ONTEX GROUP NV

Auditor's report on the capital increase with disapplication of the preferential subscription rights of the existing shareholders pursuant to article 596 of the Companies code

28 October 2015

AUDITOR'S REPORT ON THE CAPITAL INCREASE WITH DISAPPLICATION OF THE PREFERENTIAL SUBSCRIPTION RIGHTS OF THE EXISTING SHAREHOLDERS PURSUANT TO ARTICLE 596 OF THE COMPANIES

1. Assignment

The board of directors of Ontex Group NV assigned the company's auditor, PwC Bedrijfsrevisoren bcvba, represented by Peter Opsomer BV BVBA, in turn represented by its permanent representative Mr. Peter Opsomer statutory auditor, to report on the capital increase with disapplication of the preferential subscription rights of the existing shareholders, in accordance with article 596 of the Companies Code.

Art. 596 of the Companies Code lays down in such cases that:

> *"The general meeting called to deliberate and resolve on the capital increase, the issuance of convertible bonds or the issuance of warrants may, under the rules of quorum and majority required for an amendment of the articles of association of the company and in the interest of the company, limit or lift the preferential subscription right.*
> *The proposal thereto has to be specifically mentioned in the notice calling the meeting.*
> *The board of directors justifies its proposal in a detailed report, which specifically relates to the issue price and the financial consequences of the transaction for the shareholders.*
> *A report is prepared by the statutory auditor or, in his absence, by an external chartered auditor appointed in the same manner, in which he attests that the financial and accounting information contained in the report of the board of directors is correct and adequate for the purpose of informing the general meeting called to vote on the proposal. These reports are filed with the clerk of the commercial court in accordance with Article 75."*

We have based our work on the applicable audit standards and guidance as issued by of the Institute of Certified Auditors ("Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises").

In implementation of this assignment, we hereby report in particular on whether of the financial and accounting information contained in the special report prepared by the Board of Directors relating to this transaction is correct and adequate.

2. Description of the transaction

The board of directors of Ontex Group NV, a company organised under the laws of Belgium, having its registered office at Korte Keppestraat 21, 9320 Erembodegem (Aalst), and registered with the legal entities register of Gent, division Dendermonde under the number 0550.880.915 (the "Company"), proposes a capital increase by the issuance of up to 6,805,554 new ordinary shares of the Company within the framework of the authorized capital and with the disapplication of the preferential subscription right of the existing shareholders of the Company. The new ordinary shares will be issued as compensation for a contribution in cash. The new ordinary shares will be paid up in full at the time of their issuance and will have the same rights and characteristics as, and be fully fungible with, the existing ordinary shares of the Company, including with respect to the right to receive dividends. The Company will apply for the admission of the new ordinary shares to trading on the regulated market of Euronext Brussels.

We note at the outset that the preferential subscription right is not disapplied in favour of specific identified persons, within the meaning of Article 598 of the Belgian Company Code.

In accordance with article 596 of the Companies' Code, the board of directors is responsible for preparing a special report explaining the reasons for the disapplication of the preferential subscription right of existing shareholders of the Company; it details the issue price and the financial consequences of the capital increase for the existing shareholders.

The capital increase is planned within the context of the financing of the contemplated acquisition of all outstanding shares of Grupo P.I. Mabe, S.A. de C.V., a Mexican company which manufactures disposable hygienic products ("Grupo Mabe"), together with other related interests (the "Transaction")

The capital increase will be effected through an accelerated bookbuilt offering (the "ABB") to institutional investors. The ABB is expected to be launched after the public announcement by the Company of the Transaction.

The number of new ordinary shares issued will be equal to or lower than 6,805,554 (i.e. one share less than 10% of the current number of outstanding ordinary shares of the Company), including the number of shares that will be issued to the sellers at the closing date of the Transaction pursuant to the transaction documents, as agreed between the Company and the sellers after the date of this report and before the launch of the ABB. The actual number of new ordinary shares will depend on the ABB. The issue price will be determined through a bookbuilding process, but will not be less than 10% below the closing price of the Company's ordinary share on Euronext Brussels on the trading day preceding the announcement of the ABB. The successful completion of the ABB constitutes a condition precedent to this capital increase.

As of the date of this report, the share capital of the Company amounts to EUR 680,650,828 and is represented by 68,055,555 ordinary shares without par value.

3. Adequacy of the accounting and financial information included in the special report prepared by the Board of Directors

The capital increase will be effected through an ABB, which results in the fact that the final number of new ordinary shares issued and the final issue price are not known at the date of the special report prepared by the board of directors and our report. Consequently, the analysis of the consequences of the capital increase for the position of the existing shareholders, as indicated in the below table, is based on the hypothesis of (i) an issue price of EUR 25.41, i.e. the minimum issue price if the closing share price on the trading day preceding the announcement of the ABB was the same as the closing price on the trading day preceding the date of this report (EUR 28.23 less 10% and (ii) a maximum number of new ordinary shares of 4,048,833, assuming that 2,756,721 new ordinary shares will be issued to the sellers within the framework of the Transaction at the closing date thereof.

	Prior to the capital increase		After the Capital increase			
	Numer of shares	Market Capitalisation in € million	Numer of shares		Market Capitalisation in € million	
Existing shareholders	68.055.555	1.921 (1)	68.055.555	94,38%	1.921	94,92%
New sharholders			4.048.833 (2)	5,62%	103 (3)	5,08%
Total	68.055.555	1.921	72.104.388	100,00%	2.024	100,00%

(1) Calculated at the closing rate of the trading day preceding the date of this report, EUR 28.23 per share
(2) Hypothetical maximum number of shares that will be issued
(3) Calculated at closing rate of the trading preceding the date of this report less the maximal discount of 10%

The above table demonstrates that, based on the assumptions used, the existing shareholders dilute from 100% to 94.38% and, assuming no current shareholders would subscribe to the newly issued ordinary shares, also the financial dilution would amount to about 0.561% as, after the capital increase, all other things staying the same, the theoretical share price would amount to EUR 28.07 compared to a EUR 28.23 before the capital increase.

4. Conclusion

On the basis of the examination conducted, we are finally of the view that the financial and accounting data contained in the special report prepared by the Board of Directors is correct and adequate.

We would finally recall that our assignment does not include issuing a pronouncement regarding the justifiability and fairness of the transaction.

This report has been issued in connection with the requirement of article 596 of the Companies Code and is not meant to be used for any other purpose.

Gent, 28 October 2015

PwC Bedrijfsrevisoren bcvba
Represented by

Peter Opsomer *
Bedrijfsrevisor / statutory auditor

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

Appendix: Special report of the board of directors pertaining to the planned capital increase

ONTEX GROUP

Limited Liability Company (*Naamloze Vennootschap*)
Korte Keppestraat 21
9320 Erembodegem (Aalst)
VAT BE 0550.880.915
RPR Ghent, division Dendermonde

(the "Company")

SPECIAL REPORT OF THE BOARD OF DIRECTORS IN ACCORDANCE WITH ARTICLE 596 OF THE BELGIAN COMPANY CODE

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1. PURPOSE OF THIS REPORT

This special report is prepared in accordance with Article 596 of the Belgian Company Code and has been adopted by the board of directors of the Company (the "Board of Directors") on October 28, 2015, in the context of a capital increase by the issuance of up to 6,805,554 new ordinary shares of the Company to be decided by the Board of Directors on that same date, within the framework of the authorized capital under the terms and conditions described in section 3 below (the "Capital Increase").

This special report describes the Capital Increase and sets out the reasons for the disapplication of the preferential subscription right of existing shareholders of the Company; it details the issue price and the financial consequences of the Capital Increase for the existing shareholders, as required by Article 596 of the Belgian Company Code.

The Board of Directors notes at the outset that the preferential subscription right is not disapplied in favor of identified persons, within the meaning of Article 598 of the Belgian Company Code.

2. CONTEXT

The Company is contemplating a transaction whereby it, through certain of its subsidiaries, will directly or indirectly acquire all outstanding shares of Grupo P.I. Mabe, S.A. de C.V., a Mexican company which manufactures disposable hygienic products ("Grupo Mabe"), together with other related interests, for a total enterprise value of approximately MXN 7,200 million (at an exchange rate of 18.30, equal to EUR 393 million) (the "Transaction"), pursuant to the terms and conditions described in the Master Purchase Agreement intended to be entered into between the parties on or about November 3, 2015 (the "Agreement"), together with other transaction documents, including purchase agreements for the acquisition of land plots for an additional value of approximately EUR 7.4 million.

The Transaction will enable the Company to acquire, through its subsidiaries, a leading Mexican business that is a strong strategic fit. Grupo Mabe's investment in innovation and manufacturing positions the business well to support its future growth. In particular, the Transaction is consistent with the Company's strategy of enhancing organic growth with value added bolt-on acquisitions, and reflects a focus on extending its platform outside Western Europe and deeper into growth markets, whilst increasing the contribution to the group from strong Ontex brands.

Ontex BVBA, a wholly-owned subsidiary of the Company, and certain subsidiaries of Ontex BVBA will acquire the interests referred to above for a consideration based on a total enterprise value of MXN 7,200 million, of which up to MXN 1,550 million constitutes a deferred consideration payable if and to the extent Grupo Mabe achieves certain EBITDA thresholds in financial years 2015, 2016 and 2017. Of the net consideration payable to the sellers at the closing of the Transaction (the "Closing") (being MXN 5,650 million less Grupo Mabe's estimated net financial debt at Closing) an MXN amount, at the then prevailing exchange rate, of at least USD 200 million will be paid in cash (the "Closing Cash Payment"), and the balance will be paid in the form of a vendor loan note issued by Ontex BVBA (the "Vendor Loan Note") which will immediately be contributed to the Company in exchange for newly-issued ordinary shares of the Company.

Ontex BVBA will be granted an intra-group loan by the Company to finance the Closing Cash Payment to be made to the sellers at Closing. Part of this intra-group loan will be financed by the Capital Increase. Ontex BVBA will also be granted an intra-group loan by the Company to refinance the Vendor Loan Note.

3. DESCRIPTION OF THE CAPITAL INCREASE

(a) *Decision to increase the share capital*

The Capital Increase will be effected within the framework of the Company's authorized capital. Pursuant to Article 7 of the articles of association of the Company (the "Articles of Association"), the Board of Directors is authorized (i) to increase the Company's share capital, in one or several times, up to an aggregate amount (before issue premium) equal to 50% of the registered share capital as it stood after the closing of the initial public offering of the Company, *i.e.* EUR 680,650,828; and (ii) to limit or disapply the preferential subscription right of the existing shareholders in the interest of the Company, subject to the limitations and in accordance with the conditions provided for by the Belgian Company Code.

It is now proposed to increase the Company's share capital through the issuance of up to 6,805,554 new ordinary shares of the Company (the "New Shares") (*i.e.* 10% less one share of the number of outstanding ordinary shares of the Company) against an issue price to be determined through a bookbuilding process but which may not be less than 10% below the closing price of the Company's ordinary share on Euronext Brussels on the trading day preceding the announcement of the ABB, under the condition precedent, and to the extent, of the effective subscription of the New Shares. The New Shares will be placed with institutional investors through an accelerated bookbuilt offering (the "ABB"), for which the order book will be held by UBS Limited (the "Bookrunner"). The ABB is expected to be launched after the public announcement by the Company of the Transaction. There will be no public offering in Belgium or elsewhere.

The Board of Directors will grant any two executive directors, acting jointly, the power to determine, at the latest on the day preceding the launch of the ABB, the maximum number of shares that can be issued within the framework of the Capital Increase, to ensure that the threshold of 10% of the outstanding shares of the Company is not exceeded and therefore no prospectus is needed for the admission to trading of the New Shares (see section 3(d)(ii) below), taking into account the number of shares that will be issued to the sellers at the Closing in consideration for the contribution of the Vendor Loan Note, as agreed between the Company and the sellers after the date of this report and before launch of the ABB.

The Board of Directors will grant any two executive directors, acting jointly, with power of substitution, the power to:

(i) determine the timing of the launch of the ABB;

(ii) determine, at the end of the bookbuilding process, the issue price for the New Shares (including issue premium), taking into account the minimum issue price as described above; and

(iii) record the effective realization of the Capital Increase.

(b) ***Characteristics of the New Shares***

The New Shares will be paid up in full at the time of their issuance and will have the same rights and characteristics as, and be fully fungible with, the existing ordinary shares of the Company, including with respect to the right to receive dividends.

Upon subscription, the final issue price per share must be booked as capital for the part corresponding to the accounting par value of each share. The remainder of the issue price must be booked on a blocked "Issue Premium" account, which shall constitute, like the capital, the guarantee for third parties and may only be reduced or cancelled by a decision of the general meeting, in accordance with Article 612 of the Company Code.

The Company will apply for the admission of the New Shares to trading on the regulated market of Euronext Brussels.

(c) ***Accelerated bookbuilt offering and role of the Bookrunner***

The Bookrunner shall contact investors and, following receipt of offers therefrom, recommend the allocation of the New Shares, in accordance with the principles set out in the Solicitation and Allocation Protocol (the "Protocol") to be entered into between the Bookrunner and the Company. The final allocation of the New Shares will be determined by the Company on the basis of the Bookrunner's recommendation. No investors have received nor will receive any commitment or undertaking from the Company or the Bookrunner as regards allocation of the New Shares.

(d) ***No Prospectus***

(i) *Offering*. In accordance with Article 3, §2, subparagraph 1, a), of the law of June 16, 2006 on the public offering of financial instruments and the admission of financial instruments to trading on a regulated market (the "Prospectus Law"), the offering of the New Shares to qualified investors is not a public offering and therefore does not require the publication of a prospectus.

(ii) *Admission to trading*. In accordance with Article 18, §2, a) of the Prospectus Law, no prospectus is required for the admission to trading of the New Shares as a result of the Capital Increase, considering that the New Shares will represent, over a period of 12 months, less than 10% of the number of shares of the same class of the Company already admitted to trading.

4. JUSTIFICATION OF THE DISAPPLICATION OF THE PREFERENTIAL SUBSCRIPTION RIGHT

The Board of Directors considers that an ABB with disapplication of the preferential subscription right is more appropriate than other alternatives such as a public offering to existing shareholders, considering that:

(i) it involves a shorter execution period, thereby reducing the risk associated with market volatility and market liquidity;

(ii) it is a suitable approach for transactions with limited size, as is the case here, where institutional investors have the capacity quickly to absorb the Capital Increase, allowing the ABB to be carried out in a single day;

(iii) it allows for a greater flexibility to adapt the Capital Increase to market conditions;

(iv) the issue price can be maximized, with lower discounts than what would usually prevail in capital increases with preferential subscription right;

(v) issue costs are reduced, since the costs of the ABB are limited to the placement process and therefore represent lower operational, marketing and legal cost, which leads to lower costs overall than a capital increase with preferential subscription right or a public offering to the market as a whole; and

(vi) it allows for a greater flexibility in terms of allocation of the New Shares, so that they can be distributed optimally, which in turn reduces speculative and flowback risk.

Given the purpose of the Capital Increase of raising part of the funds needed to finance the Closing Cash Payment, and taking into account the benefits of an accelerated bookbuilding process, the costs, timing and burden of a placement with preferential subscription right, and the limited dilution resulting from the Capital Increase, the Board of Directors considers that the Capital Increase via an ABB, which necessarily implies the disapplication of the preferential subscription right, is in the Company's corporate interest.

5. DETERMINATION OF THE PRICE FOR THE NEW SHARES

The contemplated placement with institutional investors implies the use of a bookbuilding process, pursuant to which investors indicate their interest for a certain volume of subscriptions at different price levels. This process allows the determination of the subscription price at an equilibrium between the maximization of the amount of equity for which each share is subscribed on the one hand and a maximization of the success of the placement and the number of subscribed shares on the other hand.

As mentioned in section 3(a) above, the final issue price shall be determined at the end of the bookbuilding process, taking into account the minimum price as set out in section 3(a) above, by any two executive directors (acting jointly), pursuant to the powers granted by the Board of Directors.

6. DESCRIPTION OF THE IMPACT OF THE CAPITAL INCREASE ON THE POSITION OF EXISTING SHAREHOLDERS

The price determination method set out in section 5 above does not allow for a precise and final calculation of the financial consequences of the Capital Increase given that the final issue price is not yet known at the date of this report. As a consequence, the analysis of the impact of the Capital Increase on the position of existing shareholders, as set out below, is based on the hypothesis of an issue price of EUR 25.41, *i.e.* the minimum issue price if the closing share price on the trading day preceding the announcement of the ABB was the same as the closing share price on the trading day preceding the date of this report (EUR 28.23 less 10%). Also, even though the theoretical maximum number of shares authorized pursuant to the contemplated resolution is equal to 6,805,554 New Shares, the actual number of shares will, as explained above, be reduced to take into account the number of shares to be issued to the sellers in consideration for the contribution of the Vendor Loan Note. Assuming a MXN / USD exchange rate of 16.50, an estimated financial debt of Grupo Mabe of MXN 939 million and a reference share price of EUR 28, that number would be equal to 2,756,721 shares, and the number of New Shares would be equal to 6,805,554 less 2,756,721 shares, *i.e.*, 4,048,833 New Shares.

(a) ***Consequences in terms of participation in the share capital and voting rights***

If, in the abovementioned hypothesis, the maximum number of shares is issued, *i.e.* 4,048,833 New Shares, the New Shares will represent 5.95% of the aggregate amount of the currently outstanding ordinary shares of the Company. Assuming that none of the existing shareholders subscribe for the New Shares, the Capital Increase will therefore lead, based on the abovementioned assumptions, to a dilution of existing shareholders from 100 to 94.38%.

(b) ***Financial consequences***

Taking into account the abovementioned hypothetical issue price (EUR 25.41) and number of New Shares (4,048,833), and assuming that no current shareholder subscribes for the New Shares, the financial dilution ("FD") of the existing shareholders, expressed in percentage of the value of one share, would be 0.561%.

This percentage is calculated based on the following formula:

$$FD = \frac{(CP - IP)}{CP} * \frac{MN}{(NS + MN)} * 100$$

where:

- CP is the closing price of the share of the Company on Euronext Brussels on October 27, 2015, *i.e.* EUR 28.23;
- NS is the number of outstanding shares of the Company before the Capital Increase, *i.e.* 68,055,555;
- MN is the hypothetical maximum number of New Shares that can be issued pursuant to the Capital Increase, *i.e.* 4,048,833;
- IP is the hypothetical issue price of the New Shares, which, for the purpose of the above, is assumed to be equal to EUR 25.41.

The hypothetical issue price mentioned above is given for illustrative purposes only, and the final issue price will be determined at the end of the bookbuilding process, taking into account the minimum price determined in accordance with the board resolution in relation to the Capital Increase.

7. CONCLUSION

In light of the considerations mentioned above, the Board of Directors is of the opinion that the Capital Increase and the disapplication of the preferential subscription right of existing shareholders are in the corporate interest of the Company.

(*Signature page to follow*)

Brussels, October 28, 2015

On behalf of the board of directors of Ontex Group NV,

Charles Bouaziz
Chief Executive Officer

Cepholli BVBA, represented by its permanent representative Jacques Purnode
Chief Financial Officer