



Ontex reports H1 2019 results

- **Geographically diversified footprint allowed to mitigate impact of revenue decrease in Europe: Group LFL revenue decreased 1.3% in H1**
- **Adjusted EBITDA: Price/mix actions and savings largely offset raw material and FX headwinds**
- **Meaningful improvement in Adjusted Free Cash Flow thanks to strict working capital management**

Aalst-Erembodegem, July 31, 2019 - Ontex Group NV (Euronext Brussels: ONTEX; 'Ontex,' 'the Group' or 'the Company') today announced its results for the six months ending June 30, 2019.

- Revenue of €1.1 billion, down 1.3% like-for-like (LFL) versus H1 2018
 - Positive price/mix in all Divisions
 - Revenue down 1.4% on a reported basis
- Adjusted EBITDA at constant currency of €123.9 million
 - Adjusted EBITDA margin at constant currency was 11.1%, down 61bps versus last year (pro forma for IFRS 16).
 - Adjusted EBITDA was €111.0 million, Adjusted EBITDA margin 10.0%
- Adjusted Free Cash Flow doubled to €81.2 million thanks to tight control of working capital
- Adjusted EPS of €0.45
- Full compliance with leverage covenant test

Operational Highlights

- Top line: Strong sales growth of Ontex own brands in emerging markets, further growth in Adult Inco
- Drive for profitability: Continued delivery of pricing and cost saving actions
- Implementation of Transform to Grow (T2G) program launched in Q2: All operational and commercial workstreams are well underway and progressing as expected

Key Financials H1 2019 and Q2 2019

<i>In € million, except margin & per share data</i>	H1 2019	H1 2018 pro forma for IFRS 16	% Change	H1 2018 reported	Q2 2019	Q2 2018 pro forma for IFRS 16	% Change	Q2 2018 reported
LFL Revenue	1,114.8	1,129.6	-1.3%	1,129.6	565.3	571.5	-1.1%	571.5
Reported Revenue	1,114.3	1,129.6	-1.4%	1,129.6	568.1	571.5	-0.6%	571.5
Adjusted EBITDA at constant currency	123.9	132.4	-6.4%	117.7	62.4	67.5	-7.6%	60.2
<i>Adjusted EBITDA Margin at constant currency</i>	11.1%	11.7%	-61 bps	10.4%	11.0%	11.8%	-80bps	10.5%
Adjusted EBITDA	111.0	132.4	-16.1%	117.7	58.1	67.5	-13.9%	60.2
<i>Adjusted EBITDA Margin</i>	10.0%	11.7%	-176 bps	10.4%	10.2%	11.8%	-160 bps	10.5%

REGULATED INFORMATION

<i>In € million, except margin & per share data</i>	H1 2019	H1 2018 pro forma for IFRS 16	% Change	H1 2018 reported
Adjusted profit/(loss) for the period	36.5	56.3	-35.3%	57.2
Adjusted EPS (€)	0.45	0.69	-35.1%	0.70
Non-recurring income and expenses ¹	(39.6)	(10.0)	n.m	(10.0)
Profit/(Loss) for the period	8.4	49.7	-83.2%	50.6
Basic EPS (€)	0.10	0.61	-83.7%	0.62
Adjusted Free Cash Flow	81.2	39.7	104.2%	36.2
Net Debt	898.7	920.4	-2.4%	778.3

¹ Mainly non-recurring expenses related to the implementation of the T2G project. See further details in Note 6.10 of the H1 2019 report.

Notes which apply to this document

Unless otherwise indicated, all comments in this document on changes in revenue are on a like-for-like basis (at constant currency). Unaudited Q2 and H1 2018 financial data have been provided on a pro forma basis for IFRS 16 *Leases* following adoption of this accounting standard since January 2019. This additional information has been provided to facilitate comparisons and understanding of the Group's underlying performance.

All definitions of Alternative Performance Measures (APMs) in this press release can be found under the section Corporate Information.

Net debt and leverage

Net debt of €898.7 million decreased 2.4% compared to H1 2018 pro forma for IFRS16, reflecting a strong improvement in Adjusted Free Cash Flow. Net debt divided by the last twelve months Adjusted EBITDA was 3.71x at June 30, 2019, which reflects the application of IFRS16. For comparison purposes, H1 2018 leverage pro forma for IFRS 16 was estimated at 3.45x (the reported H1 2018 figure of 3.25x was prior to the application of IFRS 16).

Our financing arrangements provide for the effects of changes in accounting standards to be neutralized and therefore the application of IFRS 16 has no consequences for the Group's financing covenant testing. We were in full compliance with the leverage covenant of our financing arrangements at June 30, 2019.

Management comment

Charles Bouaziz, Ontex CEO commented: *"We generated solid LFL revenue growth in AMEAA and significantly improved cash flow generation in the first half of 2019. In Europe, LFL revenue evolution reached a low point in H1 2019 as expected. Going forward we expect progressive improvement in LFL revenue trends in this Division on the back of organic growth from our large customer base, supported by product innovations in all categories.*

Our T2G program is now being implemented and Ontex is fully mobilized to deliver the operational and cash generation improvements underpinning the mid-term objectives communicated in May at our Investor Update."

OUTLOOK

Current levels of price indices show a stabilization or slight decrease for most raw materials. Pricing, mix improvement and cost savings actions will produce increasing effects in the second half of the year, leading to revenue and Adjusted EBITDA improvements in H2 versus H1 2019.

As a result, Ontex confirms its full year 2019 outlook of:

- Broadly stable sales at constant FX, with top-line growth in developing markets and lower revenue in developed markets;
- Stable Adjusted EBITDA at constant FX;
- Capex of 4.5% to 5.0% of revenue excluding T2G-specific Capex.

Market dynamics

The personal hygiene market remained highly competitive in H1 2019. The main trends seen during the past couple of years were unchanged: Babycare category volumes were lower, Femcare category value was stable and Adult Inco category value grew on the back of higher volumes. Babycare pricing improved in our main markets outside of Europe, leading to limited category value growth. In Europe, retailer brands continued to outperform the market, underlining the structural attractiveness of retailers competing with their own brands. Furthermore, pants continued to gain traction both in baby and adults.

Operational review: categories

in € million	Six Months				Second Quarter			
	H1 2019	H1 2018	% Δ as reported	% Δ at LFL	Q2 2019	Q2 2018	% Δ as reported	% Δ at LFL
Ontex Reported Revenue*	1,114.3	1,129.6	-1.4%	-1.3%	568.1	571.5	-0.6%	-1.1%
Babycare	648.9	655.2	-1.0%	-1.6%	337.5	333.5	+1.2%	+0.0%
Adult Inco	345.2	348.4	-0.9%	+0.4%	171.5	174.0	-1.5%	-0.7%
Femcare	106.3	113.9	-6.7%	-7.1%	52.2	56.3	-7.4%	-7.9%

* Includes €13.9 million of Other in H1 2019; €12.0 million of Other in H1 2018; €6.9 million of Other in Q2 2019; €7.7 million of Other in Q2 2018

Babycare revenue decreased 1.6% in H1 2019, as a result of lower retailer brand diaper volumes sold in Europe, while revenue of Ontex brand diapers in markets outside of Europe was higher. Baby pants grew in the first half of 2019.

Revenue of **Adult Inco** products in H1 2019 rose 0.4%, on top of a strong performance in the first half of last year. Revenue in retail channels was up 4%, while in institutional channels sales were lower. Adult pants sales posted broad-based growth, supported by our investments in expanding production capacity.

H1 2019 **Femcare** revenue was down 7.1%, due to a high comparable base in 2018 and lower retailer brand volumes linked to contract losses. Sales of organic cotton tampons were well ahead of a year ago.

Operational review: Divisions

in € million	Six Months				Second Quarter			
	H1 2019	H1 2018	% Δ as reported	% Δ at LFL	Q2 2019	Q2 2018	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	1,114.3	1,129.6	-1.4%	-1.3%	568.1	571.5	-0.6%	-1.1%
Europe	469.1	514.5	-8.8%	-8.4%	235.4	261.5	-10.0%	-10.0%
AMEAA	427.3	393.9	+8.5%	+8.1%	225.7	202.0	+11.7%	+10.4%
Healthcare	217.8	221.2	-1.5%	-1.6%	107.0	108.0	-1.0%	-1.0%

Europe

Europe Divisional revenue was down 8.4% in H1 2019 on a challenging comparable period last year. First half 2019 sales were impacted by lower volumes due to retailer brand contract losses, which started to have an effect from Q3 2018. As a result, the comparable base effects will ease in H2 2019. Furthermore, actions are underway to improve execution further and support organic revenue growth in our large customer base, underpinning our expectations of progressively higher revenue in H2 versus H1. Overall, in Europe, Ontex remains the leading supplier of retailer brands, more than two times the size of the next competitor.

Americas, Middle East, Africa and Asia (AMEAA)

H1 2019 revenue in AMEAA was up 8.1%, strongly outperforming the market, with a clear acceleration in Q2. Sales of Ontex brands, which is the focus of this Division, were higher in all three categories and nearly all geographies. In the Americas, revenue grew in both Brazil and Mexico thanks to our portfolio of local brands, while the US also posted higher revenue, mainly driven by retailer brands. Revenue in the Middle East and Africa also rose despite political and economic challenges in some markets. Sales in Asia were below last year, fully attributable to a soft start to the year followed by solid growth in Q2.

Healthcare

Revenue in the Healthcare Division was down 1.6% in H1 2019 versus a strong first half in 2018. Sales of Adult Pants grew further, and actions continued to increase our presence in self-pay channels while maintaining a strong competitive position in institutional channels.

Operational review: geographies

in € million	Six Months				Second Quarter			
	H1 2019	H1 2018	% Δ as reported	% Δ at LFL	Q2 2019	Q2 2018	% Δ as reported	% Δ at LFL
Ontex Reported Revenue	1,114.3	1,129.6	-1.4%	-1.3%	568.1	571.5	-0.6%	-1.1%
Western Europe	508.2	548.2	-7.3%	-7.4%	252.0	275.4	-8.5%	-8.4%
Eastern Europe	135.8	142.7	-4.8%	-3.5%	69.3	71.8	-3.5%	-4.2%
Americas	314.1	286.6	+9.6%	+5.7%	169.8	150.4	+12.9%	+8.2%
ROW	156.1	152.1	+2.6%	+9.2%	77.0	73.9	+4.1%	+10.2%

Revenue grew strongly in the Americas and Rest of World (mainly reflecting our strong performance in Middle East Africa and Asia), which together represent 43% of Group revenue.

Financial review

Selected financial information

in € million	H1 2019 reported	H1 2018 pro forma for IFRS 16	% Δ	H1 2018 reported
Ontex Reported Revenue	1,114.3	1,129.6	-1.4%	1,129.6
Cost of sales	(820.3)	(811.2)	1.1%	(812.8)
Gross profit	294.0	318.4	-7.7%	316.8
Operating expenses	(225.3)	(227.1)	-0.8%	(227.9)
Adjusted EBITDA	111.0	132.4	-16.1%	117.7
Non-recurring income and expenses	(39.6)	(10.0)	N.M.	(10.0)
EBITDA	71.5	122.4	-41.6%	107.7
Depreciation and amortization	(42.4)	(41.1)	-3.2%	(28.8)
Operating profit	29.1	81.3	-64.2%	78.9
Net finance cost	(17.8)	(17.5)	1.5%	(14.1)
Income tax expense	(2.9)	(14.0)	-79.3%	(14.2)
Adjusted profit for the period	36.5	56.3	-35.3%	57.2
Adjusted EPS	0.45	0.69	-35.1%	0.70
Profit for the period	8.4	49.7	-83.2%	50.6
Basic EPS	0.10	0.61	-83.7%	0.62
Adjusted Free Cash Flow (post-tax)	81.2	39.7	104.2%	36.2
- Of which change in WC	43.2	(20.9)	n.m.	(20.9)
- Of which Capex	(39.6)	(39.0)	1.5%	(39.0)
- Of which repayment of lease liabilities	(13.3)	(11.3)	17.8%	-
Net debt	898.7	920.4	-2.4%	778.3

N.M. not meaningful

Gross profit

H1 2019 gross profit was €294.0 million, and gross profit as a percentage of sales of 26.4% was 180 basis points lower than last year. Material cost savings and higher selling prices did not fully offset higher raw material prices and a negative impact of FX.

Adjusted EBITDA

Adjusted EBITDA was €123.9 million at constant currency in H1 2019, 6.4% lower than Adjusted EBITDA last year pro forma for IFRS 16, as a result of the decrease in gross profit. Adjusted EBITDA at current FX rates was €111.0 million. Operating expenses were down on the back of lower distribution expenses, while we continued to invest in sales and marketing.

Non-recurring income and expenses

In H1 2019, non-recurring expenses were €39.6 million, primarily due to restructuring expenses and consulting fees related to the implementation of the T2G program. These charges had a limited impact on H1 2019 cash flow.

As communicated at the investor update on May 8th, we project a €130 million financial investment in T2G over the 2019 to 2021 period (one-off costs for €85 million and capital expenditure for €45 million). Of this amount, €45 million to €50 million is forecast to result in cash outlays this year, of which €5 million was cashed out in the first half.

Foreign Exchange

In H1 2019, changes in foreign exchange rates had virtually no impact on Group revenue but had a net negative impact on Adjusted EBITDA. The FX impact on Group revenue was -€0.5 million, mainly due to weaker Turkish Lira, Pakistani Rupee and Brazilian Real relative to the Euro, offset by stronger US Dollar and Mexican Peso. The impact of currency variations on Adjusted EBITDA was -€12.9 million, mostly due to the weaker Turkish Lira and a stronger US Dollar, as a significant part of our raw materials is purchased in USD.

Net Finance Costs

H1 2019 net finance costs were €17.8 million, slightly above the net finance costs of H1 2018 pro forma for IFRS 16.

Income Tax Expense

The H1 2019 income tax expense was €2.9 million, resulting in an effective tax rate of 25.7%. The effective tax rate in H1 is slightly higher than the rate reported for H1 2018, mainly because certain expenses which are not deductible for tax purposes do not vary commensurately with pretax profit. This impact is also expected for the FY 2019 effective tax rate.

Working Capital

Working capital as a percentage of revenue was 9.5% in H1 2019, a 200 bps improvement over the 11.5% in 2018 and well within our target of 12% or lower. This improvement reflects in particular the decrease of inventories over the first half of 2019. Looking ahead, we remain committed to strict management of our working capital to optimize cash flow conversion.

Capex

H1 2019 capital expenditure was €39.6 million, similar to last year. Full year 2019 capex is expected to be between 4.5% and 5% of sales excluding T2G-related capital expenditure.

Adjusted Free Cash Flow (post-tax)

Adjusted Free Cash Flow (post-tax) in H1 2019 was €81.2 million. Active management of working capital largely outweighed lower adjusted EBITDA and accounted for the increase of Adjusted Free Cash Flow of €41.5 million versus last year pro forma for IFRS16.

Net debt

Net debt was €898.7 million at June 30, 2019, a meaningful improvement of €40 million compared with net debt at March 31, 2019.

2018 pro-forma financial information

Ontex Group has applied the new accounting standard IFRS 16 - *Leases* since January 2019. For more information and to facilitate comparisons between 2019 and 2018, pro-forma statements (balance sheet, income statement, comprehensive income and cash flow) and related alternative performance measures are available for H1 2018 and FY 2018 in a separate document published today.

Corporate information

The above press release and related financial information of Ontex Group NV for the three and six months ended June 30, 2019 was authorized for issue in accordance with a resolution of the Board of Directors on July 30, 2019.

Conference call

Management will host a presentation for investors and analysts on July 31, 2019 at 9:00am CET/8:00am UK. A copy of the presentation slides will be available at:

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

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

Belgium	+32 (0)2 404 0659
France	+33 (0)1 76 77 22 88
Germany	+49 (0)69 2222 25575
United Kingdom	+44 (0)330 336 9125
United States	+1 323 794 2588
Passcode	2681838

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

Belgium	+32 (0)2 620 0568
France	+33 (0)1 70 48 00 94
Germany	+49 (0)69 2000 1800
United Kingdom	+44 (0)207 660 0134
United States	+1 719 457 0820
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Financial calendar 2019

Q3 2019	November 6, 2019
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Annex A – Pro forma impact of IFRS 16 on 2018 EBITDA and net debt

€ million	Q1	Q2	Q3	Q4	FY 2018
Adjusted EBITDA as reported in 2018	57.5	60.2	58.1	58.2	234.0
<i>Adjusted EBITDA margin</i>	<i>10.3%</i>	<i>10.5%</i>	<i>10.3%</i>	<i>9.8%</i>	<i>10.2%</i>
Impact of IFRS 16 on Adjusted EBITDA	7.4	7.3	7.3	7.5	29.6
Adjusted EBITDA proforma IFRS 16 in 2018	64.9	67.5	65.4	65.7	263.6
<i>Adjusted EBITDA margin proforma IFRS 16 in 2018</i>	<i>11.6%</i>	<i>11.8%</i>	<i>11.5%</i>	<i>11.0%</i>	<i>11.5%</i>

€ million	Mar 31	Jun 30	Sep 30	Dec 31
Net debt as reported in 2018	776.0	778.3	764.8	760.0
Proforma IFRS 16 impact	147.0	142.1	153.7	147.6
Proforma net debt in 2018	923.0	920.4	918.5	907.6

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED JUNE 30, 2019

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STATEMENT OF THE BOARD OF DIRECTORS

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

- the Condensed Consolidated Interim Financial Statements, established in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, give a true and fair view of the assets, financial position and results of Ontex Group NV and of the entities included in the consolidation;
- the financial report presents a fair overview of the information that needs to be disclosed 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 Condensed Consolidated Interim Financial Statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

INDEPENDENT AUDITORS' REPORT

STATUTORY AUDITOR'S REPORT ON REVIEW OF CONSOLIDATED CONDENSED FINANCIAL INFORMATION FOR THE PERIOD ENDED JUNE 30, 2019



Ontex Group NV
Korte Keppestraat 23
B-9320 EREMBODEGEM

To the Board of Directors

Statutory auditor's report on review of consolidated condensed interim financial information for the period ended 30 June 2019

Introduction

We have reviewed the accompanying consolidated statement of financial position of Ontex Group NV and its subsidiaries as of 30 June 2019 and the related consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 6-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated condensed financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Gent, 30 July 2019

The statutory auditor
PwC Reviseurs d'Entreprises scrl / Bedrijfsrevisoren cvba
Represented by

A handwritten signature in blue ink, appearing to read 'Peter Opsomer', is written over a light blue horizontal line.

Peter Opsomer
Registered auditor

*PwC Bedrijfsrevisoren cvba - PwC Reviseurs d'Entreprises scrl - Financial Assurance Services
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BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB*

1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30

ASSETS			
in € million	Note	June 30, 2019	December 31, 2018
Non-current Assets			
Goodwill	6.4.	1,173.0	1,165.2
Intangible assets	6.5.	50.2	51.8
Property, plant and equipment	6.6.	594.4	593.4
Right-of-use assets	6.7.	154.2	6.5
Deferred tax assets		29.8	26.5
Non-current receivables		4.3	5.1
		2,005.9	1,848.5
Current Assets			
Inventories		338.1	365.9
Trade receivables		337.3	355.4
Prepaid expenses and other receivables		64.7	69.1
Current tax assets		14.3	12.5
Derivative financial assets		1.9	3.6
Cash and cash equivalents	6.8.	131.9	130.6
Non-current assets held for sale	6.6.	8.9	4.0
		897.1	941.1
TOTAL ASSETS		2,903.0	2,789.6
EQUITY AND LIABILITIES			
in € million	Note	June 30, 2019	December 31, 2018
Equity attributable to owners of the Company			
Share capital & premium		1,208.0	1,208.0
Treasury shares		(43.9)	(42.1)
Cumulative translation reserves		(174.5)	(189.7)
Retained earnings and other reserves		176.4	208.0
TOTAL EQUITY		1,166.0	1,184.2
Non-current liabilities			
Employee benefit liabilities		22.9	22.6
Interest-bearing debts	6.8.	953.5	786.6
Deferred tax liabilities		43.0	49.9
Other payables		0.3	0.3
		1,019.7	859.4
Current liabilities			
Interest-bearing debts	6.8.	77.2	104.0
Derivative financial liabilities		10.5	6.7
Trade payables		480.4	501.0
Accrued expenses and other payables		42.6	31.8
Employee benefit liabilities		45.5	47.9
Current tax liabilities		44.5	46.0
Provisions	6.9.	16.6	8.6
		717.3	746.0
TOTAL LIABILITIES		1,737.0	1,605.4
TOTAL EQUITY AND LIABILITIES		2,903.0	2,789.6

The notes 6.1 to 6.16 are an integral part of the condensed consolidated interim financial statements.

2. CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED JUNE 30

in € million	Note	First Half	
		2019	2018
Revenue	6.3.	1,114.3	1,129.6
Cost of sales		(820.3)	(812.8)
Gross Margin		294.0	316.8
Distribution expenses		(101.3)	(104.9)
Sales and marketing expenses		(83.2)	(81.2)
General administrative expenses		(40.6)	(40.8)
Other operating income/(expense), net		(0.2)	(1.0)
Income and expenses related to changes to Group structure	6.10.	(34.8)	(8.1)
Income and expenses related to impairments and major litigations	6.10.	(4.8)	(1.9)
Operating profit		29.1	78.9
Finance income		1.2	1.6
Finance costs		(19.4)	(15.2)
Net exchange differences relating to financing activities		0.4	(0.5)
Net finance cost		(17.8)	(14.1)
Profit before income tax		11.3	64.8
Income tax expense		(2.9)	(14.2)
Profit for the period from continuing operations		8.4	50.6
Profit for the period		8.4	50.6
Profit attributable to:			
Owners of the parent		8.4	50.6
Profit for the period		8.4	50.6

Earnings per share:

in €	Note	First Half	
		2019	2018
Basic earnings per share	6.11.	0.10	0.62
Diluted earnings per share	6.11.	0.10	0.62
Weighted average number of ordinary shares outstanding during the period		80,741,751	81,284,546

The notes 6.1 to 6.16 are an integral part of the condensed consolidated interim financial statements.

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED JUNE 30

in € million	First Half	
	2019	2018
Profit for the period	8.4	50.6
Other comprehensive income/(loss) for the period, after tax:		
Items that will be reclassified subsequently to income statement		
Exchange differences on translating foreign operations	15.2	(28.6)
Cash flow hedge	(3.4)	1.8
Other comprehensive income/(loss) for the period, net of tax	11.8	(26.9)
Total comprehensive income for the period	20.2	23.7
Total comprehensive income attributable to:		
Owners of the parent	20.2	23.7
Total comprehensive income for the period	20.2	23.7

The notes 6.1 to 6.16 are an integral part of the condensed consolidated interim financial statements.

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED JUNE 30

in € million	Attributable to equity holders of the Company						
	Number of shares	Share capital	Share premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total equity
Balance at December 31, 2018	82,347,218	795.2	412.8	(42.1)	(189.7)	208.0	1,184.2
Restatement opening balance (IFRS 16)	-	-	-	-	-	(1.0)	(1.0)
Restatement opening balance (IFRIC 23)	-	-	-	-	-	(2.5)	(2.5)
Restated balance at December 31, 2018	82,347,218	795.2	412.8	(42.1)	(189.7)	204.5	1,180.6
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	1.5	-	0.7	2.2
Dividends	-	-	-	-	-	(33.8)	(33.8)
Treasury shares	-	-	-	(3.3)	-	-	(3.3)
Total transactions with owners 2019	-	-	-	(1.8)	-	(33.1)	(34.8)
Comprehensive income:							
Profit for the period	-	-	-	-	-	8.4	8.4
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	15.2	-	15.2
Cash flow hedges	-	-	-	-	-	(3.4)	(3.4)
Total other comprehensive income / (loss)	-	-	-	-	15.2	(3.4)	11.8
Balance at June 30, 2019	82,347,218	795.2	412.8	(43.9)	(174.5)	176.4	1,166.0

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in € million	Attributable to equity holders of the Company						
	Number of shares	Share capital	Share premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total equity
Balance at December 31, 2017	82,347,218	795.2	412.8	(31.3)	(158.9)	160.2	1,178.0
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	-	-	1.1	1.1
Dividends	-	-	-	-	-	(48.8)	(48.8)
Treasury shares	-	-	-	(11.0)	-	(0.1)	(11.1)
Total transactions with owners 2018	-	-	-	(11.0)	-	(47.8)	(58.8)
Comprehensive income:							
Profit for the period	-	-	-	-	-	50.6	50.6
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(28.6)	-	(28.6)
Cash flow hedges	-	-	-	-	-	1.8	1.8
Total other comprehensive income / (loss)	-	-	-	-	(28.6)	1.8	(26.9)
Balance at June 30, 2018	82,347,218	795.2	412.8	(42.3)	(187.5)	164.7	1,142.9

The notes 6.1 to 6.16 are an integral part of the condensed consolidated interim financial statements.

5. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED JUNE 30

in € million	First Half	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	8.4	50.6
Adjustments for:		
Income tax expense	2.9	14.2
Depreciation and amortization	42.4	28.8
(Profit) / loss on disposal of property, plant and equipment	2.3	1.1
Provisions (including employee benefit liabilities)	10.4	2.7
(Gain) / loss on earn-out liabilities	-	0.5
Net finance cost	17.8	14.1
Changes in working capital:		
Inventories	30.4	(13.7)
Trade and other receivables and prepaid expenses	26.9	(0.8)
Trade and other payables and accrued expenses	(14.1)	(6.4)
Employee benefit liabilities	(2.6)	(0.6)
Cash from operating activities before taxes	124.8	90.5
Income taxes paid	(20.2)	(21.5)
NET CASH GENERATED FROM OPERATING ACTIVITIES	104.6	69.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(39.6)	(39.0)
Proceeds from disposal of property, plant and equipment and intangible assets	0.4	1.5
Commitments from business combinations	-	(0.3)
NET CASH USED IN INVESTING ACTIVITIES	(39.2)	(37.8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	47.8	50.8
Repayment of borrowings	(69.7)	(31.5)
Interests paid	(16.1)	(9.1)
Interests received	1.2	1.7
Cost of refinancing & other costs of financing	(2.5)	(2.3)
Realized foreign exchange (losses)/gains on financing activities	1.1	(1.2)
Derivative financial assets	(0.6)	(1.2)
Dividends paid	(26.2)	(38.6)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	(65.0)	(31.4)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	0.4	(0.2)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		
	130.6	118.5
Effects of exchange rate changes on cash and cash equivalents	1.0	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	131.9	118.3

The notes 1 to 15 are an integral part of the condensed consolidated interim financial statements.

6. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6.1. CORPORATE INFORMATION

The condensed consolidated interim financial statements of Ontex Group NV (the 'Group' or 'Ontex') for the first six months ended June 30, 2019 were authorized for issue in accordance with a resolution of the Board on July 30, 2019.

6.1.1. Legal status

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

6.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.2.1. Basis of preparation

The condensed consolidated interim financial statements of the Group for the half year ended June 30, 2019 have been prepared in accordance with IAS 34 – *Interim Financial Reporting*, as adopted by the European Union. They do not include all the information required for the preparation of the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 of Ontex Group NV, that can be found on the website: <http://www.ontexglobal.com>.

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

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

A summary of the significant accounting policies can be found in the audited consolidated financial statements for the year ended December 31, 2018 of Ontex Group NV that can be found in the Integrated Annual Report 2018 on the website (<http://www.ontexglobal.com>), from page 93 through page 103. The accounting policies have been consistently applied to all the periods presented.

The accounting policies used to prepare the condensed consolidated interim financial statements for the period from January 1, 2019 to June 30, 2019 are consistent with those applied in the audited consolidated financial statement for the year ended December 31, 2018 of Ontex Group NV, except for the introduction of the new requirements applied to lease agreements as a result of the application of IFRS 16 – *Leases*:

Leases

The Group leases several properties, machinery, vehicles and IT equipment. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (less any lease incentives),
- variable lease payments that are based on an index or rate,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate, i.e. the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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.

Right-of-use assets are measured at cost comprising the following:

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- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- an estimate of the costs related to the dismantling and removal of the underlying asset.

If it is reasonably certain that the Group will exercise a purchase option, the asset shall be depreciated on a straight-line basis over its useful life. In all other circumstances the asset is depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term.

For short-term leases (lease term of 12 months or less) or leases of low-value items (mainly IT equipment and small office furniture) to which the Group applies the recognition exemptions available in IFRS 16, lease payments are recognised on a straight-line basis as an expense over the lease term.

Some property leases contain variable payment terms that are linked to the use of the property (mainly warehouses). Variable lease payments that depend on the use are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

IFRS accounting standards to be adopted as from 2019

The following relevant new standards and amendments to existing standards have been published and are mandatory for the first time for the financial periods beginning on or after January 1, 2019:

IFRS 16 – Leases (effective January 1, 2019): IFRS 16 supersedes IAS 17 – *Leases* and related interpretations. For lessees, IFRS 16 requires most leases to be recognized on-balance (under a single model), eliminating the distinction between operating and finance leases. In accordance with the new standard, the lessee will recognize assets and liabilities for the rights and obligations created by leases. The standard increases interest-bearing liabilities and non-current assets (new class “Right-of-use assets”) in the consolidated financial statements of the Ontex Group. In addition, the rental expenses recognized in profit or loss will decrease and depreciation and amortization as well as interest expenses will increase. As a result of these impacts, EBITDA will be impacted significantly. However, operating result and net result (profit of the period) will only be impacted to a limited extent.

Amendments to IAS 19 – Employee Benefits (effective January 1, 2019): The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

Annual improvements 2015-2017 (effective January 1, 2019): The Improvements contain amendments to four standards as a result of the IASB's annual improvements project. Amendments to IFRS 3 – *Business Combinations* and IFRS 11 – *Joint Arrangements* clarify the definition of a business and the accounting for previously held interests. The amendment to IAS 12 – *Income Taxes* clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises and finally, the amendment to IAS 23 – *Borrowing Costs* clarify the accounting for specific borrowings which remain outstanding after the related asset is ready for its intended use or sale.

IFRIC 23 – Uncertainty over Income Tax Treatments (effective January 1, 2019): This Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Group has performed an assessment of its uncertain tax positions and the application of IFRIC 23 is not anticipated to have a significant impact on the future consolidated financial statements. The Group applies these new guidelines retrospectively with the cumulative effect of initially applying the interpretation recognized on January 1, 2019 (modified retrospective approach) in accordance with the transition requirements of IFRIC 23. As such, the Group restated its opening balance of equity as a result of initially applying the principles of IFRIC 23 for an amount of € 2.5 million.

The above-mentioned standards did not have an impact on the financial statements, except for IFRIC 23 (see impact above) and IFRS 16:

The Ontex Group applies the new guidelines for lease accounting retrospectively with the cumulative effect of initially applying the standard recognized on January 1, 2019 (modified retrospective approach) in accordance with the transition requirements of IFRS 16. The comparative statements will not be restated.

Upon transition, the Group uses following practical expedients authorized by the standard:

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

Following the adoption of IFRS 16, the Group has changed its accounting policy for leases. The new policy is described above.

The impact of the changes in accounting policies impacts only the opening balance of equity (reversal of operating lease incentives recognized previously as deferred income) and the opening balance of the statement of financial position. As a result of the application of the revised accounting policies due to the application of IFRS 16 on a modified retrospective basis, the Group recognized lease liabilities for an amount of € 147.9 million relating to leases previously classified as operating leases under IAS

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17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019.

The related right-of-use assets were measured at the amount equal to the lease liability, adjusted for the outstanding balance of accrued rental expenses and an initial estimate of restoration and dismantling costs amounting to € 0.3 million and the outstanding balance of assets relating to favourable lease contracts acquired as part of past business combinations.

Leases classified under IAS 17 as finance leases were previously presented a part of property, plant and equipment (2018: € 6.5 million) and are, as from 2019, presented as part of the new line item "Right-of-use assets" in the statement of financial position. No contracts have been assessed to be onerous at transition date.

The weighted average incremental borrowing rate used at transition date is 4.56%.

Following table presents a reconciliation between the note disclosing the non-cancellable lease commitments as reported in the 2018 consolidated financial statements and the lease liabilities recognized at transition date:

in € million	
Operating lease commitment as disclosed in the 2018 consolidated financial statements	160.9
Recognition exemption	
Short term leases	(1.6)
Leases of low value assets	(5.1)
Contracts excluded as not in scope of IFRS 16	(1.0)
Extension and termination options reasonably certain to be exercised	28.0
Total lease commitments in scope of IFRS 16 per December 31, 2018	181.2
Discounted using the incremental borrowing rate at January 1, 2019	(33.3)
Lease liabilities recognized at January 1, 2019	147.9

Relevant IFRS accounting pronouncements to be adopted as from 2020 onwards

A number of new standards, amendments to existing standards and annual improvement cycles have been published and are mandatory for the first time for reporting periods beginning on or after January 1, 2020 and have not been early adopted. Those which may be the most relevant to the Ontex Group's consolidated financial statements are set out below.

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

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

6.2.2. Measurement in the consolidated financial statements

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

6.2.3. Critical accounting estimates and judgments

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2018.

6.3. OPERATING SEGMENTS

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

6.3.1. Information by Division

in € million	First Half	
	2019	2018
Europe	469.1	514.5
Healthcare	217.8	221.2
AMEAA	427.3	393.9
Total revenue	1,114.3	1,129.6

The 2018 figures have been restated to reflect the change in divisional structure.

6.3.2. Information by product group

The key product categories are:

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

in € million	First Half	
	2019	2018
Babycare	648.9	655.2
Femcare	106.3	113.9
Adult Incontinence	345.2	348.4
Other	13.9	12.0
Total revenue	1,114.3	1,129.6

6.3.3. Information by geographic area

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

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

in € million	First Half	
	2019	2018
Western Europe	508.2	548.2
Eastern Europe	135.8	142.7
Americas	314.1	286.6
ROW	156.1	152.1
Total revenue	1,114.3	1,129.6

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

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6.4. GOODWILL

The movement in goodwill relates to exchange differences.

As a result of the organizational restructuring, the Group has revisited its cash-generating units used for impairment testing. As such, the Group identifies the following cash-generating units as from January 1st, 2019:

- Europe (previously Mature Market Retail, plus Russia and Ukraine)
- Americas (previously Americas Retail)
- MEAA (Middle East, Africa and Asia; previously MENA, plus previous Growth Markets excluding Russia and Ukraine)
- Healthcare

The outcome of the goodwill impairment tests performed at HY19 did not result in any impairment loss (2018: nil).

The recoverable amounts of cash-generating units ('CGUs') have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions, including macroeconomic conditions, demand and competition in the markets where we operate, product offerings, product mix and pricing, raw materials availability and cost, direct and indirect expenses, operating margins, growth rates, capital expenditure and working capital, etc. as reflected in Ontex' financial budgets and strategic plans, as well as discount rates.

6.5. INTANGIBLE ASSETS

The Group acquired intangible assets for a total amount of € 3.4 million, relating to IT implementation costs (2018: € 3.7 million relating to IT implementation costs) and capitalized development costs.

The amortization charge for the period amounts to € 4.6 million (2018: € 4.3 million).

Remaining movement of the period relates to exchange differences.

6.6. PROPERTY, PLANT AND EQUIPMENT

Separate additions to property, plant and equipment represent mainly investments in capacity extension, investments in innovation, investments to improve the efficiency and IT investments for a total amount of € 31.2 million (2018: € 38.4 million).

Furthermore, property, plant and equipment were disposed of for a carrying amount of € 0.4 million (2018: € 3.0 million).

The depreciation charge for the period amounts to € 24.3 million (2018: € 24.5 million). Impairment losses for an amount of €1.3 million have been recognized.

Assets for a total amount € 4.8 million have been transferred to assets held for sale as the Group expects to sell them in the following year.

Remaining movement of the period relates to exchange differences.

The Group has contracted expenditures for the acquisition of property, plant and equipment at June 30, 2019 of € 19.2 million.

6.7. RIGHT-OF-USE ASSETS

As of January 1, 2019, the Group recognized leased assets as right-of-use assets as a result of the adoption of IFRS 16. The right-of-use assets can be detailed as follows per June 30, 2019:

in € million	June 30, 2019	January 1st, 2019
Land and buildings	123.0	125.3
Machinery and equipment	19.3	18.0
Furniture and vehicles	11.1	12.4
Other lease rentals	0.8	0.8
Right-of-use assets	154.2	156.5

The initial application of IFRS 16 resulted in the recognition of right-of-use assets for an amount of € 148.3 million (see 6.2.2. above). Assets held under finance lease at closing 2018 have been reclassified from property, plant and equipment to right-of-use assets (€ 6.5 million). Furthermore, intangible assets relating to favourable lease contracts acquired as part of a business combination have been reclassified as part of the carrying amount of the right-to-use asset (€ 1.7 million).

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6.8. NET DEBT

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

The net debt positions of the Group for the periods ended June 30, 2019 and December 31, 2018 are as follows:

in € million	June 30, 2019	December 31, 2018
Non-current interest-bearing debts	953.5	786.6
Current interest-bearing debts	77.2	104.0
Cash and cash equivalents	(131.9)	(130.6)
Total net debt position	898.7	760.0

The increase in net debt relates mainly to the lease liabilities recognized as a result of the initial application of IFRS 16 (€ 143.8 million per June 30, 2019).

6.9. PROVISIONS

6.9.1. Restructuring

The increase in provisions is entirely attributable to restructuring programmes launched in the context of the T2G transformation plan of the Group which was announced in May 2019. The restructuring provision has been recognized against non-recurring items (see also note 6.10).

6.9.2. Legal claims

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

On September 2, 2014, Ontex received a notification that the Spanish Competition Authorities (CNMC) opened infringement proceedings against 15 companies in the sector (including three subsidiaries of the Company: Ontex Es Holdco, S.A., Ontex Peninsular, S.A.U. and Ontex ID, S.A.U.) with respect to alleged conduct of fixing prices and other commercial conditions in the Spanish market for heavy adult incontinence products. On May 26, 2016, following the investigation, the CNMC issued its decision. In its decision it has found eight companies, including Ontex' Spanish subsidiaries guilty of being part of a cartel. For its involvement from 1999 to 2014, Ontex was fined € 5.2 million. Ontex initiated an appeal against the decision and this appeal is pending. As per December 31, 2016, a provision amounting to € 5.2 million has been accounted for. The provision has not been adjusted per June 30, 2019.

COFECE, the Mexican antitrust authority, is conducting an investigation in our industry. To the best of the Group's knowledge, the facts under investigation relate to periods prior to its acquisition of Grupo PI Mabe, S.A. de C.V. ("Mabe"). Ontex and Mabe have been proactively and fully cooperating with COFECE in the investigation and intend to continue to do so.

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

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

6.10. NON-RECURRING INCOME AND EXPENSES

in € million	First Half	
	2019	2018
Factory closure	(1.6)	(3.4)
Business restructuring	(32.2)	(0.5)
Acquisition-related items	(1.0)	(3.7)
Change in fair value of contingent consideration	-	(0.5)
Income and expenses related to changes to Group structure	(34.8)	(8.1)
Impairment of assets	(2.3)	(1.9)
Litigations	(2.5)	-
Income and expenses related to impairments and major litigations	(4.8)	(1.9)
Total non-recurring income and expenses	(39.6)	(10.0)

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

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

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

6.10.1. Income and expenses related to changes to Group structure

Factory closure

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

In 2018, the Group announced the decision to transfer its manufacturing operation in Aparecida de Goiânia to its manufacturing site in Senador Canedo, both in the State of Goiás. This move was made after an in-depth analysis and considering the efficiency of combining the entire production into a single unit, where it will be possible to deploy efficient technologies and processes. All alternatives were investigated to minimize impact on Ontex employees in Aparecida de Goiânia, the majority of whom have transferred to Senador Canedo.

The costs recognized relates mainly to the restructuring expenses (2019: € 0.4 million; 2018: € 3.4 million).

Business restructuring

The Group undertook several projects to optimize the management of its business.

The Group announced in May 2019 a comprehensive transformation plan, Transform2Grow (T2G), which will step-change the operational efficiency and commercial practices. With T2G-enhanced commercial focus and competitiveness, the Group will accelerate execution of our two strategic priorities: Strengthen the current leadership positions and expand into new businesses and geographies within our core categories. The T2G plan entails an investment of € 130 million, split between one-off costs of € 85 million and Capex of € 45 million, with a full pay-back by the end of 2022.

The costs recognized to date relates mainly to in-depth assessments of the different processes and the start of the implementation of different projects to increase the operational efficiency.

6.10.2. Income and expenses related to impairments and major litigations

Impairment of assets

The impairment loss is a non-cash item and relates in 2019 mainly to the impairment recognized on property, plant and equipment.

In 2018, it mainly relates to the impairment of assets as a result of the transfer of the manufacturing operation in Aparecida de Goiânia in Brazil to its manufacturing site in Senador Canedo.

Litigations

The expenses recognized relate to costs incurred in the context of various on-going litigations.

6.11. 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 2018 was 81,284,546, which is the weighted average number of shares for 2018. The number of shares used for 2019 was 80,741,751, which is the weighted average number of shares for 2019.

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

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

in € million	First Half	
	2019	2018
Basic earnings		
Profit from continuing operations attributable to owners of the parent	8.4	50.6
Adjustment dilution	-	-
Profit from continuing operations attributable to owners of the parent, after dilution effect	8.4	50.6

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Number of shares	First Half	
	2019	2018
Weighted average number of ordinary shares outstanding during the period	80,741,751	81,284,546
Dilution	58,118	110,564

Earnings per share (€)	First Half	
	2019	2018
Basic earnings per share	0.10	0.62
Diluted earnings per share	0.10	0.62

A weighted average number of 723,223 options were not included in the denominator of the diluted earnings per share as they were out-of-the-money at half-year 2019 (2018: 315,270 options).

6.12. SHARE-BASED PAYMENTS

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

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

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

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

During the period, the Group granted a new LTIP plan consisting of 393,403 stock options and 124,417 RSU's and 124,420 PSU's, no Instruments have forfeited, expired or have been exercised as of June 30, 2019. The Instruments are exercisable between June 2022 and June 2027. The new LTIP plan has following characteristics:

	Expiry Date	Exercise Price per stock option (€)	Fair value (€)	# stock options/RSU's
LTIP 2019				
Options	2027	14.00	3.99	393,403
RSU's	2022	N/A	12.05	124,417
PSU's	2022	N/A	12.05	124,420

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

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

	LTIP 2019
Exercise Price (€)	14.00
Expected volatility of the shares (%)	37.98%
Expected dividends yield (%)	3.82%
Risk-free interest rate (%)	0.10%

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

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

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6.13. CONTINGENCIES

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

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

6.14. RELATED PARTY TRANSACTIONS

There are no substantial related party transactions during the first half-year of 2019.

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

6.15. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

6.16. ALTERNATIVE PERFORMANCE MEASURES

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

6.16.1. Non-recurring income and expenses

Income and expenses classified under the heading “non-recurring income and expenses” are those items that are considered by management not to relate to transactions, projects and adjustments to the value of assets and liabilities taking place in the ordinary course of activities of the Company. Non-recurring income and expenses are presented separately, due to their size or nature, so as to allow users of the consolidated financial statements of the Company to get a better understanding of the normalized performance of the Company. Non-recurring income and expenses relate to:

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

Non-recurring income and expenses of the Group for the half-year ended June 30 are composed of the following items presented in the consolidated income statement and can be reconciled in note 6.9:

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

6.16.2. EBITDA and adjusted EBITDA

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

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

in € million	First half	
	2019	2018
Operating profit	29.1	78.9
Depreciation and amortization	42.4	28.8
EBITDA	71.5	107.7
Non-recurring income and expenses	39.6	10.0
Adjusted EBITDA	111.0	117.7

6.16.3. Net financial debt/LTM adjusted EBITDA ratio (Leverage)

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

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

Net financial debt/LTM adjusted EBITDA ratio of the Group for the periods are presented below:

in € million	June 30, 2019	December 31, 2018
Non-current interest-bearing debts	953.5	786.6
Current interest-bearing debts	77.2	104.0
Cash and cash equivalents	(131.9)	(130.6)
Total net debt position	898.7	760.0
LTM adjusted EBITDA ¹	242.2	234.0
Net financial debt/LTM adjusted EBITDA ratio	3.71	3.25

The increase in net debt relates mainly to the lease liabilities recognized as a result of the initial application of IFRS 16 (€ 143.8 million per June 30, 2019).

¹ Second half-year of 2018 has been restated to consider the pro-forma impact of IFRS 16

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6.16.4. Adjusted free cash flow

Adjusted free cash flow was previously defined as adjusted EBITDA less capital expenditures (Capex, defined as purchases of property, plant and equipment and intangible assets), less change in working capital, less income taxes paid. This means that operating lease payments were included in the free cash flow.

As a result of the application of IFRS 16, lease payments will be reported as cash flows from financing activities. Considering that operationally nothing has changed and IFRS 16 is only an accounting change, the definition of free cash flow is adjusted to include the repayment of lease liabilities (i.e. excluding the interest expense).

Adjusted free cash flow of the Group for the periods ended June 30 is as follows:

in € million	First half	
	2019	2018
Operating profit	29.1	78.9
Depreciation and amortization	42.4	28.8
EBITDA	71.5	107.7
Non-recurring income and expenses	39.6	10.0
Adjusted EBITDA	111.0	117.7
Change in working capital		
Inventories	30.4	(13.7)
Trade and other receivables and prepaid expenses	26.9	(0.8)
Trade and other payables and accrued expenses	(14.1)	(6.4)
Capex	(39.6)	(39.0)
Repayment of lease liabilities	(13.3)	-
Adjusted free cash flow (pre-tax)	101.4	57.7
Income taxes paid	(20.2)	(21.5)
Adjusted free cash flow (post-tax)	81.2	36.2

6.16.5. Adjusted basic earnings and adjusted basic earnings per share

Adjusted basic earnings are defined as profit for the period plus non-recurring income and expenses and tax effect on non-recurring income and expenses, attributable to the owners of the parent. Adjusted basic earnings per share are defined as Adjusted basic earnings divided by the weighted average number of ordinary shares.

in € million	First Half	
	2019	2018
Adjusted basic earnings		
Profit from continuing operations attributable to owners of the parent	8.4	50.6
Total Non-recurring Income & Expenses	39.6	10.0
Tax correction	(11.5)	(3.4)
Adjusted basic earnings	36.5	57.2
Adjustment dilution	-	-
Adjusted earnings, after dilution effect	36.5	57.2

Number of shares	First Half	
	2019	2018
Weighted average number of ordinary shares outstanding during the period	80,741,751	81,284,546
Dilution	58,118	110,564

Earnings per share (€)	First Half	
	2019	2018
Adjusted basic earnings per share	0.45	0.70
Adjusted diluted earnings per share	0.45	0.70

6.16.6. Working capital

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

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

Pro-forma revenue at constant currency

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

Like-for-Like (LFL) revenue

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

Adjusted profit for the period

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

Adjusted EBITDA margin

Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

REGULATED INFORMATION

DISCLAIMER

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

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

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

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

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