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

23 February 2017

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 2016

In accordance with ASX Listing Rule 4.3A, please find attached the Appendix 4E for the full year ended 31 December 2016 for immediate release. The Appendix 4E incorporates the Annual Financial Report.

Yours sincerely,

James Orr
Company Secretary
Asaleo Care Limited

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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 2016
Previous Corresponding Period:	year ended 31 December 2015

2. Results for announcement to the market

Key information	2016				2015
Statutory results*					
2.1 Revenue from ordinary activities (thousands)	605,899	Down	3%	from	622,216
2.2 Net profit after tax for the period attributable to members (thousands)	58,955	Down	22%	from	75,626
2.3 Basic earnings per share (cents)	10.5	Down	17%	from	12.6
2.4 Diluted earnings per share (cents)	10.5	Down	17%	from	12.6
Underlying results*					
2.1 Revenue from ordinary activities (thousands)	605,899	Down	3%	from	622,216
2.2 Net profit after tax for the period attributable to members (thousands)	64,564	Down	15%	from	76,095
2.3 Basic earnings per share (cents)	11.5	Down	9%	from	12.7
2.4 Diluted earnings per share (cents)	11.5	Down	9%	from	12.7

Dividends	Amount per security	Franked amount per security
Current Period		
2.5 Final dividend [1]	6.0 cents	50%
2.5 Interim dividend [1]	4.0 cents	50%
Previous corresponding period		
2.5 Final unfranked dividend	6.0 cents	Nil
2.5 Interim unfranked dividend	4.0 cents	Nil

2.6 Record date for determining entitlements to the dividend – 1 March 2017	Final dividend – 23 March 2017

	31 December 2016	31 December 2015 Restated*
2.7 Net tangible asset backing per ordinary security (cents per share) [2]	21.4	25.3

1 The Conduit Foreign Income component of the final dividend is 1.5 cents per share (2015: 3.0 cents per share) and 1.6 cents per share for the interim dividend (2015: 2.4 cents per share).

2 During 2016 the on-market share buy-back resulted in 20,545,693 shares being acquired for a combined consideration of $32.9 million. The on-market share buy-back is the driver for the decrease in the net tangible asset backing as at 31 December 2016 against the comparative period.

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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**

To assist shareholders in their understanding of the Asaleo Care Group's business, underlying financial information for the years ended 31 December 2015 and 31 December 2016 is included in the table above and in the Company's Investor Presentation , released to the ASX on 23 February 2017. A reconciliation between the 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.

In addition, the prior year balance sheet has been restated due to a voluntary restatement. Detailed information is provided in section 2.1(b) in the Consolidated Financial Statements.

James Orr

Date: 23 February 2017

ASALEO CARE LIMITED AND ITS CONTROLLED ENTITIES

ABN 61 154 461 300

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 December 2016

ASALEO CARE LIMITED AND ITS CONTROLLED ENTITIES

Annual Financial Report for the Year Ended 31 December 2016

Contents

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 2016 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

Financial Highlights FY16

Statutory

Financial Performance: FY16 NPAT of $59.0 million (FY15: $75.6 million).

Earnings Per Share: 10.5 cents per share (FY15: 12.6 cents per share).

Capital Management: Execution of the on-market share buy-back program is approximately 95% complete and is on-track for completion in 1H17.

Free Cash Flow: $55.6 million achieved in FY16 evidencing continued solid cash flow generation despite a reduced operating result.

Dividend: Declaration of 6.0 cents per share final 50% franked dividend for FY16. Total FY16 dividend declared of 10.0 cents per share and represents a dividend payout ratio of 94%.

Underlying*

Financial Performance: Asaleo Care's financial result for FY16 was lower than FY15 with NPAT of $64.6 million, representing a reduction of (15.2%) compared with FY15 ($76.1 million).

Earnings Per Share: 11.5 cents per share delivered, representing a (9.2%) decrease against FY15 (12.7 cents per share).

Net Debt/Leverage: Leverage of 2.26x EBITDA remains within the optimal gearing range (1.5x to 2.5x) even after factoring in the $95.0 million spent on the on-market share buy-back.

EBITDA cumulative growth between FY11 to FY16

8.7%

per annum

Total FY16 dividends per share

10 cents

franked at 50%

$100 million share buy-back

95% complete

Leverage at 2.26 times

Return on Invested Capital

12.0%

strong capital returns with improvement forecast in FY17

*** Underlying financial information:** As a result of non-recurring expenditure in FY15 and FY16, underlying financial information is included in this report.

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.

Company Overview

At Asaleo Care, we make it easier for hygiene, health and wellbeing to be part of everyday life, and central to everything we do is our ethos of *'Taking care'*.

As a leading Personal Care and Hygiene Company, we manufacture, market, distribute and sell essential, everyday consumer products such as tampons, pads and liners, toilet paper and wipes, facial tissues, paper towels, serviettes and nappies.

You will probably know our popular products by their household names - Sorbent, Handee, Libra, TENA, Tork, Purex, Treasures, Deeko, Viti and Orchid.

Our collection of trusted market leading brands is making a daily difference to households and businesses across Australia, New Zealand, Fiji and countries in the Pacific.

In 2016, we held the number one or two market position in Personal Care and Tissue products in Australia and New Zealand. As market leaders, we are driven to improve our products through continuous innovation to meet the needs of our customers and consumers. We also bring innovation to our manufacturing and distribution operations to improve efficiency and reduce cost.

Summary of Products

Business and % Contribution		**Product Category**	**Key Brand**	**Products**	**Manufacturing Facilities**	**Route to Market**
Personal Care	51.2% of FY16 EBITDA	Feminine Care	Libra	Pads, tampons, liners and ancillary products (e.g. wipes, washes and heat patches)	Springvale, Australia	**Retailers** Coles, Foodstuffs, Metcash, Pharmacy, Progressive Enterprises, Woolworths, Costco **Distributors** Bunzl, OfficeMax, Staples **Healthcare** Hospitals, Aged care facilities, Community care, **Webshops** *(Customer list is not exhaustive)*
		Incontinence Care	TENA	Incontinence pads, pants and liners	Springvale, Australia	
		Baby Care	Treasures	Nappies, nappy pants and wipes	Te Rapa, New Zealand	
Tissue	48.8% of FY16 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	**Retailers** 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	**Distributors** Bunzl, OfficeMax, Staples **Healthcare** Hospitals, Aged care facilities, Community care *(Customer list is not exhaustive)*

Company Overview

Manufacturing and Distribution

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

Australia

584 employees

1

Distribution Centre

Melbourne

Manufacturing Facilities

Box Hill

Product Categories
Consumer Tissue and Professional Hygiene

Brands
Sorbent, Handee, Purex, Deeko and Tork

Springvale

Product Categories
Feminine Care and Incontinence Care

Brands
Libra and TENA

2

Distribution Centre

Sydney

3

Distribution Centre

Brisbane

4

Distribution Centre

Perth

New Zealand

383 employees

5

Distribution Centre

Auckland

6

Manufacturing Facility

Te Rapa

Product Categories
Baby Care

Brands
Treasures and Giggles

7

Manufacturing Facility

Kawerau

Product Categories
Consumer Tissue and Professional Hygiene

Brands
Sorbent, Handee, Purex, Deeko and Tork

8

Distribution Centre

Christchurch

Fiji

94 employees

9

Manufacturing Facility

Nakasi

Product Categories
Consumer Tissue and Professional Hygiene

Brands
Orchid and Viti

Our site at Box Hill, Australia, is our largest manufacturing facility and produces toilet paper, kitchen towel, folded napkins and facial tissues. It's where we manufacture products under the brands of Sorbent, Purex, Handee, Tork and Deeko. The operation uses two paper machines with an annual production capacity of approximately 61kt, and eight converting machines with an annual capacity of 63kt.

Our second largest manufacturing facility is in Kawerau, New Zealand, and produces toilet paper, rolled towel, and folded towel products under the Sorbent, Purex, Handee, Deeko and Tork brands. The Kawerau operation has an annual capacity of approximately 59kt on its two paper machines, and approximately 62kt on its eight converting machines. The facility at Kawerau directly harnesses geothermal steam in combination with New Zealand's renewable energy.

We manufacture Feminine Care and Incontinence Care products under the Libra and TENA brands at our site in Springvale, Australia. In addition to supplying the Australian, New Zealand and Pacific markets, we export Feminine Care products to the Nordic region under the Libresse brand through our commercial relationship with SCA. An investment in manufacturing innovation at Springvale during 2016 will enable the launch of *'Roll Press Go'* technology allowing us to make a new range of Feminine Hygiene products in 2017 that incorporate a special wrapping for disposal.

Baby Care products are manufactured at our facility in Te Rapa, New Zealand, under the Treasures, Giggles and Drypers brands, and sold in Australia, New Zealand and across the Pacific. Preparations for an upgrade to our manufacturing capability here progressed well during 2016, and will result in increased production capacity and improved quality of our Baby Care products during 2017.

At our site in Nakasi, Fiji, we convert Consumer Tissue and Professional Hygiene products under the Orchid and Viti brands, which are sold across the Pacific region.

During 2016, the Manufacturing and Distribution teams have leveraged the benefits of the Tissue Capital Investment Program, which was completed in 2015. By reconfiguring our Tissue manufacturing operations in Australia and New Zealand, we have increased efficiency and flexibility and reduced production costs. All operations have continued to focus on improving cost and efficiency metrics, whilst ensuring capacity remains for growth. Learning and development initiatives have improved production flexibility and reliability, and we continue to optimise our Logistics network.

Our Suppliers

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

Major suppliers are assessed on sustainability, financial viability, quality and safety performance criteria. Our responsible sourcing program is the framework we use to review our suppliers' practices in the areas of human rights and labour standards, health and safety, environmental management and business integrity. Further information about this program is available in the Sustainability section of this Report.

Relationship with SCA

In addition to its shareholding in Asaleo Care, SCA has entered into a number of commercial agreements with the Company relating to the supply and purchase of Personal Care and Professional Hygiene products, the licensing of certain trademarks, technology and intellectual property, as well as other commercial arrangements.

Pursuant to a Trade Mark and Technology Licence Agreement and a Patent Licence Deed, 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.

Major Customer and Sales Channels

In our business, we see our customers as those companies that buy our products, and our consumers as those individuals who ultimately use our products.

Our retail customers include major supermarkets, independent supermarkets, pharmacies and convenience stores. Our Business-to-Business (B2B) customers include major distributors, hospitals, aged care facilities and large companies.

We have continued to diversify our retail customer base in Australia through product range extension into other retail channels, such as Costco and major pharmacy retailers, such as Chemist Warehouse. Our top two customers now represent approximately 30% of our net sales. We introduced a new approach with a number of our major retail customers, selectively implementing 'Every Day Pricing' strategies for personal care products. Every Day Pricing is designed to provide consumers with a consistent price on our high-quality products. It provides assurance that our prices will remain steady for a predetermined period, rather than the variability of regular shelf pricing being interspersed with weekly specials and promotions.

Business development in our B2B channel has continued with the renewal and expansion of existing end user contracts coupled with significant new business wins, in the facility service management, quick service restaurants, childcare and healthcare markets.

In the Pacific region, we continued to expand our product offering into Papua New Guinea, where the availability and range of hygiene products is relatively limited, providing a platform for future market growth.

Our TENA, Treasures and Libra webshops continue to offer another sales channel for consumers, as online direct purchasing continues to grow in popularity.

Customer understanding and consumer insight are integral to the products 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 using 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 consumers and customers, and at times highlight opportunities for us to expand our product range.

An additional advantage of our licensing agreement with SCA, is our access to global research, marketing and manufacturing capabilities, which we leverage across our business to maintain our competitive edge.

Business Strategy

Throughout 2016, the Company continued to execute its sustainable earnings growth strategy that was developed in 2015. This is a market led strategy designed to provide medium to long-term growth in our brands and to deliver enhanced shareholder returns.

Asaleo Care's strategy focuses on identifying new sources of organic growth with initiatives aimed at expanding both core and adjacent market segments. We are also continuing to explore opportunities to improve supply and manufacturing efficiency and lower our operational cost base.

We continued to deliver new strategic initiatives in 2016, with a number of these outlined in the table below. Our pipeline of initiatives and new product development is fundamental to creating long-term shareholder growth.

Product Innovation and Differentiation • Innovation in product features, packaging and communication to differentiate and achieve optimal pricing. • 2016 examples include: new super soft top sheet on Treasures nappies; improved skin care range in TENA healthcare channel; product design upgrades for TENA Men pads; innovative Tork Xpressnap dispenser roll out and new range of architecturally designed stainless steel dispensers; new Sorbent facial product launch and packaging (e.g. Papaw enriched tissue); new packaging design and bulk pack handles on Sorbent; Purex and Handee Ultra; modernised packaging for Purex toilet in New Zealand (focusing on environmental credentials) and changes to scent; emboss and packaging for products exported to PNG.
Range and Coverage • Utilise opportunities to leverage all products across target channels, including emerging retailer stores and new geographies. • Leverage brands to enter adjacent market segments. • 2016 examples include: Feminine Care exports to Europe; enhanced exports from Fiji to Melanesia; and expanding our range at existing customers in the retail and healthcare markets.
Distribution Innovation • B2B and B2C (Business-to-Consumer) e-commerce initiatives. • 2016 examples include: Treasures, TENA and Libra webshop upgrades.
Cost Reduction and Efficiency • Capacity enhancement through efficiency – drive operations excellence and target minor capital expenditure. • Complexity reduction – SKU and specification simplification. • Product sourcing opportunities – Trans-Tasman manufacturing footprint, make versus buy and reduce distribution costs. • 2016 examples include: capacity and quality improvement on New Zealand paper machine and investment to support product innovation in Feminine and Baby categories.

FY17 Outlook

Asaleo Care is forecasting low single digit growth in underlying EBITDA and NPAT and low to mid single digit growth in underlying EPS in FY17 as we continue to execute our strategy.

With Asaleo Care's current cash flow generation expected to remain strong in FY17, the Company is well placed to deliver on its capital management principles.

The Company is intending to undertake a property sale and leaseback for its Springvale manufacturing site in FY17, for which the Company expects to recognise a profit on sale. Realising capital from the Springvale site will allow for investment in higher returning business initiatives.

The business risks identified in the Directors' Report will continue to be relevant and managed carefully in 2017, 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.

Personal Care

We are a market leader in Personal Care with an innovative range of Feminine Care, Incontinence Care and Baby Care products that make a positive difference to the health and wellbeing of people of all ages.

We offer essential products such as pads, tampons, liners, nappies and wipes, under our trusted and popular brands, including Libra, TENA, Treasures, Drypers and Giggles. We also continue to manufacture products for retailers' home brands.

The routes to market for these products are via traditional retailers, distributors, care institutions, and our online webshops for TENA, Treasures and Libra.

Financial Review – Personal Care

A$ million	**Underlying 2016**	**Underlying 2015**	**Growth %**
Revenue	**182.7**	192.8	(5.3%)
EBITDA	**66.9**	72.0	(7.1%)
EBITDA Margin	**36.6%**	37.3%	(1.9%)

Note: A reconciliation is provided between the reported results and the statutory result on page 33.

Revenue: FY16 decline of (5.3%) to $182.7 million. Key drivers for revenue movements between FY16 and FY15 are assessed below:

- Feminine Care, Baby Care and the Incontinence Care retail category all experienced a decline in sales in FY16 compared with FY15. However, this decrease was in 1H16 with the 2H16 revenue 1% higher than 2H15. The key drivers for the FY16 revenue decline was increased discounting from competitors and increased trade spend required to support market share.
- In Feminine Care and Incontinence Care retail Every Day Pricing (EDP) was introduced in May 2016 with major retailers to offer customers everyday value. The introduction of EDP resulted in one-off implementation costs incurred in 1H16. Since EDP was introduced Feminine Care and Incontinence Care retail sales have stabilised and 2H16 is in-line with 2H15. Libra remains a clear number one in the category and the FY17 *'Roll Press Go'* pads innovation is expected to support this position.
- Baby Care revenue decline was due to deeper and more frequent discounting activity required in New Zealand to protect market share. Baby nappy product improvement initiatives will be in market in FY17 and will offer an improved quality choice for consumers.
- Incontinence Care healthcare division experienced revenue growth in FY16, which was due to increased sales volumes, which was largely attributable to organic Residential Care growth.

EBITDA: Decline of (7.1%) in FY16, resulting in a Personal Care EBITDA of $66.9 million. EBITDA decline is due to the following key drivers:

- Revenue decline of (5.3%) was the key contributor to the lower EBITDA with increased levels of discounting required to support market share.
- Adverse sales product mix, along with higher product and raw material input costs that are denominated in foreign currency.
- Lower sales, marketing and administration costs in FY16, were attributable to no employee incentive, reduced advertising and promotional costs with investment to occur in FY17 to support 'Roll Press Go' and Baby Care nappy quality innovation and tight discretionary spend control.
- Feminine Care 2H16 EBITDA exceeded 2H15 following EDP introduction and focus on minimising operating costs.
- Incontinence Care experienced EBITDA growth in FY16 in both the retail and healthcare divisions, which is attributable to segment demographics and organic growth of healthcare customers

Libra

Since its launch in the 1970s, Libra has become the number one brand in Feminine Care and has been used and trusted by generations of women in Australia and New Zealand. Libra's market leadership has been built on relevant and engaging branding and advertising and regular innovation to improve the product range.

In 2016, we made Libra more widely available to consumers through pricing strategies and increasing distribution channels. More competitive, Every Day Pricing arrangements were secured with major customers in Australia and New Zealand. We also introduced a range of Libra pads and tampons into other retail channels in the Eastern States of Australia.

New packaging designs for the entire Libra range were developed to improve branding and shelf standout. These began appearing in retail outlets from late 2016.

During 2016, we have been preparing for the launch of Roll Press Go®, a major new product innovation that will change the way consumers dispose of Libra sanitary pads. Pads are simply rolled up, in a discreet and secure way, using an adhesive side strip, by which they are safely sealed for disposal. Roll Press Go® will be launched in 2017 across the range of Libra Ultra Thins and Invisibles pads in Australia and New Zealand with a sampling and advertising campaign.

See more about Libra at *www.lovelibra.com.au*

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 where we provide incontinence products and support services to residential care facilities, retirement villages, hospitals and community care recipients. TENA was launched in Australia in 1995, and the brand has gained a solid reputation for reliable, high-quality products.

Incontinence can lead to sufferers feeling embarrassed and/or having a diminished enjoyment of life. TENA products make a positive difference to the lives of many people by helping them feel in control. We are proud that TENA was voted the most trusted incontinence brand in the 'Readers Digest Most Trusted Brands' survey in 2016 and this strong customer endorsement has been leveraged in our marketing communications.

Innovation based on customer insights is key to the success of the TENA brand and our first-to-market product launches in 2016, such as TENA Men Black Protective Shield and TENA u-test, demonstrated this strength.

For men, even light bladder weakness is a difficult topic, and products that are discreet can reduce their embarrassment and increase acceptance. With this in mind the TENA Men Extra Light Protective Shield was launched. It is the only black bladder leakage product currently available on the market and with a less clinical appearance, it better matches the more common darker colour of men's underwear providing discretion that maintains dignity. For women, we upgraded the design of TENA Women Discreet Pants with a stronger product claim of '3X Protection – Secure, Odour Control'.

The TENA u-test is based on insights that revealed up to 50% of residents in residential aged care facilities are affected by urinary tract infections. TENA u-test is a unique in-pad test device that is non-intrusive for residents and quick and easy for staff to use. This product has been successfully launched in several countries around the world. In Australia, a nursing home trial was used to support the local launch in 2016.

We know that consumers often feel embarrassed and overwhelmed when buying incontinence products using traditional retail channels. The TENA web shop, launched in 2015, has changed that. In 2016, more and more consumers chose the discretion of being able to research and purchase their products online and have them delivered to their door. By removing this barrier to purchase, there is an opportunity to attract more new users and further drive brand growth.

Incontinence products provide comfort, security and discretion but they are also a regular cost for many consumers. To assist in making TENA more available, more competitive Every Day Pricing was introduced in a number of our major retail customers in 2016. In addition, the popular loyalty programs for TENA continued across Australian pharmacy outlets.

Pharmacy is a key sales channel in Australia for incontinence products, and in 2016 we focused on providing training and selling aids to pharmacy staff by leveraging our strong category expertise across the Retail and Healthcare channels. TENA entered into an exclusive partnership with the Pharmacy Guild of Australia in 2016 to provide an accredited training resource for pharmacy assistants on managing incontinence.

TENA Healthcare and Tork Professional Hygiene have been presenting combined offers to residential aged care customers helping them to gain benefits from rationalising suppliers and securing business for Asaleo Care.

For more about TENA, go to *www.tena.com.au*.

Treasures

Treasures nappies have been helping parents care for their babies in New Zealand since 1976 and today hold a reputation for quality and reliability. Treasures is the only brand of open nappies manufactured locally in New Zealand. In addition, the Treasures range now includes Nappy Pants and Wipes. The Treasures range is also sold in Australia through Metcash and Chemist Warehouse. In 2016, we started to manufacture the Drypers range of open nappies in New Zealand, for markets in Fiji, PNG and the Pacific region.

Mothers rely heavily on digital mediums for information about pregnancy and their babies, to share their experiences and to do their best as parents. Reaching them with relevant and interesting information and product offers provides us with a significant opportunity to build a positive relationship with our customers. The Treasures website was relaunched in 2016 making it easier to navigate and providing additional information to better engage new parents as they deal with the challenges of caring for their babies and toddlers. The Treasures Club in New Zealand is a subscriber-based group marketed through the Treasures website with approximately 90,000 members.

The Nappy Pants category is growing rapidly in New Zealand but is still only 17% of the total nappy category there. In 2016 we grew awareness of Nappy Pants, through a successful digital promotion using the Treasures website and an integrated social media campaign, which resulted in 1,200 entries and 30,000 votes.

In 2016, we launched the new Treasures Comfort branding across the entire range, which featured a new innovative 'super soft' top sheet across open nappies making them more comfortable to wear. This was supported by a new more vibrant and modern pack design, which clearly communicated the 'Super Soft, Ultra Dry' claim and a television commercial airing from August 2016. To streamline our offering, the Nappy Pants range was also rebranded as 'Treasures Comfort' and relaunched with the softer top sheet and new packaging.

In 2016, Treasures newborn nappies were supplied to 65% of maternity hospitals in New Zealand by way of 'Bounty Books' which are distributed to 90% of pregnant women at the 10 week mark of their pregnancy.

Find out more about Treasures at *www.treasures.co.nz*.

Year in Review

Tissue

The Tissue segment comprises Consumer Tissue and Professional Hygiene product categories. Our Consumer Tissue products are sold as well-known household brands including Sorbent, Purex, Handee, Deeko, Orchid and Viti. Our Professional Hygiene products, primarily sold to businesses under the Tork brand, include hand towels, toilet tissue, serviettes, soap and facial tissues.

In a continued focus on sustainability, we set an industry standard in 2016 by publishing Environmental Product Declarations (EPDs) for our most popular toilet tissue and hand towel products. These EPDs demonstrate our care for the environment by an analysis of the products' full life cycle rather than one particular environmental aspect.

Financial Review –Tissue

A$ million	**Underlying 2016**	**Underlying 2015**	**Growth %**
Revenue	**423.2**	429.4	(1.4%)
EBITDA	**63.8**	73.2	(13.0%)
EBITDA Margin	**15.1%**	17.1%	(11.7%)

Note: A reconciliation is provided between the reported results and the statutory result on page 33.

Revenue: FY16 decrease of (1.4%) to $423.2 million compared with FY15 revenue of $429.4 million. Reasons for revenue movements between FY16 and FY15 are assessed below:

- Consumer Tissue decline with increased competitive intensity and requirement to discount price to maintain market share. This was primarily in 1H16 with revenue per tonne increasing in 2H16, offset by slightly lower sales volumes.
- Consumer Tissue sales were also impacted by de-ranging of Purex in one major Australian retailer and reduced low margin New Zealand private label volumes.
- Australian towel volumes continued to grow in FY16 along with increase in sales volumes to emerging customers, which helped offset the Consumer Tissue revenue decline.
- Professional Hygiene revenue increased due to higher volumes resulting from increased contract business and improved mix on proprietary products.
- Pacific Islands sales continued to grow strongly with a 14% increase against FY15.

EBITDA: FY16 EBITDA of $63.8 million was (13.0%) lower than FY15. Key contributors to the decline in EBITDA are:

- Adverse foreign exchange costs on pulp and raw material inputs, which was not reflected in market pricing due to the competitive discounting.
- Lower pulp prices in FY16 only partly offset the foreign exchange production cost impost.
- Declining revenue in Consumer Tissue and the higher price discounting required to maintain market share.
- Lower sales, marketing and administrative expenses in FY16 as a result of FY15 advertising and promotional expense including substantial media production costs and redirection of advertising and promotional spend into market pricing, no employee incentive and tight cost control on overheads.

Consumer Tissue

Our Consumer Tissue products are essential household items that make a difference to everyday life, whether this is in the kitchen, the bathroom, at work or at play. We are proud to produce toilet tissue, facial tissues, paper towels, serviettes and disposable tableware, which are sold under the well-known and trusted brands of Sorbent, Purex, Handee and Deeko.

These 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 products sold under the Orchid and Viti brands.

Sorbent

Sorbent is a much-loved brand that consumers have grown up with since its launch in 1952. Sorbent toilet and facial tissues are manufactured at Box Hill in Australia and Kawerau in New Zealand. In addition, Sorbent flushable wipes are part of the range.

In 2016, we continued the Australian advertising campaign '*Small detail, big difference'* for Sorbent toilet tissue. The packaging design was upgraded to highlight our '*Extra Thick Sheets'* and packaging handles were added to the larger pack sizes. Sorbent toilet wipes were relaunched after a product upgrade, making the product 'six times more dispersible when flushed versus the previous product' with this being highlighted on new packaging. The Sorbent facial tissue range was relaunched across Australia and New Zealand with a new Papaw infusion for added protection and a new packaging design including new soft touch boxes.

Purex

For over 60 years, we have been manufacturing Purex in New Zealand and it is New Zealand's number one toilet tissue brand. In 2016, a new Purex packaging design was launched with a high-quality matte material and a 'Soft on you, Soft on the environment' message supporting its environmental and locally manufactured credentials. In addition, Purex was awarded the 'Environmental Product Declaration (EPD)' accreditation from NZI Sustainable Business Network Awards in 2016 – a first for the toilet tissue category.

Handee

Handee paper towel has a long history in Australia and New Zealand, and has grown to become a market leader. In 2016, the 'Good Sheet' advertising campaign continued and was launched into New Zealand for the first time. The campaign expanded into digital channels, via sponsorship and advertorials and product placement in the Nicko's Kitchen digital cooking programs continued to drive positive sales performance, and grow our value share in this category. In late 2016, the largest Handee pack sizes were also launched with easy carry handles.

Deeko

Deeko is Australia and New Zealand's leading branded tableware range, offering a wide selection of disposable products for everyday 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. The range will be refreshed with new, contemporary pack graphics in early 2017.

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 products include 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.

Professional Hygiene

Our Professional Hygiene products include hand towels, toilet tissue, napkins, soap, facial tissues and other hygiene-based accessories, primarily under the Tork brand. These are sold to businesses such as restaurants, offices, schools and manufacturers in Australia, New Zealand and Fiji.

Tork

Tork is a leading brand in the Australian and New Zealand market and the number one professional hygiene brand in the world.

A key differentiator for the Tork brand is its unique dispensing systems. In 2016, two new dispenser ranges were launched to enhance this competitive advantage. Tork Image Design™ is a premium stainless steel dispenser range designed with improved functionality for image-conscious customers, such as premium hotels, restaurants and office buildings. The Tork Xpressnap Image napkin dispensers were designed featuring aluminium and FSC certified walnut wood finishes, making them perfect for the high growth 'fast casual' restaurant and café segment where interior décor is a key part of the dining experience.

The 'Internet of Things' is the basis of Tork's expansion in to a new service offering. Tork EasyCube, is an intelligent solution for public washrooms, which uses sensor-connected dispensers that provide real time digital data on dispenser refill levels and washroom visitor numbers. This allows facility managers and cleaners to manage their washroom servicing more efficiently. In 2016, we had our first commercial installation of an EasyCube system.

A number of brand building activities for Tork were rolled out in 2016, including an extension of our 'Tork works for us' campaign into the schools and aged care sectors, which highlighted testimonials from real life Tork customers about the benefits and value of the overall Tork proposition. We also supported the launch of the 'Future Generations' initiative with the Forest Stewardship Council of Australia (FSC), which created a range of age appropriate lesson plans for primary school teachers to educate children about sustainable forestry practices.

People and Culture

Through Asaleo Care's purpose, products, ethos and values, our people are united in making a difference to our consumers, customers, partners, shareholders, the broader communities in which we operate and the environment.

Our commitment to making a difference is underpinned by our Company purpose – *'To make it easier for hygiene, health and wellbeing to be part of everyday life'* and our values – *Pride, Integrity and Courage*. We focus on employing and developing people who are aligned to this purpose and share our values, so that their behaviours and actions are reflected in their daily work and support what the Company stands for.

Our employment brand

In 2016, our people contributed to the creation of our new employment brand, '*Hello Asaleo Care – where you can make a difference'*. This brand encapsulates the essence of our Company's culture and our business aspirations for the future. We believe the experiences that our people say make us a great Company to work for will help to ensure we retain our best talent and inspire others to join our team.

Proud employer

We employ over 1,000 people across manufacturing, sales and distribution operations in Australia, New Zealand and Fiji. We generate substantial employment in the communities in which we operate including through the purchase of goods and services from local suppliers.

In May 2016, our $65 million capital investment in our Australian based Tissue site at Box Hill was celebrated with an official opening by the Hon. Josh Frydenberg MP, the then Minister for the Environment and Ageing, marking a new era and a long-term future for the iconic facility which employs more than 300 people and manufactures products valued at over $190 million annually.

Diversity and inclusion

Our focus on diversity and inclusion remains at the forefront of efforts to build an even stronger Company. In September 2016, we launched our new approach to diversity and inclusion, with an initial focus on gender diversity. We plan to attract and develop a pipeline of female leaders who can advance to senior leadership positions. We established a Diversity and Inclusion Working Group (DIWG) chaired by Asaleo Care CEO, Peter Diplaris with employee representatives from Australia, New Zealand and the Pacific Islands. We also became a member of the National Association of Women in Operations (NAWO), the peak body championing women in operations, which aims to inspire and support organisations to create inclusive workplaces.

People and Culture

Changes to policies and approaches to recruitment and workplace practices have been, and are being, made to minimise impediments to female leadership participation. We remain committed to providing opportunities for women to take on leadership roles, including:

- Appointing at least two female members to the Executive Lead Team by 2018.
- Increasing female representation on the Senior Leadership Team from 28% to 33% by 2018.

Communication and recognition

We recognise that employing people who are motivated and committed to delivering our strategy is key to our success. We seek regular feedback from our people through surveys and focus groups and encourage open dialogue on how to improve the way we work and the employment experience at Asaleo Care. Our APPLAUSE program provides our leaders and teams with the opportunity to recognise outstanding achievements of their colleagues and encourages higher performance and behaviours that reinforce our Company's values.

Learning and development

We provide our people with learning and development opportunities that are aligned to business needs and personal development goals through a combination of formal learning and experience based training. Education on our Code of Conduct, workplace behaviour, health and safety practices and core technical training occur as part of our Company induction process and at regular intervals throughout employment.

In 2016, we extended the Asaleo Care Graduate program with our second intake of graduates, to support the flow of new ideas and talent into the Company. The two-year program sees graduates work on significant projects as they rotate through business areas. Our 2015 graduates who completed their program have successfully transitioned into key positions throughout the Company.

Health, Safety and Sustainability

Our Company's purpose is underpinned by an ethos of *'Taking care'*. When we talk about *'Taking care',* we mean how we take care of each other, our customers, our partners, our shareholders, as well as the broader communities in which we operate and the environment.

Continuing to grow our business is dependent on understanding and managing the health, safety and sustainability issues that impact our business directly and indirectly.

We recognise the need to operate in a responsible manner and continuously improve our performance in managing the social, environmental and economic impacts of our operations. We also look to how our actions can make a positive difference to our business, the broader community and the world at large.

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

Fundamental to achieving our health and safety vision are the actions detailed in our Health and Safety Policy (see www.asaleocare.com). During 2016, we used the guiding objectives of our Health and Safety Strategy to further communicate and embed our vision for health and safety, as follows:

1. Safety leadership – further developing our leaders' capability and commitment to improving our safety culture.

   In 2016, we refreshed Safety Leadership Training in New Zealand in line with new Workplace Health and Safety laws to increase leaders' safety knowledge, skills and capability. Networking and benchmarking activities continue to engage teams to understand, share and drive best practice.

2. Safer work environment – providing safe equipment and processes in a work environment that protects our people from harm.

   Once again, AS4801 certification was maintained at our Australian and New Zealand manufacturing sites and Australian distribution centres. Our revitalised Risk Management program increased our focus on high risks, both corporately and at individual operations, and capital expenditure continues to target risk reduction activities. We also introduced a Drug and Alcohol Management Program across all our operations to reduce workplace risks associated with drugs and alcohol, and to focus on the health and wellbeing of our people.

3. Standardised Occupational Health and Safety (OHS) Management System – our centralised web-based system helps to manage, control and reduce occupational safety risks.

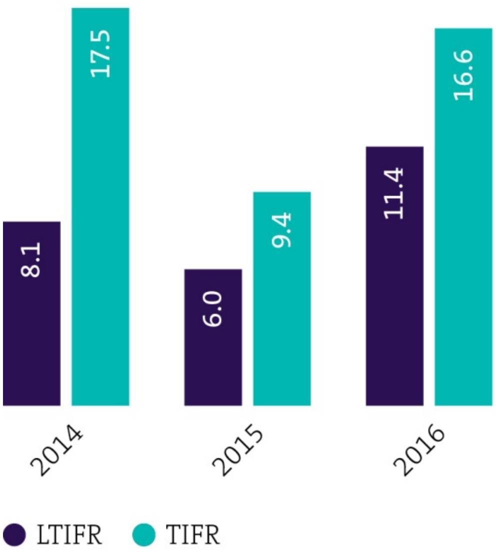
Health, Safety and Sustainability

The OHS Management System has oversight from our Management, Executive and Board and system compliance is confirmed through internal and external audits. Each of our sites develops their own annual OHS plan in alignment with our OHS strategy to reduce its risks. In 2016, these annual plans and associated actions reduced high risks in areas including contractor management and emergency preparedness. We also continued documenting company-wide standards, procedures and processes. In instances where our people are absent from work due to a work related illness or injury, our Return to Work program supports them in returning to their pre-injury role, while managing their illness or injury.

In line with best practice, our reportable injury statistics incorporate contractors and restricted work injuries, so we can accurately identify and control injury risk.

Our Lost Time Injury Frequency Rate[1] (LTIFR) for 2016 was 11.36 and the Total Injury Frequency Rate[2] (TIFR) for 2016 was 16.61. This increase compared to 2015 is disappointing, especially given the focus on and investment in improving safety risk management and performance. There has been a detailed investigation of each injury and an analysis of overall injury trends. A structured program is in place to progressively eliminate and mitigate all controllable hazards across the business.

Safety Performance



Many of our operations continue to achieve sustained 'serious injury free' periods showing that our healthy culture of reporting injuries, hazards and near misses continues to make a difference. To complement the reportable injury performance measurement we also measure a suite of lead indicators to monitor activities that are fundamental to a safe workplace. These include completion of investigations, evacuations, workplace inspections and OHS Committee meetings. In 2016, we reviewed our lead indicators to ensure they remained relevant to the increasing maturity of our safety culture.

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[1] 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.

[2] 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

Taking care of, and making a positive difference to the communities in which we operate and the environment is crucial for our long-term growth and success. We invest significant resources and focus in managing these aspects of our operations.

In accordance with the ASX Corporate Governance Council's recommendations, we have undertaken a materiality assessment of our key sustainability issues. These issues have not changed from what has previously been disclosed, and are not considered to pose a material risk to the Company. These issues are outlined below and further information is available at *www.asaleocare.com*.

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

This year we are proud to have again been recognised for our corporate sustainability leadership within the Personal Products sector by being included in the Dow Jones Sustainability™ Index (DJSI) Australia and retaining our membership of the DJSI Australia. The index highlights the top 30% of ASX200 companies based on economic, environmental and social sustainability criteria.

We continue to embed financially relevant sustainability practices in our business to improve our capacity to operate in a competitive and changing commercial environment and consequently supporting long-term value creation for our shareholders. One example of this approach is the way we harness geothermal renewable energy sources in our manufacturing processes in New Zealand, reducing emissions and energy costs.

Supply chain management – including human rights

Our local and international suppliers provide goods and services to our operations, customers and consumers. Engagement and management of these suppliers throughout the supply chain is necessary to control costs and the quality of these goods and services. We are committed to working closely with our suppliers to improve their management and ethical practices, including human rights.

We have operated a responsible sourcing program since 2014 to identify relevant suppliers and screen their practices in the areas of human rights and labour standards, health and safety, environmental management and business integrity. In 2016, we continued to develop the program and restructured our key supplier classification and screening processes to enable us to screen key suppliers more efficiently. Key suppliers were screened by means of self-assessment questionnaires or third party independent audits in accordance with the Sedex Members Ethical Trade Audit procedure. The 88 active suppliers that participated in the program represented 50% of the Company's total procurement spend[3].

Our 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 the International Labour Organization (ILO) Convention 169[4]. More information about our responsible sourcing program is available at *www.asaleocare.com*.

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[3] Based on spend in Australia, New Zealand and Fiji.

[4] According to FSC-STD-40-004 V2-1.

Responsible forestry

Our business 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.

Our 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 facilities and trading operations, and in addition our Box Hill operation holds a PEFC™ (Programme for Endorsement of Forest Certification) COC certificate. We continue to offer independently certified products to our customers and consumers. In 2016, this amounted to 225 COC certified products. Further, the responsible forestry credentials of 80 products we manufacture have been independently assessed and assured under ECNZ to be managed sustainably[5].

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. All pulp and paper reel purchases in 2016 were in accordance with our Responsible Forestry and Fibre Sourcing Policy.

We are committed to only purchasing products and materials that originate from legally harvested, non-controversial sources. We expect the same commitment and approach from our suppliers, and have incorporated this into our due diligence processes. In 2016, we developed an innovative web based system to assist us collect higher quality information from our suppliers and perform faster due diligence. The new system makes it easier for us to trace our supply chain and identify species, countries of harvest and entities in the supply chain. In 2016, 29 suppliers were screened according to these criteria, amounting to 71% of all relevant suppliers[6].

Resource scarcity – including the impact of climate change

Aside from forestry products, the resources of highest significance to our manufacturing operations are air quality, energy and water. We recognise the need to manage the use of these resources in a responsible manner across all our operations and employ strict policies and procedures to reduce the risk of contamination from our sites.

Our investment in a new sustainability data reporting system during 2016 enables us to monitor and manage resource utilisation, emissions and waste at site, country and company levels more efficiently. This has already helped us to assess the future energy, emissions and water impact of various capital projects.

We limit greenhouse gas emissions through the use of renewable energy and efficiency activities. In particular, our tissue manufacturing site at Kawerau, in New Zealand, directly utilises geothermal steam, a renewable energy source. Also, all our manufacturing and operational sites located in New Zealand take advantage of the country's low-emissions electricity generation network.

[5] ECNZ's Sanitary Paper Products Standard, EC-13-15.

[6] 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.

In 2016, geothermal steam use represented 13% of our total energy consumption. In addition, 9%[7] of the Company's total energy consumption was sourced from electricity generated from renewable energy sources in New Zealand. The Company's share of renewable energy due to our operations in New Zealand alone was 22%.

Group Environmental Performance Data

	Unit	2016 Total	2015 Total	% Change
Energy Consumption				
Geothermal steam	GJ	254,510	270,258	(5.8%)
Fossil fuels[a]: natural gas, diesel, gasoline, LPG	GJ	1,004,228	1,034,930	(3.0%)
Electricity	GJ	692,480	706,521	(2.0%)
Total energy consumption	GJ	1,951,218	2,011,709	(3.0%)
Energy from direct use of geothermal steam	% of total	13.0	13.4	(0.4%)
Energy from New Zealand electricity purchases	% of total	10.7	10.7	0%
GHG Emissions to Air[b]				
Scope 1 (direct) GHG emissions (CO_{2-e})	tonne	52,466	54,007	(2.9%)
Scope 2 (indirect) GHG emissions (CO_{2-e})	tonne	156,208	172,844	(9.6%)
Total Scope 1 + 2 GHG emissions (CO_{2-e})	tonne	208,674	226,851	(8.0%)
Fresh Water Usage[c]				
Municipal supply	m^3	1,129,869	1,150,118	(1.8%)
	% of total	45.2	45.0	
Surface water	m^3	1,367,591	1,403,133.00	(2.5%)
	% of total	54.8	55.0	
Total fresh water usage	m^3	2,497,460	2,553,251	(2.2%)
Discharge to Water[d]				
Biological Oxygen Demand (BOD)	tonne	139	130	6.9%

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

In 2016 we set the benchmark for sustainable tissue manufacturing through the public release of Environmental Product Declarations (EPDs), for some of our Tork®, Purex® and Sorbent® toilet tissue and hand towel products manufactured at Kawerau, New Zealand. This involved a life cycle assessment of these products to identify sources of greater environmental stewardship, resource efficiency and potential financial benefits. The assessment highlighted efficiencies such as up to 78%[8] of renewable energy embodied in the products. Impressively, this figure includes all energy used in the supply chain and manufacturing operations, all transport fuels and energy in waste treatment – in short, all energy required/used through the full life of these products, from 'cradle to grave'. Further information can be found on our website at www.asaleocare.com.

We were proud to be recognised at the 2016 NZI Sustainable Business Network Awards for our work to produce and release the first EPDs for tissue products in Australia and New Zealand. When

[7] New Zealand Energy Quarterly, January – September 2016 (MBIE: www.med.govt.nz), electricity from renewable energy sources equated to 84.0 % of total electricity generation.

[a] Direct fuel combustion from stationary and transport energy purposes. Excludes third-party logistics transport activities.

[b] Global Warming Potentials used for this report are sourced from the Australian National Greenhouse Accounts (NGA) Factors (August 2016), New Zealand Guidance for Voluntary Corporate Greenhouse Gas Reporting (December 2016), New Zealand Emissions Trading Scheme (effective from the 2013 reporting year) and Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) (2007). All documents are in alignment.

[c] Fresh water usage is reported for manufacturing sites only (i.e. Kawerau, Te Rapa, Box Hill, Springvale and Nakasi).

[d] BOD is reported for Asaleo Care's Paper Mills only (i.e. Kawerau and Box Hill sites).

[8] Tork hand towel EPD

announcing the finalists, Rachel Brown, CEO of the Sustainable Business Network said, ‘These organisations and individuals are leading the transformation to a more sustainable New Zealand.’

Community Engagement and Partnerships

As a leader in Personal Care and Hygiene, we have a responsibility and an opportunity to make a positive economic and social difference to the communities in which we operate.

Our Company ethos of *‘Taking care’* is shown through the way we support groups and charitable organisations that help bring our Company’s 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 CARES program is focused on enhancing our charitable and not-for-profit partnerships with our two charitable organisations, Ronald McDonald House Charities and Foodbank. CARES complements these partnerships with community initiatives including monetary and product donations aligned to our major brands and through employee volunteering efforts.

In addition, through our brands, we provide education opportunities that are directly linked to improving hygiene, health and wellbeing outcomes. Our Libra and Treasures brands provide information and support to young women, new mothers and parents through online and social media platforms. In Fiji, Libra continued to provide support for Medical Services Pacific, which helps vulnerable populations in the Pacific through its ‘Girl Empowered’ initiative educating young girls about puberty, sexuality and reproductive health care.

Similarly, TENA has extended its partnership with the Royal District Nursing Service and Bowls Australia, sponsoring education sessions, which provide advice, education and support about maintaining health while ageing. The sessions conducted in Bowling Clubs across Australia address key health issues, including diabetes, the importance of hydration and other concerns such as anxiety and depression.

Unfortunately, our region experienced another year of natural disasters. Financial and product donations were made to the Red Cross and the Fijian Prime Minister’s National Disaster Relief and Rehabilitation Appeal, providing much needed support to those people affected by the devastating Tropical Cyclone Winston. In New Zealand, we worked with our customers and suppliers to ensure there was no disruption in our product supply to earthquake affected areas.

Financial Review Summary

FY16 Results versus FY15

A$ million	Underlying 2016[1]	Underlying 2015[1]	Change %
Revenue[2]	**605.9**	**622.2**	(2.6%)
EBITDA	**130.7**	**145.2**	(10.0%)
Depreciation	**(28.9)**	**(28.6)**	(1.1%)
EBIT	**101.8**	**116.7**	(12.7%)
Net Finance Costs[2]	**(10.6)**	**(10.0)**	(5.6%)
Profit Before Tax	**91.3**	**106.7**	(14.5%)
Tax Expense	**(26.7)**	**(30.6)**	12.7%
NPAT	**64.6**	**76.1**	(15.2%)
Statutory NPAT	**59.0**	**75.6**	(22.0%)

1. *Refer to page 32 for a reconciliation between the FY16 and FY15 Statutory and Underlying result.*
2. *Revenue excludes interest income, which is recognised within Net Finance Costs.*

Revenue: Was (2.6%) lower in FY16, which was primarily attributable to the Personal Care segment declining (5.3%). The Feminine Care, Baby Care and Incontinence Care retail categories all experienced a decline in sales in FY16 due to increased discounting from competitors. However, this decrease was in 1H16 with the 2H16 revenue 1% higher than 2H15. Asaleo Care responded by introducing EDP in two major retailers in May 2016 for Feminine Care and Incontinence Care retail. Since the introduction of EDP sales have stabilised in these categories. Baby Care revenue decline was due to deeper and more frequent discounting activity to protect market share. Offsetting the Personal Care segment revenue decline was the Incontinence Care healthcare division, which experienced revenue growth in FY16 due to increased sales volumes, which was largely attributable to organic Residential Care growth.

The Tissue segment revenues were marginally lower than FY15 (1.4%). Consumer Tissue experienced increased competitive intensity and prices were discounted to protect market share. Offsetting this was continued growth in Australian towel volumes and growth in Professional Hygiene due to higher volumes resulting from increased contract business and improved mix on proprietary products.

EBITDA: Decline of (10.0%), with $130.7 million EBITDA in FY16 compared with $145.2 million in FY15. Key drivers for EBITDA decline include:

- Adverse foreign exchange costs on pulp and raw material inputs, which was not reflected in market pricing due to the competitive discounting.
- Lower revenue in FY16 was a key contributor to reduced EBITDA with increased levels of discounting required to protect market share.
- Offsetting the lower revenue and adverse foreign exchange impact on production costs was US$ pulp pricing, reduced logistics spend with lower sales volumes and benefits associated with the renegotiation of the Group’s largest distribution centre’s lease. Further, lower sales, marketing and administrative expenses in FY16 following redirection of advertising and promotional spend to market pricing, no employee incentive and tight cost control on overheads.

EBIT: $101.8 million achieved in FY16 compared with $116.7 million in the corresponding period. The FY16 EBIT decline is consistent with the EBITDA decline, as the FY16 depreciation expense has remained constant with FY15.

Net Finance Costs: An increase of (5.6%), which was due to average drawn debt being higher in FY16 compared with FY15, which was primarily due to the on-market share buy-back activity, which is now c. 95% complete.

NPAT: FY16 Underlying NPAT was $64.6 million, which represents a decline of (15.2%) compared with FY15 of $76.1 million.

Balance Sheet

A$ million	2016	Restated 2015[1]	% Change
Cash and cash equivalents	**30.3**	**35.2**	(13.7%)
Inventories	**164.7**	**159.4**	3.3%
Other current assets	**29.0**	**25.4**	(14.2%)
Property, plant and equipment	**358.5**	**360.1**	(0.4%)
Intangible assets	**190.8**	**189.5**	0.7%
Total Assets	**773.3**	**769.6**	0.5%
Payables and provisions	**99.5**	**109.9**	(9.5%)
Other current liabilities	**4.2**	**4.0**	5.1%
Interest bearing liabilities	**323.7**	**294.6**	9.9%
Other non-current liabilities	**0.7**	**0.8**	(20.6%)
Deferred tax liabilities	**37.8**	**27.2**	39.1%
Total Equity	**307.4**	**333.1**	(7.7%)
Total Liabilities and Equity	**773.3**	**769.6**	0.5%

1. *Voluntary restatement relating to the level of B2B price support provision held. Refer to page 71.*

Key balance sheet movements since December 2015 were:

- **Inventories:** Increase due to higher finished goods due to inventory builds for Baby Care machine upgrade, increases in safety stock levels, below plan sales and foreign exchange impacts, offset by declines in raw materials and WIP.
- **Other current assets:** There were less receivable collection days in December 2016 compared with December 2015, which contributed to the increase in other current assets.
- **Property, plant and equipment:** FY16 depreciation expense of ($29.2) million is in excess of capital expenditure of $25.0 million, which was partially offset by an appreciation in the NZ$ on the New Zealand asset base.
- **Intangible assets:** Represents local brands and goodwill from the 2012 joint venture transaction, with the increase due to the appreciation of the NZ$ in FY16.
- **Payables and provisions:** Lower balance reflects a reduction in raw materials and work in progress inventory holdings at 31 December 2016 and timing of accounts payable due dates. No employee incentive provision at December 2016 as financial targets were not achieved and less accruals required for logistics and utilities. Further, Australia began paying income tax instalments in FY16 and this has resulted in an increase in the Group's current tax liabilities of $2.0 million at 31 December 2016.
- **Interest bearing liabilities:** $32.9 million was incurred in FY16 in executing the on-market share buy-back program, which has resulted in an increase in drawn debt.
- **Deferred taxes**: Increase in net deferred tax liability due to usage of all pre-existing Australian tax losses that were primarily generated as a result of the substantial costs incurred for the IPO in FY14.
- **Equity:** Approximately 20.5 million shares acquired as part of the on-market share buy-back has decreased equity. Retained profits of $3.3 million (2015: Retained profits of $0.8 million) reflects statutory NPAT of $59.0 million being in excess of FY16 dividends paid of ($56.4) million. Reserves within equity movement reflects appreciation in the NZ$ on the New Zealand asset base.

Operating Cash flow

A$ million	Underlying 2016	Underlying 2015	Change %
EBITDA	**130.7**	**145.2**	(10.0%)
Changes in working capital	**(21.2)**	**(3.2)**	(563.3%)
Maintenance capital expenditure	**(18.6)**	**(15.1)**	(22.9%)
Growth capital expenditure	**(6.4)**	**(7.7)**	16.4%
Other	**(5.5)**	**(3.1)**	(77.4%)
Net cash flow before financing and taxation	**79.0**	**116.1**	(32.0%)

Operating cash flow decreased by ($37.1) million compared with the prior year.

Key drivers of the movement are:

- **EBITDA:** A (10.0%) decline in FY16 driven by adverse foreign exchange impacts on raw materials/finished goods and declining revenue in retail categories, which was offset by lower sales, marketing and administrative costs.
- **Changes in working capital:** Increase of ($21.2) million resulting from higher inventory holdings required for Baby nappy machine, undersells to plan, increase in safety stock levels and adverse foreign exchange, offset by declines in raw materials and WIP. Accounts receivable were also higher with less collection days in December 2016. Further, the accounts payables decreased due to lower raw material and work in progress inventories, no employee incentive provision at December 2016 and less accruals required for logistics and utilities.
- **Maintenance capital expenditure:** Increase in FY16 due to a paper machine upgrade, which increases paper quality and production capacity, investment in Box Hill property and increased investment in Professional Hygiene proprietary dispensers.
- **Growth capital expenditure:** Represents spend on the Baby nappy machine upgrade and relocation, Feminine product innovation and investment in packaging handles.
- **Other:** Includes non-recurring 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 allowed for the implementation of a $100 million on-market share buy-back program, which started in Q415 and is c. 95% complete as at 31 December 2016.

A$ million	**2016**	**2015**
Interest payable	**0.5**	0.8
Non-current interest bearing liabilities[1]	**325.0**	295.0
Total debt	**325.5**	295.8
Cash and cash equivalents	**30.3**	35.2
Net debt	**295.2**	260.6
Net debt/EBITDA	**2.26**	1.80

1. Excludes capitalised borrowing costs; 31 December 2016 of ($1.3) million and 31 December 2015 of ($0.4) million

Leverage: 31 December 2016 is 2.26x and within the Group's target range of 1.5x to 2.5x. Excluding the on-market share buy-back, leverage would have been 1.53x.

Total debt: Asaleo Care renegotiated and extended the maturity of two of its revolving cash advance financing facilities in FY16. Facility A commitment of $157.5 million had a maturity extension from 30 September 2017 to 30 September 2021. Facility C commitment of $35 million now matures on 30 September 2020, having previously been 30 September 2017. The Facility B commitment of $157.5 million was excluded from the renegotiation to preserve favourable pricing and matures on 30 June 2019.

Total financing facility commitment funds available to group are unchanged in FY16 and available funds at 31 December 2016 are $25.0 million (excluding the debtor securitisation program).

Cost of debt: The renegotiation of Asaleo Care's Facility A and Facility C in December 2016 has resulted in an increase in basis point margin due to market conditions and longer-term debt maturity. However, the extension of the Group's debt financing funding maturity profile provides significantly reduced refinance risk and certainty going forward. The FY16 'all-up' cost of debt was 3.4% (FY15: 3.9%).

Cash generation: Significant capital invested in recent years has provided the platform for strong cash flow generation. In FY16, $32.9 million was spent on the on-market share buy-back program along with dividend cash outflows of $56.4 million.

Reconciliation Between Statutory and Underlying Financial Information

Consolidated income statements for the years ended 31 December 2016 and 31 December 2015

	Statutory		Adjustments[1]		Underlying	
A$ million	2016	2015	2016	2015	2016	2015
Revenue[2]	605.9	622.2	-	-	**605.9**	**622.2**
EBITDA	123.1	142.8	7.6	2.4	**130.7**	**145.2**
Depreciation	(29.2)	(26.7)	0.3	(1.9)	**(28.9)**	**(28.6)**
EBIT	93.9	116.2	7.9	0.5	**101.8**	**116.7**
Net Finance Costs[2]	(10.6)	(10.2)	-	0.2	**(10.6)**	**(10.0)**
Profit Before Tax	83.3	106.0	7.9	0.7	**91.3**	**106.7**
Tax (Expense)/Benefit	(24.4)	(30.4)	(2.3)	(0.2)	**(26.7)**	**(30.6)**
Net Profit After Tax	59.0	75.6	5.6	0.5	**64.6**	**76.1**

1. *As reported in the Segment Note contained within the Financial Statements (section 1.1).*
2. *Interest income has been disclosed within 'Net Finance Costs'.*

Adjustments for the Year Ended 31 December 2016

EBITDA: Represents non-recurring storage and manufacturing costs associated with the Baby Care nappy machine upgrade and relocation and the Feminine Care new product innovation. Also, abnormal third party inventory storage costs were incurred in FY16 with Q117 capacity shuts to be taken to reduce inventory to more optimal levels, which reduces third party inventory storage holdings and associated costs. Further, redundancies in operational and corporate headcount along with a paper machine upgrade in FY16, which increases paper quality and production capacity resulted in non-recurring costs.

Depreciation: The Baby nappy machine upgrade and relocation has resulted in accelerated depreciation of redundant equipment.

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

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 Care 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.

Personal Care Business Segment

	Statutory		Adjustments[1]		Underlying	
A$ million	2016	2015	2016	2015	2016	2015
Revenue	182.7	192.8	-	-	**182.7**	**192.8**
EBITDA	64.5	71.3	2.4	0.7	**66.9**	**72.0**

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

EBITDA adjustments for the year ended 31 December 2016: Represents non-recurring storage and manufacturing costs associated with the Baby Care nappy machine upgrade and relocation and the Feminine Care new product innovation.

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.

Tissue Business Segment

	Statutory		Adjustments[1]		Underlying	
A$ million	2016	2015	2016	2015	2016	2015
Revenue	423.2	429.4	-	-	**423.2**	**429.4**
EBITDA	58.5	71.6	5.2	1.6	**63.8**	**73.2**

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

EBITDA adjustments for the year ended 31 December 2016: Abnormal third party storage costs were incurred in FY16 with Q117 capacity shuts to be taken to reduce inventory to more optimal levels, which reduces third party inventory storage holdings and associated costs. Further, redundancies in operational and corporate headcount along with a paper machine upgrade in FY16, which increases paper quality and production capacity resulted in non-recurring costs.

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.

Board of Directors

The Directors of Asaleo Care Limited are:

Harry Boon

Independent Non-Executive Chairman

- 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 over 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 Toll Holdings 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 30 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 35 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.

Board of Directors

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 30 years' industry experience and is currently Non-Executive Director of Fisher & Paykel Appliances Holdings Limited, Godfreys Group Limited, Noni B Limited, Chief Executive Women, Victorian Chapter Chair of Chief Executive Women and Chairperson of National Tiles Pty Ltd.
- 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. Most recently Sue concluded her term as Chairperson of Manufacturing Australia.
- Sue holds a Bachelor of Science and Education from The University of Melbourne and is a Fellow of the Australian Institute of Management.

Robert Sjostrom

Non-Executive Director (nominee of SCA)

- Robert is a member of the Audit and Risk Committee and Nomination and Governance Committee.
- He was appointed as a Director on 26 April 2016.
- Robert is currently Senior Vice President of SCA, Strategy and Business Development. He also has responsibility for SCA Global Business Services and IT and is a Board member of Productos Familia SA, Colombia.
- Previously, he held the positions of President of SCA Global Hygiene Category, Chairman of SCA Hygiene Products AB and Chairman of Uni-Charm Mölnlycke BV.
- Prior to joining SCA in 2009, Robert held a number of senior roles with Capgemini, including Vice President Head of Swedish Consulting Business and Vice President Global Industrial Sector Utilities.
- Robert holds a Bachelor of Business Administration from the University of Uppsala and an MBA from the Stockholm School of Economics.

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 26 years' experience and is currently a Non-Executive Director of Challenger Ltd, Japara Healthcare Limited and Myer Holdings Ltd. She is Chair of the Victorian Major Transport Infrastructure Board, the Audit and Risk Committee of the Victorian Department of Health and Human Services and the Melbourne Chamber Orchestra.
- Previously, she 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 and New Zealand.

Nils Lindholm

Non-Executive Director (nominee of SCA) Resigned on 26 April 2016.

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.

Executive Team

Peter Diplaris

Chief Executive Officer and Managing Director

- Peter joined the Company as Chief Executive Officer in May 2011 and has over 30 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.

Paul Townsend

Chief Financial Officer

- Paul joined the Company as Chief Financial Officer (CFO) in July 2012 and has over 25 years' industry experience.
- Previously, he was CFO of Pacific Hydro (2010–2012), Futuris Automotive Group (2004–2010) and Melbourne Stadiums (2003–2004). He was also the Group Treasurer at Pasminco (2000–2003).
- Paul holds a Bachelor of Business (Accounting) from Swinburne University and is a Fellow of The Institute of Chartered Accountants in Australia and New Zealand.

David Brown

Executive General Manager, Strategy and Planning

- David joined the Company in 2004 and has held a number of senior finance and planning roles. He was appointed General Manager Business Strategy and Planning in January 2015 and Executive General Manager Strategy and Planning in December 2016.
- David has over 25 years' industry experience across external audit, aviation, manufacturing and packaging businesses. Previously he held various audit, risk management and senior commercial roles with KPMG Australia (1991–1996), Ansett Australia (1996–1998), Southcorp Limited (1998–2001) and Visy Industries (2001–2004).
- David is a Chartered Accountant (CA) being a member of Chartered Accountants Australia & New Zealand, and holds a Bachelor of Business (Accounting) from Deakin University.

Rob Graham

Executive General Manager, Consumer Sales

- Rob joined the Company as General Manager – Consumer Sales Australia in April 2016 and has almost 20 years' industry experience. In December 2016, he was appointed Executive General Manager, Consumer Sales.
- He joined Asaleo Care from Nippon Paper Group's Australian Office division (2004–2015), where he held the roles of General Manager – Sales (2004–2011), and Group General Manager (2011–2015). Previously, he performed Sales and Trade Marketing roles at National Foods (2002–2004), and ACNielsen (1998–2002).
- Rob holds a Bachelor of Commerce (Economics) from the University of Melbourne, and a Graduate Diploma of Marketing from Monash University.

Executive Team

David Griss

Executive General Manager, Human Resources and Corporate Affairs

- David joined the Company as Executive General Manager Human Resources (HR) in March 2012 and has over 20 years' industry experience.
- Previously he held various HR director and senior HR roles within the pharmaceutical and healthcare sectors for Hospira (2006–2012), Mayne Group (2001–2006) and F H Faulding & Co (2000–2001).
- David holds a Bachelor of Business from RMIT University and a Graduate Diploma in Risk Management from Swinburne University.

Paul Honey

Executive General Manager, Manufacturing

- Paul joined the Company in March 2013 as General Manager Operations for the Australian Personal Care operations and has over 20 years' industry experience.
- In January 2015, Paul was appointed to the role of General Manager Manufacturing Australia, responsible for both the Box Hill Tissue and Springvale Personal Care operations. Effective December 2016, Paul was appointed Executive General Manager Manufacturing.
- Paul has previously held senior operations roles at Nippon Paper Group's Australian Office division (2005–2013) and Amcor Fibre Packaging (1993–2005).
- Paul holds a Bachelor of Mechanical Engineering, and a Graduate Diploma in Management, both from Swinburne University.

James Orr

General Counsel and Company Secretary

- James joined the Company in August 2014 as General Counsel and Company Secretary.
- He has extensive industry experience, having held senior legal and secretarial positions in public and large private companies in the resources, energy, pharmaceuticals and paper industries for over 25 years.
- James holds a Bachelor of Laws and a Bachelor of Commerce from the University of Melbourne.

Andrew Phillips

Executive General Manager, Consumer Marketing

- Andrew joined the Company as Executive General Manager Personal Care in June 2012 and has over 25 years' industry experience. In 2015 he was appointed Executive General Manager Consumer Marketing.
- Previously, Andrew was Operating Unit Head of Novartis Consumer Health for Australia and New Zealand, South East Asia and South Africa (2006–2012) and President of Greater China at Kraft Foods (2004–2006). Andrew has also held senior marketing roles at Cadbury Schweppes, having commenced his fast moving consumer goods career at Unilever.
- Andrew holds a Bachelor of Commerce (Economics and Commercial Law) from the University of Melbourne.

Sid Takla

Executive General Manager, Business to Business

- Sid joined the Company in 2007 and was appointed Executive General Manager Tork Professional Hygiene and Pacific Islands in May 2012 and has over 20 years' industry experience. In 2015 he was appointed Executive General Manager Business to Business.
- Previously, he held senior operational and finance roles within Carter Holt Harvey Packaging (2000–2007) and Amcor Flexible Packaging (1996–2000).
- Sid holds a Bachelor of Commerce (Accounting and Commercial Law) from the University of Western Sydney and has also achieved a Certified Practicing Accountant designation.

Directors' Report

Directors' Meetings

The following table sets out Board and Board Committee meetings during 2016 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	7	4	3	2	1	4	3
Mats Berencreutz	8	8	4	N/A	2	2	4	4
Peter Diplaris	8	8	4	N/A	2	2	4	N/A
Robert Sjostrom*	(7)	6	(3)	3	(1)	1	4	N/A
Sue Morphet	8	8	4	4	2	2	4	4
JoAnne Stephenson	8	8	4	4	2	2	4	4
Nils Lindholm#	(1)	1	(1)	1	(1)	1	4	N/A

* appointed 26 April 2016
\# resigned 26 April 2016

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	5
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 2016, the Company had bought back 57,542,929 shares for a total consideration of $95,001,951. The buy-back will continue in 2017 until 10% of issued capital is acquired or $100 million is incurred, whichever occurs first.

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 2016.

Environmental Regulation and Performance

In 2016 there were no material breaches by the Company of the significant environmental legislation and regulations which applied to its Australian operations.

In addition the following activity was undertaken during the reporting period:

- Reported energy consumption and greenhouse gas emissions from its operations according to the *National Greenhouse and Energy Reporting Act 2007*.
- 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*.

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.	The Company has a diversified product range and customer channels to mitigate the consequence of a single customer being disruptive. The Company actively and continuously engages with customers to retain competitive margins that satisfy Asaleo Care and the customer. The Company is maximising brand loyalty to ensure high demand for Asaleo Care products to minimise risk of retail customer disruption.
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.

Risk	Risk Description	Management of Risk
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.	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. The Company has continued to invest significantly in its key brands during 2016.
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.	The Company's Treasury function implements a hedging policy for our foreign exchange purchases exposure, which operates on a 12-month rolling basis. The hedging of future foreign exchange cash flows protects Asaleo Care from sudden impacts on its cost base. 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.

Risk	Risk Description	Management of Risk
Disruptions to the Company's manufacturing capacity	Asaleo Care manufactures its products at five sites across Australia, New Zealand and Fiji. A disruption at any of these facilities could adversely affect production capacity and earnings. 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.	The Company has a robust maintenance program for all manufacturing sites. The Company identifies and tests alternate suppliers to manufacture products. The Company actively manages stock levels to ensure adequate cover. Asaleo Care implements an employee relations strategy, which includes management of relationships with employees and unions, and agreement renewal planning in order to minimise risk of disputes.
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.	Asaleo Care has procedures and policies in place to ensure compliance with quality standards and to ensure its products are free from contamination. 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.
SCA may not renew its Licensing Agreement or Supply Agreement with Asaleo Care	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. The Supply agreement captures the supply of key products from SCA. The Supply agreement terminates if the TMTLA expires or is terminated.	The Company maintains a strong connection and relationship with SCA, and strives to maximise sales of Tork and TENA products in Australia, New Zealand and specified countries in the Pacific region. There are regular meetings between the companies covering a range of subject matters. The Company continues to explore opportunities to maximise its 'in-house' capability.

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 $33,988,332 (6.0 cents per ordinary share) paid on 24 March 2016, for the year ended 31 December 2015 out of the Asaleo Care Ltd dividend appropriation reserve.

Directors declared an interim 50% franked ordinary dividend of $22,405,625 (4.0 cents per ordinary share) paid on 28 September 2016, for the half year ended 30 June 2016, out of the Asaleo Care Ltd dividend appropriation reserve.

Subsequent to the end of the 2016 financial year, Directors declared a final 50% franked ordinary dividend of $32.8 million (6.0 cents per ordinary share) to be paid on 23 March 2017, for the year ended 31 December 2016 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.

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 2016.

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 22 February 2017. The Statement is available on the Company's website at *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:

	2016	2015
	$	$
PricewaterhouseCoopers Australia		
Other assurance services	12,200	6,100
Taxation services		
Tax compliance services and review of company income tax returns	49,825	65,739
Tax consulting services and advice	67,812	83,877
Total remuneration for taxation services	117,637	149,616
Other services		
Consulting services	2,388	24,500
Network firms of PricewaterhouseCoopers Australia		
Other assurance services	755	749
Taxation services		
Tax compliance services and review of company income tax returns	14,993	21,035
Tax consulting services and advice	3,584	15,461
Total remuneration for taxation services	18,577	36,496
Other services		
Consulting services	4,551	-

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 ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Instrument, amounts in the Directors' Report and Financial Report have been rounded off 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 benefit arrangements of the Company's Key Management Personnel (KMP) for the year ended 31 December 2016.

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 Directors and senior management.
- 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 Remuneration Reports in 2014 and 2015 achieved approval votes in excess of 99% at the respective Annual General Meetings.

Key Management Personnel 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.

The Company'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	Employment Status Change
Peter Diplaris	CEO	
	KMP Executives	
Paul Townsend	Chief Financial Officer (CFO)	
Andrew Phillips	Executive General Manager (EGM) Consumer Marketing	
Sid Takla	Executive General Manager (EGM) Business to Business (B2B)	
Paul Honey[1]	Executive General Manager (EGM) Manufacturing	Appointed on 1 December 2016
Scott Pannell	Executive General Manager (EGM) Consumer Sales	Resigned effective 20 October 2016
Willie Wiese	Chief Operations Officer (COO)	Resigned effective 3 January 2017
	Non-Executive Directors	
Harry Boon	NED - Chairman	
Sue Morphet	NED	
JoAnne Stephenson	NED	
Mats Berencreutz[2]	NED	
Robert Sjostrom[2]	NED	Appointed on 26 April 2016
Nils Lindholm[2]	NED	Resigned effective 26 April 2016

[1] *Paul Honey's executive remuneration package took effect from 1 January 2017.*
[2] *Mats Berencreutz, Nils Lindholm and Robert Sjostrom are nominees of SCA Group Holdings BV on the Asaleo Care Ltd Board.*

Remuneration Report

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

The Company's executive remuneration is overseen by the Committee and the Board. The Committee consists of a majority of independent NED and it met four times during 2016.

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 performance measures and weightings for the CEO and KMP Executives. The Board for the CEO, and the Committee for the KMP Executives, reviews and makes recommendations 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 engagement

During 2016 no external remuneration consultant was engaged regarding executive remuneration.

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 has confirmed that all recommendations provided in the advice to the Committee were made free from undue influence by any member of the 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.

Remuneration Report

Executive Remuneration Overview

The Company's executive remuneration consists of fixed and variable remuneration which focus on both short-term and long-term Company performance. Fixed remuneration is designed to provide a market competitive base level of remuneration. Variable remuneration including a cash incentive and an equity incentive, in the form of four-year deferred shares (equity), is based on pre-determined performance measures, at different performance levels, which are important for business growth and value creation for shareholders.

Fixed remuneration

Fixed remuneration, also referred to as Total Fixed Remuneration (TFR), 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 Company and individual performance and contribution to the Company's success, while ensuring it remains market competitive.

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 (EIP) including cash and equity which is:

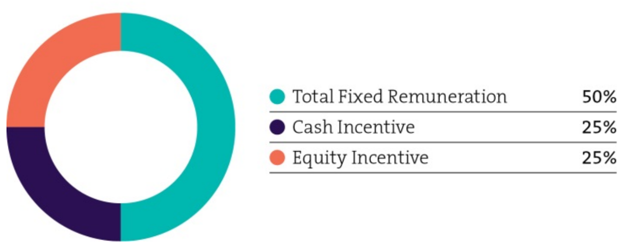
- Designed to take into account individual, business unit and Company performance.
- Linked to clearly specified performance targets, which are aligned to the Company's short-term and long-term performance objectives.

2016 Executive Remuneration

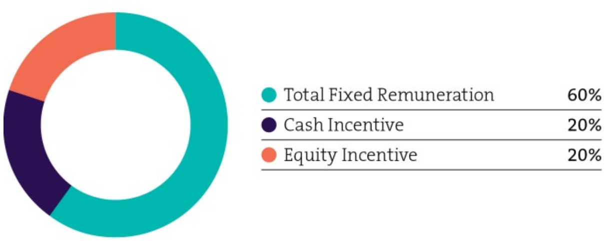
Executive remuneration mix

Below is the remuneration mix between fixed and variable remuneration at target for the CEO and KMP Executives for 2016.

2016 CEO Remuneration Mix at Target



2016 KMP Executives* Remuneration Mix at Target



*Excluding EGM Manufacturing whose executive remuneration package took effect from 1 January 2017.

Total Fixed Remuneration

Following the annual review process, the CEO and KMP Executives received TFR increases in January 2016 taking into account market benchmarks for their relevant positions and salary movement forecasts for comparable Executives. The 2016 review also took into account the performance of the CEO and individual KMP Executives, company financial performance and returns to shareholders in the 2014 and 2015 performance years. This was their first increase in TFR since the Company's listing on the ASX in 2014.

There will be no TFR increases in 2017 for the CEO or the existing KMP following the 2016 performance year.

Executive Incentive Plan

EIP overview

The EIP includes a combination of cash and equity reward potential. The equity reward is designed to strengthen the alignment of the interests of Executives and shareholders.

The 2016 EIP structure remained the same as 2015; however there was a change in the EIP reward potential for the KMP Executives. This is detailed in the '2016 EIP Reward Potential' section of this Report.

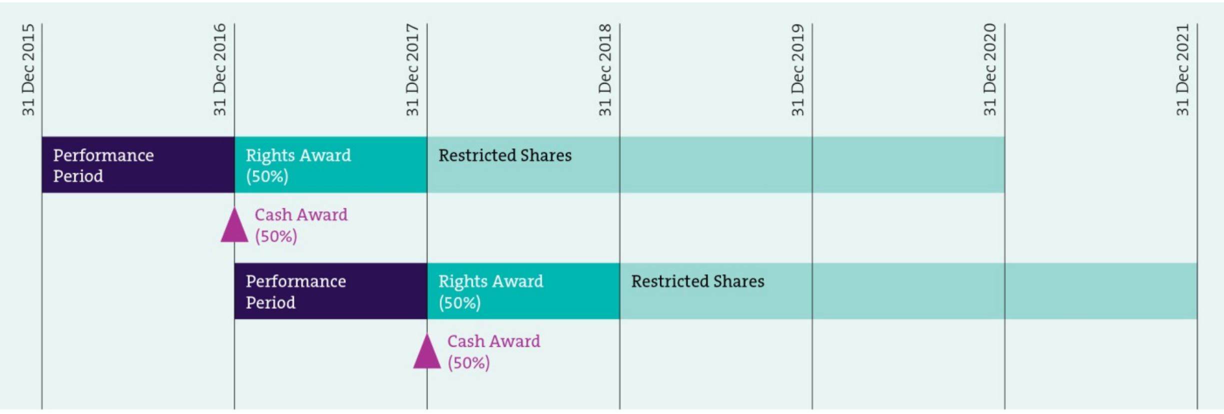
Award delivery

The amount awarded to an Executive under the EIP is calculated as a percentage of that 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.

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 to the Australian Securities Exchange (ASX) for the relevant performance period.
- 50% of EIP award will be awarded by means of share rights. These share rights are unlisted rights to ordinary shares in the Company and become exercisable into restricted ordinary shares on the first anniversary of the completion of the relevant 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 and vote.

The structure of the EIP award is illustrated as follows:



Remuneration Report

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 continue to remain the subject of the holding lock until the end of the relevant holding lock period.

2016 EIP Reward Potential

Having taken into account the advice provided by Egan in November 2015 on the market competitiveness and future operation of the EIP, the Board and the Committee determined that Executives' EIP reward potential should increase. The CEO's EIP reward potential did not change.

The following table compares the EIP reward potential for the CEO and KMP Executives at different performance levels between 2015 and 2016.

Position	2015 Potential EIP (% of TFR)			2016 Potential EIP (% of TFR)		
	Threshold	Target	Max	Threshold	Target	Max
CEO	50	100	150	50	100	150
CFO	30	60	90	33.33	66.67	100
Other KMP Executives*	25	50	75	33.33	66.67	100

**Excluding EGM Manufacturing whose executive remuneration package took effect from 1 January 2017.*

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

Performance measures

The Board carefully considered the selection of Key Performance Indicators (KPIs) and weightings to ensure the interests of the Executives and shareholders were aligned. Emphasis was placed on the key financial and operational metrics.

The EIP covers both short-term and long-term KPIs for the performance period and includes a gateway as well as Threshold, Target and Maximum performance measures.

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 2016 EIP performance measures for the CEO and KMP Executives are outlined in the following table.

Name Position	**Asaleo Care NPAT**[1] %	**Asaleo Care ROIC**[2] %	**Asaleo Care OCF**[3] %	**Business Unit EBITDA**[4] %	**Business Unit SV**[5] %	**Operational KPIs** %	**Safety** %	**Total Weighting** %
Peter Diplaris CEO	50	20	10	-	10	-	10	100
Paul Townsend CFO	50	20	10	-	10	-	10	100
Andrew Phillips EGM Consumer Marketing	30	-	-	30	20	10	10	100
Scott Pannell EGM Consumer Sales	30	-	-	30	20	10	10	100
Sid Takla EGM B2B	30	-	-	30	20	10	10	100
Willie Wiese COO	40	10	-	-	10	25	15	100

The EGM Manufacturing was not included in the table as his executive remuneration package did not take effect until 1 January 2017.

[1] *NPAT: Net Profit After Tax*
[2] *ROIC: Return on Invested Capital*
[3] *OCF: Operating Cash Flow*
[4] *EBITDA: Earnings before Interest, Tax, Depreciation and Amortisation*
[5] *Sales Value*

Below is an explanation of how each measure was set at each of the performance levels.

Gateway – Net Profit After Tax (NPAT)

NPAT provides an indication of the Company's 'bottom line' for the performance period. Consistent with the 2015 EIP, NPAT at Threshold remained the gateway for the 2016 EIP. Under the EIP rules, if the gateway is not achieved, the EIP reward will be at the discretion of the Board. In these circumstances, individual EIP payments for the performance period must not exceed 50% of the maximum entitlement.

Having regard to Asaleo Care's longer-term strategy, NPAT at Threshold for the performance year must be higher than the prior year NPAT achievement. In 2016, the gateway was set at 99.4% of the Company's budgeted NPAT and reflected a higher NPAT achievement level than in 2015.

NPAT at Target performance was set at 100%, and at Maximum performance at 110%, of budgeted NPAT.

Other financial KPIs
Other financial KPIs to apply during 2016 were:

- ROIC: which supports a focus on striking the right balance between efficient management of capital and ongoing investment in the Company's operations and brands to grow the Company's value.
- OCF: which measures the Company's cash generation capability.
- EBITDA: which measures the profitability at the business unit level and includes key strategic, growth and market share initiatives.
- SV: which aligns EBITDA with sales targets and is critical to ensure a balance between margin retention and sustainable growth.

The underlying financial KPIs for the above measures in 2016 for each EIP reward level were defined as follows (assuming achievement of the NPAT gateway):
- Threshold performance was set at 98% of the relevant financial KPIs at budget. Threshold performance reflected the minimum required performance level before any EIP payment could be made with respect to that KPI.
- Target performance was set at 100% of the relevant budgeted KPIs.
- Maximum performance was set at 110% of the relevant budgeted KPIs.

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

Operational KPIs
Operational KPIs include a set of measures focused on production capability, working capital and operational excellence which drive improvement in cost competitiveness and production quality.

Specific functional Operational KPIs for 2016, which were financial or non-financial, were set by the CEO in the Executives' annual performance plan and formed part of Executives' 2016 key objectives. Reward payments for achievement of non-financial measures would be adjusted in accordance with the Company's NPAT result against budget.

Safety
To reflect the Company's commitment to providing a safe workplace for all employees, contractors and visitors.

Corporate safety measures including Lost Time Injury Frequency Rate (LTIFR) and Target Injury Frequency Rate (TIFR) were set at improved levels to 2015 performance. If achieved, reward payments for the safety component would be aligned to the Company's NPAT result.

2016 EIP payments

For the 2016 performance year, the Company did not achieve the gateway hurdle of NPAT at Threshold level. As a consequence, there were no EIP payments for 2016 to the CEO or any of the KMP.

The Board did not make discretionary EIP payments to any of the KMP.

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 2016. For the purpose of comparison, remuneration for the year ended 31 December 2015 is also provided.

Name Position	Year	Fixed Remuneration			Variable Remuneration[5]		Total Remuneration
		Cash salary/Fee	Superannuation	Total FR	EIP (Cash)	EIP (Equity)	
CEO and KMP Executives							
Peter Diplaris	2016	865,000	35,000	900,000	-	119,208	1,019,208
CEO	2015	715,000	35,000	750,000	238,416	119,208	1,107,624
Paul Townsend	2016	413,500	32,500	446,000	-	41,008	487,008
CFO	2015	400,000	30,000	430,000	82,015	41,008	553,023
Andrew Phillips	2016	378,200	35,000	413,200	-	20,859	434,059
EGM Consumer Marketing	2015	365,000	35,000	400,000	41,717	20,859	462,576
Scott Pannell	2016	367,335	25,000	392,335	-	20,598	412,933
EGM Consumer Sales	2015	365,000	30,208	395,208	41,196	20,598	457,002
Sid Takla	2016	370,000	30,000	400,000	-	43,156	443,156
EGM B2B	2015	340,000	30,000	370,000	86,312	43,156	499,468
Willie Wiese	2016	391,341	32,083	423,424	-	36,977	460,401
COO	2015	425,000	35,000	460,000	73,954	36,977	570,931
Paul Honey[1]	2016	22,725	2,273	24,998	-	-	24,998
EGM Manufacturing	2015	-	-	-	-	-	-
Subtotal	**2016**	**2,808,101**	**191,856**	**2,999,957**	**-**	**281,806**	**3,281,763**
	2015	**2,610,000**	**195,208**	**2,805,208**	**563,610**	**281,806**	**3,650,624**
Non-Executive Directors							
Harry Boon	2016	280,538	19,462	300,000	-	-	300,000
	2015	280,954	19,046	300,000	-	-	300,000
Sue Morphet	2016	110,538	19,462	130,000	-	-	130,000
	2015	110,954	19,046	130,000	-	-	130,000
JoAnne Stephenson	2016	110,538	19,462	130,000	-	-	130,000
	2015	110,954	19,046	130,000	-	-	130,000
Mats Berencreutz[2]	2016	110,000	-	110,000	-	-	110,000
	2015	27,500	-	27,500	-	-	27,500
Nils Lindholm[3]	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Robert Sjostrom[4]	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Subtotal	**2016**	**611,614**	**58,386**	**670,000**	**-**	**-**	**670,000**
	2015	**530,362**	**57,138**	**587,500**	**-**	**-**	**587,500**

[1] *Paul Honey was appointed to the position of EGM, Manufacturing effective from 1 December 2016.*

[2] *The Company commenced paying Mats Berencreutz a fee of $110,000 per annum effective 1 October 2015. He received remuneration for the full year of 2016.*

[3] *Nils Lindholm was a representative of SCA Group Holdings BV on the Asaleo Care Ltd Board. His resignation took effect on 26 April 2016. He was remunerated by an SCA Group Company pursuant to his employment arrangements with that entity and received no remuneration from any Asaleo Care Group Company for his directorship of Asaleo Care Ltd.*

[4] *Robert Sjostrom is a representative of SCA Group Holdings BV on the Asaleo Care Ltd Board. He was appointed on 26 April 2016. He is remunerated by an SCA Group Company pursuant to his employment arrangements with that entity and receives no remuneration from any Asaleo Care Group Company for his directorship of Asaleo Care Ltd.*

[5] *No EIP payment was made to any of the KMP for the 2016 performance year. The values of the EIP Equity reported in the 2015 and 2016 figures relate to the 2015 performance year. These values were awarded in the form of share rights. The number of share rights were determined by using the volume weighted average price of the Company's shares as traded on ASX (rounded down to the nearest whole share) over a 5-day period leading up to and including 11 March 2016.*

Remuneration Report

Company Performance over the Last Five Years

The following table shows the Company performance over the last five years.

	2016 Underlying[1]	2015 Underlying[1]	2014 Pro Forma[1]	2013 Pro Forma[1]	2012 Pro Forma[1]
Revenue (A$ million)	605.9	622.2	629.9	625.1	615.3
EBITDA (A$ million)	130.7	145.2	140.8	124.6	105.6
NPAT ($A million)	64.6	76.1	72.3	61.5	47.6
Operating Cash Flow (A$ million)	79.0	116.1	92.6	125.6	123.6
Occupational Health and Safety (TIFR)[2]	16.61	9.36	11.50	7.82	12.13
Total CEO and KMP Executive incentives as percentage of NPAT[3]	0.0%	1.1%	0.0%	2.0%	2.8%

[1] *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 operating structure. Pro Forma operating cash flow numbers exclude Performance Improvement capital expenditure.*
[2] *Occupational Health and Safety measures including targets with respect to injury rates aim to provide a safe workplace for all employees, contractors and visitors.*
[3] *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
Peter Diplaris CEO	16 May 2011	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Paul Townsend CFO	23 July 2012	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Andrew Phillips EGM Consumer Marketing	4 June 2012	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Scott Pannell[1] EGM Consumer Sales	5 September 2011	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Sid Takla EGM B2B	12 February 2007	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Willie Wiese[2] COO	29 October 2012	Permanent Full Time	9 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*
Paul Honey[3] EGM Manufacturing	21 November 2012	Permanent Full Time	6 months	3 months	Notice period plus redundancy payment under the *Fair Work Act 2009*

[1] *Resigned effective 20 October 2016.*
[2] *Resigned effective 3 January 2017.*
[3] *Appointed to the position of EGM Manufacturing effective 1 December 2016.*

The Company may terminate the employment of the CEO and/or KMP Executives by providing nine months' notice or payment in lieu of notice and for the EGM Manufacturing, six months' notice or payment in lieu of notice. 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 the CEO and 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, NEDs 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 are 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 2016.

The 2016 annual fees are set out in the table below.

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

* *Nils Lindholm and Robert Sjostrom are representatives of SCA Group Holdings BV on the Asaleo Care Ltd Board. They are remunerated by an SCA Group Company pursuant to their employment arrangements with that entity and receive no remuneration from any Asaleo Care Group Company for their directorship of Asaleo Care Ltd.*

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 or from their appointment.

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 2016. It also includes the number of shares which were converted from share rights issued as a result of EIP award for the 2015 performance year.

Name	Registered Holding	Balance at 31/12/2015	Purchased Allotted	Sold	Balance at 31/12/2016	Shares Allotted 3/1/2017[3]
Peter Diplaris CEO	NETHERLEE INVESTMENTS PTY LTD (THE DIPLARIS FAMILY TRUST)	2,178,802	-	-	2,178,802	133,881
Paul Townsend CFO	PW INVESTMENTS PTY LTD AS TRUSTEE FOR THE TOWNSEND FAMILY TRUST	576,267	-	-	576,267	46,055
Andrew Phillips EGM Consumer Marketing	ANDREW PHILLIPS AND MELINDA PHILLIPS AS TRUSTEES FOR THE PHILLIPS FAMILY TRUST	394,193	-	-	394,193	23,426
Scott Pannell EGM Consumer Sales	PANNELL HOLDINGS PTY LTD AS TRUSTEE FOR THE PANNELL HOLDINGS TRUST	563,134	-	563,134	-	-
Sid Takla EGM B2B	NIDO D'ORO PTY LTD AS TRUSTEE FOR THE NIDO D'ORO TRUST	857,564	-	294,430	563,134	48,467
Willie Wiese COO	WIESENHAUS PTY LTD FOR THE WIESE FAMILY TRUST	563,134	-	-	563,134	41,528
Paul Honey[1] EGM Manufacturing	PAUL HONEY	531	-	-	531	-
Harry Boon NED	TORRESDALE SUPER NOMINEES PTY LTD (V & H BOON SUPER FUND A/C)	121,212	25,000	-	146,212	-
Sue Morphet[2] NED	MORPHET SUPERANNUATION FUND PTY LTD	33,333	-	-	-	-
JoAnne Stephenson NED	LARSTEP PTY LTD AS TRUSTEE FOR STELLAR SUPER FUND	18,000	32,000	-	50,000	-
Mats Berencreutz NED	-	-	-	-	-	

Nils Lindholm NED	-	-	-	-	-
Robert Sjostrom NED	-	-	-	-	-

[1] Paul Honey received ordinary shares granted under the "Employee Award Offer" upon listing in 2014 and held in the "holding lock" until 21 August 2017 or termination, whichever is earlier.

[2] Sue Morphet ceased to have an interest in Company shares as a result of her resigning as a Director of the Trustee of the Superannuation Fund which held those shares. This followed a change to personal circumstances. It is her intention to acquire shares in the Company in Q1 2017 so she will be in adherence with Board protocol regarding independent non-executive Directors having a shareholding in the Company.

[3] Share rights for the 2015 performance year were converted into restricted ordinary shares on 3 January 2017 on a 1 for 1 basis. These restricted ordinary shares are subject to a 3 year holding lock until 31 December 2019. Number of share rights allocated were determined by using the volume weighted average price of the Company's shares as traded on ASX (rounded down to the nearest whole share) over a 5-day period leading up to and including 11 March 2016. In accordance with the EIP rules, Scott Pannell forfeited his share rights due to resignation.

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.

Harry Boon
Chairman

Dated this 22nd day of February 2017

Auditor's Independence Declaration

As lead auditor for the audit of Asaleo Care Limited for the year ended 31 December 2016, 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.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
22 February 2017

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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.

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.

Contents

Consolidated Statement of Comprehensive Income
for the Year Ended 31 December

	Notes	2016 $'000	2015 $'000
Revenue from operations			
Sale of goods	1.1	**605,899**	622,216
Other revenue from ordinary activities		**868**	425
		606,767	622,641
Other income		**49**	828
Expenses			
Cost of sales of goods		**(364,599)**	(356,576)
Other expenses from ordinary activities			
Distribution		**(70,891)**	(72,162)
Sales and administration		**(62,758)**	(71,537)
Other	1.1	**(14,363)**	(6,593)
Finance costs	3.1	**(10,872)**	(10,604)
Profit before income tax		**83,333**	105,997
Income tax expense	1.2	**(24,378)**	(30,371)
Profit for the period		**58,955**	75,626
Item that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	3.5	**1,181**	(7,129)
Exchange differences on translation of foreign operations	3.5	**4,792**	(3,167)
Income tax relating to these items	3.5	**(1,032)**	2,604
Other comprehensive income / (loss) for the period, net of tax		**4,941**	(7,692)
Total comprehensive income for the period		**63,896**	67,934
Total comprehensive income for the period is attributable to:			
Owners of Asaleo Care Ltd		**63,896**	67,934
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	1.3	**10.5**	12.6
Diluted earnings per share	1.3	**10.5**	12.6

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

Consolidated Balance sheet
As at 31 December

	Notes	2016 $'000	Restated* 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	3.1	**30,348**	35,153
Trade receivables	2.1	**20,628**	16,832
Inventories	2.1	**164,656**	159,369
Derivative financial instruments	3.3	**2,911**	3,085
Other current assets	2.1	**5,438**	5,470
Total current assets		**223,981**	219,909
Non-current assets			
Property, plant and equipment	2.2	**358,531**	360,111
Intangible assets	2.3	**190,785**	189,531
Total non-current assets		**549,316**	549,642
Total assets		**773,297**	769,551
LIABILITIES			
Current liabilities			
Trade payables	2.1	**56,533**	62,113
Other payables	2.1	**18,670**	24,619
Current tax liabilities	1.2	**4,028**	2,044
Derivative financial instruments	3.3	**4,199**	3,994
Employee provisions	4.3	**20,322**	21,058
Total current liabilities		**103,752**	113,828
Non-current liabilities			
Borrowings	3.1	**323,686**	294,591
Deferred tax liabilities	1.2	**37,818**	27,196
Employee provisions	4.3	**653**	636
Other non-current provisions	2.1	**-**	186
Total non-current liabilities		**362,157**	322,609
Total liabilities		**465,909**	436,437
Net assets		**307,388**	333,114
EQUITY			
Contributed equity	3.4	**265,303**	298,226
Other reserves	3.5	**38,789**	34,153
Retained earnings		**3,296**	735
Total equity		**307,388**	333,114

∗ Refer to section 2.1(b) for detail of the restatement

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

Consolidated Statement of Changes in Equity

	Notes	Attributable to owners of Asaleo Care Ltd			
		Contributed equity $'000	Reserves $'000	Retained earnings / (losses) $'000	Total equity $'000
Balance at 1 January 2015		360,405	41,646	(14,218)	387,833
Adjustment for voluntary restatement	2.1(b)	-	(106)	(3,947)	(4,053)
Restated total equity at the beginning of the financial year		**360,405**	**41,540**	**(18,165)**	**383,780**
Profit for the period		-	-	75,626	75,626
Other comprehensive loss		-	(7,692)	-	(7,692)
Total comprehensive income / (loss) for the period		**-**	**(7,692)**	**75,626**	**67,934**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	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	1.4	-	-	(56,726)	(56,726)
Share-based payments		-	305	-	305
Balance at 31 December 2015		**298,226**	**34,153**	**735**	**333,114**
Balance at 1 January 2016		298,226	34,153	735	333,114
Profit for the period		-	-	58,955	58,955
Other comprehensive income		-	4,941	-	4,941
Total comprehensive income) for the period		**-**	**4,941**	**58,955**	**63,896**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	3.4	(5)	-	-	(5)
Buy-back of shares, net of transaction costs and tax	3.4	(32,918)	-	-	(32,918)
Dividends provided for or paid	1.4	-	-	(56,394)	(56,394)
Share-based payments		-	(305)	-	(305)
		(32,923)	(305)	(56,394)	(89,622)
Balance at 31 December 2016		**265,303**	**38,789**	**3,296**	**307,388**

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	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**665,397**	693,717
Payments to suppliers and employees (inclusive of goods and services tax)		**(561,848)**	(554,367)
		103,549	139,350
Income taxes paid		**(12,700)**	(8,220)
Interest received		**309**	424
Borrowing costs		**(10,938)**	(14,489)
Net cash inflow from operating activities	3.1	**80,220**	117,065
Cash flows from investing activities			
Payments for property, plant and equipment	2.2	**(24,964)**	(22,459)
Proceeds from sale of property, plant and equipment		**53**	53
Payments for intangible assets	2.3	**(59)**	(416)
Net cash (outflow) from investing activities		**(24,970)**	(22,822)
Cash flows from financing activities			
Proceeds from borrowings	3.1	**85,000**	105,000
Repayment of borrowings	3.1	**(55,000)**	(80,000)
Payments for shares bought back	3.4	**(32,918)**	(62,084)
Share buy-back transaction costs	3.4	**(56)**	(124)
Dividends paid to company's shareholders	1.4	**(56,394)**	(56,726)
Debt raising costs		**(1,097)**	(175)
Net cash (outflow) from financing activities		**(60,465)**	(94,109)
Net (decrease) increase in cash and cash equivalents		**(5,215)**	134
Cash and cash equivalents at the beginning of the financial year		**35,153**	35,379
Effects of exchange rate changes on cash and cash equivalents		**410**	(360)
Cash and cash equivalents at end of period		**30,348**	35,153

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

Section 1: Our Performance

In this section

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

- Underlying EBITDA of $130.7 million
- Statutory NPAT of $59 million
- Statutory EPS of 10.5 cents per share
- Partially franked (50%) 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 Executives 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:

2016	**Tissue** $'000	**Personal Care** $'000	**Total** $'000
Revenue from continuing operations	**423,200**	**182,699**	**605,899**
Underlying EBITDA	**63,755**	**66,933**	**130,688**
Total segment assets	**540,605**	**229,781**	**770,386**
Total segment liabilities	**69,712**	**19,861**	**89,573**
2015			
Revenue from continuing operations	429,389	192,827	622,216
Underlying EBITDA	73,242	72,007	145,249
Total segment assets	546,705	219,761	766,466
Total segment liabilities	78,110	23,243	101,353

1.1 Segment information (continued)

(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 $436.9 million (2015: $447.2 million), in New Zealand $146.1 million (2015: $155.0 million) and in other countries is $22.9 million (2015: $20.0 million). Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately $235.5 million (2015: $258.8 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.

1.1 Segment information (continued)

(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 and one-off manufacturing related costs to ensure comparability of the underlying operating result. 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:

	2016	2015
	$'000	$'000
Underlying EBITDA	**130,688**	145,249
Finance costs	**(10,872)**	(10,604)
Interest received	**307**	425
Depreciation	**(29,104)**	(26,685)
Amortisation	**(57)**	(16)
Restructuring costs*	**(615)**	(1,476)
Feminine product innovation*	**(1,042)**	-
Nappy machine upgrade and relocation*	**(2,043)**	-
Non-recurring manufacturing expenses*	**(862)**	-
Abnormal third party warehouse expenses*	**(2,442)**	-
Other*	**(625)**	(896)
Profit before income tax from continuing operations	**83,333**	105,997

* These expenses are included in other expenses in the Consolidated Statement of Comprehensive Income

(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 $383.1 million (2015: $388.8 million), in New Zealand $161.7 million (2015: $156.6 million) and located in other countries is $4.5 million (2015: $4.2 million).

(f) Segment Liabilities

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

	2016	2015
	$'000	$'000
Segment liabilities	**89,573**	101,353
Unallocated:		
Current tax liabilities	**4,028**	2,044
Accrued interest on borrowings - current	**536**	793
GST Payable	**6,069**	6,466
Derivative financial instruments	**4,199**	3,994
Deferred tax liabilities	**37,818**	27,196
Borrowings - non current	**323,686**	294,591
Total liabilities as per the Consolidated Balance Sheet	**465,909**	436,437

1.2 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.

(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

1.2 Income Taxes (continued)

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 utilized
- 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

	2016	2015
	$'000	$'000
Profit from continuing operations before income tax expense	**83,333**	105,997
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	**25,000**	31,799
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	**(103)**	(132)
	24,897	31,667
Difference in overseas tax rates	**(625)**	(896)
Adjustments for current tax of prior periods	**106**	(400)
Income tax expense	**24,378**	30,371

Comprising of:		
Current tax	**13,960**	9,775
Deferred tax	**10,312**	20,996
Adjustments for current tax of prior periods	**106**	(400)
	24,378	30,371

1.2 Income Taxes (continued)

(c) Deferred tax liabilities

	2016	Restated 2015
	$'000	$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**15,333**	13,803
Intangible assets	**35,426**	35,252
Employee benefits	**(5,943)**	(6,180)
Blackhole expenditure	**(5,310)**	(8,745)
Research and development expenditure	**-**	(4,588)
Provisions for customer rebates	**(2,372)**	(1,693)
Inventories	**(383)**	(470)
Cash flow hedges	**161**	446
Other	**906**	(629)
	37,818	27,196
Deferred tax (assets) expected to be settled within 12 months	**(11,229)**	(16,765)
Deferred tax liabilities expected to be settled after 12 months	**49,047**	43,961
	37,818	27,196
Movements:		
Opening balance	**27,196**	8,833
Charged/credited:		
- profit or loss	**10,312**	20,996
- to other comprehensive income	**310**	(2,604)
- directly to equity	**-**	(29)
	37,818	27,196

(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.

1.2 Income Taxes (continued)

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.
- assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.
- any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Amounts receivable of $4 million (2015: $9 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.

1.3 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 calculation of earnings per share was based on the information as follows:

(a) Earnings per share

	2016 Cents	2015 Cents
Basic earnings per share	**10.5**	12.6
Diluted earnings per share	**10.5**	12.6

(b) Weighted average number of shares used as denominator

	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**559,891,610**	599,515,001
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	**559,891,610**	599,903,338

1.4 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.

	2016	2015
	$'000	$'000
2015 final dividend at 6.0 cents per share (2014: 5.4 cents per share)	**33,988**	32,587
2016 interim dividend at 4.0 cents per share (2015: 4.0 cents per share)	**22,406**	24,139
Total dividend paid	**56,394**	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 partially franked as the Group does not currently have sufficient Australian franking credits available to fully frank the distribution. The aggregate amount of the proposed dividend expected to be paid on 23 March 2017 out of the dividend appropriation reserve at 31 December 2016, but not recognised as a liability at period end, is $32.8 million.

(i) Franking account

Franking credits are available to shareholders of the Company at the corporate tax rate. Both the interim and final dividend for 2016 are 50.0% franked (2015: final and interim dividend unfranked). The balance of the franking credits available for the 2016 final dividend is $2.5 million (2015: nil); it is estimated that this will reduce by $7.0 million (2015: nil) after payment of the proposed final dividend in March 2017. The Company is of the opinion that sufficient franking credits, to eliminate the deficit, will arise from tax instalments expected to be paid in the year ending 31 December 2017.

(ii) Imputation Account

As the Company has significant operations in New Zealand and in-turn shareholders who are New Zealand based the Company has elected to be part of the Australian and New Zealand government's Trans-Tasman Imputation System to allow access for New Zealand based shareholders to the New Zealand sourced imputation credits of the Company. The head of the Imputation Group in New Zealand is Asaleo Care Limited (New Zealand). The balance of the imputation credits available as at 31 December 2016 is NZ$5.1 million (2015: NZ$5.0 million); it is estimated that this will reduce by NZ$4.4 million (2015: NZ$3.8 million) after payment of the proposed final dividend in March 2017.

(iii) Conduit Foreign Income Account

For Australian tax purposes non-resident shareholder dividends will not be subject to Australian withholding tax to the extent that they are franked or sourced from the Company's Conduit Foreign Income Account. For the 2016 interim dividend, 40.0% of the dividend was sourced from the Company's Conduit Foreign Income account and it is proposed that 25.0% of the final dividend will be sourced from Conduit Foreign Income (2015: final dividend 50.0%, interim dividend 60.0%). As a result at least 75.0% of the proposed final 2016 dividend and 90.0% of the interim dividend paid to non-residents will not be subject to Australian withholding tax. The balance of the Conduit Foreign Income Account as at 31 December 2016 is $8.5 million (2015: $18.1 million). It is estimated that this will reduce by $8.2 million (2015: $17.0 million) after payment of the proposed final dividend in March 2017.

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

	2016 $'000	Restated 2015 $'000
Inventories	**164,656**	159,369
Trade receivables	**20,628**	16,832
Other current assets	**5,438**	5,470
Trade payables	**(56,533)**	(62,113)
Other payables	**(18,670)**	(24,619)
Employee provisions	**(20,322)**	(21,058)
Employee provisions - non-current	**(653)**	(636)
Other non-current provisions	**-**	(186)
	94,544	73,059
Add back: Accrued interest	**536**	793
Total working capital	**95,080**	73,852

Employee provisions are detailed in section 4.3.

(a) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs incurred in bringing each product to its existing location and condition are accounted for as follows:

- Raw materials - purchase cost on a weighted average cost formula
- Manufactured finished goods and work in progress - cost of direct material and labour and an appropriate proportion of production and variable overheads incurred in the normal course of business.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

	2016 $'000	2015 $'000
Raw materials and stores	**41,418**	44,453
Work in progress	**10,689**	17,242
Finished goods	**112,549**	97,674
	164,656	159,369

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 2016 amounted to $359.3 million (2015: $336.4 million). These were included in cost of sales.

Write-downs of inventories amounted to $2.8 million (2015: $2.4 million). These were recognised as an expense during the year ended 31 December 2016 and included in 'cost of sales' in profit or loss.

2.1 Working Capital (continued)

(b) Trade receivables

Trade receivables are:

- Recognised initially at fair value, which is generally invoice amount, 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.

	2016 $'000	Restated 2015 $'000
Trade receivables	**20,653**	16,862
Provision for impairment of receivables	**(25)**	(30)
	20,628	16,832

*

Key judgements and estimates

Trade receivables are disclosed net of rebates payable. The Group has the legal right to offset such balances as they are with the same customers and it is the Group's intention to net settle any outstanding items.

The main judgement related to accruals for customer rebates is the timing and extent to which temporary promotional activity has occurred prior to year-end. Customer rebates consist primarily of customer pricing allowances and promotional allowances, which are governed by agreements with our trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience.

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 2016, the amount of provision for doubtful debts was $25,099 (2015: $30,107) relating to overdue debts.

(i) Voluntary restatement

The Group made a change to its go-to-market pricing strategy in the Tork Professional Hygiene division in New Zealand at the beginning of 2016. As a result of this change, it became apparent that the Group was not adequately provided for future price support claims relating to our contracted customers' stock on hand balance.

Due to the consistent revenue growth and increase in the proportion of contracted sales in the Tork Professional Hygiene and Healthcare divisions, the unrecognised accrual has gradually increased over many years. Accordingly, the Group is of the opinion that adjusting the opening 1 January 2015 retained earnings position is more appropriate than recognising the full adjustment to the provision in the Income Statement for period ending 31 December 2016.

The price support provision within Trade Receivables has been restated for the comparative line items within the Consolidated Balance Sheet that were affected as set out below:

	2015 $'000	**Increase/ (Decrease) $'000**	**(Restated) 2015 $'000**
Consolidated Balance Sheet (extract)			
Trade receivables	22,578	(5,746)	16,832
Deferred tax liabilities	(28,889)	1,693	(27,196)
Net assets	**337,167**	**(4,053)**	**333,114**
Retained earnings	(4,682)	3,947	(735)
Foreign currency translation reserve	(19,404)	106	(19,298)
Total equity	(337,167)	4,053	(333,114)

2.1 Working Capital (continued)

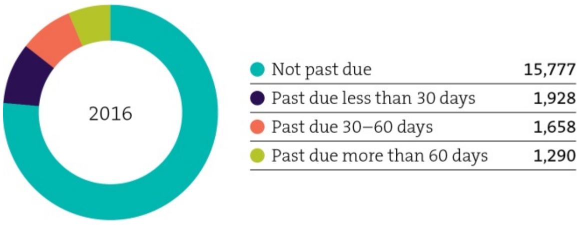
(b) Trade receivables (continued)

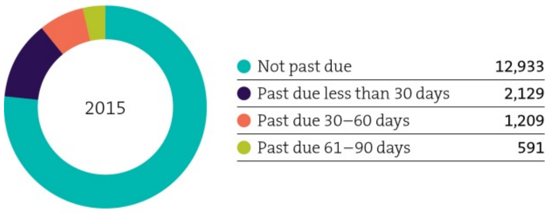
The Group has determined that the impact on the 2015 profit and loss was immaterial in relation to the net impact as well as the overall adjustment and therefore not restated in these Financial Statements. The impact on the 2015 profit and loss before tax has been calculated to be approximately $993,000 (net profit after tax: $691,000).

Basic and diluted earnings per share for the year ended 31 December 2015 were also immaterially impacted by the adjustment to net profit after tax. No restatement has been made in these financial statements.

(ii) Past due but not impaired

As at 31 December 2016, trade receivables of $4.9 million were past due but not impaired (2015: $3.9 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.

	2016	2015
	$'000	$'000
Trade payables	**43,735**	46,316
Amounts due to related parties	**12,798**	15,797
	56,533	62,113

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

2.1 Working Capital (continued)

(d) Other payables

	2016	2015
	$'000	$'000
Accrued interest on borrowings	**536**	793
Accrued expenses	**10,955**	15,605
Payroll tax and other statutory liabilities	**6,832**	7,296
Other payables	**347**	925
	18,670	24,619

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**
Depreciation Policy	**Nil**	**5%-33%**	**5%-33%**	**0-33%**	
Year ended 31 December 2015					
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
Year ended 31 December 2016					
Opening net book amount	34,742	62,312	230,647	32,410	360,111
Exchange differences	59	276	1,943	282	2,560
Reclassification of Asset Class	146	1,957	32,952	(35,055)	-
Additions	-	644	4,887	19,433	24,964
Depreciation charge	-	(4,745)	(24,359)	-	(29,104)
Closing net book amount	**34,947**	**60,444**	**246,070**	**17,070**	**358,531**

2.2 Property, Plant and Equipment and Capital Commitments (continued)

(a) Capital commitments

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

	2016 $'000	2015 $'000
Property, plant and equipment	**1,421**	1,971

(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 $15.8 million (2015: $16.4 million) are charged to profit or loss on a straight-line basis over the period of the lease.

	2016 $'000	2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**13,402**	14,926
Later than one year but not later than five years	**32,601**	27,038
Later than five years	**889**	3,941
	46,892	45,905

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.

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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.

2.3 Intangible Assets (continued)

	Goodwill $'000	Brands and other rights $'000	Total $'000
At 1 January 2015			
Cost	70,784	119,301	190,085
Opening net book amount	70,784	119,301	190,085
Additions	-	416	416
Exchange differences	(503)	(451)	(954)
Amortisation charge	-	(16)	(16)
Closing net book amount as at 31 December 2015	70,281	119,250	189,531
Additions	-	59	59
Exchange differences	657	595	1,252
Amortisation charge	-	(57)	(57)
Closing net book amount as at 31 December 2016	**70,938**	**119,847**	**190,785**

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 FY17 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.

2015	**Tissue Australia**	**Personal Care Australia**	**Tissue New Zealand**	**Personal Care New Zealand**	**Total**
Goodwill	18,991	23,212	12,635	15,443	70,281
Brands	23,041	70,819	7,444	17,946	119,250
					189,531
2016					
Goodwill	18,991	23,212	12,931	15,804	70,938
Brands	23,039	70,824	7,617	18,367	119,847
					190,785

2.3 Intangible Assets (continued)

The review for impairment at 31 December 2016 did not result in impairment charges being recognised and a reasonable change in assumptions to the inputs to the impairment model did not cause the recoverable amount of the CGUs to be below their respective carrying amounts.

However, the Tissue - Australia CGU had limited headroom after taking into account a reasonable possible change in assumptions. There is judgement and estimates in the determination of the recoverable amount based on a discounted cash flow model prepared under a value in use methodology. The key judgements are outlined below.

The impairment test calculations included assumptions pertaining to the five year growth rate, terminal growth rate and the pre-tax discount rate. In 2016, a five year and terminal growth rate of 2.5% were assumed across all CGUs (2015: 2.5%). In 2016, a pre-tax discount rate of 11.1% was used (2015: 11.3%). The movement in the pre-tax discount rate is due to a reduction in Asaleo Care's average asset beta which is consistent with comparable companies.

*

Key judgements and estimates

The determination of impairment involves the use of judgements and estimates that include, but are not limited to, the cause, timing and measurement of the impairment.

Management is required to make significant judgements concerning future cash flows, including changes in competitive positions, expectations of growth, cost of capital and the determination of fair values when assessing the recoverable amount of assets (or groups of assets). Inputs into these valuations require assumptions and estimates to be made about forecast earnings before interest and tax and related future cash flows, growth rates, applicable discount rates, useful lives and residual values.

The judgements, estimates and assumptions used in assessing impairment are management's best estimates based on current and forecast market conditions. Changes in economic and operating conditions impacting these assumptions could result in changes in the recognition of impairment charges in future periods.

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 2016. This included the continued on-market share buy-back which commenced on 1 October 2015 and has resulted in the acquisition of 57,542,929 ordinary shares for a consideration of $95.0 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

	2016 $'000	2015 $'000
Bank loans	**325,000**	295,000
Accrued interest on borrowings	**536**	793
Cash and cash equivalents	**(30,348)**	(35,153)
Net debt	**295,188**	260,640

(a) Borrowings

	2016 $'000	2015 $'000
Unsecured		
Bank loans	**325,000**	295,000
Capitalised borrowing costs	**(1,314)**	(409)
Total unsecured non-current borrowings	**323,686**	294,591

(i) Secured liabilities and assets pledged as security

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

3.1 Elements of Net Debt (continued)

(ii) Financial undertakings and refinancing

As at 31 December 2016, the Group was compliant with all financial undertakings of the syndicated facility agreement.

The Company renegotiated and extended the maturity of two its revolving cash advance financing facilities in December 2016.

Facility	Facility limit	Maturity at 31 December 2015	Maturity at 31 December 2016
Facility A	$157.5 million	30 June 2017*	**30 September 2021**
Facility B	$157.5 million	30 June 2019	**30 June 2019**
Facility C	$35 million	30 June 2017*	**30 September 2020**

* As at 30 June 2016 facilities A&C had a short-term extension until 30 September 2017

The Facility B commitment of $157.5 million was excluded from the renegotiation to preserve favourable pricing and matures on 30 June 2019.

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

	2016	2015
	$'000	$'000
Profit for the period	**58,955**	75,626
Depreciation and amortisation	**29,161**	26,702
Net (gain)/ loss on sale of non-current assets	**(49)**	54
Change in operating assets and liabilities:		
Decrease in tax balances	**12,246**	21,337
(Increase)/Decrease in trade debtors and other receivables	**(1,573)**	7,910
(Increase) in inventories	**(5,287)**	(20,133)
(Decrease) / increase in trade creditors and other provisions	**(13,233)**	5,569
Net cash inflow from operating activities	**80,220**	117,065

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.

3.1 Elements of Net Debt (continued)

(c) Financing costs

	2016 $'000	2015 $'000
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	**10,573**	10,063
Debt establishment cost amortisation	**191**	120
Facility fees	**108**	421
Total finance costs	**10,872**	10,604

During 2016, $1.1 million of borrowing costs were capitalised (2015: $0.2 million).

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 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 the anticipated cash flows of the US$, EUR and CA$, both in terms of size and term related to:

- Approved investment projects (100%); and
- Inventory purchases denominated in foreign currencies (75-100%).

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

3.2 Financial Risk Management (continued)

(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. 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:

	2016		2015	
	Weighted Average Interest Rate %	**Balance $'000**	Weighted Average Interest Rate %	Balance $'000
Bank overdrafts and bank loans	**3.3%**	**325,000**	3.4%	295,000
Less amounts covered by interest rate swaps	**3.5%**	**(220,000)**	3.6%	(200,000)
Net exposure to cash flow interest rate risk		**105,000**		95,000

The interest rate and term is determined at the date of each drawdown. The weighted average interest rate for the year ended 31 December 2016 was 3.4% (2015: 3.9%). At 31 December 2016, if the weighted average interest rate of the facility had been 10% higher or 10% lower, interest expense would increase / decrease by $1.1 million (2015: $1.0 million). There would be an associated impact to equity of $0.8 million (2015: $0.7 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 section 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.

3.2 Financial Risk Management (continued)

(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:

	2016	2015
	$'000	$'000
Floating rate		
- Expiring beyond one year (core facility)	**23,500**	53,500
- Expiring beyond one year (working capital facility)	**669**	229
	24,169	53,729

In addition to the above, the Group entered into an accounts receivable securitisation facility during 2015. The undrawn amount at the end of the reporting period was $3.6 million (2015 $2.6 million).

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

Maturities of financial liabilities

The table below analyses 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.

3.2 Financial Risk Management (continued)

(d) Management of liquidity risk (continued)

At 31 December 2016	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
Non-derivatives						
Trade payables	**56,533**	**-**	**-**	**-**	**56,533**	**56,533**
Other payables	**18,671**	**-**	**-**	**-**	**18,671**	**18,671**
Borrowings	**5,296**	**5,384**	**10,680**	**342,427**	**363,787**	**325,000**
Capitalised borrowing costs	**(164)**	**(167)**	**(331)**	**(652)**	**(1,314)**	**(1,314)**
Total non-derivatives	**80,336**	**5,217**	**10,349**	**341,775**	**437,677**	**398,890**
Derivatives						
Net settled (interest rate swaps)	**86**	**(233)**	**-**	**-**	**(147)**	**(147)**
Other hedging instruments	**209**	**106**	**-**	**-**	**315**	**315**
	295	**(127)**	**-**	**-**	**168**	**168**
Gross settled (forward foreign exchange contracts -cash flow hedges)						
- (inflow)	**(99,434)**	**(71,857)**	**-**	**-**	**(171,291)**	**-**
- outflow	**102,267**	**70,911**	**-**	**-**	**173,178**	**1,120**
	2,833	**(946)**	**-**	**-**	**1,887**	**1,120**
At 31 December 2015						
Non-derivatives						
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)
Total non-derivatives	91,485	4,805	197,465	109,161	402,916	381,323
Derivatives						
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

3.3 Derivative Financial Instruments

	2016 $'000	2015 $'000
Current assets		
Interest rate swap contracts - cash flow hedges	**147**	-
Forward foreign exchange contracts - cash flow hedges	**2,764**	3,032
Other hedging instruments	**-**	53
Total current derivative financial instrument assets	**2,911**	3,085
Current liabilities		
Interest rate swap contracts - cash flow hedges	**-**	28
Forward foreign exchange contracts - cash flow hedges	**3,884**	3,966
Other hedging instruments	**315**	-
Total current derivative financial instrument liabilities	**4,199**	3,994
	(1,288)	(909)

Interest rate swap contracts – cash flow hedges
The Group manages interest rate risk through swap contracts in accordance with the Financial Risk Management policy.

Bank loans of the Group currently bear an average variable interest rate of 3.3% (2015: 3.4%). 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 for a 12 month rolling period

As at 31 December 2016 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 2016 ranged between 2.91% and 3.71% (2015: 3.51% and 4.01%) and the variable rates are between 0.97% and 1.76% above the 90-day bank bill rate, which at the end of the reporting period was 1.80% (2015: 2.33%).

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 2016, a loss of $0.1 million was reclassified into profit or loss (2015: loss of $0.4 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 2016, a gain of $0.3 million (2015: loss of $1.9 million) was recognised in the profit or loss.

3.3 Derivative Financial Instruments (continued)

(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.

3.3 Derivative Financial Instruments (continued)

(b) Fair value measurements

Asaleo Care Ltd 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 2016 and 2015, the Group's derivative instruments were all level 2:

- Derivative financial assets $2,911,000 (2015: $3,085,000)
- Derivative financial liabilities $4,199,000 (2015: $3,994,000)

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	Average price	$'000
	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)
	Transaction costs on share buy-back	-	-	(124)
	Deferred tax credit recognised directly in equity	-	-	37
	Opening balance	566,472,198	-	298,226
Mar - Dec 2016	Share buy-back*	(20,545,693)	$1.60	(32,918)
		545,926,505		265,308
	2015 transaction costs tax effect true-up	-	-	(1)
	Transaction costs on share buy-back	-	-	(6)
	Deferred tax credit recognised directly in equity	-	-	2
	Closing balance	545,926,505	-	265,303

* The share buy-back includes 447,750 Treasury shares bought on market through the period 16 to 19 December 2016 with a value of $669,025. These shares were subsequently cancelled on 5 January 2017.

(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. During 2016 the shares were acquired at an average price of $1.60 (2015: $1.68) per share, with prices ranging from $1.43 to $2.05 (2015: $1.52 to $1.85). The total cost of $32,922,611 (2015: $62,170,500) including $4,360 (2015: $86,658) of after-tax transaction costs, was deducted from contributed equity.

3.5 Reserves

	2016 $'000	Restated 2015 $'000
Movements:		
Cash flow hedges		
Opening balance	**(1,311)**	3,727
Revaluation - gross	**1,181**	(7,129)
Deferred tax	**(361)**	2,091
Balance 31 December	**(491)**	(1,311)
Share-based payments		
Opening balance	**16,166**	15,861
Share plan expense	**223**	305
Employee Share Trust to employees	**(528)**	-
Balance 31 December	**15,861**	16,166
Foreign currency translation		
Opening balance	**19,298**	21,952
Currency translation differences arising during the year	**4,792**	(3,167)
Deferred tax	**(671)**	513
Balance 31 December	**23,419**	19,298

(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, as described in section 3.3(a). 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 issue of shares held by the 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 $7.3 million (2015: $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

	2016	2015
	$	$
Short-term employee benefits	**3,419,715**	3,703,972
Post-employment benefits	**250,242**	252,346
Share-based payments	**281,806**	281,806
	3,951,763	4,238,124

4.2 Share-Based Payments

Share-based compensation benefits are provided to employees via the Executive Incentive Plan (EIP) as discussed below.

(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, share rights and restricted ordinary shares:

- 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) 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 $222,947 (2015: $305,026).

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 $20.3 million (2015: $21.1 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.

	2016	2015
	$'000	$'000
Leave obligations expected to be settled after 12 months	**12,524**	9,004

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	New Zealand	Fiji
AHACS Pty Ltd*	Asaleo Care Ltd (NZ)	Asaleo Holdings Fiji Ltd
Asaleo Holdings Australia Pty Ltd*	Asaleo Holdings New Zealand Ltd	Asaleo Care Fiji Ltd
Australasia Health Services Pty Ltd	Asaleo Care New Zealand Ltd	
Asaleo Tissue Australia Pty Ltd*		
Asaleo Care Australia Pty Ltd*		
Asaleo Personal Care Holdings Pty Ltd*		
Asaleo Personal Care Pty 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 to section 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 2016 of the closed group.

	2016 $'000	2015 $'000
Consolidated Income Statement		
Revenue from continuing operations	**457,141**	464,905
Other revenue from ordinary activities	**22,724**	42,105
Other income	**2,032**	(1,130)
Cost of sales of goods	**(282,038)**	(275,169)
Distribution expenses	**(52,381)**	(54,439)
Sales and administration expenses	**(49,950)**	(57,103)
Finance costs	**(10,853)**	(10,524)
Other expenses	**(9,584)**	(5,621)
Profit before income tax	**77,091**	103,024
Income tax expense	**(17,918)**	(19,564)
Profit for the period	**59,173**	83,460
Other comprehensive income		
Profit for the period	**59,173**	83,460
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges	**1,501**	(4,750)
Income tax relating to these items	**(450)**	1,425
Other comprehensive income/(loss) for the period, net of tax	**1,051**	(3,325)
Total comprehensive income for the period	**60,224**	80,135
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	**(14,636)**	(41,370)
Profit for the year	**59,173**	83,460
Dividends paid	**(56,394)**	(56,726)
Accumulated losses at the end of the financial year	**(11,857)**	(14,636)

5.2 Deed of Cross Guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 December 2016 of the closed group consisting of Asaleo Care Ltd.

	2016	2015
	$'000	$'000
Current assets		
Cash and cash equivalents	**11,434**	17,696
Trade receivables	**108,941**	103,492
Inventories	**110,394**	104,475
Derivatives financial instruments	**2,152**	1,706
Other current assets	**9,631**	9,144
Total current assets	**242,552**	236,513
Non-current assets		
Other financial assets	**10,126**	10,126
Property, plant and equipment	**247,027**	252,793
Intangible assets	**200,891**	200,867
Total non-current assets	**458,044**	463,786
Total assets	**700,596**	700,299
Current liabilities		
Trade payables	**46,373**	50,254
Other payables	**12,629**	19,422
Derivative financial instruments	**1,319**	1,521
Employee provisions	**15,475**	16,458
Current tax liabilities	**2,167**	-
Total current liabilities	**77,963**	87,655
Non-current liabilities		
Borrowings	**323,686**	294,591
Deferred tax liabilities	**28,277**	17,841
Employee provisions	**603**	593
Other non-current provisions	**-**	154
Total non-current liabilities	**352,566**	313,179
Total liabilities	**430,529**	400,834
Net assets	**270,067**	299,465
Equity		
Contributed equity	**265,303**	298,226
Other reserves	**16,621**	15,875
Accumulated losses	**(11,857)**	(14,636)
Total equity	**270,067**	299,465

5.3 Asaleo Care Ltd – Parent Entity

(a) Summary financial information

The parent entity of the Group is Asaleo Care Ltd.

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:

	2016 $'000	2015 $'000
Balance sheet		
Current assets	**187,397**	185,158
Non-current assets	**146,643**	154,146
Total assets	**334,040**	339,304
Current liabilities	**46,686**	47,309
Total liabilities	**46,686**	47,309
Net assets	**287,354**	291,995
Shareholders' equity		
Issued capital	**265,303**	298,226
Reserves		
Share-based payments	**15,861**	16,166
Dividend appropriation reserve	**41,816**	13,229
Accumulated losses	**(35,626)**	(35,626)
	287,354	292,995
Profit for the period	**84,981**	37,175
Total comprehensive income	**84,981**	37,175

Subsequent to year-end, the directors of the subsidiaries have declared and paid a dividend of $20.2 million, which bring the total amount available for distribution to shareholders to $62.0 million.

(b) Other parent entity information

The parent entity:

- has not provided financial guarantees as at 31 December 2016 or 31 December 2015;
- did not have any contingent liabilities as at 31 December 2016 or 31 December 2015; and
- has no contractual commitments for the acquisition of property, plant or equipment as at 31 December 2016 or 31 December 2015.

Asaleo Care Ltd holds an investment in AHACS Pty Ltd and its subsidiaries to the value of $141,569,252 (2015: $141,569,252).

5.4 Related Party Transactions

The following transactions occurred with related parties:

	2016 **$'000**	2015 $'000
Purchases of goods		
Purchases of materials and goods from other related parties	**54,561**	53,259
Sale of goods		
Sale of materials and goods to other related parties	**3,816**	2,185
Other transactions		
Royalties - SCA Hygiene Products AB	**6,145**	6,050
Other services - Svenska Cullulosa Aktiebolaget AB	**-**	149

All transactions with related parties 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

	2016 **$**	2015 $
Audit and other assurance services		
Audit and review of financial statements	**510,000**	510,000
Other assurance services	**12,200**	6,100
Total remuneration for audit and other assurance services	**522,200**	516,100
Taxation services		
Tax compliance services and review of company income tax returns	**49,825**	65,739
Tax consulting services and advice	**67,812**	83,877
Total remuneration for taxation services	**117,637**	149,616
Other services		
Consulting services	**2,388**	24,500
Total remuneration for other services	**2,388**	24,500
Total remuneration of PricewaterhouseCoopers Australia	**642,225**	690,216

(b) Network firms of PricewaterhouseCoopers Australia

Audit and other assurance services		
Other assurance services	**755**	749
Taxation services		
Tax compliance services and review of company income tax returns	**14,993**	21,035
Tax consulting services and advice	**3,584**	15,461
Total remuneration for taxation services	**18,577**	36,496
Other Services		
Consulting services	**4,551**	-
Total remuneration of network firms of PricewaterhouseCoopers Australia	**23,883**	37,245
Total auditors' remuneration	**666,108**	727,461

5.6 Contingent Liabilities

The Group had no contingent liabilities at 31 December 2016 (2015: 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. This relief was previously provided by the Australian Securities and Investments Commission Class Order 98/100, however has been replaced with the relief in ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191.
- 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 2016.
- 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 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.

5.7 Basis of Preparation and Compliance (continued)

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) Basis of preparation

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 2016 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* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

While the group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have had a material impact on its accounting for trade receivables or other assets that are managed on a fair value basis.

There will be no impact on the group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB *139 Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the group’s risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the group is yet to undertake a detailed assessment, it would appear that the group’s current hedge relationships would qualify as continuing hedges upon the adoption of AASB 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

5.7 Basis of Preparation and Compliance (continued)

AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Management currently plans to apply AASB 9 initially on 1 January 2018.

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.

AASB 15 is effective for annual periods beginning on or after 1 January 2018. Management does not expect to early adopt this standard. Management is currently assessing the impact of the new rules and has not identified any major components of revenue that are likely to be affected. A more detailed assessment of the impact resulting from the application of AASB 15 is underway and additional quantitative information will be disclosed prior to AASB 15 being adopted.

AASB 16 *Leases* introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. The new accounting standard is effective for annual periods starting on or after 1 January 2019. Management does not expect to early adopt this standard.

The Group has made an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of warehouse and factory facilities. In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions. No significant impact is expected for the Group's finance leases.

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The Group will apply the election consistently to all of its leases. The Group has not yet determined which transition approach to apply.

As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

As at the reporting date, the Group has non-cancellable operating lease commitments of $46.8 million, see section 2.2(b). However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The Group expects that adoption of AASB 16 will not impact its ability to comply with any banking covenants.

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.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 57 to 96 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 2016 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 section 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 section 5.2.

Section 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.

Harry Boon
Chairman

Dated this 22nd day of February 2017

Independent auditor's report

To the shareholders of Asaleo Care Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Asaleo Care Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated statement of financial position as at 31 December 2016
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of profit or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

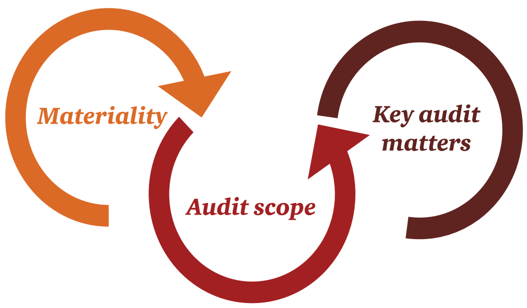
Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $4.2 million, which represents 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark in the Fast Moving Consumer Goods industry.
- We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable profit related thresholds in the industry.

Audit scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We conducted an audit of the Australian and New Zealand operations given their financial significance to the Group as described in note 1.1 of the financial report.
- We performed most of our audit procedures at the Group's head office in Australia. We also visited a selection of the Group's production and warehousing facilities in both Australia and New Zealand in order to perform specific risk focussed audit procedures over the Group's inventory.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Carrying value of indefinite-lived intangible assets
  - Adequacy of trade spend accruals for retail promotional activity
  - Adequacy of accruals for Business-to-business ('B2B') price support rebates

These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Carrying value of indefinite-lived intangible assets *(Refer to note 2.3) ($190.4m)* The Group holds total intangible assets of $190.8m, of which $190.4m has been assessed as having indefinite useful lives and therefore under Australian Accounting Standards are required to be tested for impairment annually. Of this amount, $70.9m relates to goodwill and $119.5m relates to indefinite-lived brands and other rights. The remaining $0.4m of intangibles are brands and other rights that are amortised and therefore not subject to annual impairment assessment. For the year ended 31 December 2016, the Group identified four cash generating units (CGUs), being Tissue Australia, Personal Care Australia, Tissue New Zealand and Personal Care New Zealand. The intangible assets are allocated across these CGUs. The Group performed an impairment assessment for each of the four CGUs described above by calculating the value-in-use of the net assets, including intangible assets, in each CGU. This calculation was based on estimated future cash flows for each CGU, discounted to net present value using a pre-tax discount rate of 11.1%, which equates to a post-tax discount rate of 8.5%. Cash flow forecasts were based on the FY2017 board approved budget for each CGU and thereafter applying a growth rate of 2.5% for the period to 2021. A terminal growth rate of 2.5% was applied to each CGU. We focused on the carrying value of indefinite-lived intangibles as the balance is material and there is significant judgement involved in estimating future cash flows, particularly with respect to determining appropriate: • Discount rates • Annual growth rates • Terminal growth rates We paid particular attention to the Tissue Australia CGU on the basis that there was limited headroom after taking into account a reasonably possible change in assumptions. The Group performed a sensitivity analysis for each CGU and did not identify any impairment.	To evaluate the cash flow forecasts and the process by which they were developed we: • Assessed the allocation of assets, liabilities and cash flows to each CGU and found them to be directly attributable to the individual CGUs. • Compared the 2017 forecasted cash flows used in the impairment model with the FY2017 budget formally approved by the Board, and found them to be consistent. • Assessed the 5 year cash flow forecasts for each CGU by understanding the key factors and underlying drivers for growth, including inflation and market share assumptions, in the context of the Group's future plans. • Considered the historical accuracy of the Group's cash flow forecasts by comparing the forecasts used in the prior year model to the actual performance of each CGU in the current year. • Compared the terminal growth rate (2.5%) to historical growth rates, economic forecasts and industry trends and found it to be consistent. With the assistance of our internal valuation experts, we assessed the discount rate used in the impairment assessment by comparing it to our view of an acceptable range based on market data, comparable companies and industry research. We are satisfied that the discount rate applied falls within this range. We performed a sensitivity analysis for each CGU by reducing the cash flow growth rate and terminal growth rate, and increasing the discount rate within a reasonably foreseeable range. For all CGUs we found that value-in-use remained in excess of the carrying value of the net assets.

Key audit matter	How our audit addressed the key audit matter

Adequacy of trade spend accruals for retail promotional activity *(Refer to note 2.1)*

As is industry practice in Australia and New Zealand, there are numerous pricing arrangements ("rebates") with retail customers (such as supermarkets and convenience stores) which relate to the retailer selling Asaleo Care products on promotion. These rebates can be fixed or variable in nature, with our key audit matter relating to variable rebates only. The amount payable for the variable rebates depends upon the quantity of units sold in the promotion period.

The Group is required to estimate and accrue for these rebates (variable trade spend obligations) at each reporting date to the extent they relate to sales made by the Group in the financial year.

We focused on these trade spend accruals due to the level of judgement required in estimating the amount payable to retailers, particularly because:

- The date Asaleo Care products are delivered and sold to retailers differs from the period over which the promotions will run, and therefore estimates are required to ensure all trade spend accruals are recorded *(*i.e. the accrual is "complete").
- The quantity of product sold on promotion may not be known to the Group at balance date.

To assess the controls used to calculate, record and value trade spend accruals we:

- Tested the general controls for the IT system used to record and track variable rebate activity.
- Analysed a sample of individual trade spend accruals to determine whether they were appropriately authorised and the customer claims reconciled to the accrued amounts.

We found the controls suitable for the purpose of our audit of trade spend accruals.

To test whether trade spend accruals were accurately valued and complete, on a sample basis we:

- Recalculated year-end trade spend accruals by comparing the number of units sold by the retailer during the promotional period (obtained from an independent third party) to the Group's estimate. For the sample selected, we found no material differences.
- Inspected rebates claimed by retailers after the balance date and agreed that where these claims related to sales made by the Group before year end they were adequately accrued. For the sample selected, we did not identify any material obligations that had not been provided for, or any material differences to the Group's trade spend accrual.
- Assessed manual adjustments made to trade spend accruals during the reporting period by comparing a sample of adjustments to relevant supporting documentation. From this testing we did not identify any additional material trade spend accruals required for claims yet to be received.

Key audit matter	How our audit addressed the key audit matter
Adequacy of accruals for Business-to-business ('B2B') price support rebates *(Refer to note 2.1)* In addition to sales to retail customers, the Group also sells goods to distributors who subsequently sell these products to businesses such as offices, recreation facilities, nursing homes and restaurants known as "end customers". The Group has entered into arrangements with a number of distributors whereby it pays rebates to these distributors. These rebates are known as "price support" and vary depending on the terms agreed with each distributor in relation to the amount of rebate payable and the volume and type of product sold. We focused on the value of the accruals because accruing for price support rebates yet to be claimed by distributors at the balance date requires significant judgement to: • estimate the quantity of goods that will be sold by distributors to each end customer • identify the profile of the end customers to whom goods will be sold • estimate the inventory on hand at distributors to determine the level of future claims Following a change in the Group's go-to-market pricing strategy for New Zealand distributor sales, it became apparent that the Group had not adequately provided for future price support claims relating to contracted customers' stock on hand balances. This resulted in the Group adjusting its prior period results in the financial report for the year ended 31 December 2016. The restatement has been disclosed in note 2.1 and is not material to the Group's financial report.	As part of our audit procedures we performed the following on a sample basis: • Compared sales volumes to distributors with sales reports and agreed the estimated rebate rate to the Group's claims history. Our testing did not identify any material amounts that were not accounted for. • Obtained independent confirmations from a sample of distributors and compared the quantity of inventory on hand to the estimates used in the rebate calculations. We did not identify any material differences. • Compared amounts claimed by distributors after the balance date to the Group's accrual. Our testing did not identify any material amounts that were not provided for. • Evaluated the methodology and mathematical accuracy of the Group's calculations relating to the restatement. We found that the revised calculations appropriately and accurately addressed the underlying reason for the adjustment.

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 31 December 2016 comprises the directors' report and shareholder information (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. The other information also includes the Chairman and CEO letter and corporate directory, which are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman and CEO letter and corporate directory, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 44 to 55 of the directors' report for the year ended 31 December 2016.

In our opinion, the remuneration report of Asaleo Care Limited, for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

Alison Tait
Partner

Melbourne
22 February 2017

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 30 January 2017.

Distribution of Shareholders

Range	Investors	Securities	% of Issued capital
100,001 and Over	65	504,422,560	92.40
10,001 to 100,000	1,169	26,682,162	4.89
5,001 to 10,000	1,229	8,941,528	1.64
1,001 to 5,000	1,800	5,298,590	0.97
1 to 1,000	1,077	581,665	0.10
Total	**5,340**	**545,926,505**	**100.00**

There were 169 holders with less than a marketable parcel of ordinary shares. Each ordinary share is entitled to one vote.

Substantial Shareholders

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

Name	Number of Shares	% of issued shares
SCA GROUP HOLDING BV	196,396,028	35.97
FMR LLC	33,266,498	6.09
LSV ASSET MANAGEMENT	27,459,434	5.03
INVESCO AUSTRALIA LTD	27,339,818	5.01

Twenty largest registered Shareholders

The names of the 20 largest registered shareholders are listed below.

Name	Ordinary Shares	% of units
SCA GROUP HOLDING BV	196,396,028	35.97
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	172,900,804	31.67
J P MORGAN NOMINEES AUSTRALIA LIMITED	47,869,967	8.77
CITICORP NOMINEES PTY LIMITED	24,212,911	4.44
ARGO INVESTMENTS LIMITED	15,139,001	2.77
NATIONAL NOMINEES LIMITED	9,260,532	1.70
BRISPOT NOMINEES PTY LTD	4,464,662	0.82
BNP PARIBAS NOMINEES PTY LTD	4,261,963	0.78
BNP PARIBAS NOMS PTY LTD	2,779,877	0.51
NETHERLEE INVESTMENTS PTY LTD AS TRUSTEE FOR THE DIPLARIS FAMILY TRUST	2,312,683	0.42
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,193,572	0.40
BRAZIL FARMING PTY LTD	1,750,000	0.32
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,691,259	0.31
NEWECONOMY COM AU NOMINEES PTY LIMITED	1,479,668	0.27
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	1,375,928	0.25
ECAPITAL NOMINEES PTY LIMITED	1,197,139	0.22
CITICORP NOMINEES PTY LIMITED	1,170,655	0.21
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,127,968	0.21
AMP LIFE LIMITED	1,010,838	0.19
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	903,344	0.17
Total	**493,498,799**	**90.40**
Balance of register	**52,427,706**	**9.60**
Grand total	**545,926,505**	**100.00**