Asaleo Care Limited
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ASX Announcement

23 April 2018

2018 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 2018 Annual General Meeting.

Presentation slides are also attached.

CHAIRMAN'S ADDRESS

In the face of price-driven competition in the retail environment, increased energy costs and adverse foreign exchange, 2017 saw underlying EBITDA down 4.9% on last year to $124.3 million, underlying NPAT declined 8% to $59.4 million and underlying Earnings per Share were lower by 5.2% to 10.9 cents per share.

Tissue segment results were pleasing with EBITDA 8.5% higher to $69.2m, with lower production costs helping to offset adverse energy costs, while small gains in pulp and raw material prices were largely offset by adverse FX movements. Our Professional Hygiene, or Business to Business (B2B) segment, once again had solid growth against previous years in both sales and EBITDA as a result of winning new customer contracts.

While Incontinence Care continued to perform strongly, with the Healthcare channel being the highlight, Personal Care EBITDA decreased 17.7% to $55.1m, primarily due to adverse trading in Feminine Care and Baby Care.

Your Company has a track record of strong capital management and this continued in 2017 with solid cash flow of $85.8 million. Contributing to this was the sale and leaseback of the Springvale manufacturing site with gross proceeds of $22.4 million, and an inventory reduction program.

This strong cash generation allows us to reinvest in the business, and importantly, to distribute excess cash to shareholders through dividends as well as the completed share buy-back. Since listing in 2014, the Company has returned $267 million to shareholders, and the full year dividend in 2017 has been maintained at 10 cents per share.

We also successfully completed the on-market share buy-back program with 60.3 million shares bought back for a total of $99.5 million over the three year life of the program. At the same time, we reduced net debt from $295.2 million at the end of 2016 to $279.1 million at 31 December 2018. The Company ended the year at a comfortable leverage level of 2.25 times.

Nothing is more important than the health and safety of our people and the communities in which we operate. Everyone at Asaleo Care is committed to improving our safety performance, and in 2017, we achieved a better result than the prior year on all key measures. While we are pleased with this improved result, we are far from satisfied, and remain diligent in our efforts toward further reducing safety risks, incidents, and injuries.

To attract and retain our great people, we work hard to build a high performing and collaborative culture, and to provide opportunities to grow and succeed. Our shared values – pride, integrity and courage – and our focus on a more diverse workplace, guide our behaviours and decisions.

Greater diversity in our workplace, which more closely reflects the diverse nature of our customers and consumers, improves our ability to solve key business problems and to harness new ideas and innovation that will build an even stronger and better company. In 2017, we introduced our Workplace Flexibility policy to accommodate the needs of all employees and to create a more diverse workforce.

Our people share a commitment to participating in our communities through educational programs and our donations and voluntary work with Foodbank and Ronald McDonald House. In 2018, we plan to extend our involvement with both of these outstanding charities, including offering more volunteer opportunities for our people. We're also recognised for providing aid in times of disaster including last year's Bay of Plenty floods in New Zealand. We also play our part in contributing to local and national economies through ongoing employment and investment in our operations, as well as through taxes and payments to suppliers and local service industries.

Sustainability is crucial to our growth and success. By managing sustainably, we improve our processes, reduce our operating costs, minimise our impact on the environment, and create value for our customers, our shareholders, our communities and our employees. It is pleasing that for the third consecutive year, Asaleo Care was recognised for corporate sustainability leadership in the Dow Jones Sustainability Index (DJSI), Australia.

The Company's Governance Statement, and Board and Committee Charters, all 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.

The performance of the Board, Committees and individual directors was again evaluated during 2017, with no significant concerns or issues being raised through this process. We continue to believe that the Board's size and breadth of skills and experience remain appropriate for the circumstances of the Company.

As previously announced, our CEO/Managing Director, Peter Diplaris, has indicated his intention to step down from this role and will be leaving the Company on 22 May. Whilst he will be with the Company for another month, I would like to take this opportunity to thank Peter for his significant contribution to the Company during his 7 year tenure as CEO/Managing Director. Peter has led the Company through a major capital works program, "Project Samson", and our development as a public company since listing on the ASX, as well as through the challenges and headwinds of the last few years. On behalf of the board we wish Peter well for his future endeavors.

Sid Takla will act as interim CEO from 22 May whilst we undertake a search for our new CEO/Managing Director, for which Sid will be a candidate. Sid has significant Company and industry experience, having had responsibility for a wide variety of finance and operational functions across the Group and working closely with Peter as COO. The Board looks forward to working with Sid.

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 opportunities to improve Company performance. This includes 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 AND MANAGING DIRECTOR'S ADDRESS

In speaking to our financial results Harry mentioned a number of the challenges our business has been facing. In this environment, 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.

Before discussing our strategy I will provide a brief overview of the financial performance of each of our business segments.

It was a disappointing year for our Personal Care segment where our revenue declined 7.5% and EBITDA reduced by 17.7%. The EBITDA reduction was due to a reduction in sales in both Feminine Care and Baby, as well as costs associated with additional expenditure in A&P of $3m and adverse FX of $1.4m.

Feminine Care revenue declined in the face of aggressive price discounting by competitors when our Libra brand was on Every Day pricing for a large part of the year in key retailers. In November we exited Every Day pricing and since then have had the flexibility to compete on price as and when necessary. Pleasingly, our market share has since increased. Despite positive consumer sentiment for our new Roll.Press.Go initiative, our uncompetitive price at launch made it difficult to get the sort of uptake we had aimed for. However we still see this as an important differentiation for our brand going forward.

Baby Care had a difficult second half. Sales were impacted by the loss of lower margin private label business where sales were down 44% on the prior year. Our Treasures brand sales were also down in the second half as a result of quality issues associated with the upgraded nappy machine. These have been rectified and we are now producing a higher quality nappy than ever.

Incontinence Care continues to perform strongly, with the Healthcare channel the highlight.

Tissue segment results were pleasing with EBITDA 8.5% higher in a very challenging environment. Lower production costs helped to offset adverse energy costs, while small gains in pulp and raw material prices were largely offset by adverse FX movements. Logistics savings were also achieved as well as some small savings in sales, manufacturing and administration expenses.

Our Professional Hygiene, or Business to Business (B2B) segment, had solid sales and EBITDA growth against last year as a result of winning new customer contracts and mix, through selling our proprietary systems. This offset declines in Consumer Tissue and Pacific Islands.

Consumer Tissue sales were impacted by the loss of a $4m private label contract, and reduced promotional activity on our branded sales in key categories compared to the previous year.

Turning now to our strategy, which by way of reminder, is comprised of four elements:

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

It is critical for future success that we execute this effectively.

We invested in a new nappy product last year, however we had a misstep with quality. This is now rectified as I said earlier. We have now started to reignite our marketing investment.

Sorbent product quality is being further improved, and we will continue to sell innovative proprietary systems for our Tork Tissue business.

We will continue to build on our B2B business and expand our retail offer where possible, both with existing customers and on-line.

Treasures, Tena and Libra have on-line offers and these are gaining traction.

Our cost-out program continues, including a company-wide restructure planned to occur throughout 2018, specifically, in the production area.

Of course, as we continue to focus on organic growth opportunities we also evaluate appropriate external growth opportunities both in our core and adjacent areas.

I now turn to the financial outlook for 2018. Faced with significant cost increases in pulp and energy we are forecasting full year EBITDA to be in the range of $113m to $119m. The timing and effective execution of our initiatives in the areas of continued innovation, quality improvements, cost savings and go-to-market strategies is critical to delivering on our outlook. On the basis this guidance is achieved it is intended that the current dividend is retained.

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, in my last AGM as CEO, I would like to thank the Board for its support and guidance and all Company employees for their dedication and hard work.

I have appreciated the opportunity to lead the Company for the last 7 years and wish it, and you our shareholders, well for the future.

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 2017 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 will be made to the CEO, key management personnel or the broader Executive team for the 2017 year.

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 unchanged.
Independent Non-Executive Directors have each invested at least one year after tax fees in Company shares.

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 Berencruetz

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 2017.

The Board recommends the Remuneration Report for adoption by shareholders.

Annual General Meeting 2018 Asaleo Care

23 April 2018

Our results at a glance

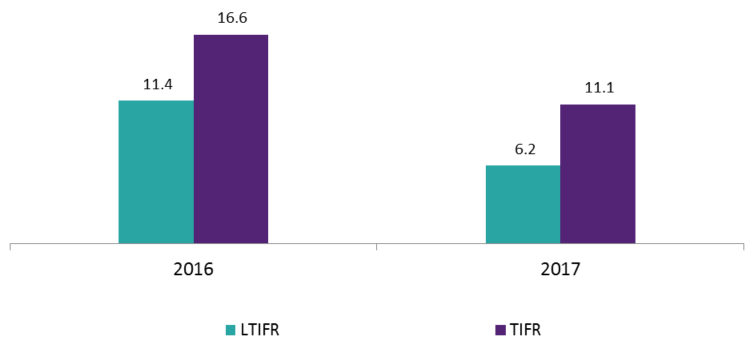
- Underlying EBITDA $124.3 M
- Underlying NPAT $59.4 M
- Underlying EPS 10.9 cents per share
- Tissue segment EBITDA $69.2 M
- Solid growth in B2B
- Personal care segment EBITDA $55.1 M
- Incontinence Care strong

Strong Capital Management and Cash Generation

- Free cash flow of $85.8 M
- Sale and leaseback of Springvale site completed
- Net debt of $279 M (2.25 x EBITDA)
- Share buy back complete
- $267 M returned to shareholders since Company listed in 2014
- 2017 Full Year Dividend of 10c per share

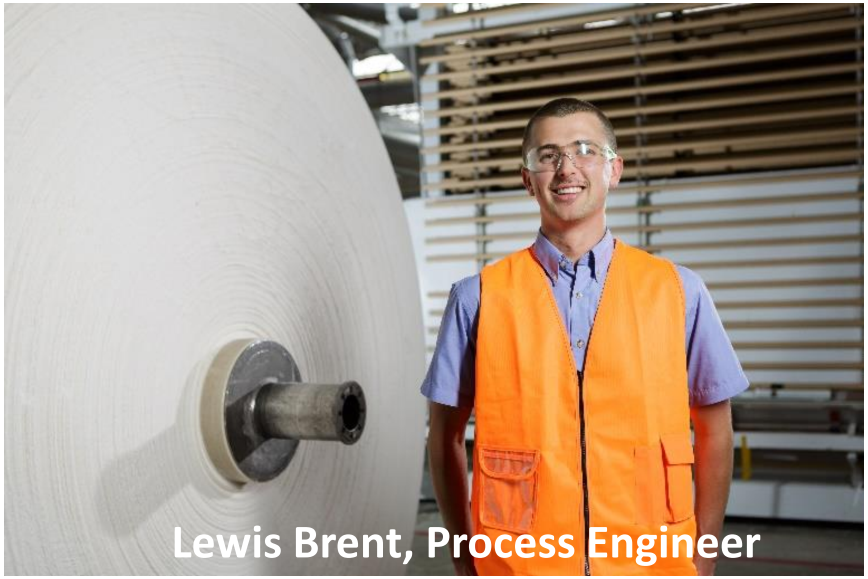
Safety First at Asaleo Care

Safety



- Improved safety metrics with continued focus on injury prevention
- Metrics evidence that focus and actions on safety are gaining traction

- ***LTIFR:*** *Lost Time Injury Frequency Rate (no. of lost time injuries per million hours worked)*
- ***TIFR****:* *Total Injury Frequency Rate (no. of lost time, doctors cases and restricted work injuries per million hours worked)*



Diversity

Graduate Julika Gunanayagam works in our business to business segment

Community

- “Making it easier for hygiene, health and well being to be part of everyday life”
- Support to Foodbank and Ronald McDonald House

Volunteering at Foodbank


New Zealand employees prepare dinner at Ronald McDonald house

Sustainability

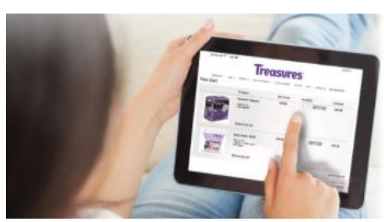
Personal Care

- Revenue of $169.1 M (down 7.5%)
- EBITDA of $55.1 M (down 17.7%)
- Exited “Every Day Pricing” strategy in Feminine Care
- Treasures quality issues rectified
- Incontinence Care experienced revenue growth

Tissue Segment

- EBITDA of $69.2 M (up 8.5%)
- B2B segment had solid growth in Sales and EBITDA
- Decline in Consumer Tissue and Pacific Islands

Strategy



Product Innovation & Differentiation

Range & Coverage

Distribution Innovation

Cost Reduction & Efficiency

2018 Outlook

- Full year Guidance EBITDA in the range $113 M to $119 M
- Intention to retain current dividend

asaleo care

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