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 March 17, 2017, in the context of a proposed capital increase by the issuance of up to 7,486,110 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 subject to the conditions described in section 3 below (the "Capital Increase").

This special report describes the Capital Increase, sets forth the reasons for the disapplication of the preferential subscription right of existing shareholders of the Company, and 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 and that the New Shares (as defined below) will be placed with institutional investors to be identified as part of a bookbuilding process.

2. CONTEXT

On March 7, 2017, the Company acquired, through one of its subsidiaries, Hygienic Disposables Brazil Participações Ltda, a Brazilian *sociedade empresaria limitada*, organized and existing under the laws of Brazil enrolled with the Brazilian Corporate Taxpayers' Registry of the Ministry of Finance (CNPJ) under no. 25.186.120/0001-56 ("Ontex Brazil"), 100% of the shares of Active Indústria de Cosméticos S.A. a Brazilian *sociedade anônima,* organized and existing under the laws of Brazil, enrolled with the Brazilian Corporate Taxpayers' Registry of the Ministry of Finance (CNPJ) under no. 22.010.816/0001-39 ("Active") and Falcon Distribuidora, Armazenamento e Transporte S.A., a Brazilian *sociedade anônima,* organized and existing under the laws of Brazil, enrolled with the Brazilian Corporate Taxpayers' Registry of the Ministry of Finance (CNPJ) under no. 23.191.831/0001-93 ("Falcon", and together with Active, the "Target Companies"). To that end, Ontex Brazil entered into a share purchase agreement for the shares of the Target Companies dated December 22, 2016 (the "Share Purchase Agreement"), for a total enterprise value of approximately one billion Brazilian Reais (R$1,000,000,000) (the "Transaction"), subject to the terms and conditions described in the Share Purchase Agreement including post-closing adjustments.

The Transaction allowed the Company to indirectly acquire a leading Brazilian business that is an excellent fit for the Company, consistent with its stated strategic objectives for external growth. In particular, the Company is convinced both by the fundamentals and potential of Target Companies' operations and business pertaining to infant and adult diapers, feminine care products and other related personal hygiene products including its solid position in a large market.

In order to consummate the Transaction, the Company used available liquidity (cash and existing revolving credit facility) and obtained a bridge debt financing facility for an amount of EUR 125,000,000, pursuant to an additional facility notice under its senior facilities agreement originally dated November 10, 2014, as amended and restated from time to time.

The Board of Directors now proposes the Capital Increase to use the proceeds of the placement of the New Shares to refinance the business further to the Transaction. The Capital Increase will also enable the Company to remain committed to actively manage its balance sheet so as to maintain an efficient, flexible and resilient capital structure to support continued investment in the business.

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.

The Company's share capital will increase through the issuance of up to 7,486,110 new ordinary shares of the Company (the "New Shares") (*i.e.* less than 10% 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 only, through an accelerated bookbuilt offering (the "ABB"), for which the order book will be held by UBS Limited and BNP Paribas Fortis NV/SA (together the "Bookrunners"). The ABB is expected to be launched on Wednesday March 22, 2017. There will be no public offering in Belgium or elsewhere.

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

(i) decide the effective launch of the ABB; and

(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.

The Board of Directors will grant any director, acting alone, with power of substitution, the power to record the effective realization of the Capital Increase in accordance with Article 589 of the Belgian Company Code.

(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 fractional value (*fractiewaarde / pair comptable*) 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 Bookrunners**

The Bookrunners will contact investors and, following receipt of offers therefrom, recommend the allocation of the New Shares. The final allocation of the New Shares will be determined by the Company on the basis of the Bookrunners' recommendation. No investors have received nor will receive any commitment or undertaking from the Company or the Bookrunners 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:

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

(b) 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;

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

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

(e) 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

(f) 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 (as described in section 2 above), 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 proposed 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 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 28.03, *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 31.14 less 10%).

(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.* 7,486,110 New Shares, the New Shares will represent 9.99% (rounded down) 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 90.91% (rounded up).

(b) ***Financial consequences***

Taking into account the abovementioned hypothetical issue price (EUR 28.03) and the maximum number of New Shares (7,486,110), 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 0.91%.

This percentage is calculated based on the following formula:

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

where:

- CP is the closing price of the share of the Company on Euronext Brussels on March 16, 2017, *i.e.* EUR 31.14;
- OS is the number of outstanding shares of the Company before the Capital Increase, *i.e.* 74,861,108;
- NS is the hypothetical number of New Shares issued pursuant to the Capital Increase, *i.e.* 7,486,110;
- IP is the hypothetical issue price of the New Shares, which, for the purpose of the above, is assumed to be equal to EUR 28.03.

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, March 17, 2017

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

Artipa BVBA, represented by its permanent representative, Thierry Navarre
Chief Operating Officer, special proxyholder