

25 February 2016

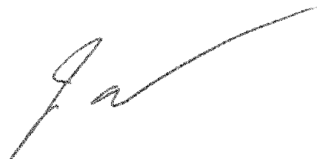
Company Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

*Electronic lodgement via ASX Online*

**Asaleo Care Limited (AHY) – Appendix 4E for the full year ended 31 December 2015**

In accordance with ASX Listing Rule 4.3A, please find attached the Appendix 4E for the full year ended 31 December 2015 for immediate release. The Appendix 4E incorporates the Annual Financial Report.

Yours sincerely,

A handwritten signature in dark ink, appearing to be "James Orr", written in a cursive style.

James Orr  
**Company Secretary**  
**Asaleo Care Limited**

## Appendix 4E Rule 4.3A

### Preliminary Final Report

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

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

Reporting Period: year ended 31 December 2015  
Previous Corresponding Period: year ended 31 December 2014

#### 2. Results for announcement to the market

Key information	2015				2014
Statutory results*					
2.1 Revenue from ordinary activities (thousands)	622,216	Down	1%	from	629,886
2.2 Net profit after tax for the period attributable to members (thousands)	75,626	Up	2,433%	from	2,986
2.3 Basic earnings per share (cents)	12.6	Up	2,000%	from	0.6
2.4 Diluted earnings per share (cents)	12.6	Up	2,000%	from	0.6
Underlying 2015 / Pro Forma 2014 results*					
2.1 Revenue from ordinary activities (thousands)	622,216	Down	1%	from	629,886
2.2 Net profit after tax for the period attributable to members (thousands)	76,095	Up	5%	from	72,285
2.3 Basic earnings per share (cents) <sup>1</sup>	13.4	Up	12%	from	12.0
2.4 Diluted earnings per share (cents) <sup>1</sup>	13.4	Up	12%	from	12.0

Dividends	Amount per security	Franked amount per security
<i>Current Period</i>		
2.5 Final unfranked dividend <sup>2</sup>	6.0 cents	Nil
2.5 Interim unfranked dividend <sup>2</sup>	4.0 cents	Nil
<i>Previous corresponding period</i>		
2.5 Final unfranked dividend	5.4 cents	Nil
2.5 Interim dividend	-	N/A

2.6 Record date for determining entitlements to the dividend – 3 March 2016	Final dividend – 24 March 2016
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	31 December 2015	31 December 2014
2.7 Net tangible asset backing per ordinary security (cents per share) <sup>3</sup>	26.1	32.8

1 As a result of the IPO, new shares were issued in the comparative period on 27 June 2014. In 2015, Asaleo Care commenced an on-market share buy-back. As a result of these two events, the closing shares on issue as at 31 December 2014, and 31 December 2015 (including Treasury shares) has been applied to determine earnings per share.

2 The Conduit Foreign Income component is 3.0 cents per share (interim dividend is 2.4 cents per share).

3 The on-market share buy-back implemented in the year ended 31 December 2015 resulted in 36,997,236 shares being acquired for a combined consideration of \$62.2 million. The on-market share buy-back is the driver for the decrease in the net tangible asset backing as at 31 December 2015 against the comparative period.

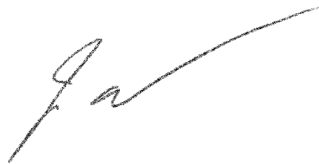
For explanation of the figures reported above or other item(s) of importance not previously released to the market, please refer to the attached Annual Financial Report (which incorporates the Directors' Report, Remuneration Report, Operating and Financial Review and Financial Report) for explanations.

Additional Appendix 4E disclosure requirements can be found in the attached Annual Financial Report.

**\* 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 a result of the IPO, the statutory NPAT for FY2014 was \$3.0 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 year ended 31 December 2014 is included in the table above and in the Company's Investor Presentation (attached), released to the ASX on 25 February 2016. 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 31 December 2014. A reconciliation between the 2014 Pro Forma and 2015 Underlying financial information and Asaleo Care Group's statutory financial information is included within the Operating and Financial Review section of the Directors' Report. The statutory results in this Report are based on the Annual Financial Report which has been audited by PricewaterhouseCoopers.

A handwritten signature in dark ink, appearing to read "James Orr", with a long, sweeping horizontal stroke extending to the right.

James Orr

Date: 25 February 2016

**ASALEO CARE LIMITED AND ITS CONTROLLED ENTITIES**

**ABN 61 154 461 300**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 December 2015**

## **ASALEO CARE LIMITED AND ITS CONTROLLED ENTITIES**

### **Annual Financial Report for the Year Ended 31 December 2015**

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The Directors present their report together with the Financial Report of Asaleo Care Limited (the Company) and its controlled entities (the Group), for the year ended 31 December 2015 and the Auditor's Report thereon.

These Reports are designed to assist shareholders understand Asaleo Care's business performance and the factors underlying its results and financial position

# Directors Report

## Financial Highlights FY15

### Statutory

**Financial Performance:** FY15 NPAT of \$75.6 million (FY14: \$3.0 million).

**Earnings Per Share:** 12.6 cents per share (FY14: 0.6 cents per share).

### Underlying/Pro Forma

**Financial Performance:** Asaleo Care's financial result for FY15 exceeded FY14 with NPAT of \$76.1 million, being 5.3% higher than FY14 (\$72.3 million). This result was achieved despite a minor decrease in Revenue.

**Capital Management:** Execution of the on-market share buy-back program is approximately 62% complete and is on-track for completion before 4Q16.

**Earnings Per Share\*:** 13.4 cents per share delivered, representing a 12% increase against FY14.

**Free Cash Flow:** \$93.9 million achieved in FY15 evidencing strong cash flow generation post completion of the Tissue Capital Investment Program.

**Net Debt/Leverage:** Leverage of 1.8x EBITDA remains at lower end of optimal gearing range (1.5x to 2.5x) even after factoring in the \$62.2 million spent on the on-market share buy-back.

**Dividend:** Declaration of 6.0 cents per share final unfranked dividend for 2H15. Total FY15 dividend declared of 10.0 cents per share.

**EBITDA Growth FY11-FY15:** 69% growth in EBITDA achieved between FY11 and FY15, representing a cumulative growth rate of 14%. EBITDA margin has increased from 14% in FY11 to 23% in FY15.



### Non-IFRS financial information

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

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

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

\*Underlying earnings per share for the year ended 31 December 2015 has been calculated from the closing 31 December 2015 shares on issue (excluding Treasury shares which were formally cancelled on 6 January 2016) of 566,472,198. The 31 December 2014 pro forma earnings per share was based upon the closing shares on issue as at 31 December 2014.

## Company Overview

At Asaleo Care we make it easier for hygiene, health and wellbeing to be part of everyday life.

Our portfolio of market-leading brands – Sorbent, Handee, Purex, Libra, Treasures, TENA, Tork, Deeko, Viti and Orchid – are used in households and businesses across Australia, New Zealand, Fiji and a number of other countries in the Pacific.

Asaleo Care is a leading Personal Care and Hygiene Company. We manufacture, market, distribute and sell essential, everyday consumer products across the Feminine Care, Incontinence Care, Baby Care, Consumer Tissue and Professional Hygiene product categories.

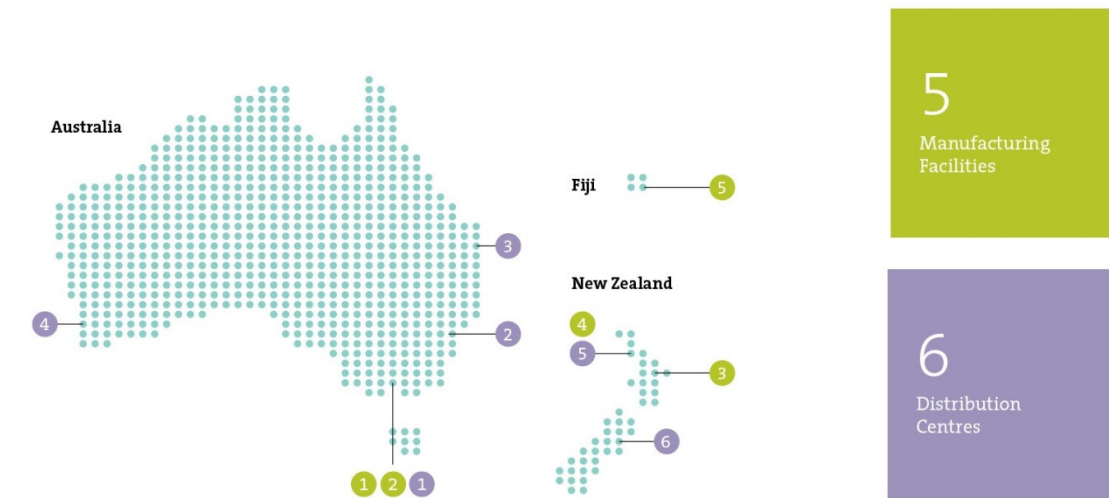
In 2015, Asaleo Care held the number one or two position in high-quality Personal Care and Tissue products in Australia and New Zealand. Our leadership position is driven by product innovation and differentiation, range and coverage, distribution innovation, and cost reduction and efficiency.

## Summary of Products

Business and % Contribution		Product Category	Key Brand	Products	Manufacturing Facilities	Route to Market
Personal Care	49.6% of FY15 EBITDA	Feminine Care	Libra	Pads, tampons, liners and ancillary products (e.g. wipes, washes and heat patches)	Springvale, Australia	<b>Retailers</b> ALDI Coles Foodstuffs Metcash Pharmacy Progressive Enterprises Woolworths Costco <b>Distributors</b> Bunzl OfficeMax Staples <b>Healthcare</b> Hospitals Aged care facilities Community care Webshops <i>(Customer list is not exhaustive)</i>
		Incontinence Care	TENA	Incontinence pads, pants and liners	Springvale, Australia	
		Baby Care	Treasures	Nappies, nappy pants and wipes	Te Rapa, New Zealand	
Tissue	50.4% of FY15 EBITDA	Consumer Tissue	Sorbent Purex Handee Deeko Orchid Viti	Toilet tissue, facial tissues, paper towel, serviettes and disposable tableware	Box Hill, Australia  Kawerau, New Zealand  Nakasi, Fiji	<b>Retailers</b> ALDI Coles Foodstuffs Metcash Pharmacy Progressive Enterprises Woolworths
		Professional Hygiene	Tork	Hand towel, toilet tissue, serviettes, soap, facial tissues and other hygiene based accessories	Kawerau, New Zealand  Box Hill, Australia	<b>Distributors</b> Bunzl OfficeMax Staples <b>Healthcare</b> Hospital Aged care facilities Community care <i>(Customer list is not exhaustive)</i>

## Manufacturing and Distribution

Asaleo Care's manufacturing and distribution footprint extends across Australia, New Zealand and Fiji.



	Australia	New Zealand	Fiji
<b>Manufacturing Facilities</b>	<p><b>1 Box Hill</b></p> <p>Product Categories Consumer Tissue and Professional Hygiene</p> <p>Brands Sorbent, Handee, Purex, Deeko and Tork</p> <p><b>2 Springvale</b></p> <p>Product Categories Feminine Care and Incontinence Care</p> <p>Brands Libra and TENA</p>	<p><b>3 Kawerau</b></p> <p>Product Category Consumer Tissue and Professional Hygiene</p> <p>Brands Sorbent, Handee, Purex, Deeko and Tork</p> <p><b>4 Te Rapa</b></p> <p>Product Category Baby Care</p> <p>Brands Treasures and Giggles</p>	<p><b>5 Nakasi</b></p> <p>Product Categories Consumer Tissue and Professional Hygiene</p> <p>Brands Orchid and Viti</p>
<b>Distribution Centres</b>	<p><b>1 Melbourne</b></p> <p><b>2 Sydney</b></p> <p><b>3 Brisbane</b></p> <p><b>4 Perth</b></p>	<p><b>5 Auckland</b></p> <p><b>6 Christchurch</b></p>	

Since 2009, we have invested \$150 million in upgrading our manufacturing facilities. In 2015, we successfully completed our four-year \$114.8 million Tissue Capital Investment Program, which has focused on reconfiguring our Tissue manufacturing operations to increase efficiency and flexibility, and reduce the costs of production.



Final works undertaken at our Box Hill, Australia, manufacturing facility in 2015 included upgrading the finished goods warehouse and dispatch area. Box Hill is our largest manufacturing site and where we proudly manufacture Consumer Tissue and Professional Hygiene products under the Sorbent, Purex, Handee, Tork and Deeko brands. Our Box Hill operation has two paper machines with a paper capacity of approximately 61kt and eight conversion machines.

Our manufacturing facility in Kawerau, New Zealand, comprises a 14,500 square metre conversion hall, 50-metre long state-of-the-art wide-winding machine, and robotised packing and dispatch. The operation has an annual capacity of approximately 59kt per annum on its two paper machines, and approximately 62kt on its eight converting machines, three folder and five toilet paper converting machines. At Kawerau, we produce Consumer Tissue and Professional Hygiene products under the Sorbent, Purex, Handee, Deeko and Tork brands.

The Kawerau operation takes advantage of New Zealand's low-emissions electricity generation network and geothermal assets. In 2009, Asaleo Care made significant upgrades to ensure a more sustainable energy balance at Kawerau. By working with local Iwi people, a partnership was developed with Ngati Tuwharetoa Geothermal Assets to use renewable and naturally produced geothermal steam instead of non-renewable natural gas.

Feminine Care and Incontinence Care products are manufactured in Springvale, Australia, and exported to our regional markets. Through our commercial arrangements with SCA, we export over 30 million tampons per annum under the Libresse brand, which are sold across the Nordic countries. Baby Care products are manufactured in Te Rapa, New Zealand, and exported to our regional markets. We also convert Consumer Tissue and Professional Hygiene products in Nakasi, Fiji, and these products are exported to 12 countries in the Pacific region.

### **Suppliers**

We have a large and diversified supplier base, which reduces our reliance on any one supplier. Our key procurement categories are pulp, finished goods, sea and road freight, packaging, engineering, business services and utilities. No individual supplier of product inputs accounts for more than 10% of the Company's total cost base.

We assess all major suppliers on sustainability, financial viability, quality and safety performance criteria. We have a responsible sourcing program in place that enables the Company to review for supplier practices in the areas of human rights and labour standards, health and safety, environmental management and business integrity. Further information on this program is available in the Sustainability Section of this Report.

### **Relationship with SCA**

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.

Asaleo Care's ongoing relationship with SCA in respect of the licensing of certain trade marks, technology and other intellectual property is governed by a Trade Mark and Technology Licence Agreement (TMTLA) and a patent licence deed. Under the TMTLA, Asaleo Care pays SCA an annual royalty for the exclusive licence to use certain brands (including Tork and TENA), technology and other intellectual property in Australia, New Zealand and specified countries in the Pacific region (the Territory).

## **Major Customer and Sales Channels**

We define customers as those companies that buy our products, and consumers are those individuals who ultimately use our products. In 2015, retail customers, such as major supermarkets, independent supermarkets, pharmacies and convenience stores, contributed approximately 68% of our net sales. Business-to-Business (B2B) customers which include major distributors, hospitals, aged care facilities and large companies contributed approximately 32% of 2015 net sales.

In 2015, we continued to diversify our retail customer base in Australia through product expansion into Aldi, Costco and major pharmacy retailers, such as Chemist Warehouse. Signing of major contracts with B2B customers in the facility services management, childcare and quick service restaurant sector continued to strengthen our customer base. In the Pacific region, we extended our product offering into Papua New Guinea, which provides a platform for future growth as the country has a relatively low penetration of hygiene products. Our sales channels were further diversified in 2015 with the launch of our TENA and Libra webshops.

Customer understanding and consumer insight are integral to what we develop and how we deliver innovation to the market. We closely monitor consumers' needs and perceptions of our brands and the categories we operate in. We gain insight into existing and emerging trends via consumer focus groups, brand tracking, online and social networks, and by directly responding to consumer feedback. These valuable insights assist us in continuing to provide solutions for our customers, and at times highlights opportunities for us to expand our product range. In addition, through our TMTLA with SCA, we have access to global research, marketing and manufacturing capabilities which we leverage across our Territory where applicable.

## **Business Strategy**

In 2015, Asaleo Care commenced executing our sustainable earnings growth strategy, a market led strategy to support medium to long-term growth in our brands and to provide shareholder returns.

This shift in strategy follows the Company concluding its \$114.8 million Tissue Capital Investment Program. This investment program led to significant upgrades being made to our Australian and New Zealand tissue manufacturing facilities, in effect reducing our cost to manufacture and enabling us to remain cost competitive across the Trans-Tasman market.

Asaleo Care's 2015 strategic plan focused on sources of growth, with initiatives in both our core and adjacent market segments. While this remains Asaleo Care's key focus, further opportunities to improve supply and manufacturing efficiency and lowering the cost base will continue to be explored and implemented.

Asaleo Care's focus on delivering new strategic initiatives in 2015, as outlined in the table below, was fundamental in the Company's EBITDA increasing by 3.1% to \$145.2 million in 2015 compared with \$140.8 million in 2014. The Company's growth strategy also provides a solid base to assist in the mitigation of expected cost headwinds in particular, cost increases associated with the devaluation of local currencies for the purchase of some raw materials and imported finished goods.

In 2015, we detailed our capital management principles, which focus on maximising shareholder returns. In line with these principles we commenced an on-market share buy-back of up to 10% of issued capital in the fourth quarter of 2015. This reflects our commitment to deliver value to our shareholders, and will leave us with an efficient capital structure and capacity to take advantage of future growth opportunities as they are identified.

The key components of Asaleo Care's growth strategy are outlined in the table below:

<b>Product Innovation and Differentiation</b> <ul style="list-style-type: none"> <li>• Innovation in product features, packaging and communication to differentiate and achieve optimal pricing.</li> <li>• New Product Development approach and criteria.</li> <li>• 2015 examples include: Libra 'Slimpons', Treasures 'Slimfits', Tork 'Linen style napkin', TENA Thin Pads and Xpressnap innovations.</li> </ul>
<b>Range and Coverage</b> <ul style="list-style-type: none"> <li>• Utilise opportunities to leverage all products across target channels, including emerging retailer stores and new geographies.</li> <li>• Leverage brands to enter adjacent market segments.</li> <li>• 2015 examples include: Treasures ranged in Metcash and Chemist Warehouse in Australia, Libra products available in Aldi and an expanded product offering in Costco.</li> </ul>
<b>Distribution Innovation</b> <ul style="list-style-type: none"> <li>• B2B and B2C e-commerce initiatives.</li> <li>• Continue strengthening B2B sales force.</li> <li>• 2015 examples include: TENA and Libra webshops.</li> </ul>
<b>Cost Reduction and Efficiency</b> <ul style="list-style-type: none"> <li>• Capacity enhancement through efficiency - operations excellence and targeted minor capital expenditure.</li> <li>• Complexity reduction - SKU and specification simplification.</li> <li>• Product sourcing opportunities - Trans-Tasman manufacturing footprint, make versus buy and distribution costs.</li> <li>• 2015 examples include: Cost structure optimisation – fibre reductions, procurement initiatives and logistical footprint.</li> </ul>

## **FY16 Outlook**

Asaleo Care is forecasting FY16 underlying earnings to be steady with FY15 as we continue to execute our strategy.

With Asaleo Care's current cash flow generation expected to remain strong in FY16, Asaleo Care is well placed to maintain its intended dividend payout ratio of 70-80% of statutory NPAT.

The business risks identified in the Directors' Report will continue to be relevant and managed carefully in 2016, whilst noting that any material issue may affect Asaleo Care's financial performance. In addition, this outlook assumes no material change in the general economic environment in which Asaleo Care conducts business.

## Year in Review

### Personal Care

Asaleo Care is a market leader in Personal Care and has a portfolio of Feminine Care, Incontinence Care and Baby Care products. Within these product categories we offer products such as pads, tampons, liners, nappies and wipes. The products are sold under well-known brands, including Libra, TENA, Treasures and Giggles, as well as retailers' home brands. The routes to market for these products are via traditional retailers, distributors, care institutions, and now expanded by our Libra and TENA webshops.

#### Financial Review – Personal Care

A\$ million	Underlying 2015	Pro Forma 2014	Growth %
Revenue	192.8	198.5	(2.9%)
EBITDA	72.0	70.0	2.9%
EBITDA Margin	37.3%	35.2%	6.0%

*Note: A reconciliation is provided between the reported results and the statutory result on page 31.*

**Revenue:** FY15 decline of (2.9%) to \$192.8 million. Key drivers for revenue movements between FY15 and FY14 are assessed below:

- **Feminine Care (FY15 decline of (7.8%)):** Sales impacted by increased price discounting in the market place in 2H15 resulting in Revenue decline in FY15. To combat these challenges, investment in trade spend increased in order to protect market share and remain a clear number one in the category.
- **Incontinence Care (FY15 growth of 4.7%):** Revenue increased in FY15 as a result of favourable segment demographics, growth in pharmacy channel and full year benefits realised from the FY14 launch of the InstaDRY range in the market. Growth was experienced in both the Retail (2.9%) and Healthcare (6.4%) sub-categories.
- **Baby Care (FY15 decline of (8.0%)):** Lower Baby Care Revenue due to decline in lower margin unbranded nappy sales by (25%) due to reduced ranging in New Zealand.

**EBITDA:** Growth of 2.9% in FY15 achieved, resulting in a Personal Care EBITDA of \$72.0 million.

EBITDA growth achieved despite declining revenues due to the following key drivers:

- Operating cost reductions through procurement savings, execution of a restructuring plan on the Tampon product lines in FY14 and corporate restructure during FY15.
- Lower advertising and promotional spend in FY15 as FY14 supported product launches such as InstaDRY, Anti-fluff tampons and Libra absorption pads. Key spend in FY15 was on the Libra 'Live Fearless' campaign and TENA 'The Beauty of Normal'.
- Improvement in other expenses in FY15 following tight discretionary spend control.

EBITDA growth was restricted due to adverse foreign exchange rates, which increased the cost of US denominated finished goods and raw materials purchases.

## **Libra**

Libra is the number one brand in the Australian and New Zealand Feminine Care market, with a history spanning over 30 years. Libra has a reputation for high-quality and innovative products, which has been integral to maintaining its leading market position. In 2015, Libra opened a webshop, an easy to navigate online site, which provides product information and enables consumers to purchase products by the case at competitive pricing. In addition, the brand expanded into Aldi and increased its product offering in Costco.

Libra also launched the '*Live Fearless*' campaign, which was designed to empower, inspire and connect with young women. The innovative campaign was underpinned by an interactive digital platform [iamfearless.com.au](http://iamfearless.com.au) and brought to life the essence of '*Live Fearless*' through a compelling set of stories about remarkable young women that range from high-profile ambassadors to peer-to-peer influencers. The campaign has received extensive industry acclaim and the approach has broken new ground for the category. The use of online and social media platforms enabled more young women to be reached in the target market than ever before, and the brand now has 160,000 Facebook fans.

Innovation in 2015 led to the production of Libra's slimmest ever tampons - Slimpons. The new tapered tampon product is designed to increase consumer tampon usage by offering a product that is more comfortable to use throughout the entire menstrual cycle, targeting the 17% of consumers who use both pads and tampons.

## **TENA**

TENA is the number one brand in the Australian and New Zealand incontinence 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 licences the TENA trademark to Asaleo Care for use in Australia, New Zealand and a number of other countries in the Pacific.

Although incontinence is not just a problem for older aged people, it is definitely more prevalent in this demographic. Therefore in line with ageing demographic projections, we anticipate future growth potential in incontinence products. In Australia, one in 10 men and one in four women suffer mild bladder weakness through to severe incontinence, and many do not use incontinence products.

Bladder weakness and incontinence often leads many sufferers to feel embarrassed and/or have a diminished quality of life. In 2015, TENA released '*The Beauty of Normal*' campaign and website, which was a completely new direction for the incontinence category. Through the campaign, TENA took a leadership position in dispelling unhelpful myths, and conversely focused on empowering consumers and helping them feel in control, dignified and not embarrassed no matter what their level of bladder weakness or incontinence.

TENA also launched [www.shoptena.com.au](http://www.shoptena.com.au), a webshop for Australian consumers enabling them to directly purchase the TENA liners, pads and pants range. It was identified that consumers often felt embarrassed and overwhelmed at buying incontinence products via normal retail channels. The webshop alleviates this issue and enables consumers to research the products on line and have the product discreetly delivered to their door. It is anticipated that through removing this barrier an opportunity exists to attract new users to the category and drive brand growth.

Several product developments and innovations were introduced in the TENA range during 2015. The TENA Men range packaging was updated to look more masculine and discrete, and was aimed at attracting those currently not in the category. *Lights* by TENA Slim Pads was a new product innovation and developed to assist women transition from using feminine hygiene products to purpose made incontinence products. This unique pad was developed at our Springvale operation, and brings much needed modernity and discretion to a category commonly thought of as only for old people and

embarrassing. Taking cues from the feminine hygiene aisle the new *Lights* by TENA Slim Pads are as thin as a liner and incorporate Body Shape™ Fit for flexibility and discretion.

In the Healthcare category, TENA launched their New Generation Pants. The pants incorporate an innovative ConfioFit™ design, resulting in 30% thinner product, offering more comfort and discretion to users than ever before while still maintaining the same level of absorbency. The TENA Skincare assortment was also redesigned to be more visually appealing and to enable quick product recognition. This will help caregivers to better address the individual skin needs of elderly patients and customise a cleansing, moisturising and protecting care regimen that is specific to their skin conditions. The new and improved formulations and packaging reinforces TENA's position as a market leader in continence management and enables our customers to provide a total skin care solution that better reflects the needs of professional caregivers and delivers improved skin health for their elderly patients.

TENA also continues to establish themselves as a thought leader in the category through their association with Continence Foundation of Australia, Continence Nurses Society Australia, and Aged and Community Services Australia. In 2015, this was further enhanced through a new partnership with the Royal District Nursing Service (RDNS) and Bowls Australia. In addition to providing community information sessions relating to maintaining health while ageing to Bowls Australia members, it is envisaged that the partnership will further educate RDNS nurses on the benefits of TENA product as the preferred solution for incontinence management.

In 2015, our Healthcare B2B customers benefited from significant upgrades made to the TENA Continence Management System (TCMS). The TCMS is a web-based system, which supports carers in aged care facilities to assess and prescribe the correct products for residents. TCMS upgrades included enhanced ordering and reporting functionality, which ultimately assists in controlling facility operating costs, reducing waste and, most importantly, ensuring that residents receive the best continence management outcomes. Our market leading innovation and tailored service models are fundamental to TENA continuing to be our Healthcare customers' brand of choice.

### **Treasures**

Asaleo Care's Baby Care product category includes nappies, 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 number two brand in the New Zealand market, with a reputation for quality and reliability. Treasures was released into the Australian market in 2014 through Metcash. In 2015, Treasures was extended to Chemist Warehouse, one of Australia's fastest growing retailers.

In recent years, we have grown the Treasures brand by product category extension and innovation. In 2015, Treasures released an innovative new slimmer fitting nappy pant. This was in response to parents wanting a nappy pant that was more like a pair of underpants - thinner, more comfortable and easier to get on and off an active toddler. The new nappy pant maintains the same absorbency while improving comfort and freedom of movement for children. In New Zealand, Treasures continued to extend and differentiate their product offering through such initiatives as the Treasures' Mega boxes, sold exclusively to The Warehouse, Treasures All Black packs and Treasures Jumbo limited edition Christmas play boxes.

Asaleo Care also produces Giggles nappies and imports Drypers nappies. Drypers are produced in Malaysia by SCA Hygiene Malaysia and sold in Fiji and number of other countries in the Pacific region.

## Year in Review

### Tissue

The Tissue segment comprises Consumer Tissue and Professional Hygiene product categories.

#### Financial Review –Tissue

A\$ million	Underlying 2015	Pro Forma 2014	Growth %
Revenue	429.4	431.4	(0.5%)
EBITDA	73.2	70.8	3.4%
EBITDA Margin	17.1%	16.4%	3.9%

*Note: A reconciliation is provided between the reported results and the statutory result on page 31.*

**Revenue:** FY15 decrease of (0.5%) to \$429.4 million compared with FY14 revenue of \$431.4 million. Revenue by category is assessed below:

- **Consumer Tissue (FY15 decline of (2.1%)):** Purex volume decline in Australia and a (14%) decline in lower margin unbranded products, primarily in New Zealand, resulted in lower revenue in FY15. Market value shares across Towel and Facial sub-categories remained consistent with FY14.
- **Professional Hygiene (FY15 growth of 2.0%):** Growth in Professional Hygiene was a result of increased contract business and improved sales mix on proprietary and non-Tissue products.

**EBITDA:** FY15 EBITDA of \$73.2 million was 3.4% higher than FY14. Key contributors to the growth in EBITDA are:

- Improved pricing and sales mix of higher margin products in Consumer Tissue.
- Tissue Capital Investment Program benefits of an incremental \$6.0 million being realised in FY15.
- Procurement initiatives and other operational cost reductions, fibre savings, reduced energy costs and lower labour costs. These cost saving initiatives were offset by adverse foreign exchange impacts on raw materials/finished goods pricing, cost-base inflation and a \$3.0 million increase in advertising and promotional spend in FY15 to relaunch Sorbent and Handee.
- Lower sales, marketing and administrative expenses in FY15 achieved following an internal corporate restructure and lower discretionary spend, which was offset by recognition of the FY15 short-term incentive and wage inflation.

## **Consumer Tissue**

Asaleo Care's Consumer Tissue product category includes toilet tissue, facial tissues, paper towels, serviettes and disposable tableware. These products are sold under well-known brands, including Sorbent, Purex, Handee and Deeko. Our Consumer Tissue brands hold the number one or two position in the Australian and New Zealand markets. We also have a large market presence in Fiji with Consumer Tissue products sold under the Orchid and Viti brands.

Our Tissue products are essential household items, and they help our consumers to live healthier and happier lives and manage the chaos of family life. Whether this is through having Handee paper towel to clean up that spill or Sorbent facial tissues to wipe up the tears, our products speak to our Company purpose: *'To make it easier for hygiene, health and wellbeing to be part of everyday life'*.

### **Sorbent**

Launched in 1952, Sorbent is a well loved brand that consumers have grown up with. Under the brand, we produce toilet tissue, facial tissues and flushable wipes.

In 2015, we relaunched our Sorbent master brand across Australia and New Zealand with a new positioning strategy focused on a distinct target consumer. For our Sorbent toilet tissue, the relaunch comprised a new packaging design, introduction of premium matt packaging and a new advertising campaign - *'Small detail, big difference'*. The campaign was supported by print, television and online communication activity, led to an increase in awareness and claimed 'main brand purchased' with our target consumer. The relaunch was also extended across our Sorbent Flushable wipes' range, which also experienced growth as a result of the activity.

In parallel with the brand relaunch, we implemented toilet tissue product improvements to enhance consumer preference scores and introduced new pack sizes to meet the needs of consumers and customers.

### **Purex**

Purex is a trusted brand of toilet tissue in Australia and New Zealand. For over 60 years, Purex has been locally made at our Kawerau manufacturing facility. The facility directly harnesses geothermal steam in combination with New Zealand's renewable energy. The pulp is sourced from socially and environmentally sustainable forests. It is one of New Zealand's market-leading bathroom tissue brands, and it really is the brand that is strong on softness and gentle on the environment.

### **Handee**

Handee paper towel has a long history in Australia and New Zealand, and has grown to become a market leader. In 2015, product innovation and differentiation led us to relaunch Handee Ultra in the market to reinforce with our target consumer that Handee Ultra is Ultra Strong and Ultra Absorbent – the key product attributes in the paper towel category.

This relaunch strategy was delivered with new packaging design, including a return to the 'Ultra' branding and a focus on the products interlock weave technology. This was supported with a category disruptive advertising campaign the *'Good Sheet'*. The associated television commercial achieved strong cut through and key message takeout resulting in a positive sales performance, growing our value share in the towel category.

### **Deeko**

Deeko is Australia and New Zealand's leading branded tableware range, offering a wide selection of disposable products for every day, entertaining and seasonal needs. The Deeko range of serviettes, plates, cups, cutlery and straws is fully colour-coordinated to create attractive settings with ease and convenience.



## **Orchid**

In Fiji and countries across the Pacific, Orchid is a renowned and trusted name for quality hygiene products that are essential for everyday life. Orchid offers a wide range of products, including toilet tissue, facial tissue, serviettes, garbage bags and kitchen towels.

## **Viti**

Viti is a well established brand, offering value and economy in toilet tissue in Fiji and a number of countries across the Pacific. In 2015, Viti toilet tissue celebrated 50 years of local manufacturing in Fiji.

## **Professional Hygiene**

The Professional Hygiene product category includes hand towels, toilet tissue, serviettes, soap, facial tissues and other hygiene-based accessories. These are sold to businesses primarily under the Tork brand in Australia, New Zealand and Fiji. SCA licenses the Tork trademark to Asaleo Care for use in Australia, New Zealand and a number of countries in the Pacific.

## **Tork**

Tork comprises a full range of sustainable tissue products for away-from-home environments, along with soaps, air fresheners and hygienic dispensing systems. Tork toilet tissue, hand towels, soaps, air fresheners and bins can be found in washrooms, and wiping and cleaning products and dispensers are used in restaurants, food businesses, healthcare facilities, offices, schools, industrial environments and manufacturing facilities.

Tork is a leading brand in the Australian and New Zealand market and the number one professional hygiene brand in the world. 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. Key product innovations delivered to our market in 2015 included Tork Linstyle, and upgrades made to Tork Xpressnap, and a new range of soaps and dispensers.

More and more of our customers are developing environmental policies that outline specific goals to reduce waste, use less water and energy, and to only purchase sustainable products. Tork products are the perfect solution, as products are specifically designed to minimise their environmental impact.

In 2015, our '*Tork works for us*' campaign was extended into the childcare sector and quick service restaurants, and continues to focus on increasing brand awareness in Australia and New Zealand. The campaign features Tork customers detailing why they use Tork products and the benefits these products deliver to their business. The campaign has created interest in what is historically a low interest category, and the product endorsing testimonials have been a key driver in lead generation and business development opportunities.

## People and Culture

At Asaleo Care, we focus on employing and developing people who strive to deliver our purpose and share our Company values. In July 2015, to mark the first anniversary since listing on the Australian Securities Exchange, we released our Asaleo Care values – *Pride, Integrity* and *Courage*. We believe these values will help drive the behaviours and actions of our people, and provide a clear connection between what they do on a day-to-day basis and what we stand for as a Company.

Over 1,000 people are employed at our Australian, New Zealand and Fijian operations. We aim to attract and retain people with different skills, experience, perspectives and backgrounds, recognising that diversity strengthens our organisation. The policies and practices we have in place support diversity, and in 2015, we established a set of targets and actions that focus on further promoting a work environment of inclusion.

Through a range of activities, we will work to enhance our diversity and gender profile, including:

- Appointing at least two female members to the Executive Lead Team by 2018.
- Increasing female representation on the Senior Leadership Team to 33% by 2018.
- Identifying high-potential women in the Company and providing targeted development and/or mentoring to support their career advancement within the Company.
- Reviewing Company policies and approaches, including pay equity, to determine if there are any impediments and/or opportunities to building a stronger pipeline of female leaders.

In line with these targets and actions, management will continue to implement initiatives to increase diversity at all levels through the organisation, and create an environment that allows and encourages talented employees to flourish and be promoted.

A key element to our ongoing success is having employees who are motivated and committed to delivering our strategy. Having open dialogue with our employees and understanding their needs creates insights and is necessary to improve how we work at Asaleo Care. Our relationship with employees and employee unions is open and constructive. We provide avenues that encourage open dialogue and provide opportunity for feedback, including performance reviews and an employee survey.

We seek to build a high-performing organisation through initiatives that reinforce our Company values and support the development of capabilities across our workforce. In support of this, and as part of the Company's induction process, employees receive training in health and safety, our code of conduct and in relevant core technical areas. Individuals are also encouraged to develop the capabilities required for current and future positions, and much of this learning takes place through on-the-job learning.

The Company also offers specific leadership training and development opportunities. The Operations Leadership Program is designed to increase frontline leader knowledge, skills and capability in three key areas safety, leadership skills and employee relations. In addition, a Senior Leadership Conference was held in 2015, which aimed to align and equip the Company's most senior leaders with information about our future direction and the cultural enablers required to help shape our organisation.

Enhancing our workforce capability is further evidenced by the Asaleo Care Graduate Program, which commenced for the first time in 2015. The two year program sees graduates work on significant projects as they rotate through a number of business areas. Graduates are mentored to develop and strengthen their business acumen and leadership skills. In 2016, we will continue to create opportunities for graduates to contribute new and diverse ideas and thinking to our organisation.

In the latter part of 2015, we restructured our organisation to meet changing business demands. The implementation of specialised sales and marketing functions across our consumer business supports optimisation of investment in our brands, flexibility in the use of our talent and the adoption of best practices for gaining consumer insights and working with our customers. In our B2B function, the new structure enhances our ability to effectively leverage relationships with our distributors and end customers for our professional hygiene and healthcare products and services.

## **Health, Safety and Sustainability**

Our ability to continue operating is dependent on understanding and managing our health, safety and sustainability issues, risks and impacts.

Through consideration of the social, environmental and economic issues surrounding our industry, we recognise the need to operate in a responsible manner and continuously improve. We also look to how our actions can positively impact on our business, community and the world.

### **Occupational Health and Safety**

Our health and safety vision, *'Safe and healthy every day, everyone, in every way'*, means we will not compromise on workplace safety in the pursuit of other business goals. We care about the health and safety of our employees, contractors and visitors, and we are focused on eliminating work related illnesses and injury.

Fundamental to achieving our health and safety vision are the actions detailed in our Health and Safety Policy which is available on [www.asaleocare.com](http://www.asaleocare.com). During 2015, we continued to communicate and embed our health and safety vision through the implementation of our health and safety strategy which has three objectives:

1. Safety leadership – is about further developing the existing capability and commitment of leaders to continuously improve our safety culture.

In 2015, through our Operations Leadership Program, we aimed to increase frontline leaders' safety knowledge, skills and capability. Networking and benchmarking activities were adopted across sites and used to engage teams to understand and drive best practice.

2. Safer work environment – we are focused on providing safe equipment and processes and a work environment that protects our people from harm.

In support of this, AS480 certification was maintained at our Australian and New Zealand manufacturing sites and achieved at our Australian distribution centres. A revitalised Risk Management program, incorporating standardised methodology supported by training, subject matter experts and a database, was implemented to provide visibility and continued focus on high risks for the Group and at individual sites.

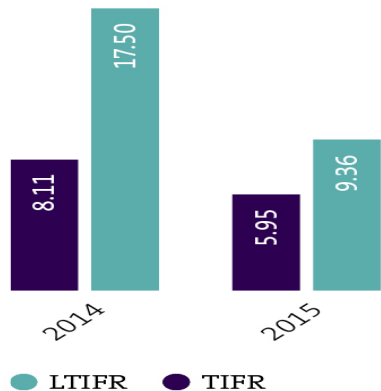
3. Standardised Occupational Health and Safety (OHS) Management System – is a centralised web based system and the means by which we consistently manage, control and reduce occupational safety risks.

During 2015 system improvements included, documenting company wide standards, procedures and processes, as well as implementing an online induction program. The system has Management, Executive and Board oversight, and compliance to the system is confirmed through internal and external audits.

Each Asaleo Care site has an annual plan to support this strategy. In 2015, these annual plans and associated actions have resulted in reducing high risk in areas including traffic management and working at heights.

In line with best practice, reportable injury statistics at Asaleo Care incorporate contractors and restricted work injuries. These statistics assist us to accurately identify and control injury risk.

Our Lost Time Injury Frequency Rate<sup>1</sup> (LTIFR) for FY15 was 5.95. Compared with the previous year, this is a 27% decrease. The Total Injury Frequency Rate<sup>2</sup> (TIFR) for FY15 was 9.36. Compared with the previous year this is a 47% decrease.



In instances where employees are absent from work due to a work related illness or injury, we support their return to work through our Return to Work processes. These processes are focused on assisting workers to return to their pre-injury role as soon as possible while managing their illness or injury.

The healthy culture of reporting hazards, injuries and near hits continues and allows us to focus on high-potential risks. To complement the reportable injury performance measurement we also measure a suite of lead indicators. Lead indicators monitor activities that are fundamental to a safe workplace and include completion of investigations, evacuations, workplace inspections and OHS Committee meetings. In 2015, we reviewed our lead indicators to ensure they remained relevant to the increasing maturity of our safety culture. Many of our operations achieved 100% of lead indicator performance, as well as sustained serious injury free periods.

In addition, to providing a safe and healthy work environment, we also have an Employee Assistance Program in place, designed to assist employees or any member of their immediate family deal with issues that may be affecting their life and work.

<sup>1</sup> Lost Time Injury Frequency Rate (LTIFR) is measured by calculating the number of injuries resulting in at least one full work shift lost per million hours worked.

<sup>2</sup> Total Injury Frequency Rate (TIFR) is measured by calculating the number of lost time, doctors case and restricted work injuries per million hours worked.

## Sustainability

In 2015, in accordance with the Australian Securities Exchange Corporate Governance Council's recommendations, we identified the key sustainability issues that are most pertinent to our business through a materiality assessment. The assessment involved a review of Company policies, commitments and internal risk registers, management interviews and workshops, and external stakeholder interviews. It also took into account peer benchmarking, a review of non-government organisations, and industry publications and campaigns. As a result of that assessment, a number of social, environmental and economic issues relevant to the business were identified. While these are not considered to pose a material risk to the Company, the key material sustainability issues identified are outlined below. Further information is available at [www.asaleocare.com](http://www.asaleocare.com):

- Supply chain management-including human rights
- Responsible forestry
- Resource scarcity-including the impact of climate change
- Economic performance (discussed in the Financial Statements of this Report)
- Community engagement and partnerships
- Workplace health and safety (previous section)

### Supply chain management-including human rights

Asaleo Care's local and international suppliers provide goods and services to our operations, customers and consumers. Engagement and management of our local and international suppliers throughout the supply chain is necessary to control costs and quality of goods and services. It also enables Asaleo Care to work with suppliers to improve management and ethical practices, including human rights, within our supply chain.

In 2014, we launched a responsible sourcing program with the aim of gaining a better understanding of the practices undertaken by suppliers within our supply chain. This program led us in 2015 to identify and screen key suppliers in our supply chain, based on either the annual value of their supply to Asaleo Care or the origin of supply. Suppliers were screened through self-assessment questionnaires or third party independent audits in accordance with the Sedex Members Ethical Trade Audit procedure. The 89 suppliers that participated in the program represented 46 % of the Company's total procurement spend<sup>3</sup>.

Asaleo Care's responsible sourcing program is consistent with the Ethical Trading Initiative Base Code and national and international laws. In addition, many of our products are Forestry Stewardship Council® (FSC®) certified goods, which means we are assured that those products are free from any direct or indirect involvement in activities that violate the traditional and human rights in forestry operations, as required by International Labour Organization (ILO) Convention 169<sup>4</sup>.

### Responsible forestry

Asaleo Care is reliant upon sustainable sources of pulp and pulp-based products, and we support responsible forestry through our policies, sourcing practices and product offerings.

Responsible forestry practices are integral to the way we operate, and multiple approaches to managing this issue are applied. These include Chain of Custody (COC) certification, Environmental Choice New Zealand (ECNZ) licensing and assurance, as well as source of origin due diligence.

Asaleo Care's COC accreditation delivers traceable and responsible products to consumers and customers in a transparent and credible way. We hold a multi-site FSC® COC certificate for all manufacturing sites and trading operations, and our Box Hill operation is accredited by the Pan

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<sup>3</sup> Based on spend in Australia, New Zealand and Fiji.

<sup>4</sup> According to FSC-STD-40-004 V2-1.

European Forest Council (PEFC). We continue to offer independently certified products to our customers and consumers. In 2015, this amounted to 180 COC certified products, as well as 81 products licensed under ECNZ<sup>5</sup>.

Responsible forestry is a key consideration when sourcing pulp-based raw materials and external finished goods for our operations in Australia, New Zealand and Fiji. In 2015, all pulp and paper reel purchases were sourced from responsible sources. The pulp that enters our Kawerau, New Zealand, paper machine originates from 100% FSC certified sources, including a maximum of 30% FSC Controlled Wood sources. Similarly, our paper machine in Box Hill, Australia, is supplied with a combination of PEFC, FSC 100%, FSC Mix and FSC Controlled Wood sources. Personal Care products made at our Springvale, Australia, operation are derived exclusively from FSC Controlled Wood pulp.

We also undertake source of origin due diligence to screen raw materials and products for risk of originating from an illegally logged and/or controversial source. Due diligence activities include supplier self-assessment questionnaires and declarations, proof of origin documentation and COC documents. In 2015, 29 suppliers were screened according to these criteria, amounting to 66% of all relevant<sup>6</sup> suppliers.

#### **Resource scarcity-including the impact of climate change**

Aside from forestry products, the resources of highest significance to Asaleo Care's manufacturing operations are air quality, energy and water. The Company recognises the need to manage its use of these resources in a responsible manner for Company owned sites or sites under our operational control. Resource utilisation, emissions and waste are monitored and managed at a site level and centrally reported.

In 2015, we reported our energy consumption, greenhouse gas emissions to air, fresh water use and discharges to water for all Company owned and operated sites for the first time. We will set efficiency and performance targets in 2016 and report against them in future years.

We limit greenhouse gas emissions through the use of renewable energy and efficiency activities. In 2015, more than 13% of Asaleo Care's total energy consumption came from the direct use of geothermal steam, a renewable energy source, at Kawerau.

Our manufacturing and operational sites located in New Zealand take advantage of the country's low-emissions electricity generation network. In 2015, 80.0 %<sup>7</sup> of the country's electricity was generated from renewable energy sources. Consequently, Asaleo Care's purchase of electricity generated from renewable energy sources within New Zealand represents more than 8% of the Company's total energy consumption.

We employ strict policies and procedures to reduce the risk of water contamination from our sites.

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<sup>5</sup> ECNZ's Sanitary Paper Products Standard, EC-13-07.

<sup>6</sup> Source of origin due diligence is not performed on packaging not regulated under the *Illegal Logging Prohibition Act 2012 (Cth.)* or items for internal consumption.

<sup>7</sup> New Zealand Energy Quarterly, January – September 2015 (MBIE: [www.med.govt.nz](http://www.med.govt.nz)).

## Performance Data

	Unit	2015 Total
<b>Energy Consumption</b>		
Geothermal steam	GJ	270,258
Fossil fuels <sup>8</sup> : natural gas, diesel, gasoline, LPG	GJ	1,034,930
Electricity	GJ	706,521
Total energy consumption	GJ	2,011,709
Energy from direct use of geothermal steam	% of total	13.4
Energy from New Zealand electricity purchases	% of total	10.7
<b>GHG Emissions to Air<sup>9</sup></b>		
Scope 1 (direct) GHG emissions (CO <sub>2-e</sub> )	tonne	54,007
Scope 2 (indirect) GHG emissions (CO <sub>2-e</sub> )	tonne	172,844
Total Scope 1 + 2 GHG emissions (CO <sub>2-e</sub> )	tonne	226,851
<b>Fresh Water Usage<sup>10</sup></b>		
Municipal supply	m <sup>3</sup>	1,150,118
	% of total	45.0
Surface water	m <sup>3</sup>	1,403,133.00
	% of total	55.0
Total fresh water usage	m <sup>3</sup>	2,553,251
<b>Discharge to Water<sup>11</sup></b>		
Biological Oxygen Demand (BOD)	tonne	130

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

## Community engagement and partnerships

We are committed to being a good corporate citizen and to supporting communities within the areas where we operate. In many of the regions where we operate, we are a major supplier and significantly contribute to the local economy through direct and indirect employment.

We believe our Company ethos of 'Taking care' sets us apart. 'Taking care' is shown through the way we support groups and charitable organisations that help bring our Company purpose to life: 'To make it easier for hygiene, health and wellbeing to be part of everyday life', and also aligns with our Company values: 'Pride - Integrity - Courage'.

Our sponsorship strategy is focused on enhancing established partnerships. These include Ronald McDonald House Charities and Foodbank, and complementing these with corporate and brand donations and sponsorships that support our staff, customers and local communities. Our support of the Ronald McDonald House Charities in Australia and New Zealand involves an annual donation, in-kind product donations and employee volunteering.

In addition, through our brand, we provide education opportunities that are directly linked to improving hygiene, health and wellbeing outcomes. In Fiji, our Libra brand supports Medical Services Pacific, which helps vulnerable populations in the Pacific through their 'Girl Empowered' initiative. This initiative aims to educate young girls about puberty, sexuality and reproductive health care. Libra also donates product to the Melbourne Period Project in Australia, which assists women experiencing homelessness by providing sanitary products, help and support. Libra also provides information and support to young women through online and social media platforms.

<sup>8</sup> Direct fuel combustion from stationary and transport energy purposes. Excludes third-party logistics transport activities.

<sup>9</sup> Global Warming Potentials used for this report are sourced from the Australian National Greenhouse Accounts (NGA) Factors (August 2015), New Zealand Guidance for Voluntary Corporate Greenhouse Gas Reporting (August 2015), New Zealand Emissions Trading Scheme (effective from the 2013 reporting year) and Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (2007). All documents are in alignment.

<sup>10</sup> Fresh water usage is reported for manufacturing sites only (i.e. Kawerau, Te Rapa, Box Hill, Springvale and Nakasi).

<sup>11</sup> BOD is reported for Asaleo Care's Paper Mills only (i.e. Kawerau and Box Hill sites).

Through our Treasures' website and bi-monthly parenting magazine, we support and connect with new parents by supplying relevant, timely and local information. Similarly, TENA has partnered with the Royal District Nursing Service and Bowls Australia to sponsor 200 community information sessions. The sessions, which commenced in 2015, aim to reach Bowls Australia's 500,000 members and provide advice, education and support about maintaining health while ageing. The sessions address key health issues, including diabetes, the importance of hydration and other conditions such as anxiety and depression.



# Financial Review Summary

## FY15 Results versus FY14

A\$ million	Underlying 2015 <sup>1</sup>	Pro Forma 2014 <sup>2</sup>	Change %
Revenue <sup>3</sup>	622.2	629.9	(1.2%)
EBITDA	145.2	140.8	3.1%
Depreciation	(28.6)	(27.6)	(3.6%)
EBIT	116.7	113.2	3.0%
Net Finance Costs <sup>3</sup>	(10.0)	(12.8)	22.1%
Profit Before Tax	106.7	100.4	6.3%
Tax Expense	(30.6)	(28.1)	(8.7%)
NPAT	76.1	72.3	5.3%
Statutory NPAT	75.6	3.0	2,420%

1. Refer to page 30 for a reconciliation between the FY15 Statutory and Underlying result.

2. Effective 27 June 2014, Asaleo Care Ltd (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 NPAT for FY14 was \$3.0 million, which included significant non-recurring costs associated with the IPO. Pro Forma financials prepared on a consistent basis with the June 2014 Prospectus have been disclosed and form the basis of commentary in this report. Accordingly, the Financial Review largely includes Pro Forma financial information for the year ended 31 December 2014. 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 31 December 2014. A reconciliation between the Pro Forma financial information and Asaleo Care Group's segment financial information sourced from the statutory accounts is also included on page 30 of this Report.

3. Revenue excludes interest income, which is recognised within Net Finance Costs.

**Revenue:** Was (1.2%) lower in FY15, which was primarily attributable to the Personal Care segment declining (2.9%). The Feminine Care segment experienced competitive market pricing activity, with higher investment in trade spend required to protect market share and remain a clear number one in the market. Baby Care revenue decline was primarily attributable to a decrease in private label sales. Offsetting this within Personal Care was Incontinence Care, which increased 4.7% in FY15, with key drivers being segment demographics, increased pharmacy channel sales and improved sales mix.

The Tissue segment revenues were marginally lower than FY14 (0.5%). Growth in Professional Hygiene of 2% was a result of increased contract business and higher sales in non-Tissue products. The Professional Hygiene growth was offset by a (2.1%) decline in Consumer Tissue, with the decrease primarily the result of volume declines in private label in New Zealand and low margin Purex in Australia.

**EBITDA:** Growth of 3.1%, with \$145.2 million EBITDA in FY15 compared with \$140.8 million in FY14.

Key drivers for EBITDA growth include:

- Tissue Capital Investment Program benefits of an incremental \$6.0 million being realised in FY15.
- Procurement initiatives and other operational cost reductions, fibre savings and lower labour costs. These cost saving initiatives were offset by adverse foreign exchange impacts on raw materials/finished goods pricing, cost-base inflation and increased advertising and promotional spend in FY15 of \$1.7 million incurred to support key brands and provide a platform for future growth.
- Lower sales, marketing and administrative expenses in FY15 were achieved following an internal corporate restructure and lower discretionary spend, offset by recognition of the FY15 short-term incentive and wage inflation.

**EBIT:** \$116.7 million achieved in FY15 compared with \$113.2 million in the corresponding period. The FY15 EBIT growth is consistent with EBITDA growth, with the depreciation expense increasing by 3.6%, which captures the Tissue Capital Investment Program assets.

**Net Finance Costs:** A reduction of (22.1%) obtained following the renegotiation of the Group's financing facility in May 2015 resulting in a 20 basis point margin reduction and a decrease in underlying interest rates in FY15.

**NPAT:** FY15 Underlying NPAT was \$76.1 million, which represents growth of 5.3% compared with FY14 of \$72.3 million.

## Balance Sheet

A\$ million	2015	2014	% Change
Cash and cash equivalents	35.2	35.4	(0.6%)
Inventories	159.4	139.2	14.5%
Other current assets	31.1	42.5	(26.8%)
Property, plant and equipment	360.1	366.2	(1.7%)
Intangible assets	189.5	190.1	(0.5%)
<b>Total Assets</b>	<b>775.3</b>	<b>773.4</b>	<b>0.2%</b>
Payables and provisions	109.8	102.9	6.7%
Other current liabilities	4.0	0.8	400.0%
Interest bearing liabilities	294.6	269.6	9.3%
Other non-current liabilities	0.8	1.7	(52.9%)
Deferred tax liabilities	28.9	10.5	175.2%
<b>Total Equity</b>	<b>337.2</b>	<b>387.8</b>	<b>(13.0%)</b>
<b>Total Liabilities and Equity</b>	<b>775.3</b>	<b>773.4</b>	<b>0.2%</b>

Key balance sheet movements since December 2014 were:

- **Inventories:** Increase in inventories due to stock build for Q116 promotional activity, stock build for Baby nappy manufacturing site relocation and machine upgrades in Feminine and spot pulp purchase.
- **Other current assets:** Key driver for improvement was our accounts receivable financing program, which resulted in an improvement in debtor outstanding days.
- **Property, plant and equipment:** FY15 depreciation expense of (\$26.7) million is in excess of capital expenditure of \$22.5 million following completion of the Tissue Capital Investment Program in 1H15.
- **Intangible assets:** Represents local brands and goodwill from the 2012 joint venture transaction, with the decrease due to the depreciation of the NZ\$ in FY15.
- **Payables and provisions:** Reflects improved vendor trading terms and general payables management.
- **Interest bearing liabilities:** \$62.2 million incurred in Q415 for execution of the on-market share buy-back program has resulted in an increase in drawn debt.
- **Deferred taxes:** Increase in net deferred tax liability due to usage of Australian tax losses that were primarily generated as a result of the substantial costs incurred for the IPO in FY14.
- **Equity:** Approximately 37 million shares acquired as part of the on-market share buy-back has decreased equity. Retained profits of \$4.7 million (2013: Accumulated losses of (\$14.2) million) reflects statutory NPAT of \$75.6 million being in excess of FY15 dividends paid of (\$56.7) million. Reserves within equity movement reflects the fair value of the Group's foreign exchange hedge positions.

## Operating Cash flow

A\$ million	Underlying 2015	Pro Forma 2014	Change %
EBITDA	145.2	140.8	3.1%
Changes in working capital	(3.2)	(29.8)	89.3%
Maintenance capital expenditure	(15.1)	(13.3)	(14.3%)
Growth capital expenditure	(7.7)	(31.4)	75.5%
Other	(3.1)	-	n/a
Net cash flow before financing and taxation	116.1	66.3	79.7%

Operating cash flow increased by \$49.8 million compared with the prior year.

Key drivers of the movement are:

- **EBITDA:** 3.1% improvement in FY15 driven by delivery of Tissue Capital Investment Program and lower operating and overhead costs.
- **Changes in working capital:** Minimal (\$3.2) million increase in working capital in FY15. Higher inventory holdings at the end of 2015 were due to strategic stock builds for Q116 promotional activity and Baby nappy manufacturing relocation. Offsetting the higher inventory was improved vendor trading terms and customer receivables management. The 31 December 2015 working capital balance is \$79.6 million, which represents 12.8% of sales (2013: 12.1%).
- **Maintenance capital expenditure:** Increase in maintenance capital expenditure as growth expenditure on the Tissue Capital Investment Program was completed, allowing more resources to be directed towards maintenance projects.
- **Growth capital expenditure:** Primarily represents spend on the final stages of the Tissue Capital Investment Program.
- **Other:** Includes structural expenditure, non-cash items and foreign exchange movements on opening cash.

## Financial Indebtedness

Asaleo Care has demonstrated strong cash flow generation capability since the IPO in June 2014. This has allowed for the implementation of the on-market share buy-back capital management initiative, which started in Q415.

A\$ million	2015	2014
Interest payable	0.8	4.8
Non-current interest bearing liabilities <sup>1</sup>	295.0	270.0
<b>Total debt</b>	<b>295.8</b>	<b>274.8</b>
Cash and cash equivalents	35.2	35.4
<b>Net debt</b>	<b>260.6</b>	<b>239.4</b>
<b>Net debt/EBITDA</b>	<b>1.8</b>	<b>1.7</b>

1. Excludes capitalised borrowing costs of (\$0.4) million

**Leverage:** 31 December 2015 is 1.8x and within the bottom half of the Group's target range of 1.5x to 2.5x. Excluding the on-market share buy-back, leverage would have been 1.4x.

**Total debt:** Asaleo Care has increased its available financing facilities from \$350 million at 31 December 2014 to \$363.5 million at 31 December 2015. The increase in available funds of \$13.5 million relates to a debtor securitisation facility. Available funds at 31 December 2015 are \$53.7 million (excluding the debtor securitisation program).

**Cost of debt:** Asaleo Care renegotiated its financing facility in May 2015 resulting in a 20 basis point margin reduction. The current 'all-up' cost of debt of 3.6%.

**Cash generation:** Significant capital invested in recent years has provided the platform for strong cash flow generation. In FY15, \$62.2 million was spent for the on-market share buy-back program along with dividend cash outflows of \$56.7 million.

## Reconciliation Between Statutory and Pro Forma Financial Information

Consolidated income statements for the years ended 31 December 2015 and 31 December 2014

A\$ million	Statutory		Adjustments <sup>1</sup>		Underlying	Pro Forma
	2015	2014	2015	2014	2015	2014
Revenue <sup>2</sup>	622.2	629.9	-	-	622.2	629.9
EBITDA	142.8	85.4	2.4	55.4	145.2	140.8
Depreciation	26.7	24.9	1.9	2.7	28.6	27.6
EBIT	116.2	60.4	0.5	52.8	116.7	113.2
Net Finance Costs <sup>2</sup>	(10.2)	(58.3)	0.2	45.5	(10.0)	(12.8)
Profit Before Tax	106.0	2.2	0.7	98.2	106.7	100.4
Tax (Expense)/Benefit	(30.4)	0.8	(0.2)	(28.9)	(30.6)	(28.1)
Net Profit After Tax	75.6	3.0	0.5	69.3	76.1	72.3

1. As reported in the Segment Note contained within the Financial Statements (note 1.1).

2. Interest income has been disclosed within 'Net Finance Costs'.

### Adjustments for the Year Ended 31 December 2015

**EBITDA:** Primarily represents redundancies incurred on operational headcount reductions and corporate restructure. Also, includes temporary transition costs relating to the Tissue Capital Investment Program and additional storage expense incurred prior to the Baby nappy machine relocation.

**Depreciation:** A decision was made to retain a previously impaired asset line in its current location. The impairment reversal recognised has been normalised out of the FY15 depreciation expense.

**Net Finance Costs:** Represents the incremental financing costs for the on-market share buy-back.

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

### Pro Forma Adjustments for the Year Ended 31 December 2014

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

- Share based payment expense of \$28.2 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 \$22.8 million, which primarily relates to transaction costs associated Asaleo Care becoming a listed entity.
- Restructuring costs of \$7.7 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 \$1.5 million, which ceased at 30 June 2014 and other expense amounting to \$0.3 million.

**Depreciation:** A previously impaired asset line remains in operation following continuous review of the Tissue Capital Investment Program, and it is intended that this asset will remain in use for the foreseeable future, and therefore the impairment has been written-back in FY14.

**Net Finance Costs:** The Pro Forma adjustment assumes that the capital structure in place since 30 June 2014 was in place for the entire FY14. 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 (\$8.7) million.

**Tax Expense:** Assumes an effective tax rate of 28%.

## Personal Care Business Segment

A\$ million	Statutory		Adjustments <sup>1</sup>		Underlying	Pro Forma
	2015	2014	2015	2014	2015	2014
Revenue	192.8	198.5	-	-	192.8	198.5
EBITDA	71.3	59.7	0.7	10.3	72.0	70.0

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

**EBITDA adjustments for the year ended 31 December 2015:** Includes Personal Care's allocation of operational and corporate redundancies and the additional storage expense incurred prior to the Baby nappy machine relocation.

**EBITDA adjustments for the year ended 31 December 2014:** 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

A\$ million	Statutory		Adjustments <sup>1</sup>		Underlying	Pro Forma
	2015	2014	2015	2014	2015	2014
Revenue	429.4	431.4	-	-	429.4	431.4
EBITDA	71.6	25.7	1.6	45.1	73.2	70.8

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

**EBITDA adjustments for the year ended 31 December 2015:** Represents the Tissue segment's share of operational and corporate redundancies and temporary transition costs relating to the Tissue Capital Investment Program.

**EBITDA adjustments for the year ended 31 December 2014:** 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 \$7.7 million associated with the Tissue Capital Investment Program.

## Statutory Matters

### Directors

The Directors of Asaleo Care Limited are:

#### **Harry Boon - Independent Non-Executive**

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

#### **Peter Diplaris – Chief Executive Officer and Managing Director**

- Peter joined the Company as Chief Executive Officer in May 2011 and has over 25 years' industry experience.
- He was appointed as a Director on 30 May 2014.
- Previously, he 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.

#### **Mats Berencreutz - Non-Executive Director (nominee of SCA)**

- Mats is a member of the Remuneration and Human Resources Committee and Nomination and Governance Committee.
- He was appointed as a Director on 14 March 2014.
- Mats is a former Executive Vice President of SCA and Chairman of the Board for SCA Hygiene Products AB, as well as a former member of the board of Uni-Charm Mölnlycke BV.
- He has over 30 years' industry experience, having joined SCA in 1981, and has worked in various positions, including Head of R&D Baby, Feminine and Incontinence Care; Technology and Quality Director (based in USA); President Incontinence Care North America; Chief Technology Officer Personal Care Europe; and President Tissue Europe.
- Mats holds a Master of Science in Mechanical Engineering from Luleå University of Technology.



**Nils Lindholm - Non-Executive Director (nominee of SCA)**

- Nils is a member of the Audit and Risk Committee and Nomination and Governance Committee.
- He was appointed as a Director on 30 May 2014.
- Nils is also currently the VP SCA Head of Global Business Services for SCA, as well as a Director of SCA UK Holdings Limited, SCA GmbH, SCA Hygiene Products Nederland BV and SCA Tissue Finland Oy.
- He has over 20 years' of industry experience, having previously been 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.

**Sue Morphet - Independent Non-Executive Director**

- Sue is Chairperson of the Remuneration and Human Resources Committee and is a member of the Audit and Risk Committee and Nomination and Governance Committee.
- She was appointed as a Director on 30 May 2014.
- Sue has over 29 years' of industry experience and is currently Non-Executive Director of Fisher & Paykel Appliances Holdings Limited, Godfreys Group Limited, Noni B Limited and National Tiles Limited.
- Previously, she was an Executive Director and Chief Executive Officer of Pacific Brands Limited, following a number of senior roles with the company, including Group General Manager of Underwear and Group General Manager of Bonds. Sue also held roles in manufacturing and sales and marketing with Pacific Dunlop and Sheridan Australia.
- Sue holds a Bachelor of Science and Education from The University of Melbourne.

**JoAnne Stephenson - Independent Non-Executive Director**

- JoAnne is Chairperson of the Audit and Risk Committee and a member of the Remuneration and Human Resources Committee and the Nomination and Governance Committee.
- She was appointed as a Director on 30 May 2014.
- JoAnne has over 25 years' experience and is currently a Non-Executive Director of Challenger Ltd and Japara Healthcare Limited. She is a Director of the Major Transport Infrastructure Board, and Non-Executive Chair of Hallmark Life Insurance and Hallmark General Insurance. She is also Chairman of the Melbourne Chamber Orchestra.
- Previously, she was a Non-Executive Director of Yarra Valley Water, YWCA Australia and the Peter MacCallum Cancer Institute and a member of the Victorian Government TAFE Reform Expert Panel. She also worked at KPMG International as Senior Client Partner in the Advisory division.
- JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from The University of Queensland. She is a member of both the Australian Institute of Company Directors and The Institute of Chartered Accountants in Australia.

**Company Secretary**

James Orr is the Company's General Counsel and Company Secretary. The Company's Chief Financial Officer, Paul Townsend, is also a Company Secretary and is able to act in that capacity in James' absence.

## Directors' Meetings

The following table sets out Board and Board Committee meetings during 2015 and Directors' attendance:

	Board Meeting		Audit & Risk Committee		Nomination & Governance Committee		Remuneration & HR Committee	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
Attendees	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Harry Boon (Chairman)	8	8	4	4	2	2	5	5
Mats Berencreutz	8	8	4	N/A	2	2	5	5
Peter Diplaris	8	8	4	N/A	2	2	5	N/A
Nils Lindholm	8	8	4	4	2	2	5	N/A
Sue Morphet	8	8	4	4	2	2	5	5
JoAnne Stephenson	8	8	4	4	2	2	5	5

## Directors' Skills and Experience

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

Skills/Experience	No. of Directors
Personal care and hygiene	3
Industrial/manufacturing	5
Paper industry	4
Distribution and logistics	3
FMCG and retail	4
B2B	3
Sales and marketing	3
Health, safety and environment	4
Business development	4
Accounting and finance	2
Governance/risk management	6
Human resources	4
Executive management and leadership	5

## Principal Activities

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

## **On-Market Share Buy-Back**

On 26 August 2015, the Company lodged an Appendix 3C with the Australian Securities Exchange (ASX) confirming it would commence an on-market share buy-back of up to 10% of the Company's issued capital. The buy-back commenced on 1 October 2015. As at 31 December 2015, the Company had bought back 36,997,236 shares for a total consideration of \$62,083,699. The buy-back will continue in 2016.

## **Significant Changes in State of Affairs**

There have been no significant changes in the state of affairs of the consolidated entity for the financial year ended 31 December 2015.

The Company used the cash and assets, in a form readily convertible to cash, that it had at the time of listing on the ASX (27 June 2014) in a way consistent with its business objectives for the year ended 31 December 2015.

## **Environmental Regulation and Performance**

The Company met all requirements in relation to relevant and significant Australian environmental legislation and regulations. Specifically, the Company undertook the following activity:

- Reported energy consumption and greenhouse gas emissions from its operations according to the *National Greenhouse and Energy Reporting Act 2007* and in compliance with the Clean Energy Regulator's audit programme.
- Surrendered eligible emissions units to satisfy the Company's liability under the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014*.
- Reported National Pollution Inventory (NPI) substances to air as obligated by the *National Environment Protection Measures (Implementation) Act 1998*.
- Performed source of origin and traceability due diligence on regulated timber-based products imported into Australia according to the requirements of the *Illegal Logging Prohibition Act 2012*.

During 2015, the Australian Parliament passed the *Renewable Energy (Electricity) Amendment Act 2015* and *Renewable Energy (Electricity) Amendment (Exemptions for EITE Activities) Regulation 2015* that allowed the Company to receive full exemption from Renewable Energy Target liability for electricity consumed while undertaking emissions-intensive trade-exposed (EITE) activities.

## Principal Risks

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

Risk	Risk Description	Management of Risk
Key retail customers have significant market power	Asaleo Care generates a significant portion of its revenue from major supermarkets. Key retail customers could use their commercial leverage to push for lower prices and demand higher trade discounts, as well as impose additional commercial and operational conditions relating to safety, environment, social and other sustainability issues.	<p>The Company has a diversified product range and customer channels to mitigate the consequence of a single customer being disruptive.</p> <p>The Company actively and continuously engages with customers to retain competitive margins that satisfy Asaleo Care and the customer.</p> <p>The Company is maximising brand loyalty to ensure high demand for Asaleo Care products to minimise risk of retail customer disruption.</p>
Competition may increase	Asaleo Care's market share may decline due to competitor activity, new competitors entering the market or if competitors release more advanced products that result in reduced market share.	The Company is well placed to leverage its local manufacturing footprint, regional experience and partnership with our cornerstone shareholder SCA to ensure a competitive advantage. Further, Asaleo Care's innovation program is active and provides market leading products.
Brand names may diminish in reputation or value	Asaleo Care is reliant on the reputation of its key brands. Any factors or events that diminish the reputation of the Company, its key brands or related trademarks or intellectual property may adversely affect the operating and financial performance of the Company.	<p>Brand health is actively monitored by reviewing market performance data, investing in consumer and market research to identify issues and trends and internal quality control procedures. These findings form the Company's monitoring activity, drive the marketing strategy and areas of brand investment.</p> <p>The Company has continued to invest significantly in its key brands during 2015.</p>

Risk	Risk Description	Management of Risk
Increases in prices for raw materials, supplies and services	Asaleo Care relies on various procurement relationships for the supply of pulp, transport and logistics, packaging, engineering, marketing, energy and utilities services. The Company is exposed to risks associated with the availability/price of raw materials and inputs, some of which have been subject to price volatility in the past.	Asaleo Care has a dedicated procurement team who are responsible for fostering strong supply relationships, negotiating to minimise costs with suppliers without impacting quality, and identifying and performing due diligence over alternate sources of supply.
Adverse movements in exchange rates may occur	Asaleo Care's financial reports are prepared in Australian dollars. However, a portion of the Company's sales revenue, expenditures and cash flows are generated in, and assets and liabilities are denominated in New Zealand and Fijian dollars. Asaleo Care also sources raw materials and finished goods in Euros and US dollars.	<p>The Company's Treasury function implements a hedging policy for our foreign exchange purchases exposure, which operates on a 12-month rolling basis.</p> <p>The hedging of future foreign exchange cash flows protects Asaleo Care from sudden impacts on its cost base.</p> <p>Asaleo Care does not hedge its international earnings (primarily NZ\$) as the transactions and translation of results between the countries within the Group essentially derives a minimal financial impact at an NPAT level.</p>
Disruptions to the Company's manufacturing capacity	<p>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.</p> <p>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.</p>	<p>The Company has a robust maintenance program for all manufacturing sites.</p> <p>The Company identifies and tests alternate suppliers to manufacture products.</p> <p>The Company actively manages stock levels to ensure adequate cover.</p> <p>Asaleo Care implements an employee relations strategy, which includes management of relationships with employees and unions and workforce, and agreement renewal planning in order to minimise risk of disputes.</p>

Risk	Risk Description	Management of Risk
Product recalls and liability	Poor product quality, contamination or an extortion threat on the basis of alleged or actual contamination of one or more of the Company's products may lead to product recalls or liabilities to consumers.	<p>Asaleo Care has procedures and policies in place to ensure compliance with quality standards and to ensure its products are free from contamination.</p> <p>Asaleo Care's quality specifications are documented and regularly tested. Employees are trained in their roles and responsibilities for product quality. Further, Asaleo Care monitors customer feedback and investigates and addresses quality issues where appropriate.</p>
SCA may not renew its Licensing Agreement or Supply Agreement with Asaleo Care	<p>Asaleo Care has a number of commercial agreements with SCA, including a Trade Mark and Technology Licence Agreement (TMTLA) and a Supply Agreement. Under the TMTLA, Asaleo Care pays SCA a royalty for the exclusive licence to use certain brands (including Tork and TENA) and technology in Australia, New Zealand and specified countries in the Pacific region. This agreement has an expiry date of 2022; however, there is an option to extend it to 2027 by mutual agreement.</p> <p>The Supply agreement captures the supply of key products from SCA. The Supply agreement terminates if the TMTLA expires or is terminated.</p>	<p>The Company maintains a strong connection and relationship with SCA, and strives to maximise local sales of Tork and TENA products. There are regular meetings between the companies covering a range of subject matters.</p> <p>The Company continues to explore opportunities to maximise its 'in-house' capability.</p>

## Likely Developments

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

## Subsequent Events

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

## **Proceedings on Behalf of Company**

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

## **Dividends**

Directors declared a final unfranked ordinary dividend of \$32,587,000 (5.4 cents per ordinary share) paid on 26 March 2015, for the year ended 31 December 2014 out of the Asaleo Care Ltd dividend appropriation reserve.

Directors declared an interim unfranked ordinary dividend of \$24,139,000 (4.0 cents per ordinary share) paid on 24 September 2015, for the half year ended 30 June 2015, out of the Asaleo Care Ltd dividend appropriation reserve.

Subsequent to the end of the financial year, Directors declared a final unfranked ordinary dividend of \$33,988,000 (6.0 cents per ordinary share) to be paid on 24 March 2016, for the year ended 31 December 2015 out of the Asaleo Care Ltd dividend appropriation reserve.

Depending on available profits and the financial position of the Company, Directors intend to target a dividend payout ratio of between 70% and 80% of the Company's statutory NPAT. The intention is that the final dividend in each calendar year will be greater than 50% of the total dividend paid during the year. The Company also expects to commence paying franked dividends from September 2016.

## **Share Options**

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

## **Indemnification and Insurance of Officers**

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

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

## **Loans to Executives and Directors**

No loans were made to executives or Non-Executive Directors during the year ended 31 December 2015.

## **Corporate Governance Statement**

The Company's Corporate Governance Statement discloses how the Company complies with the recommendation of the *ASX Corporate Governance Council (3rd edition)* and sets out the Company's main corporate governance practices. This Statement has been approved by the Board and is current as at 24 February 2016. The Statement is available on the Company's website at [www.asaleocare.com](http://www.asaleocare.com).

## Indemnification of Auditors

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

## Non-Audit Services

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

	2015 \$	2014 \$
<b>PricewaterhouseCoopers Australia</b>		
Other assurance services <sup>1</sup>	6,100	1,145,963
<i>Taxation services</i>		
Tax compliance services and review of company income tax returns	65,739	68,289
Tax consulting services and advice <sup>1</sup>	83,877	1,434,226
Total remuneration for taxation services	149,616	1,502,515
<i>Other services</i>		
Consulting services	24,500	46,275
<b>Network firms of PricewaterhouseCoopers Australia</b>		
Other assurance services	749	4,066
<i>Taxation services</i>		
Tax compliance services and review of company income tax returns	21,035	34,935
Tax consulting services and advice	15,461	1,932
Total remuneration for taxation services	36,496	36,867

1. 2014 contains IPO related expenses

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

## Rounding

The Company is of a kind referred to in 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.



## Remuneration Report

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

This Remuneration Report covers the remuneration and benefits of the Company's Key Management Personnel (KMP) for the year ended 31 December 2015.

### Overview

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

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

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

The Company's first Remuneration Report in 2014 achieved an approval vote in excess of 99% at the 2014 Annual General Meeting.

### KMP disclosed in this Report

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

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

KMP	Position Title Current	Position Title Pre July 2015 <sup>1</sup>
Peter Diplaris	CEO	
Paul Townsend	Chief Financial Officer (CFO)	
Andrew Phillips <sup>1</sup>	Executive General Manager (EGM) Consumer Marketing	Executive General Manager, Personal Care
Scott Pannell <sup>1</sup>	Executive General Manager (EGM) Consumer Sales	Executive General Manager, Consumer Tissue
Sid Takla <sup>1</sup>	Executive General Manager (EGM) Business to Business (B2B)	Executive General Manager, Professional Hygiene
Willie Wiese	Chief Operations Officer (COO)	
Harry Boon	NED	
Sue Morphet	NED	
JoAnne Stephenson	NED	
Mats Berencreutz <sup>2</sup>	NED	
Nils Lindholm <sup>2</sup>	NED	

<sup>1</sup> In July 2015, certain KMP Executives assumed new responsibilities following a change to a functional organisation structure. The new organisation structure does not change the underlying business activities of the Tissue and Personal Care segments which continue to separately earn revenue and incur costs.

<sup>2</sup> Mats Berencreutz and Nils Lindholm are nominees of SCA Group Holdings BV on the Asaleo Care Ltd Board.

## **Remuneration Strategy and Governance Framework**

### **Remuneration strategy**

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

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

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

### **Remuneration governance framework**

Remuneration arrangements for NED and Executives of the Company (executive remuneration) are overseen by the Committee and the Board.

The Committee consists of a majority of independent NED and it met five times during 2015.

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

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

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

### **External remuneration consultant**

In November 2015, the Committee engaged Egan Associates Pty Ltd (Egan) to provide advice on the market competitiveness and future operation of the executive incentive plan. Egan provided this advice for a fee of \$12,000. Egan has confirmed that all recommendations provided in the advice to the Committee were made free from undue influence by any member of KMP. Egan's correspondence with Asaleo Care management was limited to seeking information about existing executive incentive plan arrangements. As a consequence of this confirmation and from their dealings with Egan, the Board and the Committee are satisfied that the remuneration recommendations were made free from any undue influence by any member of KMP.

## Executive Remuneration Structure

The Company's executive remuneration consists of fixed and variable remuneration which focuses on short-term and long-term company performance. Fixed remuneration, also referred to as Total Fixed Remuneration (TFR), is designed to provide a market-competitive base level of remuneration.

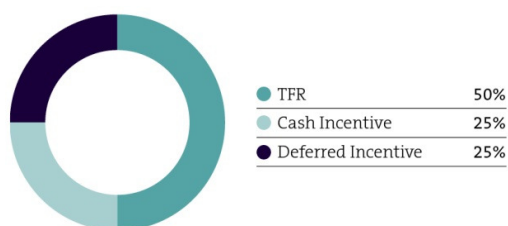
Variable remuneration including a cash incentive and a deferred incentive in the form of four-year deferred equity (equity) is based on pre-determined performance measures at different performance levels which are important for business growth and value creation for shareholders.

The 2015 key performance measures are summarised in the section titled '2015 Executive Incentive Plan'.

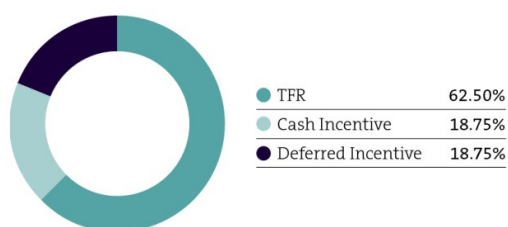
### Executive remuneration mix

Below is the remuneration mix between fixed and variable remuneration at 'target' for the CEO and KMP Executives for 2015.

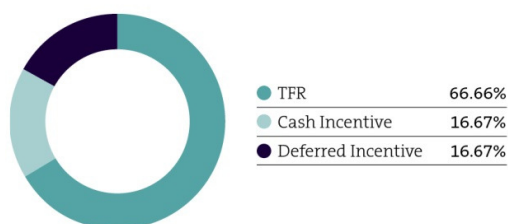
2015 CEO Remuneration Mix at Target



2015 CFO Remuneration Mix at Target



2015 KMP Executive Remuneration Mix at Target



Detail of the CEO's and KMP Executives' fixed and variable remuneration components and how the 2015 Executive Incentive Plan was set and measured is explained below.

### **Fixed remuneration**

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

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

The CEO and KMP Executives did not receive any increase in TFR during 2015. Their last TFR increase was in July 2014.

### **Variable remuneration**

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

Variable remuneration is delivered through an Executive Incentive Plan which is designed to:

- Take into account individual, business unit and company performance.
- Link to clearly specified performance targets, which are aligned to the business' short-term and long-term performance objectives.

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

### **2015 Executive Incentive Plan (EIP)**

In 2015, following Egan's independent advice, the Company introduced a new EIP that includes a combination of cash and equity reward potential. The equity reward potential is designed to strengthen the alignment between the interests of Executives and shareholders.

The CEO and KMP Executives participated in the EIP for the year ending 31 December 2015.

#### *EIP award*

A third of the maximum annual incentive entitlement is awarded for Threshold performance whilst two-thirds of the maximum annual incentive entitlement is awarded for Target performance and maximum annual incentive entitlement is awarded for achievement of KPIs which reflect significant stretch performance.

The following table demonstrates the EIP awards at different performance levels.

Position	EIP at Threshold (% of TFR)	EIP at Target (% of TFR)	EIP at Maximum (% of TFR)
CEO	50	100	150
CFO	30	60	90
KMP Executives	25	50	75

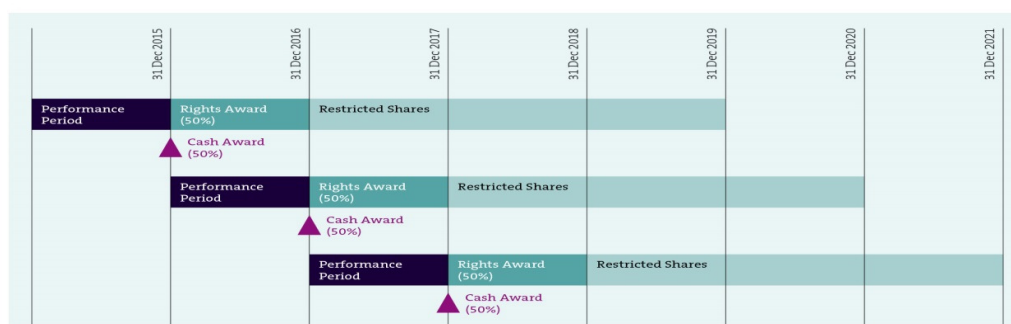
Threshold, Target and Maximum performance levels are explained in the section titled 'Performance measures'.

### Award delivery

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

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

The structure of the deferred award is illustrated as follows:



### Clawback provision

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

### Termination

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

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

### Performance measures

EIP covers both short-term and long-term Key Performance Indicators (KPIs) for the performance period. For each performance period, EIP includes gateway(s), Threshold, Target and Maximum performance measures. The key EIP performance measures for 2015 include a range of financial KPIs such as Return on Invested Capital (ROIC), Net Profit After Tax (NPAT), Operating Cash Flow (OCF), Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Sales Value (SV) and Operations KPIs. They also include some non-financial KPIs such as Employee Engagement and Safety.

If the gateway is not achieved, the creation of the EIP pool and EIP awards will be at the discretion of the Board. In these circumstances, the individual EIP payment for the performance period must not exceed 50% of the maximum entitlement.

In 2015, the gateway was set at 98% of the Company's budgeted NPAT. Having regard to Asaleo Care's longer-term strategy, the 2015 Company's budgeted NPAT was set at a higher level than the prior year.

The underlying financial KPIs required to be achieved for each EIP award level were determined by the Board at the beginning of 2015 and defined as below:

- Threshold performance was set at 98% of financial KPIs at budget. Threshold performance reflects the minimum required performance level relative to KPIs before any EIP payment can be made.
- Target performance was set at 100% of financial KPIs at budget.
- Maximum performance was set at 110% of financial KPIs at budget.

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

Non-financial KPIs at each EIP award level were aligned to the Company NPAT result.

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

The following table outlines the 2015 KPIs and their weighting for the CEO and each KMP Executive.

Name Position	Asaleo Care NPAT <sup>1</sup> %	Asaleo Care ROIC <sup>2</sup> %	Asaleo Care OCF <sup>3</sup> %	Business Function EBITDA <sup>4</sup> %	Business Function SV <sup>5</sup> %	Operations KPI <sup>6</sup> %	Non- Financial KPIs <sup>7</sup> %	Total Weighting %
<b>Peter Diplaris</b> CEO	45	20	20	-	-	-	15	100
<b>Paul Townsend</b> CFO	45	20	20	-	-	-	15	100
<b>Andrew Phillips</b> EGM Consumer Marketing	40	-	-	30	10	-	20	100
<b>Scott Pannell</b> EGM Consumer Sales	40	-	-	30	10	-	20	100
<b>Sid Takla</b> EGM B2B	40	-	-	30	10	-	20	100
<b>Willie Wiese</b> COO	30	10	-	-	-	30	30	100

<sup>1</sup> NPAT provides an indication of the Company's 'bottom line' for the performance period.

<sup>2</sup> ROIC supports a focus on striking the right balance between efficient management of capital and ongoing investment in our operations and brands to grow Company value.

<sup>3</sup> This KPI measures the Company's cash generation capability.

<sup>4</sup> EBITDA measures the profitability at the business function level and may include key strategic, growth and market share initiatives.

<sup>5</sup> Alignment between EBITDA and sales targets is critical to ensuring a balance between margin retention and sustainable growth.

<sup>6</sup> Operations KPI has a set of measures focused on production capability, working capital and operational excellence which drive improvement in cost competitiveness and production quality.

<sup>7</sup> Non-financial KPIs include employee engagement and safety which are recognised as important drivers of business results. The July 2015 Employee Survey results were used as a baseline for the assessment. Corporate safety measures for 2015 including Total Injury Frequency Rate (TIFR) to provide a safe workplace for all employees, contractors and visitors were set at improved levels to 2014 performance.

### Former Executive Incentive Plans

The CEO and KMP Executives participated in a Management Incentive Plan (MIP) which was crystallised upon listing of the Company in June 2014. The objective of the MIP was to align the interests of senior management with shareholders at that time being Pacific Equity Partners (PEP) and SCA.

Under the MIP, participating KMP were issued units in a private equity styled long-term incentive plan. Upon listing, their MIP entitlements were crystallised and MIP payments were paid net of applicable income tax. Two thirds of their MIP proceeds were used to subscribe for shares in the listed company. These shares were held under an escrow arrangement with 50% of the shares escrowed for one year after listing and 50% escrowed for two years after listing. The first tranche of escrowed shares was released on 27 June 2015, and the second tranche will be released on 27 June 2016, upon the condition that participating KMP remain employed by the Company at the time of release. In certain prescribed circumstances, the relevant shares may also be released if participating KMP cease to be employed by the Company.

Other than holding restrictions, participating KMP have the same rights of holders of ordinary shares including receiving dividends and voting.

The number of escrowed shares for the CEO and KMP Executives are listed in the table below:

Name Position	Number of Shares Escrowed for one year <sup>1</sup>	Number of Shares Escrowed for two years <sup>2</sup>
<b>Peter Diplaris</b> CEO	1,689,401	1,689,401
<b>Paul Townsend</b> CFO	563,133	563,134
<b>Andrew Phillips</b> EGM Consumer Marketing	394,194	394,193
<b>Scott Pannell</b> EGM Consumer Sales	563,133	563,134
<b>Sid Takla</b> EGM B2B	563,133	563,134
<b>Willie Wiese</b> COO	563,133	563,134

<sup>1</sup> Released on 27 June 2015.

<sup>2</sup> To be released on 27 June 2016.

## KMP Remuneration Disclosure

The following table has been prepared in accordance with section 300A of the *Corporations Act 2001* to detail KMP remuneration for the year ended 31 December 2015. For the purpose of comparison, remuneration for the year ended 31 December 2014 is also provided.

Name Position	Year	Fixed Remuneration <sup>1</sup> \$				Variable Remuneration \$			Total Remuneration \$
		Cash salary/fee	Car allowance	Super- annuation	Total	EIP(Cash) <sup>2</sup>	EIP(Equity) <sup>2</sup>	MIP <sup>3</sup>	
CEO and KMP Executives									
Peter Diplaris	2015	715,000		35,000	750,000	238,416	119,208		1,107,624
CEO	2014	647,500	17,500	30,000	695,000			9,996,558	10,691,558
Paul Townsend	2015	400,000		30,000	430,000	82,015	41,008		553,023
CFO	2014	397,421		24,351	421,772			3,332,186	3,753,958
Andrew Phillips	2015	365,000		35,000	400,000	41,717	20,859		462,576
EGM Consumer Marketing	2014	359,193		27,753	386,946			2,332,530	2,719,476
Scott Pannell	2015	365,000		30,208	395,208	41,196	20,598		457,002
EGM Consumer Sales	2014	353,270		25,510	378,780			3,332,186	3,710,966
Sid Takla	2015	340,000		30,000	370,000	86,312	43,156		499,468
EGM B2B	2014	328,925		26,025	354,950			3,332,186	3,687,136
Willie Wiese	2015	425,000		35,000	460,000	73,954	36,977		570,931
COO	2014	423,750		26,250	450,000			3,332,186	3,782,186
Subtotal	2015	2,610,000		195,208	2,805,208	563,610	281,806		3,650,624
	2014	2,510,059	17,500	159,889	2,687,448			25,657,832	28,345,280
Non-Executive Directors									
Harry Boon	2015	280,954		19,046	300,000				300,000
	2014	236,165		13,835	250,000				250,000
Sue Morphet	2015	110,954		19,046	130,000				130,000
	2014	83,665		13,835	97,500				97,500
JoAnne Stephenson	2015	110,954		19,046	130,000				130,000
	2014	83,665		13,835	97,500				97,500
Mats Berencreutz <sup>4</sup>	2015	27,500			27,500				27,500
	2014								
Nils Lindholm <sup>5</sup>	2015								
	2014								
Subtotal	2015	530,362		57,138	587,500				587,500
	2014	403,495		41,505	445,000				445,000

<sup>1</sup> The last CEO's and KMP Executives' TFR review took effect from 1 July 2014. No adjustment was made in 2015.

<sup>2</sup> No EIP payment was made to any of the KMP for the 2014 performance year. For the purpose of disclosure of the 2015 EIP equity, the five-day Volume Weighted Average Price (VWAP) for AHY stock for the period 29 January to 4 February 2016 of \$1.5708 was used. VWAP for the actual grant will be recalculated over a five-day period leading up to and including the date of grant.

<sup>3</sup> Details of the MIP are explained in the section titled 'Former Executive Incentive Plans'.

<sup>4</sup> Mats Berencreutz was an employee of an SCA Group Company until February 2015 and remunerated by SCA until that date. As he was no longer remunerated by SCA after his termination, the Company considered it appropriate that he be remunerated as a Non-Executive Director on the same basis as other NED. The Company commenced paying him a fee of \$110,000 per annum effective 1 October 2015, consistent with the fee paid to independent NED.

<sup>5</sup> Nils Lindholm is a representative of SCA Group Holdings BV on the Asaleo Care Ltd Board. He is remunerated by the SCA Group Company pursuant to his employment arrangements with that entity. He receives no remuneration from any Asaleo Care Group Company for his directorship of Asaleo Care Ltd.



## Company Performance Over the Last Five Years

The following table shows KPIs for the Company over the last five years.

	2015 Underlying <sup>1</sup>	2014 Pro Forma <sup>1</sup>	2013 Pro Forma <sup>1</sup>	2012 Pro Forma <sup>1</sup>	2011 Pro Forma <sup>1</sup>
Revenue (A\$ million)	622.2	629.9	625.1	615.3	617.3
EBITDA (A\$ million)	145.2	140.8	124.6	105.6	86.0
NPAT (A\$ million)	76.1	72.3	61.5	47.6	31.5
Operating Cash Flow (A\$ million)	116.1	92.6	125.6	123.6	49.1
Occupational Health and Safety (TIFR) <sup>2</sup>	9.36	11.50	7.82	12.13	12.73
Total CEO and KMP Executive incentives as percentage of NPAT <sup>3</sup>	1.1%	0.0%	2.0%	2.8%	1.5%

<sup>1</sup> Underlying and Pro Forma amounts are included as the Board is of the opinion that these most appropriately represent the Company's performance for these years. They include statutory financial information with adjustments to eliminate non-recurring items and reflect the Initial Public Offering capital and operating structure. Pro Forma operating cash flow numbers exclude Performance Improvement capital expenditure.

<sup>2</sup> Occupational Health and Safety measures including targets with respect to injury rates aim to provide a safe workplace for all employees, contractors and visitors.

<sup>3</sup> Excluding the MIP as this incentive plan does not have an impact on the underlying profit.

## CEO's and KMP Executives' Employment Agreements

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

Name Position	Employment Start Date	Employment Term	Notice Period (employer- initiated termination)	Notice Period (employee- initiated termination)	Redundancy Payment
<b>Peter Diplaris</b> CEO	16 May 2011	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
<b>Paul Townsend</b> CFO	23 July 2012	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
<b>Andrew Phillips</b> EGM Consumer Marketing	4 June 2012	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
<b>Scott Pannell</b> EGM Consumer Sales	5 September 2011	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
<b>Sid Takla</b> EGM B2B	12 February 2007	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>
<b>Willie Wiese</b> COO	29 October 2012	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the <i>Fair Work Act 2009</i>

The Company may terminate the employment of the CEO and/or KMP Executives by providing nine months' notice or payment in lieu of notice, or the CEO and/or KMP Executives may terminate their employment by providing the Company three months' notice. The Company may dismiss the CEO and/or KMP Executives immediately without notice or payment in lieu of notice in the event of misconduct, serious breach or non-observance of any terms or conditions of the employment contract or serious neglect of duties.

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

## Non-Executive Directors' Engagement

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

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

There was no change to NED fees in 2015. The Company commenced paying Mats Berencreutz from 1 October 2015.

The 2015 annual fees are set out in the table below.

Name	Position	Annual Board Fee \$	Annual Committee Fee \$
Harry Boon	Chairman	300,000	-
	Chair of Nomination and Governance Committee	-	-
Sue Morphet	Board Member	110,000	-
	Chairperson of Remuneration and Human Resources Committee	-	20,000
JoAnne Stephenson	Board Member	110,000	-
	Chairperson of Audit and Risk Committee	-	20,000
Mats Berencreutz	Board Member	110,000	-
Nils Lindholm	Board Member	-	-

## Additional Information

### KMP shareholdings

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

The Directors agreed that independent NED would invest one year after tax fees in Company shares on a progressive basis over three years from listing.

The following table details the number of Asaleo Care shares held by KMP, either directly, indirectly or beneficially, and movements during the year ended 31 December 2015.

Name	Registered Holding	Balance at 31/12/2014	Purchased Allotted	Sold	Balance at 31/12/2015
<b>Peter Diplaris</b> CEO	NETHERLEE INVESTMENTS PTY LTD (THE DIPLARIS FAMILY TRUST)	3,378,802	-	1,200,000	2,178,802
<b>Paul Townsend</b> CFO	PW INVESTMENTS PTY LTD AS TRUSTEE FOR THE TOWNSEND FAMILY TRUST	1,126,267	-	550,000	576,267
<b>Andrew Phillips</b> EGM Consumer Marketing	ANDREW PHILLIPS AND MELINDA PHILLIPS AS TRUSTEES FOR THE PHILLIPS FAMILY TRUST	788,387	-	394,194	394,193
<b>Scott Pannell</b> EGM Consumer Sales	PANNELL HOLDINGS PTY LTD AS TRUSTEE FOR THE PANNELL HOLDINGS TRUST	1,126,267	-	563,133	563,134
<b>Sid Takla</b> EGM B2B	NIDO D'ORO PTY LTD AS TRUSTEE FOR THE NIDO D'ORO TRUST	1,126,267	-	268,703	857,564
<b>Willie Wiese</b> COO	WIESENHAUS PTY LTD FOR THE WIESE FAMILY TRUST	1,126,267	-	563,133	563,134
<b>Harry Boon</b> NED	TORRESDALE SUPER NOMINEES PTY LTD (V & H BOON SUPER FUND A/C)	121,212	-	-	121,212
<b>Sue Morphet</b> NED	MORPHET SUPERANNUATION PTY LTD	33,333	-	-	33,333
<b>JoAnne Stephenson</b> NED	LARSTEP PTY LTD AS TRUSTEE FOR STELLAR SUPER FUND	-	18,000	-	18,000
<b>Mats Berencrutz</b> NED	-	-	-	-	-
<b>Nils Lindholm</b> NED	-	-	-	-	-

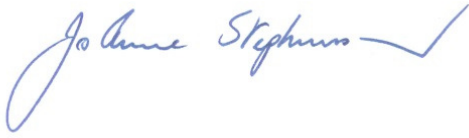
### Policy on trading in Asaleo Care's shares

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

### Other transactions with KMP

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

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

A handwritten signature in blue ink, reading "JoAnne Stephenson" followed by a checkmark-like flourish.

JoAnne Stephenson  
Director

Dated this 24<sup>th</sup> day of February 2016

## Auditor's Independence Declaration

As lead auditor for the audit of Asaleo Care Limited for the year ended 31 December 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Lisa Harker'.

Lisa Harker  
Partner  
PricewaterhouseCoopers

Melbourne  
24 February 2016

# Financial Report

## Introduction

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

Over the past year, we have reviewed the content and structure of the Financial Report looking for opportunities to make them less complex and more relevant to users. This included:

- A thorough review of content to eliminate immaterial disclosures that may undermine the usefulness of the Financial Report by obscuring important information.
- Reorganisation of the Notes to the Financial Statements into sections to assist users in understanding the Group's performance.
- Using diagrams and graphs to improve the communication of certain important financial information.

The purpose of these changes is to provide users with a clearer understanding of what drives financial performance and financial position of the Group and linkage to the Group's strategy, whilst still complying with the provisions of the *Corporations Act 2001*.

## What's New in this Report

### Change in Structure

Note disclosures are split into five distinct sections to enable a better understanding of how the Group has performed. We have included an introduction at the start of each section to explain its purpose and content. Accounting policies and critical accounting judgements applied to the preparation of the Financial Report have been moved to where the related accounting balance or financial statement matter is discussed and we have refined wording of the policies to allow them to be easily understood by users of this Report. To assist in identifying critical accounting judgements, we have highlighted them with the following symbol:



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

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

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**Consolidated statement of Comprehensive Income  
for the Year Ended 31 December**

	Notes	2015 \$'000	2014 \$'000
<b>Revenue from operations</b>			
Sale of goods	1.1	622,216	629,886
Other revenue from ordinary activities		425	436
		<b>622,641</b>	630,322
Other income		828	3,067
<b>Expenses</b>			
Cost of sales of goods		(356,576)	(366,261)
Other expenses from ordinary activities			
Distribution		(72,162)	(72,736)
Sales and administration		(71,537)	(70,719)
Other	1.2	(6,593)	(62,830)
Finance costs	3.1	(10,604)	(58,700)
<b>Profit before income tax</b>		<b>105,997</b>	2,143
Income tax (expense)/benefit	1.3	(30,371)	843
<b>Profit for the period</b>		<b>75,626</b>	2,986
<i>Item that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges	3.5	(7,129)	7,725
Exchange differences on translation of foreign operations	3.5	(3,167)	12,581
Income tax relating to these items	3.5	2,604	(3,182)
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(7,692)</b>	17,124
<b>Total comprehensive income for the period</b>		<b>67,934</b>	20,110
Total comprehensive income for the period is attributable to:			
Owners of Asaleo Care Ltd		<b>67,934</b>	20,110
		<b>Cents</b>	Cents
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic earnings per share	1.4	<b>12.6</b>	0.6
Diluted earnings per share	1.4	<b>12.6</b>	0.6

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes

**Consolidated Balance Sheet  
as at 31 December**

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3.1	35,153	35,379
Trade receivables	2.1	22,578	32,940
Inventories	2.1	159,369	139,236
Derivative financial instruments	3.3	3,085	7,026
Other current assets	2.1	5,470	2,544
<b>Total current assets</b>		<b>225,655</b>	<b>217,125</b>
<b>Non-current assets</b>			
Property, plant and equipment	2.2	360,111	366,228
Intangible assets	2.3	189,531	190,085
<b>Total non-current assets</b>		<b>549,642</b>	<b>556,313</b>
<b>Total assets</b>		<b>775,297</b>	<b>773,438</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	2.1	62,113	55,681
Other payables	2.1	24,619	26,026
Current tax liabilities	1.3	2,044	1,500
Derivative financial instruments	3.3	3,994	770
Employee provisions	4.3	21,058	19,719
<b>Total current liabilities</b>		<b>113,828</b>	<b>103,696</b>
<b>Non-current liabilities</b>			
Borrowings	3.1	294,591	269,646
Deferred tax liabilities	1.3	28,889	10,526
Employee provisions	4.3	636	904
Other non-current provisions	2.1	186	833
<b>Total non-current liabilities</b>		<b>324,302</b>	<b>281,909</b>
<b>Total liabilities</b>		<b>438,130</b>	<b>385,605</b>
<b>Net assets</b>		<b>337,167</b>	<b>387,833</b>
<b>EQUITY</b>			
Contributed equity	3.4	298,226	360,405
Other reserves	3.5	34,259	41,646
Retained earnings/(losses)		4,682	(14,218)
<b>Total equity</b>		<b>337,167</b>	<b>387,833</b>

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



## Consolidated Statement of Changes in Equity

		Attributable to owners of Asaleo Care Ltd		
Notes	Contributed	Reserves	Retained	Total
	Equity \$'000		Earnings / (Losses) \$'000	Equity \$'000
<b>Balance at 1 January 2014</b>	173,292	9,285	(17,204)	165,373
Profit for the period	-	-	2,986	2,986
Other comprehensive income/(loss)	-	17,124	-	17,124
<b>Total comprehensive income for the period</b>	-	<b>17,124</b>	<b>2,986</b>	<b>20,110</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity, net of transaction costs and tax	3.4	316,599	-	316,599
Return of capital, net of transaction costs and tax		(129,486)	-	(129,486)
Share-based payments		-	15,237	15,237
<b>Balance at 31 December 2014</b>		<b>360,405</b>	<b>41,646</b>	<b>(14,218)</b>
<b>Balance at 1 January 2015</b>		<b>360,405</b>	<b>41,646</b>	<b>(14,218)</b>
Profit for the period		-	-	75,626
Other comprehensive income/(loss)		-	(7,692)	-
<b>Total comprehensive income/(loss) for the period</b>		-	<b>(7,692)</b>	<b>75,626</b>
<b>Transactions with owners in their capacity as owners:</b>				
2014 transaction costs tax effect true-up	3.4	(8)	-	(8)
Buy-back of shares, net of transaction costs and tax	3.4	(62,171)	-	(62,171)
Dividends provided for or paid	1.5	-	-	(56,726)
Share-based payments		-	305	305
		(62,179)	305	(56,726)
<b>Balance at 31 December 2015</b>		<b>298,226</b>	<b>34,259</b>	<b>4,682</b>
				<b>337,167</b>

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

**Consolidated Statement of Cash Flows  
for the Year Ended 31 December**

	Notes	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		693,717	689,404
Payments to suppliers and employees (inclusive of goods and services tax)		(554,367)	(626,445)
		<u>139,350</u>	<u>62,959</u>
Income taxes paid		(8,220)	(2,963)
Interest received		424	436
Borrowing costs		(14,489)	(22,776)
<b>Net cash inflow from operating activities</b>	3.1	<u>117,065</u>	<u>37,656</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	2.2	(22,459)	(44,724)
Proceeds from sale of property, plant and equipment		53	7,529
Payments for intangible assets	2.3	(416)	-
<b>Net cash (outflow) from investing activities</b>		<u>(22,822)</u>	<u>(37,195)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and other equity securities		-	331,702
Proceeds from borrowings	3.1	105,000	610,901
Payments for shares bought back	3.4	(62,084)	-
Share buy-back transaction costs	3.4	(124)	-
Repayment of borrowings	3.1	(80,000)	(603,201)
Dividends paid to Company's shareholders	1.5	(56,726)	-
Transaction costs for issue of new shares		-	(44,016)
Debt raising costs		(175)	(15,285)
Payment for return of capital		-	(125,751)
Transaction costs for return of capital		-	(5,336)
Repayment of related party borrowings		-	(169,390)
<b>Net cash (outflow) from financing activities</b>		<u>(94,109)</u>	<u>(20,376)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>134</u>	<u>(19,915)</u>
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		(360)	757
<b>Cash and cash equivalents at end of period</b>		<u>35,153</u>	<u>35,379</u>

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

## Notes to the Consolidated Financial Statements

### Section 1: Our Performance

#### In this section

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

- Underlying EBITDA growth of 3.1% to \$145.2 million
- Statutory NPAT of \$75.6 million
- Statutory EPS of 12.6 cents per share
- Unfranked dividends of 10.0 cents per share

### 1.1 Segment Information

#### (a) Description of segments

Asaleo Care is a leading Personal Care and Hygiene Company that manufactures, markets, distributes and sells essential everyday consumer products across the Feminine Care, Incontinence Care, Baby Care, Consumer Tissue and Professional Hygiene product categories.

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

Reporting Segment	Description
Tissue	This segment manufactures and markets personal toilet tissue, 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 nappies within Australia and New Zealand.

Reporting segments and their related results below are consistent with the Group's internal reporting provided to the chief operating decision makers, being the Chief Executive Officer, Chief Financial Officer and other Executives (senior management). These Asaleo Care senior personnel provide strategic direction and management oversight of the entity in terms of monitoring results and approving strategic planning for the business.

#### (b) Segment information provided to senior management

Reportable segment information provided to senior management for the year ended 31 December is as follows:

	Tissue \$'000	Personal Care \$'000	Total \$'000
<b>2015</b>			
Revenue from continuing operations	429,389	192,827	622,216
Underlying EBITDA	73,242	72,007	145,249
Total segment assets	550,033	222,179	772,212
Total segment liabilities	78,110	23,243	101,353
<b>2014</b>			
Revenue from continuing operations	431,337	198,549	629,886
Pro forma EBITDA	70,822	69,992	140,814
Total segment assets	545,717	220,695	766,412
Total segment liabilities	68,833	25,573	94,406

**(c) Segment revenue**

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

The Group recognises revenue when 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 is recognised when the risks and rewards of ownership have transferred to the customer. Depending on customer terms, this can be at the time of dispatch, delivery or upon formal customer acceptance. 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.

The Company is domiciled in Australia. The amount of its revenue from external customers in Australia is \$447.2 million (2014: \$450.2 million), in New Zealand \$155.0 million (2014: \$162.8 million) and in other countries is \$20.0 million (2014: \$16.9 million). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately \$258.8 million (2014: \$270.2 million) are derived from three external customers. These revenues are attributable to the Tissue and Personal Care segments.

*(ii) Interest income*

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

*(iii) Dividends*

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

*(iv) Inter-segment revenue*

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

**(d) EBITDA**

Senior management assess the performance of the operating segments based on a measure of 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 unrealised 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.

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

	2015 \$'000 Underlying	2014 \$'000 Pro Forma
EBITDA	145,249	140,814
Finance costs	(10,604)	(58,700)
Interest received	425	436
Depreciation	(26,685)	(24,926)
Amortisation	(16)	-
Share-based payment expense	-	(28,170)
IPO expenses and adjustments	-	(22,794)
Profit on sale of asset	-	2,710
Restructuring costs	(1,476)	(7,716)
FX gains	-	620
Joint venture management fee	-	(2,044)
Other	(896)	462
Intercompany rebates <sup>1</sup>	-	1,451
<b>Profit before income tax from continuing operations</b>	<b>105,997</b>	<b>2,143</b>

<sup>1</sup> Intercompany rebates are included in cost of sales on the face of the income statement

**(e) Segment Assets**

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

All assets are allocated to reportable segments except for derivative financial instruments.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in Australia is \$388.8 million (2014: \$419.3 million), in New Zealand \$156.6 million (2014: \$133.2 million) and located in other countries is \$4.2 million (2014: \$3.8 million).

**(f) Segment Liabilities**

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

	2015 \$'000	2014 \$'000
<b>Segment liabilities</b>	<b>101,353</b>	<b>94,406</b>
Unallocated:		
Current tax liabilities	2,044	1,500
Accrued interest on borrowings - current	793	4,796
GST Payable	6,466	3,961
Derivative financial instruments	3,994	770
Deferred tax liabilities	28,889	10,526
Borrowings – non-current	294,591	269,646
<b>Total liabilities as per the Consolidated Balance Sheet</b>	<b>438,130</b>	<b>385,605</b>

## 1.2 Expenses

	2015 \$'000	2014 \$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Significant other expenses</i>		
Share- based payments	305	28,170
IPO expenses	-	21,752
Restructure costs	1,476	7,716
Joint venture management fee	-	2,044

## 1.3 Income Taxes

### (a) Income tax

Income tax expense:

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



#### Key judgements and estimates

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

### (i) Current income tax

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

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



#### Key judgements and estimates

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

### (ii) Deferred income tax

Deferred income tax is:

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

(iii) Deferred tax assets and liabilities

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

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

Deferred tax assets:

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

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

	2015 \$'000	2014 \$'000
Profit from continuing operations before income tax expense	105,997	2,143
Tax at the Australian tax rate of 30.0% (2014 - 30.0%)	31,799	643
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Non-taxable capital profit on sale of fixed assets	-	(813)
Sundry items	(132)	53
	31,667	(117)
Difference in overseas tax rates	(896)	(740)
Adjustments for current tax of prior periods	(400)	14
Income tax expense/(benefit)	30,371	(843)
Comprising of:		
Current tax	9,775	4,413
Deferred tax	20,996	(5,270)
Adjustments for current tax of prior periods	(400)	14
	30,371	(843)

**(c) Deferred tax liabilities**

	2015 \$'000	2014 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Property, plant and equipment	13,803	12,818
Intangible assets	35,252	35,276
Employee benefits	(6,180)	(6,231)
Redundancy provision	-	(349)
Blackhole expenditure	(8,745)	(12,355)
Tax losses	-	(9,273)
Research and development expenditure	(4,588)	(8,995)
Inventories	(470)	(1,735)
Cash flow hedges	446	1,170
Other	(629)	200
	<b>28,889</b>	<b>10,526</b>
Deferred tax (assets)/ liabilities expected to be settled within 12 months	(15,072)	(27,061)
Deferred tax liabilities expected to be settled after 12 months	43,961	37,587
	<b>28,889</b>	<b>10,526</b>
<b>Movements:</b>		
Opening balance	10,526	20,600
Charged/credited:		
- profit or loss	20,996	(5,270)
- to other comprehensive income	(2,604)	3,182
- directly to equity	(29)	(7,986)
	<b>28,889</b>	<b>10,526</b>

**(d) Tax consolidation legislation**

Asaleo Care Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

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

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

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

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

Amounts receivable of \$9 million (2014: \$6 million) to Asaleo Care Ltd under the tax funding arrangements are due in the next financial year upon final settlement of the current payable for the consolidated group.



## 1.4 Earnings Per Share

### *Basic earnings per share*

Basic earnings per share is calculated by dividing:

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

### *Diluted earnings per share*

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

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

The 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) Earnings per share

	2015 Cents	2014 Cents
Basic earnings per share	12.6	0.6
Diluted earnings per share	12.6	0.6

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

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	599,515,001	500,667,426
Adjustments for calculation of diluted earnings per share:		
Share rights	388,337	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	599,903,338	500,667,426

## 1.5 Dividends

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

	2015 \$'000	2014 \$'000
2014 final dividend at 5.4 cents per share	32,587	-
2015 interim dividend at 4.0 cents per share	24,139	-
Total dividend paid	56,726	-

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

Since period end the Directors have recommended the payment of a final dividend of 6.0 cents per fully paid ordinary share, 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 expected to be paid on 24 March 2016 out of the dividend appropriation reserve at 31 December 2015, but not recognised as a liability at period end, is \$33.988 million.

## Section 2: Our Operating Asset Base

### In this section

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

## 2.1 Working Capital

	2015 \$'000	2014 \$'000
Inventories	159,369	139,236
Trade receivables	22,578	32,940
Other current assets	5,470	2,544
Trade payables	(62,113)	(55,681)
Other payables	(24,619)	(26,026)
Employee provisions	(21,058)	(19,719)
Employee provisions - non-current	(636)	(904)
Other non-current provisions	(186)	(833)
	<b>78,805</b>	<b>71,557</b>
Add back: Accrued interest	793	4,796
Total working capital	<b>79,598</b>	<b>76,353</b>

Employee provisions are detailed in Note 4.3.

### a) Inventories

#### *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.

	2015 \$'000	2014 \$'000
Raw materials and stores	44,453	39,829
Work in progress	17,242	19,792
Finished goods	97,674	79,615
	<b>159,369</b>	<b>139,236</b>

Inventories for the current and comparative period are stated net of provision for obsolescence.

#### **Inventory expense**

Inventories recognised as expense during the year ended 31 December 2015 amounted to \$336.4 million (2014: \$360.4 million). These were included in cost of sales.

Write-downs of inventories amounted to \$2.4 million (2014: \$2.4 million). These were recognised as an expense during the year ended 31 December 2015 and included in 'cost of sales' in the statement of comprehensive income.

## b) Trade receivables

Trade receivables are:

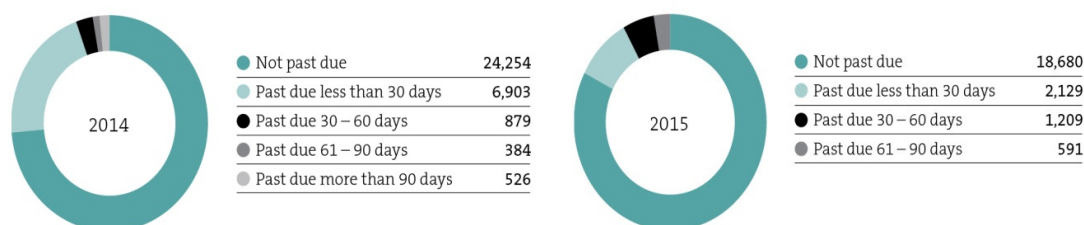
- Recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.
- Generally due for settlement within 30 days.
- Presented as current assets unless collection is not expected for more than 12 months after the reporting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

Collectability of trade receivables is reviewed on an ongoing basis and written off by reducing the carrying amount directly when known to be uncollectable. The amount of the impairment loss is recognised in the profit or loss within other expenses.

At 31 December 2015, the amount of provision for doubtful debts was \$30,107 (2014: \$6,100) relating to debts overdue and in dispute within Asaleo Care Fiji Ltd.

### (i) Past due but not impaired

As at 31 December 2015, trade receivables of \$3.9 million were past due but not impaired (2014: \$8.7 million). These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:



## c) Trade payables

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

	2015 \$'000	2014 \$'000
Trade payables	46,316	42,653
Amounts due to related parties	15,797	13,028
	<b>62,113</b>	<b>55,681</b>

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

## d) Other payables

	2015 \$'000	2014 \$'000
Accrued interest on borrowings	793	4,796
Accrued expenses	15,605	13,725
Payroll tax and other statutory liabilities	7,296	5,066
Other payables	925	2,439
	<b>24,619</b>	<b>26,026</b>

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

## 2.2 Property, Plant and Equipment and Capital Commitments

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

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

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

	Freehold Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Capital Development \$'000	Total \$'000
<b>Depreciation Policy</b>	<b>Nil</b>	<b>5%-33%</b>	<b>5%-33%</b>	<b>0-33%</b>	
<b>Year ended 31 December 2014</b>					
Opening net book amount	34,649	60,601	135,556	111,039	341,845
Exchange differences	83	493	3,840	169	4,585
Reclassification of asset class	-	(3,422)	60,980	(57,558)	-
Additions	7	368	10,927	33,422	44,724
Depreciation charge	-	(5,429)	(17,953)	(1,544)	(24,926)
Closing net book amount	34,739	52,611	193,350	85,528	366,228
<b>Year ended 31 December 2015</b>					
Opening net book amount	34,739	52,611	193,350	85,528	366,228
Exchange differences	3	(130)	(1,610)	(44)	(1,781)
Reclassification of asset class	-	14,442	52,288	(66,730)	-
Additions	-	1,200	7,580	13,679	22,459
Disposals	-	(99)	(11)	-	(110)
Depreciation charge	-	(5,712)	(20,950)	(23)	(26,685)
Closing net book amount	34,742	62,312	230,647	32,410	360,111

### (a) Capital commitments

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

	2015 \$'000	2014 \$'000
Property, plant and equipment	1,971	5,150

## (b) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) of \$16.4 million (2014: \$16.3 million) are charged to profit or loss on a straight-line basis over the period of the lease.

	2015 \$'000	2014 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	14,926	15,351
Later than one year but not later than five years	27,038	35,169
Later than five years	3,941	5,540
	45,905	56,060

## 2.3 Intangible Assets

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

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

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

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

Other intangible assets include trademarks, product development and management agreements.



### Key judgements and estimates

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

	Goodwill \$'000	Brands and other rights \$'000	Total \$'000
<b>At 1 January 2014</b>			
Cost	64,928	118,284	183,212
Opening net book amount	64,928	118,284	183,212
Exchange differences	5,856	1,017	6,873
<b>Closing net book amount at 31 December 2014</b>	70,784	119,301	190,085
Additions	-	416	416
Exchange differences	(503)	(451)	(954)
Amortisation charge	-	(16)	(16)
<b>Closing net book amount at 31 December 2015</b>	70,281	119,250	189,531

### Impairment testing

For the purposes of assessing impairment:

- Assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).
- Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.
- Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

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

The Group tests whether goodwill and other intangible assets have suffered any impairment in accordance with the accounting policy. The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations require use of cash flow projections based on the FY16 budgets approved by the board and extrapolated to cover a five-year period. Cash flows beyond the five-year period are extrapolated using the terminal growth rates stated below. These rates do not exceed the long-term average growth rates for the industry.

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

	<b>Tissue Australia \$'000</b>	<b>Personal Care Australia \$'000</b>	<b>Tissue New Zealand \$'000</b>	<b>Personal Care New Zealand \$'000</b>	<b>Total \$'000</b>
<b>2014</b>					
Goodwill	18,991	23,212	12,862	15,719	70,784
Brands and other rights	22,800	70,800	7,433	18,268	<u>119,301</u>
					190,085
<b>2015</b>					
Goodwill	18,991	23,212	12,635	15,443	70,281
Brands and other rights	23,041	70,819	7,444	17,946	<u>119,250</u>
					189,531

The impairment test calculations included assumptions pertaining to the terminal growth rate and the pre-tax discount rate. In 2015, a terminal growth rate of 2.5% was assumed across all CGUs (2014: Tissue: 2.5%, Personal Care: 3%). In 2015, a pre-tax discount rate of 12.7% was used (2014: 13.2%). The movement in the terminal growth rate is due to management's assessment of current economic conditions. The movement in the pre-tax discount rate is due to a reduction in the cost of long-term debt.

## Section 3: Our Funding Structures

### In this section

The Group has a disciplined approach applying key principles in capital management and maximising shareholder returns. This includes:

- Dividends: To distribute between 70-80% of statutory Net Profit After Tax.
- Leverage: Operate within a leverage range of 1.5x to 2.5x EBITDA.
- Investments: Reinvest within the Group for capital expenditure or seek external investment where hurdle rates are exceeded.
- Excess cash: Efficient distribution to shareholders.

The execution of Asaleo Care's capital management principles was evident in the year ended 31 December 2015. This included the commencement of an on-market share buy-back on 1 October which to 31 December 2015 has resulted in the acquisition of 36,997,236 ordinary shares for a consideration of \$62.2 million.

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

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

### 3.1 Elements of Net Debt

	2015 \$'000	2014 \$'000
Bank loans	295,000	270,000
Accrued interest on borrowings	793	4,796
Cash and cash equivalents	(35,153)	(35,379)
Net debt	260,640	239,417

#### a) Borrowings

	2015 \$'000	2014 \$'000
<b>Unsecured</b>		
Bank loans	295,000	270,000
Capitalised borrowing costs	(409)	(354)
Total unsecured non-current borrowings	294,591	269,646

#### (i) Secured liabilities and assets pledged as security

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

#### (ii) Financial undertakings and refinancing

As at 31 December 2015, the Group was compliant with all financial undertakings of the syndicated facility agreement.

The Company renegotiated its financing facility in May 2015, resulting in a 20 basis point margin reduction in cost of debt.

During 2014, the Company executed a new facility agreement for the provision of three-year and five-year revolving facilities. The funding provided was utilised to fully repay existing debt and certain other obligations.

### ***Recognition and measurement***

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

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

### **b) Cash flow information**

	2015 \$'000	2014 \$'000
Profit for the period	75,626	2,986
Depreciation and amortisation	26,702	24,926
Net loss on sale of non-current assets	54	-
Change in operating assets and liabilities:		
(Increase)/Decrease in tax balances	21,337	(8,611)
(Increase)/Decrease in trade debtors and other receivables	7,910	(4,775)
(Increase)/Decrease in inventories	(20,133)	(5,850)
Increase/(Decrease) increase in trade creditors and other provisions	5,569	28,980
Net cash inflow from operating activities	117,065	37,656

### ***Recognition and measurement***

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

### **c) Financing costs**

	2015 \$'000	2014 \$'000
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	10,063	20,589
CRPS coupon interest expense	-	4,274
Debt establishment cost amortisation	120	26,852
Close out of interest rate swaps	-	5,391
Facility fees	421	1,594
Total finance costs	10,604	58,700

During 2015, \$0.2 million of borrowing costs were capitalised. During 2014, borrowing costs of \$26.5 million, which had previously been capitalised and amortised over the life of the finance facility, were written off as they related to a debt facility that was no longer in existence.



## 3.2 Financial Risk Management

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

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

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

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

### (a) Management of foreign exchange risk

As discussed in Section 1, the Group operates within Australia, New Zealand and Fiji. In addition, raw materials are also sourced both locally and internationally. This international operation exposes Asaleo Care to foreign exchange risk arising from various currency exposures, primarily the US dollar (US\$), New Zealand dollar (NZ\$), Fijian dollar (FJ\$), Canadian dollars (CA\$) and Euros (EUR).

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

The Group's foreign exchange risk management policy is to hedge 100% of the anticipated cash flows of the US\$, EUR and CA\$, both in terms of size and term related to:

- Approved investment projects; and
- Inventory purchases denominated in foreign currencies.

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

The Group has exposure to foreign currency translation risk as a result of consolidated operations of the New Zealand and Fijian entities. These entities have functional currencies of NZ\$ and FJ\$ respectively.

There are no other significant exposures to the Group's foreign currency risk at the end of the reporting period, with forward exchange contracts used to manage the exposure to the US\$, CA\$ and EUR.

### (b) Management of interest rate risk

Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is the Group's main source of interest rate risk.

The Group has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates, effective from February 2015. This protects part of the Group's borrowings from exposure to fluctuations in interest rates, as required by the Asaleo Care financial risk management policy.

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

		2015		2014
	Weighted Average Interest Rate %	Balance \$'000	Weighted Average Interest Rate %	Balance \$'000
Bank overdrafts and bank loans	3.4	295,000	5.1	270,000
Less amounts covered by interest rate swaps	3.6	(200,000)	-	-
Net exposure to cash flow interest rate risk		95,000		270,000

The interest rate and term is determined at the date of each drawdown. The weighted average interest rate for the year ended 31 December 2015 was 3.9% (2014: 5.1%). At 31 December 2015, if the weighted average interest rate of the facility

had been 10% higher or 10% lower, interest expense would increase / decrease by \$1 million (2014: \$1.9 million). There would be an associated impact to equity of \$0.7 million (2014: \$1.3 million).

**(c) Management of credit risk**

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

The Group's credit risk arises from the potential default of the Group's trade and other receivables as well as the institutions in which the Group's cash and cash equivalents are deposited, and derivative instruments are traded with, with a maximum exposure equal to the carrying amounts of these assets. Further details on the Group's trade receivables are included in Note 2.1.

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

Credit risk is managed in the following ways:

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

**(d) Management of liquidity risk**

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

**Financing arrangements**

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

	2015 \$'000	2014 \$'000
<b>Floating rate</b>		
- Expiring beyond one year (core facility)	53,500	45,000
- Expiring beyond one year (working capital facility)	229	33,725
	<b>53,729</b>	<b>78,725</b>

In addition to the above, the Group entered into an accounts receivable securitisation facility of \$13.5 million during the year. The undrawn amount at the end of the reporting period was \$2.6 million.

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

## Maturities of financial liabilities

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

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

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

	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Total Contractual Cash Flows \$'000	Carrying Amount (assets)/ liabilities \$'000
<b>At 31 December 2015</b>						
<b>Non-derivatives</b>						
Trade payables	62,113	-	-	-	62,113	62,113
Other payables	24,619	-	-	-	24,619	24,619
Borrowings	4,824	4,877	197,585	109,307	316,593	295,000
Capitalised borrowing costs	(71)	(72)	(120)	(146)	(409)	(409)
<b>Total non-derivatives</b>	<b>91,485</b>	<b>4,805</b>	<b>197,465</b>	<b>109,161</b>	<b>402,916</b>	<b>381,323</b>
<b>Derivatives</b>						
Net settled (interest rate swaps)	57	(29)	-	-	28	28
Other hedging instruments	(76)	23	-	-	(53)	(53)
	(19)	(6)	-	-	(25)	(25)
Gross settled (forward foreign exchange contracts - cash flow hedges)						
- (inflow)	(98,451)	(67,512)	-	-	(165,963)	-
- outflow	97,641	70,380	-	-	168,021	934
	(810)	2,868	-	-	2,058	934
<b>At 31 December 2014</b>						
<b>Non-derivatives</b>						
Trade payables	55,681	-	-	-	55,681	55,681
Other payables	26,026	-	-	-	26,026	26,026
Borrowings	5,637	5,730	11,367	285,372	308,106	270,000
Capitalised borrowing costs	(39)	(40)	(79)	(196)	(354)	(354)
<b>Total non-derivatives</b>	<b>87,305</b>	<b>5,690</b>	<b>11,288</b>	<b>285,176</b>	<b>389,459</b>	<b>351,353</b>
<b>Derivatives</b>						
Net settled (interest rate swaps)	10	13	2	-	25	25
Other hedging instruments	(69)	52	-	-	(17)	(17)
	(59)	65	2	-	8	8
Gross settled (forward foreign exchange contracts - cash flow hedges)						
- (inflow)	(100,517)	(45,341)	-	-	(145,858)	(6,264)
- outflow	96,104	44,166	-	-	140,270	-
	(4,413)	(1,175)	-	-	(5,588)	(6,264)

### 3.3 Derivative Financial Instruments

	2015 \$'000	2014 \$'000
<b>Current assets</b>		
Forward foreign exchange contracts - cash flow hedges	3,032	7,009
Other hedging instruments	53	17
Total current derivative financial instrument assets	3,085	7,026
<b>Current liabilities</b>		
Interest rate swap contracts - cash flow hedges	28	25
Forward foreign exchange contracts - cash flow hedges	3,966	745
Total current derivative financial instrument liabilities	3,994	770
	(909)	6,256

#### *Interest rate swap contracts - cash flow hedges*

On refinancing of the Group on 30 June 2014, existing interest rate swaps were closed out. The Group was not required to hedge its interest rate exposure under its new banking facilities; however, the Group entered interest rate swaps from February 2015 in accordance with the Financial Risk Management policy. The Group continues to manage interest rate risk through swap contracts.

Bank loans of the Group currently bear an average variable interest rate of 3.4% (2014: 4.4%). Although not required under the current banking facilities, it is Group policy to protect between 50% and 75% of the loans from exposure to fluctuations in interest rates. Accordingly, the Group entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates from February 2015.

As at 31 December 2015 the swaps cover approximately 68% of the variable loan principal outstanding and have a tenure of no longer than 12 months in accordance with Group policy. The fixed interest rates for 2015 ranged between 3.51% and 4.01% (2014: prior to close out of swaps 7.14% and 7.13%) and the variable rates are between 0.84% and 2.0% above the 90-day bank bill rate, which at the end of the reporting period was 2.33% (2014: 2.77%).

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. In the year ended 31 December 2015, a loss of \$0.4 million was reclassified into profit or loss (2014: loss of \$7.1 million) and included in finance costs.

#### *Forward exchange contracts - cash flow hedges*

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

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major 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. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by removing the related amount from other comprehensive income.

During the year ended 31 December 2015, a loss of \$1.9 million (2014: loss of \$1.2 million) was recognised in the profit or loss.

### **(a) Derivatives and hedging activities**

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

The Group:

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

#### *(i) Cash flow hedge*

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast 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.

#### *(ii) Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

### **(b) Fair value measurements**

The Group discloses fair value measurements by level of the following fair value measurement hierarchy:

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

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

At 31 December 2015 and 2014, the Group's derivative instruments were all level 2:

- Derivative financial assets \$3,085,000 (2014: \$7,026,000)
- Derivative financial liabilities \$3,994,000 (2014: \$770,000)

### 3.4 Contributed Equity

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

#### (a) Movements in ordinary share capital

Date	Details	Number of Shares	Issue Price	\$'000
1 January 2014	Opening balance	210,000,000	-	173,292
26 February 2014	Return of Capital	-	-	(142,417)
	Return of capital preference shares <sup>1</sup>	-	-	16,667
27 June 2014	Share split <sup>2</sup>	182,792,055	-	-
27 June 2014	Shares issued <sup>3</sup>	201,031,624	\$1.65	331,702
27 June 2014	New shares issues MIP <sup>4</sup>	9,235,391	-	-
20 August 2014	Australian Employee award issue <sup>5</sup>	262,314	\$1.88	494
25 August 2014	New Zealand Employee award issue <sup>6</sup>	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
	Opening balance	603,469,434	-	360,405
Oct - Dec 2015	Share buy-back*	(36,997,236)	\$1.68	(62,084)
		566,472,198		298,321
	2014 transaction costs tax effect true-up	-	-	(8)
	Deferred tax credit directly in equity	-	-	37
	Transaction costs on share buy-back	-	-	(124)
	Closing balance	566,472,198	-	298,226

\* The share buy-back includes 11,011,190 Treasury shares bought on market through the period 4 to 18 December 2015 with a value of \$17,342,435. These shares were subsequently cancelled on 6 January 2016.

1 On 26 February 2014, the Company undertook a selective capital reduction under the *Corporations Act 2001* in respect of all Ordinary and Preference shares on issue. The amount of capital reduction of \$125.7 million being returned to the holders of shares.

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

3 On 27 June 2014, the company completed an initial public offering of its shares. Under the offering an amount of \$331.7 million was raised. Funds raised were used to pay for transaction costs and pay down existing debt.

4 On 27 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 crystallisation of the initial public offering.

5 On 20 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.

6 On 25 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.

#### (b) On-market share buy-back

The Group announced on 26 August 2015 that it would undertake an on-market share buy-back as part of its ongoing capital management strategy. The shares were acquired at an average price of \$1.68 per share, with prices ranging from \$1.52 to \$1.85. The total cost of \$62,170,500 including \$86,658 of after-tax transaction costs, was deducted from contributed equity.

### 3.5 Reserves

	Notes	2015 \$'000	2014 \$'000
<b>Movements:</b>			
<i>Cash flow hedges</i>			
Opening balance		3,727	(1,710)
Revaluation - gross		(7,129)	7,725
Deferred tax		2,091	(2,288)
Balance 31 December		(1,311)	3,727
<i>Share-based payments</i>			
Opening balance		15,861	624
Share plan expense	4.2	305	15,237
Balance 31 December		16,166	15,861
<i>Foreign currency translation</i>			
Opening balance		22,058	10,371
Currency translation differences arising during the year		(3,167)	12,581
Deferred tax		513	(894)
Balance 31 December		19,404	22,058

#### *i Cash flow hedges*

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

#### *ii Share-based payments*

The share-based payments reserve is used to recognise:

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

#### *iii Foreign currency translation*

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

## Section 4: Employee Reward and Recognition

### In this section

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

Superannuation expense included in operating expenses was \$7.2 million (2014: \$7.2 million). The Group contributes to an accumulation fund on behalf of qualifying employees.

### 4.1 Key Management Personnel Disclosures

#### Key Management Personnel compensation

	2015	2014
	\$	\$
Short-term employee benefits	3,703,972	2,527,559
Post-employment benefits	252,346	201,394
Share-based payments	281,806	25,657,831
	<u>4,238,124</u>	<u>28,386,784</u>

### 4.2 Share-Based Payments

Share-based compensation benefits are provided to employees via the Executive Incentive Plan (EIP); and in prior years, the Long Term Management Incentive Plan (MIP) and the Employee Award Offer.

Non-market vesting conditions were included in assumptions about the number of MIP entitlements that were expected to vest. The total expense was recognised over the vesting period, which was the period over which all of the specified vesting conditions were satisfied. At the end of each period, the entity revised its estimates of the number of MIP entitlements that were expected to vest based on the non-market vesting conditions. It recognised the impact of the revision to original estimates in profit or loss, with a corresponding adjustment to the liability. The MIP was in part a cash settled plan which was fair valued at each reporting date with a corresponding adjustment to the liability and in part an equity settled plan which was fair valued at grant date.

Under the Employee Award Offer as described below, shares were issued for no cash consideration which vested immediately on grant date. On this date, the market value of the shares issued was recognised as an employee benefits expense with a corresponding increase in equity.

#### (a) Executive Incentive Plan (EIP)

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

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

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



**(b) Long Term Management Incentive Plan (MIP)**

Participating Executives were issued units in a private equity styled long-term incentive plan. The MIP was implemented 12 months following the establishment of Asaleo Care Ltd and is driven by the price obtained on exit and Internal Rate of Return and Multiple of money performance hurdles.

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.

The 2014 IPO crystallised the requirements under the MIP with payments being made to MIP participants. The amount of the cash payments was calculated with reference to the final price generated from the IPO being \$1.65.

During the period, participants in the MIP agreed with Asaleo Care Ltd 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 were released from escrow on 27 June 2015. The remaining 50% will be held in escrow until 27 June 2016.

**(c) Employee Award Offer**

As part of the IPO offering, all eligible employees were entitled to participate in the Employee Award Offer. The Employee Award Offer gave employees the opportunity to apply for \$1,000 worth of shares. No consideration was payable by Australian employees to the Company. New Zealand employees were required to pay NZ\$1 in consideration for the shares. The Employee Award Offer was funded by the Company.

On 25 August 2014, a total of 262,314 shares were issued at a weighted average price of \$1.88 to all eligible Australian employees. On 22 August 2014, a total of 148,050 shares were issued at a weighted average price of \$1.90 to all eligible New Zealand employees.

**(d) Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was \$305,026 (2014: \$26,255,274). The entire 2015 expense is related to the EIP. The 2014 expense was related to both the MIP and the employee award offer.

## 4.3 Employee Provisions

### Recognition and measurement

#### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the employee provisions. 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 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

### Leave provisions

The current provision for employee benefits includes annual leave, vesting sick leave and long service leave. Long service leave covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$21.1 million (2014: \$19.7 million) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2015	2014
	\$'000	\$'000
Leave obligations expected to be settled after 12 months	9,004	9,309

## Section 5: Other Disclosures

### In this section

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

### 5.1 Subsidiaries

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

#### Australia

AHACS Pty Ltd\*

Asaleo Holdings Australia Pty Ltd\*

Australasia Health Services Pty Ltd

Asaleo Tissue Australia Pty Ltd\*

Asaleo Care Australia Pty Ltd\*

Asaleo Personal Care Holdings Pty Ltd\*

Asaleo Personal Care Pty Ltd\*

#### New Zealand

Asaleo Care Ltd (NZ)

Asaleo Holdings New Zealand Ltd

Asaleo Care New Zealand Ltd

#### Fiji

Asaleo Holdings Fiji Ltd

Asaleo Care Fiji Ltd

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

\* These subsidiaries have entered into an approved deed for the cross guarantee of debts, refer note 5.2.

### 5.2 Deed of Cross Guarantee

The companies noted in section 5.1 are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. These companies represent a 'closed group' for the purposes of the Class Order, as there are no other parties to the deed of cross guarantee that are controlled by Asaleo Care Ltd, they also represent the 'extended closed group'.

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2015 of the closed group.

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<i>Consolidated income statement</i>		
Revenue from continuing operations	<b>464,905</b>	469,628
Other revenue from ordinary activities	<b>42,105</b>	10,754
Other income	<b>(1,130)</b>	8,483
Cost of sales of goods	<b>(275,169)</b>	(281,847)
Distribution expenses	<b>(54,439)</b>	(55,592)
Sales and administration expenses	<b>(57,103)</b>	(57,708)
Finance costs	<b>(10,524)</b>	(52,899)
Other expenses	<b>(5,621)</b>	(54,065)
<b>Profit/(loss) before income tax</b>	<b>103,024</b>	(13,246)
Income tax expense	<b>(19,564)</b>	7,195
<b>Profit/(loss) for the period</b>	<b>83,460</b>	(6,051)
<b>Other comprehensive income</b>		
<b>Profit/(loss) for the period</b>	<b>83,460</b>	(6,051)
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges	<b>(4,750)</b>	5,461
<i>Items that will not be reclassified to profit or loss</i>		
Income tax relating to these items	<b>1,425</b>	(1,638)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>(3,325)</b>	3,823
<b>Total comprehensive income/(loss) for the period</b>	<b>80,135</b>	(2,228)
<i>Summary of movements in consolidated accumulated losses</i>		
<b>Accumulated losses at the beginning of the financial year</b>	<b>(38,379)</b>	(32,328)
<b>Profit/(loss) for the year</b>	<b>83,460</b>	(6,051)
<b>Dividends paid</b>	<b>(56,726)</b>	-
<b>Accumulated losses at the end of the financial year</b>	<b>(11,645)</b>	(38,379)

**(b) Consolidated balance sheet**

Set out below is a consolidated balance sheet as at 31 December 2015 of the closed group consisting of Asaleo Care Ltd.

	2015 \$'000	2014 \$'000
<b>Current assets</b>		
Cash and cash equivalents	17,696	11,179
Trade receivables	107,763	121,787
Inventories	104,475	88,495
Derivatives financial instruments	1,706	5,432
Other current assets	9,144	6,916
Total current assets	240,784	233,809
<b>Non-current assets</b>		
Other financial assets	10,126	10,126
Property, plant and equipment	252,793	254,886
Intangible assets	200,867	200,656
Total non-current assets	463,786	465,668
<b>Total assets</b>	704,570	699,477
<b>Current liabilities</b>		
Trade payables	50,254	45,103
Other payables	18,857	17,675
Borrowings	-	6,368
Derivative financial instruments	1,521	403
Employee provisions	16,458	14,808
Other current liabilities	564	1,619
Total current liabilities	87,654	85,976
<b>Non-current liabilities</b>		
Borrowings	294,591	269,646
Deferred tax liabilities	19,122	2,097
Provisions	593	837
Other non-current liabilities	154	-
Total non-current liabilities	314,460	272,580
<b>Total liabilities</b>	402,114	358,556
<b>Net assets</b>	302,456	340,921
<b>Equity</b>		
Contributed equity	298,226	360,405
Other reserves	15,875	18,895
Accumulated losses	(11,645)	(38,379)
<b>Total equity</b>	302,456	340,921

## 5.3 Asaleo Care Ltd - Parent Entity

### (a) Summary financial information

The parent entity of the Group is Asaleo Care Ltd. On 27 June 2014, the Company listed on the Australian Stock Exchange. Up until this point, the Company was jointly owned by SCA Group Holding BV (50%) and PEP\* (50%). Immediately after the listing, PEP\* owned (0%) while SCA Group Holding BV owned (33%).

\*PEP

- Pacific Equity partners Fund IV GP (Jersey) Limited
- Pacific Equity Partners Fund IV (Australasia) Pty Ltd
- Eagle Co-Investment Pty Ltd
- PEPSCA Employee Pty Ltd, as trustee for the PEPSCA Employee Unit Trust (Trustee)
- PEP Investment Pty Limited

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

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

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

	2015 \$'000	2014 \$'000
<b>Balance sheet</b>		
Current assets	185,158	204,186
Non-current assets	154,146	170,680
Total assets	339,304	374,866
Current liabilities	47,309	1,444
Total liabilities	47,309	1,444
Net assets	291,995	373,422
<i>Shareholders' equity</i>		
Issued capital	298,226	360,405
<i>Reserves</i>		
Share-based payments	16,166	15,863
Dividend appropriation reserve	13,229	32,780
Accumulated losses	(35,626)	(35,626)
	291,995	373,422
<b>Profit/(loss) for the period</b>	37,175	(15,636)
<b>Total comprehensive income</b>	-	-

Subsequent to year-end, the directors of the subsidiaries have declared and paid a dividend of \$46.2 million, which bring the total amount available for distribution to shareholders to \$59.4 million.

### (b) Other parent entity information

The parent entity:

- has not provided financial guarantees as at 31 December 2015 or 31 December 2014;
- did not have any contingent liabilities as at 31 December 2015 or 31 December 2014; and
- has no contractual commitments for the acquisition of property, plant or equipment as at 31 December 2015 or 31 December 2014.

Asaleo Care Ltd holds an investment in AHACS Pty Ltd and its subsidiaries to the value of \$141,569,252 (2014: \$141,569,252).

## 5.4 Related Party Transactions

The following transactions occurred with related parties:

	2015 \$'000	2014 \$'000
<i>Purchases of goods</i>		
Purchases of materials and goods from other related parties	53,259	51,506
<i>Sale of goods</i>		
Sale of materials and goods to other related parties	2,185	2,465
<i>Other transactions</i>		
Intercompany rebate income	-	1,451
Management Fees - PEP Advisory IV Pty Ltd	-	1,022
Management Fees - Svenska Cellulosa Aktiebolaget AB	-	1,022
Royalties - SCA Hygiene Products AB	6,050	5,900
Other services - PEP Advisory IV Pty Ltd	-	9,333
Other services - Pacific Equity Partners Pty Limited	-	55
Other services - Svenska Cullulosa Aktiebolaget AB	149	9,357

During 2014, the Company undertook a selective capital reduction under the *Corporations Act 2001*, which resulted in payments to related parties.

All other transactions were made at normal commercial terms and conditions and at market rates.

## 5.5 Remuneration of Auditors

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

### (a) PricewaterhouseCoopers Australia

	2015 \$	2014 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	510,000	577,130
Other assurance services <sup>1</sup>	6,100	1,145,963
Total remuneration for audit and other assurance services	516,100	1,723,093
<i>Taxation services</i>		
Tax compliance services and review of company income tax returns	65,739	68,289
Tax consulting services and advice <sup>1</sup>	83,877	1,434,226
Total remuneration for taxation services	149,616	1,502,515
<i>Other services</i>		
Consulting services	24,500	46,275
Total remuneration for other services	24,500	46,275
Total remuneration of PricewaterhouseCoopers Australia	690,216	3,271,883

<sup>1</sup> 2014 contains IPO related expenses.

**(b) Network firms of PricewaterhouseCoopers Australia**

	2015 \$	2014 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	-	10,682
Other assurance services	749	4,066
Total remuneration for audit and other assurance services	749	14,748
<i>Taxation services</i>		
Tax compliance services and review of company income tax returns	21,035	34,935
Tax consulting services and advice	15,461	1,932
Total remuneration for other services	36,496	36,867
Total remuneration of network firms of PricewaterhouseCoopers Australia	37,245	51,615
<b>Total auditors' remuneration</b>	<b>727,461</b>	<b>3,323,498</b>

## 5.6 Contingent Liabilities

The Group had no contingent liabilities at 31 December 2015 (2014: nil).

## 5.7 Basis of Preparation and Compliance

Other than the declaration of the dividend noted in section 1.5, there were no subsequent events after the reporting period occurred.

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

### (a) Basis of preparation

These financial statements:

- Are general purpose financial statements.
- Have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AASBs), including Australian Accounting Interpretations issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) and Interpretations as issued by the International Accounting Standards Board.
- Have been prepared on a going concern basis using historical cost conventions except for financial instrument measured at fair value through the profit or loss.
- Are presented in Australian dollars, with all values rounded to the nearest thousand dollars or where the amount is \$500 or less, zero, unless otherwise stated, in accordance with the Australian Securities and Investments Commission Class Order 98/100.
- Present reclassified comparative information where required for consistency with the current year's presentation.
- Adopt all new and amended AASBs and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 January 2015.
- Do not early adopt any AASBs and Interpretations that have been issued or amended but are not yet effective.
- Have all intercompany balances, income and expenses, unrealised gains and losses and dividends resulting from intercompany transactions eliminated in full.

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

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



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

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

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

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

#### **(b) New accounting standards and interpretations**

##### *New and amended accounting standards and Interpretations issued and effective*

There are no standards issued that have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

##### *Accounting standards issued but not yet effective*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods 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* simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within OCI; this change can be adopted early without adopting AASB 9.

AASB 9's new impairment model is a move away from AASB 139's incurred credit loss approach to an expected credit loss model. Earlier recognition of impairment losses is likely to result and for entities with significant lending activities, an overhaul of related systems and processes will be needed.

The new accounting standard is mandatory for the Group's 31 December 2018 consolidated financial statements. 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* is the new standard for revenue recognition. 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 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.

IASB 16 *Leases* eliminates the classification of leases as either operating leases or finance leases and requires entities to recognise assets and liabilities on the balance sheet for the majority of leases. The new accounting standard is effective for annual periods starting on or after 1 January 2019. The impact of the new standard has not yet been assessed by management.

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.

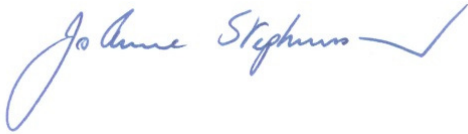
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 54 to 89 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 5.2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 5.2.

Note 5.7(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

A handwritten signature in blue ink, reading "JoAnne Stephenson", followed by a checkmark.

**JoAnne Stephenson**  
Director

Dated this 24<sup>th</sup> day of February 2016

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

### ***Report on the financial report***

We have audited the accompanying financial report of Asaleo Care Limited (the company), which comprises the consolidated balance sheet as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other 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 at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 5.7, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

### *Auditor's opinion*

In our opinion:

- (a) the financial report of Asaleo Care Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 5.7.

### ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 41 to 51 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Asaleo Care Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



Lisa Harker  
Partner

Melbourne  
24 February 2016

## Shareholder Information

Additional information required by the Australian Securities Exchange Listing Rules not elsewhere disclosed in this Report.

The Shareholder Information set out below was applicable as at 25 January 2016.

### Distribution of Shareholders

Range	Total holders	Total Ordinary Shares	% of Issued capital
100,001 and Over	64	533,009,054	94.09
10,001 to 100,000	986	23,016,225	4.06
5,001 to 10,000	916	6,596,228	1.16
1,001 to 5,000	1,219	3,621,232	0.64
1 to 1,000	390	229,459	0.04
<b>Total</b>	<b>3,575</b>	<b>566,472,198</b>	<b>100.00</b>

There were 70 holders with less than a marketable parcel of ordinary shares. Each ordinary share is entitled to one vote per share.

### Substantial Shareholders

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

Name	Number of Ordinary Shares	% of issued shares
SCA GROUP HOLDING BV	196,396,028	34.67
SUMITOMO MITSUI TRUST HOLDINGS, INC.	35,486,954	6.26

### Securities Subject to Voluntary Escrow

The following number of ordinary shares on issue are subject to voluntary escrow:

Number of Ordinary Shares	End Date of Escrow Period
4,617,695	27 June 2016

### Twenty Largest Registered Shareholders

The names of the twenty largest registered shareholders are listed below:

Name	Ordinary Shares	% of units
SCA GROUP HOLDING BV	196,396,028	34.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	109,758,507	19.38
J P MORGAN NOMINEES AUSTRALIA LIMITED	60,801,725	10.73
NATIONAL NOMINEES LIMITED	55,084,347	9.72
CITICORP NOMINEES PTY LIMITED	30,707,118	5.42
BNP PARIBAS NOMS PTY LTD	24,985,957	4.41
AMP LIFE LIMITED	13,290,346	2.35
ARGO INVESTMENTS LIMITED	11,106,920	1.96
NAVIGATOR AUSTRALIA LTD	3,705,929	0.65
UBS NOMINEES PTY LTD	3,612,793	0.64
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,703,214	0.48
NETHERLEE INVESTMENTS PTY LTD AS TRUSTEE FOR THE DIPLARIS FAMILY TRUST	2,178,802	0.38
BNP PARIBAS NOMINEES PTY LTD	2,048,774	0.36
CITICORP NOMINEES PTY LIMITED	1,830,718	0.32
CATHOLIC CHURCH INSURANCE LIMITED	1,116,300	0.20
FRANED PTY LIMITED	1,000,000	0.18
NIDO D'ORO PTY LTD	857,564	0.15
CITICORP NOMINEES PTY LIMITED	717,192	0.13
PW INVESTMENTS PTY LTD AS TRUSTEE FOR THE TOWNSEND FAMILY TRUST	576,267	0.10
PANNELL HOLDINGS PTY LTD AS TRUSTEE FOR THE PANNELL HOLDINGS TRUST	563,134	0.10
WIESENHAUS PTY LTD FOR THE WIESE FAMILY TRUST	563,134	0.10
<b>Total</b>	<b>523,604,769</b>	<b>92.43</b>
<b>Balance of register</b>	<b>42,867,429</b>	<b>7.57</b>
<b>Grand total</b>	<b>566,472,198</b>	<b>100.00</b>