Asaleo Care Limited ABN 61 154 461 300
Ailsa Street, PO Box 117 Box Hill Victoria, 3128
www.asaleocare.com

21 August 2018

Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Electronic lodgement via ASX Online

Asaleo Care Limited (AHY) – Appendix 4D for the half year ended 30 June 2018

In accordance with ASX Listing Rule 4.2A.3, please find attached the Appendix 4D for the half year ended 30 June 2018 for immediate release. The Appendix 4D incorporates the Interim Financial Report.

Yours sincerely,

James Orr
Company Secretary

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Appendix 4D Rule 4.2A.3

Half year report

Asaleo Care Limited
ABN 61 154 461 300

1. Details of reporting period and the previous corresponding period

Reporting Period:	half year ended 30 June 2018
Previous Corresponding Period:	half year ended 30 June 2017

2. Results for announcement to the market

Key information	**30 June 2018**				**30 June 2017**
Statutory results*					
2.1 Revenue from ordinary activities (thousands)	267,245	Down	9%	from	294,246
2.2 Net profit after tax for the period attributable to members (thousands)	(101,459)	Down	467%	from	27,676
2.3 Basic earnings per share (cents)	(18.7)	Down	467%	from	5.1
2.4 Diluted earnings per share (cents)	(18.7)	Down	467%	from	5.1
Underlying results*					
2.1 Revenue from ordinary activities (thousands)	267,245	Down	9%	from	294,246
2.2 Net profit after tax for the period attributable to members (thousands)	17,791	Down	37%	from	28,246
2.3 Basic earnings per share (cents)	3.3	Down	37%	from	5.2
2.4 Diluted earnings per share (cents)	3.3	Down	37%	from	5.2

Dividends	**Amount per security**	**Franked amount per security**
Current Period		
2.5 Interim dividend (1)	0 cents	-
2.5 Final dividend (in respect of prior year) (1)	6.0 cents	40%
Previous corresponding period		
2.5 Interim dividend	4.0 cents	50%
2.5 Final unfranked dividend	6.0 cents	50%

2.6 Record date for determining entitlements to the dividend	N/A
2.6 Payment date	N/A

	30 June 2018	30 June 2017
2.7 Net tangible asset backing per ordinary security (cents per share)	6.1	19.3

(1) The Conduit Foreign Income component on the interim dividend is Nil cents per share (final dividend 1.0 cents per share)

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For explanation of the figures reported above or other item(s) of importance not previously released to the market, please refer to the attached Interim Financial Report (which incorporates the Directors' Report and Financial Statements).

*** Supplementary comments**

As required for statutory reporting purposes, the statutory financial information for Asaleo Care Limited (the Company) and its controlled entities (collectively referred to as the Asaleo Care Group) has been presented for the financial period ended 30 June 2018 and for the comparative period ended 30 June 2017.

A reconciliation between the 2018 Underlying financial information and Asaleo Care Group's statutory financial information is included in Note 3(c) of the Interim Financial Report.

The statutory results in this Report are based on the Interim Financial Report which has been reviewed by PwC.

James Orr
Company Secretary

Date: 20 August 2018

Asaleo Care Limited

ABN 61 154 461 300

Interim Financial Report

for the half year ended
30 June 2018

Asaleo Care Limited
ABN 61 154 461 300
Interim Financial Report - 30 June 2018

Contents

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Asaleo Care Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2018.

Directors

The following persons were directors of Asaleo Care Limited during the half year ended 30 June 2018:

Harry Boon	Independent Non-Executive Director
Peter Diplaris	Chief Executive Officer and Managing Director (retired effective 22 May 2018)
Mats Berencreutz	Non-Executive Director (nominee of Essity AB)
Robert Sjöström	Non-Executive Director (nominee of Essity AB)
Sue Morphet	Independent Non-Executive Director
JoAnne Stephenson	Independent Non-Executive Director

Review of operations

A review of operations of the Group during the half year, and the results of those operations is contained in Asaleo Care Limited's statement to the Australian Stock Exchange and the Investor Results Release dated 21 August 2018.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This Directors' Report is made in accordance with a resolution of Directors.

Harry Boon
Director

Dated this 20th day of August 2018

Auditor's Independence Declaration

As lead auditor for the review of Asaleo Care Limited for the half-year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Asaleo Care Limited and the entities it controlled during the period.

Alson Tait
Partner
PricewaterhouseCoopers

Melbourne
20 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

	Notes	**Consolidated entity** **30 June 2018 $'000**	30 June 2017 $'000
Revenue from continuing operations			
Sale of goods	3(b)	**267,245**	294,246
Other revenue from ordinary activities		**245**	710
		267,490	294,956
Other income		**-**	9,301
Expenses			
Cost of sales of goods		**(168,406)**	(178,252)
Other expenses from ordinary activities:			
Distribution		**(33,912)**	(34,187)
Sales and administration		**(29,783)**	(32,998)
Other	3(c)	**(20,862)**	(13,961)
Impairment losses	3(c)	**(139,956)**	-
Finance costs	3(c)	**(6,695)**	(5,984)
(Loss)/profit before income tax	3(c)	**(132,124)**	38,875
Income tax benefit/(expense)		**30,665**	(11,199)
(Loss)/profit for the period		**(101,459)**	27,676
Item that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	12	**3,607**	(1,214)
Exchange differences on translation of foreign operations	12	**1,689**	(2,049)
Income tax relating to these items	12	**(1,220)**	650
Other comprehensive income/(loss) for the period, net of tax		**4,076**	(2,613)
Total comprehensive (loss)/income for the period		**(97,383)**	25,063
Total comprehensive (loss)/income for the period attributable to:			
Owners of Asaleo Care Limited		**(97,383)**	25,063

		Cents	**Cents**
(Loss)/earnings per share attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per share	4	(18.7)	5.1
Diluted (loss)/earnings per share	4	(18.7)	5.1

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

	Notes	Consolidated entity 30 June 2018 $'000	 31 December 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**38,895**	30,205
Trade receivables		**5,374**	21,451
Inventories	6	**188,932**	167,480
Derivative financial instruments	9	**5,250**	2,158
Current tax assets		**713**	-
Other current assets		**7,216**	4,062
Total current assets		**246,380**	225,356
Non-current assets			
Property, plant and equipment	7	**257,104**	342,030
Intangible assets	8	**132,970**	187,709
Total non-current assets		**390,074**	529,739
Total assets		**636,454**	755,095
LIABILITIES			
Current liabilities			
Trade payables		**67,646**	63,366
Other payables		**20,248**	20,868
Current tax liabilities		**667**	2,525
Derivative financial instruments	9	**255**	1,817
Other current provisions		**1,879**	-
Employee provisions		**19,768**	20,408
Total current liabilities		**110,463**	108,984
Non-current liabilities			
Borrowings	10	**346,614**	307,517
Deferred tax liabilities		**11,130**	41,666
Employee provisions		**608**	642
Other non-current provisions		**1,323**	-
Total non-current liabilities		**359,675**	349,825
Total liabilities		**470,138**	458,809
Net assets		**166,316**	296,286
EQUITY			
Contributed equity	11	**260,815**	260,815
Other reserves	12	**33,550**	29,474
(Accumulated losses)/retained earnings		**(128,049)**	5,997
Total equity		**166,316**	296,286

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated entity	Notes	**Contributed equity**	**Reserves**	**Retained earnings/ (losses)**	**Total equity**
		Attributable to owners of Asaleo Care Limited			
		$'000	**$'000**	**$'000**	**$'0000**
Balance at 1 January 2017		265,303	38,789	3,296	307,388
Profit for the period		-	-	27,676	27,676
Other comprehensive loss		-	(2,613)	-	(2,613)
Total comprehensive income for the period		**-**	**(2,613)**	**27,676**	**25,063**
Transactions with owners in their capacity as owners:					
Buy-back of shares, net of transaction costs and tax		(4,488)	-	-	(4,488)
Dividends provided for or paid		-	-	(32,756)	(32,756)
		(4,488)	-	(32,756)	(37,244)
Balance at 30 June 2017		**260,815**	**36,176**	**(1,784)**	**295,207**
Balance at 1 January 2018		260,815	29,474	5,997	296,286
Loss for the period		-	-	(101,459)	(101,459)
Other comprehensive income		-	4,076	-	4,076
Total comprehensive loss for the period		**-**	**4,076**	**(101,459)**	**(97,383)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	5	-	-	(32,587)	(32,587)
Balance at 30 June 2018		**260,815**	**33,550**	**(128,049)**	**166,316**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Notes	**Consolidated entity 30 June 2018 $'000**	30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**309,708**	326,331
Payments to suppliers and employees (inclusive of goods and services tax)		**(287,482)**	(260,243)
		22,226	66,088
Income taxes paid		**(3,646)**	(6,404)
Interest received		**147**	122
Borrowing costs		**(8,413)**	(5,595)
Net cash inflow from operating activities		**10,314**	54,211
Cash flows from investing activities			
Payments for property, plant and equipment	7	**(9,157)**	(16,003)
Proceeds from sale of property, plant and equipment		**-**	22,426
Net cash (outflow)/inflow from investing activities		**(9,157)**	6,423
Cash flows from financing activities			
Proceeds from borrowings		**55,000**	43,500
Repayment of borrowings		**(15,000)**	(70,000)
Dividends paid to company's shareholders		**(32,587)**	(32,756)
Payments for shares bought back	11	**-**	(4,488)
Net cash inflow/(outflow) from financing activities		**7,413**	(63,744)
Net increase/(decrease) in cash and cash equivalents		**8,570**	(3,110)
Cash and cash equivalents at the beginning of the financial year		**30,205**	30,348
Effects of exchange rate changes on cash and cash equivalents		**120**	(202)
Cash and cash equivalents at end of period		**38,895**	27,036

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these Consolidated Interim Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Interim Financial Statements are for the consolidated entity consisting of Asaleo Care Limited and its subsidiaries.

(a) Basis of preparation of interim report

This Condensed Consolidated Interim Financial Report for the half year ended 30 June 2018 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The Condensed Consolidated Interim Financial Report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report of the consolidated entity as at and for the year ended 31 December 2017 and any public announcements made by Asaleo Care Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied by the consolidated entity in this Condensed Consolidated Interim Financial Report are consistent with those applied in the Annual Report for the year ended 31 December 2017.

This financial report is presented in Australian dollars with all values rounded to the nearest thousand dollars or where the amount is $500 or less, zero, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191.

(b) New accounting standards and interpretations

The Group applied for the first time certain accounting standards and amendments, which are effective for annual reports beginning on or after 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2018, they did not have a material impact on the consolidated financial statements of the Group for the half year and they are not expected to have a material impact on the annual consolidated financial statements of the Group.

AASB 15 Revenue from Contracts with Customers

AASB 15 established a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts*, and associated Interpretations.

The core of AASB 15 is that revenue is recognised when control of the goods or services passes to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

At the time of AASB 15 adoption, the Group has reviewed its arrangements with customers to identify potential changes in: timing of revenue recognition, measurement of the amount of revenue and note disclosure between the previously applied standard AASB 118 and newly adopted standard AASB 15.

The Group is providing goods to its customers based on contracts that reflect a performance obligation. Revenue is recognised at a point in time when the customer obtains control over the goods, which is not materially different from revenue recognition under AASB 118.

The application of AASB 15 did not result in any material changes to the Group's financial performance, financial position or material adjustment to the comparative financial information.

AASB 9 Financial Instruments

AASB 9 replaced the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 simplified the classification and recognition of financial instruments, introduced a new expected credit loss model for calculating impairment of financial assets, and aligned hedge accounting more closely with an entity's risk management practices. It also carried forward the guidance on recognition and derecognition of financial instruments from AASB 139.

The application of the new standard did not have a material impact on the classification, recognition and measurement of the Group's financial instruments, accounts receivable or hedge accounting.

1 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

Accounting standards issued but not yet effective

AASB 16 Leases

AASB 16 replaces existing leases guidance, including AASB 117 *Leases* and related Interpretations. AASB 16 will require the recognition of all leases for a lessee on-balance sheet with limited exceptions for short-term and low value leases, thereby removing the off-balance sheet treatment currently applied to operating leases. In addition, lease expenses will be recognised as depreciation and interest expenses and will result in the front-loading of expense recognition compared to the current straight-line model.

The impact of this standard will be that the majority of operating lease contracts will be present valued and recognised as a "right of use" asset, with a corresponding liability also recognised. In addition, the majority of operating lease expense will no longer be recognised and will be replaced with amortisation/interest expense. This will result in the increase of EBITDA, as disclosed in the Note 3 Segment information, as the operating lease cost is charged against EBITDA under AASB 117 while under AASB 16 the charge will be included in depreciation and interest which are excluded from EBITDA.

Operating cash flow will increase under AASB 16 as the element of cash paid attributable to the repayment of principal will be included in financing cash flow. The net increase/decrease in cash and cash equivalents will remain the same.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019 and must be implemented retrospectively, either with the restatement of comparatives or with the cumulative impact of application recognised as at 1 January 2019 under the modified retrospective approach. The Group has not early adopted AASB 16.

The Group expects the implementation of AASB 16 to have a material impact on the Group's financial statements.

There are also other amendments and revisions to accounting standards that have not been early adopted. These changes are not expected to have a material impact on the Group's financial performance or position.

2 Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Debt funding & Financial Covenants

At 30 June 2018, the Group has non-current interest bearing debt of $348.5 million (net debt $309.7 million) and is in compliance with all debt covenants.

The Group has also reviewed its ongoing compliance with financial covenants under its current debt facilities and in particular compliance with the leverage ratio (Net debt/ Underlying EBITDA) for 31 December 2018 and 30 June 2019.

In undertaking this review the Group considered the critical assumptions in relation to the forecast Underlying EBITDA and net debt position.

A strategic review is currently in progress and due to be completed during September 2018. Strategic options available to the Group could include, amongst other options, the sale of certain assets which could be undertaken, subject to any necessary approvals under the borrowing agreement, to reduce net debt in the next 6 to 12 months, if required.

2 Critical accounting estimates and judgement (continued)

(i) Debt funding & Financial Covenants (continued)

The Group's forecast EBITDA is based on a combination of historic trends, engagement with key customers, internal demand analysis and also includes judgement in relation to future pulp pricing and price increases. Forecasted non-recurring costs such as the impairment and asset write-downs, restructuring and non-recurring costs associated with strategic initiatives that may be determined through the strategic review are excluded from Underlying EBITDA.

The basis of the forecast Underlying EBITDA is consistent with the disclosure of Underlying EBITDA in the prior year segment notes.

The Group also considered the forecast in relation to net debt levels. This forecast includes assumptions in relation to the improvement of working capital by reducing inventory levels, level of capital expenditure and dividend and other short term cash flow initiatives.

Based on the forecast and strategic options that can be actioned if needed the Directors believe the Group will continue to comply with its financial covenants.

(ii) Impairment assessment of indefinite life intangibles

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of assumptions for each CGU.

The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of the impairment.

Management is required to make significant judgements concerning future cash flows, including changes in competitive positions, expectations of growth, cost of capital and the determination of fair values when assessing the recoverable amount of assets (or groups of assets). Inputs into these valuations require assumptions and estimates to be made about forecast earnings before interest and tax and related future cash flows, growth rates, applicable discount rates, useful lives and residual values.

The judgements, estimates and assumptions used in assessing impairment are management's best estimates based on current and forecast market conditions. Changes in economic and operating conditions impacting these assumptions could result in changes in the recognition of impairment charges in future periods.

(iii) Indefinite useful lives of brands

Assessment of the recoverable value of an intangible asset and the assessment that an asset has an indefinite life require management judgement and are reassessed at each reporting date.

No factors have been identified in the period that would alter the Group's assumption of indefinite useful life for the brands.

Management intends to continue to promote, maintain and defend the brands to the extent necessary to maintain their value for the foreseeable future.

(iv) Income taxes

The Group is subject to income taxes in Australia and foreign jurisdictions. The calculation of the Group's tax charge involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate tax determination is uncertain.

The Group has recognised deferred tax assets relating to carried forward tax offsets. The assumptions regarding future realisation of deferred tax assets may change due to future operating performance and other factors.

(v) Impairment of inventory

The provision for impairment of inventories requires a degree of estimation and judgement. Provisions are established for obsolete and slow moving inventories, taking into consideration the ageing of inventories, discontinued lines, sell through history and forecast sales.

2 Critical accounting estimates and judgement (continued)

(vi) Customer rebates

Trade receivables are disclosed net of rebates payable. The Group has the legal right to offset such balances as they are with the same customers and it is the Group's intention to net settle any outstanding items.

The main judgement related to accruals for customer rebates is the timing and extent to which temporary promotional activities has occurred prior to period end. Customer rebates consist primarily of customer pricing allowances and promotional allowances, which are governed by agreements with trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience.

3 Segment information

(a) Description of segments

Asaleo Care is a leading Personal Care and Hygiene Company that manufactures, markets, distributes and sells essential everyday consumer products across the Feminine Care, Incontinence Care, Baby Care, Consumer Tissue and Professional Hygiene product categories.

The consolidated entity is organised on an international basis into the following reporting segments:

Reporting Segment	Description
Tissue	This segment manufactures and markets personal toilet tissue, paper towel, facial tissue, napkins and other tableware products within Australia, New Zealand and Pacific Islands. All Pacific Islands product sales are recognised in the Tissue segment.
Personal Care	This segment manufactures and markets personal hygiene products and nappies within Australia and New Zealand.

Reporting segments and their related results below are consistent with the Group's internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

(b) Segment information provided to senior management

Reportable segment information provided to senior management for the half year ended 30 June is as follows:

	30 Jun 2018			30 Jun 2017		
	Tissue	**Personal Care**	**Total**	Tissue	Personal Care	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Revenue from external customers	188,857	78,388	267,245	206,699	87,547	294,246
Underlying EBITDA	20,018	26,250	46,268	32,745	28,166	60,911

(c) Underlying EBITDA

The Chief Executive Officer assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as impairment and asset write-downs, restructuring costs, strategic review costs and accelerated depreciation. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

3 Segment information (continued)

(c) Underlying EBITDA (continued)

A reconciliation of underlying EBITDA to operating profit before income tax is provided as follows:

	Consolidated entity	
	30 June 2018 $'000	30 June 2017 $'000
Underlying EBITDA	**46,268**	60,911
Capex upgrade costs*	**(3,287)**	-
Restructuring costs*	**(5,423)**	(861)
Profit on sale of Springvale site	**-**	9,275
Impairment losses	**(139,956)**	-
Inventory write-down *	**(8,522)**	-
Strategic review costs*	**(236)**	-
Nappy machine upgrade and relocation*	**-**	(171)
Finished goods inventory reduction initiative*	**-**	(8,499)
Abnormal third party warehouse expenses*	**-**	(1,076)
EBITDA	**(111,156)**	59,579
Finance costs	**(6,695)**	(5,984)
Interest received	**147**	122
Depreciation	**(14,394)**	(14,807)
Amortisation	**(26)**	(35)
Profit before income tax	**(132,124)**	38,875

* These expenses are included in other expenses in the Consolidated Statement of Comprehensive Income.

4 (Loss)/earnings per share

(a) (Loss)/earnings per share

	Consolidated entity	
	30 June 2018 Cents	30 June 2017 Cents
Basic (loss)/earnings per share	**(18.7)**	**5.1**
Diluted (loss)/earnings per share	**(18.7)**	**5.1**

(b) Weighted average number of shares used as denominator

	Consolidated entity	
	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**543,122,491**	545,115,268
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**543,122,491**	545,115,268

5 Dividends

Ordinary shares

	Consolidated entity	
	30 June 2018 $'000	30 June 2017 $'000
2018: payment of 2017 final dividend at 6.0 cents per share (2017: payment of 2016 final dividend of 6.0 cents per share)	**32,587**	32,756

6 Inventories

	Consolidated entity	
	30 June 2018 $'000	31 December 2017 $'000
Raw materials and stores*	**43,732**	43,508
Work in progress*	**23,907**	15,366
Finished goods*	**121,293**	108,606
	188,932	167,480

*The above categories of inventories are net of inventory write downs of $8,522,000 (2017: nil), impairment loss allocated to manufacturing spares of $4,336,000 (2017: nil) and manufacturing spares write-down associated with capex upgrade of $1,701,000 (2017: nil).

7 Property, plant and equipment

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Capital development $'000	Total $'000
Half Year ended 30 June 2018					
Opening net book amount 1 January 2018	27,421	52,318	243,720	18,571	342,030
Exchange differences	36	120	796	11	963
Reclassification of Asset Class	-	-	7,021	(7,021)	-
Additions	-	12	1,245	7,900	9,157
Depreciation	-	(1,894)	(12,500)	-	(14,394)
Accelerated depreciation*	-	-	(220)	-	(220)
Impairment losses	-	-	(80,432)	-	(80,432)
Closing net book amount	**27,457**	**50,556**	**159,630**	**19,461**	**257,104**

*The Company is undertaking a manufacturing machine upgrade to support future growth in Professional Hygiene. The accelerated deprecation relates to the write-down of assets that will be disposed of as part of this investment.

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated entity	
	30 June 2018 $'000	31 December 2017 $'000
Property, plant and equipment	**16,087**	1,061

8 Intangible assets

The Group's intangible assets comprise goodwill, brands and other intangible assets.

Goodwill represents the excess consideration paid by the Group in acquiring a business over the fair value of the assets and liabilities acquired. Goodwill is carried at cost less accumulated impairment losses and is considered as having an indefinite useful economic life.

Management have determined that all of the Group's brands have indefinite useful lives. These assets have no legal or contractual expiry date and are integral to the future of revenue generation. Management intends to continue to promote, maintain and defend the brands to the extent necessary to maintain their value for the foreseeable future.

Goodwill and the brands are not amortised and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired and are carried at cost less accumulated impairment losses.

Other intangible assets include trademarks and product development.

Consolidated entity	**Goodwill $'000**	**Brands and other rights $'000**	**Total $'000**
Year ended 31 December 2017			
Opening net book amount	70,938	119,847	190,785
Additions	-	9	9
Exchange differences	(1,587)	(1,436)	(3,023)
Amortisation charge	-	(62)	(62)
Closing net book amount as at 31 December 2017	**69,351**	**118,358**	**187,709**
Half year ended 30 June 2018			
Opening net book amount	69,351	118,358	187,709
Impairment losses	(29,282)	(25,906)	(55,188)
Exchange differences	294	181	475
Amortisation charge	-	(26)	(26)
Closing net book amount as at 30 June 2018	**40,363**	**92,607**	**132,970**

Impairment testing

For the purposes of assessing impairment:

- Assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).
- Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.
- Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

A review of indicators of impairment using both external and internal sources of information has been undertaken.

8 Intangible assets (continued)

Impairment testing (continued)

As at 30 June 2018, the Personal Care Australia CGU is not deemed to have impairment indicators.

There are indicators of impairment due to the recent changes in market conditions and operating performance of the Tissue Australia, Tissue New Zealand and Personal Care New Zealand CGUs. As a result, the recoverable amount of these CGUs have been assessed using a value-in-use discounted cash flow model.

Cash flows used for the value in use calculations do not take into account possible outcomes from the strategic review that is currently underway, including cash inflows or outflows that may arise from future restructuring or the market value of specific assets.

The review for impairment at 30 June 2018 did not result in impairment charges being recognised for the Tissue New Zealand CGU and a reasonable change in assumptions to the inputs to the impairment model did not cause the recoverable amount of this CGU to be below its respective carrying amount.

A CGU-level summary of the goodwill and brands allocation is presented below.

	Tissue Australia	Personal Care Australia	Tissue New Zealand	Personal Care New Zealand	Total
31 December 2017	$'000	$'000	$'000	$'000	$'000
Goodwill	18,991	23,212	12,217	14,931	69,351
Brands and other rights	23,000	70,818	7,188	17,352	118,358
					187,709
30 June 2018					
Goodwill	-	23,212	12,474	4,677	40,363
Brands and other rights	-	70,818	7,229	14,560	92,607
					132,970

During the period, the carrying value of both the Tissue Australia CGU and the Personal Care New Zealand CGU exceeded the recoverable amount and an impairment charge of $139,956 thousand has been recognised. This impairment has been allocated as follows:

Tissue Australia	$'000	Personal Care New Zealand	$'000
Goodwill	18,991	Goodwill	10,291
Brands and other rights	22,979	Brands	2,927
Inventory – manufacturing spares	3,945	Inventory - manufacturing spares	391
Property Plant & Equipment	66,574	Property Plant & Equipment	13,858
Total	**112,489**	**Total**	**27,467**

The decrease in the recoverable amount for Tissue Australia reflects an unexpected sustained increase of input costs. Investment in additional trade spend is required to support the market share as competitors have not appeared to pass the higher input costs onto customers.

The decrease in the recoverable amount for Personal Care New Zealand reflects the continued decline of market share in the Baby Care business. A slower recovery of market share is now expected.

These factors have led to a deterioration in financial performance from previous expectations in both CGUs. As a consequence, this has led to a moderated outlook for the business over the forecast period and has been reflected in management's expectations of future cash flows.

8 Intangible assets (continued)

Key assumptions

The valuations used to support the carrying amounts of intangible assets are based on forward looking key assumptions that are, by nature, uncertain. The nature and basis of the key assumptions used to estimate future cash flows and the discount rates used in the projections, when determining the recoverable amount of each CGU are set out below:

- Operating cash flows are extracted from the most recent approved forecast. For each CGU, the cash flow projections have been determined based on expectations of future performance. Key assumptions in the cash flows include sales volume growth and costs of goods sold. These assumptions are based on expectations of market demand and operational performance.
- The terminal growth rates used for the Tissue CGUs are 2% (December 2017: 2.5%) and for the Personal Care CGUs are 2.5% (December 2017: 2.5%). Cash flows beyond five-year periods are extrapolated using terminal growth rates. These rates do not exceed the long-term average growth rates for the industry.
- The discount rate is based on the weighted average cost of capital for the Group equal to a pre-tax rate of 10.9% (December 2017: 11.1%).

As the recoverable amount approximates carrying value, any adverse movement in these key assumptions is likely to lead to further impairment. The recoverable amount is based on growth in operating performance, and is therefore sensitive to changes in growth rates and is highly sensitive to changes in all of the key assumptions. The impact of individual changes in key assumptions is shown in the table below.

Key Assumption	Sensitivity	Impact on Tissue Australia	Impact on Personal Care NZ
Pre-tax discount rate	Increase 50 basis points	$10.2m	$1.6m
Terminal growth rate	Decrease 50 basis point	$7.6m	$1.2m

9 Derivative financial instruments

	Consolidated entity	
	30 June 2018 $'000	31 December 2017 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	**5,093**	1,587
Interest rate swap contracts – cash flow hedges	**157**	-
Other hedging instruments	**-**	571
Total current derivative financial instrument assets	**5,250**	2,158
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	**214**	1,726
Interest rate swap contracts - cash flow hedges	**-**	91
Other hedging instruments	**41**	-
Total current derivative financial instrument liabilities	**255**	1,817
	4,995	341

9 Derivative financial instruments (continued)

(a) Fair value measurements

Asaleo Care Ltd discloses fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of level 2 financial derivatives is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

At 30 June 2018 and 31 December 2017 the Group's derivative instruments were all level 2:

- Derivative financial assets $5,250,000 (2017: $2,158,000)
- Derivative financial liabilities $255,000 (2017: $1,817,000)

10 Non-current liabilities - borrowings

	Consolidated entity	
	30 June 2018 $'000	31 December 2017 $'000
Unsecured		
Bank loans	**238,500**	308,500
Senior Notes	**110,000**	-
Capitalised borrowing costs	**(1,886)**	(983)
Total unsecured current borrowings	**346,614**	307,517

The Group renegotiated and extended its revolving cash advance financing facilities in June 2018. In addition, the Group issued Senior Notes for $110.0m in June 2018.

Facility	**Facility limit**	**Drawn amount**	**Maturity date**
Facility A	157,500	157,500	31-Jul-21
Facility B	82,500	47,500	31-Jul-23
Facility C	50,000	33,500	31-Jul-22
Series A Notes	85,000	85,000	26-Jun-25
Series B Notes	25,000	25,000	26-Jul-28
Total	**400,000**	**348,500**	

(b) Financial undertakings

As at 30 June 2018, the Group was compliant with all financial undertakings of the revolving cash advance financing facilities and the Senior Notes facilities.

11 Contributed equity

(a) Movements in ordinary share capital

Date	Details	Number of shares	Average issue price	$'000
1 January 2017	Opening balance	545,926,505		265,303
	Share buy-back	(2,804,014)	$1.60	(4,488)
31 December 2017	**Closing balance**	**543,122,491**		**260,815**
1 January 2018	Opening balance	543,122,491		260,815
30 June 2018	**Closing balance**	**543,122,491**		**260,815**

12 Reserves

	Consolidated entity	
	30 June 2018 $'000	31 December 2017 $'000
Movements:		
Cash flow hedges		
Opening balance	**218**	(491)
Revaluation - gross	**3,607**	938
Deferred tax	**(1,057)**	(229)
	2,768	218
Share-based payments		
Opening balance	**15,861**	15,861
	15,861	15,861
Foreign currency translation		
Opening balance	**13,395**	23,419
Currency translation differences arising during the year	**1,689**	(11,643)
Deferred tax	**(163)**	1,619
	14,921	13,395

13 Related party transactions

The following transactions occurred with related parties:

	Consolidated entity	
	30 June 2018 $	30 June 2017 $
Purchases of goods		
Purchases of materials and goods from other related parties	**35,896,989**	40,517,783
Sale of goods		
Sale of materials and goods to other related parties	**1,365,667**	2,504,367
Other transactions		
Royalties - Essity Hygiene and Health Aktiebolag, formerly SCA Hygiene Products AB*	**3,175,512**	3,107,154

** Essity Hygiene and Health Aktiebolag was listed on Nasdaq Sweden on 15 June 2017 and was formed from the demerger of SCA's forestry and hygiene business. Essity is the ultimate parent entity in their investment in Asaleo Care Limited.*

All transactions with related parties were made at normal commercial terms and conditions and at market rates.

14 Events occurring after the reporting period

No matters occurred after the reporting date.

Directors' Declaration

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 3 to 18 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half year on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 1 confirms that the interim financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

Harry Boon
Director

Dated this 20th day of August 2018

Independent auditor's review report to the members of Asaleo Care Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Asaleo Care Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Asaleo Care Group. The group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Asaleo Care Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, 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 Australian Auditing Standards 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Asaleo Care Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Alison Tait

Alison Tait
Partner

Melbourne
20 August 2018