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ASX Release

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Preliminary 1H16 Results and Revised FY16 Earnings Guidance

Asaleo Care Ltd today announces preliminary half year results for the six months ending 30 June 2016 and a reduction in its full year guidance for the financial year ending 31 December 2016.

Preliminary Half Year Result

1H16 results are preliminary and remain subject to review by the Company's external auditor.

(i) Asaleo Care Limited

$m	1H16	1H15 (statutory)	Change
Revenue	292.7	305.9	-4.3%
EBITDA (underlying)	58.6	65.2	-10.1%
NPAT (underlying)	27.1	32.5	-16.6%
NPAT (statutory)	24.9	32.5	-23.4%

(ii) Business Unit Financials

$m	1H16	1H15 (statutory)	Change
Tissue revenue	205.3	207.4	-1.0%
Tissue EBITDA (underlying)	27.7	30.4	-8.9%
Personal Care revenue	87.4	98.5	-11.3%
Personal Care EBITDA (underlying)	30.9	34.8	-11.2%

Underlying result has been adjusted for ~$3m (pre-tax) or $2.1m (after-tax) non-recurring costs, including relocation of the New Zealand nappy machine and machine upgrades.

The decline in 1H16 Results is largely due to the following factors:

- Lower sales revenue in the consumer tissue and personal care businesses as a result of increased discounting by competitors and increased trade spend required to support market share.
- Higher pulp costs as a result of weaker A$ and NZ$ (vs. 1H15)
- One-off costs associated with the activation of the Every Day Pricing (EDP) strategy with major retailers in the Australian Feminine Care and Incontinence Care markets (see discussion below).

Based on historical performance, approximately 40% – 45% of EBITDA is typically generated in the first half of the calendar year and 55% – 60% is generated in the second half.

Half year results and detailed commentary on the trading performance will be provided on Thursday 25 August as previously scheduled.

Revision to Full year Guidance

As a result of a weaker than forecast trading performance in June, the Company undertook a detailed review of its full year 2016 forecast and guidance. The review concluded that the profit improvement initiatives which had been implemented and proposed would not be sufficient to offset the impacts of adverse currency on input costs, initial costs associated with implementing the EDP strategy with major Australian retailers for our Feminine Care and Incontinence Care categories, and a very competitive market place. As a result the Company does not expect to achieve its prior guidance, and the revised FY16 guidance follows:

	Previous FY16 Guidance vs FY15	**Updated FY16 Guidance vs FY15**
Underlying* EBITDA	Steady	Decline of approximately 10%
Underlying* NPAT	Steady	Decline of approximately 15%
Underlying* Earnings Per Share	Low to mid-single digit growth	Decline of approximately 9%^

^ Based on the weighted average number of shares on issue and assuming that the average buy-back price paid to date applies for the remainder of the program.

* Underlying result is before ~$6m (pre-tax) or $4.3m (after tax) non-recurring costs, including for the nappy machine relocation and machine upgrades.

Primary drivers for change to FY16 Guidance

1) **Australian toilet tissue price competition**
   - Despite significant pulp cost increases compared to the prior year, there has been increased competitive intensity in the marketplace resulting in unanticipated price deflation in the retail toilet tissue segment.
   - We anticipate cost headwinds will continue in 2H16 before declining in FY17 as current reduced US$ pulp prices flow through.

2) **Competition in Australian Feminine Care and NZ Baby Care markets**
   - There has been intense competition in the Australian Feminine Care market and NZ Baby Care market with significant price discounting.
   - In response, we increased investment in trade spend to support market share.
   - In May, a significant portion of our retail Feminine Care and Incontinence Care products were moved to an EDP strategy with some major Australian retail customers. This pricing strategy provides consumers with a competitive price every day of the week, rather than widely fluctuating prices between "on and off promotions". The EDP strategy has been successful in other product categories and is aligned with key customers' strategy.
   - Whilst it is early in the transition to the new EDP strategy and benefits will take time to realise, early signs are positive, with sales trends improving in recent weeks.
   - There will however be an initial impact of $1m one-off costs associated with the change to the EDP strategy which is reflected in 1H16 underlying result.

3) **Other comments**
   - Professional Hygiene, Incontinence Care and Pacific Islands are performing in line with previous expectations.
   - We expect other new product development initiatives in Feminine Care and Baby Care in FY17 to improve the sales outlook for these products.

Asaleo Care CEO, Mr Peter Diplaris said, "Whilst it is disappointing to announce reduced results and outlook for the full year, we continue to believe that the strategy and initiatives which we have implemented and planned will put the Company in a strong position going forward.

Our new 'Every Day Price' strategy on Feminine Care and Incontinence Care products was introduced following a thorough evaluation and with the strong endorsement of major retailers. Although it is still early days, we are firmly of the view that this is the right strategy. In addition, as a result of the competitive market environment in the Consumer Tissue category, we will continue to drive initiatives to mitigate cost imposts this year, and we expect pulp costs will likely decline in 2017 due to the current and market forecast outlook for US$ pulp prices.

We are also confident that new product development initiatives scheduled for 2017 will enhance our value proposition to consumers."

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