,218th of the capital and carries one vote. The shares are listed on Euronext Brussels.

On March 22, 2017, the Board resolved to increase the share capital in the framework and within the limits of the authorized capital, through a capital increase in kind as described below.

The Company has entered into a transaction (the 'Ontex Brazil Transaction') whereby it, through Ontex BVBA, a wholly-owned subsidiary of the Company, and certain subsidiaries of Ontex BVBA, has directly or indirectly acquired all outstanding shares of Falcon Distribuidora Armazenamento E Transporte, a Brazilian company which manufactures disposable hygienic products ('Falcon').

[1] The '2009 Belgian Code on Corporate Governance' is available on the website of the Belgian Corporate Governance Committee (http://www.corporategovernancecommittee.be).

[2] The English version of Ontex's Corporate Governance Charter is available on the Ontex website (http://www.ontexglobal.com/sites/default/files/20170509_ontex_corporate_governance_charter_e.pdf).

As a consequence of the above, on March 22, 2017, the Board confirmed the realization of a capital increase in cash in an amount of €74,871,580.58 (excluding issue premium in an amount of €145,968,664.42), from €748,715,885.80 to €823,587,466.38, represented by a total number of 82,347,218 shares.

In addition, the Board approved in 2017 a new grant under the Long Term Incentive Plan (as defined below) (the 2017 grant being referred to as the 'LTIP 2017'). In 2014, the Company adopted a Long Term Incentive Plan approved by the Board and the Shareholder Meeting on June 3, 2014 and June 10, 2014 respectively (the 'Long Term Incentive Plan') which consists of a combination of stock options and restricted stock units (hereafter 'RSUs'). The Board has previously approved grants under the Long Term Incentive Plan, in 2014, 2015, 2016 and 2017 (respectively the 'LTIP 2014', the 'LTIP 2015', the 'LTIP 2016', the 'LTIP 2017', and the Long Term Incentive Plan including the LTIP 2014, the LTIP 2015, the LTIP 2016 and the LTIP 2017 being referred to as the 'LTIP'). The stock options and RSUs granted under the LTIP do not confer any shareholder rights, and the shares to be delivered to participants upon exercise of their stock options or upon vesting of their RSUs are existing shares of the Company with all rights and benefits attached to such shares. A more detailed description of the LTIP and the LTIP 2017 is set out in the Remuneration Report.

The grants made by Ontex under its LTIP provide for a three-year vesting period. Accordingly, the grants that were made in 2014 vested as from July 31, 2017. In order to meet its obligations thereunder, Ontex has partially exercised a forward purchase agreement with the following characteristics:

Date	Number of shares	Strike Price	Highest price	Lowest price
Originally entered into on 21 July 2015	274,439	€ 29.070	€ 28.685*	€ 25.800*

* The highest price and lowest price, respectively, reflects the highest price and lowest price of Ontex shares on Euronext Brussels during the period 1 July 2015 until 21 July 2015 during which underlying Ontex shares were bought by its counterparty under the forward purchase agreement and on the basis of which the strike price of € 27.070 was determined.

More details about the vested Stock Options and RSUs can be found in the Remuneration Report.

More details about the forward purchase agreement can be found in the financial statements, note 7.4.6.

Pursuant to the above, on December 31 2017, 208,291 shares of the Company were held by the Company.

On December 31 2017, 11,185,038 shares of the Company were registered shares.

2.2. Shareholder evolution

Pursuant to the Company's Articles of Association and the Corporate Governance Charter, the applicable successive thresholds as regards the application of the Law of May 2, 2007 on the disclosure of significant shareholdings in issuers whose shares are admitted to trading on a regulated market and other provisions (hereafter the 'Law of May 2, 2007') and the Royal Decree of February 14, 2008 on the disclosure of significant shareholdings, are set at 3%, 5%, 7.5%, 10% and any subsequent multiples of 5%.

In the course of 2017, the Company received the following transparency declarations:

On January 25, 2017, the Company received a transparency declaration from Allianz Global Investors GmbH stating that, on January 20, 2017, it crossed below the threshold of 3% of the total number of voting rights in the Company.

On February 9, 2017 BlackRock, Inc., and its affiliated entities, notified the Company that BlackRock, Inc. and Blackrock Investment Management (UK) Limited had, as a result of sales of shares, crossed below the threshold of 5% and 3% respectively, of the total number of voting rights in Ontex.

On March 2, 2017, BlackRock, Inc., and its affiliated entities, notified the Company that BlackRock, Inc. had, as a result of sales of shares, crossed below the threshold of 3% of the total number of voting rights in Ontex, excluding equivalent financial instruments.

On June 20, 2017, Allianz Global Investors GmbH notified the Company that it had acquired 2,521,427 shares in Ontex and so had crossed the threshold of 3% of the total number of voting rights in Ontex to 3.06%.

On June 22, 2017, Norges Bank notified the Company that it had, as a result of sales of shares, crossed below the threshold of 3% of the total number of voting rights in Ontex.

On June 30, 2017, Black Creek Investment Management Inc. notified the Company that it holds, as a result of the acquisition of voting securities or voting rights, 2,612,528 shares in Ontex and so had crossed the threshold of 3% of the total number of voting rights in Ontex to 3.17%.

On October 3, 2017, Aviva plc, and its affiliated entities, notified the Company that Aviva plc had, as a result of sales of shares, crossed below the threshold of 3% of the total number of voting rights in Ontex, excluding equivalent financial instruments.

We refer to our website for transparency declarations received after December 31, 2017.

2.3. Shareholder structure

The shareholder structure of the Company on December 31, 2017 was, based on the transparency declarations received by the Company, as follows:

Shareholders	Shares	%[1]	Date threshold crossed
Groupe Bruxelles Lambert SA[2]	11,239,897	19.98%	May 17, 2016
Janus Capital Management LLC	3,424,055	4.75%	November 10, 2015
The Pamajugo Irrevocable Trust	2,722,221	3.64%	February 29, 2016
Black Creek Investment Management Inc.	2,612,528	3.17%	June 27, 2017
Allianz Global Investors GmbH	2,521,427	3.06%	June 16, 2017
AXA Investment Managers SA	2,053,236	3.02%	August 07, 2014

[1] Percentage based on the outstanding share capital of the Company at the time of the declaration.
[2] The actual percentage of GBL per December 31, 2017 adds up to 15.01%.

2.4. Dealing and Disclosure Code

On June 3, 2014, the Board approved the Ontex Dealing and Disclosure Code (the 'Dealing and Disclosure Code') in accordance with provision 3.7 of the Corporate Governance Code. The Dealing and Disclosure Code was subsequently amended on April 2, 2015 and most recently on June 28, 2016. The Dealing and Disclosure Code restricts transactions in Ontex Group NV securities by members of the Board and of the Management Committee, and by certain senior employees of the Ontex Group during closed and prohibited periods. The Dealing and Disclosure Code also contains rules concerning the internal approval of intended transactions, as well as the disclosure of executed transactions through a notification to the Belgian Financial Services and Markets Authority, and disclosure of inside information. The Corporate Legal Counsel is the Compliance Officer for purposes of the Dealing and Disclosure Code.

3. Board and Board Committees

3.1. Board composition

Pursuant to the Corporate Governance Code, at least half of the directors should be non-executive and at least three directors should be independent in accordance with the criteria set out in Article 526ter of the Belgian Companies Code and the Corporate Governance Code. The composition of the Board as at December 31, 2017 complies with these recommendations.

On December 31, 2017, the Board was composed as follows:

Name	Mandate Board	Other mandates per December 31, 2017	Mandate since	Mandate expires
Revalue BVBA, represented by Luc Missorten	Chairman, Independent Director	Barco NV, Corelio NV, GIMV, Recticel NV, Scandinavian Tobacco Group	2014	2018
Regi Aalstad	Independent Director	A Drop in the Ocean	2017	2021
Inge Boets BVBA, represented by Inge Boets	Independent Director	Euroclear plc, Econopolis Wealth Management NV, QRF Management NV, La Scoperta BVBA, VZW Altijd Vrouw, Van Breda Risk & Benefits, Triginta	2014	2018
Charles Bouaziz	Chief Executive Officer	ESSEC Business School Alumni, Les Amis de Vaulserre et du Trieves, PAI partners	2014	2018
Michael Bredael	Non-Executive Director		2017	2021
Tegacon Suisse GmbH, represented by Gunnar Johansson	Independent Director	Laeringsverkstedet AS	2014	2018
Uwe Krüger	Independent Director	SUSI Partners, Aggreko plc, Swiss Nuclear Commission	2014	2018
Artipa BVBA, represented by Thierry Navarre	Chief Operating Officer		2014	2018
Cepholli BVBA, represented by Jacques Purnode	Chief Financial Officer	John Martin's Breweries	2014	2018
Juan Gilberto Marín Quintero	Non-Executive Director	Member of the World Economic Forum	2016	2020

Jonas Deroo was appointed as Corporate Secretary by the Board on May 8, 2015.

The following paragraphs set out the biographical information of the current members of the Board, including information on other director mandates held by these members.

Luc Missorten
Independent Director
Chairman

Luc Missorten was appointed as Independent Director of Ontex Group NV as of June 30, 2014. On April 10, 2015, Luc Missorten was appointed Chairman, as replacement for Paul Walsh. On May 26, 2015, Revalue BVBA, with Luc Missorten as its permanent representative, was appointed as Independent Director to replace Luc Missorten who resigned. Luc Missorten holds a law degree from the Catholic University of Leuven, a Certificate of Advanced European Studies from the College of Europe, Bruges and an LL.M from the University of California, Berkeley. In the past, Luc Missorten served as a Vice President of Citibank from 1981 to 1990, and held the function of Corporate Finance Director for Interbrew from 1990 to 1995. From 1995 to 1999, he served as CFO for Labatt Brewing Company. Afterwards, Luc Missorten held the function of CFO at Interbrew (now AB InBev) from 1999 until 2003, and of CFO at UCB from 2003 to 2007. Luc Missorten has been the Chief Executive Officer and a board member of Corelio from 2007. As from September 2014, he resigned as Chief Executive Officer from Corelio but remains a board member of Corelio to date.

Currently, Luc Missorten is also an Independent Director of Barco, chairs its audit committee and is a member of its remuneration committee. In addition, he is an Independent Director of GIMV, where he chairs the audit committee. Further, Luc Missorten is an Independent Director at Recticel, where he chairs the audit committee and is a member of its remuneration committee. Luc Missorten is also Independent Director at Scandinavian Tobacco Group. He is also an independent board member at Mateco.

Inge Boets
Independent Director

Inge Boets BVBA, with Ms. Boets as its permanent representative, was appointed as Independent Director of Ontex Group NV as of June 30, 2014. Ms. Boets currently also serves as Chairman of the Audit and Risk Committee. She holds a master degree in applied economics from the University of Antwerp, Belgium. Ms. Boets was a partner with Ernst & Young from 1996 through 2011 where she was the Global Risk leader and held several other roles in audit and advisory. Currently, Ms. Boets is also an independent director at Euroclear, Econopolis Wealth Management, VZW Altijd Vrouw, and Chairs the boards of Triginta and QRF. In addition, Inge Boets BVBA, with Ms. Boets as its permanent representative, is a board member of Van Breda Risk & Benefits and La Scoperta BVBA.

Michael Bredael
Non-Executive Director

Michael Bredael is Investment Officer at Groupe Bruxelles Lambert (GBL) since 2016. He started his career at Towers Watson as a consultant in the United States (Atlanta and New York) in 2003 before joining the BNP Paribas Group in 2007. Mr. Bredael held various Investment Banking positions at BNP Paribas, across different offices (New York, Paris, Brussels and London), particularly focusing on cross-border M&A transactions. From 2014 to 2016, he was Head of the M&A Execution Group of BNP Paribas London. Mr. Bredael holds a masters degree in applied economics from EHSAL (KU Leuven).

Regi Aalstad
Independent Director

Regi Aalstad has over 25 years of experience in global FMCG. Ms. Aalstad has held Regional General Manager and Vice President positions with Procter & Gamble in Asia, Europe, Middle East and Africa. She joined P&G in the Nordics in 1988 and from 1996 to 2014 held leadership roles in emerging markets. Ms. Aalstad chairs the humanitarian organization 'A Drop in the Ocean', supporting refugees in Greece. She advises and helps to found digital start-ups from Switzerland, where she resides. Ms. Aalstad has non-executive director experience with public industry-leading companies operating globally in telecom, digital services and sanitary sector. She holds a Master of Business Administration in International Business from University of Michigan, USA.

Charles Bouaziz
Chief Executive Officer

Charles Bouaziz joined the Ontex Group in January 2013, and was appointed as an Executive Director of Ontex Group NV as of April 24, 2014. Charles Bouaziz graduated from École Supérieure des Sciences Economiques et Commerciales (ESSEC). Prior to joining the Ontex group, Charles Bouaziz held a number of senior positions during his 25 years in the consumer goods industry. He spent his early career at Michelin (in Canada) and Procter and Gamble before joining PepsiCo in 1991. Charles Bouaziz joined PepsiCo as Marketing Director of France & Belgium and in 1996 became General Manager for France. In 2006, he became General Manager of a group of countries including France, Germany, Italy, Switzerland and Austria. In 2008, Charles Bouaziz was appointed President of PepsiCo Western Europe. In 2010, he left PepsiCo and became CEO of Monoprix. Charles Bouaziz joined PAI Partners in 2010 as member of the Food & Consumer Goods sector team and later as head of the Portfolio Performance Group. In addition, Charles Bouaziz is President of the ESSEC Business School Alumni and also holds position at Les Amis de Vaulserre et du Trieves.

Gunnar Johansson
Independent Director

Gunnar Johansson was appointed as Independent Director of Ontex Group NV as of June 30, 2014. Gunnar Johansson was appointed Chairman of the Remuneration and Nomination Committee on April 10, 2015, replacing Luc Missorten. On May 26, 2015, Tegacon AS, with Gunnar Johansson as its permanent representative, was appointed as Independent Director to replace Gunnar Johansson who resigned. He holds an MBA from Norges Handelshøyskole in Bergen, Norway. Gunnar Johansson has vast experience in emerging markets, business-to-business and FMCG. Prior to starting Tegacon Suisse GmbH, he held a number of positions within SCA AB, a global company in the tissue, femcare, baby diaper and incontinence care industries. Gunnar Johansson worked with SCA from 1981 to 2009, the last years as Global President of the Hygiene Category. He was also a member of the board of Orkla Brands, the largest FMCG company in Norway. Currently, Gunnar Johansson works as a Senior Executive Advisor at his own company, Tegacon Suisse GmbH. He is also Non-Executive Chairman of Laeringsverkstedet, Norway.

Uwe Krüger
Independent Director

Prof. Dr. Krüger was appointed as Non-Executive Director of Ontex Group NV as of June 2, 2014. The appointment of Uwe Krüger as Independent Director was approved by the Annual Shareholders' Meeting held on May 25, 2016. Uwe Krueger is Head of Business Services and Senior Managing Director at Temasek INTL., Singapore since January 1, 2018. Temasek is a leading globally diversified investment company headquartered in Singapore with a net portfolio of S$275 billion. From June 2011 to July 2017 he was CEO of WS Atkins plc. (London, UK). He is a physicist who graduated from the University of Frankfurt, Germany, with a PhD in complex system theory. He also studied at Columbia University (New York, USA), the Ecole Normale Supérieure (Paris, France) and at Harvard (Boston, USA). Uwe Krüger has spent the majority of his career leading engineering and consulting organizations globally. He began his career at AT Kearney, followed by leadership positions at Hochtief AG in central and eastern Europe and at Turner International in Dallas, USA. More recently he was Chief Executive Officer of Swiss company, Oerlikon. Currently, Uwe Krüger is also on the board of Aggreko plc (Glasgow, UK), SUSI Partners AG (Zurich, Switzerland) and the Swiss Nuclear Commission (Zurich, Switzerland). As an honorary professor of physics he lectures at the University of Frankfurt, Germany. He also holds a Honorary Doctorate at Heriot-Watt University, Edinburgh. In 2016, he won the ACE European CEO of the Year award.

Jacques Purnode
Chief Financial Officer

Jacques Purnode joined the Ontex Group in August 2013, and Cepholli BVBA, with Jacques Purnode as its permanent representative, was appointed as an Executive Director of Ontex Group NV as of April 24, 2014. Jacques Purnode holds a degree of Civil Engineer in metallurgy and a Master of Business Administration from the Université de Liège, Belgium. Prior to joining the Ontex Group, Jacques Purnode held a number of senior positions at AB InBev in various roles in finance as well as in information technology. From 2007, he worked for Coca-Cola Enterprises, Inc. in London, where he most recently held the position of CFO for Europe. Currently, Jacques Purnode also holds a position at John Martin's Breweries.

Thierry Navarre
Chief Operating Officer

Thierry Navarre joined the Ontex Group in May 2006 as the Group Supply Chain Director and was appointed Chief Operating Officer in February 2009. Artipa BVBA, with Thierry Navarre as its permanent representative, was appointed as an Executive Director of Ontex Group NV as of April 24, 2014. Thierry Navarre holds a degree in Business Administration from École Supérieure de Commerce de Nantes (AUDENCIA), France, and also has a master's degree in Industrial Logistics from the Institut Supérieur de Logistique Industrielle (Groupe École Supérieure de Commerce), Bordeaux, France. Before joining the Ontex Group, he was Director of Strategy and Development at InBev in France (now AB InBev), between July 2005 and May 2006, and held other senior management positions in supply and distribution at InBev, between 2001 and 2005. Prior to that, he held various roles in logistics and distribution at Fort James (now Georgia Pacific), between 1997 and 2001, and at Jamont (now Georgia Pacific) between 1991 and 1997.

Juan Gilberto Marín Quintero
Non-Executive Director

Juan Gilberto Marín Quintero was appointed as Non-Executive Director of the Ontex Group as from May 25, 2016. Juan Gilberto Marín Quintero is the founder and former chairman of Grupo Mabe. He holds a degree in Business Administration from Universidad Iberoamericana, Mexico City, Mexico, an MBA from Instituto Panamericano de Alta Direccion, Mexico City and a postgraduate in International Business from the British Columbia University, Vancouver, Canada as well as a diploma in Mergers and Acquisitions from Stanford University. Formerly, Juan Gilberto Marín Quintero has been the President of the National Council of Foreign Trade, Conacex, former President of the Advisory Board of Citibanamex in Puebla, and former President of the Advisory Board of NAFINSA in Puebla and Tlaxcala, member of the Advisory Board of Telmex and Bancomext. In addition, Juan Gilberto Marín Quintero is a member of the World Economic Forum and has been president at the Latin America Entrepreneur Council, and has been president of the board of Universidad de las Americas. Furthermore, Juan Gilberto Marín Quintero currently also develops Eolic Energy, consumer products, restaurants, textile industry and real estate in Mexico.

3.2. Board: evolution in composition during 2017

On December 31, 2017, the Board of the Company was composed of ten members. With the exception of the CEO, COO and CFO, all Board members are Non-Executive Directors.

There are currently five Independent Directors within the meaning of Article 526ter of the Belgian Companies Code: Revalue BVBA (with Luc Missorten as its permanent representative), Tegacon Suisse GmbH (with Gunnar Johansson as its permanent representative), Inge Boets BVBA (with Inge Boets as its permanent representative), Uwe Krüger and Regi Aalstad. Further there are currently two non-executive non-independent directors: Gilberto Marin Quintero and Michael Bredael.

The annual shareholders' meeting held on May 24, 2017 appointed Regi Aalstad as independent director and Michael Bredael as non-executive director of the Company upon recommendation of the Board and the Remuneration and Nomination Committee.

3.3. Diversity Policy

Ontex has adopted a diversity policy. In terms of aims, with respect to all employees, including the Board, the Management Committee and the senior management, Ontex recognizes the benefits of having a diverse Board and Leadership Team to enhance the quality of its performance. Secondly, increasing diversity at the Board, Management Committee and senior management is an essential element in supporting the attainment of our strategic objectives and our sustainable development.

In designing the Board's, Management Committee's and senior management composition, diversity is considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, Management Committee or Extended Leadership Team.

As at December 31, 2017, the Company had two female Board members, i.e. Inge Boets, as permanent representative of Inge Boets BVBA, and Regi Aalstad, representing 20% of the Board members. Since its establishment, the Remuneration and Nomination Committee evaluates the composition of the Board on a yearly basis and formulates suggestions to the Board, among other things taking into account the gender composition, in order to obtain that by January 1, 2020 at least one-third of the members of the Board is of the opposite gender as the gender of the majority of the Board in accordance with Article 518bis, §3, of the Belgian Companies Code (stating that companies whose securities are admitted for the first time for offering for negotiation on a regulated market should meet the quota from the first day of the sixth financial year beginning after this admission).

3.4. Functioning of the Board

During 2017, the Board met 15 times. The attendance rate was as follows:

Name	Board attendance	Attendance rate
Revalue BVBA, represented by Luc Missorten	15/15	100%
Charles Bouaziz	15/15	100%
Cepholli BVBA, represented by Jacques Purnode	14/15	93.33%
Artipa BVBA, represented by Thierry Navarre	15/15	100%
Inge Boets BVBA, represented by Inge Boets	15/15	100%
Tegacon Suisse GmbH, represented by Gunnar Johansson	15/15	100%
Uwe Krüger	13/15	86.66%
Juan Gilberto Marín Quintero	14/15	93.33%
Regi Aalstad	6/6	100%
Michael Bredael	6/6	100%

[1] Six meetings of the Board were held since the appointment of Michael Bredael and Regi Aalstad on May 24, 2017.

On June 28, 2016 the Board established a management committee (the 'Management Committee') to which it has delegated all its management powers, except (i) those powers expressly reserved to the Board of Directors by law, (ii) matters belonging to the general policy of the Company, and (iii) the supervision of the Management Committee, such powers being further described under section 3.5. of this Corporate Governance Statement.

Major matters reviewed by the Board during 2017 include, among others:

- the integration of Ontex Brazil;
- refinancing;
- the approval of the half-year and quarterly financial statements and corresponding financial reports;
- the financial and overall performance of the Ontex Group;
- various investments and M&A projects; and
- general strategic, financial and operational matters of the Company.

3.5. Board Committees

3.5.1. Audit and Risk Committee

In compliance with Article 526bis¸ §2 of the Belgian Companies Code and the Corporate Governance Code, all members of the Audit and Risk Committee are non-executive and at least one Director is independent in accordance with the criteria set out in Article 526ter of the Belgian Companies Code and the Corporate Governance Code.

On December 31, 2017, the Audit and Risk Committee was composed as follows:

Name	Mandate A&R Committee	Mandate since	Mandate expires
Inge Boets BVBA, represented by Inge Boets	Chairman of the Committee, Independent Director	2014	2018
Tegacon Suisse GmbH, represented by Gunnar Johansson	Member, Independent Director	2014	2018
Revalue BVBA, represented by Luc Missorten	Member, Independent Director	2014	2018

During 2017, the Audit and Risk Committee met eight times. The attendance rate was as follows:

Name	A&R Committee meetings attended	Attendance Rate A&R Committee
Inge Boets BVBA, represented by Inge Boets	8/8	100%
Tegacon Suisse GmbH, represented by Gunnar Johansson	8/8	100%
Revalue BVBA, represented by Luc Missorten	8/8	100%

All members attended all meetings. Marc Gallet, Corporate Finance Director, is appointed as Secretary of the Audit and Risk Committee.

The Audit and Risk Committee is entrusted with the tasks set out in Article 526bis, 4, of the Belgian Companies Code. It decided on the agenda, frequency and topics of its meetings, and reviewed the external and internal audit plan, the half year financial statements and the external review on the half-year financial statements, the quarterly financial information contained in the Q1 and Q3 trading updates, the key risks, and their role and responsibility.

As required by the Belgian Companies Code, Ontex Group NV confirms that (i) the Audit and Risk Committee is composed of Non-Executive Directors only and (ii) the Audit and Risk Committee possesses the adequate expertise and experience in the field of the activities of the Company and (iii) Inge Boets, as permanent representative of Inge Boets BVBA, Chairman of the Audit and Risk Committee, is an Independent Director and possesses the adequate expertise and experience in the field of accounting and audit. Reference is made to her biography under chapter 3.1. of this Corporate Governance Statement. The mandate of PricewaterhouseCoopers Bedrijfsrevisoren BV CVBA ('PwC') as statutory auditor of the Company has been renewed in 2017, on May 24, 2017.

3.5.2. Remuneration and Nomination Committee

In compliance with Article 526quater, §2 of the Belgian Companies Code and the Corporate Governance Code, all members of the Remuneration and Nomination Committee are non-executive and the majority of the members are independent in accordance with the criteria set out in Article 526ter of the Belgian Companies Code and the Corporate Governance Code.

On December 31, 2017, the Remuneration and Nomination Committee was composed as follows:

Name	Position	Mandate since	Mandate expires
Tegacon Suisse GmbH, represented by Gunnar Johansson	Chairman of the Committee, Independent Director	2014	2018
Inge Boets BVBA, represented by Inge Boets	Independent Director	2014	2018
Revalue BVBA, represented by Luc Missorten	Independent Director	2014	2018

During 2017, the Remuneration and Nomination Committee met six times. The attendance rate was as follows:

Name	R&N Committee meetings attended	Attendance Rate R&N Committee
Tegacon Suisse GmbH, represented by Gunnar Johansson	6/6	100%
Inge Boets BVBA, represented by Inge Boets	6/6	100%
Revalue BVBA, represented by Luc Missorten	6/6	100%

All members attended all meetings. Astrid De Lathauwer, Group HR Director is appointed as Secretary of the Remuneration and Nomination Committee. Charles Bouaziz attended all meetings.

The Remuneration and Nomination Committee is entrusted with the tasks set out in Article 526quater, §5, of the Belgian Companies Code. It decided on the agenda, frequency and topics of the meetings, and reviewed the context and history with respect to Board composition, executive remuneration and terms and conditions of employment. The Remuneration and Nomination Committee also reviewed the performance of the Ontex Group against the key performance indicators ('KPI's') and targets determined for the 2017 performance year.

As required by the Belgian Companies Code, Ontex Group NV confirms that (i) the Remuneration and Nomination Committee is composed of Non-Executive Directors only and a majority of Independent Directors, all its members being Independent Directors, and (ii) Luc Missorten, Gunnar Johansson and Inge Boets possess the adequate expertise and experience in the field of remuneration. Reference is made to their biography under section 3.1 of this Corporate Governance Statement.

3.5.3. Management Committee

On June 28, 2016, the Board decided to establish a Management Committee (directiecomité) within the meaning of Article 524bis of the Belgian Companies Code to be effective as of July 1, 2016 which has the power to perform all actions that are necessary or useful for the realization of the Company's purpose, except for those actions that are, by law or pursuant to the Articles of Association or the Corporate Governance Charter, reserved to the shareholders' meeting or to the Board, including (i) matters belonging to the general policy of the Company, and (ii) the supervision of the Management Committee, or to other management bodies.[1]

Accordingly, the powers of the Management Committee include, without limitation, the operational management and organization of the Company, developing or updating on a yearly basis the overall strategy and business plan of the Company and submitting it to the Board for approval, monitoring the implementation of the overall strategy and business plan of the Company, supporting the CEO in the daily management of the Company and the exercise of his responsibilities, preparing the Company's financial statements and presenting accurate and balanced evaluations of the Company's financial situation to the Board and providing the Board with the information it needs in order to properly fulfill its duties, setting up and maintaining policies related to the risk profile of the Company and systems to identify, assess, manage and monitor financial and other risks within the framework set out by the Board and the Audit and Risk Committee.

The size and composition of the Management Committee is determined by the Board acting on a proposal of the CEO, who chairs the Management Committee. Members of the Management Committee are appointed by the Board based on a proposal of the CEO and upon recommendation of the Remuneration and Nomination Committee. Members of the Management Committee are appointed for an indefinite period and can be dismissed by the Board at any time or cease to be a member of the Management Committee if their management agreement with the Company terminates.

The CEO leads and chairs the Management Committee and decides on the allocation of responsibilities among the members of the Management Committee. The CEO is vested with the day-to-day management of the Company and the execution of the resolutions of the Board and the resolutions of the Management Committee, unless decided otherwise by the Management Committee. In addition, he exercises the special and limited powers assigned to him by the Board or the Management Committee. The CEO reports regularly to the Board, including on the actions taken by the Management Committee.

[1] The specific powers as well as the composition and functioning of the Management Committee are further described in the Corporate Governance Charter.

On December 31, 2017, the Management Committee, consisted of the following members:

Name	Position	Member of the Management Team since	Appointed to Management Committee
Charles Bouaziz	Chairman of the Management Committee – Chief Executive Officer	2013	2016
Philippe Agostini	Group Chief Procurement and Supply Chain Officer	2013	2016
Özgür Akyıldız	General Manager Middle East and North Africa Division	2008	2016
Armando Amselem	President of the Americas Retail Division	2016	2016
Laurent Bonnard	Group Sales Director	2013	2016
Astrid De Lathauwer	Group HR Director	2014	2016
Annick De Poorter	Group R&D and Quality Director	2009	2016
Arlipase BVBA with Arnauld Demoulin as its permanent representative[1]	General Manager – Mature Market Retail Division	2013	2016
Martin Gärtner	Group Marketing Director	2009	2016
Marex BVBA with Xavier Lambrecht as its permanent representative	General Manager – Healthcare Division	2013	2016
Artipa BVBA with Thierry Navarre as its permanent representative	Executive Director – Chief Operating Officer	2009	2016
Oriane Perreaux	Group marketing Director	2013	2016
Cepholli BVBA with Jacques Purnode as its permanent representative	Executive Director – Chief Financial Officer	2013	2016
Mauricio Troncoso	General Manager – Mature Market Retail Division	2017	1 September 2017
Thierry Viale	General Manager – Growth Markets Division and Strategic Development	2013	2016

[1] Mauricio Troncoso was appointed as General Manager of the Mature Market Retail Division, as replacement for Arlipase BVBA.

During 2017, the Management Committee met monthly and discussed strategic, business, financial and operating matters and projects of the Ontex Group.

The following paragraphs set out the biographical information of the current members of the Management Committee, including information on other Director mandates held by these members.

Charles Bouaziz
Chairman of the Management Committee and Chief Executive Officer

Charles Bouaziz was appointed Chief Executive Officer of the Ontex Group in early 2013. Prior to this, he held a number of senior positions during his 25 years in the consumer goods industry. He spent his early career at Michelin and Procter & Gamble. In 1991, he joined PepsiCo as Marketing Director for France & Belgium and held a range of senior positions until 2008, when he became President of PepsiCo Western Europe. In 2010, he left to become CEO of Monoprix, then in 2010 joined PAI Partners as member of the Food & Consumer Goods sector team and later as head of the Portfolio Performance Group. Charles graduated from Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC 1985). See also chapter 3.1 of this Corporate Governance Statement.

Philippe Agostini
Group Chief Procurement & Supply Chain Officer

Philippe Agostini previously held various senior positions in Purchasing and Supply Chain for 30 years, at Mars, McDonald's, Lactalis, Pechiney-Alcan, JohnsonDiversey, and most recently Famar, where he held the position of Group Purchasing VP. Philippe holds a degree from the Engineer School École Nationale Supérieure des Arts et Métiers and a degree of Purchasing Master Management des Achats Industriels. Philippe was appointed as a manager of Ontex BVBA as of September 1, 2013.

Armando Amselem
President of the Americas Retail Division

He joined the Ontex Group from Vita Coco where he served as Global Chief Financial Officer. Prior to Vita Coco, Armando Amselem held various management positions in Europe and the US during his 20-year career with PepsiCo, including General Manager of Tropicana North America and General Manager of PepsiCo France. He also worked for Santander Investment Bank, and Alella Vinicola. Armando holds an MBA from New York University Leonard Stern School of Business, USA, and a master's degree in Enology and a bachelor's degree in Agronomic Engineering and Food Sciences from Universidad Politecnica de Barcelona in Spain.

Özgür Akyıldız
General Manager of the Middle East & North Africa Division

Özgür Akyildiz joined the Ontex Group in 2002 as an Assistant Sales and Marketing Manager and was appointed General Manager of the Middle East North Africa Division in May 2008. Before joining the Ontex group, Özgür was Product Manager at Digiturk A.S in Istanbul, Turkey, between May 2001 and August 2002, and Sales Supervisor, between October 1999 and May 2001. Özgür holds a degree in Business Administration from Boğaziçi University, Istanbul, Turkey.

Laurent Bonnard
Group Sales Director

Laurent Bonnard was appointed Group Sales Director for the Ontex Group on September 9, 2013. He has previously held various senior positions within Sales and Marketing in Mars and Quaker. Subsequently he joined PepsiCo, as Sales Director France, and last he held the function as VP Business Development for Europe.

Astrid De Lathauwer
Group Human Resources Director

Astrid De Lathauwer joined the Ontex Group after holding a number of leading human resources functions. Astrid held international HR leadership roles at AT&T in Europe, at their US headquarters and at Monsanto. For 10 years, Astrid was the Chief HR Officer of Belgacom. Before joining the Ontex Group, she was Managing Director of Acerta Consult. Astrid holds degrees in Political & Social Science and History of Art. Astrid was appointed as a manager of Ontex BVBA as of October 1, 2014. Astrid chairs the Remuneration Committee of Colruyt and Immobel.

Annick De Poorter
Group R&D,Quality and Sustainability Director

Annick De Poorter joined the Ontex Group in 2003 as the R&D Manager of Feminine Hygiene and was promoted to R&D and Quality Director in January 2009. Before joining the Group, she worked at Libeltex NV in Belgium, and prior to that, she was a Scientific Researcher at University of Ghent, Belgium. Annick holds a master's degree in Civil Engineering in Textiles from the University of Ghent, Belgium.

Martin Gärtner
Group Manufacturing Director

Martin Gärtner joined the Ontex Group in 1997 as an Assistant Production Manager and was promoted to Group Manufacturing Director in 2009. Before becoming Group Manufacturing Director, Martin held the positions of Production Manager, Plant Manager and General Manager of the Ontex Group. Prior to joining the Ontex Group, Martin spent two years as a trainee at Wirths J. Hygiene GmbH in Germany. Martin holds a Diploma–Kfm. in Production Technique and Industrial Controlling from the Technical University in Aachen, Germany.

Xavier Lambrecht
General Manager of the Healthcare Division

Xavier Lambrecht, permanent representative of Marex BVBA, joined the Ontex Group in early 2009 as Sales & Marketing Director of the Healthcare Division. Prior to that, he held different roles within Sales Development, Marketing and Business Planning at Imperial Tobacco. Xavier holds a master's degree of Commercial Engineering from the University of Leuven, Belgium. Xavier was appointed as a manager of Ontex BVBA as of February 1, 2014.

Thierry Navarre
Chief Operating Officer

Thierry Navarre, permanent representative of Artipa BVBA, joined the Ontex Group in 2006 as the Group Supply Chain Director and was appointed Chief Operating Officer in 2009. Before 2006, he was Director of Strategy & Development at InBev in France (now AB InBev), and held other senior management positions in supply and distribution at InBev between 2001 and 2005. Prior to this, between 1997 and 2001 he held various roles in logistics and distribution at Fort James (now Georgia Pacific), and between 1991 and 1997 at Jamont (now Georgia Pacific). See also chapter 3.1 of this Corporate Governance Statement.

Oriane Perreaux
Group Marketing Director

Prior to joining the Ontex Group, Oriane was Brand Building Director at Carrefour Group, in charge of Baby & Kids Retailer brands for Western Europe. From 1998 to 2010, she held a number of Marketing positions at Procter & Gamble, in France first, and as of 2005 in Switzerland, working on Central Eastern Europe and Middle East and Africa regions. Oriane graduated in 1998 from ESCP Europe Business School, Paris, France. Oriane was appointed as a manager of Ontex BVBA as of June 1, 2013.

Jacques Purnode
Chief Financial Officer

Jacques Purnode, permanent representative of Cephollí BVBA has been Chief Financial Officer of the Ontex Group since August 2013. Since 2007 he worked for Coca Cola Enterprises, Inc. in London, where his last position held was CFO for Europe. Prior to this, he held a number of senior positions at AB InBev, as well as roles in Finance and Information Technology. See also section 3.1. of this Corporate Governance Statement.

Mauricio Troncoso
General Manager of the Mature Markets Retail Division

Mauricio Troncoso joined Ontex in 2017 as General Manager of the Mature Markets Retail Division. Before joining the Group, he was Vice President and Managing Director for Western Europe at Kimberly Clark. Prior to that, he worked at Mead Johnson in Latin America. He started his career at Procter and Gamble where he held a number of different roles for 18 years, initially in Mexico and afterwards in various countries of Latin America, to finish in the P&G headquarters in Cincinnati working in the Personal Health Care division. Mauricio holds a bachelor's degree in Actuarial Sciences (Applied Math) from the Universidad Anahuac del Sur in Mexico.

Thierry Viale
General Manager of the Growth Markets Division and Strategic Development

Thierry Viale was appointed as General Manager of the Growth Markets Division and Strategic Development on October 1, 2013. Prior to joining the Ontex Group, Thierry held a number of senior positions at Procter & Gamble in Western Europe, Russia, Nigeria/West Africa, Greater China, the Balkans and in India. Thierry holds a degree of the Saint Cyr Military Academy, a degree from the Neoma Business School, and a degree from ESCP Europe. Thierry was appointed as a manager of Ontex BVBA as of October 1, 2013.

4. Relevant information in the event of a takeover bid

Article 34 of the Royal Decree of November 14, 2007 on the obligations of issuers of securities which have been admitted to trading on a regulated market, requires that listed companies disclose certain items that may have an impact in the event of a takeover bid.

4.1. Capital Structure

A comprehensive overview of our capital structure as at December 31, 2017 can be found in section 2 of this Corporate Governance Statement.

4.2. Restrictions on transfers of securities

The Company's Articles of Association do not impose any restrictions on the transfer of shares in the Company. Furthermore, the Company is not aware of any such restrictions imposed by Belgian law except in the framework of market abuse rules.

4.3. Holders of securities with special control rights

There are no holders of securities with special control rights.

4.4. Employee share plans where the control rights are not exercised directly by the employees

The Company's shares to be delivered to participants upon exercise of the stock options or vesting of the RSUs in the framework of the LTIP are existing ordinary shares in the Company with all rights and benefits attached to such shares. A more detailed description of the LTIP is set out in the Remuneration Report.

The Company has not set up employee share plans where control rights over the shares are not exercised directly by the employees.

4.5. Restriction on voting rights

The Articles of Association of the Company do not contain any restrictions on the exercise of voting rights by the shareholders, provided that the shareholders concerned comply with all formalities to be admitted to the shareholders' meeting and their voting rights are not suspended in one of the events set out in the Articles of Association or the Belgian Companies Code. Pursuant to Article 11 of the Company's Articles of Association, the Board is entitled to suspend the exercise of rights attaching to shares belonging to several owners. The Company is not aware of any restrictions imposed by Belgian law on the exercise of voting rights by the shareholders.

4.6. Rules on appointment and replacement of members of the Board

The term of office of directors under Belgian law is limited to six years (renewable) but the Corporate Governance Code recommends that it be limited to four years. The appointment and renewal of directors is proposed by the Board, based on a recommendation of the Remuneration and Nomination Committee and is subject to approval by the shareholders' meeting.

4.7. Rules on amendments to the Articles of Association

Save for capital increases decided by the Board within the limits of the authorized capital or a change of the registered office of the Company (such change not triggering the application of different rules on the use of languages by companies than those that currently apply to the Company), only an extraordinary shareholders' meeting is authorized to amend the Company's Articles of Association. A shareholders' meeting may only deliberate on amendments to the Articles of Association if at least 50% of the share capital is represented. If the above attendance quorum is not reached, a new extraordinary shareholders' meeting must be convened, which will validly deliberate regardless of the portion of the share capital represented at the shareholders' meeting. As a general rule, amendments to the Articles of Association are only adopted if approved by at least 75% of the votes cast. The Belgian Companies Code provides for more stringent majority requirements in specific instances, such as for modifications of the Company's corporate purpose clause.

4.8. Authorized capital

On June 10, 2014, the extraordinary shareholders' meeting authorized the Board, subject to and with effect as from the closing of the IPO, to increase the capital of the Company in one or several times by an (aggregate) amount of maximum 50% of the amount of the registered capital (€340,325,414) as such amount was recorded immediately after the closing of the IPO. Within the framework of the authorized capital, the Board is authorized to proceed with a capital increase in any form, including, but not limited to, a capital increase in cash or in kind and by issuance of shares, convertible bonds, warrants or other securities.

The Board is authorized to limit or cancel the preferential subscription rights of the shareholders within the limits and in accordance with the provisions set out in the Company's Articles of Association and the Belgian Companies Code.

The authorization is valid for a term of five years as from the date of the publication of the authorization in the Annexes to the Belgian State Gazette (Belgisch Staatsblad), i.e. five years from July 9, 2014.

On November 9, 2015, the Company recorded the realization of a capital increase in cash, within the limits of the authorized capital, resulting in a capital increase of €40,839,036.68 (excluding issue premium in an amount of €73,902,592.52), from €680,650,828 to €721,489,864.68 as described in section 2.1.1. of this Corporate Governance Statement.

On February 29, 2016, the Company recorded the realization of a capital increase in kind, within the limits of the authorized capital, resulting in a capital increase of €27,226,021.12 (excluding issue premium in an amount of €48,451,722.68), from €721,489,864.68 to €748,715,885.80 as described in section 2.1.2 of this Corporate Governance Statement.

On March 22, 2017, the Company recorded the realization of a capital increase in kind, within the limits of the authorized capital, resulting in a capital increase in cash of €74,871,580.58 (excluding issue premium in an amount of €145,968,664.42), from €748,715,885.80 to €823,587,466.38 as described in section 2.1.2 of this Corporate Governance Statement.

4.9. Acquisition of own shares

On June 10, 2014, the extraordinary shareholders' meeting authorized the Board, in accordance with Article 620 and of the Belgian Companies Code and within the limits set out in that article, to purchase, on or outside the stock market, up to 20% of the Company's own shares, profit-sharing certificates or associated certificates, for a price not more than 10% below the lowest closing price in the last 30 trading days preceding the transaction and not more than 5% above the highest closing price during the last 30 trading days preceding the transaction. This authorization is valid for five years from June 10, 2014.

This authorization is also valid if the acquisition is made by one of the subsidiaries directly controlled by the Company, as set out in Article 627 of the Belgian Companies Code.

On June 22 2017, the Company bought 247,439 own shares, as further described above, cfr. section 'capital and capital evolutions during 2017'.

4.10. Material agreements to which Ontex is a party containing change of control provisions

4.10.1. SFA 2014 and Senior Secured Notes

The Company and certain of its subsidiaries entered into a five-year multicurrency credit facilities agreement dated November 10, 2014 as amended and/or restated from time to time (the 'Senior Facilities Agreement 2014') with, among others, the Original Lenders as set out therein and Wilmington Trust (London) Limited as Security Agent, for an initial amount of €480,000,000.

The Company also issued €250,000,000 4.75% senior secured notes due 2021 (the 'Senior Secured Notes') pursuant to a senior secured notes indenture dated November 14, 2014 (the 'Senior Secured Notes Indenture').

The Senior Facilities Agreement 2014, as well as the Senior Secured Notes Indenture, contain provisions that may be triggered in the event of a change of control of the Company.

The relevant clauses in the Senior Facilities Agreement 2014, among other things, provide that, in case any person or group of persons acting in concert (other than the Initial Investors and Management defined therein) acquiring, directly or indirectly, beneficial ownership of the issued capital of the Company having the right to cast more than 50% of the votes capable of being cast at a shareholders' meeting of the Company, this may lead to a mandatory prepayment and cancellation under the Senior Facilities Agreement.

The relevant clauses in the Senior Secured Notes Indenture, among other things, grant the holders of the notes the right to require the repurchase of all or any part of the notes at a purchase price in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, in the event of a change of control of the Company as defined in the offering memorandum.

The relevant change of control provisions have been approved by the shareholders' meeting of May 26, 2015, in accordance with Article 556 of the Belgian Companies Code.

The Senior Facilities Agreement 2014 was amended and restated pursuant to an amendment and restatement agreement dated February 25, 2016 to provide for an additional amount of €125,000,000 (or the equivalent thereof in any other currency) and for certain other amendments to the Senior Facilities Agreement.

The Senior Facilities Agreement 2014 has been supplemented by means of an additional facility notice from the Company dated January 25, 2017 to establish a new additional bridge facility for an additional aggregate amount equal to €125,000,000.

The Company, and certain of its subsidiaries as guarantors, entered into a new five-year multicurrency credit facilities agreement dated November 26, 2017 (the 'Senior Facilities Agreement 2017') for an amount of €900,000,000, comprising a term loan of €600,000,000 and a revolving credit facility of €300,000,000, for the purpose of among others repaying the Senior Facilities Agreement 2014 as amended and/or restated from time to time, and for general corporate purposes.

The Senior Facilities Agreement 2017 contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Senior Facilities Agreement provides, among others, that any person or group of persons acting in concert acquiring, directly or indirectly, beneficial ownership of the issued capital of the Company having the right to cast more than 50% of the votes capable of being cast at a shareholders' meeting ('Change of Control') may lead to a mandatory prepayment and cancellation under the Senior Facilities Agreement.

4.10.2. Facilities Agreement

The Company, and certain of its subsidiaries as guarantors, entered into a new seven-year multicurrency credit facilities agreement dated December 4, 2017 (the 'Facilities Agreement 2017') for an amount of €250,000,000, comprising a term loan of €150,000,000 and an accordion of €100,000,000, for the purpose of among others repaying the Senior Secured Notes, and for general corporate purposes.

The Facilities Agreement 2017 contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Senior Facilities Agreement provides, among others, that any person or group of persons acting in concert acquiring, directly or indirectly, beneficial ownership of the issued capital of the Company having the right to cast more than 50% of the votes capable of being cast at a shareholders' meeting ('Change of Control') may lead to a mandatory prepayment and cancellation under the Facilities Agreement.

4.10.3. Factoring Agreement

The Company, entered into a Factoring Agreement dated February 21, 2018 with BNP Paribas Fortis Factor N.V. and KBC Commercial Finance N.V. ('Factoring Agreement'); The Factoring Agreement contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Factoring Agreement provides, among others, that in the event the effective control of any party is transferred to others, the other party has the right to terminate the Factoring Agreement.

4.10.4. Hedging Agreement

The Company, entered into a ISDA FX Hedging Agreement dated March 12, 2018 with Crédit Agricole Corporate and Investment Bank ('CACIB') ('Hedging Agreement'). The Hedging Agreement contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Hedging Agreement, provides, among others, a change of control, defined as any person or group of persons acting in concert acquiring, directly or indirectly, beneficial ownership of the issued share capital of the Company, having the right to cast more than 50% of the votes, capable of being cast at the shareholders' meeting of the Company ('Change of Control'), provides CACIB the right to terminate the Hedging Agreement.

All Change of Control provisions as listed above are subject to shareholders' consent in accordance with article 556 of the Belgian Companies Code, and such approval shall be requested during the upcoming shareholders' meeting on May 25, 2018.

4.11. Severance pay pursuant to termination of contract of Board members or employees pursuant to a takeover bid

The Company has not concluded any agreement with its Board members or employees which would result in the payment of a specific severance pay if, pursuant to a takeover bid, the Board members or employees resign, are dismissed or their employment agreements are terminated.

Please see section 8.7. of this Corporate Governance Statement on termination provisions of the members of the Board and the Management Committee in general.

5. Conflicts of interests

Each Board member should arrange his or her personal and business affairs in such a way as to avoid any conflict of interests of a personal, professional or financial nature with the Company, directly or through relatives (including spouse or life companion, or other relatives (by blood or marriage) up to the second degree and foster children).

In accordance with Article 523 of the Belgian Companies Code, if a Board member has a direct or indirect patrimonial interest in a decision or transaction which is the responsibility of the Board, he/she must inform the other Board members before any decision by the Board is taken and the statutory auditor must also be notified. For companies that are making or have made a public call on savings (such as Ontex Group NV), the conflicted Board member cannot be present during the deliberations of the Board relating to these transactions or decisions and cannot vote.

Conflict of interests within the meaning of Article 523 of the Belgian Companies Code arose on the following occasion in 2016, and the provisions of Article 523 Belgian Companies Code were complied with:

5.1. Remuneration of the members of the Executive Management Team/Management Committee

On March 5, 2017, respectively May 9, 2017, the Board resolved on the remuneration (including LTIP 2017) for the members of the Management Committee. Prior to discussing this item, Charles Bouaziz, Cepholli BVBA, with Jacques Purnode as permanent representative, and Artipa BVBA, with Thierry Navarre as permanent representatives, declared to have an conflict of interest in accordance with Article 523 of the Belgian Companies Code. The relevant section of the minutes can be found below in its entirety:

"Prior to discussing this item on the agenda, Charles Bouaziz, Director, Jacques Purnode and Thierry Navarre, permanent representatives of their respective management companies, Cepholli BVBA and Artipa BVBA, Directors of the Company, declared to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of powers of the Board of Directors.

This conflict of interest results from the fact that Charles Bouaziz, Jacques Purnode and Thierry Navarre are, either in personal name or via their management company, both directors of the Company and members of the Executive Committee.

The remuneration proposals will have financial consequences for the Company that have been set out in the file submitted to the Remuneration and Nomination Committee and as set out below.

In accordance with Article 523 of the Companies Code, Charles Bouaziz, Cepholli BVBA (represented by its permanent representative Jacques Purnode) and Artipa BVBA (represented by its permanent representative Thierry Navarre) refrained from taking part in the deliberations and from voting on the resolutions.

In accordance with Article 523 of the Companies Code, the auditor of the Company, PricewaterhouseCoopers Bedrijfsrevisoren BV CVBA, permanently represented by Peter Opsomer BV BVBA, in turn represented by its permanent representative Peter Opsomer, has been informed of the existence of the conflicts of interest. Furthermore, the relevant sections of these minutes will be included in the annual report of the Board of Directors."

On March 5, 2017, the Board approved the bonus and merit of the CEO, and of the Management Committee in aggregate, as set out below in the Remuneration Report.

On May 9, 2017, the Board approved the LTIP as set out in the Remuneration Report. In that framework the Board also decided to give Jacques Purnode an exception to the general policy of three-year cliff vesting for the 2016 and 2017 grant.

5.2. Deferred consideration 2015/2016 regarding acquisition Grupo Mabe

On April 4, 2017, the Board resolved on the deferred consideration 2015-2016 regarding the Grupo Mabe acquisition by the Company (through its subsidiaries).

Prior to discussing this item, Juan Gilberto Marín Quintero declared to have a conflict of interest in accordance with Article 523 of the Belgian Company Code. The relevant section of the minutes can be found below in its entirety:

"Prior to discussing the concerned agenda item, the Chairman informed the members that Mr. Juan Gilberto Marín Quintero had prior to the meeting declared a personal conflict of interest of a financial nature, within the meaning of Article 523 of the Belgian Companies Code, in respect of the sole agenda item, which relates to the amounts of 2015 and 2016 deferred consideration payable to him, among other sellers, with respect to the acquisition of Grupo Mabe by the Company (through its subsidiaries).

In light of this conflict of interest Mr. Juan Gilberto Marín Quintero did not participate in the meeting.

He will inform the Company's auditor of his conflict of interest, in accordance with Article 523 of the Belgian Companies Code, and a copy of the relevant extract of these minutes will be included in the relevant annual report.

The Chairman reminded the Board that Sellers and Buyers, subsidiaries of the Company (as defined in the Amended and

Restated Master Purchase Agreement for Project Spiral dated February 28, 2016, as further amended on April 29, 2016, the 'Master Purchase Agreement', have engaged in discussions regarding the amounts of deferred consideration due with respect to the years 2015 and 2016. The parties have now been able to reach an agreement with respect to the deferred consideration for the years 2015 and 2016 (the 'Proposed Agreement'). Pursuant to the Proposed Agreement, the Company, through its subsidiaries, will agree to pay a total amount of MXN 965,888,000 to Sellers, in full and final settlement of any and all claims, disputes or discussions with respect to the 2015 and 2016 deferred consideration. This settlement amount shall be reduced with certain transaction costs due by Sellers to Buyers pursuant to the Master Purchase Agreement, amounting to a total of MXN 3,231,762.20.

Upon discussion and deliberation; the Board considers the entry into the Proposed Agreement to be in the interest of the Company and its subsidiaries, and unanimously approves the execution thereof in the form of the draft submitted to the Board."

6. Related Party Transactions

During 2017, Ontex Group NV has not entered into transactions with related parties within the meaning of Article 524 of the Belgian Companies Code.

7. Compliance with the 2009 Belgian Code on Corporate Governance

The Company is committed to high standards of corporate governance and relies on the Corporate Governance Code as a reference code. The Corporate Governance Code is based on a 'comply or explain' approach. Belgian listed companies must comply with the Corporate Governance Code but may deviate from those provisions which are not otherwise contained in the Belgian Companies Code, and provided they disclose the justification for any such deviations in their corporate governance statement included in the Annual Report in accordance with Article 96 §2, 2°, of the Belgian Companies Code.

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

- The Company's Articles of Association allow the Company to deviate from all provisions of Article 520ter of the Belgian Companies Code and hence to grant shares, stock options and other share-based incentives vesting earlier than three years after their grant. However, the Company has not yet made use of such authorization and the LTIP, the LTIP 2014, LTIP 2015, LTIP 2016 as well as the LTIP 2017, as described within the Remuneration Report, provides for a vesting period of three years for the stock options and RSUs.
- The CEO and certain other members of the Management Committee are entitled, in certain circumstances, to severance pay which is higher than 12 or 18 months of remuneration if the Company decides to apply the non-competition clauses in their respective agreements to the fullest extent provided by such agreements (see section 8.7. of the Remuneration Report for a detailed description thereof). In accordance with Article 554, 4th indent, of the Belgian Companies Code, with respect to Charles Bouaziz and Artipa BVBA, with Thierry Navarre as its permanent representative, the annual shareholders' meeting of May 26, 2015 approved a severance payment exceeding 18 months, in certain circumstances. The Company deems such deviations from the Corporate Governance Code necessary to attract and retain competent executive directors and managers in the competitive environment in which the Company operates.

8. Remuneration Report

8.1. Remuneration policy and procedure for the Board of Directors

The remuneration of the Non-Executive members of the Board was amended by approval of the shareholders' meeting of May 25, 2016 as proposed by the Board of Directors, upon recommendation of the Remuneration and Nomination Committee. It took into account the responsibilities and the commitment of the Board members to develop the Ontex Group and was intended to attract and retain individuals who have the necessary experience and competencies for this role.

Pursuant to this shareholders' resolution the following remuneration policy was approved:

- Non-Executive Board member retainer: €60,000 paid out annually to each Non-Executive member of the Board of Directors, other than the Chairperson of the Board of Directors;
- Non-Executive Board member attendance fee: €2,500 paid out to each Non-Executive member of the Board of Directors, other than the Chairperson of the Board of Directors, for each Board meeting attended;
- Board Chairperson retainer: €120,000 paid out annually to the Chairperson of the Board of Directors;
- Board Chairperson attendance fee: €5,000 paid out to the Chairperson of the Board of Directors for each Board meeting attended; and
- Committee member attendance fee (with respect to the Remuneration and Nomination Committee and the Audit and Risk Committee respectively): €2,500 paid out to each Non-Executive Committee member, other than the Chairperson of the relevant Committee, for each Committee meeting attended;

- Committee Chairperson retainer (with respect to the Remuneration and Nomination Committee respectively Audit and Risk Committee): €10,000 paid out annually to the Chairperson of each Committee; and
- Committee Chairperson attendance fee (with respect to the Remuneration and Nomination Committee respectively Audit and Risk Committee): €4,000 paid out to the Chairperson of each Committee for each Committee meeting attended in his or her capacity of Chairperson of such Committee.

These amounts are excluding any applicable VAT.

In addition, Non-Executive Directors benefit from the D&O Policy, described under chapter 8.6 of this Corporate Governance Statement.

The remuneration of the Executive Directors is described below under chapter 8.2. of this Corporate Governance Statement. None of the Executive Directors received any director fee.

Going forward, the remuneration policy will be reviewed on a regular basis by the Remuneration and Nomination Committee in line with prevailing market conditions for listed companies in Belgium and companies of similar size in an equivalent FMCG market.

2017 Non-Executive Director remuneration overview (by member)

Name	Function	Paid Fee (in EUR)
Revalue BVBA, represented by Luc Missorten	Chairman of the Board, Independent Director	200,000
Inge Boets BVBA, represented by Inge Boets	Chairman of the Audit and Risk Committee, Independent Director	131,500
Tegacon Suisse GmbH, represented by Gunnar Johansson	Chairman of the Remuneration and Nomination Committee, Independent Director	128,500
Uwe Kruger	Independent Director	85,000
Juan Gilberto Marín Quintero[1]	Non-Executive Director	87,500
Regi Aalstad	Independent Director	42,500
Michael Bredael	Non-Executive Director	42,500

[1] Upon recommendation of the Remuneration and Nomination Committee and proposal of the Board, the annual shareholders' meeting of May 24, 2017 appointed Regi Aalstad and Michael Bredael Independent Directors.

8.2. Remuneration policy and procedure for the Management Committee

The Company's remuneration policy for the Management Committee was developed in order to attract, motivate and retain talented executives, who have the necessary drive to deliver results towards our growth ambitions. The remuneration policy aims at creating a high performance culture to achieve long-term profitable growth. Growth is defined by financial growth, but also in terms of organizational transformation and people development. To achieve this goal, the Management Committee members are evaluated against business objectives and people development objectives.

The structure of the executive remuneration package is based upon the following principles:

Base salaries for the members of the Management Committee are reviewed annually by the Remuneration and Nomination Committee. The salary adjustments, following approval by the Board, become effective as of January 1 each year. As part of this annual exercise, the Remuneration and Nomination Committee considers:
- the average salary increase in the country in which the executive is employed;
- the market positioning of the executive's compensation package;
- the different tenure and experience of each executive;
- changes in the scope and responsibility of the executive; and
- the executive's individual performance.

The target short-term variable remuneration ('bonus') of the members of the Executive Management Team is at least 50% of their fixed base salary. The target percentage is based on the level of each executive. An important part of the bonus is linked to the Group performance and the divisional performance and achievement of the growth targets. The shareholders' meeting has granted the Company the authority to deviate from the requirements in relation to variable remuneration included in Article 520ter of the Belgian Companies Code, as recorded in Article 30 of the Articles of Association and as further described under section 7 of this Corporate Governance Statement.

The composition of the bonus is as follows:

- A 70% (or 80% for the CEO) collective part determined by financial objectives that are required to achieve the Company's long-term plan and growth ambition. For the General Managers of Divisions, the 70% is split into 35% Group and 35% Divisional objectives. In 2017, the targets were revenue, EBITDA and free cash flow. These targets are decided by the Board. The payout of this part of the bonus is based on the achievements of the business targets. Below 90% of the achievements of the targets, no bonus is paid out. In addition, this part of the bonus is capped at a maximum of 150%.
- A 30% (or 20% for the CEO) individual part determined by the achievement of the individual business and people development objectives. Every member of the Management Committee agrees these objectives with the CEO and the Chairman of the Board at the start of the performance year. The objectives for the CEO are agreed with the Chairman of the Board. This part of the bonus is calculated based on the performance evaluation of each executive at the end of the year. The evaluation scores are recommended by the CEO and approved by the Board, upon recommendation of the Remuneration and Nomination Committee. The performance score for the CEO is recommended by the Chairman, upon consultation with the Remuneration and Nomination Committee and approved by the Board. The payout of this part of the bonus is also capped at 150%.

8.3. Fixed and short-term variable remuneration 2017 of the CEO (total cost)

- Fixed base remuneration: €915,456.
- 2017 short-term variable remuneration (paid out in 2018): €357,028.
- Aggregate other elements of remuneration (medical insurances and car benefits): €64,794.

There are no pension contributions or other elements of remuneration within the meaning of Article 96, §3, 6°, c) and d), of the Belgian Companies Code, except for the Long Term Incentives Plan grant described under chapter 8.5 of this Corporate Governance Statement and the D&O Policy described under chapter 8.6. of this Corporate Governance Statement.

The assessment of performance is based on audited results and the evaluation of the Board of the individual performance of the CEO. There is no deferral with respect to the variable remuneration or claw-back provision in case such variable remuneration would have been granted on the basis of inaccurate financial data. The decrease of the CEO's remuneration for 2017 compared to 2016 is due to the reduction of the short-term variable remuneration.

8.4. Fixed and short-term variable remuneration 2017 for the members of the Management Committee (excluding the CEO)

- Aggregate fixed base remuneration: €4,265,756.
- Aggregate 2017 short-term variable remuneration (paid out in 2018): €1,186,902.
- Aggregate pension entitlements (defined contribution plan structure) and life and disability insurance contributions: €352,315.
- Aggregate other elements of remuneration (medical insurance, company cars, a.o.): €235,603.

In addition, the members of the Management Committee benefit from the D&O Policy, described under section 8.6 of this Corporate Governance Statement.

The assessment of performance is based on audited results and the recommendation of the CEO with respect to his evaluation of the individual performance of the Management Committee members. There is no claw-back provision or deferral with respect to the variable remuneration in case such variable remuneration has been granted on the basis of inaccurate financial data. The figures are based on real remuneration paid, taking into account entry date in the Company. The decrease of the remuneration for 2017 compared to 2016 is due to the reduction of the short term variable remuneration.

8.5. 2017 Long-Term Incentive Plan

In 2017 the Company implemented the LTIP 2017, which consists of a combination of stock options and RSUs.

A RSU is the right to receive from the Company one share in the Company per vested restricted stock unit, for no consideration. The RSUs vest not less than three years after the grant date.

A stock option gives the right to purchase from the Company one share in the Company per vested stock option, during a predetermined timeframe, by paying a predetermined exercise price. A stock option can only be exercised not less than three years after the grant date, in accordance with the principle set out in Article 520ter of the Belgian Companies Code.

The vesting of the stock options and RSUs is subject to certain conditions, such as the participant remaining in service until the vesting date. The evolution of the share price between grant and vesting or exercise has been considered to be the relevant performance indicator and the vesting of the LTIP 2017 award is thus not subject to specific performance conditions.

The number of RSUs and stock options granted to the members of the Executive Management Team in 2017 as well as the number of RSUs and stock option which vested in 2017 can be summarized as follows:

	# RSU's		# Stock Options	
Name	Granted in 2017	Vested in 2017	Granted in 2017	Vested in 2017
Charles Bouaziz	10,368	7,868	45,052	38,930
Philippe Agostini	3,098	1,484	13,463	7,343
Özgür Akyildiz	2,716	1,822	11,801	9,018
Armando Amselem	3,425	0	14,882	0
Laurent Bonnard	2,443	1,491	10,616	7,379
Astrid De Lathauwer	2,430	1,399	10,559	6,922
Annick De Poorter	2,144	1,329	9,316	6,576
Martin Gärtner	1,891	1,124	8,218	5,561
Xavier Lambrecht	2,711	1,498	11,779	7,414
Thierry Navarre	4,828	3,359	20,979	16,620
Oriane Perreaux	1,705	980	7,408	4,849
Jacques Purnode	4,327	2,980	18,802	14,747
Mauricio Troncoso	3,322	9	14,436	0
Thierry Viale	1,942	1,427	8,440	7,061

8.6. D&O Policy

Ontex Group NV has entered into a directors and officers insurance policy (the 'D&O Policy') covering claims that would be made against any of the insured persons, subject to certain exceptions. Insured persons are, among others, natural persons who qualify as (i) a director or officer or (ii) an employee while acting in a managerial or supervisory capacity, of Ontex Group NV and/or of any of its subsidiaries.

8.7. Termination Provisions

Charles Bouaziz, Artipa BVBA (Thierry Navarre) and Cepholli BVBA (Jacques Purnode) may claim a termination indemnity in lieu of notice of up to 12 (3 for Cepholli) months' fixed remuneration plus bonus and a non-compete (and/or additional termination) indemnity of up to 12 months' fixed remuneration.

The other members of the Management Committee have different contractual termination provisions depending on their personal situation and (where applicable) employment location, whereby contractual termination compensation is however (contractually) capped within the limits of article 554 of the Belgian Company Code. The maximum total contractual non-compete provision combined with applicable contractual termination indemnit(y)(ies) is 18 months. Hence all contractual termination provisions, as set out below, are fully in line with Belgian corporate governance regulations.

Name	Contractual notice entitlement	Contractual non-compete and/ or additional termination indemnity
Astrid De Lathauwer, Laurent Bonnard, Marex BVBA (Xavier Lambrecht), Oriane Perreaux, Philippe Agostini, Thierry Viale, Mauricio Troncoso, Özgür Akyildiz	3 months	12 months
Annick De Poorter	3 months	15 months
Martin Gärtner	12 months	6 months
Armando Amselem	90 calendar days	9 months

8.8. Information about the remuneration policy in the coming two years

In 2015 and 2016, the Remuneration and Nomination Committee reviewed the competitiveness of the total remuneration for the different levels in the organization.

The Committee reviewed and discussed an extensive benchmark study by Mercer, a global benefits consulting firm, with respect to medical, death and disability and pension benefits for all employees and all countries in the Ontex Group. Based on the results of this study, a roadmap was developed for those countries where our current benefits coverage is below the median of the local market.

In 2017, the Remuneration and Nomination Committee also contracted with Willis Towers Watson, a global advisory for executive reward, to benchmark the Ontex remuneration practices. This study reviewed the competitiveness of the total remuneration levels of the members of the Management Committee at Ontex, in comparison to:

a) A sample of companies which are active within the FMCG sector and which are comparable in size (measured in terms of revenues and number of employees) for total direct compensation (total target cash compensation plus the expected value of long-term incentives).

b) BEL20 as a validation of the market levels resulting from the international peer comparison group and as a frame of reference for the main perquisites and retirement and related risk benefits.

On a total compensation basis this benchmarking study showed that Ontex was lagging behind the benchmark for some Management Committee members. The Committee therefore has decided to recommend an enhancement of the remuneration package of some Management Committee members, in order to align the remuneration levels with the median of the market. This adaptation may be implemented over a multi-year period.

The Remuneration Committee has also initiated discussions on a potential change of the LTIP as from 2019 onwards. The current LTIP has been approved for a five-year period, ending in 2018. In the course of 2018, the Remuneration Committee will make a recommendation for a new LTIP plan. In this context, the Committee will investigate the optimal way of linking the output of the LTIP to the long-term performance of the Company.

9. Risk management and internal control framework

9.1. Introduction

The Ontex Group operates a risk management and control framework in accordance with the Belgian Companies Code and the Corporate Governance Code.

The Ontex Group is exposed to a wide variety of risks within the context of its business operations that can result in its objectives being affected or not achieved. Controlling those risks is a core task of the Board (including the Audit and Risk Committee), the Management Committee and all other employees with managerial responsibilities.

The risk management and control system has been set up to reach the following goals:

- achievement of the Ontex Group objectives;
- achieving operational excellence;
- ensuring correct and timely financial reporting; and
- compliance with all applicable laws and regulations.

9.2. Control Environment

Three lines of defense

The Ontex Group applies the 'three lines of defense model' to clarify roles, responsibilities and accountabilities, and to enhance communication within the area of risk and control. Within this model, the lines of defense to respond to risks are:

- First line of defense: line management is responsible for assessing risks on a day-to-day basis and implementing controls in response to these risks.
- Second line of defense: the oversight functions like Finance and Controlling, Quality, Compliance, Tax and Legal oversee and challenge risk management as executed by the first line of defense. The second line of defense functions provide guidance and direction and develop a risk management framework.
- Third line of defense: independent assurance providers such as internal audit and external audit challenge the risk management processes as executed by the first and second line of defense.

Policies, procedures and processes

The Ontex Group fosters an environment in which its business objectives and strategy are pursued in a controlled manner. This environment is created through the implementation of different Company-wide policies, procedures and processes such as the Ontex values, Ontex Code of Conduct, the Anti-Bribery Policy, the Antitrust Policy, the Quality Management System and the Delegation of Authorities ruleset. The Management Committee fully endorses these initiatives. The employees are regularly informed and trained on these subjects in order to develop sufficient risk management and control at all levels and in all areas of the organization.

Group-wide ERP system

The main portion of the Group entities operate the same group-wide ERP systems which are managed centrally. These systems embed the roles and responsibilities defined at the Ontex Group level. Through these systems, the main flows are standardized and key controls are enforced. The systems also allow detailed monitoring of activities and direct access to data.

9.3. Risk management

Sound risk management starts with identifying and assessing the risks associated with the Company's business and external factors. Once the relevant risks are identified, the Company strives to prudently manage and minimize such risks, acknowledging that certain calculated risks are necessary to ensure that the Ontex Group achieves its objectives and continues to create value for its stakeholders.

All employees of the Ontex Group are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility.

The Ontex Group has identified and analyzed its key corporate risks as disclosed under the Strategic Report of this Annual Report. These corporate risks are communicated to the various levels of management.

9.4. Control activities

Control measures are in place to minimize the effect of risk on Ontex Group's ability to achieve its objectives. These control activities are embedded in the Ontex Group's key processes and systems to assure that the risk responses and the Ontex Group's overall objectives are carried out as designed. Control activities are conducted throughout the organization, at all levels and within all departments. In 2016, an Internal Controls Manager was appointed to facilitate the further development of control activities in a structured way.

Key legal compliance areas are monitored for the entire Ontex Group by Local Compliance Coordinators, the Head of Compliance, the Legal Compliance Manager and the Compliance Steering Committee. The Legal Compliance function supports the adoption of clear processes and procedures with respect to (i) the Code of Conduct, the Anti-Bribery Policy; (ii) Antitrust Policy, and (iii) insider trading, the Dealing and Disclosure Code, and other listing obligations. The Compliance Steering Committee is composed of the COO, the CFO, the Group HR Director, the Group General Counsel and the Head of Compliance and meets regularly to discuss and decide on legal compliance issues and action plans. The Compliance Steering Committee reports on its activities to the Management Committee.

In addition to these control activities, an insurance program is being implemented for selected risk categories that cannot be absorbed without material effect on the Company's balance sheet.

9.5. Information and communication

The Ontex Group recognizes the importance of timely, complete and accurate communication and information both top-down as well as bottom-up. The Ontex Group therefore put several measures in place to assure amongst others:

- security of confidential information;
- clear communication about roles and responsibilities; and
- timely communication to all stakeholders about external and internal changes impacting their areas of responsibility.

9.6. Monitoring of control mechanisms

Monitoring helps to ensure that internal control systems operate effectively.

The quality of the Ontex Group's risk management and control framework is assessed by the following functions:

- Internal Audit. The tasks and responsibilities assigned to Internal Audit are defined in the Internal Audit Charter, which has been approved by the Audit and Risk Committee. The key mission of Internal Audit as defined in the Internal Audit Charter is "to add value to the organization by applying a systematic, disciplined approach to evaluating the internal control system and providing recommendations to improve it".
- External Audit. In the context of its review of the annual accounts, the statutory auditor focuses on the design and effectiveness of internal controls and systems relevant for the preparation of the financial statements. The outcome of the audits, including work on internal controls, is reported to management and the Audit and Risk Committee and shared with Internal Audit.
- Audit and Risk Committee. The Board and the Audit and Risk Committee have the ultimate responsibility with respect to internal control and risk management. For more detailed information on the composition and functioning of the Audit and Risk Committee, see section 3.5 of this Corporate Governance Statement.

9.7. Risk management and internal control with regard to the process of financial reporting

The accurate and consistent application of accounting rules throughout the Ontex Group is assured by means of a Finance and Accounting Manual.

On a quarterly basis, a bottom-up risk analysis is conducted to identify risk factors. Action plans are defined for all key risks. Specific identification procedures for financial risks are in place to assure the completeness of financial accruals.

The accounting teams are responsible for producing the accounting figures, whereas the controlling teams check the validity of these figures. These checks include coherence tests by comparison with historical and budget figures, as well as sample checks of transactions according to their materiality.

Specific internal control activities with respect to financial reporting are in place, including the use of a periodic closing and reporting checklist. This checklist assures clear communication of timelines, completeness of tasks, and clear assignment of responsibilities.

Uniform reporting of financial information throughout the Ontex Group ensures a consistent flow of information, which allows the detection of potential anomalies. The Group's ERP systems and management information tools allow the central controlling team direct access to desegregated financial and non-financial information.

An external financial calendar is planned in consultation with the Board and the Management Committee, and this calendar is announced to the external stakeholders. The objective of this external financial reporting is to provide Ontex stakeholders with the information necessary for making sound business decisions. The financial calendar can be consulted on http://www.ontexglobal.com/calendar.

Risk management – continued

The table below sets out our principal risks and examples of relevant controls and mitigating factors.

The Board considers these to be the most significant risks faced by the Group that may impact the achievement of our strategic drivers as set out on page 13. They do not comprise all the risks associated with our business and are not set out in priority order.

Description risk		Main Potential impact
Competitive environment	All Divisions face competition from branded product manufacturers and retailer brand manufacturers. We also face competition from competing manufacturers in production innovation. Rapid time-to-market is key to our competitiveness.	The fact that we would fail to deliver our value proposition and/or to adapt to the customer's needs could affect our performance, and could entail price and volume pressure, loss of market share or margin erosion.
Reputation and stakeholder management	As a public company, Ontex has stakeholders with various needs, and Ontex is subject to high transparency standard and periodic reporting obligations. Ontex may be subject to adverse publicity.	Such adverse publicity may adversely impact our reputation, and indirectly our business and financial condition.
Product quality and safety	Our reputation as a business partner relies heavily on our ability to supply quality products.	In a case of quality issues, this may lead to adverse effects to consumer health, loss of market share, financial costs and loss of turnover as well as putting the Company reputation at stake.
Intellectual Property	Although we are monitoring changes in intellectual property rights, we may inadvertently infringe intellectual property rights owned by others. Secondly, the Company may fail to register intellectual property rights in a timely manner	As a potential consequence thereof, the Company may face legal claims or have to pay royalties which erode our profit margins.
Manufacturing and Logistics	Our ability to serve our customers depends on the operation of our 19 manufacturing sites. We may experience disruptions at our production facilities or in extreme cases, our production facilities may shut down.	Such temporary shortfalls in production could affect our on-time delivery record, which could in turn adversely effect our ability to acquire new customers and retain existing customers.
Sourcing and supply chain	We are dependent upon the availability of raw materials for the manufacture of our products. On average the main raw materials and packaging costs account for between 75% and 80% of our cost of sales. Our raw materials are subject to price volatility due to a number of factors that are beyond our control, including but not limited to, the availability of supply, general economic conditions, commodity price fluctuations and market demand.	The price volatility of the underlying commodities can affect the cost and availability of our products. We may not always succeed in passing on these costs to the customer/consumer through pricing.
Acquisitions	From time to time, we evaluate possible acquisitions that would complement our existing operations and enable us to grow our business. The success of any acquisition depends on our ability to integrate acquired businesses effectively. The integration of acquired businesses may be complex and expensive and may present a number of risks and challenges. Furthermore, there can be no assurance that we will realize any or all of the anticipated benefits of any future acquisitions, including the expected business growth opportunities, revenue benefits, cost synergies and other operational efficiencies	In case we would not be able to realise the objectives of the acquisition, the integration may lead to additional unforeseen difficulties or liabilities, failure to deliver on financial goals and internal disruption.
Information technology, data security and cyber attack	We are increasingly reliant on IT systems and information management to run our business. There is a risk of disruption of our IT systems and that sensitive data may be compromised by malicious cyber-attack or technology failure.	A disruption of our IT systems could affect our sales, production and cash flows, ultimately impacting our results. Unauthorized access and misuse of sensitive information could interrupt our business and/or lead to loss of assets. It could also lead to negative reputational impact.

Description risk		Main Potential impact
Legal and regulatory	Ontex is subject to applicable laws and regulations in the global jurisdictions in which it operates.	Failure to comply with laws and regulations could expose us to civil and/or criminal actions, and changes to laws and regulations could have an impact on the cost of doing business.
Economical and political instability	Ontex operates around the globe, and as a result is subject to risks associated with operating internationally. Recent and ongoing instability in some of the countries in which we operate may adversely affect our business.	Any such conditions or instability could impact our operations and result in additional expenditure and other commercial and financial impacts incurred in order to comply or adapt to such conditions and consequently have a material adverse effect on our business.
Recruitment and retention	A skilled workforce and agile organization are essential for the continued success of our business. Failure to identify, attract, develop and retain talents to satisfy current and future needs of the business may affect our ability to compete and grow effectively.	In case of failure to recruit and retain adequately, this may result in a decline in business performance.
Financial	As detailed in section 7.4 of the financial statements, the Group's activities expose it to a variety of financial risks including currency risk, interest rate risk and liquidity risk as well as counterparty default.	These risks may have a material adverse effect on our business, financial condition and results of operations.
Occupational health and safety	As Ontex is operating around the globe, it may fail to provide for the personal safety of employees in production and other facilities and during travel to high-risk locations.	Reputational damage and difficulties in hiring people.
Climate change	Ontex is subject to applicable laws and regulations in the global jurisdictions in which it operates. Climate change continues to be a focus for government legislators working within the sustainability agenda.	Climate change legislation (e.g. the introduction of a carbon tax) could result in making our products less affordable or less available resulting in reduced growth and profitability.

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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; and
- 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.

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 2017

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"). This report includes our report on the audit of the consolidated accounts, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are 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 consolidated accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated accounts of Ontex Group NV for 4 consecutive years.

Report on the audit of 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 2017, the 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 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 2,719.5 million and a profit for the year of EUR 128.4 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 2017, 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). 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 1,163.6 million as detailed in disclosure 7.8. 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 EBITDA 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 2018 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 2018 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 EBITDA 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 7.8 and Note 7.3.3) in the financial statements.

Our results

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

2. Completeness and accuracy of purchase price calculations in accordance with IFRS3

Description of the key audit matter

In March 2017 Ontex acquired the personal hygiene business of Hypermarcas S.A. (renamed to "Ontex Brazil"). The purchase price allocation related to this acquisition was of most significance to our audit because of the size of the acquired assets and liabilities and the significant judgements and assumptions involved in the fair value adjustments made to Property, Plant and Equipment, intangible fixed assets, inventory, contingent liabilities and uncertain tax positions. The increase in the intangible assets recognized under goodwill and other intangibles related to Ontex Brazil amounted to EUR 24.3 million as disclosed in Note 7.7.

How our audit addressed the key audit matter

With respect to the purchase price allocation of the Ontex Brazil acquisition described in Note 7.7, we have, amongst others, read the share purchase agreement, tested the calculation of the consideration paid, visited the acquired companies, had discussion with local management and read the due diligence reports to assess completeness of purchase price allocations. We critically assessed the fair value calculations of identifiable assets and liabilities and ensured the correct accounting treatment has been applied and appropriate disclosure has been made. We challenged the valuation assumptions such as discount rates, growth rates and gross margin percentage by recalculating these, comparing with past actuals and independent market studies. In doing so we have utilized valuation specialists to assist with the audit of the identification and valuation of the assets and liabilities acquired. We also assessed the adequacy of the disclosures in Note 7.7 and Note 7.3.2.

Our results

We found the methodologies and the assumptions applied to be in line with our expectations, and the acquisition accounting and related disclosure in line with the share purchase agreement.

3. 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 18.3 million and EUR 42.8 million. EUR 95.7 million deferred tax asset position was not recognised, as disclosed in Note 7.17. Decreased tax rates in Belgium, France and US had a positive impact on the income tax expense of the year of EUR 4.8 million, as disclosed in Note 7.25. 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. In addition, the timing of the reversal of deferred tax positions in jurisdictions where tax authorities have enacted gradually decreasing tax rates (mainly Belgium) is very complex. 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 7.3.1, 7.17 and 7.25 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.

4. 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 2016. We also reviewed credit notes and other adjustments to trade receivables and trade payables after 31 December 2017 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 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 determines 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 intends 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.

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 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on 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) 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 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. We do not express any form of assurance conclusion on this directors' report.

The non-financial information is included in the directors' 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 UN Global Compact & UN's Sustainable Development Goals. However, we do not express an opinion as to whether the non-financial information has been prepared, in all material aspects, in accordance with the Global Reporting Initiative Standards and with reference to the UN Global Compact & UN's Sustainable Development Goals. Furthermore, we do not express assurance on individual elements included in this non-financial information.

Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the consolidated accounts and we remained independent of the Company 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.

Gent, 4 April 2018

The statutory auditor
PwC Bedrijfsrevisoren BCVBA
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, 2017 were authorized for issue in accordance with a resolution of the Board of Directors on March 28, 2018.

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, Bigfral, 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 22 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.

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, 2017	December 31, 2016
Non-current Assets			
Goodwill	8	1,163.6	1,096.2
Intangible assets	8	50.6	32.5
Property, plant and equipment	9	578.3	455.5
Deferred tax assets	17	18.3	8.7
Non-current receivables		3.9	0.3
		1,814.7	**1,593.2**
Current Assets			
Inventories	11	327.2	254.2
Trade receivables	10	369.8	312.5
Prepaid expenses and other receivables	10	80.6	61.0
Current tax assets	17	7.1	10.6
Derivative financial assets	4.1	1.6	4.7
Cash and cash equivalents	12	118.5	212.8
		904.8	**855.8**
Total assets		**2,719.5**	**2,449.0**

Equity and Liabilities in € million	Note	December 31, 2017	December 31, 2016
Equity attributable to owners of the Company			
Share capital and Premium	13	1,208.0	988.8
Treasury shares		(31.3)	(22.3)
Cumulative translation differences		(158.9)	(42.5)
Retained earnings and other reserves		160.2	75.1
Total equity		**1,178.0**	**999.1**
Non-current liabilities			
Employee benefit liabilities	16	21.7	22.6
Provisions	19	0.4	0.3
Interest-bearing debts	15	772.0	779.1
Other non-current financial liabilities	18	–	26.4
Deferred tax liabilities	17	42.8	45.9
Other payables		0.2	0.4
		837.1	**874.7**
Current liabilities			
Interest-bearing debts	15	69.9	22.9
Derivative financial liabilities	4.1	4.2	3.8
Other current financial liabilities	18	20.8	49.3
Trade payables	18	473.3	366.8
Accrued expenses and other payables	18	32.8	30.1
Employee benefit liabilities	18	44.7	39.1
Current tax liabilities	17	50.9	55.3
Provisions	19	7.8	7.9
		704.4	**575.2**
Total liabilities		**1,541.5**	**1,449.9**
Total equity and liabilities		**2,719.5**	**2,449.0**

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 2017	Full Year 2016
Revenue	5	2,355.4	1,993.0
Cost of sales	23	(1,674.4)	(1,407.5)
Gross Margin		**681.0**	**585.5**
Distribution expenses	23	(225.3)	(181.6)
Sales and marketing expenses	23	(162.7)	(125.6)
General administrative expenses	23	(79.7)	(76.5)
Other operating income/(expenses), net	21–23	(0.5)	4.6
Income and expenses related to changes to Group structure	22	(4.4)	(6.9)
Income and expenses related to impairments and major litigations	22	(0.1)	(6.0)
Operating profit		**208.3**	**193.5**
Finance income	24	55.7	43.6
Finance costs	24	(99.5)	(72.9)
Net finance cost		(43.8)	(29.3)
Profit before income taxes		**164.5**	**164.2**
Income tax expense	25	(36.1)	(44.5)
Profit for the period		**128.4**	**119.7**
Profit attributable to:			
Owners of the parent		128.4	119.7
Profit for the period		**128.4**	**119.7**

Earnings per share

in €	Note	Full Year 2017	Full Year 2016
Basic Earnings per share	14	1.61	1.61
Diluted Earnings per share	14	1.61	1.61
Adjusted Basic Earnings per share	14	1.65	1.77
Diluted Adjusted Basic Earnings per share	14	1.64	1.77
Weighted average number of ordinary shares outstanding during the period		79,661,317	74,407,405

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

4. Consolidated statement of comprehensive income
for the years ended December 31

in € million	Note	Full Year 2017	Full Year 2016
Profit for the period		**128.4**	**119.7**
Other comprehensive income/(loss) for the period, after tax:			
Items that will not be reclassified subsequently to income statement			
Remeasurements of defined benefit plans	16	1.0	(0.6)
Items that will be reclassified subsequently to income statement			
Exchange differences on translating foreign operations		(116.4)	(18.2)
Cash flow hedge		(0.4)	(0.4)
Other		(0.2)	–
Other comprehensive income/(loss) for the period, net of tax		**(116.0)**	**(19.2)**
Total comprehensive income for the period		**12.4**	**100.5**
Total comprehensive income attributable to:			
Owners of the parent		12.4	100.5
Total comprehensive income for the period		**12.4**	**100.5**

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

		Attributable to equity holders of the Company						
in € million	Note	Number of shares	Share capital	Share Premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at December 31, 2016	13	**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/(loss):								
Exchange differences on translating foreign operations		–	–	–	–	(116.4)	–	(116.4)
Remeasurements of defined benefit pension 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	13	**82,347,218**	**795.2**	**412.8**	**(31.3)**	**(158.9)**	**160.2**	**1,178.0**

in € million	Note	Number of shares	Share capital	Share Premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
		Attributable to equity holders of the Company						
Balance at December 31, 2015	13	**72,138,887**	**694.8**	**218.3**	**(13.1)**	**(24.3)**	**(23.5)**	**852.2**
Transactions with owners at the level of Ontex Group NV:								
Share-based payments		–	–	–	–	–	1.8	1.8
Dividends		–	–	–	–	–	(34.2)	(34.2)
Treasury Shares		–	–	–	(9.2)	–	–	(9.2)
Issuance expenses new shares		–	–	–	–	–	–	–
Business combinations		–	–	–	–	–	12.3	12.3
Capital increase		2,722,221	27.2	48.5	–	–	–	75.7
Total transactions with owners 2016		**2,722,221**	**27.2**	**48.5**	**(9.2)**	**–**	**(20.1)**	**46.4**
Comprehensive income:								
Profit for the period		**–**	**–**	**–**	**–**	**–**	**119.7**	**119.7**
Other comprehensive income/(loss):								
Exchange differences on translating foreign operations		–	–	–	–	(18.2)	–	(18.2)
Remeasurements of defined benefit pension plans		–	–	–	–	–	(0.6)	(0.6)
Cash flow hedges		–	–	–	–	–	(0.4)	(0.4)
Other movements		–	–	–	–	–	–	–
Total other comprehensive income/(loss)		**–**	**–**	**–**	**–**	**(18.2)**	**(1.0)**	**(19.2)**
Balance at December 31, 2016	13	**74,861,108**	**722.0**	**266.8**	**(22.3)**	**(42.5)**	**75.1**	**999.1**

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, 2017, is as follows:

Shareholder	December 31, 2017	%[1]
Groupe Bruxelles Lambert (GBL)	11,236,652	19.98%[2]
Janus Capital Management LLC	3,426,597	4.75%
The Pamajugo Irrevocable Trust	2,724,944	3.64%
Allianz Global Investors GmbH	2,521,427	3.06%
AXA Investment Managers SA	2,055,278	3.02%
Black Creek Investment Management	2,612,528	3.17%

1 At the time of the transparency declaration.
2 The actual percentage of GBL per December 31, 2017 adds up to 15.01%.

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 2017	Full Year 2016
Cash flows from operating activities			
Profit for the period		**128.4**	**119.7**
Adjustments for:			
Income tax expense	25	36.1	44.6
Depreciation and amortization		53.7	43.2
(Gain)/loss on disposal of property, plant and equipment		0.3	0.3
Provisions (including employee benefit liabilities)		(0.2)	5.1
(Gain)/loss on earn out liabilities		(7.8)	(6.3)
Net finance cost		43.8	29.3
Changes in working capital:			
Inventories		(8.3)	(6.9)
Trade receivables, prepaid expenses and other receivables		(56.4)	(20.2)
Trade payables, accrued expenses and other payables		26.1	11.5
Employee benefit liabilities		(1.5)	0.1
Cash from operating activities before taxes		**214.2**	**220.4**
Income taxes paid		(44.9)	(24.9)
Net cash generated from operating activities		**169.3**	**195.5**
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets (including capital grants)		(111.9)	(77.1)
Gain on disposal		(0.6)	0.4
Payment for acquisition of subsidiary, net of cash acquired	7	(297.6)	(169.0)
Commitments from business combinations		(7.1)	–
Net cash used in investing activities		**(417.2)**	**(245.7)**
Cash flows from financing activities			
Proceeds from borrowings	15	1,108.2	125.9
Borrowing expenses paid	15	(3.9)	–
Repayment of borrowings	15	(1,087.7)	(28.4)
Interest paid	24	(28.3)	(25.6)
Interest received	24	3.3	1.5
Cost of refinancing and Other costs of financing		(10.7)	(6.6)
Realized foreign exchange (losses)/gains on financing activities		0.7	(4.9)
Derivative financial asset		(2.4)	(1.5)
Dividends paid		(44.8)	(34.2)
Capital increase (net of issuance expenses new shares)		219.2	–
Net cash generated from financing activities		**153.6**	**26.2**
Net decrease in cash, cash equivalents and bank overdrafts		**(94.3)**	**(24.0)**
Cash and cash equivalents at the beginning of the period		**212.8**	**236.8**
Cash and cash equivalents at the end of the period		**118.5**	**212.8**

The accompanying notes are an integral part of the Audited 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, 2017 to December 31, 2017 are consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2016 of Ontex Group NV. 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, 2017 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, 2017. The new standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning January 1, 2017, 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 accruals 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 7.3.

IFRS accounting standards to be adopted as from 2017 and onwards

The following new amendments to existing standards have been published and are mandatory for the first time for the financial periods beginning on or after January 1, 2017 and have no material impact on Ontex Group financial statements:

Amendments to IAS 7 'Statement of cash flows' (effective 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The additional disclosure has been added to note 7.15.

Amendments to IAS 12 'Income taxes' on recognition of deferred tax assets for unrealized losses (effective 1 January 2017). These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Annual improvements 2014–2016 applicable to IFRS 12 (effective 1 January 2017). This set of amendments impacts IFRS 12 'Disclosure of interests in other entities' regarding clarification of the scope of the standard.

IFRS accounting standards to be adopted as from 2018 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 the financial year beginning on or after January 1, 2018 or later periods, and have not been early adopted. Those which may be the most relevant to the Ontex Group financial statements are set out below.

IFRS 9 Financial instruments (including related amendments)

IFRS 9 'Financial Instruments' will replace IAS 39 'Financial Instruments: Recognition and Measurement' and bring 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.

Based on the analysis conducted until now, the Ontex Group does not expect a significant impact of the application of the new classification and measurement principles of IFRS 9, compared to the current principles under IAS 39. Regarding the accounting for transaction costs upon modification of financial liabilities, current accounting policies of the Group are already in accordance with IFRS 9.

However, the Group expects a potential impact from the application of the new impairment model to its financial assets.

IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition, either on a 12-month basis or lifetime basis. This means that it is no longer necessary for a credit event to have occurred before credit losses are recognized which may result in an earlier recognition of credit losses.

The Group expects to apply the lifetime expected loss model on all trade receivables. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will in general result in earlier recognition of credit losses for trade receivables, but the Group does not expect that the loss allowance recognized for these receivables would increase significantly as the Group already monitors closely the creditworthiness of its counterparts.

IFRS 9 Financial Instruments is endorsed by the EU and is to be applied for the reporting periods beginning on 1 January 2018. The Ontex Group will apply the new standard in its consolidated financial statements for the year ending 31 December 2018. Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, but the guidance allows certain exemptions on retrospective application.

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.

The Ontex Group performed a detailed assessment of IFRS 15, of which the main aspects are mentioned below:

Ontex Group's core activity is the sale of goods. As such, the Group expects revenue recognition to occur 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. Based on the analysis performed on a contract-by-contract basis, the impact is assessed to be limited at year-end 2017.

The revenue of the Group is mainly generated by the sale of goods, which qualifies as a separate performance obligation. Distinct services, mainly customer training or customer assistance services are rendered predominantly over the period that the corresponding goods are sold to the customer. Ancillary services, such as software assistance, are not material. Transportation (shipping) would not be considered as a separate performance obligation as control over the goods is only transferred to the customer after the shipment. As such, shipping (transport) is considered a fulfillment activity as the related costs are incurred as part of the performance obligation to transfer goods to the customer. Based on the analysis conducted, the Group has not identified a significant adjustment to its current practice for the year ending December 31, 2017.

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.

Some of the customer contracts include trade discounts or volume rebates, which is granted to the customer if the delivered quantities exceed a certain threshold. In these cases, the transaction price includes a variable consideration. According to IFRS 15, the effect of the variable consideration on the transaction price should be taken into account in revenue recognition by estimating the probability of the realization of the discount or rebate for each contract. Furthermore, IFRS 15 requires the estimated variable consideration to be 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 is considering all payments made to customers and whether these are related to the revenue generated from the customer. The Group has developed a clear guideline in order to properly present such payments as a deduction of revenue or as expense. This results in reclassifications between operating expenses (distribution expenses/sales and marketing expenses) and revenue, but does not generate any impact on net profit upon initial application of IFRS 15. The reclassification amounts to €20.4 million, impacting negatively revenue for the year ending December 31, 2017.

The Group has no material incremental costs of obtaining a contract which would fulfill the capitalization criteria as defined by IFRS 15.

IFRS 15 Revenue from Contracts with Customers is endorsed by the EU and is to be applied for the reporting periods beginning on 1 January 2018. The Ontex Group will apply the new standard in its consolidated financial statements for the year ending 31 December 2018. The Group will apply the full retrospective approach of the standard.

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. This will affect operating profit.

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 will be effective for the reporting periods beginning on 1 January 2019. The Ontex Group has not yet determined whether to early adopt or not and which transition approach to apply, and has not yet decided whether it will use any of the optional exemptions.

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, 2017 and have not been adopted by the European Union and are not expected to have a material impact on Ontex' financial statements:

- Amendments to IFRS 2 'Share-based payments' (effective 1 January 2018): 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.
- Amendments to IAS 19 'Employee Benefits' (effective 1 January 2019): 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 2014–2016 applicable to two standards of which changes on IFRS 1 et IAS 28 are applicable as of 1 January 2018. 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.
- Annual improvements 2015–2017 (effective 1 January 2019): 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 22 'Foreign currency transactions and advance consideration' (effective 1 January 2018, but not yet endorsed in EU): This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019, but not yet endorsed in EU): This Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

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 unrealized gains on transactions between group companies are eliminated. Unrealized 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:

	December 31, 2017		December 31, 2016	
Currency	Closing Rate	Av. Rate Year	Closing Rate	Av. Rate Year
AUD	1.5346	1.4729	1.4596	1.4886
BRL	3.9729	3.6085	–	–
CZK	25.5350	26.3277	27.0210	27.0339
GBP	0.8872	0.8761	0.8562	0.8189
MXN	23.6612	21.3261	21.7719	20.6564
PLN	4.1770	4.2562	4.4103	4.3641
RUB	69.3920	65.8859	64.3000	74.2212
TRY	4.5464	4.1214	3.7072	3.3439
USD	1.1993	1.1293	1.0541	1.1066

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, i.e. 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. For internal IT projects, expenses that relate to the development phase are capitalized as internally generated intangibles assets. The Group's systems allow a reliable measure of expenses directly attributable to the different IT projects.

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 is 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	Estimated useful life
Brands	20 years
IT implementation costs	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. Research and Development

Notwithstanding the detailed follow up of the R&D programs for product development per project, the administrative system of the Group does not differentiate the incurred expenses between research and development phases. Therefore, the expenses in relation to the research and development phase are charged to the statement of comprehensive income within operating results.

7.1.8. 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	Estimated useful life
Land	N/A
Land improvement 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.

7.1.9. 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.

7.1.10. 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.

7.1.11. 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.

7.1.12. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or supply of services in the ordinary course of the Group's activities. Revenue is reduced for customer returns, rebates and discounts and other similar allowances and after eliminating sales within the Group.

The Group recognizes revenue arising from the sale of goods when specific criteria have been met for each of the Group's activities:

- the Group transfers the significant risks and rewards of ownership;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the collectability of the related receivable is reasonably assured;
- revenue is recognized upon delivery of the products to the customer and its acceptance thereof.

The recognition criteria are applied to the separately identifiable components of a single transaction when it is necessary to reflect the substance of the transaction.

Interest income is recognized using the effective interest method. Dividends are recognized when the shareholder's right to receive payment is established.

7.1.13. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. 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.

a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL, when the financial asset is either held for trading or is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and had a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated as an effective hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designed as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Financial assets at fair value through profit or loss are financial assets held for trading: they are classified as current assets. Derivatives are classified as held for trading, unless hedge accounting is applied (see note 7.1.23. below).

Assets in this category are recognized at fair value and subsequently adjusted to fair values, with any adjustments recognized immediately in the income statement.

b) Loans, payables and receivables

Loans, payables and receivables are non-derivative financial liabilities and assets with fixed or determinable payments that are not quoted in an active market. Loans, payables (including other and trade payables) and receivables (including trade receivables and other receivables, cash and cash equivalents) are measured at amortized cost using the effective interest method, less any impairment.

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.

An allowance for impairment of trade receivables is accounted for when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the carrying amount and the present value of estimated cash flows, including the proceeds of credit insurance contracts, discounted at the effective interest rate.

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.

c) De-recognition of financial assets

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 (e.g. 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.

7.1.14. 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.

7.1.15. 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.

7.1.16. 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.

7.1.17. 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.

7.1.18. 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 taken into account 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.

7.1.19. 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.

7.1.20. 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.

7.1.21. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

a) currently has a legally enforceable right to set off the recognized amounts; and
b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated as an effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis,
- in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability in the consolidated income statement.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

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 payable.

7.1.22. 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 IAS 39. 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.

7.1.23. 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.

7.1.24. 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.

7.1.25. 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.

7.1.26. Alternative Performance Measures

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

7.1.26.1. 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 7.22:

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

7.1.26.2. 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 and excluding non-recurring impairment of assets.

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

in € million	Full Year 2017	Full Year 2016
Operating Profit	**208.3**	**193.5**
Depreciation and amortization[1]	53.7	43.1
EBITDA	**262.0**	**236.6**
Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA) to adjusted EBITDA		
EBITDA	**262.0**	**236.6**
Non-recurring income and expenses, excluding impairment losses	4.4	12.1
Adjusted EBITDA	**266.4**	**248.7**

[1] Depreciation and amortization (D&A) include €53.6 million of recurring D&A and €0.1 million of impairment losses in 2017 (€42.3 million of recurring D&A and €0.8 million of impairment losses in 2016).

7.1.26.3. 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 and excluding non-recurring impairment of assets 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 7.2. 'Capital Management'.

7.1.26.4. 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 2017	Full Year 2016
Operating profit	**208.3**	**193.5**
Depreciation and amortization	53.7	43.1
EBITDA	**262.0**	**236.6**
Non-recurring income and expenses, excluding impairment losses	4.4	12.1
Adjusted EBITDA	**266.4**	**248.7**
Change in Working Capital		
Inventories	(8.3)	(6.9)
Trade receivables, prepaid expenses and other receivables	(56.4)	(20.2)
Trade payables, accrued expenses and other payables	26.1	11.5
Capex	(111.9)	(77.1)
Adjusted Free Cash Flow (pre-tax)	**115.9**	**156.0**
Income taxes paid	(44.9)	(24.9)
Adjusted Free Cash Flow (post-tax)	**71.0**	**131.1**

7.1.26.5. 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 7.14 'Earnings per share'.

7.1.26.6. 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.

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

7.1.27.1. 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.

7.1.27.2. 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.

7.1.27.3. 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.

7.1.27.4. Adjusted EBITDA margin

Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

7.2. 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	Note	December 31, 2017	December 31, 2016
Non-current interest-bearing debts	15	772.0	779.1
Other non-current financial liabilities		–	26.4
Current interest-bearing debts	15	69.9	22.9
Other current financial liabilities		20.8	49.3
Cash and cash equivalents	12	(118.5)	(212.8)
Total net debt position		**744.2**	**664.9**
LTM Adjusted EBITDA[1]		266.4	248.7
Net financial debt/LTM Adjusted EBITDA ratio		**2.79**	**2.67**

[1] LTM Adjusted EBITDA as defined per note 7.1.26.1.

7.3. 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:

7.3.1. 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 €401.9 million at December 31, 2017 (€395.7 million at December 31, 2016).

As mentioned in last year's consolidated financial statements, the European Commission challenged Belgium's excess profit tax ruling system (EPR), characterizing this system as illegal state aid. Ontex, through its Belgian subsidiary Ontex BVBA, had an excess profit ruling covering the years 2011-2015. Ontex has in the meantime received the recovery notice from the Belgian State and, as expected, this has not resulted in incremental corporate income tax to be paid since the amount exempt under the excess profit ruling could be offset against available tax losses. Ontex has lodged an appeal against the EC decision but a final outcome of such an appeal will take several years. If the EC decision would be overturned by the General Court or the European Court of Justice, this would have a positive impact on the tax losses position of Ontex BVBA.

The Group has only recognized deferred tax assets on €53.5 million of tax losses and other tax incentives out of the €401.9 million mentioned above. The measurement of this asset 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.

The Belgian Government announced in July 2017 an important corporate tax reform which will decrease the corporate tax rate in Belgium of 33.99% to 29.58% in 2018 and 25.0% as from 2020. The Act affecting the reform was voted by Parliament in December 2017 which, by virtue of the guidance in IAS 12, is considered as substantively enacted. Therefore, deferred taxes on temporary differences, originated in Belgium, are calculated based both on the new tax rates and the timing of their expected reversals. In this regard, management has exercised judgement in deciding which temporary differences are expected to reverse before 2020, on which the tax rate of 29.58% is applicable, and those temporary differences expected to reverse after 2020 to which the tax rate of 25.0% is applied. For the deferred tax asset that has been recognized on the Ontex Group NV tax losses, a similar approach has been taken with the expected loss utilization in FY 2018 and FY 2019 tax effected at a rate of 29.58% and the expected loss utilization as from FY 2020 tax effected at 25.0%.

Similarly, laws were enacted in the US and France that provide for respectively a reduction in rate to 21.0% for the US as from FY 2018 and a gradual reduction in the rate to 25.0% for Ontex in France as from FY 2022. Management has exercised judgement in deciding which temporary differences are expected to reverse in which period. The deferred tax asset that was already recognized on part of the French tax losses has been revised downwards at a blended rate of 28.0% in view of the years during which the losses are expected to be used.

7.3.2. 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

7.3.3. 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 recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. These are summarized here below:

As at December 31	2017	2016
Pre-tax discount rate		
Mature Market Retail	6.6%	7.7%
Growth Markets	11.2%	13.6%
Healthcare	6.0%	7.8%
Middle East North Africa	13.8%	14.0%
Americas Retail	10.5%	11.5%

Should the estimated EBITDA at December 31, 2017 and the following two years decrease by 10% than the discounted cash flows used in the calculation of the recoverable amount, or should the discount rate used in the calculation done at that date increase by 10%, no impairment would be recognized.

As indicated in note 7.8, 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, 2.7% 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.

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.

7.3.4. 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.

7.3.5. 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.

7.3.6. 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, i.e. 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 has to correspond to the rate of high-quality corporate bonds of similar term to the benefits valued and in the same currency.

7.3.7. 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.

7.4. Financial Instruments and financial risk management

7.4.1. Overview of financial instruments

The table below summarizes all financial instruments by category in accordance with IAS 39 and discloses the fair values of each instrument and the fair value hierarchy:

	December 31, 2017			
in € million	Designated in hedge relationship	Loans and receivables At amortized cost	Fair value	Fair value level
Trade receivables (excluding non-current receivables)		369.8	369.8	Level 2
Other receivables		56.4	56.4	Level 2
Derivative financial assets	1.6		1.6	
Forward foreign exchange contracts	*1.6*		*1.6*	Level 2
Cash and cash equivalents		118.5	118.5	Level 2
Total Financial Assets	**1.6**	**544.7**	**546.3**	
Interest-bearing debts – non-current	–	772.0	787.3	
Facility A Loan 2017 > 1 year		*584.7*	*600.0*	Level 2
Facility BNP Paribas Fortis > 1 year		*150.0*	*150.0*	Level 2
Total return swap		*25.6*	*25.6*	Level 2
Financial lease and other liabilities		*11.7*	*11.7*	Level 2
Derivative financial liabilities	4.2	–	4.2	
Interest rate swap	*1.2*		*1.2*	Level 2
Forward foreign exchange contracts	*2.9*		*2.9*	Level 2
Other payables – non-current		0.2	0.2	Level 2
Interest-bearing debts – current		69.9	69.9	
Accrued interests – other		*1.0*	*1.0*	Level 2
Revolver credit loan		*30.0*	*30.0*	Level 2
Financial lease and other liabilities		*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 € million	Designated in hedge relationship	Loans and receivables At amortized cost	Fair value	Fair value level
	December 31, 2016			
Trade receivables (excluding non-current receivables)		312.5	312.5	Level 2
Other receivables		44.4	44.4	Level 2
Derivative financial assets	4.7		4.7	
Forward foreign exchange contracts	*4.7*		*4.7*	Level 2
Cash and cash equivalents		212.8	212.8	Level 2
Total Financial Assets	4.7	**569.8**	**574.5**	
Interest-bearing debts – non-current	–	779.1	800.5	
Senior Secured Notes 2014		*246.4*	*262.8*	Level 1
Facility A Loan 2014 > 1 year		*375.7*	*380.0*	Level 2
Facility C Loan 2016 > 1 year		*124.3*	*125.0*	Level 2
Total return swap		*22.3*	*22.3*	Level 2
Financial lease and other liabilities		*10.4*	*10.4*	Level 2
Derivative financial liabilities	3.8	–	3.8	
Interest rate swap	*2.8*		*2.8*	Level 2
Forward foreign exchange contracts	*1.0*		*1.0*	Level 2
Other non-current financial liabilities		26.4	26.4	Level 3
Other payables – non-current		0.4	0.4	
Interest-bearing debts – current		22.9	22.9	
Bonds		*1.5*	*1.5*	Level 2
Facility A Loan 2014 >1 year		*0.7*	*0.7*	Level 2
Financial lease and other liabilities		*20.7*	*20.7*	Level 2
Other current financial liabilities		49.3	49.3	Level 3
Trade payables		366.8	366.8	Level 2
Other payables – current		16.1	16.1	Level 2
Total Financial Liabilities	3.8	**1,261.0**	**1,286.2**	

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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Derivative financial assets				
Forward foreign exchange contracts	1.6	4.7	54.0	117.7
Derivative financial liabilities				
Interest rate swap	1.2	2.8	785.0	325.0
Forward foreign exchange contracts	2.9	1.0	83.8	22.9

The derivative instruments presented in the tables above are all designated in a cash flow hedge relationship (see below in notes 7.4.3. to 7.4.5.).

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 (i.e. as prices) or indirectly (i.e. 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, 2017 (nor 2016).

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

7.4.2. 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.

7.4.3. 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:

	Assets		Liabilities	
In € million	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
EUR	1,706.7	1,583.4	2,345.6	2,082.2
BRL	147.6	–	150.4	–
USD	52.1	65.9	112.9	116.3
MXN	51.0	45.2	75.7	43.9
PLN	46.9	48.9	0.3	0.3
DZD	22.7	19.0	5.4	3.3
RUB	19.5	20.5	1.2	(1.5)
GBP	18.6	26.1	1.7	1.8
TL	17.6	20.6	8.6	12.1
AUD	16.6	16.3	3.6	4.2

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 hedge-related 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 2017 maturing at the latest in September 2018 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 koruna during 2017 and 2018. Based on the hedge strategy, the foreign exchange forward contracts hedge the following forecasted exposures until September 30, 2018: for British pound (GBP) 28.5 million, for Polish zloty (PLN) 78.7 million, for Australian dollar (AUD) 24.1 million, for Czech koruna (CZK) 141.7 million, for US dollar (USD) 55.8 million versus EUR, US dollar (USD) 15.4 million versus Mexican peso (MXN) and US dollar (USD) 3.6 million versus Brazilian real (BRL) and for Euro (EUR) 2.5 million versus Mexican peso (MXN).

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, 2017 an unrealized gain of €1.1 million (Australian dollar, British pound, Czech koruna) and an unrealized loss of €3.0 million (US dollar) have been recognized in other comprehensive income.

As of December 31, 2017 the fair value of the derivative financial asset for the foreign exchange contracts amounted to €1.6 million (2016: €4.8 million) and of the derivative financial liability amounted to €3.0 million (2016: €1.0 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 2017		2016	10% strengthening of the EUR 2017		2016
	Impact on P&L	Impact on Equity		Impact on P&L	Impact on equity	
AUD	(0.3)	(1.4)	(1.5)	0.3	1.2	1.2
GBP	(1.1)	(2.6)	(2.8)	0.9	2.1	2.3
PLN	3.0	–	–	(2.5)	–	–
USD	(4.7)	3.2	4.4	3.8	(2.6)	(3.3)

7.4.4. 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 an interest rate cap 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, 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. At December 31, 2016, 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 €0.05 million higher/€0.00 million lower.

Floating Rate Syndicated Term Loan A of €600 million due 2022 is carrying an interest of EURIBOR 3 month + margin of 1.25%. Floating Rate Syndicated Term Loan B of €30 million due 2022 is carrying an interest of EURIBOR 3 month + margin of 1.05%. 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 contracts at December 31, 2017 are €785.0 million as per below table:

Duration	Fixed interest rate %	Amount In € million
1 Year	0.5722%	50.0
2 Year	0.6650%	100.0
2 Year	0.1390%	50.0
2 Year	0.1430%	75.0
3 Year	0.6250%	75.0
3 Year	0.6290%	75.0
3 Year	0.6220%	75.0
4 Year	0.4950%	50.0
5 Year	0.3890%	85.0
7 Year	0.5950%	150.0
Total		785.0

7.4.5. 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 2017.

As of December 31, 2017, only few commodity hedge contracts have not yet matured and hence the impact on derivative financial assets and liabilities and unrealized losses is limited to less than €0.1 million.

Considering the limited impact of these commodity hedge contracts, no sensitivity analysis has been performed on the fair value of these derivative financial instruments.

7.4.6. Equity price risk

Following the issuance of options and RSU's as share-based payment arrangements under the different LTIP programmes (refer to note 7.26 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 7.26. 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 32/39. 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 €31.3 million (represented by 1,068,686 shares) and a related financial liability for an amount of €25.4 million (see note 7.15). These amounts do not require to be remeasured during the contract time and consequently, all volatility has been eliminated.

7.4.7. 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 2017 and 2016. 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 7.10 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 7.4.1.

7.4.8. 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 7.15 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, 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)**
At December 31, 2016				
Interest-bearing debts	(80.1)	(120.8)	(657.9)	–
Other financial liabilities	(49.3)	(26.4)	–	–
Trade payables	(366.8)	–	–	–
Total non-derivative financial liabilities	**(496.2)**	**(147.2)**	**(657.9)**	**–**
Interest rate swaps	(1.4)	(1.1)	(0.8)	–
Forward foreign exchange contracts	(140.6)	–	–	–
Total derivative financial liabilities	**(141.9)**	**(1.1)**	**(0.8)**	**–**

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.

7.5. 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 and 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, geographic areas and revenue from major customers are presented below:

7.5.1. Information by Division

in € million	Full Year 2017	Full Year 2016[1]
Mature Market Retail	901.7	854.6
Growth Markets	193.1	169.6
Healthcare	433.4	428.8
MENA	189.8	206.2
Americas Retail	637.5	333.9
Ontex Group Revenues	**2,355.4**	**1,993.0**

[1] Following a review of the Group's customers and countries, a slight modification to the five Divisions has been made for which revenue is reported, effective January 1, 2016. A limited amount of activities which represent in aggregate less than 2% of Group revenue have been re-assigned to the Middle East North Africa (MENA) Division from Healthcare and to the Americas Retail Division from Growth Markets. Prior-year information has been restated as a basis for comparison in future reporting.

7.5.2. Information by product group

The key product categories are:

- Baby care 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 2017	Full Year 2016
Baby Care	1,426.5	1,156.1
Feminine Care	221.9	208.8
Adult Care	691.9	602.8
Other	15.1	25.3
Ontex Group Revenues	**2,355.4**	**1,993.0**

7.5.3. 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 2017	Full Year 2016
Western Europe	1,074.9	1,044.3
Eastern Europe	315.1	301.6
Americas	641.5	337.5
Rest of the World	323.9	309.6
Ontex Group Revenues	**2,355.4**	**1,993.0**

The sales in the country of domicile of Ontex Group NV (Belgium) represent less than 3% of the Group's 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 2017	Full Year 2016
Mexico	297.2	224.1
United Kingdom	240.0	219.6
France	202.0	200.7
Brazil	201.0	–
Other countries	1,415.2	1,348.6
Ontex Group Revenues	**2,355.4**	**1,993.0**

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) in 2017. Goodwill is not included in the below table as this not monitored on a country-basis, but at the divisional level.

Year ended December 31 in € million	2017	2016*
Belgium	121.1	107.2
Mexico	129.3	133.1
Brazil	103.9	–
Germany	60.5	55.6
Other countries	214.1	192.1
Total	**628.9**	**488.1**

* Figures 2016 corrected with the intangible assets.

7.5.4. Revenue from major customers

The Group does not have a single significant customer. In 2017 the largest customer represents 6.0% (2016: 6.9%) of the revenue. The 10 largest customers represent 35.0% of 2017 revenue (2016: 35.1%).

7.6 List of consolidated companies

Name	Country	Percentage of interest held by the Group 2017	2016	Registered office	Company legal number
Can Hygiene SPA	Algeria	100.00%	100.00%	Haouch Sbaat Nord, Zone Industrielle de Rouiba, Voie H, lot 83B, 16012 Rouiba, Alger, Algeria	04/B/0965101
Ontex Australia Pty Ltd	Australia	100.00%	100.00%	Suite 10, 27 Mayneview Street, Milton, QLD 4064, Australia	ABN 59 130 076 283
Ontex Manufacturing Pty Ltd (former Ontex Australia Pty Ltd)	Australia	100.00%	100.00%	Wonderland Drive 5, Eastern Creek, NSW, 2766, Australia	ABN 16 145 822 528
Eutima bvba	Belgium	100.00%	100.00%	Korte Moeie 53, 9900 Eeklo, Belgium	0415.412.891
Ontema bvba	Belgium	100.00%	100.00%	Genthof 12, 9255 Buggenhout, Belgium	0453.081.852
Ontex bvba	Belgium	100.00%	100.00%	Genthof 5, 9255 Buggenhout, Belgium	0419.457.296
Active Industria De Cosméticos S.A.*	Brazil	100.00%	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	100.00%	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	100.00%	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	100.00%	100.00%	Calle la Concepcion 81, D 603 P 06, Providencia, Santiagà, Region Metropolitan,8320000 Santiago de Chile, Chile	96886530-7
Ontex Hygienic Disponables (Yangzhou) Co.TD	China	100.00%	100.00%	Hangji industrial park, Hanjiang Dictrict, 225111 Yangzhou, China	321000400010102
Valor Brands Centroamerica, S.A.	Costa Rica	100.00%	100.00%	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	100.00%	100.00%	Vesecko 491, 51101 Turnov, Czech Republic	44564422
Ontex Hygienic Disposables PLC	Ethiopia	100.00%	100.00%	Tracon Tower Building Addis Ababa, Subcity Arada, Werada 02, Kebele 01, House n° : 30/97, Ethiopia	EIA-PC/01/005318/08
Hygiëne Medica SAS	France	100.00%	100.00%	Rue de croix 18, 59290 Wasquehal cedex, France	401 439 872
Ontex France SAS	France	100.00%	100.00%	Quai du rivage 62119 Dourges, France	338 081 102
Ontex Santé France SAS	France	100.00%	100.00%	Quai du rivage 62119 Dourges, France	502 601 297
Moltex Baby-Hygiene GmbH	Germany	100.00%	100.00%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 5260
Ontex Beteiligungsgesellschaft mbH	Germany	100.00%	100.00%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 15558
Ontex Engineering GmbH	Germany	100.00%	100.00%	Robert-Bosch-Straße 8, 56727 Mayen,Germany	HRA 21335
Ontex Healthcare Deutschland GmbH	Germany	100.00%	100.00%	Hansaring 6, Lotte 49504, Germany	HRB 9669
Ontex Hygiënartikel Deutschland GmbH	Germany	100.00%	100.00%	Fabrikstrasse 30, 02692 Grosspostwitz, Germany	HRB 3865
Ontex Inko Deutschland GmbH	Germany	100.00%	100.00%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 20630
Ontex Logistics GmbH	Germany	100.00%	100.00%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 21024
Ontex Mayen GmbH	Germany	100.00%	100.00%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 11699
Ontex Vertrieb Gmbh and Co. KG	Germany	100.00%	100.00%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 4983
WS Windel-Shop GmbH	Germany	100.00%	100.00%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 2793

Name	Country	Percentage of interest held by the Group 2017	2016	Registered office	Company legal number
Ontex Italia Srl	Italy	100.00%	100.00%	Via Oberdan 140, 25128 Brescia, Italy	10188520158
Ontex Manufacturing Italy S.r.l.	Italy	100.00%	100.00%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti),Italy	02456370697
Serenity Holdco S.r.l.	Italy	100.00%	100.00%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti),Italy	02435020694
Serenity Spa	Italy	100.00%	100.00%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti),Italy	01635360694
Ontex Central Asia LLP	Kazakhstan	100.00%	100.00%	Almaty, Bostandyk district, Al-Farabi Avenue 5, Business,Center Nurly Tau, Blok 1A, Suite 502, Kazakhstan	600400642455
Comercializadora Interncional de comercio Mabe, S.A de C.V	Mexico	100.00%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	CIPQ210141Z8
Compania Interoceanica de productos Higionicos, S.A de C.V	Mexico	100.00%	100.00%	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	100.00%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	CAC920612HE9
Grupe P.I Mabe, S.A de C.V	Mexico	100.00%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	GPI950824N64
Inmobiliaria Kiko S.A de C.V	Mexico	100.00%	100.00%	Calle 27 Norte 7402, Zona Industrial Anexa a la loma, Puebla Mexico CP 72230	IKI811207FG8
P.I Mabe International, S de R.L de C.V	Mexico	100.00%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	GPU950824N64
Productos Internacionales Mabe, S.A de C.V	Mexico	100.00%	100.00%	Calle Norte 12, Ciudad Industrial 105,22505 Tijuana, Mexico	PIM810710R32
Promotora Internacional de comercio Mabe, S.A de C.V	Mexico	100.00%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	PIC001031K61
Servicios Administrativos E. inmobiliaria Gima S.C	Mexico	100.00%	100.00%	Calle 27 Norte 7402, Zona Industrial Anexa a la loma, Puebla Mexico CP 72230	SAI880817KP4
Spiral Hygienic Disposables I**	Mexico	0%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	SHD161005S97
Spiral Hygienic Disposables II**	Mexico	0%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	SHD161005MB2
Transportes P.I Mabe, S.A de C.V	Mexico	100.00%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	TPM960709QS1
Ontex Hygiene Sarlau	Morocco	100.00%	100.00%	Quartier Al Hank Boulevard De La Corniche, 6ième étage, immeuble Yacht A/B Anfa – Casablanco, Morocco	240709
Ontex Pakistan ltd	Pakistan	100.00%	100.00%	Office No 705, 7th Floor, Park Avenue, Main Sharh-e-Faisal, Karachi Sindh 7400, Pakistan	0076658
Ontex Polska sp. z.o.o.	Poland	100.00%	100.00%	ul. Legionów 93/95, lok 26, 91-072 Lodz, Poland	0000010044
Ontex Romania Srl	Romania	100.00%	100.00%	Bucharest, 46 Grigore Cobalcescu Street, 2nd floor, 1st District	R 7682053
Ontex OOO**	Russia	0%	100.00%	11A Derbenevskaya naberezhnaya, Moscow 115114, the Russian Federation	1027739763688
Ontex RU LLC	Russia	100.00%	100.00%	Zemlyanoy Val Street 9, 10564 Moscow, Russia	1055008702649
Ontex ES Holdco SL	Spain	100.00%	100.00%	Poligono Industrial Nicomedes Garcia, C/ Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	B85082832
Ontex ID SAU	Spain	100.00%	100.00%	Poligono Industrial Nicomedes Garcia, C/ Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	NIFA-60617875
Ontex Peninsular SAU	Spain	100.00%	100.00%	Poligono Industrial Nicomedes Garcia, C/ Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	A40103855

Name	Country	Percentage of interest held by the Group 2017	2016	Registered office	Company legal number
Valor Brands Europe, S.L	Spain	100.00%	100.00%	Poligono Industrial Nicomedes Garcia, C/ Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	M-635328
Ontex Tuk. Urn. San. ve Tic. AS	Turkey	100.00%	100.00%	Tekstilkent Cad. Koza Plaza B Blok Kat:31 No:116-117 Esenler, Istanbul	137334
LLC Ontex Ukraine	Ukraine	100.00%	100.00%	Building 7(C), 13 M. Pymonenka Street, 04050 Kyiv, Ukraine	37728333
Ontex Health Care UK Ltd.	United Kingdom	100.00%	100.00%	Kettering Parkway, Kettering Venture Park, Kettering, Northants, NN156XR, United Kingdom	02274216
Ontex Retail UK Ltd.	United Kingdom	100.00%	100.00%	Unit 5 (1st Floor), Grovelands Business Centre, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7TE, United Kingdom	1613466
Ontex US Holdco, LLC	USA	100.00%	100.00%	1201 North Market Street, 19801 Wilmington, New Castle county, Delaware, United States of America	N/A
Valor Brands, LLC	USA	100.00%	100.00%	960 North Point Parkway, Suite 100, Alpharetta, GA 30005, USA	06-1661367

Companies out of scope as from 2017:

Name	Country	2017	2016	Registered office	Company legal number
Spiral Hygienic Disposables I**	Mexico	0%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	SHD161005S97
Spiral Hygienic Disposables II**	Mexico	0%	100.00%	Av San Pablo, Xochimehuacan 7213, Colinia La Loma, Puebla Mexico CP 72230	SHD161005MB2
Ontex OOO**	Russia	0%	100.00%	11A Derbenevskaya naberezhnaya, Moscow 115114, the Russian Federation	1027739763688

* Included in the consolidation since February 28, 2017.
** Liquidated in the course of 2017.

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.

7.7. Business combinations

2017 Acquisition

On March 7, 2017, Ontex completed the acquisition of the personal hygiene business of Hypermarcas (renamed to 'Ontex Brazil'). Following the successful integration of Grupo Mabe in 2016, the addition of Ontex Brazil supports the Group's strategy by extending our growth platform in the Americas to Brazil, increasing revenue from Ontex-owned brands and accessing a fast-growing market. Ontex Brazil is the market leader in the adult incontinence category, and holds a solid Number 3 position in baby care in Brazil, the fourth largest hygiene market in the world. Going forward, more than 50% of Ontex Group revenue will come from outside Western Europe, and more than 50% of Group revenue will come from Ontex-owned brands. These two key milestones confirm that significant progress continues to be made in transforming Ontex into a leading international consumer company.

Upon closing, the Group has paid a consideration of BRL 1,037.4 million (i.e. €315.4 million) in cash. The net cash paid for the acquisition of Ontex Brazil amounted to €259.9 million. In addition, Sellers and/or Buyers were entitled to a purchase price adjustment based on the outcome of the Purchase Price Adjustment Review (i.e. €12.2 million), which has been adjusted to €10.1 million. This adjustment to the consideration has been received in the second half of 2017. As such, the net cash paid for the acquisition of Ontex Brazil amounts to €249.8 million as presented in the consolidated cash flow statement.

The net assets acquired amount to €180.6 million. As a consequence, the Group recognized a goodwill of €124.7 million in the statement of financial position. As of December 31, 2017 the purchase price allocation and hence the determination of the goodwill is provisional and will be completed within 12 months from the acquisition date.

The goodwill of €124.7 million arising from the acquisition is attributable to acquired workforce, scale and geographical spread of the operations.

The goodwill recognized in the consolidated financial statements is not expected to be deductible for income tax purposes.

The following table summarizes the fair value of the consideration paid for Ontex Brazil and the amounts of the assets acquired and liabilities assumed at the acquisition date:

in € million	As included in half-year report 2017	Adjustments	As recognized per December 31, 2017
Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	56.8		56.8
Intangible assets	28.3	(4.0)	24.3
Property, plant and equipment	82.9		82.9
Non-current receivables	0.6		0.6
Inventories	64.9		64.9
Trade and other receivables	11.7	(2.6)	9.2
Prepaid expenses and other receivables	12.9		12.9
Deferred tax assets	4.7	2.3	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)		(13.8)
Current income tax liabilities	(1.1)		(1.1)
Total identifiable net assets acquired	**184.9**	**(4.3)**	**180.6**
Allocation to Goodwill	118.3	6.4	124.7
Total consideration	**303.2**	**2.1**	**305.3**
Purchase price			
Cash and cash equivalents	315.4	(10.1)	305.3
Contingent consideration including purchase price adjustment	(12.2)	12.2	–
Total consideration transferred	**303.2**	**2.1**	**305.3**

As a result of the acquisition and the fair value adjustments to the Intangible assets, PPE and Inventory, the consolidated statement of financial position at December 31, 2017 reflects adjustments made in accordance with IFRS 3, Business Combinations, resulting respectively in a total amount of €24.3 million, €82.9 million and €64.9 million.

The acquisition-related costs in the period ended December 31, 2017 amounted to €6.1 million and are included in 'Income/(expenses) related to changes to Group structure' in the consolidated income statement (note 7.22). Since acquisition date, Ontex Brazil generated revenues and net result of respectively €201.0 million and €-4.3 million in 2017. Had this business combination been effected at January 1, 2017 the revenue of Ontex Brazil from continuing operations would have been €41.3 million higher and the net result would have been €3.6 million higher. Ontex management considers these pro forma numbers to represent an approximate measure of the performance of Ontex Brazil.

The gross contractual trade receivables amount to €11.7 million. The best estimate is that at the acquisition date, all contractual cash flows are expected to be collected. There are no contingent arrangements or indemnification assets.

2016 Acquisition

On February 29, 2016, Ontex completed the acquisition of 100% of the shares of Grupo P.I. Mabe, S.A. de C.V. ('Grupo Mabe') a leading Mexican hygienic disposables business. The integration of Grupo Mabe provides Ontex Group further access to promising markets, primarily in the Americas region and creates a considerably stronger platform for growth in the global personal hygiene solutions markets.

The following table summarizes the fair value of the consideration paid for Grupo Mabe and the amounts of the assets acquired and liabilities assumed at the acquisition date:

in € million

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	30.1
Property, plant and equipment	115.0
Intangible assets (excluding goodwill)	25.2
Inventories	47.3
Trade and other receivables	86.8
Deferred tax assets	0.5
Trade and other payables	(99.1)
Employee benefit obligations	(6.7)
Interest-bearing debts	(48.9)
Current taxes	(7.2)
Deferred tax liabilities	(16.6)
Total identifiable net assets acquired	**126.4**
Allocation to Goodwill	236.1
Total consideration	**362.5**
Purchase price	
Cash and cash equivalents	185.5
Contingent consideration including purchase price adjustment	88.7
Fair value of shares exchanged	88.3
Total consideration transferred	**362.5**

The sellers are entitled to receive a deferred consideration of up to MXN 1,550 million payable in cash, subject to Grupo Mabe achieving certain EBITDA targets for the period 2015 to 2017. On top, parties have agreed that an additional deferred consideration in cash of up to €10.0 million per annum may be payable contingent upon overachieving the EBITDA targets in 2016 and 2017. The full amount of the earn-out payments has initially been taken into account for the determination of the goodwill in 2016 (see above), subsequently the additional deferred consideration of €10.0 million relating to 2016 EBITDA was excluded as not achieved.

The contingent consideration recognized initially amounted to €88.7 million. As at December 31, 2017, an amount of €15.8 million is recognized in the consolidated statement of financial position. The change compared to the amount recognized at December 31, 2016 (€70.8 million) relates to the payment of part of the contingent consideration for an amount of €47.8 million, the reversal of part of the contingent consideration for an amount of €10.0 million, a negative foreign currency revaluation for an amount of €2.2 million recognized as "Income/(expenses) related to changes to Group structure" in the consolidated income statement (note 7.22) and the unwinding of the discount for an amount of €0.7 million recognized as net finance cost in the consolidated income statement.

Reconciliation with cash flow statement

The consolidated cash flow statement presents the following relating to the acquisition of subsidiaries within the investing activities for the year ended December 31, 2017:

in € million	
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	(47.8)
Payment for acquisition of subsidiary, net of cash acquired	**(297.6)**

7.8. Goodwill and intangible assets

in € million	Goodwill	Brands	IT implementation costs	Other intangibles	Total
Year ended December 31, 2017					
Opening net book amount	1,096.2	22.2	10.1	0.2	1,128.7
Additions	–	–	6.4	–	6.4
Transfers	–	(0.1)	0.8	–	0.7
Disposals	–	(0.1)	–	–	(0.1)
Amortization expense	–	(2.0)	(5.7)	–	(7.7)
Exchange differences	(57.3)	(4.4)	(0.7)	–	(62.3)
Acquired through business combination	124.7	18.3	6.0	–	149.1
Closing net book amount	**1,163.6**	**34.0**	**16.3**	**0.2**	**1,214.1**
At December 31, 2017					
Cost or valuation	1,163.6	36.4	34.8	14.2	1,249.0
Accumulated amortization and impairment	–	(2.4)	(18.5)	(14.0)	(34.9)
Net book amount	**1,163.6**	**34.0**	**16.3**	**0.2**	**1,214.1**

in € million	Goodwill	Brands	IT implementation costs	Other intangibles	Total
Year ended December 31, 2016					
Opening net book amount	860.1	–	4.2	0.3	864.6
Additions	–	–	6.4	–	6.4
Transfers	–	–	2.7	–	2.7
Disposals	–	–	(0.3)	–	(0.3)
Amortization expense	–	(0.5)	(3.3)	–	(3.8)
Exchange differences	–	(2.2)	0.1	(0.1)	(2.2)
Acquired through business combination	236.1	24.9	0.3	–	261.3
Closing net book amount	**1,096.2**	**22.2**	**10.1**	**0.2**	**1,128.7**
At December 31, 2016					
Cost or valuation	1,096.2	22.7	23.2	14.2	1,156.3
Accumulated amortization and impairment	–	(0.5)	(13.1)	(14.0)	(27.6)
Net book amount	**1,096.2**	**22.2**	**10.1**	**0.2**	**1,128.7**

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	2017	2016
Cost of sales	2.0	0.1
Distribution expenses	0.1	0.1
Sales and marketing expenses	0.9	0.5
General and administrative expenses	4.7	3.1
Total amortization expense	**7.7**	**3.8**

The Group incurred €9.6 million of research and development expenses in 2017 (2016: €7.1 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 CGU's. 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	2017	2016
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	303.5	236.1
Goodwill allocated to the CGU's	1,163.6	1,096.2

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 covering a three-year period. 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, 2.7% 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, EBITDA 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 2020, and pre-tax discount rates for each CGU as described in note 7.3.3 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, 2017.

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 7.3.3 Impairment.

7.9. 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, 2017						
Opening net book 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 net book 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)
Net book amount	**151.1**	**326.0**	**1.7**	**9.9**	**89.7**	**578.3**

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, 2016						
Opening net book amount	93.2	171.6	0.8	9.3	44.1	319.0
Additions	1.0	25.8	0.8	0.5	47.3	75.4
Transfers	0.4	42.9	(0.6)	0.6	(46.0)	(2.7)
Disposals	–	(2.2)	–	0.3	1.6	(0.3)
Depreciation expense	(4.4)	(33.3)	(0.5)	(1.1)	–	(39.3)
Exchange differences	(2.9)	(7.9)	(0.1)	(0.2)	(0.5)	(11.6)
Acquired through business combination	33.8	70.8	1.2	–	9.2	115.0
Closing net book amount	**121.1**	**267.8**	**1.6**	**9.4**	**55.7**	**455.5**
At December 31, 2016						
Cost	146.2	423.6	2.7	17.8	55.7	646.0
Accumulated depreciation and impairment	(25.1)	(155.9)	(1.1)	(8.4)	–	(190.5)
Net book amount	**121.1**	**267.7**	**1.6**	**9.4**	**55.7**	**455.5**

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

in € million	2017	2016
Land and buildings	20.5	16.3
Machinery and equipment	6.2	6.1
Rent of pallets	4.4	5.2
Furniture and vehicles	7.0	3.9
Other lease rentals	2.2	1.8
Total operating lease payments	**40.2**	**33.3**

The depreciation expense and impairments are included in the captions of the consolidated statement of comprehensive income as follows:

in € million	2017	2016
Cost of Sales	38.7	33.0
Distribution expenses	2.4	1.9
Sales and marketing expenses	1.3	1.8
General administrative expenses	3.4	1.8
Other operating income	0.2	–
Total depreciation expense	**46.0**	**38.5**
Non-recurring expenses	–	0.8
Total depreciation and impairment	**46.0**	**39.3**

The Group did not have material finance lease arrangements during the reporting period.

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

7.10. Trade receivables, prepaid expenses and other receivables

Year ended December 31

in € million	2017	2016
Trade receivables	375.3	317.5
Less: allowance for impairment of trade receivables	(5.5)	(5.0)
Trade receivables – net	**369.8**	**312.5**
Prepayments	24.2	16.5
Other amounts receivable	56.4	44.5
Prepaid expenses and other receivables	**80.6**	**61.0**
Trade and other receivables – Current	**450.3**	**373.5**

'Other amounts receivable' include recoverable VAT for an amount of €43.1 million for 2017 (2016: €34.8 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	2017	2016
Not due	302.9	275.1
0 to 30 days	40.3	23.6
31 to 60 days	13.1	4.6
61 to 90 days	5.3	2.4
Over 90 days	8.3	6.8
Total	**369.8**	**312.5**

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	2017	2016
EUR	115.8	128.4
BRL	67.9	–
PLN	45.5	43.2
MXN	44.5	44.3
Other	22.9	12.8
USD	18.0	22.6
RUB	17.3	19.6
TRY	16.6	18.0
GBP	16.4	21.9
AUD	10.5	6.7
Total	**375.3**	**317.5**

During the course of 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:

Year ended December 31 in € million	2017	2016
Opening Balance	5.0	4.3
Assets Acquired	–	0.7
Allowance for receivable impairment	1.8	1.5
Receivables written off during the year as uncollectible	(0.1)	(0.7)
Unused amounts reversed	(0.9)	(0.6)
Foreign exchange differences	(0.3)	(0.2)
At December 31	**5.5**	**5.0**

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 factoring agreement with BNP Paribas Fortis Factoring. The BNP Paribas Fortis Factoring Agreement provides us with a maximum credit facility of up to €125 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, only Serenity (Italian subsidiary) entered into a bilateral factoring agreement with Ifitalia, Mediofactoring and Banca IFIS. All these agreements are non-recourse agreements.

As at December 31, 2017, €175.0 million of financing was obtained through the factoring programs (€148.0 million in 2016). The late payment risk related to the factoring has been assessed as immaterial at closing 2017 and 2016.

In accordance with IAS 39 'Financial instruments: Recognition and Measurement', all non-recourse trade receivables, included in these factoring programs, are derecognized for the non-continuing involvement part.

7.11. Inventories

Inventories can be split as follows:

Year ended December 31 in € million	2017	2016
Raw materials	150.5	110.6
Work in progress	1.0	0.9
Finished goods	166.0	147.2
Other	24.3	9.8
Write-down on inventories	(14.6)	(14.3)
Inventories	**327.2**	**254.2**

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, wipes, incontinence products and trade goods.

The cost of inventories recognized as an expense and included under 'Cost of sales' amounted to €1,647.4 million in 2017 (€1,407.5 million in 2016).

7.12. Cash and cash equivalents

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

Year ended December 31 in € million	2017	2016
Short-term bank deposits (no longer than 3 months)	18.5	7.5
Cash at bank and on hand	100.0	205.3
Total	**118.5**	**212.8**

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	2017	2016
AA	7.2	11.9
A	88.5	192.7
BBB	10.5	0.5
BB	9.1	0.2
B	–	4.6
No credit rating	3.2	2.9
Total	**118.5**	**212.8**

7.13. Share capital

In € million	Number of shares	Share capital	Share Premium	Total
Opening balance at January 1, 2016	**72,138,887**	**694.8**	**218.3**	**913.1**
Capital Increase	2,722,221	27.2	48.5	75.7
Closing balance at December 31, 2016	**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**	**412.7**	**1,208.0**

In February 2016, a capital increase was realized as part of the closing of the 'Grupo Mabe Transaction'. The share capital increased by €27.2 million, and the share premium increased by €48.5 million pursuant, a capital increase in kind (Vendor Loan Note), resulting in capital of €988.8 million represented by 74,861,108 shares.

In March 2017, a capital increase was realized in an accelerated bookbuilt placement. The share capital increased by €74.9 million, and the share premium increased by €146.0 million pursuant to a capital increase in cash, resulting in capital of €1,208.0 million represented by 82,347,218 shares.

7.14. 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 2016 was 74,407,405, which is the weighted average number of shares for 2016, given the capital increase in February 2016, see also note 7.13. 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 7.13.

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, dilution relating to the share-based payments (see note 7.26) affect the weighted average number of ordinary shares. The table below reflects the income and share data used in the basic and diluted earnings per share computations:

In € million	Full Year 2017	Full Year 2016
Basic Earnings		
Profit from continuing operations attributable to owners of the parent	128.4	119.7
Adjustment dilution	–	–
Profit from continuing operations attributable to owners of the parent, adjusted for dilution	128.4	119.7
Adjusted basic earnings		
Profit from continuing operations attributable to owners of the parent	128.4	119.7
Total Non-recurring income/(expenses)	4.5	12.9
Tax correction	(1.4)	(0.9)
Adjusted Basic Earnings[1]	**131.4**	**131.7**
Adjustment dilution	–	–
Adjusted Basic Earnings, adjusted for dilution	**131.4**	**131.7**

[1] Adjusted basic earnings defined as profit for the period plus non-recurring income/(expenses) and tax effect on non-recurring income/(expenses), attributable to the owners of the parent.

Number of Shares	Full Year 2017	Full Year 2016
Weighted average number of ordinary shares outstanding during the period	79,661,317	74,407,405
Dilution	239,792	233,593

Earnings per share (€)	Full Year 2017	Full Year 2016
Basic Earnings per share	1.61	1.61
Diluted Basic Earnings per Share	1.61	1.61
Adjusted basic earnings per share	1.65	1.77
Diluted Adjusted earnings per share	1.64	1.77

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

7.15. Interest-bearing debts

Year ended December 31 in € million	2017	2016
Non-current		
Borrowings:		
Senior Secured Notes 2014	–	246.4
Facility A Loan 2014 > 1 year	–	375.7
Syndicated Term Loan A > 1 year	584.7	–
Facility C Loan	–	124.3
Term Loan 2017 > 1 year	150.0	–
Total return swap	25.6	22.3
Financial lease and other liabilities	11.7	10.4
Interest–bearing debts non–current	**772.0**	**779.1**
Current		
Borrowings:		
Senior revolving Facility B	30.0	–
Interests:		
Bonds	–	1.5
Other borrowings	1.0	0.8
Financial lease and other liabilities	38.9	20.7
Interest–bearing debts current	**69.9**	**23.0**
Total interest–bearing debts	**841.9**	**802.1**

Reconciliation to statement of cash flows:

			Non-cash movements						
December 31 in € million	Opening carrying amount	Cash flows	Acquisition	Business combination	Fair value changes	Exchange differences	Reclasses	Other	Closing carrying amount
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	1.2		17.1			(0.2)		38.9
Total liabilities from financing activities	**802.1**	**16.6**	**–**	**17.1**	**–**	**(1.1)**	**–**	**7.1**	**841.9**
Presented in the statement of cash flows (financing activities) as follows:									
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, 2017 and 2016. 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 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 1.25%. the Senior revolving Facility B of €30 million due 2022 is carrying an interest rate of EURIBOR 3 months + margin of 1.05%.

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%.

At year-end 2016, the Group had a senior facilities agreement, comprised of a euro-denominated Senior Term Loan Facility (Facility A Loan 2014) in an amount of €380.0 million and a euro-denominated Senior revolving Facility B (Facility B Loan 2014) in an amount of up to €100.0 million. The euro-denominated senior term loan facility in an amount of €380.0 million carried an interest rate based on the EURIBOR 3 months plus a starting margin of 275 basis points, which was largely hedged. Furthermore, the Group had also a euro-denominated Senior Term Loan Facility C in an amount of €125.0 million. The euro-denominated senior term loan facility in an amount of €480.0 million had an interest rate based on the EURIBOR 3 months plus a margin of 225 basis points. The Senior Term Loan Facility C had an interest rate based on the EURIBOR 3 months plus a starting margin of 125 basis points.

On March 1, 2017, the Group entered into a Senior Term Loan Facility D in an amount of €125 million, carrying an interest rate of EURIBOR 3 months + starting margin of 0.50%.

All these facilities have been refinanced through the 2017 syndicate facilities agreements mentioned above.

The refinancing resulted in a gain upon refinancing as a consequence of the application of the amortized cost for an amount of €8.8 million, presented in net finance cost in the consolidated income statement.

As of December 31, 2017, €270.0 million of the Senior Revolving Facility is undrawn (2016: €100.0 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 7.4.6 and 7.26.

On July 1, 2017, this program was extended and the total return swap increased to an amount of €25.6 million (2016: €22.3 million).

7.15.1. 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.

7.15.2. Other information

- HSBC Turkey has granted a line of credit to Ontex Tuketim A.S. for USD 1.0 million.
- Isbank Turkey has granted a line of credit to Ontex Tuketim A.S. for TRY 11.5 million and one for USD 3.4 million. Over this line of credit in USD, 0.2 million has been utilized for letters of guarantees given to one of the suppliers. Over the line of credit in TRY, 0.1 million has been utilized as letter of guarantee given to one of the suppliers.
- Yapi Kredi Turkey has granted a line of credit to Ontex Tuketim A.S. for TRY 9.5 million for which the cash limit is TRY 2.1 million, Direct Debit system Limit TRY 1.0 million and a guarantee letter of TRY 6.5 million (of which TRY 1.5 million has been utilized for a letter of guarantee to one of the suppliers).
- Akbank Turkey has granted a line of credit to Ontex Tuketim A.S. for TRY 6.3 million and an additional credit line for USD 1.0 million. Over this line nothing has been used.
- Garanti Turkey has granted a line of credit to Ontex Tuketim A.S. for TRY 2.9 million and an additional credit line for USD 0.5 million. Over this line of credit of TRY 2.9 million, 0.1 million has been utilized for a letter of guarantee given to one of the suppliers.
- 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.

7.16. 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:

Year ended December 31 in € million	2017	2016
Post-employment benefits	19.3	20.1
Long-term benefits	2.3	2.4
Termination benefits[1]	0.1	0.1
Employee benefit liabilities	**21.7**	**22.6**
Short-term employee benefit liabilities	44.7	39.0
Net liability	**66.4**	**61.6**

[1] Pre-pension included in termination benefits.

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 € 4.1 million (see also note 7.20 below; 2016: € 3.6 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, 2017, no liability has been recognized (2016: 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:

Post-employment employee benefit liabilities in € million	2017	2016
Recognition of the obligation		
Defined benefit obligation (DBO) at end of period	(28.1)	(27.8)
Fair value of plan assets at end of period	9.4	8.1
Funded status	**(18.7)**	**(19.7)**
Net (liability) asset in statement of financial position	(18.7)	(19.7)
Defined benefit cost		
Current service cost	1.7	1.6
Past service cost	(0.3)	(0.3)
Service cost recognized in Income Statement	**1.4**	**1.4**
Interest expense on DBO	0.5	0.7
Interest income on plan assets	–	
Net interest cost	**0.5**	**0.7**
Remeasurement of other long-term benefits	**–**	**–**
Pension (expense) profit (employer)	**1.9**	**2.1**
Reconciliation of the obligation		
Defined benefit obligation (DBO) at beginning of year	**(28.1)**	**(24.9)**
Business combination	–	(1.3)
Other significant events (transfers)	–	–
Current service cost	(1.7)	(1.6)
Past service cost	0.3	0.3
Service cost	**(1.4)**	**(1.3)**
Interest expense on DBO	(0.5)	(0.7)
Remeasurement of other long-term benefits	–	–
Participant contributions	(0.1)	–
Administrative expenses included in the DBO	0.1	–
Taxes included in the DBO	0.1	0.1
Other significant events (transfers)	(0.3)	(0.1)
Benefit payments from plan	0.1	0.4
Benefit payments from employer	0.5	0.5
Effect of changes in financial assumptions	(0.7)	(2.1)
Effect of experience adjustments:	1.6	1.4
Effect of changes in foreign exchange rates	0.3	(0.1)

7. Notes to the consolidated financial statements – continued

Post-employment employee benefit liabilities in € million	2017	2016
Defined benefit obligation (DBO) at end of year	**(28.4)**	**(28.1)**
Reconciliation of plan assets at fair value		
Fair value of plan assets at beginning of year	**8.1**	**7.6**
Interest income	0.2	0.2
Employer contribution	1.5	1.3
Plan participants' contributions	0.1	–
Other significant events (transfers)	0.3	–
Benefit payments from plan	(0.1)	(0.4)
Benefit payments from employer	(0.5)	(0.5)
Administrative expenses included in the DBO	(0.1)	–
Taxes paid from plan assets	(0.2)	(0.1)
Return on plan assets (excluding interest income)	0.1	–
Fair value of plan assets at end of period	**9.4**	**8.1**
Reconciliation of net (liability)/asset in statement of financial position		
Net (liability)/asset at start of year	**(19.8)**	**(17.3)**
Business combination	–	(1.3)
Other significant events (transfers)	–	–
Defined benefit cost included in the income statement	(1.9)	(2.1)
Total remeasurements included in OCI	1.0	(0.6)
Employer contributions	1.7	1.5
Effect of changes in foreign exchange rates	0.3	–
Net (liability)/asset at end of year	**(18.7)**	**(19.8)**
Unfunded versus funded		
Part of DBO from plans that are wholly unfunded	(18.9)	(19.7)

The plan assets consist of insurance contracts.

Expected contributions to post-employment benefit plans for the year ending December 31, 2018 are €1.9 million.

7.16.1. Significant actuarial assumptions

	Country					
As at December, 31 2017	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 3 years	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

	Country					
As at December, 31 2016	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate	1.8%*	1.30% / 1.40% / 1.30%*	1.3%	10.2%	1.4%	6.6%
Expected Interest Income	1.8%	1.30% / 1.40% / 1.30%	1.3%	10.2%	1.1%	6.6%
Salary increase rate (on top of inflation)	3.0%	0.00% / N/A / N/A	2.3%	5.0%	N/A	4.5%
Rate of inflation	1.5%	1.00% / 1.50% / 1.50%	1.5%	5.0%	1.5%	4.0%
Mortality table	MR/FR with age correction minus 3 years	Heubeck 2005 G	INSEE 2011-2013	C.S.O. 1980	RG48 Italian tables	EMSSA09
Turnover table/rates	None	N/A	Table1/Table2	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	13.1	11.2	13.9	5.0	12.6	12.2

* 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.

	As at December, 31 2017					
in € million	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

	As at December, 31 2016					
in € million	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate –0.25bp	(12.2)	(9.7)	(2.9)	(0.4)	(2.0)	(1.2)
Discount rate +0.25bp	11.4	9.1	2.7	0.4	1.9	1.2
Salary increase –0.25bp	(11.7)	(4.3)	(2.7)	(0.4)	(1.9)	(1.2)
Salary increase +0.25bp	11.9	4.3	2.9	0.4	1.9	1.2

7.16.2. Post-Employment Benefits by Country

	As at December, 31 2017						
in € million	Belgium	Germany	France	Turkey	Italy	Mexico	Total
Recognition of the obligation							
Defined benefit obligation (DBO) at end of period	(12.9)	(9.1)	(2.6)	(0.5)	(1.9)	(1.2)	(28.2)
Fair value of plan assets at end of period	9.4	–	–	–	–	–	9.4
Funded status	(3.4)	(9.1)	(2.6)	(0.5)	(1.9)	(1.2)	(18.7)
Net (liability)/asset in statement of financial position	(3.4)	(9.1)	(2.6)	(0.5)	(1.9)	(1.2)	(18.7)

	As at December, 31 2016						
in € million	Belgium	Germany	France	Turkey	Italy	Mexico	Total
Recognition of the obligation							
Defined benefit obligation (DBO) at end of period	(11.7)	(9.4)	(2.8)	(0.6)	(1.9)	(1.4)	(27.8)
Fair value of plan assets at end of period	8.1	–	–	–	–	–	8.1
Funded status	(3.6)	(9.4)	(2.8)	(0.6)	(1.9)	(1.4)	(19.7)
Net (liability)/asset in statement of financial position	(3.6)	(9.4)	(2.8)	(0.6)	(1.9)	(1.4)	(19.7)

7.17. Deferred taxes and current 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:

	2017		2016	
In € million	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Intangible assets	–	(1.9)	–	(3.6)
Property, plant and equipment	–	(42.9)	–	(42.6)
Inventories	0.2	–	0.4	–
Financial instruments	0.4	–	1.1	–
Employee benefits	2.5	–	2.0	–
Accrued expenses and other payables	4.3	–	–	(0.9)
Others	–	(1.6)	–	(3.3)
Tax losses	109.1	–	128.0	–
Tax credit	0.6	–	0.9	–
Total deferred tax assets and liabilities	**117.1**	**(46.4)**	**132.4**	**(50.4)**
Net deferred tax assets not recognized	(95.2)	–	(119.2)	–
Reclass (net deferred tax position by company)	(3.6)	3.6	(4.5)	4.5
Total recognized deferred tax assets and liabilities	**18.3**	**(42.8)**	**8.7**	**(45.9)**

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 Group did not recognize deferred tax assets of €95.7 million (2016: €119.2 million) on the tax losses carried forward (see also note 7.3.1). The tax losses carried forward mainly relate to France, Belgium, Brazil and Spain. 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 subsidiary acquired from Hypermarcas. 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, 2017, 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.

In € million	2017	2016
Current tax assets	7.1	10.6
Current tax liabilities	(50.9)	(55.3)

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 €36.8 million actual corporate taxes payable (2016: €43.2 million) and €14.1 million of provision for uncertain taxes (2016: €12.1 million).

7.18. 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:

Year ended December 31 (In € million)	2017	2016
Accrued expenses and other payables	32.8	30.1
Less: Non-current portion	–	–
Current accrued expenses and other payables	**32.8**	**30.1**
Other current financial liabilities	20.8	49.3
Trade payables	473.3	366.8
Employee benefit liabilities	44.7	39.1
Total current liabilities	**571.7**	**485.3**
Other non-current financial liabilities	**–**	**26.4**

The Other current financial liabilities as per December 31, 2017 include the deferred consideration payment for the acquisitions of Grupo Mabe (€15.8 million; 2016: €44.3 million) and Serenity (€5.0 million; 2016: €5.0 million).

The Other non-current financial liabilities as per December 31, 2016 relate to deferred consideration payments for the acquisition of Grupo Mabe (€26.4 million).

7.19. Provisions

In € million	Legal claims	Restructuring	Total
Opening Balance	**7.4**	**0.8**	**8.2**
Additional provisions	0.4	0.1	0.5
Unused amounts reversed	(0.5)	–	(0.5)
Used during the year	(0.2)	0.2	–
Other changes	–	–	–
At December 31, 2017	**7.2**	**1.0**	**8.2**
Of which non-current	0.4	–	0.4
Of which current	6.8	1.0	7.8

The Group recognizes a provision for certain legal claims filed against the Group by customers, suppliers or former employees. The most significant item is a provision of €5.2 million in relation to the Spanish Competition Authorities (CNMC) case. Please also refer to note 7.27 on the contingencies.

7.20. Employee benefit expenses

For the year ended December 31 in € million	Note	2017	2016
Wages and salaries		(243.7)	(197.0)
Social security costs		(61.1)	(48.3)
Defined benefit plans – Service cost	16	(1.4)	(1.4)
Defined contribution costs		(4.1)	(3.6)
Other employee benefit expenses		(26.5)	(15.3)
Total employee benefit expenses		**(336.7)**	**(265.6)**

	2017	2016
Average number of total employees (in full-time equivalents)	**11,013**	**7,770**
Of which:		
– workers	7,475	4,772
– employees	3,431	2,907
– management	107	91

The 2016 figures include Grupo MABE average number of total employees since March 1, 2016; while the 2017 figures include Ontex Brazil average number of total employees since March 7, 2017.

7.21. Other operating income/(expenses), net

For the year ended December 31 in € million	2017	2016
Gain on sale of assets	(0.1)	0.6
Foreign exchange differences on operating activities	(0.5)	3.6
Losses on sale of assets	(0.6)	(1.9)
Other income/(expenses)	0.7	2.3
Total other operating income/(expenses), net	**(0.5)**	**4.6**

7.22. Non-recurring income and expenses

For the year ended December 31 in € million	Full Year 2017	Full Year 2016
Factory Closure	(0.1)	(0.1)
Business restructuring	(4.2)	(2.5)
Acquisition-related expenses	2.1	(10.9)
Change in fair value of contingent consideration	(2.2)	6.6
Income and expenses related to changes to Group structure	**(4.4)**	**(6.9)**
Impairment of assets	(0.1)	(0.8)
Anti-trust claim Spain	–	(5.2)
Other	–	–
Income and expenses related to impairments and major litigations	**(0.1)**	**(6.0)**
Total non-recurring Income and Expenses	**(4.5)**	**(12.9)**

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

Business restructuring: The Group undertook a number of projects to optimize the management of its business. In 2016 and 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 2016 the Group had expenses related to the acquisition and integration of Grupo Mabe (€8.6 million) and incurred €2.3 million expenses for the acquisition of the Hygiene business of Hypermarcas. 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: Gains from revaluation of the deferred consideration payments expressed in MXN were €6.6 million in 2016, whereas in 2017 a loss was realized of €2.2 million.

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

Asset Impairment: The asset impairment charge is a non-cash item and relates in 2016 and 2017 to an impairment as a result of the move of the two existing factories into one new site in Dourges, France.

Anti-trust claim Spain: Provision of €5.2 million in relation to the Spanish Competition Authorities (CNMC) case recognized in 2016. Please also refer to note 7.27 on the contingencies.

7.23. Expenses by nature

Expenses by nature represent an alternative disclosure for amounts included in the Consolidated Income Statement. These 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	2017	2016
Changes in inventories		(58.3)	21.8
Raw materials and consumables purchased		(1,307.5)	(1,174.6)
Employee benefit expenses	20	(336.7)	(265.6)
Depreciation and amortization	8-9	(53.5)	(42.3)
Rendered services		(345.8)	(297.2)
Operating lease payments	9	(40.2)	(33.3)
Other gains/(expenses)	21	(0.5)	4.6
Total cost of sales, distribution expenses, sales and marketing expenses, general administrative expenses and other operating income/(Expense)		**(2,142.5)**	**(1,786.6)**

7.24. Net finance cost

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

in € million	Full Year 2017	Full Year 2016
Interest income on current assets	3.5	1.5
Exchange rate differences	43.4	41.9
Gain on refinancing	8.8	–
Other	0.1	0.2
Finance income	**55.7**	**43.6**
Interest expense on bonds and TLA (including commitment fee)	(21.3)	(21.4)
Fair value adjustment deferred consideration 2016	(1.2)	(1.8)
Amortization borrowing expenses	(5.9)	(2.7)
Interest expense on other loans	(7.3)	(5.7)
Interest expense	*(35.6)*	*(31.7)*
Exchange rate differences	(51.2)	(35.1)
Banking cost	(8.9)	(2.3)
Factor fee	(1.5)	(2.4)
Losses on derivatives and deports forward contracts	(2.3)	(1.5)
Finance cost	**(99.5)**	**(73.0)**
Finance income as per income statement	55.7	43.6
Finance expense as per income statement	(99.5)	(72.9)
Net finance cost as per income statement	**(43.8)**	**(29.3)**

Reconciliation to Statement of Cash Flows:

in € million	Full Year 2017	Full Year 2016
Total interest expense	(27.1)	(25.4)
Movement in accrued interest and accreting interest	(1.2)	(0.2)
Interest paid	**(28.3)**	**(25.6)**

in € million	Full Year 2017	Full Year 2016
Total interest income	3.5	1.6
Movement in accrued interest	(0.2)	(0.1)
Interest received	**3.3**	**1.5**

7.25. Income tax expense

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

in € million	2017	2016
Current tax – (charge)/credit	(43.1)	(42.6)
Deferred tax – (charge)/credit	7.0	(1.9)
Total income tax expense	**(36.1)**	**(44.5)**

The income tax expense can be reconciled as follows:

in € million	2017	2016
Profit before income tax	164.5	164.2
Income tax expense calculated at domestic tax rates	(44.3)	(48.5)
Disallowed expenses	(4.4)	(4.4)
Use of previously unrecognized tax losses	5.1	–
Use of previously recognized tax losses	0.8	1.6
Effect of unused tax losses not recognized as deferred tax assets	(4.7)	1.4
Effect of previously unrecognized tax losses now recognized as deferred tax assets	6.9	0.2
Adjustments in respect of prior year	(1.5)	3.2
Effect on deferred tax balances due to change in tax rates	4.8	–
Other	1.2	2.0
Total income tax expense	**(36.1)**	**(44.6)**

As mentioned in note 7.3.1, tax rates in Belgium, France and the US have been adapted. The impact of these changes on the deferred taxes recognized on temporary differences, tax losses and other tax credits amounts to €4.8 million as presented in the table above.

7.26. 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 has been 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, 54,282 options and 49,040 RSU's have forfeited, expired or have been exercised as of December 31, 2017. 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 4,743 RSU's have forfeited, expired or have been exercised as of December 31, 2017 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, 30,605 options and 7,143 RSU's have forfeited, expired or have been exercised as of December 31, 2017. The stock options and RSU's are exercisable between June 2019 and June 2024.

During the period, the Group granted a new LTIP plan consisting of 299,914 stock options and 69,023 RSU's. No options and/or RSU's have forfeited, expired or have been exercised as of December 31, 2017.

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 July 1, 2017.

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, 2017	# stock options/ RSU's December 31, 2016
LTIP 2014					
Options	2022	17.87	3.57	184,666	224,489
RSU's	2017	N/A	15.97	–	45,369
LTIP 2015					
Options	2023	26.60	6.39	139,667	150,867
RSU's	2018	N/A	24.45	33,551	36,241
LTIP 2016					
Options	2024	28.44	6.64	291,689	311,074
RSU's	2019	N/A	26.48	68,084	72,608
LTIP 2017					
Options	2025	33.11	7.62	299,914	–
RSU's	2020	N/A	30.45	69,023	–
Total outstanding stock options				**915,936**	**686,430**
Total outstanding RSU's				**170,658**	**154,218**

The following reconciles the options 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	24.58	**686,430**	**154,218**
Granted	33.11	299,914	69,023
Forfeited	24.39	(46,426)	(10,415)
Exercised[2]	17.87	(23,982)	(42,168)
Expired	–	–	–
As at December 31, 2017	27.56	**915,936**	**170,658**
of which vested and exercisable	17.87	184,666	–

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, 2017 was € 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 peer companies (as no volatility was available for the Company).

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

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

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.

7.27. 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.

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 (which was recognized through "Income/(expenses) related to impairments and major litigations" in the consolidated income statement, see note 7.22 on the non-recurring income and expenses). The provision has not been adjusted per December 31, 2017.

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

7.28. Commitments

7.28.1. Capital commitments

The Group has contracted expenditures for the acquisition of property, plant and equipment at December 31, 2017 of €40.1 million (2016: €27.1 million).

7.28.2. Capital commitments resulting from operating lease contracts in which the Group is the lessee

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 7.9 '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	2017	2016
Within one year	18.4	19.9
From 1 to 5 years	42.4	44.2
Beyond 5 years	20.3	22.8
	81.1	**86.9**

7.28.3. Bank guarantees

As indicated in note 7.15 '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 €29.2 million in order to participate in public tenders as at December 31, 2017 (2016: €39.5 million).

7.29. Related party transactions

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

7.29.1. Consolidated companies

A list of subsidiaries is given in note 7.6 'List of Consolidated Companies'.

7.29.2. Relations with the shareholders

There are no shareholders that are related parties per December 31, 2017 (nor in 2016).

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

For the year ended December 31 in € million	2017	2016
Remuneration	0.7	0.5

7.29.4. 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. The key management for the Group are all the members of Management Committee.

7.29.5. Key management compensation

Remuneration of the CEO in € million	2017	2016
Remuneration	1.3	2.1

Remuneration of the Executive Team in € million	2017	2016
(excluding the CEO)		
Fixed remuneration	4.3	4.5
Variable remuneration	1.2	3.0
Other remuneration	0.5	0.3
Total	**6.0**	**7.8**

Following the IPO, the Company implemented Long Term Incentive Plans ('LTIP'), which are based on a combination of stock options and restricted stock units (see note 7.26).

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 2017	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

7.30. Events after the end of the reporting period

The Board of Directors will propose to the Annual General Meeting to approve the distribution of a gross dividend of €0.60 per share (2016: €0.55 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 have occurred after the end of the reporting period which would affect the information mentioned in these consolidated financial statements.

7.31. Audit fees

Year ended December 31 December in € thousands	2017	2016
Audit Fees	1,090.0	1,077.0
Additional Services rendered by the auditor's mandate:		
Audit-related fees	48.0	251.0
Tax advisory and compliance services	639.0	1,804.0
Due diligence fees	–	662.0
Total	**1,777**	**3,794**

For non-audit services of 2016, a specific exemption on the one-to-one rule was approved by the Audit Committee.

Statutory balance sheet after appropriation

Year ended December 31 In € million	2017	2016
Assets	3,231.8	3,152.3
Fixed assets	3,036.2	2,867.8
Formation expenses	2.2	3.8
Intangible assets	72.0	99.0
Tangible assets	2.6	1.5
Financial fixed assets	2,959.4	2,763.6
Participating interests	1,908.0	1,908.0
Amounts receivable	1,051.3	855.5
Other financial fixed assets	0.2	0.1
Current assets	195.6	284.5
Amounts receivable within one year	119.4	94.3
Treasury shares	29.3	22.3
Cash at bank and in hand	43.4	162.5
Deferred charges and accrued income	3.5	5.4
Equity and liabilities	3,231.8	3,152.3
Equity	2,032.4	1,857.0
Capital	823.6	748.7
Share premium	412.7	266.8
Reserves	321.3	359.2
Accumulated losses	474.7	482.3
Provisions and deferred taxes	7.1	7.0
Amounts payable	1,192.3	1,288.3
Amounts payable after more than one year	793.6	834.2
Financial debt	793.6	834.2
Amounts payable within one year	397.6	451.8
Financial debt	184.1	150.4
Trade debts	6.3	5.2
Taxes, remunerations and social security	3.5	4.6
Other amounts payable	203.8	291.6
Accruals and deferred income	1.0	2.4

Statutory income statement

Year ended December 31 In € million	2017	2016
Operating income	46.4	30.6
Operating charges	(68.8)	(61.2)
Operating loss	(22.4)	(30.6)
Financial result	27.5	25.4
Profit/(loss) for the period before taxes	5.1	(5.2)
Income taxes	(1.1)	(0.8)
Profit/(loss) for the period	4.0	(6.0)

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 (Erembodgem).

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, 2017 (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.

Investor Relations and financial communications

Our aim is to provide reliable, consistent information on a timely basis about the strategy, goals and progress of Ontex to all financial market participants. Since our IPO in June 2014, we are continuously building our investor relations program.

During 2017, we met with investors in roadshows and conferences in several locations across Europe and North America, hosted several site visits and participated in retail investor events.

Shareholder structure

The shareholding of Ontex Group NV based on the declarations received in the period up to December 31, 2017, is as follows:

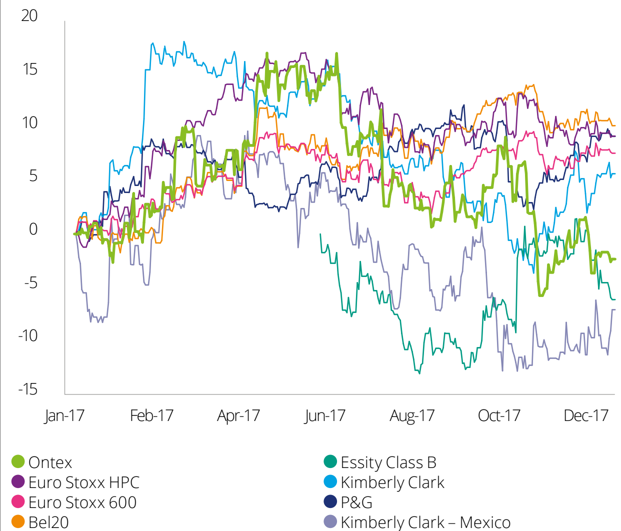
Shareholder

	Number of shares	%[1]
Groupe Bruxelles Lambert	11,239,897	19.98%
Janus Capital Management LLC	3,424,055	4.75%
Pamajugo Irrevocable Trust	2,722,221	3.64%
Allianz Global Investors GmbH	2,521,427	3.06%
AXA Investment Managers SA	2,053,236	3.02%
Black Creek Investment Management	2,612,528	3.17%

Share performance

Our share is listed on Euronext Brussels. After the very strong progress made since the initial listing, Ontex's share price performed relatively in line with relevant indices and peers in the first ten months of 2017, before declining to €27.57 on 29 December 2017. Overall, the share price decreased by 2.39% in 2017, and increased by 47% since the IPO.

Performance of the Ontex share compared with market indices and hygienic disposable manufacturers:



Analyst coverage

Ontex was covered by 16 analysts as at December 31, 2017. Seven of these analysts had a positive[2] rating on the Ontex share, eight analysts had a neutral rating and one analyst had a negative rating.[2]

Financial calendar

Quarter 1 2018	May 9, 2018
Annual General Meeting of Shareholders	May 25, 2018
Half Year 2018	July 26, 2018
Quarter 3 2018	November 7, 2018

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1 At the time of the declaration.
2 Positive indicates buy, accumulate, or overweight depending on the terminology of the broker institution. Neutral indicates that the stock should be held in the portfolio. Negative indicates sell, reduce or underweight depending on the terminology of the broker.

Glossary

Adjusted Basic Earnings: 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: Adjusted Basic Earnings per share are defined as Adjusted Basic Earnings divided by the weighted average number of ordinary shares.

Adjusted EBITDA: Adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses and excluding non-recurring impairment of assets.

Adjusted EBITDA margin: Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

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 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 diluted earnings per share: In accordance with IAS 33, adjusted diluted earnings per share amounts have to be calculated by dividing adjusted basic earnings (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.

EBITDA: EBITDA is defined as earnings before net finance cost, income taxes, depreciations and amortizations.

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.

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

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

Net financial debt/LTM adjusted EBITDA ratio (leverage): Net financial debt divided by LTM Adjusted EBITDA.

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; and
- impairment of assets.

Non-recurring income and expenses of the Group are composed of the following items presented in the consolidated income statement:

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

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.

Working capital: the components of our working capital are Inventories plus Trade, pre-paid expenses and other receivables plus Trade payables, accrued expenses and other payables.

Statutory auditor's report for non-financials

Independent Limited Assurance Report on the Energy Consumption and Carbon Emissions Data of 2017

This report has been prepared in accordance with the terms of our engagement contract dated 11 January 2018, whereby we have been engaged to issue an independent limited assurance report in connection with selected indicators of the Integrated Annual Report as of and for the year ended 31 December 2017 (the 'Report').

Responsibility of Board of Directors

The Board of Directors of Ontex Group NV ('the Company') is responsible for the preparation of the selected indicators presented in the summary table 'Sustainability Performance Addendum', marked with a Greek small letter beta (β) on page 150 of the 2017 Integrated Annual Report of Ontex Group NV and its subsidiaries (the 'Subject Matter Information'), in accordance with the criteria disclosed in the page 45 of the Report (the 'Criteria').

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Board of Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained. We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether nothing has come to our attention that causes us to believe that the Subject Matter Information is not fairly stated, in all material respects, based on the Criteria.

The objective of a limited-assurance engagement is to perform the procedures we consider necessary to provide us with sufficient appropriate evidence to support the expression of a conclusion in the negative form on the Subject Matter Information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selection of such procedures depends on our professional judgment, including the assessment of the risks of management's assertion being materially misstated. The scope of our work comprised the following procedures:

- assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information presented in the Report as of and for the year ended 31 December 2017;
- conducting interviews with responsible officers;
- inspecting internal and external documents.

We have evaluated the Subject Matter Information against the Criteria. The accuracy and completeness of the Subject Matter Information are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information. Our Limited Assurance Report should therefore be read in connection with the Criteria.

Our Independence and Quality Control
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Our audit firm applies International Standard on Quality Control (ISQC) n° 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion
Based on the procedures performed, as described in this Independent Limited Assurance Report, and the evidence obtained, nothing has come to our attention that causes us to believe that the selected indicators presented in the summary table 'Sustainability Performance Addendum', marked with a Greek small letter beta (β) on page 150 of Ontex Group NV's Integrated Annual Report 2017, is not fairly stated, in all material respects, in accordance with the Criteria.

Restriction on Use and Distribution of our Report
Our assurance report has been made in accordance with the terms of our engagement contract. Our report is intended solely for the use of the Company, in connection with their Integrated Annual Report as of and for the year ended 31 December 2017 and should not be used for any other purpose. We do not accept, or assume responsibility to anyone else, except to the Company for our work, for this report, or for the conclusions that we have reached.

Sint-Stevens-Woluwe, 4 April 2018

PwC Bedrijfsrevisoren BCVBA
Represented by

Marc Daelman*
Registered auditor

* Marc Daelman BVBA
Member of the Board of Directors, represented by his permanent representative, Marc Daelman

Sustainability performance addendum

This is the Sustainability Performance Addendum to Ontex's 2017 Integrated Report and a supplement to the sustainability section of our website. In it you'll find an overview of our sustainability performance over the past three years.

Important to note when interpreting the data: In 2016, Ontex acquired two production sites in Mexico. In 2017, two Brazilian production sites were acquired and a new plant was launched in Ethiopia. The change in scope needs be taken into account when doing trend analyses on the data.

Materials

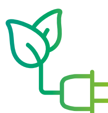
Goal(s):
By end 2018, all cotton used in tampons to come from more organic resources.
By end 2017, 100% of our fiber came from certified or controlled sources.

	Unit	2015	2016	2017	Comment
Reduction in materials used compared with 2014					For the majority of product groups we see a good decrease in material use. The change in core specifications reduces the amount of fluff while improving performance in the baby diaper group. The reduction of raw materials in the incontinence product groups is due to a shift in the mix of products and sizes. The increase in raw materials for the external femcare group is due to consumer preferences, i.e. increased sales of fluff towels, and increased sales of fluff towels and ultratowels with wings which use more raw materials.
Baby diapers	%		(4)	(5)	
Baby pants	%		0	0	
External feminine care	%		3	6	
Light incontinence	%		(1)	(3)	
Heavy incontinence	%		(4)	(7)	
Renewable raw materials					A major trend is to make hygiene products thinner. Therefore, we replaced part of the (renewable) fluff by (non-renewable) SAP. By using SAP we reduced the absolute amount of materials used.
Share renewable product raw materials	%	51	50	48	
Share renewable packaging raw materials	%	81	80	80	
Recycled content	ton	0	0	0	In order to ensure the safety of our products, we opted not to use recycled materials.
Organic cotton	%		99	100	All cotton used in tampons is organic cotton.
Wood sourcing					All our fiber comes from certified or controlled sources. The difference in proportion is due to enlarging the reporting scope from 52% of our sites to 100%.
Certified sources (FSC/PEFC)	%		43	35	
Controlled sources	%		57	65	

Emissions

Goal(s):
By end 2030, we have carbon neutral operations (Scope 1-2).

	Unit	2015	2016	2017	Comment
Direct scope 1-2 GHG emissions		42,145	64,288	68,957 (β)	Scope 1 and 2 carbon emissions are calculated based on the Greenhouse Gas Protocol definition. The carbon emissions reported in this table for the year 2017 do not include: • The transport of goods via owned trucks. • The energy consumption of the plants in Brazil. In absolute values, we increased our carbon footprint. The main reason is the acquisition of new sites since 2016. The emission intensity ratio slightly dropped compared with last year. We foresee a further decrease in the course of 2018 as a result of continued investment in green electricity. (β) Subject to PwC Limited assurance (Refer to page 147).
GHG emissions intensity ratio	gCO_2/EUR	24.9	32.3	32.0 (β)	



Energy

Goal(s):
By end 2020, all our manufacturing sites are powered by 100% renewable energy.
Reduce the electricity consumption by 10% by end 2020 compared with 2015.

	Unit	2015	2016	2017	Comment
Electricity					Note that the scope for energy consumption does not include the two plants in Brazil. In addition, the plants in Mexico and Brazil are excluded from the scope of the electricity intensity ratio. Electricity makes up 89% of our total energy consumption and is mainly used to power our production lines. The overall electricity consumption increased by 7% in 2017, partly due to the start up of our new Ethiopian plant. Many successful measures to improve electricity efficiency were implemented in 2017. These electricity savings were overbalanced by factors such as further automation, which led to a slight overall increase in electricity consumption per product in several product categories. 60% Of our global electricity consumption is renewable. All European sites have now switched to 100% green electricity. A further roll-out is planned for 2018. (β) Subject to PwC Limited assurance (Refer to page 147)
Electricity consumption	MWh	231.456	331.377	354.107 (β)	
Share renewable electricity	%	48	54	60 (β)	
Electricity intensity ratio					
Baby diapers	kwh/1000 FG	12.24	12.12	12.13 (β)	
Baby pants	kwh/1000 FG	18.03	19.93	19.54 (β)	
Internal feminine care	kwh/1000 FG	5.90	6.03	6.16 (β)	
External feminine care	kwh/1000 FG	5.70	5.75	5.82 (β)	
Heavy incontinence	kwh/1000 FG	42.13	42.14	43.41 (β)	
Light incontinence	kwh/1000 FG	23.29	24.01	25.39 (β)	
Car fuels (diesel/gazoline)	MWh	9,445	9,651	10.831 (β)	
Fuel oil	MWh	8,855	2,693	3.537 (β)	
LPG	MWh	506	1,125	1.416 (β)	
Natural gas	MWh	19,808	23,443	27.610 (β)	
Wood pellets	MWh		576	925 (β)	

Waste

Goal(s):
By end 2020, we aim to have zero production waste to landfill

	Unit	2015	2016	2017	Comment
Non-hazardous					86% of our waste is sent to recycling or incineration with energy recovery. 13% of our waste is sent to landfill. This is a slight increase compared with last year, despite our goal of zero landfill by 2020. The main reason is the increased production in countries with a poorer recycling infrastructure. Different programs have been launched to set ourselves on the road to reach the target. Hazardous waste makes up a small amount of our waste, i.e. 3% of our total waste volume. The waste data cover all production sites, except our Ethiopian plant.
Sent to recycling	ton	19,886.05	23,759.31	24,135.76	
Sent to incineration for energy generation/recovery	ton	2,004.63	2,307.65	1,768.52	
Sent to incineration without energy generation/recovery	ton	11.06	205.54	464.53	
Sent to landfill/storage	ton	2,291.56	3,505.66	5,022.26	
Hazardous					
Sent to recycling	ton	2,467.37	2,469.67	500.81	
Sent to incineration for energy generation/recovery	ton	309.87	226.74	25.67	
Sent to incineration without energy generation/recovery	ton	0.17	11.92	24.42	
Sent to landfill/storage	ton	1.06	8.04	398.40	

Water

	Unit	2015	2016	2017	Comment
Ground water	m^3			38,361.00	Although water has not been flagged as a material for Ontex, we started measuring our water consumption in 2017.
Surface water	m^3			24,161.00	
Urban water	m^3			115,175.50	
Rainwater	m^3			247.00	
Deep well	m^3			20,242.00	

Health and safety

Goal(s):
By end 2020, our accident frequency rate is lower than 6.5.
By end 2020, 50% of our production sites are OHSAS 18001 certified.

	Unit	2015	2016	2017	Comment
Worker representation in formal joint management – worker health and safety committees in our plants	%		82	95	The frequency and severity rate are calculated by comparing the total lost workdays to the total number of hours scheduled to be worked by the employees. The lost days count begins the day after the accident. The figures do not include one sales office. The reporting was optimized in 2017 to now also include our non-production sites. The reduction in the accident frequency rate can be attributed to a change in reporting scope and several internal campaigns and actions taken to reach the target. Four production sites have already reached the 2020 target of a frequency rate below 6.5. In 2017, our plant and sales office in Italy were OHSAS certified. In order to reach our target of having 50% of our main production sites OHSAS certified, five more sites are commencing the OHSAS certification in 2018.
Accident frequency rate	ratio	19.89	21.41	14.39	
Severity rate	ratio	0.51	0.44	0.17	
Fatalities	nr	0	0	0	
OHSAS certified plants	%	0	8	15	

Environmental systems

Goal(s):
By end 2020, all main production sites have the ISO14001 and 50001 certificate.

	Unit	2015	2016	2017	Comment
ISO14001	%		56	69	We are on track to reach our goal to have all our main production sites ISO 14001 and 50001 certified by end 2020.
ISO50001	%		38	62	

Sustainable products

	Unit	2015	2016	2017	Comment
Products with one or more eco- or health label	% of turnover			60	Eco and health labels, such as SWAN and Asthma & Allergy, often are a prerequisite for our Nordic customers. 60% of our turnover from the Nordic countries come from products with one or more eco- or health label.
Products with a forestry label (FSC or PEFC)	% of turnover	22	32	36	36% of our products sold have an FSC or PEFC label.

Training and education

	Unit	2015	2016	2017	Comment
Average hours of training per employee (FTE)	hours		26	19	The scope of the reporting changed from only plant data in 2016 to data for the entire Group. Main training focuses in 2017 were health and safety, code of ethics, Ontex values and English classes.
Employees receiving regular performance and career development reviews	%			85	All employees have the opportunity to have a performance evaluation talk. For the white collar employees, an online performance review tool was set up in 2017. 85% of all white collar employees had a performance review.

Local community involvement

Goal(s):
By end 2020, all plants have selected a local community project.

	Unit	2015	2016	2017	Comment
Investment in local communities	€		168,146.16	139,744.94	In 2018, the framework for an Ontex Foundation will be developed to develop a solid structure for community involvement.

Supplier accountability system

Goal(s):
By end 2017, all direct spend suppliers signed the Code of Conduct.

	Unit	2015	2016	2017	Comment
Supplier code of conduct signed	%		59	93	93% of our raw material and packaging suppliers signed the supplier Code of Conduct. In 2018 we'll continue setting up a solid supplier social accountability system by introducing BSCI, a social audit scheme aimed at our suppliers in high-risk countries.

Index table GRI and non-financial disclosure

GRI Standard	Disclosure	NFD	Page number(s) and/or URL(s)
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	**Organizational profile**		
	102-1 Name of the organization		IR cover
	102-2 Activities, brands, products, and services		IR p. 2-3
	102-3 Location of headquarters		IR p. 45
	102-4 Location of operations		IR p. 2
	102-5 Ownership and legal form		
	102-6 Markets served		IR p. 3
	102-7 Scale of the organization		IR p. 2
	102-8 Information on employees and other workers		IR p. 21
	102-9 Supply chain		IR p. 24
	102-10 Significant changes to the organization and its supply chain		IR p. 45
	102-11 Precautionary principle or approach		IR p. 29
	102-12 External initiatives		IR p. 8, 17, 19 SDGs
	102-13 Membership of associations		Our partners
	Strategy		
	102-14 Statement from senior decision-maker		IR p. 4-5
	102-15 Key impacts, risks and opportunities		IR p. 66-69
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behavior		IR p. 22 Our values
	102-17 Mechanisms for advice and concerns about ethics		IR p. 25
	Governance		
	102-18 Governance structure		Sustainability governance
	Stakeholder engagement		
	102-40 List of stakeholder groups		IR p. 16-17
	102-41 Collective bargaining agreements		IR p. 20
	102-42 Identifying and selecting stakeholders		IR p. 16-17
	102-43 Approach to stakeholder engagement		IR p. 16-17
	102-44 Key topics and concerns raised		IR p. 16-17
	Reporting practice		
	102-45 Entities included in the consolidated financial statements		IR p. 108
	102-46 Defining report content and topic boundaries		IR p. 45
	102-47 List of material topics		IR p. 19
	102-48 Restatements of information		N.A.
	102-49 Changes in reporting		IR p. 45
	102-50 Reporting period		IR p. 45
	102-51 Date of most recent report		IR p. 45
GRI 102: General Disclosures 2016	102-52 Reporting cycle		IR p. 45
	102-53 Contact point for questions regarding the report		Inside back cover
	102-54 Claims of reporting in accordance with the GRI Standards		IR p. 45
	102-55 GRI content index		IR Appendix 3
	102-56 External assurance		IR p. 144

IR – Integrated Report SPA – Sustainability Performance Addendum N.A. – Not Available

GRI Standard	Disclosure	NFD	Page number(s) and/or URL(s)
GRI 101: Foundation 2016			
General Disclosures			
Material Topics			
GRI 200 Economic Standard Series			
Direct economic impacts			
GRI 103: Management Approach 2016	103-1: 3 Explanation of the material topic and its boundary, management approach, its components and evaluation		IR p. 42-44
GRI 201: Economic performance	201-1: Direct economic value generated and distributed		IR p. 70-137
	201-2: Financial implications and other risks and opportunities due to climate change		IR p. 68
Anti-corruption			
GRI 103: Management Approach 2016	103-1: 3 Explanation of the material topic and its boundary, management approach, its components and evaluation	x	IR p. 25
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures		IR p. 25
Anti-competitive Behavior			
GRI 103: Management Approach 2016	103-1: 3 Explanation of the material topic and its boundary, management approach, its components and evaluation	x	IR p. 25
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		IR p. 134
GRI 300 Environmental Standards Series			
Materials			
GRI 103: Management Approach 2016	103-1: 3 Explanation of the material topic and its boundary, management approach, its components and evaluation	x	IR p. 28
GRI 301: Materials 2016	301-1 Materials used by weight or volume		IR p. 28 SPA
	301-2 Recycled input materials used		SPA
	301-3 Reclaimed products and their packaging materials		N.A.
Energy			
GRI 103: Management Approach 2016	103-1: 3 Explanation of the material topic and its boundary, management approach, its components and evaluation	x	IR p. 28
GRI 302: Energy 2016	302-1 Energy consumption within the organization		SPA
	302-2 Energy consumption outside of the organization		SPA
	302-3 Energy intensity		SPA
	302-4 Reduction of energy consumption		SPA
	302-5 Reductions in energy requirements of products and services		SPA
Emissions			
GRI 103: Management Approach 2016	103-1: 3 Explanation of the material topic and its boundary, management approach, its components and evaluation	x	IR p. 28

IR – Integrated Report SPA – Sustainability Performance Addendum N.A. – Not Available

GRI Standard	Disclosure	NFD	Page number(s) and/or URL(s)
GRI 101: Foundation 2016			
General Disclosures			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions		IR p. 28 SPA
	305-2 Energy indirect (Scope 2) GHG emissions		IR p. 28 SPA
	305-3 Other indirect (Scope 3) GHG emissions		N.A.
	305-4 GHG emissions intensity		IR p. 28 SPA
	305-5 Reduction of GHG emissions		IR p. 28 SPA
	305-6 Emissions of ozone-depleting substances (ODS)		N.A.
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		N.A.
Waste			
GRI 103: Management Approach 2016	103-1: 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation		IR p. 29
GRI 306: Waste 2016	306-1 Water discharge by quality and destination		N.A.
	306-2 Waste by type and disposal method		IR p. 29 SPA
	306-3 Significant spills		N.A.
	306-4 Transport of hazardous waste		N.A.
	306-5 Water bodies affected by water discharges and/or runoff		N.A.
GRI 400 Social Standards Series			
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1: 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation		IR p. 22-23
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management – worker health and safety committees		IR p. 22-23 SPA
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		IR p. 22-23 SPA
	403-3 Workers with high incidence of high risk of diseases related to their occupation		N.A.
	403-4 Health and safety topics covered in formal agreements with trade unions		N.A.
Training and Education			
GRI 103: Management Approach 2016	103-1: 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation		IR p. 22
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee		IR p. 22 SPA
	404-2 Programs for upgrading employee skills and transition assistance programs		IR p. 22
	404-3 Percentage of employees receiving regular performance and career development reviews		SPA
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1 – 3 Explanation of the material topic and its boundary, management approach, its components and evaluation	x	IR p. 20 Diversity policy
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees		IR p. 21, p. 52
Human rights			

IR – Integrated Report   SPA – Sustainability Performance Addendum   N.A. – Not Available

GRI Standard	Disclosure	NFD	Page number(s) and/or URL(s)
GRI 101: Foundation 2016			
General Disclosures			
GRI 103: Management Approach 2016	103-1 – 3 Explanation of the material topic and its boundary, management approach, its components and evaluation	x	IR p. 8, 24 Human rights policy
GRI 407: Freedom of association & collective bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		IR p. 24
GRI 408: Child labor	408-1 Operations and suppliers at significant risk for incidents of child labour		IR p. 24
GRI 409: Forced or compulsory labor	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor		IR p. 24
GRI 411: Rights of Indigenous people	411-1: Incidents of violations involving rights of indigenous people		N.A.
GRI 412: Human Rights Assessment	412-1: Operations that have been subject to human rights reviews or impact assessments		IR p. 24
	412-2: Employee training on human rights policies or procedures		N.A.
	412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		N.A.
Local Communities			
GRI 103: Management Approach 2016	103-1 – 3 Explanation of the material topic and its boundary, management approach, its components and evaluation		IR p. 24
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs		IR p. 24
	413-2 Operations with significant actual and potential negative impact on local communities		N.A.
Supplier Social Assessment			
GRI 103: Management Approach 2016	103-1 – 3 Explanation of the material topic and its boundary, management approach, its components and evaluation	x	IR p. 24
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria		IR p. 24
	414-2 Negative social impacts in the supply chain and actions taken		N.A.
Customer Health and Safety			
GRI 103: Management Approach 2016	103-1 – 3 Explanation of the material topic and its boundary, management approach, its components and evaluation		IR p. 29
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories		IR p. 29
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		N.A.
Marketing and Labeling			
GRI 103: Management Approach 2016	103-1 – 3 Explanation of the material topic and its boundary, management approach, its components and evaluation		IR p. 33
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling		IR p. 33
	417-2 Incidents of non-compliance concerning product and service information and labeling		N.A.
	417-3 Incidents of non-compliance concerning marketing communications		N.A.

IR – Integrated Report SPA – Sustainability Performance Addendum N.A. – Not Available

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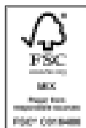

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