

Asaleo Care Limited

Ailsa Street, PO Box 117 Box Hill Victoria, 3128

ABN 61 154 461 300

www.asaleocare.com



ASX Announcement

2 May 2017

2017 Annual General Meeting Addresses & Presentation slides

Attached are addresses from the Chairman, CEO & Managing Director and Chair of the Remuneration and Human Resources Committee to the 2017 Annual General Meeting.

Presentation slides are also attached.

CHAIRMAN'S ADDRESS

Although 2016 got off to a disappointing start with a poor first half year, a stronger second half enabled us to meet our revised profit guidance. EBITDA of \$130.7m and NPAT of \$64.6m were down on the prior year primarily due to the weaker first half, combined with the adverse impact on our cost of goods of a weaker A\$ and NZ\$ and a highly competitive retail environment.

Our **Personal Care** business faced a very challenging 1st half with intense competitive activity on the price and promotional fronts. This, combined with the initial costs of implementing our “every day pricing” strategy, adversely impacted first half revenue. Pleasingly, the second half saw improved pricing in our key Feminine and Incontinence care categories, with revenue up 1% against the prior corresponding period.

Our **Tissue** business revenue was only slightly down on the prior year, despite facing the challenge of a very competitive market. In addition, EBITDA was negatively impacted by adverse foreign exchange of \$12m, which was partly offset by favourable pulp pricing of \$4m. Solid growth in our B2B and Pacific Island businesses offset declines in Consumer Tissue.

Importantly, there are positive signs for the future. Momentum from our improved second half in 2016 has continued in the early months of 2017 as we are seeing our pipeline of new product initiatives entering the market. Peter will speak to that later. Our return on invested capital of 12% and earnings per share of 11.5 cents remain strong, and our net debt of \$295m or 2.26 times EBITDA remains comfortably within our target ratio of 1.5 to 2.5 times. This is in the context of cash returned to shareholders of \$89.4 million, including \$33 million via the on market share buyback which is now 95% complete, and \$56.4 million in total dividends for 2016 of 10 cents per share, 50% franked. These capital management initiatives reflect your Board's confidence in our strategy and ongoing business.

Building on the strength of our market leading and trusted brands including: Libra, Sorbent, Treasures, Handee, Purex, Deeko, TENA, and Tork we remain focussed on organic growth as well as appropriate growth opportunities both in our core and adjacent fields.

We presently expect 2017 to deliver low single digit growth in underlying EBITDA and NPAT and low to mid-single digit growth for EPS.

The **health and safety** of our employees, contractors and visitors is of critical importance. For that reason we have been investing in our resources and programs to eliminate work place illnesses and injuries. In addition to documenting group wide standards, procedures and processes we have introduced a drug and alcohol management program, as well as having an Assistance Program for employees and their immediate family who are dealing with issues affecting their life and work. We also have programs to support employees returning to work following an injury.

Given our level of investment in health and safety initiatives it was surprising and disappointing to see our lost time and total injury frequency rates increase in 2016, following improvement over the

last few years. We are continuing to strive for improvement in our safety performance and this is structured around 3 main areas:

- Safety Leadership, by which we develop our leaders' capability and commitment to improving safety,
- Safer work environment, by providing safe equipment and processes, and
- Standardised OH&S Management System, which helps us manage, control and reduce occupational safety risks.

Focus on sustainability and the impact of our business on the environment and communities in which we operate has led us to identify the following key issues:

- Responsible forestry,
- Resource scarcity,
- Supply chain management,
- Workplace health and safety
- Economic Performance, and
- Community engagement and partnerships.

Each of these issues is actively managed pursuant to a comprehensive framework, and key aspects of each are set out in the Annual Report. Further information is available on the Company website.

Asaleo Care's purpose is to, "Make it easier for hygiene, health and wellbeing to be part of everyday life". We do this in many ways including the provision of education and advice. For example, in Fiji, Libra provides support to Medical Services Pacific's "girl powered initiative" which educates girls about puberty, and reproductive health. In Australia, TENA has partnered with the Royal District Nursing Service and Bowls Australia to provide advice and education about maintaining health whilst aging. We have also partnered with the Pharmacy Guild to provide an accredited training resource for pharmacy staff on managing incontinence. In addition we provide monetary and product donations to Ronald McDonald House and Foodbank through our CARES program as well as to relief efforts following natural disasters in our region.

The Company's Governance Statement, and Board and Committee Charters, both of which are available on the Company's website, give a good overview of how the Board works. We continue to monitor and review governance arrangements and policies to ensure they remain appropriate and effective for the Company.

I can confirm that the performance of the Board, Committees and individual directors was evaluated during 2016, and that no significant concerns or issues were raised through this process. Bearing in mind that the company has been listed only since mid-2014, we continue to believe that the Board's size and breadth of skills and experience remain appropriate for the circumstances of the Company. During 2016, SCA nominee Director Nils Lindholm resigned and was replaced by another SCA Nominee, Robert Sjostrom, who is SCA's Senior Vice President, Group Function Strategy and Business Development, Global Business Services and IT. The industry-specific experience and knowhow which both Robert and his fellow SCA nominee director Mats Berencreutz bring is of great value to the Company.

We realise that the efforts of each and every one of our almost 1000 employees are a key asset for our business, and on behalf of the Board and shareholders, I would like to thank them for their ongoing dedication and contribution to the Company. Our thanks also extend to our customers, suppliers, contractors, business partners, advisors and shareholders for their ongoing support.

We will continue to seek out growth opportunities for the company by developing value propositions for our consumers and customers based on innovation and differentiation whilst continually reducing our costs and improving efficiency and quality. By building on our strong foundations and implementing our strategy we aim to maximise long-term shareholder value and future growth.

CEO & MANAGING DIRECTOR'S ADDRESS

In speaking to our financial results Harry mentioned a number of the challenges our business has had to face and overcome. In this environment, we cannot just rely on past capital investment and our strong brands. Rather, we must continue to implement initiatives across our business in a structured and disciplined manner in accordance with our strategy. I am confident that the activity which is underway, and planned, will enable the business to grow and shareholder value to be maximised in the long term.

I would like to discuss in some detail our strategy and some of our new product development initiatives. I will however start with a brief overview of the financial performance of each of our business segments.

Turning first to **Personal Care**, revenue was \$182.7m, with aggregate 1st half sales of \$87.4 million in our Feminine Care, Baby Care and retail Incontinence Care categories all down from \$98.5 million in the 1st half of 2015. This was largely driven by increased competitor price discounting in the market place which necessitated increased trade spend on our part to support our strong market share. We were successful in this response and aggregate sales for the 2nd half in these categories were higher than the 2nd half of 2015.

The 1st half also saw the introduction of “every day pricing” for our Incontinence Care and Feminine Care ranges in some of our larger retail customers, and this required some one-off implementation costs in the 1st half which led to a stabilisation of sales in the 2nd half. Baby Care revenue declined in New Zealand as we responded to competitive price cuts by deeper and more frequent discounting to protect our strong market share.

Aggregate EBITDA for these categories of \$66.9m at an EBITDA margin of 36.6% was 7.1% down on the prior year mainly due to the reduced revenue in the 1st half as we increased discounting to support our market share. Further there was a higher cost of goods due to the weaker Australian and New Zealand currencies vs. the US\$.

In spite of these external challenges, it is pleasing to report that Incontinence Care continued to grow EBITDA in FY 16 and 2nd half EBITDA for Feminine Care exceeded that of the prior corresponding period.

Tissue revenue was \$423.2m, down 1.4%. Consumer Tissue declined slightly, primarily in the first half, while our **Towel**, **Professional Hygiene** and **Pacific Islands** businesses all showed sales growth for the year. Aggregate EBITDA for these categories of \$63.8m was achieved despite the negative impact of adverse foreign exchange costs for pulp and other raw material inputs. This adverse FX impact was not able to be recouped through higher pricing as we decided to protect our brand market share position in the face of competitive discounting. We continued to exercise tight cost control across all aspects of the business.

As the competitive landscape continues to evolve, we remain committed to our strategy which we believe will provide the best return on our invested capital. This has four elements:

- Product innovation and differentiation
- Range and coverage
- Distribution innovation, and
- Cost reduction and efficiency

Of course, as Harry said, we continue to focus on organic growth opportunities but also evaluate appropriate external growth opportunities both in our core and adjacent fields. In this context, we have been very busy on a number of key new product initiatives which we are very pleased to see entering the market and which we expect to result in an improved financial performance.

In **product innovation & differentiation**, we have a strong pipeline of initiatives that we are launching in market during 2017, with key product launches in Feminine Care & Baby Care.

An initiative that I'm really excited about is Libra 'Roll. Press. Go'. We are first to market with a patented innovation that will enhance our value proposition to consumers of our pads range. The innovation involves a wrapper with self-sealing edges to make pad disposal neat, hygienic and convenient. This innovation has already been very successful for SCA in Europe, and we have invested cap-ex in a machine upgrade at our Springvale plant to enable this product to be manufactured in Australia. Watch for the Libra 'Roll.Press.Go' launch with major support through TV, Social Media, Sampling and Digital.

We are committed to continue finding ways to ensure Libra remains market leader in the Feminine Care category.

In the very challenging Baby Care market, we have invested in upgrades to our plant in Te Rapa New Zealand to deliver a much improved nappy that is being launched in the market. The new core technology in the Treasures nappy will deliver a drier nappy with a better look and an improved comfort & fit. This will strengthen the position of our Treasures nappy brand in the New Zealand market by offering better value to our customers.

In our Incontinence Care business, we launched the TENA Men Extra Light Protective Shield which is black in color to better match the more common darker color of mens' underwear. For women, we upgraded the design of TENA Women Discreet Pants to offer even greater protection. We also introduced the TENA u-test which is a unique in-pad, non-intrusive device to test for urinary tract infections.

Moving on to the Tissue segment. We have also been adding innovative products and features and differentiating ourselves in other ways in the market, including:

- 'Carry Handles' on Sorbent & Handee bulk packs
- Facial Tissues embedded with new lotions such as Papaw extract
- Improved packaging for Sorbent and Purex that highlight the product's credentials, and
- Environmental Product Declarations for some of our Tork, Purex and Sorbent tissue and towel products manufactured at our Kawerau Facility. This involves an assessment of the

entire life cycle of the products from supply chain, through transport, manufacture and disposal.

Our Professional Hygiene business also continues to be a leader in innovation. During 2016, 2 new dispenser ranges were launched. “Tork Image Design” is our premium range for high-end and image conscious customers, whereas “Tork Xpressnap Image” napkin dispensers are designed for the casual dining and café segments. Many of these dispensers are proprietary products offering unique, differentiated features that help maintain high customer satisfaction and improve retention rates by delivering better margins for service providers through lower consumption, less wastage and reduced service times. “Tork Easy Cube” was also launched. This is a high-tech range of sensor-enabled bathroom dispensers that communicate refill status direct to cleaning staff enabling improved service and better labour and cost management.

It is important to recognize that we have continued to diversify our retail customer base in Australia through product range extension into additional customers. We have also increased exports from Fiji into Melanesia and Papua New Guinea.

Our TENA, Libra and Treasures web shops have been upgraded, and offer an alternate channel for consumers who prefer to purchase online. These online stores are strongly linked to our digital marketing program and associated websites.

As in previous years, we undertook a wide range of initiatives to enable innovation, reduce costs and improve efficiency. These include SKU standardization and simplification, fibre initiatives and targeted capex. The key message is that we will never relent on our commitment to innovation, cost reduction and efficiency improvement, and we are continuing to find ways to drive all these fronts in 2017.

I hope these few examples give you an idea of why we have confidence in the future of your Company as we continue to innovate and create winning value propositions for our consumers and customers.

Turning to the financial outlook for 2017, as Harry has said, we presently expect our underlying EBITDA and NPAT to show low single digit growth and low to mid-single digit growth for EPS. We are confident our strong brands and profit improvement initiatives will serve us well in dealing with market place challenges and cost pressures, and we believe that we have the right plans, products and people to succeed in this challenging environment.

Finally, I would like to thank the Board for its support and guidance and all Company employees for their dedication and hard work.

It is an exciting time to be leading the Company, and I look forward to addressing the challenges and, together with my management team and all employees, growing the value of the Company for the benefit of shareholders.

CHAIR OF REMUNERATION AND HUMAN RESOURCES COMMITTEE'S ADDRESS

Remuneration is an important concern for shareholders.

Since listing, the Board of Asaleo Care has sought to be both transparent and rigorous with respect to remuneration. Specifically, we have put into place remuneration practices that:

First – align the interests of executives with the interests of shareholders and the business by linking remuneration outcomes to the achievement of demanding financial and non-financial targets. These targets are approved annually by the Remuneration and Human Resources Committee and the Board.

Secondly – reflect the Company's annual performance and value creation in the short term and long term aligned to our business strategy and based on Key Performance Indicators.

These indicators include:

- Net Profit After Tax (NPAT)
- Operating Cash Flow
- Return on Invested Capital
- business unit specific Earnings Before Interest Taxes Depreciation and Amortisation (EBITDA)
- and Net Sales Value (NSV) targets
- as well as operational and safety measures.

And finally – recognise and reward individual performance and accountability for key job goals in a way that differentiates pay based on performance.

At the same time, we have remuneration practices that enable Asaleo Care to attract and retain the best executives.

For the 2016 financial year, the Company did not achieve the gateway hurdle of NPAT at Threshold level approved by the Board.

As a consequence, no Executive Incentive Plan or discretionary payments and no Total Fixed Remuneration increases in 2017 will be made to the CEO, key management personnel or the broader Executive team.

Remuneration for Non-Executive Directors reflects Directors' level of leadership and accountability. It takes into account the size of the Company as well as the complexity of the

business. Since listing in 2014, Non-Executive Directors' fees have remained the same. The Board again determined not to increase their fees for the 2016 or 2017 financial years.

Asaleo Care's remuneration strategy is also aligned with the longer term interests of shareholders. Executives are encouraged to personally build and hold Asaleo Care shares. Independent Non-Executive Directors have agreed to invest one year after tax fees in Company shares on a progressive basis over three years from listing or from their appointment.

The Remuneration and Human Resources Committee of the Board comprises, in addition to myself the following non executive directors:

- Harry Boon;
- JoAnne Stephenson; and
- Mats Berencruez

The Board is responsible and accountable for the Company's remuneration practices supported by the Remuneration and Human Resources Committee. The Committee and the Board are proud of the robust governance standards that ensure remuneration is managed in a manner that supports a competitive business.

Our approach to remuneration is positively regarded by analysts, institutional shareholders and other governing bodies, and has been well accepted by shareholders as shown by the high level of support in votes at the previous AGMs on the Remuneration Report.

We look forward to your support and endorsement of the Company's Remuneration Report for 31 December 2016.

The Board recommends the Remuneration Report for adoption by shareholders.



Annual General Meeting 2017

Asaleo Care

2 May 2017

Our results at a glance

- Revised profit guidance met
- Stronger 2nd half
- Underlying NPAT \$64.6 M
- Underlying EBITDA \$130.7 M
- EDP strategy implemented
- Revenue growth in B2B and Pacific Islands Business

Our results at a glance and 2017 outlook

- Return on Invested Capital 12%
- Earning Per Share 11.5c
- Net debt of \$295 M (2.26 x EBITDA)
- Share buy back 95% complete
- Total dividends of 10c per share (50% franked)

FY2017 Outlook:

- Low single digit growth for underlying EBITDA and NPAT
- Low to mid single digit growth for EPS

Safety First at Asaleo Care

Safety programs introduced in 2016

- Drug and Alcohol management
- Employee Assistance for employees and their family
- Return to work support

Health and Safety Strategy

- Safety Leadership to develop capability and reinforce commitment
- Safer work environment through processes and equipment
- Standardized OH&S Management system to manage, control and reduce safety risks



Sustainability



Jimmy Te Hau, Kawerau employee, with his sons

Community

- Making it easier for hygiene, health and well being to be part of everyday life
- Support to Medical Services Pacific
- Partnered with Royal District Nursing Services
- Partnered with Pharmacy Guild
- Support to Foodbank and Ronald McDonald House



Medical Service Pacific - Fiji



Ronald McDonald House AU



Ronald McDonald House NZ

Personal Care

- Revenue of \$182.7 M
- EBITDA of \$66.9 M (down 7.1%)
- EBITDA Margin of 36.6%
- Introduced “Every Day Pricing” strategy
- Incontinence Care experienced EBITDA growth



Tissue

- Revenue of \$423.2 M
- EBITDA of \$63.8 M
- Towel, Professional Hygiene and Pacific Islands businesses all had sales growth



Strategy



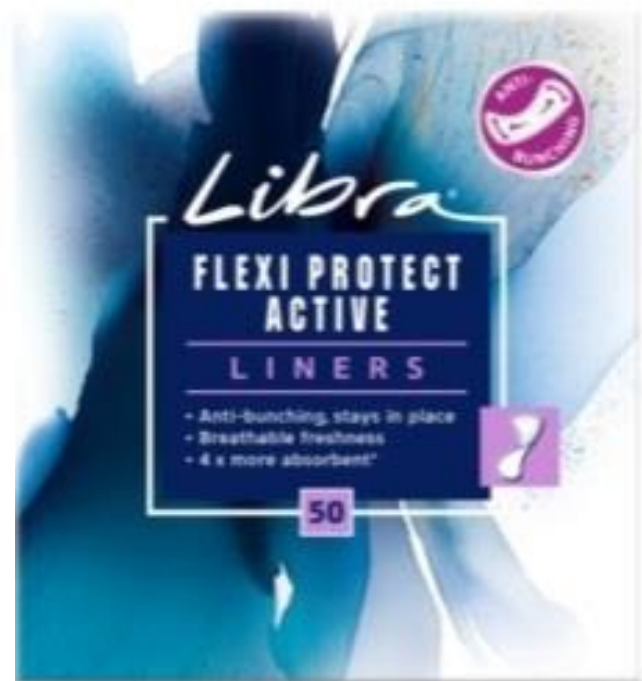
Product Innovation & Differentiation

Range & Coverage

Distribution Innovation

Cost Reduction & Efficiency

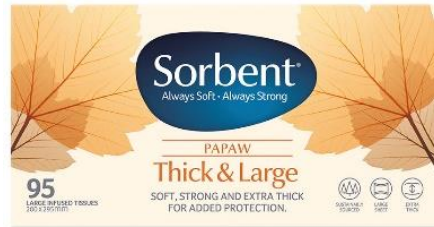
Product innovation and differentiation – A strong pipeline of new initiatives for 2017



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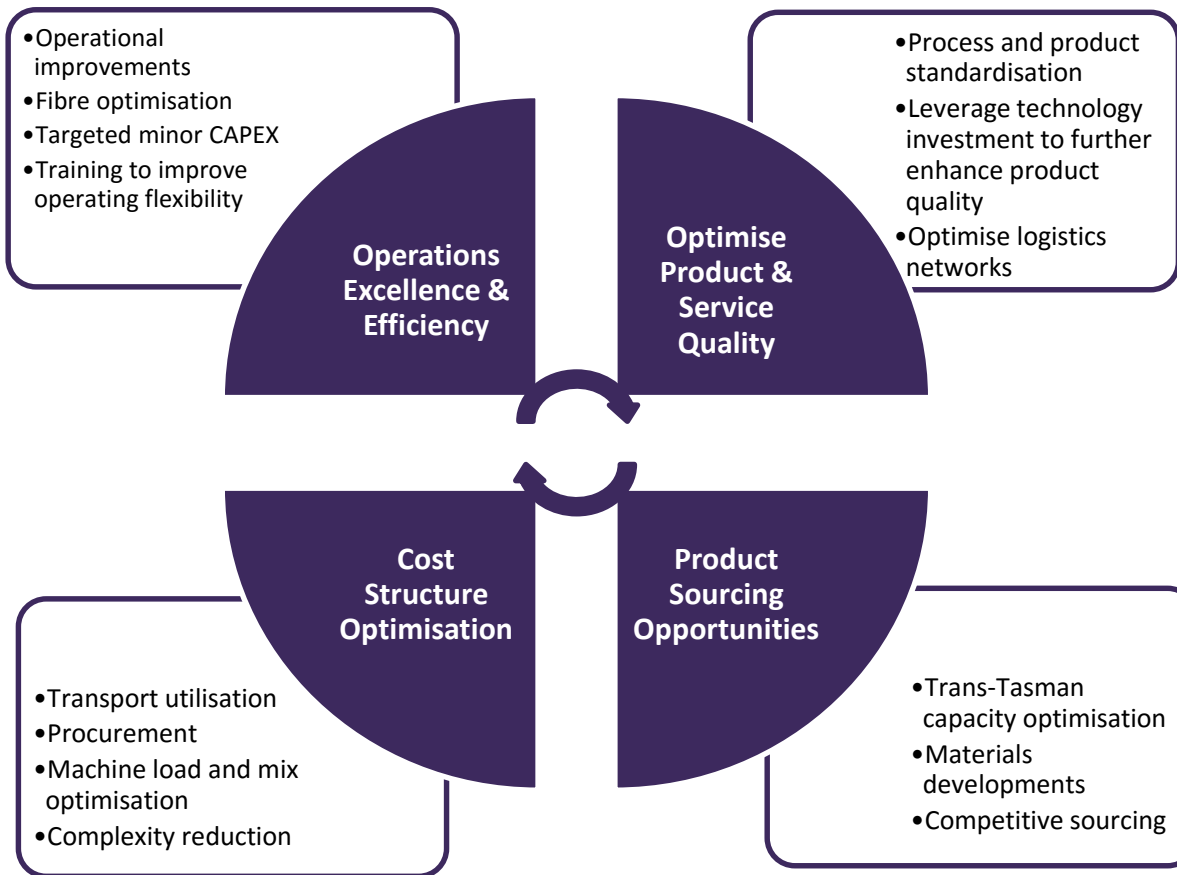


Distribution innovation



Cost reduction & efficiency

Continuing to seek further operational improvements



Key FY16 savings initiatives

- SKU standardisation and simplification, and fibre initiatives
- Operations expense focus including logistics, procurement and other cost efficiency initiatives
- Targeted capex to improve efficiency and enable innovation
- Process improvement focus

2017 Guidance

- Low single digit growth for EBITDA and NPAT
- Low to mid single digit growth for EPS