

ASX Release

20 March 2020

Please find attached the 2019 Annual Report as authorized by James Orr, Company Secretary.

- ENDS -

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Returned to revenue growth across both business segments and reinstated dividend payments ^{P 8} ✓

Tackled period stigma head on through Libra's #bloodnormal campaign ^{P 18} ✓ Opened new \$23 million manufacturing investment at Asaleo Care's Kawerau, New Zealand site to extend Tork's product range ^{P 24} ✓ Launched PeakServe, Tork's innovative towel dispensing system for high traffic washrooms, offering increased productivity and a better customer experience ^{P 24} ✓

Launched product innovation, TENA Discret, to offer thinnest pad ever and maximum discretion with popular Carnival advertising campaign ^{P 19} ✓ Improved safety performance with a reduction in all reportable injury measures ^{P 29} ✓ Sales growth up 20% for Purex ^{P 20} ✓ Introduced new Treasures Care nappies made with more sustainable materials ^{P 19} ✓ Launched TENA Identifi, a new sophisticated continence tracking system to improve quality of care and dignity for Aged Care residents ^{P 22} ✓ Donated cash and product valued at over \$600,000 to charitable causes since 2014 ^{P 41} ✓ Created a more diverse and inclusive organisation with women representing 44% of Asaleo Care's senior leaders and half of its Board ^{P 27} ✓ Took continence care leadership position through TENA's submission to Royal Commission into Aged Care ^{P 22} ✓ Significantly reduced our debt and strengthened our balance sheet for future growth ^{P 8} ✓ Achieved 18% growth for Sorbent, New Zealand through product upgrades ^{P 20} ✓ Set target of 28% reduction in greenhouse gases by 2025 ^{P 37} ✓ Partnered TENA with Prostate Cancer Foundation of Australia ^{P 19} ✓ Joined Climate Leaders Coalition of New Zealand ^{P 36} ✓ Major step change in brand investment with 49% increase in advertising and promotions ^{P 8} ✓ Libra chosen for Victorian Government's Australian-first schools initiative as exclusive Feminine Care supplier ^{P 18} ✓



Bring on the crowds with Tork PeakServe.

We said we'd innovate to create greater value **and we did**

Tork PeakServe confidently takes on large crowds and high-traffic washrooms.

PeakServe is Tork's new, innovative hand towel dispenser. Launched in October 2019, PeakServe offers 250% more hand towels which prevents it from running out and is faster at drying hands compared to conventional air dryers.

See page 24 for the full story •





#bloodnormal

We said we'd invest in our brands to drive growth **and we did**

Libra's award-winning #bloodnormal campaign tackles period stigma head on.

Launched in August 2019, #bloodnormal delivers on our promise to provide care, comfort and confidence every day to girls and women by starting the conversation to break down taboos and reduce the shame and stigma around periods.

See page 18 for the full story •





Care, comfort and confidence every day.

We said we'd continue to deliver on our purpose **and we did**

Tailored solutions to improve
the quality of care.

Through technology and new materials, TENA's products continue to improve the daily lives of millions. TENA Identifi is a sophisticated, convenient system that tracks a person's urinary voids during a 72-hour assessment period using Sensor Wear pads.

See page 22 for the full story





We're proud of our achievements so far and will continue to take real action for positive progress.

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Financial highlights FY19

REVENUE FROM CONTINUING OPERATIONS

UP TO
3.0% \$420.2m



DIVIDEND

2¢ per share
UNFRANKED



STATUTORY EARNINGS PER SHARE

4.1¢



LEVERAGE RATIO DOWN TO

1.95 times



We said we'd strengthen our financial position **and we did**

UNDERLYING EBITDA

\$82.4m



NET DEBT DOWN TO

46% \$139.3m



STATUTORY NPAT

UP TO
\$27.7m \$28.5m



ROIC IMPROVEMENT

UP TO
39% 11%



All financials are for continuing operations only.

Chairman's and CEO's Letter

Following the sale of the Australian Consumer Tissue business, one of the residual strengths of our business and a key aspect of our strategy is customer and channel diversity.

We are pleased to invite all shareholders to attend Asaleo Care's sixth Annual General Meeting to be held on **21 April 2020** at the offices of PwC in Melbourne, starting at **4:00pm**. The meeting will provide an opportunity to discuss all matters relating to the Company's activities.

2019 saw Asaleo Care return to revenue growth across all our key brands and in both our business segments of Retail and B2B. This growth was driven by a step change increase in brand investment and new product launches from a strong development pipeline.

We also reinstated dividend payments with a 2c per share unfranked dividend being declared. This resulted from our disciplined approach to capital management and positive free cash flow of \$21.8 million in the second half.

We delivered an underlying EBITDA of \$82.4 million, which was in line with our market guidance. After excluding the effect of the new lease accounting standard this was \$10.1 million down on the prior year, mainly due to a \$10 million investment in brands, including a 49 per cent increase in advertising and promotions.

With proceeds from the sale of the Australian Consumer Tissue business, we reduced our net debt by 46 per cent, down to \$139.3 million. Our leverage ratio also reduced, down to 1.95 times EBITDA, which is within our target range of 1.5 to 2.5 times.

Following the sale of the Australian Consumer Tissue business, one of the residual strengths of our business and a key aspect of our strategy is customer and channel diversity. In 2019, 53 per cent of revenue and 57 per cent of EBITDA was generated from our B2B segment in which no individual customer represents more than 5 per cent of total B2B sales.

Less than 25 per cent of our retail sales (or less than 15 per cent of total sales), were through the major retailers in Australia. With the change in mix of our product portfolio, the remainder of our retail sales were through Pharmacy, non-traditional retail formats, New Zealand, Pacific Islands, e-commerce and government procurement, with the Victorian Government Schools Feminine Care initiative.



Harry Boon Chairman **Sid Takla** CEO and Managing Director

2019 saw Asaleo Care return to revenue growth across all our key brands and in both our business segments of Retail and B2B. This growth was driven by a step change increase in brand investment and new product launches from a strong development pipeline.

Business-to-Business (B2B)

B2B segment revenue grew 1.6 per cent to \$221.6 million.

TENA Healthcare revenue was up 3 per cent with growth in both the Community and Residential Care channels. Tork Professional Hygiene finished the year strongly after a slow start, with revenue up 1 per cent on prior year.

Our proprietary 'hero' systems continue to grow and now represent over 36 per cent of all Professional Hygiene sales.

During 2019 we completed on-time and on-budget the major investment of a \$23 million converting line for our B2B Tissue business at Kawerau. This investment is delivering improved cost and quality and a wider product range that will enable growth.

Margins in B2B were negatively impacted by further increases in energy and property insurance costs.

In addition, production shuts required for the installation of the new converting line in Kawerau, and the depreciation in both the Australian and New Zealand dollars against the US dollar and Euro, also compressed margins.

In quarter four our Tork Professional Hygiene business launched two major product innovations, Tork Peakserve and Tork Coreless. Earlier in the year, TENA Healthcare launched TENA Identifi which utilises revolutionary sensor technology to track a resident's urinary patterns and volumes during a 72-hour period, then generating a report which enables improved and individually tailored care. To bring our strong pipeline of innovation to market, we made an incremental investment in our B2B sales resources.

We expect these innovations and investments to continue to generate growth for the B2B business in 2020 and beyond.



We are building a strong foundation for our business to enable step change growth, with a key focus on the capability of our people, the discipline of our processes, and a culture of accountability and integrity.

Retail

Retail segment revenue grew strongly, up 4.7 per cent to \$198.6 million.

Volume and value growth was achieved across all categories except our New Zealand Baby business.

With a renewed focus on customer and consumer, we have achieved incremental ranging in our key categories, and supported this through increased investment in shopper-based activity, brand advertising, and increased sales and marketing resources.

Consumer Tissue New Zealand was a key driver of this growth, up 17 per cent, with new product launches, supported by an increase in trade investment across the Tissue portfolio.

Incontinence Retail was up 6 per cent driven by new product launches such as the TENA Discreet Ultra Thin Pads, improved ranging and the new TENA Carnival advertising campaign.

Libra sales volume increased 7 per cent, assisted by the launch of the new Libra Girl product range and the successful launch of the #bloodnormal advertising campaign, heralding the return of increased brand investment in Libra.

We increased advertising and promotion spend by 49 per cent, boosted shopper activity to support the new product launches and invested in incremental sales and marketing resources. These investments in our brands, together with higher energy and property insurance costs, as well as unfavourable foreign exchange movements drove down Retail EBITDA margins.

We will continue to support new product launches, build on our major campaigns and partnerships, and increase investment in our brands to drive long-term growth.

Safety

The safety of our employees and contractors is paramount. Over the last 24 months, we have spent over 21 per cent of maintenance CAPEX on specific safety-related initiatives.

With our continued focus on safety, we have made good improvements in 2019 with Lost Time Injuries, Lost Time Injury Frequency Rate and the Severity Rate decreasing to lower levels compared to each of the four prior years.

We will continue to maintain our focus and investment on safety in every way, and do our utmost to ensure we're sending our employees and contractors home safely every day.

Asaleo Care and its employees take great pride in delivering on our purpose of 'Care, comfort and confidence every day' to all our stakeholders.

During 2019, we continued to strive for leadership in Environmental, Social and Governance standards. Initiatives included: releasing our Preliminary Modern Slavery Statement; making a 'first in our industry' commitment not to use pulp fibre from drained tropical peatlands; committing to reduce our greenhouse gases Scope 1 and 2 by 28 per cent by 2025; expanding the number of our products that have an Environmental Product Declaration (which measures the environmental impact over their entire lifecycle), and investing in major assets such as the new converting machine in New Zealand to improve efficiency and reduce waste.

Sustainability is a key differentiator for Asaleo Care and we'll continue to build our credentials in this area.

Strategy

We are well advanced in implementing our strategy, put in place 18 months ago, to become the leader in Personal Care and Hygiene in Australasia by investing in our brands and putting the needs of our customers and consumers first and thereby drive profitable sales growth.

Our key focus areas for 2020 will continue to include:

- + Targeted sales growth
- + Providing a differentiated offer, and
- + Supply chain excellence

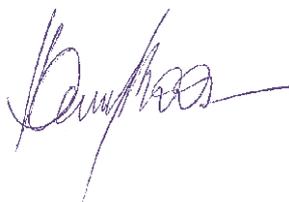
We are building a strong foundation for our business to enable step change growth, with a key focus on the capability of our people, the discipline of our processes, and a culture of accountability and integrity.

Outlook

With continuing sales growth and the anticipated further easing of pulp prices sheltering other cost increases, our present outlook for 2020 is an underlying EBITDA in the range of \$84 million to \$87 million. We anticipate continuing to pay down debt, investing in our brands and returning to sustainable dividends.

The strategic foundations we put in place over a year ago are starting to take effect and we will continue to deliver results by placing the needs of our customers and consumers first.

We thank all our employees for their dedication and hard work. We also thank our shareholders, customers, consumers and other stakeholders for their ongoing support and commitment to Asaleo Care.



Harry Boon Chairman



Sid Takla CEO and Managing Director

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

Our essential, everyday consumer products include tampons, pads and liners, nappies, toilet and facial tissue, paper towels and napkins. These consumer products are sold under the popular, recognised household brands of Libra and TENA in Australia and New Zealand; Sorbent, Purex, Handee and Treasures in New Zealand; and Viti, Orchid, Softly, Drypers and Giggles in Fiji.

Our Professional Hygiene brands Tork and TENA are global leaders, with products that include hand towels, toilet and facial tissues, napkins, pads and pants, soaps and other hygiene accessories and proprietary dispensing systems.

Listed on the ASX in 2014, Asaleo Care has a proud heritage of more than 60 years, and a manufacturing and distribution footprint which extends across 15 sites throughout Australia, New Zealand and Fiji.



Company Overview

BUSINESS SEGMENT	PRODUCT CATEGORY	PRODUCTS	MANUFACTURING FACILITIES*	ROUTE TO MARKET
Retail Contributed 43% of FY19 EBITDA	Feminine Care	Libra <i>Pads, tampons and liners</i>	Springvale, Australia	Retailers Coles, Woolworths, Metcash, Pharmacy, Costco, Foodstuffs
	Incontinence Care	TENA <i>Incontinence pads, pants and liners</i>	Springvale, Australia	
	Baby Care	Treasures, Giggles and Drypers <i>Nappies, nappy pants and wipes</i>	Te Rapa, New Zealand	Web shops (Customer list is not exhaustive)
	Consumer Tissue New Zealand and Pacific Islands	Sorbent, Purex, Handee, Orchid, Viti and Softly <i>Toilet tissue, facial tissues, paper towel, and napkins</i>	Kawerau, New Zealand Nakasi, Fiji	Foodstuffs, Woolworths (Customer list is not exhaustive)
Business-to-business Contributed 57% of FY19 EBITDA	Professional Hygiene	Tork <i>Hand towel, toilet tissue, napkins, soap, facial tissues and other hygiene accessories</i>	Kawerau, New Zealand Nakasi, Fiji	Distributors Bunzl, OfficeMax, WINC (Customer list is not exhaustive)
	Incontinence Care	TENA <i>Incontinence pads, pants and liners</i>	Springvale, Australia	Healthcare Hospitals, Aged care facilities, Community care

* The Company also imports a number of products from Essity group companies.

Our Business Strategy

Asaleo Care manufactures and sells essential, everyday consumer and business-to-business products for personal care and hygiene across Australasia.

To produce many of our products, we import and locally convert sustainable fibre sources into tampons, pads and liners, toilet paper, facial tissues, paper towels, napkins and nappies for our personal care and tissue products. Our Tork and TENA brands are global leaders which we sell and distribute in the business-to-business and retail markets. Asaleo Care is recognised and trusted for quality, branded products which today represent close to 94 per cent of our revenue, with the remainder being private label.

Our customers and consumers are at the centre of everything we do – from new product development and innovation driven by customer and consumer insights to consistently delivering the highest quality products and services. Our access to a pipeline of world-leading research, development and innovation for the Tork and TENA brands through our relationship with Essity allows us to provide new, market-leading product features, packaging and promotion that adds value.

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.

We are proud of the contribution we make in our communities where we work and live. Our employees volunteered with our major corporate charity partner, Ronald McDonald House in Australia and New Zealand, and in Fiji with

Viti Amma and Corona Club at the Suva Colonial War Memorial Hospital and Heart for Kids. Since listing, we have donated more than \$600,000 in product and financial donations to our communities and causes.

Our Relationship with Essity

Essity is a major shareholder of Asaleo Care, holding approximately 36 per cent of the Company's shares. Asaleo Care has commercial arrangements with Essity for the supply and purchase of personal care and professional hygiene products, and licensing of certain trademarks, technology and intellectual property to 2027.

Our Purpose

Guided by Our Vision to be the leader in personal care and hygiene in Australasia, and driven by Our Purpose of **Care, comfort and confidence every day**, we aim to:

- + Differentiate our offering through:
 - innovation driven by consumer insight
 - a guarantee of the highest quality products and services
 - environmental and Corporate Social Responsibility (CSR) leadership
- + Deliver world-class planning and processes that offer speed-to-market, inventory flexibility, high quality standards and rapid customer response
- + Engage exceptional people through:
 - Safety first approach
 - Leader-led accountable culture
 - Aligned and collaborative teams
 - Attraction of talented people learning, growing and being rewarded

Our Values

We know we are successful when we exceed the expectations of our customers, consumers and shareholders and we create a workplace where our people perform at their very best every day.



A Company of Brands

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 New Zealand, we are well known for our popular brands Purex and Sorbent toilet and facial tissue, Handee paper towel, and Treasures nappies. Our Viti toilet tissue and Orchid toilet and facial tissue, napkins and paper towel, are recognised and trusted brands in Fiji and the Pacific Islands.

Our Tork and TENA business-to-business brands for professional hygiene and incontinence are world leaders within their market categories.

Innovation and product development are critical to building our brands. We're recognised in our markets for leading the way to improve, innovate and often revolutionise our products, breaking down taboos for periods and incontinence, and adapting our systems and services to better meet our customer needs and provide greater value.

Libra tackled the stigma around periods head on with its #bloodnormal advertising and promotional campaign in 2019. Taking an open and honest approach to normalise periods in mainstream culture, the campaign is an Australian first for a feminine care brand which seeks to change the conversation around periods.

At major events with large crowds, washroom management is always a pressure point. Tork's PeakServe fast hand towel dispensing product gives visitors at our customers' venues a better experience with less wait times and cleaner facilities.

TENA is at the forefront of innovation with products and support services that help advance understanding and knowledge about incontinence management. Products like TENA Discreet, featuring its thinnest pad ever to provide maximum discretion, and TENA Identifi, a sophisticated incontinence assessment system to support high-quality, individualised care, were both launched during the year.

Driven by customer insights, we're constantly looking for ways to provide better solutions and deliver greater value. Because our customers and our consumers are at the heart of everything we do at Asaleo Care.



Australia

244 employees

New Zealand

352 employees

Fiji

92 employees



1	Distribution centre	Melbourne
2	Manufacturing facility	Springvale Product Categories: Feminine Care, Incontinence Care and Professional Hygiene Brands: Libra, TENA and Tork
3	Distribution centre	Sydney
4	Distribution centre	Brisbane
5	Distribution centre	Adelaide
6	Distribution centre	Perth

7	Distribution centre	Auckland
8	Distribution centre	Christchurch
9	Distribution centre	Tauranga
10	Distribution centre	Palmerston North
11	Manufacturing facility	Te Rapa Product Category: Baby Care Brands: Treasures
12	Manufacturing facility	Kawerau Product Categories: Consumer Tissue and Professional Hygiene Brands: Sorbent, Handee, Purex and Tork

13	Distribution centre	Labasa
14	Distribution centre	Nadi
15	Manufacturing facility	Nakasi Product Categories: Consumer Tissue and Professional Hygiene Brands: Orchid, Viti, Softly and Tork

Our Retail segment markets and distributes an innovative, comprehensive range of Feminine, Incontinence and Baby Care, and Consumer Tissue products. These essential, everyday products include pads, tampons, liners, nappies, wipes, toilet and facial tissue, hand towels and tableware.



Retail



FINANCIAL REVIEW – RETAIL

A\$ MILLION	UNDERLYING 2019	UNDERLYING 2018	LEASE ADJUSTMENT	LEASE ADJUSTED UNDERLYING 2018	GROWTH %
Revenue	198.6	189.6	0.0	189.6	4.7%
EBITDA	35.6	36.4	6.9	43.3	-17.8%
EBITDA %	17.9%	19.2%		22.8%	

Our popular and trusted Consumer Tissue products are marketed and sold in New Zealand and the Pacific Islands under the well-known brands of Sorbent, Purex, Handee, Deeko, Orchid and Viti through major retail stores and other channels.

For 2019, our Retail business segment saw strong growth for Consumer Tissue New Zealand and Incontinence Care, and solid performance improvement for Libra. However, overall margins were impacted by the increased cost of raw materials, higher energy costs and increased insurance premiums.

Consumer Tissue New Zealand had an exceptional year with net sales growth of 17 per cent and increased market share for Sorbent and Purex. The business won several new private label contracts which increased production throughput and lowered costs. Sorbent had the advantage of

a full year with its new and improved toilet tissue, introduced in 2018, while Handee introduced a new double-roll pack and Purex benefited from further product improvements.

Branded Feminine Care sales grew 1 per cent. Market share remained relatively steady compared to 2018.

Incontinence Care realised significant sales growth with a year-on-year rise of 6.2 per cent. TENA Men and new product launches, including TENA Discreet, TENA Ultra Long and TENA coloured pants, contributed to the strong sales. Pharmacy sales improved on the back of promotional activity.



LIBRA #BLOODNORMAL

Leading Feminine Care brand Libra launched #bloodnormal, the global award-winning campaign that tackles period stigma head on, to Australian and New Zealand audiences in August 2019.



When released, the audience response was overwhelmingly positive. But some found it confronting. So much so, it became this year's most complained about advertisement in Australia.

The advertisement sensitively portrays young women going about their daily lives while having their periods. It highlights that periods are normal and showing them should be too. In a first for a feminine care brand in this region, the typical blue liquid used to denote blood is replaced with a more realistic red to demonstrate a pad's absorbency.

Following a review, the Australian Advertising Standards Bureau dismissed all complaints, praised Libra for communicating an important social message, then nominated the campaign for a Kinder award to recognise socially progressive marketing communications.

Caitlin Patterson, Executive General Manager of Asaleo Care's Retail business, said: "As a leader in feminine care, manufacturing in Australia for more than 40 years, Libra has been challenging the stigma around periods for decades.

"Periods are a normal part of life, but largely ignored by mainstream media. They simply don't feature in the representation of female characters. We believe, that like any other taboo, the more people see it, the more normal the subject becomes."

Libra – positive growth and increased volumes

Libra, the only feminine care brand manufactured in Australia, continued to make positive progress in 2019 to grow sales by 1 per cent. The Company invested almost double the prior year's expenditure in advertising and promotion, and increased trade promotional spend.

For the Libra brand, 2019 was a year of many market firsts. The brand introduced the new product innovation, Libra Girl Tampons, specially designed for smaller bodies. Perfect for first-time users, the tampons are shorter, narrower but as

absorbent as regular tampons, giving girls total comfort and confidence.



Libra has been educating young girls and women about periods since the

brand was first introduced. This year, Libra refreshed its comprehensive Libra School Program resource kit with the assistance of experienced teachers. The teaching toolkit helps both teachers and students talk about puberty and menstruation in a positive and interactive way.

Libra's new website subscription, The Monthly, was launched during the year. Through The Monthly, women can subscribe online to get their Libra products delivered directly to their doorstep. The website saw an increase of more than 200 per cent in new subscribers and an increase in online sales of 130 per cent.

One of the major highlights for Libra was the launch of its new marketing campaign, #bloodnormal, to Australian and New Zealand markets. Bold, exciting and controversial, the campaign aimed to normalise the conversation around periods by breaking down taboos and reducing the stigma.

The Libra brand further benefited from the strong momentum during the year with an Australian-first announcement by the Victorian Government. The Government selected Libra as the exclusive supplier of Feminine Care products to be made available free-of-charge across Victoria's state schools. Commencing in the last quarter of the 2019 Victorian school year, the Government contract will run for a 4-year period until 2023.



In support of the TENA Discreet pads launch, the new Carnival advertising and promotion campaign was initiated in September and achieved strong, positive results with its target audience.

TENA Retail – exceptional year of growth

Urinary incontinence affects all age groups, but the impact of incontinence on everyday life can be minimised with proper management of the condition, innovative products and effective guidance and education.

TENA Retail had an exceptional year. For the last quarter of 2019, volume growth in the Australian Grocery and Pharmacy channels doubled that of the total bladder weakness market. Contributing to the improved performance was new product development, improved ranging and shelf presence in one of Australia’s leading grocery chains, a new advertising and promotion campaign, and new pricing strategy.

Four new product ranges were introduced – TENA Discreet, the thinnest pad on the market; TENA Ultra Long Liners for extra coverage; and TENA, coloured pants for male and female – and were key to delivering double-digit growth for the brand.



In support of the Discreet pads launch, the new Carnival advertising and promotion campaign was initiated in September and achieved strong, positive results with its target audience. The Carnival launch included a digital marketing campaign, sampling and in-store activation.

The optimised pricing strategy in Australia and New Zealand, based on high/low price promotions, was integral in stabilising the brand and driving growth.

TENA has partnered with the Prostate Cancer Foundation of Australia (PCFA) to provide support to those affected by incontinence following prostate cancer surgery. In September 2020, TENA will also be the flagship sponsor of PCFA’s Annual Community Conversations Conference. The campaign aims to raise community awareness to break down the stigma around incontinence and equip men with much needed support.

New Treasures Care features more sustainable materials

A new Treasures Care nappy range, launched in August, is designed to reduce the environmental impact of disposable nappies. Treasures Care nappies are made with FSC® certified pulp from sustainable forests, 80 per cent renewable energy and features a first-to-market nappy cover that is derived from 100 per cent plant-based materials.



Purex enjoyed strong sales growth in 2019, up 20 per cent over the prior year. Its popular, well recognised Made in Kawerau campaign marked its third year with advertising appearing on television and in cinemas and buses.

Consumer Tissue New Zealand

Purex – a consistent market leader

Purex, a New Zealand market-leading toilet paper brand, enjoyed strong sales growth in 2019, up 20 per cent over the prior year. Its popular, well recognised Made in Kawerau campaign marked its third year, with activity appearing on television and in cinemas and buses. In-store activation was also strong with involvement in retailer promotions and a soft toy gift-with-purchase of the popular Rolly dog.

During the year, the Kawerau production team focused on base paper improvements that consistently saw hand-feel improvements across production runs. These important improvements will help to retain consumers and maintain Purex's growth momentum.

Sorbent – strong performer

Sorbent toilet paper continued its strong sales growth in 2019, rising by 18 per cent, following the improved 3-ply regeneration and launch of the new king size luxury Thick & Large sub brand. This growth has allowed us to obtain incremental ranging in major grocery channels and introduce

a further Thick & Large SKU to create a super-premium tier for the brand. Involvement in retailer consumer promotions achieved record brand share and attracted consumers to return to the brand.

Sorbent facial tissue continues to be a strong #2 facial tissue brand in the New Zealand market and key brand activity was implemented with consumer sampling over the peak winter months.

Handee – new look and digital campaign to inspire use

In 2019, Handee rolled out new packaging across the range, improving shelf presence, and launched a double-length pack with a fun summer print offering. Key consumer activation was driven by a well-received Handee Hacks digital campaign that presented inspiring ideas for using Handee to influencers and through digital clips.

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.

FINANCIAL REVIEW – B2B

A\$ MILLION	UNDERLYING 2019	UNDERLYING 2018	LEASE ADJUSTMENT	LEASE ADJUSTED UNDERLYING 2018	GROWTH %
Revenue	221.6	218.2	0.0	218.2	1.6%
EBITDA	46.8	45.1	4.1	49.2	-4.9%
EBITDA %	21.1%	20.7%		22.5%	

Business-to-Business

Our Business-to-Business (B2B) division has two segments – Professional Hygiene and Incontinence Healthcare.

In the Professional Hygiene segment, Tork is the leading global brand in workplace hygiene offering a range of products including hand towels, toilet and facial tissue, napkins, soaps and other hygiene accessories. Schools, hospitals, shopping centres, industrial companies and the hospitality sector are just some of those that use Tork's products.

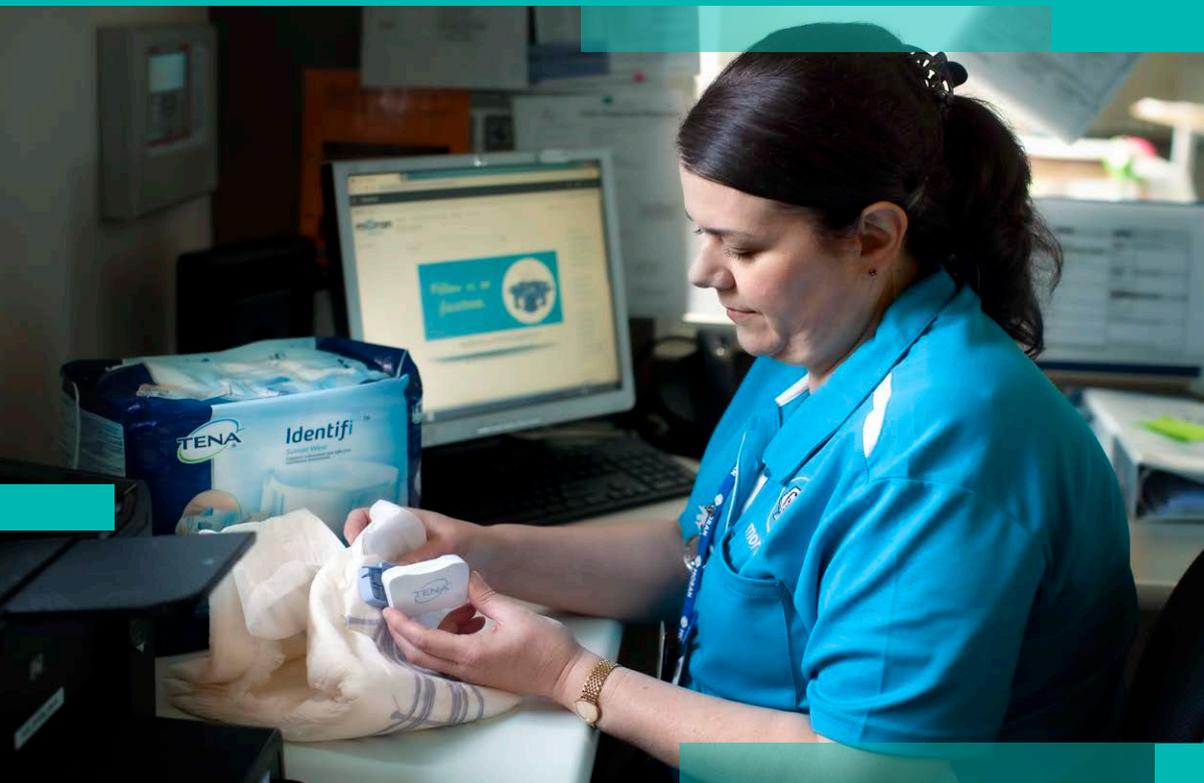
Our TENA Incontinence Care products and support services are provided to healthcare professionals in residential and community care facilities, retirement villages and hospitals.

In 2019, our B2B division experienced solid sales growth in Incontinence Healthcare with modest topline growth for Professional Hygiene. Total revenue grew 1.6 per cent. The appreciation in the Euro increased the cost of imported products,

primarily TENA, which impacted the overall results. Pulp costs remained relatively flat year-on-year, while increased energy and insurance costs impacted production costs.

While Professional Hygiene realised modest growth of just over 1 per cent for the year, the business further increased sales for its high-value proprietary systems and successfully completed the installation of its new Forte Winder machine at its Kawerau, New Zealand operation. The new machine will further expand the group's product range and deliver operating efficiencies across the manufacturing plant.

Topline sales in Incontinence Healthcare grew 3 per cent from new contract wins, improved sales mix and a full sales team complement.



TENA Incontinence Healthcare

With over 50 years' experience, TENA has long been committed to finding better ways to care for the elderly. Our products and services have proven benefits that make a real difference to the quality of care. TENA prides itself on offering tailored support and guidance to ensure healthcare professionals can provide the best possible care for individuals in their care, every time.

2019 saw significant scrutiny and change in the aged care sector in Australia with the introduction of new Australian Aged Care Quality Standards and the Royal Commission into Aged Care Quality and Safety. Quality of care continues to be a major focus for change and one in which TENA endorses and is well positioned to support its customers.

The Company has a strong pipeline of product innovation, and in 2019, TENA healthcare launched TENA Identifi and rolled out its TENA assist program for healthcare professionals.

TENA Identifi

TENA Identifi is a sophisticated, convenient system that tracks a person's urinary voids during a 72-hour assessment period using Sensor Wear pads. Thread-like sensors in the pads measure the urine volume and frequency while data is captured and transmitted into a secure web portal. A three-day bladder report is created which helps determine recommended toileting and pad change times and the most appropriate absorbent products to use.

Current assessment practices rely on manual checking and guesstimates by staff which can be inaccurate. Evidence shows that accurate assessments improve a resident's quality of care and dignity. To date, results in Australia have found:

- + A 39 per cent reduction in the absorbency of pads needed
- + Better comfort and less skin irritations for residents
- + Effectiveness in assessing residents to make informed clinical decisions

TENA Identifi is significantly improving individualised care.



Homecare – TENA assist

Homecare is the fastest growing sector in aged care with governments encouraging people to stay at home longer and funding homecare at higher rates than residential care.

Elderly in the homecare environment encounter a variety of healthcare professionals who support their care needs. The TENA assist program, launched in late 2018, supports healthcare professionals in dealing with clients with incontinence issues.

The program provides education, samples and tools to help recommend and prescribe incontinence products and incorporates specifically developed materials for different causes of incontinence. TENA assist is proving to be popular, with 2019 membership goals exceeded by more than 10 per cent.

Residential care

The Residential sector has seen great changes this year – from the commencement of the Royal Commission into the aged care sector, to the launch of new accreditation standards and discussions around a new funding model.

These changes are placing more emphasis on input from families and residents, resulting in residential care facilities adopting new ways to improve individualised care.

In response, TENA introduced a family program to destigmatise and demystify incontinence management. The program has been well received by facilities and families alike. We have also developed multiple new education programs to improve staff knowledge and skills in continence management.

TENA Proskin

The next key initiative for TENA is the introduction of Proskin. TENA Proskin is designed to maintain skin health by keeping skin dry, clean and protected, while preventing pain, preserving dignity and enhancing skin care knowledge to offer the best care.

In 2020, we will offer the same great quality product aimed at providing expert care for elderly skin which is backed by research and endorsed by experts.





Professional Hygiene

Tork is the leading global brand in professional hygiene. From paper towels in hospital washrooms to napkin dispensers in restaurant dining rooms, Tork delivers a great experience for the user and a convenient experience for the buyer.

Innovation and sustainability sets Tork apart, and this year, we continued to build our differentiated offer. In 2019, we successfully delivered a major capital investment and introduced new innovations and sustainability initiatives.

Think Ahead

Tork was excited to introduce a tagline to support the brand's promise – Think Ahead. Tork inspires and supports customers to think ahead so they're always ready for business – from rethinking the ultimate guest experience, to reimagining cleaning efficiencies and rethinking ways to become more sustainable.

Manufacturing investment

A \$23 million investment was made at our Kawerau manufacturing site in New Zealand as part of our commitment to ongoing local manufacturing. The new state-of-the-art Tork converting line enables us to enhance efficiencies, improve product quality and range, reduce waste and ensure continued, reliable local supply of Tork products throughout Australia and New Zealand.

With the new converting line, in 2020 Tork is introducing a stylish new leaf emboss pattern to its popular conventional toilet paper products, carry handles on toilet, hand towel and wiping products, and several new products.

Tork is also reducing its packaging by 20 per cent – or 143 tonnes less packaging waste per year – in all areas, including cores and inner and outer packs.

Product innovations

In 2019, Tork launched its latest product innovation, Tork PeakServe, a patented continuous hand towel dispensing system designed for high-traffic washrooms.

PeakServe provides 250 per cent more hand towels to avoid running out and cuts refill time in half. It also features compressed hand towels which require 50 per cent less storage space. PeakServe has been successfully installed into major stadiums and tourist attractions with positive reviews from venues for improved productivity and customer washroom experience.

EasyCube is the world's leading facility management software for data-driven cleaning empowering cleaning teams with new and smarter ways of working. It delivers real-time data enabling cleaners to work more efficiently by acting on what's needed, when and where.

Following its launch in 2018, EasyCube has been installed in a diverse range of market sectors including airports, tourist attractions, commercial offices, military establishments and universities.



LEADING THE INDUSTRY BY UNLOCKING OUR ENVIRONMENTAL IMPACT

Asaleo Care works to support a more sustainable society through our products and business operations. As a business that uses pulp products derived from natural resources, we are very conscious of our impact on the environment.

Giving customers more information about how our products break down after use can help them make more sustainable choices.



To understand the environmental impact of some of our popular products, the Company commissioned the development of Environmental Product Declarations (EPDs). Asaleo Care is the industry leader in its region to have EPDs.

“EPDs are a lot like nutritional panels for food available in supermarkets,” said Jane Mansfield, General Manager, Quality, Environment and Sustainability.

“They help us unlock areas where we are doing well and where we can improve. Independently verified, an EPD provides greater transparency over the full life-cycle of our products.”

This year, Asaleo Care added Tork Xpressnap napkins to its EPD library, which includes its toilet tissue and paper towel products released in 2016.

Through the EPD process, the Company found that greenhouse gas emissions can be reduced by up to 50 per cent by composting hand towels rather than disposing to landfill.

“This knowledge is empowering and may encourage our customers and others to consider implementing waste management strategies such as industrial or worm composting (or vermicomposting).”

Strong pipeline of innovation and products for 2020

Product innovation and sustainability will continue to be our focus for 2020. Over the coming year, Tork is set to deliver a strong pipeline of new product innovation designed to improve hygiene and cleaning efficiencies as well as reduce waste in the wiping, napkin and toilet paper categories.

We are extremely proud of our people and their commitment to serving and meeting the needs of our customers and consumers every day. We recognise the need to always be focused on building and strengthening the capabilities of our employees so they can learn, grow and be able to adapt to the ever-changing markets in which we operate. This is essential to our future success.



People and Culture



Setting our future course by investing in our capabilities

In 2019, we bolstered investment in our core capabilities to develop and introduce new talent in our retail, and B2B marketing, sales and category development, and supply operations.

Innovation is core to our future success in a world of constant change. It's vital we have the right people in the right roles to create more value for our customers. During the year, we elevated our technical and procurement capabilities to support our pipeline of new products and services. We further invested in the future of our sales, marketing and category teams to ensure they are equipped with the talent and resources to execute our go-to-market strategies.

Through our graduate programs, these new employees explore their strengths and develop their skills by working with experienced professionals from different disciplines to gain insight, innovate and create change. Our most recent graduates in engineering and sales and marketing progressed in the second year of their development by contributing to many performance improvement projects across the Company's manufacturing and sales and marketing operations.

Leadership and culture

Through LIFT, our business transformation program, we are creating a new culture – one that is more energised, productive and resilient – that will better position us to navigate through inevitable and rapid change and enable us to seize opportunities in today's highly competitive retail and B2B industries.

Our leaders champion our culture of ownership and accountability and are committed to building a more adaptive company. During the year, senior leaders participated in leadership development initiatives, worked to enhance our business processes and engaged with new technology designed to drive improved performance and support career development.

Our success comes from our employees who bring our Vision, Values and Purpose to life to help our customers and their businesses prosper and our communities thrive. Strong engagement with our employees builds a greater understanding of what the Company stands for and its vision, and translates into employees going above and beyond for our customers and consumers.

In 2019, employees regularly received executive communication, news and product updates and video interviews with specialists that connected our people to our purpose and values. This was further reinforced through the renewal of our employee recognition and rewards program, Applause.

Our culture of taking ownership and accountability for our work and our development is founded on the basis that the best results are achieved through collaboration. By collaborating, we leverage the expertise, experience and diversity of thought of our people. With the sale of the Australian Consumer Tissue business, we consolidated our office footprint in Victoria and designed a new Melbourne-based workspace that supports our culture of collaboration and reinforces the connection with our brands and our focus on sustainability.

Diversity and inclusion

Diversity and inclusion are at the forefront of our goal to create a company more reflective of our consumers and customers. We want a diverse range of experience and capability across the Company to best position us to innovate and grow in the future.

Our people come from different cultures and backgrounds, different genders and work experiences, and bring their own unique thinking and perspectives to work every day. And we are better for it.

Half of our Board are women, and since 2016 we have made significant steps forward in increasing our representation of women on our senior leadership team from 28 per cent to 44 per cent.

We are very proud of this achievement. We know there is more to do to be a truly diverse and inclusive organisation. We will continue to invest in our talented women and look to advance their representation in key positions as we progress. Our work is not only about gender. In 2020, we will extend our efforts by advancing our commitments to Aboriginal and Torres Strait Islander peoples through our Reconciliation Action Plan.

We are committed to providing a safe and healthy work environment at all our sites for our employees, contractors and visitors. Safety is our number one priority. We work vigilantly every day to continue to build a stronger safety culture across our organisation.

✓ Occupational Health and Safety



Our employees, contractors and their families deserve our commitment to provide a safe and healthy workplace and we will continue to focus on driving down injury and severity rates.



Safety performance improves from strong safety and risk management focus

For 2019, our safety performance improved with our Lost Time Injury Frequency Rate (LTIFR), Total Injury Frequency Rate (TIFR) and severity rate all decreasing to lower levels compared to each of the four years prior. The time lost from Lost Time Injuries in our business is an average of two days, the lowest for many years. Most sites achieved sustained serious injury-free periods during the year.

This result was achieved in an environment of significant change and transformation. During the year, the number of contractors working in our business increased as a result of several major projects underway simultaneously. The projects included relocating our napkin line to Springvale, Victoria, installing a new 109-metre-long Forte converting line with new packaging equipment at Kawerau, New Zealand, and establishing our new Distribution Centre at Altona, Victoria.

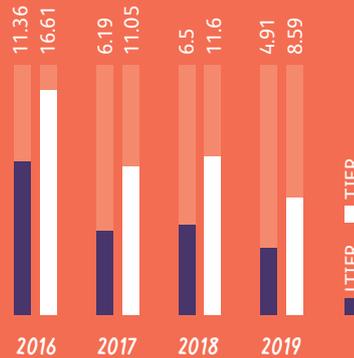
To have a reduction in all reportable injury measures, LTIFR, TIFR and severity rates across the board and no reportable injuries for any of the major projects is especially pleasing. While we are proud of the improvement in our result, there is more to be done. Our employees, contractors and their families deserve our commitment to provide a safe and healthy workplace and we will continue to focus on driving down injury and severity rates.

Lower number of drug and alcohol issues

We also expanded our Drug and Alcohol program at our manufacturing sites in 2019 to focus on consultation and training before testing. Coupled with our Employee Assistance Program for support of those with drug and alcohol problems, the expanded program has led to a sustained, low number of issues during the year. Asaleo Care recognises that drug and alcohol problems are a community-wide concern and further support is often necessary to manage the related issues.



SAFETY PERFORMANCE



Asaleo Care's Reportable Injuries use key metrics, two of which are: Total Injury Frequency Rate (TIFR) and Lost Time Injury Frequency Rate (LTIFR). LTIFR is measured by calculating the number of injuries resulting in at least one full workday lost per million hours worked over a 12-month period. TIFR is measured by calculating the number of medical treatment and lost time injuries per million hours worked across a 12-month period.

A strong culture of hazard and incident reporting

We have a strong culture of hazard and incident reporting with nearly two reports on average per person over the year, highlighting hazards that could cause harm. Employees, contractors and visitors are actively encouraged by our leadership to report any hazard or incident and to feel safe to speak up.

All employees and contractors who work on our Asaleo Care sites participate in safety training programs and are aware of the Company's safety standards, policies and practices and their obligations. The training supports the balanced approach to high-frequency/low-risk and low-frequency/high-risk hazards adopted in our Risk Management program.

Leadership development continued to support our Risk Management program and the balanced approach to high-frequency/low-risk and low-frequency/high-risk hazards. Where our standards were breached, performance management reinforced a culture of compliance.

Our capital investment program reduces risk

We maintained our strong risk management focus in 2019 to ensure major hazards and other potential causes of harm continue to be addressed.

Capital investment and supportive risk elimination and mitigation programs implemented in 2019 included:

- + complete removal of asbestos in Nakasi, Fiji and ongoing removal of asbestos containing materials at Kawerau, New Zealand
- + work at heights elimination and reduction at Te Rapa, New Zealand through rerouting ductwork and relocating vacuum systems as well as improved roof access at Kawerau, New Zealand
- + machine guarding improvements for palletising and converting equipment at Kawerau, New Zealand

OHS Management System certification

Most Asaleo Care sites have AS4801 OHS Management System certification, and during the year, all successfully retained certification. New Zealand undertook the full tri-annual ACC Accredited Employers Programme Audit and successfully retained the highest audit standard, the Tertiary Level Certification.

Asaleo Care is proud to lead its industry in sustainability action and reporting. We consistently set the bar high for ourselves to improve our own performance year-on-year.

Sustainability



Setting the bar high to create a more sustainable society

Asaleo Care is proud to lead its industry in sustainability action and reporting. We consistently set the bar high for ourselves to improve our own performance year-on-year.

Such as the targets we have set to reduce carbon emissions and increase recyclable packaging, and our stand on important and significant issues, including a no peatland commitment, and human rights and modern slavery.

Our goal is to create a more sustainable society and circular economy through our products, services and business operations.

Asaleo Care has been recognised for its corporate sustainability leadership in the Dow Jones Sustainability Index (DJSI) Australia in the Personal Products sector for five years running.

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/sustainability

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.

The following are our key sustainability issues:

- + Community engagement and partnerships (on page 40)
- + Economic performance (discussed in the Financial Statements section of this Report)
- + Occupational health and safety performance (on page 28)
- + Responsible forestry
- + Resource scarcity and the impact of climate change
- + Sustainable packaging
- + Supply chain management, including human rights

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**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM



Our goal is to create a more sustainable society and circular economy through our products, services and business operations.

Supply chain management and human rights

Protecting human rights in the supply chain is a global issue and is essential to achieve sustainable development. Asaleo Care is committed to eliminate modern slavery within our supply chain and source goods and services free from the exploitation of workers.

Our approach to managing human rights is grounded in several internationally recognised declarations and standards including the UN Universal Declaration of Human Rights, the International Labour Organization (ILO) Conventions, the UN Guiding Principles on Business and Human Rights and the Ethical Trade Initiative.

Our commitment to human rights is reinforced in our Code of Conduct, Ethical Sourcing Policy and other documents which clearly outline our supplier expectations. Our due diligence processes serve to identify, prevent and mitigate adverse human rights impacts from our multi-tiered and complex supply chains. Since 2014, we have worked with Sedex (the global Supplier Ethical Data Exchange platform) to continually improve our supplier targeting, onboarding, risk assessment and monitoring process.

Modern slavery is an important and serious issue that affects millions of people globally. Asaleo Care welcomes the new *Australian Modern Slavery Act 2018* that targets modern slavery and human trafficking in operations and supply chains.

In preparation for the new reporting requirements, we have:

- ✦ Commenced a review of our existing procedures and processes
- ✦ Reviewed our salient human rights issues through our risk mapping process
- ✦ Further strengthened our Responsible Sourcing Program to focus on our labour supply chain
- ✦ Refined our human rights risk assessment process to focus on potential modern slavery risks across our operations and supply chain
- ✦ Maintained the focus on our fibre supply chain where we expect to have the greatest influence and impact
- ✦ Developed a roadmap to address gaps in our framework to build and embed modern slavery considerations into our processes and systems, and strengthen our due diligence and management controls

To learn more visit asaleocare.com/sustainability/supply-chain-management

KPI	2019	2015
Active suppliers participating in our Responsible Sourcing Program by year end:		
+ Number of suppliers	121	89
+ Suppliers as a percentage of the Company's total procurement spend ¹	58%	46%

Our first Statement under the Australian Modern Slavery legislation is due June 2021 for the calendar year 2020. In advance, we have prepared a preliminary Modern Slavery Statement, available online at www.asaleocare.com, which outlines the actions we are taking to tackle modern slavery.

As a manufacturer of personal care and hygiene products, the raw material for many of our products come from forests. The industries for forestry and forest products are high risk for modern slavery practices, including forced labour and trafficking.² Aside from the hazardous nature of forestry and logging activities, risk factors in the sector can include exploitative conditions, excessive working hours, potential use of migrant workforces and vulnerable workers, labour contractors and other middlemen, and long, complex and non-transparent supply chains.³

Asaleo Care sources sustainable pulp and pulp-based products and applies multiple policies and governance tools across our procurement process to address any potential risk to human rights in our operations and extensive global supply chains.

Our fibre, paper and fibre-based product supply chains are subject to our Responsible Forestry and Fibre Sourcing Policy. Our products, certified to 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 169.⁴

To learn more visit asaleocare.com/sustainability/modern-slavery

1. Based on spend in Australia, New Zealand and Fiji. Data for the Australian Consumer Tissue business has only been included in the table for January – March 2019 inclusive.
2. Global Slavery Index 2018; US Department of Labour, 2018 List of Goods Produced by Child Labour or Forced Labour; Verite 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains.
3. Verite 2017. Strengthening Protections Against Trafficking in Persons in Federal and Corporate Supply Chains; and Know the Chain. Investor snapshot: forced labour in forestry (incl. paper and forest products).
4. According to FSC-STD-40-004 V3-0.

Statement on Task Force on Climate-related Financial Disclosures

Asaleo Care supports the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the position that:

“The financial impacts of climate-related issues on an organisation are driven by the specific climate-related risks and opportunities to which the organisation is exposed and its strategic and risk management decisions on seizing those opportunities and managing those risks.”⁵

During 2019, the Company commenced a project to enhance and broaden our understanding of the impact of climate change on our business and value chain by applying TCFD’s model of transition risks, physical risks and opportunities.

We understand that:

- + This is the beginning of an ongoing evaluation and strategic review process,
- + We will need to continue to deepen our understanding of climate-related risks and opportunities, and
- + We must work towards more comprehensive disclosure in the coming reporting periods.

This TCFD Statement outlines our preliminary response to the TCFD recommendations for governance, strategy, risk management, and metrics and targets.

Governance

The Asaleo Care Board has oversight of material risks, including climate risks, through the Audit and Risk Committee. A list of the Committee members and number of meetings held during 2019 are found in the Directors’ Report. Further information is available in the Corporate Governance Statement at www.asaleocare.com.

This year, we established a climate change steering committee to further develop our own TCFD model of transitional and physical risks, and climate-related opportunities. We are integrating the learnings from this work into our existing risk and strategy management processes. The committee includes representatives from operations, logistics, OH&S, sustainability and finance.

Strategy

In 2015, in accordance with the Australian Securities Exchange Governance Council’s recommendations, the Company identified the key sustainability issues pertinent to our business through a materiality assessment.

While the assessment identified Resource Scarcity and Climate Change, and the related theme of Responsible forestry as key sustainability issues, they are not considered a material business risk in the short term.

We acknowledge that climate change poses complex and varied risks to businesses and supply chains and recognise that the impact of climate change varies over different time horizons. Our review of the TCFD recommendations indicates future climate impacts to our business may include risks described in the table below.

On the other hand, opportunities may arise through Asaleo Care’s climate risk management and adaptation decisions, such as changing consumer preferences in line with United Nations Sustainable Development Goal (SDG) 12 ‘Ensure responsible consumption and production patterns’.

This could lead to market share growth of low-carbon tissue products, like those produced at our paper mill in Kawerau, New Zealand which uses a high share of renewable energy over the entire product life cycle (i.e. up to 78 per cent), or for hygiene systems designed to reduce consumption such as TENA Indentifi and Tork SmartOne.

TYPE	CLIMATE-RELATED RISK	POTENTIAL FINANCIAL IMPACT
Transition	Regulatory risks such as changes to government policy, law and regulation	Increased regulatory compliance costs and energy costs
Physical	Acute – Extreme weather events	Disruption of pulp and other supply chains
	Chronic – Changing weather patterns	Indirect impacts such as increased raw material, energy and freight costs, and insurance premiums

5. FSB Task Force on Climate-related Financial Disclosures (2017), <https://www.fsb-tcf.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf>, accessed 2 December 2019.



Our paper mill at Kawerau, New Zealand uses geothermal steam, reducing greenhouse gas emissions by 46 per cent.

We limit greenhouse gas emissions through the use of renewable energy and efficiency activities. For example, in 2010 we ceased burning natural gas to make steam at our paper mill at Kawerau, New Zealand, and started using naturally occurring, local geothermal steam. This directly reduced Kawerau's greenhouse gas emissions by 46 per cent.

All our manufacturing and operational sites located in New Zealand take advantage of the country's low-emissions electricity generation network. This enables us to manufacture products and operate distribution centres in New Zealand with a low greenhouse gas footprint. We continue to look for opportunities to reduce greenhouse gas emissions over the entire life cycle of our products.

Forests are effective in helping to stabilise the climate. According to International Union for Conservation of Nature⁶ (IUCN), it is important forest landscapes are kept intact and managed more sustainably. This is challenging with forests worldwide declining at a rate of 13 million hectares per year.⁷ It is a key reason Asaleo Care is committed to responsible forestry and fibre procurement and supports the Forest Stewardship Council (FSC) system.

Asaleo Care is the first in its industry to make a no tropical peatland commitment, which is included in our fibre procurement policy. In discussions with our customers:

- + we explain the devastating environmental and social impacts of buying products made from these fibre sources including the increase in greenhouse emissions;
- + we share our No Tropical Peatland Commitment with them; and

- + we encourage them to take similar action to limit their Scope 3 emissions through the purchase and consumption of tissue paper products.

Risk management

The Company has a Risk Management Framework that assists to identify, evaluate, manage and report on risk, including climate-related risk. Our risk register identifies and rates the main strategic risks facing the Company, provides an explanation of the way risks are managed, and identifies roles and responsibilities of those within the Company who will manage each risk.

An outline of the main risks that could adversely affect the Company is also included in the Directors' Report and our Corporate Governance Statement. Risk management, including climate-related risk, is integrated into the management of the Company's business.

Metrics and targets

The Company has reported its Company Scope 1 and 2 emissions since 2015. Between 2015 and 2018, there was a decline in total emissions as our share of renewable energy increased and our energy consumption lowered.

In 2019, following the sale of the Australian Consumer Tissue business, we reviewed our energy and emissions footprint from ongoing operations, our metrics and targets. More information can be found in the Resource scarcity and climate change section of this Report.

6. IUCN, <https://www.iucn.org/resources/issues-briefs/forests-and-climate-change>, accessed 2nd December 2019.

7. United Nations Sustainable Development Goals (UN SDGs), SDG 15 (2015), <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-15-life-on-land.html>, accessed 29th November 2019.

Asaleo Care joins the Climate Leaders Coalition

We're on a mission to reduce emissions in New Zealand

The Climate Leaders Coalition was launched in July 2018 to promote business leadership and collective action in New Zealand on the issue of climate change. The Coalition's goal is to help New Zealand transition to a low-emissions economy and, in doing so, create a positive future for New Zealanders, business and the economy.

By the end of 2019, more than 120 chief executives, including Asaleo Care's Sid Takla, had signed a joint statement, which commits organisations to take voluntary action on climate change. This includes measuring and publicly reporting greenhouse gas emissions, setting a public emissions reduction target, and working with suppliers to reduce their emissions.

Organisations from all sectors of the economy are represented in the Coalition and together, signatories make up 60 per cent of New Zealand's gross emissions.



Responsible forestry – extending our approach beyond chain of custody

Deforestation and land use conversion puts the climate under pressure, and forestry is a high-risk sector for modern slavery. We believe it is our responsibility to manage the sustainability impact of our products in an environmentally and socially responsible manner.

Our approach is centred on securing responsible sources of pulp and pulp-based products to manufacture our goods which we put into action through our policies and sourcing practices.

To learn more visit

asaleocare.com/sustainability/responsible-forestry-and-fibre-sourcing-policy

With our Forest Stewardship Council (FSC) certification, our consumers and customers are assured the products we are delivering are sustainable, responsible and traceable. All our manufacturing facilities and trading operations are covered by our multi-site FSC Chain of Custody certificate.

Our responsible fibre sourcing metrics include FSC certification, Environmental Choice New Zealand licensing and assurance, and source of origin due diligence. Using a unified range of responsible forestry metrics enables us to examine our progress in a unified and holistic way without being limited to one management approach.

KPIs	2019	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 ⁸		
- Number of suppliers	38	29
- Percentage of relevant suppliers	81%	66%
Number of FSC (or PEFC) chain of custody certified products	256 ⁹	180
Number of Environmental Choice New Zealand (ECNZ) assured products ¹⁰	69 ¹¹	81

8. 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.

9. From 2015 to 2018, this KPI includes PEFC certified products manufactured at the Box Hill site. Since the sale of the Australian Consumer Tissue Business during 2019, no PEFC products are included in our assortment and the results reflect the number of FSC certified products only.

10. ECNZ's Sanitary Paper Products specification, EC-13-15.

11. ECNZ assured products. The reduction in 2019 was due to the rationalisation of our range.

Resource scarcity and climate change

The United Nations¹² warns that at current rates of global growth and consumption, the equivalent of three planet Earths will be required by 2050 to sustain current lifestyles. Asaleo Care recognises the importance in managing the use of energy and water resources in a responsible way as well as reducing emissions across our operations. In addition, we have established strict policies and procedures to minimise pollution from our sites.

Following the sale of the Australian Consumer Tissue business in March 2019, our use of renewable energy for the reporting period rose to 44.3 per cent, the highest ever recorded for our business. The energy was derived from renewable sources in New Zealand. Geothermal steam contributed up 26.2 per cent of our total energy consumption. Additionally, 18.2 per cent of Asaleo Care's total energy consumption was from electricity generated from renewable energy sources in New Zealand.¹³

As part of our response to the TCFD recommendations, and in alignment with our commitment to the New Zealand Climate Leaders Coalition, we have reviewed the energy and emissions footprint of our ongoing business operations and set a greenhouse gas reduction target.

Leading organisations are using Science-based Target (SBT) methodology to set their emissions reduction targets and we have used the same tools to set ours. Our target is a 28 per cent reduction in greenhouse gases (Scope 1 and 2)¹⁴ by 2025 from a 2015 base year on an ongoing business operations basis.¹⁵ This equates to an absolute emissions target of 26.6 kt CO₂-e by end 2025.



Tropical peatland free commitment

Asaleo Care is the first and only company in our industry committed to prevent fibre sourced from drained tropical peatlands from entering its fibre supply chain. We are actively raising awareness about the environmental and social impacts of buying products made from drained tropical peatlands.

Why tropical peatland conservation is important

Tropical peatlands, such as those found on Indonesia's Sumatra and Kalimantan Islands, are one of the most efficient forms of land-based carbon sequestration on the planet. Draining them for pulpwood plantations and other purposes, like palm oil production, releases large amounts of greenhouse gases. Dry, degraded tropical peatlands become more vulnerable to devastating fires that can release further greenhouse gases and create a toxic smoke haze, threatening the health of exposed populations such as those in Indonesia, Malaysia and Singapore.

WHAT IS PEAT?

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



12. United Nations Sustainable Development Goals (UN SDGs), SDG 12 (2016), <https://www.un.org/sustainabledevelopment/wp-content/uploads/2016/08/12.pdf>, accessed 16th December 2019.
13. New Zealand Energy Quarterly, January – September 2019 (MBIE: www.med.govt.nz), electricity from renewable energy sources equated to 81.4% of total electricity generation.
14. Scope 1 greenhouse gas emissions are the emissions released to the atmosphere as a direct result of an activity, or series of activities at a facility level. Scope 2 greenhouse gas emissions are the emissions released to the atmosphere from the indirect consumption of an energy commodity.
15. Following the sale of Australian Consumer Tissue business, the greenhouse gas footprint of our ongoing business operations is significantly smaller. In 2015 our actual Company emissions were 226.9 kt CO₂-e.

GROUP ENVIRONMENTAL PERFORMANCE DATA

	UNIT	2019	2015
Energy Consumption			
Geothermal steam	GJ	264,628	270,258
Fossil fuels: ¹⁶ natural gas, diesel, gasoline, LPG	GJ	382,923	1,034,930
Electricity	GJ	363,699	706,521
Total energy consumption	GJ	1,011,250	2,011,709
Energy from direct use of geothermal steam	% of total	26.2	13.4
Energy from New Zealand electricity purchases	% of total	22.3	10.7
GHG Emissions to Air¹⁷			
Scope 1 (direct) GHG emissions (CO ₂ -e)	tonne	20,727	54,007
Scope 2 (indirect) GHG emissions (CO ₂ -e)	tonne	47,339	172,844
Total Scope 1 + 2 GHG emissions (CO₂-e)	tonne	68,066	226,851
Fresh Water Usage¹⁸			
Municipal supply	m ³	372,552	1,150,118
	% of total	20.1	45.0
Surface water	m ³	1,484,323	1,403,133
	% of total	79.9	55.0
Total fresh water usage	m³	1,856,875	2,553,251
Discharge to Water¹⁹			
Biological Oxygen Demand (BOD)	tonne	49	130

Note: Data in this table covers Asaleo Care's manufacturing, distribution centre and sales operations, unless otherwise specified. Environmental performance data for Australian Consumer Tissue business have only been included in the table for January – March 2019 inclusive.

16. Direct fuel combustion from stationary and transport energy purposes. Excludes third-party logistics transport activities.

17. Global Warming Potentials used for this report are sourced from the Australian National Greenhouse Accounts (NGA) Factors (August 2019), New Zealand's Ministry for the Environment 'Measuring emissions: A guide for organisations' (May 2019, Correction August 2019), 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.

18. Fresh water usage is reported for manufacturing sites only (i.e. Kawerau, Te Rapa, Box Hill, Springvale and Nakasi).

19. BOD is reported for Asaleo Care's Paper Mills only (i.e. Kawerau and Box Hill sites).



Sustainable packaging

Packaging plays a critical role in protecting our products and ensuring they reach our customers in premium condition. But used packaging can create an environmental challenge. Inadequate recycling infrastructure contributes to the problem with only 58 per cent of paper and 14 per cent of plastic recycled globally.²⁰ One solution is to ensure all packaging materials are technically recyclable.

Our goal is to achieve 100 per cent recyclable packaging by 2025 guided by our policy principles where:

- + 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

We also recognise that improving the recycling infrastructure requires collaboration both up and down the supply chain and across industries. During 2019, Asaleo Care participated as a Steering Committee Member of the Soft Plastics Recycling Scheme in New Zealand and a partner of the RedCycle Program in Australia, a recovery initiative for post-consumer soft plastic.

As part of our sustainable packaging journey, our new diaper brand, Treasures Care, is packaged in lightweight recyclable plastic derived from 51 per cent sugarcane instead of fossil fuels. In addition, this material has a lower greenhouse warming potential than conventional plastics and reduces our reliance on non-renewable materials.

We have been a signatory of the Australian Packaging Covenant (APC) for nearly a decade and continue to publicly report our progress via the Australian Packaging Covenant Organisation (APCO) Annual Report. In 2019, we achieved well above the industry average at a 'Performance Level 4 – Leading'²¹ category for both the mandatory 'core' and 'recommended' criteria.

20. Ellen MacArthur Foundation, 'The New Plastics Economy', 2016, p17. https://www.ellenmacarthurfoundation.org/assets/downloads/EllenMacArthurFoundation_TheNewPlasticsEconomy_29-1-16.pdf

21. APCO annual reporting levels range from 'Level 0 – Not Yet Started' to 'Level 5 – Beyond Best Practice'.

As a leader in personal care and hygiene, Asaleo Care is proud of the role we play in our communities across Australasia. We employ local people, purchase goods and services, and pay taxes that help support local and regional economies.



Community





Every employee who volunteers for Make a Meal has found the experience a wonderful team building event and extremely rewarding.

Ronald McDonald House Charities is our major corporate charitable partner. The Company has sponsored Ronald McDonald House in Australia and New Zealand for more than a decade. Ronald McDonald House helps keep families of seriously ill children together and close to the care and treatment of their child's needs.

During the year, Asaleo Care donated essential personal hygiene products and contributed financially to Ronald McDonald House. Our employees in Australia and New Zealand volunteered for the Make a Meal dinner program at Ronald McDonald Chapter Houses in local communities.

Through the program, our teams provided the food and cooks for the families staying at a House. Every employee who volunteers for Make a Meal has found the experience a wonderful team building event and extremely rewarding.

Asaleo Care's brands contribute to other leading charities such as Share the Dignity with Libra and Prostate Cancer Foundation of Australia with TENA. The Company also provided Feminine Care and other essential care products to Foodbank over the course of the year.

In Fiji, Asaleo Care regularly donates care packs of essential products including baby diapers and

maternity pads to new mothers from underprivileged families through Viti Amma (Fiji Mother).

The Company also participates in the Hospital Trolley program at Fiji's largest and oldest hospital, Suva Colonial War Memorial Hospital, by donating toilet tissues, pads and diapers. Funds generated from the trolley rounds are used to purchase vital medical equipment for the maternity ward.

We also make a meaningful contribution to health and wellbeing through our educational programs and materials about periods, parenting, incontinence and elderly care in support of young women, new mothers and parents and the elderly.

Asaleo Care is known for volunteering and providing aid during times of disaster. The Company has provided product donations and on-the-ground volunteers when our communities and their families need it most, such as during bushfires, floods, earthquakes and cyclones.

Financial Review Summary

FY19 RESULTS VERSUS FY18

A\$ MILLION	CONTINUING UNDERLYING 2019 ¹	CONTINUING UNDERLYING 2018 ¹	CHANGE %
Revenue ²	420.2	407.8	3.0%
EBITDA ³	82.4	81.5	1.1%
Depreciation	(25.5)	(15.7)	62.4%
EBIT	56.8	65.8	(13.7%)
Net Finance Costs ²	(12.0)	(14.8)	(18.9%)
Profit Before Tax	44.9	51.0	(12.0%)
Tax Expense	(13.2)	(14.0)	(5.7%)
NPAT	31.7	37.0	(14.3%)
Statutory NPAT/(NLAT)	22.1	(108.7)	large

1. Refer to page 46 for a reconciliation between the FY19 and FY18 Statutory and Underlying result.
2. Revenue excludes interest income, which is recognised within Net Finance Costs.
3. Prior year EBITDA includes lease expenses. 2019 EBITDA does not include lease expenses as required by AASB 16.

Revenue: With a renewed focus on our customers and consumers as well as increased investment in our brands, the Group returned to revenue growth in 2019, achieving 3% growth over the prior period. This growth was achieved across the business with the Retail segment growing 5% and the Business to Business segment (B2B) growing 2%.

Retail: With the exception of our Baby Care business in New Zealand, all Retail businesses delivered growth.

Growth in our Consumer Tissue business in New Zealand was achieved through a combination of successful launches of new products in our toilet paper and hand towel categories, improved promotional effectiveness as well as expanding the distribution of existing products into new stores.

Our branded Feminine Care business delivered modest growth of 1%. We have invested heavily in our brands through marketing and advertising (e.g. #bloodnormal campaign), trade promotional spend and new product launches such as Libra Girl. Most of this investment occurred in the second half of the year which we expect will deliver improved sales growth in future periods.

Our Incontinence business delivered strong growth of 6% over the prior year from a combination of multiple new product launches, improved promotional effectiveness and increased investment in marketing and advertising.

During the second half of the year, our Baby Care business launched the Treasures Care nappy range, a more environmentally friendly nappy made in New Zealand which is key to rebuilding the brand. However, the launch did not offset the loss of distribution earlier in the year resulting in this business declining over the prior year.

B2B: Growth was achieved by both the Professional Hygiene and Incontinence HealthCare businesses.

Professional Hygiene achieved modest sales growth of 1% for the full year but pleasingly achieved 3.2% growth in the second half after cycling against some low margin contract losses in

2018 (post price increases linked to pulp costs). The Professional Hygiene business continues to focus on building the branded portfolio through our Hero and Value Add proprietary systems. Sales of these systems now account for approximately 36% of the total portfolio.

Incontinence Healthcare delivered solid growth of 3% on prior year attributable to growth in the community channel, new customer contracts and an improved mix of product sales.

EBITDA: Reported Underlying EBITDA increased 1.1%, however after adjusting for the AASB 16 changes for lease accounting, EBITDA declined by 10.9%. The key drivers for this decline include:

- + Significant investment in promotional trade spend to drive volume growth and maintain market share;
- + Increased investment in our brands with Advertising and Promotion spend 49% higher;
- + Increased investment in the B2B sales team to drive future growth;
- + Increased manufacturing input costs, most notably insurance and energy; and
- + Unfavourable foreign exchange movements on foreign currency denominated purchases with both the NZD and AUD deteriorating against the USD and Euro throughout the year.

EBIT: The decline in EBIT to \$56.8 million in FY19 from \$65.8 million in the corresponding period is largely due to the reasons outlined above. Depreciation and Amortisation Expense increased as a result of the adoption of AASB 16 in 2019 regarding lease accounting and also depreciation on assets acquired.

Net Finance Costs: As a result of applying the proceeds from the sale of the Australian Consumer Tissue business in early 2019 to reduce debt and lower interest rates, net finance costs decreased 18.9%.

NPAT: FY19 Underlying NPAT of \$31.7 million was unfavourable 14.3% compared with FY18 of \$37.0 million.

BALANCE SHEET

A\$ MILLION	2019	2018	% CHANGE
Cash and cash equivalents	33.2	67.4	(50.7%)
Trade Receivables	23.8	13.0	83.1%
Inventories	104.7	107.3	(2.4%)
Other current assets	7.5	12.7	(40.9%)
Tax assets	2.1	6.7	(68.7%)
Property, plant and equipment	151.9	138.6	9.6%
Right-of-use assets	23.0	–	100%
Intangible assets	134.8	134.5	0.2%
Assets classified as held for sale	–	178.8	(100%)
Total Assets	481.0	659.0	(27.0%)
Payables and provisions	79.0	100.9	(21.7%)
Other current liabilities	2.2	0.6	266.7%
Lease liabilities	25.5	–	100%
Interest-bearing liabilities	171.3	325.7	(47.4%)
Other non-current liabilities	0.4	0.4	–
Deferred tax liabilities	20.5	20.3	1.0%
Liabilities associated with assets held for sale	–	46.4	(100%)
Total Liabilities	298.9	494.3	(39.5%)
Net Assets	182.1	164.7	10.6%

Key balance sheet movements during the year ended 31 December 2019 were:

- + **Receivables:** Increased due to higher sales at the end of 2019 and delayed customer receipts (received in early 2020).
- + **Other current assets:** Decrease due to receipt of \$7.5m in 2019 for the refund of an escrow payment in 2018 in relation to the sale of the Australian Consumer Tissue business, however 2019 includes a receivable for a final payment due in relation to the sale of the Australian Consumer Tissue business.
- + **Property, plant and equipment:** Increase due to new converting wide winder being installed at Kawerau site NZ, slightly offset with depreciation of existing assets.
- + **Payables and provisions:** Decrease is primarily due to timing of payments to suppliers in the prior year which was mainly attributable to the transition for the sale of the Consumer Tissue Australia business, and the timing of tax payments.
- + **Interest-bearing liabilities:** Lower interest-bearing liabilities largely due to the application of proceeds from the sale of the Australian Consumer Tissue business to reduce debt.
- + **Deferred taxes:** Small increase due to utilisation of prior year losses offset by movements in provision balances.
- + **Other current liabilities:** Increase due to the mark-to-market valuation of out of the money foreign currency contracts.
- + **Assets and liabilities classified as held for sale:** The 2018 balances related to the sale of the Australian Consumer Tissue business completed in March 2019.

FREE CASH FLOW

A\$ MILLION	2019	2018	CHANGE %
Underlying EBITDA	82.4	81.5	1.1%
Discontinued Operations	(16.2)	(0.9)	1,700.0%
Changes in working capital	(42.6)	27.3	(256.0%)
Consumer Tissue retained net payable	(22.7)	0.0	–
Maintenance capital expenditure	(11.0)	(17.2)	(36.0%)
Financing	(11.9)	(12.7)	(6.3%)
Lease Payments	(11.3)	0.0	–
Taxation	(7.6)	(1.2)	533.3%
Other/Non recurring	1.5	(12.0)	112.5%
Free Cash Flow	(39.4)	64.8	(160.8%)

Total free cash flow decreased by \$104.2 million compared with the prior year.

Key drivers of the movement are:

- + **EBITDA:** Increase of 1.1%, however after adjusting for the first adoption of AASB 16 regarding lease accounting, EBITDA declined by (11.2%). Key drivers for EBITDA decline are detailed on page 42.
- + **Changes in working capital:** Increase in working capital of \$42.6 million mostly relates to a number of working capital initiatives that were implemented in 2018 to generate short term cash which were repaid in early 2019. Higher sales in December combined with delayed customer payments also drove higher receivables at year end.
- + **Consumer Tissue retained net payable:** Terms of the sale included the retention of all net payable balances pertaining to Consumer Tissue Australia at settlement.
- + **Maintenance capital expenditure:** Reduction due to the sale of the Consumer Tissue Australia business in early 2019. In 2018, this business incurred \$6.2 million on maintenance capital expenditure.
- + **Financing:** Higher financing payments due to timing of interest payments.
- + **Taxation:** Higher tax relates to timing of tax payments.
- + **Other:** Includes non-recurring expenditure, currency exchange movements on opening foreign cash balances and translation on foreign operations opening working capital.

FINANCIAL INDEBTEDNESS

A\$ MILLION	2019	2018
Non-current interest bearing liabilities ¹	172.5	327.5
Total debt	172.5	327.5
Cash and cash equivalents	33.2	67.4
Net debt	139.3	260.1
Leverage (Net debt/Underlying EBITDA)	1.95	3.25

1. Excludes capitalised borrowing costs: 31 December 2019 of \$1.2 million and 31 December 2018 of \$1.8 million

Leverage: 31 December 2019 is less than 2× which is well within the target range of 1.5× to 2.5×. Proceeds from the sale of the Consumer Tissue Australia business were used during the year to lower debt.

Total debt: Asaleo Care has two main debt facilities. In June 2018 the debt was renegotiated and extended. Facility A has a commitment of \$70 million, maturing 31 July 2021, Facility B has a commitment of \$40 million, maturing 31 July 2023 and Facility C has a commitment of \$50 million, maturing 31 July 2022. In addition, we hold Senior Notes for \$90 million. Series A note is for \$65 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 FY19 was 4.8% compared to FY18 of 4.3%.

RECONCILIATION BETWEEN CONTINUING STATUTORY AND UNDERLYING FINANCIAL INFORMATION

Consolidated income statements for the years ended 31 December 2019 and 31 December 2018

A\$ MILLION	2019	STATUTORY 2018	2019	ADJUSTMENTS ¹ 2018	2019	UNDERLYING 2018
Revenue ²	420.2	407.8	–	–	420.2	407.8
EBITDA ³	80.8	37.2	1.6	44.3	82.4	81.5
Depreciation	(28.5)	(18.0)	2.9	2.3	(25.5)	(15.7)
EBIT	52.3	19.2	4.5	46.6	56.9	65.8
Net Finance Costs ²	(12.0)	(14.8)	–	–	(12.0)	(14.8)
Profit Before Tax	40.4	4.4	4.5	46.6	44.9	51.0
Tax Expense	(11.9)	(3.6)	(1.3)	(10.4)	(13.2)	(14.0)
Net Profit After Tax	28.5	0.8	3.1	36.2	31.7	37.0

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'.
3. Prior year EBITDA includes lease expenses. 2019 EBITDA does not include lease expenses as required by AASB 16.

Adjustments for the Year Ended 31 December 2019

EBITDA: Represents costs associated with the upgrade for the Kawerau site.

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 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.

RETAIL BUSINESS SEGMENT

A\$ MILLION	STATUTORY		ADJUSTMENTS ¹		UNDERLYING	
	2019	2018	2019	2018	2019	2018
Revenue	198.6	189.6	–	–	198.6	189.6
EBITDA ²	35.6	(5.2)	–	41.6	35.6	36.4

1. Segment commentary below should be read in conjunction with the consolidated income statement section above.
2. Prior year EBITDA includes lease expenses. 2019 EBITDA does not include lease expenses as required by AASB 16

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.

B2B BUSINESS SEGMENT

A\$ MILLION	STATUTORY		ADJUSTMENTS ¹		UNDERLYING	
	2019	2018	2019	2018	2019	2018
Revenue	221.6	218.2	–	–	221.6	218.2
EBITDA ²	45.2	42.4	1.6	2.7	46.8	45.1

1. Segment commentary below should be read in conjunction with the consolidated income statement section above.
2. Prior year EBITDA includes lease expenses. 2019 EBITDA does not include lease expenses as required by AASB 16.

EBITDA adjustments for the year ended 31 December 2019: Represents costs related to the Kawerau site upgrade.

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

2020 Outlook

Asaleo Care should continue to deliver revenue and profit growth through a number of new product launches, incremental investment in our brands together with new business contracts in both our B2B and Retail segments.

Whilst profit should benefit from improved pulp pricing and efficiencies from our new NZ tissue converting asset, cost challenges of energy, insurance and foreign exchange will reduce these benefits. Further, profit will be adversely impacted by the full year effect of the stranded costs post the divestment of the Australian Consumer Tissue business.

We expect the business to generate positive free cashflows in FY20, which will be applied to reduce debt, reinvest back in the business and resume consistent dividend payments.

Board of Directors



Harry Boon

Independent Non-Executive Chairman

- ✦ Harry is Chairman of the Board and the Nomination and Governance Committee, and is a member of the Audit and Risk Committee and the Remuneration and Human Resources Committee.
- ✦ He was appointed on 30 May 2014 in preparation for the Company's listing on the ASX.
- ✦ Harry has over 40 years' broad experience in marketing and sales, manufacturing and product development, including 15 years as Chief Executive Officer and Managing Director of Ansell Limited. He has worked in senior management positions in Australia, Europe and North America.
- ✦ Harry is a Director of ASX listed Tabcorp Limited, and was until late 2017 Chairman of Tatts Group 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.



Mats Berencreutz

Independent 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.



Marie-Laure Mahé

Non-Executive Director (nominee of Essity)

- ✦ Marie-Laure was appointed as a Director on 20 August 2019 and is a member of the Nomination and Governance Committee.
- ✦ She is currently Vice President Marketing, e-commerce and Essity Ventures for Essity consumer goods. In this role she has responsibility for developing Essity's business in Europe. Previously, she held the positions of commercial director for France and Belgium and Marketing Director Europe, Toilet Paper.
- ✦ Prior to joining SCA in 2012, Marie-Laure held senior sales and marketing roles with Georgia Pacific, Danone and Colgate Palmolive.
- ✦ Marie-Laure holds a Bachelor of Commerce from Essec business school in France and an MBA from the University of California, Irvine.



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 29 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

Sid Takla *Chief Executive Officer and Managing Director*

- ✦ Refer to page 48



Campbell Richards

Campbell Richards *Chief Financial Officer*

- ✦ Campbell Richards joined Asaleo Care as CFO in April 2019 and has more than 30 years of financial management experience in national and multi-national ASX listed companies as well as in chartered accounting.
- ✦ Campbell has extensive experience in treasury, corporate, commercial and operational finance and mergers and acquisitions specialising in industrial manufacturing and the healthcare and FMCG sectors.
- ✦ Before joining the Company, he was CFO and Company Secretary for MaxiTRANS Industries, a leading supplier of road transport equipment, for five years. Prior to that, he held senior financial positions with Mondelez, Mayne Group and Mayne Pharma based in Australia and the UK as well as in chartered accounting at KPMG and Coopers & Lybrand.
- ✦ Campbell has a Bachelor of Business (Accounting) from Deakin University and is a Chartered Accountant.



Rob Graham

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.



Caitlin Patterson

Caitlin Patterson *Executive General Manager, Retail*

- ✦ 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 and in April 2019, she was appointed Executive General Manager, Retail.
- ✦ 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.



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, Supply*

- + 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 and in June 2019, he was appointed Executive General Manager, Supply.
- + 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.

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 2019 and the Auditor's Report thereon. Directors, including their qualifications and experience can be found on pages 48–49 of this Report.

Directors' Meetings

The following table sets out Board and Board Committee meetings during 2019 and Directors' attendance:

	BOARD MEETING	AUDIT & RISK COMMITTEE	NOMINATION & GOVERNANCE COMMITTEE	REMUNERATION & HR COMMITTEE
NO. OF MEETINGS HELD	9	5	2	5
Attendance				
Harry Boon	9	5	2	5
Mats Berencreutz	9	N/A	2	5
Robert Sjostrom*	6	3	1	N/A
Marie-Laure Mahé^	3	N/A	1	N/A
Sue Morphet	9	5	2	5
JoAnne Stephenson	9	5	2	5
Sid Takla	9	N/A	N/A	N/A

*Resigned effective 20 August 2019

^Appointed effective 20 August 2019

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	SKILLS/ EXPERIENCE	NO. OF DIRECTORS
Personal care and hygiene	3	Health, safety and environment	4
Industrial/manufacturing	5	Business development	6
Paper industry	4	Accounting and finance	2
Distribution and logistics	3	Governance/risk management	6
FMCG and retail	5	Human resources	6
B2B	3	Executive management and leadership	6
Sales and marketing	5		

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 page 47 of this Report.

Significant Changes in State of Affairs

On 29 March 2019 the Company completed the sale of its Australian Consumer Tissue business to Solaris Paper Pty Ltd.

Environmental Regulation and Performance

In 2019 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*.
- ✦ 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 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.	<p>The Company has a diversified product range and customer channels to mitigate the consequence of a single customer being disruptive. Currently over half of the Group's profit is derived from its B2B business.</p> <p>The Company actively and continuously engages with customers to retain competitive margins that satisfy Asaleo Care and the customer.</p> <p>The Company is investing in its brands and maximising brand loyalty to ensure high demand for Asaleo Care products to minimise risk of retail customer disruption.</p>
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 significantly increased its investment in key brands during 2019.
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 four sites across Australia, New Zealand and Fiji. A disruption at any of these facilities could adversely affect production capacity and earnings. Approximately 48% 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	<p>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 Essity 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 2027; however, there is an option to extend it to 2032 by mutual agreement.</p> <p>The Supply agreement captures the supply of key products from Essity. The Supply agreement terminates if the TMTLA expires or is terminated.</p>	<p>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.</p> <p>The Company continues to explore opportunities to maximise its 'in-house' capability.</p>

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

No dividend was paid during the 2019 financial year.

Subsequent to the end of the 2019 financial year, Directors declared a final ordinary dividend of \$10.9 million (2.0 cents per ordinary share) to be paid on 3 April 2020, for the year ended 31 December 2019 out of the Asaleo Care Ltd dividend appropriation reserve.

Depending on available profits and the financial position of the Company, the Directors intend to payout surplus cash to shareholders.

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 2019.

Corporate Governance Statement

The Company's Corporate Governance Statement discloses how the Company complies with the recommendation of the ASX Corporate Governance Council (4th edition) and sets out the Company's main corporate governance practices. This Statement has been approved by the Board and is current as at 18 February 2020. 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:

	2019 \$	2018 \$
Other assurance services	16,000	15,924
<i>Taxation services</i>		
Tax compliance services and review of company income tax returns	66,050	77,888
Tax assistance with transaction	453,874	289,361
<i>Other tax services</i>	407,521	–
Total remuneration for taxation services	927,445	367,249
<i>Other services</i>		
Due Diligence assistance	211,000	325,001

Network firms of PricewaterhouseCoopers Australia

<i>Taxation services</i>		
Tax compliance services and review of company income tax returns	33,524	21,140
<i>Other services</i>		
Consulting services	33,122	–

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 2019.

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.
- + Reward for performance that is aligned to the Company's purpose and values.

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).

Since listing, the Company's Remuneration Reports have achieved approval votes in excess of 99% at respective Annual General Meetings.

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 2019 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	Chief Executive Officer and Managing Director	
KMP EXECUTIVES		
Campbell Richards	Chief Financial Officer (CFO)	Appointed effective 29 April 2019
Lyndal York	Chief Financial Officer (CFO)	Resigned effective 1 March 2019
Caitlin Patterson	Executive General Manager (EGM), Retail	Appointed effective 5 April 2019 (previous position was EGM, Consumer Marketing)
Rob Graham	Executive General Manager (EGM), Business to Business (B2B)	
NON-EXECUTIVE DIRECTORS		
Harry Boon	NED – Chairman	
Sue Morphet	NED	
JoAnne Stephenson	NED	
Mats Berencreutz¹	NED	
Marie-Laure Mahé²	NED	Appointed effective 20 August 2019
Robert Sjoström³	NED	Resigned effective 19 August 2019

1. Mats Berencreutz is a nominee of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. Essity is the ultimate parent entity in its investment in Asaleo Care Ltd.
2. Marie-Laure Mahé is an employee and nominee of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. Essity is the ultimate parent entity in its investment in Asaleo Care Ltd.
3. Robert Sjoström is an employee, and was a nominee, 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, purpose and values, individual performance and the general external remuneration 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 four years as the Performance 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 five times during 2019.

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 Company, its purpose and values, the performance of the Executives and the general external pay environment.
- + Has a human resources 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

In February 2019, the Committee engaged Egan Associates Pty Ltd (Egan) to provide benchmarks on the level of fixed and variable remuneration for Executives among companies with comparable financial attributes to Asaleo Care in the broader markets and in a more restricted market, taking into account Asaleo Care's change in business scale post the sale of the Australian Consumer Tissue business. Egan provided this advice for a fee of \$16,800. Egan has confirmed that all recommendations provided in the advice to the Committee were made free from undue influence by any member of KMP. As a consequence of this confirmation and from their dealings with Egan, the Board and the Committee are satisfied that the remuneration recommendations were made free from any undue influence by any member of KMP.

Egan's recommendations generally concluded that Asaleo Care Executives were competitively remunerated and that the Board had scope to make changes to remuneration to ensure ongoing market competitiveness and for Executives whose position scope had expanded. Egan's recommended benchmarks were considered by the Committee and the Board in setting fixed and variable remuneration for Asaleo Care Executives during the 2019 salary review.

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. These 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.

Following the annual salary review process which commenced in January 2019 and takes into account market benchmarks for Executives’ relevant positions, change in business scale and increased role responsibilities post the sale of the Australian Consumer Tissue business, the Company and individual performance, some Executives received a fixed remuneration increase in 2019.

The CEO’s TFR was increased on 1 May 2019 taking into account his performance and market competitive factors. The increase took effect 12 months since his appointment as Interim CEO.

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:

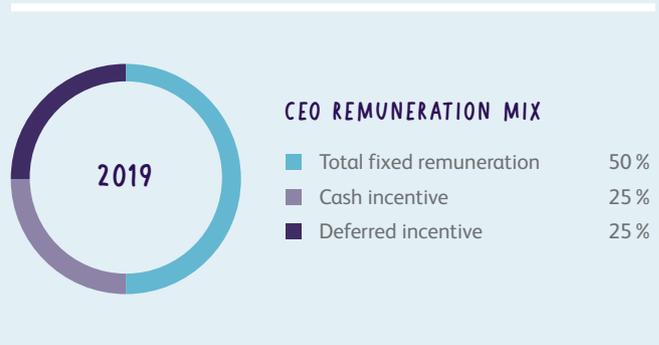
- + Designed to take into account individual, business unit and Company performance.
- + Linked to clearly specified performance targets, which are aligned to the Company’s short-term and long-term performance objectives.

Following the sale of the Australian Consumer Tissue business, Executives’ variable remuneration has been reduced in 2019 to align to the smaller scale of the Company (refer to ‘2019 EIP Reward Potential’ section of the report for further detail).

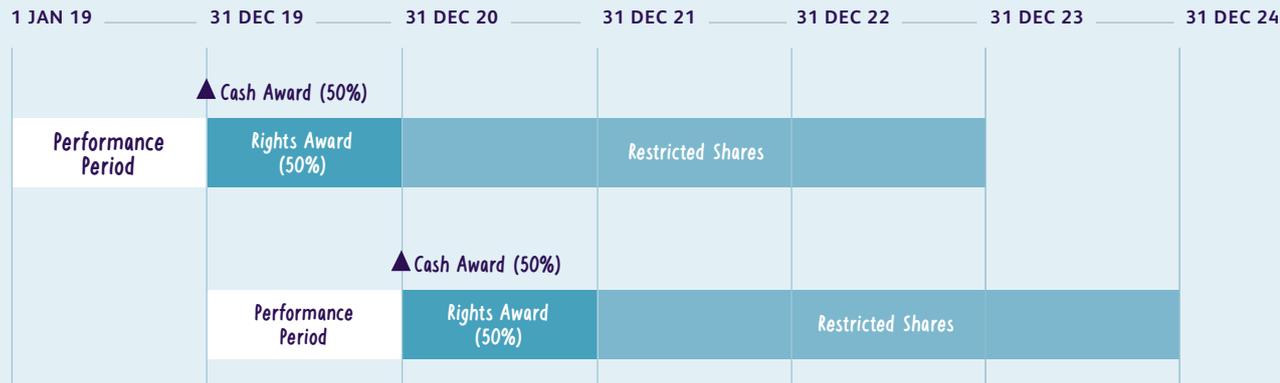
2019 Executive Remuneration

Executive remuneration mix

Below is the remuneration mix between fixed and variable remuneration at target for the CEO and KMP Executives for 2019.



The structure of the EIP award is illustrated as follows:



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.

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.

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.

2019 EIP Reward Potential

Following a review, post the sale of the Australian Consumer Tissue business, the EIP reward potentials for the CFO and Executives have been reduced in 2019. For comparison purposes, the following table sets out the 2018 and 2019 EIP reward potentials for the CEO and KMP Executives at different performance levels.

POSITION	2018 EIP REWARD POTENTIAL (% OF TFR)		2019 EIP REWARD POTENTIAL (% OF TFR)	
	TARGET	MAXIMUM	TARGET	MAXIMUM
CEO	100	150	100	150
CFO	67	100	60	90
Other KMP Executives	60	90	55	80

Target and Maximum performance levels are explained in the '2019 Performance Measures' section below.

2019 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 Performance Gateway as well as Target and Maximum performance measures. The 2019 Performance Gateway was set at budget NPAT. If the Performance Gateway is not achieved, then EIP reward is 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 a higher number than the 2019 Performance Gateway ensuring Executives are incentivised for growth, and at 'Maximum performance' at 110% of NPAT at 'Target performance'.

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 2019 EIP plan, the performance measures and weightings for the CEO and KMP Executives are outlined in the following table.

NAME POSITION	GROUP UNDERLYING NPAT ¹	GROUP ROIC ²	GROUP OCF ³	GROUP SV ⁴	BUSINESS UNIT UNDERLYING EBITDA ⁵	BUSINESS UNIT SV	OPERATIONAL KPIs	SAFETY	TOTAL WEIGHTING
	%	%	%	%	%	%	%	%	%
Sid Takla CEO	50	20	10	10	–	–	–	10	100
Campbell Richards CFO	50	20	10	–	–	–	10	10	100
Caitlin Patterson EGM Retail	30	–	10	–	20	30	–	10	100
Rob Graham EGM B2B	30	–	10	–	20	30	–	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. SV: sales value.

5. EBITDA: earnings before interest, tax, depreciation and amortisation.

Below is an explanation of why each measure was chosen.

Financial KPIs

- + Underlying NPAT and EBITDA have been used to reflect the operating performance excluding non-recurring income and expenditure. NPAT provides an indication of the Company's 'bottom line' for the performance period.
- + ROIC 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 measures the Company's cash generation capability.
- + SV aligns EBITDA with sales targets and is critical to ensure a balance between margin retention and sustainable growth.
- + EBITDA measures the profitability at the business unit level and includes key strategic, growth and market share initiatives.

The underlying financial KPIs for the above measures in 2019 for each EIP reward level were defined as follows (assuming achievement of the Performance Gateway):

- + 'Target performance' for individuals was set at 100% of their relevant financial KPIs at budget.
- + 'Maximum performance' was set at 110% of the relevant budgeted KPIs.

Rewards for performance 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 2019 were set by the CEO in the Executives' annual performance plan and formed part of Executives' 2019 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 2018 performance. If achieved, reward payments for achievement of safety measures are adjusted in accordance with the Company's NPAT result against budget.

2019 EIP payments

For the 2019 performance year, the Company did not achieve the Performance Gateway of budget NPAT. As a consequence, there were no EIP payments for 2019 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 2019. For the purpose of comparison, remuneration for the year ended 31 December 2018 is also provided.

NAME POSITION	YEAR	FIXED REMUNERATION			VARIABLE REMUNERATION ¹		TOTAL REMUNERATION \$
		CASH SALARY/FEE \$	SUPER- ANNUATION \$	TOTAL TFR \$	EIP (CASH) \$	EIP (EQUITY) \$	
CEO and KMP Executives							
Sid Takla CEO	2019	825,000	25,000	850,000	–	–	850,000
	2018	633,334	25,000	658,334	–	–	658,334
Campbell Richards ² CFO	2019	229,767	25,000	254,767	–	–	254,767
	2018	–	–	–	–	–	–
Lyndal York ³ CFO	2019	74,116	6,250	80,366	–	–	80,366
	2018	405,000	25,000	430,000	–	–	430,000
Caitlin Patterson ⁴ EGM Retail	2019	338,623	25,000	363,623	–	–	363,623
	2018	326,048	25,000	351,048	–	–	351,048
Rob Graham EGM B2B	2019	344,487	25,000	369,487	–	–	369,487
	2018	325,000	25,000	350,000	–	–	350,000
Former disclosed executives ⁵	2018	538,125	9,872	547,997	–	–	547,997
Subtotal	2019	1,811,993	106,250	1,918,243	–	–	1,918,243
	2018	2,227,507	109,872	2,337,379	–	–	2,337,379
Non-executive Directors							
Harry Boon	2019	279,233	20,767	300,000	–	–	300,000
	2018	279,710	20,290	300,000	–	–	300,000
Sue Morphet	2019	109,469	20,531	130,000	–	–	130,000
	2018	109,710	20,290	130,000	–	–	130,000
JoAnne Stephenson	2019	118,721	11,279	130,000	–	–	130,000
	2018	114,336	15,664	130,000	–	–	130,000
Mats Berencreutz	2019	110,000	–	110,000	–	–	110,000
	2018	110,000	–	110,000	–	–	110,000
Marie-Laure Mahé ⁶	2019	–	–	–	–	–	–
	2018	–	–	–	–	–	–
Robert Sjostrom ⁷	2019	–	–	–	–	–	–
	2018	–	–	–	–	–	–
Subtotal	2019	617,423	52,577	670,000	–	–	670,000
	2018	613,756	56,244	670,000	–	–	670,000

1. No EIP payment was made to any of the KMP for the 2018 and 2019 performance years.
2. Campbell Richards was appointed effective 29 April 2019.
3. Lyndal York resigned effective 1 March 2019.
4. Caitlin Patterson was appointed to the EGM Retail position effective 5 April 2019.
5. Former KMP are not included individually in the above table.
6. Marie-Laure Mahé is an employee and nominee of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. She was appointed effective 20 August 2019. Marie-Laure is remunerated by Essity Aktiebolag (publ) pursuant to her employment arrangements with that entity and receives no remuneration from any Asaleo Care Group Company for her directorship of Asaleo Care Ltd.
7. Robert Sjostrom was a nominee of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. He resigned effective 19 August 2019. Robert was remunerated by Essity Aktiebolag (publ) pursuant to his employment arrangements with that entity and received 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.

	2019 UNDERLYING	2018 UNDERLYING	2017 UNDERLYING	2016 UNDERLYING	2015 UNDERLYING
Revenue (A\$ million) ¹	420.2	407.8	585.8	605.9	622.2
EBITDA (A\$ million) ¹	82.4	80.6	124.3	130.7	145.2
NPAT (\$A million) ¹	31.7	29.2	59.4	64.6	76.1
Net cash flow before financing, taxation and shareholder returns (A\$ million)	151.6	66.0	104.4	79.0	116.1
Occupational Health and Safety (TIFR) ²	8.59	11.60	11.05	16.61	9.36
Total CEO and KMP Executive incentives as percentage of NPAT	0.0%	0.0%	0.0%	0.0%	1.1%
Dividend payments (A\$)	0	32,588	54,480	56,394	56,726
Increase (decrease) in share price (%)	15.8	(39.0)	1.4	(7.2)	(3.9)

1. Underlying 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.
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.

In 2019, no dividends were paid by the company to its shareholders. There was no return of capital or share buy-back during this year.

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)	IN THE EVENT OF REDUNDANCY
Sid Takla CEO	12 February 2007	Permanent Full Time	12 months	6 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
Campbell Richards CFO	29 April 2019	Permanent Full Time	9 months	6 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
Caitlin Patterson [*] EGM Retail	13 June 2017	Permanent Full Time	6 months	3 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
Rob Graham EGM B2B	2 May 2016	Permanent Full Time	6 months	6 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>

* Appointed to the position of EGM Retail effective 5 April 2019. Previous position was EGM Consumer Marketing.

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 table in section CEO's and KPM Executives' Employment Agreements. 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. Non-Executive Directors are not paid a percentage of profits or operating revenue and are not eligible to participate in any incentive or equity programs.

There was no change to NED fees in 2019. NEDs have not received any fee increases since the Company listed in 2014.

The 2019 annual fees are set out in the table below.

NAME	POSITION	ANNUAL BOARD FEE \$	ANNUAL COMMITTEE CHAIR FEE \$
Harry Boon	Chairman	300,000	—
	Chairman 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	—
Marie-Laure Mahé ¹	Board Member	—	—
Robert Sjostrom ²	Board Member	—	—

1 Marie-Laure Mahé is an employee and nominee of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board. She was appointed effective 20 August 2019. Marie-Laure is remunerated by Essity Aktiebolag (publ) pursuant to her employment arrangements with that entity and receives no remuneration from any Asaleo Care Group Company for her directorship of Asaleo Care Ltd.

2 Robert Sjostrom was a nominee of Essity Aktiebolag (publ) on the Asaleo Care Ltd Board until 19 August 2019. He was remunerated by Essity Aktiebolag (publ) pursuant to his employment arrangements with that entity. He received 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 2019.

NAME POSITION	REGISTERED HOLDING	BALANCE AT 31/12/2018	PURCHASED/ ALLOTTED	SOLD	BALANCE AT 31/12/2019
Sid Takla CEO	NIDO D'ORO PTY LTD AS TRUSTEE FOR THE NIDO D'ORO TRUST	611,601	–	–	611,601
Campbell Richards CFO		–	–	–	–
Lyndal York¹ CFO		–	–	–	–
Caitlin Patterson EGM Retail		–	–	–	–
Rob Graham EGM B2B		–	–	–	–
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		–	–	–	–
Marie-Laure Mahé NED		–	–	–	–
Robert Sjostrom² NED		–	–	–	–

1 Lyndal York resigned effective 1 March 2019.

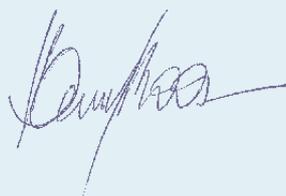
2 Robert Sjostrom resigned effective 19 August 2019.

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.



Harry Boon, Chairman

Dated this 18th day of February 2020



Auditor's Independence Declaration

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

A handwritten signature in black ink that reads 'Alison Tait'.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
18 February 2020

PricewaterhouseCoopers, ABN 52 780 433 757
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Liability limited by a scheme approved under Professional Standards Legislation.

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 following symbol:



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.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December 2019

	NOTES	2019 \$'000	2018 \$'000
Revenue from operations			
Sale of goods	2.1	420,215	407,785
Other revenue from ordinary activities		617	1,515
		420,832	409,300
Expenses			
Cost of goods sold		(264,101)	(243,670)
Other expenses from ordinary activities			
Distribution		(44,420)	(42,135)
Sales and administration		(50,165)	(50,045)
Impairment losses	2.1	–	(27,302)
Other	2.1	(9,382)	(26,629)
Finance costs	4.1	(12,357)	(15,122)
Profit before income tax		40,407	4,397
Income tax expense	2.2	(11,936)	(3,586)
Profit from continuing operations		28,471	811
(Loss) from discontinued operation	1.2	(6,383)	(109,490)
Profit/(loss) for the period		22,088	(108,679)
<i>Item that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges of continuing operations	4.5	(4,696)	1,402
Changes in the fair value of cash flow hedges of discontinued operations	4.5	–	1,393
Exchange differences on translation of foreign operations	4.5	1,079	8,968
Income tax relating to these items	4.5	1,136	(2,127)
Other comprehensive (loss)/income for the period, net of tax		(2,481)	9,636
Total comprehensive income/(loss) for the period		19,607	(99,043)
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Asaleo Care Ltd		19,607	(99,043)
		CENTS	CENTS
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	2.3	4.1	(20.0)
Diluted earnings per share	2.3	4.1	(20.0)
		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	5.2	0.1
Diluted earnings per share	2.3	5.2	0.1

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 2019

	NOTES	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4.1	33,169	67,355
Trade receivables	3.1	23,841	12,998
Inventories	3.1	104,663	107,277
Derivative financial instruments	4.3	561	3,298
Current tax receivable		2,123	6,736
Other current assets	3.1	6,905	9,391
Assets classified held for sale	1.4	–	178,789
Total current assets		171,262	385,844
Non-current assets			
Property, plant and equipment	3.2	151,946	138,564
Right-of-use assets	3.3	22,992	–
Intangible assets	3.4	134,773	134,542
Total non-current assets		309,711	273,106
Total assets		480,973	658,950
LIABILITIES			
Current liabilities			
Trade payables	3.1	48,618	62,598
Other payables	3.1	16,510	17,649
Lease liabilities	3.3	9,297	–
Current tax payable		3,025	9,152
Derivative financial instruments	4.3	2,189	565
Employee provisions	5.3	10,864	11,515
Liabilities directly associated with assets classified held for sale	1.4	–	46,406
Total current liabilities		90,503	147,885
Non-current liabilities			
Borrowings	4.1	171,263	325,723
Lease liabilities	3.3	16,175	–
Deferred tax liabilities	2.2	20,502	20,291
Employee provisions	5.3	405	396
Total non-current liabilities		208,345	346,410
Total liabilities		298,848	494,295
Net assets		182,125	164,655
EQUITY			
Contributed equity	4.4	260,815	260,815
Other reserves	4.5	36,629	39,110
Retained earnings		(115,319)	(135,270)
Total equity		182,125	164,655

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2019

	ATTRIBUTABLE TO OWNERS OF ASALEO CARE LTD				
	NOTES	CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS / (LOSSES)	TOTAL EQUITY
		\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018		260,815	29,474	5,997	296,286
(Loss) for the period		–	–	(108,679)	(108,679)
Other comprehensive income		–	9,636	–	9,636
Total comprehensive (loss) 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
Balance at 1 January 2019		260,815	39,110	(135,270)	164,655
Impact of change in accounting policy	6.8	–	–	(2,137)	(2,137)
Restated total equity at 1 January 2019		260,815	39,110	(137,407)	162,518
Profit for the period		–	–	22,088	22,088
Other comprehensive income (loss)		–	(2,481)	–	(2,481)
Total comprehensive income for the period		–	(2,481)	22,088	19,607
Balance at 31 December 2019		260,815	36,629	(115,319)	182,125

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2019

	NOTES	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		482,976	623,298
Payments to suppliers and employees (inclusive of goods and services tax)		(473,383)	(528,139)
		9,593	95,159
Income taxes paid		(7,588)	(1,172)
Interest received		373	394
Borrowing costs		(12,280)	(13,126)
Net cash (outflow)/inflow from operating activities	4.1	(9,902)	81,255
Cash flows from investing activities			
Payments for property, plant and equipment	3.2	(32,794)	(21,448)
Proceeds from sale of property, plant and equipment		83	–
Proceeds from the sale of Consumer Tissue Australia	1.1	182,667	–
Payments related to sale of business transaction		(8,148)	(8,509)
Net cash inflow/(outflow) from investing activities		141,808	(29,957)
Cash flows from financing activities			
Proceeds from borrowings	4.1	40,000	90,000
Repayment of borrowings	4.1	(195,000)	(71,000)
Payment of principal elements of lease		(11,328)	–
Dividends paid to Company's shareholders	2.4	–	(32,588)
Debt raising costs		–	(1,398)
Net cash (outflow) from financing activities		(166,328)	(14,986)
Net (decrease)/increase in cash and cash equivalents			
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		236	838
Cash and cash equivalents at end of period		33,169	67,355

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

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

The Australian Consumer Tissue business was sold on 6 December 2018 with effect on 29 March 2019 and is reported in the financial statements for the year ending 31 December 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 napkins 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 period ended 29 March 2019.

1.2 Financial performance and cash flow information

The following financial performance and cash flow information presented are for the period ended 29 March 2019 and the year ended 31 December 2018.

		29 MARCH 2019 \$'000	2018 \$'000
Revenue from operations		34,260	150,757
Expenses		(50,428)	(292,032)
(Loss) before income tax		(16,168)	(141,275)
Income tax (expense)/benefit		(1,934)	31,785
(Loss) after income tax of discontinued operations		(18,102)	(109,490)
Gain on sale of subsidiary		11,719	–
(Loss) from discontinued operations		(6,383)	(109,490)
Other comprehensive (loss) from discontinued operations		(6,383)	(109,490)
		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	(1.1)	(20.1)
Diluted earnings per share	2.3	(1.1)	(20.1)

STATEMENT OF CASH FLOWS FOR DISCONTINUED OPERATIONS	2019 \$'000	2018 \$'000
Net cash (outflow) from operating activities	(38,676)	(10,540)
Cash flow from investing activities		
Payments for property, plant and equipment	(1,002)	—
Proceeds from sale of business	182,667	—
Payments related to sale of business transactions	(8,148)	—
Net cash inflow from investing activities	173,517	—
Net cash (outflow) from financing activities	(1,669)	(6,260)
Net increase/(decrease) in cash generated by discontinued operations	133,172	(16,800)

1.3 Details of the sale of subsidiary

	2019 \$'000
Consideration:	
Cash	182,667
Consideration receivable	3,393
Total disposal consideration	186,060
Carrying amount of net assets sold	(165,512)
Sale of business costs	(8,829)
Gain on sale of subsidiary*	11,719

*The total gain on sale of subsidiary is \$6.1 million after deducting \$5.7 million of business sale costs incurred in 2018 from the 2019 gain on sale.

The carrying amounts of assets and liabilities as at the date of sale (29 March 2019) were:

	29 MARCH 2019 \$'000
Property, plant and equipment	123,116
Prepayments	2,591
Inventories	47,965
Total assets	173,672
Employee benefit obligations	8,160
Total liabilities	8,160
Net assets	165,512

Key judgements and estimates



The Australian Consumer Tissue business was sold for \$186.1 million including a favourable working capital adjustment of \$6.1 million, of which \$2.7m was received prior to 31 December 2019. A receivable of the balance of \$3.4m has been recorded as Other Current Asset. 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 is in progress. It is expected the quantification of the environmental indemnity will be known in the first half of 2020 and will be reflected in the financial statements as at that date as adjustments to the profit on sale. Based on a preliminary assessment, an amount of \$0.16 million has been provided.

1.4 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	2019 \$'000	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	2019 \$'000	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.

The Sale Agreement relating to the sale of the Australian Consumer Tissue business noted that Asaleo Care would 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.

SECTION 2 – OUR PERFORMANCE

In this section

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

- + Underlying EBITDA from continuing operations of \$82.4 million
- + Statutory NPAT from continuing operations of \$28.5 million
- + Statutory EPS from continuing operations of 5.2 cent 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. In prior year, there was a reassessment of internal reporting and a reassignment of executive responsibilities took place.

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

REPORTING SEGMENT DESCRIPTION

REPORTING SEGMENT	DESCRIPTION
Retail	This segment manufactures and markets toilet and facial tissue, wipes, paper towel, napkins, 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, napkins, 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 aged care and community 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

Reportable segment information for the year ended 31 December 2019 is as follows:

2019	RETAIL \$'000	B2B \$'000	TOTAL CONTINUING OPERATIONS \$'000
Revenue from operations	198,583	221,632	420,215
Underlying EBITDA	35,586	46,775	82,361
Total segment assets	227,423	217,697	445,120
Total segment liabilities	48,699	49,725	98,424

The 2019 impact on EBITDA, assets and liabilities as a result of adopting AASB16 Leases are disclosed in Section 6.8.

2.1 Segment Information (continued)

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

2018	RETAIL \$'000	B2B \$'000	TOTAL CONTINUING OPERATIONS \$'000
Revenue from operations	189,592	218,193	407,785
Underlying EBITDA	36,406	45,075	81,481
Total segment assets	221,668	181,104	402,772
Total segment liabilities	39,686	43,521	83,207

(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 (2018: \$248.3 million), in New Zealand \$147.8 million (2018: \$135.5 million) and in other countries is \$24.1 million (2018: \$24.0 million). Segment revenues are allocated based on the country in which the sale is made.

Revenues from continuing operations of approximately \$85.8 million (2018: \$84.6 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.

2.1 Segment Information (continued)

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

	2019 \$'000	2018 \$'000
Underlying EBITDA from continuing operations	82,361	81,481
New Zealand manufacturing upgrade*	(1,590)	(3,061)
Restructuring costs*	–	(3,266)
Impairment losses	–	(27,302)
Inventory write-down*	–	(3,200)
Strategic review costs*	–	(519)
Abnormal third party warehouse expenses*	–	(662)
Abnormal manufacturing costs*	–	(5,985)
Other*	–	(293)
EBITDA	80,771	37,193
Finance costs	(12,357)	(15,122)
Interest received	373	392
Depreciation	(25,458)	(15,681)
Accelerated depreciation**	(2,902)	(2,349)
Amortisation	(20)	(36)
Profit before income tax from continuing operations	40,407	4,397

* 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.

** Relates to New Zealand manufacturing upgrade.

(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 \$152.1 million (2018: \$144.7 million), in New Zealand \$151.8 million (2018: \$123.2 million) and located in other countries is \$5.8 million (2018: \$5.2 million).

(f) Segment Liabilities

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

	2019 \$'000	2018 \$'000
Segment liabilities	98,424	129,579
Unallocated:		
Current tax liabilities	3,025	9,152
Accrued interest on borrowings – current	706	2,216
GST payable	2,739	6,735
Derivative financial instruments	2,189	599
Deferred tax liabilities	20,502	20,291
Borrowings – non current	171,263	325,723
Total liabilities as per the Consolidated Balance Sheet	298,848	494,295

Comparative segment information has not been restated for adoption of AASB 16. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year. Refer to Section 6.8 for impact of changes in accounting policy.

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.

2.2 Income Taxes (continued)

(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

	2019 \$'000	2018 \$'000
Profit before income tax expense	40,407	4,397
Tax at the Australian tax rate of 30.0% (2018: 30.0%)	12,122	1,319
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Impairment of goodwill	–	2,843
Sundry items	–	(5)
	12,122	4,157
Difference in overseas tax rates	(77)	125
Adjustments for current tax of prior periods	(109)	(696)
Income tax expense	11,936	3,586
Comprising of:		
Current tax	12,970	9,692
Deferred tax	(925)	(5,410)
Adjustments for current tax of prior periods	(109)	(696)
	11,936	3,586

2.2 Income Taxes (continued)

(c) Deferred tax liabilities

	2019 \$'000	2018 \$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	(61)	1,963
Intangible assets	27,573	27,563
Employee benefits	(3,094)	(3,073)
Provisions for customer claims	(2,593)	(4,623)
Inventories	(850)	21
Cash flow hedges	(37)	–
Tax losses	–	(3,482)
Net leased assets	(706)	–
Other	270	1,922
	20,502	20,291
Deferred tax (assets)/liabilities expected to be settled within 12 months	(8,033)	(9,753)
Deferred tax liabilities expected to be settled after 12 months	28,536	30,044
	20,502	20,291
Movements:		
Opening balance	20,291	41,666
Transfer to assets held for sale	–	(16,263)
Opening balance for continuing operations	20,291	25,403
Charged/credited for continuing operations:		
- profit or loss	(925)	(5,410)
- to other comprehensive income	1,136	298
	20,502	20,291

2.2 Income Taxes (continued)

(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 \$2.6 million (2018: \$9.5 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:	2019 CENTS	2018 CENTS
Basic earnings per share	4.1	(20.0)
Diluted earnings per share	4.1	(20.0)

2.3 Earnings Per Share (continued)

EARNINGS PER SHARE FOR PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:	2019 CENTS	2018 CENTS
Basic earnings per share	5.2	0.1
Diluted earnings per share	5.2	0.1

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

	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

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
2019				
Final 2019 ordinary	2.0	10,862	Unfranked	3 April 2020
Total amount		10,862		
2018				
Final 2017 ordinary	6.0	32,588	40% Franked	22 March 2018
Total amount		32,588		

Since the end of the financial year, the Directors have declared an unfranked final dividend of 2.0 cents per fully paid ordinary share. The aggregate amount of the dividend to be paid on 3 April 2020 out of the dividend appropriation reserve at 31 December 2019, but not recognised as a liability at period end, is \$10,862 million.

2.4 Dividends (continued)

(a) Franked dividends

(i) Franking account

Franking credits are available to shareholders of the Company at the corporate tax rate. The final dividend for 2019 is unfranked (2018: no dividend declared). At 31 December 2019, there are \$0.1 million of franking credits (2018: nil) 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. Unfranked final dividend is declared for 2019.

(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 2019 is NZ\$5.7 million (2018: NZ\$3.4 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 2019, no interim dividend was paid, and it was declared that the 2019 final dividend payment be unfranked. The balance of the Conduit Foreign Income Account as at 31 December 2019 is \$0.1 million (2018: \$0.1 million).

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

	2019 \$'000	2018 \$'000
Inventories	104,663	107,277
Trade receivables	23,841	12,998
Other current assets	6,905	9,391
Trade payables	(48,618)	(62,598)
Other payables	(16,510)	(17,649)
Employee provisions – current*	(10,864)	(11,515)
Employee provisions – non-current*	(405)	(396)
Total working capital	59,012	37,508

* Employee provisions are detailed in Section 5.3

(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.

	2019 \$'000	2018 \$'000
Raw materials and stores	27,073	25,943
Work in progress	5,958	4,801
Finished goods	71,632	76,533
	104,663	107,277

Inventory expense

Inventories recognised as expense during the year ended 31 December 2019 amounted to \$306.6 million (2018: \$242.9 million). These were included in cost of goods sold.

Write-downs of inventories amounted to \$0.4 million (2018: \$0.6 million). These were recognised as an expense during the year ended 31 December 2019 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.

3.1 Working Capital (continued)

(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 the 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.

	2019 \$'000	2018 \$'000
Trade receivables	23,880	13,038
Provision for impairment of receivables	(39)	(40)
	23,841	12,998



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.

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 2019, the amount of provision for doubtful debts was \$39,642 (2018: \$39,970).

(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.

	2019 \$'000	2018 \$'000
Trade payables	31,473	43,345
Amounts due to related parties	17,145	19,253
	48,618	62,598

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

	2019 \$'000	2018 \$'000
Accrued interest on borrowings	706	2,216
Accrued expenses	10,400	5,934
Payroll tax and other statutory liabilities	3,203	7,374
Other payables	2,201	2,125
	16,510	17,649

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 WORK IN PROGRESS \$'000	TOTAL \$'000
Depreciation Policy	Nil	5–33%	5–33%	Nil	
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	338	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)	(11,802)	(120,989)
Closing net book amount	2,551	11,030	112,893	12,090	138,564
Year ended 31 December 2019					
Opening net book amount	2,551	11,030	112,893	12,090	138,564
Exchange differences	17	69	705	84	875
Reclassification of asset class	–	155	8,730	(8,885)	–
Additions	–	68	21,369	12,996	34,433
Disposals	–	(14)	(510)	(3,046)	(3,570)
Depreciation charge	–	(838)	(14,616)	–	(15,454)
Accelerated depreciation	–	–	(2,902)	–	(2,902)
Closing net book amount	2,568	10,470	125,669	13,239	151,946

*Amounts in 2018 relating to assets for sale include capital development additions of \$6.3million, depreciation of \$10.3 million and impairment of \$66.5 million.

(a) Capital commitments

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

	2019 \$'000	2018 \$'000
Property, plant and equipment	4,624	16,869

3.3 Lease Assets and Liabilities

The group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 8 years, but may have extension periods. Extension periods are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Contracts may contain both lease and non-lease components. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Refer to note 6.8 for the impact of change in accounting policies.

Right-of-use assets

Leased assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. An impairment review is undertaken for any right of use lease assets that shows indicators of impairment and an impairment loss is recognised against any right of use lease assets that is impaired.

	PROPERTY \$'000	MACHINERY \$'000	MOTOR VEHICLE \$'000	OFFICE EQUIPMENT \$'000	TOTAL \$'000
Balance at 1 January 2019	30,239	4,518	1,205	972	36,934
Exchange differences	92	(24)	–	–	67
Additions	7,158	347	582	14	8,102
Transfers to Assets classified held for sale	(10,089)	(1,727)	(291)	–	(12,107)
Depreciation charge for the year	(8,269)	(976)	(491)	(268)	(10,004)
Balance at 31 December 2019	19,131	2,138	1,005	718	22,992

Lease Liabilities

The lease liability is measured at the present value of the fixed and variable lease payments net of cash lease incentives that are not paid at the balance date. Lease payments are apportioned between the finance charges and reduction of the lease liability using the implicit rate, and if not available, the incremental borrowing rate in the lease to achieve a constant rate of interest on the remaining balance of the liability. Lease payments for building exclude service fees for cleaning and other costs.

	TOTAL \$'000
Balance at 1 January 2019	40,492
Exchange differences	46
Additions	8,102
Transfers to Liabilities directly associated with assets classified as held for sale	(11,297)
Interest incurred	1,194
Payments on lease liabilities	(13,065)
Balance at 31 December 2019	25,472
Of which are:	
Current lease liabilities	9,297
Non-current liabilities	16,175
	25,472

3.3 Lease Assets and Liabilities (continued)

Payments associated with short term leases of equipment and vehicles and all leases of low-value assets are recognised in the same way as long-term leases. Short-term leases are leases with a lease term of 12 months or less.



Key judgements and estimates

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.

3.4 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.

3.4 Intangible Assets (continued)

CONSOLIDATED ENTITY	GOODWILL \$'000	BRANDS AND OTHER INTANGIBLES \$'000	TOTAL \$'000
At 1 January 2018			
Cost	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
Year ended 31 December 2019			
Opening net book amount	41,060	93,482	134,542
Exchange differences	82	169	251
Amortisation charge	–	(20)	(20)
Closing net book amount as at 31 December 2019	41,142	93,631	134,773

*Impairment losses of \$42.0 million in 2018 relate to the discontinued operation.

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.

Impairment review

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 amounts of the CGUs are determined based on value-in-use calculations.

For value-in-use calculations, cash flow projections are based on the company's corporate plans and business forecasts prepared by management and approved by the Board. The corporate plans are developed annually with a five-year outlook and for the purposes of these calculations, are adjusted to exclude the costs and benefits of expansion capital, on the understanding that actual outcomes may differ from the assumptions used.

Cash flows beyond the five-year corporate plan period are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. Growth rates do not exceed the consensus forecasts of the long-term average growth rate for the industry in which the CGU operates.

3.4 Intangible Assets (continued)

Discount rates used in the calculations are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. Other assumptions are determined with reference to external sources of information and use consistent, conservative estimates for variables such as terminal cash flow multiples. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

A 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
2019				
Goodwill	16,066	3,334	21,742	41,142
Brands	70,800	22,831	–	93,631
				134,773

Key Assumptions

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

- ✦ Operating cash flows are extracted from the most recent approved corporate plan. 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.
- ✦ The discount rate is based on the weighted average cost of capital for the Group equal to a pre-tax rate of 10%–10.5%.

The Group believes that any reasonable possible change in key assumptions applied would not cause the carrying value of assets to exceed their recoverable amount and result in material impairment based on current economic conditions and performance of the B2B or Retail AU CGUs.

The Retail NZ CGU had limited headroom of \$8.1 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 7% in each of the 5 years in the outlook period.

3.4 Intangible Assets (continued)

Prior year Impairment Charge

During 2018, there was a change to the CGUs as a result of the change in operating segments. Also during 2018, an impairment charge was booked to two of the previous CGUs: the Tissue Australia CGU and the Personal Care New Zealand CGU, where the carrying value exceeded the recoverable amount.

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 and equipment	66,574	Property, plant and equipment	13,833
Total	112,489	Total	27,302

A decline in market share and increased input costs led to a deterioration in financial performance from previous expectations in both CGUs. As a consequence, a moderated outlook for the business over the forecast period was reflected in management's expectations of future cash flows.



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.

SECTION 4 – OUR FUNDING STRUCTURES

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.

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 1.5× to 2.5× 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	2019 \$'000	2018 \$'000
Borrowings	172,500	327,500
Cash and cash equivalents	(33,169)	(67,355)
Total net debt	139,331	260,145
	2019 \$'000	2018 \$'000
(a) Borrowings		
Unsecured		
Bank loans	82,500	217,500
Senior Notes	90,000	110,000
Capitalised debt establishment cost	(1,237)	(1,777)
Total unsecured non-current borrowings	171,263	325,723

(i) Secured liabilities and assets pledged as security

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

4.1 Elements of Debt (continued)

(ii) Financial undertakings and refinancing

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	MATURITY AT 31 DECEMBER 2019
Facility A	\$70 million	31 July 2021
Facility B	\$40 million	31 July 2023
Facility C	\$50 million	31 July 2022
Series A Note	\$65 million	26 June 2025
Series B Note	\$25 million	26 June 2028

As at 31 December 2019, the Group was compliant with all financial undertakings of the revolving cash facility and the Senior Notes facility.

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

	2019 \$'000	2018 \$'000
Profit for the period	22,088	(108,679)
Depreciation and amortisation	25,478	26,037
Impairment losses	–	139,791
Accelerated depreciation of property, plant and equipment	2,902	2,349
Net (gain)/ loss on sale of non-current assets	(54)	–
Change in operating assets and liabilities:		
(Increase)/Decrease in tax balances	(7,201)	(27,717)
(Increase)/Decrease in trade debtors and other receivables	(14,236)	8,969
(Increase)/Decrease in inventories	2,614	11,048
Increase/(Decrease) increase in trade creditors and other provisions	(41,493)	29,457
Net cash inflow from operating activities	(9,902)	81,255

The above cash flow information includes both continuing and discontinued operations in the 2018 comparative period. Amounts related to discontinued operations are disclosed in Section 1.1.

Reconciliation of movement in net debt

	CASH/BANK \$'000	BORROWINGS DUE AFTER 1 YEAR \$'000	TOTAL \$'000
2018			
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)

	CASH/BANK \$'000	BORROWINGS DUE AFTER 1 YEAR \$'000	TOTAL \$'000
2019			
Net debt as at 1 January 2019	67,355	(327,500)	(260,145)
Cash flows	(34,422)	155,000	120,578
Foreign exchange adjustments	236	–	236
Net debt as at 31 December 2019	33,169	(172,500)	(139,331)

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

	2019 \$'000	2018 \$'000
Interest and finance charges paid / payable	10,437	14,311
Debt establishment cost amortisation	523	631
Facility fees	329	180
Leases	1,068	–
Total finance costs	12,357	15,122

4.2 Financial Risk Management

The financial information that has been included in this 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, noted that Asaleo Care would 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 also retained 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 dollar (CA\$) and Euro (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:

	USD \$'000	NZD \$'000	GBP \$'000	FJD \$'000	CAD \$'000	EUR \$'000
AT 31 DECEMBER 2019						
Trade payables	3,803	2,626	3	–	118	1,906
Foreign currency forwards (notional amount)	49,586	–	–	–	5,173	37,346
AT 31 DECEMBER 2018						
Trade payables	3,838	6,835	32	–	192	2,262
Foreign currency forwards (notional amount)	99,956	–	134	–	3,775	51,276

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 three main derivatives being AUD/EUR, AUD/USD and NZD/USD are as follows:

AUD/EUR	2019 \$'000	2018 \$'000
Foreign currency forwards		
Carrying amount (liabilities)	(312)	(163)
Notional amount	27,861	40,000
Maturity date	Jan 2020 – Aug 2020	Jan 2019 – Sept 2019
Hedge ratio	(312)	(163)
Change in discounted spot value of outstanding hedging instruments since 1 January	(312)	(163)
Change in value of hedged item used to determine hedge effectiveness	(312)	(163)
Weighted average hedge rate for the year (including forward points)	EUR\$0.6143:AUD\$1	EUR\$0.6222:AUD\$1
NZD/EUR		
Foreign currency forwards		
Carrying amount (liabilities)	112	(115)
Notional amount	9,485	11,276
Maturity date	Jan 2020 – Apr 2020	Jan 2019 – Sept 2019
Hedge ratio	112	(115)
Change in discounted spot value of outstanding hedging instruments since 1 January	112	(115)
Change in value of hedged item used to determine hedge effectiveness	112	(115)
Weighted average hedge rate for the year (including forward points)	EUR\$0.5793:NZD\$1	EUR\$0.5763:NZD\$1
AUD/USD		
Foreign currency forwards		
Carrying amount (liabilities)	274	2,072
Notional amount	10,380	44,176
Maturity date	Jan 2020 – Aug 2020	Jan 2019 – Sept 2019
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since 1 January	274	2,072
Change in value of hedged item used to determine hedge effectiveness	274	2,072
Weighted average hedge rate for the year (including forward points)	USD\$0.7207:AUD\$1	USD\$0.7409:AUD\$1

4.2 Financial Risk Management (continued)

NZD/USD	2019 \$'000	2018 \$'000
Foreign currency forwards		
Carrying amount (liabilities)	(981)	1,092
Notional amount	39,206	55,780
Maturity date	Jan 2020 – June 2020	Jan 2019 – Mar 2020
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since 1 January	(981)	1,092
Change in value of hedged item used to determine hedge effectiveness	(981)	1,092
Weighted average hedge rate for the year (including forward points)	USD\$0.6570:NZD\$1	USD\$0.6859:NZD\$1

Sensitivity

The group is primarily exposed to changes in USD/AUD, USD/NZD, EUR/AUD and EUR/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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
EUR/AUD exchange rate – increase 10% (2018:15%)	3,303	5,479	21	17
EUR/AUD exchange rate – decrease 10% (2018:15%)	(3,303)	(5,479)	(21)	(17)
EUR/NZD exchange rate – increase 10% (2018:15%)	1,073	6,032	8	118
EUR/NZD exchange rate – decrease 10% (2018:15%)	(1,073)	(6,032)	(8)	(118)
USD/AUD exchange rate – increase 10% (2018:15%)	2,718	6,807	18	220
USD/AUD exchange rate – decrease 10% (2018:15%)	(2,718)	(6,807)	(18)	(220)
USD/NZD exchange rate – increase 10% (2018:15%)	3,806	6,032	74	118
USD/NZD exchange rate – decrease 10% (2018:15%)	(3,806)	(6,032)	(74)	(118)

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:

		2019		2018
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$'000
Bank overdrafts and bank loans	2.4%	82,500	3.9%	217,500
Less amounts covered by interest rate swaps	2.1%	(15,000)	4.0%	(200,000)
Net exposure to cash flow interest rate risk		67,500		17,500

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 2019 was 3.8% (2018: 3.7%). At 31 December 2019, if the weighted average interest rate of the facility had been 10% higher or 10% lower, interest expense would increase/decrease by \$0.5 million (2018: \$1.1 million). There would be an associated impact to equity of \$0.4 million (2018: \$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 Sections 3.1(b) and 6.7(b) for more details.

4.2 Financial Risk Management (continued)

(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:

	2019 \$'000	2018 \$'000
Floating rate		
+ Expiring beyond one year (core facility)	61,000	56,000
+ Expiring beyond one year (working capital facility)	13,977	669
	74,977	56,669

In addition to the above, the Group has accounts receivable securitisation facilities. The undrawn amount at the end of the reporting period was \$16.2 million (2018 \$15.7 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 2019	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	48,618	–	–	–	48,618	48,618
Other payables	16,510	–	–	–	16,510	16,510
Borrowings	3,110	3,161	6,269	190,910	203,450	172,500
Capitalised debt establishment costs	(261)	(261)	(523)	(192)	(1,237)	(1,237)
Lease liabilities	4,838	6,408	8,484	9,708	29,438	25,472
Total non-derivatives	72,815	9,308	14,230	200,426	296,779	261,863
Derivatives						
Net settled (interest rate swaps)	12	–	–	–	12	12
Other hedging instruments	(50)	(153)	(74)	(1)	(278)	(278)
	(38)	(153)	(74)	(1)	(266)	(266)
Gross settled (forward foreign exchange contracts – cash flow hedges)						
- (inflow)	(69,289)	(17,179)	–	–	(86,468)	–
- outflow	65,850	21,628	–	–	87,478	(1,338)
	(3,439)	4,449	–	–	1,010	(1,338)
AT 31 DECEMBER 2018						
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	–	155,142	–
	(2,504)	(1,053)	(64)	–	(3,621)	(3,637)

4.3 Derivative financial instruments

	2019 \$'000	2018 \$'000
Current assets		
Interest rate swap contracts – cash flow hedges	–	3
Forward foreign exchange contracts – cash flow hedges	561	4,236
Other hedging instruments	–	511
Transfer to assets classified as held for sale	–	(1,452)
Total current derivative financial instrument assets	561	3,298
Current liabilities		
Forward foreign exchange contracts – cash flow hedges	1,899	599
Interest rate swap contracts – cash flow hedges	12	–
Other hedging instruments	278	–
Transfer to liabilities directly associated with assets classified held for sale	–	(34)
Total current derivative financial instrument liabilities	2,189	565
	(1,628)	2,733

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 2.4% (2018: 3.9%). 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 2019, the swaps cover approximately 18% 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 2019 ranged between 2.64% and 4.13% (2018: 3.17% and 4.16%) and the variable rates ranged between 1.45% and 2.50% above the 90 day bank bill rate, which at 31 December 2019 was 0.92% (2018: 2.09%).

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

	SPOT COMPONENT OF CURRENCY FORWARDS \$'000	INTEREST RATE SWAPS \$'000	ENERGY HEDGES \$'000	TOTAL HEDGES RESERVES \$'000
2019				
Opening balance 1 January 2019	1,816	3	359	2,178
Add: revaluation gross	(3,904)	(15)	(777)	(4,696)
Less: Deferred tax	1,129	4	218	1,351
Closing balance 31 December 2019	(959)	(8)	(200)	(1,167)
2018				
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

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 2019 or 2018 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 2019 and 2018, the Group's derivative instruments were all level 2:

- + Derivative financial assets \$561,000 (2018 \$4,761,000)
- + Derivative financial liabilities \$2,189,000 (2018: \$598,000)

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.

DATE	DETAILS	NUMBER OF SHARES	\$'000
1 January 2018	Opening balance	543,122,491	260,815
31 December 2018	Balance	543,122,491	260,815
31 December 2019	Closing balance	543,122,491	260,815

4.5 Reserves

	2019 \$'000	2018 \$'000
Movements:		
<i>Cash flow hedges</i>		
Opening balance	2,178	218
Revaluation – gross (continuing operations)	(4,696)	1,402
Revaluation – gross (discontinued operations)	–	1,393
Deferred tax	1,351	(835)
Closing balance	(1,167)	2,178
<i>Share-based payments</i>		
Opening balance	15,861	15,861
Closing balance	15,861	15,861
<i>Foreign currency translation</i>		
Opening balance	21,071	13,395
Currency translation differences arising during the year	1,079	8,968
Deferred tax	(215)	(1,292)
Closing balance	21,935	21,071

(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 \$3.7 million (2018: \$6.8 million). The Group contributes to an accumulation fund on behalf of qualifying employees.

5.1 Key Management Personnel Disclosures

KEY MANAGEMENT PERSONNEL COMPENSATION	2019 \$	2018 \$
Short-term employee benefits	2,429,416	2,841,263
Post-employment benefits	158,727	166,116
	2,588,143	3,007,379

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 (2018: 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 \$10.9 million (2018: \$11.5 million), it is not expected, based on the past experience, that \$6.5 million (2018: \$5.9 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 – 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
Australasian Health Services Pty Ltd	Asaleo Care New Zealand Ltd	
Asaleo Tissue 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 6.2.

As of 29th of March 2019, Asaleo Care Australia Pty Ltd was sold as part of the sale of the Australian consumer tissue business as disclosed in 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 2019 of the closed group.

	2019 \$'000	2018 \$'000
Revenue	299,831	415,680
Other revenue from ordinary activities	15,310	12,122
Other income	1,042	3,882
Cost of sales of goods	(202,471)	(282,610)
Distribution expenses	(26,507)	(46,085)
Sales and administration expenses	(36,104)	(47,016)
Other expenses	(8,766)	(147,981)
Finance costs	(11,754)	(15,030)
(Loss)/profit before income tax	30,581	(107,038)
Income tax expense	(11,204)	23,362
(Loss)/profit for the period	19,377	(83,676)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges	(2,071)	2,602
Income tax relating to these items	621	(781)
Other comprehensive income/(loss) for the period, net of tax	(1,450)	1,821
Total comprehensive (loss)/income for the period	17,927	(81,855)
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	(133,121)	(16,857)
(Loss)/profit for the year	19,377	(83,676)
Impact of change in accounting policy	(615)	–
Dividends paid	–	(32,588)
Accumulated losses at the end of the financial year	(114,359)	(133,121)

The information above includes both continuing and discontinued operations.

6.2 Deed of Cross Guarantee (continued)

(b) Consolidated Balance Sheet

Set out below is a Consolidated Balance Sheet as at 31 December 2019 of the closed group.

	2019 \$'000	2018 \$'000
Current assets		
Cash and cash equivalents	17,990	34,995
Trade receivables	13,279	6,675
Related parties receivables	103,101	103,326
Inventories	55,146	102,827
Derivatives financial instruments	702	2,813
Current tax assets	1,991	6,606
Other current assets	6,231	10,843
Total current assets	198,440	268,085
Non-current assets		
Other financial assets	10,126	10,126
Property, plant and equipment	38,007	157,158
Right-of-use assets	13,449	–
Intangible assets	158,881	158,884
Total non-current assets	220,463	326,168
Total assets	418,903	594,253
Current liabilities		
Trade payables	30,998	71,549
Other payables	15,524	26,587
Lease liabilities	3,552	–
Derivative financial instruments	785	138
Employee provisions	6,070	14,750
Current tax liabilities	–	–
Total current liabilities	56,929	113,024
Non-current liabilities		
Borrowings	171,263	325,738
Lease liabilities	10,554	–
Deferred tax liabilities	17,543	9,923
Employee provisions	351	617
Total non-current liabilities	199,711	336,278
Total liabilities	256,640	449,302
Net assets	162,263	144,951
Equity		
Contributed equity	260,815	260,815
Other reserves	15,807	17,257
Accumulated losses	(114,359)	(133,121)
Total equity	162,263	144,951

The information above includes both continuing and discontinued operations.

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:

	2019 \$'000	2018 \$'000
Balance sheet		
Current assets	288,196	270,887
Non-current assets	141,569	141,569
Total assets	429,765	412,456
Current liabilities	141,118	139,735
Non-current liabilities	12,067	839
Total liabilities	153,185	140,574
Net assets	276,580	271,882
Shareholders' equity		
Issued capital	260,815	260,815
Reserves		
Dividend appropriation reserve	35,530	30,832
Share-based payments	15,861	15,861
Accumulated losses	(35,626)	(35,626)
Total equity	276,580	271,882
Profit for the period	4,698	20,399
Total comprehensive income	4,698	20,399

(b) Other parent entity information

The parent entity:

- + has not provided financial guarantees as at 31 December 2019 or 31 December 2018;
- + did not have any contingent liabilities as at 31 December 2019 or 31 December 2018; and
- + has no contractual commitments for the acquisition of property, plant or equipment as at 31 December 2019 or 31 December 2018.

Asaleo Care Ltd holds an investment in AHACS Pty Ltd and its subsidiaries to the value of \$141,569,252 (2018: \$141,569,252).

6.4 Related Party Transactions

The following transactions occurred with related parties:

	2019 \$	2018 \$
<i>Purchases of goods</i>		
Purchases of materials and goods from other related parties	64,613,748	69,079,425
<i>Sale of goods</i>		
Sale of materials and goods to other related parties	–	1,262,957
<i>Other transactions</i>		
Royalties – Essity Hygiene and Health Aktiebolag	5,454,112	6,351,022

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

	2019 \$	2018 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	418,800	625,885
Other assurance services	16,000	15,924
Total remuneration for audit and other assurance services	434,800	641,809
<i>Taxation services</i>		
Tax compliance services and review of company income tax returns	66,050	77,888
Tax assistance with transaction	453,874	289,361
Other tax services	407,521	–
Total remuneration for taxation services	927,445	367,249
<i>Other services</i>		
Due diligence assistance	211,000	325,001
Total remuneration for other services	211,000	325,001
Total remuneration of PricewaterhouseCoopers Australia	1,573,245	1,334,059

(b) Network firms of PricewaterhouseCoopers Australia

<i>Audit and other assurance services</i>		
Audit and review of financial statements	17,000	–
<i>Taxation services</i>		
Tax compliance services and review of company income tax returns	33,524	21,140
<i>Other services</i>		
Consulting services	33,122	–
Total remuneration of network firms of PricewaterhouseCoopers Australia	83,646	21,140

6.6 Contingent Liabilities

The Group had no contingent liabilities at 31 December 2019 (2018: 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 (IFRS) 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 2018.
- ✦ 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

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.

6.8 Changes in Accounting Policies

(a) Leases classified as operating leases under AASB 117

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.

The Group has applied the 'Modified Retrospective Approach' when transitioning to the new standard. Under this approach, the Group has not restated the comparative information for its operating leases and the cumulative effect of the initial application is adjusted against opening retained earnings. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Section 3.3.

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.

(b) 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 \$2.1 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

As outlined above, no restatement of the prior period has occurred. The overall earnings impact on adoption of AASB 16 at 31 December 2019 is an increase in EBITDA of \$11.0m, of which the retail segment is \$6.9m and B2B segment is \$4.1m, and a corresponding increase in depreciation of \$10.0m and interest expense of \$1.1m. Segment assets have increased by \$16.3m for retail and \$6.7m for B2B, segment liabilities have increased by \$19.0m for retail and \$6.4m for B2B, and earnings per share has increased by 0.11c per share for the twelve months to 31 December 2019.

Directors' Declaration

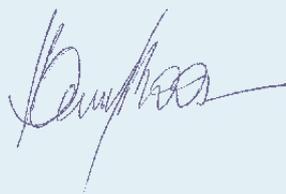
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 69 to 116 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 2019 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 18th day of February 2020



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 2019 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 2019
- 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 (including Independence Standards)* (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

- For the purpose of our audit we used overall Group materiality of \$2 million, which represents approximately 5% of the Group's profit before tax from continuing operations.
- 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 selected 5% threshold based on our professional judgement, noting that it is within the range of commonly acceptable profit related thresholds.

Audit Scope

- 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 1.2 of the financial report.

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. We communicated the key audit matters to the Audit and Risk Committee.



Key audit matter

How our audit addressed the key audit matter

Sale of the Australian Consumer Tissue business and presentation as a discontinued operation *(Refer to section 1)*

The Australian Consumer Tissue business was sold on 29 March 2019 and has been disclosed as a discontinued operation.

The Group has recognised a gain on sale of \$11.7m as the consideration received was in excess of the carrying value of the business, less costs to sell.

The sale agreement included an environmental indemnity clause granted by the Group in favour of the purchaser in respect of the manufacturing facility sold with the business. At the date of the financial report, the environmental assessment of the site was in progress.

The accounting for the 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.
- Agreed the proceeds on sale to the bank statement.
- Assessed the carrying value of the assets and liabilities sold.
- Recalculated the gain on sale by comparing the carrying value of the assets and liabilities for the business to the consideration received less the cost to sell.
- Evaluated the presentation of the results of the Australian Consumer Tissue business as discontinued operations, the allocated income, expenses and corporate cost allocations.
- Considered the Group's assessment of the taxation impact of the sale.
- Evaluated the selected evidence in relation to the environmental indemnity.
- Evaluated whether the disclosures were consistent with the requirements of Australian Accounting Standards.

Carrying value of indefinite-lived intangible assets *(Refer to note 3.4)*

The Group holds total intangible assets of \$134.8m which have been assessed as having indefinite useful lives and therefore under Australian Accounting Standards are required to be tested for impairment annually.

For the year ended 31 December 2019, the Group identified three cash generating units (CGUs), being Retail Australia, Retail New Zealand and Business-to-Business (B2B). The intangible assets are allocated across these CGUs.

The Group performed an impairment assessment for each of the three CGUs by calculating the value-in-use, including intangible assets, in each CGU. This calculation was based on estimated future cash flows for each CGU, discounted to net present value.

Cash flow forecasts for each CGU were based on the board endorsed corporate plans and business forecasts. A terminal growth rate was then applied to each CGU.

The Group did not identify any impairment for the CGUs. The Group performed sensitivity analysis and determined that the Retail New Zealand impairment assessment was sensitive to a reasonable change in the discount rate and forecast cashflows. The impact of the changes in these assumptions is disclosed in note 3.4.

Our audit procedures included, but were not limited to:

- Tested the mathematical accuracy of the impairment assessment calculations.
- Compared the forecast cash flows used in the impairment assessments with the corporate plans and business forecasts formally approved by the Board.
- Assessed the cash flow forecasts for each CGU in the impairment assessments 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 CGU in the past three years.
- Compared the terminal growth rates in the impairment models to historical growth rates and economic forecasts.
- 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.



The assessment of the carrying value of indefinite-lived intangibles was a key audit matter as the balance is material and there is significant judgement involved in estimating future cash flows and other key assumptions, particularly with respect to determining appropriate:

- Discount rates
- Annual growth rates
- Terminal growth rates

We specifically focused on the Retail New Zealand CGU given the limited headroom and because the impairment assessment is sensitive to reasonable changes in key assumptions.

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.

With the assistance of PwC internal valuation experts, we assessed the discount rates used in the impairment assessment by comparing them market data, comparable companies and industry research.

We evaluated the sensitivity analysis for each CGU and noted that the Retail New Zealand CGU assessment is sensitive to reasonably possible changes in key assumptions. We considered the disclosures made in note 3.4 in light of the requirements of Australian Accounting Standards.

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 2019, 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 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 57 to 67 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Asaleo Care Limited for the year ended 31 December 2019 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


Alison Tait
Partner

Melbourne
18 February 2020

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 31 January 2020.

Distribution of shareholders

RANGE	INVESTORS	SECURITIES	% OF ISSUED CAPITAL
100,001 and over	43	524,041,514	96.49
10,001 to 100,000	497	11,619,976	2.14
5,001 to 10,000	525	3,941,005	0.73
1,001 to 5,000	1,147	3,175,144	0.58
1 to 1,000	631	344,852	0.06
Total	2,843	543,122,491	100.00

There were 233 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 BV	196,396,028	36.16
ALLAN GRAY AUSTRALIA	99,030,345	18.23
MARATHON ASSET MANAGEMENT	43,311,703	7.97
SPHERIA ASSET MANAGEMENT	37,308,418	6.87

Twenty largest registered shareholders

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

NAME	ORDINARY SHARES	% OF UNITS
ESSITY GROUP HOLDING BV	196,396,028	36.16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	115,031,082	21.18
CITICORP NOMINEES PTY LIMITED	87,619,545	16.13
J P MORGAN NOMINEES AUSTRALIA LIMITED	61,186,221	11.27
NATIONAL NOMINEES LIMITED	34,752,240	6.40
BNP PARIBAS NOMINEES PTY LTD	6,646,566	1.22
CITICORP NOMINEES PTY LIMITED	5,465,808	1.01
BNP PARIBAS NOMINEES PTY LTD	4,470,408	0.82
BRAZIL FARMING PTY LTD	2,860,843	0.53
WARBONT NOMINEES PTY LTD	1,142,207	0.21
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	625,490	0.12
NIDO D'ORO PTY LTD	563,134	0.10
UBS NOMINEES PTY LTD	535,005	0.10
CS FOURTH NOMINEES PTY LTD	501,244	0.09
PANTHER TRADING PTY LTD	500,000	0.09
NEWECONOMY COM AU NOMINEES PTY LTD	474,743	0.09
PACIFIC CUSTODIANS PTY LIMITED	391,701	0.07
Mr NIGEL GRANT	365,000	0.07
ICONIC INVESTMENTS LTD	303,000	0.06
Mr BRADLEY ALAN HOLDWAY	302,192	0.06
Total	520,132,457	95.77
Balance of register	22,990,034	4.23
Grand total	543,122,491	100.00

Corporate Directory

Company's registered office

Asaleo Care Limited
 ABN 61 154 461 300
 30–32 Westall Road Springvale VIC 3171
 Phone: + 03 9550 2999 (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 2020 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
21 April 2020	Annual General Meeting
18 August 2020	Half Year Results



30-32 WESTALL ROAD SPRINGVALE 3171 VIC WWW.ASALEOCARE.COM ABN 61 154 461 300