ANNUAL REPORT 2018

REVIEW AND RENEW

REVIEW

Contents

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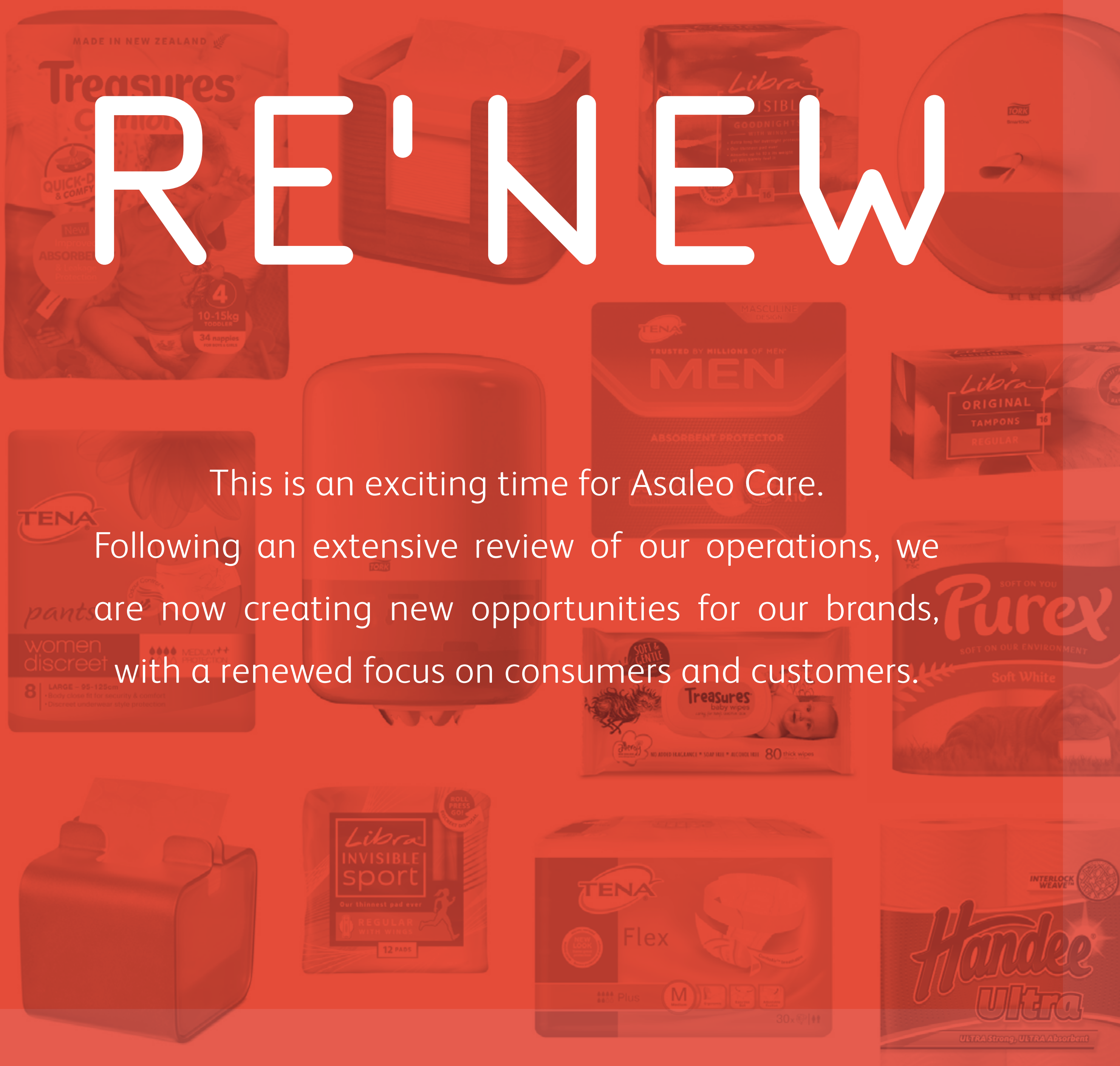


This is an exciting time for Asaleo Care.
Following an extensive review of our operations, we are now creating new opportunities for our brands, with a renewed focus on consumers and customers.

Financial Highlights FY18

Underlying earnings per share	Underlying EBITDA from continuing operations	Return on Invested Capital	Free Cash Flow Generated
5.4 **cents**	$81.5 **million**	9.2%	$64.8 **million**

Statutory

Financial Performance FY18 Net Loss After Tax of $108.7 million (FY17: Net Profit After Tax (NPAT) $57.2 million).

(Loss)/Earnings per share (20.0) cents per share (FY17: 10.5 cents per share).

Free Cash Flow $64.8 million achieved in FY18 as we transition through the sale of the Australian Consumer Tissue business.

Dividend No dividends declared for FY18.

Continuing Operations Financial Performance
FY18 NPAT of $0.8 million (FY17: $55.1 million).

Underlying*

Financial Performance Asaleo Care's financial result for FY18 was an EBITDA of $80.6 million, down 35% compared to FY17 EBITDA of $124.3 million.

Earnings Per Share 5.4 cents per share delivered, down 50% from FY17 (10.9 cents per share).

Net Debt/Leverage Leverage of 3.25 x EBITDA and compliant with all debt covenants.

Continuing Operations Financial Performance
FY18 EBITDA of $81.5 million (FY17: $97.6 million).

* **Underlying financial information:** As a result of non-recurring income and expenditure in FY17 and FY18, underlying financial information is included in this report.

NON-IFRS FINANCIAL INFORMATION

Throughout this report, Asaleo Care has included certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. Asaleo Care uses these measures to assess performance of the business and believes that this information is useful to investors.

The following non-IFRS measures have not been audited but have been extracted from Asaleo Care Group's audited Financial Statements:

- **EBITDA:** Earnings Before Interest, Tax and Depreciation and Amortisation.
- **EBIT:** Earnings Before Interest and Tax.
- **Maintenance capital expenditure:** cash flow expenditure aimed at preserving the condition of the fixed asset base.
- **Growth capital expenditure:** cash flow expenditure aimed at improving the fixed asset base in order to improve financial performance.

Chairman and CEO Letter

We are looking forward to meeting with shareholders at Asaleo Care's fifth Annual General Meeting on 30 April 2019, commencing at 10:00 am at the offices of PriceWaterhouseCoopers. The meeting will provide an opportunity to discuss the Company's activities and meet the Directors and executive management team.

Financial results impacted by record high wood pulp and energy costs

Asaleo Care has an enviable portfolio of market leading brands that have delivered strong cash returns to our shareholders since our ASX listing back in 2014. However, 2018 was a year of significant challenges, with historically high input costs and continuing market competition. Pulp costs year-on-year were up $27 million, whilst energy costs were $6 million higher.

Total underlying group EBITDA of $80.6 million was down 35 per cent on 2017. Retail EBITDA was down 21.1 per cent to $36.4 million with increased pulp costs on our Consumer Tissue business the key driver.

During the year, we renewed our focus on our consumers and customers and created new growth opportunities. Key retailers agreed to add a number of our new products, as range additions in Tissue and Personal Care categories. A major private label tissue contract was secured which commenced in the last quarter of 2018.

Market share for our Feminine Care business stabilised with the investment in trade spend, which saw volume share rise in the second half compared to the prior corresponding period. Baby Care continues to be challenged by heightened competitive activity in New Zealand.

The successful launch of new Tena products, *Night Pants and Lights*, drove strong performance in the Incontinence Retail category with revenue rising 4.8 per cent.

In our B2B segment, EBITDA decreased 12.4 per cent to $45.1 million. Although Incontinence Healthcare performed strongly and growth in our Professional Hygiene proprietary systems continued, EBITDA was impacted by higher pulp costs of approximately $12 million.

Asaleo Care has an enviable portfolio of market leading brands that have delivered strong cash returns to our shareholders since our ASX listing in 2014.

We invested in a major quality upgrade for our Sorbent brand and, in our Business-to-Business (B2B) segment, we commenced a major capital project in New Zealand, investing $25 million that will deliver cost savings, quality improvements and extend our B2B product range.

With the reduced profit in 2018, we focused on cutting net debt which was reduced by $16.7 million from 31 December 2017.

Strong and decisive action taken in 2018

This year marked a turning point for your Company.

In July, we announced that we would undertake an in-depth strategic review of the whole business. Our aim was to design and implement the most efficient structure and business model for sustainable long-term growth and to maximise our return on invested capital.

It was clear strong and decisive action was required this year to ensure the long-term success of our brands.

The decision to divest Australian Consumer Tissue business

Following the review, we made the decision to divest our Australian Consumer Tissue business, which includes Sorbent toilet and facial tissue, Handee Ultra paper towel, and Deeko serviettes and disposable tableware.

The sale to Solaris Paper for $180 million, significantly strengthens our balance sheet, reduces net debt and earnings volatility and improves the Company's leverage ratio. Following completion of the transaction, our leverage ratio will be at the bottom of our target range of 1.5 to 2.5 times by the end of 2019.

We will retain our cost competitive consumer tissue business in New Zealand and the Pacific Islands, which includes Purex toilet tissue, Sorbent toilet and facial tissue, Handee Ultra towel, and Orchid and Viti brands for toilet, towel and facial tissue, and serviettes.

The transaction also improves the Company's balance of business portfolio. Over half of our future revenue and EBITDA will be generated from the B2B channel which has grown strongly over recent years and where Asaleo Care is a market leader in Australasia. Cash generation will also be stronger, as the Australian Consumer Tissue business has historically consumed some 30 per cent of the Group's capital spending and working capital holdings.

The sale is expected to be completed by the end of the first quarter of 2019.

Refocusing and reinvesting in higher margin, higher growth brands

One of the major benefits of the sale is the ability it provides us to refocus and reinvest in our core higher margin, higher growth brands. In the coming year, it is our intention to reinvest in our brands Libra, Tena and Tork through innovation, marketing, people and in-store support.

As part of the strategic review, we secured an in-principle agreement for a five-year extension to our Trade Mark and Technology Licensing Agreement (TMTLA) with Essity to 2027. The agreement provides technology, marketing and sales rights, and a pipeline to world-leading research, development and innovation for the Tork and Tena brands.

In 2019, we expect the Company's underlying EBITDA from continuing operations to be in the range of $80 million to $85 million under the new lease accounting standard. This compares to $90.6 million in 2018 under that standard. The reduction is driven by our commitment to invest significantly to support the long-term growth of our brands.

Everyone at Asaleo Care is committed to improving our safety performance and we will continue to work towards reducing safety risks, incidents and injuries.

Safety is most important

Beyond all else, the safety of our employees, contractors and visitors to our sites is always our most important priority.

For 2018, our safety performance largely remained unchanged compared to the previous year. This follows a notable improvement made in 2017. Everyone at Asaleo Care is committed to improving our safety performance and we will continue to work towards reducing safety risks, incidents and injuries.

Recognised for our sustainability track record

Only by operating safely, sustainably, ethically and transparently can we grow and prosper, and create value for our employees, shareholders and the communities where we live and work.

Together with our employees, we are making a positive contribution to improve the environment and respond to important social needs.

We ensure that the resources we use to produce our products are sourced sustainably and managed responsibly. This year, we committed to purchase pulp and paper reels consistent with No Deforestation, No Peat, No Exploitation (NDPE) policies adopted by the forestry and palm oil industries.

The Company has also been a signatory of the Australian Packaging Covenant (APC) for nearly a decade with progress reported regularly.

This year marked the fifth consecutive year Asaleo Care has been recognised for its corporate sustainability leadership in the Dow Jones Sustainability Australia Index (DJSI).

Making a positive economic and social contribution

Asaleo Care and our people are proud of the contribution we make in our communities and through our corporate charities, Ronald McDonald House Charities and Foodbank.

This year, our employees volunteered approximately 500 hours to help Foodbank provide food relief throughout Victoria.

In addition to our employees volunteering, the Company sponsored two of Foodbank's Farms to Families pop up markets and donated essential personal hygiene products to 600 women and their families affected by domestic violence.

> This year, the number of women in senior leadership positions rose to 44 per cent, up from 21 per cent the year previous.

We have had a long-standing partnership with Ronald McDonald House Charities and provide a monetary donation annually to the charity in Australia and New Zealand. This year, the Company also donated Sorbent toilet tissue to supply its 18 houses across Australia which accommodates more than 10,000 families every year.

We are also recognised for our disaster relief assistance and this year was no exception. Asaleo Care employees volunteered their time to donate essential products to help the community during the widespread flooding in Labasa, Fiji and more recently, in Townsville and its surrounding vicinity.

Through our community educational programs about puberty, hygiene and elderly care coupled with product donations and support, we aim to provide opportunities to improve health and wellbeing.

Creating a diverse and talented workplace

We know diversity and inclusion are at the heart of successful, high performing organisations. By unlocking the potential of our people, and encouraging a diversity of experience, knowledge and ideas to be heard, we are building an even stronger and better company that can thrive and grow.

This year, the number of women in senior leadership positions rose to 44 per cent, up from 21 per cent the year previous. By focusing on the best available talent within the Company and the marketplace, Asaleo Care has been able to substantially improve gender representation in senior leadership positions.

We believe investing in our future generation is important and the right thing to do as a business. This year, we employed six new graduates in engineering and sales. The exposure they gained from the variety of work, and access to senior leadership and mentoring provides a valuable opportunity to grow and develop their careers.

Succession planning and new CEO

This year also marked an important transition in leadership with the appointment in October of Sid Takla as the new CEO and Managing Director. Sid worked closely with the Board and Executive Team in leading the strategic review and positioning the Company for long-term sustainable growth. His appointment is the result of careful, comprehensive CEO succession planning over a number of years. The Board of Directors has great confidence in Sid and the management team that he leads.

We are deepening relationships with our customers and working in new ways to create greater value for them and our consumers. We are building a stronger, more collaborative culture grounded in our values – Pride, Integrity and Courage – that guide our decisions. There is a new energy within the Company as we are unified in reshaping and forging a new and prosperous future.

On behalf of the Directors and the executive management team, we thank employees for your loyalty and dedication, particularly in a period of change and transition. We thank our shareholders, our customers and consumers and other stakeholders for your support and commitment to Asaleo Care and its future. We would also like to thank our Directors for their insight and guidance over what has proven to be a watershed year for the Company.

We look forward to meeting and speaking with you at our forthcoming Annual General Meeting.

Harry Boon
Chairman

Sid Takla
CEO and Managing Director

Company Overview

Quality trusted brands with a proud heritage

Asaleo Care is a leader in Personal Care and Hygiene products across Australasia. The Company manufactures, markets, distributes and sells essential, everyday consumer products including tampons, pads and liners, nappies, toilet and facial tissue, paper towels, serviettes and disposable tableware.

Our popular products are recognised household brands like Libra, TENA, Sorbent and Purex, Handee Ultra, Deeko, Treasures, Viti and Orchid.

Asaleo Care has a proud heritage of more than 60 years and listed on the Australian Stock Exchange in 2014. Today, with close to 1,000 employees, our manufacturing and distribution footprint extends across five manufacturing sites and 11 distribution centres in Australia, New Zealand and Fiji.

BUSINESS AND % CONTRIBUTION		PRODUCT CATEGORY	KEY BRANDS	PRODUCTS	MANUFACTURING FACILITIES	ROUTE TO MARKET
Retail	45% of FY18 EBITDA	Feminine Care	Libra	Pads, tampons, liners and ancillary products (e.g. wipes, washes and heat patches)	Springvale, Australia	**Retailers** Coles, Foodstuffs, Metcash, Pharmacy, Progressive Enterprises, Woolworths, Costco **Webshops** **(Customer list is not exhaustive)**
		Incontinence Care	TENA	Incontinence pads, pants and liners	Springvale, Australia	
		Baby Care	Treasures	Nappies, nappy pants and wipes	Te Rapa, New Zealand	
		Consumer Tissue	Sorbent, Purex, Handee, Ultra, Deeko, Orchid, Viti	Toilet tissue, facial tissues, paper towel, serviettes and disposable tableware	Kawerau, New Zealand Nakasi, Fiji Box Hill, Australia	
B2B	55% of FY18 EBITDA	Professional Hygiene	Tork	Hand towel, toilet tissue, napkins, soap, facial tissues and other hygiene based accessories	Kawerau, New Zealand Box Hill, Australia	**Distributors** Bunzl, OfficeMax, WINC **(Customer list is not exhaustive)**
		Incontinence Care	TENA	Incontinence pads, pants and liners	Springvale, Australia	**Healthcare** Hospitals, Aged care facilities, Community care,

Our Business Strategy

Asaleo Care manufactures, markets, distributes and sells essential, everyday consumer products.

To produce many of our products, we import and locally convert sustainable fibre sources to manufacture our Personal Care and Tissue products including tampons, pads and liners, toilet paper, facial tissues, paper towels, serviettes and diapers. Through our relationship with Essity, we also import products under the Tork and TENA brands for the business to business and retail markets.

Asaleo Care is a leader in Personal Care and Hygiene products across Australasia.

In 2018, our strategy focused on product development and innovation, extending the range and availability of our products and services, innovating within our distribution channels and implementing sustainable cost reduction and efficiency initiatives.

During the year, we undertook an in-depth strategic review of the whole business which was initiated by the Company in the first half 2018. Following our review, we announced the sale of our Australian Consumer Tissue business to Solaris Paper Pty Ltd.

The sale enables the Company to concentrate on its core, higher margin, less capital-intensive business in Personal Care and Business-to-Business and continue to innovate and invest in our brands for long-term growth.

We look to extend our range and coverage by diversifying our product range within our customer base, maintain our branded product sales and seek new customer opportunities within our core markets.

We demonstrate a difference through market-leading product innovation such as new product features, packaging and marketing that adds value for our customers and consumers.

The quality of our brands is strong and today, our branded products make up to around 97% of our total sales.

As we innovate within our distribution channels, sales through our online stores for Treasures nappies, TENA incontinence products, and Libra Feminine Hygiene continue to increase.

Importantly, we maintain an intense focus on improving efficiency and productivity whether it's through reducing energy usage or improving the performance of our manufacturing facilities, we work hard to get the best quality, value and benefit for our customers, our consumers and our shareholders.

Pride

We are proud of our company and its brands and take pride in working safely, collaboratively and supporting one another to get the job done.

Integrity

We do what we say we will do and act in an open, honest and transparent manner.

Courage

We confront our challenges and have the confidence to make difficult decisions and are always seeking to do things better.

Our Relationship with Essity

Essity is a major shareholder of Asaleo Care and has entered into a number of commercial arrangements with Asaleo Care including our agreements for the supply and purchase of Personal Care and Professional Hygiene products, and licensing of certain trademarks, technology and intellectual property.

The Company pays Essity an annual royalty for the exclusive license to use specific brands, including TENA and Tork, technology and other intellectual property in Australia, New Zealand and specified countries in the Pacific region.

Asaleo Care has secured an in-principle agreement for a five-year extension to its Trade Mark and Technology Licensing Agreement (TMTLA) with Essity to 2027. The TMTLA provides technology, marketing and sales rights, and a pipeline to world-leading research, development and innovation for the Tork and Tena brands.

Our Values

We have a proud history as a leading personal care and hygiene company.

Care, comfort and confidence every day is our purpose.

As an organization, we are guided by our three Values – **Pride**, **Integrity** and **Courage**.

Demonstrating behaviours consistent with our Values drives our success. We know we are successful when we exceed our shareholders expectations and we create a workplace where our people perform at their very best every day.

Asaleo Care's portfolio includes leading brands of essential, everyday consumer products in Australia, New Zealand, Fiji and the Pacific Islands. Many are heritage brands, recognised and trusted by customers and consumers for more than 60 years.

In Australia, New Zealand and Fiji and the Pacific Islands, our core retail brands are Libra, Tena, Sorbent, Handee Ultra, and Deeko offering tampons, pads, liners, toilet and facial tissue, wipes, paper towels, serviettes and a tableware range.

We're also well known for our popular brands Purex toilet tissue and Treasures nappies in New Zealand and in Fiji and the Pacific Islands, Viti toilet tissue and Orchid toilet and facial tissue, serviettes and kitchen towels.

Our professional hygiene and incontinence brands Tork and TENA in Australia, New Zealand and the Pacific Islands are leading brands within their categories.

Innovation and product development are critical to building our brands. We're recognised by our industry and our markets for improving, innovating and often, revolutionising our products. And we've been doing this for many decades.

Through our close relationship with Essity, we leverage global research, product development and manufacturing excellence.

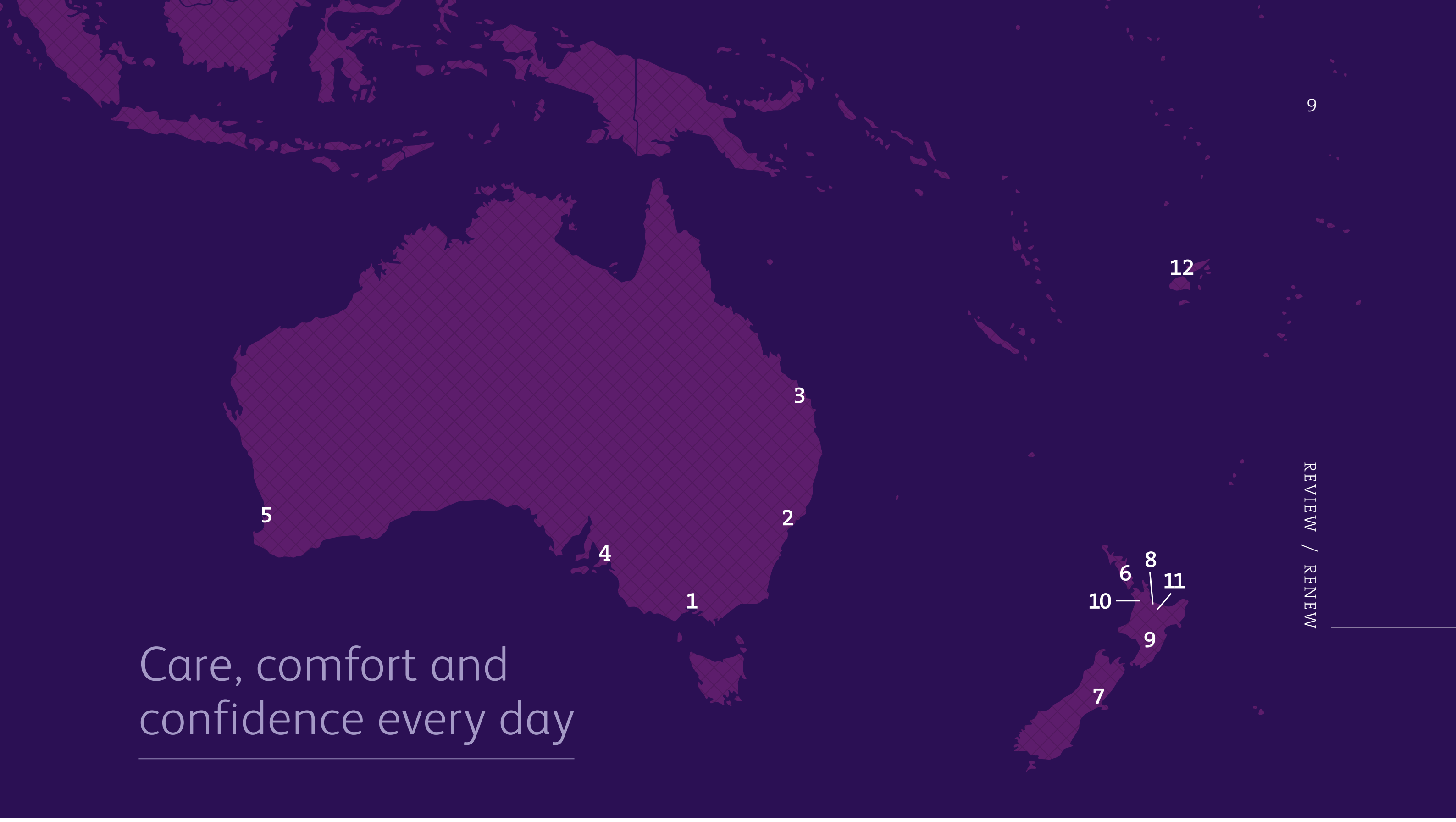
Take Libra for example, the only Feminine Hygiene product manufactured in Australia with its Roll.Press.Go innovation to make pad disposal easier than ever. Or Libra Girl Pads designed to fit smaller bodies and Libra Sport Pads that are unnoticeable in active wear. And the votes are in – CHOICE, the leading independent consumer advocacy group in Australia, selected Libra's Extra Regular no wings pad as Number One in sanitary pad products in the market.

Our Tork brand was the 2018 winner of the innovation services and technology award for the sanitary supply industry. The award was presented for its Tork EasyCube, a real-time data driven solution for facility cleaning management.

And TENA is at the forefront of innovation with its incontinence management products and support services that help advance understanding and knowledge about the condition.

We're constantly looking for ways to provide solutions to consumers' problems – even simple innovations like handles on bulk packs, finding more hygienic ways to dispose of pads, or offering a better skin solution to people with incontinence.

It's about making our products better for our customers and consumers, year in and year out.



Care, comfort and confidence every day

Australia	516 employees	
1	Distribution centre	**Melbourne**
	Manufacturing facilities	**Box Hill** *Product Categories* Consumer Tissue and Professional Hygiene *Brands* Sorbent, Handee, Purex, Deeko and Tork **Springvale** *Product Categories* Feminine Care and Incontinence Care *Brands* Libra and TENA
2	Distribution centre	**Sydney**
3	Distribution centre	**Brisbane**
4	Distribution centre	**Adelaide**
5	Distribution centre	**Perth**

New Zealand	377 employees	
6	Distribution centre	**Auckland**
7	Distribution centre	**Christchurch**
8	Distribution centre	**Tauranga**
9	Distribution centre	**Palmerston North**
10	Manufacturing facility	**Te Rapa** *Product Categories* Baby Care *Brands* Treasures, Giggles and Drypers
11	Manufacturing facility	**Kawerau** *Product Categories* Consumer Tissue and Professional Hygiene *Brands* Sorbent, Handee, Purex, Deeko and Tork

Fiji	87 employees	
12	Distribution centres	**Labasa**
12	Distribution centres	**Nadi**
12	Manufacturing facility	**Nakasi** *Product Categories* Consumer Tissue and Professional Hygiene *Brands* Orchid and Viti

Manufacturing and Logistics

As a leading, long-term local manufacturer, with operations in Australia, New Zealand and Fiji, we are a major employer and contributor in the communities where we operate.

Our customers benefit from manufacturing and supply that are environmentally and socially responsible and offers speed-to-market, inventory flexibility, high quality standards and rapid customer response.

During the year, the Company invested in product development for the Sorbent brand to improve its strength, thickness and softness, look and feel, and value. For the Company's manufacturing operations, implementation of the Sorbent brand quality improvements was a major focus at both Australia's Box Hill site and New Zealand's Kawerau site.

Numerous trials were conducted across paper machines and converting assets to systematically improve key characteristics of the products.

A cross-functional team of marketing, research and development and operations worked closely together to ensure consumer insights were precisely applied and any development hurdles rapidly overcome through each step of the manufacturing process.

Leveraging our relationship with Essity, we developed and designed new embossing in conjunction with its global Research and Development centre in France.

Following rollout of the product, quality management system changes were made to embed the new standards.

Preparations are underway for the installation of new converting equipment in Kawerau in 2019 which will improve product quality, manufacturing efficiency and increase our new product capability.

Our customers benefit from our environmentally and socially responsible supply chain that offers speed-to-market, inventory flexibility, high quality standards and rapid customer response.

Logistics – improved order accuracy and fulfilment speed

Across our four New Zealand Distribution Centres, pick-to-voice technology was rolled out to enable direct-to-store delivery capability for key retail customers and in our business-to-business segment, for direct-to-distributor delivery.

This technology is already installed in the Company's Australian Distribution Centres which has experienced health and safety benefits in addition to improved order accuracy and fulfilment speed. Pick-to-voice allows orders to be selected and verified hands-free without distraction.

Safety accreditation was successfully renewed during the year at all Distribution Centres.

Operation Excellence making us more agile, leaner, stronger

Our disciplined approach to accelerating operational excellence in our manufacturing is making us more agile, leaner and stronger. Focusing on the entire value chain, we are optimizing our processes, reducing waste, and improving our machine and resource efficiency, which in turn improves quality, and reduces our costs.

This year, we built upon the benefits of the Operations Excellence program with improvement teams having success at our manufacturing sites at Kawerau and Te Rapa in New Zealand and Box Hill and Springvale in Australia.

Through the program in 2018, we reduced waste at Box Hill, achieved process improvements on Kawerau's paper machines, and decreased downtime on Springvale's tampon packaging line and Te Rapa's diaper line.

We invested further in capital improvements to our assets in 2018 which included upgrading the process water filtration system and cranes as well as replacing transformers at Box Hill. At Kawerau, control systems on the main paper machine were upgraded and building improvements were made here and at the Fiji factories.

Lean Six Sigma

During the year, a team of emerging leaders across the Box Hill and Springvale sites successfully completed Lean Six Sigma training. Lean Six Sigma combines lean and six sigma methods to eliminate and reduce waste caused by transportation, inventory, motion, waiting, overproduction and over-processing, and minimise defects in manufacturing products.

Lean Six Sigma uses a set of carefully designed tools and techniques to help improve processes that can reduce defects and waste and deliver what is most important to customers.

Through a range of continuous improvement projects, the team achieved significant energy savings, quality improvements, waste reductions, and process improvements. A second round of training has already kicked off with a group of new trainees set to start the program for 2019.

Safety

While we did not see significant improvement in our lag safety indicators this year, considerable effort went into the further development of our internal audit process. This supports our AS4801 safety certification which was retained at all sites.

We continued our focus on high risk hazards, making greater progress in assessments and control actions across all sites.

The Springvale Personal Care site used operator-led teams to specifically find solutions to local manual handling challenges in their areas. These generated ideas, solved problems, and increased engagement through the process.

Continued focus on cost reductions

With ongoing cost pressures on manufacturing inputs, utilities and pulp in particular, our sites have worked to reduce costs where possible. Targeted initiatives have seen sites safely reduce overheads, and maintenance and labour costs, while water and energy saving projects have helped to improve efficiency and decrease waste.

Springvale 40th Anniversary

This year, the Springvale site celebrated its 40th anniversary of manufacturing. The site proudly produces Libra feminine care products including tampons, pads and liners, and TENA incontinence pads and liners. The occasion was marked with a celebration that brought together current and former employees for site tours, presentations of 40 years of manufacturing milestones, and new initiatives.

Site Profiles

BOX HILL, VICTORIA, AUSTRALIA

Company's largest manufacturing facility with two paper machines for a total annual production capacity of approximately 61,000 tonnes and eight converting machines with an annual capacity of 63,000 tonnes. Produces toilet paper, kitchen towel, folded napkins and facial tissues for the Sorbent, Purex, Handee, Tork and Deeko brands.

SPRINGVALE, VICTORIA, AUSTRALIA

Manufactures Feminine Care and Incontinence Care products under Libra and TENA brands. The only Australian manufacturer of feminine hygiene products. Annual capacity to produce up to 1.2 billion pieces across pads, liners, and tampons.

KAWERAU, NEW ZEALAND

Company's second largest manufacturing site. Produces toilet paper and both rolled and folded towel products under the Sorbent, Purex, Handee and Tork brands. Annual capacity of approximately 59,000 tonnes on two paper machines and about 62,000 tonnes on eight converting machines.

TE RAPA, NEW ZEALAND

Manufactures Baby Care products under Treasures, Giggles and Drypers brands sold in Australia, New Zealand and across the Pacific. Te Rapa site has capacity to produce more than 150 million diapers (nappies) annually.

NAKASI, FIJI

Consumer Tissue and Professional Hygiene products converted and sold under Orchid and Viti brand across the Pacific region.

LOGISTICS

Distribution Centres in Australia (Sydney, Brisbane, Melbourne, Adelaide and Perth), New Zealand (Auckland, Christchurch, Tauranga and Palmerston North) and Fiji (Labasa and Nadi).

Retail

Under the Retail segment, the business markets and distributes an innovative, comprehensive range of Feminine, Baby and Incontinence Care products. These everyday essential products include pads, tampons, liners, nappies, wipes, toilet and facial tissue, hand towels and tableware. Incontinence products include a range of men's and women's pants, pads and liners.

Our trusted Consumer Tissue products are marketed and sold under the popular brands Sorbent, Purex, Handee Ultra, Deeko, Orchid and Viti through major retail stores and other channels.

FINANCIAL REVIEW – RETAIL

A$ MILLION	UNDERLYING 2018	UNDERLYING 2017	GROWTH %
Revenue	189.6	199.9	(5.2%)
EBITDA	36.4	46.1	(21.1%)
EBITDA Margin	19.2%	23.1%	(3.9pp)

Note: A reconciliation is provided between the reported results and the statutory result on page 43. Discontinued operations are not included in table data.

Libra Girl products are specifically sized and designed for smaller bodies and the younger female shopper.

For the Retail business segment, 2018 was a year of growth for TENA and stabilisation for Libra and Sorbent.

Libra market share was lost during 2017 due to increased price discounting by competitors while we were on Every Day Pricing (EDP). The removal of the EDP in second half 2017 and increased trade spend has helped to stabilise the brand. Growth in TENA liners, pads and pants was achieved through competitive pricing, new packaging and product introductions and a strong digital marketing channel.

A revitalized Sorbent toilet tissue, with its product quality upgrade, new packaging, extended range and in-store support, returned the Sorbent brand to growth in New Zealand and led to a sales uplift in Australia.

In New Zealand, Handee Ultra is the number one market share leader in volume and value, and Purex is a well recognised, market leading brand.

The main focus for Treasures this year was the recovery from previous product quality issues and activating a re-launch with an improved nappy.

Revenue for the Retail business segment declined by approximately five per cent to $189.6 million with a reduction in Feminine and Baby Care partially offset by growth in Incontinence Care, Pacific Islands and Consumer Tissue New Zealand.

Higher costs for pulp, a loss of export tampon volume and a full year impact of the leasing costs for the Springvale site were slightly offset by more favourable foreign exchange pricing.

In New Zealand, Handee Ultra is the number one market share leader in volume and value, and Purex is a well recognised, market leading brand.

Libra, the only feminine hygiene brand manufactured in Australia, celebrated its 40th anniversary in 2018.

Libra – new product launch and sponsorships

Feminine Care has now stabilized following a sales decline in FY17, due to increased price discounting by competitors while we were on Every Day Pricing (EDP). Since coming off EDP in the fourth quarter of 2017, we have increased trade spend to support market share. This has led to the stabilization of market share in FY18. Libra's volume market share in Australia in 2H18 was higher than in 2H17 mainly driven by sales in the higher margin pads and liners products.

Contributing to this year's result was improved navigation on pack and an innovative social media strategy that established Libra as a digital communications leader in its category. Website traffic rose 70 per cent and e-commerce sales grew nearly 200 per cent year-on-year.

This year, Libra sponsored the South Melbourne Football Club in support of its girl's teams. The brand also sponsored the Caulfield Spring Racing Carnival where Libra reached more than 25,000 women throughout the carnival.

A new Libra product line was introduced, revolutionising the liner product category. Multistyle liners which adapt to a variety of underwear from lingerie and briefs to G-strings for greater everyday comfort and versatility. The new liners were strongly promoted to the younger shopper.

Libra, the only feminine hygiene brand manufactured in Australia, celebrated its 40th anniversary in 2018.

With proper management, the impact of incontinence on people's everyday life can be minimised.

TENA Retail – strong performance for pants and liners

Surprising to many, age and overall health are not the only reasons a person may be incontinent. Often, it affects people in the prime of their lives. In Australia, more than four million people live with bladder weakness. With proper management of the condition, the impact of incontinence on people's everyday life can be minimised.

In 2018, TENA performed strongly with year-on-year revenue growth of nearly five per cent. The strong performance was attributed to an increase in distribution, greater value from innovation, and an improved pharmacy support strategy and pricing.

The launch of new products, *Night Pants*, and *Lights* by TENA, in major grocery channels saw sales volumes for TENA pants grow by 11 per cent and TENA liners at close to three per cent.

TENA Men is the number one brand in the male pads market in Australia with growth this year of 20 per cent.

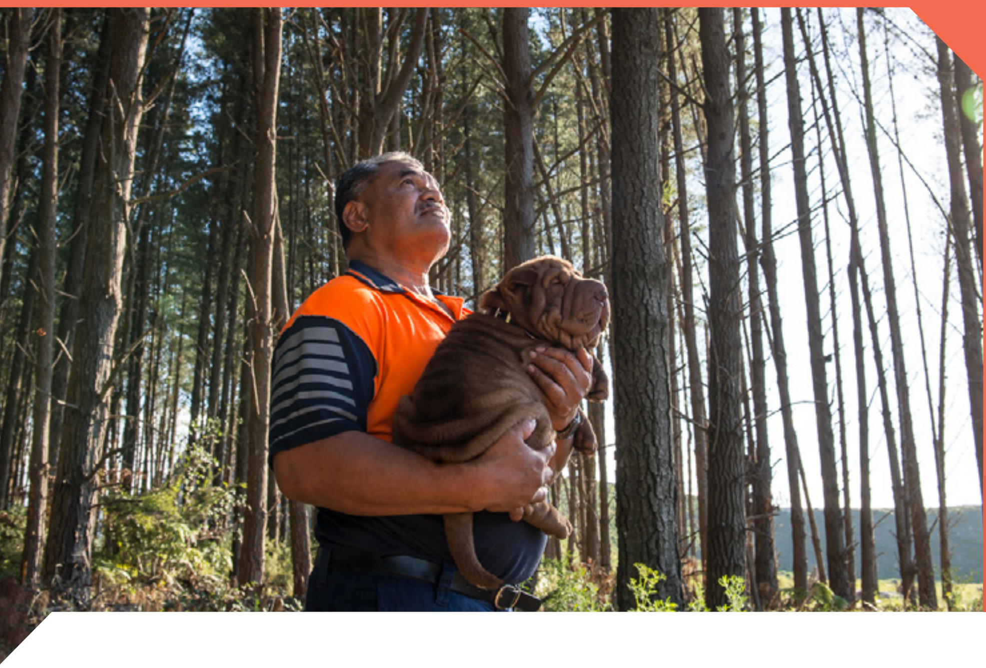
Sales channels in pharmacy grew in volume by 10 per cent, while online continues to be especially popular with more than 40 per cent growth.

Treasures – Money Back Guarantee introduced

The Treasures nappy brand has been worn by Kiwi babies for more than 40 years. Produced at Asaleo Care's Te Rapa, New Zealand facility, Treasures is the only locally manufactured brand of open nappy. The site also makes the Drypers and Giggles range of open nappies for the Fiji, Papua New Guinea and Pacific region markets.

During the year, an improved Treasure's nappy design was launched that addressed product quality issues encountered in the initial launch in 2017. Supported by television advertising, in-store promotions and a new social media campaign, the launch included a '*Money Back Guarantee*' to regain consumer trust in the Treasures brand. Heightened competitive activity has made it difficult for Treasures to regain the share lost as a result of its quality issues.

Further product quality improvements will be made to the Treasures nappy range in 2019.



Made in Kawerau advertising, featuring local employees, highlights the beauty of Kawerau, New Zealand and Purex's environmental credentials.

Consumer Tissue

Purex – a leader in New Zealand market

Purex holds a leading position in the market in volume and value in the toilet tissue product category. Its well-recognized *Made in Kawerau* advertising campaign continued to drive brand consideration for 2018. More frequent promotional activity assisted to maintain the momentum.

Sorbent – New and improved

During the year, the Sorbent brand underwent a major product regeneration and was relaunched in September with improved quality, new packaging and a strong supporting advertising and promotional campaign.

Sorbent also launched its premium toilet tissue products Gold Silky White in Australia and *Thick & Large Hypo-Allergenic* in New Zealand.

The product range for Sorbent wipes was extended with its new Hypo-Allergenic product and Sorbent facial tissue introduced *Menthol with Eucalyptus* and limited-edition pack designs for *Thick & Large White*.

Handee Ultra – No 1 in New Zealand and volume leader in Australia

This year, Handee Ultra strengthened its market leadership position in volume and value in New Zealand.

In Australia, Handee Ultra grew more than 10 per cent to return the brand to number one in sales volume. During the year, its product range was extended to introduce double length packs and in New Zealand, *Max*, a premium 3-ply brand, was launched. Sales volumes achieved a further five per cent uplift from a spring-cleaning event with a leading retailer.

Orchid and Viti in the Pacific Islands

Orchid and Viti are well known, trusted brands for quality hygiene products in the Pacific Islands. The product range includes toilet and facial tissue, serviettes, kitchen towels and garbage bags.

In 2018, the Pacific Islands business grew its revenue by just over eight per cent and achieved a more favourable product mix with better performance in high margin categories.

Business-to-Business (B2B)

The Company's Business-to-Business (B2B) segment covers Professional Hygiene and Incontinence Healthcare product categories. Our Professional Hygiene products, including hand towels, toilet and facial tissue, serviettes, soaps and other hygiene accessories are sold under the Tork brand to the hospitality sector, schools, hospitals, shopping centres and industrial companies. Our TENA Incontinence Care products and support services are provided to healthcare professionals in residential and community care facilities, retirement villages and hospitals.

The Business-to-Business (B2B) segment in 2018 saw strong sales growth in Incontinence Healthcare with modest growth in Professional Hygiene. Total revenue grew 1.2 per cent. Significant input cost increases for pulp were slightly offset by a favourable exchange rate and tight cost control.

In 2018, Incontinence Healthcare realised the full year benefit of major contracts signed in 2017 and achieved top line growth of 5.2 per cent in Australia and 7.6 per cent in New Zealand over the year prior.

For Professional Hygiene in 2018, it grew its branded dispensing systems, renewed major contracts and agreed on an in-principle extension of its Trade Mark and Technology License (TMTLA) until 2027. Revenue was impacted by the loss of a low margin private label contract.

FINANCIAL REVIEW – B2B

A$ MILLION	UNDERLYING 2018	UNDERLYING 2017	GROWTH %
Revenue	218.2	215.5	1.2%
EBITDA	45.1	51.5	(12.4%)
EBITDA Margin	20.7%	23.9%	(3.2pp)

Note: A reconciliation is provided between the reported results and the statutory result on page 43. Discontinued operations are not included in table data.

Tena Incontinence Healthcare

The demand for health care services and facilities is growing as our society ages. Inevitably, more people will need care whether they live at home or in professional residential care.

Proper management of incontinence is important to ensure older people can continue to lead a full and happy life, doing the things they want to do.

In the years ahead, we see strong demand for our TENA products and services. TENA Incontinence products and support services are provided through residential and community care facilities, retirement villages and hospitals.

TENA's dedicated healthcare team, from the medical and aged care industries and experienced care givers, offer best practice incontinence services and expertise.

Growing need for high quality care

The aged care industry is coming under closer scrutiny through the Royal Commission into Aged Care Quality and Safety established in October 2018. The Commission will examine a wide range of issues including how aged care services are best delivered.

TENA is uniquely positioned to support customers to provide quality care through our innovative, high-performing products coupled with best practice continence management processes and tools supported by expert in-field account managers.

In the residential care sector, we delivered two key initiatives in 2018 to improve care with the launch of TENA Flex Ultima and the piloting of TENA identifi.

TENA's dedicated healthcare team, from the medical and aged care industries and experienced caregivers, offer best practice incontinence services and expertise.

TENA Flex Ultima popular in residential aged care homes

TENA Flex Ultima absorbent pads have the highest level of absorbency in the market. TENA Flex Ultima is recommended for people with large night time urine voids. The product is proving to be popular in residential aged care homes. Heathcare professionals can see the benefits of improved sleep and day time behaviour when residents no longer need to be woken during the night for pad changes.

TENA identifi – to launch in 2019 – offers better reporting accuracy

We successfully piloted TENA identifi, an incontinence assessment tool that utilises sensors in pads to accurately measure the amount and frequency of urinary episodes. With its sophisticated measurement capability, TENA identifi supports high quality individualised care.

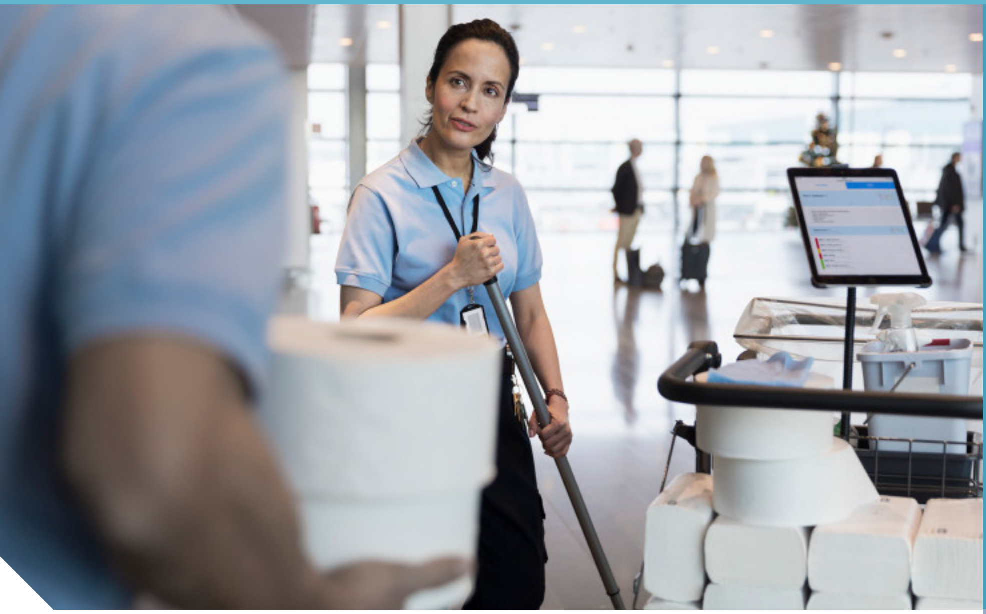
A data logger on the pad delivers information to the cloud which translates into a three-day bladder report for clinical staff to review. The report is used to create a toileting plan and product prescription more accurate than the current manual method.

TENA identifi will be launched to the market in 2019 and provides a key point of product differentiation.

Growth in home care for elderly

With changes to government funding, the number of elderly being cared for at home rather than in residential aged care homes is rising. As a result, we aim to support healthcare professionals in the community who help people manage continence in a home care setting.

In 2018, we launched the TENA assist program for health care professionals. The program provides them with the tools to recommend the right products and improved access to our product sampling service. Through sampling, people can trial products and find the most suitable solution.



Tork EasyCube – the No 1 data-driven cleaning management solution – won the 2018 InClean Australian Innovation Award for Services and Technology.

Professional Hygiene

Tork is the leading global brand in workplace hygiene offering solutions ranging from paper towels in hospitals to napkin dispensers in fast food restaurants.

As a leading brand in Australia and New Zealand, we put sustainability to work in practice through innovation and partnership.

Sustainability is integrated into everything we do, from the superior dispensers and products we offer to improving processes. For example, we make daily work for cleaners easier and more effective with smart packaging and services like Tork Easy Handling and Tork EasyCube that saves money and effort.

Our sustainable offer is assured through having the largest range of independent, third-party product certifications and the publication of Environmental Product Declarations on the full life cycle impact of our largest volume products.

In 2018, sales of our unique proprietary dispensing systems increased and now represent approximately 34 per cent of total sales for the business segment.

Growth in differentiated offer

Our Tork B2B channel continues to grow through winning new contracts and selling innovative, value-added products and systems that deliver cost savings and service improvements.

In 2018, sales of our unique proprietary dispensing systems increased and now represent approximately 34 per cent of total sales for the business segment.

We further strengthened our SmartOne toilet paper offering with the launch of the Jumbo dispenser. The new dispenser comes in white, black and stainless steel for high capacity areas with a robust design requirement. Sales of SmartOne continue to grow strongly.

In 2018, we had a strong focus on the food processing sector with an education campaign about using Food Zone Primary certified products to ensure food safety. Tork wipers and cloths used in this sector are the only products to achieve this certification. We also launched a new top of the range industrial wiper. The wiper is starting to be used in the aerospace, defence and transport industries where customers particularly appreciate our superior dispensers.

Tork EasyCube innovation award

Tork EasyCube is a cleaning management software solution for facility management. Using people counters and sensor-connected dispensers, EasyCube provides real-time data on visitor numbers and dispenser refill levels to deliver demand-driven cleaning plans to facility management employees.

Tork EasyCube is the number one data-driven cleaning management solution with a large customer base globally and the most complete software solution in the market.

Tork EasyCube was officially launched in Australia at the 2018 ISSA (International Sanitary Supply Association) cleaning show where we were proud to win the InClean Australian Innovation Award for Services and Technology.

We have had a great deal of interest from high traffic venues and expect to see several installations in 2019.

People and Culture

We have talented people who are committed to helping our customers, consumers and shareholders thrive and prosper, and our Company to be successful.

It's vital – for us to achieve our goals in 2019 – that we unlock the full potential of our people, stay focused on our objectives and build on our culture of ownership and accountability.

Strengthening leadership and capability

Our leaders are integral to ensuring our people are equipped to perform at their best. In 2018, we invested heavily in our leaders to acquire new talent, promote our high performers into senior leadership positions and provide development and coaching support.

We further invested in programs to develop core capabilities such as our Marketing Excellence programs to ensure the guardians of our brands continue to generate new ideas and solutions that break new ground for our consumers today and tomorrow.

We are also committed to professional growth and excellence in sales and category development with programs that strengthen customer relationships and lead management for the markets in which operate.

Our graduate and rotational programs encourage our people to explore their strengths and develop their skills. Working with experienced professionals from different disciplines, they gain real-world knowledge to develop insights, innovate and create change. Our graduates have an opportunity to work on tangible projects that create a meaningful impact.

This year, six new engineering and sales graduates joined Asaleo Care across Australia and New Zealand.

Our graduates have an opportunity to work on tangible projects that create a meaningful impact. This year, six new engineering and sales graduates joined Asaleo Care.

Diversity and Inclusion

Our Company, with around 1,000 employees, operates in Australia, New Zealand and the Pacific Islands. Across every part of our business, we strive to create a diverse and inclusive environment. It means having a diversity of thinking and competencies, genders, ages, personal qualities, business and cultural background, experience and knowledge and geographical representation. We know how valuable it is to have different perspectives in order for our Company to innovate, grow and prosper.

Consistent with our approach to diversity and inclusion, we increased female representation to achieve equal gender recruitment for our graduate program.

From a gender perspective, in 2018 we are pleased to have achieved the targets we set out two years earlier which were to :

- appoint at least two female members to the Executive Lead team by 2018
- increase female representation on the Senior Leadership team from 28 to 44 per cent by 2018

Better communications and people technology

Knowledge and information sharing online is critical to our success. This year, we enhanced our primary internal communication tool, the Intranet, to create a more engaging content and easier delivery and access to information about our brands, our people and ways of doing business.

Our *Paperless 2020* goal for our people systems progressed significantly with the introduction of online talent acquisition and on-boarding technology. Further steps will be taken in 2019 with performance management and people development to adopt a digital platform with mobile capability.

> We believe our culture of accountability, focused on our customers and consumers, is a major source of competitive advantage for us.

Embracing a culture of ownership and accountability

The marketplace in Australia, and globally, is constantly changing. Where consumers shop, what they buy and how, and the way our customers operate their businesses are all very different today and will be different again tomorrow.

The pace of change is continuous and increasingly driven by further technological advancement and new market entrants. For us, it is essential that we are positioned to respond and adapt to changes in our marketplace faster than our competitors.

We believe our culture of accountability, focused on our customers and consumers, is a major source of competitive advantage for us. We are continuously working to strengthen our culture where the best results are achieved through ownership and collaboration.

In 2018, we launched LIFT, the Company's business transformation program. LIFT will help unlock the untapped potential in our people, enabling us to respond to and anticipate our customers and consumers needs faster than our competitors. LIFT includes extensive development support for our leaders and new technology for our people.

Together, we are creating a new culture, one that is more energised, productive and resilient, better positioned to navigate through inevitable and rapid change and seize opportunity in today's highly competitive retail and B2B industries.

Occupational health and safety

Creating a safe and healthy workplace

We are committed to provide a safe and healthy work environment at our sites for all employees, contractors and visitors. It is our aim to make sure that everyone who works and visits Asaleo Care will leave as healthy and safely as they arrived.

New safety strategy launched

In 2018, we undertook a comprehensive review of our OHS culture, performance and Management System as part of the development of a new safety strategy. Our progress was benchmarked against best practice and peer companies in Australasia and internationally.

The key pillars of our safety strategy are:

1. **Culture and Leadership** – to further develop our leaders' capability and commitment to demonstrate safety leadership
2. **Work Environment** – to continue to improve our assets, equipment and processes
3. **OHS Management System** – to provide consistent standards across the business in an environment of varying local legislative requirements

Taking us to 2020, our safety strategy leverages the strong foundation provided by our OHS Management System and compliance programs to raise the importance of risk management, increase engagement, and adopt a culture with a greater focus on safety.

Working towards an OHS preventative culture

For 2018, our Lost Time Injury Frequency Rate (LTIFR) and Total Injury Frequency Rate (TIFR) largely remained unchanged compared to the year prior.

We recognise our safety performance must improve and more must be done. While most sites continued to achieve sustained serious injury-free periods during the year, even one injury is one too many. Our employees, contractors and their families deserve our commitment to provide a safe and healthy workplace.

We remain committed to improving our safety performance through ongoing investment in safety initiatives.

While most sites continued to achieve sustained serious injury-free periods during the year, even one injury is one too many.

Reducing risk through our capital investment program

A strong risk management focus was maintained in 2018 and ensured we continued to address major hazards and other potential causes of harm.

Capital investments, and supportive risk elimination and mitigation programs were implemented during the year, including:

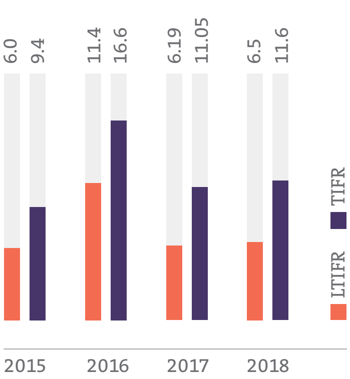
- Ongoing removal of asbestos containing materials at Box Hill, Victoria and Kawerau, New Zealand
- Vehicle and pedestrian safety improvements with more engineered barriers erected including fencing and railing
- Ergonomic improvements with improved material handling equipment and a greater use of sitting-standing desks for sedentary workers
- Electrical improvements in Fiji to ensure older equipment meets standards
- Platform, walkway and lifting equipment improvements around high-risk tasks on paper machines
- Building improvements including roof replacements at sites in Fiji and Kawerau, New Zealand

As a result of our risk management program and these investments, major projects were managed without any reportable injuries.

OHS Management System certification

The majority of Asaleo Care sites have AS4801 OHS Management System certification. During 2018, several sites undertook recertification and, supported by an ongoing internal audit program, all retained certification.

SAFETY PERFORMANCE



Sustainability

Supporting a more sustainable society

Our sustainability goal is to help create a more sustainable society through our products and business operations. Through purposeful management of our raw materials, supply chains and operations, we improve our processes, reduce our operating costs, minimise our impact on the environment, and create value for our customers and consumers, our shareholders, our communities and our employees.

For the fourtwh year running, Asaleo Care has been recognised for corporate sustainability leadership in the Dow Jones Sustainability Index (DJSI) Australia in the Personal Products sector.

Further information about our approach to sustainability, including key issues such as supply chain management and human rights, responsible forestry and resource scarcity and climate change, is available at www.asaleocare.com

Managing our key sustainability issues

We incorporate financially relevant sustainability practices into our business to improve our capacity to operate in a competitive and changing commercial environment that supports long-term value for our shareholders.

We reviewed our previous materiality assessment based on recommendations from the ASX Corporate Governance Council, and added sustainable packaging to our key sustainability issues:

- Community engagement and partnerships (on page 36)
- Economic performance (discussed in the Financial Statements section of this Report)
- Occupational health and safety performance (on page 27)
- Responsible forestry
- Resource scarcity and the impact of climate change
- Sustainable packaging
- Supply chain management, including human rights

For the fourth year running, Asaleo Care has been recognised for corporate sustainability leadership in the Dow Jones Sustainability Index (DJSI) Australia in the Personal Products sector.

Supply chain management and human rights

Our local and international suppliers provide goods and services to our operations, customers and consumers. Asaleo Care is committed to respecting human rights and eliminating modern slavery within our supply chain. We expect that our suppliers and our suppliers' suppliers are committed to the same principles as us.

Our approach is aligned with Ethical Trade Initiative (ETI) and International Labour Organisation (ILO) Conventions and national and international laws. We operate a due diligence program to help identify and mitigate any adverse human rights impacts of our supply chains in alignment with the principles and guidance contained in the United Nations Guiding Principles on Business and Human Rights.

Asaleo Care welcomes the introduction of the Modern Slavery Bill 2018 that targets modern slavery and human trafficking in supply chains. The Bill establishes a public reporting requirement for Australian entities with the aim of increasing transparency around these issues and improving workplace anti-slavery practices by holding businesses to account. Asaleo Care has reported on these issues since we first launched our Responsible Sourcing Program in 2014.

Since this time, we have been working together with Sedex to continually improve our supplier targeting, onboarding and risk assessment processes.

KPI	2018	2015
Active suppliers participating in our Responsible Sourcing Program by year end:		
› Number of suppliers	106	89
› Suppliers as a percentage of the Company's total procurement spend[2]	55%	46%

A high-level overview of our supplier assessment process includes:

- Use of Sedex's *Risk Assessment Tool* to identify high-risk supplier sites
- Desk-top reviews of high-risk sites performed to confirm their high-risk designation, and ethical audits commissioned if we are unable to show the risk has been mitigated
- Corrective Actions are monitored as part of our ongoing management of suppliers

In addition, our fibre, paper and fibre-based product supply chains are subject to our Responsible Forestry and Fibre Sourcing Policy. Our products certified to the Forest Stewardship Council® (FSC®) FSC-C101950 are assured to be free from any direct or indirect involvement in activities that violate traditional and human rights in forestry operations, as required by the International Labour Organization (ILO) Convention 169[1].

Responsible forestry – core to our sustainability strategy

Responsible forestry practices are at the core of our sustainability strategy. We rely on responsible sources of pulp and pulp-based products to manufacture our goods and support responsible forestry through our policies, sourcing practices and product offerings. In particular, we are committed to purchase pulp and paper reels consistent with No Deforestation, No Peat, No Exploitation (NDPE) policies adopted by the forestry and palm oil industries. Our suppliers are required to comply with our policies and standards.

To manage this issue, we take a multi-pronged approach which includes Chain of Custody (COC) certification, Environmental Choice New Zealand licensing and assurance, and source of origin due diligence. To learn more, visit Responsible Forestry and Fibre Sourcing Policy at www.asaleocare.com.

Our COC certification delivers traceable and responsible products to consumers and customers in a transparent and credible way. All our manufacturing facilities and trading operations are covered by our multi-site FSC® COC certificate.

KPI	2018	2015
Percentage of pulp and paper reel purchases that met our Responsible Forestry and Fibre Sourcing Policy	100%	100%
Relevant suppliers screened based on our due diligence criteria[3]:		
› Number of suppliers	36	29
› Percentage of relevant suppliers	80%	66%
Number of FSC or PEFC chain of custody certified products	297	180
Number of Environmental Choice New Zealand assured products[4]	86	81

1. According to FSC-STD-40-004 V3-0.
2. Based on spend in Australia, New Zealand and Fiji.
3. Source of origin due diligence is not performed on packaging that is not regulated under the Illegal Logging Prohibition Act 2012 (Cth.) or items for internal consumption.
4. ECNZ's Sanitary Paper Products Standard, EC-13-15.

Sustainable packaging

We are reliant on packaging to enable us to deliver high quality products to our customers and consumers. Asaleo Care has been a signatory of the Australian Packaging Covenant (APC) for almost a decade and continues to publicly report our progress on this important issue.

In 2018, Asaleo Care committed to work towards 100 per cent recyclability of our packaging by 2025, revised our Sustainable Packaging Policy to reflect current thought leadership on the issue and partnered with the REDcycle Program in Australia.

Through REDcycle, our consumers can now recycle all soft-plastic packaging at a REDcycle drop off location at major supermarkets. Collected plastic is recycled locally into products such as bollards, outdoor furniture, decking and road construction materials. The REDcycle program compliments our partnerships in New Zealand such as our membership with the New Zealand Soft Plastics Recycling Scheme and our partnership with Tread Lightly, a program that educates school children about soft plastics recycling and establishes recovery systems in schools.

Our Sustainable Packaging approach follows these key principles:

- Excessive packaging is avoided or reduced
- Packaging is recyclable
- Materials with improved sustainability are selected
- Compostable plastic is avoided where it could present a significant contamination risk to material recycling systems

Resource scarcity and the impact of climate change

Asaleo Care intends to enhance and broaden its understanding and contribution to the impacts of climate change on its business through 2019. The Company has commenced implementing the requirements of the Task Force on Climate-related Financial Disclosure ("TCFD") with the aim of broadening its understanding of climate-related risks and opportunities within the business through a TCFD project.

During 2019 in line with the TCFD project, a high-level risk and impact analysis will be completed as part of the Company's risk management procedure. TCFD-related reporting processes and controls will be embedded as part of the project, including Company targets for energy, greenhouse gas emissions (i.e. scope 1 and 2) and water.

Asaleo Care recognises the importance in managing the use of these resources in a responsible way across our operations. We have established strict policies and procedures to minimise pollution from our sites. Our renewable energy and efficiency initiatives are also aimed at reducing greenhouse gas emissions.

Our tissue manufacturing site at Kawerau, for example, uses geothermal steam as a direct energy source. In addition, our remaining New Zealand based manufacturing and operational sites benefit from the country's low-emissions electricity generation network.

Asaleo Care began reporting on renewable energy as a percentage of total energy use across the Group in 2015. For the first time since then, more than a quarter of all the energy we used was derived from renewable sources in New Zealand at a total of 26.4 per cent. Geothermal steam makes up 15.6 per cent of our total energy consumption. Additionally, 10.8 per cent of Asaleo Care's total energy consumption was from electricity generated from renewable energy sources in New Zealand[5].

5. New Zealand Energy Quarterly, January – September 2018 (MBIE: www.med.govt.nz), electricity from renewable energy sources equated to 83.8% of total electricity generation

CASE STUDY

Peatland free

By far, pulp is the most significant input in producing our products. As an environmentally responsible manufacturer, we rely on sustainable sources of pulp and pulp-based products. We are the first in our industry to make a tropical peatland-free commitment for our forestry and fibre sourcing.

In 2018, we included a No Deforestation, No Peat, No Exploitation (NDPE) commitment in our Responsible Forestry and Fibre Sourcing Policy. Concern for the impacts of climate change and reducing greenhouse gas emissions in our supply chain are key reasons behind our tropical peatland free commitment.

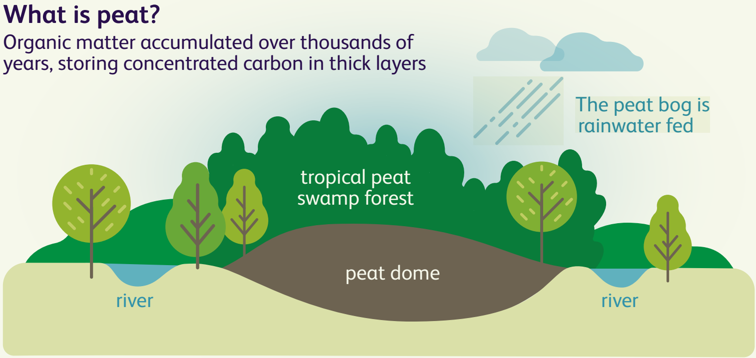
Why tropical peatland conservation is important

Peatland forests are one of the most efficient forms of carbon capture in the world, storing up to about 250 billion tons of carbon. That's more carbon stored per hectare than any other natural forest or plantation.

When tropical peatlands are drained for forestry, palm oil, roadways, and mining, high levels of greenhouse gas emissions are released into the atmosphere. Greenhouse gases can contribute to devastating forest fires. These fires can smolder for many months, emitting a haze that causes major health risks to local populations.

What is peat?

Organic matter accumulated over thousands of years, storing concentrated carbon in thick layers



Keeping our promise

As a leading personal care and hygiene company, our goal is to support a more sustainable society through our products and business. Asaleo Care recognises the importance of tropical peatland conservation by:

- tracing the fibre source of origin which tells us if the wood used to make the pulp was harvested and processed in compliance with relevant laws and social standards for local communities.
- not purchasing pulp and paper reels that originate from controversial sources including illegally logged timber, timber from high conservation value forests (HCVF), timber from plantations on drained tropical peatlands and timber from areas where human rights or the traditional rights of indigenous people are violated;
- supporting our tropical peatland-free promise through precise supplier requirements and additional due diligence practices;
- working with suppliers to reduce the risk of having sources of tropical peatland fibres in our supply chain.

Group environmental performance data

	UNIT	2017	2015
Energy Consumption			
Geothermal steam	GJ	260,988	270,258
Fossil fuels[6]: natural gas, diesel, gasoline, LPG	GJ	823,755	1,034,930
Electricity	GJ	592,066	706,521
Total energy consumption	**GJ**	**1,676,809**	**2,011,709**
Energy from direct use of geothermal steam	% of total	15.6	13.4
Energy from New Zealand electricity purchases	% of total	12.9	10.7
GHG Emissions to Air[7]			
Scope 1 (direct) GHG emissions (CO_2-e)	tonne	43,407	54,007
Scope 2 (indirect) GHG emissions (CO_2-e)	tonne	120,362	172,844
Total Scope 1 + 2 GHG emissions (CO_2-e)	**tonne**	**163,769**	**226,851**
Fresh Water Usage[8]			
Municipal supply	m^3	1,051,726	1,150,118
	% of total	40.3	45.0
Surface water	m^3	1,555,152	1,403,133
	% of total	59.7	55.0
Total fresh water usage	**m^3**	**2,606,878**	**2,553,251**
Discharge to Water[9]			
Biological Oxygen Demand (BOD)	tonne	193	130

Note: Data in this table covers Asaleo Care's manufacturing, distribution centre and sales operations, unless otherwise specified.

6. Direct fuel combustion from stationary and transport energy purposes. Excludes third-party logistics transport activities.
7. Global Warming Potentials used for this report are sourced from the Australian National Greenhouse Accounts (NGA) Factors (July 2018), New Zealand Guidance for Voluntary Corporate Greenhouse Gas Reporting (December 2016), New Zealand Government (2014). *Climate Change (Stationary Energy and Industrial Processes) Regulations 2009* (SR 2009/285, Reprint as at 1 October 2018) and Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) (2007). All documents are in alignment.
8. Fresh water usage is reported for manufacturing sites only (i.e. Kawerau, Te Rapa, Box Hill, Springvale and Nakasi).
9. BOD is reported for Asaleo Care's Paper Mills only (i.e. Kawerau and Box Hill sites).

CASE STUDY

Cutting plastic packaging waste through REDcycle

Reducing plastic waste is high on the agenda for most countries, as well as our own Company. Plastic protects vulnerable products from damage caused by moisture, humidity, gases, insects and light and contamination.

Yet unmanaged, plastics contribute to a take-make-dispose economy. It's important we rethink the way we make, use, and reuse plastics and shift to a circular, sustainable economy.

Asaleo Care has partnered with REDcycle, a Melbourne based recycling organisation which established a voluntary, industry-led initiative known as the REDcycle Program. The Program is true product stewardship model where manufacturers, retailers and consumers share responsibility in creating a sustainable future.

Collected plastic is sent to a recycling manufacturer where it is made into more than 200 recycled plastic products such as bollards, outdoor furniture, fitness equipment and decking, and now, even roads.

Asaleo Care's new commitment to work towards 100 per cent recyclability of our packaging by 2025 is in line with the national packaging targets announced by the Australian Packaging Covenant Organisation.

With a focus on flexible packaging materials, we are designing our packaging to be recyclable and through support of programs such as REDcycle, our packaging can be recoverable as well. Consumers of any of our products can now recycle all soft plastic packaging at their nearest REDcycle location

> Asaleo Care's new commitment to work towards 100 per cent recyclability of our packaging by 2025 is in line with the national packaging targets announced by the Australian Packaging Covenant Organisation.

redcycle™
www.redcycle.net.au

Community

As a leader in Personal Care and Hygiene, we have a responsibility and an opportunity to make a positive economic and social contribution to the communities where we operate.

We employ local people whenever possible, purchase goods and services, and pay taxes that help support local and regional economies.

Asaleo Care and our people are proud of the contribution we make in our communities and through our corporate charities.

Our employees volunteered approximately 500 hours to help provide food relief throughout Victoria.

In addition to packing donated food at Foodbank's Yarraville warehouse, employees distributed food to families in need at two of our sponsored Farms to Families markets. We also collaborated with Foodbank and Launch Housing to provide essential personal hygiene products to 600 women and their families affected by domestic violence.

Product donations to Foodbank were also made by our sites across Australia.

Many of our employees live and work in the communities near our facilities and also contribute to local economies.

Asaleo Care sponsors two major charitable organisations – Ronald McDonald House Charities and Foodbank. These partnerships are complemented by employee volunteering, and monetary and product donations aligned to our major brands.

During the year, we collaborated with Foodbank and Launch Housing to provide essential personal hygiene products to 600 women and their families affected by domestic violence and other difficult circumstances.

We aim to make a meaningful contribution to improve health and wellbeing through educational programs. Our Libra and Treasures brands offer support and information to young women, new mothers and parents. Girl Empowered, which educates young women about puberty, sexuality and reproductive health care is supported by Libra through Medical Services Pacific.

Big hearted Sorbent becomes national partner and exclusive supplier for Ronald McDonald House Charities

Asaleo Care has proudly donated to Ronald McDonald House Charities for close to a decade.

This year, the Company wanted to do something special with its relaunch of Sorbent.

Ronald McDonald House helps keep families of seriously ill children together by providing a home away from home close to the care and treatment their child needs.

This year, Sorbent committed to donate $200,000 from tissue sales to Ronald McDonald House and toilet tissue to its 18 houses across Australia. The funds and toilet tissue are being donated over a two-year period.

"When considering a charity partner for Sorbent, we wanted one that connected well with what Sorbent represents. The brand is known for its softness and big heart, just like Ronald McDonald House. It became our charity of choice building on our long-standing partnership across Australia and New Zealand," said David Griss, Executive General Manager, HR and Corporate Services.

"Ronald McDonald House makes an enormous difference to families when they need it most. We're proud and delighted to contribute to such a worthy cause for both the Sorbent brand and as a Company."

Asaleo Care and Sorbent became a national partner of Ronald McDonald House in 2018.

This year, Sorbent committed to donate $200,000 from tissue sales to Ronald McDonald House and toilet tissue to its 18 houses across Australia.

Asaleo Care is also known for volunteering and providing aid during times of disaster. This year, our Company and employees provided assistance during the widespread flooding in Labasa, Fiji in April. One of our distribution centres is located in Labasa along with a number of our employees. Our team on the ground worked closely with relief groups and non-governmental organisations (NGOs) to support the community with diapers, toilet tissue and sanitary products.

Financial Review Summary

FY18 Results versus FY17

A$ MILLION	CONTINUING UNDERLYING 2018[1]	CONTINUING UNDERLYING 2017[1]	CHANGE %
Revenue[2]	**407.8**	**415.4**	(1.8%)
EBITDA	**81.5**	**97.6**	(16.5%)
Depreciation	**(15.7)**	**(15.4)**	1.9%
EBIT	**65.8**	**82.2**	(20.0%)
Net Finance Costs[2]	**(14.8)**	**(11.3)**	(31.0%)
Profit Before Tax	**51.0**	**70.9**	(28.1%)
Tax Expense	**(14.0)**	**(20.6)**	32.0%
NPAT	**37.0**	**50.3**	(26.4%)
Statutory (NLAT)/NPAT	**(108.7)**	**57.2**	(290.0%)

1. Refer to page 42 for a reconciliation between the FY18 and FY17 Statutory and Underlying result.
2. Revenue excludes interest income, which is recognised within Net Finance Costs.

Revenue: Was (1.8%) lower in FY18, which was mainly driven by the Retail segment (-5.2%), slightly offset with growth in the Business to Business (B2B) segment (+1.2%).

The Retail segment was impacted by lower Feminine and Baby Care sales offset with growth in Incontinence Care, Pacific Islands and Consumer Tissue New Zealand. Feminine Care was impacted by lost share throughout 2017 due to increased price discounting by competitors while we were on Every Day Pricing (EDP). Since coming off EDP in the fourth quarter of 2017, Asaleo Care has increased trade spend to support market share. This has led to stabilisation of market share in 2018. The volume in the second half of 2018 was higher than in second half 2017. Feminine Care revenue was also impacted by the loss of a low margin export contract in the first quarter of 2018. Baby Care sales decline was due to loss of private label contracts, exiting of the Australia business and new brands entering the market at the same time as the 2017 quality issues. The new and improved product is now fully in market, however heightened competitive activity has made it difficult for the Treasures brand to regain share. Incontinence Retail has grown year on year by 4.8% through launch of new products in major grocery channels. The online distribution channel has also seen growth of over 40% on last year. Consumer Tissue New Zealand grew through increased promotional activity and product improvement particularly for Purex and Handee.

Growth in revenue in B2B was attributable primarily to Incontinence Healthcare. Professional Hygiene had modest growth despite the loss of a low margin private label contract. Branded sales grew by 1.3% with our high margin hero system products now contributing 34% of total Professional Hygiene revenue. Major contracts were also renewed during the year. Incontinence Healthcare delivered solid top line growth with Australia up 5.2% and New Zealand up 7.6% on last year. Innovative higher margin products delivered strong growth year on year coupled with the full year impact of major contracts won during 2017.

EBITDA: Decline of (16.5%), with $81.5 million EBITDA in FY18, compared with $97.6 million in FY17. Key drivers for EBITDA decline include:

- Lower revenue in FY18 was a key contributor driven by Retail performance.
- Production costs were impacted by significantly higher pulp costs. These costs were slightly offset with favourable foreign exchange on US$ denominated purchases.
- Increased distribution expenses through higher crude oil prices, logistics rates for long distance distribution, slightly offset with lower volume.

These drivers of the lower EBITDA were slightly offset with reduced advertising and promotional expenditure, with launch of Libra Roll.Press.Go innovation occurring in 2017.

EBIT: $65.8 million achieved in FY18 compared with $82.2 million in the corresponding period. The FY18 EBIT decline is consistent with the EBITDA decline as the FY18 depreciation expense has remained consistent with FY17.

Net Finance Costs: An increase of (31.0%) which was due to average drawn debt being higher in FY18 compared with FY17 and higher effective interest rate in FY18 of 4.3% compared to 3.5% in FY17.

NPAT: FY18 Underlying NPAT was $37.0 million, which represents a decline of (26.4%) compared with FY17 of $50.3 million.

Balance Sheet

A$ MILLION	CONTINUING OPERATIONS 2018	DISCONTINUING OPERATIONS 2018	TOTAL OPERATIONS 2018	TOTAL OPERATIONS 2017	% CHANGE
Cash and cash equivalents	**67.4**	–	**67.4**	**30.2**	123%
Trade Receivables	**13.0**	**0.6**	**13.6**	**21.5**	(37%)
Inventories	**107.3**	**49.2**	**156.5**	**167.5**	(7%)
Other current assets	**12.7**	**2.6**	**15.3**	**6.2**	147%
Tax assets	**6.7**	**5.4**	**12.1**	–	
Property, plant and equipment	**138.6**	**121.0**	**259.6**	**342.0**	(24%)
Intangible assets	**134.5**	–	**134.5**	**187.7**	(28%)
Total Assets	**480.2**	**178.8**	**659.0**	**755.1**	(13%)
Payables and provisions	**100.9**	**46.4**	**147.3**	**107.2**	37%
Other current liabilities	**0.6**	–	**0.6**	**1.8**	(67%)
Interest bearing liabilities	**325.7**	–	**325.7**	**307.5**	6%
Other non-current liabilities	**0.4**	–	**0.4**	**0.6**	(33%)
Deferred tax liabilities	**20.3**	–	**20.3**	**41.7**	(51%)
Total Liabilities	**447.9**	**46.4**	**494.3**	**458.8**	8%
Net Assets	**32.3**	**132.4**	**164.7**	**296.3**	(44%)

Key balance sheet movements since December 2017 were:

- **Receivables:** Decrease due to implementation of an additional accounts receivable securitisation facility during 2018.
- **Inventories:** Finished goods and work in progress were lower due to a program to reduce inventory to target optimal levels. Offsetting this was an increase in value of inventory due to higher pulp pricing.
- **Other Current Assets:** Increase due to $7.5m payment into escrow related to the sale of the Australian Consumer Tissue business.
- **Property, plant and equipment:** Decreased due to the impairment of Tissue Australia and Personal Care New Zealand at 30 June 2018. Accelerated depreciation for assets associated with the Kawerau site upgrade also impacted this balance.
- **Intangible assets:** Decreased due to impairment of goodwill and brands for Tissue Australia and Personal Care New Zealand.
- **Payables and provisions:** Increase is mainly attributable to trade payables through timing of payments to suppliers as we transition the sale of the Consumer Tissue Australia business.
- **Interest bearing liabilities:** Increase is offset with increase in cash balance. Overall net debt has decreased by $16.7m. Refer to Financial Indebtedness on page 41.
- **Deferred taxes:** Decrease in net deferred tax liability due to impairment that occurred during the year which reduced future tax benefits.

Free Cash flow

A$ MILLION	2018	2017	CHANGE %
Underlying EBITDA[1]	**80.6**	**124.3**	(35.2%)
Changes in working capital	**27.3**	**6.5**	320%
Maintenance capital expenditure	**(17.2)**	**(20.9)**	(17.7%)
Financing	**(12.7)**	**(10.6)**	19.8%
Taxation	**(1.2)**	**(18.5)**	(93.5%)
Other/Non recurring	**(12.0)**	**(17.2)**	(30.2%)
Free Cash Flow	**64.8**	**63.6**	1.9%

1. EBITDA is on a reported basis, i.e. includes discontinued operations

Total free cash flow increased by $1.2 million compared with the prior year.

Key drivers of the movement are:

- **EBITDA:** A (35.2%) decline in FY18 driven by decline in both Retail and Business to Business segments as well as Consumer Tissue Australia.
- **Changes in working capital:** Increase of 27.3 million during FY18 mainly attributable to increased accounts payable through timing of payments to suppliers as we transition the sale of the Consumer Tissue Australia business. Finished goods and work in progress inventory were lower due to reaching target optimal levels. Accounts receivable was lower due to an additional debtor financing facility being implemented in FY18.
- **Maintenance capital expenditure:** Reduction in FY18 in light of the strategic review that was underway throughout the year.
- **Financing:** Higher financing cost relates to both higher average debt levels in FY18 and a higher effective interest rate compared to FY17.
- **Other:** Includes non-recurring expenditure, non-cash items and foreign exchange movements on opening cash.

Financial Indebtedness

A$ MILLION	2018	2017
Interest payable	**2.2**	0.8
Non-current interest bearing liabilities[1]	**327.5**	308.5
Total debt	**329.7**	309.3
Cash and cash equivalents	**67.3**	30.2
Net debt	**262.4**	279.1
Leverage (Net debt/Underlying EBITDA)	**3.25**	2.25

1. Excludes capitalised borrowing costs; 31 December 2018 of ($1.8) million and 31 December 2017 of ($1.0) million

Leverage: 31 December 2018 is 3.25x which is outside of our target range of 1.5x to 2.5x. Proceeds from the sale of Consumer Tissue Australia will be used to lower debt. The leverage ratio will then reduce to be within the target range.

Total debt: Asaleo Care has two main debt facilities. In June 2018 we renegotiated and extended our revolving cash facilities. Facility A commitment of $157.5 million was extended until 31 July 2021, Facility B was extended until 31 July 2023 and Facility C was extended until 31 July 2022. In addition, we issued Senior Notes for $110 million. Series A note is for $85 million and expires on 26 June 2025 and Series B note is for $25 million and expires on 26 June 2028.

Cost of debt: All up cost of debt in FY18 was 4.3% compared to FY17 of 3.5%.

Reconciliation Between Continuing Statutory and Underlying Financial Information

Consolidated income statements for the years ended 31 December 2018 and 31 December 2017

	STATUTORY		ADJUSTMENTS[1]		UNDERLYING	
A$ MILLION	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue[2]	407.8	415.4	–	–	**407.8**	**415.4**
EBITDA	37.2	104.4	44.3	(6.8)	**81.5**	**97.6**
Depreciation	(18.0)	(15.4)	2.3	–	**(15.7)**	**(15.4)**
EBIT	19.2	89.0	46.6	(6.8)	**65.8**	**82.2**
Net Finance Costs[2]	(14.8)	(11.3)	–	–	**(14.8)**	**(11.3)**
Profit Before Tax	4.4	77.8	46.6	(6.8)	**51.0**	**70.9**
Tax Expense	(3.6)	(22.7)	(10.4)	2.1	**(14.0)**	**(20.6)**
Net Profit After Tax	0.8	55.1	36.2	(4.8)	**37.0**	**50.3**

1. As reported in the Segment Note contained within the Financial Statements (Section 2.1).
2. Interest income has been disclosed within 'Net Finance Costs'.

Adjustments for the Year Ended 31 December 2018

EBITDA: Represents costs associated with abnormal manufacturing, abnormal third party warehousing, restructuring, upgrade for the Kawerau site and impairment and asset write downs for Personal Care New Zealand.

Depreciation: Represents accelerated depreciation related to the Kawerau site upgrade.

Tax Expense: Tax impact of adjustments recognised within Profit Before Tax.

Adjustments for the Year Ended 31 December 2017

EBITDA: Represents profit on sale of Springvale manufacturing site offset with abnormal third party warehouse expenses, abnormal manufacturing costs and restructuring costs.

Tax Expense: Tax impact of adjustments recognised within Profit Before Tax.

Retail Business Segment

	STATUTORY		ADJUSTMENTS[1]		UNDERLYING	
A$ MILLION	2018	2017	2018	2017	2018	2017
Revenue	189.6	199.9	–	–	**189.6**	**199.9**
EBITDA	(5.2)	54.3	41.6	(8.2)	**36.4**	**46.1**

1. Segment commentary below should be read in conjunction with the consolidated income statement section above.

EBITDA adjustments for the year ended 31 December 2018: Represents costs associated with abnormal manufacturing, abnormal third party warehousing, restructuring and impairment of Personal Care New Zealand.

EBITDA adjustments for the year ended 31 December 2017: Represents profit on sale of Springvale site offset with costs associated with restructuring costs.

B2B Business Segment

	STATUTORY		ADJUSTMENTS[1]		UNDERLYING	
A$ MILLION	2018	2017	2018	2017	2018	2017
Revenue	218.2	215.5	–	–	**218.2**	**215.5**
EBITDA	42.4	50.1	2.7	1.4	**45.1**	**51.5**

1. Segment commentary below should be read in conjunction with the consolidated income statement section above.

EBITDA adjustments for the year ended 31 December 2018: Represents costs related to the Kawerau site upgrade.

EBITDA adjustments for the year ended 31 December 2017: Represents restructuring costs.

Board of Directors

Harry Boon

Independent Non-Executive Chairman

- Harry is Chairman of the Board and the Nomination and Governance Committee and is also a member of the Audit and Risk Committee and the Remuneration and Human Resources Committee.
- He was appointed on 30 May 2014.
- Harry has over 40 years' broad industry experience including global marketing and sales, manufacturing and product development. He is also currently a Director of ASX listed Tabcorp Limited.
- Previously, he was Chief Executive Officer and Managing Director of Ansell Limited, until he retired in 2004. During his 28 years with Ansell, he worked in senior management positions in Australia, Europe and North America.
- Within the past three years he has been Chairman of Tatts Group Limited and a Director of Toll Holdings Limited.
- Harry holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from The University of Melbourne.

Sid Takla

Chief Executive Officer and Managing Director

- Sid joined the Company in 2007 and has over 20 years of industry experience. He was appointed Chief Executive Officer and Managing Director on 23 October 2018. Previously, he was Chief Operating Officer from May 2017, the Company's Executive General Manager, Business to Business (2015–2017) and Executive General Manager, Tork Professional Hygiene and Pacific Islands (2012–2015).
- Previously, he held senior operational and finance roles within Carter Holt Harvey Packaging (2000–2007) and Amcor Flexible Packaging (1996–2000).
- Sid holds a Bachelor of Commerce (Accounting and Commercial Law) from the University of Western Sydney and is also a Certified Practicing Accountant.

Mats Berencreutz

Non-Executive Director (nominee of Essity)

- Mats is a member of the Remuneration and Human Resources Committee and Nomination and Governance Committee.
- He was appointed as a Director on 14 March 2014.
- Mats is a former Executive Vice President of SCA and Chairman of the Board for SCA Hygiene Products AB, as well as a former member of the board of Uni-Charm Mölnlycke BV.
- He has over 35 years' industry experience, having joined SCA in 1981, and has worked in various positions including: Head of R&D Baby, Feminine and Incontinence Care; Technology and Quality Director (based in USA); President Incontinence Care North America; Chief Technology Officer Personal Care Europe; and President Tissue Europe.
- Mats holds a Master of Science in Mechanical Engineering from Luleå University of Technology.

Sue Morphet

Independent Non-Executive Director

- Sue is Chairperson of the Remuneration and Human Resources Committee and is a member of the Audit and Risk Committee and Nomination and Governance Committee.
- She was appointed as a Director on 30 May 2014.
- Sue has over 30 years' industry experience and is currently Non-Executive Director of Noni B Limited, Chairperson of National Tiles Pty Ltd. and President of Chief Executive Women.
- Previously, she was an Executive Director and Chief Executive Officer of Pacific Brands Limited, following a number of senior roles with the company, including Group General Manager of Underwear and Group General Manager of Bonds. Sue also held roles in manufacturing and sales and marketing with Pacific Dunlop and Sheridan Australia.
- Within the past three years she has been a Director of Godfreys Group Limited.
- Sue holds a Bachelor of Science and Education from The University of Melbourne.

Robert Sjostrom

Non-Executive Director (nominee of Essity)

- Robert is a member of the Audit and Risk Committee and Nomination and Governance Committee.
- He was appointed as a Director on 26 April 2016.
- Robert is currently President Global Operational Services for Essity.
- In this role he has responsibility for Essity Global Business Services and IT, Sourcing and Supply Chain and is a Board member of Productos Familia SA, Colombia.
- Previously, he held the positions of: Senior Vice President of Essity, Strategy and Business Development, President of SCA Global Hygiene Category, Chairman of SCA Hygiene Products AB and Chairman of Uni-Charm Mölnlycke BV.
- Prior to joining SCA in 2009, Robert held a number of senior roles with Capgemini, including Vice President Head of Swedish Consulting Business and Vice President Global Industrial Sector Utilities.
- Robert holds a Bachelor of Business Administration from the University of Uppsala and an MBA from the Stockholm School of Economics.

JoAnne Stephenson

Independent Non-Executive Director

- JoAnne is Chairperson of the Audit and Risk Committee and a member of the Remuneration and Human Resources Committee and the Nomination and Governance Committee.
- She was appointed as a Director on 30 May 2014.
- JoAnne has over 28 years' experience and is currently a Non-Executive Director of Challenger Ltd, Japara Healthcare Limited and Myer Holdings Ltd. She is Chair of the Victorian Major Transport Infrastructure Board and the Melbourne Chamber Orchestra.
- Previously, she worked at KPMG International as Senior Client Partner in the Advisory division.
- JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from The University of Queensland.
- She is a member of both the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand.

Company Secretary

James Orr is the Company's General Counsel and Company Secretary.

Executive Team

Sid Takla

Lyndal York

David Brown

Rob Graham

Sid Takla *Chief Executive Officer and Managing Director*

- Refer to page 44

Lyndal York *Chief Financial Officer*

- Lyndal York joined Asaleo Care as CFO in November, 2017.
- She has more than 25 years of finance management experience with multi-national ASX and NYSE listed companies leading corporate, commercial and operations finance functions.
- Before joining the Company, Lyndal was Head of Group Finance at Cochlear Limited for 11 years. Prior to that, she held a variety of senior finance roles, including Finance Director with James Hardie Industries in Australia and the United States.
- Lyndal has a Bachelor of Economics (Accounting) from Macquarie University and an Executive MBA from Pepperdine University, California.
- She is a member of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.
- Lyndal resigned from the Company in March 2019.

David Brown *Executive General Manager, Strategy and Planning*

- David joined the Company in 2004 and has held a number of senior finance and planning roles.
- He was appointed General Manager Business Strategy and Planning in January 2015 and Executive General Manager Strategy and Planning in December 2016.
- David has over 25 years' industry experience across external audit, aviation, manufacturing and packaging businesses. Previously, he held various audit, risk management and senior commercial roles with KPMG Australia (1991–1996), Ansett Australia (1996–1998), Southcorp Limited (1998–2001) and Visy Industries (2001–2004).
- David is a member of Chartered Accountants Australia and New Zealand, and holds a Bachelor of Business (Accounting) from Deakin University.

Rob Graham *Executive General Manager, B2B*

- Rob joined the Company as General Manager – Consumer Sales Australia in April 2016 and has almost 20 years' industry experience. In December 2016, he was appointed Executive General Manager, Consumer Sales and in November 2018 he was appointed Executive General Manager, B2B.
- He joined Asaleo Care from Nippon Paper Group's Australian Office division (2004–2015), where he held the roles of General Manager – Sales (2004–2011), and Group General Manager (2011–2015).
- Previously, he performed Sales and Trade Marketing roles at National Foods (2002–2004), and AC Nielsen (1998–2002).
- Rob holds a Bachelor of Commerce (Economics) from the University of Melbourne, and a Graduate Diploma of Marketing from Monash University.

David Griss

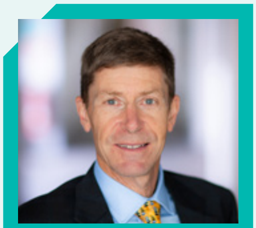
David Griss *Executive General Manager, People and Corporate Affairs*

- David joined the Company as Executive General Manager Human Resources (HR) in March 2012 and has over 20 years' industry experience.
- Previously, he held various HR director and senior HR roles within the pharmaceutical and healthcare sectors for Hospira (2006–2012), Mayne Group (2001–2006) and F H Faulding & Co (2000–2001).
- David holds a Bachelor of Business from RMIT University and a Graduate Diploma in Risk Management from Swinburne University.

Paul Honey

Paul Honey *Executive General Manager, Manufacturing*

- Paul joined the Company in March 2013 as General Manager Operations for the Australian Personal Care operations and has over 20 years' industry experience.
- In January 2015, Paul was appointed to the role of General Manager Manufacturing Australia, responsible for both the Box Hill Tissue and Springvale Personal Care operations. Effective December 2016, Paul was appointed Executive General Manager Manufacturing.
- Paul has previously held senior operations roles at Nippon Paper Group's Australian Office division (2005–2013) and Amcor Fibre Packaging (1993–2005).
- Paul holds a Bachelor of Mechanical Engineering, and a Graduate Diploma in Management, both from Swinburne University.



James Orr

James Orr *General Counsel and Company Secretary*

- James joined the Company in August 2014 as General Counsel and Company Secretary.
- He has extensive industry experience, having held senior legal and secretarial positions in public and large private companies in the resources, energy, pharmaceuticals and paper industries for over 25 years.
- James holds a Bachelor of Laws and a Bachelor of Commerce from the University of Melbourne.

Caitlin Patterson

Caitlin Patterson *Executive General Manager, Consumer Marketing*

- Caitlin has extensive experience in marketing and business strategy gained in a number of multi-national and national organisations. She joined Asaleo Care as Executive General Manager, Consumer Marketing in June, 2017.
- Before joining the Company, Caitlin was General Manager, Marketing with National Tiles.
- Caitlin spent more than 10 years with General Mills where she held senior leadership roles including Director, Business Improvement and Strategy, General Manager of Pasta Master, and Director, Fresh Meal Solutions for the Latina Brand. Earlier in her career, she held senior Marketing and Brand Management roles with Kraft Foods and Cadbury Schweppes.
- Caitlin holds a Bachelor of Business (Marketing) and a Bachelor of Arts (Psychology) from Monash University.

Directors' Report

The Directors present their report together with the Financial Report of Asaleo Care Limited (the Company) and its controlled entities (the Group), for the year ended 31 December 2018 and the Auditor's Report thereon. Directors, including their qualifications and experience can be found on pages 44 to 45 of this Report.

Directors' Meetings

The following table sets out Board and Board Committee meetings during 2018 and Directors' attendance:

	BOARD MEETING	AUDIT & RISK COMMITTEE	NOMINATION & GOVERNANCE COMMITTEE	REMUNERATION & HR COMMITTEE
No of meetings held	**10**	**4**	**2**	**4**
Attendance				
Harry Boon	10	4	2	4
Mats Berencreutz	10	N/A	2	4
Peter Diplaris#	2	N/A	N/A	N/A
Robert Sjostrom	10	4	1	N/A
Sue Morphet	10	4	2	4
JoAnne Stephenson	10	4	2	4
Sid Takla*	4	N/A	N/A	N/A

Resigned effective 22 May 2018
* Appointed effective 23 October 2018

Directors' Skills and Experience

The following table sets out the relevant skills and experience of the current Directors of the Company:

SKILLS/EXPERIENCE	NO. OF DIRECTORS
Personal care and hygiene	3
Industrial/manufacturing	5
Paper industry	4
Distribution and logistics	4
FMCG and retail	4
B2B	3
Sales and marketing	3

SKILLS/EXPERIENCE	NO. OF DIRECTORS
Health, safety and environment	4
Business development	5
Accounting and finance	2
Governance/risk management	6
Human resources	4
Executive management and leadership	6

Principal Activities

The principal activities of the Group are Manufacturing, Marketing, Distribution and Sale of Professional Hygiene, Personal Care and Consumer Tissue products in Australia, New Zealand, Fiji and a number of countries in the Pacific.

Company and Financial Overview

A Company and Financial Overview can be found on the inside front cover (IFC) and page 43 of this Report.

Significant Changes in State of Affairs

On 6 December 2018 the Company announced that it had entered into a Share Sale Agreement with Solaris Paper Pty Ltd to sell its Australian Consumer Tissue business. It is expected that this sale will be completed during Q1 FY19.

Environmental Regulation and Performance

In 2018 there were no material breaches by the Company of the significant environmental legislation and regulations which applied to its Australian operations.

In addition, the following activity was undertaken during the reporting period:

- Reported energy consumption and greenhouse gas emissions from its operations according to the *National Greenhouse and Energy Reporting Act 2007*.
- Reported National Pollution Inventory (NPI) substances to air as obligated by the *National Environment Protection Measures (Implementation) Act 1998*.
- Performed source of origin and traceability due diligence on regulated timber-based products imported into Australia according to the requirements of the *Illegal Logging Prohibition Act 2012*.

Principal Risks

The following are material risks that could adversely affect the Company's prospects in future years. More generic risks, which affect most companies, have not been included. Additional risks not currently known or detailed below may adversely affect future performance.

RISK	RISK DESCRIPTION	MANAGEMENT OF RISK
Key retail customers have significant market power	Asaleo Care generates a significant portion of its revenue from major supermarkets. Key retail customers could use their commercial leverage to push for lower prices and demand higher trade discounts, as well as impose additional commercial and operational conditions relating to safety, environment, social and other sustainability issues.	The Company has a diversified product range and customer channels to mitigate the consequence of a single customer being disruptive. The Company actively and continuously engages with customers to retain competitive margins that satisfy Asaleo Care and the customer. The Company is maximising brand loyalty to ensure high demand for Asaleo Care products to minimise risk of retail customer disruption.
Competition may increase	Asaleo Care's market share may decline due to competitor activity, new competitors entering the market or if competitors release more advanced products that result in reduced market share.	The Company is well placed to leverage its local manufacturing footprint, regional experience and partnership with our cornerstone shareholder Essity to ensure a competitive advantage. Further, Asaleo Care's innovation program is active and provides market leading products.

RISK	RISK DESCRIPTION	MANAGEMENT OF RISK
Brand names may diminish in reputation or value	Asaleo Care is reliant on the reputation of its key brands. Any factors or events that diminish the reputation of the Company, its key brands or related trademarks or intellectual property may adversely affect the operating and financial performance of the Company.	Brand health is actively monitored by reviewing market performance data, investing in consumer and market research to identify issues and trends and internal quality control procedures. These findings form the Company's monitoring activity, drive the marketing strategy and areas of brand investment. The Company has continued to invest in selected key brands during 2018.
Increases in prices for raw materials, supplies and services	Asaleo Care relies on various procurement relationships for the supply of pulp, transport and logistics, packaging, engineering, marketing, energy and utilities services. The Company is exposed to risks associated with the availability/price of raw materials and inputs, some of which have been subject to price volatility in the past.	Asaleo Care has a dedicated procurement team who are responsible for fostering strong supply relationships, negotiating to minimise costs with suppliers without impacting quality, and identifying and performing due diligence over alternate sources of supply.
Adverse movements in exchange rates may occur	Asaleo Care's financial reports are prepared in Australian dollars. However, a portion of the Company's sales revenue, expenditures and cash flows are generated in, and assets and liabilities are denominated in New Zealand and Fijian dollars. Asaleo Care also sources raw materials and finished goods in other currencies, primarily Euros and US dollars.	The Company's Treasury function implements a hedging policy for the foreign exchange purchases exposure, which operates on a 12-month rolling basis. The hedging of future foreign exchange cash flows protects Asaleo Care from sudden impacts on its cost base.
Disruptions to the Company's manufacturing capacity	Asaleo Care manufactures its products at five sites across Australia, New Zealand and Fiji. A disruption at any of these facilities could adversely affect production capacity and earnings. Approximately 50% of Asaleo Care's employees are covered by enterprise bargaining agreements and other workplace agreements, which periodically require renegotiation and renewal. Disputes may emerge out of the renegotiation and renewal process.	The Company has a robust maintenance program for all manufacturing sites. The Company identifies and tests alternate suppliers to manufacture products. The Company actively manages stock levels to ensure adequate cover. Asaleo Care implements an employee relations strategy, which includes management of relationships with employees and unions, and agreement renewal planning in order to minimise risk of disputes.
Product recalls and liability	Poor product quality, contamination or an extortion threat on the basis of alleged or actual contamination of one or more of the Company's products may lead to product recalls or liabilities to consumers.	Asaleo Care has procedures and policies in place to ensure compliance with quality standards and to ensure its products are free from contamination. Asaleo Care's quality specifications are documented and regularly tested. Employees are trained in their roles and responsibilities for product quality. Further, Asaleo Care monitors customer feedback and investigates and addresses quality issues where appropriate.

RISK	RISK DESCRIPTION	MANAGEMENT OF RISK
Essity may not renew its Licensing Agreement or Supply Agreement with Asaleo Care	Asaleo Care has a number of commercial agreements with Essity, including a Trade Mark and Technology Licence Agreement (TMTLA) and a Supply Agreement. Under the TMTLA, Asaleo Care pays SCA a royalty for the exclusive licence to use certain brands (including Tork and TENA) and technology in Australia, New Zealand and specified countries in the Pacific region. This agreement has an expiry date of 2022; however, there is an option to extend it to 2027 by mutual agreement. The Supply agreement captures the supply of key products from Essity. The Supply agreement terminates if the TMTLA expires or is terminated.	The Company maintains a strong connection and relationship with Essity and strives to maximise sales of Tork and TENA products in Australia, New Zealand and specified countries in the Pacific region. There are regular meetings between the companies covering a range of subject matters. The Company continues to explore opportunities to maximise its 'in-house' capability. In principle agreement has been reached with Essity for a 5 year extension of the Licence Agreement out to 2027 subject to agreement on the commercial terms.

Likely Developments

This Report sets out the business activities and strategies for the Group, including likely developments and prospects for future financial years. Information has not been included to the extent that it would be materially prejudicial to the Group to disclose such information; for example, if matters are commercially sensitive.

Subsequent Events

The directors are not aware of any matter or circumstance which has arisen since the end of the year which has significantly affected or is likely to significantly affect the operations of the Group, or the results of the Group in subsequent financial years.

Proceedings on Behalf of Company

No proceedings have been brought or intervened in on behalf of the Company under Section 237 of the *Corporations Act 2001*.

Dividends

Directors declared a final 40% franked ordinary dividend of $32.6 million (6.0 cents per ordinary share) paid on 22 March 2018, for the year ended 31 December 2017 out of the Asaleo Care Ltd dividend appropriation reserve.

No dividend was declared for the 2018 financial year.

Share Options

There are no unissued ordinary shares under options as at the reporting date.

Indemnification and Insurance of Officers

During the financial year, the Company paid a premium in respect of a contract insuring Directors and officers of the Company against liabilities that are permitted to be insured under the *Corporations Act 2001*. It is a condition of the contract that the premium, nature of liability and indemnity levels not be disclosed.

The Company has indemnified Directors and officers against all liabilities incurred in or arising out of the discharge of their duties, and any and all reasonable legal costs relating to such liability, to the maximum extent permitted by law (including certain statutory restrictions), the Company's constitution and excluding any liabilities that are subject to a third party indemnity or insurance policy.

Loans to Executives and Directors

No loans were made to executives or Non-Executive Directors during the year ended 31 December 2018.

Corporate Governance Statement

The Company's Corporate Governance Statement discloses how the Company complies with the recommendation of the *ASX Corporate Governance Council (3rd edition)* and sets out the Company's main corporate governance practices. This Statement has been approved by the Board and is current as at 19 February 2019. The Statement is available on the Company's website at **www.asaleocare.com**.

Indemnification of Auditors

The Company's auditor is PricewaterhouseCoopers (PwC). No payment has been made to indemnify PwC during or since the Financial Year. No premium has been paid by the Company in respect of any insurance for PwC. No officers of the Company were partners or Directors of PwC while PwC undertook an audit of the Company.

Non-Audit Services

The following non-audit services were provided by the Company's auditor PwC during the financial year:

	2018 $	2017 $
PricewaterhouseCoopers Australia		
Other assurance services	**15,924**	12,200
Taxation services		
Tax compliance services and review of company income tax returns	**77,888**	57,084
Tax assistance with transaction	**289,361**	8,600
Total remuneration for taxation services	**367,249**	65,684
Other services		
Due Diligence assistance	**325,001**	3,114
Network firms of PricewaterhouseCoopers Australia		
Other assurance services	–	803
Taxation services		
Tax compliance services and review of company income tax returns	**21,140**	27,049
Tax consulting services and advice	–	5,158
Total remuneration for taxation services	**21,140**	32,207

Directors are satisfied that the provision of these services is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Instrument, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Remuneration Report

The Remuneration Report forms part of the Asaleo Care Ltd (Company) Directors' Report and is prepared in accordance with Section 300A of the *Corporations Act 2001*.

This Remuneration Report covers the remuneration and benefit arrangements of the Company's Key Management Personnel (KMP) for the year ended 31 December 2018.

Overview

The Company's executive remuneration strategy and policy are driven by the following principles:

- Motivating senior management to pursue the Company's long-term growth and success.
- Demonstrating a clear relationship between the Company's overall performance and the remuneration of senior management.
- Alignment of the interests of Executives with the creation of value for shareholders.
- Complying with all relevant legal and regulatory provisions.

Responsibility for the Company's executive remuneration strategy and policy rests with the Board of Directors (the Board), supported by the Remuneration and Human Resources Committee (the Committee).

Key Management Personnel disclosed in this Report

KMP are those who have authority and responsibility for planning, directing and controlling the major activities of the Company directly or indirectly.

The 2018 Company's KMP include the Chief Executive Officer and Managing Director (CEO), KMP Executives and Non-Executive Directors (NED) as set out in the following table:

KMP	POSITION	EMPLOYMENT STATUS CHANGE
Sid Takla[1]	Chief Executive Officer and Managing Director	Appointed on 23 October 2018 Previous position was Interim CEO
Peter Diplaris	Chief Executive Officer and Managing Director	Resigned effective 22 May 2018
KMP Executives		
Lyndal York	Chief Financial Officer (CFO)	Resigned in October 2018 Effective March 2019
Caitlin Patterson	Executive General Manager (EGM), Consumer Marketing	
Rob Graham	Executive General Manager (EGM), Business to Business (B2B)	Appointed on 12 November 2018 Previous position was EGM, Consumer Sales

Non-Executive Directors			
Harry Boon	NED – Chairman	**Mats Berencreutz**[2]	NED
Sue Morphet	NED	**Robert Sjostrom**[2]	NED
JoAnne Stephenson	NED		

1. Sid Takla took on the position of Interim CEO from 22 May 2018 following Peter Diplaris' resignation. Prior to the Interim CEO role, Sid held the position of Chief Operating Officer overseeing both commercial and manufacturing operations. In October 2018, Sid was appointed to the position of CEO. Sid's appointment is the result of comprehensive CEO succession planning.
2. Mats Berencreutz is a representative, and Robert Sjostrom is an employee and representative, of Essity.Aktiebolag (publ) on the Asaleo Care Ltd Board. Essity is the ultimate parent entity in its investment in Asaleo Care Ltd.

Remuneration Strategy and Governance Framework

Remuneration strategy

The Company's reward philosophy is to drive achievement of outstanding results through a market competitive remuneration framework that incentivises exceptional performance. It has clearly defined objectives that balance the achievement of short-term results and long-term value creation for shareholders.

Specifically, the Company's executive remuneration strategy focuses on:

- Value creation and sustainable returns to shareholders.
- Remuneration policies and practices to attract, motivate and retain Executives who will create value for shareholders.
- Responsibly and fairly rewarding Executives having regard to the Company's performance, individual performance and the general external pay environment.

Since listing, the Company's executive remuneration strategy and policy have been working as intended. As a consequence of the Company's financial performance, KMP have not been rewarded incentives with respect to key financial measures over the past 3 years as the gateway for the incentive payments was not achieved.

Remuneration governance framework

The Company's executive remuneration is overseen by the Committee and the Board. The Committee consists of a majority of independent NED and it met four times during 2018.

The Committee is responsible for reviewing the structure and market competitiveness of executive remuneration on an annual basis. The Committee is also responsible for the governance framework relating to executive remuneration. The aim of the Committee is to help the Board achieve its objectives by ensuring that the Company:

- Has coherent remuneration policies and practices to attract and retain Executives and Directors who will create value for shareholders.
- Observes those remuneration policies and practices.
- Fairly and responsibly rewards Executives having regard to the performance of the Group, the performance of the Executives and the general external pay environment.
- Has a human resource strategy, policies and practices which will assist the Company achieving its overall business objectives.

For the purpose of incentive payments, the Committee recommends to the Board individual and Company performance measures and weightings for the CEO and KMP Executives. The Committee also reviews and makes recommendations to the Board in relation to performance assessment of the CEO and KMP Executives against these measures. The Board makes the ultimate decision on the CEO's and KMP Executives' performance assessment and their final incentive payments.

External remuneration consultant engagement

During 2018 no external remuneration consultant was engaged for advice on executive remuneration.

Egan's recommendations on the structure of reward for Asaleo Care KMPs in November 2017 were considered by the Committee and the Board in the 2018 salary review process which determined Executives' 2018 remuneration.

Executive Remuneration Overview

The Company's executive remuneration consists of fixed and variable remuneration which focus on both short-term and long-term Company performance. Fixed remuneration is designed to provide a market competitive base level of remuneration. Variable remuneration including a cash incentive and an equity incentive, in the form of four-year deferred shares (equity), is based on pre-determined performance measures, at different performance levels, which are important for business growth and value creation for shareholders. These measures may vary year on year based on factors relevant to improving the Company's performance.

Fixed remuneration

Fixed remuneration, also referred to as Total Fixed Remuneration (TFR), is determined on an individual basis taking into consideration the size of the Company, the scope of the Executive's position, the importance of the role to the Company, the demand for the role in the market, individual performance and competency levels.

Fixed remuneration comprises base salary and superannuation. It is reviewed on an annual basis through a salary review process which takes into account Company and individual performance and contribution to the Company's success, while ensuring it remains market competitive.

Variable remuneration

Variable remuneration is an integral part of the Company's executive remuneration structure to provide Executives with competitive performance-based remuneration.

Variable remuneration is delivered through an Executive Incentive Plan (EIP) including cash and equity which is:

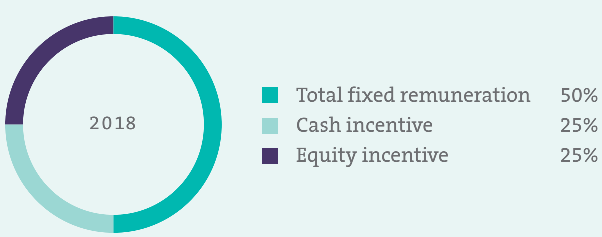
- Designed to take into account individual, business unit and Company performance.
- Linked to clearly specified performance targets, which are aligned to the Company's short-term and long-term performance objectives.

2018 Executive Remuneration

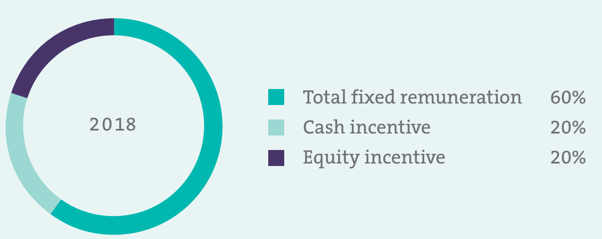
Executive remuneration mix

Below is the remuneration mix between fixed and variable remuneration at target for the CEO and KMP Executives for 2018.

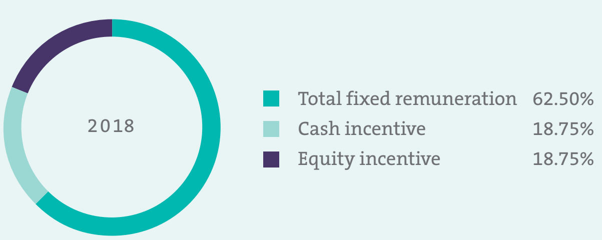
CEO REMUNERATION MIX AT TARGET



CFO REMUNERATION MIX AT TARGET



OTHER KMP REMUNERATION MIX AT TARGET



Following the annual review process in January 2018 taking into account market benchmarks for Executives' relevant positions, salary movement forecasts for comparable Executives and the Company and individual performance, some Executives received a salary increase in the 2018 review.

There was no salary increase to any of the Executives following the 2017 review.

Sid Takla received an increase in his TFR upon his appointment to the Interim CEO position in May 2018. He did not receive any additional increase upon his appointment to the CEO position on 23 October 2018.

Executive Incentive Plan

EIP overview

The EIP includes a combination of cash and equity reward potential. The equity reward is designed to strengthen the alignment of the interests of Executives and shareholders.

The 2018 EIP structure remained the same as 2017. This is detailed in the '2018 EIP Reward Potential' section of this Report.

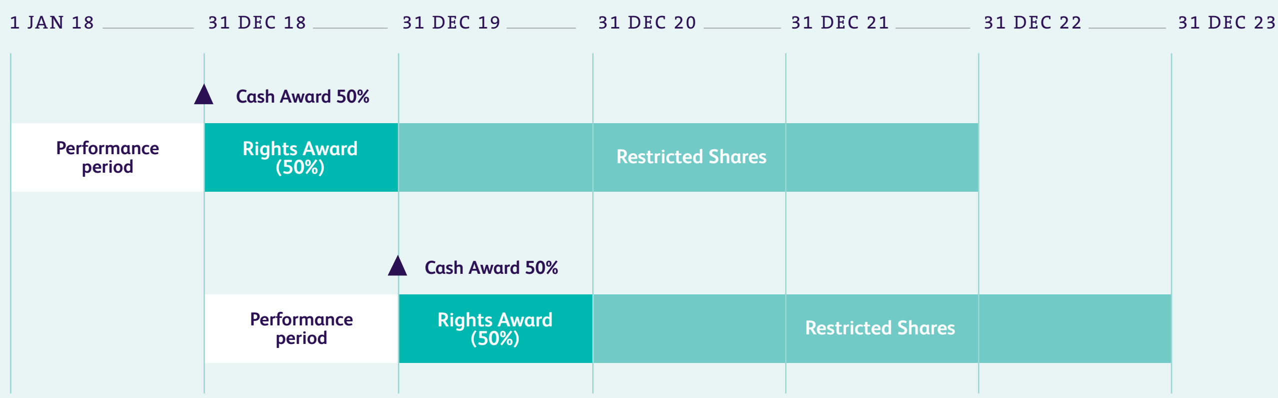
Award delivery

The amount awarded to an Executive under the EIP is calculated as a percentage of that Executive's TFR at 31 December of the performance period if certain Company and individual financial and non-financial targets are achieved or exceeded. The performance period is 12 months starting from 1 January each year.

The EIP award is delivered in a combination of cash and equity:

- 50% of EIP award will be paid in cash as soon as practicable after release of the Company's full year financial results to the Australian Securities Exchange (ASX) for the relevant performance period.
- 50% of EIP award will be awarded by means of share rights. These share rights are unlisted rights to ordinary shares in the Company and become exercisable into restricted ordinary shares on the first anniversary of the completion of the relevant performance period. Once the restricted ordinary shares are granted, they are subject to disposal restrictions (holding lock) for a further three years. During the holding lock period, Executives will not be able to sell, transfer or otherwise dispose of or deal in these shares. They will, however, have all other rights of holders of ordinary shares including being entitled to receive dividends and vote.

The structure of the EIP award is illustrated as follows:



Clawback provision

The EIP has a clawback provision which provides the Board with the authority to cancel or to claw back some or all of an Executive's performance rights and/or restricted ordinary shares if, in the Board's reasonable opinion, any adverse actions or events that cause any material financial misstatements and misrepresentations of the Company's performance in the past three financial years are subsequently revealed. This may include the deliberate failure to bring forward information relevant to assessing the performance of the Company or its business units, or any negligent acts or omissions that cause material reputational damage to the Company.

Termination

Any termination for cause (being misconduct, serious misconduct or poor performance) will result in forfeiture of share rights and restricted ordinary shares.

Any termination without cause (including termination due to genuine redundancy, ill-health, disability and death) and resignation will result in the participant forfeiting any share rights but being fully entitled to their granted restricted ordinary shares unless the participant fails to comply with the terms of their employment contract, for example, the confidentiality or restraint provisions. The restricted ordinary shares will continue to remain the subject of the holding lock until the end of the relevant holding lock period.

2018 EIP Reward Potential

The following table sets out the 2018 EIP reward potential for the CEO and KMP Executives at different performance levels.

POSITION	2018 POTENTIAL EIP (% OF TFR)		
	THRESHOLD	TARGET	MAX
CEO/Interim CEO	50	100	150
CFO	33.33	66.67	100
Other KMP Executives	30	60	90

Threshold, Target and Maximum performance levels are explained in the '2018 Performance measures' section below.

2018 Performance measures

The Board carefully considers the selection of Key Performance Indicators (KPIs) and weightings based on factors relevant to improving the Company's performance. Emphasis is placed on the key financial and operational metrics.

The EIP covers both short-term and long-term KPIs for the performance period and includes a gateway as well as Threshold, Target and Maximum performance measures.

Performance outcomes may be subject to normalisation or other relevant adjustments at the absolute discretion of the Board to reflect the impact of any exceptional items or circumstances.

For the purpose of the 2018 EIP plan, the performance measures and weightings for the Interim CEO and KMP Executives are outlined in the following table.

NAME POSITION	GROUP UNDERLYING NPAT[1] %	GROUP ROIC[2] %	GROUP OCF[3] %	GROUP SV[5] %	BUSINESS UNIT UNDERLYING EBITDA[4] %	BUSINESS UNIT SV[5] %	OPERATIONAL KPIs %	SAFETY %	TOTAL WEIGHTING %
Sid Takla Interim CEO	40	10	10	10	–	–	20	10	100
Lyndal York CFO	50	20	10	–	–	–	10	10	100
Caitlin Patterson EGM Consumer Marketing	30	–	10	–	30	20	–	10	100
Rob Graham EGM B2B	30	–	10	–	30	20	–	10	100

1. NPAT: net profit after tax
2. ROIC: return on invested capital
3. OCF: operating cash flow, representing net cash flow before financing, taxation and shareholder returns
4. EBITDA: earnings before interest, tax, depreciation and amortisation
5. SV: sales value

Below is an explanation of why each measure was chosen.

Underlying NPAT and EBITDA have been used to reflect the operating performance excluding non-recurring income and expenditure.

Gateway – Net Profit After Tax (NPAT)

As a result of an increasingly price competitive market place and significant impacts of cost increases in pulp and energy and lower currency, the Board determined that for the 2018 performance year it was appropriate to remove from the EIP rules the requirement that '*NPAT threshold must be higher than the prior year NPAT achievement*'. Consequently, for the 2018 performance year, the EIP gateway was set at a threshold of 98% of budgeted NPAT.

Under the EIP rules, if the EIP gateway is not achieved, the EIP reward will be at the discretion of the Board. In these circumstances, individual EIP payments for the performance period must not exceed 50% of the maximum entitlement.

NPAT at Target performance was set at 100%, and at Maximum performance at 110%, of budgeted NPAT.

Other financial KPIs

Other financial KPIs to apply during 2018 were:

- ROIC: which supports a focus on striking the right balance between efficient management of capital and ongoing investment in the Company's operations and brands to grow the Company's value.
- OCF: which measures the Company's cash generation capability.
- EBITDA: which measures the profitability at the business unit level and includes key strategic, growth and market share initiatives.
- SV: which aligns EBITDA with sales targets and is critical to ensure a balance between margin retention and sustainable growth.

The underlying financial KPIs for the above measures in 2018 for each EIP reward level were defined as follows (assuming achievement of the NPAT gateway):

- Threshold performance for individuals was set at 98% of their relevant financial KPIs at budget. Threshold performance reflected the minimum required performance level before any EIP payment could be made with respect to that KPI.
- Target performance was set at 100% of the relevant budgeted KPIs.
- Maximum performance was set at 110% of the relevant budgeted KPIs.

Rewards for performance between Threshold and Target and between Target and Maximum are calculated on a pro-rata, straight-line basis.

Operational KPIs

Operational KPIs include a set of measures focused on production capability, working capital and operational excellence which drive improvement in cost competitiveness and production quality.

Specific functional Operational KPIs for 2018, which were financial or non-financial, were set by the CEO in the Executives' annual performance plan and formed part of Executives' 2018 key objectives. Reward payments for achievement of non-financial measures are adjusted in accordance with the Company's NPAT result against budget.

Safety

To reflect the Company's commitment to providing a safe workplace for all employees, contractors and visitors. Corporate safety measures including Lost Time Injury Frequency Rate (LTIFR) and Target Injury Frequency Rate (TIFR) were set at improved levels to 2017 performance. If achieved, reward payments for the safety component are aligned to the Company's NPAT result.

2018 EIP payments

For the 2018 performance year, the Company did not achieve the gateway hurdle of NPAT at Threshold level.
As a consequence, there were no EIP payments for 2018 to the CEO or any of the KMP Executives.

KMP Remuneration Disclosure

The following table has been prepared in accordance with Section 300A of the *Corporations Act 2001* to detail KMP remuneration for the year ended 31 December 2018. For the purpose of comparison, remuneration for the year ended 31 December 2017 is also provided.

NAME POSITION	YEAR	FIXED REMUNERATION			VARIABLE REMUNERATION[1]		
		CASH SALARY/FEE $	SUPER-ANNUATION $	TOTAL TFR $	EIP (CASH) $	EIP (EQUITY) $	TOTAL REMUNERATION $
CEO and KMP Executives							
Sid Takla[2]	2018	633,334	25,000	658,334	–	–	658,334
CEO	2017	417,772	27,500	445,272	–	–	445,272
Peter Diplaris[3]	2018	538,125	9,872	547,997	–	–	547,997
CEO	2017	870,000	30,000	900,000	–	–	900,000
Lyndal York[4]	2018	405,000	25,000	430,000	–	–	430,000
CFO	2017	60,230	4,167	64,397	–	–	64,397
Caitlin Patterson[5]	2018	326,048	25,000	351,048	–	–	351,048
EGM Consumer Marketing	2017	181,347	12,500	193,847	–	–	193,847
Rob Graham	2018	325,000	25,000	350,000	–	–	350,000
EGM B2B	2017	321,869	28,131	350,000	–	–	350,000
Former disclosed	2017	401,733	33,334	435,067	–	–	435,067
executives[6]					–	–	
Subtotal	2018	2,227,507	109,872	2,337,379	–	–	2,337,379
	2017	2,252,951	135,632	2,388,583	–	–	2,388,583
Non-executive Directors							
Harry Boon	2018	279,710	20,290	300,000	–	–	300,000
	2017	280,168	19,832	300,000	–	–	300,000
Sue Morphet	2018	109,710	20,290	130,000	–	–	130,000
	2017	110,168	19,832	130,000	–	–	130,000
JoAnne Stephenson	2018	114,336	15,664	130,000	–	–	130,000
	2017	110,168	19,832	130,000	–	–	130,000
Mats Berencreutz	2018	110,000	–	110,000	–	–	110,000
	2017	110,000	–	110,000	–	–	110,000
Robert Sjostrom[7]	2018	–	–	–	–	–	–
	2017	–	–	–	–	–	–
Subtotal	**2018**	**613,756**	**56,244**	**670,000**	**–**	**–**	**670,000**
	2017	**610,504**	**59,496**	**670,000**	**–**	**–**	**670,000**

1. No EIP payment was made to any of the KMP for the 2017 and 2018 performance years.
2. Sid was COO in 2017. He took on the position of Interim CEO from 22 May 2018 following Peter Diplaris' resignation. On 23 October 2018, he was appointed to the position of CEO.
3. Peter's 2018 remuneration included outstanding annual leave and long service leave payout upon termination.
4. Lyndal was appointed on 8 November 2017.
5. Caitlin was appointed on 13 June 2017.
6. Former KMP are not included individually in the above table.
7. Robert Sjostrom is an employee and representative of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. Robert is remunerated by Essity Aktiebolag (publ) pursuant to his employment arrangements with that entity and receives no remuneration from any Asaleo Care Group Company for his directorship of Asaleo Care Ltd.

Company Performance over the Last Five Years

The following table shows the Company performance over the last five years.

	2018 UNDERLYING[1]	2017 UNDERLYING[1]	2016 UNDERLYING[1]	2015 UNDERLYING[1]	2014 PRO FORMA[1]
Revenue (A$ million)	407.8	585.8	605.9	622.2	629.9
EBITDA (A$ million)	80.6	124.3	130.7	145.2	140.8
NPAT ($A million)	29.2	59.4	64.6	76.1	72.3
Net cash flow before financing, taxation and shareholder returns (A$ million)	66.0	104.4	79.0	116.1	92.6
Occupational Health and Safety (TIFR)[2]	11.60	11.05	16.61	9.36	11.50
Total CEO and KMP Executive incentives as percentage of NPAT	0.0%	0.0%	0.0%	1.1%	0.0%

1. Underlying and Pro Forma amounts are included as the Board is of the opinion that these most appropriately represent the Company's performance for these years. They include statutory financial information with adjustments to eliminate non-recurring items and reflect the operating structure. Pro Forma operating cash flow numbers exclude Performance Improvement capital expenditure.
2. Occupational Health and Safety measures including targets with respect to injury rates aim to provide a safe workplace for all employees, contractors and visitors.

CEO's and KMP Executives' Employment Agreements

The key employment agreements for the CEO and KMP Executives are provided in the table below.

NAME POSITION	EMPLOYMENT START DATE	EMPLOYMENT TERM	NOTICE PERIOD (EMPLOYER-INITIATED TERMINATION)	NOTICE PERIOD (EMPLOYEE-INITIATED TERMINATION)	REDUNDANCY PAYMENT
Sid Takla[1] CEO	12 February 2007	Permanent Full Time	12 months	6 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Lyndal York[2] CFO	8 November 2017	Permanent Full Time	9 months	6 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Caitlin Patterson EGM Consumer Marketing	13 June 2017	Permanent Full Time	6 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Rob Graham[3] EGM B2B	2 May 2016	Permanent Full Time	6 months	6 months	Notice period plus redundancy payment under the *Fair Work Act 2009*

1. Appointed to the position of CEO effective 23 October 2018. Previous position was Interim CEO.
2. Resigned in October 2018, effective March 2019.
3. Appointed to the position of EGM B2B effective 12 November 2018. Previous position was EGM Consumer Sales.

The Company may terminate the CEO or KMP Executives' employment by providing them with the required notice or payment in lieu of notice. The CEO or KMP Executives may terminate their employment by providing the Company the required notice. The required notice periods are set out in the above table. The Company may dismiss the CEO and/or KMP Executives immediately without notice or payment in lieu of notice in the event of misconduct, serious breach or non-observance of any terms or conditions of the employment contract or serious neglect of duties.

The employment contracts of the CEO and each KMP Executive contain confidentiality provisions, which continue after termination of the relevant KMP's employment, preventing them from disclosing any confidential information of the Company or using it for their own use or benefit or that of a third party.

Non-Executive Directors' Engagement

On appointment to the Board, NEDs enter into a letter of appointment with the Company. The letter summarises the engagement terms including remuneration and termination provisions.

NED remuneration reflects Directors' level of leadership and accountability. It takes into account the size of the Company as well as the complexity of the business. All fees are inclusive of statutory superannuation and are paid on a monthly basis. Directors are not paid a commission on, or a percentage of, profits or operating revenue.

There was no change to NED fees in 2018. NEDs have not received any fee increases since the Company listed in 2014.

The 2018 annual fees are set out in the table below.

NAME	POSITION	ANNUAL BOARD FEE $	ANNUAL COMMITTEE CHAIR FEE $
Harry Boon	Chairman	300,000	–
	Chair of Nomination and Governance Committee	–	–
Sue Morphet	Board Member	110,000	–
	Chairperson of Remuneration and Human Resources Committee	–	20,000
JoAnne Stephenson	Board Member	110,000	–
	Chairperson of Audit and Risk Committee	–	20,000
Mats Berencreutz	Board Member	110,000	–
Robert Sjostrom*	Board Member	–	–

* Robert Sjostrom is an employee and representative of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. Robert is remunerated by Essity Aktiebolag (publ) pursuant to his employment arrangements with that entity and receives no remuneration from any Asaleo Care Group Company for his directorship of Asaleo Care Ltd.

Additional Information

KMP shareholdings

The Company does not have a Minimum Shareholding Policy, which requires KMP to hold Asaleo Care shares. KMP are, however, encouraged to hold Company shares to enhance alignment of their interests with those of shareholders.

The Directors agreed that independent NED would invest one year after tax fees in Company shares on a progressive basis over three years from listing or from their appointment. All independent NEDs have an interest in the requisite number of shares.

The following table details the number of Asaleo Care shares held by KMP, either directly, indirectly or beneficially, and movements during the year ended 31 December 2018.

NAME POSITION	REGISTERED HOLDING	BALANCE AT 31/12/2017	PURCHASED/ ALLOTTED	SOLD	BALANCE AT 31/12/2018
Sid Takla CEO	NIDO D'ORO PTY LTD AS TRUSTEE FOR THE NIDO D'ORO TRUST	611,601	–	–	611,601
Lyndal York CFO		–	–	–	–
Caitlin Patterson EGM Consumer Marketing		–	–	–	–
Rob Graham EGM B2B		–	–	–	–
Peter Diplaris CEO	NETHERLEE INVESTMENTS PTY LTD (THE DIPLARIS FAMILY TRUST)	1,156,342	–	910,000	246,342*
Harry Boon NED	TORRESDALE SUPER NOMINEES PTY LTD (V & H BOON SUPER FUND A/C)	146,212	–	–	146,212
Sue Morphet NED	MORPHET SUPERANNUATION FUND PTY LTD	46,425	–	–	46,425
JoAnne Stephenson NED	MR ROBIN JAMES LARSEN & MS JOANNE MAREE STEPHENSON	50,000	–	–	50,000
Mats Berencreutz NED		–	–	–	–
Robert Sjostrom NED		–	–	–	–

*Balance at 22 May 2018

Policy on trading in Asaleo Care's shares

The Company's Securities Trading Policy applies to all Directors, Executives and other specified staff. Directors, Executives and their associates must not, in any circumstances, deal or procure another person to deal in Company securities if they have inside information in relation to Company securities. The policy imposes blackout periods for trading and sets out an approval process for trading in Company shares. The Company would consider an intentional breach of the Company's Securities Trading Policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

Other transactions with KMP

There are no other transactions between any of the KMP with any of the companies which are related to or provide services to Asaleo Care unless disclosed in this Remuneration Report.

The Directors' report is made in accordance with a resolution of Directors.

Harry Boon, Chairman

Dated this 19th day of February 2019

Auditor's Independence Declaration

As lead auditor for the audit of Asaleo Care Limited for the year ended 31 December 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 audit; and

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

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

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
19 February 2019

Financial Report

Introduction

This is the Financial Report of Asaleo Care Ltd (the Company) and its subsidiaries (together referred to as 'the Group'). Asaleo Care Ltd is a for-profit entity for the purpose of preparing this Financial Report.

Accounting policies and critical accounting judgements applied to the preparation of the Financial Report are located where the related accounting balance or financial statement matter is discussed. The wording of the policies have been refined to allow them to be easily understood by users of this Report. To assist in identifying critical accounting judgements, we have highlighted them with the symbol shown left.

Information is only being included in the Financial Report to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- The dollar amount is significant in size (quantitative factor).
- The dollar amount is significant by nature (qualitative factor).
- The Group's results cannot be understood without the specific disclosure (qualitative factor).
- It is critical to allow a user to understand the impact of significant changes in the Group's business during the period (qualitative factor).
- It relates to an aspect of the Group's operations that is important to its future performance.

The trading results for business operations disposed of during the year or classified as held for sale are disclosed separately as discontinued operations in the statement of comprehensive income.

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2018

	NOTES	2018 $'000	2017 $'000
Revenue from operations			
Sale of goods	2.1	**407,785**	415,392
Other revenue from ordinary activities		**1,515**	1,427
		409,300	416,819
Other income	2.5	**–**	9,835
Expenses			
Cost of goods sold		**(243,670)**	(237,411)
Other expenses from ordinary activities			
Distribution		**(42,135)**	(39,648)
Sales and administration	2.1	**(50,045)**	(51,511)
Impairment losses		**(27,302)**	–
Other	2.1	**(26,629)**	(8,751)
Finance costs	4.1	**(15,122)**	(11,554)
Profit before income tax		**4,397**	77,779
Income tax expense	2.2	**(3,586)**	(22,710)
Profit from continuing operations		**811**	55,069
(Loss)/Profit from discontinued operation	1.2	**(109,490)**	2,112
(Loss)/Profit for the period		**(108,679)**	57,181
Item that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges of continuing operations	4.5	**1,402**	576
Changes in the fair value of cash flow hedges of discontinued operations	4.5	**1,393**	362
Exchange differences on translation of foreign operations	4.5	**8,968**	(11,643)
Income tax relating to these items	4.5	**(2,127)**	1,390
Other comprehensive income/(loss) for the period, net of tax		**9,636**	(9,315)
Total comprehensive (loss)/income for the period		**(99,043)**	47,866
Total comprehensive (loss)/income for the period is attributable to:			
Owners of Asaleo Care Ltd		**(99,043)**	47,866
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	2.3	**(20.0)**	10.5
Diluted earnings per share	2.3	**(20.0)**	10.5
		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	2.3	**0.1**	10.1
Diluted earnings per share	2.3	**0.1**	10.1

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

Consolidated Balance Sheet

As at 31 December 2018

	NOTES	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	4.1	**67,355**	30,205
Trade receivables	3.1	**12,998**	21,451
Inventories	3.1	**107,277**	167,480
Derivative financial instruments	4.3	**3,298**	2,158
Current tax receivable		**6,736**	–
Other current assets	3.1	**9,391**	4,062
Assets classified held for sale	1.3	**178,789**	–
Total current assets		**385,844**	225,356
Non-current assets			
Property, plant and equipment	3.2	**138,564**	342,030
Intangible assets	3.3	**134,542**	187,709
Total non-current assets		**273,106**	529,739
Total assets		**658,950**	755,095
LIABILITIES			
Current liabilities			
Trade payables	3.1	**62,598**	63,366
Other payables	3.1	**17,649**	20,868
Current tax payable		**9,152**	2,525
Derivative financial instruments	4.3	**565**	1,817
Employee provisions	5.3	**11,515**	20,408
Liabilities directly associated with assets classified held for sale	1.3	**46,406**	–
Total current liabilities		**147,885**	108,984
Non-current liabilities			
Borrowings	4.1	**325,723**	307,517
Deferred tax liabilities	2.2	**20,291**	41,666
Employee provisions	5.3	**396**	642
Total non-current liabilities		**346,410**	349,825
Total liabilities		**494,295**	458,809
Net assets		**164,655**	296,286
EQUITY			
Contributed equity	4.4	**260,815**	260,815
Other reserves	4.5	**39,110**	29,474
Retained earnings		**(135,270)**	5,997
Total equity		**164,655**	296,286

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2018

		ATTRIBUTABLE TO OWNERS OF ASALEO CARE LTD			
	NOTES	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED EARNINGS / (LOSSES) $'000	TOTAL EQUITY $'000
Balance at 1 January 2017		265,303	38,789	3,296	307,388
Profit for the period		–	–	57,181	57,181
Other comprehensive income (loss)		–	(9,315)	–	(9,315)
Total comprehensive income for the period		–	**(9,315)**	**57,181**	**47,866**
Transactions with owners in their capacity as owners:					
Buy-back of shares, net of transaction costs and tax	4.4	(4,488)	–	–	(4,488)
Dividends provided for or paid	2.4	–	–	(54,480)	(54,480)
Balance at 31 December 2017		**260,815**	**29,474**	**5,997**	**296,286**
Balance at 1 January 2018		**260,815**	**29,474**	**5,997**	**296,286**
(Loss) for the period		–	–	(108,679)	(108,679)
Other comprehensive income (loss)		–	9,636	–	9,636
Total comprehensive income for the period		–	**9,636**	**(108,679)**	**(99,043)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	2.4	–	–	(32,588)	(32,588)
Balance at 31 December 2018		**260,815**	**39,110**	**(135,270)**	**164,655**

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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2018

	NOTES	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**623,298**	644,319
Payments to suppliers and employees (inclusive of goods and services tax)		**(528,139)**	(529,691)
		95,159	114,628
Income taxes paid		**(1,172)**	(18,508)
Interest received		**394**	300
Borrowing costs		**(13,126)**	(10,908)
Net cash inflow from operating activities	4.1	**81,255**	85,512
Cash flows from investing activities			
Payments for property, plant and equipment	3.2	**(21,448)**	(31,378)
Proceeds from sale of property, plant and equipment		**–**	22,226
Payments related to sale of business transaction		**(8,509)**	–
Payments for intangible assets	3.3	**–**	(9)
Net cash (outflow) from investing activities		**(29,957)**	(9,161)
Cash flows from financing activities			
Proceeds from borrowings	4.1	**90,000**	88,500
Repayment of borrowings	4.1	**(71,000)**	(105,000)
Payments for shares bought back	4.4	**–**	(4,488)
Dividends paid to company's shareholders	2.4	**(32,588)**	(54,480)
Debt raising costs		**(1,398)**	–
Net cash (outflow) from financing activities		**(14,986)**	(75,468)
Net increase/(decrease) in cash and cash equivalents		**36,312**	883
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		**838**	(1,026)
Cash and cash equivalents at end of period		**67,355**	30,205

The above Consolidated Statement of Cash flows includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in section 1.1.

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

Notes to the Consolidated Financial Statements

Section 1: Discontinued Operations

In this section

This section provides insight into the discontinued operations comprising the held for sale business, disclosing separately the financial performance and net cash flows, assets and liabilities of disposal group classified as held for sale.

1.1 Description

On 6 December 2018 the group announced the sale of the Australian Consumer Tissue business, for $180 million, expected to be finalised in the first quarter of 2019. The Australian Consumer Tissue business includes the Box Hill manufacturing site, along with the Australian brands comprising, Sorbent toilet and facial tissue, Handee Ultra paper towel, and Deeko serviettes and disposable tableware.

The sale will allow the group to concentrate on its core, higher margin and less capital-intensive businesses in Personal Care and Business-to-Business. Innovation in products and services that add value for consumers and customers is vital to the group's future success. As a result of the transaction, the group can continue to innovate and invest in its brands for long-term, sustainable growth.

KEY JUDGEMENTS AND ESTIMATES

Assets and liabilities associated with the Australian Consumer Tissue business are classified as held for sale as it is considered highly probable that the carrying value will be recovered through a sale transaction within 12 months rather than through continuing use. As such, the results have also been disclosed as a discontinued operation. There is significant judgement associated with determining the allocated assets, liabilities, income, expenses and corporate costs. The Sale Agreement includes a number of 'conditions precedent' upon which the completion of the transaction is conditional. After taking into account all available information, the Directors have concluded that there are currently reasonable grounds to believe that the conditions precedent will be satisfied and the sale is expected to be completed in the first quarter of 2019.

1.2 Financial performance and cash flow information

The following financial performance and cash flow information presented are for the twelve months ended 31 December 2018 and 31 December 2017.

	NOTES	2018 $'000	2017 $'000
Revenue from operations		**150,757**	170,381
Expenses		**(151,612)**	(143,694)
Underlying EBITDA from discontinued operations		**(855)**	26,687
Depreciation		**(10,320)**	(13,279)
Impairment losses		**(112,489)**	–
Inventory write down		**(3,782)**	–
Restructuring costs		**(2,748)**	–
Sale of business costs		**(5,661)**	(323)
Abnormal manufacturing costs		**(3,888)**	(1,400)
Abnormal third party warehouse expense		**(1,532)**	(689)
Finish goods inventory reduction initiative		**–**	(7,979)
Profit before income tax		**(141,275)**	3,017
Income tax benefit/(expense)		**31,785**	(905)
(Loss)/profit from discontinued operations		**(109,490)**	2,112
Other comprehensive income from discontinued operations		**(109,490)**	2,112
		Cents	Cents
Earnings per share for profit from discontinued operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	2.3	**(20.1)**	0.4
Diluted earnings per share	2.3	**(20.1)**	0.4

Statement of Cash Flows for discontinued operations	**2018 $'000**	2017 $'000
Net cash (outflow)/inflow from operating activities	**(10,540)**	35,616
Net cash (outflow) from investing activities	**(6,260)**	(10,756)
Net (decrease)/increase in cash generated by discontinued operations	**(16,800)**	24,860

1.3 Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 December 2018:

ASSETS CLASSIFIED AS HELD FOR SALE	2018 $'000
Trade receivables	**591**
Inventories	**49,153**
Derivative financial instruments	**1,452**
Deferred tax assets	**5,400**
Other current assets	**1,204**
Property, plant and equipment	**120,989**
Total assets classified as held for sale	**178,789**

LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	2018 $'000
Trade payables	**29,133**
Other payables	**8,165**
Derivative financial instruments	**34**
Employee provisions	**8,539**
Other short-term provisions	**535**
Total liabilities directly associated with assets classified as held for sale	**46,406**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value and contractual rights under insurance contracts which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The results of the Australian Consumer Tissue business for the current and comparative periods, have been classified as a discontinued operation in the statement of comprehensive income and all related note disclosures.

The associated assets and liabilities are presented as held for sale within the balance sheet and are excluded from all related note disclosures in 2018. The comparative balance sheet remains unchanged.

KEY JUDGEMENTS AND ESTIMATES

There was no change in fair value in relation to the assets classified as held for sale as the sale price less cost to sell is expected to exceed the carrying value of the assets and liabilities. There are judgements involved in this assessment around the estimation of the costs to sell. The sale is expected to be completed in the first quarter of 2019. The sale will be recognised after costs to sell and working capital adjustments.

Section 2: Our Performance

In this section

This section provides insight into current year Group performance, delivering results of:

- Underlying EBITDA of $80.6 million
- Statutory NPAT of ($108.7) million
- Statutory EPS of (20.0) cents per share

2.1 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 Chief Executive Officer and Managing Director examines the performance of the Group from a reporting segments perspective. As a result of the sale of the Australian Consumer Tissue business, discussed in Section 1.1, a reassessment of internal reporting and a reassignment of executive responsibilities took place. This led to the identification of three revised operating segments: Retail Australia, Retail New Zealand and Business to Business (B2B). While a separate management reporting structure is in place for Retail Australia and Retail New Zealand, they have been aggregated into one reportable segment as they have similar customers and economic characteristics, such as margins and growth forecasts.

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

REPORTING SEGMENT	DESCRIPTION
Retail	This segment manufactures and markets toilet and facial tissue, wipes, paper towel, serviettes, disposable tableware, personal hygiene products for feminine and incontinence including pads, tampons and liners and nappies to retail customers within Australia, New Zealand and the Pacific Islands. All Pacific Islands product sales are recognised in the Retail segment.
B2B	This segment manufactures and distributes tissue and personal hygiene products including hand towels, serviettes, soaps, facial and toilet tissue and other hygiene accessories through a distributor network to business end users including schools, restaurants, shopping centres, airports, industrial companies, aged care facilities and hospitals within Australia and New Zealand. Incontinence products and support services are provided to healthcare professionals in residential and community care facilities, retirement villages and hospitals.

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 and Managing Director.

(b) Segment information

Reportable segment information for the year ended 31 December 2018 is as follows:

2018	RETAIL $'000	B2B $'000	CONTINUING OPERATIONS $'000	DISCONTINUED OPERATIONS $'000	TOTAL $'000
Revenue from operations	**189,592**	**218,193**	**407,785**	**150,757**	**558,542**
Underlying EBITDA	**36,406**	**45,075**	**81,481**	**(855)**	**80,626**
Total segment assets	**221,668**	**181,104**	**402,772**	**171,937**	**574,709**
Total segment liabilities	**39,686**	**43,521**	**83,207**	**46,372**	**129,579**

Reportable segment information restated for the year ended 31 December 2017 is as follows:

RESTATED 2017	RETAIL $'000	B2B $'000	CONTINUING OPERATION $'000 S	DISCONTINUED OPERATIONS $'000	TOTAL $'000
Revenue from operations	199,882	215,510	415,392	170,381	585,773
Underlying EBITDA	46,128	51,473	97,601	26,686	124,287
Total segment assets	260,432	172,149	432,581	290,151	722,732
Total segment liabilities	27,342	29,921	57,263	42,549	99,812

Segment assets and liabilities of discontinued operations, as disclosed in section 1.3, includes the held for sale business in 2018 and 2017.

(c) Segment revenue

Revenue is measured at the fair value of the consideration received or receivable, which is generally the amount on the sales invoice. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when control of the goods has transferred to customers, the amount reflects the consideration to which an entity expects to be entitled in exchange for those goods, and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Revenue is recognised at a point in time when the customer obtains control over the goods. Depending on customer terms, this can be at the time of dispatch, delivery or upon formal customer acceptance. The Group is providing goods to its customers based on contracts that reflect a performance obligation.

The Company is domiciled in Australia. The amount of its revenue from continuing operations from external customers in Australia is $248.3 million (2017: $251.2 million), in New Zealand $135.5 million (2017: $142.0 million) and in other countries is $24.0 million (2017: $22.2 million). Segment revenues are allocated based on the country in which the sale is made from.

Revenues from continuing operations of approximately $84.6 million (2017: $87.2 million) are derived from three external customers, in the retail segment.

(ii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(iv) Inter-segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation.

(d) Underlying EBITDA

The Chief Executive Officer and Managing Director assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes the effects of non-recurring income and expenditure from the operating segments. 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.

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

	2018 $'000	2017 $'000
Underlying EBITDA	**80,626**	124,287
Discontinued operations Underlying EBITDA	**855**	(26,686)
Underlying EBITDA from continuing operations	**81,481**	97,601
Profit on sale of Springvale site	**–**	9,275
Kawerau site upgrade*	**(3,061)**	–
Restructuring costs*	**(3,266)**	(1,125)
Impairment losses	**(27,302)**	–
Inventory write-down*	**(3,200)**	–
Strategic review costs*	**(519)**	–
Abnormal third party warehouse expenses*	**(662)**	(383)
Abnormal manufacturing costs*	**(5,985)**	–
Finished goods inventory reduction initiative*	**–**	(515)
Other*	**(293)**	(371)
EBITDA	**37,193**	104,482
Finance costs	**(15,122)**	(11,554)
Interest received	**392**	298
Depreciation	**(15,681)**	(15,385)
Accelerated depreciation*	**(2,349)**	–
Amortisation	**(36)**	(62)
Profit before income tax from continuing operations	**4,397**	77,779

* These expenses are included in other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income with the remaining mostly being the royalties, noted in Section 6.4 and FX losses.

(e) Segment Assets

Segment assets are allocated based on the operations of the segment and the physical location of the asset. They are measured in a manner consistent with that of the financial statements.

All assets are allocated to reportable segments except for derivative financial instruments, cash and tax assets.

The total of non-current assets relating to continuing operations, other than financial instruments located in Australia is $144.7 million (2017: $132.2 million), in New Zealand $123.2 million (2017: $159.7 million) and located in other countries is $5.2 million (2017: $4.7 million).

(f) Segment Liabilities

Reportable segments' liabilities for continuing operations are reconciled to total liabilities as follows:

	2018 $'000	2017 $'000
Segment liabilities	**129,579**	99,812
Unallocated:		
Current tax liabilities	**9,152**	2,525
Accrued interest on borrowings – current	**2,216**	851
GST Payable	**6,735**	4,621
Derivative financial instruments	**599**	1,817
Deferred tax liabilities	**20,291**	41,666
Borrowings – non current	**325,723**	307,517
Total liabilities as per the Consolidated Balance Sheet	**494,295**	458,809

2.2 Income Taxes

(a) Income tax

Income tax expense:

- comprises current and deferred tax
- for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses
- relating to items recognised directly in other comprehensive equity is also recorded in other comprehensive income

KEY JUDGEMENTS AND ESTIMATES

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. Changes in tax legislation or the interpretation of tax laws by tax authorities may affect the amount of provision for income taxes and deferred tax balances recognised.

(i) Current income tax

The current income tax charge is measured based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is:

- provided on temporary differences arising at reporting date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements
- is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

(iii) Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised on all deductible and taxable temporary differences respectively, except:

- if they arise from the initial recognition of goodwill
- if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss
- deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale
- for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future

Deferred tax assets:

- are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses
- carrying values are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised
- that are unrecognised are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered
- are offset against deferred tax liabilities when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2018 $'000	2017 $'000
Profit before income tax expense	**4,397**	77,779
Tax at the Australian tax rate of 30.0% (2017: 30.0%)	**1,319**	23,334
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-taxable capital profit on sale of fixed assets	**–**	(369)
Impairment of goodwill	**2,843**	–
Sundry items	**(5)**	12
	4,157	22,977
Difference in overseas tax rates	**125**	(559)
Adjustments for current tax of prior periods	**(696)**	292
Income tax expense	**3,586**	22,710
Comprising of:		
Current tax	**9,692**	18,354
Deferred tax	**(5,410)**	4,064
Adjustments for current tax of prior periods	**(696)**	292
	3,586	22,710

(c) Deferred tax liabilities

	2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	1,963	17,337
Intangible assets	27,563	34,983
Employee benefits	(3,073)	(5,779)
Blackhole expenditure	–	(2,689)
Provisions for customer claims	(4,623)	(3,820)
Inventories	21	3,234
Tax losses	(3,482)	–
Other	1,922	(1,600)
	20,291	41,666
Deferred tax (assets)/liabilities expected to be settled within 12 months	(9,753)	(9,871)
Deferred tax liabilities expected to be settled after 12 months	30,044	51,537
	20,291	41,666
Movements:		
Opening balance	41,666	37,818
Transfer to assets held for sale	(16,263)	–
Opening balance for continuing operations	25,403	37,818
Charged/credited for continuing operations:		
- profit or loss	(5,410)	4,064
- to other comprehensive income	298	(216)
	20,291	41,666

(d) Tax consolidation legislation

Asaleo Care Limited and its wholly owned Australian controlled entities are part of a tax consolidated group. legislation.

The head entity, Asaleo Care Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities are set off in the consolidated financial statements.

In addition to its own current and deferred tax amounts, Asaleo Care Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into tax funding and sharing agreements under which:

- the wholly owned entities fully compensate Asaleo Care Ltd for any current tax payable assumed and are compensated by Asaleo Care Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Asaleo Care Ltd under the tax consolidation legislation.
- funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.
- amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

- assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.
- any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Amounts receivable of $9.5 million (2017: $1.3 million) to Asaleo Care Ltd under the tax funding arrangements are due in the next financial year upon final settlement of the current payable for the consolidated group.

2.3 Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

The calculation of earnings per share was based on the information as follows:

(a) Earnings per share

Earnings per share for profit attributable to the ordinary equity holders of the Company:	2018 CENTS	2017 CENTS
Basic earnings per share	**(20.0)**	10.5
Diluted earnings per share	**(20.0)**	10.5

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:	2018 CENTS	2017 CENTS
Basic earnings per share	**0.1**	10.1
Diluted earnings per share	**0.1**	10.1

For earnings per share for profit from discontinued operations attributable to the ordinary equity holders of the Company, refer to section 1.2.

(b) Weighted average number of shares used as denominator

	2018 NUMBER	2017 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**543,122,491**	544,110,690
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**543,122,491**	544,110,690

2.4 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

	CENTS PER SHARE	TOTAL AMOUNT $'000	FRANKED/ UNFRANKED	DATE OF PAYMENT
Dividends recognised in the current year by the Company are:				
2018				
Final 2017 ordinary	6.0	32,588	40% Franked	22 March 2018
Total amount		32,588		
2017				
Interim 2017 ordinary	4.0	21,725	50% Franked	21 September 2017
Final 2016 ordinary	6.0	32,755	50% Franked	23 March 2017
Total amount		54,480		

(a) Franked dividends

(i) Franking account

Franked dividends paid during the financial year were franked at the tax rate of 30% (2017: 30%). There are no further tax consequences as a result of paying dividends other than a reduction in the franking account.

At 31 December 2018, there no franking credits (2017: $0.4 million) available to shareholders of Asaleo Care for subsequent financial years.

The dividend franking account at year end is adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the year end; and
- franking credits that the Company may be prevented from distributing in subsequent financial years.

The ability to utilise the franking account credits is dependent upon the ability to declare dividends. No final dividend is declared for 2018.

(ii) Imputation Account

As the Company has significant operations in New Zealand and in-turn shareholders who are New Zealand based, the Company has elected to be part of the Australian and New Zealand Government's Trans-Tasman Imputation System to allow access for New Zealand based shareholders to the New Zealand source imputation credits of the Company. The head of the Imputation Group in New Zealand is Asaleo Care Limited (New Zealand). The balance of the imputation credits available as at 31 December 2018 is NZ$3.4 million (2017: NZ$5.1 million).

(iii) Conduit Foreign Income Account

For Australian tax purposes non-resident shareholder dividends will not be subject to Australian withholding tax to the extent that they are franked or sourced from the Company's Conduit Foreign Income Account. For the 2018, no interim dividend was paid and it is proposed that no final dividend payment is declared (2017: final dividend 17.0% sourced from Conduit Foreign Income Account, interim dividend 40.0% sourced from Conduit Foreign Income Account). The balance of the Conduit Foreign Income Account as at 31 December 2018 is $0.1 million (2017: $5.5 million).

2.5 Other income

	2018 $'000	2017 $'000
Net gains on sale of property, plant and equipment – Springvale manufacturing site	–	9,275
Net gains on sale of property, plant and equipment – other	–	95
Net foreign exchange gain	–	465
	–	9,835

Section 3: Our Operating Asset Base

In this section

This section highlights current year drivers of the Group's cash flows, as well as the asset base used to support generation of profits

3.1 Working Capital

	2018 $'000	2017 $'000
Inventories	**107,277**	167,480
Trade receivables	**12,998**	21,451
Other current assets~	**9,391**	4,062
Trade payables	**(62,598)**	(63,366)
Other payables	**(17,649)**	(20,868)
Employee provisions – current*	**(11,515)**	(20,408)
Employee provisions – non-current*	**(396)**	(642)
	37,508	87,709
Add back: Accrued interest	**2,216**	851
Total working capital	**39,724**	88,560

* Employee provisions are detailed in section 5.3

~ Other current assets balance includes $7.5 million relating to the sale of business deposit in 2018, currently held in escrow and will be returned once conditions of sale are satisfied and deal completion.

(a) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs incurred in bringing each product to its existing location and condition are accounted for as follows:

- Raw materials – purchase cost on a weighted average cost formula
- Manufactured finished goods and work in progress – cost of direct material and labour and an appropriate proportion of production overheads incurred in the normal course of business.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

	2018 $'000	2017 $'000
Raw materials and stores	**25,943**	43,508
Work in progress	**4,801**	15,366
Finished goods	**76,533**	108,606
	107,277	167,480

Inventory expense

Inventories recognised as expense during the year ended 31 December 2018 amounted to $242.9 million (2017: $351.8 million). These were included in cost of sales.

The above categories of inventories are net of non-recurring inventory write downs of $3.2 million (2017: nil) and impairment loss allocated to manufacturing spares of $0.4 million (2017: nil).

Write-downs of inventories amounted to $0.6 million (2017: $1.9 million). These were recognised as an expense during the year ended 31 December 2018 and included in 'cost of goods sold' in the consolidated statement of profit or loss and other comprehensive income.

KEY JUDGEMENTS AND ESTIMATES

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.

(b) Trade receivables

Trade receivables are:

- Recognised initially at fair value, which is generally invoice amount, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.
- Generally due for settlement within 30 days.
- Presented as current assets unless collection is not expected for more than 12 months after the reporting date.

	2018 $'000	2017 $'000
Trade receivables	**13,038**	21,467
Provision for impairment of receivables	**(40)**	(16)
	12,998	21,451

KEY JUDGEMENTS AND ESTIMATES

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 activity has occurred prior to year-end. Customer rebates consist primarily of customer pricing allowances and promotional allowances, which are governed by agreements with our trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience.

The Group entered into an additional account receivable securitisation facility during 2018.

Under the Expected Credit Loss methodology, the provision for impairment of receivables is not considered to be material as a result of the historically low level of bad debt. At 31 December 2018, the amount of provision for doubtful debts was $39,970 (2017: $15,576).

(c) Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year that are unpaid. The amounts are unsecured and are paid on average within 45 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

	2018 $'000	2017 $'000
Trade payables	**43,345**	48,441
Amounts due to related parties	**19,253**	14,925
	62,598	63,366

The carrying amounts of trade payables are assumed to be the same as their fair values, due to their short-term nature.

(d) Other payables

	2018 $'000	2017 $'000
Accrued interest on borrowings	**2,216**	851
Accrued expenses	**5,934**	14,492
Payroll tax and other statutory liabilities	**7,374**	5,474
Other payables	**2,125**	51
	17,649	20,868

The carrying amounts of accruals and other payables are assumed to be the same as their fair values, due to their short-term nature.

3.2 Property, Plant and Equipment and Capital Commitments

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost comprises expenditure that is directly attributable to the acquisition of the item and subsequent costs incurred to replace parts that are eligible for capitalisation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset except land which is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the disposed asset. These amounts are included in profit or loss.

	FREEHOLD LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL DEVELOPMENT $'000	TOTAL $'000
Depreciation Policy	**Nil**	**5%–33%**	**5%–33%**	**Nil**	
Year ended 31 December 2017					
Opening net book amount	34,947	60,444	246,070	17,070	358,531
Exchange differences	(126)	(631)	(5,469)	(2)	(6,228)
Reclassification of asset class	–	908	16,227	(17,135)	–
Additions	–	625	12,111	18,642	31,378
Disposals	(7,400)	(5,002)	(597)	(4)	(13,003)
Depreciation charge	–	(4,026)	(24,622)	–	(28,648)
Closing net book amount	27,421	52,318	243,720	18,571	342,030
Year ended 31 December 2018					
Opening net book amount	27,421	52,318	243,720	18,571	342,030
Exchange differences	130	544	3,820	337	4,832
Reclassification of asset class	–	550	12,944	(13,494)	–
Additions*	–	159	2,812	18,477	21,448
Depreciation charge*	–	(3,617)	(22,384)	–	(26,001)
Accelerated depreciation	–	–	(2,349)	–	(2,349)
Impairment*	–	(8,903)	(71,504)	–	(80,407)
Assets reclassified as held for sale	(25,000)	(30,021)	(54,166)	(11,801)	(120,989)
Closing net book amount	**2,551**	**11,030**	**112,893**	**12,090**	**138,564**

* Amounts relating to assets held for sale include capital development additions of $6.3 million, depreciation of $10.3 million and impairment of $66.5 million. Refer to section 1.1.

(a) Capital commitments

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

	2018 $'000	2017 $'000
Property, plant and equipment	**16,869**	1,061

(b) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor and net of discontinued operations) of $14.2 million (2017: $11.7 million) are charged to profit or loss on a straight-line basis over the period of the lease.

	2018 $'000	2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**9,242**	8,774
Later than one year but not later than five years	**18,043**	22,279
Later than five years	**897**	2,691
	28,182	33,744

Lease commitments of $14.4 million relating to discontinued operations have been excluded from 2018 above (2017: $20.4 million).

Refer to section 6.7 for information on impact of the new leasing standard, AASB 16.

3.3 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, product development and management agreements.

KEY JUDGEMENTS AND ESTIMATES

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.

CONSOLIDATED ENTITY	GOODWILL $'000	BRANDS AND OTHER INTANGIBLES $'000	TOTAL $'000
At 1 January 2017			
Cost	70,938	119,847	190,785
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**
Year ended 31 December 2018			
Opening net book amount	69,351	118,358	187,709
Impairment losses*	(29,147)	(25,901)	(55,048)
Exchange differences	856	1,061	1,917
Amortisation charge	–	(36)	(36)
Closing net book amount as at 31 December 2018	**41,060**	**93,482**	**134,542**

*Impairment losses of $42.0 million relate to the discontinued operations, refer to section 1.1.

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.

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

The Group tests whether goodwill and other intangible assets have suffered any impairment in accordance with the accounting policy. The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations require use of cash flow projections based on the FY19 budgets and updated for expected cashflows over a five-year period, which have both been approved by the board. Cash flows beyond the five-year period are extrapolated using the terminal growth rates stated below. These rates do not exceed the long-term average growth rates for the industry.

Impairment Charge

During the year, 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 $139,956,000 was recognised.

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

31 DECEMBER 2017	TISSUE AUSTRALIA $'000	PERSONAL CARE AUSTRALIA $'000	TISSUE NEW ZEALAND $'000	PERSONAL CARE NEW ZEALAND $'000	TOTAL $'000
Goodwill	18,991	23,212	12,217	14,931	69,351
Brands	23,000	70,818	7,188	17,352	118,358
					187,709

The impairment was allocated as follows:

TISSUE AUSTRALIA	$'000	PERSONAL CARE NEW ZEALAND	$'000
Goodwill	18,991	Goodwill	10,156
Brands and other rights	22,979	Brands	2,922
Inventory – manufacturing spares	3,945	Inventory – manufacturing spares	391
Property Plant & Equipment	66,574	Property Plant & Equipment	13,833
Total	**112,489**	**Total**	**27,302**

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.

Change to Cash Generating Units

Since the impairment at 30 June 2018, the assets of the Consumer Tissue Australia business have been classified as held for sale, as discussed in Section 1. As a result, reassessment of internal reporting and reassignment of executive responsibilities led to new operating segments, resulting in changes to the CGUs. The review for impairment at 31 December 2018 of the previous CGUs used the same methodology as detailed above and did not result in impairment charges being recognised. Value in use models were used, using the same cashflows and discount rates as discussed below.

The new CGUs have been determined as Retail Australia, Retail New Zealand and B2B which include all continuing operations.

As a result, goodwill was reallocated to the revised CGUs, based on their relative fair values. A revised CGU-level summary of the goodwill and brands allocation is presented below:

2018	RETAIL AU $'000	RETAIL NZ $'000	B2B $'000	TOTAL $'000
Goodwill	16,066	3,310	21,684	41,060
Brands	70,800	22,682	–	93,482
				134,542

The review for impairment of the new CGUs at 31 December 2018 did not result in impairment charges being recognised.

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 all CGUs is 2%. 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 11–11.6%.

The Retail NZ CGU had limited headroom of $6.9 million and its recoverable amount is sensitive to forecast EBITDA and its discount rate. For the recoverable amount to reduce to a level that is equal to the carrying value of the CGU, the following would need to occur in isolation: the discount rate would need to increase by 1% or forecast EBITDA would need to reduce by 6.5% in each of the 5 years in the outlook period.

KEY JUDGEMENTS AND ESTIMATES

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.

Significant judgement is also required in the determination of revised CGUs and goodwill, assets and corporate costs allocation.

Section 4: Our Funding Structures

In this section

The key policies for this section include:

- Dividends and shareholder returns: To distribute between 70–80% of statutory Net Profit After Tax. Any excess cash is to be efficiently distributed.
- Leverage: Operate within a leverage range of 1.5x to 2.5x EBITDA.
- Investments: Reinvest within the Group for capital expenditure or seek external investment where hurdle rates are exceeded.

Asaleo Care's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to ensure the funding structure enhances, protects and balances financial flexibility against minimising the cost of capital.

Given the nature of Asaleo Care's operations, it is also exposed to a number of market risks; this section outlines how these key risks are managed.

4.1 Elements of Debt

NET DEBT	2018 $'000	2017 $'000
Borrowings	**327,500**	308,500
Accrued interest on borrowings	**2,216**	851
Cash and cash equivalents	**(67,355)**	(30,205)
Total net debt	**262,361**	279,146

(a) Borrowings

	2018 $'000	2017 $'000
Unsecured		
Bank loans	**217,500**	308,500
Senior Notes	**110,000**	–
Capitalised debt establishment cost	**(1,777)**	(983)
Total unsecured non-current borrowings	**325,723**	307,517

(i) Secured liabilities and assets pledged as security

Group members have provided an unsecured guarantee for the borrowings of the group.

(ii) Financial undertakings and refinancing

The Group renegotiated and extended its revolving cash advance facility in June 2018. At the same time the Group issued Senior Notes for $110.0m.

FACILITY	FACILITY LIMIT	MATURITY AT 31 DECEMBER 2017	MATURITY AT 31 DECEMBER 2018
Facility A	$157.5 million	30 September 2021	31 July 2021
Facility B	$82.5 million	30 June 2019	31 July 2023
Facility C	$50 million	30 September 2020	31 July 2022
Series A Note	$85 million	n/a	26 June 2025
Series B Note	$25 million	n/a	26 June 2028

As at 31 December 2018, the Group was compliant with all financial undertakings of the revolving cash facility and the Senior Notes facility.

The forecast covenant compliance has been based on the completion of the sale of the Consumer Tissue Australia business in the first quarter of 2019.

Following completion of the sale of the Australian Consumer Tissue business the proceeds will be used to pay down debt. The total debt facilities will also be permanently reduced by at least $50 million. The exact amount of permanent facility reduction and allocation across the facilities is currently being negotiated with the financiers.

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(b) Cash flow information

	2018 $'000	2017 $'000
Profit for the period	**(108,679)**	57,181
Depreciation and amortisation	**26,037**	28,710
Impairment losses	**139,791**	–
Accelerated depreciation of property, plant and equipment	**2,349**	–
Net (gain)/ loss on sale of non-current assets	**–**	(9,370)
Change in operating assets and liabilities:		
(Increase)/Decrease in tax balances	**(27,717)**	2,117
(Increase)/Decrease in trade debtors and other receivables	**8,969**	(378)
(Increase)/Decrease in inventories	**11,048**	(2,825)
Increase/(Decrease) increase in trade creditors and other provisions	**29,457**	10,077
Net cash inflow from operating activities	**81,255**	85,512

Reconciliation of movement in Net Debt

2017	CASH/ BANK $'000	BORROWINGS DUE AFTER 1 YEAR $'000	TOTAL $'000
Net debt as at 1 January 2017	30,348	(325,000)	(294,652)
Cash flows	883	16,500	17,383
Foreign exchange adjustments	(1,026)	–	(1,026)
Net debt as at 31 December 2017	30,205	(308,500)	(278,295)

2018	CASH/ BANK $'000	BORROWINGS DUE AFTER 1 YEAR $'000	TOTAL $'000
Net debt as at 1 January 2018	**30,205**	**(308,500)**	**(278,295)**
Cash flows	**36,312**	**(19,000)**	**17,312**
Foreign exchange adjustments	**838**	**–**	**838**
Net debt as at 31 December 2018	**67,355**	**(327,500)**	**(260,145)**

Recognition and measurement

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(c) Financing costs

	2018 $'000	2017 $'000
Interest and finance charges paid / payable	**14,311**	11,195
Debt establishment cost amortisation	**631**	331
Facility fees	**180**	28
Total finance costs	**15,122**	11,554

During 2018 $1.4m in costs relating to the establishment of debt were capitalised (2017: nil).

4.2 Financial Risk Management

The financial information that has been included in the Financial Risk Management note relates to both continuing and discontinued operations due to the nature of the balances.

The retail customers and suppliers in Australia have a co-mingled nature. The Sale Agreement relating to the sale of the Australian Consumer Tissue business, notes that Asaleo Care will retain legal ownership of all receivables and payables with the purchaser paying an estimate of those that would be related to the Australian Consumer Tissue business. This means that Asaleo Care is likely to also retain the majority of the derivative balances. Therefore, it is more beneficial to the users of these financial statements that all total Group derivatives be included in the following disclosure.

The principal financial risks that the Group is exposed to, due to its activities are:

- Foreign exchange risk
- Interest rate risk
- Credit risk
- Liquidity risk

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out in accordance with policies approved by the Board of Directors.

(a) Management of foreign exchange risk

As discussed in Section 2, the Group operates within Australia, New Zealand and Fiji. In addition, inventory is sourced both locally and internationally. This international operation exposes Asaleo Care to foreign exchange risk arising from various currency exposures, primarily the US dollar (US$), New Zealand dollar (NZ$), Fijian dollar (FJ$), Canadian dollars (CA$) and Euros (EUR).

Foreign currency transactions are translated into the respective functional currency using the exchange rates on the date of the transaction. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as a qualifying cash flow hedge.

The Group's foreign exchange risk management policy is to hedge the anticipated cash flows of the US$, EUR and CA$, both in terms of size and term related to:

- Approved investment projects (100%); and
- Inventory purchases denominated in foreign currencies (75–100%).

To hedge this risk, forward contracts are used and regularly reassessed to ensure they comply with the limits under the policy.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in AUD, was as follows:

AT 31 DECEMBER 2018	USD $'000	NZD $'000	GBP $'000	FJD $'000	CAD $'000	EUR $'000
Trade payables	**3,838**	**6,835**	**32**	**–**	**192**	**2,262**
Foreign currency forwards (notional amount)	**99,956**	**–**	**134**	**–**	**3,775**	**51,276**

AT 31 DECEMBER 2017	USD $'000	NZD $'000	GBP $'000	FJD $'000	CAD $'000	EUR $'000
Trade payables	3,892	4,453	3	31	25	2,193
Foreign currency forwards (notional amount)	92,693	–	–	–	3,480	33,382

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency related hedging instruments on the group's financial position and performance for our two main derivatives being AUD/USD and NZD/USD are as follows:

AUD/USD	2018 $'000	2017 $'000
Foreign currency forwards		
Carrying amount (liabilities)	**2,072**	(1,111)
Notional amount	**44,176**	56,492
Maturity date	**Jan 2019 – Sept 2019**	Jan 2018 – Oct 2018
Hedge ratio	**1:1**	1:1
Change in discounted spot value of outstanding hedging instruments since 1 January	**2,072**	(1,111)
Change in value of hedged item used to determine hedge effectiveness	**2,072**	(1,111)
Weighted average hedged rate for the year (including forward points)	**US$0.7409:AUD$1**	US$0.7642:AUD$1

NZD/USD	2018 $'000	2017 $'000
Foreign currency forwards		
Carrying amount (liabilities)	**1,092**	53
Notional amount	**55,780**	36,201
Maturity date	**Jan 2019 – Mar 2020**	Jan 2018 – Aug 2018
Hedge ratio	**1:1**	1:1
Change in discounted spot value of outstanding hedging instruments since 1 January	**1,092**	53
Change in value of hedged item used to determine hedge effectiveness	**1,092**	53
Weighted average hedged rate for the year (including forward points)	**US$0.6859:NZD$1**	US$0.7102:AUD$1

Sensitivity

The group is primarily exposed to changes in USD/AUD and USD/NZD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US-dollar denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contracts designated as cash flow hedges.

	IMPACT ON POST TAX PROFIT		IMPACT ON OTHER COMPONENTS OF EQUITY	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
USD/AUD exchange rate – increase 15% (2017:12%)	**6,807**	4,711	**220**	93
USD/AUD exchange rate – decrease 15% (2017:12%)	**(6,807)**	(4,711)	**220**	93
USD/NZD exchange rate – increase 15% (2017:11%)	**6,032**	4,711	**118**	4
USD/NZD exchange rate – decrease 15% (2017:11%)	**(6,032)**	(4,711)	**(118)**	4

Change in sensitivity rate is determined by the average of the high and low points for the year. The group's exposure to other foreign exchange movements is not material.

(b) Management of interest rate risk

Bank loans are issued at variable rates. The Series Notes are issued at fixed rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is the Group's main source of interest rate risk.

The Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates. This protects part of the Group's borrowings from exposure to fluctuations in interest rates, as required by the Asaleo Care financial risk management policy.

As at the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2018		2017	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000
Bank overdrafts and bank loans	**3.9%**	**217,500**	3.3%	308,500
Less amounts covered by interest rate swaps	**4.0%**	**(200,000)**	3.5%	(220,000)
Net exposure to cash flow interest rate risk		**17,500**		88,500

The interest rate and term is determined at the date of each drawdown. The weighted average interest rate for variable rate borrowings for the year ended 31 December 2018 was 3.7% (2017: 3.5%). At 31 December 2018, if the weighted average interest rate of the facility had been 10% higher or 10% lower, interest expense would increase/decrease by $1.1 million (2017: $1.2 million). There would be an associated impact to equity of $0.8 million (2017: $0.8 million).

(c) Management of credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group's credit risk arises from the potential default of the Group's trade and other receivables as well as the institutions in which the Group's cash and cash equivalents are deposited, and derivative instruments are traded with, with a maximum exposure equal to the carrying amounts of these assets. Further details on the group's trade receivables are included in section 3.1.

For trade and other receivables, the Group does not hold any credit derivatives or collateral to offset its credit exposure. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Credit risk is managed in the following ways:

- The provision of credit is covered by a risk assessment process for all customers (e.g. appropriate credit history, credit limits, past experience).
- Regular monitoring of exposures against such credit limits and assessing the overall financial stability and competitive strength of the counterparty on an ongoing basis.
- Utilisation of systems of approval.

The Group does not have any material credit exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

The Group has policies in place to ensure that sales are only made to customers with an appropriate credit profile or where appropriate security is held. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit quality of the customer is assessed, taking into account its financial position, past experience and other factors.

Expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. The Group has applied the simplified approach and record lifetime expected credit losses on all eligible trade and other receivables. Refer to section 3.1(b) and 6.7(b) for more details.

(d) Management of liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2018 $'000	2017 $'000
Floating rate		
- Expiring beyond one year (core facility)	**56,000**	40,000
- Expiring beyond one year (working capital facility)	**669**	669
	56,669	40,669

In addition to the drawn debt facilities, the group has letters of credit totalling $15.8 million as at 31 December 2018, which temporarily reduces the facility available for drawdown.

In addition to the above, the Group has accounts receivable securitisation facilities. The undrawn amount at the end of the reporting period was $15.7 million (2017 $7.2 million).

Subject to continuance of meeting certain financial covenants, the bank loan facilities may be drawn down and repaid at any time.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities; and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

AT 31 DECEMBER 2018	LESS THAN 6 MONTHS $'000	6–12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT (ASSETS)/ LIABILITIES $'000
Non-derivatives						
Trade payables	**62,598**	**–**	**–**	**–**	**62,598**	**62,598**
Other payables	**17,649**	**–**	**–**	**–**	**17,649**	**17,649**
Borrowings	**6,955**	**7,069**	**13,141**	**366,411**	**393,576**	**327,500**
Capitalised debt establishment costs	**(276)**	**(261)**	**(523)**	**(717)**	**(1,777)**	**(1,777)**
Total non-derivatives	**86,926**	**6,808**	**12,618**	**365,694**	**472,046**	**405,970**
Derivatives						
Net settled (interest rate swaps)	**(3)**	**–**	**–**	**–**	**(3)**	**(3)**
Other hedging instruments	**(474)**	**(37)**	**–**	**–**	**(511)**	**(511)**
	(477)	**(37)**	**–**	**–**	**(514)**	**(514)**
Gross settled (forward foreign exchange contracts – cash flow hedges)						
- (inflow)	**(108,781)**	**(48,402)**	**(1,580)**	**–**	**(158,763)**	**(3,637)**
- outflow	**106,277**	**47,349**	**1,516**	**–**	**155,141**	**–**
	(2,504)	**(1,053)**	**(64)**	**–**	**(3,622)**	**(3,637)**
AT 31 DECEMBER 2017						
Non-derivatives						
Trade payables	63,366	–	–	–	63,366	63,366
Other payables	20,868	–	–	–	20,868	20,868
Borrowings	5,100	5,184	165,310	159,288	334,882	308,500
Capitalised debt establishment costs	(164)	(167)	(281)	(371)	(983)	(983)
Total non-derivatives	89,170	5,017	165,029	158,917	418,133	391,751
Derivatives						
Net settled (interest rate swaps)	(12)	103	–	–	91	91
Other hedging instruments	(430)	(141)	–	–	(571)	(571)
	(442)	(38)	–	–	(480)	(480)
Gross settled (forward foreign exchange contracts – cash flow hedges)						
- (inflow)	(86,250)	(42,716)	–	–	(128,966)	–
- outflow	86,541	43,014	–	–	129,555	139
	291	298	–	–	589	139

4.3 Derivative financial instruments

	2018 $'000	2017 $'000
Current assets		
Interest rate swap contracts – cash flow hedges	**3**	–
Forward foreign exchange contracts – cash flow hedges	**4,236**	1,587
Other hedging instruments	**511**	571
Transfer to assets classified as held for sale	**(1,452)**	–
Total current derivative financial instrument assets	**3,298**	2,158
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	**599**	1,726
Interest rate swap contracts – cash flow hedges	**–**	91
Transfer to liabilities directly associated with assets classified held for sale	**(34)**	–
Total current derivative financial instrument liabilities	**565**	1,817
	2,733	341

Interest rate swap contracts – cash flow hedges

The Group manages interest rate risk through swap contracts in accordance with the Financial Risk Management policy.

Bank loans of the Group currently bear an average variable interest rate of 3.9% (2017: 3.3%). Although not required under the current banking facilities, it is Group policy to protect between 50% and 75% of the loans from exposure to fluctuations in interest rates for a 12 month rolling period, except where approved by the Board.

As at 31 December 2018, the swaps cover approximately 92% of the variable loan principal outstanding and have a tenure of no longer than 12 months in accordance with Group policy. The fixed interest rates for 2018 ranged between 3.17% and 4.16% (2017: 2.95% and 3.85%) and the variable rates ranged between 1.03% and 2.05% above the 90 day bank bill rate, which at 31 December 2018 was 2.09% (2017: 1.78%).

The contracts require settlement of net interest receivable or payable monthly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised.

Forward exchange contracts – cash flow hedges

The Group purchases inventory from the United States, Canada, Chile, New Zealand, Europe and Australia. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars, Euros and Canadian dollars.

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major purchases are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by reclassifying the related amount from other comprehensive income.

(a) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The Group:

- Designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).
- Documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.
- Documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast purchase that is hedged is recorded in cost of sales). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

- When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Hedging Reserves

The group’s hedging reserves disclosed in Section 4.5 relate to the following hedging instruments

CASH FLOW HEDGE RESERVE				
2018	SPOT COMPONENT OF CURRENCY FORWARDS $’000	INTEREST RATE SWAPS $’000	ENERGY HEDGES $’000	TOTAL HEDGES RESERVES $’000
Opening balance 1 January 2018	(130)	(63)	411	218
Add: revaluation gross	2,772	94	(71)	2,795
Less: Deferred tax	(826)	(28)	19	(835)
Closing balance 31 December 2018	**1,816**	**3**	**359**	**2,178**

CASH FLOW HEDGE RESERVE				
2017	SPOT COMPONENT OF CURRENCY FORWARDS $'000	INTEREST RATE SWAPS $'000	ENERGY HEDGES $'000	TOTAL HEDGES RESERVES $'000
Opening balance 1 January 2017	(406)	(147)	(298)	(557)
Add: revaluation gross	211	(237)	869	843
Less: Deferred tax	65	27	160	(68)
Closing balance 31 December 2017	(130)	(63)	411	218

There were no reclassifications from the cash flow hedge reserve to profit or loss during the period in relation to the foreign currency forwards and options.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Australia or the derivative counterparty.

The group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during 2018 or 2017 in relation to the interest rate swaps.

(b) 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 31 December 2018 and 2017, the Group's derivative instruments were all level 2:

- Derivative financial assets $4,761,000 (2017: $2,158,000)
- Derivative financial liabilities $598,000 (2017: $1,817,000)

4.4 Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to capital are shown in equity as a deduction, net of tax, from the proceeds.

(a) Movements in ordinary share capital

DATE	DETAILS	NUMBER OF SHARES	AVERAGE PRICE	$'000
1 January 2017	Opening balance	545,926,505		265,303
April – May 2017	Share buy-back	(2,804,014)	$1.60	(4,488)
31 December 2017	**Balance**	**543,122,491**		**260,815**
31 December 2018	**Closing balance**	**543,122,491**		**260,815**

4.5 Reserves

	2018 $'000	2017 $'000
Movements:		
Cash flow hedges		
Opening balance	**218**	(491)
Revaluation – gross (continuing operations)	**1,402**	576
Revaluation – gross (discontinued operations)	**1,393**	362
Deferred tax	**(835)**	(229)
Balance 31 December	**2,178**	218
Share-based payments		
Opening balance	**15,861**	15,861
Share plan expense	**–**	–
Employee Share Trust to employees	**–**	–
Balance 31 December	**15,861**	15,861
Foreign currency translation		
Opening balance	**13,395**	23,419
Currency translation differences arising during the year	**8,968**	(11,643)
Deferred tax	**(1,292)**	1,619
Balance 31 December	**21,071**	13,395

(i) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in section 4.3(a). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(ii) Share-based payments

The share-based payments reserve is used to recognise:

- The grant date fair value of shares issued to employees.
- The grant date fair value of deferred shares granted to employees but not yet vested.
- The issue of shares held by the Employee Share Trust to employees.

(iii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Section 5: Employee Reward and Recognition

In this section

This section provides financial insight into employee reward and recognition for creating a high-performance culture and Asaleo Care's ability to attract and retain talent. This section should be read in conjunction with the Remuneration Report as set out in the Directors' Report.

Superannuation expense included in operating expenses was $6.8 million (2017: $7.0 million). The Group contributes to an accumulation fund on behalf of qualifying employees.

5.1 Key Management Personnel Disclosures

Key Management Personnel Compensation

	2018 $	2017 $
Short-term employee benefits	**2,841,263**	2,863,455
Post-employment benefits	**166,116**	195,128
	3,007,379	3,058,583

5.2 Share-Based Payments

Share-based compensation benefits are provided to employees via the Executive Incentive Plan (EIP) as discussed below.

(a) Executive Incentive Plan (EIP)

Maximum annual incentive entitlement is awarded for achievement of Key Performance Indicators which reflect significant stretch performance. A third of the maximum annual incentive entitlement is awarded for Threshold performance while two-thirds of the maximum annual incentive entitlement is awarded for Target performance.

The EIP award is delivered in a combination of cash, share rights and restricted ordinary shares:

- 50% of EIP award will be paid in cash as soon as practicable after submission of the Company's full year financial results for the relevant performance period to the Australian Securities Exchange (ASX).
- 50% of EIP award will be awarded by means of share rights. These share rights are unlisted rights over the ordinary shares in the Company and become exercisable into restricted ordinary shares at the end of the year following the performance period. Once the restricted ordinary shares are granted, they are subject to disposal restrictions (holding lock) for a further three years. During the holding lock period, Executives will not be able to sell, transfer or otherwise dispose of or deal in their shares. They will have all the rights of holders of ordinary shares including being entitled to receive dividends in cash and vote during the holding lock period.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was nil (2017: nil).

5.3 Employee Provisions

Recognition and measurement

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave are presented as the employee provisions in the balance sheet. All other short-term employee benefit obligations are presented as other payables (refer section 3.1(d)).

(ii) Long-term obligations

The liability for long service leave and annual leave, which are not expected to be settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

For the amount of the provision presented as current of $11.5 million (2017: $20.4 million), it is not expected, based on the past experience, that $5.9 million (2017: $12.3 million) will be settled within 12 months after the reporting period. However, the whole amount has been classified as current as the Group does not have an unconditional right to defer settlement for any of these obligations.

Section 6: Other Disclosures

In this section

This section includes additional financial information that is required by the accounting standards and the *Corporations Act 2001*.

6.1 Subsidiaries

The consolidated financial statements incorporate 100% of the assets, liabilities and results of the following wholly owned subsidiaries:

AUSTRALIA	NEW ZEALAND	FIJI
AHACS Pty Ltd*	Asaleo Care Ltd (NZ)	Asaleo Holdings Fiji Ltd
Asaleo Holdings Australia Pty Ltd*	Asaleo Holdings New Zealand Ltd	Asaleo Care Fiji Ltd
Australasia Health Services Pty Ltd	Asaleo Care New Zealand Ltd	
Asaleo Tissue Australia Pty Ltd*		
Asaleo Care Australia Pty Ltd*~		
Asaleo Personal Care Holdings Pty Ltd*		
Asaleo Personal Care Pty Ltd*		

* These subsidiaries have entered into an approved deed for the cross guarantee of debts with the parent Asaleo Care Limited. Refer section 5.2.
~ Entity carrying assets held for sale, refer to section 1.1.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

6.2 Deed of Cross Guarantee

The companies noted in section 6.1 are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. These companies represent a 'closed group' for the purposes of the Class Order, as there are no other parties to the deed of cross guarantee that are controlled by Asaleo Care Ltd, they also represent the 'extended closed group'.

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a Financial Report and directors' report under ASIC Corporations (Wholly owned companies) Instrument 2016/785.

(a) Consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

Set out below is a Consolidated Income Statement, a Consolidated Statement of Profit or Loss and Other Comprehensive Income and a summary of movements in consolidated retained earnings for the year ended 31 December 2018 of the closed group.

	2018 $'000	2017 $'000
Revenue from continuing operations	**415,680**	437,427
Other revenue from ordinary activities	**12,122**	24,213
Other income	**3,882**	4,544
Cost of sales of goods	**(282,610)**	(274,817)
Distribution expenses	**(46,085)**	(48,534)
Sales and administration expenses	**(47,016)**	(48,810)
Other expenses	**(147,981)**	(17,909)
Finance costs	**(15,030)**	(11,540)
(Loss)/Profit before income tax	**(107,038)**	64,574
Income tax expense	**23,362**	(15,094)
(Loss)/Profit for the period	**(83,676)**	49,480
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**2,602**	(1,693)
Income tax relating to these items	**(781)**	508
Other comprehensive income/(loss) for the period, net of tax	**1,821**	(1,185)
Total comprehensive (loss)/income for the period	**(81,855)**	48,295
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	**(16,857)**	(11,857)
(Loss)/Profit for the year	**(83,676)**	49,480
Dividends paid	**(32,588)**	(54,480)
Accumulated losses at the end of the financial year	**(133,121)**	(16,857)

(b) Consolidated Balance Sheet

Set out below is a Consolidated Balance Sheet as at 31 December 2018 of the closed group.

	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	**34,995**	12,531
Trade receivables	**6,675**	9,814
Related parties receivables	**103,326**	97,835
Inventories	**102,827**	113,315
Derivatives financial instruments	**2,813**	813
Current tax assets	**6,606**	–
Other current assets	**10,843**	3,934
Total current assets	**268,085**	238,242
Non-current assets		
Other financial assets	**10,126**	10,126
Property, plant and equipment	**157,158**	229,352
Intangible assets	**158,884**	200,869
Total non-current assets	**326,168**	440,347
Total assets	**594,253**	678,589
Current liabilities		
Trade payables	**71,549**	42,653
Other payables	**26,587**	19,246
Derivative financial instruments	**138**	1,437
Employee provisions	**14,750**	15,532
Current tax liabilities	**–**	2,234
Total current liabilities	**113,024**	81,102
Non-current liabilities		
Borrowings	**325,738**	307,517
Deferred tax liabilities	**9,923**	29,984
Employee provisions	**617**	592
Total non-current liabilities	**336,278**	338,093
Total liabilities	**449,302**	419,195
Net assets	**144,951**	259,394
Equity		
Contributed equity	**260,815**	260,815
Other reserves	**17,257**	15,436
Accumulated losses	**(133,121)**	(16,857)
Total equity	**144,951**	259,394

6.3 Asaleo Care Ltd – Parent Entity

(a) Summary financial information

The parent entity of the Group is Asaleo Care Ltd.

The financial information for the company has been prepared on the same basis as the consolidated financial statements, except as set out below:

- Investments in subsidiaries are accounted for at cost in the financial statements of Asaleo Care Ltd. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.
- Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.
- The grant by the Company of its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 $'000	2017 $'000
Balance sheet		
Current assets	**270,887**	241,792
Non-current assets	**141,569**	144,959
Total assets	**412,456**	386,751
Current liabilities	**139,735**	102,681
Non-current liabilities	**839**	–
Total liabilities	**140,574**	102,681
Net assets	**271,882**	284,070
Shareholders' equity		
Issued capital	**260,815**	260,815
Reserves		
Dividend appropriation reserve	**30,832**	43,020
Share-based payments	**15,861**	15,861
Accumulated losses	**(35,626)**	(35,626)
Total equity	**271,882**	284,070
Profit for the period	**20,399**	55,684
Total comprehensive income	**20,399**	55,684

Subsequent to year-end, the directors of the subsidiaries have not declared and paid a dividend, maintaining the total amount available for distribution to shareholders to $30.8 million.

(b) Other parent entity information

The parent entity:

- has not provided financial guarantees as at 31 December 2018 or 31 December 2017;
- did not have any contingent liabilities as at 31 December 2018 or 31 December 2017; and
- has no contractual commitments for the acquisition of property, plant or equipment as at 31 December 2018 or 31 December 2017.

Asaleo Care Ltd holds an investment in AHACS Pty Ltd and its subsidiaries to the value of $141,569,252 (2017: $141,569,252).

6.4 Related Party Transactions

The following transactions occurred with related parties:

	2018 $	2017 $
Purchases of goods		
Purchases of materials and goods from other related parties	**69,079,425**	59,057,524
Sale of goods		
Sale of materials and goods to other related parties	**1,262,957**	4,736,634
Other transactions		
Royalties – Essity Hygiene and Health Aktiebolag, formerly SCA Hygiene Products AB*	**6,351,022**	6,214,307

* 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.

For amounts due to related parties, refer to section 3.1(c).

6.5 Remuneration of Auditors

During the period, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) PricewaterhouseCoopers Australia

	2018 $	2017 $
Audit and other assurance services		
Audit and review of financial statements	**625,885**	450,000
Other assurance services	**15,924**	12,000
Total remuneration for audit and other assurance services	**641,809**	462,000
Taxation services		
Tax compliance services and review of company income tax returns	**77,888**	57,084
Tax assistance with transaction	**289,361**	8,600
Total remuneration for taxation services	**367,249**	65,684
Other services		
Due Diligence assistance	**325,001**	3,114
Total remuneration for other services	**325,001**	3,114
Total remuneration of PricewaterhouseCoopers Australia	**1,334,059**	530,798

(b) Network firms of PricewaterhouseCoopers Australia

	2018 $	2017 $
Audit and other assurance services		
Other assurance services	**–**	803
Taxation services		
Tax compliance services and review of company income tax returns	**21,140**	27,049
Tax consulting services and advice	**–**	5,158
Total remuneration for taxation services	**21,140**	32,207
Other Services		
Consulting services	**–**	–
Total remuneration of network firms of PricewaterhouseCoopers Australia	**21,140**	33,010
Total auditors' remuneration	**1,355,199**	563,808

6.6 Contingent Liabilities

The Group had no contingent liabilities at 31 December 2018 (2017: nil).

6.7 Basis of Preparation and Compliance

There were no subsequent events after the reporting period occurred.

The principal accounting policies adopted in the preparation of these consolidated financial statements have been set out throughout the document. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

These financial statements:

- Are general purpose financial statements.
- Have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AASBs) and Interpretations issued by the Australian Accounting Standards Board. These financial statements also comply with International Financial Reporting Standards (AASB) and Interpretations as issued by the International Accounting Standards Board.
- Have been prepared on a going concern basis using historical cost conventions except for financial instrument measured at fair value through the profit or loss.
- Are 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 Report) Instrument 2016/191.
- Present reclassified comparative information where required for consistency with the current year's presentation.
- Adopt all new and amended AASBs and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2017.
- Do not early adopt any AASBs and Interpretations that have been issued or amended but are not yet effective.
- Have all intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intercompany transactions eliminated in full.

Financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Asaleo Care Ltd's functional and presentation currency.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable.
- approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- All resulting exchange differences are recognised in other comprehensive income.

Goods and Services Tax (GST) is recognised in these financial statements as follows:

- Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority.
- Receivables and payables are stated inclusive of the amount of GST receivable or payable.
- The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.
- Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities are presented as operating cash flows.
- Commitments are disclosed net of GST.

(b) New accounting standards and interpretations

New and amended accounting standards and Interpretations issued and effective

There are no standards issued and applicable from 1 January 2018 that had a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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.

Management has assessed the effects of applying the new standard on the Group's financial statements and has concluded that its application 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.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations were available for early adoption for the Group's annual reporting period beginning 1 January 2018 but have not yet been applied in preparing these financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

Of those standards that are not yet effective, AASB 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

AASB 16 Leases

The Group is required to adopt AASB 16 Leases from 1 January 2019. AASB 16 replaces existing leases guidance, including AASB 117 *Leases* and related Interpretations. The Group has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group will recognise new assets and liabilities for its operating leases of warehouse, machinery and office facilities. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available and net of discontinued operations, the Group estimates that it will recognise right-of-use assets within a range of approximately $23 million to $24 million on 1 January 2019, and lease liabilities within a range of $26 million to $27 million. The discontinued operations right-of-use assets amounts to approximately within a range of $12 million to $13 million and lease liabilities within a range of $13 million to $14 million on 1 January 2019. The estimated impact was calculated using a discount rate derived from the incremental borrowing rate when the interest rate implicit in the lease was not readily available. The Group does not expect the adoption of AASB 16 to impact its ability to comply with its debt covenants.

The Group plans to apply AASB 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. No practical expedients will be applied.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 65 to 112 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 31 December 2018 and of its performance for the Year Ended 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 identified in section 6.2 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 described in section 6.2.

Section 6.7(a) confirms that the 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, Chairman

Dated this 19th day of February 2019

Independent auditor's report

To the members of Asaleo Care Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Asaleo Care Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2018
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*
• For the purpose of our audit we used overall Group materiality of $1.6m, which represents approximately 5% of the Group's profit before tax from continuing operations, adjusted for impairment losses of $27.3m. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and is a generally accepted benchmark. We adjusted for impairment as it is an unusual or infrequently occurring item impacting profit and loss. • We selected 5% threshold based on our professional judgement, noting that it is within the range of commonly acceptable profit related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • We conducted an audit of the Australian and New Zealand operations, including the discontinued operations, given their financial significance to the Group as described in note 1.1 of the financial report. • We performed most of our audit procedures at the Group's head office in Australia. We also visited a selection of the Group's production and warehousing facilities in both Australia and New Zealand in order to perform specific risk focussed audit procedures over the Group's inventory.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Disclosure of the Australian Consumer Tissue business as held for sale *(Refer to note 1.1)* In December 2018, the Group announced the sale of the Australian Consumer Tissue business, expected to be completed during the first quarter of 2019. The Group has classified the Australian Consumer Tissue business as held for sale in the consolidated balance sheet and as a discontinued operation in the consolidated statement of profit or loss. The accounting for the expected sale of the Australian Consumer Tissue business was a key audit matter because the transaction is complex, non-routine and involves judgements by the Group.	Our audit procedures included, but were not limited to: • Read the terms of the Sale Agreement. • Evaluated the Group's conclusions on the relevant classification as held for sale and discontinued operation. • Evaluated the presentation of the Australian Consumer Tissue business as held for sale and a discontinued operation, including the allocated assets, liabilities, income, expenses and corporate costs. • Compared the carrying amount of the Australian Consumer Tissue business to the value per the Sale Agreement and assessed the Group's estimate of the costs to sell. • Considered the Group's assessment of the taxation impact of the expected sale as at 31 December 2018. • Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.
Carrying value of indefinite-lived intangible assets *(Refer to note 3.3)* As at 31 December 2018, the Group held total intangible assets of $134.5m At 30 June 2018, indicators of impairment of the intangible assets were identified due to changes in market conditions and operating performance in some of the Group's cash generating units (CGUs). As a result, the Group assessed the recoverable amount of the assets using value-in-use discounted cash flow models. The impairment assessment resulted in impairment losses of $140.0m recognised across these CGUs, which have been allocated to the respective goodwill, intangible assets, inventory and plant & equipment as described in note 3.3.	Our audit procedures included, but were not limited to: • Tested the mathematical accuracy of the impairment models calculations. • Compared the forecast cash flows used in the impairment models with the budget formally approved by the Board. • Assessed the cash flow forecasts for each CGU in the impairment models by considering the key factors and underlying drivers for growth in the context of the Group's future plans. • Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in the prior year models to the actual performance of each

Key audit matter	*How our audit addressed the key audit matter*
The CGU determination changed during the year as a result of the expected sale of the Australian Consumer Tissue business and the related impact on internal reporting and management reporting changes. A goodwill impairment assessment was performed by the Group on the previous CGUs, prior to reorganisation, with no further impairment identified. The Group identified three revised CGUs, being Retail Australia, Retail New Zealand and Business-to-Business (B2B). The Group's intangible assets, including goodwill, were reallocated across these CGUs. The Group performed a further impairment assessment at 31 December 2018 of the new CGUs. This involved calculating the value-in-use of the three CGUs. This calculation was based on models with estimated future cash flows for each CGU, discounted to net present value. The assessment by the Group did not identify a need for further impairment for any of the CGUs. The Group performed sensitivity analysis and determined that the Retail New Zealand CGU impairment assessment was sensitive to a reasonable possible change in key assumptions, as disclosed in note 3.3. We considered the carrying value of indefinite-lived intangible asset to be a key audit matter as the balance is material and there are significant judgements and estimates involved in the impairment assessment.	CGU in the current year. • Compared the terminal growth rates in the impairment models to historical growth rates and economic forecasts. • Considered the allocation of the impairment charge recognised during the year to the Group's assets. • Assessed the changes to the CGUs determination, including reallocation of intangible assets, based on our understanding of the nature of the Group and their operations, and assessed whether this was consistent with the internal reporting of the business. • Assessed the allocation of assets, liabilities and cash flows to each CGU and found them to be attributable to the individual CGUs, and a reasonable allocation of corporate assets. With the assistance of PwC internal valuation experts, we assessed the discount rates used in the impairment assessment by comparing them to our view of an acceptable range based on market data, comparable companies and industry research. We evaluated sensitivity analysis for each CGU and noted that the Retail New Zealand CGU model is sensitive to reasonably possible changes in key assumptions. We considered the disclosures made in note 3.3, including those regarding the change in CGU determination, key assumptions and sensitivities to reasonable possible changes in such assumptions, in light of the requirements of Australian Accounting Standards.
Borrowings *(Refer to note 4.1)* As 31 December 2018, the Group recognised non-current interest bearing debt of \$325.7m (net debt \$262.4m). Borrowings represent the largest liability on the balance sheet. In June 2018, the Group refinanced its long-term debt facilities, replacing the previous bank facilities and issuing senior notes.	Our audit procedures included, but were not limited to: • Obtained external confirmations from the Group's financiers to confirm the balance of the borrowings. • Read the borrowing agreements and inspected correspondence between the Group and its financiers to

Key audit matter	How our audit addressed the key audit matter
The refinancing of the borrowings was a significant transaction during the year. Given the financial covenants with the banking agreements and the forecast impact of the sale of the Australian Consumer Tissue business, we considered borrowings to be a key audit matter at 31 December 2018.	develop an understanding of the terms associated with the facilities, including undertakings requirements and financial covenants. • Compared the debt and maturity profile of the facility within the debt agreements to the classification of borrowings in the financial report at 31 December 2018. • Assessed the Group's evaluation that their borrowing are classified as non-current at 31 December 2018. • Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.
Adequacy of trade spend accruals for retail promotional activity *(Refer to note 3.1)* As is industry practice in Australia and New Zealand, there are numerous pricing arrangements ("trade spend" or "rebates") with retail customers (such as supermarkets) which relate to the retailer selling Asaleo Care products on promotion. The Group is required to estimate and accrue for these rebates (variable trade spend obligations) at each reporting date to the extent they relate to sales made by the Group in the financial year. We considered these variable trade spend accruals a key audit matter due to the level of judgement required by the Group in estimating the amount payable to retailers.	We obtained an understanding and evaluated the design and implementation of controls that the Group has established in relation to trade spend accruals. As part of our audit procedures we performed the following procedures amongst others on a sample basis: • Inspected rebates claimed by retailers after the balance date and agreed that where these claims related to sales made by the Group before year end they were adequately accrued. • Where no subsequent claim had been received, we re-calculated the year-end trade spend accruals by comparing the number of units sold by the retailer during the promotional period to the Group's estimate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report and shareholder information. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 53 to 63 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of Asaleo Care Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Alison Tait

Alison Tait
Partner

Melbourne
19 February 2019

Shareholder information

Additional information required by the Australian Securities Exchange Listing Rules not elsewhere disclosed in this Report. The Shareholder Information set out below was applicable as at 7 February 2019.

Distribution of Shareholders

RANGE	INVESTORS	SECURITIES	% OF ISSUED CAPITAL
100,001 and Over	48	514,472,859	94.73
10,001 to 100,000	760	17,956,773	3.31
5,001 to 10,000	798	5,895,669	1.09
1,001 to 5,000	1,578	4,393,591	0.81
1 to 1,000	707	403,599	0.07
Total	**3891**	**543,122,491**	**100.00**

There were 289 holders with less than a marketable parcel of ordinary shares. Each ordinary share is entitled to one vote.

Substantial Shareholders

Based on the Substantial Holder notices lodged with the ASX, the following shareholders had a greater than 5% beneficial interest in the Company.

NAME	NUMBER OF SHARES	% OF ISSUED SHARES
ESSITY GROUP HOLDING B.V.	196,396,028	36.16
ALLAN GRAY AUSTRALIA PTY LGD	87,899,538	16.18
MARATHON ASSET MANAGEMENT	49,432,426	9.1%

Twenty largest registered Shareholders

The names of the 20 largest registered shareholders are listed below.

NAME	ORDINARY SHARES	% OF UNITS
ESSITY GROUP HOLDING B.V.	196,396,028	36.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	128,929,568	23.74
CITICORP NOMINEES PTY LIMITED	82,637,796	15.22
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	49,551,873	9.12
NATIONAL NOMINEES LIMITED	24,480,310	4.51
ARGO INVESTMENTS LIMITED	6,001,980	1.11
CITICORP NOMINEES PTY LIMITED	5,981,346	1.10
BRAZIL FARMING PTY LTD	3,300,000	0.61
BAINPRO NOMINEES PTY LIMITED	2,791,445	0.51
BNP PARIBAS NOMS PTY LTD	2,110,399	0.39
BNP PARIBAS NOMINEES PTY LTD	1,849,237	0.34
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,582,026	0.29
PACIFIC CUSTODIANS PTY LIMITED	648,243	0.12
QUINTONA PTY LTD	630,000	0.12
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	570,475	0.11
NIDO D'ORO PTY LTD	563,134	0.10
PANTHER TRADING PTY LTD	500,000	0.09
MR BRADLEY ALAN HOLDWAY	475,000	0.09
FRANED PTY LIMITED	400,000	0.07
MR NIGEL GRANT	365,000	0.07
Total	**509,763,860**	**93.86**
Balance of register	**33,358,631**	**6.14**
Grand total	**543,122,491**	**100.00**

Corporate Directory

Company's registered office

Asaleo Care Limited
ABN 61 154 461 300
Ailsa Street, PO Box 177
Box Hill, VIC 3128, Australia
Phone: 1800 643 634 (within Australia)

Share registry

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000, Australia
Postal Address: Locked Bag A14,
Sydney South NSW 1235
Phone: + 61 1300 554 474 (toll free within Australia)
Fax: + 61 2 9287 0303
Website: www.linkmarketservices.com.au
Email: registrars@linkmarketservices.com.au

Shareholder information

All up-to-date shareholder information is available online at www.asaleocare.com

You can view this report as well as latest news, presentations and Company policies (including corporate governance policies).

Asaleo Care produces a range of publications which are available in formats that allow shareholders to receive information in their preferred manner. View online, download or receive a paper copy by calling Link Market Services. Shareholder queries can also be made to investors@asaleocare.com

Online shareholder services

The Asaleo Care Registry and all shareholder services are managed by Link Market Services. Investors can manage their shareholding online via the Investor Centre at www.investorcentre.linkmarketservices.com.au including:

- reviewing holding balances
- updating your personal details (such as change of address, email address or other contact information)
- lodgement of tax file number
- advise banking instructions for direct crediting of the payments
- updating communication preferences
- accessing forms

Please note that you will require your Holder Identification Number (HIN) or Securityholder Reference Number (SRN) to login to Investor Centre. You can find this number on your most recent Holding Statement.

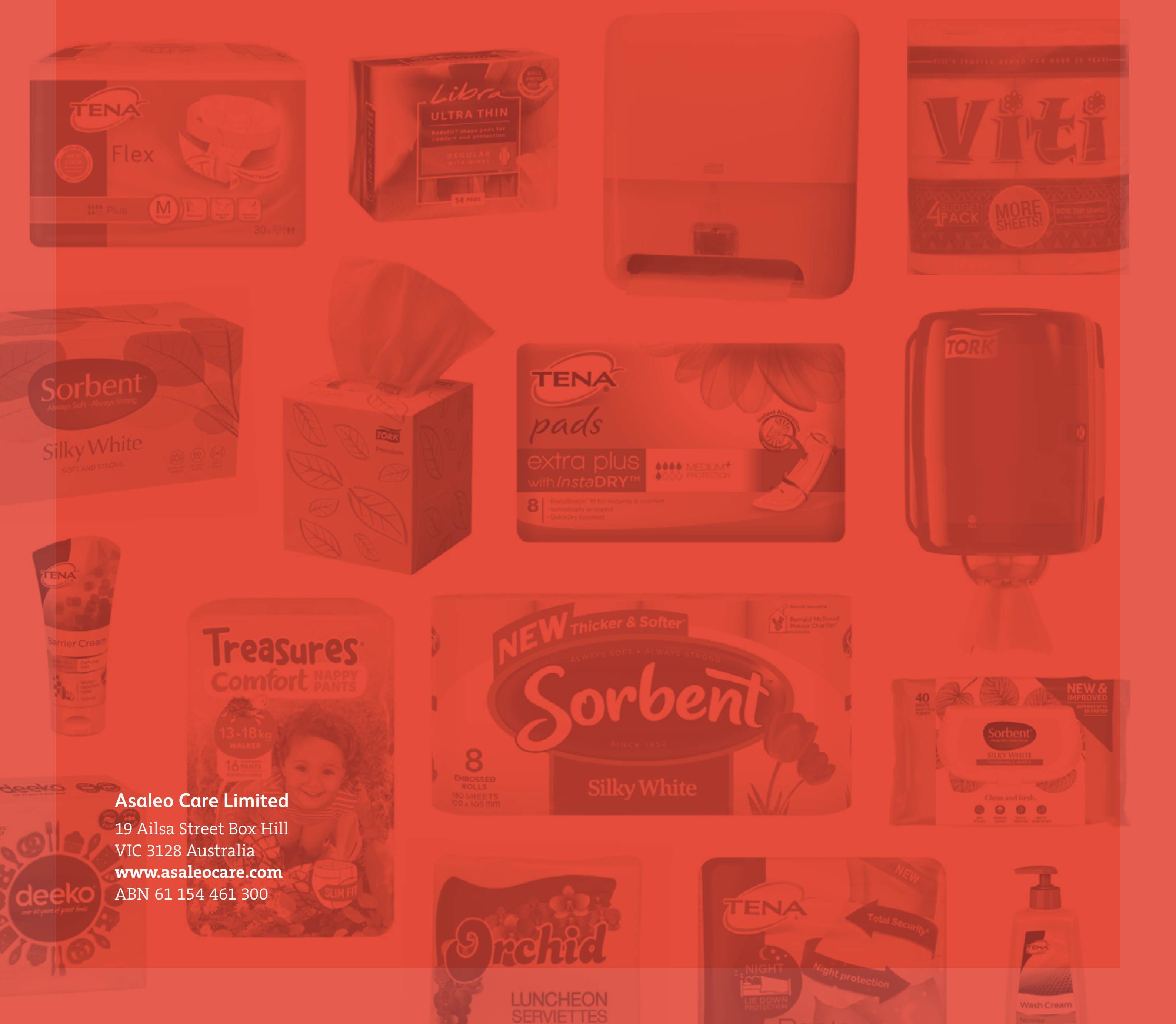
Auditor

PricewaterhouseCoopers Limited,
2 Riverside Quay Southbank
VIC 3006, Australia.

Key dates for shareholders

The following table sets out future dates in the 2019 financial and calendar year of interest to our shareholders. If there are any changes to these dates, the Australian Securities Exchange will be notified.

Date	Event
30 April 2019	**Annual General Meeting**
20 August 2019	**Half Year Results**



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