

Asaleo Care Limited Prospectus

Initial Public Offering of Ordinary Shares

Asaleo Care Limited ABN 61 154 461 300



Important Notices

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

Offer

The Offer contained in this Prospectus is an invitation by SaleCo and the Company to acquire Shares comprising respectively Sale Shares and New Shares. This Prospectus is issued by SaleCo and the Company and supports the initial public offering (“**IPO**”) of the Company.

Lodgement and listing

This Prospectus is dated 16 June 2014 and has been lodged with the Australian Securities and Investments Commission (“**ASIC**”). This is a replacement prospectus which replaced the prospectus dated 2 June 2014 and lodged with ASIC on that date (“**Original Prospectus**”).

A summary of the material differences between the Original Prospectus and this replacement Prospectus is as follows:

- inclusion of statutory EBITDA information in the Chairman’s letter and Investment Overview in Section 1.3;
- deletion of a reference to an implied forecast dividend yield and replacing it with a reference to the forecast dividend for second half CY2014 on page 7;
- inclusion of revised sources and uses of funds tables in Figures 7 and 61;
- clarification that the payment of the second half CY2014 forecast dividend will be out of profits that may include prior year profits on pages 7, 21 and 83;
- inclusion of five year historical growth rates for the industry and each of the relevant markets in addition to the existing 10 year historical growth rates in Figures 3, 12, 16, 20 and 24;
- additional disclosure in Section 4.8.2 in relation to the Directors’ specific assumptions underpinning the Forecast Financial Information;
- inclusion in Section 6.1 of the appointment date for Directors appointed on 30 May 2014;
- additional disclosure in Section 6.3.2 in relation to the historical remuneration of the President/CEO; and
- additional disclosure confirming the commercial insignificance of the ‘SCA Brands’ (as defined in the Prospectus) to the operations of Asaleo Care in Section 10.5.1.

The Company has applied to ASX Limited (the “**ASX**”) for admission to the Official List and for official quotation of the Shares on issue as at the date of this Prospectus and the Shares issued and transferred under the Offer.

Neither ASIC nor the ASX takes any responsibility for the content of this Prospectus. Admission to the Official List is in no way an indication of the merits of the Offer or the Company.

As set out in Section 7.8.3, it is expected that the Shares will be quoted on ASX initially on a conditional and deferred settlement basis. The Company, SaleCo, the Share Registry, and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Expiry Date

This Prospectus expires on 2 July 2015 (“**Expiry Date**”). No Shares will be allotted, issued, transferred or sold on the basis of this Prospectus after the Expiry Date.

No investment advice

No person is authorised to provide any information, or to make any representation, about SaleCo, the Company or the Offer that is not contained in this Prospectus. Potential investors should only rely on the information contained in this Prospectus. Any information or representation which is not contained in this Prospectus may not be relied on as having been authorised by SaleCo, the Company, the Joint Lead Managers or any other person in connection with the Offer. Except as required by law and only to the extent required by such law, none of the Company, SaleCo, persons named in this Prospectus nor any other person associated with the Company or the Offer guarantees or warrants the future performance of the Company, the return on an investment made under this Prospectus, the repayment of capital or the payment of dividends on the Shares.

Before deciding to invest in the Company, investors should read the entire Prospectus. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares offered under this Prospectus. The Offer does

not take into account the investment objectives, financial situation or particular needs of individual investors. You should carefully consider the risks (set out in Section 5) that impact on the Company in the context of your personal requirements (including your financial and taxation position) and, if required, seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser prior to deciding to invest in the Company. There may be risk factors in addition to these that should be considered in light of your personal circumstances. No cooling-off regime (whether provided for by law or otherwise) applies in respect of the acquisition of Shares under this Prospectus.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Financial information presentation

References in this Prospectus to CY2011, CY2012, CY2013 and CY2014 are references to the financial and calendar years ended or ending 31 December 2011, 2012, 2013 and 2014, respectively.

The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Historical Financial Information. The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4. Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information.

Important Notices

Investors should note that certain financial data included in this Prospectus is not recognised under Australian Accounting Standards, and is classified as non-IFRS financial information. Although the Directors believe that these measures provide useful information about the financial performance of Asaleo Care, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Asaleo Care calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

Forward-looking statements

This Prospectus contains forward-looking statements, including statements identified by use of words such as “believes”, “estimates”, “anticipates”, “expects”, “predicts”, “intends”, “targets”, “plans”, “goals”, “outlook”, “aims”, “guidance”, “forecasts”, “may”, “will”, “would”, “could” or “should” and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward-looking statements.

The Forecast Financial Information is based on a number of assumptions concerning future events, including, without limitation, the successful implementation of Asaleo Care’s growth strategy and public company requirements, as well as a number of assumptions and estimates relating to factors affecting its business. Investors should carefully read the information set out in Section 4.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of SaleCo

and the Company, its Directors and its Management. They are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

Except as set out above, SaleCo, the Company and their respective directors cannot and do not make any representation, express or implied, in relation to forward-looking statements and you are cautioned not to place undue reliance on these statements. SaleCo and the Company do not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These statements are subject to various risk factors that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. Key risk factors are set out in Section 5. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this Prospectus.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. SaleCo and the Company have not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

Foreign jurisdictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offers or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia or New Zealand.

The distribution of this Prospectus (including in electronic form) outside Australia or New Zealand may be restricted by law and persons who

come into possession of this Prospectus outside Australia or New Zealand should obtain advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Shares in certain jurisdictions outside Australia, please refer to Section 7.9.

This Prospectus may not be distributed to, for the account or benefit of, or relied upon by, persons in the United States unless it is attached to and constitutes part of an Institutional Offering Memorandum as part of the Institutional Offer. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, or otherwise transferred in the United States or to, or for the account or benefit of, any persons except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Important information for New Zealand investors

The offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the *Corporations Regulations 2001* (Cth) (“**Regulations**”). In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations set out how the Offer must be made.

There are differences in how securities (including the Sale Shares and the New Shares) are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Important Notices

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Final Price is to be set in Australian dollars. The Offer may involve a currency exchange risk. The currency for the Shares is not New Zealand dollars. The value of the Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand, in New Zealand dollars.

If the Shares are able to be traded on a securities market and you wish to trade the Shares through that market, you will have to make arrangements for a participant in that market to sell the Shares on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the Shares and trading may differ from securities markets that operate in New Zealand.

A copy of this Prospectus and other documents relating to the Offer have been, or will be, lodged with the New Zealand Companies Office under the mutual recognition regime.

While the Offer is being extended to New Zealand investors under the mutual recognition regime, no application for listing and quotation is being made to NZX Limited.

Exposure Period

Pursuant to the Corporations Act, this Prospectus is subject to an exposure

period of seven days after the date of lodgement with ASIC, which may be extended by ASIC by up to a further seven days.

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, SaleCo and the Company will:

- return any Application Monies that SaleCo and the Company have received; or
- provide each Applicant with a supplementary or replacement prospectus that corrects the deficiency, and give each Applicant the option to withdraw the Application within one month and be repaid their Application Monies; or
- issue or transfer to each Applicant the Shares applied for in the Application, provide each Applicant with a supplementary or replacement prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within one month and be repaid their Application Monies.

Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the date on which the Offer opens at 9:00am (Sydney time) on 17 June 2014.

Electronic Prospectus

The Prospectus is available to Australian and New Zealand investors in electronic form at www.asaleocareoffer.com.

The Offer pursuant to this Prospectus in electronic form is available only to Australian and New Zealand residents accessing the website within Australia or New Zealand. It is not available to persons in other jurisdictions (including the United States) where the distribution of this Prospectus is restricted by law. The Company is entitled to refuse an application for Shares under this Prospectus if it believes the Applicant received the Offer outside Australia or New Zealand in non-compliance with the laws of the relevant foreign jurisdictions.

Shares to which this Prospectus relates will only be issued or transferred on receipt of an Application Form issued together with the Prospectus.

Applications must be made by completing the Application Form that is included in, or accompanies, this Prospectus or applying online at www.asaleocareoffer.com. Application Forms must be completed in accordance with the accompanying instructions.

Applicants may apply online for the Shares. Any Applicants applying online must personally complete the online Application Form and pay the Application Monies. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is included in or accompanied by a hard copy of this Prospectus or accompanies the complete and unaltered electronic version of this Prospectus.

During the Offer period, any person who is not in the United States, not a US person and is not acting for the account or benefit of any US person, may obtain a paper copy of this Prospectus by contacting the Asaleo Care Offer Information Line on 1800 645 237 (within Australia) or +61 1800 645 237 (outside Australia). Questions relating to the Offer may also be directed to the Asaleo Care Offer Information Line.

Privacy

By completing an Application Form, you are providing personal information to Asaleo Care and Link Market Services Limited as the Share Registry, which is contracted by the Company to manage Applications, and you consent to the collection and use of that personal information in accordance with these terms. That personal information will be collected, held and used both in and outside Australia by SaleCo, the Company, and the Share Registry on its behalf, to process your Application, service your needs as a shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company and SaleCo may not be able to process your Application.

Important Notices

Once you become a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Company's public Share register. This information must continue to be included in the Company's public Share register even if you cease to be a Shareholder.

The Company and the Share Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Company's public Share register;
- printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- the Joint Lead Managers, Co-Managers and any syndicated brokers in order to assess your Application;
- market research companies for the purpose of analysing the Company's Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Offer Shares and for the associated actions.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or its Share Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by the public.

Currency

References in this Prospectus to currency are to Australian currency unless otherwise indicated.

Glossary

Certain terms and abbreviations in this Prospectus have defined meanings that are explained in the Glossary in Appendix A to this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter.

Sources

The Prospectus contains references to Aztec point of sales data (**Sales Data**), Professional Hygiene Tissue volume based on the RISI Outlook for the World Business Forecast (June 2013) (**RISI Forecast**) and historical pulp price indices based on data from Brian McClay & Associés Inc. (**BM&A Index**).

Neither Aztec, RISI nor Brian McClay & Associés Inc. has consented to the references in the Prospectus to the Sales Data, the RISI Forecast or the BM&A Index respectively or to references to their name in this Prospectus. Asaleo Care has relied on the relief granted by ASIC Class Order 13/523 and accordingly has not obtained any consent from Aztec, RISI or Brian McClay & Associés Inc. in relation to the references to their names or to the references in this Prospectus to the Sales Data or the RISI Forecast.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not included in, or accompanied by, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the respective Application Forms can be found on the back of the Application Forms. The acceptance of an Application Form and the allocation of Shares are at the discretion of the Company and SaleCo.

Company website

Any references to documents included on the Company's website are provided for convenience only, except the consolidated financial statements of Asaleo Care for CY2011, CY2012 and CY2013 and the interim financial report for the three month period ended 31 March 2014 of Asaleo Care referred to in Section 4.2.1 of the Prospectus. These financial statements have been incorporated by reference into this Prospectus in accordance with section 712 of the Corporations Act. If you wish to receive a free copy of these financial statements during the application period applicable to Shares offered under this Prospectus, please contact the Asaleo Care Offer Information Line on 1800 645 237 (within Australia) or +61 1800 645 237 (outside of Australia). Alternatively, these financial statements are also available on the Offer website (www.asaleocareoffer.com).

Offer management

The Offer is managed by the Joint Lead Managers.

Investigating Accountant's Reports on the Financial Information and financial services guide

The provider of the Investigating Accountant's Reports on the Financial Information is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act. The Investigating Accountant's Reports and accompanying financial services guide are provided in Sections 8 and 9.

Questions

If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form. If you have any questions in relation to the Offer, contact the Asaleo Care Offer Information Line on 1800 645 237 (within Australia) or +61 1800 645 237 (outside Australia).

Contents

Important Notices	IFC
Contents	4
Chairman’s Letter	5
Important Dates	6
Key Offer Statistics	7
1. Investment Overview	8
2. Industry Overview	24
3. Company Overview	36
4. Financial Information	52
5. Risks	84
6. Key People, Interests and Benefits	90
7. Details of the Offer	104
8. Investigating Accountant’s Report on Historical Financial Information	122
9. Investigating Accountant’s Report on Forecast Financial Information	130
10. Additional Information	140
11. Employee Award Offer	156
Appendix A: Glossary	158
Appendix B: Significant Accounting Policies	166
Application Forms	176
Corporate Directory	IBC

Chairman's letter

Dear Investor,

On behalf of the Board of Directors ("**Board**"), I am pleased to offer you the opportunity to become a shareholder of Asaleo Care Limited ("**Asaleo Care**" or "**Company**").

Asaleo Care is a leading personal care and hygiene company. The Company manufactures, markets and distributes consumer products across the Feminine Hygiene, Incontinence Hygiene, Baby Hygiene, Consumer Tissue and Professional Hygiene product categories. The Company has operations throughout Australia, New Zealand and Fiji.

Consumer products are sold under well known and trusted brands such as Libra, TENA, Treasures, Sorbent, Purex, Handee, Deeko and Tork. These brands are long established and some have been sold in the market for over 60 years.

Over the past two years, the Management of Asaleo Care, together with the Company's approximately 1,050 Full Time Equivalent ("**FTE**") employees, has implemented a business transformation that has resulted in a significant improvement in earnings. From CY2011 to CY2013, pro forma EBITDA improved from \$86 million to \$125 million and in CY2014 the Company is expected to generate \$140 million in pro forma EBITDA¹.

Management's strategy is focused on maximising shareholder returns by delivering targeted net sales growth and continuously improving sales mix and operating efficiency. The enhanced manufacturing capabilities achieved in Phase 1 and intended to be achieved in Phase 2 of the Company's recent growth strategy are expected to help deliver these results.

Regular product innovation allows Asaleo Care to differentiate its products against those of its competitors. Recent examples of new product developments include tampons with anti-fluff bases and fast absorption incontinence pants. Research and development is conducted locally by Asaleo Care, and major shareholder and long-term strategic partner Svenska Cellulosa Aktiebolaget SCA ("**SCA**") supports this activity through its global research, marketing and manufacturing capabilities.

SCA is a leading global hygiene and forest products company that conducts sales in approximately 100 countries and has approximately 44,000 employees. SCA and the Company are party to long-term trade mark and technology licence and supply agreements, and SCA has advised the Company that it intends to remain a supportive and committed shareholder of Asaleo Care. SCA has appointed two representatives to Asaleo Care's Board of six Directors, which has three Independent Directors, including an Independent Non-Executive Chairman.

The purpose of the Offer is to provide Asaleo Care with access to capital markets, repay existing indebtedness, broaden the Company's shareholder base and provide a liquid market for its Shares. In addition to SCA, the other Existing Shareholders are PEP Shareholders and Management Shareholders. PEP Shareholders intend to sell down their entire stake as part of the Offer. Management Shareholders will acquire Shares in connection with the IPO.

This Prospectus contains detailed information about the Offer, the historical and forecast position of Asaleo Care and the material risks associated with an investment in the Company. I encourage you to read this document carefully and in its entirety before making an investment decision.

On behalf of my fellow Directors, I commend this opportunity to you and look forward to welcoming you as a shareholder of Asaleo Care.

Yours sincerely,



Harry Boon
Chairman, Asaleo Care

¹ From CY2011 to CY2013, statutory EBITDA improved from \$(0.2) million to \$101 million and in CY2014, the Company is expected to generate \$87 million in statutory EBITDA.

Important Dates

Description	Date
Prospectus lodgement with ASIC	16 June 2014
Broker Firm Offer, Employee Priority Offer and General Priority Offer open	17 June 2014
Broker Firm Offer, Employee Priority Offer and General Priority Offer close	20 June 2014
Bookbuild to determine the Final Price	23 – 24 June 2014
Final Price announced to market	26 June 2014
Expected commencement of trading on the ASX (conditional and deferred settlement basis)	27 June 2014
Settlement	30 June 2014
Issue and transfer of Shares (last day of conditional trading)	1 July 2014
Despatch of holding statements expected to be completed	2 July 2014
Expected commencement of trading on the ASX (normal settlement basis)	3 July 2014

Note: This timetable is indicative only and may change. The Joint Lead Managers, in consultation with the Company and SaleCo, reserve the right to vary the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Broker Firm Offer, Employee Priority Offer and General Priority Offer open. **The Employee Award Offer will be made pursuant to a different timetable. For details of the Employee Award Offer, please refer to Section 11 of the Prospectus.**

Key Offer Statistics

Offer	
Indicative Price Range ¹	\$1.55 – \$1.80 per Share
Total proceeds under the Offer ²	\$633.0 million – \$690.0 million
Total New Shares to be issued under the Offer ^{3,4}	187.4 million – 212.5 million
Total Existing Shares to be transferred under the Offer ⁴	196.4 million
Total Shares on issue at Completion of the Offer ^{4,5}	589.5 million – 614.5 million
Indicative market capitalisation ^{2,4,6}	\$952.5 million – \$1,061.2 million
Pro forma Net Debt (30 June 2014)	\$295.0 million
Enterprise value ^{4,7}	\$1,247.5 million – \$1,356.2 million
Enterprise value/pro forma CY2014 forecast EBITDA	8.9x – 9.7x
Enterprise value/pro forma CY2014 forecast EBIT	11.2x – 12.2x
Price/pro forma CY2014 forecast NPAT per Share	13.5x – 15.0x
Forecast dividend for second half CY2014 ⁸	\$29.1 million

Note: The Forecast Financial Information set out in Section 4.8 has been prepared on the basis of the Directors' best estimate general and specific assumptions (see Sections 4.8.1 and 4.8.2). The Forecast Financial Information should be read in conjunction with the discussion of the Pro forma Historical Financial Information (see Section 4.7), the sensitivity analysis (see Section 4.9), the pro forma adjustments to the statutory income statements and cash flow statements (see Section 4.10) and the risks factors (see Section 5).

- 1 The Indicative Price Range is the indicative range for the Final Price. The Final Price may be set below, within or above the Indicative Price Range (refer to Section 7.5.3 for further details). Shares may trade significantly below the Final Price post Completion of the Offer.
- 2 Based on the Indicative Price Range.
- 3 This excludes Shares to be issued to the participants in the pre-Offer management incentive plan, in relation to their agreement to invest two-thirds of the post-tax proceeds of the management incentive plan in Shares under the Offer. These arrangements are described in further detail in Section 10.5.5.
- 4 This includes Shares to be issued under the Employee Award Offer which will be made pursuant to a different timetable as compared to the timetable applicable to the Broker Firm Offer, Employee Priority Offer, General Priority Offer and Institutional Offer set out on page 6 of the Prospectus. The Shares to be issued to Eligible Employees under the Employee Award Offer are for nil or nominal consideration. For the purpose of estimating the number of Shares to be issued to Eligible Employees, the number of shares issued is assumed to be determined by reference to a formula that includes a VWAP Closing Price, which, for the purpose of the estimate, is assumed to be the lower end and upper end of the Indicative Price Range. Refer to Section 11 for further information on the Employee Award Offer.
- 5 Total Shares on issue immediately after Completion of the Offer comprise Total New Shares to be issued under the Offer and Total Existing Shares.
- 6 The minimum market capitalisation is based on the lower end of the Indicative Price Range (\$1.55 per Share), which results in 408.9 million Shares being issued or transferred on Completion of the Offer. The maximum market capitalisation is based on the upper end of the Indicative Price Range (\$1.80 per Share), which results in 383.8 million Shares being issued or transferred on Completion of the Offer. If the Shares trade below the lower end of the Indicative Price Range (\$1.55 per Share) after Listing, the market capitalisation may be lower.
- 7 The minimum enterprise valuation is calculated based on the lower end of the Indicative Price Range (\$1.55 per Share), which results in a market capitalisation of \$952.5 million. The maximum enterprise valuation is calculated based upon the upper end of the Indicative Price Range (\$1.80 per Share), which results in a market capitalisation of \$1,061.2 million. Enterprise valuation calculations are based upon pro forma net debt of \$295.0 million as at 30 June 2014. If the Shares trade below the lower end of the Indicative Price Range (\$1.55) after Listing, the market capitalisation may be lower.
- 8 The Board of Directors' current intention is to pay a dividend of \$29.1 million in relation to the period from 1 July 2014 to 31 December 2014. Payment of this dividend will be out of profits that may include prior year profits. See Section 4.11 for further information on Asaleo Care's dividend policy.

























Investment Overview

1



1. Investment Overview

1.1 Introduction

Topic	Summary	For more information																														
What is Asaleo Care?	<p>Asaleo Care is a leading personal care and hygiene company that manufactures, markets and distributes Personal Care and Tissue products under market leading brands.</p> <p>Some of the Company's brands have been in the market for over 60 years and its products are used daily in households and businesses across Australia, New Zealand and Fiji.</p> <p>Asaleo Care brands in the Personal Care segment are shown in Figure 1.</p> <p>Figure 1: Asaleo Care's Personal Care segment</p> <table> <tr> <th>Brand</th><th>Category</th><th>Market position¹</th></tr> <tr> <td></td><td>Feminine Hygiene</td><td>#1</td></tr> <tr> <td></td><td>Incontinence Hygiene</td><td>#1² in Retail</td></tr> <tr> <td></td><td>Baby Hygiene</td><td>#2 (New Zealand only)</td></tr> </table> <p>Asaleo Care brands in the Tissue segment are shown in Figure 2.</p> <p>Figure 2: Asaleo Care's Tissue segment</p> <table> <tr> <th>Brand</th><th>Category</th><th>Market position¹</th></tr> <tr> <td></td><td>Toilet paper and facial tissues</td><td>#2³</td></tr> <tr> <td></td><td>Toilet paper</td><td>#1 (New Zealand only)</td></tr> <tr> <td></td><td>Paper towels</td><td>#1</td></tr> <tr> <td></td><td>Tableware</td><td>#1⁴</td></tr> <tr> <td></td><td>Professional Hygiene</td><td>Estimated #1 or #2⁵</td></tr> </table> <p>Source: Asaleo Care estimates and analysis, with the assistance of Aztec point of sales data.</p>	Brand	Category	Market position ¹		Feminine Hygiene	#1		Incontinence Hygiene	#1 ² in Retail		Baby Hygiene	#2 (New Zealand only)	Brand	Category	Market position ¹		Toilet paper and facial tissues	#2 ³		Toilet paper	#1 (New Zealand only)		Paper towels	#1		Tableware	#1 ⁴		Professional Hygiene	Estimated #1 or #2 ⁵	Sections 3.1 and 3.2
Brand	Category	Market position ¹																														
	Feminine Hygiene	#1																														
	Incontinence Hygiene	#1 ² in Retail																														
	Baby Hygiene	#2 (New Zealand only)																														
Brand	Category	Market position ¹																														
	Toilet paper and facial tissues	#2 ³																														
	Toilet paper	#1 (New Zealand only)																														
	Paper towels	#1																														
	Tableware	#1 ⁴																														
	Professional Hygiene	Estimated #1 or #2 ⁵																														

¹ Unless otherwise noted, market share is calculated by reference to value (i.e. 2013 gross sales) for the respective Australian and New Zealand Retail market, and assumes an AUD/NZD exchange rate of \$1.0842 as at 31 December 2013.

² Asaleo Care has the #1 brand but #2 company market position as Kimberly-Clark has two key brands (Poise and Depend).

³ Asaleo Care is #2 in both toilet paper and facial tissue markets.

⁴ Includes serviettes and excludes other tableware.

⁵ Data not generally available. Asaleo Care estimates.

1. Investment Overview

Topic	Summary	For more information
How does Asaleo Care generate its income and what are Asaleo Care's key costs?	<p>In CY2013, Asaleo Care generated approximately 51% of pro forma EBITDA from its Personal Care segment and 49% of pro forma EBITDA from its Tissue segment.</p> <p>The majority of Asaleo Care's cost base is variable in nature and includes pulp, finished goods, utilities, logistics, packaging/chemicals and other raw materials. Asaleo Care's main fixed costs are manufacturing, warehousing, labour, overhead and sales, marketing and administration costs.</p>	Section 3.1
Who are Asaleo Care's customers?	<p>Asaleo Care has established relationships with a wide range of customers across the Retail and Business-to-Business ("B2B") distribution channels.</p> <p>Retail customers contributed approximately 69% of CY2013 pro forma net sales, and include major supermarkets, independent supermarkets, pharmacies and convenience stores. Examples of Retail customers include Coles, Metcash and Woolworths in Australia, and Foodstuffs and Progressive Enterprises in New Zealand.</p> <p>B2B customers contributed approximately 31% of CY2013 pro forma net sales, and include major distributors, hospitals, aged care facilities and large companies. Examples of B2B customers include Australia's largest quick service restaurant chain and major distributors such as Bunzl, OfficeMax and Staples.</p> <p>No single customer contributed more than 20% of CY2013 pro forma net sales.</p>	Section 3.3
Where are Asaleo Care's operations?	<p>Asaleo Care's manufacturing and distribution footprint extends across Australia, New Zealand and Fiji with five manufacturing facilities (four owned and one leased) and seven leased distribution centres.</p> <p>Asaleo Care's largest manufacturing site is located in Box Hill, Australia, and manufactures both Consumer Tissue and Professional Hygiene products.</p> <p>The Company's second-largest manufacturing site is in Kawerau, New Zealand, and manufactures Consumer Tissue and Professional Hygiene products.</p> <p>The Company's Feminine Hygiene and Incontinence Hygiene products are manufactured in Springvale, Australia, and Baby Hygiene products and serviettes are manufactured in Te Rapa, New Zealand. Asaleo Care also imports and converts Consumer Tissue and Professional Hygiene products in Nakasi, Fiji.</p>	Section 3.5

1. Investment Overview

1.2 Asaleo Care's growth strategy

In 2012, the current management team initiated a growth strategy comprising two phases. Phase 1 involved a significant business transformation, which is largely complete. Phase 2 is a strategic framework with the objective of sustainable earnings growth and shareholder returns, which Management continues to pursue.

Strategy	Summary	For more information
Phase 1: Business transformation	<p>The business transformation covered all areas of the business' operations and drove improvements in branded net sales, gross profit, operating costs and the balance sheet. A key component of the business transformation was a \$114.8 million capital investment program commenced in CY2012 for upgrades to Asaleo Care's Australian and New Zealand Tissue manufacturing facilities. These upgrades are intended to provide the basis from which the Company can meet its objective of sustainable earnings growth and shareholder returns in Phase 2. As at 31 March 2014, \$91.7 million had been invested in Phase 1 capital expenditure, and a further \$23.1 million is being invested in CY2014.</p> <p>These initiatives have already delivered significant improvements to Asaleo Care's financial performance. The Company believes additional benefits will be realised in CY2014 and beyond.</p>	Section 3.4.1
Phase 2: Sustainable earnings growth and shareholder returns	<p>While Phase 1 was a step-change transformation to address specific operating inefficiencies and market opportunities, Phase 2 is an ongoing strategic framework with the objective of sustainable earnings growth and shareholder returns.</p> <p>The Phase 2 strategic framework comprises three key elements:</p> <p>1 Deliver targeted net sales growth</p> <ul style="list-style-type: none"> • Continual innovation and brand investment to maintain premium market position • Utilise key consumer and customer insights and trends to offer appropriate product and service offering • Extend existing brands into new categories and markets • Leverage enhanced manufacturing capabilities <p>2 Improve sales mix and operating efficiency</p> <ul style="list-style-type: none"> • Focus on higher margin differentiated products • Maintain a disciplined approach to promotional spend • Continuous improvements in operations <p>3 Ensure effective capital management</p> <ul style="list-style-type: none"> • Disciplined assessment of capital investment opportunities • Ongoing working capital management to support cash generation • Prudent capital management to enable distributions to shareholders 	Section 3.4.2

1. Investment Overview

1.3 Key strengths

Topic	Summary	For more information																				
Market leading positions across a portfolio of well known brands	<ul style="list-style-type: none">Asaleo Care's brands hold a #1 or #2 position in each of their respective product categories.Key brands have been sold in the Australian and New Zealand market for over 60 years.Premium quality and differentiated products ensure market leadership and channel relevance are maintained.	Sections 2, 3.1 and 3.2																				
Defensive markets with attractive fundamentals	<ul style="list-style-type: none">The Directors believe the Personal Care and Tissue market is highly defensive given the non-discretionary nature of the products.Key growth drivers include underlying population growth, favourable demographic trends and product innovation.The Directors believe the market has a stable industry structure with relatively high barriers to entry including consumer preferences for high levels of product quality and innovation, brand strength, economies of scale, and existing customer and supplier relationships.The market has historically had a low level of Private Label penetration. The Company believes this is due to consumer preferences for trusted brands.Refer to Figure 3 for the long-term historical industry growth rates and 2013 Private Label penetration for the Australian and New Zealand Retail market. <div><p>Figure 3: Historical industry growth and Private Label penetration (by value)</p><table><tr><th>Product category</th><th>Value CAGR 2003-2013^{1,2}</th><th>Value CAGR 2008-2013^{1,2}</th><th>Private Label penetration (2013)³</th></tr><tr><td>Feminine Hygiene</td><td>1.2%</td><td>0.5%</td><td>6%</td></tr><tr><td>Incontinence Hygiene</td><td>12.3%</td><td>10.9%</td><td>1%</td></tr><tr><td>Baby Hygiene</td><td>1.2%</td><td>(0.3)%</td><td>12%</td></tr><tr><td>Consumer Tissue</td><td>2.9%</td><td>1.6%</td><td>14%</td></tr></table></div>	Product category	Value CAGR 2003-2013 ^{1,2}	Value CAGR 2008-2013 ^{1,2}	Private Label penetration (2013) ³	Feminine Hygiene	1.2%	0.5%	6%	Incontinence Hygiene	12.3%	10.9%	1%	Baby Hygiene	1.2%	(0.3)%	12%	Consumer Tissue	2.9%	1.6%	14%	Section 2
Product category	Value CAGR 2003-2013 ^{1,2}	Value CAGR 2008-2013 ^{1,2}	Private Label penetration (2013) ³																			
Feminine Hygiene	1.2%	0.5%	6%																			
Incontinence Hygiene	12.3%	10.9%	1%																			
Baby Hygiene	1.2%	(0.3)%	12%																			
Consumer Tissue	2.9%	1.6%	14%																			
Diversified revenue and earnings base	<ul style="list-style-type: none">Asaleo Care is well diversified across sales channels, customers, product categories and geographies:<ul style="list-style-type: none">In CY2013, approximately 69% of pro forma net sales was derived from the Retail distribution channel and 31% from the B2B distribution channel;Asaleo Care has a total of 75 customers, with the largest two customers accounting for approximately 35% of pro forma net sales;Asaleo Care operates two segments, with Personal Care contributing approximately 51% of CY2013 pro forma EBITDA and Tissue contributing 49% of CY2013 pro forma EBITDA. These segments are further diversified across five product categories; andAsaleo Care generated approximately 73% of CY2013 pro forma net sales from customers in Australia, and 27% from customers in New Zealand and Fiji.	Sections 3.1 and 3.3																				

1 Source: Asaleo Care estimates and analysis, with the assistance of Aztec point of sales data. Analysis assumes an AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Historical growth statistics are based upon annual Retail and Healthcare sales and exclude ancillary products.

2 Professional Hygiene value CAGR data is not available. The market spans a number of different industries and consequently there is limited point of sales data available to measure historical value growth.

3 Market size and share statistics are based upon 2013 Retail and Healthcare sales and exclude ancillary products.

1. Investment Overview

Topic	Summary	For more information
Upgraded manufacturing capability	<ul style="list-style-type: none"> Since CY2012, a significant capital investment program has been implemented as part of Phase 1 of Management's growth strategy. The capital investment program focused on reconfiguring the Tissue manufacturing footprint to increase efficiency and flexibility, and reduce the costs of production. The total cost of the capital investment program is expected to be \$114.8 million, of which \$91.7 million had been spent as at 31 March 2014. Asaleo Care expects the remaining \$23.1 million to be invested in CY2014. 	Sections 3.4 and 3.5
Research and development capability	<ul style="list-style-type: none"> Asaleo Care has a demonstrated record of product enhancements and improvements. Research and development is conducted by local teams and supported by SCA's global capabilities. The support from SCA will continue under the terms of the Trade Mark and Technology Licence Agreement ("TMTLA") and Supply Agreement, as discussed in Section 10.5.1. 	Sections 3.8 and 10.5.1
Strong pro forma financial track record and highly cash generative	<ul style="list-style-type: none"> Between CY2011 and CY2013, pro forma EBITDA increased by 45%, from \$86 million to \$125 million (equating to an increase in pro forma EBITDA margin from 13.9% to 19.9%)¹. Phase 1 of Management's growth strategy has improved operating efficiencies, lowered the cost base and increased EBITDA. While net sales growth has remained flat over the same period, this trend was affected by a change in sales mix away from unprofitable or marginally profitable products. The Company's improved margins have resulted in strong cash generation, with average Cash Conversion of approximately 92% between CY2011 and CY2013. Phase 2 of Management's growth strategy is expected to meet its objective of sustainable earnings growth, shareholder returns and strong cash generation in CY2014 and beyond. 	Section 4
High quality management team and Board, and committed major shareholder	<ul style="list-style-type: none"> The Directors believe the Company has an outstanding management team with significant in-market consumer sector expertise and a track record of success. The Directors believe Management has demonstrated its capability to deliver a major business transformation by implementing a series of performance improvement initiatives. Board members have 170 years of combined industry experience and 60 years of combined directorship and public company experience with some of Australia's leading ASX listed companies. The Board is chaired by Harry Boon. SCA has advised the Company that it intends to remain a supportive and committed shareholder in Asaleo Care. It will not sell any of its Shares in the Offer, and its Shares are subject to an escrow arrangement until the Company's full year results for CY2014 are provided to the ASX for release to the market. At Completion of the Offer, SCA will hold approximately 32.7% of the total issued capital of the Company, assuming that the Final Price is at the midpoint of the Indicative Price Range. 	Section 6

¹ Between CY2011 and CY2013, statutory EBITDA improved from \$(0.2) million to \$101 million.

1. Investment Overview

1.4 Key risks

There are a number of potential risks associated with Asaleo Care's business and industry, which may impact the Company's financial performance. Some of the key risks are summarised below and are described further in Section 5.

Topic	Summary	For more information
Key Retail customers have significant market power	Asaleo Care generated 61% of its pro forma CY2013 net sales 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. In addition, key changes in their policies (for example, limiting the Company's products' shelf space, replacing the Company's products with competitor or Private Label products) could negatively impact the Company's profitability. Some of the contracts with key Retail customers are short term and may be able to be terminated for convenience by the Retail customers.	Section 5.2.1
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.	Section 5.2.2
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 trade marks or intellectual property may adversely affect the operating and financial performance of the Company.	Section 5.2.3
Realising benefits of capital investment program	Asaleo Care's Forecast Financial Information is partly reliant on the realisation of benefits associated with its capital investment program. The capital investment program may be subject to delays or cost overruns and these benefits may be delayed, or the initiatives may not generate the expected level of net sales, EBITDA growth or return on capital.	Section 5.2.4
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. Pulp is one of the Company's largest supplier categories, representing approximately 17% of total CY2013 operating costs. In recent years, pulp prices have experienced volatility and this volatility may continue. There is a risk that increases in pulp prices could adversely impact Asaleo Care's earnings.	Section 5.2.5
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, and assets and liabilities are denominated, in New Zealand and Fijian dollars. Asaleo Care also sources raw materials and finished goods in euros and US dollars. While Asaleo Care has a rolling 12 month hedging policy and is fully hedged for CY2014 against currencies relating to its input costs, any foreign exchange rate movements beyond the forecast period could adversely affect the Company's future financial performance and position.	Section 5.2.6
Disruptions to the Company's manufacturing capacity	Asaleo Care manufactures its products at five plants across Australia, New Zealand and Fiji. A disruption at any of these facilities could adversely affect production capacity and earnings.	Section 5.2.7

1. Investment Overview

Topic	Summary	For more information
Product recalls and liability	Asaleo Care has procedures and policies in place to ensure compliance with quality standards and to ensure its products are free from contamination. 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.	Section 5.2.8
SCA may not renew its licensing agreement with Asaleo Care	<p>Asaleo Care has a TMTLA with SCA which will expire in July 2022, with an option to renew to 2027 by mutual agreement. Under the TMTLA, Asaleo Care pays SCA an annual royalty for the exclusive licence to use certain brands (including the Tork and TENA brands) and technology in Australia, New Zealand and specified countries in the Pacific region.</p> <p>There is no assurance that the TMTLA will be renewed after the expiration of the term. There is a risk that the Company could be adversely impacted if the TMTLA is terminated or expires and is not renewed, or is renegotiated on less favourable terms.</p>	Section 5.2.9
SCA may not renew its Supply Agreement with Asaleo Care	Asaleo Care is reliant on the supply of key products under the Supply Agreement with SCA. The Supply Agreement terminates if the TMTLA expires or is terminated. There is no assurance that the Supply Agreement will be renewed after the expiration of the TMTLA term. The Company could be adversely impacted if the Supply Agreement is terminated or expires and is not renewed, or is renegotiated on less favourable terms.	Section 5.2.10
Other risks	A number of other risks are also included in Section 5.	Sections 5.2 and 5.3

1. Investment Overview

1.5 Experience and background of the Directors and Management

Asaleo Care's leadership team has extensive industry experience and a proven track record of driving operational excellence across all facets of the business. The Board of six Directors includes three Independent Directors, including an Independent Non-Executive Chairman.

The Independent Non-Executive Chairman, the CEO and the CFO have on average over 25 years of industry experience. The depth of industry experience within the management team has contributed towards the Company's ongoing success.

Topic	Name	Experience	For more information
Who is on the Board?	Harry Boon Independent Non-Executive Chairman	Harry Boon is the Chairman of the Company and has over 38 years of industry experience. Harry currently serves as Chairman of ASX listed Tatts Group and as a non-executive director of Toll Holdings.	Section 6.1
	Peter Diplaris President/CEO	Peter Diplaris joined the Company as CEO in 2011, and has over 25 years of industry experience. Previously, Peter was the Group General Manager of Nippon Paper Group's Australian office division and held a number of senior sales roles within National Foods.	Section 6.1
	Mats Berencreutz Non-Executive Director (representative of SCA)	Mats Berencreutz is a Non-Executive Director and has over 30 years of industry experience. Mats currently serves as Executive Vice President of SCA. He is also the Chairman of the board for SCA Hygiene Products AB.	Section 6.1
	Nils Lindholm Non-Executive Director (representative of SCA)	Nils Lindholm is a Non-Executive Director and has over 20 years of industry experience. Nils currently serves as Head of Global Business Services for SCA. Nils is also a director of SCA UK Holdings Limited, SCA GmbH, SCA Hygiene Products Nederland BV and SCA Tissue Finland Oy.	Section 6.1
	Sue Morphet Independent Non-Executive Director	Sue Morphet is a Non-Executive Director and has over 28 years of industry experience. Sue currently serves as Chairman for Manufacturing Australia and sits on the Board of Fisher & Paykel Appliances.	Section 6.1
	JoAnne Stephenson Independent Non-Executive Director	JoAnne Stephenson is a Non-Executive Director and has over 25 years of industry experience. JoAnne currently serves as non-executive director for ASX listed Challenger Financial and Chairman of the Melbourne Chamber Orchestra.	Section 6.1

1. Investment Overview

Topic	Name	Experience	For more information
Who is the leadership team of Asaleo Care and what is their background?	Peter Diplaris President/CEO	As above.	Sections 6.1 and 6.2
	Paul Townsend CFO	Paul Townsend joined the Company as CFO in 2012. Previously, Paul served in other Chief Financial Officer roles for Pacific Hydro, Futuris Automotive Group and Melbourne Stadiums.	Section 6.2
	Andrew Phillips Executive General Manager Personal Care	Andrew Phillips joined the Company as Executive General Manager Personal Care in 2012. Previously, Andrew held various senior management roles with Novartis Consumer Health, Kraft Foods and Tassimo.	Section 6.2
	Scott Pannell Executive General Manager Consumer Tissue and Baby	Scott Pannell joined the Company in 2011 and was appointed Executive General Manager Consumer Tissue and Baby in 2012. Previously, Scott held various executive leadership roles at A2 Corporation, Vitasoy and National Foods NZ.	Section 6.2
	Sid Takla Executive General Manager Tork Professional Hygiene and Pacific Islands	Sid Takla was appointed as Executive General Manager Tork Professional Hygiene and Pacific Islands in 2012. Previously, Sid held senior operational and finance roles within Carter Holt Harvey Packaging and Amcor Flexible Packaging.	Section 6.2
	Willem Wiese COO	Willem Wiese joined the Company as COO in 2012. Previously, Willem worked as Group General Manager of B9 Paper & Recycling at Amcor and held various senior supply chain, operational and technical positions at Premier Foods and BOC Gases.	Section 6.2
	Andrea Bell CIO	Andrea Bell was appointed as CIO in 2012. Andrea joined the Company in 2002 and has held various senior IT roles. Previously, Andrea held various IT roles at South Pacific Tyres and worked as an analyst at Arthur Andersen & Co.	Section 6.2
	David Griss Executive General Manager Human Resources	David Griss joined the Company as Executive General Manager Human Resources in 2012. Previously, David held various HR director and senior HR roles within the pharmaceutical and healthcare sectors for Hospira, Mayne Group and F H Faulding & Co.	Section 6.2

1. Investment Overview

1.6 Significant interests of key people and related party transactions

Topic	Summary	For more information																														
Who are the Existing Shareholders?	<p>The Existing Shareholders are SCA, PEP Shareholders and Management Shareholders.</p> <p>SCA is a leading global hygiene and forest products company. SCA develops and produces sustainable personal care, tissue and forest products. Sales are conducted in approximately 100 countries under many strong brands, including the leading global brands TENA and Tork, and regional brands such as Libero, Libresse, Lotus, Nosotras, Saba, Tempo and Vinda. SCA has approximately 44,000 employees as at December 2013. Sales in CY2013 amounted to SEK93 billion (EUR10.7 billion). SCA was founded in 1929, has its headquarters in Stockholm, Sweden, and is listed on NASDAQ OMX Stockholm. SCA owns approximately 51.4% of Vinda International Holdings Limited, a company listed on the Hong Kong Stock Exchange (HK code: 3331). Vinda has an operation in Australia which manufactures Tissue products for supply to Asaleo Care and other customers. In 2013, these operations had less than A\$5 million in sales revenue.</p> <p>PEP is an Australian-based private equity firm with approximately \$6 billion in funds under management, and has been investing in businesses in Australia and New Zealand for over 15 years.</p>	Sections 7.1.5 and 10.5.1																														
What are the Existing Shareholders' interests in the Offer and what significant benefits are payable to them?	<p>Figure 4: Existing Shareholders' interests</p> <table><tr><th>Shareholders</th><th>Shares held prior to the Offer (m)</th><th>Shares held prior to the Offer (%)</th><th>Shares held following Completion of the Offer¹ (m)</th><th>Shares held following Completion of the Offer¹ (%)</th><th>Shares acquired/ (sold) in the Offer¹ (m)</th></tr><tr><td>SCA</td><td>196.4</td><td>50.0%</td><td>196.4</td><td>32.7%</td><td>–</td></tr><tr><td>PEP Shareholders</td><td>194.5</td><td>49.5%</td><td>–</td><td>–</td><td>(194.5)</td></tr><tr><td>Management Shareholders</td><td>1.9</td><td>0.5%</td><td>9.3</td><td>1.5%</td><td>7.4</td></tr><tr><td>Total</td><td>392.8</td><td>100.0%</td><td>205.6</td><td>34.2%</td><td>(187.1)</td></tr></table> <p>SCA has advised the Company that it intends to remain a supportive and committed shareholder of Asaleo Care.</p> <p>SCA will not sell any of its Shares in the Offer and its Shares are subject to an escrow arrangement until the Company's full year results for CY2014 are provided to the ASX for release to the market. At Completion of the Offer, SCA will hold approximately 32.7% of the total issued capital of the Company, assuming that the Final Price is at the midpoint of the Indicative Price Range.</p> <p>SCA will also be party to a number of related party arrangements with the Company, including a Supply Agreement, a TMTLA and a Relationship Deed. The Relationship Deed will require the provision of specified classes of information by Asaleo Care to SCA, including information to enable SCA to meet its financial reporting requirements. It also includes certain anti-dilution rights in favour of SCA in relation to future equity offers by Asaleo Care. The Supply Agreement, the TMTLA and Relationship Deed will require the payment of fees and other amounts by Asaleo Care to SCA. Please refer to Section 10.5.4 for further discussion of the related party arrangements.</p> <p>The PEP Shareholders intend to sell all of their Existing Shares in the Offer. Accordingly, at Listing, PEP Shareholders are not expected to have an interest in the Company.</p> <p>The Management Shareholders will enter into a number of transactions as part of the Offer, including:</p> <ul style="list-style-type: none">the sale of 1.9 million Shares acquired in 2013 as part of an existing employee share purchase plan; andthe purchase of 9.3 million Shares using the proceeds from the pre-Offer management incentive plan (as per an agreement with the Company). <p>As result of these transactions, at Listing the Management Shareholders will own a total of 9.3 million Shares, which will equate to 1.5% of the total issued capital of the Company. The Shares held by the Management Shareholders on Listing will be subject to escrow arrangements, as described in Section 1.8.</p>	Shareholders	Shares held prior to the Offer (m)	Shares held prior to the Offer (%)	Shares held following Completion of the Offer ¹ (m)	Shares held following Completion of the Offer ¹ (%)	Shares acquired/ (sold) in the Offer ¹ (m)	SCA	196.4	50.0%	196.4	32.7%	–	PEP Shareholders	194.5	49.5%	–	–	(194.5)	Management Shareholders	1.9	0.5%	9.3	1.5%	7.4	Total	392.8	100.0%	205.6	34.2%	(187.1)	Sections 6.3, 7.1.5 and 10.5.4
Shareholders	Shares held prior to the Offer (m)	Shares held prior to the Offer (%)	Shares held following Completion of the Offer ¹ (m)	Shares held following Completion of the Offer ¹ (%)	Shares acquired/ (sold) in the Offer ¹ (m)																											
SCA	196.4	50.0%	196.4	32.7%	–																											
PEP Shareholders	194.5	49.5%	–	–	(194.5)																											
Management Shareholders	1.9	0.5%	9.3	1.5%	7.4																											
Total	392.8	100.0%	205.6	34.2%	(187.1)																											

¹ Assumes that the Final Price is at the midpoint of the Indicative Price Range.

1. Investment Overview

Topic	Summary	For more information	
What significant benefits are payable to Directors and the President/CEO and what significant interests do they hold?	Figure 5: Director interests	Sections 6.3 and 10.5.5	
	Directors and Management		Approximate value of Shares held following Completion of the Offer¹
	Harry Boon		\$200,000
	Nils Lindholm		–
	Mats Berencreutz		–
	Sue Morphet		\$55,000
	JoAnne Stephenson		–
	Peter Diplaris ²		\$5,670,000
	Directors and key executives are entitled to remuneration and fees on commercial terms.		
	Peter Diplaris holds economic interests in Sale Shares, via a holding in the employee share trust, which is described in further detail in Section 6.3.2.		
Peter Diplaris is also a participant in the pre-Offer management incentive plan (MIP). Under the MIP (which crystallises upon successful Completion of the Offer), Peter Diplaris and certain other executives will be entitled to receive a cash payment that will vary by reference to the Offer price. Peter Diplaris and the other participants in the MIP have agreed to invest two-thirds of this cash payment in Shares under the Offer. The Shares that Peter Diplaris will hold at Completion of the Offer (with an approximate value of \$5.7 million) ² represent the reinvestment of this cash payment. These arrangements are described in further detail in Section 10.5.5.			
After Completion of the Offer and investment of the cash payment, the Directors will hold a total of 3.5 million Shares as outlined above ² .			
Paul Townsend and David Griss as members of Management also participate in the MIP and together with Peter Diplaris, are directors of SaleCo. For details in relation to Shares that Paul Townsend and David Griss will hold at Completion of the Offer, refer to Section 6.3.2.			

1 The Company does not have any options on issue.

2 Assuming the Final Price is at the midpoint of the Indicative Price Range.

1. Investment Overview

1.7 Key financial metrics

Figure 6: Key income statement items

\$ millions Year end 31 December	Pro forma historical			Pro forma forecast
	CY2011	CY2012	CY2013	CY2014
Net sales	617.3	615.3	625.1	642.2
EBITDA	86.0	105.6	124.6	139.7
EBIT	56.6	78.7	97.3	111.1
NPAT	31.5	47.6	61.5	70.6

The financial information presented in this Section 1.7 is intended as a summary only and should be read in conjunction with the more detailed discussions of the Financial Information, as well as the risks, set out in Sections 4 and 5, respectively.

Figure 7: Sources and uses of funds¹

SaleCo					
Sources of funds ¹	A\$m	%	Uses of funds ¹	A\$m	%
Cash proceeds from the sale of Sale Shares	329.0	100.0	Payment of proceeds to PEP Shareholders	325.8	99.0
			Payment of proceeds to Management Shareholders	3.1	1.0
Total sources of funds	329.0	100.0	Total uses of funds	329.0	100.0
Asaleo Care Limited					
Sources of funds ¹	A\$m	%	Uses of funds ¹	A\$m	%
Cash proceeds from the issue of New Shares ²	332.5	51.4	Repayment of existing liabilities ³	599.4	92.6
Drawdown of New Banking Facilities	315.0	48.6	Costs related to the Offer ⁴	48.1	7.4
Total sources of funds	647.5	100.0	Total uses of funds	647.5	100.0

1 Assuming the Final Price is set at the midpoint of the Indicative Price Range. The PEP Shareholders and Management Shareholders have entered into agreements with SaleCo, pursuant to which they have irrevocably offered to sell to SaleCo the Sale Shares (see section 7.1 for further details). SaleCo will receive proceeds from the sale of the Sale Shares and transfer those proceeds to Asaleo Care Limited, for settlement and final distribution of proceeds.

2 This excludes the Shares to be issued under the Employee Award Offer (which will be issued for nil consideration) and proceeds from the two-thirds of the post-tax amount of the pre-Offer MIP that participants will reinvest in Shares (and which is expected to be settled by the direct issue of Shares to participants).

3 Existing liabilities includes repayment of existing debt (\$523.6 million), repayment of promissory notes issued in respect of the Preference Shares as part of a selective capital return in May 2014 (\$44.4 million), and settlement of 100% of the tax and one-third of the post-tax amount of the MIP (\$31.4 million) which includes on-costs. The participants in the pre-Offer MIP have agreed to reinvest two-thirds of the post-tax amount in Shares under the Offer. Please refer to Section 10.5.5 for further detail on these arrangements.

4 Costs related to the Offer include general transaction costs and the exit fee payable to PEP and SCA under the Investment Services Agreement (refer to Section 6.5 for further details).

1. Investment Overview

Topic	Summary	For more information
What is the Company's dividend policy?	<p>Depending on the available profits and the financial position of Asaleo Care, it is the current intention of the Board for the Company to pay dividends.</p> <p>The Directors intend to target a dividend payout ratio between 70% and 80% of Asaleo Care's statutory NPAT from CY2015. This level of payout is expected to vary between periods depending on factors the Directors may consider, including the general business environment, the operating results and financial condition of Asaleo Care, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Asaleo Care, and any other factors the Directors may consider relevant.</p> <p>The Directors intend to declare or authorise a final dividend in each calendar year which is greater than 50% of the total dividend paid during the year. Asaleo Care will pay dividends in Australian dollars.</p> <p>Asaleo Care expects that dividends will be unfranked until at least CY2016 due to the utilisation of historical tax losses as at 31 December 2013, and the generation of additional tax losses in CY2014 due to the significant one-off expenses incurred. The date of any franked dividend will depend on the amount of tax payable by Asaleo Care.</p> <p>No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.</p>	Section 4.11
When will the first dividend be paid?	The Directors expect that the first dividend to Shareholders will be determined in respect of the period from 1 July 2014 to 31 December 2014, and will become payable in March 2015. On the basis of the statutory NPAT for CY2014 being impacted by one-off events arising from the Offer and as described in this Prospectus, the Board's current intention is to apply the dividend payout ratio to the pro forma net profit after tax and declare a dividend of \$29.1 million in respect of the period from 1 July 2014 to 31 December 2014. This represents a second half CY2014 dividend of 4.7 to 4.9 cents per share, based upon the Indicative Price Range. Payment of this dividend will be out of profits that may include prior year profits.	Section 4.11

1.8 Overview of the Offer

Topic	Summary	For more information
Who are the issuers of this Prospectus?	<p>Asaleo Care Limited (ACN 154 461 300).</p> <p>PEPSCA SaleCo Limited (ACN 169 063 816).</p>	Section 7.1
What is the Offer?	<p>Based on the midpoint of the Indicative Price Range, the Offer is an IPO of approximately 395.4 million Shares. The Shares being offered will represent approximately 65.8% of the total Shares on issue following Listing.</p> <p>See Section 10.4.2 for the formula for calculating the number of Shares offered under the Offer.</p>	Section 7.1
What is the proposed use of proceeds received in connection with the Offer?	<p>Based on the Indicative Price Range, the Offer is expected to raise \$633.0 million – \$690.0 million. The table in Section 1.7 details the sources and uses of the Offer, based on the midpoint of the Indicative Price Range.</p> <p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> • achieve a listing on the ASX to broaden the Company's shareholder base and provide a liquid market for its Shares; • provide an opportunity for Existing Shareholders to wholly or partially monetise their investment; • improve the Company's future access to capital markets; • raise capital to reduce the Company's existing debt; and • pay the expenses of the Offer. 	Section 7.1.2

1. Investment Overview

Topic	Summary	For more information
How is the Offer structured/who is eligible to participate?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> the Broker Firm Offer, consisting of an invitation by Syndicate Brokers to investors in Australia and New Zealand to acquire Shares under this Prospectus; the Employee Award Offer, which is open to Eligible Employees in Australia or New Zealand nominated by the Company; the Employee Priority Offer, which is only open to employees in Australia or New Zealand nominated by the Company; the General Priority Offer, which is only open to investors in Australia or New Zealand nominated by the Company; and the Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world. 	Sections 7.1.1 and 11
How will the Final Price be set?	The Final Price will be determined by the Joint Lead Managers, the Company and SaleCo, at the conclusion of the Bookbuild following the close of the Broker Firm Offer and the Institutional Offer, expected on or about 26 June 2014. The price payable for Shares under the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer will be the same. Shares issued under the Employee Award Offer will be for nil or nominal consideration.	Sections 7.5.3 and 11
Is the Offer underwritten?	No. The Offer is not underwritten.	Section 7.2
Who are the Joint Lead Managers to the Offer?	The Joint Lead Managers are Citi, Macquarie Capital and Merrill Lynch.	Section 10.6
Will the Shares be quoted?	<p>The Company has applied to the ASX for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code AHY).</p> <p>Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7.8.1
Will any Shares be subject to escrow arrangements?	<p>The Escrowed Shareholders are SCA and the Management Shareholders. These parties have entered into escrow deeds in relation to their escrowed Shares.</p> <p>SCA has entered into an escrow arrangement in relation to all of its escrowed Shares until the date on which the Company provides to the ASX the preliminary final report for CY2014 in accordance with ASX Listing Rule 4.3A.</p> <p>Management Shareholders have also entered into an escrow arrangement in relation to all of their escrowed Shares. Of the Shares acquired by Management Shareholders contemporaneously with the Offer, half will be subject to escrow arrangements until the date that is one year from Listing (expected to be 27 June 2015). The remaining half will be subject to escrow arrangements until the date that is two years from Listing (expected to be 27 June 2016).</p>	Sections 6.5 and 10.5.6
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer will be determined by the Joint Lead Managers in consultation with the Company and SaleCo.</p> <p>The Joint Lead Managers, the Company and SaleCo will determine the allocation of Shares among Institutional Investors.</p> <p>For Broker Firm Applicants, Syndicate Brokers will determine how they allocate Shares among their clients.</p>	Sections 7.3.5, 7.4.3 and 7.5.4

1. Investment Overview

Topic	Summary	For more information
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	Summaries of certain Australian and New Zealand tax consequences of participating in the Offer and investing in Shares are set out in Sections 10.10, 10.11 and 10.12. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Sections 10.10, 10.11 and 10.12
How can I apply?	Broker Firm Applicants may apply for Shares by completing an Application Form and lodging it with the Syndicate Broker who invited them to participate in the Offer. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.	Sections 7.3.1 and 7.4
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or about 2 July 2014.	Section 7.2
When can I sell my Shares on the ASX?	It is expected that trading of Shares on the ASX will commence on or about 27 June 2014 on a deferred settlement basis. It is expected that despatch of holding statements will occur on or about 2 July 2014 and that Shares will commence trading on the ASX on a normal settlement basis on 3 July 2014. It is the responsibility of each Applicant to confirm its holding before trading its Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.	Sections 7.2 and 7.8.3
Can the Offer be withdrawn?	The Company and SaleCo reserve the right to not proceed with the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer does not proceed, Application Monies will be fully refunded. No interest will be paid on any Application Monies refunded, including as a result of not proceeding with the Offer.	Section 7.7
Where can I find out more information about this Prospectus or the Offer?	The Company expects to announce the final allocation policy under the Broker Firm Offer on or about 24 June 2014. For more information, call the Asaleo Care Offer Information Line on 1800 645 237 (within Australia) or +61 1800 645 237 (outside Australia) from 8:30am to 5:00pm (Sydney time) Monday to Friday during the Broker Firm Offer period. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.	Important Dates and Key Offer Statistics on pages 6 and 7

Industry Overview

2



2. Industry Overview

2.1 Overview

Asaleo Care operates in the Australian and New Zealand Personal Care and Tissue market, which the Company estimates is a \$3.2 billion industry (by Retail, Healthcare and B2B customer sales in 2013).¹ Australia represents approximately 85% of the market, with New Zealand representing the remaining 15%.

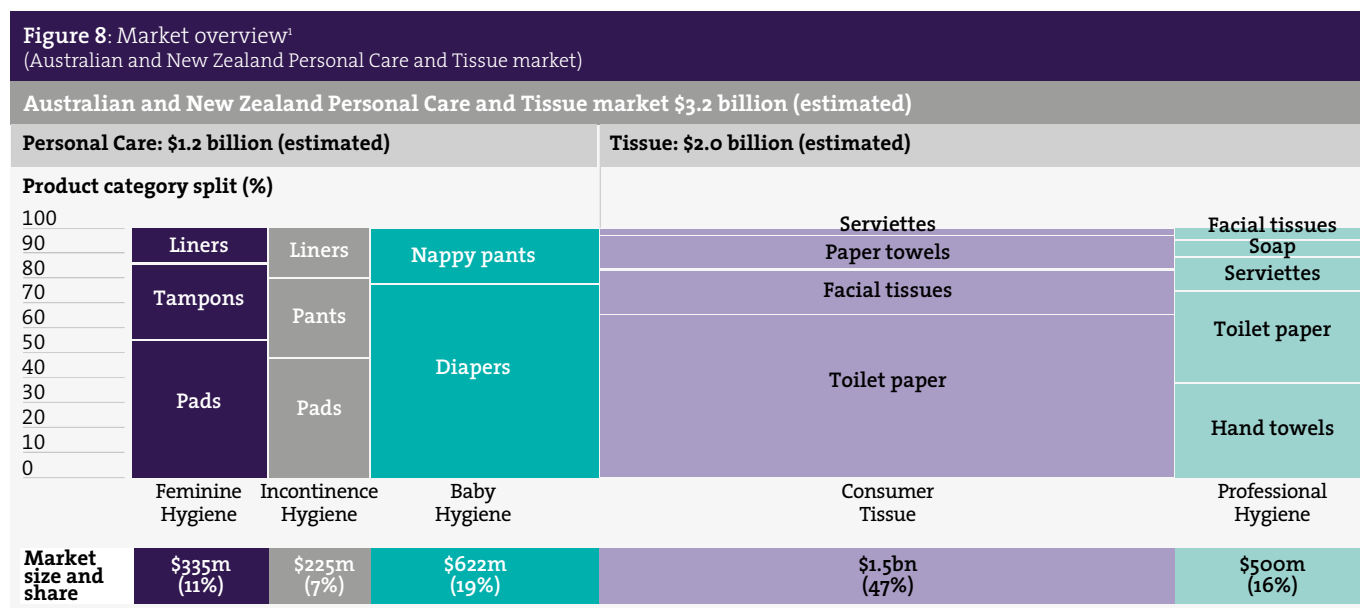
The market can be further divided into five key product categories, as described below.

Personal Care

- **Feminine Hygiene:** pads, tampons, liners and ancillary products (e.g. feminine wipes, feminine washes and heat patches) that are sold through Retail channels;
- **Incontinence Hygiene:** incontinence pads, pants and liners for both males and females, that are sold through Retail and Healthcare channels; and
- **Baby Hygiene:** diapers, nappy pants and ancillary products (e.g. baby wipes and change mats) that are sold through Retail channels.

Tissue

- **Consumer Tissue:** toilet paper, facial tissues, paper towels and serviettes that are sold through Retail channels; and
- **Professional Hygiene:** hand towels, toilet paper, serviettes, soap, facial tissues and ancillary products that are sold to B2B customers.



In 2013, Retail channels represented approximately 81% of the market. Key Retail channel participants include Coles, Metcash and Woolworths in Australia, and Foodstuffs and Progressive Enterprises in New Zealand. Other important Retail channel participants include pharmacies, independent retailers and convenience stores.

The Healthcare channel focuses on distribution to aged care facilities and community care channels, while sales in the B2B channel are made directly to distributors and to larger corporates. The Professional Hygiene market focuses on supplying products to the hospitality sector, schools, hospitals, offices and industrial companies.

Asaleo Care believes that the market is relatively stable through the economic cycle mainly due to the primarily non-discretionary nature of products sold. Additionally, the Company believes that the industry generally has relatively high barriers to entry given the importance of brands, economies of scale and competitive advantages of domestic production for Tissue products. The market is competitive and has a promotional cycle, with suppliers offering rebates in the ordinary course of business.

Market growth has been historically driven by population growth, changing demographics and product innovation. The market dynamics of each product category are considered in more detail in Sections 2.2 to 2.6.

¹ Source: Asaleo Care estimates and analysis, with the assistance of Aztec point of sales data. Analysis assumes an AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Market size and share statistics are based upon 2013 Retail, Healthcare and B2B customer sales and exclude ancillary products. Column width in Figure 8 represents market size. Total percentages shown may not add up to 100% due to rounding.

2. Industry Overview

2.2 Feminine Hygiene

2.2.1 Overview

The Australian and New Zealand Feminine Hygiene market has an estimated value of \$335 million (by Retail sales in 2013),¹ as shown in Figure 9.

The market has three major branded manufacturers, Asaleo Care, Johnson & Johnson and Kimberly-Clark, who have a combined 85% market share, as shown in Figure 10. Asaleo Care's Libra is the #1 brand with 41% market share, as shown in Figure 11.

Private Label penetration is currently 6% of the market and Asaleo Care believes this is due to the intimate nature of the products and hence the importance of trusted brands. Private Label penetration has been relatively stable since 2003, with an average market share of approximately 6% over the period.

Figure 9: Key products¹
(Australian and New Zealand Feminine Hygiene market)

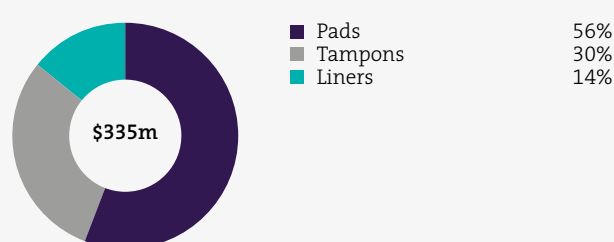


Figure 10: Key manufacturers¹
(Australian and New Zealand Feminine Hygiene market)

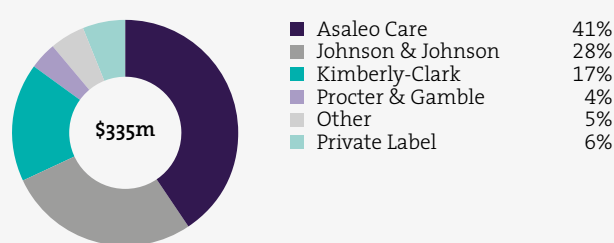




Figure 11: Summary of key Feminine Hygiene brands

Brand ²	Owner ²	Commentary	Australian and New Zealand market share ¹
		<ul style="list-style-type: none"> Offers pads, tampons and liners Brand launched in Australia and New Zealand in 1979 	41%
U by Kotex	Kimberly-Clark	<ul style="list-style-type: none"> Offers pads, tampons and liners Brand relaunched in Australia and New Zealand in 2010 	17%
Carefree	Johnson & Johnson	<ul style="list-style-type: none"> Offers tampons and liners Brand launched in Australia and New Zealand in 1976 	16%
Stayfree	Johnson & Johnson	<ul style="list-style-type: none"> Offers pads Brand launched in Australia and New Zealand in 1974 	12%
Other brands	–	Includes brands such as Whisper and Tampax (Procter & Gamble) and Cottons	8%
Private Label	–	Asaleo Care believes that the low market share reflects consumer preference for trusted brands and product innovation	6%

¹ Source: Asaleo Care analysis, with the assistance of Aztec point of sales data. Analysis assumes an AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Market size and share statistics are based upon 2013 Retail sales. Total percentages shown may not add up to 100% due to rounding.

² Brands and names other than those associated with Asaleo Care are for summary information purposes only, and are not owned by the Company and are subject to third party trade mark and other intellectual property protection.

2. Industry Overview

2.2.2 Barriers to entry

Asaleo Care believes that a number of important barriers to entry exist in the Australian and New Zealand Feminine Hygiene market, including:

- **Brands and quality:** Asaleo Care believes that consumers are loyal to trusted brands and have historically had a low propensity to buy Private Label products. Investments in advertising and product innovation are important to maintaining market share; and
- **Product innovation:** substantial developments have been made in Feminine Hygiene products since 2003; examples include pads with wings, pads with bodyfit design, improved absorption technology and packaging design. Asaleo Care believes that product innovation is critical to distinguishing between brands in order to drive consumer brand preference and minimise consumers' consideration of price.

2.2.3 Historical growth

The Australian and New Zealand Feminine Hygiene market has grown by 1.2% per annum by value since 2003, as shown in Figure 12. Historical volume growth is primarily driven by population growth of women of menstruating age.

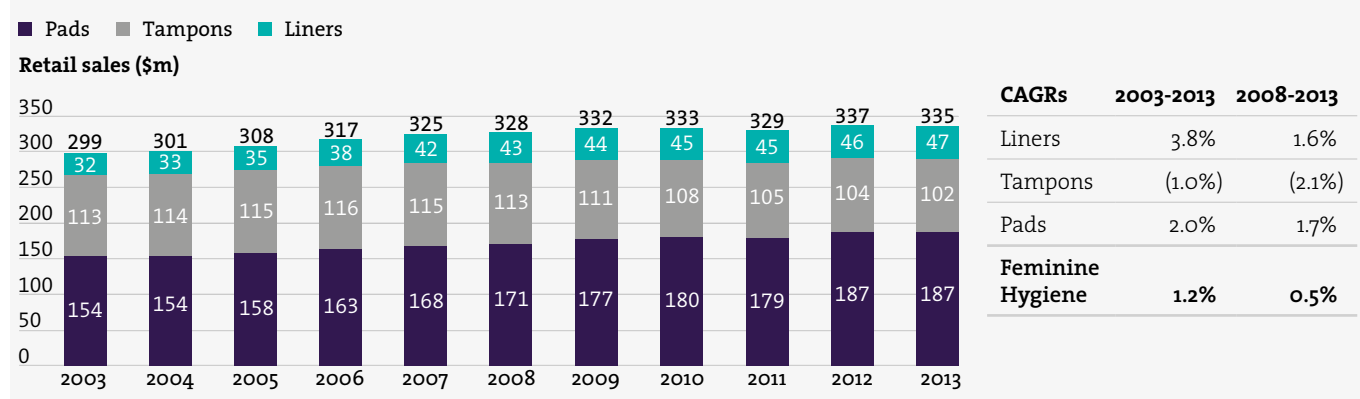
Value growth has been stronger in liners and pads which have grown by 3.8% and 2.0% per annum by value respectively since 2003; this growth has partially been offset by tampon usage which has contracted over the same period.

Since 2003, there has been 0.9% per annum volume growth in Feminine Hygiene products which is in line with population growth of women of menstruating age over the same period. However, population growth of women of menstruating age has been slower than broader population growth primarily due to ageing populations in both Australia and New Zealand.

Asaleo Care believes key historical growth drivers include:

- **Female population growth:** the Australian female population of menstruating age (aged 15 to 49) has increased by 1.1% per annum since 2003. Similarly, the New Zealand female population of menstruating age has increased by 0.5% per annum since 2001;
- **Premium product preferences:** the Feminine Hygiene market in Australia and New Zealand primarily comprises of premium branded products as evidenced by the low Private Label share which results in higher value growth; and
- **Consumer preferences:** a number of trends have been present in recent years including the increasing popularity of pads due to technological developments and the increasing usage of ancillary products, such as feminine wipes and feminine washes.

Figure 12: Historical growth (by Retail sales)¹
(Australian and New Zealand Feminine Hygiene market)



¹ Source: Asaleo Care analysis, with the assistance of Aztec point of sales data. Analysis assumes a constant currency AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Historical growth statistics are based upon annual Retail sales and exclude ancillary products.

2. Industry Overview

2.3 Incontinence Hygiene

2.3.1 Overview

The Australian and New Zealand Incontinence Hygiene market has an estimated value of \$225 million (by Retail and Healthcare sales in 2013),¹ as shown in Figure 13.

Products are sold through both Retail and Healthcare channels, with the latter including aged care facilities and community care channels. In 2013, the Healthcare channel represented approximately half the total market, as shown in Figure 13.

The Retail market has two major branded manufacturers, Asaleo Care and Kimberly-Clark, who have a combined 94% market share, as shown in Figure 14. Asaleo Care's TENA is the leading brand with Retail market share of 46%, as shown in Figure 15.

Private Label penetration is currently 1% of the Retail market. Asaleo Care believes that this is due to the intimate nature of the products and hence the importance of trusted brands.

Figure 13: Distribution channels¹
(Australian and New Zealand Incontinence Hygiene market)

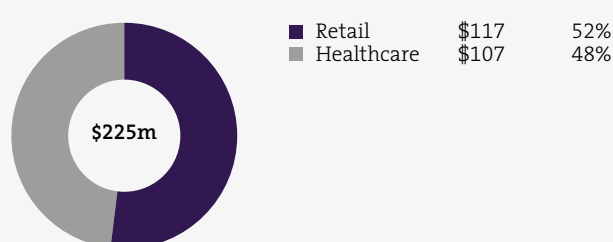


Figure 14: Key manufacturers¹
(Australian and New Zealand Incontinence Hygiene Retail market)

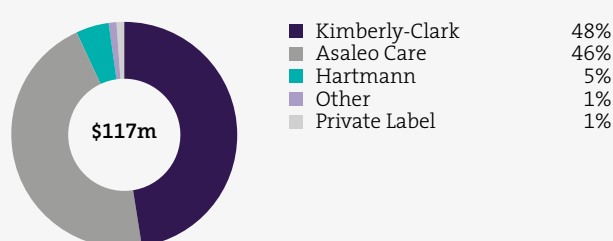




Figure 15: Summary of key Incontinence Hygiene brands

Brand ²	Owner ²	Commentary	Australian and New Zealand Retail market share ¹
	 Under licence ³	<ul style="list-style-type: none"> Offers pads, pants and liners SCA global brand launched in Australia and New Zealand in 1995 TENA products are a combination of locally manufactured and imported products which are supplied under a Supply Agreement with SCA (refer to Section 10.5.1 for further information) 	46%
Poise	Kimberly-Clark	<ul style="list-style-type: none"> Offers lighter protection products focused on female incontinence Brand launched in Australia and New Zealand in 1990 	32%
Depend	Kimberly-Clark	<ul style="list-style-type: none"> Offers pads, pants and liners focused on heavier protection Brand launched in Australia and New Zealand in 1980 	16%
Molicare	Hartmann	<ul style="list-style-type: none"> Offers pads, pants and liners focused on skin protection technology Brand was relaunched in Australia and New Zealand in 2003 	5%
Other brands	–	Includes brands such as Vlesi (Unicharm), Tyco and Lil	1%
Private Label	–	Asaleo Care believes low market share reflects consumer preference for trusted brands and product innovation	1%

1 Source: Asaleo Care estimates and analysis, with the assistance of Aztec point of sales data. Analysis assumes an AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Market size and share statistics are based upon 2013 Retail and Healthcare sales. Healthcare market size of \$107 million is based upon an Asaleo Care estimate. Total percentages shown may not add up to 100% due to rounding.

2 Brands and names other than those associated with Asaleo Care are for summary information purposes only, and are not owned by the Company and are subject to third party trade mark and other intellectual property protection.

3 TENA is a SCA owned brand, but Asaleo Care has the exclusive right to sell the incontinence products under the brand in Australia and New Zealand under the TMTLA with SCA. See Section 10.5.1 for further information.

2. Industry Overview

2.3.2 Barriers to entry

Asaleo Care believes that a number of important barriers to entry exist in the Australian and New Zealand Incontinence Hygiene market, including:

- **Brands and quality:** important to consumers due to the intimate nature of Incontinence Hygiene products, with consumers typically showing loyalty to trusted brands and having a low propensity to buy Private Label products;
- **Product innovation:** substantial developments have been made in heavier Incontinence Hygiene products since 2003. Asaleo Care believes that the ability to be a market leader in product innovation and to continue to offer premium quality products is critical to maintaining market share and consumer brand preference; and
- **Customer relationships:** existing relationships with healthcare providers tend to be quite difficult to displace as healthcare staff develop trust in the products. Major Healthcare customers often have multi-year supply contracts and will leverage the nursing expertise of the supplier. The impact on labour productivity is a key consideration in Healthcare customers' decision to change suppliers.

2.3.3 Historical growth

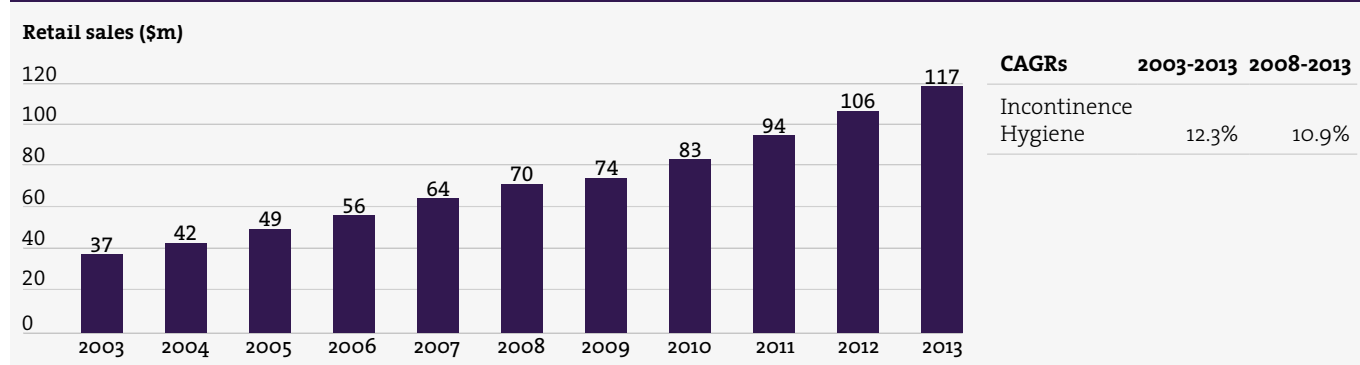
The Australian and New Zealand Incontinence Hygiene Retail market has grown by 12.3% per annum by value since 2003, as shown in Figure 16. Asaleo Care believes that this product category has benefited from favourable demographic shifts due to ageing populations in both Australia and New Zealand.

Since 2003, the majority of the growth has been driven by volume growth of 11.9% per annum with only modest average price growth.

Asaleo Care believes key historical growth drivers include:

- **Increased per capita consumption:** has been driven by product innovation, as well as increased consumer awareness and acceptance of incontinence and its treatment; and
- **Ageing population:** the number of people aged 65 years and over in Australia and New Zealand has grown by 2.7% and 2.4% per annum respectively since 2003 underpinning volume growth for the product category. Asaleo Care projects this to increase even further over the next decade due to an ageing 'Baby Boomers' generation.

Figure 16: Historical growth (by Retail sales)¹
(Australian and New Zealand Incontinence Hygiene Retail market)



¹ Source: Asaleo Care analysis with the assistance of Aztec point of sales data. Analysis assumes a constant currency AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Historical growth statistics are based upon annual Retail sales.

2. Industry Overview

2.4 Baby Hygiene

2.4.1 Overview

The Australian and New Zealand Baby Hygiene market has an estimated value of \$622 million (by Retail sales in 2013),¹ as shown in Figure 17.

The market has three major branded manufacturers, Asaleo Care, Kimberly-Clark and Unicharm, who have a combined 86% market share, as shown in Figure 18. Asaleo Care has a 25% market share in New Zealand through its Treasures brand, as shown in Figure 19. Asaleo Care entered the Australian market in early 2014 and believes this market is a key growth opportunity. The majority of Treasures products sold in Australia are manufactured at the Company's production facility in Te Rapa, New Zealand.

Private Label penetration is currently 12% of the market and Asaleo Care believes that parents primarily look for a trusted brand when purchasing Baby Hygiene products.

Figure 17: Key products¹
(Australian and New Zealand Baby Hygiene market)

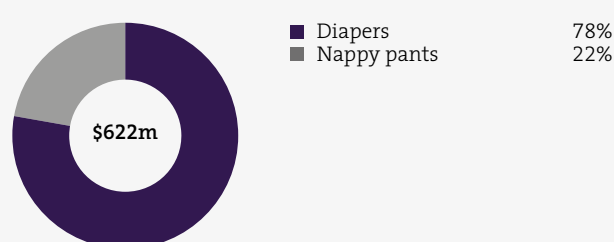


Figure 18: Key manufacturers¹
(Australian and New Zealand Baby Hygiene market)

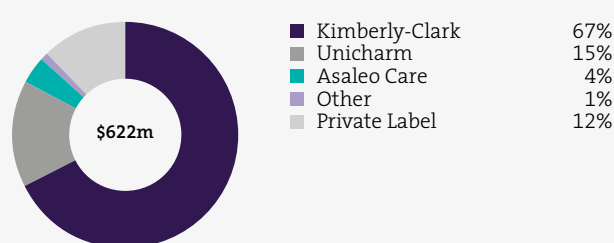


Figure 19: Summary of key Baby Hygiene brands

Brand ²	Owner ²	Commentary	Australian market share ¹	New Zealand market share ¹	Australian and New Zealand market share ¹
Huggies	Kimberly-Clark	<ul style="list-style-type: none"> Offers diapers, nappy pants, sleep diapers, swimming diapers and baby wipes Launched in Australia and New Zealand in 1970 	69%	49%	66%
BabyLove	Unicharm	<ul style="list-style-type: none"> Offers diapers, nappy pants, sleep diapers and baby wipes Launched in Australia and New Zealand in 2008 	17%	3%	15%
Treasures	asaleo care	<ul style="list-style-type: none"> Offers diapers, nappy pants, swimming diapers and baby wipes Launched in New Zealand in 1976 and Australia in early 2014 	0%	25%	4%
Other brands	–	<ul style="list-style-type: none"> Includes Lullaby (Unicharm), Cosifits (Unicharm) and Snugglers (Kimberly-Clark) 	3%	3%	3%
Private Label	–	<ul style="list-style-type: none"> Asaleo Care believes low market share reflects consumer preference for trusted brands and product innovation 	11%	20%	12%

¹ Source: Asaleo Care analysis, with the assistance of Aztec point of sales data. Analysis assumes an AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Market size and share statistics are based upon 2013 Retail sales and exclude ancillary products. Total percentages shown may not add up to 100% due to rounding.

² Brands and names other than those associated with Asaleo Care are for summary information purposes only, and are not owned by the Company and are subject to third party trade mark and other intellectual property protection.

2. Industry Overview

2.4.2 Barriers to entry

Asaleo Care believes that a number of important barriers to entry exist in the Australian and New Zealand Baby Hygiene market, including:

- **Brands and quality:** consumers are often unwilling to compromise on quality for their children, consequently developing trust in a brand over time and exhibiting strong brand loyalty; and
- **Product innovation:** a number of important developments have improved the quality of diapers in recent years and also catered to changing consumer preferences. Examples include diapers featuring licensed children's entertainment characters, swimming diapers and fast absorption technology. Asaleo Care believes the ability to be a market leader in innovation is critical to maintaining market share and consumer brand preference.

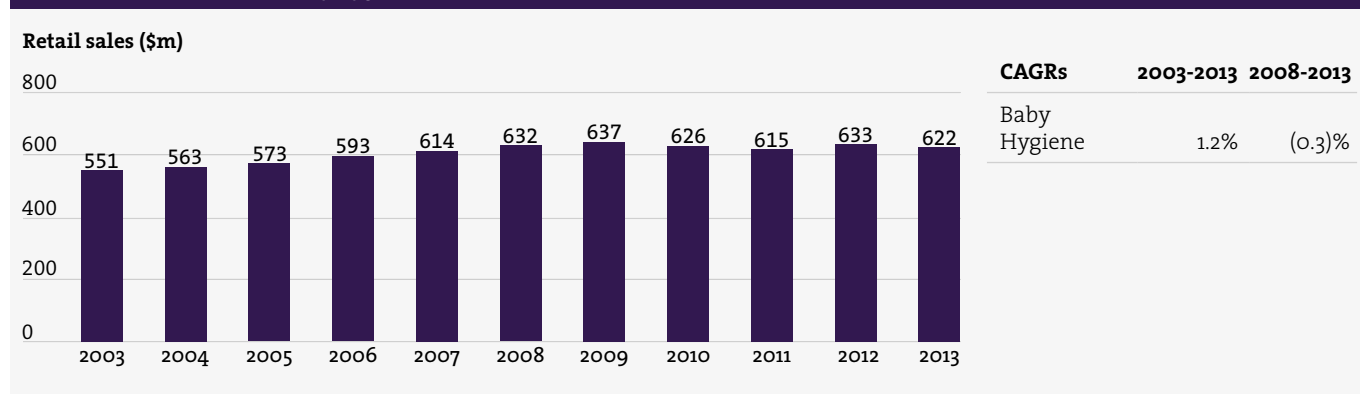
2.4.3 Historical growth

The Australian and New Zealand Baby Hygiene market has grown by 1.2% per annum by value since 2003, as shown in Figure 20. Industry value growth has been impacted by the increasing popularity of larger pack formats which typically have a lower unit cost. There has been an increase in volume of 2.0% per annum since 2003, which has largely been underpinned by increased birth rates in Australia and New Zealand.

Asaleo Care believes key historical growth drivers include:

- **Birth rates:** the number of births in Australia and New Zealand has grown by 2.4% and 0.5% per annum respectively since 2003, providing volume growth for the Baby Hygiene market. The Company believes that the Australian market has benefited from Federal Government initiatives such as the baby bonus and paid parental leave;
- **Premium product preferences:** the Baby Hygiene market in Australia and New Zealand primarily comprises of premium branded products. Private Label products only represent 12% of the market and are skewed towards the New Zealand market; and
- **Larger pack formats:** since 2003 larger pack formats have increased in popularity. These products typically have a lower unit cost.

Figure 20: Historical growth (by Retail sales)¹
(Australian and New Zealand Baby Hygiene market)



¹ Source: Asaleo Care analysis with the assistance of Aztec point of sales data. Analysis assumes a constant currency AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Historical growth statistics are based upon annual Retail sales and exclude ancillary products.

2. Industry Overview

2.5 Consumer Tissue

2.5.1 Overview

The Australian and New Zealand Consumer Tissue market has an estimated value of \$1.5 billion (by Retail sales in 2013),¹ as shown in Figure 21.

The market has three major branded manufacturers, Asaleo Care, Kimberly-Clark and ABC Tissue, who have a combined 81% market share, as shown in Figure 22. Australian and New Zealand consumers primarily purchase branded toilet paper products including Sorbent, Quilton and Kleenex, as shown in Figure 23.

Private Label penetration in the Consumer Tissue market represented 14% of the market in 2013, with minimal market share gains since 2003 (average market share of 14% over the same period).

Figure 21: Key products¹

(Australian and New Zealand Consumer Tissue market)

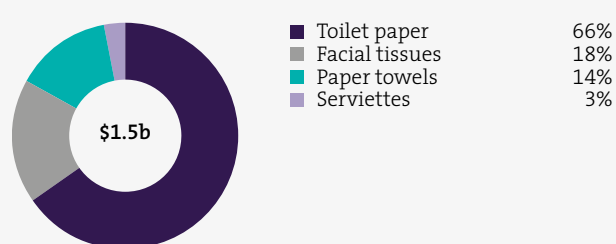


Figure 22: Key manufacturers¹

(Australian and New Zealand Consumer Tissue market)

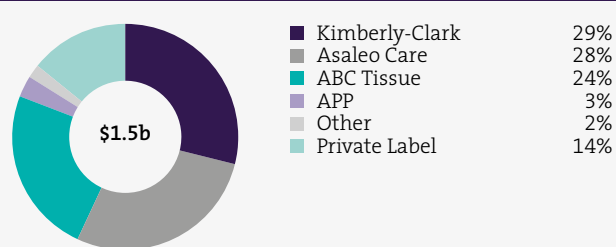






Figure 23: Summary of key toilet paper brands

Brand ²	Owner ²	Commentary	Australian and New Zealand market share ¹
Quilton	ABC Tissue	• Premium brand launched in Australia and New Zealand in 1987	31%
		• Premium brand launched in Australia and New Zealand in 1952	24%
Kleenex	Kimberly-Clark	• Global premium brand launched in Australia and New Zealand in 1990	20%
		• New Zealand focused brand which was launched in the market almost 60 years ago	5%
Other brands	–	• Includes brands such as Wondersoft (Kimberly-Clark), Economy (Asaleo Care), Naturale (ABC Tissue) and Cottonsoft (APP)	10%
Private Label	–	• Relatively stable Private Label penetration since 2003 (11% average market share over the same period)	10%

¹ Source: Asaleo Care analysis, with the assistance of Aztec point of sales data. Analysis assumes an AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Market size and share statistics are based upon 2013 Retail sales. Total percentages shown may not add up to 100% due to rounding.

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2. Industry Overview

2.5.2 Barriers to entry

Asaleo Care believes that a number of important barriers to entry exist in the Australian and New Zealand Consumer Tissue market, including:

- **Brands and quality:** consumers primarily purchase branded products, with trust and loyalty built up over time;
- **Economies of scale:** a number of the key branded manufacturers have substantial capital invested, significant productive capacity and strong relationships with key customers;
- **Product innovation:** the ability to continually change design, packaging and product sizes to suit current consumer preferences is important to maintaining market share, consumer brand preference and premium pricing. Examples of product innovation include embossed toilet paper, scented toilet paper, designer packaging and large pack formats; and
- **Domestic production:** toilet paper is expensive to ship due to its relative volume and unit price, and because it is susceptible to deformation in transport. Consequently, Asaleo Care believes that imported finished toilet paper products are competitively disadvantaged relative to products manufactured locally.

2.5.3 Historical growth

The Australian and New Zealand Consumer Tissue market has grown by 2.9% per annum by value since 2003, as shown in Figure 24, and is stable through the economic cycle given the non-discretionary nature of the products. This is demonstrated by the volume growth in toilet paper in every year over the same period, underpinned by population growth.

The fastest growing product category of the Consumer Tissue market is paper towel which has grown by 6.0% per annum by value since 2003. Asaleo Care believes that paper towel usage has substantially outpaced population growth due to the increasing popularity of disposable products for convenience reasons and increased consumer focus on personal hygiene. This is demonstrated by the 5.2% per annum increase in paper towel volumes since 2003.

Toilet paper usage has grown by 2.8% per annum by value since 2003, with 2.1% per annum volume growth and 0.6% per annum average price growth over the period.

Asaleo Care believes key historical growth drivers include:

- **Population growth:** Australian and New Zealand population growth has been 1.5% and 1.1% per annum respectively since 2003;
- **Premium product preferences:** consumers have been purchasing a growing proportion of premium products. In Australia and New Zealand, premium-branded toilet paper products grew from approximately 55% market share in 2003 to over 75% by value in 2013. However, there has been a reduction in the price differential associated with these products over the same period;
- **Increased popularity of disposable products:** paper towel usage has substantially outpaced population growth since 2003, which Asaleo Care believes is a result of the increasing popularity of disposable products; and
- **Pulp prices:** pulp is the primary input in tissue products and is typically priced in US dollars. Consequently, movements in pulp prices flow through to the cost of goods sold for Consumer Tissue products. See Figure 49 for further information on historical pulp price movements.

Figure 24: Historical growth (by Retail sales)¹
(Australian and New Zealand Consumer Tissue market)



¹ Source: Asaleo Care analysis, with the assistance of Aztec point of sales data. Analysis assumes a constant currency AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Historical growth statistics are based upon annual Retail sales.

2. Industry Overview

2.6 Professional Hygiene

2.6.1 Overview

The Australian and New Zealand Professional Hygiene market has an estimated value of \$500 million (by B2B customer sales in 2013),¹ as shown in Figure 25.

Professional Hygiene products are typically supplied for use in the hospitality sector, hospitals, offices, schools, industrial environments and manufacturing facilities. The market is characterised by built-for-purpose products requiring different sizes, quality and strength characteristics, as well as tailored dispensing solutions. Sales are made both directly to larger businesses and to distributors. Sales to distributors facilitate the aggregation of many different products into a single delivery to reduce supply and transport costs for individual customers.

Asaleo Care estimates that it has a market share of approximately 25% through its Tork brand, as shown in Figure 26. Tork has a stronger position in New Zealand, with an estimated market share of over 50%.

The Company estimates that the market has two major branded manufacturers, Asaleo Care and Kimberly-Clark, who have broadly similar market shares. The remainder of the market is comprised of a number of relatively smaller manufacturers and importers.

There is competition from Private Label products in the Professional Hygiene market, with some customers prioritising price over other factors, such as brand or quality. However, Asaleo Care believes branded manufacturers are able to differentiate themselves by offering a comprehensive product range and built-for-purpose products.

Figure 25: Key products¹
(Australian and New Zealand Professional Hygiene market)

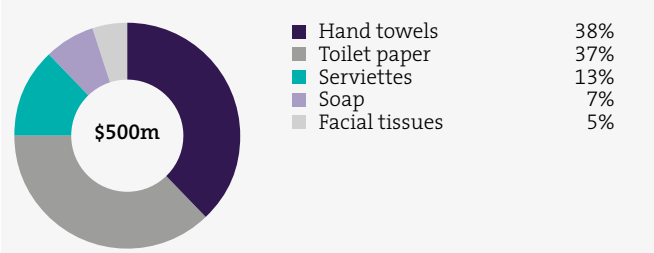
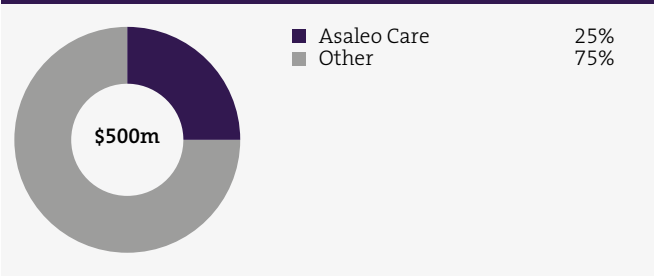


Figure 26: Key manufacturers¹
(Australian and New Zealand Professional Hygiene market)



¹ Asaleo Care estimate. Analysis assumes an AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Market size and share statistics are based upon B2B customer sales and exclude ancillary products. Total percentages shown may not add up to 100% due to rounding.

2. Industry Overview

2.6.2 Barriers to entry

Asaleo Care believes that a number of important barriers to entry exist in the Australian and New Zealand Professional Hygiene market, including:

- **Proprietary systems:** where a supplier has installed a proprietary dispensing system, customers are reluctant to change suppliers due to the inconvenience of removing dispensers;
- **Product portfolio:** Asaleo Care believes customers typically prefer to use fewer suppliers and hence have a preference for dealing with larger manufacturers who are able to provide a comprehensive product offering;
- **Brands and quality:** Asaleo Care believes customers usually look for brands that have a reputation for being reliable, high quality and reasonably priced;
- **Customer relationships:** customers tend to be quite difficult to displace with contract lengths in some instances being multiple years;
- **Local manufacturing:** parochial key customers and working capital implications of customers holding inventory, make it more challenging for new players to enter the market without local manufacturing;
- **Economies of scale:** a number of the key manufacturers have substantial capital invested, significant productive capacity and strong relationships with key customers; and
- **Environmental and corporate responsibility:** a number of larger corporates require that suppliers have independently audited and verified environmental standards and corporate responsibility policies.

2.6.3 Historical growth

Asaleo Care estimates that the Australian and New Zealand Professional Hygiene tissue market has grown by approximately 2.8% per annum by volume since 2003.¹ Growth has historically been linked to economic growth, population growth and consumer confidence.

The Professional Hygiene market spans a number of different industries and consequently there is limited point-of-sales data available to measure historical value growth.

Asaleo Care believes key historical growth drivers include:

- **Economic growth:** a key driver for the Professional Hygiene product category given that demand by B2B customers is primarily linked to GDP growth and business confidence. Real GDP in Australia and New Zealand has grown by 2.9% and 2.1% per annum respectively since 2003;
- **Hospitality sector:** Professional Hygiene sales are linked to the hospitality sector. In recent years, there has been a trend towards increased dining out, which has had a positive impact on the broader hospitality industry and consequently benefited Professional Hygiene sales;
- **Product innovation:** customers are continually looking for new products and technological developments to improve productivity and reduce labour costs. Examples of innovation include portion controlled dispensing systems, specialised industrial wipes, proprietary refill systems and easy carry packaging; and
- **Pulp prices:** pulp is a key input for tissue products and is typically priced in US dollars. Consequently, movements in pulp prices flow through to the cost of goods sold for Professional Hygiene tissue products. See Figure 49 for further information on historical pulp price movements.

¹ Asaleo Care estimate based upon information provided in the RISI Outlook for the World Business Forecast (June 2013).

Company Overview

3



Always soft, always strong.

3. Company Overview

3.1 Overview

Asaleo Care is a leading personal care and hygiene company that operates in Australia, New Zealand and Fiji. The Company manufactures, markets and distributes essential, everyday consumer products across the Feminine Hygiene, Incontinence Hygiene, Baby Hygiene, Consumer Tissue and Professional Hygiene product categories (key brands are outlined in Figure 27).











Asaleo Care has been operating in Australia and New Zealand for over 80 years and some of its key brands have been sold in the market for over 60 years. Today, Asaleo Care operates five manufacturing facilities located in Australia, New Zealand and Fiji. The Company is headquartered in Box Hill, Australia and has approximately 1,050 FTE employees.

Asaleo Care's management team is comprised of eight executives, six of whom have been hired since 2011. The revitalised management team has been instrumental in designing and implementing the Phase 1 business transformation. The benefits of the transformation are evident in the 45% improvement in pro forma EBITDA from CY2011 to CY2013. The Company expects additional benefits will be realised in CY2014 and beyond. For further information on the Phase 1 business transformation, refer to Section 3.4.1.

Key business strengths include market leading positions across a portfolio of well known brands, defensive markets with attractive fundamentals, diversified revenue and earnings base, an upgraded manufacturing capability, research and development capability, a strong financial track record, and a high quality management team, Board and committed major shareholder.

An overview of the Company's operations is set out in Figure 27.

Figure 27: Overview of Asaleo Care's operations

Segment and % contribution		Product category	Key brand	Products	Manufacturing facilities	Route to market
Personal Care	51% of CY2013 pro forma EBITDA	Feminine Hygiene		Pads, tampons, liners and ancillary products (e.g. feminine wipes, feminine washes and heat patches)	• Springvale, Australia ^{1,2}	Retailers <ul style="list-style-type: none"> • ALDI • Coles • Foodstuffs • Metcash • pharmacy • Progressive Enterprises; and • Woolworths
		Incontinence Hygiene		Incontinence pads, pants and liners		
		Baby Hygiene		Diapers, nappy pants and wipes	• Te Rapa, New Zealand ³	
Tissue	49% of CY2013 pro forma EBITDA	Consumer Tissue	     	Toilet paper, facial tissues, paper towels, serviettes and disposable tableware	• Box Hill, Australia ⁴ • Kawerau, New Zealand ⁴	• Bunzl • OfficeMax; and • Staples
		Professional Hygiene		Hand towels, toilet paper, serviettes, soap, facial tissues and other hygiene based accessories	• Kawerau, New Zealand ⁵	Healthcare <ul style="list-style-type: none"> • hospital • aged care facility • community care

Note: Customer list is not exhaustive

1 Approximately 96% of Feminine Hygiene products by CY2013 pro forma net sales (excluding Fiji) were manufactured in Springvale, Australia. The remaining 4% consisted of products manufactured by external suppliers.

2 Approximately 22% of Incontinence Hygiene products by CY2013 pro forma net sales (excluding Fiji) were manufactured in Springvale, Australia. The remaining 78% consisted of products purchased from SCA.

3 Approximately 82% of Baby Hygiene products by CY2013 pro forma net sales (excluding Fiji) were manufactured in Te Rapa, New Zealand. 17% consisted of products purchased from SCA, and the remaining 1% consisted of products manufactured by external suppliers.

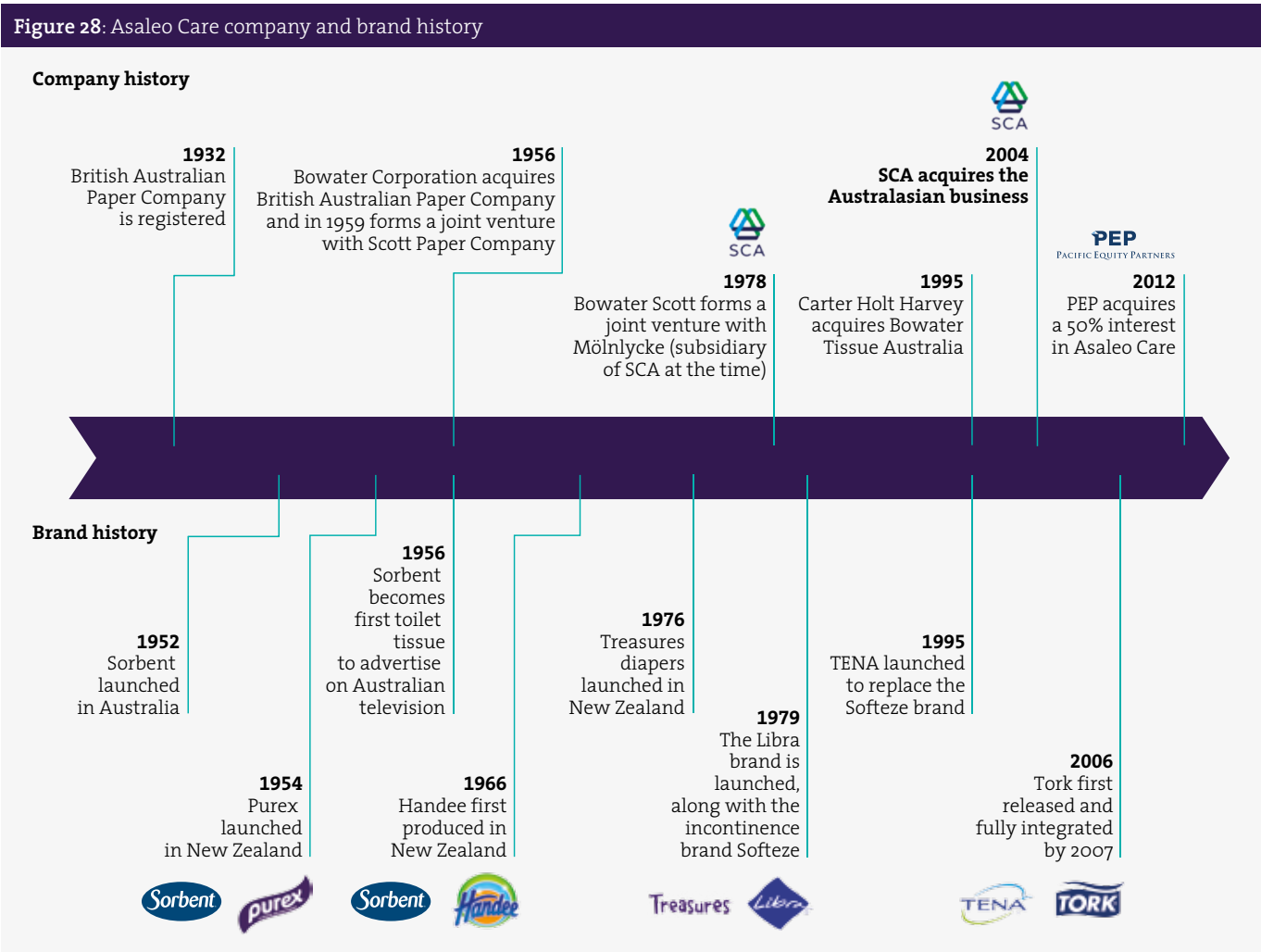
4 Approximately 94% of Consumer Tissue products by CY2013 pro forma net sales (excluding Fiji) were manufactured in Box Hill, Australia and Kawerau, New Zealand. The remaining 6% consisted of products manufactured by external suppliers. There is also a production facility in Nakasi, Fiji.

5 Approximately 74% of Professional Hygiene products by CY2013 pro forma net sales (excluding Fiji) were manufactured in Kawerau, New Zealand and Box Hill, Australia. 21% consisted of products purchased from SCA, and the remaining 5% consisted of products manufactured by external suppliers.

3. Company Overview

3.1.1 History of Asaleo Care

The business of the Company has a long history in Australia and New Zealand, and can trace its origins back to 1932, as shown in the timeline in Figure 28.



3.2 Product range

Asaleo Care has a comprehensive range of high quality products across its Personal Care and Tissue segments. The Personal Care segment comprises Feminine Hygiene, Incontinence Hygiene and Baby Hygiene product categories. The Tissue segment comprises Consumer Tissue and Professional Hygiene product categories.

3. Company Overview

3.2.1 Feminine Hygiene

The Feminine Hygiene product category includes pads, tampons, liners and ancillary products (such as feminine wipes, feminine washes and heat patches) sold under the Libra brand.

Libra is the #1 brand in the Australian and New Zealand Feminine Hygiene market with a history of over 30 years. Libra has a reputation for high quality and innovative products which has been integral to maintaining its leading market position.

Consumers in this product category have demonstrated a willingness to pay a premium for trusted Feminine Hygiene brands such as Libra.

Asaleo Care has a long history of new product innovation and category extension, including the introduction of tampons with anti-fluff bases and invisible pads with bodyfit shape, as shown in Figure 29.

In CY2013, Asaleo Care manufactured approximately 96% of its Feminine Hygiene products (by pro forma net sales, excluding Fiji) in Springvale, Australia. The remaining 4% consisted of products manufactured by external suppliers.

Figure 29: Feminine Hygiene product examples



3.2.2 Incontinence Hygiene

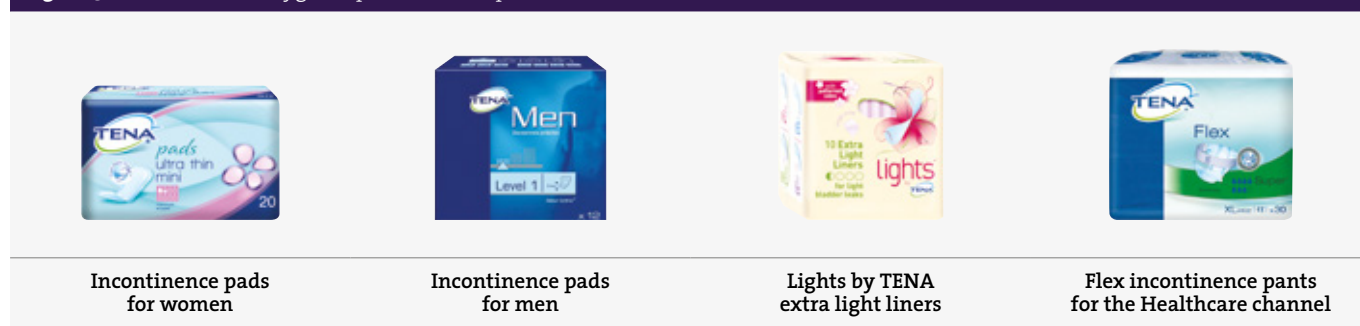
The Incontinence Hygiene product category includes pads, pants and liners for males and females who suffer from bladder weakness and incontinence, that are sold under the TENA brand.

TENA is the #1 brand in the Australian and New Zealand Retail channel and also holds a strong position within the Healthcare channel.

TENA was launched in Australia in 1995 and has a reputation for reliable, high quality products. SCA owns the TENA trade mark, and Asaleo Care pays an annual royalty to SCA for the right to use the brand in the local market (see Section 3.9 and 10.5.1 for further information).

In CY2013, Asaleo Care manufactured approximately 22% of its Incontinence Hygiene products (by pro forma net sales, excluding Fiji) in Springvale, Australia. The remaining 78% consisted of products purchased from SCA and are governed by a Supply Agreement (refer to Section 3.9 and 10.5.1 for further information). The majority of products sold in the Healthcare channel are supplied by SCA.

Figure 30: Incontinence Hygiene product examples



3. Company Overview

3.2.3 Baby Hygiene

Asaleo Care’s Baby Hygiene product category includes diapers, nappy pants and wipes which are primarily sold under the Treasures brand.

The Treasures brand has been in New Zealand since 1976 and is the #2 brand in the New Zealand market with a reputation for quality and reliability.

In recent years, Asaleo Care has grown the Treasures brand by product category extension and innovation. Recent examples include the development of diapers with patterns, diaper pants and baby wipes.

In early CY2014, Asaleo Care launched Treasures in Australia. The Company views the Australian Baby Hygiene market as a growth opportunity, and has agreed terms with a major Australian wholesaler/retailer to distribute and sell the product. The majority of the Treasures products sold in Australia are manufactured in New Zealand. The remainder are purchased predominantly from SCA, with a small volume from other external suppliers.

In CY2013, approximately 82% of Asaleo Care’s Baby Hygiene products (by pro forma net sales, excluding Fiji) were manufactured in Te Rapa, New Zealand. 17% consisted of products purchased from SCA and governed by a Supply Agreement (see Section 3.9 and Section 10.5.1 for further information), and the remaining 1% consisted of products manufactured by external suppliers.

Figure 31: Baby Hygiene product examples



3. Company Overview

3.2.4 Consumer Tissue

Asaleo Care's Consumer Tissue product category includes toilet paper, facial tissues, paper towels, serviettes and disposable tableware. These products are sold under well known brands including Sorbent, Purex, Handee and Deeko. Asaleo Care's Consumer Tissue brands, in aggregate, hold the #2 position in the Australian and New Zealand market. Asaleo Care also has a large market presence in Fiji with Consumer Tissue products sold under the Orchid and Viti brands.

In CY2013, approximately 94% of Asaleo Care's Consumer Tissue products (by pro forma net sales, excluding Fiji) were manufactured in Box Hill in Australia and Kawerau in New Zealand. The remaining 6% consisted of products manufactured by external suppliers. There is also a production facility in Nakasi, Fiji.

Figure 32: Consumer Tissue branded category shares¹












Brands	Category	Commentary	Market position
	Toilet paper and facial tissues	<ul style="list-style-type: none"> High quality, premium brand Focus on Australia, also sold in New Zealand 	#2 ²
	Toilet paper	<ul style="list-style-type: none"> Mid-priced brand Focus on New Zealand, also sold in Australia 	#1 (in NZ)
	Paper towels	<ul style="list-style-type: none"> High quality, premium brand Focus on Australasia 	#1
	Tableware	<ul style="list-style-type: none"> Full range, premium brand tableware Focus on Australia 	#1 ³
	Toilet paper, facial tissues, paper towels and disposable tableware	<ul style="list-style-type: none"> High quality, premium brand Only sold in Fiji 	#1
	Toilet paper	<ul style="list-style-type: none"> Mid priced brand Only sold in Fiji 	#1

Figure 33: Consumer Tissue product examples

				
Sorbent 'buy 18 rolls get 6 free' 2 ply toilet paper	Sorbent eucalyptus facial tissues	Purex mega toilet paper	Handee 2 ply paper towels	Deeko BioPak disposable tableware range

¹ Source: Asaleo Care estimates and analysis, with the assistance of Aztec point of sales data. Analysis assumes an AUD/NZD exchange rate of \$1.0842, as at 31 December 2013. Market size and share statistics are based upon Australian and New Zealand gross sales in 2013.

² Asaleo Care is #2 in both toilet paper and facial tissue markets.

³ Includes serviettes and excludes other tableware.

3. Company Overview

3.2.5 Professional Hygiene

The Professional Hygiene product category includes hand towels, toilet paper, serviettes, soap, facial tissues and other hygiene-based accessories that are primarily sold under the Tork brand in Australia, New Zealand and Fiji.

While there is limited point-of-sales data available, Asaleo Care believes that Tork is the #1 or #2 brand in the Australian and New Zealand market. Tork is able to provide B2B customers with a comprehensive product range, built-for-purpose products and proprietary dispensing systems. These features contribute to the high levels of convenience and functionality associated with the Tork brand.

Asaleo Care primarily sells its products through distributors; however, in some instances supplies directly to larger corporates.

SCA owns the Tork trade mark, and Asaleo Care pays an annual royalty to SCA for the right to use the brand in the local market (see Section 3.9 and Section 10.5.1 for further information).

In CY2013, Asaleo Care manufactured approximately 74% of its Professional Hygiene products (by pro forma net sales, excluding Fiji) in Kawerau, New Zealand, and Box Hill, Australia. 21% consisted of products purchased from SCA and governed by a Supply Agreement (see Section 3.9 and Section 10.5.1 for further information). Professional Hygiene products supplied by SCA included dispensers, specialty wipes, soaps and premium tissue products. The remaining 5% consisted of products manufactured by external suppliers.

Figure 34: Professional Hygiene product examples



3. Company Overview

3.3 Major customers and sales channels

Asaleo Care has longstanding relationships with a range of important customers across its two key sales channels, Retail and B2B.

The Retail channel comprised approximately 69% of pro forma net sales in CY2013, with the remaining 31% comprising B2B. This compares favourably when compared to the broader Personal Care and Tissue market, where Retail channels represent approximately 81% of the market. Refer to Section 2.1 for more detail.

In CY2013, the Company's top five customers represented approximately 61% of pro forma net sales, with no single customer contributing greater than 20% of pro forma net sales, as shown in Figure 36.

Asaleo Care maintains close relationships with its key customers and works with them to provide effective promotional campaigns. Additionally, the Company believes that its premium brands are highly valued by customers.

Retail

Key Retail customers include the major supermarkets, independent supermarkets, pharmacies and convenience stores. Major supermarkets comprised the top five customers in CY2013, and include Coles, Metcash and Woolworths in Australia; and Foodstuffs and Progressive Enterprises in New Zealand.

Supermarkets are a key channel to market, particularly for Tissue and Feminine Hygiene products. Due to the Company's strength of brands, competitive cost position and history of innovation, the Company believes it will continue to be relevant and provide value added products to Retail customers.

B2B

Asaleo Care distributes all of its Professional Hygiene products through the B2B channel and some of its Incontinence Hygiene products.

Key customers for Professional Hygiene products include the major distributors such as Bunzl, OfficeMax and Staples. Typically, distributors are used to reduce logistics costs; however, in some instances the Company distributes directly to corporate customers (e.g. Australia's largest quick service restaurant chain).

Asaleo Care sells its Incontinence Hygiene products to Healthcare customers who include aged care facilities, hospitals and through Government funded schemes such as the Department of Veterans Affairs.

In CY2013, contracted sales to corporate and government represented approximately 58% of B2B net sales, distributor sales (non-contracted) 38% and sales to resellers 4%.

Figure 35: Net sales by sales channel (CY2013)

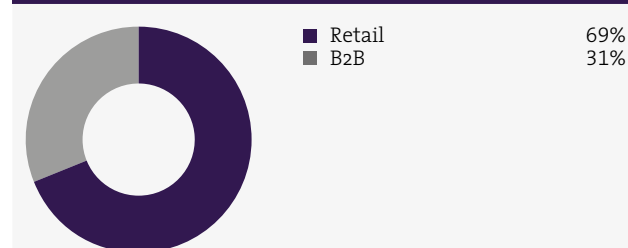
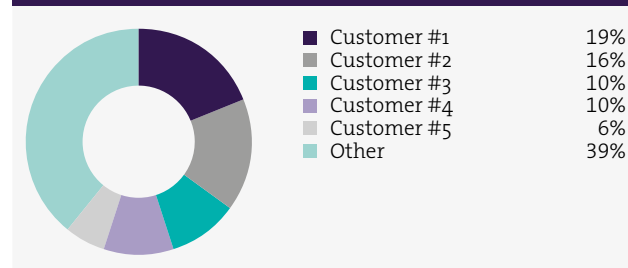


Figure 36: Net sales by customer (CY2013)



3. Company Overview

3.4 Growth strategy

In 2012, the current management team initiated a growth strategy comprising two phases. Phase 1 involved a significant business transformation, which is largely complete. Phase 2 is a strategic framework with the objective of sustainable earnings growth and shareholder returns, which Management continues to pursue. Further details are set out in Section 3.4.



3.4.1 Phase 1: Business transformation

The Phase 1 business transformation covered all areas of the business’ operations and drove improvements in branded net sales, gross profit, operating costs and the balance sheet. It included a substantial investment in new plant and equipment which is intended to provide the basis from which the Company could meet its objective of sustainable earnings growth and shareholder returns in Phase 2.

Key initiatives under the transformation included:

- a reorganisation of business functions designed to ensure better alignment with each product category and improved accountability for product category performance;
- a significant capital investment program designed to reconfigure the tissue manufacturing footprint to increase efficiency and flexibility, and reduce the costs of production;
- a change in volume-based sales targets designed to focus on higher margin products and exiting unprofitable product lines; and
- a comprehensive review of operations resulting in a reduction of key input costs, improved supply chain efficiency and reduced headcount.

Capital investment program

As part of the Phase 1 business transformation, \$114.8 million was budgeted for a capital investment program commencing in CY2012, for upgrades to Asaleo Care’s Australian and New Zealand Tissue manufacturing facilities. By the end of 31 March 2014, \$91.7 million had been invested in the upgrades and \$23.1 million remained to be invested in CY2014. Management expects that, once this capital investment program is fully and successfully implemented, which is currently anticipated by the end of CY2014, the annual operating cost benefits at the tissue manufacturing facilities will be approximately \$36.5 million.

In Australia, the capital investment program is focused on upgrading the Box Hill manufacturing facility. The purpose of the upgrade is to increase the capacity, and optimise the cost base of converting operations via more efficient product flow, new machinery and reduced labour requirements through:

- reconfiguring the manufacturing layout;
- investing in a new quarterfold napkin line with inline print capabilities, new wide winder, new deco laminator embossing, new conveyor system and palletiser robots;
- removing old redundant lines and relocating remaining lines;
- increasing the despatch facility capacity; and
- transitioning from seven days to five days per week converting operations.

3. Company Overview

As at 31 March 2014, \$44.6 million had been invested at the Box Hill manufacturing facility, with a further \$19.8 million to be invested in CY2014.

In New Zealand, the capital investment program is focused on upgrading the Kawerau manufacturing facility. The purpose of the upgrade is to reduce labour, factory overhead and distribution costs and provide capacity for growth for Professional Hygiene folded towel and toilet paper. The project includes:

- constructing a new converting hall, storage area and despatch facility at Kawerau, and subsequently reconfiguring the manufacturing layout;
- exiting the Te Rapa Tissue converting operations and consolidating Tissue manufacturing operations at Kawerau;
- exiting the Tauranga distribution centre;
- investing in a new wide winder, two new towel folders, a new conveyor system and palletiser robots at Kawerau; and
- transitioning from seven days to five days per week converting operations.

As at 31 March 2014, \$47.1 million had been invested at the Kawerau manufacturing facility, with a further \$3.3 million to be invested in CY2014.

The capital investment program is expected to deliver an EBITDA improvement to the business, as a result of the following benefits:

- reduced material costs via fibre reduction;
- reduced labour costs through more efficient site layouts, reduced machine footprints and transition to five day converting operations;
- reduced freight and warehousing costs via decreasing the volume of site to site finished goods and raw material movements, and exiting outside distribution facilities;
- reduced manufacturing overhead via a reduced machine footprint, removing current bottlenecks in existing equipment to increase throughput, and waste reductions;
- improved product quality; and
- increased flexibility in product configuration.

The benefits of the capital investment program have begun to be realised in CY2013 and CY2014 and Management expects further benefits to be realised beyond CY2014.

3.4.2 Phase 2: Sustainable earnings growth and shareholder returns

While Phase 1 was a step-change transformation to address specific operating inefficiencies and market opportunities, Phase 2 is an ongoing strategic framework with the objective of sustainable earnings growth and shareholder returns.

The Phase 2 strategic framework comprises three objectives:

1. Deliver targeted net sales growth

- Continual innovation and brand investment to maintain premium market position
- Utilise key consumer and customer insights and trends to offer appropriate product and service offering
- Extend existing brands into new categories and markets
- Leverage enhanced manufacturing capabilities

2. Improve sales mix and operating efficiency

- Focus on higher margin differentiated products
- Maintain a disciplined approach to promotional spend
- Continuous improvements in operations

3. Ensure effective capital management

- Disciplined assessment of capital investment opportunities
- Ongoing working capital management to support cash generation
- Prudent capital management to enable distributions to shareholders

3. Company Overview

3.4.2.1 Initiatives to deliver targeted net sales growth

Opportunity	Examples
Continual innovation and brand investment to maintain premium market position	<ul style="list-style-type: none"> In Feminine Hygiene, Asaleo Care has introduced tampons with anti-fluff bases and pads with bodyfit shape. Additionally, the Company's advertising strategy has been focused on younger women to establish brand awareness and loyalty In Incontinence Hygiene, Asaleo Care recently launched Lights by TENA, a lighter incontinence product (increased liner net sales by 19% in CY2013) In Consumer Tissue, Asaleo Care has introduced lotionised facial tissues, Handee 'towel in a box' and a Sorbent 'buy 18 rolls get 6 free' promotion (contributing incremental net sales of \$10.0 million in CY2013) In Professional Hygiene, Asaleo Care introduced the 'Xpressnap' serviette dispensing systems, a single napkin dispensing system that is used in all restaurants of Australia's largest quick service restaurant chain
Utilise key consumer and customer insights and trends to offer appropriate product and service offering	<ul style="list-style-type: none"> Asaleo Care's Incontinence Hygiene products are favourably aligned to a demographic trend of an ageing population (between 2003 to 2013, the Incontinence Hygiene market grew at a CAGR of 12.3% in Australia and New Zealand) Asaleo Care's Feminine Hygiene product mix is skewed to the premium priced and growing pads segment. In CY2013, 67% of Asaleo Care's net sales in Feminine Hygiene were pads Asaleo Care has aligned product mix to the increasing popularity of large pack formats in Baby Hygiene and Consumer Tissue
Grow existing brands into new categories and markets	<ul style="list-style-type: none"> In Baby Hygiene, growth is expected via recent entry into Australian market and product extension into nappy pants and baby wipes In Feminine Hygiene, growth is expected through product category expansion into categories such as feminine wipes, heat patches and body washes In Professional Hygiene, focused initiatives into child care centres through development of fit for purpose product range. For example, smaller towels for little hands and nappy supply
Leverage enhanced manufacturing capabilities	<ul style="list-style-type: none"> Improved cost position and operating efficiencies better position Asaleo Care to compete in the Consumer Tissue category Improved packaging capabilities provide flexibility to more quickly respond to changing consumer and customer preferences on package size (for example the trend towards large pack formats)

3.4.2.2 Initiatives to improve sales mix and operating efficiency

Opportunity	Examples
Focus on higher margin differentiated products	<ul style="list-style-type: none"> Focus on branded product sales Exit unprofitable sales volumes to improve margins Track profitability by product line and regularly assess business case for each product
Maintain a disciplined approach to promotional spend	<ul style="list-style-type: none"> Balance promotional strategy considering both top line and profit growth Use promotional pricing strategy to optimise sales mix Use promotional evaluation tools to optimise margin
Continuous improvement in operations	<ul style="list-style-type: none"> Regularly assess cost position to identify potential areas of improvement Reduction of cost base via optimisation of the pulp mix, optimisation of logistics, and effective preventative maintenance program

3. Company Overview

3.4.2.3 Initiatives to ensure effective capital management

Opportunity	Examples
Disciplined assessment of capital investment opportunities	<ul style="list-style-type: none"> Targeted and strategic capital investment to improve operational efficiencies, grow production capacity and support product innovation Evaluate potential investment opportunities that deliver organic and inorganic growth Assess new capital investment opportunities against defined return hurdles
Ongoing working capital management to support cash generation	<ul style="list-style-type: none"> Optimise debtor days through effective customer relationship management Increase inventory turnover through improved supply chain management Optimise the timing of pulp procurement to minimise input costs but also ensure sufficient raw materials to deliver production targets
Prudent capital management to enable distributions to shareholders	<ul style="list-style-type: none"> Target dividend payout ratio of between 70% and 80% of Statutory NPAT (see Section 4.11) Maximise Cash Conversion Deliver consistent shareholder yield by distributing a sustainable proportion of profit Balance potential cost of capital efficiencies against effective risk management

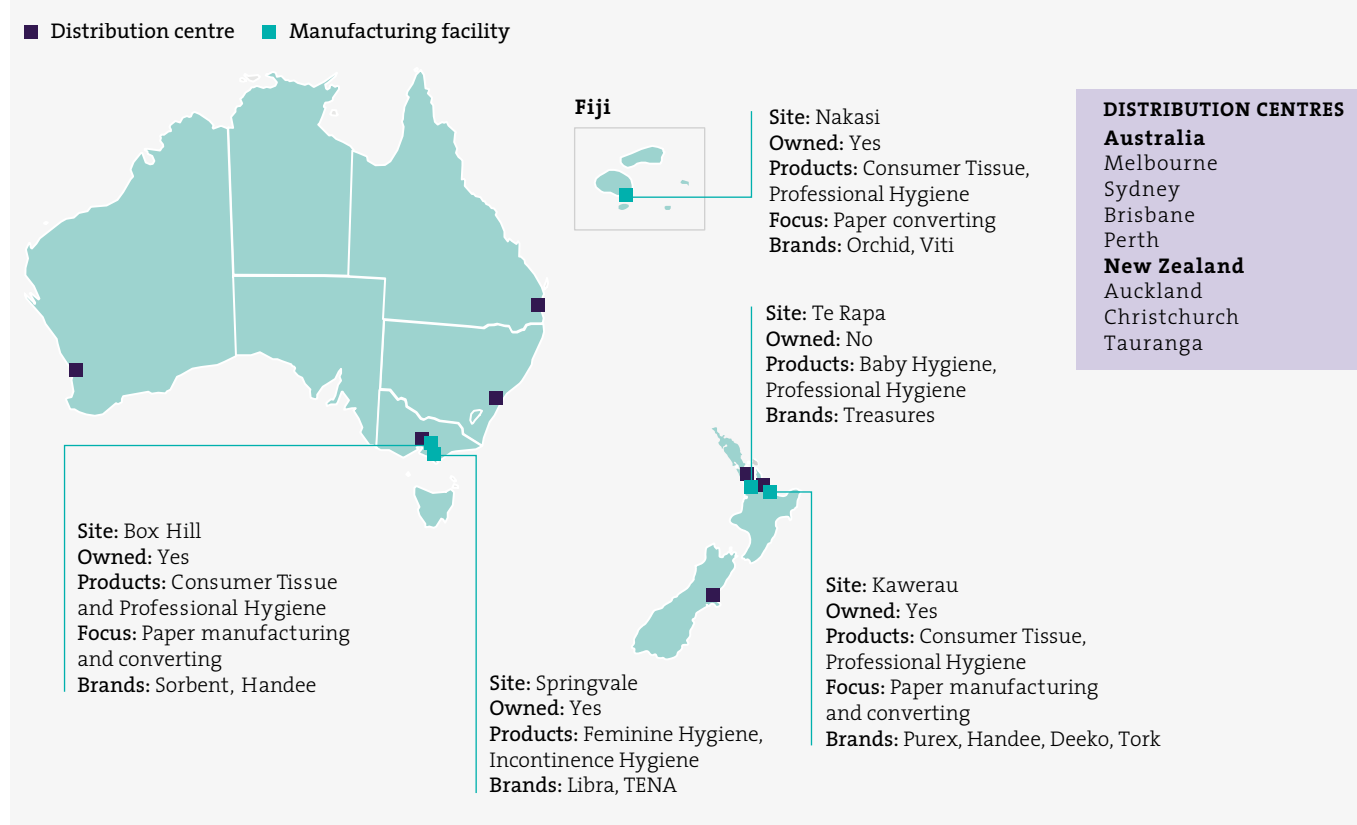
3. Company Overview

3.5 Manufacturing and distribution

3.5.1 Manufacturing and distribution facilities footprint

Asaleo Care's manufacturing and distribution footprint extends across Australia, New Zealand and Fiji with five manufacturing facilities (four owned and one leased) and seven leased distribution centres, as illustrated in Figure 38.

Figure 38: Manufacturing and distribution facilities overview



Note: Paper converting is the process by which paper is used to fabricate other paper products such as toilet paper.

Manufacturing facility	Approximate manufacturing capacity per annum ¹	Products	FTE employees as at 31 March 2014
Box Hill, Australia	<ul style="list-style-type: none"> 60,600 tonnes on paper machines 102,500 tonnes on converting and other product machines 	<ul style="list-style-type: none"> Consumer Tissue Professional Hygiene 	304
Kawerau, New Zealand	<ul style="list-style-type: none"> 58,750 tonnes on paper machines 62,600 tonnes on converting and folder machines 	<ul style="list-style-type: none"> Consumer Tissue Professional Hygiene 	209
Springvale, Australia	<ul style="list-style-type: none"> 232 million tampons 43 million incontinence pads 435 million panty liners 511 million feminine towels 	<ul style="list-style-type: none"> Feminine Hygiene Incontinence Hygiene 	183
Te Rapa, New Zealand	<ul style="list-style-type: none"> 135 million baby diapers 2,700 tonnes of serviettes 	<ul style="list-style-type: none"> Baby Hygiene Professional Hygiene 	39
Nakasi, Fiji	<ul style="list-style-type: none"> 2,000 tonnes per annum imported and converted 	<ul style="list-style-type: none"> Consumer Tissue Professional Hygiene 	72

¹ Manufacturing capacity per annum based on current demonstrated output. Assumes operation for 24 hours a day, seven days per week, with two days of shutdown over Christmas. Includes all planned downtime for maintenance and operational reasons.

3. Company Overview

3.5.2 Manufacturing facilities

Asaleo Care uses a variety of machinery to manufacture its products. Some examples of machines used in the manufacturing process include:

- Paper machines: Used to convert pulp into large rolls of paper called 'mother reels'. Different grades of paper can be manufactured, dependant on raw material and machine specific configuration; and
- Converting machines: Used to convert 'mother reels' of paper into rolled (e.g. toilet paper), folded (e.g. serviettes) or interleaved (e.g. facial tissues) Tissue products. Toilet paper conversion, for example, involves one or more plys of paper being laid together, embossed with a pattern and rolled onto smaller cores to form a 'log'. These logs are cut into toilet rolls, which are then wrapped into consumer packs of varying pack size configurations.

Asaleo Care's largest manufacturing site is located in Box Hill, Australia. This facility manufactures both Consumer Tissue and Professional Hygiene products, with a capacity of approximately 60,600 tonnes per annum on its two paper machines, and approximately 102,500 tonnes per annum on its seven converting, one facial, three napkin and three consumer toilet and towel machines.

The Company's second-largest manufacturing site is in Kawerau, New Zealand. This facility manufactures Consumer Tissue and Professional Hygiene products, with a capacity of approximately 58,750 tonnes per annum on its two paper machines, and approximately 62,600 tonnes per annum on its eight converting, three folder and five toilet converter machines.

The Company's Feminine Hygiene and Incontinence Hygiene products are manufactured in Springvale, Australia, and Baby Hygiene products and serviettes are manufactured in Te Rapa, New Zealand. Asaleo Care also imports and then converts over 2,000 tonnes per annum of Consumer Tissue and Professional Hygiene products in Nakasi, Fiji.

3.5.3 Distribution facilities

In addition to its manufacturing facilities, Asaleo Care utilises leased distribution centres in Australia and New Zealand with a total holding capacity of approximately 149,000 pallets. Asaleo Care's technologically advanced fully integrated facility in Melbourne can hold up to 67,000 pallets. Refer to Section 4.4.7 for more information on Asaleo Care's operating lease commitments.

3.6 Suppliers

Asaleo Care has a large and diversified supplier base. The Company, excluding Fiji, currently has approximately 2,300 suppliers globally, predominantly related to pulp, transport, packaging, engineering, marketing and utilities. Having a diversified supplier base reduces the Group's reliance on any one supplier. No individual supplier of product inputs accounts for more than 10% of the Group's total cost base. Asaleo Care actively screens all major suppliers on sustainability, financial viability, quality and safety performance.

One of the Company's largest supplier categories is pulp, which represented approximately 17% of total CY2013 operating costs. Asaleo Care ensures that it manages its pulp cost effectively and without compromising product quality through a combination of varying its mix of pulp types in its products, maintaining a broad supplier base, and hedging FX exposure over a rolling 12 month period. Additionally, Management believes that because volatility in the price of pulp also affects its competitors, any sustained increase in price should be able to be passed on to consumers.

Asaleo Care benefits from relative scale in the Australian and New Zealand market, which creates procurement and manufacturing advantages. Scale benefits are also achieved from the Company's access to SCA's global research, marketing and manufacturing capabilities.

In CY2013, Asaleo Care rationalised the Company's supplier base from approximately 4,300 to approximately 2,300 suppliers. This reduction has enhanced the Company's commercial position among many suppliers.

Asaleo Care manufactured approximately 80% of the products it sold in CY2013 (by net sales, excluding Fiji), imported approximately 16% from SCA, and sourced approximately 4% from external suppliers. Products purchased from SCA were predominantly Incontinence Hygiene and Professional Hygiene products.

3.7 Sales and marketing

Asaleo Care's sales and marketing teams are responsible for developing marketing and sales plans for their respective business units (Personal Care, Consumer Tissue and Professional Hygiene). This focused approach enables the Company to effectively target and service specific customers' needs.

Given the personal nature of its products, the Company's marketing function aims to establish both a rational and emotional connection between consumers and its products. Focused marketing teams foster the development of ideas and campaigns targeted at specific consumers.

As part of an organisational review conducted in CY2012, Asaleo Care has been able to reduce total sales and marketing overhead whilst maintaining the Company's consumer facing advertising presence.

3. Company Overview

3.8 Product innovation

Asaleo Care has a demonstrated track record of innovation. Innovation is an important part of Asaleo Care's business strategy as it ensures product differentiation, premium positioning in certain segments, and helps to build brand loyalty.

The Company defines innovation as any change which:

- enhances a product (e.g. Libra invisible pads);
- alters a product format (e.g. increase in Consumer Tissue pack size to 24 rolls); or
- creates a new product offering (e.g. Lights by TENA).

Research and development is conducted by local teams. SCA supports this activity, particularly with regards to TENA and Tork products, through its global research, marketing and manufacturing capabilities. This support from SCA is expected to continue under the TMTLA and Supply Agreement, as discussed in Section 3.9.

3.9 Relationship with SCA

SCA has maintained a close relationship with Asaleo Care since 1978, when it entered into a personal care joint venture with a previous owner of the business. From 2004 to 2011, SCA was the sole owner of Asaleo Care and in 2012, SCA entered into a joint venture with funds managed or advised by PEP.

Prior to the Offer, SCA held a 50% voting interest in Asaleo Care. SCA has advised the Company that it intends to remain a supportive and committed shareholder in Asaleo Care. It will not sell any of its Shares in the Offer, and its Shares are subject to an escrow arrangement until the Company's full year results for CY2014 are provided to the ASX for release to the market. At Completion of the Offer, SCA will hold approximately 32.7% of the total issued capital of the Company, assuming that the Final Price is at the midpoint of the Indicative Price Range.

In addition to its shareholding in Asaleo Care, SCA has also entered into a number of commercial agreements relating to the supply of products, including Personal Care and Professional Hygiene products, and in relation to the licensing of certain trade marks, technology and other intellectual property as well as other commercial arrangements. As at the Prospectus Date, Asaleo Care and SCA have entered into the following material agreements:

- TMTLA (refer to Section 10.5.1 for further details)
- Supply Agreement (refer to Section 10.5.1 for further details)
- Patent Licence Deed (refer to Section 10.5.1 for further details)
- Shareholders Deed (refer to Section 10.5.1 for further details)
- Relationship Deed (refer to Section 10.5.4 for further details)
- Escrow Deed (refer to Section 10.5.6 for further details)
- Sale Offer Deed (refer to Section 10.4.1 for further details)
- Investment Services Agreement (refer to Section 6.5 for further details)

Asaleo Care's ongoing relationship with SCA in respect of the licensing of certain trade marks, technology and other intellectual property is governed by the TMTLA and a patent licence deed, which are discussed further in Section 10.5.1. SCA also supplies products, primarily under the Tork and TENA brands, to Asaleo Care under the Supply Agreement.

Under the TMTLA, Asaleo Care pays SCA an annual royalty for the exclusive licence to use certain brands (including the Tork and TENA brands), technology and other intellectual property in Australia, New Zealand and specified countries in the Pacific region (the Territory). This royalty will increase in line with an agreed pricing schedule, as discussed in Section 4.8.3. The exclusive nature of this licence means that SCA is prohibited from using the relevant licensed Tork, TENA, Libresse or Velvet brands, or the licensed technology, for the purpose of commercialising Products (as defined in Section 10.5.1) in the Territory. SCA is also expressly prohibited from selling Tork or TENA products, or any Product incorporating the licensed technology, to any person outside the Territory who SCA knows or reasonably suspects will export those products into the Territory.

The TMTLA also expressly prohibits Asaleo Care from commercialising, outside of the Territory, Tork, TENA and other products which include the technology licensed from SCA, or other intellectual property licensed from SCA (such as Velvet on the Sorbent products and certain sub-brands on the Libra products). This prohibition extends to selling such products to any person who Asaleo Care knows or reasonably suspects will export those products outside of the Territory. The TMTLA provides Asaleo Care with technology and brands that the Company believes places it in a competitive position.

As part of the Supply Agreement, SCA supplies products on the basis of purchase orders issued by the Company. Pricing of the products is determined on the basis of a defined formula, which will remain unchanged after Completion of the Offer. Refer to Section 10.5.1 for a further description of this agreement.

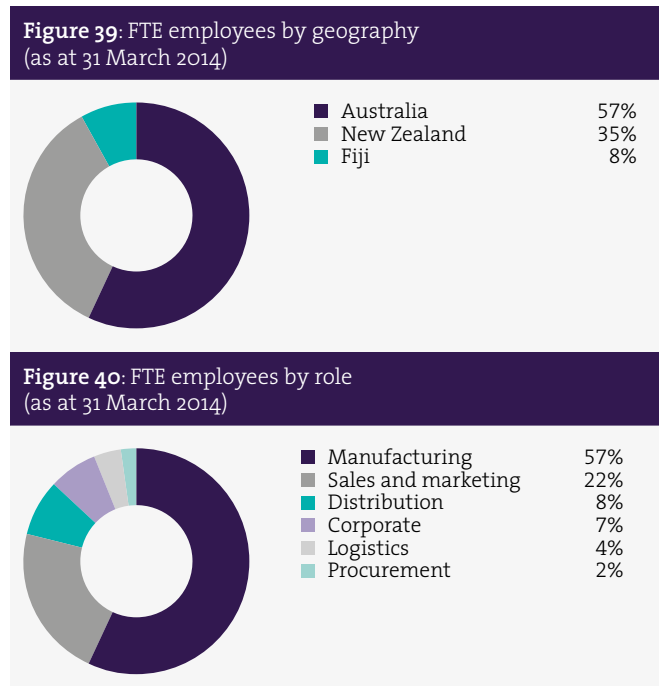
Approximately 52% of pro forma net sales (excluding Fiji) in CY2013 related to products that are captured under the TMTLA or Supply Agreement.¹

¹ Includes all products that make use of SCA's global brands and sub-brands (as licensed under the TMTLA) or that are imported from SCA (under the Supply Agreement – approximately 16% of net sales).

3. Company Overview

3.10 Employees and community

As at 31 March 2014 Asaleo Care employed approximately 1,050 FTE employees across Australia, New Zealand and Fiji, as shown in Figures 39 and 40.



Asaleo Care relies on the contribution of all employees to drive the progress of the business. Asaleo Care is committed to being an employer of choice and recognises the importance of attracting and retaining the highest quality personnel. Asaleo Care's relationship with employee unions is open and constructive, and industrial relations across the Company are relatively conflict-free.

As at 31 March 2014, in Australia, Asaleo Care has five workplace agreements covering 309 employees. In New Zealand, the Company has six workplace agreements covering 222 employees. In Fiji, the Company has one workplace agreement covering 28 employees.

3.11 Occupational health and safety

Asaleo Care is committed to the health and safety of Company employees, contractors and visitors, and to the elimination of work-related illnesses and injury. Asaleo Care's health and safety policy is underpinned by a series of specific guidelines which are designed to ensure that Asaleo Care complies with its occupational health and safety objectives, statutory requirements, regulations, and codes of practice. The guidelines are focused on reporting, investigating and controlling near misses, incidents and accidents to minimise further occurrences.

The lost time accident frequency rate (calculated as lost time injuries per million hours worked) and total incident frequency rate (calculated as the lost time accident frequency rate including medical treatment cases and restricted work cases) have improved from 10.1 to 3.2 (68% reduction), and from 12.7 to 7.6 (40% reduction) respectively. This improvement has been driven by greater focus on safety measures and injury management, and continues to receive significant attention.

3.12 Environment and social sustainability

Environmental and social sustainability is core to Asaleo Care's operations and important to the Company's strategy. As a result, the Company has set specific forward sustainability targets including:

- 10% reduction of water usage in water stressed areas from 2010 to 2015;
- 20% reduction of CO₂ emission per tonne from 2005 to 2020; and
- no use of pulp from uncertified sources.

A notable environmental sustainability project completed by Asaleo Care was the switch from natural gas to geothermal steam power at the Company's Kawerau manufacturing site in 2009. This has reduced CO₂ emissions at the site by approximately 45% per annum from 2009 to 2013.

Asaleo Care's Xpressnap napkin dispenser is another example of the Company's commitment to environmental sustainability. The product and its dispensing system are designed to reduce waste by dispensing fewer napkins per use.

The Company's pulp purchases are either certified by the Forest Stewardship Council ("FSC"), or equivalent bodies such as the Programme for the Endorsement of Forest Certification. Asaleo Care is also actively engaged with various environmental sustainability initiatives such as the Economic Council Membership of FSC Australia, the Australian Packaging Covenant, Environmental Choice New Zealand and industry forums such as the Australian Industry Group's Sustainable Business Network and the Australian Food and Grocery Council's Sustainability Commitment Forum.

Asaleo Care recognises its responsibility to contribute to the communities of which it is a part, and engages with them through initiatives at both a Company and brand level. The Company's engagement involves corporate donations of funds and products, sponsorship, and employee participation.

Financial Information

4



4. Financial Information

4.1 Introduction

The Financial Information for Asaleo Care contained in Section 4 includes:

Statutory Historical Financial Information and Pro forma Historical Financial Information are collectively the “**Historical Financial Information**”, and includes:

- a) Statutory Historical Financial Information, being the:
 - i. statutory consolidated historical income statements for the years ended 31 December 2011, 31 December 2012 and 31 December 2013;
 - ii. statutory net cash flow before financing and taxation, for the years ended 31 December 2011, 31 December 2012 and 31 December 2013; and
 - iii. statutory consolidated statement of financial position as at 31 December 2013;
- b) Pro forma Historical Financial Information, being the:
 - i. pro forma consolidated historical income statements for the years ended 31 December 2011, 31 December 2012 and 31 December 2013;
 - ii. pro forma consolidated historical cash flow statements for the years ended 31 December 2011, 31 December 2012 and 31 December 2013; and
 - iii. pro forma consolidated statement of financial position as at 31 December 2013.

Statutory Forecast Financial Information and Pro forma Forecast Financial Information are collectively the “**Forecast Financial Information**” and includes:

- a) Statutory Forecast Financial Information, being the:
 - i. statutory consolidated forecast income statement for the year ending 31 December 2014; and
 - ii. statutory consolidated forecast cash flow statement for the year ending 31 December 2014; and
- b) Pro forma Forecast Financial Information, being the:
 - i. pro forma consolidated forecast income statement for the year ending 31 December 2014; and
 - ii. pro forma consolidated forecast cash flow statement for the year ending 31 December 2014.

Section 4 also summarises:

- a) the basis of preparation and presentation of the Financial Information (see Section 4.2);
- b) the Directors’ general and specific assumptions underlying the Forecast Financial Information and key sensitivities in respect of the Forecast Financial Information (see Sections 4.8 and 4.9); and
- c) Asaleo Care’s dividend policy (see Section 4.11).

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. Tables in Section 4 have not been amended to correct immaterial summation differences that may arise from this rounding convention.

The Financial Information has been reviewed and reported on by PwCS as set out in the Investigating Accountant’s Reports contained in Sections 8 and 9. Investors should note the scope limitations of the Investigating Accountant’s Reports (refer to Sections 8 and 9 for further information).

The information in Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.2 Basis of preparation and presentation of the Financial Information

4.2.1 Overview

On 4 November 2011, SCA and PEP Shareholders entered into a series of agreements which resulted in the establishment of PEPSCA Pty Ltd, as the holding company of the Australian, New Zealand and Fijian operations of SCA.

PEPSCA Pty Ltd has subsequently changed its company type to a public company limited by shares and has been renamed Asaleo Care.

Immediately following completion of these transactions, SCA and PEP Shareholders each owned 50% of the ordinary shares in Asaleo Care, with PEP Shareholders also holding Preference Shares.

In February 2014, Asaleo Care also completed a \$562.7 million re-financing which permitted a \$250.8 million capital return to Existing Shareholders. SCA also acquired 50% of the Preference Shares from PEP Shareholders, resulting in SCA and PEP Shareholders each having a 50% economic interest in Asaleo Care.

In May 2014, a further \$44.4 million selective capital return to Existing Shareholders was made in respect of the Preference Shares, and promissory notes were issued to represent the Company’s liability to pay that \$44.4 million. Those promissory notes remain outstanding and will be discharged out of the proceeds of the issue of New Shares under the Offer. After that capital return, the Preference Shares were cancelled without conversion for nil or nominal consideration, leaving the outstanding promissory notes as the only amounts to be paid out on the Preference Shares. The payment of those promissory notes has been taken into account in the financial information in this Prospectus.

The consolidated financial statements of Asaleo Care for CY2011, CY2012 and CY2013 have been audited by PwC. PwC issued unqualified opinions in respect of these periods. The interim financial report for the three month period ended 31 March 2014, of Asaleo Care (then PEPSCA Pty Ltd) has been reviewed by PwCS who has issued an unqualified review opinion in respect

4. Financial Information

of that period and the comparative three month period ended 31 March 2013. These financial statements are available on the Offer website (www.asaleocareoffer.com). These financial statements have been incorporated by reference into this Prospectus in accordance with section 712 of the Corporations Act. If you wish to receive a free copy of these financial statements during the application period applicable to Shares offered under this Prospectus, please contact the Asaleo Care Offer Information Line on 1800 645 237 (within Australia) or +61 1800 645 237 (outside of Australia).

Except as specified in Section 4.2.4, the Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards issued by the Australian Accounting Standards Board (“AASB”), which are consistent with International Financial Reporting Standards (“IFRS”) and interpretations issued by the International Accounting Standards Board.

The Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The Forecast Financial Information presented in this Prospectus is unaudited. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Asaleo Care’s significant accounting policies have been consistently applied throughout the periods and are set out in Appendix B.

Asaleo Care has two reportable segments under AASB 8 Operating Segments, which are Personal Care and Tissue. In addition to its operating segments, Asaleo Care reports revenue information split between Australia and New Zealand.

4.2.2 Preparation of Pro forma Historical Financial Information

The Pro forma Historical Financial Information is based on the audited statutory consolidated financial statements of Asaleo Care for CY2011, CY2012 and CY2013, after adjusting for certain pro forma transactions and/or other adjustments.

The Pro forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. It has been derived from the Statutory Historical Financial Information with adjustments made to reflect the full period impact of the operating and capital structure that will be in place following Completion of the Offer as if it was in place as at 1 January 2011. In addition, certain other adjustments to eliminate non-recurring items have been made in the year in which they occurred and changes to remuneration arrangements and estimated standalone public company costs have been reflected as set out in Section 4.10.

The Historical Financial Information included in this Prospectus has been reviewed, but not audited, by PwCS. Investors should note the scope and limitations of the Investigating Accountant’s Report (refer to Section 8).

Refer to Section 4.10.1 for a reconciliation between the statutory historical revenue and NPAT and the pro forma historical revenue and NPAT for CY2011, CY2012 and CY2013. Section 4.10.2 includes a reconciliation between the statutory historical net cash flow before financing and taxation and the pro forma historical net cash flow before financing and taxation over the same period. Additionally, Section 4.4.2 includes a reconciliation between the statutory consolidated historical statement of financial position and the pro forma consolidated historical statement of financial position as at 31 December 2013.

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis and has been prepared solely for inclusion in this Prospectus.

The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information after adjusting for pro forma transactions and other adjustments to reflect Asaleo Care’s operations following Completion of the Offer, to eliminate non-recurring items and to reflect standalone public company costs as set out in Section 4.10. The Statutory Forecast Financial Information is based upon reviewed results for the three months to 31 March 2014 and the Directors’ best estimate forecasts for the nine months to 31 December 2014, which has taken into account trading since 31 March 2014.

Refer to Section 4.10.1 for a reconciliation between the CY2014 statutory NPAT and the pro forma NPAT, and to Section 4.10.2 for a reconciliation between the CY2014 statutory net cash flow before financing and taxation and the pro forma net cash flow before financing and taxation for CY2014.

The Forecast Financial Information has been prepared on the basis of numerous assumptions, including the Directors’ best estimate general and specific assumptions set out in Sections 4.8.1 and 4.8.2. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. The Forecast Financial Information included in this Prospectus has been reviewed, but not audited, by PwCS. Investors should note the scope and limitations of the Investigating Accountant’s Report (refer to Section 9). Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on Asaleo Care’s actual financial performance or financial position. Investors are advised to review the Directors’ best estimate general and specific assumptions in conjunction with the significant accounting policies included in Appendix B, the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and other information set out in this Prospectus.

4. Financial Information

The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Pro forma Historical Financial Information.

The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which will be outside the control of Asaleo Care, the Directors and Management, and are not reliably predictable. Accordingly, none of Asaleo Care, the Directors or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

Asaleo Care has no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.4 Explanation of certain non-IFRS measures

Asaleo Care uses certain measures to manage and report on business performance that are not recognised under Australian Accounting Standards (collectively referred to as “**non-IFRS financial measures**”).

These non-IFRS financial measures include:

- **EBITDA:** earnings before interest, tax, depreciation and amortisation;
- **EBIT:** earnings before interest and tax;
- **Maintenance capital expenditure:** cash flow expenditure aimed at preserving the condition of the fixed asset base; and
- **Performance improvement capital expenditure:** cash flow expenditure aimed at improving the fixed asset base in order to improve financial performance.

EBITDA and EBIT are reconciled to pro forma NPAT in Figure 41.

Although the Directors believe that these measures provide useful information about the financial performance of Asaleo Care, they should be considered as supplements to the income statement and cash flow measures that have been presented in accordance with Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Asaleo Care calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

4. Financial Information

4.3 Consolidated historical and forecast income statements

Figure 41 presents Asaleo Care's pro forma consolidated historical income statements for CY2011, CY2012 and CY2013, and the pro forma and statutory consolidated forecast income statement for CY2014. See Figure 58 for further information on Asaleo Care's statutory consolidated historical income statements.

Figure 41: Pro forma consolidated historical and forecast income statements and statutory consolidated forecast income statements						
December year end (\$ millions)	Note	Pro forma historical			Pro forma forecast	Statutory forecast
		CY2011	CY2012	CY2013	CY2014	CY2014
Revenue		617.3	615.3	625.1	642.2	642.2
Cost of goods sold		(397.5)	(377.5)	(367.4)	(372.5)	(372.5)
Gross profit		219.8	237.8	257.7	269.7	269.7
Distribution expense		(73.1)	(73.9)	(75.4)	(74.1)	(73.9)
Sales and marketing expenditure		(59.3)	(53.1)	(50.3)	(48.8)	(48.8)
General and administration expenditure		(25.6)	(26.6)	(29.0)	(29.8)	(29.2)
Other income/(expenses)	1	(5.1)	(5.4)	(5.7)	(5.9)	(59.3)
EBIT		56.6	78.7	97.3	111.1	58.5
Finance costs	2	(14.1)	(14.2)	(13.4)	(13.5)	(58.3)
Finance income		1.2	1.6	1.4	0.4	0.4
Profit before tax		43.8	66.2	85.4	98.0	0.6
Tax expense	3	(12.3)	(18.5)	(23.9)	(27.4)	0.4
NPAT		31.5	47.6	61.5	70.6	1.0
Depreciation and amortisation		29.4	26.9	27.3	28.6	28.6
EBITDA		86.0	105.6	124.6	139.7	87.1
Revenue growth (%)		–	(0.3%)	1.6%	2.7%	2.7%
EBITDA growth (%)		–	22.8%	17.9%	12.1%	(30.1%)
Gross profit margin (%)		35.6%	38.7%	41.2%	42.0%	42.0%
EBITDA margin (%)		13.9%	17.2%	19.9%	21.8%	13.6%

1 **Other income/(expenses):** pro forma historical expense includes royalty expense payable to SCA per the TMTLA (see Section 10.5.1 for further information). Statutory forecast expense includes royalty expense, \$29.7 million one-off expense associated with the MIP and \$21.1 million of transaction costs relating to the secondary offer. See Section 4.10.1 for further information.

2 **Finance costs:** pro forma finance costs assumes capital structure post Completion of the Offer is in place at the beginning of each historical period (see Sections 4.4.3 and 4.4.4 for further information on indebtedness and the New Banking Facilities). Statutory forecast finance costs in CY2014 is based upon actual capital structure over the period, including: re-financing fees and costs associated with the closure of interest rate swaps in relation to Existing Financing.

3 **Tax expense:** assumes effective tax rate of 28%, below the Australian corporate tax rate of 30% due to lower overseas tax rates.

4. Financial Information

4.3.1 Key operating metrics

Figure 42 provides a summary of Asaleo Care's key operating metrics for CY2011, CY2012, CY2013 and CY2014 derived from the Financial Information.

Figure 42: Key operating metrics					
December year end (\$ millions)	Pro forma historical			Pro forma forecast	Statutory forecast
	CY2011	CY2012	CY2013	CY2014	CY2014
Revenue					
Branded	571.0	572.9	586.2	606.4	606.4
Private label	46.3	42.4	38.9	35.8	35.8
Total	617.3	615.3	625.1	642.2	642.2
Revenue growth (%)					
Branded		0.3%	2.3%	3.4%	3.4%
Private label		(8.4%)	(8.3%)	(8.1%)	(8.1%)
Total		(0.3%)	1.6%	2.7%	2.7%
EBITDA					
Personal Care	50.5	57.1	63.6	71.2	
Tissue	35.5	48.6	61.0	68.5	
Total	86.0	105.6	124.6	139.7	87.1
EBITDA growth (%)					
Personal Care		12.9%	11.5%	11.9%	
Tissue		36.9%	25.5%	12.3%	
Total		22.8%	17.9%	12.1%	(30.1%)
Margins					
EBITDA	13.9%	17.2%	19.9%	21.8%	13.6%
EBIT	9.2%	12.8%	15.6%	17.3%	9.1%

4.4 Consolidated historical statement of financial position

4.4.1 Pro forma adjustments to the statutory consolidated historical statement of financial position

The pro forma consolidated historical statement of financial position shown in Figure 43 is based on the audited statutory consolidated historical statement of financial position as at 31 December 2013, adjusted for two pro forma adjustments as if they were completed on 31 December 2013. These included:

- the refinancing and \$250.8 million capital return to Existing Shareholders completed in February 2014; and
- the impact of the Offer and New Banking Facilities which is expected to be completed on 30 June 2014.

Details of the pro forma adjustments made to the audited statutory consolidated historical statement of financial position for Asaleo Care as at 31 December 2013 are set out in the notes to Figure 43.

The pro forma consolidated historical statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of Asaleo Care's view on its future financial position.

4.4.2 Uses of proceeds from the issue of New Shares under the Offer and the New Banking Facilities

In conjunction with the Offer, Asaleo Care will issue new equity and draw down on its New Banking Facilities (described in Section 4.4.4). Proceeds from the New Shares issued under the Offer and the New Banking Facilities will be used to:

- pay amounts owing by Asaleo Care under debt facilities and associated derivatives in place immediately prior to Completion of the Offer;
- pay the promissory notes delivered on a selective capital reduction in respect of outstanding Preference Shares prior to Completion of the Offer;
- pay establishment costs in respect of the New Banking Facilities applicable post Completion of the Offer;
- pay costs of the Offer, including fees payable to SCA and PEP Advisory, as well as other obligations of Asaleo Care to be paid on Completion of the Offer; and
- reach expected cash balance of \$20.0 million post Completion of the Offer.

4. Financial Information

See Figure 7 for further information on the sources and uses in relation to the Offer.

Figure 43: Pro forma consolidated historical statement of financial position

(\$ millions)	Note	Statutory 31 Dec 2013	Refinancing and capital return ¹	Impact of the Offer and New Banking Facilities	Pro forma 31 Dec 2013
Assets					
Current assets					
Cash and cash equivalents	2	54.5	(12.5)	6.9	48.9
Receivables		30.0	0.7	–	30.7
Inventories		133.4	–	–	133.4
Derivative financial instruments		5.1	–	–	5.1
Other		4.8	–	–	4.8
Total current assets		227.9	(11.9)	6.9	222.9
Non-current assets					
Property, plant and equipment		341.8	–	–	341.8
Intangibles		183.2	–	–	183.2
Deferred tax assets	3	37.3	5.4	26.2	68.8
Total non-current assets		562.4	5.4	26.2	593.9
Total assets		790.3	(6.5)	33.1	816.8
Liabilities					
Current liabilities					
Payables		(87.6)	–	–	(87.6)
Provisions		(35.9)	–	–	(35.9)
Derivative financial liabilities	4	(3.1)	–	2.0	(1.2)
Total current liabilities		(126.6)	–	2.0	(124.7)
Non-current liabilities					
Provisions		(3.7)	–	–	(3.7)
Deferred tax liabilities		(57.9)	–	–	(57.9)
Interest bearing liabilities	2,5	(415.5)	(131.2)	231.7	(315.0)
Derivative financial liabilities	4	(3.9)	–	3.9	–
Cash settled share based payments	6	(17.2)	–	17.2	–
Total non-current liabilities		(498.3)	(131.2)	252.8	(376.7)
Total liabilities		(624.9)	(131.2)	254.8	(501.3)
Net assets		165.4	(137.7)	287.8	315.5
Equity					
Contributed equity	2,5,7	173.3	(130.0)	333.1	376.4
Other reserves	4	9.3	–	5.9	15.1
(Accum. losses)/retained earnings	3,4	(17.2)	(7.7)	(51.1)	(76.0)
Total equity		165.4	(137.7)	287.8	315.5

- 1 In February 2014, Asaleo Care undertook a refinancing in order to fund a capital return to SCA and PEP Shareholders amounting to \$250.8 million (see note 5 of this table).
- 2 The \$12.5 million outflow is the cash component of the capital return (\$22.5 million) net of a draw down (\$10.0 million) on the syndicated facility in existence before the February 2014 refinancing. The \$6.9 million inflow is the cash impact of increasing the pro forma 31 December 2013 borrowing to \$315.0 million following Completion of the Offer. Note: Asaleo Care is expecting a \$20.0 million cash balance at Completion of the Offer (see Section 4.4.3 for further information).
- 3 The \$5.4 million adjustment reflects the deferred tax impact of the write-off of existing debt establishment and the transaction costs associated with the capital return. The \$26.2 million adjustment consists of the deferred tax impact of the following items: \$8.9 million one-off expense associated with the MIP, \$4.5 million in connection with the write-off of existing debt establishment costs and \$12.7 million relating to transaction costs.
- 4 Fair value of interest rate swaps which are set to be closed at the time of entering into the New Banking Facilities.

4. Financial Information

- 5 As at 31 December 2013, \$415.5 million non-current interest bearing liabilities comprised \$250.4 million secured borrowings and \$165.1 million unsecured borrowings. The \$131.2 million adjustment consists of: \$235.3 million capital return to Existing Shareholders (refer note 2, total \$250.8 million, net of tax and transaction costs), write off of existing debt establishment costs \$10.9 million and a facility drawdown of \$10.0 million. Offset by \$125.0 million Preference Share liability extinguishment. The \$231.7 million represents a repayment of senior debt of \$208.9 million, a selective capital return of \$44.4 million on the Preference Shares, offset by debt establishment costs of \$15.2 million and Cash obtained from the offering required to ensure Asaleo reaches its expected cash balance of \$20 million post Completion of the Offer. See Sections 4.4.3 and 4.4.4 for further information on indebtedness and New Banking Facilities.
- 6 Settlement of the MIP upon Completion of the Offer, two-thirds of the post-tax amount will be invested in Shares of Asaleo Care, which will be held in escrow and subject to forfeiture conditions upon Completion of the Offer.
- 7 Asaleo Care will issue new equity of \$333.1 million, made up of \$332.5 million issued in connection with the Offer net of transaction costs associated with the primary Offer of \$14.9 million (net of tax) and Shares valued at \$15.5 million issued under the MIP.

4.4.3 Indebtedness

Figure 44 sets out the pro forma and statutory indebtedness of Asaleo Care as at 31 December 2013. The pro forma indebtedness has been adjusted for the impact of the Offer and New Banking Facilities. Figure 44 sets out the pro forma indebtedness of Asaleo Care Post Completion of the Offer, which is expected to be 30 June 2014.

Asaleo Care expects a negative cash flow in the first half of CY2014, primarily due to 50% – 60% of the CY2014 performance improvement capital expenditure associated with the Tissue converting facilities upgrade falling within this period. In the first half of CY2014, an increase in net working capital also contributes to the reduced cash balance; the net working capital movement will be driven by employee redundancies and an increase in accounts receivable. Finally, there was a \$22.5 million cash outflow to Existing Shareholders as part of the February 2014 capital return.

Asaleo Care expects to have a \$20.0 million cash balance at Completion of the Offer.

Figure 44: Pro forma consolidated indebtedness of Asaleo Care

(\$ millions)	Statutory ¹ (31 December 2013)	Pro forma ² (31 December 2013)	Pro forma ³ (30 June 2014)
Current interest bearing liabilities	–	–	–
Non-current interest bearing liabilities	415.5	315.0	315.0
Total debt	415.5	315.0	315.0
Cash and cash equivalents	(54.5)	(48.9)	(20.0)
Net debt	361.0	266.1	295.0
Net debt/CY2013 pro forma EBITDA	2.90x	2.14x	2.37x
Net debt/CY2014 pro forma EBITDA	2.58x	1.90x	2.11x

- 1 Extracted from the audited statutory financial statements of Asaleo Care as at 31 December 2013. As at 31 December 2013, \$415.5 million non-current interest bearing liabilities comprised \$250.4 million secured borrowings and \$165.1 million unsecured borrowings. Figure shown does not consider the impact of the refinancing and \$250.8 million capital return that occurred in February 2014.
- 2 Figure shown has been pro forma adjusted for the refinancing and capital return, the impact of the Offer and New Banking Facilities. See Section 4.4 for further information.
- 3 Figure shown has been pro forma adjusted for the refinancing and capital return, the impact of the Offer and New Banking Facilities. Figure is based upon Asaleo Care's expected cash balance of \$20.0 million at Completion of the Offer. Completion of the Offer is expected on 30 June 2013. See Section 4.4 for further information.

4.4.4 Description of the New Banking Facilities

Asaleo Care and other members of the Group have executed a facility agreement with Australia and New Zealand Banking Group Limited, Citibank N.A., Sydney Branch, National Australia Bank Limited and Westpac Banking Corporation for the provision of three and five year revolving facilities ("**New Banking Facilities**"). On Completion of the Offer, funding provided under the facility agreement for the New Banking Facilities (together with certain proceeds from the issue of New Shares under the Offer) will be utilised to fully repay the existing \$562.7 million multi-currency syndicated debt facility and certain other obligations ("**Existing Financing**"). Upon repayment of the Existing Financing, the associated guarantees and security will be discharged.

The availability of funding under the New Banking Facilities is conditional upon confirmation that Asaleo Care will be listed on the ASX as contemplated by the Offer and certain other conditions precedent which are within the control of Asaleo Care. Accordingly, on Completion of the Offer, Asaleo Care will have debt funding available to assist with the repayment of the Existing Financing and its subsidiaries and to provide for the funding needs after Listing.

4. Financial Information

The New Banking Facilities will comprise of:

- A\$157.5 million three year revolving cash advance facility (“**Facility A**”);
- A\$157.5 million five year revolving cash advance facility (“**Facility B**”); and
- A\$35.0 million three year revolving cash advance, letter of credit and bank guarantee facility (“**Working Capital Facility**”).

The New Banking Facilities have variable interest rates based upon Bank Bill Swap Rate (“**BBSY**”) plus a margin. There is also a commitment fee in relation to committed but undrawn funds under the New Banking Facilities.

In CY2014, Asaleo Care forecasts that finance costs will be \$13.5 million based upon an average interest rate of 4.3% per annum and an average debt balance of \$315 million over the period. CY2014 finance costs include commitment fees on undrawn amounts.

Figure 45: New Banking Facilities

As at 31 December 2013 (\$ millions)	Facility commitment ¹	Pro forma drawn ¹
Facility A	157.5	157.5
Facility B	157.5	157.5
Working Capital Facility	35.0	–
New Banking Facilities	350.0	315.0

¹ Amounts shown are pro forma adjusted for Completion of the Offer.

Facility A and Facility B

Facility A and Facility B are repayable in full at maturity, being three and five years respectively from the date of first draw down under the New Banking Facilities. No interim scheduled principal repayments are required under either facility prior to their respective maturity dates. Facility A and Facility B may be prepaid voluntarily prior to maturity without penalty.

Working Capital Facility

The Working Capital Facility will be undrawn at Listing. All amounts outstanding under the Working Capital Facility are repayable in full at maturity, being three years from the date of first draw down under the New Banking Facilities. No interim scheduled principal repayments are required during the term of the facility.

The Working Capital Facility may be prepaid voluntarily prior to maturity without penalty.

Financial undertakings

The facility agreement under which the New Banking Facilities will be made available contains financial undertakings typical for facilities of this nature. The undertakings include financial undertakings which will be tested at financial year end (being 31 December) and financial half-year end (being 30 June) based on the preceding 12 month period. The financial undertakings relate to both leverage and interest coverage.

These undertakings include:

- leverage ratio to be not greater than 3.00 to 1, being Asaleo Care’s Finance Debt with certain exclusions to EBITDA (each as defined under the New Banking Facilities); and
- interest cover ratio to be equal or greater than 3.00 to 1, being Asaleo Care’s EBITDA to Net Interest Expense (each as defined under the New Banking Facilities).

Representations, warranties and undertakings

The New Banking Facilities contain representations, warranties and undertakings which are usual for facilities of their nature, including the financial undertakings referred to above, undertakings to provide certain information, restrictions on making financial accommodation and distributions and restrictions on making acquisitions and disposal of assets (in each case subject to exceptions usual for facilities of their nature).

4. Financial Information

Defaults

The New Banking Facilities also contain events of default which are usual for corporate facilities of their nature. These include failure to make payments that are due, failure to comply with any obligation or the misrepresentation of facts (in each case subject to a grace period in certain circumstances), and the occurrence of an insolvency event. An event of default may lead to the funds borrowed becoming due and payable and the New Banking Facilities being cancelled.

The New Banking Facilities contain review events and if one occurs, the parties are required to negotiate revised terms. If agreement cannot be reached within a certain period, it may lead to the funds borrowed becoming immediately due and payable and the New Banking Facilities being cancelled.

It will be a review event under the New Banking Facilities if there is a change of control or, following the Listing, the Shares are suspended from trading on the ASX for 10 consecutive ASX business days (excluding voluntary trading halts). A change of control occurs where a single entity and its affiliates or persons acting together (other than SCA or any of its affiliates alone or together) owns directly or indirectly or controls more than 50% of the Shares. The New Banking Facilities also include review events in relation to the amendment, variation or termination of certain material contracts.

Security and Guarantees

The New Banking Facilities will be unsecured. Asaleo Care must ensure that at financial year end and financial half-year end, the aggregate Total Assets and aggregate EBITDA (as defined under the New Banking Facilities) of the guarantors under the New Banking Facilities will not be less than 90% of the consolidated total assets and EBITDA of the Group (in each case calculated excluding non-wholly owned subsidiaries).

4.4.5 Liquidity and capital resources

Following Completion of the Offer, Asaleo Care's principal sources of funds are cash flow from operations, undrawn commitments under the New Banking Facilities and cash. At Completion of the Offer, Asaleo Care will have an undrawn \$35.0 million Working Capital Facility and an expected cash balance of \$20.0 million.

The majority of Asaleo Care's capital expenditure relates to the maintenance and upgrade of existing and new machinery used to manufacture Personal Care and Tissue products. For further information on Asaleo Care's pro forma historical cash flow statements see Sections 4.7.3 and 4.7.5.

Asaleo Care expects that it will have sufficient cash flow from operations to meet its operational requirements and business needs during the forecast period. However, Asaleo Care may draw down on its Working Capital Facility or reduce its cash to meet business needs.

4.4.6 Hedging policy

Pulp

Asaleo Care has historically not undertaken commodity hedging for pulp. Pulp is a commodity and supply contracts are typically priced in US dollars and benchmarked against indices. See Figure 49 for historical pulp price movements.

Asaleo Care believes that pulp price fluctuations are an industry-wide issue and movements have historically impacted the total cost of manufacturing Tissue products. The Company believes it is currently a low cost producer and well positioned competitively to deal with short-term movements in pulp prices.

In CY2013, pulp represented approximately 17% of Asaleo Care's operating costs. See Figure 56 for sensitivity analysis.

Foreign exchange rate

Asaleo Care hedges its key foreign currency exposures over a rolling 12 month period to reduce one element of its input cost risk. Typically, Asaleo Care targets to be fully hedged for the next six months and approximately 75% hedged for the following six months.

Asaleo Care does not hedge its foreign currency risk in relation to its international earnings. The majority of international earnings are derived in New Zealand and Asaleo Care believes that there is currently a natural hedge given that a number of goods are imported from New Zealand.

In CY2013, Asaleo Care had a minimal NPAT impact from movements in the AUD/NZD. There was a translation gain from the depreciation of the AUD against the NZD; however this was offset by increased cost of goods sold associated with goods imported from New Zealand.

Asaleo Care's key foreign exchange rate exposures are AUD/USD, AUD/EUR and NZD/USD. The Company believes that, based upon its estimated inventory turnover, it has effective hedges in place for these exposures until the end of CY2014. The effective hedge rates are as follows: 0.94 AUD/USD, 0.70 AUD/EUR and 0.81 NZD/USD.

Interest rates

Asaleo Care is not required to hedge its interest rate exposure under its New Banking Facilities post Completion of the Offer. At this stage, the Company has no intention to hedge its interest rate exposure. However, it will continue to assess whether or not to hedge its interest rate exposure as part of its overall financial risk management. See Figure 56 for sensitivity analysis.

4. Financial Information

4.4.7 Contractual obligations and commitments

Figure 46 is a summary of Asaleo Care's contractual obligations and commitments (following Completion of the Offer), and includes operating lease commitments, financing lease commitments and contracted and constructive capital expenditure obligations.

As at 31 December 2013, Asaleo Care has \$13.1 million of operating lease commitments due over the next year which primarily relates to the Company's distribution centres.

As at 31 December 2013, Asaleo Care also has \$34.3 million of contracted and constructive capital expenditure obligations due within the next year. This obligation primarily relates to the upgrade of its Tissue converting facilities. Asaleo Care expects approximately 50% – 60% of this expenditure to be completed in the first half of CY2014, ahead of Completion of the Offer.

Figure 46: Contractual obligations and other commitments

As at 31 December 2013 (\$ millions)	Payment period		
	<1 year	1-5 year(s)	>5 years
Operating lease commitments	13.1	34.3	8.1
New Banking Facilities ¹	–	315.0	–
Contracted and constructive capital expenditure obligations ²	34.3	–	–
Contracted under the TMTLA ³	5.9	25.1	24.7
Supply Agreement with SCA ⁴	43.7	–	–
Contractual obligations and other commitments	97.0	374.4	32.8

1 See Section 4.4.4 for further information on the New Banking Facilities. (Note: The New Banking Facilities were not in place as at 31 December 2013 but have been included for completeness with respect to the Company's ongoing/future contractual obligations and commitments). Asaleo Care forecasts it will incur an annual interest expense of approximately \$13.5 million per year under the New Banking Facilities.

2 Asaleo Care expects approximately 50% – 60% of this expenditure to be completed in the first half of CY2014, ahead of the Completion of the Offer.

3 See Section 10.5.1 for further information on the TMTLA.

4 Commitments within one year are based on forecast purchases under the Supply Agreement in CY2014, and assume that purchasing remains at similar levels in the first half of CY2015. The Company has not prepared forecasts of its purchases beyond CY2014. As such commitments are not provided for periods beyond one year, as no reasonable estimate is available. See Section 10.5.1 for further information on the Supply Agreement with SCA.

4. Financial Information

4.5 Consolidated historical and forecast cash flow statements

Figure 47 sets out Asaleo Care's pro forma consolidated historical cash flow statements for CY2011, CY2012 and CY2013, and the pro forma and statutory consolidated forecast cash flow statement for CY2014.

Figure 47: Pro forma historical and forecast consolidated cash flow statements and statutory consolidated forecast cash flow statement

December year end (\$ millions)	Note	Pro forma historical			Pro forma forecast	Statutory forecast
		CY2011	CY2012	CY2013	CY2014	CY2014
EBITDA	1	86.0	105.6	124.6	139.7	87.1
Changes in net working capital	2	(28.9)	25.8	9.8	(24.0)	(24.0)
Maintenance capital expenditure	3	(8.0)	(7.9)	(8.8)	(15.3)	(15.3)
Performance improvement capital expenditure	4	(9.7)	(15.5)	(76.5)	(38.3)	(38.3)
Net cash flow before financing and taxation		39.4	108.1	49.1	62.1	9.5
Reversal of the MIP expense (reflected in EBITDA)	5				–	29.7
Tax	6				(27.4)	(0.3)
Refinancing and capital return	7				–	(12.0)
Proceeds from issue of New Shares under the Offer	8				–	332.5
Repayment of Existing Financing	9				–	(208.9)
Selective capital return on Preference Shares	9				–	(44.4)
MIP (net cash payment)	9				–	(31.4)
Closure costs on interest rate swaps	9				–	(5.0)
Transaction costs (capitalised)	9				–	(21.3)
Net finance costs	10				(13.1)	(21.9)
Other	11				–	(2.7)
Net cash flow before dividends					21.6	23.8

- 1 Statutory forecast net cash flow before financing and taxation includes costs associated with the Offer which are reflected in the statutory forecast EBITDA. These include \$29.7 million one-off expense associated with the MIP (see note 5 of this table) and \$21.1 million of transaction costs (see note 9 of this table).
- 2 Working capital comprises current trade and other receivables, inventory, prepayments, trade and other payables, current provisions and other current creditors.
- 3 Capital expenditure relating to maintenance of existing plant and equipment.
- 4 Cash flow expenditure aimed at improving the fixed asset base in order to improve financial performance.
- 5 Reversal of the MIP expense in the CY2014 statutory forecast EBITDA.
- 6 CY2014 pro forma forecast tax payments are assumed to be equal to CY2014 pro forma tax expenses. For the Statutory CY2014 forecast, despite a consolidated forecast income tax benefit, \$0.3 million is payable in Fiji.
- 7 Cash impact of the refinance and capital return (refer to note 2 in Figure 43 for further information).
- 8 Assumes the Final Offer Price is at the midpoint of the Indicative Price Range.
- 9 The proceeds from the issue of New Shares under the Offer will be used to repay bank borrowings (\$208.9 million), facilitate a selective capital return on Preference Shares (\$44.4 million), pay the net cash component of the MIP (\$31.4 million) which includes on-costs, close out the interest rate swaps (\$5.0 million) and pay the transaction costs. The transaction cost payment includes \$21.3 million of capitalised costs and \$21.1 million of costs expensed which are reflected in the CY2014 statutory EBITDA.
- 10 Pro forma net finance costs cash outflow assumes the New Banking Facilities will be in place from 1 January 2014.
- 11 Other relates to restructuring costs and the sale of Te Rapa.

4. Financial Information

4.6 Segment reporting

In accordance with AASB 8 Operating Segments, Asaleo Care has two reportable segments, as described below, which are the Company's business divisions.

Asaleo Care has a Personal Care business segment which manufactures Feminine Hygiene, Incontinence Hygiene and Baby Hygiene products. Additionally, Asaleo Care has a Tissue business segment which manufactures Consumer Tissue products for consumers and Professional Hygiene products for businesses. Set out in Figure 48 is a summary of Asaleo Care's key financial information by business segment for CY2011, CY2012, CY2013 and CY2014.

Asaleo Care has operations in Australia and New Zealand and a small presence in Fiji. In CY2013, Australia represented 73.4% of revenue and the remaining 26.6% was New Zealand (which includes Fiji for reporting purposes).

Figure 48: Key pro forma financial information by business segment

December year end (\$ millions)	Pro forma historical			Pro forma forecast CY2014
	CY2011	CY2012	CY2013	
Personal Care	174.7	178.8	184.9	199.1
Tissue	442.7	436.5	440.2	443.0
Revenue	617.3	615.3	625.1	642.2
Personal Care	50.5	57.1	63.6	71.2
Tissue	35.5	48.6	61.0	68.5
EBITDA	86.0	105.6	124.6	139.7
Revenue growth (%)				
Personal Care	–	2.4%	3.4%	7.7%
Tissue	–	(1.4%)	0.8%	0.6%
Total	–	(0.3%)	1.6%	2.7%
EBITDA growth (%)				
Personal Care	–	12.9%	11.5%	11.9%
Tissue	–	36.9%	25.5%	12.3%
Total	–	22.8%	17.9%	12.1%
EBITDA margin (%)				
Personal Care	28.9%	31.9%	34.4%	35.7%
Tissue	8.0%	11.1%	13.9%	15.5%
Total	13.9%	17.2%	19.9%	21.8%

4. Financial Information

4.7 Management discussion and analysis of the Pro forma Historical Financial Information

4.7.1 General factors affecting the pro forma operating results of Asaleo Care

Below is a discussion of the main factors which Asaleo Care believes affected its operating and relative financial performance in CY2011, CY2012 and CY2013, as well as other factors that may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only and neither details all the factors that affected Asaleo Care's historical operating and financial performance, nor everything which may affect Asaleo Care's operating and financial performance in the future.

The discussion and analysis in Section 4.7 focuses on Pro forma Historical Financial Information. See Section 4.2 for the basis of preparation and presentation of the Financial Information and Section 4.10 for the pro forma adjustments to the statutory income statements and cash flow statements.

Industry trends

The Personal Care and Tissue market in Australia and New Zealand is a mature industry, with a number of major branded manufacturers that have significant market shares. The industry is relatively stable through the economic cycle, primarily selling non-discretionary products with growth linked to population, demographic factors (including an ageing population) and increasing consumer focus on personal hygiene.

Historical demand for Asaleo Care's products has reflected this generally stable environment which is described in more detail in Section 2.

Pro forma revenue growth

Over CY2011 to CY2013, Asaleo Care's revenue grew by 0.6% per annum to \$625.1 million in CY2013, with greater growth present in the higher margin Personal Care segment. Since CY2011, growth in branded revenue was partially offset by a strategic decision to exit lower margin Private Label volumes which had a positive impact on gross profit margins.

Since CY2011, Asaleo Care's branded revenue grew by 1.3% per annum as the Company continued to invest in its key brands through advertising and promotion. Revenue growth was impacted by reduced Private Label revenue, which contracted by 8.3% per annum over the same period. See Figure 42 for further information.

Pro forma EBITDA and margins

Asaleo Care has experienced substantial earnings growth on a pro forma EBITDA basis following the introduction of the new management team in CY2011. Over CY2011 to CY2013, EBITDA increased from \$86.0 million in CY2011 to \$124.6 million in CY2013, with EBITDA margins expanding from 13.9% to 19.9%. This improvement in financial performance was largely driven by a number of business transformation initiatives that were implemented as part of Phase 1 of the Company's growth strategy.

Asaleo Care introduced a new growth strategy in CY2011 which was initially focused on addressing specific operating inefficiencies and market opportunities. The program covered all areas of the business and addressed revenue, gross profit, costs and the balance sheet, and included a substantial investment in new plant and equipment.

Initiatives undertaken as part of the business transformation included:

- a reorganisation of business functions to ensure better alignment with each product category and improved accountability for product category performance;
- a significant capital investment program to reconfigure the manufacturing footprint to increase efficiency and flexibility, and reduce the costs of production;
- a change in volume-based sales targets to focus on higher margin products and exiting unprofitable product lines; and
- a comprehensive review of operations resulting in a reduction of key input costs, improved supply chain efficiency and reduced headcount.

Asaleo Care has now largely completed the business transformation and the Company is focused on achieving sustainable shareholder returns and earnings growth. There are three key elements to Phase 2 of the growth strategy which includes targeted net sales growth, improving the sales mix and operating efficiency, and effective capital management.

See Section 3.4 for further information on the Company's growth strategy.

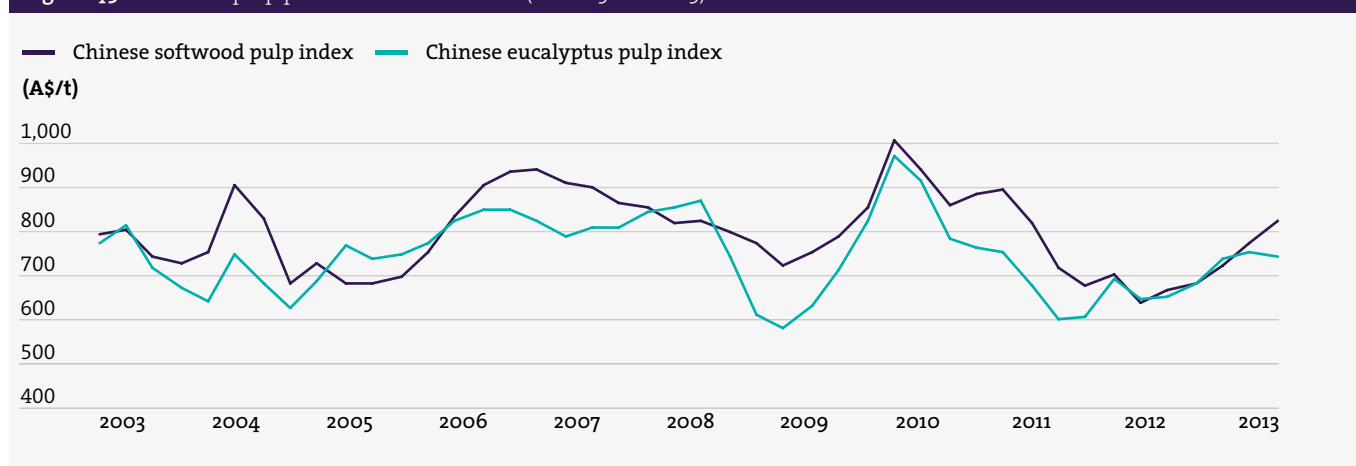
4. Financial Information

Pulp and foreign exchange rates

Industry margins have historically been influenced by both changes in the price of pulp and foreign exchange rate movements. Pulp is a commodity and supply contracts are typically priced in US dollars and benchmarked against indices. Asaleo Care has actively managed pulp by both reducing its exposure to it (through reducing the amount of pulp used in products), and optimising the index against which contracts are benchmarked.

Asaleo Care believes that none of its key competitors have a significant competitive advantage in pulp (or paper) given none are vertically-integrated. In CY2013, pulp comprised approximately 17% of the Company's operating costs. See Figure 49 for historical pulp price index movements.

Figure 49: Historical pulp price index movements (CY2003 – CY2013)¹



1 Source: Asaleo Care analysis with the assistance of quarterly NBSK and BEK US\$ prices in China – 2018 (Brian McClay & Associés Inc.) and IRESS. Pulp price index shown is a quarterly price which has been converted to Australian dollars based upon the AUD/USD spot price. Note: Chinese softwood pulp index and Chinese eucalyptus pulp index are based on NBSK and BEK respectively. Historical pulp price index shown is indicative and does not represent the actual price paid by Asaleo Care.

Pro forma labour costs

The cost of labour is Asaleo Care's largest individual operating cost comprising approximately 23% of operating costs in CY2013.

Over CY2011 to CY2013, Asaleo Care has reduced the number of FTE employees by 282, representing approximately 21% of the workforce. This reduction has been achieved through more automated manufacturing processes and improved efficiency in sales, marketing and administrative functions.

Pro forma net working capital

Net working capital includes current trade and other receivables, trade and other payables, inventories of raw materials (largely pulp), consumables, spare parts, WIP and finished goods. Net working capital is driven by the timing of significant promotional activity in the retail market and alignment of production plans to meet customer activity.

Pro forma capital expenditure

Asaleo Care has invested \$126.4 million in capital expenditure over CY2011 to CY2013, primarily comprising \$80.5 million associated with the upgrade of its Tissue converting facilities (total upgrade of \$114.8 million).

Maintenance capital expenditure has been relatively low over CY2011 to CY2013 at approximately 1.0% – 1.5% of revenue. This was impacted by the upgrade of its Tissue converting facilities which meant that a number of maintenance projects were unnecessary given that machinery would soon be replaced or upgraded.

Details of performance improvement capital expenditures are provided in Section 3.4. Definitions of maintenance capital expenditure and performance improvement capital expenditure are provided in Section 4.2.4.

4. Financial Information

4.7.2 Specific factors impacting pro forma consolidated historical income statements: CY2011 compared to CY2012

Figure 50 sets out the pro forma consolidated historical income statements for CY2011 and CY2012, and selected key performance indicators.

See Section 4.10.1 for a reconciliation of the statutory historical revenue and NPAT to pro forma historical revenue and NPAT.

Figure 50: Pro forma consolidated historical income statements: CY2011 and CY2012¹

December year end (\$ millions)	Pro forma historical		Change (%) (CY11-12)	Change (\$m) (CY11-12)
	CY2011	CY2012		
Revenue	617.3	615.3	(0.3%)	(2.0)
Cost of goods sold	(397.5)	(377.5)	(5.0%)	20.0
Gross profit	219.8	237.8	8.2%	18.0
Distribution expenditure	(73.1)	(73.9)	1.0%	(0.8)
Sales and marketing expenditure	(59.3)	(53.1)	(10.4%)	6.2
General and administration expenditure	(25.6)	(26.6)	3.9%	(1.0)
Other income/(expenses)	(5.1)	(5.4)	5.8%	(0.3)
EBIT	56.6	78.7	39.0%	22.1
Finance costs	(14.1)	(14.2)	0.4%	(0.1)
Finance income	1.2	1.6	26.5%	0.3
Profit before tax	43.8	66.2	51.1%	22.4
Tax expense	(12.3)	(18.5)	51.1%	(6.3)
NPAT	31.5	47.6	51.1%	16.1
Depreciation and amortisation	29.4	26.9	(8.4%)	(2.5)
EBITDA	86.0	105.6	22.8%	19.6
Gross profit margin	35.6%	38.7%		
Distribution/revenue	11.8%	12.0%		
Sales and marketing/revenue	9.6%	8.6%		
General and administration/revenue	4.2%	4.3%		
Other income/(expenses)/revenue	0.8%	0.9%		
EBITDA margin	13.9%	17.2%		
EBIT margin	9.2%	12.8%		

¹ See Section 4.3 for further information on the pro forma consolidated historical income statements.

4. Financial Information

Pro forma revenue

Revenue reduced by 0.3% in CY2012 to \$615.3 million, largely driven by a strategic decision to exit certain lower margin Private Label volumes. Private Label revenue reduced by 8.4% over the period, while branded revenue increased by 0.3%.

Personal Care revenue increased by 2.4% in CY2012 to \$178.8 million, with growth present in all product categories. Incontinence Hygiene was the key contributor to growth with a number of new aged care facility contracts and strong market growth within the Retail channel. Asaleo Care believes that Baby Hygiene benefited from the increased strength of the Treasures brand through the success of its nappy pants and bulk packs. The Company saw stable market shares in its Feminine Hygiene product category with revenue growth broadly in line with the market.

Tissue revenue contracted by 1.4% in CY2012 to \$436.5 million, driven by the exit of lower margin Private Label volumes and increased promotional spend with the major retailers. Additionally, the commencement of the upgrade of the Tissue converting facilities limited Asaleo Care's productive capacity and its ability to pursue volume-driven growth. Professional Hygiene revenue was broadly flat in CY2012 reflecting stability of this business given that the majority of B2B revenue is contracted.

Pro forma gross profit

Gross profit increased by 8.2% in CY2012 to \$237.8 million, with growth present in all product categories despite a slight reduction in revenue in CY2012.

The improvement in gross profit was due to a number of initiatives, including:

- optimising the sales mix through changing volume-based sales targets to focus on higher margin products and exiting unprofitable product lines;
- reduced material costs via fibre reduction, improved flexibility in product dimensions and renegotiating key procurement contracts (including pulp); and
- reduced labour costs through more efficient site layouts, reduced machine footprint, debottlenecking of existing equipment to increase throughput, and waste reductions.

Additionally, cost of goods sold in CY2012 was assisted by lower input costs primarily as a result of reduced pulp prices and a relatively strong Australian dollar, see Figure 49 for further information.

Pro forma distribution expenditure

Distribution expenditure increased by 1.0% in CY2012 to \$73.9 million. A number of the underlying contracts associated with this cost have inflation-linked annual price rises such as lease costs for distribution centres. However, Asaleo Care was able to limit the increase in this cost in CY2012 as a result of a number of initiatives aimed at streamlining logistics and maximising pallet utilisation.

Pro forma sales and marketing expenditure

Sales and marketing expenditure reduced by 10.4% in CY2012 to \$53.1 million. This cost primarily reduced as a result of reducing personnel by 16 FTE employees over the year. Additionally, Asaleo Care was able to improve the efficiency of its advertising spend through better benchmarking of spend and focusing only on key brands within the portfolio.

Pro forma general and administration expenditure

General and administration expenditure increased by 3.9% in CY2012 to \$26.6 million. This cost benefited from a 14 FTE employee reduction and increased focus on cost control under new Management. However, this was offset by a higher average cost per employee due to the recruitment of new executives and annual salary increases.

Pro forma other income/(expenses)

Other expenses increased by 5.8% in CY2012 to \$5.4 million, primarily due to a rise in the royalty expense payable to SCA. The royalty expense increases according to an agreed pricing schedule until the end of CY2015¹.

Pro forma depreciation and amortisation

Depreciation and amortisation decreased by 8.4% in CY2012 to \$26.9 million, this was driven by a number of factors including some plant and equipment reaching the end of their useful life and assets being impaired as a result of the upgrade of its Tissue converting facilities.

This cost primarily relates to the company's plant and equipment which is used to manufacture Personal Care and Tissue products and hence is primarily allocated to cost of goods sold.

1 Under the TMTLA the royalty expense will increase based upon a fixed pricing schedule until the end of CY2015 (approximately 2.5% increase per annum). Movements after CY2015 will be linked to the Australian Consumer Price Index. For further information on the TMTLA see Section 10.5.1.

4. Financial Information

4.7.3 Specific factors impacting pro forma consolidated historical cash flow statements: CY2011 compared to CY2012

Figure 51 sets out the pro forma consolidated historical cash flow statements for CY2011 and CY2012, and selected key performance indicators.

See Section 4.10.2 for a reconciliation of the statutory historical net cash flow before financing and taxation to pro forma historical net cash flow before financing and taxation.

Figure 51: Pro forma consolidated historical cash flow statements: CY2011 and CY2012¹

December year end (\$ millions)	Pro forma historical		Change (%) (CY11-12)	Change (\$m) (CY11-12)
	CY2011	CY2012		
EBITDA	86.0	105.6	22.8%	19.6
Changes in net working capital	(28.9)	25.8	NM	NM
Maintenance capital expenditure	(8.0)	(7.9)	(1.3%)	0.1
Performance improvement capital expenditure	(9.7)	(15.5)	59.8%	(5.8)
Net cash flow before financing and taxation	39.4	108.1	174.4%	68.7
Maintenance capital expenditure/revenue	1.3%	1.3%		
Performance improvement capital expenditure/revenue	1.6%	2.5%		
Capital expenditure/revenue	2.9%	3.8%		

¹ See Section 4.5 for further information on the pro forma consolidated historical cash flow statements.

Pro forma EBITDA

EBITDA increased by 22.8% in CY2012 to \$105.6 million, despite a slight reduction in revenue. The improved financial performance was primarily as a result of a number of business transformation initiatives coupled with favourable pulp price and foreign exchange rate movements. See Sections 4.7.1 and 4.7.2 for further information.

Pro forma changes in net working capital

Net working capital reduced by \$25.8 million in CY2012, driven by timing on accounts receivable collections and improved accounts payable days as a result of trading term changes under the Supply Agreement with SCA.

Pro forma maintenance capital expenditure

Maintenance capital expenditure decreased by 1.3% in CY2012 to \$7.9 million, representing 1.3% of revenue. Given the focus on upgrading the Tissue converting facilities during CY2012, it was unnecessary to complete all of the planned maintenance capital expenditure projects. In particular, a number of Tissue converting facilities were planned to be closed down or updated in the near future and therefore certain maintenance projects on these machines were considered to no longer be necessary.

Pro forma performance improvement capital expenditure

Performance improvement capital expenditure increased by 59.8% in CY2012 to \$15.5 million, comprising \$9.2 million in relation to some initial works on the upgrade of the Tissue converting facilities and \$6.3 million of other performance improvement capital expenditure.

The \$114.8 million upgrade of Asaleo Care's Tissue converting facilities commenced in CY2012 and is expected to be completed by the end of CY2014.

4. Financial Information

4.7.4 Specific factors impacting pro forma consolidated historical income statements: CY2012 compared to CY2013

Figure 52 sets out the pro forma consolidated historical income statements for CY2012 and CY2013, and selected key performance indicators.

See Section 4.10.1 for a reconciliation of the statutory historical revenue and NPAT to pro forma historical revenue and NPAT.

Figure 52: Pro forma consolidated historical income statements: CY2012 and CY2013¹

December year end (\$ millions)	Pro forma historical		Change (%) (CY12-13)	Change (\$m) (CY12-13)
	CY2012	CY2013		
Revenue	615.3	625.1	1.6%	9.8
Cost of goods sold	(377.5)	(367.4)	(2.7%)	10.1
Gross profit	237.8	257.7	8.4%	19.9
Distribution expenditure	(73.9)	(75.4)	2.1%	(1.5)
Sales and marketing expenditure	(53.1)	(50.3)	(5.2%)	2.8
General and administration expenditure	(26.6)	(29.0)	9.0%	(2.4)
Other income/(expenses)	(5.4)	(5.7)	4.0%	(0.2)
EBIT	78.7	97.3	23.6%	18.5
Finance costs	(14.2)	(13.4)	(5.6%)	0.8
Finance income	1.6	1.4	(8.1%)	(0.1)
Profit before tax	66.2	85.4	29.1%	19.2
Tax expense	(18.5)	(23.9)	29.1%	(5.4)
NPAT	47.6	61.5	29.1%	13.8
Depreciation and amortisation	26.9	27.3	1.5%	0.4
EBITDA	105.6	124.6	17.9%	18.9
Gross profit margin	38.7%	41.2%		
Distribution/revenue	12.0%	12.1%		
Sales and marketing/revenue	8.6%	8.1%		
General and administration/revenue	4.3%	4.6%		
Other income/(expenses)/revenue	0.9%	0.9%		
EBITDA margin	17.2%	19.9%		
EBIT margin	12.8%	15.6%		

¹ See Section 4.3 for further information on the pro forma consolidated historical income statements.

4. Financial Information

Pro forma revenue

Revenue increased by 1.6% in CY2013 to \$625.1 million, with Asaleo Care focusing on branded revenue which increased by 2.3% from CY2012. This was partially offset by further reductions in Private Label revenue, which reduced by 8.3% over the period.

Personal Care revenue increased by 3.4% in CY2013 to \$184.9 million. Similar to CY2012, the most significant contributor to revenue growth was Incontinence Hygiene which saw continued momentum across both its Retail and Healthcare channels. Baby Hygiene saw market share gains in New Zealand and the Company believes this is due to the increasing strength of the Treasures brand. Additionally, in Feminine Hygiene the Company saw stable market shares in a relatively mature market.

Tissue revenue increased by 0.8% per annum in CY2013 to \$440.9 million, driven by growth in Professional Hygiene as a result of a number of new contracts. In Consumer Tissue, the Company continued to exit lower margin Private Label products in order to focus on higher margin branded volume. Similar to CY2012, volume-driven Tissue revenue growth was restricted by the upgrade of Asaleo Care's Tissue converting facilities. The Company does not expect this to be a constraint to growth in CY2015 following the completion of the upgrade in CY2014.

Pro forma gross profit

Gross profit increased by 8.4% in CY2013 to \$257.7 million, benefitting from a number of business transformation initiatives that were implemented during CY2012 and \$7.5 million of benefits relating to initial components of the Tissue converting facilities capital investment program implemented in CY2013. Asaleo Care also continued its strategy of focusing on higher margin branded revenue and improving efficiency.

Input costs were impacted in CY2013 by an increase in pulp prices combined with a depreciation of the Australian dollar, see Figure 49 for further information.

Pro forma distribution expenditure

Distribution expenditure increased by 2.1% in CY2013 to \$75.4 million. The increase in this cost was largely driven by volume growth and inflation linked increases in a number of its contracts. These increases were partially offset by the full year effect of initiatives that were implemented in CY2012.

Pro forma sales and marketing expenditure

Sales and marketing expenditure reduced by 5.2% in CY2013 to \$50.3 million. This cost principally reduced as a result of reducing personnel by 8 FTE employees over the year and the full year impact of the CY2012 restructuring. This was primarily as a result of improved efficiency in sales functions. Asaleo Care was also able to improve the efficiency of its advertising spend through better benchmarking of spend and focusing on key brands within the portfolio.

Pro forma general and administration expenditure

General and administration expenditure increased by 9.0% in CY2013 to \$29.0 million. This movement was primarily due to annual salary increases and increased short-term incentive payments.

Pro forma other income/(expenses)

Other expenses increased by 4.0% in CY2013 to \$5.7 million, primarily due to a rise in the royalty expense payable to SCA. The royalty expense increases according to an agreed pricing schedule until the end of CY2015¹.

Pro forma depreciation and amortisation

Depreciation and amortisation increased by 1.5% in CY2013 to \$27.3 million, driven by an increase in fixed assets as a result of capital investment over the period.

This cost primarily relates to the Company's plant and equipment which are used to manufacture Personal Care and Tissue products and hence is primarily allocated to cost of goods sold.

Consistent with its accounting policies and in the ordinary course of business, Asaleo Care reassesses the useful life of its assets annually. Following an independent review of the Company's plant and equipment, the useful lives of selected assets were extended by between two to five years. This adjustment was reflected in the CY2013 annual depreciation and amortisation expense and resulted in a \$2.7 million annualised reduction.

¹ Under the TMTLA the royalty expense will increase based upon a fixed pricing schedule until the end of CY2015 (approximately 2.5% increase per annum). Movements after CY2015 will be linked to the Australian Consumer Price Index. For further information on the TMTLA see Section 10.5.1.

4. Financial Information

4.7.5 Specific factors impacting pro forma consolidated historical cash flow statements: CY2012 compared to CY2013

Figure 53 sets out the pro forma consolidated historical cash flow statements for CY2012 and CY2013, and selected key performance indicators.

See Section 4.10.2 for a reconciliation of the statutory historical net cash flow before financing and taxation to pro forma historical net cash flow before financing and taxation.

Figure 53: Pro forma consolidated historical cash flow statements: CY2012 and CY2013¹

December year end (\$ millions)	Pro forma historical		Change (%) (CY12-13)	Change (\$m) (CY12-13)
	CY2012	CY2013		
EBITDA	105.6	124.6	17.9%	18.9
Changes in net working capital	25.8	9.8	NM	NM
Maintenance capital expenditure	(7.9)	(8.8)	11.4%	(0.9)
Performance improvement capital expenditure	(15.5)	(76.5)	393.5%	(61.0)
Net cash flow before financing and taxation	108.1	49.1	(54.5%)	(58.9)
Maintenance capital expenditure/revenue	1.3%	1.4%		
Performance improvement capital expenditure/revenue	2.5%	12.2%		
Capital expenditure/revenue	3.8%	13.6%		

¹ See Section 4.5 for further information on the pro forma consolidated historical cash flow statements.

Pro forma EBITDA

EBITDA increased by 17.9% in CY2013 to \$124.6 million. In CY2013, Asaleo Care had some benefits from the upgrade of its Tissue converting facilities, as the project continued to progress. Additionally, there were some further benefits from the full year impact of a number of initiatives that were implemented during CY2012. See Section 4.7.4 for further information.

Pro forma changes in net working capital

Net working capital reduced by \$9.8 million in CY2013, driven by an increase in accounts payable as a result of an improvement in supplier payments. The increase in accounts payable was partially offset by an increase in inventory.

Pro forma maintenance capital expenditure

Maintenance capital expenditure increased by 11.4% in CY2013 to \$8.8 million, representing 1.4% of revenue. Given the substantial capital investment program that is being completed, it was not necessary to maintain a number of Tissue converting facilities that would be closed as part of the upgrade in the near future.

Pro forma performance improvement capital expenditure

Performance improvement capital expenditure increased by \$61.0 million in CY2013, to \$76.5 million. In CY2013, \$71.3 million related to the upgrade of its Tissue converting facilities and the remaining \$5.2 million related to other performance improvement capital expenditure.

As at 31 December 2013, a further \$34.3 million is required to be invested in CY2014 in order to complete the \$114.8 million upgrade of Asaleo Care's Tissue converting facilities.

4. Financial Information

4.8 Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by Asaleo Care, which are in accordance with the Australian Accounting Standards and are disclosed in Appendix B. It is assumed that there will be no changes to Australian Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on Asaleo Care's accounting policies during the forecast period.

The Forecast Financial Information is based on various best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, Asaleo Care has undertaken an analysis of historical performance and applied assumptions in order to predict future performance for CY2014. Asaleo Care believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the Directors' best estimate general and specific assumptions set out in Sections 4.8.1 and 4.8.2 respectively.

However, the actual results are likely to vary from the forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Asaleo Care and its Directors, and are not reliably predictable.

Accordingly, none of Asaleo Care, its Directors or any other person can give you any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material positive or negative impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and the Investigating Accountant's Report on Forecast Financial Information set out in Section 9.

4.8.1 General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- there is no material change in the competitive and operating environments in which Asaleo Care operates, including the behaviour and number of customers and competitors;
- there is no change in applicable Australian Accounting Standards and IFRS that would have a material impact on Asaleo Care's accounting policies, financial reporting or disclosure requirements;
- there is no significant deviation from current market expectations of the broader economic conditions relevant to the Australian and New Zealand sectors in which Asaleo Care and its key customers operate;
- there is no material change in the legislative regimes (including taxation) and regulatory environment in which Asaleo Care and its customers operate;
- there are no material losses of customers or contracts;
- there is no material amendment to any material agreement relating to Asaleo Care's business other than as disclosed in this Prospectus;
- there are no significant disruptions to the continuity of operations of Asaleo Care and there are no other material changes in Asaleo Care's business;
- there are no material acquisitions or disposals by Asaleo Care;
- there are no material changes to Asaleo Care's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- there is no loss of key management personnel and Asaleo Care will maintain the on-going ability to recruit and retain required personnel;
- there is no material litigation that will arise or be settled to the benefit or detriment of Asaleo Care;
- there are no contingent liabilities that will arise or be realised to the detriment of Asaleo Care;
- the first dividend to Shareholders will be determined in respect of the period from 1 July 2014 to 31 December 2014, and will become payable in March 2015;
- the Offer proceeds are of the amount indicated in this Prospectus and received in accordance with the timetable of this Prospectus (see Figure 7 for further information on the sources and uses and page 6 for an outline of the important dates); and
- none of the risks set out in Section 5 occurs.

4. Financial Information

4.8.2 Specific assumptions

The statutory and pro forma forecast results for the year ending 31 December 2014 have been prepared on the basis of the reviewed historical results for the three months ended 31 March 2014 and Asaleo Care's consolidated forecast results for the nine months ending 31 December 2014. Asaleo Care's forecast for the nine months ending 31 December 2014 also has regard to the current trading performance of Asaleo Care up until the Prospectus Date.

The Forecast Financial Information is based on various best estimate assumptions, of which the key assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect the Asaleo Care's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation and presentation of the Forecast Financial Information set out in Section 4.2, the general assumptions set out in Section 4.8.1 and the risk factors set out in Section 5.

The Directors' specific assumptions underpinning the Forecast Financial Information include the following:

- No long-term incentive plan will be implemented prior to 1 January 2015; refer to Figure 57. No expenses for any long-term incentive plan have been included for the FY2014 pro forma forecast;
- The Board intends to consider a potential New Long-term Incentive Plan following Completion of the Offer. If recommended by the Board, any New Long-term Incentive Plan would only become effective after 1 January 2015. Consequently, as the Directors do not presently have a reasonable basis to estimate the terms (equity or cash) of a potential New Long-term Incentive Plan, no pro forma expense assumption has been made in relation to a New Long-term Incentive Plan;
- The Directors' view is that the terms and conditions of the Management Incentive Plan that was in place prior to listing will have little if any resemblance to the likely terms and conditions of a New Long-term Incentive Plan. The cost of any future New Long-term Incentive Plan (after 1 January 2015) may have an impact on the future financial performance of the Company but at the date of this Prospectus, it is not possible to have a reasonable basis to estimate what that impact might be;
- pro forma revenue growth of 2.7% in CY2014, as compared to annual pro forma revenue growth of 0.6% per annum over CY2011 to CY2013;
- pro forma EBITDA margins increase from 19.9% in CY2013 to 21.8% in CY2014 with pro forma operating expenses benefiting from a number of business transformation initiatives, including the upgrade of the Tissue converting facilities;
- pro forma capital expenditure of \$53.6 million in CY2014 primarily in order to complete the \$114.8 million upgrade of the Tissue converting facilities and maintain plant and equipment;
- pro forma net working capital requirements based on forecast earnings growth;
- pro forma forecast tax expense of 28%, below the Australian corporate tax rate of 30% due to lower overseas tax rates. However, Asaleo Care expects to report a statutory tax benefit in CY2014 given the Company expects to record a statutory net loss before tax;
- pro forma finance costs of \$13.5 million based upon an average interest rate of 4.3% per annum and an average debt balance of \$315 million over the forecast period. CY2014 finance costs include commitment fees on undrawn amounts; and
- NZD/AUD exchange rate of 0.8704 for the period 1 April 2014 to 31 December 2014. The actual average rate 0.9328 has been reflected for the period 1 January 2014 to 31 March 2014.

4. Financial Information

4.8.3 Pro forma consolidated forecast income statement

Figure 54 sets out the pro forma consolidated historical income statements for CY2013 and CY2014 and selected key performance indicators.

See Section 4.10.1 for a reconciliation of the statutory forecast revenue and NPAT to pro forma forecast revenue and NPAT.

Figure 54: Pro forma consolidated forecast income statements: CY2013 compared to CY2014¹

December year end (\$ millions)	Pro forma		Change (%) (CY13-14)	Change (\$m) (CY13-14)
	Historical CY2013	Forecast CY2014		
Revenue	625.1	642.2	2.7%	17.1
Cost of goods sold	(367.4)	(372.5)	1.4%	(5.1)
Gross profit	257.7	269.7	4.6%	12.0
Distribution expenditure	(75.4)	(74.1)	(1.7%)	1.3
Sales and marketing expenditure	(50.3)	(48.8)	(3.1%)	1.5
General and administration expenditure	(29.0)	(29.8)	2.7%	(0.8)
Other income/(expenses)	(5.7)	(5.9)	4.2%	(0.2)
EBIT	97.3	111.1	14.2%	13.8
Finance costs	(13.4)	(13.5)	0.9%	(0.1)
Finance income	1.4	0.4	(71.5%)	(1.0)
Profit before tax	85.4	98.0	14.8%	12.6
Tax expense	(23.9)	(27.4)	14.8%	(3.5)
NPAT	61.5	70.6	14.8%	9.1
Depreciation and amortisation	27.3	28.6	4.7%	1.3
EBITDA	124.6	139.7	12.1%	15.1
Gross profit margin	41.2%	42.0%		
Distribution/revenue	12.1%	11.5%		
Sales and marketing/revenue	8.1%	7.6%		
General and administration/revenue	4.6%	4.6%		
Other income/(expenses)/revenue	0.9%	0.9%		
EBITDA margin	19.9%	21.8%		
EBIT margin	15.6%	17.3%		

¹ See Section 4.3 for further information on the pro forma consolidated historical income statements.

4. Financial Information

Pro forma revenue

Revenue is forecast by Asaleo Care to increase by 2.7% in CY2014 to \$642.2 million, with growth expected across most of Asaleo Care's product categories. Asaleo Care believes that this growth is broadly in line with underlying market growth expected over the period.

In CY2014, Personal Care revenue is forecast to grow by 7.7% to \$199.1 million primarily driven by growth in Incontinence Hygiene as a result of favourable demographic shifts and continued momentum across both the Retail and Healthcare channels. Feminine Hygiene revenue growth is expected to be driven by new product launches. Similarly, Baby Hygiene revenue growth is expected to be assisted by continued momentum of the Treasures brand.

In CY2014, Tissue revenue is forecast to grow by 0.6% to \$443.0 million. Professional Hygiene growth is expected to be driven by the full year effect of a number of new contracts that were completed in CY2013 and some modest contracted price increases. Consumer Tissue is expected to remain competitive in CY2014 with Asaleo Care expected to maintain a broadly stable market share. Volume-driven growth in CY2014 has been constrained somewhat by the commissioning of the new Tissue converting facilities; however this is not expected to be an impediment to growth in CY2015.

Additionally, an appreciating New Zealand dollar relative to the Australian dollar in CY2014 is expected to have a positive benefit on revenue growth given that a proportion of Asaleo Care's products are sold in New Zealand. However, this is expected to have a minimal impact on the Company's NPAT due to a natural hedge existing for transactions between Australia and New Zealand as described in Section 4.4.6.

Pro forma gross profit

In CY2014, gross profit is forecast by Asaleo Care to increase by 4.6% to \$269.7 million, representing a 0.8% improvement in gross profit margins, from 41.2% to 42.0%.

Asaleo Care expects all initiatives relating to the upgrade of its Tissue converting facilities will be fully implemented by the end of CY2014. This is expected to deliver \$23.7 million of incremental benefit in the form of reduced operating costs compared to CY2013. A portion of these benefits will be offset by higher per-unit production costs caused by the production constraints experienced during the commissioning and ramp up of new Tissue converting lines in CY2014. These production constraints are not expected to impact the business post the completion of the upgrade.

A number of business transformation initiatives are expected to limit cost growth in CY2014. See Section 3.4 for further information.

Finally, the weakening of the Australian dollar in CY2014 compared to CY2013 is expected to negatively impact gross profit in CY2014. See Section 4.4.6 for information on Asaleo Care's CY2014 hedged foreign exchange rates and Section 4.9 for sensitivity analysis against key foreign exchange rate exposures.

Pro forma distribution expenditure

Distribution expenditure is forecast by Asaleo Care to be \$74.1 million in CY2014, a reduction of 1.7% compared to CY2013. This cost is expected to benefit from a number of initiatives aimed at streamlining logistics, packaging and distribution.

Pro forma sales and marketing expenditure

Sales and marketing expenditure is forecast by Asaleo Care to be \$48.8 million in CY2014, a reduction of 3.1% compared to CY2013. The reduction is primarily as a result of improving efficiency in advertising and further improved rates with key media buying groups. Increased expenditure associated with inflationary labour cost increases has been offset by the full year benefits of structural changes implemented during CY2013.

Pro forma general and administration expenditure

General and administration expenditure is forecast by Asaleo Care to be \$29.8 million in CY2014, an increase of 2.7% compared to CY2013. The increase is minor and relates to annual salary increases.

Pro forma other income/(expenses)

Other expenses are forecast by Asaleo Care to increase by 4.2% in CY2014 to \$5.9 million, primarily due to a rise in the royalty expense payable to SCA. The royalty expense increases according to an agreed pricing schedule until the end of CY2015.¹

Pro forma depreciation and amortisation

Depreciation and amortisation is forecast by Asaleo Care to be \$28.6 million, an increase of 4.7% compared to CY2013. The increase is primarily as a result of higher fixed assets as a result of the \$114.8 million upgrade of the Tissue converting facilities which is expected to be completed in CY2014.

1 Under the TMTLA the royalty expense will increase based upon a fixed pricing schedule until the end of CY2015 (approximately 2.5% increase per annum). Movements after CY2015 will be linked to the Australian Consumer Price Index. For further information on the TMTLA see Section 10.5.1.

4. Financial Information

4.8.4 Pro forma consolidated forecast cash flow statement

Figure 55 sets out the summary pro forma consolidated forecast cash flow statement for CY2014 compared to the pro forma consolidated historical cash flow statement for CY2013.

See Section 4.10.2 for a reconciliation of the statutory forecast net cash flow before financing and taxation to pro forma forecast net cash flow before financing and taxation.

Figure 55: Pro forma consolidated forecast cash flow statement: CY2013 Compared to CY2014¹

December year end (\$ millions) ¹	Pro forma		Change (%) (CY13-14)	Change (\$m) (CY13-14)
	Historical CY2013	Forecast CY2014		
EBITDA	124.6	139.7	12.1%	15.1
Changes in net working capital	9.8	(24.0)	NM	NM
Maintenance capital expenditure	(8.8)	(15.3)	73.5%	(6.5)
Performance improvement capital expenditure	(76.5)	(38.3)	(49.9%)	38.2
Net cash flow before financing and taxation	49.1	62.1	26.5%	13.0
Maintenance capital expenditure/revenue	1.4%	2.4%		
Performance improvement capital expenditure/revenue	12.2%	6.0%		
Capital expenditure/revenue	13.6%	8.3%		

1 See Section 4.5 for further information on the pro forma consolidated forecast cash flow statement.

Pro forma EBITDA

In CY2014, EBITDA is forecast by Asaleo Care to be \$139.7 million, an increase of \$15.1 million or 12.1% compared to CY2013. Over CY2013 to CY2014, Asaleo Care is forecasting a 1.9% expansion in EBITDA margins, from 19.9% to 21.8%.

This improved operating performance is expected to be driven by revenue growth which is broadly in line with market growth, combined with operational improvements associated with performance improvement capital expenditure. Additionally, Asaleo Care continues to realise further benefits from a number of initiatives identified in the business transformation (see Section 3.4 for further information).

Asaleo Care believes, based on historical financial performance, it experiences a level of seasonality such that approximately 40% – 45% of EBITDA is typically generated in the first half of the calendar year and 55% – 60% is generated in the second half. Based upon the current capital structure this translates to approximately 36% – 43% of pro forma NPAT in the first half and 57% – 64% in the second half.

In CY2014, Asaleo Care believes that this half-on-half trend will be amplified by the expected benefits of the Phase 1 business transformation and the majority of these will be delivered in the second calendar half. Accordingly, Asaleo Care expects the first calendar half CY2014 EBITDA is likely to be at the bottom end of the 40% – 45% range. These initiatives include greater operating efficiencies associated with the upgrade of the Tissue converting facilities.

In CY2014, Asaleo Care expects that both its first half EBITDA and second half EBITDA will be greater than the prior corresponding periods.

4. Financial Information

Pro forma changes in net working capital

Net working capital is forecast by Asaleo Care to increase by \$24.0 million between CY2013 and CY2014, compared with a decrease in net working capital of \$9.8 million between CY2012 and CY2013.

This movement reflects a forecast increase in net working capital as a result of employee redundancies associated with the Tissue converting facilities upgrade being settled in CY2014 and an increase in accounts receivable due to cash collection timing. The majority of the movement in net working capital is expected to occur in the first half of CY2014, with movements expected to normalise in the second half of CY2014.

Pro forma maintenance capital expenditure

Maintenance capital expenditure is forecast by Asaleo Care to increase by 73.5% to \$15.3 million in CY2014. Asaleo Care believes approximately \$15.0 million of capital expenditure is broadly consistent with the Company's ongoing maintenance requirements.

Pro forma performance improvement capital expenditure

Performance improvement capital expenditure is expected by Asaleo Care to decrease by 49.9% to \$38.3 million in CY2014. This is in principal due to the significant capital expenditure in CY2013 as part of the \$114.8 million capital investment program to upgrade the Tissue converting facilities.

In CY2014, performance improvement capital expenditure primarily relates to the \$34.3 million capital expenditure remaining in relation to the upgrade of the Tissue converting facilities. Asaleo Care has also identified a number of specific capital expenditure projects in CY2014 which are designed to enhance its converting capability.

By the end of 31 March 2014, \$91.7 million has been invested in the upgrade of the Tissue converting facilities with \$23.1 million remaining to be invested in CY2014.

4.9 Sensitivity analysis

The Forecast Financial Information included in Section 4.8 is based on a number of estimates and assumptions as described in Sections 4.8.1 and 4.8.2 that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Asaleo Care, its Directors and Management, and based upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus should be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below in Figure 56 is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purpose of the analysis below, the effect of the changes in key assumptions on the CY2014 pro forma forecast NPAT of \$70.6 million is presented. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that Asaleo Care would respond to any adverse change in one variable by seeking to minimise the net effect on Asaleo Care's NPAT.

4. Financial Information

Figure 56: Sensitivity analysis on pro forma forecast NPAT for CY2014

Assumption	Variance	CY2014 pro forma NPAT impact ¹ (\$ millions)
Net sales		
Personal Care price	+/- 1%	+ 1.4 / - 1.4
Personal Care volume	+/- 1%	+ 0.7 / - 0.7
Tissue price	+/- 1%	+ 3.2 / - 3.2
Tissue volume	+/- 1%	+ 0.8 / - 0.8
Operating expenses		
Pulp prices	+/- 1%	- 0.5 / + 0.5
Exchange rates		
AUD:USD exchange rate ²	+/- 1%	+ 0.5 / - 0.5
AUD:EUR exchange rate ³	+/- 1%	+ 0.2 / - 0.2
NZD:USD exchange rate ⁴	+/- 1%	+ 0.4 / - 0.4
Finance costs		
Interest rates ⁵	+/- 25 bps	- 0.6 / + 0.6

1 Assumes effective tax rate of 28%, below the Australian corporate tax rate of 30% due to lower overseas tax rates.

2 Asaleo Care's key input, pulp, is impacted by underlying movements in key commodity price indices which are generally denominated in US dollars. For the Australian part of the business, if the Australian dollar appreciates against the US dollar, Asaleo Care is likely to record a higher NPAT across its business. Asaleo Care hedges this foreign currency exposure on a rolling 12 month basis. However, the sensitivity is shown on an unhedged basis. See Section 4.4.6 for further information on Asaleo Care's foreign exchange rate hedging policy.

3 Asaleo Care purchases finished goods from SCA which are priced in Euros. For the Australian part of the business, if the Australian dollar appreciates against the Euro, Asaleo Care is likely to record a higher NPAT across its business. Asaleo Care hedges this foreign currency exposure on a rolling 12 month basis. However, the sensitivity is shown on an unhedged basis. See Section 4.4.6 for further information on Asaleo Care's foreign exchange rate hedging policy.

4 Asaleo Care's key input, pulp, is impacted by underlying movements in key commodity price indices which are generally denominated in US dollars. For the New Zealand part of the business, if the New Zealand dollar appreciates against the US dollar, Asaleo Care is likely to record a higher NPAT across its business. Asaleo Care hedges this foreign currency exposure on a rolling 12 month basis. However, the sensitivity is shown on an unhedged basis. See Section 4.4.6 for further information on Asaleo Care's foreign exchange rate hedging policy.

5 This sensitivity is presented on a gross basis and does not include mitigation from any hedging. See Section 4.4.6 for further information on Asaleo Care's interest rate hedging policy.

4. Financial Information

4.10 Pro forma adjustments to the statutory income statements and cash flow statements

4.10.1 Pro forma adjustments to the statutory consolidated historical and forecast income statements

Figure 57 sets out the pro forma adjustments to historical and forecast statutory revenue and NPAT to reflect the full period impact of the operating and capital structure that will be in place following Completion of the Offer as if it was in place as at 1 January 2011.

In addition, certain other adjustments to eliminate non-recurring items have been made in the year in which they occurred and changes to remuneration arrangements and estimated standalone public company costs have been reflected across the historical and forecast periods. These adjustments are summarised below.

See Figure 58 for further information on Asaleo Care's statutory consolidated historical income statements for CY2011, CY2012 and CY2013 and its statutory consolidated forecast income statements for CY2014.

Figure 57: Pro forma adjustments to the statutory consolidated historical income statements from CY2011 to CY2013 and the statutory consolidated forecast income statement for CY2014

December year end (\$ millions)	Note	Historical			Forecast
		CY2011	CY2012	CY2013	CY2014
Statutory revenue		2.5	622.0	625.8	642.2
Discontinued operations	1	(6.9)	(5.2)	(0.1)	–
Accounting for formation of what is now Asaleo Care	2	622.8	1.4	–	–
Interest income		(1.2)	(1.6)	(1.4)	–
Customer claims		0.3	(1.2)	0.9	–
Other		(0.1)	(0.1)	(0.1)	–
Pro forma revenue		617.3	615.3	625.1	642.2
Statutory NPAT		(0.3)	(40.0)	23.1	1.0
Accounting for formation of what is now Asaleo Care	3	42.6	34.6	0.3	–
Fees relating to pre-IPO ownership structure	4	16.0	1.3	1.7	1.0
Business transformation one-off costs	5	–	51.1	10.5	5.8
Management Incentive Plan	6	–	–	17.9	29.7
Listed company expenses	7	(3.0)	(3.0)	(3.0)	(1.5)
Other non-recurring items	8	2.7	1.1	(5.8)	17.6
Pro forma finance costs	9	(14.1)	35.2	31.9	44.8
Tax effect	10	(12.4)	(32.7)	(15.0)	(27.8)
Pro forma NPAT		31.5	47.6	61.5	70.6

- Discontinued operations:** adjustment to eliminate revenue contribution from certain discontinued Tissue product lines. The earnings impact is included in other non-recurring items and is insignificant (less than \$0.5 million gross margin impact in all historic periods).
- Accounting for formation of what is now Asaleo Care:** adjustment to reflect full year trading results of what is now Asaleo Care. In CY2011, statutory accounts reflect nine trading days for New Zealand operations and no trading days for Australian operations. In CY2012, statutory accounts exclude the first three trading days of the Australian operations. See Section 4.2.1 for further information on corporate history.
- Accounting for formation of what is now Asaleo Care:** adjustment to reflect full year trading results of what is now Asaleo Care (see note 2) and goodwill impairment incurred upon formation of what is now Asaleo Care. In CY2011, the \$42.6 million adjustment is made up of a statutory loss of \$225.1 million before interest and tax, adjusted for the goodwill impairment of \$262.4 million incurred (reflected within the statutory loss). It also includes an add back of transaction costs of \$8.9 million and reverses the impact of a positive fair value adjustment (\$3.6 million). In CY2012, \$34.6 million adjustment is made up of: a negative fair value adjustment of \$23.2 million and transaction costs of \$11.9 million, offset by a \$0.5 million adjustment to reflect a full year of trading results. In CY2013, there were transaction costs of \$0.3 million.
- Fees relating to pre-IPO ownership structure:** adjustment to eliminate the impact of the historical management fees, rebate income and royalty expense. The royalty agreement was renegotiated as part of the formation of what is now Asaleo Care hence the pro forma adjustment is substantially smaller in CY2012 to CY2014 (see Section 10.5.1 for further information on the TMTLA).
- Business transformation one-off costs:** reflects one-off costs associated with business transformation initiatives. In CY2012, the \$51.1 million is made up of: \$31.3 million of (non-cash) costs associated with accelerated depreciation of machinery and write-off of spares, \$11.9 million of redundancy payments and \$7.9 million of restructuring costs. In CY2013, the \$10.5 million is made up of \$6.7 million of redundancy provisions and the remainder of the amount primarily includes training and outside storage in connection with an inventory stock build to support restructuring. In CY2014, the adjustment includes redundancy payments and outside storage costs.
- Management Incentive Plan:** adjustment reflects one-off expenses relating to an existing MIP which was aligned to the pre-IPO performance of the business. The CY2013 amount also includes \$0.6 million relating to an employee unit plan. The CY2014 Pro forma Forecast Financial Information does not include expense for a New Long-term Incentive Plan which will be aligned to the post IPO performance of the business. This is because the Board has resolved that any such plan will only be implemented following Completion of the Offer and be effective from 1 January 2015 onwards.

4. Financial Information

- 7 **Listed company expenses:** represents incremental company expenses associated with becoming a listed entity, including: legal counsel, investor relations, ASX listing, audit and additional Directors fees. Statutory CY2014 forecast factors in the six month impact of this adjustment.
- 8 **Other non-recurring items:** in CY2011 and CY2012 the adjustment largely relates to additional depreciation expense arising from an assessment of machine asset useful lives undertaken in CY2013. In CY2013 the adjustment primarily represents a \$12.2m gain on an AUD denominated loan held in the NZ entity (the impact of FX fluctuations in CY2012 was immaterial). This loan is expected to be settled as part of the post IPO refinancing. This is offset predominantly by expenses relating to an onerous lease at the Te Rapa site. In CY2014 the adjustment includes transaction costs associated with the Offer, profit on sale of part of the Te Rapa site and the expected pre IPO gain associated with the aforementioned AUD denominated loan pre IPO.
- 9 **Pro forma finance costs:** pro forma finance costs have been adjusted assuming that the proposed pro forma capital structure post Completion of the Offer had been in place at the start of each historical period. The adjustment to CY2014 includes the impact of (\$27.1) million of finance facility establishment expenses, of which (\$11.2) million related to the February 2014 refinancing and (\$15.9) million related to the refinancing event at the time of the Offer. See Section 4.4.3 for further information on the New Banking Facilities.
- 10 **Tax effect:** assumed effective tax rate of 28%, below the Australian corporate tax rate of 30% due to lower overseas tax rates.

Figure 58: Statutory consolidated historical and forecast income statements

December year end (\$ millions)	Note	Statutory Historical			Statutory Forecast
		CY2011 ¹	CY2012 ¹	CY2013	CY2014
Revenue	2	2.5	622.0	625.8	642.2
Cost of goods sold		(1.9)	(399.7)	(370.2)	(372.5)
Gross profit		0.6	222.3	255.6	269.7
Distribution expense		(0.4)	(73.7)	(75.6)	(73.9)
Sales and marketing expenditure		(0.2)	(53.5)	(50.9)	(48.8)
General and administration expenditure		(0.1)	(28.8)	(24.1)	(29.2)
Other income/(expenses)	3	(0.4)	(71.1)	(27.8)	(59.3)
EBIT		(0.4)	(4.8)	77.2	58.5
Finance costs	4	-	(49.4)	(45.2)	(57.9)
Profit before tax		(0.4)	(54.2)	32.0	0.6
Tax expense		0.1	14.2	(8.9)	0.4
NPAT		(0.3)	(40.0)	23.1	1.0
Depreciation and amortisation	5	0.2	58.5	24.2	28.6
EBITDA		(0.2)	53.6	101.4	87.1

- 1 CY2011 and CY2012 do not include a full year of trading results for PEPSA Pty Ltd and are therefore not comparable with CY2013 and CY2014. In CY2011, statutory accounts reflect nine trading days for New Zealand operations and no trading days for Australian operations. In CY2012, statutory accounts exclude the first three trading days of the Australian operations. See Section 4.2.1 for further information on corporate history.
- 2 **Revenue:** statutory historical revenue includes finance income; however statutory forecast revenue excludes finance income.
- 3 **Other income/(expenses):** includes royalty expense, fees relating to the pre-IPO ownership structure, business transformation one-off costs, MIP and associated costs and other non-recurring items.
- 4 **Finance costs:** impacted by historical leveraged capital structure and not representative of proposed capital structure post Completion of the Offer (see Sections 4.4.3 and 4.4.4 for further information in indebtedness and the New Banking Facilities).
- 5 **Depreciation and amortisation:** CY2012 and CY2013 depreciation and amortisation is impacted by accelerated depreciation associated with the Tissue converting facilities upgrade.

4. Financial Information

4.10.2 Pro forma adjustments to the statutory consolidated cash flow statements

Figure 59 sets out the adjustments to the statutory historical cash flow as well as the statutory forecast cash flow to reflect the full year impact of the operating and financing structure that will be in place following Completion of the Offer, as if it was in place as at 1 January 2011 and to eliminate certain non-recurring items in the year in which they occurred.

Figure 59: Pro forma adjustments to the statutory consolidated historical cash flow statements from CY2011 to CY2013 and the statutory consolidated forecast cash flow statements for CY2014

December year end (\$ millions)	Note	Historical			Forecast
		CY2011	CY2012	CY2013	CY2014
Statutory net cash flow before financing and taxation		0.1	101.1	39.2	9.5
Accounting for the formation of what is now Asaleo Care	1	26.6	-	-	-
Fees relating to pre-IPO ownership structure	2	16.0	1.1	1.2	0.7
Business transformation one-off costs	3	-	6.4	11.1	10.2
MIP	4	-	-	-	31.4
Transaction costs	5	-	-	-	21.1
Listed company expenses	6	(3.0)	(3.0)	(3.0)	(1.5)
Other	7	(0.3)	2.4	0.6	(9.2)
Pro forma net cash flow before financing and taxation		39.4	108.1	49.1	62.1

- Accounting for the formation of what is now Asaleo Care:** adjustments required to reflect full year cash flow after capital expenditure of the Australian and New Zealand operations. See Section 4.10.1 for further information on the income statement impact of this adjustment.
- Fees relating to pre-IPO ownership structure:** adjustment to eliminate the cash impact of the historical management fees, royalty expenses and rebates.
- Business transformation one-off costs:** adjustment reflecting the cash flow impact of cash outflows in connection with restructuring. In CY2014 the \$10.2 million adjustment largely relates to redundancy payments and transition costs (primarily outside storage costs).
- Management Incentive Plan:** adjustment represents the net cash component of the MIP to be paid on Completion of the Offer (\$31.4 million) which includes on-costs. The MIP is linked to the pre-IPO performance of the business (see Section 10.5.5 for further information).
- Transaction costs:** adjustment to reflect costs associated with the sale of Existing Shares, the transaction costs in connection with the sale of New Shares under the Offer are reflected against equity and recorded below statutory net cash flow.
- Listed company expenses:** represents the pro forma \$3.0 million listed company annual cash outflow, the statutory CY2014 forecast factors in the six month impact of this adjustment. Key costs include: legal counsel, investor relations, ASX listing, audit and additional Directors fees.
- Other:** increase in CY2014 relates to sale proceeds from Te Rapa (\$7.6 million).

4. Financial Information

4.11 Dividend policy

Depending on the available profits and the financial position of Asaleo Care, it is the current intention of the Board for the Company to pay dividends.

The Directors intend to target a dividend payout ratio between 70% and 80% of Asaleo Care's statutory NPAT from CY2015. This level of payout is expected to vary between periods depending on factors the Directors may consider, including the general business environment, the operating results and financial condition of Asaleo Care, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Asaleo Care, and any other factors the Directors may consider relevant.

The Directors intend to declare or authorise a final dividend in each calendar year which is greater than 50% of the total dividend paid during the year. Asaleo Care will pay dividends in Australian dollars.

The Directors expect that the first dividend to Shareholders will be determined in respect of the period from 1 July 2014 to 31 December 2014, and will become payable in March 2015. On the basis of the statutory NPAT for CY2014 being impacted by one-off events arising from the Offer and as described in this Prospectus, the Board's current intention is to apply the dividend payout ratio to the pro forma net profit after tax and declare a dividend of \$29.1 million in respect of the period from 1 July 2014 to 31 December 2014. This represents a second half CY2014 dividend of 4.7 to 4.9 cents per share, based upon the Indicative Price Range. Payment of this dividend will be out of profits that may include prior year profits.

Asaleo Care expects that dividends will be unfranked until at least CY2016 due to the utilisation of historical tax losses as at 31 December 2013, and the generation of additional tax losses in CY2014 due to the significant one-off expenses incurred. The date of any franked dividend will depend on the amount of tax payable by Asaleo Care.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. Please read the basis of preparation and presentation of the Financial Information, the Directors' best estimate general and specific assumptions underlying the Forecast Financial Information and key sensitivities in respect of the Forecast Financial Information (see Sections 4.2, 4.8.1, 4.8.2 and 4.9).

Risks

5



5. Risks

5.1 Introduction

This Section 5 describes some of the potential risks associated with Asaleo Care's business and risks associated with an investment in Shares. It does not purport to list every risk that may be associated with an investment in Shares now or in the future. The occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside of the control of SaleCo and its directors and of the Company, its Directors and its management team.

The selection of risks has been based on an assessment by SaleCo and the Company of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. That assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

There can be no guarantee that the Company will deliver on its business strategy, or that the forecasts or any forward-looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Before applying for Shares, investors should satisfy themselves that they have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for them, having regard to their own investment objectives, financial situation and particular needs. If investors are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for them, they should seek professional guidance from their stockbroker, solicitor, accountant or other independent and qualified professional adviser prior to deciding whether to invest in the Company.

5.2 Business risks factors

5.2.1 Key Retail customers have significant market power

Asaleo Care generated 61% of its pro forma CY2013 net sales from major supermarkets. These supermarkets are large entities which hold strong market positions and influence with their suppliers, including in relation to contractual terms. Some of the contracts with key Retail customers are short term and may be able to be terminated for convenience by the Retail customer.

There is a risk that key Retail customers could make decisions that adversely impact Asaleo Care's business. This includes using their commercial leverage to push for lower prices on the Company's products or demanding higher trade discounts or allowances which could lead to lower profitability. The Company may also be negatively affected by changes in the policies of its Retail customers, such as limitations on access to shelf space, delisting of the Company's products, replacing the Company's products with competitor or Private Label products, additional requirements related to safety, environmental, social and other sustainability issues, and other commercial or operational conditions.

5.2.2 Competition may increase

Asaleo Care operates in a competitive environment. The Company's competitive position may decline if major customers form exclusive partnerships or other relationships with competitors, customer acceptance of Private Label increases, new competitors enter the market, imports provide increased competition or Asaleo Care fails to successfully respond to industry changes, competitor initiatives or customer preferences. Competitors could also release more advanced products that increase their market share at the expense of Asaleo Care.

5.2.3 Brand names may diminish in reputation or value

The success of Asaleo Care is heavily reliant on its reputation and branding. The Company's inability to address adverse publicity or other issues, including concerns about product safety, quality, efficacy or similar matters, real or perceived, could negatively impact sentiments towards the Company and its products and brands, and its business and financial results could suffer. Any factors or events that diminish the Company's reputation, brand names or related trade marks or intellectual property may adversely affect the operating and financial performance of the Company.

5.2.4 Realising benefits of capital investment program

Asaleo Care's Forecast Financial Information is partly reliant on the realisation of benefits associated with its capital investment program. The capital investment program may be subject to delays or cost overruns, and the corresponding benefits may be delayed, or the initiatives may not generate the expected level of sales, EBITDA growth or return on capital.

5.2.5 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 and price of raw materials and inputs, the ability to secure or renew supplier contracts on favourable terms, and the risk of fewer suppliers in the future due to potential consolidation in suppliers' industries.

Cellulose fibre, in the form of kraft pulp, is used extensively in the Company's tissue products and is subject to significant price fluctuations. Cellulose fibre, in the form of fluff pulp, is a key component in the Company's personal care products. Pulp is one of the Company's largest supplier categories, representing approximately 17% of total CY2013 operating costs. In recent years, pulp prices have experienced volatility, and this volatility may continue. Increases in pulp prices could adversely affect the Company's earnings if selling prices for finished products are not adjusted or if these adjustments significantly trail the increases in pulp prices. Derivative instruments have not been used to manage these risks.

5. Risks

5.2.6 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 euros and US dollars. While Asaleo Care has a rolling 12 month hedging policy and is fully hedged for CY2014 against currencies relating to its input costs, any foreign exchange rate movements beyond the forecast period could adversely affect the Company's future financial performance and position.

5.2.7 Disruptions to the Company's manufacturing capacity

Asaleo Care has five manufacturing facilities (four owned and one leased) across Australia, New Zealand and Fiji. There is a risk that the plants may not be able to maintain required production levels due to a natural disaster, industrial action, contamination, an industrial accident, fire, a power failure or explosion. A disruption at any of these facilities could adversely affect production capacity and earnings of the Company.

5.2.8 Product recalls and liability

Asaleo Care has procedures and policies in place to ensure compliance with applicable standards and to ensure its products are free from contamination. Contamination, poor product quality 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. While the Company maintains insurance for some of these risks, the Company may not be fully insured to cover its loss.

5.2.9 SCA may not renew its licensing agreement with Asaleo Care

Asaleo Care has a TMTLA with SCA which will expire in July 2022, with an option to renew to 2027 by mutual agreement. The TMTLA provides the Company with the right to use the TENA and Tork trade marks as well as licensed technology in defined geographical areas.

The TMTLA restricts the Company using the licensed trade marks, licensed technology or other licensed intellectual property beyond these geographical areas. In particular, Asaleo Care is restricted from commercialising outside the defined territory: Professional Hygiene and Incontinence Hygiene products utilising the licensed Tork and TENA brands; Feminine Hygiene and toilet Tissue products utilising the licensed sub-brands, licensed Velvet or Libresse brand or licensed get up; and any products produced utilising the licensed technology.

The TMTLA has a limited term of eight years (expiring in July 2022), and there is no assurance that it will be renewed after the expiration of the term. There is a risk that the Company could be adversely impacted if the TMTLA is terminated earlier than the eight years or expires and is not renewed, or is renegotiated on less favourable terms. See Section 10.5.1 for further discussion of the TMTLA arrangements. In addition, the Company is reliant on the supply of TENA and Tork products under the Supply Agreement with SCA.

5.2.10 SCA may not renew its Supply Agreement with Asaleo Care

Asaleo Care is reliant on the supply of key products under the Supply Agreement with SCA. The Supply Agreement terminates if the TMTLA expires or is terminated. The TMTLA has a limited term of eight years (expiring in July 2022). There is no assurance that the Supply Agreement will be renewed after the expiration of the TMTLA term. There is a risk that the Company could be adversely impacted if the Supply Agreement is terminated or expires and is not renewed, or is renegotiated on less favourable terms.

5.2.11 Failure to meet workplace health and safety regulations

Asaleo Care operates in Australia, New Zealand and Fiji and is subject to laws and regulations in respect of health and safety in each of these jurisdictions. Additional or amended laws and regulations may increase the cost of compliance, adversely impact Asaleo Care's ability to comply, or expose Asaleo Care to greater potential liabilities where, for example, changes to the regulatory framework result in higher or more complicated regulatory standards.

If Asaleo Care breaches these laws and regulations, including for example where Asaleo Care is held responsible for an injury or death, Asaleo Care and its Directors and officers could be subject to sanctions and penalties. Fatalities or workplace accidents may adversely affect the Company's safety record and reputation, which may make it difficult for Asaleo Care to hire and retain personnel and win new business.

5.2.12 Environmental non-compliance

Asaleo Care is required to run its operations in compliance with legislation concerning the protection of the environment, including relating to the use of natural resources (e.g. water), emissions and waste water, and the generation, storage, handling, transportation, treatment and disposal of waste materials.

The Company could incur material costs to comply with these laws and regulations or as a consequence of their breach (including costs of remediation of land, removal of asbestos or payment of compensation claims or regulatory penalties). Such costs could arise due to the historic operations and activities of the Company and others conducted on sites owned or occupied by the Company.

5.2.13 Decline in Australian or New Zealand general economic and sector conditions

Asaleo Care's business is predominantly based in Australia and a majority of its international business is based in New Zealand. Accordingly, the Group's business is affected by general economic conditions in Australia and New Zealand. Australian and New Zealand economic conditions and/or the local retail environment may deteriorate, or the consumer market may experience periods of price deflation. Such unfavourable economic conditions could negatively affect consumer demand for our products, including shifting consumer purchasing patterns to lower cost options such as private-label products as well as declining birth rates due to slow economic growth or other factors.

5. Risks

5.2.14 Interruptions, breaches or failures to the Company's information technology systems

The Company's information technology systems, some of which are dependent on services provided by third parties, serve an important role in the efficient and effective operation and administration of the Company's business.

These information technology systems could be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, computer viruses or cyber-based attacks. Any failure of information technology systems to perform as anticipated could disrupt the Company's business. While there are contingency plans in place to prevent or mitigate the impact of these events, if they were to occur and the Company's disaster recovery plans do not effectively address the issues on a timely basis, the Company could suffer interruptions in its ability to manage its operations, which may adversely affect its business and financial results.

Increased cyber-security threats and computer crime also pose a potential risk to the security of the Company's information technology systems, including those of contracted third party service providers, as well as the confidentiality, integrity and availability of the data stored on those systems. Any breach in technology information security systems could result in the disclosure or misuse of confidential or proprietary information, including sensitive customer, vendor, employee or investor information maintained in the ordinary course of business. Any such event could cause damage to reputation, loss of valuable information or loss of revenue and could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events.

5.2.15 Ability to attract and retain key management

Asaleo Care's performance is dependent on the ability of its senior executives and other key personnel to manage and grow its business and respond to customers' needs. Continuity and retention of senior executives and other key personnel are important for customer retention and ongoing customer negotiations, and for the ongoing implementation of the business transformation and growth initiatives commenced by the new senior management team introduced in 2011 and 2012. There is no restraint on Management working for a competitor of Asaleo Care but Management are required to keep information obtained whilst employed with the Company strictly confidential and may not use such confidential information in any manner. In addition, Management are restrained from soliciting any of Asaleo Care's clients or customers and must not employ (or entice) any employee, for a period of 12 months following termination of their employment. The loss of the services of Asaleo Care's senior executives or other key personnel, or an inability to attract and retain qualified and competent senior executives or other key personnel, could have a material adverse effect on Asaleo Care's operating and financial performance.

5.2.16 Management of working capital

At any point in time, Asaleo Care holds a significant level of trade receivables, and is therefore exposed to the risk that it may not be able to collect the full value of its trade receivables if the creditworthiness of its individual customers were to deteriorate. While the concentration of Asaleo Care's credit risk is limited as a result of the diversity of its customer base, an economic downturn could affect the solvency of customers, which in turn could adversely affect Asaleo Care's revenue and profitability and result in losses to the Company.

Similarly, Asaleo Care must ensure that trade payables are maintained at appropriate levels over time and that its key suppliers are paid within reasonable periods. Any misalignment between the movement in receivables and payables could significantly impact the Company's cash position.

5.2.17 The pro forma and forecast financial information included in this Prospectus may be materially different from Asaleo Care's actual results of operations and financial condition

The pro forma financial information included in this Prospectus is based upon (i) available information, including the historical audited consolidated financial statements of PEPSCA Pty Ltd (the former name of Asaleo Care) and SCA Hygiene Australia Pty Ltd; (ii) certain internal, unaudited financial statements, including the results of SCA Hygiene Holding Limited, and (iii) certain assumptions and estimates that the Directors believe are reasonable. The pro forma financial information differs materially from Asaleo Care's statutory results of operation and financial position for the periods presented. For example, for CY2012, Asaleo Care had a Statutory NPAT of (\$40.0) million and a pro forma NPAT of \$47.6 million; for CY2013, Asaleo Care had a Statutory NPAT of \$23.1 million and a pro forma NPAT of \$61.5 million; for the three months ended 31 March 2014, Asaleo Care had a Statutory NPAT of (\$13.1) million; and for CY2014, Asaleo Care's forecast Statutory NPAT is \$1.0 million and pro forma forecast NPAT is \$70.6 million.

In order to create a comparable presentation for CY2011, the pro forma financial statements have been derived from audited special purpose accounts of SCA Hygiene Australia Pty Ltd, which was acquired by PEPSCA Pty Ltd on 4 January 2012, and from certain internal, unaudited special purpose accounts of SCA Hygiene Holding Limited, which was acquired by PEPSCA Pty Ltd at approximately the same time.

This pro forma information may be materially different from what Asaleo Care's actual results of operations and financial position would have been had the Offer and associated transactions occurred during the periods presented. In particular, the assumptions used in preparing the pro forma financial information may not be realised, and other factors may affect Asaleo Care's financial condition and results of operations following the transaction.

5. Risks

5.2.18 Reputational damage

As with all manufacturing and trading companies, issues may arise from time to time that would give rise to reputational risk and cause harm to Asaleo Care and its business dealings and prospects. These issues include appropriately dealing with legal and regulatory requirements, issues of ethics, dealing with anti-corruption and bribery legislation, trade sanctions legislation, environmental issues, privacy, information and technology security, sales and trading practices. Failure to address these issues appropriately could give rise to additional legal, financial and operational risks, subject Asaleo Care to regulatory actions, fines and penalties or harm the reputation of Asaleo Care, its customers and investors in the marketplace.

5.2.19 Changes in political and regulatory environments

Asaleo Care is subject to various federal and state-based regulations in Australia and New Zealand as well as other jurisdictions in which the Company operates. The Company is subject to compliance with new/changed environmental and healthcare regulations that could come into effect if a government or government policies change.

The introduction of new regulations (including legislation regarding carbon dioxide emissions) may result in increased expenses for Asaleo Care, as it establishes new compliance procedures, retains its employees and reviews or redevelops products. With new regulatory environments, there is a risk that the regulations have unintended consequences, or are open to interpretation that increases the risk of non-compliance. There is also a risk that regulatory interpretations may change over time, which could adversely affect Asaleo Care's operations and ability to provide some products.

5.2.20 Industrial action may occur

Approximately 50% of Asaleo Care's employees are covered by enterprise bargaining agreements and other workplace agreements, which periodically require renegotiation and renewal. Disputes may emerge out of the renegotiation and renewal process.

There is a risk that employees of the Company could take industrial action, either as part of the renegotiation of industrial agreements or otherwise. This action could disrupt the Company's operations or make compensation and working condition demands that would increase the Company's labour costs and operating expenses.

5.2.21 Regulatory matters may negatively affect Asaleo Care

The Australian Taxation Office has recently commenced a risk review of income tax affairs of some Group companies in relation to the year ended 31 December 2011. The risk review is currently still in progress; however, Asaleo Care does not believe a material exposure exists and therefore no allowance has been made for any potential exposure in the financial statements.

5.3 Investment risk factors

5.3.1 Price of Shares

The price of Shares quoted on the ASX may rise or fall, and the Shares may trade below or above the Final Price due to a number of factors, including:

- general economic conditions, including interest rates, exchange rates, inflation rates and commodity prices;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- inclusion in or removal from market indices (including the S&P/ASX 200 index);
- the nature of markets in which the Company operates;
- general and operational business risks;
- natural disasters; and
- global hostilities, tensions and acts of terrorism.

There is no assurance that the price of the Shares will increase following their quotation on the ASX, even if Asaleo Care's earnings increase.

5.3.2 Trading in Shares may not be liquid

Prior to the Offer, there has been no public market in the Shares. Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

SCA will not sell any of its Shares in the Offer. At Completion of the Offer, SCA will hold approximately 32.7% of the total issued capital of the Company, assuming that the Final Price is at the midpoint of the Indicative Price Range. SCA has entered into an escrow arrangement in relation to all of its escrowed Shares, until the Company's full year results for CY2014 are provided to the ASX for release to the market (expected to be in February 2015).

At Completion of the Offer, Management Shareholders will hold approximately 1.5% of the total issued capital of the Company, assuming that the Final Price is at the midpoint of the Indicative Price Range. Management Shareholders have entered into an escrow arrangement in relation to all of their escrowed Shares. Of the Shares held by Management Shareholders on Listing, half will be subject to escrow arrangements until the date that is one year from Listing (expected to be 27 June 2015). The remaining half will be subject to escrow arrangement until the date that is two years from Listing (expected to be 27 June 2016) ("Escrow Period").

5. Risks

In each case, the escrow restrictions are subject to certain exceptions as set out in more detail in Section 10.5.6. The absence of any sale of escrowed Shares by the Escrowed Shareholders during their Escrowed Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that Shareholders may receive a market price for their Shares that is less than the price that Shareholders paid.

Following the end of the relevant Escrow Period, a significant sale of Shares by the Management Shareholders, or the perception that such a sale might occur, could adversely affect the market price of the Shares.

5.3.3 SCA will retain a significant holding

SCA will not sell any of its Shares in the Offer. At Completion of the Offer, SCA will hold approximately 32.7% of the total issued capital of the Company, assuming that the Final Price is at the midpoint of the Indicative Price Range. SCA may have the ability to influence the appointment of Directors and new management, as well as the outcome of matters submitted to meetings of Shareholders. PEP will on Completion of the Offer hold 0% of the Shares on issue. SCA has certain anti-dilution rights under the Relationship Deed as set out in more detail in Section 10.5.4.

5.3.4 Shareholder dilution

In the future, the Company may elect to issue Shares or engage in capital raisings to fund acquisitions that the Company may decide to make. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders at the time may be diluted as a result of such issues of Shares and capital raisings.

5.3.5 Taxation changes

There is the potential for further changes to Australia's and New Zealand's tax laws. Any change to the current rates of taxes imposed on the Company (including in foreign jurisdictions in which the Company operates) is likely to affect returns to Shareholders.

An interpretation of taxation laws by the relevant tax authority that is contrary to the Company's view of those laws may increase the amount of tax to be paid. The Company obtains external expert advice on the application of the tax laws to its operations.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to obtain professional tax advice in connection with any investment in Asaleo Care.

5.3.6 Australian Accounting Standards

Australian Accounting Standards are set by the AASB and are outside the control of the Company, SaleCo and their respective directors. The AASB is due to introduce new or refined Australian Accounting Standards during the period from 2014 to 2018, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables.

There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

5.3.7 Force majeure events

Events may occur within or outside Australia and New Zealand that could impact upon the Australian and New Zealand economies, the operations of the Company and the price of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Company's services and its ability to conduct business. The Company has only a limited ability to insure against some of these risks.

Key People, Interests and Benefits

6






6. Key People, Interests and Benefits

6.1 Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.




The composition of the Board committees and details of the Board's key corporate governance policies are set out in Section 6.4.

Each Director below has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Director without constraint from other commitments.

Director	Experience
 <p>Harry Boon¹ Independent Non-Executive Chairman</p>	<ul style="list-style-type: none"> • Harry Boon is the Chairman of the Company and has over 38 years of industry experience. • Harry also currently serves as Chairman of ASX listed Tatts Group and a non-executive director of Toll Holdings. • Previously, Harry was Chief Executive Officer and Managing Director of ASX listed Ansell Limited. He was also Chairman of PaperlinX and Gale Pacific Ltd, and was a director of Funtastic Ltd. Among his previous roles, Harry was also a non-executive director of Hastie Group Limited, which shortly after he left office, was placed into voluntary administration by its directors. • Harry holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from The University of Melbourne.
 <p>Peter Diplaris President/CEO</p>	<ul style="list-style-type: none"> • Peter Diplaris joined the Company as Chief Executive Officer in May 2011 and has over 25 years of industry experience. • Previously, Peter was the Group General Manager of Nippon Paper Group's Australian office division (2004-2011) and held a number of senior sales roles within National Foods (1996-2004) including the role of General Manager of Sales for Australia and New Zealand. He has also held marketing and sales management roles with AC Nielsen, Nestlé Dairy and Yellow Pages Group (1987-1996). • Peter holds a Bachelor of Business and Bachelor of Arts from Monash University.
 <p>Mats Berencrutz Non-Executive Director (representative of SCA)</p>	<ul style="list-style-type: none"> • Mats Berencrutz is a Non-Executive Director and has over 30 years of industry experience. • Mats also currently serves as Executive Vice President of SCA. He is also the Chairman of the board for SCA Hygiene Products AB and a former member of the board of Uni-Charm Mölnlycke BV. • Mats joined SCA in 1981 as a machine designer, 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.

¹ Appointed to the Board of Asaleo Care on 30 May 2014.





6. Key People, Interests and Benefits

Director	Experience
 <p>Nils Lindholm¹ Non-Executive Director (representative of SCA)</p>	<ul style="list-style-type: none"> Nils Lindholm is a Non-Executive Director and has over 20 years of industry experience. Nils also currently serves as the Head of Global Business Services for SCA. He is also a director of SCA UK Holdings Limited, SCA GmbH, SCA Hygiene Products Nederland BV and SCA Tissue Finland Oy. Previously, Nils was financial manager for AGA in Sweden, Chile and France and CFO for Billerud and SCA's hygiene business, located in Sweden and Germany. He is also a former director of Productos Familia SA, Colombia and SCA Hygiene Products SE, Germany and a former board member of The Institute of Internal Auditors, Sweden. Nils holds a Bachelor of Science, majoring in Business Administration from The Stockholm School of Economics.
 <p>Sue Morphet¹ Independent Non-Executive Director</p>	<ul style="list-style-type: none"> Sue Morphet is a Non-Executive Director and has over 28 years of industry experience. Sue also currently serves as non-executive director for Fisher & Paykel Appliances and Chairman of Manufacturing Australia. Previously, Sue was an executive director and Chief Executive Officer of ASX listed Pacific Brands and held a number of senior roles with Pacific Brands, including Group General Manager of Underwear and Group General Manager of Bonds. She also held roles in manufacturing and sales and marketing with Pacific Dunlop and Sheridan Australia. Sue holds a Bachelor of Science and Education from The University of Melbourne.
 <p>JoAnne Stephenson¹ Independent Non-Executive Director</p>	<ul style="list-style-type: none"> JoAnne Stephenson is a Non-Executive Director and has over 25 years of industry experience. JoAnne also currently serves as non-executive director for ASX listed Challenger Financial. She is also Chairman of the Melbourne Chamber Orchestra and a non-executive director of the Peter MacCallum Cancer Institute. Previously, JoAnne was a non-executive director of Yarra Valley Water and YWCA Australia and a member of the Victorian Government TAFE Reform Expert Panel and 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 also a member of both the Australian Institute of Company Directors and The Institute of Chartered Accountants in Australia.





¹ Appointed to the Board of Asaleo Care on 30 May 2014.

6. Key People, Interests and Benefits

6.2 Senior leadership team

Executive		Experience
	<p>Peter Diplaris President/CEO</p> <p>Three years at the Company</p>	<ul style="list-style-type: none"> See Section 6.1
	<p>Paul Townsend CFO</p> <p>Two years at the Company</p>	<ul style="list-style-type: none"> Paul Townsend joined the Company as Chief Financial Officer in July 2012 and has over 25 years of industry experience. Previously, Paul was CFO of Pacific Hydro (2010-2012), Futuris Automotive Group (2004-2010) and Melbourne Stadiums (2003-2004). He was also the Group Treasurer at Pasminco (2000-2003). Paul holds a Bachelor of Business (Accounting) from Swinburne University of Technology. He is a Fellow of The Institute of Chartered Accountants in Australia.
	<p>Andrew Phillips Executive General Manager Personal Care</p> <p>Two years at the Company</p>	<ul style="list-style-type: none"> Andrew Phillips joined the Company as Executive General Manager Personal Care in June 2012 and has 26 years of industry experience. Previously, Andrew was Operating Unit Head of Novartis Consumer Health for Australia and NZ, South East Asia and South Africa (2006-2012) and Kraft Foods (1997-2006), most recently as President Greater China (2004-2006). Andrew has also held senior marketing roles at Cadbury Schweppes, having commenced his fast moving consumer goods career at Unilever. Andrew holds a Bachelor of Commerce (Economics and Commercial Law) from The University of Melbourne.
	<p>Scott Pannell Executive General Manager Consumer Tissue and Baby</p> <p>Three years at the Company</p>	<ul style="list-style-type: none"> Scott Pannell joined the Company as Sales Director Consumer in September 2011 and was appointed as Executive General Manager Consumer Tissue and Baby in May 2012. He has over 20 years of industry experience. Previously, Scott was CEO of A2 Corporation (2009-2010), General Manager of Vitasoy (2005-2009) and General Manager of International Fine Foods at National Foods NZ (2004-2005). Scott holds a Bachelor of Business (Economics and Marketing) from Swinburne University of Technology and an MBA from Melbourne Business School.

6. Key People, Interests and Benefits

Executive	Experience
 <p>Sid Takla Executive General Manager Tork Professional Hygiene and Pacific Islands</p> <p>Seven years at the Company</p>	<ul style="list-style-type: none"> • Sid Takla was appointed as Executive General Manager Tork Professional Hygiene and Pacific Islands in May 2012 and has 18 years of industry experience. • Previously, Sid has held senior operational and finance roles within Carter Holt Harvey Packaging (2000-2007) and Amcor Flexible Packaging (1995-2000). • Sid holds a Bachelor of Commerce (Accounting and Commercial Law) from University of Western Sydney. He also achieved a CPA designation.
 <p>Willem Wiese COO</p> <p>Two years at the Company</p>	<ul style="list-style-type: none"> • Willem Wiese joined the Company as Chief Operations Officer in October 2012 and has over 25 years of industry experience. • Previously, Willem was Group General Manager of B9 Paper & Recycling at Amcor (2009-2012) and was the Group Executive of Corrugated and Tissue Products at Nampak (2001-2009). Willem has also held various roles as Chairman of listed companies in Africa as well as senior supply chain, operational and technical positions with Premier Foods and BOC Gases. • Willem holds an MBA, a Masters in Industrial Engineering and a Masters in Electrical Engineering from University of the Witwatersrand.
 <p>Andrea Bell CIO</p> <p>12 years at the Company</p>	<ul style="list-style-type: none"> • Andrea Bell was appointed as Chief Information Officer in 2012 and has 25 years of industry experience. • Previously, Andrea was IT Direct Asia Pacific for SCA (2008-2011), and has held various IT roles at South Pacific Tyres (1990-2002) and Arthur Andersen & Co (1988-1990). • Andrea holds a Bachelor of Business (Accounting and Computing), Graduate Diploma in Management Systems and a Masters of Information Systems Management from Swinburne University of Technology.
 <p>David Griss Executive General Manager Human Resources</p> <p>Two years at the Company</p>	<ul style="list-style-type: none"> • David Griss joined the Company as Executive General Manager Human Resources in March 2012 and has 19 years of industry experience. • Previously, David has 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 and a Graduate Diploma in Risk Management from RMIT University.

6. Key People, Interests and Benefits

6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the issue or sale of Shares or financial services licensee involved in the issue or sale of Shares under this Prospectus,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers:

- Investec has acted as financial adviser to SCA in relation to the evaluation, planning and implementation of the potential IPO of the Company. The Company has agreed to reimburse SCA for \$2.5 million of the fees paid or to be paid by SCA to Investec associated with this advice;
- Citi, Macquarie Capital and Merrill Lynch have acted as Joint Lead Managers to the Offer. The Company has paid, or agreed to pay, the JLMs the fees described in Section 10.5.2 for these services;
- Bell Potter Securities Limited, CBA Equities Limited, Macquarie Equities Limited and Morgans Financial Limited have acted as Co-Managers to the Offer. Each will be paid fees of 1.50% of the value of Shares allocated to clients of that Co-Manager. All amounts are payable by the Joint Lead Managers out of fees payable to the Joint Lead Managers under the OMA;
- Minter Ellison has acted as Australian legal adviser (other than in respect of taxation matters) to the Company and SaleCo in relation to the Offer. The Company has paid, or agreed to pay, approximately \$0.9 million (excluding disbursements and GST) for those services. Further amounts may be paid to Minter Ellison in accordance with its normal time-based charges;

- PricewaterhouseCoopers Securities Ltd has acted as Investigating Accountant, prepared the Investigating Accountant's Reports in Sections 8 and 9, performed work in relation to due diligence enquiries and prepared the Investigating Accountant's Report on Forecast Financial Information in Section 9. The Company has paid, or has agreed to pay, approximately \$1.1 million (excluding disbursements and GST) for the above services up until the Prospectus Date; and
- PricewaterhouseCoopers has acted as Australian taxation adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$0.7 million (excluding GST and disbursements) for those services. Further amounts may be paid to PwC for those services in accordance with its normal time-based charges.

Other than as otherwise stated, these amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.3.2 Directors' and key Management interests and remuneration

President/CEO Remuneration

SCA Hygiene Australasia Pty Ltd (SCAHA) has entered into an employment contract with Peter Diplaris to govern his employment with the Group. SCAHA is the Australian operating entity of the Group which contracts on behalf of the Group for certain matters, including the employment of Management. Peter holds the position of President/CEO of Asaleo Care. Subject to the listing of Asaleo Care on the official list of ASX, Peter will receive a total fixed remuneration of \$750,000 (inclusive of superannuation).

In addition, Peter is eligible to participate in SCAHA's Short Term Executive Incentive Program (STEIP) for the year ending 31 December 2014, and is eligible under the STEIP to receive an incentive award equal in value to a certain percentage of Peter's current (pre-IPO) annual fixed remuneration (excluding superannuation and car allowance) of \$550,000 (**Base Salary**) if certain financial and personal targets are achieved or exceeded. 90% of the incentive award is payable in cash (less applicable taxes and deductions) and 10% of the incentive award is payable as a superannuation contribution into Peter's SCAHA superannuation fund account (unless Peter has reached the statutory maximum superannuation contribution base, in which case he may elect to receive the 10% in cash instead). Subject to the rules of the STEIP, Peter is eligible to receive:

- up to 40% of Base Salary if 100% of each of the financial and personal targets (**Targets**) set against the budget are achieved;
- up to 68% of Base Salary if each of the second level of Targets set against the budget are achieved; and
- up to 123% of Base Salary if each of the third level of Targets set against the budget are achieved.

Peter received a total of \$873,008 in remuneration for CY2012 and \$1,600,500 for CY2013 (which includes his base salary, long-term incentives (where applicable), short-term incentives, superannuation and vehicle allowance).

6. Key People, Interests and Benefits

Peter may terminate his employment contract by giving three months notice in writing. SCAHA may terminate by giving nine months notice in writing, or by making a payment in lieu of part or all of the notice period. In the event of serious misconduct, serious breach or non-observance of any term or condition of the terms of the employment contract or serious neglect of duties, SCAHA may immediately terminate Peter's employment without notice or payment in lieu of notice.

Upon the termination of the employment contract, Peter will be subject to restraint of trade provisions which prevent him from soliciting any clients or customers of, or employing or enticing any employee of, SCAHA for a period of 12 months from the date of termination of his employment. Enforceability of the restraint of trade provisions is subject to all usual legal requirements. Throughout and at all times after the termination of his employment, Peter must not engage in any specific project or research (whether in the course of any business, employment, consultancy or otherwise) in relation to which use of the Company's confidential information could reasonably be expected to put Peter or any third party at an unfair advantage. Peter's employment contract also contains confidentiality provisions (which continue after termination of Peter's employment) preventing Peter from disclosing confidential information of the Company or using it for his own use or benefit or that of a third party.

As at the Prospectus Date (and immediately before the Offer), Peter (or interests associated with him) holds the economic interests in 0.5 million Shares, via a holding in the employee share trust that is managed by PEPSCA Employee Pty Ltd. That employee share trust will sell all of its Shares in the IPO, resulting in Peter's investment in those 0.5 million Shares being realised.

In addition, Peter is a participant in the MIP, a pre-Offer management incentive plan that will crystallise on successful Completion of the Offer and which will result in the Company making a cash payment to Peter (and certain other executives). Peter and the other executives have agreed to invest two-thirds of the post-tax MIP payment that they receive in Shares in the Company, with those Shares to be escrowed for one year (as to half of them) and two years (as to the other half of them). More details regarding the MIP and the escrow arrangements relating to Shares issued as part of the MIP are set out in this Section 6.3.2 and in Sections 10.5.5 and 10.5.6.

The exact amount that Peter will receive under the MIP will depend upon the Final Price, as the MIP payments are calculated by reference to the PEP Shareholders' exit price, and its impact on their internal rate of return, multiple of money realised and overall gain. As an illustration, if the Final Price were \$1.55, Peter would be entitled to approximately \$14.6 million (before payment of tax) and would reinvest \$5.2 million (being two-thirds of the post-tax amount) in Shares under the Offer, and if the Final Price were \$1.80, Peter would be entitled to approximately \$17.2 million (before payment of tax) and would reinvest \$6.1 million (being two-thirds of the post-tax amount) in Shares under the Offer. The impact of these cash payments and the reinvestment has been taken into account in the financial information that is presented in Section 4.

Other key Management

Each other member of Management is employed under individual employment agreements with SCAHA. These establish total compensation including a base salary, superannuation entitlement and incentive arrangements; leave entitlements in accordance with applicable legislation; and restraint of trade provisions preventing Management from soliciting any clients or customers of, or employing or enticing any employee of, the Company for a period of 12 months after termination of their employment. One member of Management also received relocation expenses from the Company in respect of relocation from Sydney to Melbourne. Each member of Management will receive a small increase to their total fixed remuneration subject to the listing of Asaleo Care on the official list of ASX.

Throughout and at all times after the termination of their employment, each member of Management is prohibited from engaging in any specific project or research (whether in the course of any business, employment, consultancy or otherwise) in relation to which use of the Company's confidential information could reasonably be expected to put the relevant member of Management or any third party at an unfair advantage. The employment contract of each member of Management also contains confidentiality provisions (which continue after termination of the relevant executive's employment) preventing that executive from disclosing the confidential information of the Company or using it for his or her own use or benefit or that of a third party.

SCAHA may terminate the employment of each member of Management by providing nine months notice (three months in the case of one member of Management) or payment in lieu of notice, or the executive may terminate their employment by providing three months notice. SCAHA may dismiss employees immediately without notice or payment in lieu of notice in the event of serious misconduct, serious breach or non-observance of any term or condition of the terms of the employment contract or serious neglect of duties.

Each member of Management is entitled to participate in the STEIP for the year ending 31 December 2014, and is eligible under the STEIP to receive an incentive award equal in value to a certain percentage of the relevant executive's current (pre-IPO) base salary if certain financial and personal targets are achieved or exceeded. 90% of the incentive award is payable in cash (less applicable taxes and deductions) and 10% of the incentive award is payable as a superannuation contribution into the relevant executive's SCAHA superannuation fund account (unless that executive has reached the statutory maximum superannuation contribution base, in which case the executive may elect to receive the 10% in cash instead).

Subject to the rules of the STEIP, one executive will be eligible to receive:

- up to 21% of their base salary if each of the first level of targets set for that executive are achieved;
- up to 28% of their base salary if each of the second level of targets set for that executive are achieved; and
- up to 35% of their base salary if each of the third level of targets set for that executive are achieved.

6. Key People, Interests and Benefits

In relation to all other members of Management, each executive will (subject to the rules of the STEIP) be eligible to receive:

- up to 30% of their base salary if each of the first level of targets set for that executive are achieved;
- up to 37% of their base salary if each of the second level of targets set for that executive are achieved; and
- up to 50% of their base salary if each of the third level of targets set for that executive are achieved.

As at the Prospectus Date (and immediately before the Offer), various members of Management (or interests associated with them) collectively hold the economic interests in 1.9 million Shares, via a holding in the employee share trust that is managed by PEPSA Employee Pty Ltd. That employee share trust will sell all of its Shares in the IPO, resulting in Management's investment in those 1.9 million Shares being realised.

Management Incentive Plan

In addition to their remuneration as described above, some of the members of Management are participants in the MIP, a pre-Offer management incentive plan under which those employees will receive cash payments from the Company as a result of successful Completion of the Offer. Although the executives (excluding Peter Diplaris) are entitled to receive the payments under the MIP as cash, they have agreed:

- to invest two-thirds of the after-tax cash amount shares in the Company at the Final Price;
- to have that shareholding escrowed until the first anniversary of Listing, and half of it escrowed for a further year; and
- to be subject to a risk of forfeiting their shareholding if they leave the Company during that period in certain circumstances.

More details regarding the escrow are available in Section 10.5.6. The Company believes these investment, forfeiture and escrow arrangements demonstrate the executives' commitment to and alignment with the interests of the Company.

Non-Executive Director remuneration

Under the Constitution, subject to the ASX Listing Rules, the Directors as a whole (other than Executive Directors) may be paid or remunerated for their services a total amount or value not exceeding \$1,500,000 per annum or such other maximum amount fixed by the Company in general meeting. Annual Directors' fees currently agreed to be paid by the Company are \$300,000 to the Chairman Harry Boon, and \$110,000 to each of the other independent Non-Executive Directors.

In addition, the Chairman of the Audit and Risk Committee and the Chairman of the Remuneration and Human Resources Committee will each be paid \$20,000 annually. The remuneration of Directors must not include a commission on, or a percentage of, profits or operating revenue. All Directors' fees are inclusive of statutory superannuation.

Deeds of indemnity, access and insurance for Directors

The Company has entered into deeds of indemnity, access and insurance with each Director and the Company Secretary which contain rights of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before the seven year period expires.

Under the Constitution, the Company is required to indemnify all Directors and officers, past and present, against certain liabilities. The indemnity provided for under the deed of indemnity, access and insurance, operates from the date of appointment as a Director or officer of the Company until the seventh anniversary of that Director or officer's retirement date. Subject to the terms of a director or officer's liability insurance policy, the Company indemnifies each Director and officer against all liabilities incurred by that Director or officer in or arising out of the discharge of that Director or officer's duties (as a director or officer of the Company) and any and all reasonable legal costs which relate to any such liability, in each case to the maximum extent permitted by law (including certain statutory restrictions), the Constitution and excluding any liabilities that are subject to a third party indemnity or insurance policy. If a Director or officer of the Company is entitled to be indemnified under the deed of indemnity, access and insurance, the Company will pay the relevant amount to discharge the liability or legal cost. Under the terms of the deed, the Company will not indemnify a Director or officer of the Company in circumstances where to do so would involve the Company or any of its subsidiaries being in breach of any law.

Under the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors and officers to the extent permitted by law. Under the deed of indemnity, access and insurance, the Company must, for each Director or officer, maintain or procure the maintenance of insurance for the Director or officer's period of office and for a period of seven years after the Director or officer ceases to hold office.

The deed allows for the Company in certain cases to make advance payments to an indemnified party for an amount owing in respect of a loss covered by the deed.

SaleCo indemnity deed

The Company has entered into a deed of indemnity under which the Company indemnifies SaleCo and its directors against losses incurred in respect of the Offer by them as a result, among other things, of defects in, or the distribution of, this Prospectus or any advertising or marketing in respect of the Offer published by the Company. The indemnity does not extend to losses resulting from fraud, recklessness, wilful misconduct or gross negligence of an indemnified party or to the extent the indemnity would be illegal, void or unenforceable under any law.

6. Key People, Interests and Benefits

The deed also contains a release by the Company of the indemnified parties as a result among other things of their participation in the preparation of this Prospectus or otherwise in relation to the Offer. The release does not apply in relation to losses resulting from any fraud, recklessness, wilful misconduct or gross negligence of an indemnified party, whether as a director or executive of SaleCo or the Company. Liability of an indemnified party for indirect or consequential loss or damage is also excluded.

The deed allows for the Company in certain cases to make advance payments to an indemnified party for an amount owing in respect of a loss covered by the deed.

Other information about Directors' interests and benefits

Directors will be reimbursed for business expenses, necessarily incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or Board committees, provided the expenses are reasonable and all Company policies in relation to expenses are complied with.

Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not within the normal role of the Director, at the request of the Board.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Other interests of Directors and Management are set out in Section 1.6.

Directors' shareholdings

Directors are not required under the Constitution to hold any Shares. However, the shareholdings of all Directors on Completion of the Offer are expected to be as follows:

- Peter Diplaris (or interests associated with him) will own or control Shares in the Company with a value of approximately \$5.7 million¹, as a result of the pre-Offer MIP and his agreement to reinvest two-thirds of the proceeds from the plan, as discussed in Section 10.5.5;
- Harry Boon (or interests associated with him) is expected to own or control Shares in the Company with a value of \$200,000, based on his intention to subscribe for Shares of that value under this Prospectus; and
- Sue Morphet (or interests associated with her) is expected to own or control Shares in the Company with a value of \$55,000, based on her intention to subscribe for Shares of that value under this Prospectus.

SaleCo Directors

Messrs Peter Diplaris, Paul Townsend and David Griss are directors of SaleCo.

As at the Prospectus Date (and immediately before the Offer), Paul (or interests associated with him) and David (or interests associated with him) respectively hold the economic interests in 0.4 million and 0.2 million Shares, via separate holdings in the employee share trust that is managed by PEPSCA Employee Pty Ltd. That employee share trust will sell all of its Shares in the IPO, resulting in Paul's and David's investments in those Shares respectively being realised.

In addition, Paul and David are participants in the MIP, a management incentive plan that will result in the Company making a cash payment to certain executives as a result of the Offer. Paul and David (and the other executives) have agreed to invest two-thirds of the post-tax MIP payment that they each receive in Shares in the Company, with those Shares to be escrowed for one year (as to half of them) and two years (as to the other half of them). More details regarding the MIP and the escrow arrangements relating to Shares issued as part of the MIP are set out in this Section 6.3.2 and in Sections 10.5.5 and 10.5.6.

The exact amount that Paul and David will each receive under the MIP will depend upon the Final Price, as the MIP payments are calculated by reference to the PEP Shareholders exit price, and its impact on their internal rate of return, multiple of money realised and overall gain. As an illustration, if the Final Price were \$1.55, Paul and David would respectively be entitled to approximately \$4.9 million and \$2.4 million (including the substantial portion that they have agreed to reinvest, and before payment of tax), and if the Final Price were \$1.80 then Paul and David would respectively be entitled to approximately \$5.7 million and \$2.9 million (including the reinvestment portion, and before payment of tax). The impact of these cash payments and the reinvestment has been taken into account in the Financial Information that is presented in Section 4.

For details in relation to Peter Diplaris' economic interest in the employee share trust that is managed by PEPSCA Employee Pty Ltd and the amount he will receive under the MIP, refer to page 96 of this Section 6.3.2 of the Prospectus.

¹ Under the MIP, Peter Diplaris will be entitled to receive a cash payment that will vary by reference to the Offer Price. This figure represents his reinvestment of part of this cash payment assuming the Final Price is at the midpoint of the Indicative Price Range.

6. Key People, Interests and Benefits

6.4 Corporate governance

This Section 6.4 explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating financial returns and greater value for Shareholders, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. The Company's code of conduct outlines how the Company expects Directors and other personnel to behave and conduct business in a range of circumstances. In particular, the code specifies standards of honesty, integrity, ethical and law-abiding behaviour expected of Directors, management and employees and requires awareness of, and compliance with, laws and regulations relevant to the Company's operations as well as other policies that Directors and employees are required to comply with, including occupational health and safety, privacy and fair dealing and conflict of interest. Details of the Company's key policies and practices and the charters for the Board and each of its committees will be available at www.asaleocare.com.

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations for Australian listed entities ("**ASX Recommendations**") in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The third edition of the ASX Recommendations takes effect for a listed entity's first full financial year commencing on or after 1 July 2014. Entities with a 31 December balance date will be expected to measure their governance practices against the recommendations in the third edition with the financial year ending 31 December 2015. The ASX Recommendations are not prescriptive, but guidelines. However, under ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. The Board does not anticipate that it will depart from the ASX Recommendations. However, it may do so in the future if it considers that such departure would be reasonable.

6.4.1 Board of Directors

The Board of Directors comprises three independent Non-Executive Directors (including the Chairman), two Non-Executive Directors and the CEO.

Detailed biographies of the Board members are provided in Section 6.1.

The Board considers an Independent Director to be a Non-Executive Director who is not a member of the Company's Management and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board charter sets out guidelines and thresholds of materiality for the purpose of determining the independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers that each of Harry Boon, Sue Morphet and JoAnne Stephenson is an Independent Director for the purpose of the ASX Recommendations as each is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Nils Lindholm, Mats Berencreutz and Peter Diplaris are currently considered by the Board not to be independent. Having regard to the definition and indications of independence in the ASX Recommendations, Messrs Lindholm and Berencreutz are not considered independent given their employment relationship with SCA. Peter Diplaris is the CEO of the Company and therefore, not independent.

Accordingly, the Board will consist of 50% Independent Directors, with the Chairman being an Independent Director and having a casting vote in addition to his deliberative vote. Regardless, the Board considers that each of the Non-Executive Directors brings objective and independent judgement to the Board's deliberations and that each of the Non-Executive Directors makes a valuable contribution to the Company through the skills they bring to the Board and their understanding of the Company's business.

6. Key People, Interests and Benefits

6.4.2 Board charter

The Board considers that strong and effective corporate governance can add to the Company's performance, create value for Shareholders, and engender investor confidence. To that end, the Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and Management; and
- the authority delegated by the Board to Management and Board committees.

The Board's role is to, among other things:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;
- oversee the Company, including its control and accountability systems;
- oversee the nomination and appointment, and monitor the performance, of Management (and in particular, the CEO and CFO);
- conduct succession planning for Management;
- review performance, operations and compliance reports from the CEO and CFO, including reports and updates on strategic issues and risk management matters;
- review and ratify systems of risk management, internal compliance and control, codes of conduct and legal compliance to ensure appropriate compliance frameworks and controls are in place;
- monitor Management's performance, implementing strategy and seeking to ensure appropriate resources are available;
- approve, and monitor the progress of, major capital expenditure, capital management and acquisitions and divestitures;
- approve budgets;
- approve, and monitor corporate, financial position and other reporting systems including external audit and overseeing their integrity;
- identify the risk appetite within which the Board expects Management to operate and approve and monitor systems of risk management, accountability, internal compliance and control and legal compliance to ensure that appropriate compliance frameworks and controls are in place; and
- adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards, including establishing procedures to ensure the financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements.

Matters which are specifically reserved for the Board or its committees include:

- appointment of the Chairman;
- appointment and removal of the CEO;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and their delegated authorities;
- approval of dividends;
- review of corporate codes of conduct;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to Management;
- calling of meetings of Directors or Shareholders; and
- any other specific matters nominated by the Board from time to time.

The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by officers to whom the management function is properly delegated by the CEO). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to access Management and to request additional information at any time they consider it appropriate. The Board collectively, and individual Directors, may seek independent professional advice at the Company's expense, subject to the reasonable approval of the Chairman of the Board and the advice received being made available to the Board as a whole.

6.4.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

The Board has established the Audit and Risk Committee, the Remuneration and Human Resources Committee and the Nomination and Governance Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

Audit and Risk Committee

Under its charter, this committee must have at least three members, a majority of whom must be Independent Directors and all of whom must be Non-Executive Directors. Under its charter, the Audit and Risk Committee shall appoint a chairperson who must be an appropriately qualified Independent Director and must not be Chairman of the Board. Also, all members of this committee must be financially literate and have familiarity with financial and accounting matters and at least one member must be a qualified accountant or other financial professional with appropriate expertise of financial and accounting matters. Currently, Nils Lindholm, Harry Boon and Sue Morphet are members of this committee. JoAnne Stephenson is Chairman of the committee.

6. Key People, Interests and Benefits

The primary role of this committee is to assist the Board in carrying out its accounting, auditing, financial reporting and risk management responsibilities including:

- engaging in the oversight of the Company's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process;
- assessing the appropriateness and application of the Company's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- assessing any significant estimates or judgements in the Company's financial reports;
- reviewing all half yearly and annual reports with Management, advisers, and the auditors (as appropriate) and recommending the applicable accounts' adoption by the Board;
- overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficacy of those systems;
- approving the terms of engagement with the external auditor at the beginning of each financial year;
- approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation; and
- meeting periodically with the external auditor and inviting the external auditor to attend committee meetings to assist the committee to discharge its obligations.

Remuneration and Human Resources Committee

Under its charter, this committee must have at least three members, a majority of whom (including the Chairman) must be Independent Directors and all of whom must be Non-Executive Directors. Currently, Mats Berencrutz, JoAnne Stephenson and Harry Boon are members of this committee. Sue Morphet is Chairman of the committee.

The primary role of the Remuneration and Human Resources Committee is to assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that the Company:

- has coherent remuneration policies and practices which enable the Company to attract and retain executives and Directors who will create value for Shareholders;
- fairly and responsibly remunerates Directors and executives, having regard to the performance of the Company, the performance of the executives and the general remuneration environment; and
- has policies to periodically evaluate the performance of its senior executives and review Management's overall human resources strategy to effectively acquire, maintain and develop human resources.

Nomination and Governance Committee

Under its charter, this committee must have at least three members, a majority of whom (including the Chairman) must be Independent Directors and all of whom must be Non-Executive Directors. Currently, all Directors are members of this committee. Harry Boon is Chairman of this committee.

The primary role of the Nomination and Governance Committee is to assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that the Company:

- has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties and to bring transparency, focus and independent judgement to decisions regarding the composition of the Board;
- provides Shareholders with all material information relevant to a decision about whether or not to elect or re-elect a director (including information related to independence);
- is responsible for and discloses a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership;
- has a Board which reviews its own performance and that of its Committees and subsidiary boards from time to time, with a view to achieving and maintaining an appropriate level of performance; and
- has developed and implemented corporate governance policies, practices and procedures that reflect appropriate standards with respect to corporate governance.

6.4.4 Risk management policy

The identification and proper management of the Company's risks are an important priority of the Board. The Company has adopted a risk management policy appropriate for its business. This policy highlights the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for overseeing and approving risk management strategy and policies. The Board has responsibility for reviewing and ratifying the risk management structure, process and guidelines which are to be developed, maintained and implemented by Management. To assist the Board in discharging these obligations, the Board has delegated certain functions to the Audit and Risk Committee. The responsibilities of the Committee include overseeing the establishment and implementation of risk management and internal compliance and control systems and reviewing the Group's financial risk management procedures to ensure that it complies with its legal obligations, including assisting the CEO and CFO to provide declarations required under section 295A of the Corporations Act.

The Company has in place a system whereby Management must report at each Board meeting as to the extent to which the current risk management program effectively identifies all areas of potential risk, and adequate policies and procedures have been implemented to manage identified risks (among other issues).

6. Key People, Interests and Benefits

6.4.5 Diversity policy

The Company values a strong and diverse workforce and is committed to developing measurable objectives of diversity and inclusion in its workplace. The Company has implemented a diversity policy, with meritocracy the guiding principle, which is overseen by the Board and which aligns the Company's management systems with the commitment to develop a culture that values and achieves diversity in its workforce and Board. In its annual report, the Company will disclose the Company's achievement of the policy's objectives including progress towards achieving the measurable objectives for achieving diversity.

6.4.6 Continuous disclosure policy

Once listed on the ASX, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exception contained in the ASX Listing Rules, the Company will be required to disclose to the ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a policy to take effect from Listing which establishes procedures which are aimed at ensuring that Directors and Management are aware of and fulfilling their obligations in relation to the timely disclosure of material price-sensitive information.

Under the disclosure policy, the Board or the Disclosure Committee will be responsible for managing the Company's compliance with its continuous disclosure obligations. Continuous disclosure announcements will also be made available on the Company's website, www.asaleocare.com.

6.4.7 Securities trading policy

The Company has adopted a Securities trading policy which will apply to the Company and its Directors, officers, employees and Management, including those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. The policy is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish procedures in relation to dealings in Shares by Directors, Management or employees.

The policy defines certain closed periods during which trading in Shares by the Company's Directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly (and any associates of those people) is prohibited. The closed periods are currently defined as:

- the period commencing one month prior to the release of the Company's half-yearly results to ASX and ending 24 hours after such release;
- the period commencing one month prior to the release of the Company's full year results to ASX and ending 24 hours after such release;
- the period commencing two weeks prior to the Company's annual general meeting and ending 24 hours after the annual general meeting; and
- any additional periods determined by the Board from time to time.

During closed periods, unless certain exceptions (set out in the policy) apply, Directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly, must receive clearance for any proposed dealing in Shares, which will only be provided in exceptional circumstances. In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information.

6.4.8 Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by all employees and officers.

The key aspects of this code are that employees and directors are to:

- act with honesty, integrity and fairness and in the best interests of the Company, and in the reasonable expectations of the Company's shareholders;
- act in accordance with all applicable laws, regulations, policies and procedures;
- have responsibility and accountability for reporting and investigating reports of unethical practices; and
- use the Company's resources and property properly.

The code of conduct sets out or refers to separate documents outlining the Company's policies on various matters including ethical conduct, fair dealing, compliance, privacy, confidentiality, integrity and conflicts of interest.

6. Key People, Interests and Benefits

6.4.9 Shareholder communications policy

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and to inform Shareholders of major developments affecting the state of affairs of the Company in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on the Company's website, www.asaleocare.com.

In particular, the Company's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. All relevant announcements made to the market and any other relevant information will be posted on the Company's website after release to the ASX (subject to applicable securities laws).

6.4.10 Fraud and corruption policy

The Company has adopted a fraud and corruption policy for the purposes of establishing policies, control and procedures for prevention and detection of fraudulent and corrupt activities.

The policy requires all officers, employees and contractors at all times to act honestly and with integrity, and to safeguard the Company resources for which they are responsible. The policy establishes protocols for the investigation and reporting of suspected fraud or corrupt activity, and allocates areas of responsibility for fraud and corruption control to various people and teams within the Company, as appropriate.

6.4.11 Remuneration Policy

The Company has adopted a remuneration policy to be adhered to by the Remuneration and Human Resources Committee. The remuneration policy addresses remuneration packages for both executive Directors and Management and non-executive Directors, and provides that the Remuneration and Human Resources Committee must develop recommendations to the Board regarding remuneration with regard to motivating the Directors and Management to pursue the Group's long-term growth and success, demonstrating a clear relationship between the Group's overall performance and the performance of individuals and compliance with all relevant legal and regulatory provisions.

6.5 Relationship with SCA

SCA continues to be supportive of the Company and its growth potential and SCA's current intention is to remain a strategic Shareholder of the Company.

SCA will not sell any of its Shares in the Offer. At Completion of the Offer, SCA will hold approximately 32.7% of the issued capital of the Company, assuming that the Final Price is at the midpoint of the Indicative Price Range.

SCA has entered into an escrow arrangement until the date that the Company's financial results for CY2014 are provided to the ASX for release to the market (subject to certain exceptions). Any decision by SCA to sell down its remaining interest in the Company following the expiry of the escrow arrangement will be a decision made having regard to a range of factors, including the market environment at the time. See Section 10.5.6 for a summary of the terms of the escrow arrangements.

The Independent Directors have approved the Company entering into a Relationship Deed with SCA that requires the Company to provide specified classes of information to SCA, grants SCA an anti-dilution right and establishes certain transition of services arrangements between the Company and SCA. Section 10.5.4 provides a summary of the terms of the Relationship Deed.

Risks associated with SCA's continued interest in the Company are set out in Section 5.3.3.

The PEP Shareholders, SCA and Asaleo Care entered into an investment services agreement on 4 January 2012 covering a range of services to be provided by PEP and SCA to Asaleo Care, including the provision of advice in relation to operational and strategic issues relevant to the Group. This agreement terminates automatically upon the occurrence of an exit event. An 'exit event' is defined to include an initial public offer of Shares in the Company. Accordingly, upon Completion of the Offer, this agreement will terminate.

Under the terms of the agreement, transaction fees and an annual fee are payable by Asaleo Care to PEP and SCA in equal proportions. To date, the transaction fees and annual fees paid by Asaleo Care to PEP and SCA are in aggregate approximately \$21.5 million (excluding GST). In addition, a fee equal to 1% of the transaction value on the occurrence of an exit event is also payable by Asaleo Care to PEP and SCA in equal proportions, out of the proceeds of the Offer. Assuming the Final Price is set at the midpoint of the Indicative Price Range, \$13.0 million in fees (excluding GST) will be payable to PEP and SCA.

Details of the Offer

7

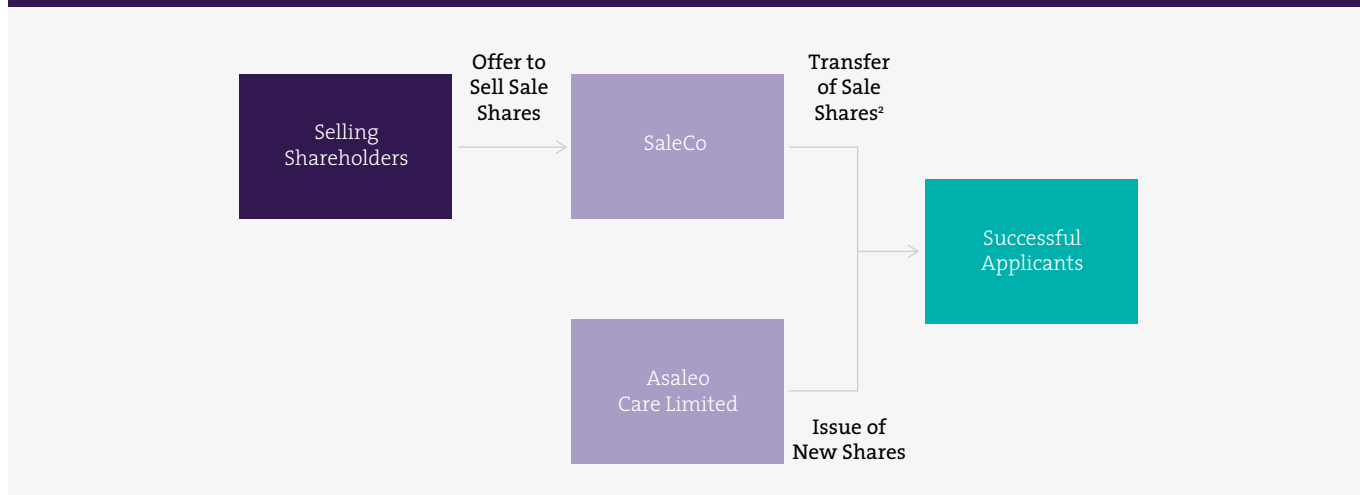


7. Details of the Offer

7.1 The Offer

This Prospectus relates to an IPO of \$661.5 million, based on the issue of 199.0 million New Shares by the Company¹ and the sale of 196.4 million Sale Shares by SaleCo. The total number of Shares on issue at Completion of the Offer is expected to be 601.1 million based on the midpoint of the Indicative Price Range and all Shares will rank equally with each other. The Shares offered under this Prospectus will represent approximately 65.8% of the Shares on issue on Completion of the Offer based on the midpoint of the Indicative Price Range. The Offer structure is described in the diagram below.

Figure 60: Offer structure



The Selling Shareholders have irrevocably offered to sell Sale Shares to SaleCo free from encumbrances and third party rights and conditional on Listing and undertaken to deliver Sale Shares to or as directed by SaleCo on Completion of the Offer subject only to:

- Listing;
- payment of the consideration due to the Selling Shareholders; and
- the receipt by SaleCo of proper instruments of transfer of, and any documents of title to, the Sale Shares.

SaleCo may accept the irrevocable offers at any time after the listing of Asaleo Care on the ASX and the commencement of official quotation (including on a conditional and deferred settlement basis) of Shares on the ASX.

The Offer is expected to raise \$633.0 million to \$690.0 million based on the lower and upper ends of the Indicative Price Range. This comprises \$328.5 million to \$336.4 million based on the lower and upper ends of the Indicative Price Range from the issue of New Shares and \$304.4 million to \$353.5 million for the sale of Sale Shares offered under the Sale Offer Deed to be sold by the Selling Shareholders to SaleCo based on the lower and upper ends of the Indicative Price Range.

Successful Applicants under the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer will pay the Final Price, which will be determined at the conclusion of the Bookbuild and may be set at a price below, within or above the Indicative Price Range of \$1.55 to \$1.80 per Share.

Applicants will not know what they are paying per Share or how many Shares they will receive at the time of their investment decision and they will not have an opportunity to withdraw their Application once the Final Price is set. Shares issued to Applicants may trade significantly below the Final Price when the Shares are quoted on the Official List.

Shares issued under the Employee Award Offer will be for nil or nominal consideration.

¹ This is based on the assumption that the Final Price is at the midpoint of the Indicative Price Range.

² By Selling Shareholders as nominated by SaleCo.

7. Details of the Offer

7.1.1 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, consisting of an invitation by Syndicate Brokers to investors in Australia and New Zealand to acquire Shares under this Prospectus;
- the Employee Award Offer, which is open to Eligible Employees in Australia or New Zealand nominated by the Company;
- the Employee Priority Offer, which is only open to employees in Australia and New Zealand nominated by the Company;
- the General Priority Offer, which is only open to investors in Australia or New Zealand nominated by the Company; and
- the Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world, made under this Prospectus or the Institutional Offering Memorandum, as applicable.

No general offer to investors will be made under the Offer. The allocation of Shares between the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer will be determined by the Joint Lead Managers, in consultation with the Company and SaleCo, having regard to the allocation policy outlined in Sections 7.3.5, 7.4.3 and 7.5.4.

Details of each component of the Offer and their respective allocation policies are described in Sections 7.3 to 7.5 and Section 11.

7.1.2 Purpose of the Offer and use of proceeds

The Offer is being conducted to:

- achieve a listing of the Company on the ASX to broaden the Company's shareholder base and provide a liquid market for its Shares;
- provide an opportunity for Selling Shareholders to wholly or partially monetise their investment in the Company;
- improve the Company's future access to capital markets;
- raise capital to reduce the Company's existing debt; and
- pay the expenses of the Offer.

The proceeds of the Offer will be applied to:

- repayment of debt drawn on the Company's existing debt facilities;
- provision of working capital to the Company;
- payment by SaleCo of the consideration payable by SaleCo as a result of the acceptance of the irrevocable offers to sell the Sale Shares to SaleCo; and
- payment of the costs associated with the Offer.

Figure 61: Sources and uses of funds¹

SaleCo					
Sources of funds¹	A\$m	%	Uses of funds¹	A\$m	%
Cash proceeds from the sale of Sale Shares	329.0	100.0	Payment of proceeds to PEP Shareholders	325.8	99.0
			Payment of proceeds to Management Shareholders	3.1	1.0
Total sources of funds	329.0	100.0	Total uses of funds	329.0	100.0
Asaleo Care Limited					
Sources of funds¹	A\$m	%	Uses of funds¹	A\$m	%
Cash proceeds from the issue of New Shares ²	332.5	51.4	Repayment of existing liabilities ³	599.4	92.6
Drawdown of New Banking Facilities	315.0	48.6	Costs related to the Offer ⁴	48.1	7.4
Total sources of funds	647.5	100.0	Total uses of funds	647.5	100.0

1 Assuming the Final Price is set at the midpoint of the Indicative Price Range. The PEP Shareholders and Management Shareholders have entered into agreements with SaleCo, pursuant to which they have irrevocably offered to sell to SaleCo the Sale Shares (see section 7.1 for further details). SaleCo will receive proceeds from the sale of the Sale Shares and transfer those proceeds to Asaleo Care Limited, for settlement and final distribution of proceeds.

2 This excludes the Shares to be issued under the Employee Award Offer (which will be issued for nil consideration) and proceeds from the two-thirds of the post-tax amount of the pre-Offer MIP that participants will reinvest in Shares (and which is expected to be settled by the direct issue of Shares to participants).

3 Existing liabilities includes repayment of existing debt (\$523.6 million), repayment of promissory notes issued in respect of the Preference Shares as part of a selective capital return in May 2014 (\$44.4 million), and settlement of 100% of the tax and one-third of the post-tax amount of the MIP (\$31.4 million) which includes on-costs. The participants in the pre-Offer MIP have agreed to reinvest two-thirds of the post-tax amount in Shares under the Offer. Please refer to Section 10.5.5 for further detail on these arrangements.

4 Costs related to the Offer include general transaction costs and the exit fee payable to PEP and SCA under the Investment Services Agreement (refer to Section 6.5 for further details).

7. Details of the Offer

7.1.3 Pro forma consolidated historical statement of financial position

Asaleo Care's pro forma consolidated historical statement of financial position following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 4.4.

7.1.4 Capitalisation and indebtedness

Asaleo Care's capitalisation and indebtedness as at 31 December 2013, before and following Completion of the Offer, is set out in Section 4.4.3.

7.1.5 Shareholding structure

The details of the ownership of Shares on Completion of the Offer are set out below.

Figure 62: Shareholding structure¹

Shareholders	Shares held prior to the Offer (m)	Shares held prior to the Offer (%)	Shares held following Completion of the Offer ² (m)	Shares held following Completion of the Offer ² (%)	Shares acquired/(sold) in the Offer ² (m)
SCA	196.4	50.0%	196.4	32.7%	–
PEP Shareholders	194.5	49.5%	–	–	(194.5)
Management Shareholders	1.9	0.5%	9.3	1.5%	7.4
Employee Shareholders ³	–	–	0.5	0.1%	0.5
New Shareholders	–	–	394.9	65.7%	394.9
Total	392.8	100.0%	601.1	100.0%	208.3

7.1.6 Control implications of the Offer

The Directors do not expect any Shareholder to control (as defined in section 50AA of the Corporations Act) Asaleo Care on Completion of the Offer.

7.1.7 Potential effect of the fundraising on the future of Asaleo Care

The Directors believe that on Completion of the Offer, the Company will have sufficient funds available from cash proceeds of the Offer, its operations and the New Banking Facilities to fulfil the purposes of the Offer and meet the Company's stated business objectives.

¹ On the basis that all outstanding Preference Shares are cancelled. Cancellation of the Preference Shares will occur as part of Completion of the Offer.

² Assumes that the Final Price is at the midpoint of the Indicative Price Range.

³ Shares to be issued to Eligible Employees under the Employee Award Offer. For further details, please refer to Section 11 of the Prospectus.

7. Details of the Offer

7.2 Terms and conditions of the Offer

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in Asaleo Care).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.8.4.
What is the consideration payable for each security being offered?	<p>The Indicative Price Range for the Offer is \$1.55 to \$1.80 per Share.</p> <p>Successful Applicants under the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer will pay the Final Price, which will be determined at the conclusion of the Bookbuild and may be set below, within or above the Indicative Price Range. Shares issued under the Employee Award Offer will be for nil or nominal consideration.</p>
What is the Offer period?	<p>The Broker Firm Offer, the Employee Priority Offer and the General Priority Offer open at 9:00am (Sydney time) on 17 June 2014.</p> <p>The Broker Firm Offer, the Employee Priority Offer and the General Priority Offer close at 5:00pm (Sydney time) on 20 June 2014.</p> <p>The Bookbuild relating to the Institutional Offer is expected to be held on 23 – 24 June 2014.</p> <p>The key dates are set out on page 6. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Joint Lead Managers, in consultation with the Company and SaleCo, reserve the right to vary the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Broker Firm Offer, Employee Priority Offer and General Priority Offer open.</p>
What are the cash proceeds to be raised?	Between \$633.7 million to \$690.6 million is expected to be raised under the Offer, based on the lower and upper ends of the Indicative Price Range.
Is the Offer underwritten?	No. The Offer is not underwritten.
What is the minimum and maximum Application size under the Broker Firm Offer, Employee Priority Offer and General Priority Offer?	<p>The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker and there is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p>Applications under the Employee Priority Offer and General Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.</p> <p>There is no maximum value of Shares that may be applied for under the Employee Priority Offer and General Priority Offer. However, the maximum size of the Employee Priority Offer and General Priority Offer in aggregate is as to be agreed between the Company and JLMs. The Joint Lead Managers, in consultation with the Company and SaleCo, reserve the right to scale back Applicants under the Employee Priority Offer and General Priority Offer in their absolute discretion.</p> <p>The Joint Lead Managers, in consultation with the Company and SaleCo, reserve the right to treat any Applications in the Broker Firm Offer that are from persons whom they believe may be Institutional Investors, as Final Price bids in the Institutional Offer or to reject the Applications. The Joint Lead Managers, in conjunction with the Company and SaleCo, also reserve the right to aggregate any Applications that it believes may be multiple Applications from the same person.</p>

7. Details of the Offer

Topic	Summary
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer will be determined by the Joint Lead Managers in consultation with the Company and SaleCo, having regard to the allocation policy outlined in Sections 7.3.5, 7.4.3 and 7.5.4.</p> <p>For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients.</p> <p>The Joint Lead Managers, in consultation with the Company and SaleCo, have absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.</p>
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements will be despatched by standard post on or about 2 July 2014.</p> <p>Refunds to Applicants under the Employee Priority Offer and General Priority Offer who make an Application and are scaled back, will be made as soon as possible post Settlement, which is expected to occur on or about 30 June 2014. No refunds will be made where the overpayments relate solely to rounding at the Final Price.</p>
Will the Shares be quoted?	<p>The Company has applied to the ASX for admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code AHY).</p> <p>Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on the ASX will commence on 27 June 2014, initially on a conditional and deferred settlement basis.</p> <p>Shares are expected to commence trading on the ASX on an unconditional and normal settlement basis about or on 3 July 2014.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company, SaleCo, the Share Registry, the Joint Lead Managers and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Asaleo Care Offer Information Line or confirmed your firm allocation through a Broker.</p>
Are there any escrow arrangements?	Yes. Details are provided in Section 10.5.6.
Has an ASIC relief or ASX waiver been obtained or been relied on?	Asaleo Care has relied on relief granted under various ASIC Class Orders (including but not limited to, ASIC Class Order 13/523). The Company has sought in-principle relief from the ASX in relation to various ASX Listing Rules. Refer to Section 10.14 for further details.
Are there any tax considerations?	Refer to Sections 10.10, 10.11 and 10.12.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
What should I do with any enquiries?	<p>All enquiries in relation to this Prospectus should be directed to the Asaleo Care Offer Information Line on 1800 645 237 (toll free within Australia) or +61 1800 645 237 (outside Australia) from 8:30am until 5:30pm (Sydney time), Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.</p>

7. Details of the Offer

7.3 Broker Firm Offer

7.3.1 Who may apply

The Broker Firm Offer is open to persons who have received an invitation to participate from their Broker and who have a registered address in Australia or New Zealand. Investors who are offered a firm allocation of Shares by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

You should contact your Broker to determine whether you can receive an invitation from them under the Broker Firm Offer.

7.3.2 How to apply

If you have received an invitation to participate from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or the Asaleo Care Offer Information Line on 1800 645 237 (toll free within Australia) or +61 1800 645 237 (outside Australia) to request a Prospectus and Application Form, or download a copy at www.asaleocareoffer.com. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (Sydney time) on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation of Shares. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form, which may be downloaded in its entirety from www.asaleocareoffer.com. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The Company, SaleCo, the Share Registry, the Joint Lead Managers and the Existing Shareholders take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (Sydney time) on 17 June 2014 and is expected to close at 5:00pm (Sydney time) on 20 June 2014. The Joint Lead Managers, in consultation with the Company and SaleCo, may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.4 Application acceptances and Application Monies

An Application in the Broker Firm Offer is an offer by the Applicant to the Company to apply for Shares in the Australian dollar amount specified in the Application Form at the Final Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on the quotation of Shares on the ASX and Settlement.

The Joint Lead Managers, in consultation with the Company and SaleCo, reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants in the Broker Firm Offer will be issued or transferred Shares at the Final Price and will receive the number of Shares equal to the value of their Application accepted by Asaleo Care and SaleCo divided by the Final Price (rounded down to the nearest whole Share). No refunds pursuant solely to rounding will be provided.

The Company, SaleCo, the Share Registry, the Joint Lead Managers and the Existing Shareholders will exclusively determine whether a successful Applicant receives an issue of New Shares or a transfer of Existing Shares or a combination.

7. Details of the Offer

7.3.5 Allocation policy under the Broker Firm Offer

The allocation of firm stock to Brokers will be determined by the Joint Lead Managers, in consultation with the Company and SaleCo. Shares that have been allocated to Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

7.4 Employee Priority Offer and General Priority Offer

7.4.1 Employee Priority Offer

The Employee Priority Offer is only open to employees in Australia or New Zealand nominated by the Company. Nominated employees will receive a personalised invitation to apply for Shares in the Employee Priority Offer.

Employee Priority Offer applicants may apply for Shares online and must comply with the instructions on the website, www.asaleocareoffer.com.

Applications under the Employee Priority Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.

Employee Priority Offer applicants will receive a guaranteed minimum allocation of \$2,000 worth of Shares at the Final Price (or such lower value applied for), subject to an aggregate total allocation to Eligible Employees as to be agreed between the Company and JLMs. If this threshold is reached, Applications will be subject to scale back. The Joint Lead Managers, in consultation with the Company and SaleCo, have absolute discretion regarding the allocation of Shares to Applicants in the Employee Priority Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.

Payment may be made via BPAY only. Application Monies must be received by the Share Registry by 5:00pm (Sydney time) on 20 June 2014.

To make a payment via BPAY, you will need to apply online at www.asaleocareoffer.com and must comply with the instructions on the website. It is your responsibility to ensure that your BPAY payment is received by the Share Registry by no later than 5:00pm (Sydney time) on 20 June 2014. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

7.4.2 General Priority Offer

The General Priority Offer is only open to investors in Australia or New Zealand nominated by the Company. General Priority Offer investors will receive a personalised invitation to apply for Shares in the General Priority Offer.

Applicants under the General Priority Offer may apply for an amount up to the amount stated on their personalised invitation. Any amount tendered in excess of this may be refunded in full (without interest) or accepted in full or in part, with amounts not accepted refunded (without interest).

General Priority Offer applicants may apply for Shares online and must comply with the instructions on the website www.asaleocareoffer.com.

Applications under the General Priority Offer for an amount less than the amount stated on the applicant's personalised invitation must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 of Shares thereafter.

General Priority Offer applicants are guaranteed an allocation of Shares in the amount specified in their personalised invitation or such lesser amount validly applied for (rounded down to the nearest whole Share).

Payment may be made via BPAY only. Application Monies must be received by the Share Registry by 5:00pm (Sydney time) on 20 June 2014.

To make a payment via BPAY, you will need to apply online at www.asaleocareoffer.com and must comply with the instructions on the website. It is your responsibility to ensure that your BPAY payment is received by the Share Registry by no later than 5:00pm (Sydney time) on 20 June 2014. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

7.4.3 Allocation policy under the Employee Priority Offer and General Priority Offer

The allocation of Shares under the Employee Priority Offer and General Priority Offer will be determined by the Joint Lead Managers, in consultation with the Company and SaleCo, and taking into consideration the guaranteed minimum allocation of \$2,000 worth of Shares per nominated employee or nominated investor, as the case may be. The Joint Lead Managers, in consultation with the Company and SaleCo, will have absolute discretion regarding the basis of allocation of Shares and there is no assurance that a nominated employee or nominated investor will receive the implied number of Shares applied for under the Employee Priority Offer and General Priority Offer above the guaranteed minimum amount. There is no maximum value of Shares that may be applied for under the Employee Priority Offer and General Priority Offer. However, the maximum size of the Employee Priority Offer and General Priority Offer in aggregate is as to be agreed between the Company and JLMs.

The Company will confirm the number of Shares to be issued to nominated employees and nominated investors who have made an Application under the Employee Priority Offer and General Priority Offer by 2 July 2014.

7. Details of the Offer

7.5 Institutional Offer

7.5.1 Invitations to bid

The Company and SaleCo invite certain eligible Institutional Investors to bid for Shares in the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors in Australia and certain other jurisdictions to bid for Shares under this Prospectus, and an invitation to Institutional Investors in the United States to bid for Shares under the Institutional Offering Memorandum.

7.5.2 Institutional Offer and the Indicative Price Range

The Institutional Offer will be conducted using a Bookbuild process managed by the Joint Lead Managers. Full details of how to participate, including bidding instructions, will be provided to eligible participants by the Joint Lead Managers.

Participants can only bid into the Bookbuild for Shares through the Joint Lead Managers. They may bid for Shares at specific prices or at the Final Price. Participants may bid above or within the Indicative Price Range, which is \$1.55 to \$1.80 per Share. Under the terms of the Offer Management Agreement, dated on or about the Prospectus Date, between the Company, SaleCo and the Joint Lead Managers ("**OMA**"), the Final Price will be determined by the Joint Lead Managers in consultation with the Company and SaleCo, after the close of the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer as described in Section 7.5.3.

The Institutional Offer will open on 23 June 2014 and close on 24 June 2014. The Joint Lead Managers, in consultation with the Company and SaleCo, reserve the right to vary the times and dates of the Offer, including to close the Offer early, extend the Closing Date or accept late Applications or bids, either generally or in particular cases, without notification.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to apply or procure applicants for the Shares bid for (or such lesser number as may be allocated) at the price per Share bid or at the Final Price, where this is below the price per Share bid, on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and in accordance with any bidding instructions provided by the Joint Lead Managers to participants.

Bids can be accepted or rejected in whole or in part without further notice to the bidder. Acceptance of a bid will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on the quotation of Shares on the ASX and Settlement.

Details of the arrangements for notification and settlement of allocations applying to participants in the Institutional Offer will be provided to participants in the Bookbuild process.

7.5.3 Final Price

The institutional Bookbuild process will be used to determine the Final Price. Under the terms of the OMA, the Final Price will be determined by agreement between the Joint Lead Managers in consultation with the Company and SaleCo after the close of the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer. It is expected that the Final Price will be announced to the market on 26 June 2014. In determining the Final Price, consideration will be given to, but will not be limited to, the following factors:

- the level of demand for Shares under the Institutional Offer at various prices;
- the level of demand for Shares under the Broker Firm Offer, Employee Priority Offer and General Priority Offer;
- the objective of maximising the proceeds of the Offer; and
- the desire for an orderly secondary market in the Shares.

The Final Price will not necessarily be the highest price at which Shares could be sold. In the Institutional Offer, the Final Price may be set below, within or above the Indicative Price Range. All Successful Applicants under the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer will pay the Final Price.

7.5.4 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer will be determined by the Joint Lead Managers in consultation with the Company and SaleCo. The Joint Lead Managers, in consultation with the Company and SaleCo, have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

The initial determinant of the allocation of Shares under the Institutional Offer will be the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Shares.

The allocation policy will also be influenced by, but not constrained by, the following factors:

- the price and number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders; and
- any other factors that the Joint Lead Managers, in consultation with the Company and SaleCo, consider appropriate, in their sole discretion.

7. Details of the Offer

7.6 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation under this Prospectus.

This Prospectus may not be released or distributed in the United States, unless it is attached to, or constitutes part of, the Institutional Offering Memorandum that describes the selling restrictions applicable in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

Each Applicant in the Broker Firm Offer, Employee Priority Offer and General Priority Offer and each person in Australia and other selected jurisdictions other than the United States to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia and New Zealand except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

Each bidder under the Institutional Offer will also be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.7 Discretion regarding the Offer

The Company and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Joint Lead Managers, in consultation with the Company and SaleCo, also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.8 ASX listing, registers and holding statements and conditional and deferred settlement trading

7.8.1 Application to the ASX for listing of Asaleo Care and quotation of Shares

The Company has applied to the ASX for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code AHY).

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Asaleo Care to the Official List is not to be taken as an indication of the merits of Asaleo Care or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on the ASX within three months after such application is made (or any later date permitted by law), all Application Monies received by Asaleo Care will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by Asaleo Care from time to time), the Company will be required to comply with the ASX Listing Rules.

7.8.2 CHESS and issuer sponsored holdings

Asaleo Care will apply to participate in the ASX's Clearing House Electronic Subregister System ("CHESS") and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in Shares quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

7. Details of the Offer

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their holding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Asaleo Care and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.8.3 Conditional and deferred settlement trading and selling Shares on-market

It is expected that the Shares will commence trading on the ASX on or about 27 June 2014, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications and bids will be conditional on the ASX agreeing to quote the Shares on the ASX, and on settlement occurring under the OMA and SaleCo's acceptance of the irrevocable offers to sell Sale Shares made by the Selling Shareholders to SaleCo under the irrevocable sale offers ("**Settlement**"). Trades occurring on the ASX before Settlement will be conditional on Settlement occurring.

If the Offer is withdrawn after Shares have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of the Shares on the ASX would be cancelled and any Application Monies received would be refunded as soon as possible (without interest).

Conditional trading will continue until the Company has advised the ASX that Settlement has occurred, which is expected to be on or about 30 June 2014. Trading will then be on an unconditional but deferred delivery basis until the Company has advised the ASX that holding statements have been despatched to Shareholders. Normal settlement trading is expected to commence on or about 3 July 2014.

If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of Applications and bids will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

To assist Applicants in determining their allocation prior to receipt of a holding statement, Asaleo Care will announce details of pricing and the basis of allocations in various newspapers on 26 June 2014. After the basis for allocations has been determined, Applicants will also be able to call the Asaleo Care Offer Information Line on 1800 645 237 (toll free within Australia) or +61 1800 645 237 (outside Australia) in each case, open from 8:30am to 5:30pm (Sydney time) Monday to Friday until Completion of the Offer, or their Broker to confirm their allocations.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Asaleo Care, SaleCo, the Share Registry, the Joint Lead Managers and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Asaleo Care Offer Information Line or confirmed your firm allocation through a Broker.

7.8.4 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

Voting at a general meeting

At a general meeting of the Company, every shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid share held by the shareholder.

Meetings of members

Each Shareholder is entitled to receive notice of, attend, and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

Except as permitted by the Corporations Act, general meetings must be called on at least the minimum number of days notice required by the Corporations Act (which at the date of this Prospectus is 28 days) and otherwise in accordance with the procedures set out in the Corporations Act.

7. Details of the Offer

Dividends

The Board may by resolution either:

- declare a dividend and fix the amount, the time for and method of payment; or
- determine a dividend or interim dividend is payable and fix the amount, the time for and method of payment.

For further information in respect of the Company's proposed dividend policy, see Section 4.11.

Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Listing Rules or the ASX Settlement Operating Rules. Subject to compliance with the ASX Listing Rules and the ASX Settlement Operating Rules, Shares may be transferred by a written instrument of transfer in any usual or common form or by any other form approved by the Directors.

The Board may, in its absolute discretion, refuse to register a transfer of Shares in any of the circumstances permitted by the ASX Listing Rules. The Board must refuse to register a transfer of Shares when required to do so by the ASX Listing Rules.

Issue of further Shares

Subject to the Corporations Act, the ASX Listing Rules and the Constitution, the Directors may issue and allot, or dispose of, Shares on terms determined from time to time by the Directors at an issue price that the Directors determine from time to time and to shareholders whether in proportion to their existing shareholdings or otherwise, or to such other persons as the Directors may determine from time to time. The Directors' power under the Constitution includes the power to grant options over unissued shares and issue and allot shares; with any preferential, deferred or special rights, privileges or conditions; with any restrictions in regard to dividend, voting, return of capital or otherwise; which are liable to be redeemed or converted; or which are bonus shares for whose issue no consideration is payable to the Company.

Winding up

Without prejudice to the rights of the holders of shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the shareholders in kind all or any of the Company's assets; and for that purpose, determine how it will carry out the division between the different classes of shareholders, but the liquidator may not require a shareholder to accept any shares or other securities in respect of which there is any liability.

Non-marketable parcels

Where the Company complies with the relevant procedure outlined in the Constitution, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy shares in the Company on terms and at times determined by the Board.

Variation of class rights

At present, the Company's only class of shares on issue will be Shares. The rights attached to any class of shares may be varied in accordance with the Corporations Act.

Dividend reinvestment plan

The Directors may establish a plan under which shareholders may elect to reinvest cash dividends paid or payable by the Company, by acquiring by way of issue or transfer (or both) shares in the Company or any other body. The Directors have no current intention to establish a dividend reinvestment plan.

Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is four and the maximum number of Directors is six unless the Shareholders pass a resolution varying that number. Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the managing director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. Subject to the ASX Listing Rules, in the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to a deliberative vote.

Directors – remuneration

The Directors, other than an Executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum is \$1,500,000, with the initial remuneration of the Directors set out in Section 6.3.2. Any change to that maximum aggregate sum needs to be approved by Shareholders. Pursuant to the Constitution, Non-Executive Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

7. Details of the Offer

Indemnities

The Company, to the extent permitted by law, indemnifies every person who is or has been a director or secretary of the Company against any liability incurred by that person as an officer of the Company (including liabilities incurred by the officer as a director or secretary of a subsidiary of the Company where the Company requested the officer to accept that appointment), and reasonable legal costs incurred or allegedly incurred by that person as an officer of the Company (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment). The Company, to the extent permitted by law, may advance to an officer an amount which it might otherwise be liable to pay to the officer under the terms of the indemnity outlined above. The Company may enter into a deed with any officer of the Company to give effect to those matters outline in this paragraph.

The Company, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a Director against liability incurred by that person as a Director.

Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the votes cast by Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

7.9 Foreign selling restrictions

Austria

The information in this document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities. An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- (a) to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity that has two or more of (i) an average of at least 250 employees during its last fiscal year; (ii) a total balance sheet of more than €43,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) and (iii) an annual net turnover of more than €50,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- (c) to fewer than 100 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company or any underwriter for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Belgium

The information in this document has been prepared on the basis that all offers of Shares will be made under one or more of the conditions mentioned in article 3, s2 of the law of 16 June 2006 on the public offering of securities and the admission of securities to trading on a regulated market and are therefore exempt from the obligation to publish a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in Belgium. The offer of Shares is solely addressed to and may only be addressed to the following categories of investors:

- (a) to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- (b) to any legal entity that satisfies two of the following three criteria: (a) balance sheet total of at least €20,000,000; (b) annual net turnover of at least €40,000,000 and (c) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);

7. Details of the Offer

- (c) to any person or entity who has requested to be treated as a professional client in accordance with Annex A, (I) of the Royal Decree of 3 June 2007 containing detailed rules implementing the European directive on markets in financial instruments; or
- (d) to any person or entity who is recognised as an eligible counterparty in accordance with article 3, s1 of the Royal Decree of 3 June 2007 containing detailed rules transposing the European directive on markets and financial instruments.

Denmark

The information in this document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- (a) to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- (b) to any legal entity that satisfies two of the following three criteria: (a) balance sheet total of at least €20,000,000; (b) annual net turnover of at least €40,000,000 and (c) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- (c) to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- (d) to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (AMF).

Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France and neither this presentation or any other material or information relating to the Shares may be released, issued or distributed, caused to be released, issued or distributed, to the public in France, or used in connection with any offering of the Shares to the public in France, except that the Shares and entitlements may be offered exclusively to (i) persons licensed to provide the investment service of portfolio management for the account of third parties ("personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers") and/or (ii) qualified investors ("investisseurs qualifiés") or a restricted group of

investors, provided that said investors act for their own account, all as defined and in accordance with Article L. 411-1 and L. 411-2 II of the French Code Monétaire et Financier and applicable regulations thereunder.

Prospective investors are informed that (i) the transaction does not require a prospectus to be filed with the AMF for approval, (ii) such prospective investors may only take part in the transaction solely for their own account, as provided in Articles D. 411-1, D 411-2, D 734-1, D 744-1, D 744-1, D 754-1 and D 764-1 of the French Code Monétaire et Financier and (iii) the Shares and entitlements may not be further distributed, directly or indirectly, to the public in the French Republic otherwise than in accordance with Article L. 411-1, L 411-2, L 412-1 and L 621-8 to L 621-8-3 of the French Code Monétaire et Financier and applicable regulations thereunder.

Germany

In relation to all member states of the European Economic Area which have implemented EU Directive 2003/71/EC ("Prospectus Directive") (each a "Relevant Member State"), Shares have not been offered or will not be offered to the public. The information in this document has been prepared on the basis that all offers of Shares will only be made to the public in a Relevant Member State to qualified investors as defined under the laws of the Relevant Member State implementing EU Directive 2003/71/EC, in particular (if and as implemented in the Relevant Member State) to:

- (a) entities that are authorised or regulated to operate in the financial markets including: credit institutions, investment firms, other authorised or regulated financial institutions, insurance companies, collective investment schemes and their management companies, pension funds and their management companies, commodity dealers, as well as entities not so authorised or regulated whose corporate purpose is solely to invest in securities or whose main business is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions;
- (b) entities meeting at least two of the following three criteria: (a) balance sheet total of at least €20,000,000; (b) annual net turnover of at least €40,000,000 and (c) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements); or
- (c) persons or entities who are, at their request and upon fulfilment of the substantive and procedural requirements provided for in the Relevant Member State, treated as a professional clients or eligible counterparties in accordance with the EU Directive 2004/39/EC ("MiFID");

provided that entities pursuant to (a) and (b) above are not considered as qualified investors if they have opted to be treated as a non-professional client.

7. Details of the Offer

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (“the SFO”).

No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, Shares have not been and will not be offered or sold in Hong Kong other than to professional investors (as defined in the SFO).

No advertisement, invitation or document relating to Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Indonesia

This document may not be distributed directly or indirectly in Indonesia or to any Indonesian entity or Indonesian citizen (person) in a manner constituting a public offering of securities under the Indonesian Capital Market Law and its implementing regulations. This document is not intended or prepared for the purposes of a public offering of securities under the Indonesian Capital Market Law and regulations. This document has not been and will not be submitted or registered as a Prospectus under the Indonesian Capital Market Law with the Otoritas Jasa Keuangan (Financial Services Authority) previously known as Badan Pengawas Pasar Modal dan Lembaga Keuangan (Capital Markets and Financial Institutions Supervisory Board).

The Shares have not been, and will not be, registered under the Indonesian Capital Market Law and its implementing regulations. The Shares will not be offered or sold in Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesian residents in a manner which constitutes a public offering of securities under the relevant Indonesian Capital Market Laws and regulations.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the “Prospectus Regulations”). Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to qualified investors as defined in Regulation 2(1) of the Prospectus Regulations.

Liechtenstein

The Shares have not been offered or sold and will not be offered, sold or delivered directly or indirectly in Liechtenstein by way of public offering, except to “qualified investors” as defined in art. 3 para. 1 lit. g of the Liechtenstein Securities Prospectus Act (LGBL. 2007/196), as amended, only.

Luxembourg

NOTICE TO RESIDENTS OF LUXEMBOURG

In relation to the Grand Duchy of Luxembourg, no offer of Shares to the public will be made pursuant to this document, except that an offer of Shares to the public in Luxembourg may be made at any time:

- (a) to any person or legal entity which is a qualified investor as defined in the Prospectus Law; or
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Law); or
- (c) in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 5 of the Prospectus Law.

For the purposes of this provision, the expression “offer of Shares to the public” in relation to any Shares in Luxembourg means the communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares and the expression “Prospectus Law” means the law of 10 July 2005 relative aux prospectus pour valeurs mobilières, as amended.

Malaysia

This document and any other materials relating to Shares do not constitute an offer or an invitation to subscribe for or purchase securities to the general public of Malaysia. The prior approval of the Securities Commission has not been obtained for the offering, marketing or distribution of the Shares to the general public of Malaysia and neither this document nor the other materials have been or will be deposited or registered with the Securities Commission in Malaysia pursuant to the Capital Markets and Services Act 2007 (the “CMSA”) and any other relevant securities legislations and regulations.

7. Details of the Offer

Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of the Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia except pursuant to and in accordance with exemptions in Schedule 5 of the CMSA, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the CMSA. This document has been given to you on the basis that you are an investor falling within Schedule 5 and Schedule 6 of the CMSA. In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward, distribute or circulate this document nor any other document or material to any other person in Malaysia.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Malaysia that may be applicable to investors who acquire the Shares. As such, investors are advised to acquaint themselves with the CMSA provisions relating to resale restrictions in Malaysia and comply accordingly.

Netherlands

The information in this document has been prepared on the basis that all offers of Shares will only be made pursuant to the exemption from the requirement to publish a prospectus for offers of securities addressed solely to qualified investors under Directive 2003/71/EC, as amended by Directive 2010/73/EC on 24 November 2010, (the "Prospectus Directive") and as implemented in Member States of the European Economic Area (each, a "Relevant Member State").

Accordingly, an offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except to qualified investors as defined in the Prospectus Directive and as implemented in that Relevant Member State, including, amongst others:

- (a) entities that are authorised or regulated to operate in the financial markets or whose main activity is to invest in financial instruments;
- (b) entities that satisfy two of the following three criteria:
 - (a) balance sheet total of at least €20,000,000; (b) annual net turnover of at least €40,000,000 and (c) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- (c) persons or entities who are, on request, treated as professional clients in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- (d) persons or entities who are recognised as eligible counterparties in accordance with Article 24 of MiFID.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulators pursuant to the Norwegian Securities Trading Act of 29 June 2007, as amended. This document and any other materials in connection with the offer relating to Norway have not been approved or disapproved by, or registered with the Oslo Stock Exchange, the Norwegian FSA, the Norwegian Registry of Business Enterprises or any other Norwegian authority. Accordingly, neither this document nor any other offering material relating to the offering of the Offer Shares or rights to subscribe for Offer Shares constitutes, or shall be deemed to constitute, an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The Offer Shares may not be offered or sold, directly or indirectly, in Norway except to "professional investors" as defined in the Norwegian Securities Regulation of 29 June 2007 no. 876, being:

- (a) legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) any legal entity which fulfils at least two of the following criteria: (1) a total balance sheet of at least €20,000,000; (2) an annual net turnover of at least €40,000,000; and (3) equity funds of at least €2,000,000; or
- (c) any natural person which has asked to be treated as a professional investor and which fulfils at least two of the following criteria: (i) has executed on average of at least ten (10) transactions in securities of significant volume per quarter for the last four quarters; (ii) has a portfolio of securities with a market value of at least €500,000; (iii) has worked or works, for at least one (1) year, within the financial markets in a position which presuppose knowledge of investing in securities.

7. Details of the Offer

Singapore

This document and any other materials relating to Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are: (a) an existing holder of Shares; (b) an institutional investor (as defined in the SFA); or (c) a relevant person (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of Shares in Sweden is limited to persons who are “qualified investors” (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the Shares described herein. The Shares may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the Shares constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland.

United Arab Emirates

Neither this Prospectus nor the Shares have been approved, disapproved, passed on in any way or licensed by the Central Bank of the United Arab Emirates (UAE), the Emirates Securities and Commodities Authority and/or any other licensing authority in the UAE including any licensing authority incorporated under the laws and regulations of any of the free zones established and operating in the territory of the UAE, in particular the Dubai Financial Service Authority, a regulatory authority of the Dubai International Financial Centre (DIFC), nor has the Company received authorisation or licensing from the Central Bank of the UAE, the Emirates Securities and Commodities Authority and/or any other licensing authority in the UAE to offer the Shares within the UAE or any free zone in the UAE, including in particular the DIFC. The offering of the Shares does not constitute a public offer of securities in the UAE, DIFC and/or any other free zone in accordance with applicable laws and regulations. The Shares may not be offered to the public in the UAE and/or any of the free zones. No marketing of any financial products or services may be made from within the UAE and no subscription to any financial products or services may be consummated within the UAE.

7. Details of the Offer

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom or approved by a person authorised under the Financial Services and Markets Act 2000, as amended (**FSMA**). No prospectus (within the meaning of section 85 of the FSMA) has been published or is intended to be published in respect of Shares. This document is issued on a confidential basis to qualified investors (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons: (a) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (FPO); (b) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of the FPO; or (c) to whom it may otherwise be lawfully communicated (together relevant persons). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Investigating Accountant's Report on Historical Financial Information

8



8. Investigating Accountant's Report on Historical Financial Information



The Directors
Asaleo Care Limited
2 Alisa Street
Box Hill, VIC 3128

The Directors
PEPSCA SaleCo Limited
2 Alisa Street
Box Hill, VIC 3128

16 June 2014

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Asaleo Care Limited Historical Financial Information and Financial Services Guide

We have been engaged by Asaleo Care Limited (the **Company**) and PEPSCA SaleCo Limited (**SaleCo**) (collectively, **you**) to report on the consolidated Historical Financial Information of the Company for inclusion in a replacement prospectus (**Prospectus**) dated on or about 16 June 2014, in connection with the proposed initial public offering of Shares in the Company and listing of the Company on the Australian Securities Exchange (the **Offer**).

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (Cth) (**Corporations Act**). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company (the responsible party) included in the Prospectus:

The following information of the Company is, collectively, the **Financial Information**:

a) Statutory Historical Financial Information, being the:

- i. statutory consolidated historical income statements for the years ended 31 December 2011, 31 December 2012 and 31 December 2013;
- ii. statutory net cash flow before financing and taxation, for the years ended 31 December 2011, 31 December 2012 and 31 December 2013; and

**PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of
Australian Financial Services Licence No 244572**
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

8. Investigating Accountant's Report on Historical Financial Information



- iii. statutory consolidated statement of financial position as at 31 December 2013.

b) Pro forma Historical Financial Information, being the:

- i. pro forma consolidated historical income statements for the years ended 31 December 2011, 31 December 2012 and 31 December 2013;
- ii. pro forma consolidated historical cash flow statements for the years ended 31 December 2011, 31 December 2012 and 31 December 2013; and
- iii. pro forma consolidated statement of financial position as at 31 December 2013,

which in each case assumes pro forma adjustments (such as completion of the Offer) which will be described in the Prospectus.

The Statutory Historical Financial Information and the Pro forma Historical Financial Information are collectively the “**Historical Financial Information**”.

Statutory Historical Financial Information

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from financial reports of the Company for the years ended 31 December 2011, 31 December 2012 and 31 December 2013, which were audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued unqualified audit and review opinions on the financial reports.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro forma Historical Financial Information

The Pro forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company, after adjusting for the effects of the pro forma adjustments described in section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events and transactions to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those events and transactions had occurred as at the date of the Pro forma Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

Directors' Responsibility

The directors of the Company are responsible for the preparation of the Historical Financial Information, including its basis of preparation and the selection and determination of pro forma

8. Investigating Accountant's Report on Historical Financial Information



adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information.

This includes responsibility for its compliance with applicable laws and regulations and for such internal control as the directors determine are necessary to enable the preparation of Historical Financial Information that is free from material misstatement.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information of the Company, as described in section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information of the Company as described in section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events and transactions to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those events and transactions had occurred as at the date of the Historical Financial Information.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

8. Investigating Accountant's Report on Historical Financial Information



Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Sean Gregory'.

Sean Gregory
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

8. Investigating Accountant's Report on Historical Financial Information



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 30 May 2014

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Asaleo Care Limited (the **Company**) and PEPSCA SaleCo Limited (**SaleCo**) (collectively, **you**) to provide a report in the form of an Investigating Accountant's Report in relation to the proposed initial public offering of Shares in the Company and listing of the Company on the Australian Securities Exchange (the **Report**) for inclusion in the prospectus dated on or about 2 June 2014.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

8. Investigating Accountant's Report on Historical Financial Information



4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. The Company has paid, or agreed to pay, approximately \$1.1m (excluding disbursements and GST) for the above services up until the Prospectus Date.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers is the auditor of the Company.

8. Investigating Accountant's Report on Historical Financial Information



7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Sean Gregory
Authorised representative
PricewaterhouseCoopers Securities Ltd

Darling Park Tower 2,
201 Sussex Street,
GPO BOX 2650,
SYDNEY NSW 1171

Investigating Accountant's Report on Forecast Financial Information

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9. Investigating Accountant's Report on Forecast Financial Information



The Directors
Asaleo Care Limited
2 Alisa Street
Box Hill, VIC 3128

The Directors
PEPSCA SaleCo Limited
2 Alisa Street
Box Hill, VIC 3128

16 June 2014

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Asaleo Care Limited Forecast Financial Information and Financial Services Guide

We have been engaged by Asaleo Care Limited (the **Company**) and PEPSCA SaleCo Limited (**SaleCo**) (collectively, **you**) to report on the consolidated Forecast Financial Information of the Company for inclusion in a replacement prospectus (**Prospectus**) dated on or about 16 June 2014, in connection with the proposed initial public offering of Shares in the Company and listing of the Company on the Australian Securities Exchange (the **Offer**).

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (Cth) (**Corporations Act**). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company (the responsible party) included in the Prospectus:

The following information of the Company is, collectively, the **Financial Information**:

a) Statutory Forecast Financial Information, being the:

- i. statutory consolidated forecast income statement for the year ending 31 December 2014; and
- ii. statutory consolidated forecast cash flow statement for the year ending 31 December 2014.

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

9. Investigating Accountant's Report on Forecast Financial Information



b) **Pro forma Forecast Financial Information**, being the:

- i. pro forma consolidated forecast income statement for the year ending 31 December 2014; and
- ii. pro forma consolidated forecast cash flow statement for the year ending 31 December 2014,

which in each case assumes pro forma adjustments (such as completion of the Offer) which will be described in the Prospectus.

The Statutory Forecast Financial Information and the Pro forma Forecast Financial Information are collectively the “**Forecast Financial Information**”.

Statutory Forecast Financial Information

The Statutory Forecast Financial Information, as described in section 4 of the Prospectus has been prepared in accordance with the directors' best-estimate assumptions underlying the Statutory Forecast Financial Information as described in section 4 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro forma Forecast Financial Information

The Pro forma Forecast Financial Information, as described in section 4 of the Prospectus has been derived from the Company's Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in section 4 of the Prospectus. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Pro forma Forecast Financial Information and the events and transactions to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those events and transactions had occurred as at the date of the Statutory Forecast Financial Information. Due to its nature, the Pro forma Forecast Financial Information does not represent the Company's actual prospective financial performance, and/or cash flows for the year ending 31 December 2014.

Directors' Responsibility

The directors of the Company are responsible for the preparation of the Forecast Financial Information, including its basis of preparation, the best-estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information.

This includes responsibility for its compliance with applicable laws and regulations and for such internal control as the directors determine are necessary to enable the preparation of Forecast Financial Information that is free from material misstatement.

9. Investigating Accountant's Report on Forecast Financial Information



Our Responsibility

Our responsibility is to express limited assurance conclusions on the Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information itself, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

Conclusions

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information
- in all material respects, the Statutory Forecast Financial Information:
 - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 4 of the Prospectus, and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies, and
- the Statutory Forecast Financial Information itself is unreasonable.

Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information, and
- in all material respects, the Pro forma Forecast Financial Information:

9. Investigating Accountant's Report on Forecast Financial Information



- is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4 of the Prospectus, and
- is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Pro forma Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred as at the date of the Statutory Forecast Financial Information, and
- the Pro forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro forma Forecast Financial Information

The Statutory Forecast Financial Information and Pro forma Forecast Financial Information have been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 31 December 2014. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro forma Forecast Financial Information since anticipated events and transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro forma Forecast Financial Information are based; however such evidence is generally future-oriented and therefore speculative in nature.

We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in section(s) 4 of the Prospectus. The sensitivity analysis described in section 4 of the Prospectus demonstrates the impact on the Statutory Forecast Financial Information and Pro forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Statutory Forecast Financial Information or Pro forma Forecast Financial Information will be achieved.

The Statutory Forecast Financial Information and Pro forma Forecast Financial Information have been prepared by the directors for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information or Pro forma

9. Investigating Accountant's Report on Forecast Financial Information



Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Sean Gregory
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

9. Investigating Accountant's Report on Forecast Financial Information



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 30 May 2014

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Asaleo Care Limited (the **Company**) and PEPSCA SaleCo Limited (**SaleCo**) (collectively, **you**) to provide a report in the form of an Investigating Accountant's Report in relation to the proposed initial public offering of Shares in the Company and listing of the Company on the Australian Securities Exchange (the **Report**) for inclusion in the prospectus dated on or about 2 June 2014.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

9. Investigating Accountant's Report on Forecast Financial Information



The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. The Company has paid, or agreed to pay, approximately \$1.1m (excluding disbursements and GST) for the above services up until the Prospectus Date.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers is the auditor of the Company.

7. Complaints

9. Investigating Accountant's Report on Forecast Financial Information



If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("FOS"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Sean Gregory
Authorised representative
PricewaterhouseCoopers Securities Ltd

Darling Park Tower 2,
201 Sussex Street,
GPO BOX 2650,
SYDNEY NSW 1171

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Additional Information

10



10. Additional Information

10.1 Registration

Asaleo Care was registered in Victoria, Australia on 25 November 2011 as a proprietary company limited by shares. The Company changed its company type to a public company limited by shares on 22 May 2014 and changed its name from PEPSCA Limited to Asaleo Care Limited on 26 May 2014.

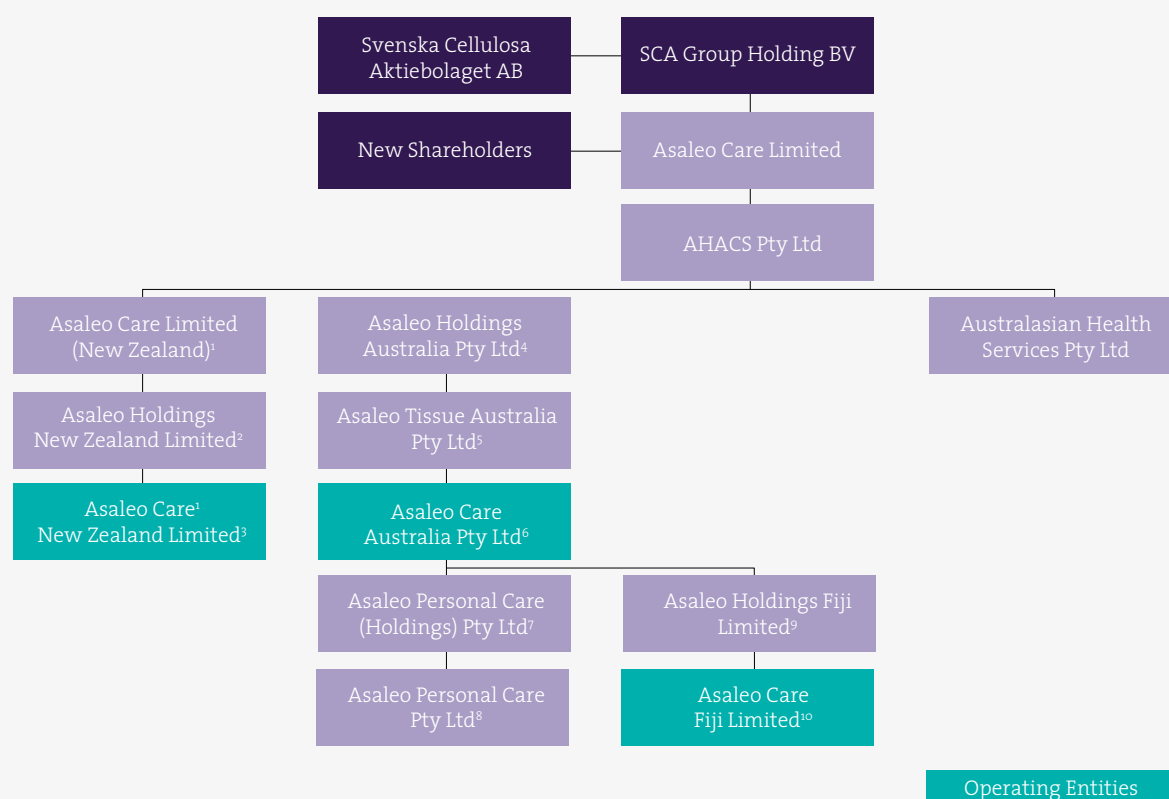
10.2 Company tax status and financial year

The Company expects to be taxed in Australia as a public company. The financial year of the Company ends on 31 December annually.

10.3 Corporate structure

The following diagram shows a high level corporate structure of the Company on Completion of the Offer. Refer to Section 10.4 for further details of the internal restructure.

Figure 63: Corporate structure



- 1 Entity will change name from "PEPSCANZ Limited" to "Asaleo Care Limited (New Zealand)" post Completion of the Offer.
- 2 Entity will change name from "SCA Hygiene Holding Limited" to "Asaleo Holdings New Zealand Limited" post Completion of the Offer.
- 3 Entity will change name from "SCA Hygiene Australasia Limited" to "Asaleo Care New Zealand Limited" post Completion of the Offer.
- 4 Entity will change name from "SCA Hygiene Australia Pty Ltd" to "Asaleo Holdings Australia Pty Ltd" post Completion of the Offer.
- 5 Entity will change name from "SCA Tissue Australia Pty Ltd" to "Asaleo Tissue Australia Pty Ltd" post Completion of the Offer.
- 6 Entity will change name from "SCA Hygiene Australasia Pty Ltd" to "Asaleo Care Australia Pty Ltd" post Completion of the Offer.
- 7 Entity will change name from "Sancell (Holdings) Pty Ltd" to "Asaleo Personal Care (Holdings) Pty Ltd" post Completion of the Offer.
- 8 Entity will change name from "Sancell Pty Ltd" to "Asaleo Personal Care Pty Ltd" post Completion of the Offer.
- 9 Entity will change name from "SCA Holdings Fiji Limited" to "Asaleo Holdings Fiji Limited" post Completion of the Offer.
- 10 Entity will change name from "SCA Hygiene Australasia Limited (Fiji)" to "Asaleo Care Fiji Limited" post Completion of the Offer.

10. Additional Information

10.4 Internal restructure and capital structure

10.4.1 Sale of Sale Shares

SaleCo has been established so that the Selling Shareholders can sell the Sale Shares and realise all or part of their investment in the Company. Each Selling Shareholder has entered into a Sale Offer Deed in favour of SaleCo under which they irrevocably offer to sell Existing Shares to SaleCo free from encumbrances and third party rights conditional on Listing and to deliver Sale Shares on Completion of the Offer to or as directed by SaleCo. As at the Prospectus Date, Selling Shareholders have offered to sell 196.4 million Existing Shares to SaleCo, which comprise the Sale Shares.

The Existing Shares which SaleCo will agree to acquire from the Selling Shareholders upon its acceptance of the Sale Offer Deed will be transferred to applicants allocated Sale Shares under the Offer, as directed by SaleCo. The price payable for the Sale Shares will be the Final Price.

SaleCo has no material assets, liabilities or operations other than its interest in the irrevocable offers and the SaleCo indemnity deed (under which the Company indemnifies SaleCo and its directors against any loss or liability that they may suffer or incur as a result of the Offer). The directors of SaleCo are Peter Diplaris, Paul Townsend and David Griss. The shareholders of SaleCo are Peter Diplaris and Paul Townsend. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and under the SaleCo indemnity deed has agreed to pay SaleCo's costs in respect of the Offer.

10.4.2 Shares to be issued and transferred under the Offer

The details of the ownership of the Shares as at the Prospectus Date and the expected ownership of the Shares on Completion of the Offer are set out in Section 7.1.5.

The total number of Shares on issue upon Completion of the Offer will be 601.1 million, based on the midpoint of the Indicative Price Range. Under the provisions of the MIP, the gross value of the MIP will depend on the Final Price. The number of Shares which will be issued to the participants when they reinvest a certain proportion of the cash payment under the MIP in Shares will also depend on the Final Price. The number of Shares which will be issued to those participants will be determined with the following formula:

$$N = R \text{ divided by } FP$$

where,

N = Number of shares to be issued

R = MIP reinvestment, being .66666 multiplied by .535 multiplied by the gross value of the MIP

FP = the Final Price.

10.5 Material contracts

Along with the OMA, summarised below, the Directors consider that there are a number of contracts which are significant or material to the Company or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. Summaries for material contracts set out in this Prospectus (including the summary of the OMA set out below) do not purport to be complete and are qualified by the text of the contracts themselves.

10.5.1 TMTLA and Supply Agreement and related agreements

TMTLA overview

Asaleo Care and SCA have entered into the TMTLA, which commenced on 2 January 2012 (**Commencement Date**) and was amended in May 2014. Under the TMTLA, SCA licenses to Asaleo Care certain trade marks, technology and other intellectual property, and Asaleo Care licenses to SCA certain technology. Asaleo Care and SCA also entered into a patent licence deed, which also commenced on the Commencement Date, under which SCA licenses to Asaleo Care certain patents. The terms of the patent licence deed align with those of the TMTLA, where relevant.

The TMTLA and the patent licence deed will expire eight years from the IPO, unless terminated earlier or extended by agreement between SCA and the Company.

Trade mark and technology licences from SCA to Asaleo Care

Under the TMTLA and the patent licence deed, SCA licenses Asaleo Care the Global Brands, the SCA Brands, the Technology and certain packaging, advertising and marketing materials.

These licences are:

- restricted to use by Asaleo Care in the Territory, and
- exclusive during the term of the TMTLA, so that SCA is not permitted to use (or license any third party to use) the Global Brands, the SCA Brands, the Technology and certain packaging, advertising and marketing materials for the purposes of commercialising the Products in the Territory.

SCA's licence to Asaleo Care in relation to the Technology is for the sole purpose of manufacturing and commercialising the relevant Products in the Territory.

If Asaleo Care makes any improvements to the Technology during the term of the TMTLA and the patent licence deed, Asaleo Care assigns such improvements to SCA and these are licensed back to Asaleo Care to use on the terms of the TMTLA and patent licence deed.

10. Additional Information

Technology licences from Asaleo Care to SCA

Asaleo Care licenses to SCA know-how:

- relating to the Products or the commercialisation of the Products; and
- which was owned by any member of the Asaleo Care group and in its possession, custody or control at the Commencement Date.

This licence is:

- restricted to use by SCA outside the Territory; and
- exclusive on an ongoing basis.

This exclusivity means that Asaleo Care cannot ever use outside the Territory (other than in certain limited circumstances) any relevant know-how it possessed as at 2 January 2012.

Territory restrictions and no export

The restrictions on the scope of the licence granted to it mean that Asaleo Care cannot use, during or after the term of the TMTLA, any Technology it has received from SCA, or any improvements Asaleo Care has made to that Technology, outside the Territory.

In order to protect SCA's confidential information, Asaleo Care is subject to various restrictions on outsourcing the manufacture of relevant Products using the Technology. Such outsourced manufacture may not occur outside the Territory.

Asaleo Care must not export outside the Territory the Products which incorporate the licensed brands, packaging, marketing and advertising material or Technology, and must not sell such products to traders or customers who it knows, or reasonably suspects, will export them outside the Territory.

SCA must not (and must ensure that its third party licensees do not) sell, commercialise or license any third party to commercialise any Global Products or Products which incorporate the Technology within the Territory, including supplying or selling any such products to any wholesale or retail trader located inside the Territory or located outside the Territory who SCA knows, or reasonably suspects, will export them into the Territory.

Other restrictions

Asaleo Care is subject to various other restrictions including:

- its right to sub-license is only to members of the SCA Australasia Group;
- its obligation to comply with SCA's global branding guidelines; and
- its obligations to use trade mark notices.

Promotion

Asaleo Care must actively advertise, market and promote the Global Products in the Territory and must use reasonable efforts to meet market demands for the Global Products.

Libresse brand, Libero brand and Libra brand

Asaleo Care agrees not to use the Libresse or Libero brands, or any trade marks or branding likely to deceive or cause confusion with the Libresse or Libero brands, anywhere in the world (but without restricting Asaleo Care's rights in relation to the Libra brand in the Territory).

SCA agrees not to use the Libresse or Libero brands, or any trade marks or branding likely to deceive or cause confusion with the Libresse or Libero brands, in relation to the Products in the Territory.

Royalties

Asaleo Care must pay agreed royalties to SCA, which are fixed amounts of \$5.4 million in 2012, \$5.75 million in 2013, \$5.9 million in 2014 and \$6.05 million in 2015, and are then linked to the Australian Consumer Price Index after 2015.

Support

SCA will provide certain support to Asaleo Care, including the provision of advertising and marketing materials after the IPO until the expiry or termination of the TMTLA on a similar basis as it was made available before the IPO (but subject to Asaleo Care's obligation to commence rebranding at least 12 months prior to the end of the Term).

Maintenance of Global Brands

SCA must exercise its reasonable discretion to seek and maintain registration of the Global Brands in the Territory.

Termination

The TMTLA terminates automatically on expiry of the Term unless extended by mutual agreement between Asaleo Care and SCA.

SCA may terminate the TMTLA earlier in certain cases such as the insolvency of Asaleo Care, material breach of the TMTLA by Asaleo Care or if certain specified competitors of SCA acquire control of Asaleo Care.

Asaleo Care may terminate the TMTLA for convenience during the Term on six months' notice (but not during the last 12 months of the Term), or in certain cases such as the insolvency of SCA or material breach of the TMTLA by SCA.

Impact of expiry or termination of the TMTLA and the patent licence deed

At the termination or expiry of the TMTLA and the patent licence deed:

- the licences to Asaleo Care relating to the use of the Global Brands, packaging, advertising and marketing material cease; and
- the licences to Asaleo Care relating to the Technology made available by SCA continue on a perpetual basis but become non-exclusive and royalty free. The licence, as before, is restricted to the Territory. Asaleo Care may only sub-license its rights to a group company or to certain outsourced manufacturers.

10. Additional Information

Asaleo Care must in general terms cease using the SCA Brands within 12 months of the issue of Shares under this Prospectus (and, in some circumstances earlier than that). The SCA Brands are commercially insignificant to the operations of Asaleo Care.

Asaleo Care must cease using the Global Brands, licensed packaging and licensed advertising and marketing materials by the end of the Term (or any earlier termination of the TMTLA). This means that Asaleo Care will not be able to use the Global Brands or these other materials from 2022 (or any earlier termination of the TMTLA), unless the TMTLA is extended by mutual agreement.

If the TMTLA terminates before the end of the Term, a run-off period to allow Asaleo Care to sell off existing stock of up to 12 months may apply, depending on the circumstances giving rise to termination.

Supply Agreement

Asaleo Care and SCA are also parties to a Supply Agreement, which also commenced on the Commencement Date and was amended in May 2014. Under the Supply Agreement, SCA agrees to supply Products to Asaleo Care on an exclusive basis in the Territory. SCA may only modify or discontinue the manufacture or supply of a Product where it also does so for itself and its wholly owned subsidiaries. SCA also agrees not to supply those Products to any person in the Territory other than Asaleo Care, nor to any person that an SCA Group Company knows, or ought reasonably know, will on-sell, distribute or supply those Products to a person in the Territory other than Asaleo Care. SCA is not required to prevent Vinda from supplying Vinda's own products in the Territory if those products will not cause a breach by SCA of its obligations under the Supply Agreement or the TMTLA. Asaleo Care has no minimum purchase obligations under the Supply Agreement and subject to the restrictions in the TMTLA, there are no contractual restrictions preventing Asaleo Care from purchasing products from other suppliers.

Pricing

The pricing terms under the Supply Agreement, which have not been amended since 2012, are based on SCA's total costs plus depreciation and a fixed margin. In CY2012, Asaleo Care purchased \$44.2 million of goods under the Supply Agreement (CY2013: \$35.1 million).

No export

Asaleo Care must not export the Products delivered under the Supply Agreement outside the Territory, and must not sell the Products to traders or customers it knows, or reasonably suspects, will export them outside the Territory.

Compliance with laws

Under the Supply Agreement, Asaleo Care is responsible for ensuring that Products and packaging comply with all applicable standards and laws in the Territory.

Termination

The Supply Agreement terminates immediately and automatically on termination or expiry of the TMTLA for any reason.

In addition, the Supply Agreement can be terminated by a "non-defaulting party" if the other party materially breaches the Supply Agreement and does not remedy that breach or if an insolvency event occurs in respect of the other party or it otherwise ceases to conduct business.

Shareholders Deed

As at the date of this Prospectus, the Company, SCA Group Holding BV and SCA Hygiene Products AB and the PEP Shareholders are all parties to a shareholders deed which governs the relations between the parties. With effect from Completion of the Offer, the shareholders deed and all rights under it will come to an end.

For the purpose of the TMTLA and Supply Agreement overview included in this Section 10.5.1:

- "Term" means the period of eight years commencing on the date of the issue of Shares under this Prospectus.
- "Territory" means Australia, New Zealand and certain countries within the Pacific region.
- "Global Brands" means the Tork and TENA brands, the Libresse sub-brands (being specified Libresse marks used in marketing Libra, including the "rhombus" device currently used on Libra packaging) and the Velvet brand.
- "Global Products" means Professional Hygiene products sold under the Tork brand and incontinence care products sold under the TENA brand.
- "Local Brands" means specified brands including Libra, Sorbent, Purex, Handee, Deeko and Treasures.
- "Local Products" means Products sold under the Local Brands.
- "SCA Brands" means the "SCA" name and other related marks of SCA.
- "SCA Group Company" means SCA and its related bodies corporate (as defined in the Corporations Act) other than Vinda.
- "Technology" means certain designs and patents owned by SCA relating to the Products, and skills, processes and know-how relating to the Products.
- "Products" means consumer tissue, feminine hygiene products, incontinence care products, professional hygiene products, baby hygiene products, napkins and disposable tableware and paper reels.
- "Vinda" means Vinda International Holdings Limited (a company listed on the Hong Kong Stock Exchange (HK code: 3331)) and its subsidiaries.

10. Additional Information

10.5.2 Offer Management Agreement

The Company, SaleCo and the JLMs have entered into the OMA. Under the OMA, the JLMs have agreed to severally arrange and manage the Offer, including the Bookbuild and allocation processes for the Offer. The JLMs have also agreed to severally provide settlement support for the settlement obligations of applications under the Institutional Offer and Broker Firm Offer who are allocated New Shares.

For the purpose of this Section 10.5.2, Offer Documents includes, among other things, the following documents issued or published by, or on behalf of, and with the express authorisation of, the Company and SaleCo in respect of the Offer:

- this Prospectus, the Application Form and any supplementary or replacement prospectus required to be lodged with ASIC under section 719 of the Corporations Act;
- the Institutional Offering Memorandum (referred to in this Section as such);
- the Pricing Disclosure Package (referred to in this Section as such); and
- the marketing, roadshow presentation and/or ASX announcement(s) used by or on behalf of the Company to conduct the Offer.

Commissions, fees and expenses

The Company has agreed to pay the JLMs an offer management and selling fee equal to 2.75% of the funds raised under the Offer (other than the Employee Award Offer). The offer management and selling fee is payable by the Company by 4:00pm on the date of settlement of the Offer and will be paid to the JLMs in equal proportions.

In addition to the fees described above, the Company has agreed to reimburse the JLMs for certain agreed costs and expenses incurred by the JLMs in relation to the Offer.

Termination events

Each JLM may (whether or not with the consent of the other JLMs) terminate without any cost or liability to that JLM by notice to the Company and SaleCo and the other JLMs at any time after it becomes aware of any one or more of the following events but before 3:00pm on the date of settlement of the Offer or at any other time as specified below:

- this Prospectus does not comply with the Corporations Act or the NZ securities laws (including if a statement in this Prospectus is or becomes misleading or deceptive or likely to mislead or deceive, or a matter required to be included is omitted from this Prospectus), the ASX Listing Rules or any other applicable law or regulation;
- the Institutional Offering Memorandum or the Pricing Disclosure Package includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;
- the Offer Documents include any forecast, expression of opinion, belief, intention or expectation which is not based on reasonable grounds (including having regard to ASIC Regulatory Guide 170), taken as a whole;
- the Company and SaleCo issue or are, in the reasonable opinion of the JLM seeking to terminate, required by section 719 of the Corporations Act to lodge a supplementary or replacement Prospectus with ASIC, or the Company and SaleCo lodge a supplementary or replacement Prospectus with ASIC in a form that has not been approved by the Joint Lead Managers in circumstances required by the OMA;
- any of the escrow deeds referred to in Section 10.5.6 are withdrawn, varied, terminated, rescinded, breached, altered or amended (other than with the consent of the JLMs);
- the Company is prevented from issuing, and SaleCo is prevented from transferring or procuring the transfer of (as applicable), the New Shares or Existing Shares (as the case may be) within the time required by the timetable, the Offer Documents, the ASX Listing Rules, applicable laws, an order of a court of a competent jurisdiction or a government agency;
- the Company:
 - alters the issued capital of the Company; or
 - disposes or attempts to dispose of a substantial part of the business or property of the Company or any material Group Company,

10. Additional Information

other than as permitted by the agreement or disclosed in this Prospectus, the Pricing Disclosure Package and the Institutional Offering Memorandum, or otherwise permitted by the OMA, without the prior written consent of the JLMs (such consent not to be unreasonably withheld or delayed);

- a change in the Company's chief executive officer, chief financial officer or the Chairman of the Board is announced or occurs;
- any of the following occur:
 - a director of the Company or SaleCo engages or has engaged in any fraudulent conduct or activity or is charged with an indictable offence;
 - any director of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
 - the Company, SaleCo or any Group Company engages in fraudulent conduct or activity, whether or not in connection with the Offer;
- the Company, SaleCo or a Group Company becomes insolvent or there is an act or omission which is likely to result in a Group member becoming insolvent;
- any event specified in the timetable to occur prior to or including the commencement of normal trading is delayed by more than one business day without the prior written approval of the JLMs;
- a regulatory body withdraws, revokes or amends in an adverse manner any regulatory approvals required for the Company and/or SaleCo to perform or observe their obligations under this agreement or to carry out the transactions contemplated by the Offer Documents;
- unconditional approval (or conditional approval subject only to customary pre-quotation listing conditions or other conditions acceptable to the Company and the JLMs, acting reasonably) is refused or not granted for:
 - the Company's admission to the official list of ASX; or
 - the official quotation of all of the Shares on ASX,

on or before the Listing Approval Date (as defined in the OMA), or if granted, the approval is subsequently withdrawn (without immediate replacement), qualified (other than by customary pre-quotation listing conditions or other conditions acceptable to the JLMs, acting reasonably) or withheld, or ASX indicates to the Company that approval is likely to be withdrawn, qualified (other than by customary pre-quotation listing conditions or other conditions acceptable to the JLMs, acting reasonably) or withheld;

- any of the following notifications are made in respect of the Offer (other than a notification which is not made public and is withdrawn within the earlier of (i) three business days, (ii) the business day prior to the Institutional Offer closing date and (iii) 5:00pm on the business day prior to the date of settlement of the Offer):
 - ASIC issues an order (including an interim order) under section 739 of the Corporations Act in relation to the Offer or Prospectus;
 - ASIC holds a hearing under section 739(2) of the Corporations Act in relation to the Offer or Prospectus;
 - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation, proceedings or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) or otherwise in relation to the Offer or an Offer Document;
 - any person (other than the JLMs) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
 - any person (other than the JLMs) gives a notice under section 730 of the Corporations Act in relation to an Offer Document;
- the Company does not provide a closing certificate as and when required by the OMA;
- the Company withdraws this Prospectus, any invitations to apply for New Shares under the Offer Documents or all or any part of the Offer (other than as permitted by the agreement) or indicates that it does not intend to proceed with the Offer or any part of it; or
- other than for minor administrative or technical corrections, a Sale Offer Deed is varied, terminated, rescinded, altered or amended without the prior consent of the JLMs (such consent not to be unreasonably withheld or delayed), or is breached or found to be void or voidable.

10. Additional Information

Material termination events

Each JLM may (whether or not with the consent of the other JLMs) terminate without cost or liability to that JLM by notice to the Company and SaleCo and the other JLMs at any time after it becomes aware of any one or more of the following events, but before 3:00pm on the date of settlement of the Offer or at any other time as specified below, provided that the JLM has reasonable and bona fide grounds to believe and does believe that the event (i) has or is likely to have a material adverse effect on the ability of the Joint Lead Managers to market the Offer, or the outcome, success or settlement of the Offer, the willingness of investors to subscribe for Shares or the price at which Shares are sold or the likely price at which the Shares will trade on ASX or (ii) has given or is likely to give rise to a liability of that Joint Lead Manager under any law or regulation or a contravention by that Joint Lead Manager of, or that Joint Lead Manager being involved in a contravention of, the Corporations Act or any other applicable law:

- the due diligence report or any other information supplied by or on behalf of the Company and SaleCo to the JLMs in relation to the Group or the Offer is or becomes false, misleading or deceptive, or which is likely to mislead or deceive (including by way of omission);
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses, prospects or forecasts of the Company or the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including from those respectively disclosed in any Offer Document;
- any of the Offer Documents (other than the Prospectus and the Offer Documents used for the US Offer), certain information regarding the affairs of the Company and Group and the Offer available to the public or any aspect of the Offer does not comply with the Corporations Act (including if a statement in any of the Offer Documents (other than the Offer Documents used for the US Offer) or public information is or becomes misleading or deceptive, or a matter required to be included is omitted from an Offer Document (excluding this Prospectus) or the public information), the ASX Listing Rules or any other applicable law or regulation;
- one or more of the Company and SaleCo defaults on any of its obligations under the OMA;
- a representation or warranty contained in this agreement on the part of the Company and SaleCo (whether severally or jointly) is breached, becomes not true or correct or is not performed;
- the Company varies any term of its constitution other than as contemplated by this Prospectus or without the prior written consent of the JLMs;
- hostilities not presently existing commence (whether war has been declared or not) or a major act of terrorism is perpetrated anywhere in the world or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, Singapore, Hong Kong, the United States of America, Japan, Ukraine or the People's Republic of China, or a national emergency is declared by any one of those countries;
- any of the following occurs prior to the Institutional Offer opening date and is subsisting on the business day prior to the Institutional Offer opening date, or occurs at any time on and from the Institutional Offer opening date:
 - a general moratorium on commercial banking activities in Australia, Singapore, Hong Kong, the United Kingdom or the United States is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
 - any disruption to the financial markets, political or economic conditions or currency exchange rates or controls of Australia, New Zealand, Singapore, Hong Kong, the United Kingdom or the United States or the international financial markets; or
 - trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, any State of Australia or the Parliament of New Zealand, a new law, or the Reserve Bank of Australia or any Commonwealth or State authority or ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this agreement);
- a change in senior management or Board (other than in relation to the Chairman of the Board, chief executive officer or chief financial officer) of the Company occurs;
- a new circumstance in relation to the Company or a Group member arises after lodgement of the Prospectus that would have been required to be included in this Prospectus if it had arisen before lodgement;
- any person (other than ASIC) makes an application for an order under Part 9.5, or to any government agency (other than ASIC) commences or gives notice of an intention to hold, any investigation, proceedings or hearing in relation to the Offer or the Offer Documents;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the JLMs to satisfy an obligation under this document, or to market, promote or settle the Offer;
- a contravention by the Company or any entity in the Group of the Corporations Act, the NZ securities laws, the *Competition and Consumer Act 2010* (Cth), the *Australian Securities and Investments Commission Act 2001* (Cth), the Company's constitution, any of the ASX Listing Rules or any other applicable law;

10. Additional Information

- any material contract (as defined in the OMA) is varied, terminated, rescinded or altered or amended without the prior consent of the JLMs or any material contract is breached or is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- the Company or any Group Company is in default under any of its existing debt facilities;
- a statement in any closing certificate is false, misleading, inaccurate, untrue or incorrect (including by way of omission); or
- any of the following occurs:
 - the commencement of legal proceedings against the Company, SaleCo or any other Group Company or against any director of the Company, SaleCo or any other Group Company in that capacity;
 - any regulatory body (including a government authority) commences any investigation, claim, inquiry, proceedings or public action against the Company, SaleCo or a Group Company or announces that it intends to take such action (whether in respect of the Offer, the Offer Documents or otherwise); or
 - a government agency withdraws, revokes or amends in an adverse manner any authorisation, license or other approval necessary to the conduct of the Company's business.

Representations, warranties, undertakings and other terms

The OMA contains certain standard representations, warranties and undertakings by the Company and SaleCo to the JLMs (as well as common conditions precedent, including the entry into an Escrow Deed by each of the Escrowed Shareholders).

The representations and warranties given by the Company and SaleCo relate to matters such as conduct of the Company, power and authorisations, information provided by the Company, financial information, information in this Prospectus, the conduct of the Offer, and compliance with laws, the ASX Listing Rules and other legally binding requirements. The Company also provides additional representations and warranties in connection with matters including in relation to its assets, litigation, non-disposal of Escrowed Shares, entitlements of third parties, tax, insurance, authorisations, eligibility for Listing and internal accounting controls.

The Company's undertakings include that it will not, without the prior written consent of the JLMs (such consent not to be unreasonably withheld or delayed), at any time after the date of the OMA and before the expiration of 180 days after the Completion of the Offer, issue or agree to issue or indicate in any way that it may or will issue, or agree to issue, any shares or other securities that are convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any Group Company other than pursuant to the Offer, the OMA, or an employee share plan, an underwritten dividend reinvestment plan, a bonus share plan; or as otherwise contemplated in this Prospectus.

Indemnity

Subject to certain exclusions relating to, among other things, recklessness, fraud, wilful misconduct or gross negligence of an indemnified party, the Company and SaleCo each agrees to keep the JLMs and certain affiliated parties indemnified from losses suffered in connection with the Offer.

10.5.3 Summary of New Banking Facilities

Refer to Section 4.4.4 for a description of the New Banking Facilities, pursuant to which the lender provides revolving debt facilities.

10.5.4 Relationship Deed

SCA will not sell any of its Shares in the Offer. At Completion of the Offer, SCA will hold approximately 32.7% of the total issued capital of the Company, assuming that the Final Price is at the midpoint of the Indicative Price Range. All Shares offered for issue under the Offer will be issued subject to the disclosures in this Prospectus and will rank equally with each other, and with those Shares held by the PEP Shareholders and SCA.

The Independent Directors approved the Company entering into a Relationship Deed with SCA in May 2014 which requires the Company to provide specified classes of information to SCA, grants SCA an anti-dilution right and establishes certain transitional services arrangements between the Company and SCA. The provisions of the Relationship Deed include restrictions regarding the appropriate use of confidential information.

The Relationship Deed requires the provision of certain accounting and financial information from the Company to SCA to enable it to meet SCA's external accounting, business reporting and stock exchange or financial market disclosure requirements. The Company is also required to use reasonable endeavours to obtain and provide to SCA information concerning shareholdings in the Company, together with information concerning "relevant interests", "associate" relationships and "substantial interests" (all as defined in Corporations Act). To assist SCA in its product and business planning, the Company is also required to provide SCA with certain sales and export data and sales, financial and operational information relating to certain brands licensed by SCA to the Company as is reasonably requested by SCA from time to time. The Company is not obliged to provide any of this information to the extent it would cause a breach of law by the Company, or a breach of any obligation of confidence owed by the Company to any third party.

The Relationship Deed also includes certain anti-dilution rights in favour of SCA in relation to future equity offers by the Company. The general effect of these rights is to allow SCA to participate in any future equity offer to the extent necessary to maintain its percentage holding in the Company or to maintain a holding of 30%, whichever is the lower at the relevant time. This right falls away if SCA drops below a holding of 10% in the Company. While the right applies, the Company must not issue any new equity securities before allowing SCA 15 business days to decide whether or not to participate in the issue (unless there is a genuine need for urgent funding). The ASX may impose further conditions on the exercise of the right. In addition, the Relationship Deed requires the provision by SCA of limited transitional services to the Company consisting of web hosting services and access to legacy accounting systems.

10. Additional Information

10.5.5 Pre-Offer management incentive plan and reinvestment arrangements

Peter Diplaris and certain other executives are beneficiaries of a management incentive plan (“MIP”) that was established on 31 January 2013 and which crystallises upon successful Completion of the Offer and will result in the payment of cash amounts to the executives concerned. The MIP is separate to the investments that an overlapping group of executives have made in the Company via the employee share trust discussed in Section 6.3.2. The amount of those cash payments will be calculated by reference to the Final Price and to returns generated by the PEP Shareholders from their investment in the Company, and is therefore unquantifiable until the Offer is completed.

As a guide, the Company’s estimations of the amounts that will become due to, and be reinvested by, the executives in the event of certain valuation outcomes are set out below:

- if the Final Price were \$1.55, Peter would be entitled to approximately \$14.6 million (before payment of tax) and would reinvest \$5.2 million (being two-thirds of the post-tax amount) in Shares under the Offer, and the other executives would be entitled to approximately \$25.3 million (before payment of tax) and would reinvest \$9.0 million (being two-thirds of the post-tax amount) in Shares under the Offer; and
- if the Final Price were \$1.80, Peter would be entitled to approximately \$17.2 million (before payment of tax) and would reinvest \$6.1 million (being two-thirds of the post-tax amount) in Shares under the Offer, and the other executives would be entitled to approximately \$29.8 million (before payment of tax) and would reinvest \$10.6 million (being two-thirds of the post-tax amount) in Shares under the Offer.

Mr Diplaris and the other executives have agreed to reinvest two-thirds of their after-tax payments into Shares in the Company, at the Final Price. This will substantially align their interests with the interests of investors. The Shares issued to Mr Diplaris and the other executives will be subject to escrow arrangements as set out in Section 10.5.6.

10.5.6 Escrow arrangements

It is expected that assuming that the Final Price is at the midpoint of the Indicative Price Range, on Completion of the Offer:

- SCA will hold approximately 32.7%; and
- the Management Shareholders will hold approximately 1.5%¹.

of the Shares on issue (together with applicable controlling parties, “**Escrowed Shareholders**”) and have each entered into escrow arrangements over these escrowed Shares.

As noted elsewhere in this Prospectus, the Escrowed Shareholders have entered into escrow deeds in relation to their respective escrowed Shares.

SCA has entered into an escrow arrangement in relation to all of its escrowed Shares, pursuant to which it is prevented from dealing with any of its escrowed Shares from the date of admission of the Company to the Official List (or any other prescribed financial market approved by the Board) until after the date on which the Company provides to the ASX the preliminary final report for CY2014 in accordance with ASX Listing Rule 4.3A.

In the case of the Management Shareholders, these escrow arrangements will prevent them from dealing with:

- any of their escrowed Shares from the date of admission of the Company to the Official List (or any other prescribed financial market approved by the Board) until after the one year anniversary of the date the Company is admitted to the Official List (or any other prescribed financial market approved by the Board); and
- 50% of their escrowed Shares from the date of admission of the Company to the Official List (or any other prescribed financial market approved by the Board) until after the two year anniversary of the date the Company is admitted to the Official List of the ASX (or any other prescribed financial market approved by the Board).

An entity (“Controller”), which controls another entity which holds escrowed Shares issued to the Management Shareholders (“Holder”), is subject to substantially the same escrow arrangements in respect of the Controller’s substantial economic interest or other interest in those escrowed Shares.

There are limited circumstances in which the Escrowed Shareholders may deal with any of their escrowed Shares, during the periods referred to above, including where the dealing arises in connection with:

- acceptance of a bona fide takeover bid for all of the Shares on issue provided all of the conditions in ASX Listing Rule 9.18 applicable to a takeover are met and the escrowed Shares continue to be held on the terms of the escrow arrangement if the relevant bid does not become unconditional or does not otherwise proceed;

¹ Assumes that Management Shareholders do not subscribe for any shares under this Prospectus. As at the Prospectus Date, the Management Shareholders have advised the Company that they do not intend to subscribe for additional Shares under the Offer.

10. Additional Information

- the transfer or cancellation of Shares as part of a scheme of arrangement provided all of the conditions in ASX Listing Rule 9.18 applicable to a scheme of arrangement are met and the escrowed Shares continue to be held on the terms of the escrow arrangement if the relevant scheme does not take effect;
- a dealing required by applicable law (including an order of a court of competent jurisdiction);
- the acquisition or cancellation of escrowed Shares under any other reorganisation of capital undertaken by the Company (including a share buy-back); or
- in the case of a Management Shareholder, a disposal of, but not the creation of a security interest in, some or all of the escrowed Shares to:
 - if the Holder is a trustee, a beneficiary that is an immediate family member of the Controller under the trust for which it is a trustee; or
 - if the Holder is a natural person:
 - an immediate family member of the Holder or Controller;
 - a company that is wholly owned by the Holder; or
 - a trust in relation to which the Holder or their immediate family member is the beneficiary,

in each case where the relevant transferee also enters into an escrow arrangement with the Company in respect of those relevant escrowed Shares for the remainder of the relevant escrow period, on substantially the same terms as that entered into by the Escrowed Shareholder.

The restriction on "dealing" is broadly defined and includes, among other things, disposing of, or agreeing or offering to dispose of, the relevant securities or creating, or agreeing or offering to create, any security interest in the relevant securities or any act or omission if the act or omission would have the effect of transferring effective ownership or control of, or an economic interest in, the escrowed Shares.

Refer to Section 6.5 as to the intentions of SCA in relation to the Shares that will be released from escrow.

10.6 Description of syndicate

The Joint Lead Managers to the Offer are Citi, Macquarie Capital and Merrill Lynch. The Co-Managers to the Offer are Bell Potter Securities Limited, CBA Equities Limited, Macquarie Equities Limited and Morgans Financial Limited.

10.7 Insurance

The Company has a range of insurance policies in place to manage the risks of its day-to-day business and certain other activities.

Asaleo Care believes these policies provide cover for the types of risks generally insured by a manufacturing company of the size and nature of the Company. These include:

- property and business interruption
- general and product liability insurance
- directors' and officers' liability insurance
- freight insurance
- marine cargo insurance
- workers compensation insurance
- employment practices

There are additional, more specific policies in place to cover other relevant business risks, including corporate travel and crime cover.

10.8 Legal proceedings

The Company is from time to time party to various disputes and legal proceedings incidental to the conduct of its business. As at the Prospectus Date, there are no legal proceedings to which the Company is a party that it believes are likely to have a material adverse impact on its future financial results and the Company is not aware of any such legal proceedings that are pending or threatened.

10.9 Regulatory matters

Asaleo Care believes it is in compliance with known sustainability-related regulations and voluntary standards in Australia, New Zealand and Fiji. As a large energy consumer, it currently participates in the annual National Greenhouse and Energy Reporting (NGER) reporting program, S22A/AA report as a registered Obligation Transfer Number (OTN) holder and the Energy Efficiency Opportunities (EEO) program.

Asaleo Care's product and production-related compliance activity includes Environmental Choice New Zealand, FSC, PEFC, Australian Packaging Covenant, NZ Packaging Accord, EPA licensing, NZ resource consents, National Environment Protection Measures reporting and ISO 14001.

10. Additional Information

10.10 Summary of Australian tax issues for Australian tax resident investors

10.10.1 Australian taxation considerations

The following tax comments are based on the tax law in Australia in force as at the date of the Original Prospectus. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, trusts, partnerships and corporate investors (other than life insurance companies). These comments do not apply to non-Australian tax resident investors, banks, insurance companies, investors that hold Shares on revenue account or carry on a business of trading in shares, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth) which have made elections for the fair value or reliance on financial reports methodologies.

10.10.2 Dividends paid on Shares

Australian tax resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt in relation to Shares held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend, subject to being a "qualified person" (as discussed below in Section 10.10.2). The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

To the extent that the dividend is unfranked, the Shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

Australian tax resident corporate Shareholders

Australian tax resident corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend. An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate shareholder to pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but may in certain circumstances be converted into carry forward tax losses.

Australian tax resident trusts and partnerships

Shareholders who are Australian tax resident trusts and trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

Shares held "at risk"

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholder will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a "qualified person", a Shareholder must satisfy the holding period rule and, to the extent necessary, the related payment rule.

Under the holding period rule, an investor is required to hold Shares "at risk" for more than 45 days continuously (which is measured as a period of at least 45 days commencing the day after the Shares were acquired and at the latest ending on the 45th day after the day on which the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) may not be counted as a day on which the investor held the Shares "at risk". This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

10. Additional Information

Special rules apply to trusts and beneficiaries. Specifically, there are particular difficulties in satisfying the holding period rule where an investor holds Shares through a discretionary trust where no family trust election has been made. It may be the case that the holding period rule cannot be satisfied (except in the case of individual beneficiaries who have franking credit entitlements of less than \$5,000 in a year). If you are the trustee of a discretionary trust, it is strongly recommended that you seek professional advice.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period as above and, more specifically, within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

On 14 May 2013, the Australian Federal Government announced changes that will apply to "dividend washing" arrangements and the amendments are proposed to be made through the 45 day "holding period rule". No legislation has yet been enacted in respect of this change. Shareholders should consider the impact of this proposed change given their own personal circumstances.

10.10.3 Australian capital gains tax ("CGT") implications for Australian tax resident Shareholders on a disposal of Shares

Most Australian tax resident Shareholders will be subject to Australian CGT on the disposal of the Shares. Some investors will hold Shares on revenue account, as trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own advice.

An investor will derive a capital gain on the disposal of a particular Share where the capital proceeds received on disposal exceeds the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus any transaction/incidental costs. In an arm's length transaction, the capital proceeds should generally be the cash proceeds received from the sale of Shares.

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities, broadly where the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) is 50%, and for complying superannuation entities is 33^{1/3} %. In relation to trusts, the rules are complex, but this discount may be able to be flowed up to beneficiaries of the trust.

An investor will incur a capital loss on the disposal of the particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

10.10.4 Tax file numbers

An investor is not required to quote their tax file number ("TFN") to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from dividends at the maximum marginal tax rate plus the Medicare levy.

An investor that holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

10.10.5 Stamp duty

Under current stamp duty legislation, investors should not be liable for stamp duty on the acquisition of Shares, unless they acquire, either alone or with an associated person, or under an associated transaction, an interest of 90% or more in the Company.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

10.10.6 Australian goods and services tax ("GST")

The acquisition of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

10. Additional Information

10.11 Summary of New Zealand tax issues for New Zealand tax resident investors

10.11.1 Taxation considerations

The following tax comments provide a general summary of certain New Zealand income tax and GST issues for New Zealand tax resident shareholders who acquire Shares under this Prospectus. The categories of Shareholders considered in this summary are limited to New Zealand tax residents who hold the Shares in their own name and on capital account. Whether the Shares are ultimately held on capital account (as opposed to revenue account or as trading stock) may depend on the type of shareholder involved and their specific circumstances.

This summary does not consider the consequences for non-New Zealand tax resident Shareholders, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares or Shareholders who are exempt from New Zealand tax.

This summary is based on the Income Tax Act 2007 (NZ) and the Goods and Services Tax Act 1985 (NZ), applicable case law and interpretations in force at the time of issue of this Prospectus. This summary does not take into account tax laws of countries other than New Zealand. This summary is general in nature and is not intended to be an authoritative or complete analysis of the applicable law. New Zealand tax laws are complex, and the tax laws and their interpretation may change.

The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Shareholders must seek their own tax advice on the New Zealand tax implications of acquiring, holding or disposing of the Shares, taking into account their own specific circumstances, and should not rely on the comments provided below.

10.11.2 Income tax treatment of dividends received by New Zealand tax resident Shareholders

New Zealand tax resident Shareholders that are individuals, trustees of a trust or portfolio corporate shareholders (those holding less than 10% shareholding interests in the Company) will generally be required to include in their assessable income the dividend actually received (before the deduction of any applicable withholding taxes), together with any New Zealand imputation credits and withholding taxes attached to that dividend. New Zealand Shareholders would then be subject to tax at their applicable tax rate on the gross dividend amount (which includes the imputation credit and any applicable withholding taxes amount). New Zealand Shareholders should be entitled to a tax offset equal to the New Zealand imputation credits attached to the dividend. The tax offset can be applied to reduce the tax payable on the New Zealand Shareholder's taxable income. Where the offset exceeds the tax payable on the New Zealand Shareholder's taxable income, excess imputation credits can be carried forward by the Shareholder as tax credits for utilisation in future income years (in the form of tax credits for individuals or losses for companies and trustees other than a Maori trustee).

Non-portfolio New Zealand corporate Shareholders (holding 10% or greater shareholding interests in the Company) will not be subject to income tax on any dividends received from the Company.

10.11.3 Franking credits/withholding tax

Australian withholding tax will apply for any unfranked dividends (but not for fully franked dividends). Should the Company be required to deduct withholding tax on any dividend it pays, New Zealand tax legislation allows a foreign tax credit to be claimed by the Shareholder in respect of that amount of overseas tax paid. However, the amount of the credit for the foreign tax is restricted to the amount of the New Zealand tax payable calculated under certain rules. Foreign tax credits are non-refundable credits and, if not utilised in the income year to which they relate, will be forfeited.

New Zealand tax resident Shareholders are not entitled to a New Zealand tax credit for any Australian franking credits attached to dividends, but likewise are not taxed on the amount of any franking credits attached to dividends.

10.11.4 Triangular (Trans-Tasman) tax regime and dividend imputation

The Triangular (Trans-Tasman) tax regime allows an Australian tax resident company, such as the Company, to elect to maintain a New Zealand imputation credit account. Consequently, New Zealand taxes paid by the Company's New Zealand subsidiaries could then result in New Zealand imputation credits being attached to dividends paid on the Shares. The imputation credits must be allocated to all Shareholders regardless of tax residence.

The Company and its relevant subsidiaries intend to investigate the option to elect to enter into this regime and whether they will seek to maintain a New Zealand imputation credit account with respect to New Zealand taxes paid. If so elected, and the Company declares dividends with New Zealand imputation credits attached, all Shareholders would receive New Zealand imputation credits. The New Zealand Shareholders may then be entitled to use these imputation credits under New Zealand tax law to offset against their income tax liability (refer above). The level of New Zealand imputation credits available to be attached to the Shares would depend on the amount of New Zealand taxes paid. No decision to enter the Triangular (Trans-Tasman) tax regime has been made.

10. Additional Information

10.11.5 New Zealand income tax treatment of shareholding
New Zealand tax resident Shareholders may be taxed in respect of foreign shareholdings, including their Shares, under either:

- ordinary tax rules applying to Share investments; or
- New Zealand's Foreign Investment Fund ("FIF") regime.

The FIF regime should not apply to the Shares on the basis that the Company meets the exemption criteria that:

- it is listed on the All Ordinaries in Australia, or another ASX approved index;
- it is only tax resident in Australia; and
- it is required by Australian tax law to maintain a franking account.

If for any reason the Company does not meet the listing requirement in any income year, a New Zealand tax resident Shareholder may be subject to the FIF regime in respect of their holding of the Shares. In the event that the FIF regime applies, then Shareholders should obtain professional tax advice. It is therefore anticipated that New Zealand's ordinary tax rules will apply in which case only dividends received may be taxable (see above) or gains on disposal of the Shares, in limited circumstances (see below).

10.11.6 Disposal of Shares

Amounts derived by New Zealand tax resident Shareholders from the sale or disposal of the Shares should not be included in assessable income if the Shares are held on capital account. For completeness, Shareholders will be subject to tax on gains realised on the sale or disposal of Shares where:

- the Shareholder is in the business of dealing in shares; or
- the Shares were purchased or acquired under this Prospectus for the dominant purpose of resale; or
- the Shares were purchased or acquired under this Prospectus as part of a profit-making undertaking or scheme; or
- the Shares are otherwise held on revenue account.

New Zealand Shareholders should seek their own tax advice about whether the proceeds from sale will be taxable.

10.11.7 Stamp duty

As there is currently no stamp duty in New Zealand, neither the acquisition nor disposal of Shares will attract stamp duty in New Zealand.

10.11.8 Goods and services tax

Under current New Zealand law, no GST liability should arise on either the issue of the Shares pursuant to the Offer or on the subsequent transfer of the Shares.

10.12 Employee Award Offer tax issues

Asaleo Care will provide a general summary of the Australian and New Zealand tax issues relating to the Employee Award Offer to Australian and New Zealand Eligible Employees (as the case may be) in the separate offer letter sent to Eligible Employees.

10.13 Consents

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Investec has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as financial adviser to SCA in the form and context in which it is named;
- SCA has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in the Prospectus in the form and context in which it appears in the Prospectus and to the inclusion in the Prospectus of statements by, or said in the Prospectus to be based on a statement by, SCA;
- each of Citi, Macquarie Capital and Merrill Lynch has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as a JLM to the Offer in the form and context in which it is named;
- each of Bell Potter Securities Limited, CBA Equities Limited, Macquarie Equities Limited and Morgans Financial Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Manager to the Offer in the form and context in which it is named;
- Minter Ellison has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to the Company in relation to the Offer in the form and context in which it is named;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Historical Financial Information and Forecast Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Reports in Sections 8 and 9 and the statements specifically attributed to it in the text of this Prospectus in the form and context in which they are respectively included (and all other references to that report and those statements in this Prospectus);

10. Additional Information

- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Australian taxation adviser to the Company in relation to the Offer and as the auditor to the Company (and all references to the audited accounts of the Company audited by PricewaterhouseCoopers in this Prospectus), in the form and context in which it is named; and
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Link Market Services has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company.

No entity or person referred to in this Section 10.13 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the entities referred to in this Section 10.13 has not authorised or caused the issue of this Prospectus and does not make any offer of Shares.

10.14 ASX waivers

The Company has applied to the ASX for the following 'in-principle' confirmations and waivers from the ASX Listing Rules:

- confirmation that the ASX considers that the Company has a track record of revenue acceptable to the ASX for the purposes of ASX Listing Rule 9.1.3, and consequently, that the ASX will not apply the restrictions in Clauses 1, 2, 3, 4, 7, 8 and 9 of Appendix 9B in relation to the Shares in the Company; and
- confirmation from the ASX that the Company may undertake conditional and deferred settlement trading of the Shares, subject to customary confirmations to be given to the ASX by Asaleo Care; and
- waiver from ASX Listing Rule 6.18 with respect to the anti-dilution rights in favour of SCA in relation to future equity offers by Asaleo Care as provided under the Relationship Deed (refer to Section 10.5.4 for further details on the Relationship Deed).

Asaleo Care expects that the "in-principle" confirmations and waivers will be formally considered and determined by the ASX (subject to customary conditions) as part of the Company's application for admission to the Official List and for official quotation of the Shares on issue as at the date of this Prospectus and the Shares issued and transferred under the Offer.

10.15 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria, Australia and each Applicant and bidder under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria, Australia.

10.16 Statement of Directors

This Prospectus is authorised by each Director and by each director of SaleCo who each consent to its lodgement with ASIC and its issue.

Employee Award Offer

11



11. Employee Award Offer

11.1 Employee Award Offer

All Eligible Employees (as determined by the Asaleo Care) are entitled to participate in the Employee Award Offer.

Australian Eligible Employees are those employees:

- (a) who are permanent full-time employees and permanent part-time employees of Asaleo Care (being employees who work the equivalent of two days or more a week);
- (b) who are Australian permanent residents;
- (c) who:
 - (i) commenced their employment with Asaleo Care on or before 4 May 2014;
 - (ii) remain employed by Asaleo Care as at 5:00pm (Sydney time) on 4 August 2014; and
 - (iii) have not received or given notice of termination of their employment on or before 4 August 2014, regardless of the date of cessation of employment;

excluding:

- (d) employees who are currently on a global assignment inbound or outbound of Australia;
- (e) employees who are permanently impaired (and are not expected to return to work);
- (f) employees who are the subject of a performance improvement plan or under an open investigation by Asaleo Care; and
- (g) the President/CEO (Mr Peter Diplaris) and each of the executive leadership team (being those employees who report directly to Peter Diplaris).

New Zealand Eligible Employees are those employees:

- (a) who are permanent full-time employees and permanent part-time employees of Asaleo Care (being employees who work the equivalent of two days or more a week);
- (b) who:
 - (i) commenced their employment with Asaleo Care on or before 4 May 2014;
 - (ii) remain employed by Asaleo Care as at 5:00pm (Sydney time) on 4 August 2014; and
 - (iii) have not received or given notice of termination of their employment on or before 4 August 2014, regardless of the date of cessation of employment;

excluding employees who are directors of Asaleo Care (including its subsidiaries).

Eligible Employees will be offered the opportunity to apply for A\$1,000 worth of Shares (rounded down to the nearest whole Share) each at the VWAP Closing Price, subject to an aggregate total allocation to Eligible Employees of \$0.9 million worth of Shares. No consideration will be payable by Australian employees to the Company for the Shares. New Zealand employees will be required to pay NZ\$1 in consideration for the Shares. The Employee Award Offer is being funded by the Company and the costs of the Employee Award Offer have been taken into account in the financial information that is presented in Section 4.

A separate offer letter, together with access to this Prospectus, will be provided to Eligible Employees, detailing the terms of the Employee Award Offer and the timetable applicable to the Employee Award Offer (which is different to the timetable applicable to the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer set out on page 6 of the Prospectus). It is currently anticipated that Shares offered under the Employee Award Offer will be issued in August 2014. Eligible Employees should read the separate offer letter and this Prospectus, carefully and in their entirety, before deciding whether to apply for Shares under the Employee Award Offer (including the summary of the Australian and New Zealand tax issues relating to tax resident Shareholders respectively who acquire Shares under the Employee Award Offer set out in the separate offer letter). If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Appendix A: Glossary



Appendix A: Glossary

Term	Definition
AASB	Australian Accounting Standards Board. An Australian Government agency that develops and maintains accounting standards for entities in the private, public and not-for-profit sectors of the Australian economy.
ABN	Australian Business Number.
ACN	Australian Company Number.
Applicant	A person who submits an Application.
Application	An application made to apply for Shares offered under this Prospectus.
Application Form	The application form included in or accompanying this Prospectus (including the electronic form provided by an online application facility).
Application Monies	The amount accompanying an Application Form submitted by an Applicant.
Asaleo Care or Company	Asaleo Care Limited ACN 154 461 300 and, as the context requires, its subsidiaries.
Asaleo Care Offer Information Line	1800 645 237 (toll free within Australia) or +61 1800 645 237 (outside Australia); from 8:30am to 5:00pm (Sydney time), Monday to Friday.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or its financial market, the Australian Securities Exchange, as the context requires.
ASX Listing Rules	The listing rules for the ASX, with any modification or waivers which the ASX may grant to the Company from time to time.
ASX Recommendations	The Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council and available on the ASX's website at www.asx.com.au .
ASX Settlement	ASX Settlement Pty Limited or the clearing and settlement facility it operates, as the context requires.
ASX Settlement Operating Rules	The operating rules of ASX Settlement.
AUD, A\$, \$ or cents	Australian currency.
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the AASB.
B2B	Business-to-Business. A channel which Asaleo Care uses to distribute all of its Professional Hygiene products and some of its Incontinence Hygiene products.
Baby Hygiene	Product category that comprises baby hygiene products such as diapers, nappy pants and wipes.
BBSY	Australian Bank Bill Swap Bid Rate, being the average bid rate for Australian dollar bills of exchange having various tenors which appear on the Reuters Screen "BBSY Page" at approximately 10:10am Sydney time.
BEK	Bleached Eucalyptus Kraft pulp.
Board	The Board of Directors of Asaleo Care.
Bookbuild	The price discovery process managed by the Joint Lead Managers to determine the price at which Shares will be issued and transferred under the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer.
Broker	A Syndicate Broker who is offered a firm allocation of Shares under the Broker Firm Offer.
Broker Firm Applicant	A person who submits an Application under the Broker Firm Offer.
Broker Firm Offer	The invitation to Australian and New Zealand resident retail clients of Syndicate Brokers to acquire Shares offered under this Prospectus.
CAGR	Compound Annual Growth Rate.
Cash Conversion	Calculated as: (EBITDA less maintenance capital expenditure) divided by EBITDA.
CEO	Chief Executive Officer.

Appendix A: Glossary

Term	Definition
CFO	Chief Financial Officer.
CGT	Capital gains tax.
CHESS	Clearing House Electronic Subregister System.
CIO	Chief Information Officer.
Citi	Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832).
Closing Date	The date by which Applications must be lodged for the Broker Firm Offer, Employee Priority Offer and General Priority Offer, being 5:00pm (Sydney time) unless varied.
Co-Managers	Each of Bell Potter Securities Limited (ABN 25 006 390 772), CBA Equities Limited (ABN 76 003 485 952), Macquarie Equities Limited (ABN 41 002 574 923) and Morgans Financial Limited (ABN 49 010 669 726).
Completion of the Offer	Completion in respect of the issue and transfer of Shares pursuant to the Offer.
Constitution	The constitution of the Company.
Consumer Tissue	Product category that comprises tissue products such as toilet paper, facial tissues, paper towels, serviettes and disposable tableware.
COO	Chief Operations Officer.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CY	Calendar and financial year (ended or ending 31 December).
CY2011	Calendar and financial year ended 31 December 2011.
CY2012	Calendar and financial year ended 31 December 2012.
CY2013	Calendar and financial year ended 31 December 2013.
CY2014	Calendar and financial year ending 31 December 2014.
CY2015	Calendar and financial year ending 31 December 2015.
CY2016	Calendar and financial year ending 31 December 2016.
Directors	The directors of the Company.
€, EUR or euro	The lawful currency of the Euro zone of Europe.
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EGM	Executive General Manager.
Eligible Employees	Employees as described in Section 11.
Eligible US Fund Manager	A dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not “US persons” (as defined in Rule 902(k) under the US Securities Act) for which it has and is exercising investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S.
Employee Award Offer	An invitation to Eligible Employees to apply for Shares offered under this Prospectus for nil or nominal consideration, as discussed in Section 11.
Employee Priority Offer	The meaning given in Section 7.4.1.
EPS	Earnings per Share.
Escrow Deed	An escrow deed between Asaleo Care and SCA or between Asaleo Care and a Management Shareholder.
Escrowed Shareholders	The meaning given in Section 10.5.6.

Appendix A: Glossary

Term	Definition
Existing Financing	Asaleo Care's existing A\$563 million multi-currency syndicated debt facility as well as other obligations of the Company.
Existing Shareholders	SCA, PEP Shareholders and Management Shareholders.
Existing Shares	Shares held by Existing Shareholders.
Expiry Date	2 July 2015.
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum of seven days from the Prospectus Date, during which an Application must not be accepted. ASIC may extend this period by up to a further seven days after the end of this period.
Facility A	A\$157.5 million three year revolving cash advance facility.
Facility B	A\$157.5 million five year revolving cash advance facility.
Feminine Hygiene	Product category that comprises feminine hygiene products such as pads, tampons, liners and ancillary products (such as feminine wipes, feminine washes and heat patches).
Final Price	The price per Share that all Successful Applicants under the Broker Firm Offer, Employee Priority Offer, General Priority Offer and the Institutional Offer will pay for Shares as determined by the Bookbuild, denominated in Australian currency.
Financial Information	The Historical Financial Information and Forecast Financial Information.
FMCG	Fast Moving Consumer Goods.
Forecast Financial Information	The Statutory Forecast Financial Information and Pro forma Forecast Financial Information.
FSC	Forest Stewardship Council.
FTE	Full time equivalent.
FX	Foreign exchange.
FY	Financial Year.
GDP	Gross Domestic Product.
General Priority Offer	The meaning given in Section 7.4.2.
Group	The consolidated group comprising the Company and its controlled entities.
Group Company	A company or other entity included in the Group.
GST	Goods and services tax as defined in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Healthcare	A channel within B2B which Asaleo Care uses to distribute some of its Incontinence Hygiene products. Includes hospital, aged care facility and community care customers.
Historical Financial Information	The Statutory Historical Financial Information and Pro forma Historical Financial Information.
IFRS	International Financial Reporting Standards.
Incontinence Hygiene	Product category that comprises incontinence hygiene products such as incontinence pads, pants and liners for both males and females. Asaleo Care sells these products through the TENA brand.
Independent Director	A member of the Board as described in Section 6.4.1.
Indicative Price Range	The indicative range, being between \$1.55 and \$1.80 per Share, in which the Final Price may fall. However, the Final Price will be determined by the Company, SaleCo and the Joint Lead Managers and may be within the indicative range, or above the upper limit or below the lower limit of that range.

Appendix A: Glossary

Term	Definition
Institutional Investor	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality with which the Company and SaleCo are willing to comply), including in Australia persons to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus under section 708 of the Corporations Act; provided that if such an investor is in the United States, it is either a QIB or an Eligible US Fund Manager.
Institutional Offer	The invitation to bid for Shares made to Institutional Investors in Australia, New Zealand, Austria, Belgium, Denmark, France, Germany, Hong Kong, Indonesia, Ireland, Liechtenstein, Luxembourg, Malaysia, Netherlands, Norway, Singapore, Sweden, Switzerland, the United Arab Emirates, the United Kingdom and the United States.
Institutional Offering Memorandum	The Prospectus and “wrap”, including any amendments, supplements, annexures or appendices thereto, used for the purposes of the US Offer, as may be amended or supplemented; provided that the term “Institutional Offering Memorandum” means, with respect to any time or date referred to in this Prospectus, the most recent Institutional Offering Memorandum as at that time or date.
Investec	Investec Bank (Australia) Limited (ACN 071 292 594).
Investigating Accountant	See the definition of PwCS.
Investigating Accountant's Reports	The Investigating Accountant's Reports include the Investigating Account's Report on Historical Financial Information (see Section 8) and the Investigating Accountant's Report on Forecast Financial Information (see Section 9).
IPO	Initial public offering.
JLMs or Joint Lead Managers	Citi, Macquarie Capital and Merrill Lynch.
Link Market Services	Link Market Services Limited (ABN 54 083 214 537).
Listing	The commencement of trading in Shares on the Official List.
Macquarie Capital	Macquarie Capital (Australia) Limited (ABN 79 123 199 548).
Maintenance capital expenditure	Cash flow expenditure aimed at preserving the condition of the fixed asset base.
Management	The executives of the Company identified in Section 6.
Management Shareholders	Members of Management who currently hold Shares in the Company via the employee share trust that is managed by PEPSCA Employee Pty Ltd.
Merrill Lynch	Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795).
MIP	A pre-Offer management incentive plan which will be settled upon Completion of the Offer and the impact of which has been taken into account in the financial information in this Prospectus.
NBSK	Northern Bleached Softwood Kraft pulp.
Net debt	Current and non-current interest bearing liabilities including finance leases, less cash and cash equivalents.
New Banking Facilities	Facility agreement for the provision of three and five year revolving facilities.
New Long-term Incentive Plan	A potential new management incentive plan relating to the financial performance of Asaleo Care post Completion of the Offer.
New Shares	Shares to be issued by the Company pursuant to this Prospectus.
Non-Executive Director	A member of the Board who does not form part of Company's Management.
Non-IFRS financial measures	Measures to manage and report on business performance that are not recognised under Australian Accounting Standards.
NPAT	Net profit after tax.
NZ	New Zealand.

Appendix A: Glossary

Term	Definition
NZD or NZ\$	NZ currency.
Offer	The invitation by the Company and SaleCo to apply for New Shares and Sale Shares respectively under this Prospectus.
Offer Documents	Has the meaning given in Section 10.5.2.
Official List	Official list of entities that the ASX has admitted to, and not removed, from listing.
Original Prospectus	The prospectus dated 2 June 2014 and lodged with ASIC on that date (which is replaced by this Prospectus).
OMA	The offer management agreement of that name between the Company, SaleCo and the Joint Lead Managers on or about the Prospectus Date.
Patent Licence Deed	Patent Licence Deed as described in Section 10.5.1.
PEP	Pacific Equity Partners.
PEP Advisory	PEP Advisory IV Pty Limited (ABN 49 125 815 223).
PEP Shareholders	Pacific Equity Partners Fund IV (Australasia) Pty Limited ACN 124 839 989 as trustee for the Pacific Equity Partners Fund IV (Australasia) Unit Trust, Eagle Co. Investment Pty Ltd ACN 119 182 688 as trustee for Pacific Equity Partners Fund IV Co. Investment Trust B, PEP Investment Pty Limited ACN 083 026 984, Pacific Equity Partners Fund IV G.P (Jersey) Limited as general partner of Pacific Equity Partners Fund IV LP (incorporated in Jersey with registered number 96268) and PEPSCA Employee Pty Ltd ACN 161 655 081.
Performance improvement capital expenditure	Cash flow expenditure aimed at improving the fixed asset base in order to improve financial performance.
Personal Care	Business segment or market, as the context requires, that is comprised of Feminine Hygiene, Incontinence Hygiene and Baby Hygiene.
Phase 1	Phase 1 of Asaleo Care's growth strategy, focused on a comprehensive business transformation program.
Phase 2	Phase 2 of Asaleo Care's growth strategy, focused on future sustainable earnings growth and shareholder returns.
Preference Shares	Convertible and redeemable preference shares owned by Existing Shareholders which will be cancelled without conversion prior to Completion of the Offer.
Pricing Disclosure Package	Both (i) the Institutional Offering Memorandum, as amended or supplemented immediately prior to the time specified by the Joint Lead Managers as being the time that contracts for the sale of New Shares or Existing Shares are formed under the Institutional Offer, as of such time and (ii) the final pricing information relating to the New Shares or Existing Shares, which information consists of the issue price per New Share, as included in the relevant confirmation acceptance advice or form or as conveyed to the initial purchasers of the New Shares or Existing Shares by any other means, including orally at or about such time.
Private Label	Products branded with customer brands, not manufacturer brands.
Pro forma Forecast Financial Information	The pro forma consolidated forecast income statement for CY2014 and pro forma consolidated forecast cash flow statement for CY2014.
Pro forma Historical Financial Information	The pro forma consolidated historical income statements for CY2011, CY2012 and CY2013, the pro forma consolidated historical cash flow statements for CY2011, CY2012 and CY2013 and the pro forma consolidated historical statement of financial position as at 31 December 2013.
Professional Hygiene	Product category that comprises professional hygiene products such as hand towels, toilet paper, serviettes, soap, facial tissues and other hygiene-based accessories. Asaleo Care sells these products through the Tork brand.
Prospectus	This document dated the Prospectus Date (including the electronic form of this document), and any replacement or supplementary prospectus in relation to this document.
Prospectus Date	The date of this Prospectus, being 16 June 2014.

Appendix A: Glossary

Term	Definition
PwC	PricewaterhouseCoopers Ltd (ABN 52 780 433 757).
PwCS	PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617) (Australian Financial Services Licence 244572).
QIB	A “qualified institutional buyer”, as defined in Rule 144A.
Regulation S	Regulation S under the US Securities Act.
Relationship Deed	The relationship deed described in Section 10.5.4.
Resellers	Smaller distributors, such as wholesalers, onsellors, and supply shops.
Retail	A Retail facing distribution channel which Asaleo Care uses to distribute all of its Consumer Tissue, Feminine Hygiene and Baby Hygiene products and some of its Incontinence Hygiene products.
Rule 144A	Rule 144A under the US Securities Act.
Sale Offer Deed	A deed under which one or more Existing Shareholders irrevocably offers all or some of their Existing Shares to SaleCo.
Sale Shares	Existing Shares offered for sale by SaleCo pursuant to this Prospectus.
SaleCo	PEPSCA SaleCo Limited (ACN 169 063 816).
SCA	Svenska Cellulosa Aktiebolaget SCA. Also includes the company’s wholly owned subsidiaries, as the context requires.
SEK	Swedish Krona.
Selling Shareholders	Existing Shareholders other than SCA and Management Shareholders.
Settlement	Settlement of the Offer. Has the meaning given to it in Section 7.8.3.
Share	A fully paid ordinary share in the capital of Asaleo Care Limited.
Share Registry	Link Market Services Limited (ABN 54 083 214 537).
Shareholder	A holder of one or more Shares.
Shareholders Deed	Shareholders Deed as described in Section 10.5.1.
Statutory Forecast Financial Information	The statutory consolidated forecast income statement for CY2014 and statutory consolidated forecast cash flow statement for CY2014.
Statutory NPAT	Statutory net profit after tax.
Successful Applicant	An Applicant who is issued or transferred Shares under the Offer.
Supply Agreement	An agreement (as amended) under which SCA supplies products, primarily under the Tork and TENA brands, to the Company. Described in Section 10.5.1.
Syndicate Broker	A Joint Lead Manager or Co-Manager.
TFN	Tax file number.
Tissue	Business segment or market, as the context requires, that comprises Consumer Tissue and Professional Hygiene.
TMTLA	Trade Mark and Technology Licence Agreement (as amended), as described in Section 10.5.1.
United States or US	The United States of America, its territories and provinces, and any state of the United States of America.
US\$	US dollars.

Appendix A: Glossary

Term	Definition
US Offer	The invitation to apply for Shares under the Institutional Offer to persons whom the Joint Lead Managers reasonably believe to be “qualified institutional buyers” as defined in Rule 144A under the US Securities Act in the United States in transactions exempt from the registration requirements of the US Securities Act pursuant to Rule 144A and to “eligible US fund managers” in reliance on Regulation S under the US Securities Act.
US Securities Act	United States Securities Act of 1933, as amended.
VWAP Closing Price	Volume weighted average price of Shares in the Company for the five day period up to and including the trading day before the Shares are issued to employees under the Employee Award Offer.
Working Capital Facility	A\$35.0 million revolving cash advance facility.

Appendix B: Significant Accounting Policies



Appendix B: Significant Accounting Policies

Set out below are Asaleo Care Ltd's significant accounting policies for the financial year ending 31 December 2013. These policies have been extracted from Asaleo Care Ltd's audited statutory financial statements. References to The Group in Appendix B refer to Asaleo Care Ltd and its subsidiaries and is used in the audited statutory financial statements.

(a) Basis of preparation

The general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Asaleo Care Ltd is a for-profit entity for the purpose of preparing the financial statements.

The Group was formed on 22 December 2011 and traded for 9 days during the year ending 31 December 2011.

(i) Compliance with IFRS

The consolidated financial statements of the Asaleo Care Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention except for, financial instruments measured at fair value through profit and loss.

(iii) Critical accounting estimates

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

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with accounting policy stated in Appendix B (p). The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of assumptions for each CGU.

Fair value of available-for-sale financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Indefinite useful lives of brands

Management have determined that all of the intangible assets (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.

The Group tests annually whether brands have suffered any impairment, in accordance with accounting policy stated in Appendix B (p). The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of assumptions for each CGU.

Management assess the useful lives of the Group's intangible assets at the end of each reporting period. No factors have been identified in the period which would alter the Group's assumption of indefinite useful life for brands.

Income taxes

The Group is subject to income taxes (and other similar taxes) in Australia and in a number of overseas jurisdictions. Judgment is required in determining the Group provision for income taxes.

There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The research and development tax offset available to the Group is estimated in the accounts because a full assessment of the actual position cannot be made by the year end. The policy of the Group is to only bring to account the portion of expenses that are reasonably expected to be claimable at period end.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, the utilisation of the tax losses also depends on the ability of the entity, which is not part of the tax consolidated Group, to satisfy certain tests at the time the losses are recouped.

Appendix B: Significant Accounting Policies

Estimated restructuring and restructuring costs

The Group makes provisions for restructuring and rationalisation within the business, in accordance with accounting policy stated in Appendix B (u). The provisions for restructuring and rationalisation have been recognised in line with the Group's detailed formal restructuring plan and the restructuring has either commenced or has been publicly announced. Future operating costs in relation to the restructuring have not been provided for.

With respect to termination of employees, where the restructuring plan includes termination before retirement date, the Group recognises a provision for redundancy when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal. Payments falling due greater than 12 months after reporting date are discounted to present value.

Valuation of share based payments

An expected returns approach was used to value the share-based payments made in relation to the MIP during the period. Management performs a valuation at each reporting date with changes in fair value recognised in the profit and loss.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Asaleo Care Ltd ('Company' or 'parent entity') as at 31 December 2013 and the results of all subsidiaries for the year then ended. Asaleo Care Ltd and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Appendix B (h)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, being the Chief Executive Officer, Chief Financial Officer and other Executives. The chief operating decision makers provide strategic direction and management oversight of the entity in terms of monitoring results and approving strategic planning for the business.

(d) Foreign currency translation

(i) Functional and presentation currency

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.

(ii) Transactions and balances

Foreign currency transactions are translated into the respective functional currency using the exchange rates prevailing at the dates of the transactions. 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.

(iii) Group companies

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); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Appendix B: Significant Accounting Policies

(e) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity 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 from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances and discounts. Revenue is recognised when the risks and rewards of ownership have transferred to the customer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is risk of return of goods, or there is continuing management involvement with the goods.

(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.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(g) Income tax

Income tax expense comprises current and deferred tax. Income tax expense or revenue 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.

The current income tax charge is calculated on the basis of 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.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for 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 affects neither accounting nor taxable profit nor loss. Deferred income tax 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.

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.

Deferred tax liabilities and assets are not recognised 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 and liabilities are offset 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.

Appendix B: Significant Accounting Policies

The carrying amount of deferred tax assets is 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. Unrecognised deferred tax assets 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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Asaleo Care Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. 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.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

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 an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

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. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Appendix B: Significant Accounting Policies

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on a first-in-first-out basis. In respect of manufactured inventories, cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Non-current assets (or disposal groups) held for sale and discontinued operations

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 and financial assets 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.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

(n) 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 accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. 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).

The Group 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. The Group also 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.

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.

(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 sale that is hedged takes place). 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'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, 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.

Appendix B: Significant Accounting Policies

(o) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item including borrowing costs that are related to the acquisition, construction or production of the qualifying asset. Cost also may include transfers from equity of any gains and losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Property, plant and equipment, excluding freehold land, are depreciated at rates based upon their expected useful lives. Land is not depreciated. Depreciation rates used for each class of asset for the current and comparative periods are as follows:

– Buildings	25 – 40 years
– Machinery	10 – 20 years
– Vehicles	3 – 8 years
– Furniture, fittings and equipment	3 – 8 years

The useful lives of certain machinery were extended by 2-5 years from prior period, resulting in a \$1.9 million (net of tax) impact to the profit and loss.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Appendix B (i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(p) Intangible assets

(i) Goodwill

Goodwill is measured as described in Appendix B (i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units (CGUs) or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Brands

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.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other 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.

(r) Leases

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

(s) Borrowings

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.

Appendix B: Significant Accounting Policies

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(v) Employee benefits

(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 is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(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.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Superannuation

The consolidated entity contributes to an accumulation fund on behalf of qualifying employees.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Management Incentive Plan (MIP) and the PEPSCA Employee unit plan (EUP).

Non-market vesting conditions are included in assumptions about the number of MIP entitlements that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of MIP entitlements that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to the liability. The MIP is a cash-settled plan which is fair valued at each reporting date.

Under the EUP, shares are purchased by employees at a value below fair value. Therefore the EUP is an equity settled plan which vested immediately. Upon vesting, the difference between the consideration paid and the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

Appendix B: Significant Accounting Policies

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case an offer is made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, options or return of capital are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares, options or return of capital for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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Application Forms



Your Guide to the Application Form

Please complete all relevant white sections of the Broker Firm Offer Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Broker Firm Offer Application Form relates are Asaleo Care Limited ("Asaleo Care") Shares. Further details about the Shares are contained in the Prospectus dated 16 June 2014 issued by Asaleo Care. The Prospectus will expire 13 months after 2 June 2014. While the Prospectus is current, Asaleo Care will send paper copies of the Prospectus, any supplementary or replacement Prospectus and the Broker Firm Offer Application Form, free of charge on request.

The Corporations Act prohibits any person from passing onto another person the Broker Firm Offer Application Form in relation to the offer of Shares, unless the Broker Firm Offer Application Form is included in or accompanies a complete and unaltered copy of the Prospectus (or an electronic copy of this Prospectus). A person who gives another person access to the Broker Firm Offer Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary or replacement prospectus. Applications for Shares will only be accepted if made on a Broker Firm Offer Application Form that was included in or accompanies the Prospectus (or in its paper copy form which may be downloaded in its entirety with the electronic form of the Prospectus, at www.asaleocareoffer.com).

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the dollar amount of Shares for which you wish to apply. The minimum Application under the Broker Firm Offer is as directed by your Broker. The maximum number of Shares to be issued or transferred to you will be determined by dividing the dollar amount applied for by the Final Price. You may be issued or transferred all of the shares applied for or a lesser number.
- B** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title. Applicants using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presented registered in CHES.
- C** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Asaleo Care will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- D** Please enter your postal address for all correspondence. All communications to you from Asaleo Care and Link Market Services Limited (Share Registry) will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Asaleo Care's issuer sponsored subregister.
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- G** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section A.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

ACKNOWLEDGEMENTS

I/we declare that by lodging this Broker Firm Offer Application Form, I/we represent and warrant that I/we have read and understood the Prospectus to which this Broker Firm Offer Application Form relates. By lodging this Broker Firm Offer Application Form, I/we represent, warrant and agree that I/we am/are and each person on whose behalf I am/we are submitting this Broker Firm Offer Application Form is named on the front of this Broker Firm Offer Application Form and has a registered address in Australia or New Zealand and is not located in the United States and is not acting for the account or benefit of any person in the United States. I/we understand that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States, and accordingly, the Shares may not be offered, sold or resold in the United States or in any other jurisdiction outside Australia and New Zealand except in transactions exempt from or not subject to registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which such Shares are offered and sold. I/we have not, and I/we agree that I/we will not, send this Broker Firm Offer Application Form or any materials relating to the Offer to any person in the United States; and I/we hereby authorise the Company to complete and execute any documents necessary to effect transfer or issue of any Shares.

DECLARATION

By submitting this Broker Firm Offer Application Form, I/we declare, represent and warrant that this Broker Firm Offer Application Form is completed and lodged in accordance with the Prospectus and subject to the declarations/statements in the Prospectus and this Broker Firm Offer Application Form and declare that all declarations, details and statements made by me/us are complete and accurate. I/we agree to be bound by the Constitution of the Company and the terms of the Offer and agree to the issue to me/us of any number of Shares equal to or less than the value indicated above which may be issued to me/us pursuant to the Prospectus including, without limitation, the terms set out in Section 7. It is not necessary to sign a Broker Firm Offer Application Form. Any application may be rejected without giving reasons, including where the Broker Firm Offer Application Form is not properly completed or where a cheque submitted with the Broker Firm Offer Application Form is dishonoured. If your Broker Firm Offer Application Form is not completed correctly, is late or if the accompanying payment is for the wrong amount, it may still be traded as valid. The Company's decision as to whether to treat your Application as valid, and how to construe, amend or complete it, is final. An Application may be accepted in part only and Applicants may be allocated fewer Shares than the Applicant applied for. The Company's decision on the number of Shares to be allocated to you is final. An Applicant will not, however, be treated as having offered to subscribe for a higher dollar value of Shares than as indicated on the Broker Firm Offer Application Form. If a Broker Firm Offer Application Form is rejected, or is accepted in part only, the Applicant will receive a refund of the relevant Application Monies without interest (as applicable). No refunds pursuant to rounding will be provided.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section B on the Application Form.

Broker Firm Offer Application Form

Applicants under the Broker Firm Offer must contact their Broker for information on how to submit this Broker Firm Offer Application Form and Application Monies.

The Broker Firm Offer Application Form relates to the replacement prospectus dated 16 June 2014 issued by Asaleo Care Limited ("Asaleo Care" or the "Company") and PEPSCA SaleCo Limited ("SaleCo") ("Prospectus") in relation to the initial public offering of fully paid ordinary shares in Asaleo Care ("Shares"). The expiry date of the Prospectus is 13 months after 2 June 2014. This Broker Firm Offer Application Form should be read in conjunction with the Prospectus. Capitalised words and certain terms used in this Broker Firm Offer Application Form have the meanings given to them in the Prospectus.

This Broker Firm Offer Application Form does not constitute an offer of securities in the United States or to any person to whom it would not be lawful outside Australia or New Zealand. The securities referred to herein have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "US Securities Act") or under the securities laws of any state or other jurisdiction of the United States. Any securities described in, or sold pursuant to, this Broker Firm Offer Application Form may not be offered or sold in the United States absent registration under the U.S. Securities Act or pursuant to an applicable exemption from registration, or to any person to whom it would not be lawful outside Australia or New Zealand.

This Broker Firm Offer Application Form must not be released or distributed in the United States, or in any jurisdiction outside of Australia or New Zealand where distribution may be restricted by law.

This Broker Firm Offer Application Form is important. If you are in doubt as to how to deal with this Broker Firm Offer Application Form, please contact your accountant, lawyer, stockbroker or professional adviser without delay. The Prospectus contains information relevant to a decision about investing in Shares. You should read the entire Prospectus carefully before completing this Broker Firm Offer Application Form and applying for Shares. To meet the requirements of the Corporations Act, this Broker Firm Offer Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

The Closing Date under the Broker Firm Offer is 5.00pm (Sydney time) on 20 June 2014.

A Application Monies

A\$ Please indicate the dollar amount you wish to invest in Shares. The minimum Application under the Broker Firm Offer is as directed by your Broker.

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1: Surname/Company Name

B

[illegible]

Joint Applicant #2: Surname

Title	First Name	Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code First Applicant	Joint Applicant #2	Joint Applicant #3
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C

TFN/ABN type – if NOT an individual, please mark the appropriate box	Company	Partnership	Trust	Super Fund
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PLEASE COMPLETE ADDRESS DETAILS: PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

D

Unit Number/Level	Street Number	Street Name

Suburb/City or Town	State	Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHES HIN (if you want to add this holding to a specific CHES holder, write the number here)

E

Please note: that if you supply a CHES HIN but the name and address details on your Broker Firm Offer Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

F

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

Cheque or Bank Draft Number BSB Account Number

Total Amount **A\$**

LODGEMENT INSTRUCTIONS

EDGEMENT INSTRUCTIONS

You must return your Application so it is received by your Broker by the deadline set out in their offer to you.

AHY BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Broker Firm Offer Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

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The Corporations Act prohibits any person from passing onto another person the Broker Firm Offer Application Form in relation to the offer of Shares, unless the Broker Firm Offer Application Form is included in or accompanies a complete and unaltered copy of the Prospectus (or an electronic copy of this Prospectus). A person who gives another person access to the Broker Firm Offer Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary or replacement prospectus. Applications for Shares will only be accepted if made on a Broker Firm Offer Application Form that was included in or accompanies the Prospectus (or in its paper copy form which may be downloaded in its entirety with the electronic form of the Prospectus, at www.asaleocareoffer.com).

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- B** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title. Applicants using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presented registered in CHES.
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ACKNOWLEDGEMENTS

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DECLARATION

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Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section B on the Application Form.

Corporate Directory

Company's registered office

Asaleo Care Limited
Ailsa Street, PO Box 177
Box Hill, VIC 3128, Australia

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000, Australia

Asaleo Care Offer Information Line

Within Australia: 1800 645 237
Outside Australia: +61 1800 645 237
from 8:30am to 5:30pm, Monday to Friday (Sydney time)

Financial adviser to SCA

Investec Bank (Australia) Limited
Level 23, Chifley Tower, 2 Chifley Square
Sydney, NSW 2000, Australia

Joint Lead Managers

Merrill Lynch Equities (Australia) Limited
Level 38, Governor Phillip Tower, 1 Farrer Place
Sydney, NSW 2000, Australia

Citigroup Global Markets Australia Pty Limited
Citigroup Centre, Level 23, 2 Park Street
Sydney, NSW 2000, Australia

Macquarie Capital (Australia) Limited
No. 1 Martin Place
Sydney, NSW 2000, Australia

Australian legal adviser

Minter Ellison
Rialto Towers, 525 Collins Street
Melbourne, VIC 3000, Australia

Investigating Accountant

PricewaterhouseCoopers Securities Ltd
Level 1, Darling Park Tower 2, 201 Sussex Street
Sydney, NSW 2000, Australia

Auditor

PricewaterhouseCoopers Ltd
Freshwater Place, 2 Southbank Boulevard
Southbank, VIC 3006, Australia

Co-Managers

Bell Potter Securities Limited
Level 38, Aurora Place, 88 Phillip Street,
Sydney, NSW 2000, Australia

CBA Equities Limited
Ground Floor, Tower 1, 201 Sussex Street,
Sydney, NSW 2000, Australia

Macquarie Equities Limited
1 Shelley Street
Sydney, NSW 2000, Australia

Morgans Financial Limited
Level 29, 123 Eagle Street,
Brisbane, QLD 4000, Australia

