**Asaleo Care Limited**
Ailsa Street, PO Box 117 Box Hill Victoria, 3128
ABN 61 154 461 300
www.asaleocare.com

# ASX Announcement

26 April 2016

## 2016 Annual General Meeting Addresses & Presentation slides

Attached are addresses from the Chairman, CEO & Managing Director and Chair of the Remuneration and Human Resources Committee to the 2016 Annual General Meeting.

Presentation slides are also attached.

***CHAIRMAN'S ADDRESS***

2015 was a solid year for Asaleo Care with Profit, EBITDA and EPS all growing in a challenging trading environment.

This growth results from the Company's clear strategy, disciplined approach to cost and mix management, ongoing market initiatives and willingness to continue investing in our manufacturing assets.

The benefits of our significant capital investment in upgraded Tissue manufacturing were evident in our improved performance, as was the strength of our market leading and trusted brands including: Libra, Sorbent, Treasures, Handee, Purex, Deeko, TENA, and Tork.

Having delivered our prospectus profit forecasts in 2014, the Company again met market guidance in 2015, with underlying NPAT of $76.1M being 5.3% higher than for 2014 and EBITDA growing 3.1% to $145.2M. This was despite a small decline in revenue. EPS grew 12% to 13.4cps including the impact of our on-market buyback.

We are also generating strong positive cash flow following completion of the Tissue capital investment program, and have a strong balance sheet, with Group net debt of $261M at 31 December 2015. The net debt to EBITDA ratio of 1.8 times is comfortably within our optimal range of 1.5 to 2.5 times.

Reflecting our confidence in the future, as part of our Capital Management strategy, the Company commenced an on market share buy-back in October 2015 with the aim of purchasing up to 10% of the Company's issued capital or up to $100m over a 12 month period, whichever comes first. The buy-back is already over two thirds complete. As previously advised, our largest shareholder, Sweden's SCA is not selling any of its shares in the buy back, and will hold 36.2% of all shares when 10% of shares are bought back.

The Board declared an unfranked dividend of 6 cents per share for the second half of 2015, bringing dividends for 2015 to 10cps. This represented a full year dividend payout ratio of 76.9%, well within the Company's policy of paying 70 – 80% of statutory NPAT. Importantly, we expect dividends and earnings per share to continue to grow in FY16, and we expect partial franking of dividends to start from the 2016 1st half dividend which is due to be declared in August 2016 and paid in September 2016.

Asaleo Care's 2015 financial results reflect our focus on delivering sustainable earnings growth and returns for our shareholders. This is reflected in the Company's Total Shareholder Return of 20.3% in the 21months since listing, well ahead of the ASX 200 Index and ahead of many comparable companies.

Non-financial measures are also increasingly important, and in 2015 we continued to communicate and embed our Health and Safety vision of "Safe and healthy every day, every one in every way", through the implementation of our health and safety strategy which has 3 objectives:

- Safety leadership,
- Safer work environment, and
- Standardised Safety Management System.

It is pleasing to report that our Safety performance continued to improve as a result of this program, measured in both Lost Time Injury Frequency Rate and Total Injury Frequency rate.

In 2016 our focus on improved safety performance includes:

- continuing to standardize the Safety Management System across all businesses and sites, and
- a revitalized Risk Management Program.

We remain committed to understanding and managing the impacts of our business on the environment and communities in which we operate, and in 2015 we identified the key sustainability issues facing the business. These are:

- Responsible forestry,
- Resource scarcity,
- Supply chain management,
- Workplace health and safety
- Economic Performance, and
- Community engagement and partnerships.

Each of these issues is actively managed pursuant to a comprehensive framework, and key aspects of each are set out In the Annual Report. Further information is available on the Company website.

At Asaleo Care, we focus on employing and developing people who strive to deliver our purpose of, "Making it easier for hygiene, health and wellbeing to be part of everyday life".

During 2015 we continued to invest in our people with many programs and opportunities across the Business including:

- implementing diversity targets and specific policies to enable these to be achieved,
- leadership training and development opportunities,
- a graduate development program and
- undertaking a people engagement survey and follow up activity to address issues identified.

Turning to the Board and its composition, we continue to hold the view that the size, skills and experience of the Board remain appropriate for the circumstances of the Company. In particular, the industry-specific experience and knowhow which the SCA nominee directors bring to the Board table is of great value to the Company.

During 2015 the performance of the Board, Committees and individual directors was evaluated by means of each director completing a confidential questionnaire and aggregate results being provided to the relevant Chairperson who then discussed the results with directors. While no significant concerns or issues were raised, this evaluation sets a good base for future years and allows relative performance to be monitored going forward.

The Company's Governance Statement, which is available on the Company's website, gives a good overview of how the Board works, and we continue to monitor and review governance arrangements and structure to ensure they remain appropriate and effective for the Company. Likewise, all Board and Committee Charters and relevant policies are included on the Company's website.

As advised to the ASX on 7 March 2016, SCA nominee director Nils Lindholm has resigned from the Board effective earlier today. On behalf of all Directors and shareholders, I take this opportunity to thank Nils, whose experience and counsel during the past two formative years for the Company has been invaluable and greatly appreciated. We wish Nils well for his future endeavours.

On behalf of the Board and shareholders, I would like to also thank all our employees for their ongoing dedication and contribution to the Company. We realise that their ongoing efforts are a key asset for the business. Our thanks also extend to our suppliers, our customers, contractors, business partners, advisors and shareholders for their ongoing support.

We will continue to grow the company through developing value propositions for our consumers and customers based on innovation and differentiation, and seek to maximise both existing and new market opportunities, whilst reducing our costs and improving efficiency. By continuing to build on our strong foundations and implement our strategy your Company is well positioned to maximise shareholder value and deliver future growth.

## *CEO & MANAGING DIRECTOR'S ADDRESS*

I'd like to start by providing an explanation as to what we mean when we say we had a challenging trading environment in 2015. Compared to 2014, we faced increased costs brought about by a weaker Australian and New Zealand dollar, a challenging retail environment as major retailers fought for market share, and some very competitive pricing in one of our Personal Care categories.

Despite each of these factors having a direct negative impact on our profitability, we delivered a solid financial result in 2015.

As we looked ahead to 2016, we foresaw the challenges faced in 2015 continuing. In this environment we need to be agile and respond to market challenges and opportunities. We are not just relying on past capital investment and our strong brands to counter each of the head winds we are facing. Rather we are implementing initiatives across the business in a structured and disciplined manner in accordance with our strategy. I am confident that the activity which is underway, and planned, will enable the business to grow and shareholder value to be maximised in the long term.

I want to take this opportunity to outline some of the specific initiatives which we are implementing starting with a brief overview of the financial performance of each of our business segments.

Our Personal Care business has consistently grown earnings over recent years, despite heavy competition. In 2015 EBITDA grew by 2.9% to $72M, following a strong 9.5% growth in 2014. Our EBITDA margin also expanded from 35% in 2014 to now be 37%.

The Incontinence Care Segment was the key contributor to our Personal Care EBITDA growth for 2015, with a $3.6 million increase. Both the Healthcare and Retail Incontinence Care channels grew strongly. In the Healthcare channel, volumes grew with both new and existing customers. We also benefitted from price increases. The retail channel had favourable mix, with Pharmacy sales growing strongly.

Our Feminine Care segment was adversely impacted by competitive market pricing activity in the second half of 2015 across both Australia and New Zealand. During this time, we increased our trade promotional price spend in Australia to support volumes, and, in New Zealand we reduced our prices to ensure we remained competitive. COGS reductions and other cost savings partially offset the EBITDA impact of these price reductions.

Our Baby category was also slightly down on the prior period, primarily as a result of private label sales reductions. Competitor pricing activity and reduced ranging of our private label products resulted in sales decline for this product range in New Zealand.

Underlying EBITDA for Tissue grew 3.4% to $73.2M. This was despite a 0.5% decline in revenue primarily due to lower sales in Consumer Tissue. This highlights the importance of mix management in balancing volume and price to deliver earnings. EBITDA margin also grew from 16% to 17%.

This increase in Tissue earnings was a result of improved pricing, better sales mix and cost reductions from manufacturing and logistics. This is particularly pleasing given the challenges faced by this business in 2014 and an additional $3 million invested in advertising and promotion primarily for relaunching our Sorbent and Handee Ultra brands.

Our Consumer Tissue business benefitted from improved pricing and mix in a very competitive market place. This offset volume declines on our lower margin New Zealand private label and the Purex toilet tissue brand in Australia.

Our Professional Hygiene channel had volume growth and improved sales mix.

Turning now to our strategy.

Whilst we evaluate both internal and external opportunities, our focus continues to be on the following organic opportunities which we see providing the best return on our invested capital:

- Product innovation and differentiation
- Range and coverage
- Distribution innovation, and
- Cost reduction and efficiency

The initiatives I'm going to cover in the next few slides didn't all impact earnings in 2015, however they do provide a foundation for our future growth.

Our key brands of Libra, TENA, Sorbent and Handee all had major marketing investment in 2015. The Libra "Live Fearless' campaign was underpinned by an interactive digital platform. The use of online and social media platforms enabled more young women to be reached in the target market than ever before.

Through the "Beauty of Normal" campaign Tena took a leadership position in dispelling unhelpful myths about incontinence and focussed on empowering consumers and helping them feel in control, and not embarrassed about incontinence.

Sorbent was relaunched in 2015 with a new positioning strategy focussed on a distinct target consumer. This compromised the "Small detail big difference" advertising campaign, new packaging design and introduction of premium matt packaging. In parallel we implemented tissue product improvements and introduced new pack sizes to meet the needs of consumers and customers.

Handee Ultra was also relaunched in 2015 reinforcing to our target consumers that Handee Ultra is ultra strong and ultra absorbent. This involved new packaging with a focus on the interweave technology and the "Good Sheet" advertising campaign.

This investment in our brands will continue in 2016.

Our Professional Hygiene business continues to innovate. During 2015 there were upgrades to our Xpressnap range and a new range of soaps and dispensers were introduced.

This year we will be launching "Tork Easy Cube". This is a range of sensor enabled bathroom dispensers that communicate refill status direct to cleaning staff enabling improved service capability and better labour and cost management.

There were innovations in the Tena range during 2015. The Tena mens range was updated to look more masculine and discrete. Lights by Tena Slim pads were developed, at our Springvale facility, to assist women transition from using feminine hygiene products to purpose made incontinence products. In the healthcare category Tena launched their new generation pants incorporating the Confiofit design.

Innovation also led to the production of Libra's slimmest ever tampon "Slimpons".

We made solid progress on our range and coverage initiatives in 2015.

Our Treasures brand was launched into Chemist Warehouse during the year and our Slim Fit Pants were launched in June.

Our recent range and coverage initiatives into growing retailers for our Feminine Hygiene and Toilet paper products are also good examples of actions to grow our business outside our current customer base.

Our Incontinence Care Healthcare sales continue to grow and our products are now on the panel to supply the New Zealand District Area Health Board. We are only just starting to sell into the New Zealand Healthcare market, so this presents an opportunity for us.

We commenced shipments from Fiji to Papua New Guinea in 2015 and are getting regular order flows. In April we will also be selling our Sorbent toilet paper brand into PNG.
Our product innovation and differentiation and new business wins demonstrate we have both the capacity, quality and cost value proposition to grow our business into new segments and customers.

Our Australian online store sales commenced in 2015. We now have our own online sales platform in Australia for our Treasures, TENA and Libra brands, as well as our existing online Treasures store in New Zealand.

The Tena webshop is a good example of responding to a consumer need. Consumer insights identified that some consumers often felt embarrassed or overwhelmed at buying incontinence products through normal retail channels. The Tena webshop enables consumers to research products online and have them discreetly delivered to their door. Since being launched in August there has been a steady increase in orders, (averaging 135 per month) and good repeat custom.

Whilst it is early days, these online platforms provide us with another way to communicate and trade with our consumers and provide another channel for future growth. These online stores are strongly linked to our digital marketing program and associated websites.

Our strong focus on reducing costs to offset potential adverse cost imposts and market impacts will continue in 2016.

The completion of our Tissue Capital Investment project is definitely not the end of our cost reduction and efficiency program. We continue to implement efficiency and cost out programs across the business. Rationalizing our SKU's; reducing the number of products run on our machines as well as pulp cost reduction initiatives all led to cost reductions in 2015. Savings in Logistics and

Procurement were also realised as a result of increased tender activity and commodity price changes.

Hopefully these examples give you an idea of the initiatives underway at your Company and why we have confidence in our future as we continue to innovate and create winning value propositions for our consumers and customers.

In 2016 we forecast our underlying EBITDA and NPAT to remain steady in the face of a weaker $A and $NZ and a highly competitive retail environment. Our strong brands and profit improvement initiatives have served us well in dealing with market place challenges and cost pressures, and we are confident this will continue to be the case.  We believe we have the right plans, products and people to continue to succeed in this challenging environment.

Finally, I would like to thank the Board for its support and guidance and all Company employees for their dedication and hard work.
It is an exciting time to be leading the Company.  I look forward to addressing the challenges and, together with my management team and all employees, growing the value of the Company for the benefit of shareholders.

***CHAIR OF REMUNERATION AND HUMAN RESOURCES COMMITTEE'S ADDRESS***

Good morning. Today, I would like to draw your attention to a number of key elements set out in the Remuneration Report relating to the structure of executive remuneration and reward performance in 2015. Firstly, in relation to fixed remuneration, there was no change to KMP fixed remuneration in 2015, with the Board having previously approved adjustments to fixed remuneration at the time of the public listing of the Company in July 2014. There was also no change to Non-Executive Director remuneration.

In relation to incentives, the Board has developed a reward philosophy that ensures that any incentives are aligned to value creation and sustainable returns to shareholders. This philosophy underpins our approach to ensuring that Executives are responsibly and fairly rewarded and incentivised having regard to the Company's performance, individual performance and the general external pay environment.

For 2015, the Board introduced a new Executive Incentive Plan (the Plan) designed to strengthen the alignment between the interests of Executives and shareholders. The Plan provides for a combination of short and long term rewards linked to specific Key Performance Indicators (KPIs) and includes a gateway, threshold, target and maximum performance measures. Details of the Plan structure are set out in the Remuneration Report.

For 2015, the Board carefully considered the selection of KPIs and weightings to ensure alignment to short and long term Company goals. These included: Net Profit after Tax (NPAT), Operating Cash Flow, Return on Invested Capital and business unit specific Earnings Before Interest Taxes Depreciation and Amortisation (EBITDA) and Net Sales Value (NSV) targets, as well as operational items.

After due consideration of the degree of challenge inherent in the Company's budget, the gateway to earn incentive awards was set at 98% of budgeted NPAT. Pleasingly, this gateway was achieved, and the Board approved payments to individual KMP based on the degree of achievement of their specific financial and non-financial KPIs versus targets. The incentives were comprised of a 50% cash award and 50% in the form of share rights. In keeping with our philosophy of aligning executive reward to shareholder interests, the share rights will convert into restricted shares after 12 months on 31 December 2016 and are then subject to disposal restrictions for a further three years.

In conclusion, the Board considers the current executive remuneration arrangements effective for the purpose of attracting and retaining high quality executives who are capable of growing the value of the business. Importantly, the structure aligns the interests of the Executives with those of shareholders.


# Annual General Meeting 2016

26 April 2016

# AGM
# Review of 2015

*Harry Boon – Chairman*

26 April 2016

# 2015 Financial Highlights

- **Underlying NPAT** grew 5.3% to a record high of $76.1m (Statutory NPAT $75.6m)
- **Underlying EBITDA** grew 3.1% to $145.2m
- **Underlying EPS** grew 12% to 13.4cps (including impact of EPS accretive on-market buy-back)
- **Free cash flow** of $93.9m (before dividends)
- **Leverage Ratio** at 1.8x EBITDA, (despite impact from share buy-back)
- **Unfranked Dividend** 6cps for 2H15, up 11% on 2H14
- **Share buy-back** progressed with $69.3m spent (to April 2016) for on-market buy-back for 6.8% of issued capital

**Underlying NPAT:**
**+5.3%**

**Underlying EPS:**
**+12%**

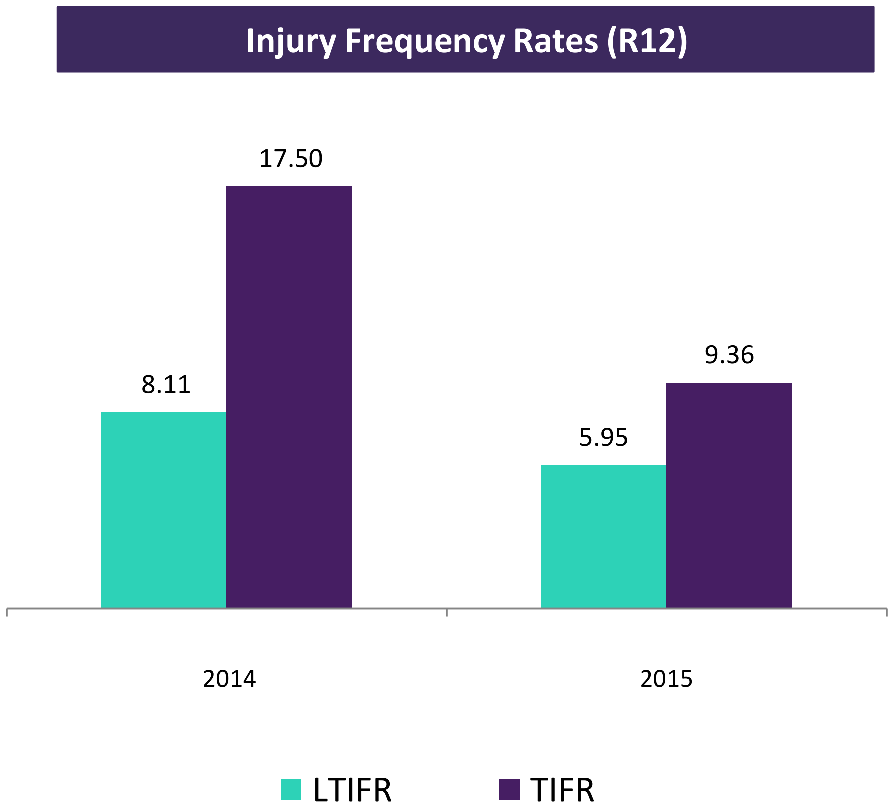
**2H15 DPS: 6cps**
**+11%**

# Comparative Total Shareholder Return

| Company | TSR: 26 June 2014 to 31 March 2016 | TSR: Annualised |
|---|---|---|
| Treasury Wine Estates Ltd | 102.0% | 48.9% |
| **Asaleo Care Ltd** | **20.3%** | **11.0%** |
| Dulux Group Ltd | 19.2% | 10.4% |
| Patties Foods Ltd | 13.9% | 7.6% |
| Coca-Cola Amatil Ltd | 5.0% | 2.8% |
| ASX200 Index | 3.8% | 2.1% |
| Ansell Ltd | -8.6% | -5.0% |

Source: Bloomberg. TSR includes change in share price and dividends paid (on gross basis).

# Safety




- LTIFR – Lost Time Injury Frequency Rate (no. of lost time injuries per million hours worked)
- TIFR – Total Injury Frequency Rate (no. of lost time, doctors cases and restricted work injuries per million hours worked)
- R12 is the frequency rate calculated on a rolling 12-month basis

# Sustainability

# People


# AGM
# Review of 2015

*Harry Boon – Chairman*

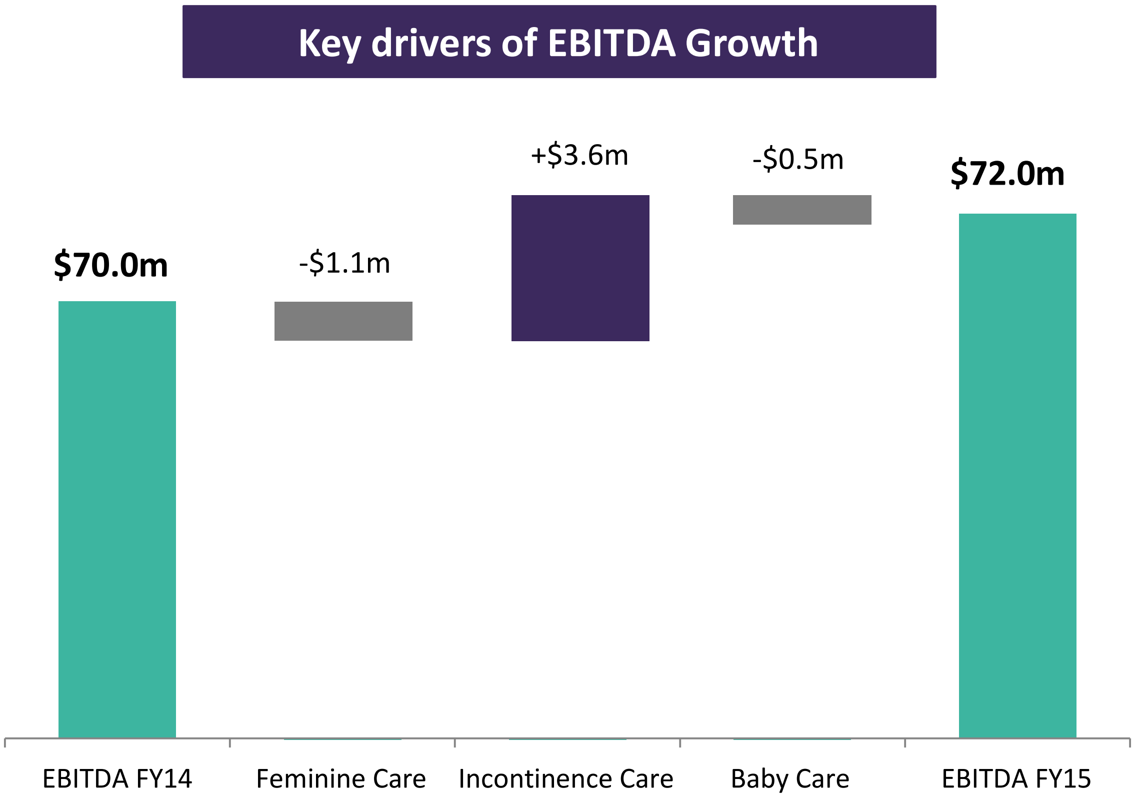
26 April 2016

# AGM
# Review of 2015

*Peter Diplaris – Managing Director and CEO*

26 April 2016

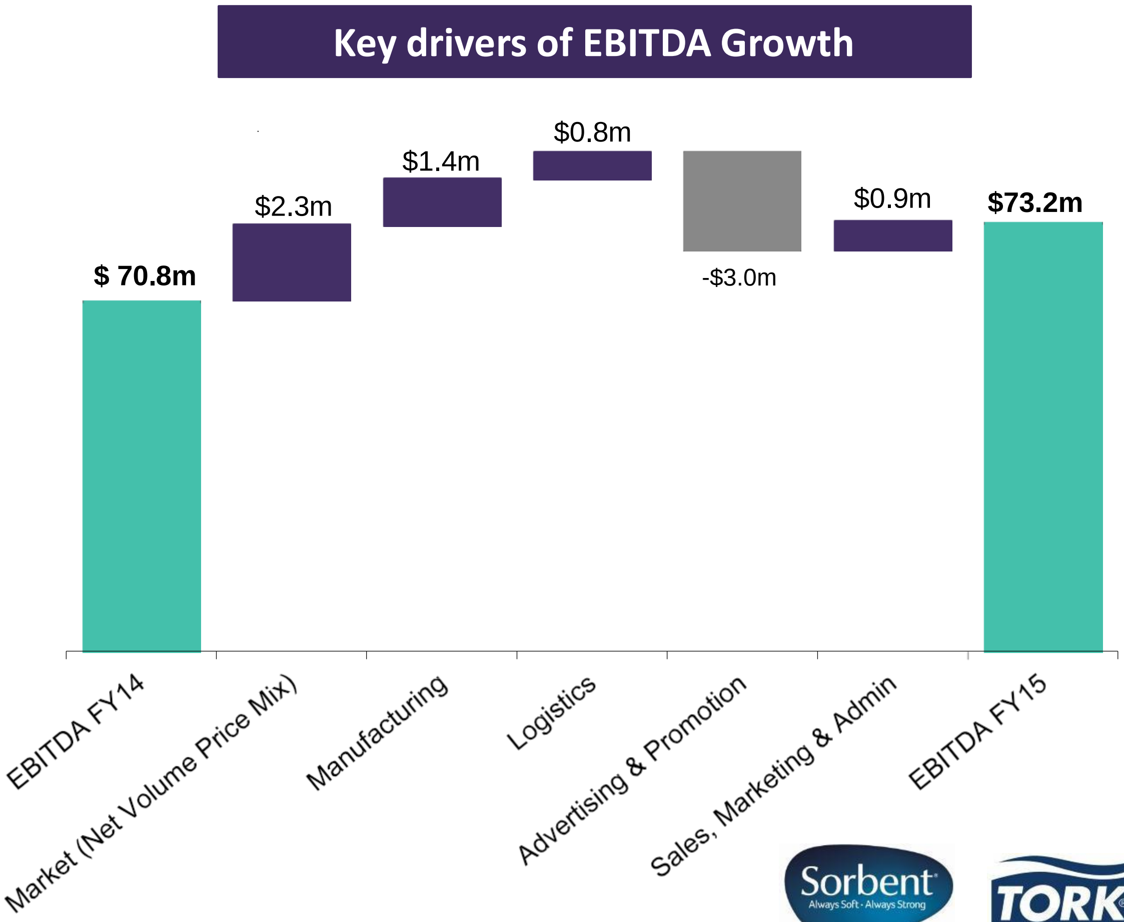
# Personal Care




**EBITDA grew by 2.9% to $72m**

**EBITDA margin grew from 35% to 37%**

# Tissue




**EBITDA grew by 3.4% to $73.2m**

**EBITDA margin grew from 16% to 17%**

# Strategy

| | |
|---|---|
| 1 | Product Innovation & Differentiation |
| 2 | Range & Coverage |
| 3 | Distribution Innovation |
| 4 | Cost Reduction & Efficiency |

# 1. Product Innovation & Differentiation


Campaign: *'Small detail, big difference'*
Launch: 2H15
Medium: Primarily TVC
Innovation: Improved product quality through innovative processing of tissue


Campaign: *The 'Good Sheet'*
Launch: 2H15
Medium: TVC
Innovation: Interlock Weave, Ultra strong, ultra absorbent


Campaign: *'Live Fearless'*
Launch: 2H15
Medium: Unique digital led media strategy creating engagement
Innovation: "Slimpon"


Campaign: *The 'Beauty of Normal'*
Launch: 1H15
Medium: Black and white masterbrand campaign on TV, Digital, Sampling and Print
Innovation: TENA Thin Pads

# 1. Product Innovation & Differentiation



Tork EasyCube TM

# 1. Product Innovation & Differentiation

# 2. Range & Coverage

ALDI

**Opportunity**: Commence Tissue and Feminine Care supply
**Status**:
- Secured private label Toilet Tissue contract to commence April 2016
- Libra sold into 152 Aldi stores in 2 regions from December 2015

Treasures

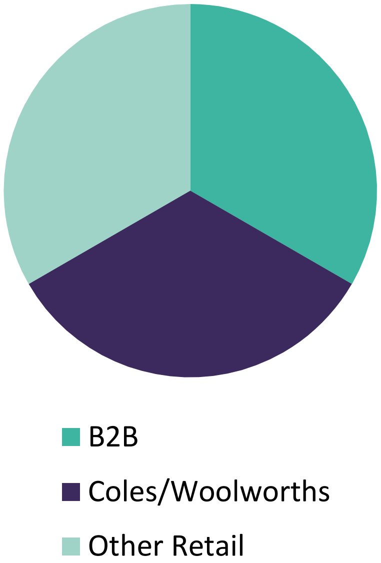
**Opportunity**: Increase Baby Care sales in Australia following FY14 launch
**Status**:
- Launch into Chemist Warehouse
- NZ market share has gone from 22% in FY10 to 28% in FY15
- Treasures' Slim Fit Nappy Pants launched

TENA

**Opportunity**: Launch in NZ Healthcare (B2B) and grow Retail sales as category expands
**Status**:
- Healthcare NZ team built and added onto the panel to supply the NZ District Area Health Boards (largest contract for Incontinence Healthcare in NZ)
- Solid Retail category growth driven by strong growth in Pharmacy, positive demographic trends and greater product acceptance

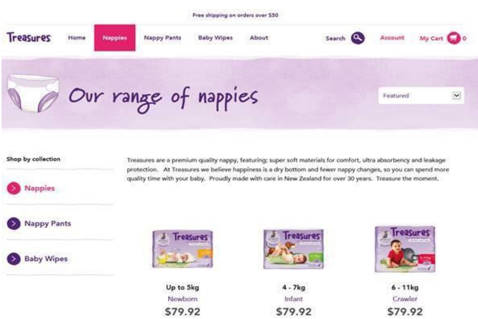
**Opportunity**: PNG launch and increased sales in other Pacific Islands markets
**Status**: Established PNG distributor with strong network and market presence. Regular shipments to PNG from Fiji commenced June 2015 and continues to grow with regular order flow received

**Customer base continues to diversify**

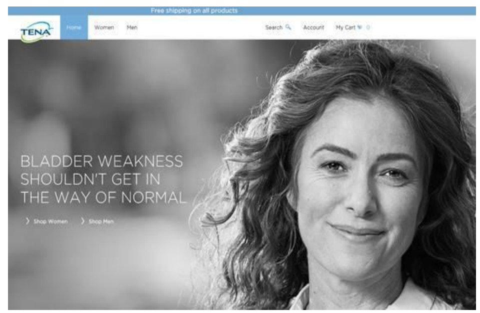


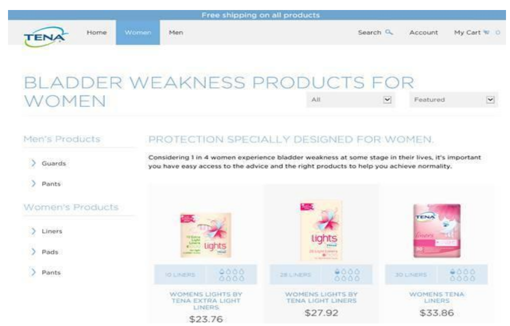
# 3. Distribution Innovation

## Baby Care

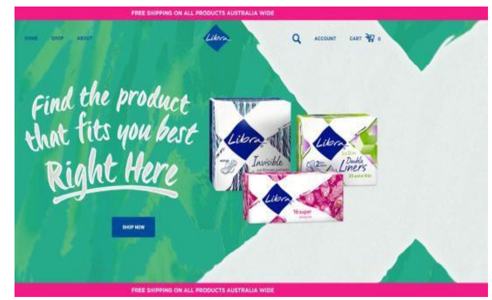



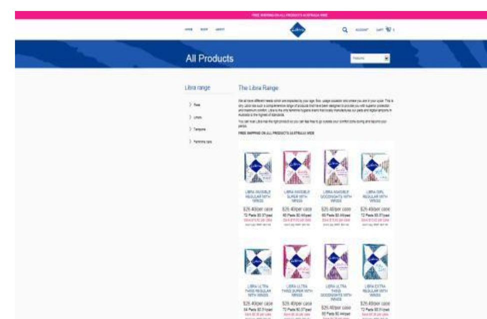

## Incontinence Care




## Feminine Care

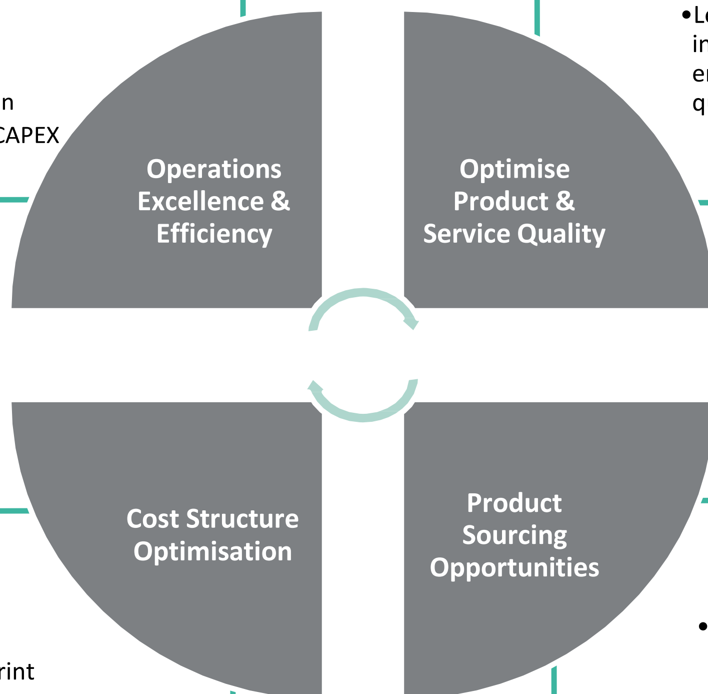


# 4. Cost Reduction & Efficiency

- Machine efficiency – first full year post Tissue Capex Program
- Operational improvements
- Fibre optimisation
- Targeted minor CAPEX

- Optimise logistics networks
- Leverage technology investment to further enhance product quality




- Procurement
- Logistical footprint
- Manufacturing footprint consolidation
- Complexity reduction

- Further Trans-Tasman manufacturing footprint opportunities
- Make vs. Buy
- Distribution costs

# 2016 Guidance

**No change to FY16 Profit Guidance**

- **Steady underlying EBITDA and NPAT** (due to significant headwinds from weaker A$ and NZ$ impacting pulp costs)

- **Underlying EPS growth of low to mid-single digit**