**Asaleo Care Australia Pty Ltd** ABN 62 004 191 324
Ailsa Street, PO Box 117 Box Hill Victoria, 3128
**www.asaleocare.com**

26 August 2015

Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

*Electronic lodgement via ASX Online*

**Asaleo Care Limited (AHY) – Appendix 4D for the half year ended 30 June 2015**

In accordance with ASX Listing Rule 4.2A.3, please find attached the Appendix 4D for the half year ended 30 June 2015 for immediate release. The Appendix 4D incorporates the Interim Financial Report.

Yours sincerely,

James Orr
**Company Secretary**

**Appendix 4D *Rule 4.2A.3***

**Half year report**

**Asaleo Care Limited**
**ABN 61 154 461 300**

## 1. Details of reporting period and the previous corresponding period

| | |
|---|---|
| Reporting Period: | Half-Year Ended 30 June 2015 |
| Previous Corresponding Period: | Half-Year Ended 30 June 2014 |

## 2. Results for announcement to the market

| **Key information** | **2015** | | | | **2014** |
|---|---|---|---|---|---|
| **Statutory results*** | | | | | |
| 2.1 Revenue from ordinary activities (thousands) | 305,897 | Up | 1% | from | 303,636 |
| 2.2 Net profit/(loss) after tax for the period attributable to members (thousands) | 32,476 | Up | 178% | from | (41,737) |
| 2.3 Basic earnings per share (cents) | 5.4 | Up | 151% | from | (10.5) |
| 2.4 Diluted earnings per share (cents) | 5.4 | Up | 151% | from | (10.5) |
| **Pro Forma results*** | | | | | |
| 2.1 Revenue from ordinary activities (thousands) | 305,897 | Up | 1% | from | 303,636 |
| 2.2 Net profit after tax for the period attributable to members (thousands) | 32,476 | Up | 15% | from | 28,167 |
| 2.3 Basic earnings per share (cents) (1) | 5.4 | Down | 24% | from | 7.1 |
| 2.4 Diluted earnings per share (cents) (1) | 5.4 | Down | 24% | from | 7.1 |

| **Dividends** | **Amount per security** | **Franked amount per security** |
|---|---|---|
| *Current Period* | | |
| 2.5 Interim unfranked dividend (2) | 4.0 cents | Nil |
| 2.5 Final unfranked dividend (in respect of prior year) (2) | 5.4 cents | Nil |
| *Previous corresponding period* | | |
| 2.5 Final dividend | - | n/a |
| 2.5 Interim dividend | - | n/a |

| | |
|---|---|
| 2.6 Ex-dividend date | Interim dividend – 31 August 2015 |
| 2.6 Record date for determining entitlements to the dividend | Interim dividend – 2 September 2015 |

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| 2.7 Net tangible asset backing per ordinary security (cents per share) (3) | 31.4 | 23.3 |

(1) As a result of the IPO, new shares were issued in the comparative period on 27 June 2014. The basic and diluted earnings per share for 30 June 2014 would be 4.7 cents per share, when the IPO share issue is included in the share base

(2) The Conduit Foreign Income component on the interim dividend is 2.4 cents per share (final dividend 3.2 cents per share)
(3) As at 30 June 2015 total debt was $265m. As at 30 June 2014 Asaleo Care drew down external debt of $315m. The reduction in debt over the period provides a higher net tangible asset backing per ordinary security.

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

*** Supplementary comments**

Effective 27 June 2014, Asaleo Care Limited (the Company) and its controlled entities (collectively referred to as the Asaleo Care Group) successfully finalised its initial public offering (IPO) and began trading on the ASX.

As required for statutory reporting purposes, the statutory financial information for the Asaleo Care Group has been presented for the financial period ended 30 June 2015 and for the comparative period ended 30 June 2014. However, as a result of the IPO, the statutory financial information for the comparative period does not give a view of the performance of the Asaleo Care Group as it is currently structured.

As a result of the IPO, the statutory net loss after tax for the half year ended 30 June 2014 was $41.7 million which included significant non-recurring costs associated with the IPO. Accordingly to assist shareholders in their understanding of the Asaleo Care Group's business as it is now structured, pro forma financial information for the period ended 30 June 2014 is included in the table above and in the Asaleo Care Group's Investor Results Release (released to the ASX on 26 August 2015). This pro forma information is prepared on the basis that the business as it is now structured was in effect for the period 1 January 2014 to 30 June 2014. In the preparation of the pro forma financial information, adjustments have been made to the Asaleo Care Group's results, as presented in the Directors' Report (refer to page 2 of the Interim Financial Report), to present a view of performance as if the IPO had been effective from 1 January 2014.

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

James Orr
Company Secretary

Date: 26 August 2015

# ASALEO CARE LIMITED AND ITS CONTROLLED ENTITIES
# ABN 61 154 461 300

# INTERIM FINANCIAL REPORT
# FOR THE HALF-YEAR ENDED 30 JUNE 2015

**ASALEO CARE LIMITED AND ITS CONTROLLED ENTITIES**
**Interim Financial Report for the Half-Year Ended 30 June 2015**

## Contents

# Directors' Report

The Directors present their report on the Group consisting of Asaleo Care Limited ("the Company") and its controlled entities ("the Group"), for the half-year ended 30 June 2015 and the Auditor's Review Report.

## Directors

The following persons were directors of Asaleo Care Limited from 30 May 2014:

| | |
|---|---|
| **Harry Boon** | Independent Non-Executive Director |
| **Peter Diplaris** | Chief Executive Officer and Managing Director |
| **Mats Berencreutz** | Non-Executive Director (nominee of SCA) |
| **Nils Lindholm** | Non-Executive Director (nominee of SCA) |
| **Sue Morphet** | Independent Non-Executive Director |
| **JoAnne Stephenson** | Independent Non-Executive Director |

Prior to the Company being admitted to the ASX on 27 June 2014, the following were Directors of the Company from 1 January 2014:

- Jan Persson (retired 30 May 2014)
- Antony Duthie (retired 30 May 2014)
- Mikael Schmidt (retired 30 May 2014)
- Cameron Blanks (retired 30 May 2014)
- Bernhard Riede (retired 14 March 2014)

## Review of Operations

A review of operations of the Group during the half year, and the results of those operations is contained in Asaleo Care Limited's Statement to the Australian Stock Exchange and the Investor Results Release dated 26 August 2015.

## Significant Changes in State of Affairs

There have been no significant changes in the state of affairs during the period.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

## Rounding

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 Directors' Report. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## Pro Forma information – 30 June 2014

Effective 27 June 2014, Asaleo Care Limited (the Company) and its controlled entities (collectively referred to as the Asaleo Care Group) successfully finalised its initial public offering (IPO) and began trading on the ASX.

As a result of the IPO, the statutory loss for the half year period ending 30 June 2014 was $41.7 million. Accordingly to assist shareholders in their understanding of the Companys' business as it is now structured, a reconciliation is provided below between the statutory and pro forma financial result. Pro forma financials prepared on a consistent basis with the June 2014 Prospectus and the December 2014 Annual Report form the basis of commentary within the Investor Results Release dated 26 August 2015.

## Reconciliation between statutory and pro forma financial information

**Consolidated income statements for the period ended 30 June 2015**

| | Statutory | | Pro Forma adjustments | | Statutory | Pro Forma |
|---|---|---|---|---|---|---|
| AUD 000 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenue* | 305,897 | 303,636 | - | - | **305,897** | 303,636 |
| EBITDA | 65,194 | 8,734 | - | 51,384 | **65,194** | 60,118 |
| Depreciation | 14,219 | 14,510 | - | - | **14,219** | 14,510 |
| EBIT | 50,975 | (5,776) | - | 51,384 | **50,975** | 45,608 |
| Net Finance Costs | (5,255) | (51,671) | - | 45,184 | **(5,255)** | (6,487) |
| Profit/(loss) Before Tax | 45,720 | (57,447) | - | 96,568 | **45,720** | 39,121 |
| Tax (Expense)/Benefit | (13,244) | 15,710 | - | (26,664) | **(13,244)** | (10,954) |
| Net Profit/(loss) After Tax | 32,476 | (41,737) | - | 69,904 | **32,476** | 28,167 |

***** *Interest income has been disclosed within 'Net Finance Costs'*

**Pro Forma adjustments for the period ended 30 June 2014**

**EBITDA:** Pro Forma adjustments to EBITDA include:

- Share based payment expense of $28.9 million which reflects a one-off expense for a pre-existing management incentive scheme that was aligned to the pre-IPO performance of the business.
- IPO expenses and adjustments amount to $21.5 million which primarily relates to transaction costs associated with Asaleo Care becoming a listed entity.
- Restructuring costs of $4.9 million include employee redundancy costs, outside storage costs and machine commissioning costs including incremental labour and training.
- Profit on sale of the Te Rapa site recognised was $2.7 million.
- Pre IPO management fee of $2 million which was paid to the previous shareholders and ceased when Asaleo Care became a listed entity.
- Related party rebate income of $1.4 million which ceased at 30 June 2014 and other expense amounting to $0.2 million.

**Net Finance Costs:** the Pro Forma adjustment assumes that the capital structure in place since 30 June 2014 was in place for the entire FY2014. Therefore, pre-IPO costs incurred include the write-off of pre-IPO facility establishment costs ($27.1) million, settlement of the pre-IPO interest rate swap book ($5.4) million, preference share interest expense ($4.3) million (note: preference shares were cancelled as part of the IPO restructure) and interest expense differential ($8.4) million.

**Tax Expense:** assumes an effective tax rate of 28%

**Personal Care business segment**

| AUD 000 | Statutory 2015 | Statutory 2014 | Pro Forma adjustments* 2015 | Pro Forma adjustments* 2014 | Statutory 2015 | Pro Forma 2014 |
|---|---|---|---|---|---|---|
| Revenue | 98,480 | 97,326 | - | - | **98,480** | 97,326 |
| EBITDA | 34,770 | 21,577 | - | 12,155 | **34,770** | 33,732 |

***** *Segment commentary below should be read in conjunction with the commentary provided in the consolidated income section above*

**Pro Forma adjustments for the period ended 30 June 2014**
**EBITDA:** the Pro Forma adjustments represent Personal Care's allocation of non-recurring costs including; share based payment expense, IPO transaction costs and costs associated with Asaleo Care becoming a listed entity.

**Tissue business segment**

| AUD 000 | Statutory 2015 | Statutory 2014 | Pro Forma adjustments* 2015 | Pro Forma adjustments* 2014 | Statutory 2015 | Pro Forma 2014 |
|---|---|---|---|---|---|---|
| Revenue | 207,417 | 206,310 | - | - | **207,417** | 206,310 |
| EBITDA | 30,424 | (12,843) | - | 39,229 | **30,424** | 26,386 |

***** *Segment commentary below should be read in conjunction with the commentary provided in the consolidated income section above*

**Pro Forma adjustments for the period ended 30 June 2014**
**EBITDA:** the Pro Forma adjustments represent Tissue's allocation of non-recurring costs including; share based payment expense, IPO transaction costs and costs associated with Asaleo Care becoming a listed entity. Also includes Tissue segment restructuring costs of $4.3 million associated with the Tissue Capital Investment Program.

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

**Harry Boon**
Chairman

Dated this 25th day of August 2015

## Auditor's Independence Declaration

As lead auditor for the review of Asaleo Care Limited for the half-year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Lisa Harker

Lisa Harker
Partner

Melbourne
25 August 2015

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Liability limited by a scheme approved under Professional Standards Legislation.

**Asaleo Care Limited**
**Consolidated Statement of Comprehensive Income**
**For the half year ended 30 June 2015**

| | Notes | **30 June 2015 $'000** | 30 June 2014 $'000 |
|---|---|---|---|
| **Revenue from operations** | | | |
| Sale of goods | | **305,897** | 303,636 |
| Other revenue from ordinary activities | 4 | **511** | 421 |
| | | **306,408** | 304,057 |
| Other income | 4 | **732** | 3,799 |
| **Expenses** | | | |
| Cost of sales of goods | | **(179,448)** | (182,368) |
| Other expenses from ordinary activities | | | |
| Distribution | | **(36,968)** | (35,373) |
| Selling and administration | | **(36,495)** | (37,373) |
| Other | 4 | **(3,026)** | (58,317) |
| Finance costs | 4 | **(5,483)** | (51,872) |
| **Profit/(loss) before income tax** | | **45,720** | (57,447) |
| Income tax benefit/(expense) | | **(13,244)** | 15,710 |
| **Profit/(loss) for the period** | | **32,476** | (41,737) |
| *Item that may be reclassified to profit or loss* | | | |
| Changes in the fair value of cash flow hedges | | 687 | (2,724) |
| Exchange differences on translation of foreign operations | | (15,962) | 5,437 |
| Income tax relating to these items | | 2,937 | 766 |
| **Other comprehensive income/(loss) for the period, net of tax** | | **(12,338)** | 3,479 |
| **Total comprehensive income/(loss) for the period** | | **20,138** | (38,258) |
| Total comprehensive income/(loss) for the period is attributable to: | | | |
| Owners of Asaleo Care Limited | | **20,138** | (38,258) |
| | | **Cents** | Cents |
| **Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share | 11 | **5.4** | (10.5) |

*The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

| | Notes | **30 June 2015 $'000** | 31 December 2014 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **26,025** | 35,379 |
| Trade and other receivables | | **37,621** | 35,484 |
| Inventories | | **145,434** | 139,236 |
| Derivative financial instruments | 7 | **9,983** | 7,009 |
| **Total current assets** | | **219,063** | 217,108 |
| **Non-current assets** | | | |
| Property, plant and equipment | | **352,798** | 366,228 |
| Intangible assets | | **185,994** | 190,085 |
| **Total non-current assets** | | **538,792** | 556,313 |
| **Total assets** | | **757,855** | 773,421 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **77,009** | 79,379 |
| Derivative financial instruments | 7 | **1,269** | 753 |
| Current tax liabilities | | **710** | 1,500 |
| Provisions | | **21,818** | 22,047 |
| **Total current liabilities** | | **100,806** | 103,679 |
| **Non-current liabilities** | | | |
| Borrowings | 6 | **264,519** | 269,646 |
| Deferred tax liabilities | | **15,821** | 10,526 |
| Provisions | | **1,325** | 1,737 |
| **Total non-current liabilities** | | **281,665** | 281,909 |
| **Total liabilities** | | **382,471** | 385,588 |
| **Net assets** | | **375,384** | 387,833 |
| **EQUITY** | | | |
| Contributed equity | 9 | **360,405** | 360,405 |
| Other reserves | 8 | **29,308** | 41,646 |
| Accumulated losses | 8 | **(14,329)** | (14,218) |
| **Total equity** | | **375,384** | 387,833 |

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

| **Consolidated entity** | **Contributed equity $'000** | **Reserves $'000** | **Accumulated losses $'000** | **Total equity $'000** |
|---|---|---|---|---|
| | **Attributable to owners of Asaleo Care Limited** | | | |
| **Balance at 1 January 2014** | 173,292 | 9,285 | (17,204) | 165,373 |
| Loss for the period | - | - | (41,737) | (41,737) |
| Other comprehensive income | - | 3,479 | - | 3,479 |
| **Total comprehensive income for the period** | **-** | **3,479** | **(41,737)** | **(38,258)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions of equity, net of transaction costs and tax | 316,046 | - | - | 316,046 |
| Return of capital, net of transaction costs and tax | (129,247) | - | - | (129,247) |
| Share-based payments | - | 15,238 | - | 15,238 |
| **Balance at 30 June 2014** | **360,091** | **28,002** | **(58,941)** | **329,152** |
| **Balance at 1 January 2015** | 360,405 | 41,646 | (14,218) | 387,833 |
| Profit for the period | - | - | 32,476 | 32,476 |
| Other comprehensive income/(loss) | - | (12,338) | - | (12,338) |
| **Total comprehensive income/(loss) for the period** | **-** | **(12,338)** | **32,476** | **20,138** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Dividends paid | - | - | (32,587) | (32,587) |
| **Balance at 30 June 2015** | **360,405** | **29,308** | **(14,329)** | **375,384** |

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

| | **30 June 2015 $'000** | 30 June 2014 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers (inclusive of goods and services tax) | **336,377** | 328,747 |
| Payments to suppliers and employees (inclusive of goods and services tax) | **(282,585)** | (338,951) |
| | **53,792** | (10,204) |
| Income taxes paid | **(5,748)** | - |
| Interest received | **228** | 201 |
| Borrowing costs | **(9,550)** | (21,268) |
| **Net cash inflow/(outflow) from operating activities** | **38,722** | (31,271) |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment | **(8,644)** | (26,454) |
| Proceeds from sale of property, plant and equipment | **41** | 7,500 |
| **Net cash (outflow) from investing activities** | **(8,603)** | (18,954) |
| **Cash flows from financing activities** | | |
| Proceeds from issues of shares and other equity securities | **-** | 328,311 |
| Proceeds from borrowings | **45,000** | 610,901 |
| Repayment of borrowings | **(50,000)** | (558,201) |
| Repayment of related party borrowings | **-** | (165,289) |
| Transaction costs for issue of new shares | **-** | (42,246) |
| Debt raising costs | **(175)** | (15,516) |
| Payment for return of capital | **-** | (125,751) |
| Transaction costs for return of capital | **-** | (6,232) |
| Dividends paid to company’s shareholders | **(32,587)** | - |
| **Net cash inflow/(outflow) from financing activities** | **(37,762)** | 25,977 |
| **Net (decrease) in cash and cash equivalents** | **(7,643)** | (24,248) |
| Cash and cash equivalents at the beginning of the financial year | **35,379** | 54,537 |
| Effects of exchange rate changes on cash and cash equivalents | **(1,711)** | 88 |
| **Cash and cash equivalents at end of period** | **26,025** | 30,377 |

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

# 1 Summary of significant accounting policies

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

### (a) Basis of preparation of interim report

This condensed consolidated interim financial report for the half year ended 30 June 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by Asaleo Care Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied by the consolidated entity in this condensed consolidated interim financial report are consistent with those applied in the annual report for the year ended 31 December 2014.

### (b) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the half year ended 30 June 2015 and have not yet been applied in the financial statements. The group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures address the classification, measurement and derecognition of financial assets and liabilities and may affect the group’s accounting for its financial instruments. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The new accounting standard and amendments are mandatory for the group’s 31 December 2018 consolidated financial statements, as amended by AASB 2013-9 (refer above). The potential effect of the new and amending standards on the financial results of the consolidated entity upon adoption has yet to be fully determined.

*AASB 15 Revenue from Contracts with Customers* The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach the group will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The new accounting standard is mandatory for the group’s 31 December 2017 consolidated financial statements. Management is currently assessing the impact of the new rules and is not able to estimate the impact on the group’s financial statements.

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

### (c) Reclassification of comparative period information

During the period management changed the classification of items included in the Consolidated Statement of Comprehensive Income. “Sales & marketing” expense ($22,570) and “Administration” expense ($14,803) have been grouped together and called “Selling & administration” expenses ($37,373) This change better reflects how the business is managed.

## 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*(i) Estimated impairment of goodwill*

The group tests annually whether goodwill has suffered any impairment. 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.

*(ii) 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. 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.

*(iii) Income taxes*

The group is subject to income taxes (and other similar taxes) in Australia and in a number of overseas jurisdictions. Judgement 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.

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, the same subsidiary against which the unused tax losses can be utilised and sufficient forecasted taxable income for the losses to be utilised.

## 2 Critical accounting estimates and judgements (continued)

*(iv) Estimated restructuring and rationalisation costs*

The group makes provisions for restructuring and rationalisation within the business, in accordance with accounting policies. 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.

*(v) 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 prior period. The assumptions used in this valuation are set out in note 10.

# 3 Segment information

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenue and incur expenses that relate to transactions with the consolidated entity's other components.

The operating segment results are regularly reviewed by the Chief Executive Officer, Chief Financial Officer and other Executives (senior management) of the group, who provide strategic decision and management oversight of the day to day activities in terms of monitoring results, providing approval for capital expenditure and approving strategic planning for the business.

## (a) Description of segments

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

*Tissue*
This segment manufactures and markets personal toilet paper, paper towel, facial tissue, napkins and other tableware products within Australia, New Zealand and Pacific Islands. All Pacific Islands product sales are recognised in the Tissue segment.

*Personal Care*
This segment manufactures and markets personal hygiene products and diapers within Australia and New Zealand.

## (b) Segment information provided to senior management

The segment information provided to senior management for the reportable segments for the half year ended 30 June 2015 is as follows:

| **Consolidated entity**<br>**Half year 2015** | **Tissue**<br>$'000 | **Personal Care**<br>$'000 | **Total**<br>$'000 |
|---|---|---|---|
| **Revenue from external customers** | **207,417** | **98,480** | **305,897** |
| **EBITDA** | **30,424** | **34,770** | **65,194** |
| **Total segment assets 30 June 2015** | **540,618** | **217,237** | **757,855** |
| **Total segment liabilities 30 June 2015** | **69,890** | **25,610** | **95,500** |

The segment information provided to senior management for the reportable segments for the half year ended 30 June 2014 is as follows:

| **Consolidated entity**<br>**Half year 2014** | **Tissue**<br>$'000 | **Personal Care**<br>$'000 | **Total**<br>$'000 |
|---|---|---|---|
| Pro forma revenue from external customers | 206,310 | 97,326 | 303,636 |
| Pro forma EBITDA | 26,386 | 33,732 | 60,118 |
| Total segment assets 31 December 2014 | 552,710 | 220,711 | 773,421 |
| Total segment liabilities 31 December 2014 | 69,586 | 25,573 | 95,159 |

## 3 Segment information (continued)

### (c) Other segment information

*(i) Segment revenue*

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to senior management is measured in a manner consistent with that in the consolidated income statement.

Segment revenue reconciles to total revenue from continuing operations as follows:

| | Consolidated entity Half year ended | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| **Segment revenue** | **305,897** | 303,636 |
| Interest revenue | **228** | 201 |
| Other revenue | **283** | 220 |
| **Total revenue from continuing operations** | **306,408** | 304,057 |

*(ii) Management EBITDA*

The senior management assesses the performance of the operating segments based on a measure of management EBITDA. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, IPO expenses and adjustments, finance charges, cash and equity-settled share-based payments, and realised gains/(losses) on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

| | Consolidated entity Half year ended | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| Management EBITDA | **65,194** | 60,118 |
| Finance costs | **(5,483)** | (51,872) |
| Interest revenue | **228** | 201 |
| Depreciation | **(14,219)** | (14,510) |
| Share based payment expense including employment on-costs | **-** | (28,897) |
| IPO expenses and adjustments | **-** | (21,540) |
| Restructuring costs | **-** | (4,883) |
| Net gain on disposal of property, plant and equipment | **-** | 2,725 |
| Intercompany rebates* | **-** | 1,431 |
| Other | **-** | (220) |
| **Profit/(loss) before income tax from continuing operations** | **45,720** | (57,447) |

* Intercompany rebates are included in cost of sales on the face of the Consolidated Statement of Comprehensive Income.

# 3 Segment information (continued)

### (c) Other segment information (continued)

*(iii) Segment assets*

The amounts provided to the senior management with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The Reportable segments' assets reconcile to total assets:

*(iv) Segment liabilities*

Reportable segments' liabilities are reconciled to total liabilities as follows:

| | **Consolidated entity** | |
|---|---|---|
| | **30 June 2015 $'000** | 31 December 2014 $'000 |
| **Segment liabilities** | **95,500** | 95,159 |
| Unallocated: | | |
| Current tax liabilities | **710** | 1,500 |
| Accrued interest on borrowings - current | **682** | 4,796 |
| GST payable – current | **5,239** | 3,961 |
| Deferred tax liabilities | **15,821** | 10,526 |
| Borrowings - non current | **264,519** | 269,646 |
| **Total liabilities as per the consolidated balance sheet** | **382,471** | 385,588 |

## 4 Profit and loss information

| | Consolidated entity Half year ended | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| **Profit before income tax includes the following specific expenses and revenue items:** | | |
| *Other revenue from ordinary activities* | | |
| Government grant income | **205** | 205 |
| Interest income | **228** | 201 |
| Other | **78** | 15 |
| **Total other revenue from ordinary activities** | **511** | 421 |
| *Other income* | | |
| Foreign exchange gain | **691** | 469 |
| Net gain on disposal of property, plant and equipment | **-** | 2,710 |
| Foreign exchange impact on pre IPO New Zealand entity debt | **-** | 620 |
| Other | **41** | - |
| **Total other income** | **732** | **3,799** |
| *Depreciation* | | |
| Depreciation of property, plant and equipment | **14,219** | 14,510 |
| *Finance costs* | | |
| Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss | **5,435** | 13,761 |
| Interest on convertible redeemable preference shares | **-** | 4,274 |
| Debt establishment cost amortisation | **48** | 26,852 |
| Close out of interest rate swaps | **-** | 5,391 |
| Facility fees | **-** | 1,594 |
| **Total finance costs** | **5,483** | 51,872 |
| *Significant other expenses* | | |
| Share based payments including employment on-costs | **-** | 28,897 |
| IPO Expenses | **-** | 21,540 |
| Restructure costs | **-** | 4,883 |
| Joint venture management fee | **-** | 2,044 |

## 5 Dividends

**Dividends not recognised at the end of the reporting period**

| | Consolidated entity | |
|---|---|---|
| | **30 June 2015 $'000** | 30 June 2014 $'000 |
| **Ordinary shares** | | |
| Dividends of 5.4 cents per share were paid during the half-year. The total amount paid during the period was: | **32,587** | - |
| **Dividends not recognised at the end of the half-year** | | |
| In addition to the above dividends, the directors on Tuesday 25th August 2015 declared an interim dividend of 4.0 cents per fully paid ordinary share (2014: Nil). The dividend will be unfranked as the group does not currently have any Australian franking credits available to frank the distribution. The aggregate amount of the proposed dividend is expected to be paid in September 2015 out of the dividend appropriation reserve of Asaleo Care Limited (parent entity), but not recognised as a liability at the end of the half year is: | **24,139** | - |

## 6 Borrowings

| | Consolidated entity | |
|---|---|---|
| | **30 June 2015 $'000** | 31 December 2014 $'000 |
| **Unsecured** | | |
| Bank loans | **265,000** | 270,000 |
| Capitalised borrowing costs | **(481)** | (354) |
| Total unsecured non-current borrowings | **264,519** | 269,646 |
| Total non-current borrowings | **264,519** | 269,646 |

### (a) Borrowing facility

On the 8th of May 2015 the group refinanced its existing syndicated finance facility. This new facility has no material differences from the existing facility. By refinancing its debt, the group was able to take advantage of favourable interest rate margins.

### (b) Financial undertakings and refinancing

As at 30 June 2015, the group was compliant with all financial undertakings of the syndicated facility agreement.

# 7 Derivative financial instruments

| | Consolidated entity | |
|---|---|---|
| | **30 June 2015 $'000** | 31 December 2014 $'000 |
| **Current assets** | | |
| Forward foreign exchange contracts - cash flow hedges | **9,983** | 7,009 |
| Total current derivative financial instrument assets | **9,983** | 7,009 |
| **Current liabilities** | | |
| Interest rate swap contracts - cash flow hedges | **561** | - |
| Forward foreign exchange contracts - cash flow hedges | **347** | 753 |
| Energy contract for difference – cash flow hedges | **361** | - |
| Total current derivative financial instrument liabilities | **1,269** | 753 |
| | **8,714** | 6,256 |
| **Movements:** | | |
| Opening balance | **6,256** | (1,899) |
| Charged/credited: | | |
| - profit or loss | **1,771** | 430 |
| - to other comprehensive income | **687** | 7,725 |
| | **8,714** | 6,256 |

## (a) Instruments used by the group

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the group financial risk management policies.

*(i) Interest rate swap contracts - cash flow hedges*

It is policy to protect between 50% and 75% of the loans from exposure to fluctuations in interest rates. Accordingly, the group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The tenure of these swaps is no longer than 12 months.

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

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

*(ii) Forward exchange contracts - cash flow hedges*

The group use materials purchased from the United States, Canada, Chile, New Zealand and Europe. In order to protect against exchange rate movements, the group has entered into forward exchange contracts to purchase US dollars, Euros and Canadian dollars. These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major shipments of component parts are scheduled to be made. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.  It is reclassified into profit or loss when the hedged item is recognised.

# 8 Other reserves and accumulated losses

## (a) Other reserves

| | Consolidated entity | |
|---|---|---|
| | **30 June 2015 $'000** | 31 December 2014 $'000 |
| Cash flow hedges | **4,259** | 3,727 |
| Share-based payments | **15,861** | 15,861 |
| Foreign currency translation | **9,188** | 22,058 |
| | **29,308** | 41,646 |
| **Movements:** | | |
| *Cash flow hedges* | | |
| Opening balance | **3,727** | (1,710) |
| Revaluation - gross | **687** | 7,725 |
| Deferred tax | **(155)** | (2,288) |
| | **4,259** | 3,727 |
| *Share-based payments* | | |
| Opening balance | **15,861** | 624 |
| Share plan expense | **-** | 15,237 |
| | **15,861** | 15,861 |
| *Foreign currency translation* | | |
| Opening balance | **22,058** | 10,371 |
| Currency translation differences arising during the period | **(15,962)** | 12,581 |
| Deferred tax | **3,092** | (894) |
| | **9,188** | 22,058 |

## (b) Accumulated losses

| | Consolidated entity | |
|---|---|---|
| | **30 June 2015 $'000** | 31 December 2014 $'000 |
| Accumulated Losses | **(14,218)** | (17,204) |
| Profit for the period | **32,476** | 2,986 |
| Dividend paid | **(32,587)** | - |
| | **(14,329)** | (14,218) |

# 9 Contributed equity

### (a) Share capital

| | **30 June 2015 Shares** | 31 December 2014 Shares | **30 June 2015 $'000** | 31 December 2014 $'000 |
|---|---|---|---|---|
| Ordinary shares | | | | |
| Ordinary shares - fully paid | **603,469,434** | 603,469,434 | **360,405** | 360,405 |

### (b) Movements in ordinary share capital

| **Date** | **Details** | **Notes** | **Number of shares** | **Issue price** | **$'000** |
|---|---|---|---|---|---|
| 1 January 2014 | Opening balance | | 210,000,000 | - | 173,292 |
| 26 February 2014 | Return of capital | a) | - | - | (142,417) |
| | Return of capital preference shares | a) | - | - | 16,667 |
| 27 June 2014 | Share split | b) | 182,792,055 | - | - |
| 30 June 2014 | Shares issued | c) | 201,031,624 | $1.65 | 331,702 |
| 30 June 2014 | New shares issues MIP | d) | 9,235,391 | - | - |
| 20 August 2014 | Australian employee award issue | e) | 262,314 | $1.88 | 494 |
| 25 August 2014 | New Zealand employee award issue | f) | 148,050 | $1.90 | 281 |
| | | | 603,469,434 | | 380,019 |
| | Transaction costs on share issue | | - | - | (22,264) |
| | Transaction costs on return of capital | | - | - | (5,336) |
| | Deferred tax credit directly in equity | | - | - | 7,986 |
| | **Closing balance** | | **603,469,434** | **-** | **360,405** |

a) On 26th of February 2014, the company undertook a selective capital reduction under the Corporations Act 2001. A $250.8 million return of capital was paid to shareholders on the same date, split between ordinary and preference share holdings in proportion to their relevant shareholding. Upon the Capital Return the $142.4 million was returned to ordinary shareholders with the balance of $108.4 million returned to preference shareholders. In conjunction with the capital return the terms of the preference shares were changed with the agreement of the shareholders to allow the $16.6 million previously returned to be debited to the preference share liability thus extinguishing the total liability of $125 million for the preference share, while leaving the accrued coupon outstanding.

b) On 27th of June 2014, all existing shares were split. This did not change the ownership percentage for the existing shareholders.

c) On 30th of June 2014, the company completed an initial public offering of its shares. Under the offering an amount of $331.7million was raised. Funds raised were used to pay down existing debt and pay for transaction costs.

d) On 30th of June 2014, shares were issued to participants of the management incentive plan (MIP). Under the MIP participants were entitled to receive shares in the company on crystallization of the initial public offering.

e) On 20th of August 2014, the company issued shares to all eligible Australian employees who were entitled to participate in the employee award offer as detailed in the Asaleo Care Limited Prospectus.

# 9 Contributed equity (continued)

### (b) Movements in ordinary share capital (continued)

f) On 25th of August 2014, the company issued shares to all eligible New Zealand employees who were entitled to participate in the employee award offer as detailed in the Asaleo Care Limited Prospectus.

# 10 Share-based payments

Total expenses arising from share-based payment transactions recognised during the period was Nil (2014: $28,897,884).

In the prior period participating Executives were issued units in a private-equity-styled long term incentive plan (MIP). The MIP was established to provide incentives to attract, retain and motivate eligible staff whose present and potential contributions are considered important to the success of the Company by offering them an opportunity to participate in the Company's future performance through cash bonuses awarded under the MIP upon an Exit Event by the PEP investors.

Participants in the MIP agreed with Asaleo Care Limited to deal with the cash payments made on an exit event as follows: a third of the aggregate post-tax cash payment will be paid to participants at the time of exit event without restriction, the remaining two-thirds of the aggregate post-tax cash payment will be applied to acquire shares in the Company. 50% of the shares acquired will be held in escrow for a period of 12 months and the remaining 50% held in escrow for 24 months. The participants have agreed to the buy-back or directed transfer of the shares subject to the escrow period for nil consideration if they resign or their employment is terminated for serious misconduct unless otherwise determined by the Board in specific circumstances.

# 11 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The calculation of earnings per share was based on the information as follows:

### (a) Basic earnings per share

| | **Consolidated entity Half year ended** | |
|---|---|---|
| | **30 June 2015 Cents** | 30 June 2014 Cents |
| From continuing operations attributable to the ordinary equity holders of the company | **5.4** | (10.5) |

### (b) Weighted average number of shares used as denominator

| | **Consolidated entity Half year ended** | |
|---|---|---|
| | **30 June 2015 Number** | 30 June 2014 Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **603,469,434** | 396,277,145 |

The diluted share impact has not been disclosed as there is no dilution impact.

## 12 Contingencies

The group had no contingent liabilities at 30 June 2015 (2014: nil).

## 13 Events occurring after the reporting period

There were no subsequent events after the reporting period occurred.

## Directors' Declaration

**In the Directors' opinion:**

(a) the interim financial statements and notes set out on pages 5 to 21 are in accordance with *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half year ended on that date, and

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

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

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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

**Harry Boon**
Chairman
Dated this 25th day of August 2015

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

## *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of Asaleo Care Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Asaleo Care Limited (Group) (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### *Directors' responsibility for the half-year financial report*

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

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Asaleo Care Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

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

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*Conclusion*

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

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date;

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

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the company for the half-year ended 30 June 2015 included on Asaleo Care Limited's web site. The company's directors are responsible for the integrity of the Asaleo Care Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Lisa Harker

Lisa Harker
Partner

Melbourne
25 August 2015