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

20 August 2019

Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Electronic lodgement via ASX Online

Asaleo Care Limited (AHY) – Appendix 4D for the half year ended 30 June 2019

In accordance with ASX Listing Rule 4.2A.3, please find attached the Appendix 4D for the half year ended 30 June 2019 for immediate release. The Appendix 4D incorporates the Interim Financial Report.

Yours sincerely,

James Orr
Company Secretary

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Appendix 4D Rule 4.2A.3

Half year report

Asaleo Care Limited
ABN 61 154 461 300

1. Details of reporting period and the previous corresponding period

Reporting Period:	half year ended 30 June 2019
Previous Corresponding Period:	half year ended 30 June 2018

2. Results for announcement to the market

Key information	**30 June 2019**				**30 June 2018****
Statutory results*					
2.1 Revenue from ordinary activities (thousands)	202,025	Up	2.2%	from	197,646
2.2 Net profit after tax for the period attributable to members (thousands)	7,286	Up	107.2%	from	(101,459)
2.3 Net profit after tax from continuing operations (thousands)	11,727	Up	210.7%	From	(10,594)
2.4 Basic earnings per share (cents)	1.3	Up	107.0%	from	(18.7)
2.5 Diluted earnings per share (cents)	1.3	Up	107.0%	from	(18.7)
Underlying results*					
2.1 Revenue from ordinary activities (thousands)	202,025	Up	2.2%	from	197,646
2.2 Net profit after tax for the period attributable to members (thousands)	14,351	Down	30.7%	from	20,716
2.3 Basic earnings per share (cents)	2.6	Down	31.6%	from	3.8
2.4 Diluted earnings per share (cents)	2.6	Down	31.6%	from	3.8

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

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

	30 June 2019	30 June 2018
2.7 Net tangible asset backing per ordinary security (cents per share)	2.4	5.5

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

*** Supplementary comments**

As required for statutory reporting purposes, the statutory financial information for Asaleo Care Limited (the Company) and its controlled entities (collectively referred to as the Asaleo Care Group) has been presented for the financial period ended 30 June 2019 and for the comparative period ended 30 June 2018.

A reconciliation between the 2019 Underlying financial information and Asaleo Care Group's statutory financial information is included in Note 4(c) of the Interim Financial Report.

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

*** Restated 2018 results**

Numbers have been restated due to the classification of Consumer Tissue Australia as a discontinued operatons.

James Orr
Company Secretary

Date: 20 August 2019

Asaleo Care Limited

ABN 61 154 461 300

Interim Financial Report

for the half year ended
30 June 2019

Asaleo Care Limited
ABN 61 154 461 300
Interim Financial Report - 30 June 2019

Contents

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Asaleo Care Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2019.

Directors

The following persons were directors of Asaleo Care Limited during the half year ended 30 June 2019:

Harry Boon	Independent Non-Executive Director
Sid Takla	Chief Executive Officer and Managing Director
Mats Berencreutz	Non-Executive Director (nominee of Essity AB)
Robert Sjöström	Non-Executive Director (nominee of Essity AB)
Sue Morphet	Independent Non-Executive Director
JoAnne Stephenson	Independent Non-Executive Director

Review of operations

A review of operations of the Group during the half year, and the results of those operations is contained in Asaleo Care Limited's statement to the Australian Stock Exchange and the Investor Results Release dated 20 August 2019.

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. The sale was on competed on 29 March 2019.

Auditor's independence declaration

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

Rounding of amounts

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

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

Harry Boon
Director

Dated this 19th day of August 2019

Auditor's Independence Declaration

As lead auditor for the review of Asaleo Care Limited for the half-year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
19 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
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T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

	Notes	Consolidated entity **30 June 2019 $'000**	Restated 30 June 2018 $'000
Revenue from continuing operations			
Sale of goods	4(b)	**202,025**	197,646
Other revenue from ordinary activities		**315**	245
		202,340	197,891
Other income		**466**	-
Expenses			
Cost of sales of goods		**(125,198)**	(113,948)
Other expenses from ordinary activities:			
Distribution		**(21,670)**	(21,099)
Sales and administration		**(25,321)**	(24,489)
Other	4(c)	**(6,760)**	(14,635)
Impairment losses	4(c)	**-**	(27,302)
Finance costs	4(c)	**(7,666)**	(6,695)
Profit/(loss) before income tax	4(c)	**16,191**	(10,277)
Income tax (expense)		**(4,464)**	(317)
Profit/(loss) from continuing operations		**11,727**	(10,594)
(Loss) from discontinued operations	3	**(4,441)**	(90,865)
Profit/(loss) for the period		**7,286**	(101,459)
Item that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges of continuing operations	13	**(1,466)**	1,500
Changes in the fair value of cash flow hedges of discontinued operations	13	**-**	2,107
Exchange differences on translation of foreign operations	13	**810**	1,689
Income tax relating to these items	13	**290**	(1,220)
Other comprehensive (loss)/income for the period, net of tax		**(366)**	4,076
Total comprehensive income/(loss) for the period		**6,920**	(97,383)
Total comprehensive income/(loss) for the period attributable to:			
Owners of Asaleo Care Limited		**6,920**	(97,383)

		Cents	**Cents**
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:			
Basic earnings/(loss) per share	5	1.3	(18.7)
Diluted earnings/(loss) per share	5	1.3	(18.7)

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

Asaleo Care Limited
Consolidated Balance Sheet
As at 30 June 2019

	Notes	Consolidated entity **30 June 2019 $'000**	31 December 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**30,566**	67,355
Trade receivables		**9,407**	12,998
Inventories	7	**111,778**	107,277
Derivative financial instruments	10	**2,244**	3,298
Current tax receivable		**6,532**	6,736
Other current assets		**5,241**	9,391
Assets classified held for sale		**-**	178,789
Total current assets		**165,768**	385,844
Non-current assets			
Property, plant and equipment	8	**144,258**	138,564
Right-of-use assets	15	**21,559**	-
Intangible assets	9	**134,688**	134,542
Total non-current assets		**300,505**	273,106
Total assets		**466,273**	658,950
LIABILITIES			
Current liabilities			
Trade payables		**53,067**	62,598
Other payables		**13,206**	17,649
Lease Liabilities	15	**8,706**	-
Current tax liabilities		**2,753**	9,152
Derivative financial instruments	10	**287**	565
Employee provisions		**11,114**	11,515
Liabilities directly associated with assets classified as held for sale		**-**	46,406
Total current liabilities		**89,133**	147,885
Non-current liabilities			
Borrowings	11	**181,002**	325,723
Lease liabilities	15	**15,743**	-
Deferred tax liabilities		**10,863**	20,291
Employee provisions		**364**	396
Total non-current liabilities		**207,972**	346,410
Total liabilities		**297,105**	494,295
Net assets		**169,168**	164,655
EQUITY			
Contributed equity	12	**260,815**	260,815
Other reserves	13	**38,744**	39,110
Retained earnings		**(130,391)**	(135,270)
Total equity		**169,168**	164,655

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

Consolidated entity	Notes	Contributed equity	Reserves	Retained earnings/ (losses)	Total equity
		Attributable to owners of Asaleo Care Limited			
		$'000	**$'000**	**$'000**	**$'0000**
Balance at 1 January 2018		260,815	29,474	5,997	296,286
Loss for the period		-	-	(101,459)	(101,459)
Other comprehensive income		-	4,076	-	4,076
Total comprehensive income/(loss) for the period		**-**	**4,076**	**(101,459)**	**(97,383)**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid		-	-	(32,587)	(32,587)
Balance at 30 June 2018		**260,815**	**33,550**	**(128,049)**	**166,316**
Balance at 1 January 2019		260,815	39,110	(135,270)	164,655
Impact of change in accounting policy	15	-	-	(2,407)	(2,407)
Profit for the period		-	-	7,286	7,286
Other comprehensive (loss)		-	(366)	-	(366)
Total comprehensive (loss)/profit for the period		**-**	**(366)**	**7,286**	**6,920**
Balance at 30 June 2019		**260,815**	**38,744**	**(130,391)**	**169,168**

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

	Notes	Consolidated entity 30 June 2019 $'000	30 June 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**261,518**	309,708
Payments to suppliers and employees (inclusive of goods and services tax)		**(286,404)**	(287,482)
		(24,886)	22,226
Income taxes paid		**(9,382)**	(3,646)
Interest received		**315**	147
Borrowing costs		**(8,433)**	(8,413)
Net cash (outflow)/inflow from operating activities		**(42,386)**	10,314
Cash flows from investing activities			
Payments for property, plant and equipment	8	**(16,477)**	(9,157)
Receipts from sale of property, plant and equipment		**31**	-
Proceeds from the sale of Consumer Tissue Australia	3	**180,000**	-
Payments related to sale of business transaction costs		**(6,965)**	-
Net cash inflow/(outflow) from investing activities		**156,589**	(9,157)
Cash flows from financing activities			
Proceeds from borrowings		**35,000**	55,000
Repayment of borrowings		**(180,000)**	(15,000)
Payment of principal elements of lease	15	**(6,140)**	-
Dividends paid to company's shareholders		**-**	(32,587)
Net cash (outflow)/inflow from financing activities		**(151,140)**	7,413
Net (decrease)/increase in cash and cash equivalents		**(36,937)**	8,570
Cash and cash equivalents at the beginning of the financial year		**67,355**	30,205
Effects of exchange rate changes on cash and cash equivalents		**148**	120
Cash and cash equivalents at end of period		**30,566**	38,895

The above Consolidated Statement of Cash flows includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in Note 3.

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

1 Summary of significant accounting policies

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

(a) Basis of preparation of interim report

This Condensed Consolidated Interim Financial Report for the half year ended 30 June 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The Condensed Consolidated Interim Financial Report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report of the consolidated entity as at and for the year ended 31 December 2018 and any public announcements made by Asaleo Care Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied by the consolidated entity in this Condensed Consolidated Interim Financial Report are consistent with those applied in the Annual Report for the year ended 31 December 2018.

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

(b) New accounting standards and interpretations

AASB 16 *Leases* became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as result of adopting the new standard. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed in Note 15.

2 Critical accounting estimates and judgement

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

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

(i) Discontinued operations

The Australian Consumer Tissue business was sold on 29 March 2019 for $180 million (subject to a favourable working capital adjustment of up to $6.3 million, which is yet to be confirmed). As such, the results have been disclosed as a discontinued operation. Further, an environmental indemnity granted by the Group in favour of the purchaser in respect of the manufacturing facility sold with the business, is subject to a limit of $9 million. At the date of this report, an environmental assessment of the site had not been completed. It is expected the working capital adjustment and quantification of the environmental indemnity will be known by 31 December 2019 and will be reflected in the financial statements as at that date as adjustments to the profit on sale.

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 were presented as held for sale within the balance sheet and were excluded from all related note disclosures in 2018.

2 Critical accounting estimates and judgement (continued)

(ii) Impairment assessment of indefinite life intangibles

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

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

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

(iii) Indefinite useful lives of brands

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

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

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

(iv) Income taxes

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

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

(v) Impairment of inventory

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

(vi) Customer rebates

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

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

(vii) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

3 Discontinued operations

The Australian Consumer Tissue business was sold on 6 December 2018 with effect from 29 March 2019 and is reported in the financial statements for the half-year ending 30 June 2019 as a discontinued operation. 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.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance and cash flow information presented reflects the operations for the 3 months ended 29 March 2019.

	29 March 2019 $'000	30 June 2018 $'000
Revenue from operations	**34,260**	69,599
Expenses	**(50,048)**	(191,447)
(Loss) before income tax	**(15,788)**	(121,848)
Income tax benefit	**3,985**	30,983
(Loss) after income tax of discontinued operations	**(11,803)**	(90,865)
Gain on sale of subsidiary	**7,362**	-
Loss from discontinued operations	**(4,441)**	(90,865)

(Loss) per share from discontinued operations attributable to the ordinary equity holders of the Company	**Cents**	Cents
Basic (loss) per share	**(0.8)**	(16.7)
Diluted (loss) per share	**(0.8)**	(16.7)

Statement of Cash Flows for discontinued operations	**2019 $'000**	2018 $'000
Net cash (outflow) from operating activities	**(38,296)**	(18,995)
Net cash inflow/(outflow) from investing activities	**172,033**	(3,642)
Net cash (outflow) from financing activities	**(1,669)**	-
Net increase/(decrease) in cash generated by discontinued operations	**132,068**	(22,637)

Details of the sale of subsidiary	**2019 $'000**
Consideration received:	
Cash	**180,000**
Total disposal consideration	**180,000**
Carrying amount of net assets sold	**(165,512)**
Sale of business costs	**(7,126)**
Gain on sale of subsidiary	**7,362**

There are estimates involved in calculating the profit on sale around the finalisation of certain items related to provisions and the working capital adjustment which will be finalised by 31 December 2019. 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. Assets held for sale at 31 December 2018 included these balances, however they were not included in the 29 March 2019 assets sold.

4 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.

As a result of the sale of the Australian Consumer Tissue business discussed in Note 3, 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, aged care facilities 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 provided to senior management

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

30 June 2019	**Retail**	**B2B**	**Continuing Operations**
	$'000	**$'000**	**$'000**
Revenue from external customers	95,580	106,445	202,025
Underlying EBITDA	18,565	20,799	39,364

30 June 2018 - restated	**Retail**	**B2B**	**Continuing Operations**
	$'000	**$'000**	**$'000**
Revenue from external customers	91,456	106,190	197,646
Underlying EBITDA	18,837	24,027	42,864

4 Segment information (continued)

(c) Underlying EBITDA

The Chief Executive Officer assesses the performance of the operating segments based on a measure of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as impairment and asset write-downs, restructuring costs, strategic review costs and accelerated depreciation, and this is then referred to as Underlying EBITDA. 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 underlying EBITDA to operating profit before income tax is provided as follows:

	Consolidated entity	
	30 June 2019 $'000	30 June 2018 $'000
Underlying EBITDA	**39,364**	42,864
Restructuring costs*	**(284)**	(2,698)
Kawerau site upgrade*	**(476)**	(3,067)
Impairment losses	**-**	(27,302)
Inventory write-down *	**-**	(5,015)
Strategic review costs*	**-**	(236)
EBITDA	**38,604**	4,546
Finance costs	**(7,666)**	(6,695)
Interest received	**315**	147
Depreciation	**(12,140)**	(8,029)
Accelerated depreciation*	**(2,912)**	(220)
Amortisation	**(10)**	(26)
Profit/(loss) before income tax	**16,191**	(10,277)

* These expenses are included in other expenses in the Consolidated Statement of Profit or Loss and Comprehensive Income with the remaining mostly being the royalties, refer to Note 14 and FX losses.

5 Earnings/(loss) per share

(a) Earnings/(loss) per share

	Consolidated entity	
	30 June 2019 Cents	30 June 2018 Cents
Basic earnings/(loss) per share	**1.3**	(18.7)
Diluted earnings/(loss) per share	**1.3**	(18.7)

(b) Weighted average number of shares used as denominator

	Consolidated entity	
	2019 Number	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**543,122,491**	543,122,491
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**543,122,491**	543,122,491

6 Dividends

Ordinary shares

	Consolidated entity	
	30 June 2019 $'000	30 June 2018 $'000
2019: No dividend provided for or paid (2018: payment of 2017 final dividend of 6.0 cents per share)	**-**	32,587

7 Inventories

	Consolidated entity	
	30 June 2019 $'000	31 December 2018 $'000
Raw materials and stores*	**27,361**	25,943
Work in progress*	**4,872**	4,801
Finished goods*	**79,545**	76,533
	111,778	107,277

*The above categories of inventories are net of non-recurring inventory write-downs. There were no inventory provisions created in 2019. 2018 included provisions for inventory write downs of $3.2 million, impairment loss allocated to manufacturing spares of $0.4 million.

8 Property, plant and equipment

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Capital development $'000	Total $'000
Half Year ended 30 June 2019					
Opening net book amount 1 January 2019	2,551	11,030	112,893	12,090	138,564
Exchange differences	12	37	259	129	437
Reclassification of Asset Class	-	-	2,818	(2,818)	-
Additions	-	-	1,965	14,512	16,477
Disposals	-	-	(29)	(93)	(122)
Depreciation	-	(434)	(7,752)	-	(8,186)
Accelerated depreciation*	-	-	(2,912)	-	(2,912)
Closing net book amount	**2,563**	**10,633**	**107,242**	**23,820**	**144,258**

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

8 Property, plant and equipment (continued)

(a) Capital commitments

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

	Consolidated entity	
	30 June 2019 $'000	31 December 2018 $'000
Property, plant and equipment	**9,154**	16,869

9 Intangible assets

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

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

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

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

Other intangible assets include trademarks and product development.

Consolidated entity	**Goodwill $'000**	**Brands and other rights $'000**	**Total $'000**
Opening net book amount	41,060	93,482	134,542
Exchange differences	51	105	156
Amortisation charge	-	(10)	(10)
Closing net book amount as at 30 June 2019	**41,111**	**93,577**	**134,688**

At 31 December 2018, the Retail NZ CGU had limited headroom of $6.9 million and its recoverable amount is sensitive to forecast EBITDA and its discount rate. No factors have come to light in the 6 months to 30 June 2019 that would indicate an impairment.

10 Derivative financial instruments

	Consolidated entity	
	30 June 2019 $'000	31 December 2018 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	**2,002**	4,236
Interest rate swap contracts – cash flow hedges	**-**	3
Other hedging instruments	**242**	511
Transfer assets classified as held for sale	**-**	(1,452)
Total current derivative financial instrument assets	**2,244**	3,298
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	**287**	599
Transfer assets classified as held for sale	**-**	(34)
Total current derivative financial instrument liabilities	**287**	565
	1,957	2,733

(a) Fair value measurements

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

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

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

At 30 June 2019 and 31 December 2018 the Group's derivative instruments were all level 2:

- Derivative financial assets $2,244,000 (2018: $3,298,000)
- Derivative financial liabilities $287,000 (2018: $565,000)

11 Non-current liabilities - borrowings

	Consolidated entity	
	30 June 2019 $'000	31 December 2018 $'000
Unsecured		
Bank loans	**92,500**	217,500
Senior Notes	**90,000**	110,000
Capitalised debt establishment costs	**(1,498)**	(1,777)
Total unsecured current borrowings	**181,002**	325,723

The Group repaid and cancelled Bank loans of $130.0m and repaid and cancelled Senior Notes of $20.0m in April 2019.

Facility	Facility limit	Drawn amount	Maturity date
Facility A	70,000	70,000	31-Jul-21
Facility B	40,000	-	31-Jul-23
Facility C	50,000	22,500	31-Jul-22
Series A Notes	65,000	65,000	26-Jun-25
Series B Notes	25,000	25,000	26-Jun-28
Total	**250,000**	**182,500**	

(a) Financial undertakings

As at 30 June 2019, the Group was compliant with all financial undertakings of the revolving cash advance financing facilities and the Senior Notes facilities.

12 Contributed equity

(a) Movements in ordinary share capital

Date	Details	Number of shares	$'000
1 January 2018	Opening balance	543,122,491	260,815
31 December 2018	**Closing balance**	**543,122,491**	**260,815**
1 January 2019	Opening balance	543,122,491	260,815
30 June 2019	**Closing balance**	**543,122,491**	**260,815**

13 Reserves

	Consolidated entity	
	30 June 2019 $'000	31 December 2018 $'000
Movements:		
Cash flow hedges		
Opening balance	**2,178**	218
Revaluation – gross (continuing operations)	**(1,466)**	1,402
Revaluation – gross (discontinued operations)	**-**	1,393
Deferred tax	**423**	(835)
	1,135	2,178
Share-based payments		
Opening balance	**15,861**	15,861
	15,861	15,861
Foreign currency translation		
Opening balance	**21,071**	13,395
Currency translation differences arising during the year	**810**	8,968
Deferred tax	**(133)**	(1,292)
	21,748	21,071
	38,744	39,110

14 Related party transactions

The following transactions occurred with related parties:

	Consolidated entity	
	30 June 2019 $	30 June 2018 $
Purchases of goods		
Purchases of materials and goods from related parties	**31,228,791**	35,896,989
Sale of goods		
Sale of materials and goods to related parties	-	1,365,667
Other transactions		
Royalties - Essity Hygiene and Health Aktiebolag, formerly SCA Hygiene Products AB*	**3,235,848**	3,175,512

** Essity Hygiene and Health Aktiebolag was listed on Nasdaq Sweden on 15 June 2018 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.

15 Changes in Accounting policy

AASB 16 Leases

The Group has adopted *AASB 16 Leases* with a date of initial application of 1 January 2019. As a result, the Group's policies were amended to comply with AASB 16.

AASB 16 replaces AASB 117 Leases and results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The lease liability is measured at the present value of the lease payments that are not paid at the balance date and is unwound over time using the interest rate implicit in the lease repayments. The right-of-use asset comprises the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. The asset is depreciated over the term of the lease. The new standard replaces the Group's operating lease expense with an interest and depreciation expense.

The Group has elected to apply the "Modified Retrospective Approach" when transitioning to the new standard. Under this approach, the Group will not be required to restate the comparative information for its operating leases and the cumulative effect of the initial application is adjusted against opening retained earnings. The Group has elected to measure the carrying amounts of the right of use assets as though the standard had applied from the commencement date of the leases.

(i) Leases classified as operating leases under AASB 117

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured as if AASB 16 had always been applied, but using the incremental borrowing rate as at 1 January 2019.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Used hindsight when determining the lease terms if the contract contains options to extend or terminate the lease.

(ii) Impact on financial statements

On transition to AASB 16, the Group has recognised an additional $36.9 million of right-of-use assets, $40.5 million of lease liabilities, $0.9 million in net deferred tax assets and recognised $2.4 million in retained earnings. When measuring lease liabilities, lease payments are discounted using the incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.34%.

	1 January 2019 **$'000**
Operating lease commitments disclosed as at 31 December 2018	42,661
Discount using incremental borrowing rate at 1 January 2019	(2,169)
Lease liability recognised as at 1 January 2019	**40,492**
Of which are:	
Current lease liabilities	14,653
Non-current liabilities	25,839
	40,492

15 Changes in Accounting policy (continued)

(ii) Impact on financial statements (continued)

Right-of-use assets	**Property**	**Machinery**	**Motor Vehicle**	**Office Equipment**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2019	30,239	4,518	1,205	972	36,934
Exchange differences	40	10	47	-	97
Additions	-	311	278	-	589
Disposals	(10,089)	(1,727)	(291)	-	(12,107)
Depreciation charge for the year	(3,104)	(493)	(220)	(137)	(3,954)
Balance at 30 June 2019	**17,086**	**2,619**	**1,019**	**835**	**21,559**

Lease Liabilities	**Total**
	$'000
Balance at 1 January 2019	40,492
Exchange differences	136
Additions	589
Disposals	(11,297)
Interest incurred	669
Payments on lease liabilities	(6,140)
Balance at 30 June 2019	**24,449**
Of which are:	
Current lease liabilities	8,706
Non-current liabilities	15,743
	24,449

Maturity analysis – contractual undiscounted cash flows as at 30 June 2019

	1 year or less	**>1 to 2 years**	**>2 to 5 years**	**Over 5 years**	**Remaining contractual maturities**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Lease liabilities	9,077	7,813	10,006	17	**26,913**

Impact on segment disclosures and earnings per share

Adjusted EBITDA for June 2019 increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

30 June 2019	**Retail**	**B2B**	**Total**
	$'000	**$'000**	**$'000**
Impact of AASB 16 adoption on EBITDA	3,063	1,677	4,740

Earnings per share increased by 0.04c per share for the six months to 30 June 2019 as a result of AABS 16 adoption.

As outlined above, no restatement of the prior period has occurred. The overall earnings impact on adoption of AASB 16 at 30 June 2019 is an increase in EBITDA of $4.7m, and a corresponding increase for continuing operations in depreciation of $3.9m and interest expense of $0.5m.

16 Events occurring after the reporting period

No matters occurred after the reporting date

Directors' Declaration

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 3 to 19 are in accordance with the *Corporations Act 2001*, including:
 (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the half year on that date, and

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

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

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

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

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

Harry Boon
Director

Dated this 19th day of August 2019

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Asaleo Care Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2019, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Asaleo Care Group. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Asaleo Care Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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

1. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Alison Tait
Partner

Melbourne
19 August 2019