Giving confidence to do more

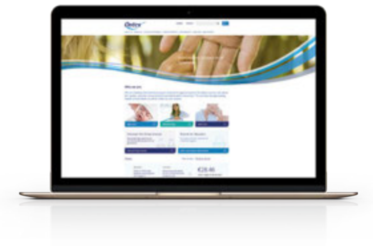
Annual Review 2016

As a leading international personal hygiene solutions provider, we are proud to make a difference to people from every generation.

Using our expertise in baby care, feminine care and adult care, we develop our own brands and work with leading retailers to help them launch their own labels. We also supply our own brands to hospitals, nursing homes and pharmacies and deliver them to consumers' homes.

Our people are the heart of our company and it is through their talent and passion that we have grown from a family firm into an international organization, with customers in more than 110 countries.

We believe business success comes from community spirit and partnerships with our customers, distributors and institutions. By empowering each and every one of our people, we create solutions and build brands.



For more information please visit our website:
www.ontexglobal.com

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, the "Annual Review", represents the directors' report prepared in accordance with article 119 of the Code of companies.

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.

> The biggest asset of this company is our people.

Charles Bouaziz
Chief Executive Officer

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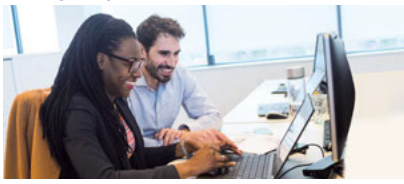
Our people



Working with passion and dedication

We value diversity and encourage free-thinking, because we believe it is entrepreneurial spirit and passion which creates solutions and drives innovation.

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Our brands and innovations

Research drives our innovations

A can-do attitude is at the heart of our own brands and those we develop for customers. We take inspiration from local markets and consumer knowledge and are constantly innovating.

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Our customers

Deeper insight creates value

Our partnerships with leading retailer customers is driven by insights, while research and training support is a central part of our relationship with hospitals, nursing homes and other institutions.

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Our approach to sustainability

Finding solutions to sustain our business

We strive to be as eco-friendly as possible, by making efforts to cut energy consumption and recycle. Sustainability has long since been part of our culture.

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Chairman and Chief Executive Officer

"The biggest differentiator is our people's passion for growth and winning in the marketplace... a mindset of looking at the Company as if it were your own.

Charles Bouaziz
Chief Executive Officer

"A few years ago, the Company was focused primarily on Western Europe, but today things are fundamentally different, which is a source of growth potential.

Luc Missorten
Chairman

Meet our leaders

First comes the vision, followed by a strategy and then a plan, but it's the Company's values and people that bring it to life. Chief Executive, Charles Bouaziz, and Chairman of the Board of Directors, Luc Missorten discuss the transition from family-owned firm to international publicly listed company.

Q: What makes Ontex different from its competitors?

A: Luc: First, it's the mix of retailer and own brands. Second, the Company can adjust quickly to changing circumstances and market conditions – I would describe it as a lean and agile organization. Third, I believe its geographical footprint also makes it unique.

Charles: What also makes Ontex different is that it plays exclusively in personal hygiene: our expertise is concentrated in the Baby Care, Adult Care and Feminine Care categories. Unlike our competitors, we flex our go-to-market model to make the most of different opportunities in each of our geographies. We are able to do this by offering the right mix of categories through the most suitable channels to meet customer and consumer needs.

Q: What are the key trends or factors, shaping Ontex's market?

A: Luc: I would characterize it as a range of key opportunities, rather than trends. There are positive demographics in a number of countries. Charles referred to the three categories and, although some are faster-growing than others, there is potential to increase market share in a number of them. I see different opportunities, depending on the market and products, to expand our distribution channels. We have already achieved a better mix between mature and emerging markets and there is room to improve that further, for instance, with more focus on growth markets. In this type of business, size is important, because it creates synergies and gives us incremental oxygen to drive diversification.

Charles: Some slowdown was evident in Western Europe in 2016, mainly in the baby and feminine care categories, and overall, there is more market volatility. Many countries in which we operate have experienced political or socio-demographic turbulence: for instance, Turkey, and Mexico, which was a little shaken after the US election at the end of the year. Because of our geographical reach and the fact that we are expanding into new areas, we are more exposed to volatility than was previously the case.

On the other hand, geographical expansion also provides a natural hedging to situations in a specific country, so we are building a more resilient business.

Q: How would you describe the growth opportunities?

A: Luc: We have been expanding into countries, or categories, where growth is faster. A few years ago, the Company was focused primarily on Western Europe, but today things are fundamentally different, which is a source of growth potential. We have been diversifying into other geographies, which gives us the opportunity to continue to grow organically but also to add bolt-on acquisitions to improve our position in those markets. The size of the Group has increased, with the logical consequence that we are playing in a different league: we have more leverage and relevance in the markets where we are active, which should allow us to become more efficient.

Charles: In the markets where we operate our own brands, it's mainly about gaining share, which will help us grow faster than the market itself. In markets where we sell retailer brands, it's about extending the retailer-brand category and helping these brands to grow faster than the markets. Although we faced a slowdown in 2016, there are markets where retailer brands are growing, such as Russia. Another key point Luc mentioned is the shift in the market mix towards high-growth countries and away from low-growth ones. Finally, another major opportunity is white areas where we do not already operate. As an international rather than a global player, we are operating in almost 30 markets with the ability to grow in 150 more, which leaves significant headroom for growth.

Our acquisition strategy

Strategic acquisitions play a key role in accelerating the growth of our geographical presence and branded business.

Growing our international presence

The highlight of the year was our acquisition of the Mexican group, Grupo Mabe, further diversifying our portfolio and making us less dependent on Western Europe, and the agreement to acquire the personal hygiene business of Hypermarcas SA in Brazil.

Close to local consumers

Our approach is to build on what a business has achieved locally, share best practice and enrich them with the expertise and scale we can offer.

Acceleration of our branded business and fast-growing categories

In this way, we have built a track record of successfully integrating acquisitions into the Ontex community.

Creating scale efficiencies

Group acquisitions generate significant synergies in terms of costs, procurement and supply chain, allowing us to continue investing in the business.

Chairman and Chief Executive Officer
continued

Q: How would you summarize this year?

A: Charles: It has been a very strong year in some ways, but challenging in others. Four of our five Divisions did very well. The Growth Markets, Americas Retail, Healthcare and MENA Divisions delivered expected growth, translating into market share gains, which is rewarding. Our Mature Markets Retail team did a great job but we knew it would be a challenging year.

A major achievement was getting our revenue run-rate to €2 billion, and coming close to €0.25 billion in terms of profitability. This marked an important step in terms of our ability to grow and build scale. It has also been a strong year in terms of production and cost synergies. We have been able to digest a lot of negative foreign exchange impact. Currencies moved against us in lots of markets, including the British pound with Brexit, the Australian dollar and the Polish zloty, but we succeeded in offsetting the negative impact to deliver both top-line and bottom-line growth.

We are on a journey of transformation from a manufacturing to a consumer goods company, which means putting the consumer and the customer at the center of our operations. However, this takes time and must be built into our products and customer relationships year by year.

It begins with revenue management, shopper insight, category management, merchandising skills and marketing knowledge at the retail level. Added to this is packaging knowledge, instore marketing, consumer research and above-the-line activity, all of which are improving as the Company develops and builds scale. We regard adding talented and skilled people as an investment to enable us to continue expanding our profitability and to create a virtuous circle.

Q: What have been the highlights of 2016?

A: Charles: The biggest highlight of 2016 was Grupo Mabe, which we acquired at the end of February, making it part of the Ontex family. This also helped us to reach the milestone of 40% (based on modern trade panel data providers) market share in baby diapers in modern retail in Mexico.

We built on our market leadership in Turkey by strengthening our adult care offer. And we were pleased with the accelerated growth we achieved in Algeria and also in Pakistan – where we are growing fast. We are also seeing good growth in Russia, Ukraine, Poland and the Czech Republic, despite a number of political challenges.

And we are proud that we have continued to deliver product innovations in all categories, giving consumers the confidence to live their lives to the full.

I would say a lot was achieved during the year and hopefully, our performance in 2016 was a trailer for a movie which will continue to play out in 2017 while returning to growth in Western Europe.

Q: How is the integration of Grupo Mabe progressing?

A: Charles: The Grupo Mabe integration has gone well, because it has been led by employees. There is an extremely positive mindset on both sides of the Atlantic, with mutual respect and a genuine appetite within the teams to combine strengths and get to know each other better. The Americas team has been very willing to adopt new ways of doing business, in accordance with the financial obligations of a listed company. We have also generated synergies, so it is proving to be a very successful acquisition.

Q: What do you think differentiates people who work for Ontex?

A: Luc: We have an interesting blend of people with mixed backgrounds. Although Ontex's origins as a family-owned business are at the core of the Company's DNA, it is now an international consumer goods group led by an extremely committed group of people, many with long-term experience in the sector. I sense lots of entrepreneurial behavior from employees who look above and beyond products, regarding them as solutions for customers and consumers.

Charles: I think the biggest differentiator is our people's passion for growth and winning in the marketplace, which links to Luc's comment about entrepreneurship. It's a mindset of looking at the Company as if it were your own. In a lean organization there is no room for game-playing. Our culture is built on openness and trust, which links back to the DNA of the original Flemish company. That translates into business-oriented and hard-working employees.

Q: How do you see the future?

A: Charles: Our people are our company's biggest asset. We are constantly alert to the potential for progressing our most talented people and for moving and continuing to develop others. We are strengthening our teams, including on the marketing and sales side, and our plan is to continue to increase both the size and the quality of our organization. The profile of the Company has changed significantly: with a very experienced team in place, we are increasingly able to attract a new generation of talent that will help us continue to build momentum this year and beyond.

Luc: I am optimistic that Ontex is well-placed to face the future with confidence. Our ability to combine our increasing international presence and scale with an entrepreneurial growth mindset gives us a unique competitive advantage.

Charles Bouaziz
Chief Executive Officer

Luc Missorten
Chairman

The Ontex model

Driving advantage through expertise and innovation

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

Innovation and quality
Delivering smart hygiene solutions

By listening to consumers, and by following trends closely, we deliver a comprehensive range of high-quality, affordable and effective products that genuinely improve people's lives. Quality is at the heart of our business. 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.

Partner and pioneer
Trusted by partners

We are a trusted partner to our retail customers, our distributors and healthcare institutions – supporting retailers' brand building or training healthcare staff. Our collaborative approach spans our entire value chain, from sharing our insights into consumer behavior and market knowledge, through to concept development, R&D and technology, production and global logistics. Our pioneering approach means we can deliver what really matters to our partners and our customers: high performance, better value and excellent service.

Manufacturing expertise
Unparalleled engineering capabilities

Our manufacturing facilities are outstanding, and 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. From engineering capability to consumer insights, we offer the appropriate response to customer and market preferences.

Flexibility and scale
Focused on cost efficiency

Our business is flexible, delivering products through multiple channels, with the agility to adapt technology and respond to market preferences. Being the leading retailer brand supplier brings significant scale advantages for us, and also for our customers: security of supply from our 17 production sites, and procurement advantages to make sure we stay at the forefront of consumer demands.

Highlights of the year 2016

A year of growth and alignment

2016 was another busy year for us as we created the Americas Retail Division and welcomed Grupo Mabe to the Ontex community. Our other focus during the year was on our corporate values and what they mean to each of us, whatever our function or location.

February

Our plant at Eeklo in Belgium was awarded Factory of the Future after a year-long program of investment in production technology, digitization, ecology and social innovation. The facility is one of the biggest in the region, with 500 employees. Millions of diapers and feminine care products are manufactured on 23 high-tech production lines.

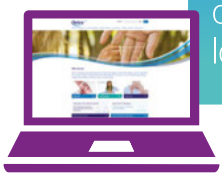
March

Two years after listing on the Euronext Exchange, Ontex Group joined two prestigious stock index indices – BEL20 Index of Euronext Brussels and the Stoxx Europe 600.

Our new fifth Division – Americas Retail Division – which includes Grupo Mabe's activities, was officially created this month.

April

We launched our new corporate website. As a part of our exciting transformation journey, we have refreshed our corporate website, reflecting our ambition to be the preferred company for our consumers, customers, employees and investors.



We started the roll-out of our corporate values, Passion, Reliability, Integrity, Drive and Everyone, across all our international locations.

a gross dividend to shareholders of

€0.46

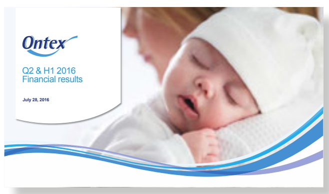
per share

May

The Ontex Group Annual General Meeting was held in Aalst, Belgium, approving the annual accounts and payment of a gross dividend to shareholders of €0.46 per share.

July

We published our half-year results, demonstrating resilience in the first half of the year in challenging markets.



August

Ontex China celebrated its 10th anniversary with a party on the theme of "Be in the same boat, Engage for the next 10 years."

Moltex Premium diapers, which are manufactured at the Segovia plant, have been named "Product of the Year" in Spain. Product of the Year is the only competition in Spain where the most innovative products of the year are chosen by consumers. An online survey is conducted by IRI (Information Resources Inc. a consulting firm) which obtains the opinions of 10,000 people, together with the results of 100 product tests.

"Be in the same boat, Engage for the next 10 years."

September

In September, Grupo Mabe reached an all-time market share record of 40.4% in the baby care category, with brands such as BioBaby, Kiddies, bbtips and Chicolastic Classic.

a market share

40.4%

baby category

(figure based on modern trade panel data providers)

December

On December 1, we organized an opening event for our new plant at Dourges, rationalizing two older plants at Arras and Wasquehal in northern France. We succeeded in building a completely new plant in less than 10 months. With its improved production machinery and room for future expansion, it will help us serve our French and international customers more effectively.

AdultMax Maturidade BIGFRAL pom pom Sapeka Cremer

We agreed to acquire the personal hygiene business of Brazil-based Hypermarcas SA, a market leader in the adult care category and the number three in Brazil's baby care category. The acquisition will give us access to a fast-growing market and extend our market position in the Americas.

Group at a glance

Expanding our international footprint

A growing international business with sales in more than 110 countries through our five Divisions.

We make, sell and distribute our products in more than 110 countries through leading retailer brands, as well as under our own brands. Our 17 manufacturing sites are strategically placed across Europe, North Africa, Asia Pacific and the Americas, with six specialized R&D centers offering continuous innovation to our consumers and customers.

A strong and diversified business

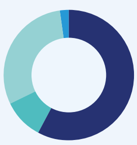
17 production facilities

€1.99 billion in sales in over **110** countries

8,500 employees (average)

26 sales and marketing sites

Product categories

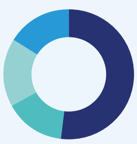


- Baby Care **58%**
- Feminine Care **10%**
- Adult Care **30%**
- Other **2%**

Retailer and Ontex brands

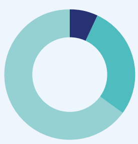
- Retailer brands **56%**
- Ontex brands **44%**

Diverse markets



- Western Europe **52%**
- Eastern Europe **15%**
- Americas **17%**
- MENA & ROW **16%**

Blue chip customer base



- Largest customer **7%**
- Customers 2 to 10 **28%**
- All other customers **65%**

Key

- Ontex locations
- Sales office (26)
- Production facility (10)
- Sales office/Production facility (7)

Americas Retail

Our Americas Retail Division was born following our acquisition of Mexican-based Grupo Mabe. It includes the BioBaby, bbtips, Kiddies, Chicolastic Classic diaper brands, Affective adult care and Fiore feminine care.

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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.

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Our products provide performance at the right price to consumers across three distinct categories:

Mature Markets Retail

Mature Markets Retail supplies retailer-branded baby care, feminine care and adult care products in Western Europe, Poland, Czech Republic and Australia.

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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 and home delivery.

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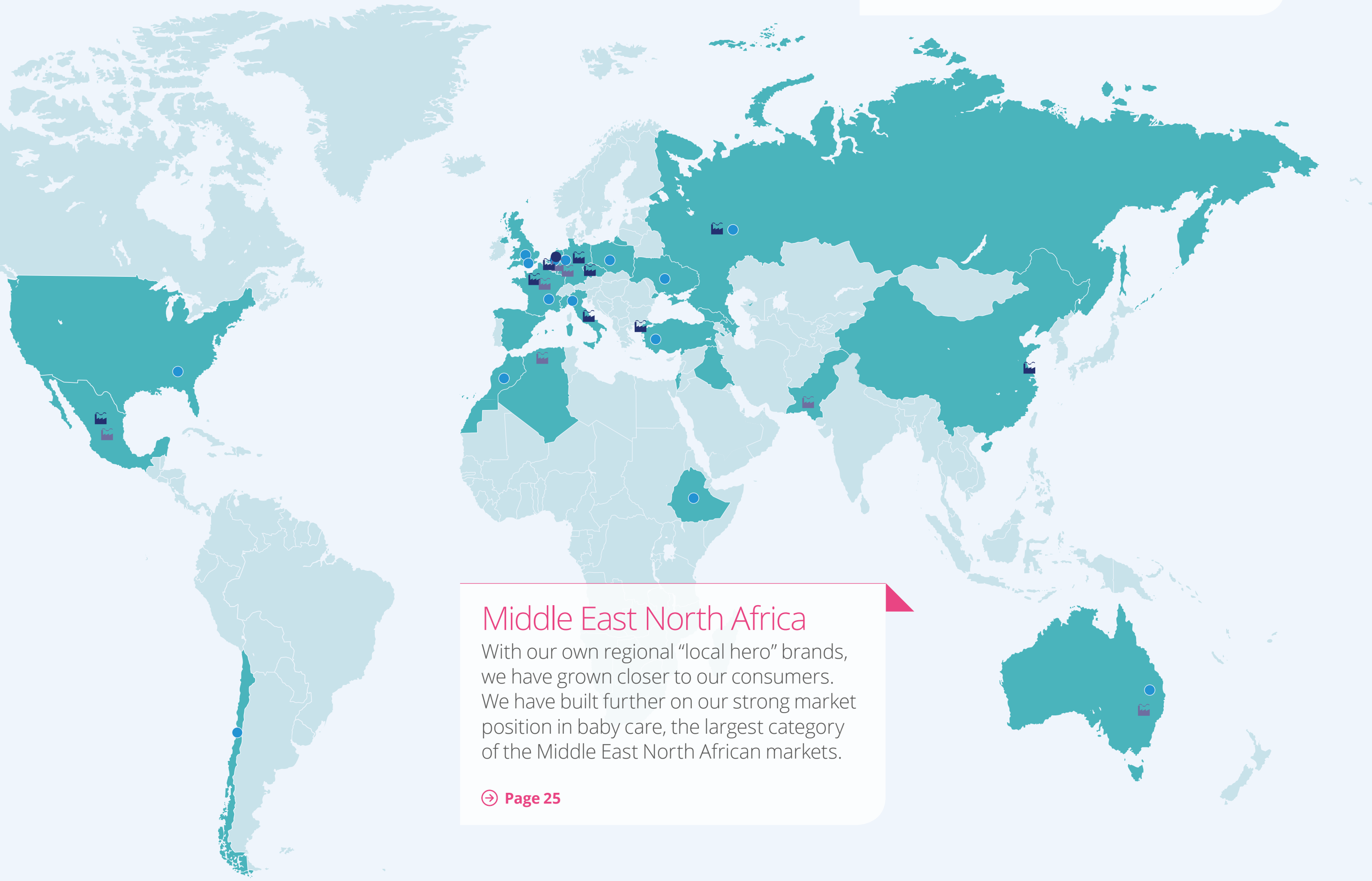

Middle East North Africa

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.

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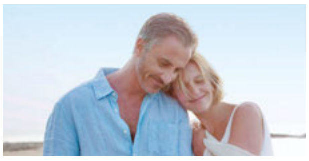
Baby Care

We provide products, such as baby diapers, baby pants and wet wipes.

Feminine Care

We develop products such as sanitary pads, panty liners and tampons.

Adult Care



We create smart, innovative and effective solutions for people suffering from light to severe incontinence, adapted to each specific need, situation or distribution channel.

Our people

“A shared belief in our values helps bring our people together.

Astrid de Lathauwer
Group HR Director

Connected by values

Building on the foundations we established and communicated to employees last year with our “Vision 2020”, our focus for this year was on the values that we share. Our Company pivots around our people, and success comes from empowering them to grow with our business.

We believe one of the key things that differentiates us is our belief that “everyone” is bigger than “team”. We want a culture where everyone feels included. It is our goal that regardless of level, location or function, every individual in Ontex is able to contribute to our success and to feel valued for doing so. So who better to help define our values than our people?

Passion, Reliability, Integrity, Drive and Everyone

We realized these words could mean something different to each one of our employees. A factory worker or team leader might not interpret them in the same way as an engineer or a manager. This is why we felt it was important that everyone should have an opportunity to reflect on their own understanding of the values, both for their function and for themselves as individuals. Rather than a corporate directive telling teams to roll the values out in a certain way, we gave each location the freedom to choose its own approach in deciding how to introduce them. We saw this as a natural step towards continuing to empower our people and creating a confident and entrepreneurial culture of responsibility.

As we continue to work towards a culture of inclusion, a significant indicator of our progress this year has been the positive feedback we have received from employees. They told us that talking about our values has brought people together and given them a moment to acknowledge that, beyond their day-to-day jobs and immediate teams, they belong to a bigger community. That reflects an important facet of our culture: that we strive to create a sense of belonging for employees and to take care of our people in the widest sense.

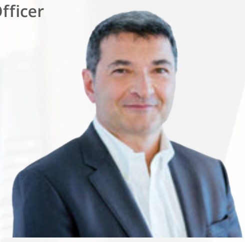
As a company growing through acquisition as well as organically, integrating new members into the Ontex community is crucial to our future success. This includes Grupo Mabe, which joined our Ontex community in February and which is now part of our Americas Retail Division. Teams on both sides of the ocean have been working together to make a success of the integration, and have created synergies and connections between teams, function-by-function and area-by-area.

Exchange is one of the most important tools we use to support integration and expansion, as it allows all functions to work together through knowledge sharing and transfer of capabilities.

We see many examples where we can learn from each other and develop a more efficient and creative approach. And in our experience, this is most successfully facilitated by people rather than purely through systems and processes.

“Our culture is built on openness and trust.

Charles Bouaziz
Chief Executive Officer



Connections are vital when it comes to working well together. Following feedback from our people, we set up a new intranet this year, Ontex connect. It includes a section where employees from all around the world can share news and views with their colleagues.

Our people
continued

Empowering local teams

When we introduce new machinery into a site or we open a new factory, engineers and production workers from other sites will go and help to install equipment and train colleagues. We view this as a valuable tool in our career development strategy.

After we acquired Grupo Mabe, two employees from our Belgian head office went to Mexico for 18 months to facilitate the integration. Ruth Bockstal, who was the project manager for the post-acquisition integration, says of her experience:

Ruth Bockstal
Post-Acquisition Integration Project Manager

> Working and living in Mexico feels like being handed a new recipe book containing lots of unfamiliar ingredients and flavors. Each day there's a new recipe: some easy, some complicated. A few of them become instant favorites, and others you hope you will learn to like. In short, it's a fun challenge that I would recommend to everybody.

Celebrating our values

Family days, celebrations and focus groups took place around the world, as our employees were encouraged to think about what the five values meant to them individually and how they could be implemented in the workplace. Some made charters, others wrote songs or designed a giant cake to share with colleagues. Employees in all locations took time to discuss the values before expressing their thoughts about them in creative ways. An employee in our Scottish Healthcare Division expressed her pride by arranging to have our very own Ontex tartan design officially recognized by the Scottish Register of Tartans.

More than 4,000 employees from offices and factories around the world took part in brainstorming meetings about what made their workplace great. The results were then given to five Corporate Values Ambassadors. These employees, chosen from different countries and functions, worked with the extended leadership team to define the five core values shared by Ontex people worldwide, based on the input given by the employees who participated in the brainstorming sessions.

P.R.I.D.E.

Pavel Verbludenko
General Director Ontex Russia

> We decided the values workshop should take the form of a brainstorm and I was impressed with the passion and commitment demonstrated by the whole team during the session. We managed to combine serious stuff with fun, and in a few hours we collected dozens of inspirational ideas. The presentations by the workgroups revealed high levels of creativity, energy and positive thinking.

This year was about defining our values: **Passion, Reliability, Integrity, Drive and Everyone**

Dominique Schaeken
Marketing Manager Growth Markets

Being nominated as a Corporate Values Ambassador was a true honor. We held a workshop where each of the Corporate Values Ambassadors gave the best of themselves in a lively, fun way while staying results-focused. We were all able to express both our own values and the values we live by at Ontex. When we started the project, I had no idea we would be able to achieve such a high level of engagement. It was a very rewarding experience, as we now see the corporate values fully embedded within Ontex.

Thomas Hooft
Senior Group Purchasing Manager

Our team appreciated being trusted by the Executive team to identify our corporate values. It was an interesting opportunity to start from scratch and to help guide our leaders to an outcome that everyone supports. It is what Ontex stands for. Every single person was 100% motivated, which made it a real success.

It was a great experience to be one of the Ambassadors for this important global project.

Rémi Bonel
Plant Manager Ontex Segovia

It was a great experience. We enjoyed preparing for the workshop as well as taking part in it. We were really pleased with the powerful acronym "PRIDE" that came out of the workshop and was then rolled out across the whole Company.

Elçin Gürkan
Finance Director Americas Retail Division

I felt very proud to be part of the Corporate Values Ambassadors team and it was an amazing experience. I was impressed by the enthusiasm and creativity of everyone involved as we worked together to illustrate what the Company values would look like in practice. Everyone was very engaged and excited because they recognize that our values tell the world what we are about; that they give us all a reason for what we do and our customers a reason to cheer for us.

Our brands and innovations

“We continue to listen to customers to build the solutions they need.

Oriane Perreaux
Group Marketing Director

Working together to build brands

2016 was an exciting year, thanks to stronger collaboration between our marketing and R&D teams. Working together has generated more energy and creativity for the innovations in our own and customers' brands.

One of the best examples of our teams working together came with the redesign and launch of our flagship Canbebe diapers. Everything we do begins with consumers. By listening to mothers in Turkey, we learned what was important to them, and why. Once the results from our research were translated into insights, we began working to create new front-and-back barrier and acquisition-layer technology. By combining our experience of Western European markets with local consumer insights, our team of design engineers and tooling experts produced something unique to Ontex and the Turkish market as a whole.

This way of working together is an important element of how we operate and links to our corporate values. Two of these are "Passion" and "Everyone" and we believe we work best when we combine all our effort and knowledge.

Part of our portfolio includes retailer brands and we knew from our consumer research, that consumers who use retailer brands want to see continuous innovation. That's why we work with consumers of particular retailer brands to understand motivations and specific needs and use those insights to create unique innovations for each retail customer. An example is a range of new-born and small-size diapers we created for one of our retailer brands customers. Insights from consumers provided the creative spark that helped us to design something new and cater for an unmet need.

This cuff elastic ie anti-leaks "cuffs" product also featured our new cosy-legs softer elastic anti-leak "cuffs" technology, which does not leave marks on a baby's delicate skin, and the diaper is a much better fit for very small babies.

Fresh innovation in feminine care

Our consumer research showed consumers were keen to see odor control in feminine hygiene products. A number of technologies were already on the market, but we wanted to approach the challenge in a different way. Although women wanted odor control, they told us they wouldn't feel happy using something that was "too chemical".

Our own brands

Next to making and marketing a range of retailer brands, we also have our own brands spanning baby care, feminine care and adult care.

- Canbebe diapers, which are distributed across the Middle East and Africa, are known for offering quality at a smart price.
- We are also strong in adult care, a large percentage of which is healthcare products such as iD, Serenity and Canped.
- Helen Harper tampons, towels and panty liners are marketed in Eastern Europe, Turkey, Russia and Africa, and Fiore in Mexico.
- Brands in our Americas Retail Division include eco-friendly diapers BioBaby and bbtips, aimed at parents with new-born babies, both of which have enjoyed a successful 2016 since their acquisition last year.
- Helen Harper Baby is popular with experienced mothers in Russia, Eastern Europe and Africa.

Our brands and innovations
continued

Focus

Committed to a more sustainable future

We are constantly aware of the need to reduce the environmental impact of our products and we are committed to the wellbeing of our people. We are continuously evaluating our ecological and health and safety profiles with a view to improving them wherever possible. During 2016, we extended our Sustainability team, with the aim of enhancing our environmental, energy and health and safety systems as part of a drive to multiply our efforts on life cycle assessment and eco-labelling of products. The life cycle assessment is a model which looks at its products, its components and its environmental impact, including the raw materials, transport, production, packaging and final disposal.

We continue to implement systems with a focus on continuous improvement in our production plants, including carbon footprint, and we are working with our suppliers to reduce their carbon impact. Our aspiration is to move towards a future where sustainability is taken into account in each and every decision, whether investing in new markets, new products, new machines or people. This year, the eco-friendly product range BioBaby was added to our portfolio, following our acquisition of Mexico-based Grupo Mabe. We see this as a major opportunity to learn and take advantage of synergies within the Ontex Group.

After consulting with experts from another industry, we created new odor-control technology which delivers what the consumer wants in a unique way. This technology, doesn't just mask odor but also uses essential oils and active compounds to neutralize and refresh.

Supporting active lifestyles

Research and insights are also helping us come up with innovative solutions in the adult care sector, where we are launching new incontinence products designed to meet modern consumer needs more effectively. Adults with active lifestyles want a product which will help them live their lives to the full, not hold them back. For women, this involved changing our products and packaging to make them appear more feminine. Men wanted products to meet their specific needs, which prompted us to create the male pad, giving more absorbency where it is most important. As it's a subject they find difficult to talk about, male consumers also told us they wanted straightforward products and packaging with no-nonsense vocabulary. A number of our teams combined forces to work on this, and we launched our new iD for men brand, which looks like a male product in color-coded packs and is backed by strong visuals showing men taking part in active sports, such as mountain biking and hiking. Feedback from consumers and retailers has been extremely positive.

> We are continuously evaluating our ecological and health and safety profiles with a view to improving them wherever possible.

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

Closer to consumers

One of our main aims is to be closer to consumers, whether they use our products, or our retailer customers' brands. By being proactive online, we can target specific groups of consumers. Digital channels are a powerful tool when we launch a product or want to communicate with consumers, because they give us a direct link to the end-user.

In many countries we have strong links with leading bloggers and consumers through social media, especially in the baby care sector. This was something that was particularly helpful when we re-launched our Helen Harper Baby brand in Russia during 2016. BioBaby, one of our Americas Retail Division brands, was re-launched this year, 10 years after its initial launch in Mexico, through a digital-led marketing campaign. The "real-time' element of digital also offers us continuous feedback from consumers and opinion-formers, who tell us exactly what they think of our products. We use this valuable feedback from local consumers to keep improving our products. In the adult care sector, we have similarly strong digital links with nurses and carers, mainly through our online tutorials and websites, such as our re-worked iD website. We also work closely with The Continence Institute (TCI) that offers education packages to facilities, staff members, professional users and carers on all aspects of continence assessment, management and treatment.

Focus

Naturally sensitive: our bbtips range

"Naturally sensitive" is how we describe our bbtips diaper brand. Mothers are always concerned about protecting their babies' delicate skin and our research told us they did not want anything chemical, so we set out to design a new sensitive range for delicate skin, by looking at how we could transform the surface materials. In another example of co-operation between our R&D and marketing teams producing ground-breaking results, we came up with a diaper that combines super-soft material with an emollient.

Working with the Clinical Institute, we tested and adapted the formula of the lotion until it was as delicate and as natural as possible. It is unique in the market and was created by real team work.

Focus

Reinventing brands

The Ontex brand showing the strongest growth in 2016 was Canbebe. Sales of our diaper brand, popular in Turkey, Algeria, Morocco, Pakistan and the Middle East, rose by 10%.

iD underwent a large-scale marketing re-launch in 2016. The adult care brand is popular both with institutions and with end-users, and was our second fastest growing brand this year.

Our adult care brand Canped, which operates in Turkey and the Middle East alongside Canbebe, had a successful year, in which sales grew 14% on a like-for-like basis.

canbebe

iD

canped

Our customers

“We invest to improve our understanding of categories, consumer and shopper behavior. Then we translate that information into insights.

Laurent Bonnard
Group Sales Director

Strengthening our customer brands

This year we continued to strengthen our relationships with customers. As part of this strategy, we have concentrated on developing our sales capabilities beyond negotiation and selling skills.

We continue to improve relationships with our customers using a variety of tools and activities. These include developing shopper and category knowledge, revenue management, understanding the price positioning of our customers and how and where value is created. Another key element is building cross-functional engagement, where our sales, marketing, innovation and supply chain teams come together to help create partnerships with retailers and other customers. As we continue to grow as a company, one of our priorities is the development of our sales, marketing and support teams.

We believe the continued integration of our new Americas Retail Division will be transformational in terms of our sales and customer functions, as it opens new potential across all three categories – Baby Care, Feminine Care and Adult Care.

We are committed to creating more value for our customers by using our insights into consumer and shopper behavior and market categories to help retailers increase their profitability and improve their performance. By developing customer-specific trade stories, we are able to identify opportunities, quantify them and provide recommendations that retailers can act on.

Developing better support for customers also includes increasing the quality of our supply chain and service levels and, for example, making sure there are no stock availability issues.

Improving our understanding of customer needs

We started our Customer Satisfaction Survey three years ago and have significantly expanded and improved it since then. This year, it covered more than 20 countries and included customers from each of our five Divisions. A powerful tool, the survey allows us to measure satisfaction, identify gaps and select priorities, while benchmarking against competitors.

We made significant steps during 2016 in the way in which we use the information from this survey and transform it into action plans. This was further enhanced by welcoming a number of new people, who bring to the business significant experience and knowledge of consumer goods categories and markets.

Adding value for customers

A central pillar of our strategy is to offer additional value to our customers, so that we are not simply reliant on price. As part of this, we have developed special software for hospitals and other institutions to help track consumption of incontinence products, while always putting the dignity of patients first. We have also continued to create training modules for carers in hospitals and nursing homes. Working with The Continence Institute and other experts in the field, we continue to invest in research and product development and to offer advice, support and practical assistance to our customers in the healthcare sector.

Divisional performance review

Delivering shared value across our portfolio

“Our strategy is to differentiate ourselves by offering more in-depth partnerships with retailers, with the aim of building the whole category.

Thierry Navarre
Chief Operating Officer

In the face of currency headwinds and political and economic instability, four out of five of our Divisions delivered strong sales growth in 2016 and we are confident the measures taken to turn around sales at Mature Markets Retail will be successful.

Revenue by category %

- Baby Care **58%**
- Feminine Care **10%**
- Adult Care **30%**
- Other **2%**

During 2016, several common themes emerged across our Divisions: more mature retail environments have seen an increasing focus on price by retailers in baby care. This has led us to seek to shift emphasis away from price, and to move towards further partnering with retailers to build value in these categories, as a way of differentiating ourselves from competitors.

To deliver this differentiation, we have continued to invest in recruiting new talent and to focus on building the capabilities of our existing employees.

In more mature markets, aging populations are driving strong growth in Adult Care sales. Consequently, Adult Care is becoming an increasingly important part of our sales mix.

In our largest Division by sales, Mature Markets Retail, intense price competition between retailers in the Baby Care category, mainly in the UK and France, impacted on value sales, while we also felt the effect of contracts lost in 2015.

However, the strong performance of the Adult Care category almost offset these declines. Our market share in Baby Care fell, mainly because of the contract losses, while we saw slight increases in Feminine Care and Adult Care. Our strategy is to differentiate ourselves by offering more in-depth partnerships with retailers, with the aim of building the whole category.

In our Healthcare Division, although we have seen some price pressures which have contributed to a small decline in market value, volume sales are still growing. Institutions are having their budgets tightened as governments seek to lower healthcare spending. This has led to an increase in sales through the self-paid channels like pharmacy as well as in home delivery sectors. Stable sales in a shrinking market translate into market share gains. We are looking to shift the focus away from price onto other added value services, such as management systems and training.

The newly-established Americas Retail Division, built around the acquisition of Grupo Mabe, came on stream in February 2016. In Mexico, we successfully passed the 40% (based on modern trade panel data providers) segment level in the retail channel for Baby Care. In Adult Care we saw strong sector share and sales growth for our Adult Care brands in Mexico, while we also gained sector share in Feminine Care. The signing of the acquisition of the personal hygiene business of Hypermarcas S.A. in February 2017 offers exciting potential for further expansion of the Division during 2017.

4 out of 5 Divisions outperformed their markets with strong revenue growth in developing markets.

	€/m **Reported revenue**	% **LFL Change**
Mature Markets Retail	855	-5.8
Healthcare	430	1.0
Middle East North Africa	206	13.9
Growth Markets	175	15.3
Americas Retail Division	328	N/A

The MENA Division experienced considerable political and economic instability during 2016 but sales grew strongly on the back of distribution and market share gains. Although momentum was mainly driven by diapers, we also increased sales in the Adult Care category. After a successful re-launch of our Canbebe diaper brand in 2016 in Turkey, we will be looking for further growth by rolling it out to other markets in the region and continuing development of the adult care category.

Our Growth Markets Division also delivered impressive sales growth, led by the performance of the Baby Care category in Russia.

Thierry Navarre
Chief Operating Officer

Key highlight

In 2016 we shifted emphasis away from pure price to building partnerships with retailers to create value in all our categories. That's how we want to differentiate ourselves from competitors.

Divisional performance review
continued

Key divisional highlights

Mature Markets Retail

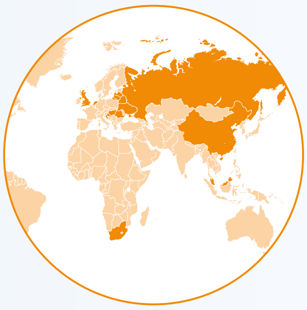
We saw a strong performance from our Adult Care category during 2016. Despite intense price competition between retailers in the baby diaper category, we maintained profitability by taking a disciplined approach to pricing.

> Our vision is to have a more consumer-driven approach. The way we talk to our customers has evolved.

Arnauld Demoulin
General Manager,
Mature Markets Retail Division

Growth Markets

Key markets



With like-for-like revenue increase of 15.3%, performance remained well above overall market growth. This double-digit rise in sales was due to strong, sustainable growth in Russia, Belarus, Kazakstan and Central Eastern Europe. It was supported by continued expansion into new markets in Africa and Asia Pacific.

Healthcare

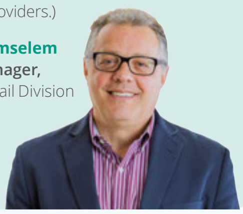
We developed packaging with masculine appeal for iD for men, our new range of incontinence pads featuring PowerDry technology. Consumer research among men aged 50-plus told us they are looking for products that can be worn discreetly and that provide comfort and fit, coupled with security and absorption. The new packaging is color-coded according to incontinence level, while our marketing campaign includes the slogan "Don't let anything stop you", alongside pictures of confident-looking men taking part in sports such as mountain biking and running.

Middle East North Africa

Ontex Algeria came through a certification audit successfully in February to be awarded an ISO 9001 quality management certificate, while Ontex Turkey passed the document and system audit for OHSAS health and safety management certification in March. Ontex Algeria was our fastest growing business unit and for this we awarded Sid Ahmed Hasbellaoui, General Manager of Ontex Algeria, and the whole management team.

> One of the 2016 highlights was achieving a 40% retail share in the Mexican diapers sector.
> (Based on modern trade panel data providers.)

Armando Amselem
General Manager,
Americas Retail Division



Americas Retail

The Americas Retail Division, created after the acquisition of Mexican-based Grupo Mabe was completed in February 2016, exports to 11 markets across the Americas. It is the number two player in the Mexican baby care category and also number two in the Mexican incontinence category.

Mature Markets Retail

Responding to a challenging market

Mature Markets Retail Division supplies retailer-branded baby care, feminine care and adult care products in Western Europe, Poland, Czech Republic and Australia.

Market environment
The Mature Markets Retail Division serves the hygienic disposables market. We are active in the baby care, feminine care and adult care sectors. Just over half the market by value is Baby Care, with slightly over one-third Feminine Care and the remainder Adult Care. Baby Care and Feminine Care both declined in value by -1.7% and -1.6%, respectively, in the year to August 2016, reflecting price pressures, while Adult Care grew by 12.1%.

In volume terms, retailer brands continued to increase their share of the total market (based on modern trade panel data providers) steadily during 2016 to an average of 40%, with 45% of Baby Care, 37% of Feminine Care and 40% of Adult Care.

Retailer brands' share of the market in value terms was 30% in 2016.

Ontex's volume share is 18% of the total market, with 19% of Baby Care, 17% of Feminine Care and 18% of Adult Care.

2016 innovation
During 2016, we continued to strengthen our capabilities to create value for our customers. Using consumer- and shopper-driven insights and innovation, we offer multi-functional and cross-border solutions, from fact-based shopper understanding to in-store execution.

Using this way of working, we have been able to transform several purely transactional relationships into sustainable long-term collaborative partnerships, where the retail brands of our business partners are performing significantly better than those of their competitors.

Political instability in the region has impacted foreign exchange, most notably in the UK with the vote to leave the EU, and in Poland, which has also been affected by concerns about Brexit and possible reduced EU financial support in its economy.

Performance
This has been a challenging year during which we have had to navigate promotional and price pressure, mainly due to more intense price competition in the baby diaper sector, particularly in the UK and France. Lower volume sales also reflect the impact of contract losses at the end of 2015. However, having taken a disciplined approach to pricing, we have managed to maintain profitability, despite these pressures.

Strategy
The way we talk to our customers has evolved during the past two years, which has allowed us to develop more in-depth partnerships with them.

We differentiate ourselves by offering more than just manufacturing. Rather than just providing products, we partner with retailers with the aim of building the whole category. We develop shopper, consumer and category insights with retailers and participate in brand-building exercises. In some cases, we have set up dedicated brand equity workshops. Our strategy is to continue to develop a more consumer-driven approach with retailers. When working with customers, we are able to offer manufacturing-driven experience combined with expertise from our growing number of people with consumer goods backgrounds.

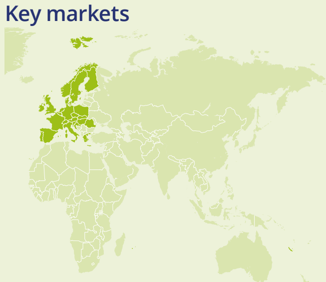
For more information on how we create value, go to page 5.

Outlook
We expect the market dynamics to remain broadly similar and to continue navigating challenging market conditions, while remaining disciplined. Our strategy of collaborating with retailers is already beginning to pay off and we believe this should enable a return to growth in the Division.

"We are collaborating with retailers in a new way which goes beyond the product to understand our categories, market drivers and strategies."

Arnauld Demoulin
General Manager,
Mature Markets Retail Division

Key markets



Revenue

€855m

(2015: €904m)

Like-for-like revenue growth

-5.8%

Giving confidence

Our Healthcare Division's goal is to help adults who are experiencing incontinence to live their lives with dignity and in comfort. We sell directly to consumers through pharmacies and home delivery and supply our products to healthcare institutions.

Market environment

The healthcare product category is in slight decline in value terms, although we believe volumes are still growing, and despite fierce competition, we increased our share. We have a 22% share in our Western European markets, where we hold the number two position overall. We have strong positions in Benelux, the UK and Ireland, France, Germany, Spain and also in Italy, where we are the number one player. We also operate in Australia.

Demand for incontinence pads and pants continues to grow, due to an aging population, but there is strong price sensitivity due to pressure on government spending and reimbursement which, in turn, impacts institutional budgets. Consequently, the self-paid and home delivery environments are growing and the sector is slowly becoming more consumer-oriented.

Performance

Ongoing price pressure intensified, partly due to the consolidation and professionalization of purchasing groups. We also faced currency pressures, including the impact of devaluation of the British pound as a result of the UK's decision to leave the EU.

We continue to develop our own brands successfully, with both iD and Serenity performing well this year.

In December, we opened a new plant in Dourges, France, to support production for our iD and Lille healthcare brands alongside retailer brands. Replacing two older plants, and built with a firm commitment to our sustainability goals in mind, our Dourges facility represents another step on our journey towards leadership in the French adult care market. The supply chain in Italy was also reorganized by setting up a central warehouse closer to the main factory.

Strategy

Our strategic aim is to bring additional benefits to the market with new products and innovative solutions and services. These include management systems for institutional customers to help them meet the needs of patients in a cost-efficient way without compromising their dignity. A customer satisfaction survey showed a satisfaction level of more than 99% for service. We also continue to provide training for carers in nursing homes, hospitals and other institutions and we refuse to reduce our quality despite being cost focused.

As the more profitable self-pay channel continues to develop, our strategy is to grow our share by addressing consumers' unmet needs.

In Germany we have recruited more customer service employees who are specially trained to respond to the needs of our self-pay customers.

Outlook

Despite a challenging outlook for the year ahead, we have plenty of product initiatives in the pipeline and a clear focus on routes to market. Our plan is to strengthen our position in the institutional category in Western Europe, grow our self-pay business and explore new market opportunities.

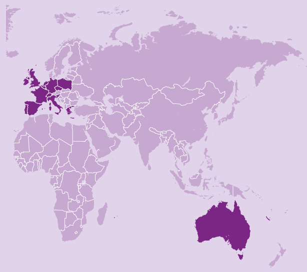
2016 innovation

This year saw the launch of Serenity Advance, a new product range addressing the needs of pharmacies. At the same time, we looked to boost visibility of the Serenity brand through the pharmacy channel by increasing the distribution of information materials and product samples.

"We are committed to helping bring dignity to the lives of our consumers by providing high quality products and services tailored to their needs.

Xavier Lambrecht
General Manager,
Healthcare Division

Key markets



Revenue

€430m

(2015: €433m)

Like-for-like revenue growth

1.0%

"In December, we opened a new plant in Dourges, France, to support production for our iD and Lille healthcare brands alongside retailer brands. The supply chain in Italy was also reorganized by setting up a central warehouse closer to the main factory.

Martin Gärtner
Group Manufacturing Director

Middle East North Africa

Unlocking new opportunities

Our Middle East North Africa Division locally manages Turkey, Algeria, Morocco, Pakistan and reaches the rest of the other countries in the region through exports of the Canbebe diaper, Canped incontinence and Helen Harper feminine care brands.

2016 innovation
Focus groups helped us find out what Turkish mothers wanted as part of the re-launch of Canbebe, the number three diaper brand in Turkey. From our research and consumer insights, our innovations team added front and back barriers to create a unique no-leak diaper. The re-launch was backed with new packaging and brand support using TV advertising, in-store displays and trial packs featuring the tagline "Canbebe for Every Baby".

Market environment

The region experienced significant levels of political and economic instability, as well as currency volatility, adding to the pressure already exerted on economies by the low oil price.

In Turkey – our largest market in the region – the refugee crisis throughout the year, an attempted coup in July and the rise of terrorism have all contributed to a less stable marketplace.

Despite these challenges, total sales of personal hygiene products in the MENA region are estimated to have grown in value by 7% in 2016.

Performance

Our sales in the MENA region grew by 13.9% on a LFL basis in 2016. This strong performance in the face of considerable headwinds is attributable mainly to distribution and market share gains, in most of the countries in the region. Although diapers are still the major source of growth and revenues, adult care category sales are steadily increasing.

Growth continued in Turkey, despite price pressures and challenging trading conditions. Margin improvements were achieved through production efficiencies. Sales to new countries or new categories were also an important source of growth during the same period, with particularly notable successes in whitespaces.

In terms of categories, sales growth was mainly driven throughout 2016 by diapers.

In April 2016, we re-launched our Canbebe diaper in Turkey with innovative front and back barriers.

Strategy

A key element of our strategy this year was continuing to strengthen our team, particularly in the areas of management and sales and production support.

Our category strategy was to seek to grow sales of our incontinence products through distribution expansion initiatives in Algeria, Morocco, Pakistan and international markets. This was driven by our Inco Task Force, a salesforce formed specifically to grow our adult care business in the region.

We have also aimed to create greater awareness of our Canbebe and Canped brands, through higher marketing investment in Turkey and Pakistan.

Our strategy includes continuing to unlock remaining new untapped opportunities in the region, both in terms of new countries and product penetration.

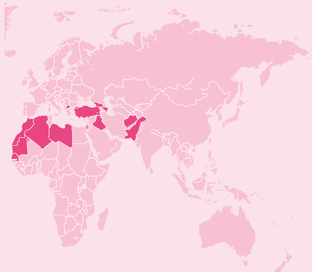
Outlook

In 2017, despite continued political and economic volatility, our expectation is still that we will grow ahead of the market, with the goal of double-digit growth. We aim to improve our performance in Turkey and return to growth in Morocco. The new Canbebe diaper will be rolled out to international markets, Morocco and Algeria during the year and 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 other countries.

> "We have delivered a strong performance, driven by distribution and market share gains.

Ozgur Akyıldız
General Manager,
Middle East North Africa Division

Key markets



Revenue

€206m

(2015: €194m)

Like-for-like revenue growth

13.9%

Growth Markets

Delivering growth through local expertise

Our Growth Markets Division serves mostly developing and emerging markets which are generally characterized by higher category growth but which are more prone to volatility. We supply retailer brands or Ontex brands depending on the retailer profile and competitive landscape of each region.

Market environment

The bulk of our business is in CIS and Central and Eastern Europe. We also operate in Sub-Saharan Africa and Asia.

We are benefiting from increasing populations, and from a growing middle class who are entering our categories.

While baby care accounts for the most significant portion of our business, we also have a growing presence in adult care and feminine care.

The market environment is extremely diverse, from highly developed markets in Central Europe where large retailers have a presence, to a more a fragmented retail landscape in Africa.

The environment we operate in is characterized by subdued economic growth in many markets, geo-political uncertainties, currency volatility, and more competition from global and local players.

2016 innovation

We leverage our consumer understanding through local focus groups, concept and usage tests to build our brand proposition, including brand name, product technology, positioning and pricing. We develop innovative go- to-market and brand building strategies to grow our brands.

Performance

We delivered strong LFL revenue growth of 15.3%, which remains significantly ahead of overall market growth, despite increased competition from large multi-nationals and smaller players. We have delivered 12 consecutive quarters of double-digit growth.

This consistent performance over quarters is rooted in the execution of a very clear strategy by a very talented team of proud Ontex leaders.

Strategy

With strong teams in place, 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.

Outlook

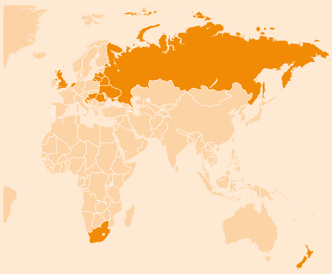
The environment remains volatile as we enter 2017, but we expect performance to remain broadly similar to 2016, despite continuing political instability and geo-political and economic challenges.

In line with the general trend towards greater localization, our strategy for building local hero brands is delivering good results. Having the resources of an international company, but the agility of a small business, allows us to take decisions and respond more quickly to market opportunities.

> “We are developing the agility to adapt to a volatile, uncertain, complex and ambiguous world and seize opportunities in retailer brand or branded business in every country where we operate.

Thierry Viale
General Manager,
Growth Markets Division

Key markets



Revenue

€175m

(2015: €159m)

Like-for-like revenue growth

15.3%

Americas Retail

Building scale in the key markets

Created around the Grupo Mabe acquisition, this Division is expected to have significant organic growth in 2017 and also following the acquisition of Hypermarcas S.A.'s Brazilian personal hygiene business.

Market environment

The Americas personal hygiene market is estimated to be worth €21 billion, with the US accounting for around €10 billion. The environment in 2016 was quite volatile due to uncertainty surrounding the US Presidential election, which caused the Mexican peso to depreciate throughout the year.

To prepare for growth, Americas Retail Division was split into two clusters: Mexico and exports in Central America; and North America (US and Canada).

Mexico is currently the largest market within the Division. It is the fifth-largest diaper market in the world, although relatively mature. Our diaper brands cover all price points and include bbtips, BioBaby and Kiddies. Mexico's aging population is also creating growing demand for incontinence products, where our Affective brand is number two in the sector.

In the US our focus is on eco-friendly baby diapers, which is a growing category of the market.

The acquisition of the Brazilian personal hygiene business of Hypermarcas is another exciting chapter in the Ontex growth story in general and that of the Americas Retail Division in particular. This acquisition supports the Ontex strategy by extending our market position in the Americas to Brazil, increasing sales from Ontex-owned brands, and accessing a fast growing market for adult care. The Brazilian personal hygiene business is the leader in the adult care category and holds a solid number three position in the Baby Care category in Brazil, the fourth largest hygiene market in the world. The Brazilian personal hygiene business has its head office in São Paulo, Brazil and its two plants in the Brazilian state Goiânia ("Senador Canedo" plant and "Aparecida" plant). Its key brands include PomPom, Sapeka and Cremer (baby care) and BigFral and AdultMax (adult care).

Performance

The Division performed well, as stronger-than-expected growth in Mexico more than compensated for lower US growth.

One of the 2016 highlights was achieving a 40% retail sector share (based on modern trade panel data providers) in the Mexican diapers category and we are continuing to gain share.

Strategy

Our aims are to become the clear number three player in the region in disposable hygiene products. We plan to strengthen our profitability in Mexico, exploit growth potential in the US, improve our supply chain and look selectively at acquisitions, such as the deal we announced in December 2016 to buy the personal hygiene business of Hypermarcas.

Outlook

We are optimistic about our prospects in 2017. The Hypermarcas deal will significantly increase the size and scale of the Division and go a long way to fulfilling our strategic objectives. There is also further potential in the US, where we already have a growing and profitable business.

Love your baby naturally

2016 innovation

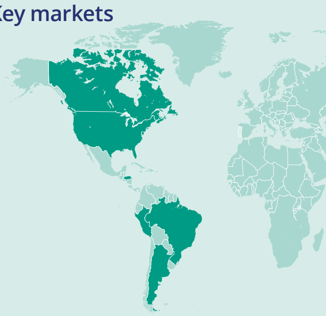
In 2016, 10 years from the first launch of brand "BioBaby" in Mexico, we re-launched the eco-friendly brand with improved specifications, new-look packaging and a fresh digitally-led marketing campaign.

This baby care brand, which includes biodegradable diapers and wet wipes, has built a strong online presence and is gaining market share steadily after the re-launch.

> Our strategy is to become the clear number three player in the region.

Armando Amselem
General Manager,
Americas Retail Division

Key markets



Revenue

€328m

(2015: €–m)

> We see a real opportunity to achieve further procurement and supply chain synergies in the region, following our recent acquisitions.

Phlippe Agostini
Chief Procurement & Supply Chain Officer

Financial review

Sustainable growth and successful integration

The main highlights of 2016 were the successful integration of Grupo Mabe and continued sustainable growth in profit and margins for the Ontex Group overall.

Financial highlights

Revenue	Gross margin
1,993	585.5
+18%	+23.1%
Adjusted EBITDA	**Adjusted Free Cash Flow**
248.7	131.1
+18.9%	+2.6%

- Revenue at €1,993 billion, up 18% on a reported basis and 0.2% on a like-for-like (LFL) basis.
- Strong growth of adjusted EBITDA by 18.9%, despite challenge of adverse FX impacts of €36.7 million, resulting in an adjusted EBITDA margin growth of 10 basis points to 12.5%.
- Adjusted Free Cash Flow €131.1 million.
- Net debt was €664.9 million as of December 31, 2016, leading to a net debt/adjusted EBITDA ratio of 2.67.

As expected, 2016 was a year of consolidation but we are pleased to report that the integration of Grupo Mabe was achieved ahead of expectations.

Group revenues approached the €2 billion barrier for the first time, with reported revenues 18% higher and like-for-like growth of 0.2%.

This has been a challenging year in terms of foreign exchange impacts, largely due to the volatility of several currencies throughout the year. The combined effect resulted in reduced revenues of €47 million for the year.

Despite these headwinds, we achieved strong adjusted EBITDA growth, with reported adjusted EBITDA increasing by 18.9%, driven by company-wide efficiency gains, with the benefits of the integration of Grupo Mabe, particularly deal-related synergies, procurement savings and positive commodity indices. The result was further adjusted EBITDA margin growth of 10 basis points.

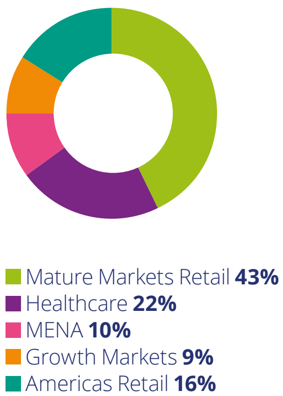
As expected, net debt increased to €664.9 million as a result of the Grupo Mabe acquisition, with a corresponding increase in the net debt/adjusted EBITDA ratio to 2.67, which remains well within our desired range.

Four out of our five Divisions outperformed the market, with Growth Markets achieving double-digit growth and Healthcare showing higher sales in a declining market.

Despite lower volumes in the Mature Markets Retail Division, as we absorbed the impact of 2015 contract losses and pricing pressures, we repositioned ourselves for growth next year.

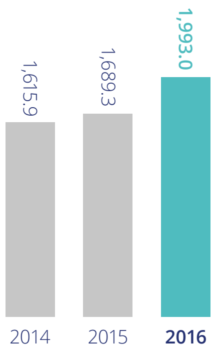
We ended the year on a positive note, with our acquisition of Brazilian-owned Hypermarcas personal hygiene business which was completed on March 6, 2017. This takes our Americas Retail Division to a total revenue of €700 million and further strengthens our position in the Americas.

Revenue by division €m



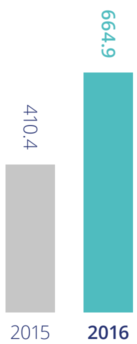
Revenue growth €m

1,993



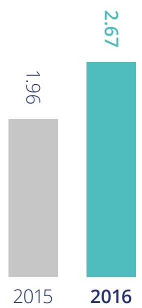
Net debt €m

664.9



Leverage (x)

2.67



(€m unless otherwise specified)	2016	2015	Change (%)
Revenue	**1,993.0**	1,689.3	18.0
Gross margin	**585.5**	475.6	23.1
Adjusted EBITDA	**248.7**	209.1	18.9
Adjusted Net Profit	**131.7**	103.4	27.3
Adjusted Free Cash Flow	**131.1**	127.8	2.6
Net debt	**664.9**	410.4	62.0
Leverage (x)	**2.67**	1.96	N/A

Expanding our footprint in the Americas

Grupo Mabe contributed 10 months to the 2016 financial year and delivered solid pro-forma growth of 8.1% at constant currency. Reported revenues were 3.0% lower. Growth was broad-based across all categories, while we also made share gains in branded products in Mexico. Sales in the US decreased in the second half of 2016 versus a high comparable in the second half of 2015.

Just before the end of the 2016 financial year, we announced the agreement to acquire the personal hygiene business of Hypermarcas S.A. for R$1 billion (c. €305 million). This further expands our footprint in the Americas region into Brazil and will substantially increase the Americas Retail Division's sales, since Hypermarcas personal hygiene generated pro-forma unaudited revenues in the 12-month period ending December 2016 of approximately R$1.2 billion.

Jacques Purnode
Chief Financial Officer

> During a year of volatility and challenges, the quality of our people shone through as they shared knowledge and resources across teams and continents.
>
> **Jacques Purnode**
> Chief Financial Officer

Our approach to sustainability

Finding solutions
to sustain our business

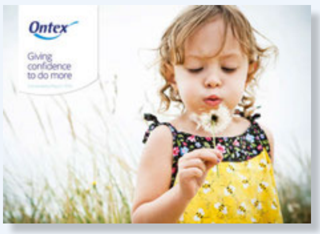
Embedding sustainability throughout Ontex is a shared responsibility, so we have revised our approach to owning and managing it across the organization. With a newly created structure, we believe we can respond more quickly to demands for business to be more sustainable.

In 2016, we conducted an exercise to review our material issues. The launch of the UN Sustainable Development Goals (SDGs) gave us a new framework to consider in this review. We also extended our analysis this year to include external, as well as internal, stakeholders. As a result of our materiality review, our approach to sustainability has been grouped into four over-arching topics – Sustainable growth, People at the heart, Human rights and business ethics and Responsible production.

Sustainability online

Our full Sustainability Report focuses on the social, environmental and economic issues that are important to Ontex. It outlines our performance in key areas of sustainability in 2016.

www.ontexglobal.com/sustainability



We are constantly aware of the need to reduce the environmental impact of our products and the wellbeing of our people is our main concern.

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

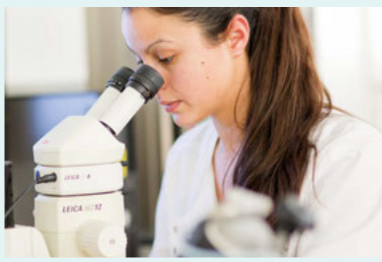
Sustainability at Ontex

Sustainable growth

As one of the world's leading hygiene solutions providers, we are proud to make a difference: to our customers by supporting their growth with innovative, sustainable, high quality and high performance products and services; and to consumers by offering them smart hygiene solutions that improve their quality of life. Using our expertise in baby care, feminine care and adult care, we support more sustainable consumption patterns by reducing the environmental impact of our products and providing our customers and consumers with information and eco-labels to help them make more sustainable choices.

Target:

- From 2017, we will monitor how our R&D centers continuously improve the environmental performance of new innovations



People at the heart

We want to make a positive impact on society and improve people's lives wherever we connect with them.

This means taking action to enhance the lives of our employees and people who work with Ontex. It includes sharing and living the values we believe in and partnering with others to help deliver lasting positive change in communities impacted by our business.

Targets:

- By 2020, achieve an accident frequency rate below 6.5 as part of our continued journey to zero accidents
- By 2020, 50% of production sites will be OHSAS 18001 certified
- By 2020, 85% of employees agree that Ontex looks after its people and the environment
- All production sites to take part in local community engagement activities, based on local needs and employee engagement
- By the end of 2017, establish an Ontex Foundation to contribute to creating a better life for the people and communities touched by our business

Human rights and business ethics

Although the world around us is continuously changing, the value we place on people remains constant. Respect for human rights is an essential consideration in everything we do.

It is our ambition to protect and empower people connected to our business so that they can create a better life for themselves, whatever their circumstances. How? By living up to high ethical standards and ensuring we comply with all international and national rules and regulations during the manufacture and supply of our materials and products. Guided by our values and our codes of conduct, our employees and suppliers aim to secure the integrity of our business and support the long-term future of Ontex.

Targets:

- By the end of 2017, all Ontex direct-spend suppliers to have signed our Code of Conduct
- By the end of 2017, sign the UN Guiding Principles on Business and Human Rights
- By the end of 2025, all main production plants conform to SA8000
- By the end of 2017, develop a plan for conducting third-party social audits at our plants

Responsible production

We strive to operate with the ecological limits of our planet in mind so that we can support the needs of present and future generations.

For Ontex, this means striving to protect the world around us, by using responsibly sourced materials, operating as efficiently as we can, reducing energy use and the carbon emissions from our operations and transportation, and working towards our goal of zero waste.

Targets:

- By the end of 2020, all main production sites to be certified to ISO50001
- By 2020, reduce scope 1 and 2 CO_2 emissions by 20% compared with 2015
- By the end of 2017, achieve a CDP rating of B
- By the end of 2020, send zero production waste to landfill
- By the end of 2017, reduce the CO_2 emissions of goods transport by 20% compared with 2012
- By the end of 2020, reduce electricity consumption by 10% compared with 2016
- By the end of 2020, 100% of our electricity originates from sustainable sources

Summary of main risks

We view managing risk with various stakeholders, in order to satisfy consumer and customer expectations, as an inherent part of doing business. The following summary provides the main risks we have identified and manage; however, this is not an exhaustive list, and there may be additional risks which we are not aware of.

Although for most of these risks we have set up mitigating efforts, these efforts are no guarantee that risks will not materialize. The order in which these risks are listed is not an indication of their importance or probability.

For more information about our risk management framework and internal control framework, please refer to section 9 of the Corporate Governance report. For details related to financial risk management, please refer to section 7.4 of the financial statements.

Market competition

The personal hygiene industry is very competitive and features local, regional and global suppliers. For all Divisions, we face competition from branded product manufacturers who sell products under their own names or brands. In the Divisions Mature Markets Retail and, to a lesser extent, Growth Markets, we also compete with retailer brand manufacturers who mainly or exclusively supply products to national and international retailers, who then sell the products under their own brands or labels.

We also face competition from competing manufacturers in product innovation. Rapid time-to-market is key to our competitiveness. If we are unable to develop innovative products, or are unable to obtain and license such proprietary rights, we may lose market share.

Economic environment

Revenue for our Healthcare Division is related to government spending. Governments may reduce their spending on healthcare, which could adversely affect the business that we do with public institutions.

Publicity and reputation

We may be affected by product recall or liability claims or otherwise be subject to adverse publicity.

Health, safety and environment

Health, safety and environmental regulations may subject us to significant costs and liabilities.

Legal compliance

We are subject to the laws of the countries we do business in, including certain competition and antitrust laws. Failure to comply in full with these laws can have a significant impact on our financial position.

Manufacturing and logistics

Our ability to serve our customers depends on our 17 manufacturing operations. We may experience disruptions at our production facilities or in extreme cases, our production facilities may be shut down. Should a disruption occur in one of our production facilities, we could experience temporary shortfalls in production and/or an increase in our cost of sales. We may also be subject to losses that might be completely or partially uninsured (specific cases resulting from terrorist activities and wars).

If we are unable to maintain our on-time delivery record, this could adversely affect our ability to attract 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. Raw materials and packaging costs account, on average, for between 75% and 80% of our cost of sales. The key raw materials we use are fluff, super-absorber and non-woven fabrics. Furthermore, the raw materials we use 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 demand in the market.

Information technology

The quality and reliability of our information systems and software are vital to our success, and any failure of these systems and software could adversely affect our operations.

Customer retention

We may not be successful at retaining our key customers. Our customers range from distributors to large international retailers to institutional channels such as government healthcare organizations. Our total sales are the results of gains and losses of contracts, which are on a non-exclusive basis. Our customers' policies and requirements may change at any time, which can impact our sales.

Employees and labor relations

We rely on our employees to execute our strategy. Our ability to attract, retain and develop people is critical to the Group's success.

Our business could be adversely affected if we are unable to extend, renew or renegotiate our collective bargaining agreements or if our relationship with our employees or trade unions deteriorates.

Financial

The majority of our customers' contracts are based on fixed pricing models and do not contain raw materials price indexation clauses. We make substantial sales in currencies other than Euros, which exposes us to risks resulting from exchange rate fluctuations. We also make purchases of certain raw materials, primarily fluff, in US Dollars (USD).

As detailed in section 7.4 of the financial statements, the Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

We are subject to obligations, restrictions and covenants under our external borrowings. If we are unable to meet our obligations, restrictions or covenants, this might have a material adverse effect on our business, financial condition and results of operations.

Changes in tax rates, tax legislation, tax liabilities or accounting rules could affect future results.

Changes in assumptions underlying the carrying value of our assets, including as a result of adverse market conditions, could result in impairment of such assets, including intangible assets such as goodwill.

Increasing labor costs may adversely affect our profitability.

Acquisitions

We may fail to realize the anticipated business growth opportunities, revenue benefits, cost synergies, operational efficiencies and other benefits anticipated from, or may incur unanticipated costs associated with, potential future acquisitions.

Intellectual property

Although we are monitoring changes in intellectual property rights, our products may comprise features that are protected by third party intellectual property rights and as such we may face legal claims and have to pay royalties which erode our profit margins.

External events

We sell in more than 110 countries worldwide, and as a result are subject to risks associated with operating internationally. Recent and ongoing political instability in some of the countries in which we operate may adversely affect our business.

Management closely monitors the political and economic situation in all countries where we do business. The referendum in the United Kingdom in June 2016 to leave the European Union is anticipated to result in, among others, changes of the trading terms and conditions between the UK and the European Union, as well as with other countries. It is not possible to estimate how and when such changes will take place, and what impact they could have on our activities. We will remain vigilant in following these developments over the next years, and adapt our approach as deemed necessary.

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 chapter provides information about Ontex Group NV's (also referred to herein as the "Company") corporate governance.

This chapter includes changes to Ontex Group NV's corporate governance, together with the relevant events that took place during 2016, 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 chapter 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 2016

As at December 31, 2016, the capital of Ontex Group NV amounted to €748.715.885,80 and was represented by 74.861.108 shares without nominal value. Each share represents 1/74.861.108th of the capital and carries one vote. The shares are listed on Euronext Brussels.

In addition, the Board approved in 2016 a new grant under the Long Term Incentive Plan (as defined below) (the 2016 grant being referred to as the "LTIP 2016"). 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 and 2015 (respectively the "LTIP 2014" and the "LTIP 2015", the Long Term Incentive Plan including the LTIP 2014, the LTIP 2015 and the LTIP 2016 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 2016 is set out in the Remuneration Report.

On February 29, 2016, 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 "Grupo Mabe 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 Grupo P.I. Mabe, S.A. de C.V., a Mexican company which manufactures disposable hygienic products ("Grupo Mabe").

Of the net consideration payable to the sellers at the closing of the Grupo Mabe Transaction, which occurred on February 29, 2016, an amount equal to € 75,677,743.80 has been paid in the form of a vendor loan note issued by Ontex BVBA (the "Vendor Loan Note") which has been immediately contributed in the Company in exchange for 2,722,221 new ordinary shares of the Company.

The 2,722,221 new shares have been issued to The Pamajugo Irrevocable Trust, dated August 13, 2008, a trust organized and existing under the laws of the State of Delaware, USA, acting through its trustee, the Wilmington Trust Company, as consideration for its contribution to the Company of the Vendor Loan Note.

As a consequence of the above, on February 29, 2016, the Board confirmed the realization of a capital increase in kind in an amount 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, represented by a total number of 74,861,108 shares.

On December 31, 2016, 11,185,038 shares of the Company were registered shares (*aandelen op naam*).

2.1.2 Capital and Capital Evolutions during 2017

On March 17, 2017, the Board resolved to increase the share capital in the framework and within the limits of the authorized capital, subject to and to the extent of subscription to shares in an accelerated bookbuilt offering. As part of the accelerated bookbuilt offering, that took place on March 22, 2017, 3,743,055 new shares were subscribed to at a gross price of €29.50 per share. Accordingly, on March 27, 2017, the Board confirmed the realization of a capital increase by contribution 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, represented by a total number of 82,347,218 shares.

1 The "2009 Belgian Code on Corporate Governance" is available on the website of the Belgian Corporate Governance Committee (www.corporategovernancecommittee.be).
2 The English version of Ontex's Corporate Governance Charter is available on the Ontex website (www.ontexglobal.com/sites/default/files/corporate_governance_charter_english.pdf).

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 2016, the Company received the following transparency declarations:

On January 20, 2016, the Company received a transparency declaration from Groupe Bruxelles Lambert SA, and its affiliated entities, stating that, on November 9, 2015, they held 5,513,182 shares of the Company, representing 7.64% of the total number of voting rights in the Company.

On March 3, 2016, the Company disclosed, in accordance with Article 15, § 1, of the Law of May 2, 2007, the changes to its share capital and the amount of shares such capital represents, as detailed in chapter 2 of this Corporate Governance Statement.

On March 3, 2016, the Company received a transparency declaration from The Pamajugo Irrevocable Trust, stating that, on February 29, 2016, they held 2,722,221 shares of the Company, representing 3.64% of the total number of voting rights in the Company.

On March, 7, 2016, the Company received a transparency declaration from BlackRock, Inc., and its affiliated entities, stating that, on March 3, 2016, they crossed the threshold of 7,5% of the total number of voting rights in the Company downwards as a result of the increase in the total number of outstanding ordinary shares of the Company announced on March 3, 2016, and that, on March 3, 2016, they held 5,456,076 shares of the Company, representing 7.29% of the total number of voting rights in the Company.

On March 16, 2016, the Company received a transparency declaration from Groupe Bruxelles Lambert SA, and its affiliated entities, stating that, on March 15, 2016, they held 7,985,501 shares, representing 10.67% of the total number of the voting rights in the Company.

On May 19, 2016, the Company received a transparency declaration from Groupe Bruxelles Lambert SA, and its affiliated entities, stating that, on May 17, 2016, they held 11,239,897 shares of the Company, representing 15,01% of the total number of voting rights in the Company.

On May 27, 2016, the Company received a transparency declaration from Norges Bank, stating that, on May 26, 2016, they held 3,812,880 shares of the Company, representing 5,09% of the total number of voting rights in the Company.

On May 30, 2016, the Company received a transparency declaration from Norges Bank, stating that, on May 27, 2016, they held 3,616,997 shares of the Company and crossed the threshold of 5% of the total number of voting rights in the Company downwards to 4,83%.

On June 3, 2016, the Company received a transparency declaration from Norges Bank, stating that, on May 31, 2016, they held 3,809,154 shares of the Company, representing 5,09% of the total number of voting rights in the Company.

On June 3, 2016, the Company received a transparency declaration from Norges Bank, stating that, on June 1, 2016, they held 3,620,522 shares of the Company, and crossed the threshold of 5% of the total number of voting rights in the Company downwards to 4,84%.

On October 14, 2016, the Company received a transparency declaration from Allianz Global Investors GmbH, stating that, on October 11, 2016, it crossed the threshold of 5% of the total number of voting rights in the Company downwards to 4,36% as a result of sales of shares.

On October 17, 2016, the Company received a transparency declaration from BlackRock, Inc., and its affiliated entities, stating that (1) on October 11, 2016, they crossed the threshold of 5% of the total number of voting rights in the Company downwards as a result of sales of shares, (2) Blackrock Investment Management (UK) Limited, on October 11, 2016, held 2,511,638 shares of the Company, representing 3,36% of the total number of voting rights in the Company and that (3) Blackrock (Luxembourg) SA, on October 11, 2016, crossed the threshold of 3% of the total number of voting rights in the Company downwards as a result of sales of shares.

On October 18, 2016 the Company received a transparency declaration from BlackRock, Inc., and its affiliated entities, stating that, on October 12, 2016, they held 3,743,771 shares of the Company, representing 5 % of the total number of voting rights in the Company.

On October 19, 2016 the Company received a transparency declaration from BlackRock, Inc., and its affiliated entities, stating that, on October 13, 2016, they crossed the threshold of 5% of the total number of voting rights in the Company downwards to 4,997% as a result of sales of shares.

On October 20, 2016 the Company received a transparency declaration from BlackRock, Inc., and its affiliated entities, stating that, on October 17, 2016, they held 3,743,649 shares of the Company, representing 5 % of the total number of voting rights in the Company.

On October 21, 2016 the Company received a transparency declaration from BlackRock, Inc., and its affiliated entities, stating that, on October 19, 2016, they crossed the threshold of 5% of the total number of voting rights in the Company downwards to 4,94% as a result of sales of shares.

On November 17, 2016, the Company received a transparency declaration from BlackRock, Inc., and its affiliated entities, stating that November 15, 2016 Blackrock Investment Management (UK) Limited crossed the threshold of 3% of the total number of voting rights in the Company downwards as a result of sales of shares.

On December 22, 2016, the Company received a transparency declaration from Ameriprise Financial, Inc., and its affiliated entities, stating that, on December 20, 2016 they crossed the threshold of 3% of the total number of voting rights in the Company downwards as a result of sales of shares.

We refer to our website for the transparency declarations received after December 31, 2016.[3]

3 www.ontexglobal.com/Share-information

Corporate Governance Statement
continued

2.3 Shareholder structure
The shareholder structure of the Company on December 31, 2016[4] was, based on the transparency declarations received by the Company, as follows:

Shareholders	Shares	%[1]	Date threshold crossed
Groupe Bruxelles Lambert SA	11,239,897	15.01%	May 17, 2016
BlackRock (and its affiliated entities)	4,058,234	5.42%	November 15 , 2016
Aviva Plc (and its affiliated entities)	3,384,626	4.97%	May 8, 2015
Norges Bank	3.620.522	4.84%	June 1, 2016
Janus Capital Management LLC	3,424,055	4.75%	November 10, 2015
Allianz Global Investors GmbH	3,267,061	4.36%	October 11, 2016
The Pamajugo Irrevocable Trust	2,722,221	3.64%	February 29, 2016
AXA Investment Managers SA	2,053,236	3.02%	August 7, 2014

1 Percentage based on the outstanding share capital of the Company at the time of the declaration.

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 objective of the most recent revision was to bring the Dealing and Disclosure Code in accordance to the new Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("MAR"). 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.

4 Updates subsequent to December 31, 2016 are described on our website (www.ontexglobal.com/Share-information).

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, 2016 complies with these recommendations.

On December 31, 2016, the Board was composed as follows:

Name	Mandate Board	Other mandates as December 31, 2016	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
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	2014	2018
Charles Bouaziz	Chief Executive Officer	ESSEC Business School Alumni, Les Amis de Vaulserre et du Trieves, PAI Partners	2014	2018
Tegacon AS, represented by Gunnar Johansson	Independent Director	Laeringsverkstedet AS, Hilding Anders AB, Askona Vek	2014	2018
Uwe Krüger	Independent Director	WS Atkins plc, SUSI Partners, Aggreko plc, Swiss Nuclear Commission	2014	2018
Artipa BVBA, represented by Thierry Navarre	Chief Operating Officer	None	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 and the G50	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, in replacement of 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 an Independent Director at Scandinavian Tobacco Group.

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, Van Breda Risk & Benefits, and Chairs the Board of QRF. Finally, Inge Boets BVBA, with Ms. Boets as its permanent representative, is manager of La Scoperta BVBA and board member of VZW Altijd Vrouw.

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).

Corporate Governance Statement
continued

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 & 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 a 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 fast moving consumer goods ("FMCG"). Prior to starting Tegacon AS, he held a number of positions within SCA AB, a global company in the tissue, feminine care, 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 AS. He is also Non-Executive Chairman of Laeringsverkstedet, Norway and a member of the board of Hilding Anders in Sweden, and Askona Vek in Russia.

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 Krüger has been Chief Executive Officer of WS Atkins plc (Atkins) since August 2011. 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. He joined Atkins from Texas Pacific Group and Cleantech Switzerland.

Currently, Uwe Krüger is also on the board of Aggreko plc (Glasgow, UK), SUSI Partners (Zurich, Switzerland) and the Swiss Nuclear Commission (Zurich, Switzerland). As an honorary professor of physics he lectures at the University of Frankfurt, Germany.

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 & 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.

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.

Juan Gilberto Marín Quintero, Non-Executive Director. Juan Gilberto Marín Quintero is the founder and 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 Merger and Acquisitions from Stanford University. Formerly, Juan Gilberto Marín Quintero has been the President of the National Council of Foreign Trade, Conacex, a member of the Advisory Council of Banamex City Bank and a director at Bancomext. In addition, Juan Gilberto Marín Quintero 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 2016

On December 31, 2016, the Board of the Company was composed of eight members. With the exception of the CEO, COO and CFO, all Board members are Non-Executive Directors.

There are currently four Independent Directors within the meaning of Article 526ter of the Belgian Companies Code: Revalue BVBA (with Luc

Missorten as its permanent representative), Tegacon AS (with Gunnar Johansson as its permanent representative), Inge Boets BVBA (with Inge Boets as its permanent representative) and Uwe Krüger.

The annual shareholders' meeting held on May 25, 2016 appointed Juan Gilberto Marín Quintero as Non-Executive Director of the Company upon recommendation of the Board and the Remuneration and Nomination Committee.

As it was established that Uwe Krüger meets the requirements to qualify as an Independent Director according to the criteria set forth in Article 526ter of the Belgian Companies Code, the annual shareholders' meeting held on May 25, 2016, appointed Uwe Krüger as an Independent Director of the Company upon recommendation of the Board and the Remuneration and Nomination Committee.

3.3 Gender diversity

As at December 31, 2016, the Company had one female Board member, ie, Inge Boets, as permanent representative of Inge Boets BVBA, representing around 12,5% 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 2016, the Board met 14 times. The attendance rate was as follows:

Name	Board attendance	Attendance rate
Revalue BVBA, represented by Luc Missorten	14/14	100%
Charles Bouaziz	14/14	100%
Cepholli BVBA, represented by Jacques Purnode	14/14	100%
Artipa BVBA, represented by Thierry Navarre	14/14	100%
Inge Boets BVBA, represented by Inge Boets	14/14	100%
Tegacon AS, represented by Gunnar Johansson	13/14	93%
Uwe Krüger	14/14	100%
Juan Gilberto Marín Quintero	8/8[1]	100%

1 Eight meetings of the Board were held since the appointment of Juan Gilberto Marín Quintero on May 25, 2016.

Pursuant to article 522 of the Belgian Companies Code, the Board is vested with the power to perform all acts that are necessary or useful for the realization of the Company's purpose, except for those actions that are specifically reserved by law or by the Company's Articles of Association to the shareholders' meeting or other management bodies. As permitted by the Company's Articles of Association in accordance with Article 524bis of the Belgian Companies Code, the Board may delegate part of its powers to a management committee.

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 chapter 3.5 of this Corporate Governance Statement.

Major matters reviewed by the Board during 2016 include, among others:

- The integration of Grupo Mabe;
- The acquisition of the personal hygiene business of Hypermarcas (Brazil);
- 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.

In accordance with the Corporate Governance Charter, the Board assesses, under the lead of its Chairman, regularly its scope, composition and performance and that of the Board Committees. A formal assessment process was conducted in 2016 during a dedicated meeting held on November 7, 2016, followed up by a report and actions presented to the Board on December 7, 2016. Areas of the assessment covered the role of the Board and its interaction with the Management Committee, the actual functioning of the Board and its effectiveness, and the composition of the Board in term of suitable size as well as profiles of Directors.

3.5 Board Committees

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, 2016, 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 AS, represented by Gunnar Johansson	Member, Independent Director	2014	2018
Revalue BVBA, represented by Luc Missorten	Member, Independent Director	2014	2018

Corporate Governance Statement
continued

During 2016, the Audit and Risk Committee met four 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	4/4	100%
Tegacon AS, represented by Gunnar Johansson	4/4	100%
Revalue BVBA, represented by Luc Missorten	4/4	100%

All members attended all meetings. All meetings were also attended by Marc Gallet, Secretary of the Audit and Risk Committee and by Charles Bouaziz, Jacques Purnode (except for the meeting of May 2, 2016) and Thierry Navarre.

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.

A reform of statutory audit was recently conducted at the European level, namely through (i) the Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and (ii) the Directive 2006/43/EC of the European Parliament and of the Council of May 17, 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (the "European Audit Reform"). The European Audit Reform was implemented into Belgian law by the act of December 7, 2016 on the organization of the profession of and public oversight over statutory auditors (*Wet tot organisatie van het beroep van en het publiek toezicht op de bedrijfsrevisoren*) that entered into force on December 31, 2016 and among other things amended the Belgian Companies Code. The Audit and Risk Committee has duly reviewed the European Audit Reform, more specifically the impact on the audit activities and reporting within the Company, as well as the responsibilities and functioning within the Audit and Risk Committee.

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 collectively possess 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 will expire in 2017, on the date of the upcoming Company's ordinary shareholders' meeting. The Audit and Risk Committee has, on November 7, 2016, recommended after having conducted a competitive selection process that PwC be re-appointed as statutory auditor of the Company, and the Board decided, on December 7, 2016, to propose, upon the Audit and Risk Committee's recommendation, to the upcoming shareholders' meeting of the Company the re-appointment of PwC as statutory auditor of the Company for a second term of three years.

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, 2016, the Remuneration and Nomination Committee was composed as follows:

Name	Position	Mandate since	Mandate expires
Tegacon AS, 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 2016, the Remuneration and Nomination Committee met five times. The attendance rate was as follows:

Name	R&N Committee meetings attended	Attendance rate R&N Committee
Tegacon AS, represented by Gunnar Johansson	5/5	100%
Inge Boets BVBA, represented by Inge Boets	5/5	100%
Revalue BVBA, represented by Luc Missorten	5/5	100%

All members attended all meetings. All meetings were also attended by Astrid De Lathauwer, Group HR Director and Secretary of the Remuneration and Nomination Committee and by Charles Bouaziz (except for the meeting of March 25, 2016).

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 2016 performance year.

The Remuneration and Nomination Committee also reviewed the remuneration for Non-Executive Directors, as further described in chapter 8.1.

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 biographies under chapter 3.1 of this Corporate Governance Statement.

Management Committee

Until June 28, 2016, the operational management of the Company was led by the Executive Management Team under the leadership of the CEO and in accordance with the general policy orientations determined by, and under the supervision of, the Board.

On June 28, 2016, the Board has 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.[5]

The reason for doing so was twofold. The Company has, since its initial public offering, further evolved in terms of internal decision-making from a private equity owned company to a listed company. Moreover, the Company has always valued entrepreneurship and has been working within a diversified geography, combined with a high degree of local autonomy.

Aiming to maintain this entrepreneurial spirit, and the geographical and functional autonomy, the creation of a formal Management Committee was considered to be the best solution.

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 fulfil 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.

5 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, 2016, the Management Committee, consisted of the following members:

Name	Position	Member of the Management Team since	Appointed to Management Committee[1]
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 Amsalem	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[2]	General Manager — Mature Markets Retail Division	2013	2016
Martin Gärtner	Group Manufacturing 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
Cephoelli BVBA with Jacques Purnode as its permanent representative	Executive Director — Chief Financial Officer	2013	2016
Thierry Viale	General Manager — Growth Markets Division and Strategic Development	2013	2016

1 Management Committee was created effective July 1, 2016.
2 Note that Arnauld Demoulin will be leaving the Company in May 2017.

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

During 2016, the Management Committee met monthly and discussed strategic, business, financial and operating matters and Group projects.

Corporate Governance Statement
continued

Management Committee

Charles Bouaziz
Chairman of the Management Committee and Chief Executive Officer
Appointed 2013

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.

Jacques Purnode
Chief Financial Officer
Appointed 2013

Jacques Purnode, permanent representative of Cepholli 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 chapter 3.1 of this Corporate Governance Statement.

Thierry Navarre
Chief Operating Officer
Appointed 2013

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.

Philippe Agostini
Group Chief Procurement & Supply Chain Officer
Appointed 2013

Philippe Agostini previously held various senior positions in Purchasing and Supply Chain for 25 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.

Laurent Bonnard
Group Sales Director
Appointed 2013

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 for France, and last held the function as VP Business Development for Europe.

Oriane Perreaux
Group Marketing Director
Appointed 2013

Prior to joining the Ontex Group, Oriane Perreaux 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.

Annick De Poorter
Group R&D & Quality Director
Appointed 2009

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 2009. Before joining the Group, she worked at Libeltex NV in Belgium, and prior to that, she was a Scientific Researcher at the University of Ghent, Belgium. Annick holds a master's degree in Civil Engineering in Textiles from the University of Ghent, Belgium. She also holds a certificate "Internal Auditor ISO 9000:2000" from Lloyd's Register.

Martin Gärtner
Group Manufacturing Director
Appointed 2009

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.

Armando Amselem
President of the Americas Retail Division
Appointed 2016

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 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
Appointed 2008

Özgür Akyıldız 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, 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.

Xavier Lambrecht
General Manager of the Healthcare Division
Appointed 2014

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 in Commercial Engineering from the University Leuven, Belgium. Xavier was appointed as a manager of Ontex BVBA as of February 1, 2014.

Arnauld Demoulin
General Manager of the Mature Markets Retail Division
Appointed 2013

Arnauld Demoulin, permanent representative of Arlipase BVBA, joined the Ontex Group in 2002 as Retail Brand Manager. He was appointed General Manager of the Healthcare Division in 2010, and subsequently appointed General Manager of the Mature Retail Division in 2014. Arnauld was previously Ontex's General Manager of the FBSI (France, Benelux, Nordic, Spain Portugal, Italy and Greece) Division and Category Director. Before joining the Ontex Group, he was a Division Manager at Robert Half International in Belgium. Between 1993 and 2000 he worked in various positions in Sales and Marketing at Procter & Gamble, Belgium. Arnauld holds a degree in Economic Sciences from Institut Catholique des Hautes Etudes Commerciales, Brussels, Belgium.

Thierry Viale
General Manager of the Growth Markets Division and Strategic Development
Appointed 2013

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.

Astrid De Lathauwer
Group Human Resources Director
Appointed 2014

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.

Corporate Governance Statement
continued

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, 2016 can be found in chapter 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 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.

The Articles of Association of the Company provided for certain nomination rights in favor of Whitehaven B S.à r.l. However, given that Whitehaven B S.à r.l. has transferred its remaining shares in the Company on March 10, 2015, these nomination rights were no longer applicable and the extraordinary shareholders' meeting of May 25, 2016 approved the amendment of the relevant provisions in the Articles of Association of the Company to remove the references to the nomination rights of Whitehaven B S.à r.l.

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.

This authorization includes the limitation or cancellation of the preferential subscription rights for the benefit of one or more specific persons and in connection with capital increases in the event of a public takeover bid.

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*), ie, five years from July 9, 2014. In connection with capital increases in the event of a public takeover bid, the authorization is only valid for a term of three years from the date of the extraordinary shareholders' meeting of June 10, 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 chapter 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 chapter 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 following 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.

The Board is also authorized to acquire for the Company's account the Company's own shares, profit-sharing certificates or associated certificates, if such acquisition is necessary to prevent a serious and imminent harm to the Company. This authorization is valid for three years as from the date of the publication of the authorization in the Annexes to the Belgian State Gazette, ie three years from July 9, 2014.

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

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") 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, 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, 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 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 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.

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 chapter 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:

Remuneration of the member of the Executive Management Team/Management Committee

On February 29, 2016, the Board resolved on the remuneration (incl. LTIP 2016) for the members of the Executive Team/Management Committee. Prior to discussing this item, Charles Bouaziz, Cepholli BVBA, with Jacques Purnode as its permanent representative, and Artipa BVBA, with Thierry Navarre as its permanent representative, declared to have a 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.

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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."

6. Related Party Transactions

During 2016, 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 as well as the LTIP 2016, 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 a 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 chapter 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;
- Committee member attendance fee (with respect to the Remuneration and Nomination Committee respectively Audit and Risk Committee): €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.

2016 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	172,500
Inge Boets BVBA, represented by Inge Boets	Chairman of the Audit and Risk Committee, Independent Director	110,500
Tegacon AS, represented by Gunnar Johansson	Chairman of the Remuneration and Nomination Committee,Independent Director	106,500
Uwe Krüger	Independent Director	82,500
Juan Gilberto Marín Quintero[1]	Non-Executive Director	45,000

1 Upon recommendation of the Remuneration and Nomination Committee and proposal of the Board, the annual shareholders' meeting of May 25, 2016 appointed Juan Gilberto Marín Quintero Non-Executive Director.

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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:

Rewarding successful execution of the Ontex strategy
Executive remuneration is strongly linked to the achievement of targets in line with the Ontex financial plan approved by the Board

Internal consistency
The structure of the remuneration package is in reasonable proportion and consistent with that of the line management reporting to them

Pay for performance
An important part of remuneration is linked directly to Group and Divisional performance and is consequently variable and at risk

Long-term shareholder value creation
Aiming at aligning the interests of the executives with those of shareholders by granting them share-based remuneration

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 chapter 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 2016, 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 2016 of the CEO (total cost)

- Fixed base remuneration: €881,093.
- 2016 short term variable remuneration (paid out in 2017): €1,154,232.
- Aggregate other elements of remuneration (medical insurances, car perks): €45,478.

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 clawback provision in case such variable remuneration would have been granted on the basis of inaccurate financial data. The remuneration increase from 2015 to 2016 is due to a salary increase. In addition, and following the benchmarking exercise described in point 8.8, a medical insurance as well as a car benefit have been added to the remuneration of the CEO.

8.4 Fixed and short-term variable remuneration 2016 for the members of the Management Committee (excluding the CEO)

- Aggregate fixed base remuneration: €4,492,544
- Aggregate 2016 short-term variable remuneration (paid out in 2017): €3,015,799.
- Aggregate pension entitlements (defined contribution plan structure) and life and disability insurance contributions: €95,586.
- Aggregate other elements of remuneration (medical insurance, company cars, etc): €165,392.

In addition, the members of the Management Committee benefit from 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 recommendation of the CEO with respect to his evaluation of the individual performance of the Management Committee members. There is no clawback 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 increase from 2015 to 2016 is due to salary increases as well as the fact that Armando Amselem joined in the course of 2016. In addition, and following the benchmarking exercise described in point 8.8, benefits and perks, such as pension plan entitlements, company cars and a medical insurance have been added to the remuneration of Executive Team members.

8.5 2016 Long Term Incentive Plan

In 2016 the Company implemented the LTIP 2016, 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 2016 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/Management Committee in 2016 and the aggregate amount of outstanding options and RSUs for the LTIP can be summarized as follows:

	# RSUs		# Stock options	
Name	Grant 2016	Total 2014 - 2016	Grant 2016	Total 2014 - 2016
Charles Bouaziz	14,522	29,274	62,220	129,811
Philippe Agostini	2,760	5,271	11,826	23,444
Özgür Akyıldız	1,433	4,757	6,140	21,409
Armando Amselem	3,526	3,526	15,106	15,106
Laurent Bonnard	2,738	5,255	11,730	23,380
Astrid De Lathauwer	2,723	5,084	11,666	22,595
Annick De Poorter	1,989	4,058	8,522	18,179
Arnauld Demoulin	3,328	7,168	14,260	32,028
Martin Gärtner	2,103	4,009	9,008	17,826
Xavier Lambrecht	2,524	5,156	10,813	22,947
Thierry Navarre	4,641	10,455	19,886	46,725
Oriane Perreaux	1,922	3,628	8,236	16,106
Jacques Purnode	4,112	9,961	17,618	44,308
Thierry Viale	3,697	6,117	15,839	27,035

To date, no stock options or RSUs were exercised and no stock options or RSUs lapsed under the LTIP.

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 (three 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.

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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	3 months	12 months
Arlipase BVBA (Arnauld Demoulin)	12 months	12 months
Annick De Poorter	3 months	15 months
Martin Gärtner	12 months	6 months
Özgür Akyıldız	N/A	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.

At the end of 2015, 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 European companies or European divisions of multinational corporations 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 and major BELMID companies (exclusive of the financial sector) 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 due to lower levels of long-term incentives and benefits. The Committee therefore has decided to recommend an enhancement with respect to the level of the LTIP and benefits to the Board, in order to align the remuneration levels with the median of the market.

This adaptation will be implemented over a two-year period, and the Company will continue to monitor the competitiveness of the executive remuneration practices in the coming period, as we further expand into new territories and businesses.

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 the first responsible for assessing risks on a day-to-day basis and implementing controls in response of 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 actors provide guidance and direction and develop a risk management framework.
- Third line of defense: independent assurance providers like 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 systems

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 the 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 and 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 actors:

- 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 chapter 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 disaggregated 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 www.ontexglobal.com/calendar.

Financial Statements

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Consolidated financial statements for the financial year ended December 31, 2016 and 2015

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"), give a true and fair view of the assets, financial position and results of Ontex Group NV and of the entities included in the consolidation;
- The annual review presents a fair overview of the development and the results of the business and the position of Ontex Group NV and of the entities included in the consolidation, as well as a description of the principal risks and uncertainties facing them pursuant Article 12, paragraph 2 of the Royal Decree of November 14, 2007.

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

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

Statutory auditor's report to the general shareholders' meeting on the consolidated accounts for the year ended 31 December 2016

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016 , the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated accounts – Unqualified opinion

We have audited the consolidated accounts of Ontex Group NV ("the Company") and its subsidiaries (jointly "the Group") for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to EUR 2,449.0 million and the consolidated income statement shows a profit for the year of EUR 119.7 million.

Board of directors' responsibility for the preparation of the consolidated accounts

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

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) as endorsed in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated accounts.

We have obtained from the board of directors and the Company's 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.

Unqualified Opinion

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 2016 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.

Report on other legal and regulatory requirements

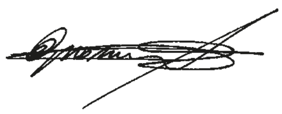
The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

- The directors' report (referred to as "Annual Review" by the Company) on the consolidated accounts includes the information required by law, is consistent with the consolidated accounts and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Ghent, 28 March 2017

The Statutory Auditor
PwC Bedrijfsrevisoren BCVBA
Represented by



Peter Opsomer*
Réviseur d'Entreprises / Bedrijfsrevisor

* Peter Opsomer BVBA
Board Member, represented by its fixed representative, Peter Opsomer

1. General information

1.1. Corporate Information

The consolidated financial statements of Ontex Group NV for the year ended December 31, 2016 were authorized for issue in accordance with a resolution of the Board of Directors on March 27, 2017.

1.2. Business Activities

Ontex is a leading producer of personal hygiene products and solutions, ranging from baby diapers to products for feminine hygiene and adult incontinence. Ontex's products are distributed via retail and institutional channels in more than 110 countries through Ontex-owned brands as well as leading retailer brands. The Group is present in 25 countries mainly in Europe, the Middle East, North Africa and the Americas.

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.

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, 2016	December 31, 2015
Non-current assets			
Goodwill	8	**1,096.2**	860.1
Intangible assets	8	**32.5**	4.5
Property, plant and equipment	9	**455.5**	319.0
Deferred tax assets	17	**8.7**	7.0
Non-current receivables		**0.3**	–
		1,593.2	1,190.6
Current assets			
Inventories	11	**254.2**	201.1
Trade receivables	10	**312.5**	218.1
Prepaid expenses and other receivables	10	**61.0**	49.0
Current income tax	17	**10.6**	7.3
Derivative financial assets	4.1	**4.7**	2.2
Cash and cash equivalents	12	**212.8**	236.8
		855.8	714.5
Total assets		**2,449.0**	1,905.1

Equity and Liabilities In € million	Note	December 31, 2016	December 31, 2015
Equity attributable to owners of the company			
Share capital and Premium	13	**988.8**	913.1
Cumulative translation differences		**(42.5)**	(24.3)
Treasury shares		**(22.3)**	(13.1)
Retained earnings and other reserves		**75.1**	(23.5)
Total equity		**999.1**	852.2
Non-current liabilities			
Employee benefit liabilities	16	**22.6**	19.7
Provisions	19	**0.3**	0.2
Interest-bearing debts	15	**779.1**	633.1
Other non-current financial liabilities	18	**26.4**	–
Deferred income tax liabilities	17	**45.9**	27.3
Other payables		**0.4**	0.2
		874.7	680.5
Current liabilities			
Interest-bearing debts	15	**22.9**	9.2
Derivative financial liabilities	4.1	**3.8**	2.5
Other current financial liabilities	18	**49.3**	5.0
Trade payables	18	**366.8**	267.1
Accrued expenses and other payables	18	**30.1**	23.3
Social liabilities	18	**39.1**	33.3
Current income tax liabilities	17	**55.3**	27.3
Provisions	19	**7.9**	4.7
		575.2	372.4
Total liabilities		**1,449.9**	1,052.9
Total equity and liabilities		**2,449.0**	1,905.1

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 2016	Full Year 2015
Revenue	5	**1,993.0**	1,689.3
Cost of sales	23	**(1,407.5)**	(1,213.7)
Gross margin		**585.5**	475.6
Distribution (expenses)/income	23	**(181.6)**	(151.0)
Sales and marketing (expenses)/income	23	**(125.6)**	(93.5)
General administrative (expenses)/income	23	**(76.5)**	(55.6)
Other operating income/net	21–23	**4.6**	0.3
Non-recurring income and expenses	22	**(12.9)**	(6.8)
Operating profit		**193.5**	169.0
Finance income	24	**43.6**	25.7
Finance costs	24	**(72.9)**	(61.9)
Net finance cost		**(29.3)**	(36.2)
Profit/(Loss) before income tax		**164.2**	132.8
Income tax expense	25	**(44.5)**	(34.2)
Profit/(Loss) for the period		**119.7**	98.6
Profit/(Loss) attributable to:			
Owners of the parent		**119.7**	98.6
Profit/(Loss) for the period		**119.7**	98.6

Earnings per share:

In €	Note	Full Year 2016	Full Year 2015
Basic Earnings per share	14	**1.61**	1.43
Diluted Earnings per share	14	**1.61**	1.43
Weighted average number of ordinary shares outstanding during the period		**74,407,405**	68,736,110

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 2016	Full Year 2015
Income/(loss) for the period		**119.7**	98.6
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	**(0.6)**	1.3
Items that will be reclassified subsequently to income statement			
Exchange differences on translating foreign operations		**(18.2)**	(6.0)
Cash flow hedge		**(0.4)**	(0.9)
Other comprehensive income/(loss) for the period, net of tax		**(19.2)**	(5.6)
Total comprehensive income/(loss) for the period		**100.5**	93.0
Total comprehensive income attributable to:			
Owners of the parent		**100.5**	93.0
Total comprehensive income/(loss) for the period		**100.5**	93.0

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	Cumulative translation reserves	Treasury shares	Retained earnings and other reserves	Total Equity
Balance at December 31, 2015	13	**72,138,887**	**694.8**	**218.3**	**(24.3)**	**(13.1)**	**(23.5)**	**852.2**
Transactions with owners at the level of Ontex Group NV:								
Settlement of Share-based Payment		–	–	–	–	–	1.8	1.8
Dividend		–	–	–	–	–	(34.2)	(34.2)
Treasury Shares		–	–	–	–	(9.2)	–	(9.2)
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 year		**–**	**–**	**–**	**–**	**–**	**119.7**	**119.7**
Other comprehensive income:								
Exchange differences on translating foreign operations		–	–	–	(18.2)	–	–	(18.2)
Actuarial gains/(losses) on defined benefit pension plans		–	–	–	–	–	(0.6)	(0.6)
Cash flow hedges		–	–	–	–	–	(0.4)	(0.4)
Other movements		–	–	–	–	–	–	–
Total other comprehensive income		**–**	**–**	**–**	**(18.2)**	**–**	**(1.0)**	**(19.2)**
Balance at December 31, 2016	13	**74,861,108**	**722.0**	**266.8**	**(42.5)**	**(22.3)**	**75.1**	**999.1**

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

In € million	Note	Attributable to equity holders of the Company Number of shares	Share capital	Share Premium	Cumulative translation reserves	Treasury shares	Retained earnings and other reserves	Total Equity
Balance at December 31, 2014	13	**68,055,555**	**655.3**	**144.4**	**(18.3)**	**–**	**(110.4)**	**671.0**
Transactions with owners at the level of Ontex Group NV:								
Settlement of Share-based Payment		–	–	–	–	–	0.8	0.8
Dividend		–	–	–	–	–	(12.9)	(12.9)
Treasury Shares		–	–	–	–	(13.1)	–	(13.1)
Issuance expense new shares		–	(1.3)	–	–		–	(1.3)
Capital increase		4,083,332	40.8	73.9	–	–	–	114.7
Total transactions with owners 2015		**4,083,332**	**39.5**	**73.9**	**–**	**(13.1)**	**(12.1)**	**88.2**
Comprehensive income:								
Profit for the year		**–**	**–**	**–**	**–**	**–**	**98.6**	**98.6**
Other comprehensive income:								
Exchange differences on translating foreign operations		–	–	–	(6.0)	–	–	(6.0)
Actuarial gains/(losses) on defined benefit pension plans		–	–	–	–	–	1.3	1.3
Cash flow hedges		–	–	–	–	–	(0.9)	(0.9)
Other movements		–	–	–	–	–	–	–
Total other comprehensive income		**–**	**–**	**–**	**(6.0)**	**–**	**0.4**	**(5.6)**
Balance at December 31, 2015	13	**72,138,887**	**694.8**	**218.3**	**(24.3)**	**(13.1)**	**(23.5)**	**852.2**

The shareholding of Ontex Group NV based on the declarations, received in the period up to December 31, 2016, is as follows:

Shareholder	December 31, 2016	%[1]
Groupe Bruxelles Lambert	11,239,897	15.01%
BlackRock (and its affiliates)	4,058,234	5.42%
Aviva Plc (and its affiliates)	3,384,626	4.97%
Norges Bank	3,620,522	4.84%
Janus Capital Management LLC	3,424,055	4.75%
Allianz Global Investors GmbH	3,267,061	4.36%
The Pamajugo Irrevocable Trust	2,722,221	3.64%
AXA Investment Managers SA	2,053,236	3.02%

1 At the time of the declaration.

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

6. Consolidated statement of cash flows
for the years ended December 31

In € million	Note	Full Year 2016	Full Year 2015
Cash flow from operating activities			
Net profit/(loss) for the year		**119.7**	98.6
Adjustments for:			
Income tax expense	25	**44.6**	34.2
Depreciation and amortization		**43.2**	33.3
(Profit)/loss on disposal of property, plant and equipment		**0.3**	0.4
Provisions (including employee benefit liabilities)		**5.1**	1.5
(Profit)/loss on earn out comprising also translation impacts		**(6.3)**	(2.0)
Finance costs – net (including unrealized F/x difference on financing)		**29.3**	36.2
Changes in working capital:			
Inventories		**(6.9)**	(0.7)
Trade and other receivables and prepaid expenses		**(20.2)**	(7.6)
Trade and other payables and accrued expenses		**11.5**	2.7
Social liabilities		**0.1**	3.8
Cash from operating activities before taxes		**220.4**	200.4
Income tax paid		**(24.9)**	(19.8)
Net cash generated from operating activities		**195.5**	180.6
Cash flows from investing activities			
Purchases of property, plant and equipment and intangibles		**(77.1)**	(55.9)
Gain on disposal		**0.4**	–
Acquisition price paid	7	**(169.0)**	(3.0)
Net cash used in investing activities		**(245.7)**	(58.9)
Cash flows from financing activities			
Proceeds from borrowings	15	**125.9**	6.9
Repayment of borrowings	15	**(28.4)**	(0.6)
Interest paid	24	**(25.6)**	(24.2)
Interest received	24	**1.5**	0.9
Cost of refinancing and Other costs of financing		**(6.6)**	(5.5)
Realized foreign exchange (losses)/gains on financing activities		**(4.9)**	4.1
Derivative financial asset		**(1.5)**	(2.5)
Dividend pay out		**(34.2)**	(12.9)
Capital increase (net of issuance costs new shares)		**–**	113.4
Net cash generated from/(used in) financing activities		**26.2**	79.6
Net increase in cash, cash equivalents and bank overdrafts		**(24.0)**	201.3
Cash, cash equivalents at the beginning of the year		**236.8**	35.5
Cash, cash equivalents at the end of the year		**212.8**	236.8

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

7. Notes to the consolidated financial statements

7.1. Summary of Significant Accounting Policies

7.1.1. Introduction

The accounting policies used to prepare the consolidated financial statements for the period from January 1, 2016 to December 31, 2016 are consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2015 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, 2016 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, 2016. The new standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning January 1, 2016, 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 derivative financial instruments for which fair value is used.

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 2016 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, 2016 and have no material impact on Ontex Group financial statements:

Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation. This amendment provides guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" on depreciation and amortization. In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Amendment to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" on bearer plants. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms.

Amendments to IAS 27 "Separate financial statements" on the equity method. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendments to IAS 1 "Presentation of financial statements". The amendments to IAS 1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

Amendment to IAS 19, "Employee benefits", on defined benefit plans (effective July 1, 2014 and endorsed for February 1, 2015). These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Annual improvements 2010–2012 (effective July 1, 2014 and endorsed for February 1, 2015). These amendments include changes from the 2010–2012 cycle of the annual improvements project, that affect 7 standards: IFRS 2, "Share-based payment", IFRS 3, "Business Combinations", IFRS 8, "Operating segments", IFRS 13, "Fair value measurement", IAS 16, "Property, plant and equipment", and IAS 38, "Intangible assets", Consequential amendments to IFRS 9, "Financial instruments", IAS 37, "Provisions, contingent liabilities and contingent assets", and IAS 39, Financial instruments – Recognition and measurement".

Annual improvements 2012–2014 (effective and endorsed for January 1, 2016). These set of amendments impacts 4 standards: IFRS 5, "Non-current assets held for sale and discontinued operations" regarding methods of disposal; IFRS 7, "Financial instruments: Disclosures", (with consequential amendments to IFRS 1) regarding servicing contracts; IAS 19, "Employee benefits" regarding discount rates; IAS 34, "Interim financial reporting" regarding disclosure of information.

Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities" and IAS 28, "Investments in associates and joint ventures", effective for annual periods beginning on or after January 1, 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

7. Notes to the consolidated financial statements
continued

The following interpretation and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2016 (however yet subjected to EU endorsement):

IFRS 14 "Regulatory deferral accounts". It concerns an interim standard on the accounting for certain balances that arise from rate–regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS.

IFRS accounting standards to be adopted as from 2017 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, 2017 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

Summary

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments 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.

An impact analysis will be performed during 2017, but 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.

Impairment

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.

Transition

IFRS 9 Financial Instruments is endorsed by the EU and is to be applied for the reporting periods beginning on January 1, 2018 or later. The Ontex Group plans to apply the new standard in its consolidated financial statements for the year ending December 31, 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. However, the Ontex Group has not made a decision yet in relation to the exemptions and elections that IFRS 9 allows.

IFRS 15 Revenue from Contracts with Customers

Summary

The IFRS 15 standard supersedes IAS 18 Revenue, 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 of 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.

During 2016, the Ontex Group performed a first assessment of IFRS 15, which will still be subject to changes arising from a more detailed ongoing analysis. The main aspects of this first assessment are mentioned below:

Sale of goods

The Ontex Group sells goods. The Group expects the revenue recognition to occur at a point in time when a customer obtains control 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. The Company is currently performing a detailed analysis on a contract-by-contract basis, to assess the impact.

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 are 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 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). The Group is assessing the contracts to identify the variable considerations and the related constraints.

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

Transition

IFRS 15 Revenue from Contracts with Customers is endorsed by the EU (except for the Clarifications to IFRS 15 issued by the IASB in April 2016) and is to be applied for the reporting periods beginning on January 1, 2018 or later. The Ontex Group plans to apply the new standard in its consolidated financial statements for the year ending December 31, 2018. However, the Group has not yet decided which method of application it will apply for the transition, ie full retrospective or cumulative catch-up as this depends on the practical operational aspects.

IFRS 16 Leases

Summary

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. As at December 31, 2016, the Group has non-cancellable operating lease commitments of €86.9 million, which are detailed in note 7.28.

Transition

If adopted by the European Union, IFRS 16 Leases will be effective for the reporting periods beginning on January 1, 2019 or later. 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. 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 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, 2016 and have not been adopted by the European Union and are not expected to have a material impact on the Ontex Group's financial statements:

- Amendments to IFRS 10, "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures", for which the effective date still has to be determined.
- Amendments to IAS 12, "Income taxes" on Recognition of deferred tax assets for unrealized losses (effective January 1, 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.
- Amendments to IAS 7, Statement of cash flows (effective January 1, 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.
- Amendments to IFRS 15, "Revenue from contracts with customers" – Clarifications (effective January 1, 2018). These amendments compromise clarification guidance on identifying performance obligations, accounting for licenses of intellectual property and the principle versus agent assessment. The amendment also includes more illustrative examples.
- Amendments to IFRS 2: Share-based payments (effective January 1, 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 IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective January 1, 2018).
- Amendments to IAS 40, "Investment property" relating to transfers of investment property (effective January 1, 2018).
- Annual improvements 2014–2016 applicable to three standards of which changes on IFRS 1 and IAS 28 are applicable as of January 1, 2018 and changes on IFRS 12 are applicable as of January 1, 2017. These set of amendments impacts 3 standards: 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; IFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard (these amendments should be applied retrospectively for annual periods beginning on or after January 1, 2017) and IAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value.
- IFRIC 22, "Foreign currency transactions and advance consideration (effective January 1, 2018):" This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.

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 purchase 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.

7. Notes to the consolidated financial statements
continued

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 subsidiaries is included in "intangible assets". 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 Markets 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 euros, 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 "Finance income" or "Finance cost". All other foreign exchange gains and losses are presented in the income statement within "other operating income/(expense), 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, 2016		December 31, 2015	
	Closing Rate	Av Rate Year	Closing Rate	Av Rate Year
AUD	**1.4596**	**1.4886**	1.4897	1.4765
GBP	**0.8562**	**0,8189**	0.7340	0.7260
MXN	**21.7719**	**20.6564**	–	–
PLN	**4.4103**	**4.3641**	4.2639	4.1828
RUB	**64.3000**	**74.2212**	80.6736	68.0068
TRY	**3.7072**	**3.3439**	3.1765	3.0218
USD	**1.0541**	**1.1066**	1.0887	1.1096

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

Intangible fixed 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 intangible 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
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 & 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:

Tangible assets	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

7. Notes to the consolidated financial statements
continued

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 shown net of value-added tax, returns, rebates and discounts 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. Although the price takes into account the terms of delivery, transportation as a service is seldom billed separately.

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.

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

7.1.14. 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 canceled 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 "social 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.

7. Notes to the consolidated financial statements continued

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

Since the IPO (2014), the Group operates an equity-settled share-based compensation plan, consisting of stock options and restricted stock units (RSU). For grants of options and RSU after July 30, 2014, the fair value of the employee services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The Group recognizes 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 share 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 share 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 share 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;
- 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.

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.

7. Notes to the consolidated financial statements continued

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 "Finance income" of "Finance costs" to the extent that they relate to the financing activities of the Group (eg 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, review 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

The 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

Non-recurring income and expenses are defined as those items that are considered to be non-recurring or unusual because of their nature. The non-recurring income and expenses relate to:

- Acquisition costs;
- Business restructuring costs, including costs relate to the liquidation of subsidiaries and the closure, opening or relocations of factories;
- Asset impairment costs;
- IPO and refinancing costs.

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 depreciation and amortization.

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 depreciation and amortization for the last 12 months (LTM).

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 intangibles), less change in working capital, less cash taxes paid.

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

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

7.1.27. Reconciliation of alternative performance measures

7.1.27.1. Non-recurring income and expenses
Non-recurring income and expenses of the Group for the years ended December 31 are presented in note 7.22 "Non-recurring Income and Expenses".

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

EBITDA & Adjusted EBITDA in € million	Full Year 2016	Full Year 2015
Reconciliation of operating profit to net income before interest, tax, depreciation and amortization (EBITDA)		
Operating profit	**193.5**	169.0
Depreciation and amortization[1]	**43.1**	33.3
EBITDA	**236.6**	202.3

EBITDA & Adjusted EBITDA in € million	Full Year 2016	Full Year 2015
Reconciliation of net income before interest, tax, depreciation and amortization (EBITDA) to Adjusted EBITDA		
EBITDA	**236.6**	202.3
Non-recurring expenses excluding amortization	**12.1**	6.8
Adjusted EBITDA	**248.7**	209.1

1 Depreciation and amortization (D&A) include €42.3 million of recurring D&A and €0.8 million of non-recurring D&A in 2016 (€33.3 million of recurring D&A and €0.0 million of non-recurring D&A in 2015).

7.1.27.3. Net financial debt/LTM Adjusted EBITDA ratio
Net financial debt/LTM Adjusted EBITDA ratio of the Group for the years ended December 31 are presented in note 7.2. "Capital Management".

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

Adjusted Free Cash Flow calculation in € million	Full Year 2016	Full Year 2015
Operating profit	**193.5**	169.0
Depreciation and amortization	**43.1**	33.3
EBITDA	**236.6**	202.3
Non-recurring income and expenses	**12.1**	6.8
Adjusted EBITDA	**248.7**	209.1
Change in working capital		
Inventories	**(6.9)**	(0.7)
Trade and other receivables	**(20.2)**	(7.6)
Trade and other payables	**11.5**	2.7
Capex	**(77.1)**	(55.9)
Adjusted Free Cash Flow (pre-tax)	**156.0**	147.5
Cash taxes paid	**(24.9)**	(19.8)
Adjusted Free Cash Flow (post-tax)	**131.1**	127.8

7.1.27.5. Adjusted Basic Earnings per Share
Adjusted Basic Earnings per Share for the years ended December 31 are presented in note 7.14. "Earnings per share".

7.1.28. Alternative performance measures included in the press releases and other regulated information

7.1.28.1. 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.

7.1.28.2. Like-for-like (LFL) revenue
Like-for-like revenue is defined as revenue at constant currency excluding change in perimeter of consolidation or M&A.

7.1.28.3. 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.

7.1.28.4. Adjusted EBITDA margin
Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

7. Notes to the consolidated financial statements
continued

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:

Net debt in € million	Note	December 31, 2016	December 31, 2015
Long-term interest bearing debt	15	**779.1**	633.1
Other non-current financial liabilities[2]	18	**26.4**	–
Short-term interest bearing debt	15	**22.9**	9.2
Other current financial liabilities[2]	18	**49.3**	5.0
Cash and cash equivalents	12	**(212.8)**	(236.8)
Total net debt position		**664.9**	410.4
LTM Adjusted EBITDA[1]		**248.7**	209.1
Net financial debt/LTM Adjusted EBITDA ratio		**2.67**	1.96

1 LTM Adjusted EBITDA as defined per note 7.1.26.
2 Position for the period ended December 31, 2015 has been re-stated to include earn out payments.

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 attributes usable to offset future taxable profits, mainly in France and Belgium, amounting to €395.7 million at December 31, 2016 (€369.6 million at December 31, 2015).

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. As a consequence, the Belgian State will be required to recover the illegal state aid granted to tax payers under this system in the previous 10 years.

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 were to 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 not fully recognized deferred tax assets on the €395.7 million of tax losses and other tax attributes. The valuation of this asset depends on a number of judgmental assumptions regarding the future probable taxable profits of different Group subsidiaries in different jurisdictions. These estimations are made prudently in the limit of the best current knowledge.

7.3.2. 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	2016	2015
Pre-tax discount rate		
Mature Markets Retail	**7.7%**	7.8%
Growth Markets	**13.6%**	7.2%
Healthcare	**7.8%**	7.8%
Middle East North Africa	**14.0%**	9.9%
Americas Retail	**11.9%**	N/A

Should the estimated EBITDA at December 31, 2016 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 2% for Mature Markets Retail, Growth Markets and Healthcare, 3% for MENA and 2,5% 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.

7.3.3. 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.

7.3.4. 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.

7.3.5. Employee benefits

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

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

Would the discount rate used be higher or lower than 1%, the impact on the financial statements would not be material.

7. Notes to the consolidated financial statements
continued

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:

Financial instruments in € million	December 31, 2015 Designated in hedge relationship	At fair value through profit or loss – held for trading	Loans and receivables at amortized cost	Fair value	Fair value level
Trade receivables			218.1	218.1	Level 2
Other receivables			36.9	36.9	Level 2
Derivative financial assets	2.2			2.2	
Forward foreign exchange contracts	2.2			2.2	Level 2
Cash and cash equivalents			236.8	236.8	Level 2
Total Financial Assets	**2.2**		**491.7**	**494.0**	

Financial instruments in € million	December 31, 2015 Designated in hedge relationship	At fair value through profit or loss – held for trading	Borrowings and payables at amortized cost	Fair value	Fair value level
Interest-bearing debts – non-current			633.1	658.9	
Senior Secured Notes 2014			245.6	265.3	Level 1
Facility A Loan 2014 > 1 year			373.9	380.0	Level 2
Reverse share swap			13.1	13.1	Level 2
Financial lease and other liabilities			0.5	0.5	Level 2
Derivative financial liabilities	2.5			2.5	
Interest rate swap	1.9			1.9	Level 2
Forward foreign exchange contracts	0.6			0.6	Level 2
Interest-bearing debts – current			9.2	9.2	
Accrued Interest on Bonds issued 2014:			1.5	1.5	Level 1
Accrued Interest on Facility A Loan 2014 > 1 year			0.7	0.7	Level 1
Accrued interests – Other			0.2	0.2	
Financial lease and other liabilities			6.8	6.8	Level 2
Other current financial liabilities			5.0	5.0	Level 3
Trade payables			267.1	267.1	Level 2
Other payables – current			14.9	14.9	Level 2
Total Financial Liabilities	**2.5**		**929.3**	**957.6**	

Financial instruments in € million	December 31, 2016 Designated in hedge relationship	At fair value through profit or loss – held for trading	Loans and receivables at amortized cost	Fair value	Fair value level
Non-current receivables			0.3	0.3	Level 2
Trade 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		570.0	574.7	

Financial instruments in € million	December 31, 2016 Designated in hedge relationship	At fair value through profit or loss – held for trading	Borrowings and payables at amortized cost	Fair value	Fair value level
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
Reverse share 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	Level 2
Interest-bearing debts – current			22.9	22.9	
Accrued Interest on Bonds issued 2014			1.5	1.5	Level 1
Accrued Interest on Facility A Loan 2014 > 1 year			0.7	0.7	Level 1
Accrued interests – Other			(0.1)	(0.1)	Level 1
Financial lease and other liabilities			20.8	20.8	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	

Trading derivatives are classified as current assets or current liabilities. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

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

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

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

7. Notes to the consolidated financial statements
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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, 2016.

The counterparties of the interest rate cap, interest rate swap, FX forward contracts and commodity hedging contracts 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. Hedge accounting is applied with respect to the foreign currency forward contracts in 2015 and 2016 year-end financial statements and commodity contracts in the 2016 year-end financial statements.

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) and Russian ruble (RUB) in relation to sales, and the US dollar (USD) and the Czech krone (CZK) 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 krone (CZK), Australian dollar (AUD) Pakistani rupee (PKR) and Mexican peso (MXN) due to their net investments in foreign operations.

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 2016 maturing at the latest in September 2017 in order to limit volatility in the business resulting from exposures to sales in the British pound, the Polish zloty, the Australian dollar as well as purchases in the US dollar and the Czech krone during 2016 and 2017. Based on the hedge strategy, the foreign exchange forward contracts hedge the following forecasted exposures until September 30, 2017: for the British pound (GBP) 28.6 million, for the Polish zloty (PLN) 86.4 million, for the Australian dollar (AUD) 14.1 million, for the Czech krone (CZK) 20.9 million and for the US dollar (USD) 68.6 million versus the Euro and the US dollar (USD) 16.5 million versus the Mexican peso (MXN).

At inception of the foreign exchange contracts, those were designated as cash flow hedges. At the moment the forecasted transactions materialize, the foreign exchange forward contracts become fair value hedges.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions. The Group applies hedge accounting to the foreign currency forward contracts.

As of December 31, 2016 an unrealized gain of €1.3 million (Australian dollar, US dollar) and an unrealized loss of €0.9 million (British pound) have been recognized in other comprehensive income.

As of December 31, 2016 the fair value of the derivative financial asset for the foreign exchange contracts amounted to €4.8 million and of the derivative financial liability amounted to €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.

	10% weakening of the €			10% strengthening of the €		
	2016		2015	2016		2015
In € million	Impact on P&L	Impact on equity		Impact on P&L	Impact on equity	
AUD	**(0.4)**	**(1.5)**	(1.1)	**0.3**	**1.2**	0.9
GBP	**(1.0)**	**(2.8)**	(1.5)	**0.8**	**2.3**	1.2
PLN	**2.6**	**–**	–	**(2.1)**	**–**	–
USD	**(2.9)**	**4.4**	3.6	**2.4**	**(3.6)**	(2.9)

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.

Sensitivity of the value of the interest payments related to loans, including the impact of the related derivative financial instruments: At December 31, 2016 the Ontex debt is constituted of Senior Secured Fixed Rate Notes and a syndicated Term Loan with floating interest rate based on EURIBOR.

Sensitivity of the fair value of derivative financial instruments related to loans: 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. At December 31, 2015, 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 €0.68 million higher/ €0.68 million lower.

Floating Rate Syndicated Term Loan A of €380.0 million due 2019 is carrying an interest of EURIBOR 3 month + margin of 2.25%. Floating Rate Syndicated Term Loan C of €125.0 million due 2019 is carrying an interest of EURIBOR 3 month + margin of 1.25%. The notional principal amounts of the outstanding fixed payer interest rate swap contracts at December 31, 2016 are €325.0 million as per below table:

Duration	Fixed interest rate %	Amount in € million
1 Year	0.4570%	25.0
1 Year	0.4823%	25.0
2 Year	0.5722%	50.0
3 Year	0.6650%	100.0
3 Year	0.1430%	75.0
3 Year	0.1390%	50.0
Total		**325.0**

The interest rate cap has no material impact.

7. Notes to the consolidated financial statements
continued

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 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 fluff exposure that is not covered by such arrangements for 2016.

As of December 31, 2016, 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.

Sensitivity of the fair value of derivative financial instruments related to commodities: at December 31, 2016 if there would be a shift of the commodity forward curve by 10% increase/decrease with all other variables held constant, pre-tax other comprehensive income for the year would have been respectively €1.2 million higher / €1.2 million lower.

7.4.6. Equity price risk

Following the issuance of options and RSU's as share-based payment arrangements under LTIP 2014, 2015 and 2016 (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.

As a consequence of the "total return swap" mentioned above, the Group recognized treasury shares for an amount of €22.3 million and a related financial liability of the same amount. These amounts do not require to be re-measured 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 2015 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 fair value of the derivative assets in the balance sheet.

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 "Borrowings") 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, 2016				
Borrowings	**(80.1)**	**(120.8)**	**(657.9)**	**–**
Trade payables	**(366.8)**	**–**	**–**	**–**
At December 31, 2015				
Borrowings	(27.4)	(68.0)	(381.6)	(260.4)
Trade payables	(267.1)	–	–	–

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

By division in € million	Full Year 2016	Full Year 2015
Mature Markets Retail	854.6	903.9
Growth Markets	174.9	159.0
Healthcare	429.5	432.7
Middle East North Africa	205.5	193.7
Americas Retail	328.5	–
Ontex Group Revenue	**1,993.0**	1,689.3

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 care products, such as adult pants, adult diapers, incontinence towels and bed protection.

By product group in € million	Full Year 2016	Full Year 2015
Baby care	1,156.1	891.2
Feminine care	208.8	206.7
Adult care	602.8	567.7
Other	25.3	23.7
Ontex Group Revenue	**1,993.0**	1,689.3

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 the Group's customers is accordingly the geographical segmentation criterion and is defined as below:

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

By geographic area in € million	Full Year 2016	Full Year 2015
Western Europe	1,044.3	1,104.7
Eastern Europe	301.6	274.5
Americas	337.5	9.5
Rest of the World	309.6	300.6
Ontex Group Revenue	**1,993.0**	1,689.3

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

7. Notes to the consolidated financial statements
continued

Revenue by country in € million	Full Year 2016	Full Year 2015
Mexico	**224.1**	–
United Kingdom	**219.6**	264.3
France	**200.7**	228.6
Italy	**198.2**	192.3
Other Countries	**1,150.4**	1,004.1
Ontex Group Revenue	**1,993.0**	1,689.3

The property, plant and equipment (PPE) in the main countries are presented in the table below. The PPE in all other individual countries represent less than 10% of the Group's total PPE in 2016.

Property, plant and equipment by country in € million	December 31, 2016	December 31, 2015
Mexico	**110.7**	–
Belgium	**98.5**	97.3
Germany	**55.8**	52.5
Other Countries	**190.5**	169.2
Ontex Group PPE	**455.5**	319.0

7.5.4. Revenue from major customers

The Group does not have a single significant customer. In 2016 the largest customer represents 6.9% of the revenue. The 10 largest customers represent 35.1% of 2016 revenue.

7.6. List of Consolidated Companies

Name	Country	Percentage of interest held by the Group 2016	2015	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	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
Chicolastic Chile, S.A***	Chile	**100.00%**	–	Calle la Concepcion 81, D 603 P 06, Providencia, Santiago, Región Metropolitana,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 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%**	–	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%	18 Rue de Croix, 59290 Wasquehal, France	401 439 872
Ontex France SAS	France	**100.00%**	100.00%	586 Boulevard Albert Camus, 694000 Villefranche-sur-Saône, France	338 081 102
Ontex Health Care France SAS*	France	**–**	100.00%	18 Rue de Croix, 59290 Wasquehal, France	328 595 111
Ontex Santé France SAS	France	**100.00%**	100.00%	18 Rue de Croix, 59290 Wasquehal, 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

Name	Country	Percentage of interest held by the Group 2016	2015	Registered office	Company legal number
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 & 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
Ontex Italia Srl	Italy	**100.00%**	100.00%	Via Delle Grazie 6, 25122 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	01251280689
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 Internacional de Comercio Mabe, S.A de C.V***	Mexico	**100.00%**	–	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla, Mexico CP 72230	CIPQ210141Z8
Compania Interoceanica de Productos Higionicos, S.A de C.V***	Mexico	**100.00%**	–	Retorno 2 Esteban De Antunano no.8, Col. Parque Industrial CD. Textil De Puebla, 74160 Puebla, Mexico	IPH060317DPA
Corporativo de Administración con Calidad, S.A de C.V***	Mexico	**100.00%**	–	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla, Mexico CP 72230	CAC920612HE9
Grupe P.I Mabe, S.A de C.V***	Mexico	**100.00%**	–	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla, Mexico CP 72230	GPI950824N64
Inmobiliaria Kiko S.A de C.V***	Mexico	**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%**	–	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla, Mexico CP 72230	GPU950824N64
Productos Internacionales Mabe, S.A de C.V***	Mexico	**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%**	–	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla, Mexico CP 72230	PIC001031K61
Servicios Administrativos E. inmobiliaria Gima S.C***	Mexico	**100.00%**	–	Calle 27 Norte 7402, Zona Industrial Anexa a La Loma, Puebla, Mexico CP 72230	SAI880817KP4
Spiral Hygienic Disposables I***	Mexico	**100.00%**	–	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla, Mexico CP 72230	SHD161005S97
Spiral Hygienic Disposables II***	Mexico	**100.00%**	–	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla, Mexico CP 72230	SHD161005MB2
Transportes P.I Mabe, S.A de C.V***	Mexico	**100.00%**	–	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla, Mexico CP 72230	TPM960709QS1
Ontex Hygiene Sarlau	Morocco	**100.00%**	100.00%	Angle rue Al Kadi Lass et rue Ahmen Majjati Mâarif, 5ième étage, Casablanca, 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%	46 Grigore Cobalcescu Street, 2nd floor, 1st District, Bucharest	R 7682053
Ontex OOO	Russia	**100.00%**	100.00%	11A Derbenevskaya naberezhnaya, Moscow 115114, The Russian Federation	1027739763688
Ontex RU LLC	Russia	**100.00%**	100.00%	11A Derbenevskaya naberezhnaya, Moscow 115114, The Russian Federation	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	N/A
Ontex ID SAU	Spain	**100.00%**	100.00%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	N/A

7. Notes to the consolidated financial statements
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Name	Country	Percentage of interest held by the Group 2016	2015	Registered office	Company legal number
Ontex Peninsular SAU	Spain	**100.00%**	100.00%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	N/A
Valor Brands Europe, S.L***	Spain	**100.00%**	–	Calle Torviscal 12, Polígono Industrial de Toledo, 45007 Toledo, Spain	B-2837-1540
Ontex Turketim. 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**	United States of America	**100.00%**	–	1201 North Market Street, 19801 Wilmington, New Castle county, Delaware, USA	N/A
Valor Brands, LLC***	United States of America	**100.00%**	–	960 North Point Parkway, Suite 100, Alpharetta, GA 30005, USA	06–1661367

* Merged with Ontex Santé France SAS since June 30, 2016.
** Included in the consolidation since January 1, 2016.
*** Included in the consolidation since March 1, 2016.

The voting rights equal the percentage of interest held.

The most significant Group subsidiaries are Ontex bvba, Ontex Mayen GmbH, Ontex Czech Republic Sro, Ontex Tuketim AS, Serenity Spa, Ontex Manufacturing Italy S.r.l. and Productos Internacionales Mabe.

7.7. Business Combinations

On February 29, 2016, Ontex has 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 will provide 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.

Grupo Mabe has been consolidated as from March 1, 2016.

Upon closing, the Group has paid a consideration of MXN3,522.3 million (€177.8 million) in cash and issued 2,722,221 Ontex shares to the former shareholders, resulting in a capital increase of €27.2 million and a share premium of €48.5 million. In the business combination the Group also acquired land for which it paid €7.7 million. In addition, sellers or buyers were entitled to a purchase price adjustment based on the outcome of the Purchase Price Adjustment Review and a deferred consideration of up to MXN1,550 million payable in cash, subject to Grupo Mabe achieving certain EBITDA targets for the period 2015 to 2017. The purchase price adjustment and part of the deferred consideration has been paid in 2016. 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 certain EBITDA targets in 2016 and 2017. The net cash impact in the period ending December 31, 2016 of the acquisition amounted to €169.0 million.

The initial fair value of the consideration consisting of the above elements totals €372.5 million measured at February 29, 2016 exchange rates and share price.

The net assets acquired amount to €119.1 million. As a consequence, the Group recognized an initial goodwill of €253.4 million in the statement of financial position.

The goodwill of €253.4 million arising from the acquisition is attributable to acquired workforce, scale and geographical spread of the operations.

None of the goodwill recognized is expected to be deductible for income tax purposes.

The purchase price allocation was completed in December 2016. Compared to the initial purchase price allocation indicated above. This resulted in a decrease of the goodwill amounting to €17.2 million and a decrease of the fair value of the consideration amounting to €10.0 million.

The following table summarizes the initial fair value of the consideration paid for Grupo Mabe and the amounts of the assets acquired and liabilities assumed at the acquisition date, as has been published in the interim financial statements per June 30, 2016 and the changes resulting from the purchase price allocation completion in December 2016:

In € million	Before changes in purchase price allocation	Change in purchase price allocation	After change in purchase price allocation
Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	30.1		30.1
Property, plant and equipment	115.5	(0.5)	115.0
Intangible assets (excluding goodwill)	13.4	11.8	25.2
Inventories	47.6	(0.3)	47.3
Trade and other receivables	86.8		86.8
Deferred tax assets	0.5		0.5
Trade and other payables	(99.1)		(99.1)
Employee benefit obligations	(6.7)		(6.7)
Borrowings	(48.9)		(48.9)
Current taxes	(7.2)		(7.2)
Deferred tax liabilities	(12.9)	(3.7)	(16.6)
Total identifiable net assets acquired	**119.1**	**7.3**	**126.4**
Allocation to goodwill	253.4	(17.3)	236.1
Total consideration	**372.5**	**(10.0)**	**362.5**
Purchase price			
Cash and cash equivalents	185.5		185.5
Contingent consideration including purchase price adjustment	98.7	(10.0)	88.7
Fair value of shares exchanged	88.3		88.3
Total consideration transferred	**372.5**	**(10.0)**	**362.5**

7. Notes to the consolidated financial statements
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As a result of the acquisition and the fair value adjustments of the intangibles, property, plant and equipment , inventory and deferred tax liabilities, the consolidated statement of financial position at December 31, 2016 reflects adjustments made in accordance with IFRS 3, Business Combinations, resulting respectively in a total amount of €25.2 million, €115.0 million, €47.3 million and €16.6 million.

The acquisition-related costs in the period ended December 31, 2016 amounted to €2.0 million and are included in non-recurring expenses in the income statement.

7.8. Goodwill and Other Intangible Assets

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 charge	–	(0.5)	(3.3)	–	(3.8)
Exchange differences	–	(2.2)	0.1	(0.1)	(2.2)
Fixed assets acquired	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**

In € million	Goodwill	Brands	IT implementation costs	Other intangibles	Total
Year ended December 31, 2015					
Opening net book amount	860.1	–	4.2	0.3	864.6
Additions	–	–	2.3	–	2.3
Amortization charge	–	–	(2.3)	–	(2.3)
Closing net book amount	**860.1**	**–**	**4.2**	**0.3**	**864.6**
At December 31, 2015					
Cost or valuation	860.1	–	12.0	0.8	872.9
Accumulated amortization and impairment	–	–	(7.8)	(0.5)	(8.3)
Net book amount	**860.1**	**–**	**4.2**	**0.3**	**864.6**

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 acquisition of Grupo Mabe. Other intangibles represent acquired customer relationships.

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

In € million	2016	2015
Cost of sales	**0.1**	0.1
Distribution expenses	**0.1**	0.1
Sales and marketing expenses	**0.5**	–
General and administrative expenses	**3.1**	2.1
Total depreciation and amortization	**3.8**	2.3

The Group incurred €7.1 million of research and development expenses in 2016 (2015: €5.3 million) that has been recorded under the caption “General and administrative expenses”.

Goodwill impairment:

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

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

In € million	2016	2015
Mature Markets 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	**236.1**	–
Goodwill allocated to the CGUs	**1,096.2**	860.1

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 using key parameters from the consolidated financial budget approved by Ontex's Board of Directors covering a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 2% for Mature Markets Retail, Growth Markets and Healthcare, 3% for MENA and 2.5% 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 CGUs 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 2019, and pre-tax discount rates for each CGU as described in note 7.3.2 "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, 2016.

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 7.3.2 "Impairment".

7. Notes to the consolidated financial statements
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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, 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 charge	(4.4)	(33.3)	(0.5)	(1.1)	–	(39.3)
Exchange differences	(2.9)	(7.9)	(0.1)	(0.2)	(0.5)	(11.6)
Fixed assets acquired	33.8	70.8	1.2	–	9.2	115.0
Closing net book amount	**121.1**	**267.7**	**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**

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, 2015						
Opening net book amount	95.1	167.0	0.9	10.3	23.2	296.5
Additions	0.9	19.2	0.2	0.4	34.8	55.5
Transfers	0.8	12.8	–	–	(13.6)	–
Disposals	(0.1)	(0.3)	–	–	–	(0.4)
Depreciation charge	(3.8)	(25.8)	(0.2)	(1.2)	–	(31.0)
Exchange differences	0.3	(1.3)	(0.1)	(0.2)	(0.3)	(1.6)
Closing net book amount	**93.2**	**171.6**	**0.8**	**9.3**	**44.1**	**319.0**
At December 31, 2015						
Cost	113.9	295.9	1.6	16.5	44.1	472.0
Accumulated depreciation and impairment	(20.7)	(124.3)	(0.8)	(7.2)	–	(153.0)
Net book amount	**93.2**	**171.6**	**0.8**	**9.3**	**44.1**	**319.0**

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	2016	2015
Land and buildings	**16.3**	13.3
Machinery and equipment	**6.1**	5.8
Rent of pallets	**5.2**	4.1
Furniture and vehicles	**3.9**	4.6
Other lease rentals	**1.8**	1.2
Total operating lease payments	**33.3**	29.0

The depreciation charge is included in the captions of the consolidated statement of comprehensive income as follows:

In € million	2016	2015
Cost of sales	33.0	26.2
Distribution expenses	1.9	1.3
Sales and marketing expenses	1.8	2.4
General administrative expenses	1.8	0.9
Other operating income	–	0.2
Total depreciation and amortization	**38.5**	31.0
Non-recurring expenses	0.8	–
Total depreciation and impairment	**39.3**	31.0

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

7.10. Trade Receivables, Prepaid Expenses and Other Receivables

Year ended December 31 in € million	2016	2015
Trade receivables	317.5	222.4
Less: allowance for impairment of trade receivables	(5.0)	(4.3)
Trade receivables – net	**312.5**	218.1
Prepayments	16.5	12.1
Other amounts receivable	44.5	36.9
Prepaid expenses and other receivables	**61.0**	49.0
Trade and other receivables – Current	**373.5**	267.1

"Other amounts receivable" include recoverable VAT for an amount of €34.8 million for 2016 (2015: €30.0 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:

Year ended December 31 (net) in € million	2016	2015
Not due	275.1	189.7
0 to 30 days	23.6	17.1
31 to 60 days	4.6	3.9
61 to 90 days	2.4	1.7
Over 90 days	6.8	5.7
Total	**312.5**	218.1

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:

Year ended December 31 (gross) in € million	2016	2015
EUR	128.4	109.6
GBP	21.9	23.6
PLN	43.2	34.8
TRY	18.0	16.9
AUD	6.7	6.6
RUB	19.6	13.1
USD	22.6	–
MXN	44.3	–
Other	12.8	17.8
Total	**317.5**	222.4

7. Notes to the consolidated financial statements
continued

During the course of the year, the payment terms for the receivables have neither deteriorated nor been re-negotiated. 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	2016	2015
Opening balance	**4.3**	3.5
Assets acquired	**0.7**	–
Allowance for receivable impairment	**1.5**	1.5
Receivables written off during the year as uncollectable	**(0.7)**	(0.2)
Unused amounts reversed	**(0.6)**	(0.5)
Exchange differences	**(0.2)**	–
At December 31	**5.0**	4.3

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 non-recourse factoring agreement with BNP Paribas Fortis Factoring in 2008 and this agreement, subject to certain amendments, is still in place. The BNP Paribas Fortis Factoring Agreement provides us with a credit facility of up to €125.0 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 de-recognized. 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.

Linked to the acquisition of Serenity in 2013, the Group also entered into a factoring agreement with Ifitalia and Mediofactoring. In 2014, the Group also entered into a factoring agreement with Banca IFIS. All these agreements are non-recourse agreements. The agreement with Mediofactoring has been suspended in August 2015. Once trade receivables are included in one of the above non-recourse factoring programs, there is no more significant management involvement.

7.11. Inventories

Inventories can be split as follows:

Year ended December 31 in € million	2016	2015
Raw materials	**110.6**	82.1
Work in progress	**0.9**	0.7
Finished goods	**147.2**	119.6
Other	**9.8**	9.7
Write-down on inventories	**(14.3)**	(11.0)
Inventories	**254.2**	201.1

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 €1,407.5 million in 2016 (€1,213.7 million in 2015).

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	2016	2015
Short-term bank deposits (no longer than 3 months)	**7.5**	3.1
Cash at bank and on hand	**205.3**	233.7
Total	**212.8**	236.8

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:

Cash at bank and short-term bank deposits in € million	2016	2015
AA	**11.9**	11.6
A	**192.7**	214.0
BBB	**0.5**	3.3
BB	**0.2**	0.1
B	**4.6**	5.7
No credit rating	**2.9**	2.1
Total	**212.8**	236.8

7.13. Share Capital

In € million	Number of shares	Ordinary shares	Share premium	Total
Opening balance at January 1, 2015	**68,055,555**	**655.3**	**144.4**	**799.7**
Capital Increase	4,083,332	40.8	73.9	114.7
Issuance expenses new shares	–	(1.3)	–	(1.3)
Closing balance at December 31, 2015	**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**

In November 2015, a capital increase was realized through an accelerated bookbuild offering ("ABB") with institutional investors. The share capital increased with €40.8 million, and the share premium increased with €73.9 pursuant a capital increase in cash, resulting in a capital of €914.5 million represented by 72,138,887 shares. Transaction costs that are incremental and direct attributable to the issue of new shares as a result of the ABB (€1.3 million) are recognized as a deduction of share capital.

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

7. Notes to the consolidated financial statements
continued

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 2015 was 68,736,110, which is the weighted-average number of shares for 2015, given the capital increase in November 2015, see also note 7.13. 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.

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

In case of Ontex Group NV, no effects of dilution affect the net profit attributable to ordinary equity holders and 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 2016	Full Year 2015
Basic earnings		
Profit /(Loss) from continuing operations attributable to owners of the parent	**119.7**	98.6
Adjustment dilution	**–**	–
Profit /(Loss) from continuing operations attributable to owners of the parent, adjusted for dilution	**119.7**	98.6
Adjusted basic earnings[1]		
Profit /(Loss) from continuing operations attributable to owners of the parent	**119.7**	98.6
Total non-recurring Income and expenses	**12.9**	6.8
Tax correction	**(0.9)**	(2.0)
Adjusted Basic Earnings[1]	**131.7**	103.4
Adjustment dilution	**–**	–
Profit /(Loss) from continuing operations attributable to owners of the parent, adjusted for dilution	**131.7**	103.4

Number of shares	Full Year 2016	Full Year 2015
Average number of basic shares	**74,407,405**	68,736,110
Dilution	**–**	–

Earnings per share (€)	Full Year 2016	Full Year 2015
Basic earnings per share	**1.61**	1.43
Diluted earnings per share	**1.61**	1.43
Adjusted basic earnings per share	**1.77**	1.50
Diluted adjusted earnings per share	**1.77**	1.50

1 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.

7.15. Borrowings

Year ended December 31 in € million	2016	2015
Non-current		
Borrowings:		
– Senior Secured Notes	**246.4**	245.6
– Facility A Loan	**375.7**	373.9
– Facility C loan	**124.3**	–
– LTIP Hedging loan	**22.3**	13.1
Financial lease and other liabilities	**10.4**	0.5
Borrowings non-current	**779.1**	633.1
Current		
Interests:		
– Bonds	**1.5**	1.5
– Facility A Loan 2014 >1 year	**0.7**	0.7
– Others	**–**	0.2
Financial lease and other liabilities	**20.7**	6.8
Borrowings current	**22.9**	9.2
Total financial liabilities	**802.0**	642.3

Reconciliation to statement of cash flows:

In € million	2016	2015
Financial lease and other liabilities	**(28.4)**	(0.6)
Newly contracted borrowings	**125.9**	6.9
Impact on statement of cash flows	**97.5**	6.3

All borrowings are denominated in € as of December 31, 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 December 3, 2014 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 (Facility B Loan 2014) in an amount of up to €100.0 million, and certain hedging obligations, has been closed.

The euro-denominated senior term loan facility in an amount of €380.0 million has an interest rate based on the 3 month EURIBOR plus a starting margin of 275 basis points, which is largely hedged.

On February 25, 2016 an amendment to the €480.0 million senior facilities agreement, comprised of a euro-denominated Senior Term Loan Facility C in an amount of €125.0 million, has been closed. The euro-denominated senior term loan facility in an amount of €480.0 million has an interest rate based on the 3 month EURIBOR plus a margin of 225 basis points at reporting date. The new Senior Term Loan Facility C has an interest rate based on the 3 month EURIBOR plus a starting margin of 125 basis points. The amount has been fully drawn in 2016. On April 20, 2016 certain hedging operations have been closed. Borrowings under the senior term loan facility are accounted for at amortized cost.

Borrowings under the senior term loan facility and the proceeds from the sale of the Notes are accounted for at amortized cost. Redemption cost of existing borrowings is accounted for in non-recurring expenses in the Income statement.

The carrying amounts and fair value of the financing as of December 31, 2016 is as follows:

Year ended December 31, 2016 In € million	Carrying value	Fair value
Contracted borrowings	746.4	767.8

As of December 31, 2016, €100.0 million of the Senior Revolving Facility is undrawn.

7. Notes to the consolidated financial statements
continued

On July 29, 2015, a full hedging program (total return swap) for the share-based payment arrangements LTIP 2014 and LTIP 2015 was implemented. For more information we refer to notes 7.4.6 and 7.26. In view of this total return swap, a loan was issued by ING for an amount of €13.1 million. On July 1, 2016, this program was extended and the loan issued by ING increased to an amount of €22.3 million.

On August 11, 2015, the Ontex Group NV obtained a Short-term loan Facility in Russia for an amount of RUB550.0 million of which RUB470.0 million is withdrawn per December 31, 2015. The amount of this loan was fully repaid in 2016.

7.15.1. Collateral for borrowings

Security agreements have been entered into which collectively secure the borrowings for the entire amount outstanding and accrued interest on the borrowings. The Group is subject to regular information covenants and certain financial ratios are monitored. The pledged assets only relate to shares held in subsidiaries and intra-group loans receivable. The Group retains full ownership and operating rights for the assets pledged. In the event of a default of repayment of the borrowings and related interest payments, the borrowers may enforce against the pledged assets.

7.15.2. Other information

- HSBC Turkey has granted a line of credit to Ontex Tuketim A.S. for USD1.0 million, for which only a negligible amount has been utilized for a letter of guarantee to one of the suppliers.
- Isbank Turkey has granted a line of credit to Ontex Tuketim A.S. for TRY11.5 million and one for USD3.4 million. Over this line of credit in USD0.2 million has been utilized for letters of guarantees given to Customs. Over the line of credit in TRY0.1 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 TRY6.1 million and an additional credit line for €0.7 million. Over this line of credit in €0.3 million has been utilized as letter of guarantees given to Customs. Over the line of credit in TRY0.5 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 TRY5.1 million and an additional credit line for USD2.0 million. Over this line nothing has been used.
- Garanti Turkey has granted a line of credit to Ontex Tuketim A.S. for TRY2.9 million and an additional credit line for USD0.5 million. Over this line of credit of TRY2.9 million, 0.1 million has been utilized for a letter of guarantee given to one of the suppliers.
- TEB has granted a line of credit to Ontex Tuketim A.S. for TRY14.9 million. Over this line nothing has been used.
- Ontex bvba has given bank guarantees for an amount of €10.2 million in favor of the Italian VAT authorities and €4.0 million in favor of the Italian Custom Agency as at December 31, 2016.

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 balance sheet can be analyzed as follows:

Year ended December 31 in € million	2016	2015
Post-employment benefits	**20.1**	17.3
Long-term benefits	**2.4**	2.3
Termination benefits[1]	**0.1**	0.1
Employee benefit liabilities	**22.6**	19.7
Short-term employee benefits and other benefits	**39.0**	33.3
Net liability	**61.6**	53.0

1 Pre-pension included in termination benefits.

The calculation of the debt is based on actuarial assumptions that have been determined on the various balance sheet dates. They are based not only on macroeconomic 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 its 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 revised basis. The pension benefits are paid by the relevant company as they fall due.

The Group has defined contribution plans for which they paid €0.5 million in 2016. In Belgium the defined contribution plans are subject to a minimum guaranteed rate of return by law and are hence treated as defined benefit plans. In practice this guarantee is mainly covered by insurance companies. As there is no deficit as per December 31, 2016, no liability has been recognized. 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.

7. Notes to the consolidated financial statements
continued

Reconciliation of the employee benefit liabilities:

Post-employment benefits in € million		2016	2015
Recognition of the obligation			
Defined benefit obligation (DBO) at end of period		**(27.8)**	(24.9)
Fair value of plan assets at end of period		**8.1**	7.6
Funded status		**(19.7)**	(17.3)
Net (liability)/asset in statement of financial position		**(19.7)**	(17.3)
Defined benefit cost			
Current service cost		**1.6**	0.8
Past service cost		**(0.3)**	(0.1)
Service cost recognized in income statement	20	**1.4**	0.7
Interest expense on DBO		**0.7**	0.4
Net interest cost recognized in income statement		**0.7**	0.4
Re-measurement of other long-term benefits		**–**	0.3
Pension (Expense)/Profit (Employer)		**2.1**	1.4
Reconciliation of the obligation			
Defined benefit obligation (DBO) at beginning of year		**(24.9)**	(19.2)
Business combination		**(1.3)**	–
Other significant events (transfers)		**–**	(0.8)
Current service cost		**(1.6)**	(0.8)
Past service cost		**0.3**	0.1
Service cost		**(1.3)**	(0.7)
Interest expense on DBO		**(0.7)**	(0.4)
Re-measurement of other long-term benefits		**–**	(0.3)
Taxes included in the DBO		**0.1**	–
Other significant events (transfers)		**(0.1)**	(5.1)
Benefit payments from plan		**0.4**	–
Benefit payments from employer		**0.5**	0.4
Effect of changes in financial assumptions		**(2.1)**	1.3
Effect of experience adjustments		**1.4**	(0.2)
Effect of changes in foreign exchange rates		**0.1**	0.1
Defined benefit obligation (DBO) at end of year		**(27.9)**	(24.9)
Reconciliation of plan assets at fair value			
Fair value of plan assets at beginning of year		**7.6**	2.1
Interest income		**0.2**	–
Employer contribution		**1.3**	0.8
Other significant events (transfers)		**–**	5.1
Benefit payments from plan		**(0.4)**	–
Benefit payments from employer		**(0.5)**	(0.4)
Taxes paid from plan assets		**(0.1)**	–
Fair value of plan assets at end of period		**8.1**	7.6
Reconciliation of net (liability)/asset in statement of financial position			
Net (liability)/asset at start of year		**(17.3)**	(17.1)
Business combination		**(1.3)**	–
Other significant events (transfers)		**–**	(0.8)
Defined benefit cost included in the income statement		**(2.1)**	(1.4)

Post-employment benefits in € million	2016	2015
Total re-measurements included in OCI	**(0.6)**	1.3
Employer contributions	**1.5**	0.8
Effect of changes in foreign exchange rates	**–**	(0.1)
Net (liability)/asset at end of year	**(19.8)**	(17.3)
Unfunded versus funded		
Part of DBO from plans that are wholly unfunded	**(19.7)**	(17.3)
Expected contributions in next annual period	**1.4**	1.8

The plan assets consist of insurance contracts.

7.16.1. Material actuarial assumptions 2015

	Country				
As at December 31, 2015	Belgium	Germany	France	Turkey	Italy
Discount rate	2.5%	1.75% / 2.25%	2.3%	11.4%	2.3%
Expected Interest Income	–	–	–	–	–
Salary increase rate (on top of inflation)	3.3%	0.0%	2.0% / 2.5%	5.0%	N/A
Rate of inflation	1.8%	N/A / 1.75%	1.8%	5.0%	1.8%
Mortality table	MR FR with age correction minus 3 years	Heubeck 2005 G	INSEE 2010–2012	C.S.O. 1980	RG48 Italian tables
Turnover table/rates	none	N/A	table1/ table 2	company specific	3% flat
Disability table/rates	–	Heubeck 2005 G	–	–	–
Weighted average durations	22.9	15.0	14.6	N/A	12.8

7.16.2. Material actuarial assumptions 2016

	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**	**RG-48 Italian tables**	**EMSSA09**
Turnover table/rates	**none**	**N/A**	**table 1/ table 2**	**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.

7. Notes to the consolidated financial statements
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As at December 31, 2015 Sensitivity analysis[1]	Belgium	Germany	France	Turkey	Italy
Discount rate – 0.25bp	(10.9)	(9.3)	(2.9)	(0.6)	(1.8)
Discount rate + 0.25bp	9.9	8.7	2.7	0.6	1.7
Salary increase – 0.25bp	(10.5)	no impact	(2.7)	(0.6)	(1.8)
Salary increase + 0.25bp	10.5	no impact	2.9	0.6	1.8

As at December 31, 2016 Sensitivity analysis[1]	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

1 Negative figures in this table represent an increase in defined benefit obligations. Positive figures in this table represent a decrease in defined benefit obligations.

7.16.3. Post-employment benefits by country

	As at December 31, 2015					
Post-employment benefits in € million	Germany	Turkey	France	Belgium	Italy	Total
Recognition of the obligation						
Defined benefit obligation (DBO) at end of period	(9.0)	(0.7)	(2.8)	(10.6)	(1.8)	(24.9)
Fair value of plan assets at end of period	–	–	–	7.6	–	7.6
Funded status	(9.0)	(0.7)	(2.8)	(3.0)	(1.8)	(17.3)
Net (liability)/asset in statement of financial position	(9.0)	(0.7)	(2.8)	(3.0)	(1.8)	(17.3)

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

7.17. Deferred Income Tax and Current Income Tax

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

	2016		2015	
In € million	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Intangible assets	–	(3.6)	4.0	–
Property, plant and equipment	–	(42.6)	–	(30.7)
Materials and consumables	0.4	–	–	(0.2)
Financial instruments	1.1	–	–	(2.2)
Employee benefits	2.0	–	2.1	–
Accrued expenses and other payables	–	(0.9)	0.7	–
Others	–	(3.3)	–	(3.7)
Tax losses	128.0	–	114.8	–
Tax credit	0.9	–	9.2	–
Total deferred tax assets and liabilities related to temporary differences	132.4	(50.4)	130.8	(36.8)
Net deferred tax assets not recognized	(119.2)	–	(114.3)	–
Reclass (net deferred tax position by company)	(4.5)	4.5	(9.5)	9.5
Total deferred tax assets and liabilities	8.7	(45.9)	7.0	(27.3)

Deferred income 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 income tax assets of €119.2 million (2015: €114.3 million), inter alia in respect of losses amounting to (tax effected) €122.2 million (2015: €109.7 million) and in respect of tax attributes carried forward of (tax effected) €0.3 million (2015: €8.0 million). We refer to note 7.3.1. The tax losses carried forward mainly relate to France, Belgium and Spain (Spain being tax losses at the level of the Spanish subsidiary acquired as part of Grupo Mabe). 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 for the year ended 2016.

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

Current income tax year ended December 31 (In € million)	2016	2015
Current income tax receivable	**10.6**	7.3
Current income tax payable	**(55.3)**	(27.3)

The current income tax receivable mainly relates to the excess of pre-payments made compared to the actual income tax payable for the year. The current income tax payable includes an amount of €43.2 million actual corporate taxes payable (2015: €14.2 million) and €12.1 million of provision for uncertain taxes (2015: €13.1 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	2016	2015
Accrued expenses and other payables	**30.1**	23.3
Less: Non-current portion	**–**	–
Current accrued expenses and other payables	**30.1**	23.3
Other current financial liabilities	**49.3**	5.0
Trade payables	**366.8**	267.1
Social liabilities	**39.1**	33.3
Total current liabilities	**485.3**	328.7
Other non-current financial liabilities	**26.4**	–

The Other current financial liabilities as per December 31, 2016 relate to deferred consideration payments for the acquisitions of Grupo Mabe (€44.3 million) and Serenity (€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).

The aging of the trade payables is as follows:

Year ended December 31 in € million	2016	2015
Not due	**322.9**	256.8
0 to 30 days	**33.7**	9.0
31 to 60 days	**3.0**	0.9
61 to 90 days	**3.6**	–
Over 90 days	**3.6**	0.4
Total	**366.8**	267.1

7. Notes to the consolidated financial statements
continued

7.19. Provisions – Current Liabilities

In € million	Legal claims	Restructuring	Other	Total
Opening Balance	2.1	3.5	0.2	5.8
Additional provisions	0.7	–	0.4	1.1
Unused amounts reversed	–	(0.4)	–	(0.4)
Used during the year	(0.4)	(1.2)	(0,2)	(1.8)
Other changes	–	–	–	–
At December 31, 2015	2.4	1.9	0.4	4.7
Opening Balance	**2.4**	**1.9**	**0.4**	**4.7**
Additional provisions	**5.7**	**–**	**–**	**5.7**
Unused amounts reversed	**(0.1)**	**(1.0)**	**–**	**(1.1)**
Used during the year	**(0.9)**	**–**	**(0.5)**	**(1.4)**
Other changes	**–**	**–**	**–**	**–**
At December 31, 2016	**7.1**	**0.9**	**(0.1)**	**7.9**

The Group recognizes a provision for certain legal claims brought against the Group by customers, suppliers or former employees. The most significant development compared to prior year end is an additional provision of €5.2 million in relation to the Spanish Competition Authorities (CNMC)-case. Please also refer to note 7.27 on the contingencies.

The Group had non-current other provisions for the year ended December 31, 2016 for €0.3 million.

7.20. Employee Benefit Expenses

in € million	Full Year 2016	Full Year 2015
Wages and salaries	**(197.0)**	(155.1)
Social security costs	**(48.3)**	(41.9)
Defined contribution cost[1]	**(4.9)**	(4.3)
Other personnel expenses	**(15.4)**	(11.7)
Total employee benefit expenses	**(265.6)**	(213.0)

1 Of which €1.4 million is related to service costs per December 31,2016 (2015: €0.7 million), we refer to note 7.16.

Average number of total employees	2016	2015
(In full-time equivalents)	**7,770**	5.328
Of which:		
– workers	**4,772**	3.684
– employees	**2,907**	1.563
– management	**91**	81

The 2016 figures include Grupo Mabe average number of total employees since March 1, 2016.

7.21. Other Operating Income/(Expense), Net

in € million	Full Year 2016	Full Year 2015
Gain on sale of assets	**0.6**	0.6
Foreign exchange difference on operating activities	**3.6**	2.4
Losses on sale of assets	**(1.9)**	(0.9)
Other expenses	**2.3**	(1.8)
Total other operating income/(expense), net	**4.6**	0.3

7.22. Non-recurring Income and Expenses

in € million	Full Year 2016	Full Year 2015
Factory closure	**(0.1)**	(0.1)
Business restructuring	**(2.1)**	(1.3)
Acquisition-related expenses	**(4.3)**	(4.0)
Asset impairment	**(0.8)**	–
IPO costs	**–**	(0.3)
Refinancing	**–**	(0.1)
Antitrust claim Spain	**(5.2)**	–
Other	**(0.4)**	(1.0)
Total non-recurring Income and Expenses	**(12.9)**	(6.8)

Items classified under the heading non-recurring income and expenses are those items that are considered by management to be non-recurring or unusual because of their nature. The Group has adopted this classification to allow a better understanding of its recurring financial performance.

Business restructuring: The Group undertook a number of projects to optimize the management of its business. The 2015 costs relate to the simplification of the corporate structure of the Ontex Group. In order to optimize the structure of the Group, the Group eliminated certain of the intermediate holding companies between the Company and Ontex IV. In 2016, the expenses related to the move of the two existing factories in France into one new site.

Acquisition-related expenses: In 2015 we realized an income of €2.0 million as a result of a lower earn out payment in 2015 for the acquisition of Serenity Spa then foreseen (see note 7). This income is compensated by the expenses made for the acquisition of Grupo P.I. Mabe S.A de C.V. (“Grupo Mabe”). For more information on this acquisition, we refer to note 7.7. In 2016, the Group had expenses related to the acquisition and integration of Grupo Mabe (€8.6 million), offset by gains from revaluation of the deferred consideration payments expressed in MXN (€6.6 million) and incurred €2.3 million expenses for the acquisition of the hygiene business of Hypermarcas.

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

Antitrust claim Spain: We refer to note 7.27.

Other: Following the divestment of the Goldman Sachs Group, Inc. and TPG Group Holdings (SBS) Advisors, Inc. the Group incurred expenses of €1.0 million in 2015. In 2016, the Group moved its production in Russia to a new site in Noginsk to realize efficiencies and started to build a new manufacturing site in Ethiopia, for which the expenses are reported in “Other”.

7.23. Expenses by Nature

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

In € million	Note	2016	2015
Changes in inventories		**21.8**	1.8
Raw materials and consumables purchased		**(1,174.6)**	(989.6)
Employee benefit expenses	20	**(265.6)**	(213.0)
Depreciation and amortization[1]	8–9	**(42.3)**	(33.3)
Rendered services		**(297.2)**	(250.7)
Operating lease payments	9	**(33.3)**	(29.0)
Other gain/(charges)	21	**4.6**	0.3
Total cost of sales, distribution expenses, sales and marketing expenses, general administrative expenses and other operating income/(expense)		**(1,786.6)**	(1,513.5)

1 Excluded non-recurring depreciation and amortization.

7. Notes to the consolidated financial statements
continued

7.24. Net Finance Result

The various items comprising the financial result are as follows:

In € million	2016	2015
Interest income on current assets	1.5	0.4
Exchange rate differences	41.9	25.3
Other	0.2	–
Finance income	43.6	25.7
Interest expense on bonds and TLA (incl. Commitment fee)	(21.4)	(22.5)
Fair value adjustment deferred consideration	(1.8)	–
Amortization borrowing expenses	(2.7)	(2.8)
Interest expense on other loans	(5.7)	(2.7)
Interest expense	(31.6)	(28.0)
Exchange rate differences	(35.1)	(27.7)
Banking cost	(2.3)	(1.7)
Factor fee	(2.4)	(2.6)
Losses on derivatives and deports forward contracts	(1.5)	(1.9)
Finance cost	(72.9)	(61.9)
Finance income as per income statement	43.6	25.7
Finance expense as per income statement	(72.9)	(61.9)
Net finance cost as per income statement	(29.3)	(36.2)

Reconciliation to Statement of Cash Flows:

In € million	2016	2015
Total interest expense	(25.4)	(24.2)
Movement in accrued interest and accruing interest	(0.2)	–
Interest paid	(25.6)	(24.2)

In € million	2016	2015
Total interest income	1.6	0.4
Movement in accrued interest	(0.1)	0.5
Interest received	1.5	0.9

7.25. Income Tax Expense

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

In € million	2016	2015
Current tax – (charge)/credit	**(42.6)**	(25.2)
Deferred tax – (charge)/credit	**(1.9)**	(9.0)
Total tax (charge)/credit	**(44.5)**	(34.2)

Ontex Group NV – Income tax (expense)/credit :

Ontex Group – Income tax (expense)/credit	2016	2015
Profit before income taxes	**164.2**	132.8
Income tax (expense)/credit calculated at domestic tax rates applicable to profits in the respective countries	**(48.5)**	(40.9)
Disallowed expenses	**(4.4)**	(1.2)
Net use of tax losses carried forward not previously recognized	**–**	6.9
Losses incurred for which no deferred tax asset is recognized	**1.4**	(4.7)
Losses incurred for which no deferred tax was previously recognized	**1.6**	–
Tax losses incurred in the past, recognized as deferred tax asset	**0.2**	5.1
Adjustments in respect of prior year	**3.2**	0.8
Other	**2.0**	(0.3)
Total income tax (expense)/credit	**(44.5)**	(34.2)

7.26. Share-based Payments

Since September 2014 the Company implemented yearly Long Term Incentive Plans ("LTIP 2014", "LTIP 2015" and "LTIP 2016"), which are based on a combination of stock options (further "Options") and restricted stock units (further "RSUs"). The Options and RSUs are accounted for as equity-settled share-based payments. The options and RSUs 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 RSUs will be granted for free as soon as practicable after the vesting date of the RSUs.

Upon vesting of RSUs, the Shares underlying the RSUs 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 RSUs were granted, 18,153 share options and 3,671 RSUs have forfeited, expired or have been exercised as of December 31, 2016. The stock options and RSUs are exercisable between September 2017 and September 2022.

On or about June 26, 2015 a total of 159,413 stock options and 38,294 RSUs were granted, 8,546 share options and 2,053 RSUs have forfeited, expired or have been exercised as of December 31, 2016. The stock options and RSUs are exercisable between June 2018 and June 2023.

On or about June 15, 2016 a total of 322.294 stock options and 75.227 RSUs were granted, 11,220 share options and 2,619 RSUs have forfeited, expired or have been exercised as of December 31, 2016. The stock options and RSUs are exercisable between June 2019 and June 2024.

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, 2016.

7. Notes to the consolidated financial statements
continued

The following share-based payment arrangements were in existence during the current year:

Period ended December 31, 2016	Expiry date	Exercise price per share (€)	Fair value (€)	# Options/ RSUs:
LTIP 2014				
Options	2022	17.87	3.57	224,489
RSUs	2017	N/A	15.97	45,369
LTIP 2015				
Options	2023	26.60	6.39	150,867
RSUs	2018	N/A	24.45	36,241
LTIP 2016				
Options	2024	28.44	6.64	311,074
RSUs	2019	N/A	26.48	72,608

The fair market 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
Exercise Price (€)	17.87	26.60	28.44
Expected volatility of the shares (%)	23.58%	26.32%	26.56%
Expected dividends yield (%)	2.94%	2.14%	1.98%
Risk free interest rate (%)	1.13%	1.02%	0.37%

The fair value of the RSUs 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's 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. Please also refer to note 7.22 on the non-recurring revenues and expenses.

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

7.28. Commitments

7.28.1. Capital commitments

The Group has contracted expenditures for the acquisition of property, plant and equipment at December 31, 2016 of €27.1 million, (2015: €36.1 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	2016	2015
Within one year	**19.9**	14.6
From one to five years	**44.2**	48.6
Beyond five years	**22.8**	17.5
	86.9	80.7

7.28.3. Bank guarantees

As indicated in note 7.15 "Borrowings", the Group's main current and future lease 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 €39.5 million in order to participate in public tenders as at December 31, 2016.

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

Following the divestment of the Goldman Sachs Group, Inc. and TPG Group Holdings (SBS) Advisors, Inc., and their affiliated entity Whitehaven B S.à.r.l., in March 2015, there are no shareholders that are related parties per December 31, 2016.

7.29.3. Relations with Non-Executive members of the Board of Directors

For the year ended December 31 In € million	2016	2015
Remuneration	**0.5**	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. Notes to the consolidated financial statements
continued

7.29.5. Key management compensation

Remuneration of the CEO in € million	2016	2015
Fixed and variable remuneration	**2.1**	2.0

Remuneration of the Management Committee in € million	2016	2015
(excluding the CEO)		
Fixed remuneration	**4.5**	3.7
Variable remuneration	**3.0**	2.5
Other remuneration	**0.3**	0.1
Total	**7.8**	6.3

Following the IPO, the Company implemented Long Term Incentive Plans ("LTIP 2014", "LTIP 2015" and "LTIP 2016"), 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, 2016	Number of RSUs	Number of stock options
LTIP 2014		
CEO	7,868	38,930
Management Committee (excluding CEO)	21,163	104,720
LTIP 2015		
CEO	6,884	28,661
Management Committee (excluding CEO)	15,786	65,718
LTIP 2016		
CEO	14,.522	62,220
Management Committee (excluding CEO)	37,496	160.,650

7.30. Events after the end of the reporting period

On March 6, 2017 Ontex Group NV has completed the acquisition of 100% of the shares of the personal hygiene business of Hypermarcas S.A. (hereafter "HM personal hygiene"). The addition of HM personal hygiene supports the Ontex strategy by extending the growth platform in the Americas to Brazil, increasing revenue from Ontex-owned brands and accessing a fast growing market.

HM personal hygiene is the market leader in the adult care category, and holds a solid number three position in baby care in Brazil, the fourth largest hygiene market in the world. Pro-forma unaudited revenue for the financial year 2016 amounted to R$1.2 billion in compliance with Brazilian GAAP. 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[1]. These two key milestones confirm that significant progress continues to be made in transforming Ontex into a leading international consumer company.

HM personal hygiene has a portfolio of strong local brands covering all segments of the adult care and baby care categories:

Adult care

- BigFral – the market reference in adult incontinence
- AdultMax – entry proposition to the category

Baby care

- PomPom – a premium offering with nearly 50 years of heritage
- Cremer – a strong offering in the intermediate segment
- Sapeka – a regional leader in the value segment

The enterprise value agreed for the HM personal hygiene business was R$1 billion (€305.0 million)[1], which has been from available cash, and from available and new debt facilities, after customary adjustments for net debt.

HM personal hygiene will be consolidated into the results of Ontex with effect from March 1, 2017.

Acquisition-related costs included in the non-recurring expenses in the Group consolidated income statement for the year ended December 31, 2016 amounted to €2.0 million.

On January 25, 2017 a senior facilities agreement, comprised of a euro-denominated Senior Term Loan Facility (Loan Facility D), due December 3, 2019 in an amount of €125.0 million has been entered into. The Loan Facility D in an amount of €125.0 million has an interest rate based on the EURIBOR plus a starting margin of 50 basis points. Borrowings under the Loan Facility D are used for the acquisition of Hypermarcas and paying costs and expenses relating to the acquisition.

Borrowings under the senior term loan facility are accounted for at amortized cost.

On March 22, 2017 a capital increase was realized in an accelerated bookbuilt placement. As part of the accelerated bookbuilt placement, 7,486,110 new shares were subscribed at a gross price of €29.50 per share. The share capital increased with €74.9 million and the share premium increased with €146.0 million, pursuant a capital increase in cash, resulting in a capital of €823.6 million represented by 82,347,218 shares. Transaction costs that are incremental and direct attributable to the issue of new shares as a result of the accelerated bookbuilt placement are recognized as a deduction of share capital. The proceeds of the accelerated bookbuilt placement will be used to refinance the business, following the acquisition of the personal hygiene business of Hypermarcas.

1 At a EUR / BRL exchange rate of 3.2761.

7.31. Audit fees

Year ended December 31, in € thousands	2016	2015
Audit fees	**1,077**	936
Additional Services rendered by the auditor's mandate:		
Audit related fees	**251**	87
Tax advisory and compliance services	**1,804**	1,772
Due diligence fees	**662**	1,849
Other services	**–**	129
Total	**3,794**	4,773

A specific exemption on the one-to-one rule was approved by the Audit Committee.

Summary statutory financial statements

Balance Sheet after appropriation

Year ended December 31 In € million	2016	2015
Assets	**3,152.4**	2,952.6
Fixed assets	**2,867.9**	2,650.7
Formation expenses	**3.8**	3.7
Intangible assets	**99.0**	122.4
Tangible assets	**1.5**	4.3
Financial fixed assets	**2,763.6**	2,520.3
Participating interests	**1,908.0**	1,908.0
Amounts receivable	**855.5**	612.1
Other financial fixed assets	**0.1**	0.2
Current assets	**284.5**	301.9
Amounts receivable within one year	**94.3**	88.4
Treasury shares	**22.3**	13.1
Cash at bank and in hand	**162.5**	194.4
Deferred charges and accrued income	**4.5**	6.0
Equity and liabilities	**3,152.4**	2,952.6
Equity	**1,857.0**	1,832.6
Capital	**748.7**	721.5
Share premium	**266.8**	218.3
Reserves	**359.2**	395.2
Accumulated profits (losses)	**482.3**	497.6
Provisions and deferred taxes	**7.0**	5.1
Amounts payable	**1,288.4**	1,114.9
Amounts payable after more than one year	**834.2**	725.3
Financial debt	**834.2**	725.3
Amounts payable within one year	**451.8**	386.2
Financial debt	**150.4**	152.8
Trade debts	**5.2**	4.2
Taxes,remunerations and social security	**4.6**	5.1
Other amounts payable	**291.6**	224.1
Accruals and deferred income	**2.4**	3.4
Income statement		
Operating income	**30.6**	17.5
Operating charges	**(61.2)**	(52.5)
Operating profit (loss)	**(30.6)**	(35.0)
Financial result	**25.4**	625.0
Gain (loss) for the period before taxes	**(5.2)**	590.0
Income taxes	**(0.8)**	(0.2)
Gain (loss) of the period	**(6.0)**	589.8

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, 2016 (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

Overview

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 2016, 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, 2016, is as follows:

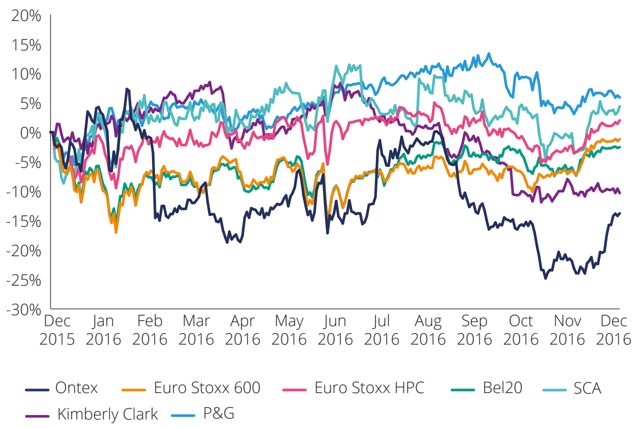
Shareholder	Number of shares	%[1]
Groupe Bruxelles Lambert	11,239,897	15.01%
BlackRock	4,058,234	5.42%
Aviva Plc	3,384,626	4.97%
Norges Bank	3,620,522	4.84%
Janus Capital Management LLC	3,424,055	4.75%
Allianz Global Investors GmbH	3,267,061	4.36%
Pamajugo Irrevocable Trust	2,722,221	3.64%
AXA Investment Managers SA	2,053,236	3.02%

1 At the time of the declaration.

Share performance

Our share is listed on Euronext Brussels. In spring 2016, the Ontex share joined the BEL20® and Stoxx® Europe 600 indices, confirming the progress made since the IPO in June 2014. The share performance in 2016 was lower after the very strong progress made since the initial listing, with a closing price on December 30 2016 of €28.25 per share, a decrease of 14% over the past 12 months, and up 57% since the IPO.

Performance of the Ontex share compared with market indices and hygienic disposable manufacturers:



Analyst coverage

Ontex was covered by 12 analysts at December 31 2016. 7 of these analysts had a positive[1] rating on the Ontex share, while the recommendations of 4 analysts on the Ontex share were neutral.

1 positive indicates buy, accumulate, or overweight depending on the terminology of the broker institution

Financial calendar	
Quarter 1 2017	May 10, 2017
Annual General Meeting of Shareholders	May 24, 2017
Half Year 2017	July 27, 2017
Quarter 3 2017	November 8, 2017

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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 by 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 depreciation and amortization.

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 intangibles), less change in working capital, less cash taxes paid.

Adjusted Net Profit: Net profit excluding non-recurring income and expenses and non-recurring tax expenses.

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.

Diluted adjusted basic earnings per share: In accordance with IAS 33, diluted adjusted basic 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 perimeter or M&A.

LTM adjusted EBITDA ratio (leverage): LTM adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses and excluding non-recurring depreciation and amortization for the last 12 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 last 12 months Adjusted EBITDA.

Non-recurring income and expenses: Non-recurring income and expenses are defined as those items that are considered to be non-recurring or unusual because of their nature. The non-recurring income and expenses relate to:

- Acquisition costs;
- Business restructuring costs, including costs relate to the liquidation of subsidiaries and the closure, opening or relocations of factories;
- Asset impairment costs;
- IPO and refinancing costs.

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 and other receivables and pre-paid expenses plus Trade and other payables and accrued expenses.

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