

FY16 Results Presentation

Peter Diplaris – CEO and Managing Director & Paul Townsend – Chief Financial Officer

23 February 2017



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FY16 Results Presentation

Peter Diplaris – CEO and Managing Director

23 February 2017



Highlights

Revised guidance met, improved 2H16 performance in Personal Care, profit decline due to adverse FX impacting costs

Met July Guidance

- Strong improvement in 2H16 results (vs 1H16) particularly in Feminine Care and Incontinence Care.
- FY16 profit declined primarily due to weaker 1H16 results, adverse FX impacting A\$/NZ\$ raw material/finished goods and highly competitive retail environment, particularly Baby Care NZ and Consumer Tissue
- Underlying[^] EBITDA \$130.7m (-10.0%), Personal Care EBITDA \$66.9m (-7.1%), Tissue EBITDA \$63.8m (-13.0%)
- Underlying[^] NPAT \$64.6m (-15.2%), Statutory NPAT \$59.0m (-22%)
- FY16 dividends of 10 cps maintained, 50% franked & on market share buy back now 95% complete

Executing Strategy

- Strategy maintained with market and operational initiatives being executed
- Solid year on year sales growth for Professional Hygiene & Incontinence Healthcare
- Price strategy in Feminine Care & Incontinence Care delivered improved retail results in 2H16
- Strong pipeline of innovation in Feminine Care & Baby Care in 2017 following machine upgrades and other initiatives to be supported by increased advertising and promotional expenditure
- Range and coverage improving – Top 2 customers representing less than 30% of total sales

FY17 Outlook

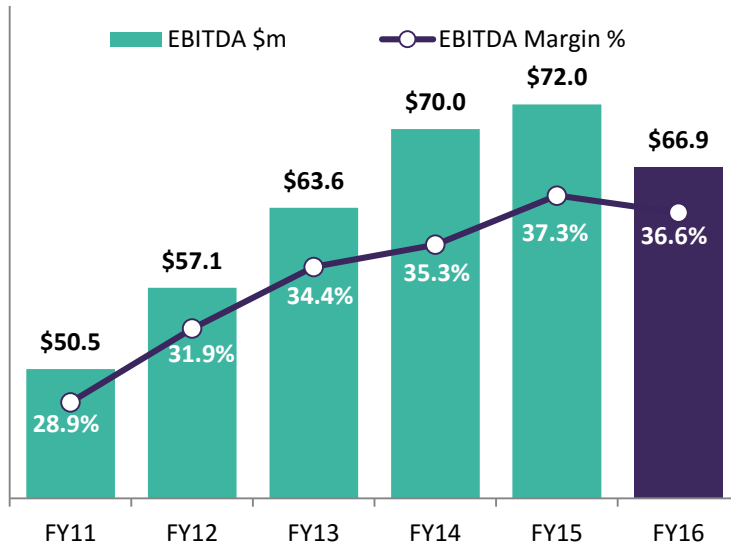
- Expect return to year on year profit growth in FY17
- Free Cash Flow guidance of \$85m to \$95m after program to optimise working capital levels & recycle capital into higher returning investments
- Capital Management principles maintained

[^] **Underlying FY16 Result:** Has been adjusted for ~\$7.9m (pre-tax) or \$5.6m (after-tax) non-recurring costs, including relocation of the NZ nappy machine, machine upgrades and abnormal storage costs

Segment Performance: Personal Care

Strong improvement in 2nd half performance compared to 1st half, driven by Feminine Care and Incontinence Care

Personal Care EBITDA (\$m)



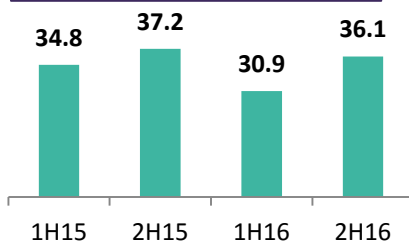
Overall

- FY16 Revenue decline in retail categories due to 1H16 performance being adversely impacted by increased competitor promotional activity in retail categories and one-off transition costs following move to EDP strategy
- Pricing improvement in Feminine Care and Incontinence Care in 2H16, with 2H16 Personal Care segment revenue 1% higher than 2H15
- Strong EBITDA margins maintained, with 36.6% achieved despite adverse FX impacting raw material and purchased finished goods costs by ~\$3m
- EBITDA growth 2H16 v 1H16 of \$5.2m in excess of \$2.4m 2H15 v 1H15

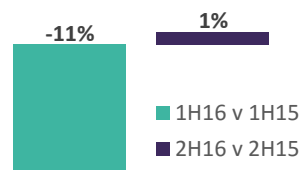
Feminine Care & Incontinence Care

- Pricing improvement achieved in 2H16 v 1H16 following implementation of new strategy with Feminine Care and Incontinence Care price per piece growth of ~7% being greater than volume decline of ~-2%
- Incontinence Healthcare revenue growth of 4% in FY16 (2H16 v 2H15: +7%) driven by organic growth of existing customers
- Strong pipeline of Feminine Care innovation to be launched in 2017. Supported by increased A&P
- New business pipeline for Incontinence Healthcare in 2017

EBITDA – Half on half (\$m)



Revenue – Half on half

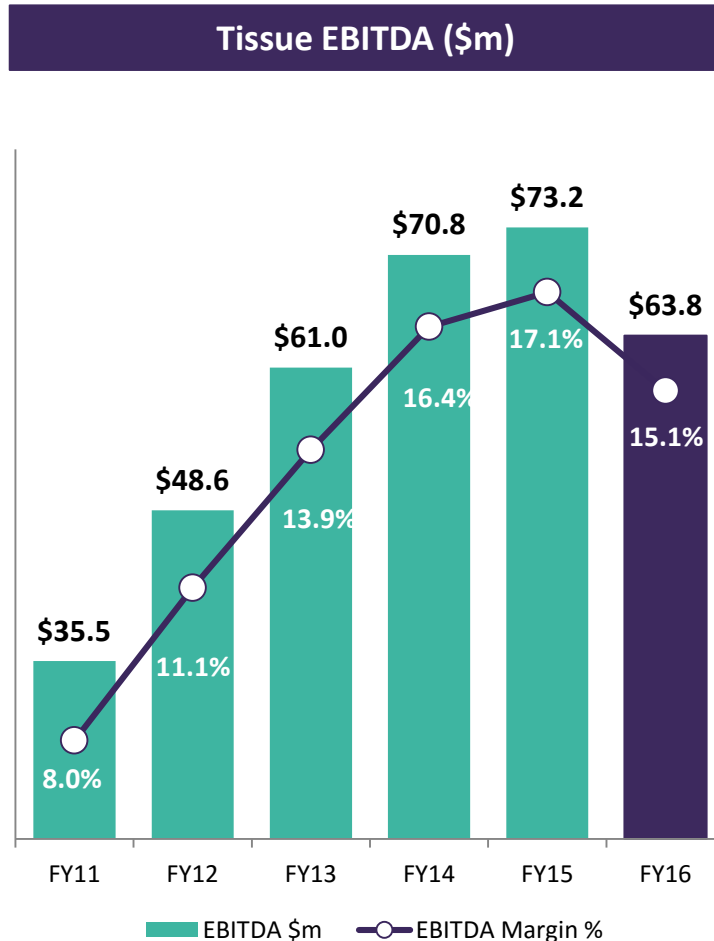


Baby Care

- FY16 decline in revenue of -11%, primarily attributable to 1H16 (2H16 v 2H15: -2%) following intense competition in New Zealand by largest competitor which adversely impacted volumes and price
- Improved product to be launched into market 2017 following machine upgrade supported by increased A&P

Segment Performance: Tissue

Results impacted by adverse FX on cost base (predominately pulp) of ~-\$12m



Overall

- EBITDA reduction primarily reflects the impact of higher costs for pulp and raw materials due to adverse FX movements (~-\$12m) which was only slightly offset by lower pulp prices (~+\$4m)
- Revenue -1.4% to \$423.2m with slight Consumer Tissue revenue decline more than offsetting revenue growth for Professional Hygiene (B2B) of 2% and Pacific Islands 14%

Consumer Tissue

- Intense competitor activity in 1H16, resulting in retail market price deflation in Consumer Toilet, Facial and Towel categories. Revenue per tonne increase of ~5% in 2H16 v 1H16, offset by volume decline of ~-1%
- Sales also impacted by less price promotional frequency compared to last year, specifically in the second half. NZ private label sales declined and there was growth in emerging customers

Professional Hygiene

- Revenue growth in Australia of 4% driven by new contract wins and improved sales mix through increase in proportion of sales of Tork proprietary products to over 30% of sales
- Volume growth more than offset impact of decrease in NZ list price



FY17 Outlook

	FY17 Guidance (vs FY16)
Underlying* EBITDA	Low single digit growth
Underlying* NPAT	Low single digit growth
Underlying* Earnings Per Share	Low to mid single digit growth^
Underlying Free Cash Flow	\$85m to \$95m after interest and tax^^
Capital Management	<p>Clear principles:</p> <ol style="list-style-type: none"> 1) Dividend policy: Distribute 70-80% of statutory NPAT 2) Optimal gearing range: 1.5x to 2.5x EBITDA 3) Distribute excess cash to shareholders unless reinvest; Gateway for reinvestment - return to exceed hurdle rate above Asaleo Care WACC <p>On-market share buy-back: Complete on-market buy-back of up to another 2.8m shares (or up to \$5m)</p>

* Underlying and Statutory result is expected to be materially consistent

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

^^ Based on FY17 Guidance and including Working Capital optimisation and Property Sale & Leaseback project

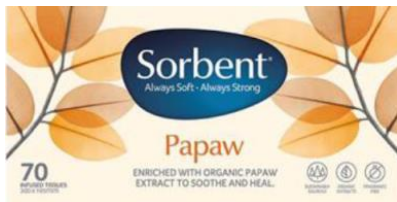
Strategic Focus - Overview

Strategy remains unchanged, focus on execution

1. Product Innovation & Differentiation



Treasures®

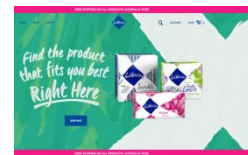


2. Range & Coverage

- Geographic - significant opportunities within region remain
 - Exports to Melanesia from Fiji utilising local manufacturing tax incentives
 - Gaps in New Zealand Healthcare and Australia Baby Care
 - Exports of Tampons to Europe & another contract
- Significant customer opportunities
 - Fast growing new customers
 - Building the range at existing customers
- Customer base continues to diversify away from 2 largest customers which together now represent less than 30% of sales

3. Distribution Innovation

- Australia - Treasures, TENA and Libra B2C online stores gaining traction
- New Zealand - Treasures online store upgrade in process



4. Cost Reduction & Efficiency

- Maintaining intense focus on improving efficiency and productivity



Feminine Care initiatives

Roll.Press.Go™ proprietary innovation

1. Product Innovation & Differentiation

2. Range & Coverage

3. Distribution Innovation

4. Cost Reduction & Efficiency

Pads



- New Libra Roll.Press.Go™
 - First to market with patented innovation on the Pads range that will revolutionise the category
 - Highly successful innovation launched in Europe by SCA
 - Wrapper designed with self sealing edges makes pad disposal neat and hygienic, anywhere and anytime
 - Launch to be supported with major TV, Social Media, Sampling and Digital investment
- Innovations to be launched in 2017 also include ‘anti-bunching’ technology making liners more comfortable and more secure
- New packaging for range to be introduced to highlight new innovations, enhance on-shelf appearance and ensure Libra remains modern, relevant & feminine

Liners

New Packaging



Baby Care Innovation

New improved nappy following capex investment

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

- **Competitive pressures:** The Baby Care market was the most competitive part of the Personal Care business in FY16
- **Material product quality improvement:** ~NZ\$11m is being invested in machine move and upgrade for open nappy via new Core Technology which will deliver drier nappy, better look and improved comfort & fit
- **Other product feature improvements:** Improved back waistband & newborn umbilical cord cut out
- **Bagger upgrade:** Machine upgrade includes new bagger for more efficient packing which will increase capacity



Tissue innovation & differentiation

Key to seeding future improved performance

1. Product Innovation & Differentiation

2. Range & Coverage

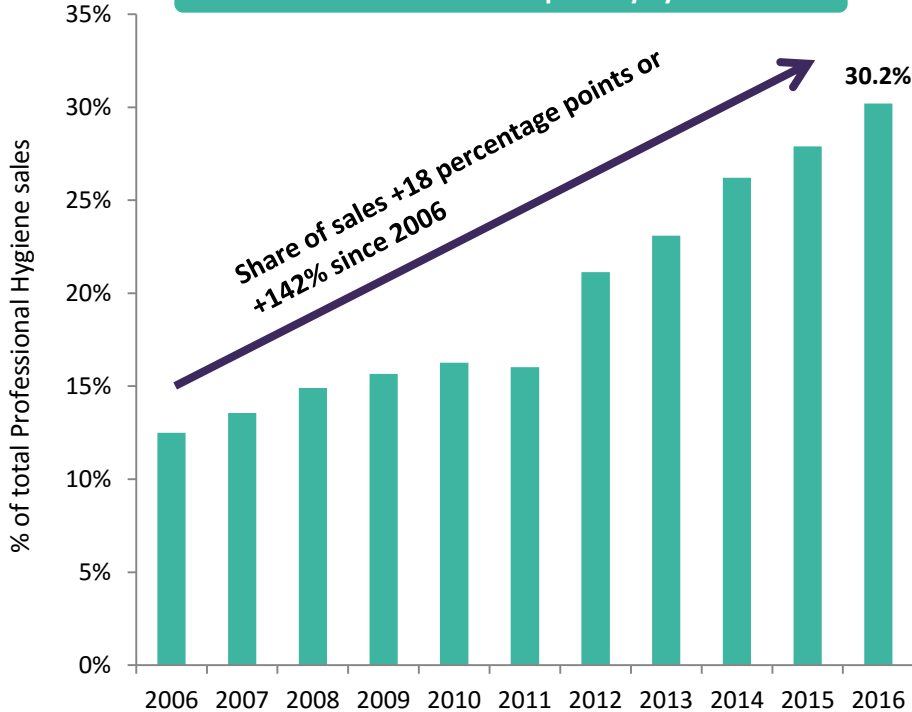
3. Distribution Innovation

4. Cost Reduction & Efficiency

Professional Hygiene (B2B)

Consumer Tissue

Growth in Sales of Proprietary Systems



* Proprietary systems include Xpressnap, SmartOne and a wide range of other unique proprietary dispensers

Bulk pack 'Handles'



Facial: Innovative new product launched



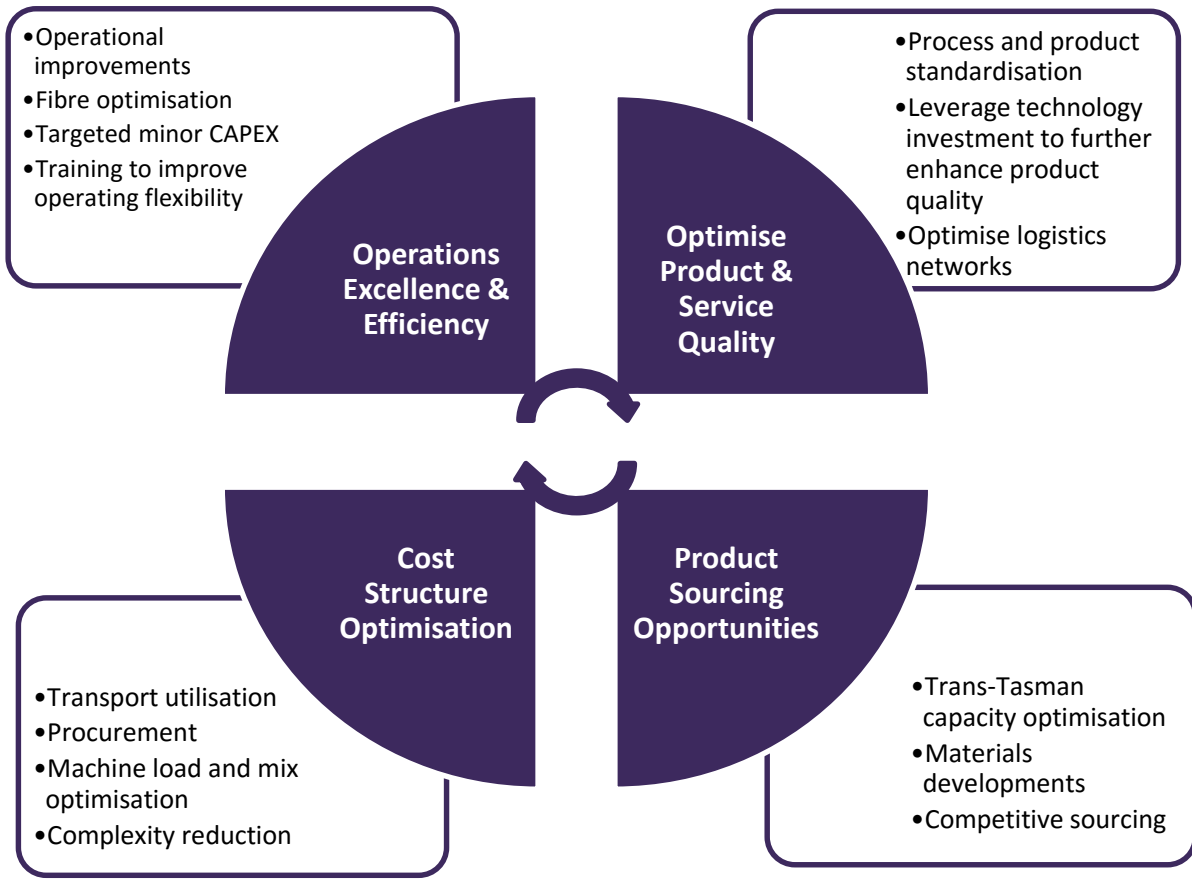
Toilet: Packaging enhanced



Cost reduction & efficiency

Continuing to seek further operational improvements

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



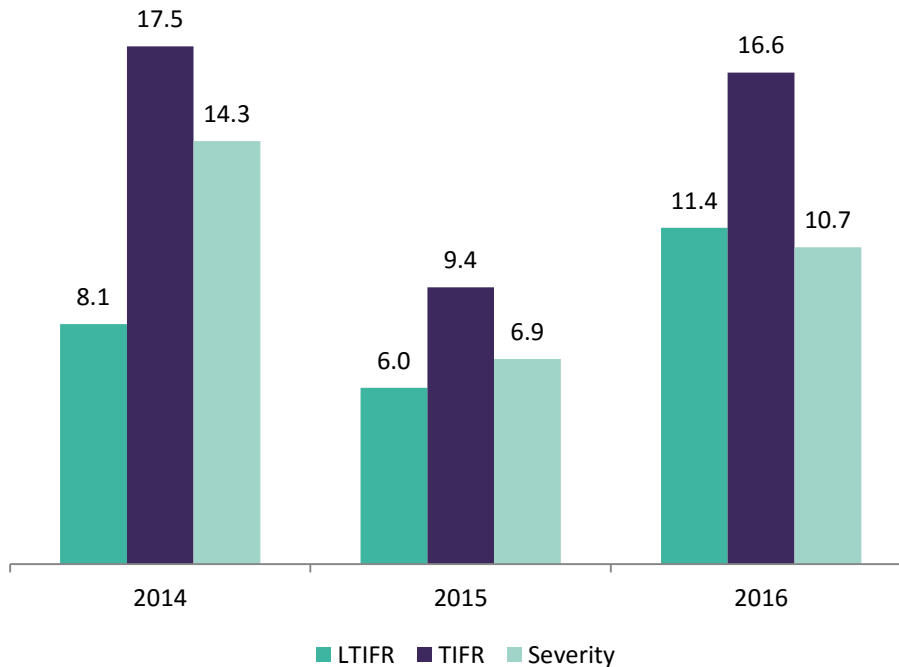
Key FY16 savings initiatives

- SKU standardisation and simplification, and fibre initiatives
- Operations expense focus including logistics, procurement and other cost efficiency initiatives
- Targeted capex to improve efficiency and enable innovation
- Process improvement focus

Safety

Key area of business focus with targeted objectives for improvement

Safety performance measures



- Increase in LTIFR & TIFR includes higher incidence of minor injuries
- Steps being taken to address issues and improve performance

- **LTIFR:** Lost Time Injury Frequency Rate (no. of lost time injuries per million hours worked)
- **TIFR:** Total Injury Frequency Rate (no. of lost time, doctors cases and restricted work injuries per million hours worked)

FY16 Results Presentation

Paul Townsend – Chief Financial Officer

23 February 2017



FY16 Underlying Results vs FY15 Underlying Results

FY16 profit decline due to FX impact on costs & challenging trading environment

\$Am (consolidated)	Underlying FY16	Underlying FY15	% Change
Revenue	605.9	622.2	-2.6%
Cost of Sales	(364.6)	(356.6)	2.2%
Gross profit	241.3	265.6	-9.2%
Distribution Expenses	(70.9)	(72.2)	-1.8%
Sales, Marketing & Admin Expenses	(62.8)	(71.5)	-12.3%
Other Income/Expenses	(5.8)	(5.2)	11.0%
EBITDA	130.7	145.2	-10.0%
Depreciation and Amortisation	28.9	28.6	1.1%
EBIT	101.8	116.7	-12.7%
Net Finance Costs	(10.6)	(10.0)	5.6%
NPBT	91.3	106.7	-14.5%
Income Tax Expense	(26.7)	(30.6)	-12.6%
Underlying NPAT	64.6	76.1	-15.2%
Non-recurring expenses	(7.9)	(0.7)	N/A
Income tax on non-recurring expenses	2.3	0.2	N/A
Statutory NPAT	59.0	75.6	-22.0%

Revenue:

- Decline in sales in retail categories partially offset by growth in B2B categories and Pacific Islands
- Most of revenue decline occurred during 1H16 (-4.3% to \$292.7m), with 2H16 revenue of \$313.4m only -0.9% vs 2H15

Cost of Sales & Gross Profit:

- Increase in costs as a percentage of sales resulting from adverse FX impacts on raw materials/finished goods (~-\$15m) and cost base inflation. This was only partially offset by declining US\$ pulp prices (~+\$4m)
- FY16 margin declined to 39.8% from 42.7% in FY15

Expenses:

- Distribution Expenses:** Declined due to lower fuel prices and lower rent on a distribution centre, offset by annual rental increases for other distribution centres
- Sales, Marketing and Admin Expenses:** Declined due to: (i) no staff STI in FY16 and savings from corporate restructure and tight discretionary spend control, (ii) reduced A&P due to higher FY15 activity, switch to investment in market pricing and alignment of spend into FY17 for new product launches
- Other Income/Expenses:** Includes costs of TMTLA with SCA (\$6.2m)
- Net Finance Costs:** Increased on higher average gross debt (\$322m in FY16 vs \$276m in FY15), partially offset by decline in effective interest rate (3.4% in FY16 vs 3.9% in FY15)

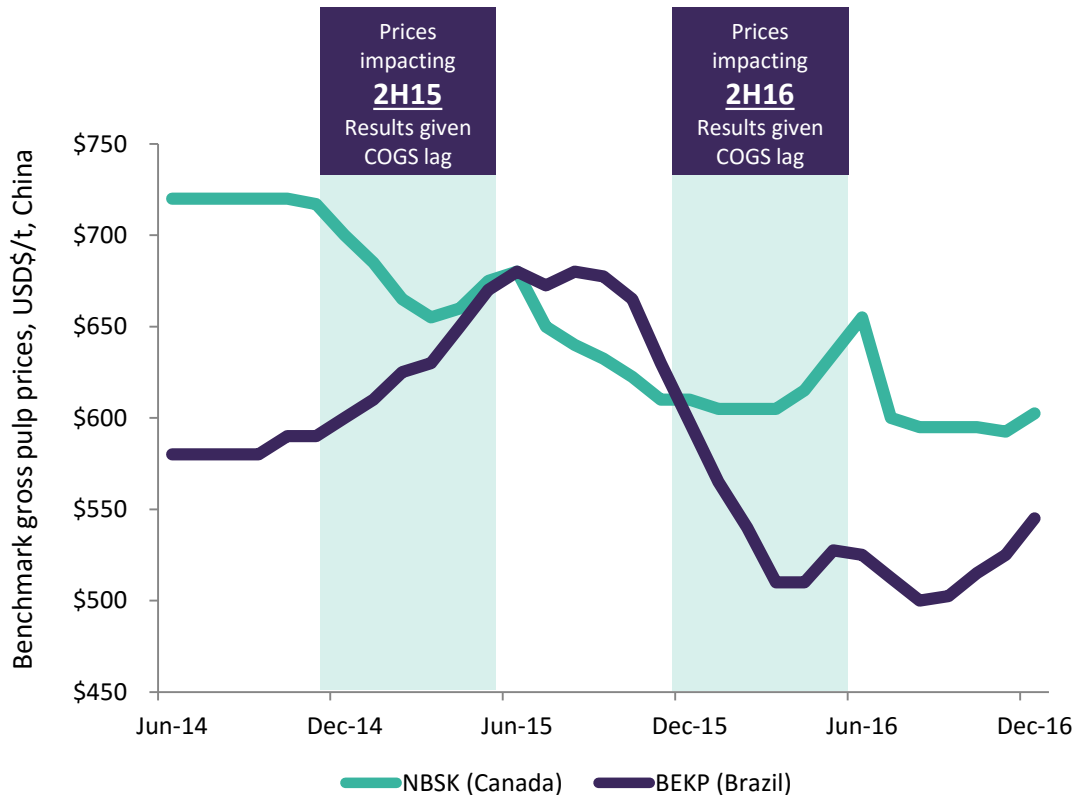
Non-recurring expenses:

- Includes non-recurring costs associated with machine upgrades, redundancies & restructuring charges etc (refer to Appendix for details)

Impact of FX and Pulp

Pulp cost headwinds increased in 2H16 due to falling A\$/NZ\$ despite lower US\$ pulp prices

'Market Pulp' Pricing*



Indicative impact of FX changes - driven by 15 month[^] lagged average rates for A\$/US\$^{^^}

- **1H16: 82c (vs 1H15: 91c)**
 - 1H16 average: reflects average of linear market pricing 1 Oct 2014 to 31 Mar 2015
 - 1H15 average: reflects average of linear market pricing 1 Oct 2013 to 31 Mar 2014
- **2H16: 75c (vs 2H15: 93c)**
 - 2H16 average: reflects average of linear market pricing 1 April 2015 to 30 Sept 2015
 - 2H15 average: reflects average of linear market pricing 1 April 2014 to 30 Sept 2014

[^] 15 month lag – refer Appendix

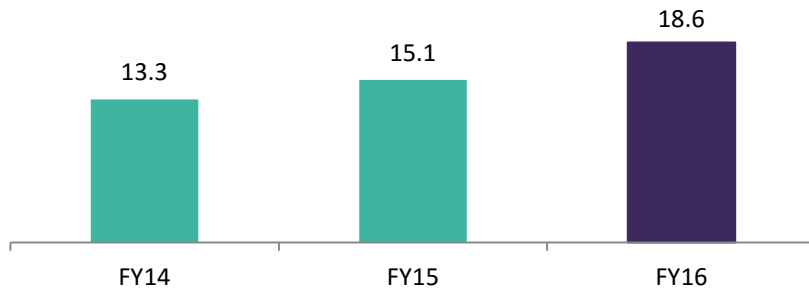
^{^^} Note – While movements are indicative of actual change in FX rates for Asaleo Care, average FX rates quoted reflect market rates on a linear average basis. Absolute FX rates realised by Asaleo Care may differ depending on the timing of FX hedges, the non-linear hedges purchased, FX hedging costs and other factors. NZ\$/US\$ rates also relevant for NZ\$ tissue production costs, though these impact Asaleo Care Limited COGS on A\$/NZ\$ translation.

* Source: Hawkins Wright. The price Asaleo Care pays is subject to commercial arrangements that impact price. Asaleo Care primarily sources Softwood from Canada and NZ and Hardwood from South America.

Capex and Depreciation

Capex < Depreciation due to recent substantial Growth Capex investments

Maintenance Capex (\$m)



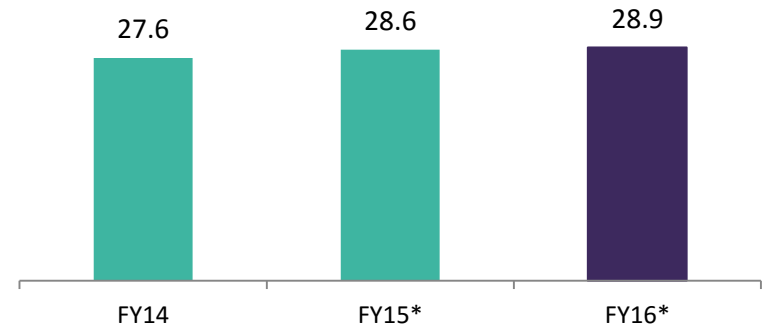
Maintenance Capex:

- FY16 Maintenance Capex includes investment in NZ paper machine (KPM2) upgrade, items for Box Hill property and increased investment in Professional Hygiene proprietary dispensers
- Maintenance Capex to be ~\$20m in FY17

Growth Capex:

- FY16 Growth Capex \$6.4m including relocation/upgrade of nappy plant, machine upgrade in Feminine for new product innovations and other initiatives including machine modifications for bulk pack handles
- FY17 Growth Capex to be ~\$15m which includes payments on completion of upgrades to Baby Care and Feminine Care machines, Box Hill paper machine upgrade and early investment in Professional Hygiene initiative

Depreciation (\$m)



Depreciation:

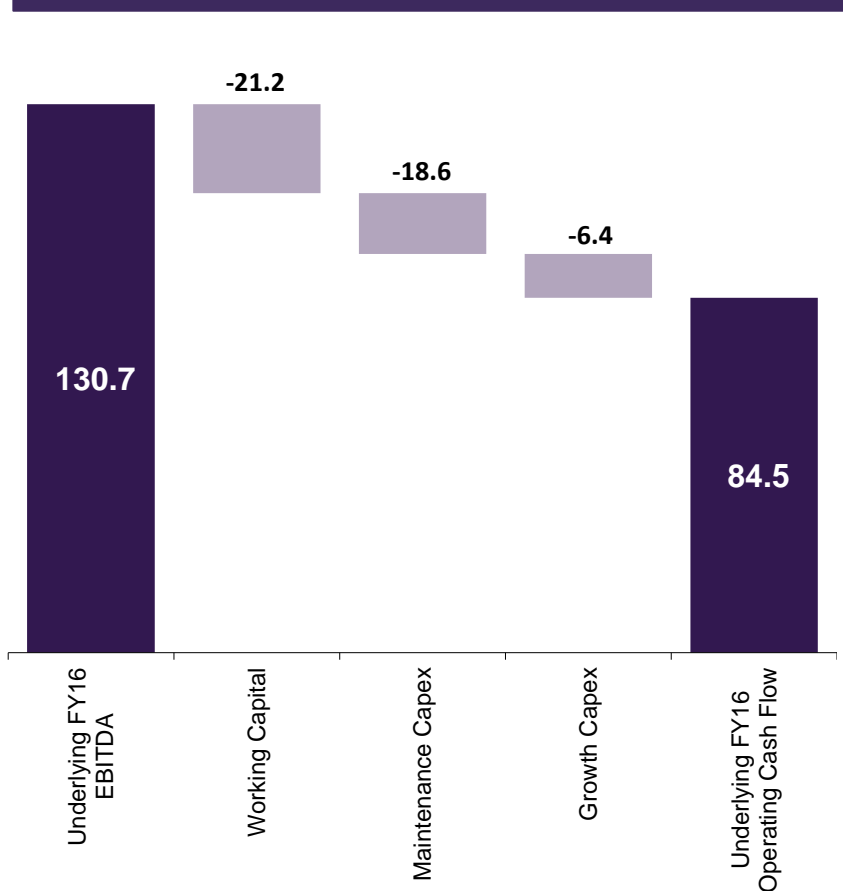
- Includes impact of the depreciation of new plant introduced as part of the \$114.8m Tissue Capital Investment Program and other projects
- Depreciation expense to increase to ~\$30m in FY17, including impact of investments in Feminine Care and Nappy Machine

* FY15 & FY16 depreciation reflects underlying levels. FY16 underlying excludes \$0.3m adjustment due to write off associated with nappy machine relocation.

Cash Flow

Cash Flow impacted by working capital change, however major inventory reduction clawed back ~\$12m in January 2017

Operating Cash Flow (\$m)



Free Cash Flow:

- Underlying Free cash flow of \$55.6m.
- Underlying Free cash flow before working capital change was \$76.8m compared to August guidance of \$65m to \$75m

Working Capital increase due to:

- Inventories \$5.3m – Finished goods up due to inventory builds for Baby Care machine upgrade, increases in safety stock levels, below plan sales and FX impacts, offset by declines in raw materials & WIP
- Receivables \$3.8m – due to factors including timing of collection days and other miscellaneous changes
- Payables/Other \$12.1m – includes impact of lower holdings of raw materials/WIP, lower employee leave provisions, no staff STI accrual and less accruals required for logistics and utilities

Capex:

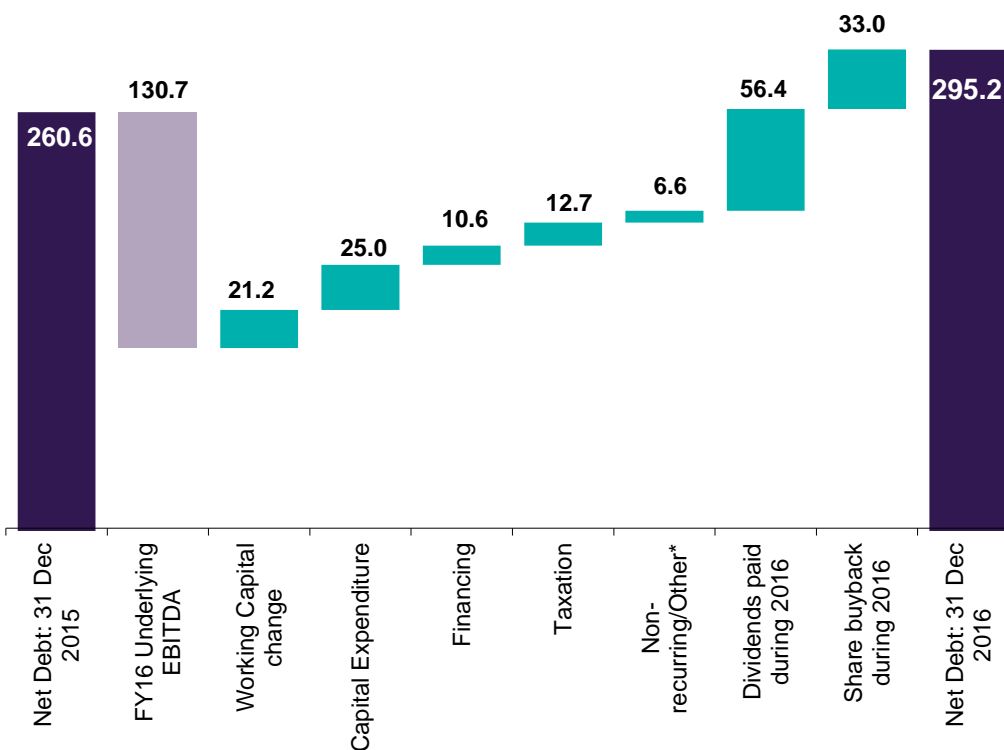
- Growth Capex includes strategic projects for Feminine Care and Baby Care product innovation
- Maintenance Capex includes KPM2 project to replace drives etc

Post year end update: Improvement from Finished Goods Inventory drawdown between 31 Dec 2016 to 31 Jan 2017 of ~\$12m from shuts in Consumer Tissue and Baby Care

Net Debt Movement

Net Debt \$295.2m after \$89.4m Capital Management in FY16, leverage within target range

Changes in Net Debt (\$m)



Capital Management \$89.4m:

- Total dividends paid in March and September of \$56.4m
- On-market share buy-back during FY16 of \$33.0m

Financing \$10.6m:

- Lower effective interest rates offset by a higher net debt average in 2016 due to capital management
- FY16 effective interest rate of 3.4%, vs. 3.9% in FY15

Tax paid \$12.7m:

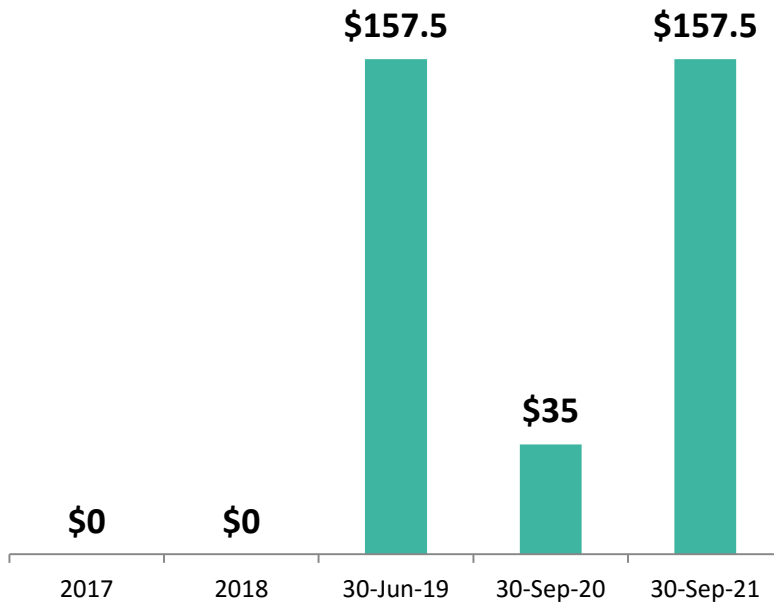
- Australian Tax payments commenced in 2H16 following end of carry forward tax losses and offsets
- FY16 Income Tax paid of \$12.7m, including \$4.9m in Australia, \$7.3m in NZ and \$0.5m in Fiji

* "Non-recurring/Other" category includes Non-recurring costs -\$7.6m, Debt raising costs -\$1.1m, FX on opening cash held \$0.4m & Non-cash items \$1.7m

Debt Management

Leverage of 2.26x after share buy-back & before capital optimisation program

Debt Maturity Profile (\$m)



Leverage[^] Target Range:

- Target leverage range between 1.5x and 2.5x
- Range set to minimise cost of capital and maintain investment grade credit profile
- Leverage at 2.26x within target range, despite impact of \$95m share buy-back

Debt Refinancing:

- Maturity for one of the \$157.5m facilities and \$35m facility extended to September 2021 and September 2020 respectively following refinancing in December 2016

[^] Leverage = Net Debt / EBITDA

	As at 31 Dec 2016
Total Facilities	\$350.0m
Drawn Debt	\$325.5m
Cash & Cash Equivalents	\$30.3m
Net Debt	\$295.2m*

FY17 Capital Optimisation

Projects to optimise balance sheet are being implemented with \$35-\$40m incremental free cash expected

Optimising Working Capital

- Finished goods inventory to be reduced to more optimal levels including release of stock builds from 2016 machine upgrades

Property Sale & Leaseback

- Current inefficient use of capital in Springvale site for Personal Care business due to sub-optimal space utilisation
- Intended to recycle capital back into higher returning investments
- Anticipating completion around mid-FY17

Incremental Free Cash:
~\$35-40m

Leverage reduction:
≤2x by Dec-17

Increase in ROIC:
+0.7pp*

Opportunity to recycle cash into higher returning investments

Capital Management

Dividend maintained and buy-back nearing completion

Final dividend of 6 cps, 50% franked

- Maintained 10 cps full-year dividend through disciplined capital and cashflow management (FY15 10 cps)
- The 10 cps full-year dividend was declared in accordance with Asaleo Care's capital management principle of considering appropriate target leverage and cashflow generation, with the payout ratio of ~94% greater than the framework range of 70-80%
- 50% franking attached to the Sep-16 and Mar-17 dividends

On-market buy-back: 95% complete

Buy-back progress at 31 Dec 16

Shares brought back	57,542,929 shares
Issued Capital	545,926,505 shares
Cost to date	\$95,001,951
Average buy-back price	\$1.651/share
Buy-back remaining	Up to 2,804,014 shares or \$4,998,049 (whichever comes first)

As a result of SCA not participating in the buy-back, SCA's stake in Asaleo Care has increased from its 32.5% holding prior to the start of the buy-back to 36.0%. If Asaleo Care purchases 10% of its shares in the buy-back, SCA's holding will increase to 36.2%.

Shareholder Returns Focused

EPS, ROE and ROIC remain strong

Key objective: Maximise ROIC

- Underlying FY16 EPS, ROE and ROIC remain strong despite fall in FY16 earnings
- Strict discipline maintained for all investment decisions – hurdle rate materially higher than WACC
- ROIC still substantially exceeds current WACC of 8.5%
- ROIC expected to increase in FY17 following implementation of Capital Optimisation program

* 'pp' means percentage points

^ Calculated on an underlying basis.

^^ FY15 ROIC adjusted from 13.9% to 14.0% due to change to reflect provision for price support in the B2B business for \$4.1M net of tax that changed Equity in Dec 2015.

^^^ Debt component of FY15 ROIC adjusted from \$259.8m to \$260.6m to reflect accrued interest as debt.

	FY16 Underlying	FY15 Underlying	Change
EPS	11.5cps	12.7cps	-9.2%

	FY16 Underlying	FY15 Underlying	Change*
ROIC	12.0%	14.0%^^	-2.0pp
ROE	21.0%	22.8%^	-1.8pp

Methodology^:

- Earnings Per Share (**EPS**)
 - NPAT / Weighted average shares on issue
 - FY16: \$64.6m / 559,891,610 = 11.5 cps
 - FY15: \$76.1m / 599,515,000 = 12.7 cps
- Return on Invested Capital (**ROIC**)
 - NoPAT / Debt + Equity (as at 31 December)
 - FY16: \$72.0m / (\$295.2m + \$307.4m) = 12.0%
 - FY15: \$83.2m / (\$260.6m^^ + \$333.1m) = 14.0%
- Return on Equity (**ROE**)
 - NPAT / Equity (as at 31 December)
 - FY16: \$64.6m / \$307.4m = 21.0%
 - FY15: \$76.1m / \$333.1m = 22.8%

Summary

Solid FY16 ROE and ROIC despite very challenging market conditions

Met revised FY16 Guidance

- FY16 Results in line with July revised guidance following improvement in 2H16 performance
- Expect return to profit growth in FY17

Financial returns remain strong

- FY16 Underlying EPS 11.5 cps
- FY16 Underlying ROE 21%, FY16 Underlying ROIC 12%

Delivered Capital Management

- Dividends: 2H16 6cps 50% franked, FY16 total 10cps 50% franked
- On-market buy-back of up to \$100m now 95% complete

FY16 Results Presentation

Appendices



Business Unit Financials

Personal Care

	FY11	FY12	FY13	FY14	FY15	FY16	FY11-16 CAGR*	2H13	2H14	2H15^	2H16^	2H16 vs 2H15
Revenue (\$m)	174.7	178.8	184.9	198.5	192.8	182.7	0.9%	94.7	101.2	94.3	95.3	1.1%
EBITDA (\$m)	50.5	57.1	63.6	70.0	72.0	66.9	5.8%	33.5	36.3	37.2	36.1	-3.0%
EBITDA Margins	28.9%	31.9%	34.4%	35.3%	37.3%	36.6%	7.7pps	35.4%	35.9%	39.4%	37.8%	-1.6pps

Tissue

	FY11	FY12	FY13	FY14	FY15	FY16	FY11-16 CAGR*	2H13	2H14	2H15^	2H16^	2H16 vs 2H15
Revenue (\$m)	442.7	436.5	440.2	431.4	429.4	423.2	-0.9%	228.3	225.2	222.0	217.9	-1.8%
EBITDA (\$m)	35.5	48.6	61.0	70.8	73.2	63.8	12.4%	35.7	44.4	42.8	36.1	-15.7%
EBITDA Margins	8.0%	11.1%	13.9%	16.4%	17.1%	15.1%	7.1pps	15.6%	19.7%	19.3%	16.6%	-2.7pps

* EBITDA Margin FY11-16 CAGR reflects percentage point change between FY11 and FY16

^ FY16 and FY15 are underlying results. FY11 to FY14, 2H13 and 2H14 are Pro Forma results.

Asaleo Care – Business Overview

Leading personal care and hygiene company that manufactures, markets, distributes and sells Personal Care and Tissue products under market leading brands

Incontinence Care



Feminine Care

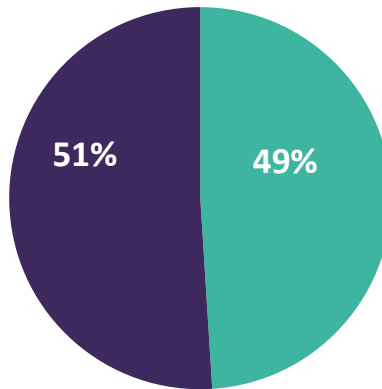


Baby Care



FY16 EBITDA split

Personal Care



Tissue

Consumer Tissue



Professional Hygiene



Manufacturing Plants

Personal Care	Springvale (Feminine Care, Incontinence Care), Te Rapa (Baby Care)
Tissue	Box Hill, Kawerau, Fiji

* Licensed from SCA

Past Strategic Focus and Financial Results

Significant operational improvements and ~\$150m Growth Capex invested from FY09-FY15

1. Fix Tissue

FY09-FY15 Capex: ~\$125m

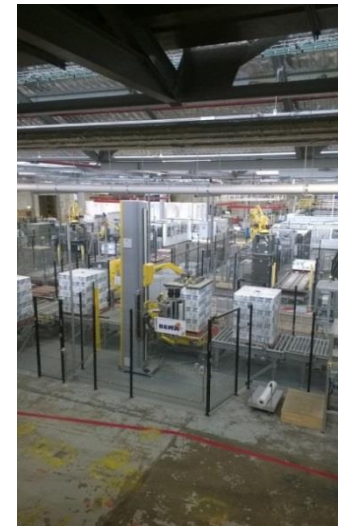
- Tissue Capital Investment Program and Facial plant investment – Reconfiguring Tissue manufacturing footprint to increase efficiency and flexibility, and reduce the costs of production
- Focus on core brands, change sales mix including exiting low margin business



2. Grow Personal Care

FY09-FY14 Capex: ~\$25m

- Upgrading machines and optimising footprint
- Accelerate new product development
- Marketing support



3. Non-Capex profit improvement initiatives

- Machine efficiency improvement
- Product mix
- Sourcing
- Logistics footprint
- Right sizing structure

Sensitivities and FX Hedging Policy

Rolling 12 month FX hedging policy to mitigate risk. No Pulp hedging

Gross FX Sensitivity (excluding mitigation from hedging)^

Assumption	Variance	Forecast FY17 NPAT impact (A\$m)
A\$/US\$	-/+1%	-0.5/+0.5
NZ\$/US\$	-/+1%	-0.3/+0.3
A\$/EUR	-/+1%	-0.3/+0.3
NZ\$/EUR	-/+1%	-0.1/+0.1

NZ\$/A\$: Natural hedge in FY17 due to offset between:

- Net imports of NZ finished goods, and
- NZ EBITDA translated into A\$ accounts

^ Gross FX sensitivity also **excludes** “Natural hedges and Offsets” from (i) potential relationship between pulp prices and US\$/A\$ that has existed historically, and (ii) the Net Impact of FX changes on competitive dynamics. Refer to additional detail in Appendix.

FX Hedging Policy

Period	Policy*
0-6 months	75%-100% of exposure hedged
7-12 months	25% -75% of exposure hedged

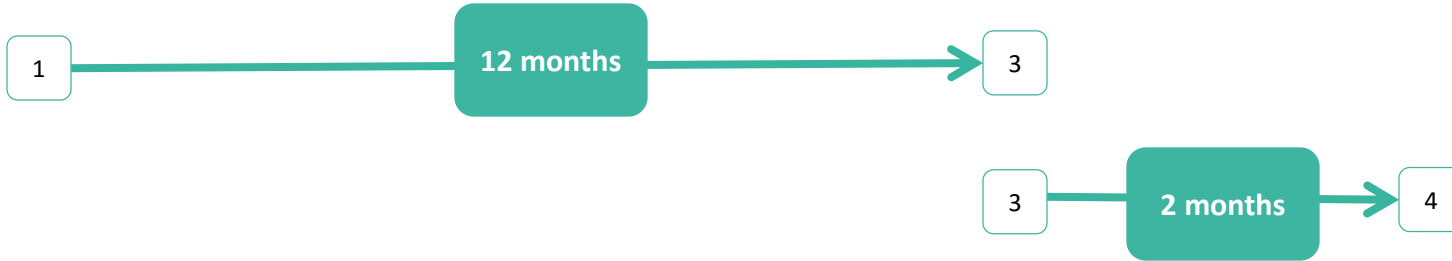
* The exposure and hedging in place is measured at the end of each month on a rolling 12-month basis in respect of cash flows

Gross Pulp Sensitivity (excluding FX impact)

Assumption	Variance	Forecast FY17 NPAT impact (A\$m)
US\$ pulp price	-/+1%	+0.5/-0.5

Impact of FX Hedge on AHY Pulp Costs

Lengthy lags for changes in FX & Pulp prices to impact P&L due to hedging & manufacturing



(1) 1 Nov 2015 FX hedge rate purchased with FX rate fixed

(3) 1 Nov 2016: Pulp delivered and paid for with FX hedge that was purchased in Nov 2015

1

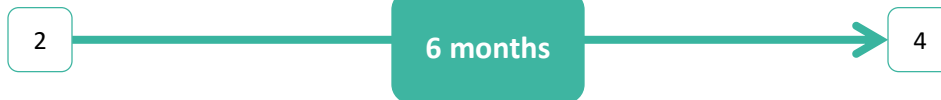
2

3

4

(2) 1 Aug 2016: Order for pulp placed, pulp price is set using July 2016 prices and pulp is shipped to Australia/NZ

(4) 1 Jan 2017: Pulp delivered in Nov 2016 (utilising FX hedge from (3) above) hits COGS as finished goods made from pulp are sold to customers



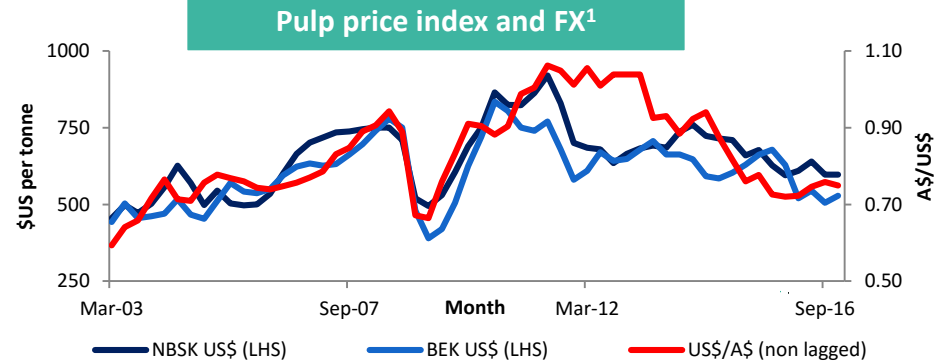
Note: Lag times in other periods may vary depending on various factors including actual FX hedging positions in place, amount of raw materials & WIP, sales volumes. Lag times reflect temporary machine shuts in 1Q17 due to temporary machine shuts to optimise working capital levels and for maintenance

FX - Impact of Natural Hedges and Offsets

Potential market hedges and offsets to gross FX sensitivities

Pulp prices

- There has been a strong historic correlation between pulp prices and US\$/A\$¹
- Although the historic correlation has existed, no conclusions can be drawn as to whether future prices will reflect these historic trends



1. Source: Pulp pricing based on China pricing from Brian McClay & Associates Inc. December 2016. Historic pulp price index shown is indicative and does not represent the actual price paid by Asaleo Care.

Competitive dynamics

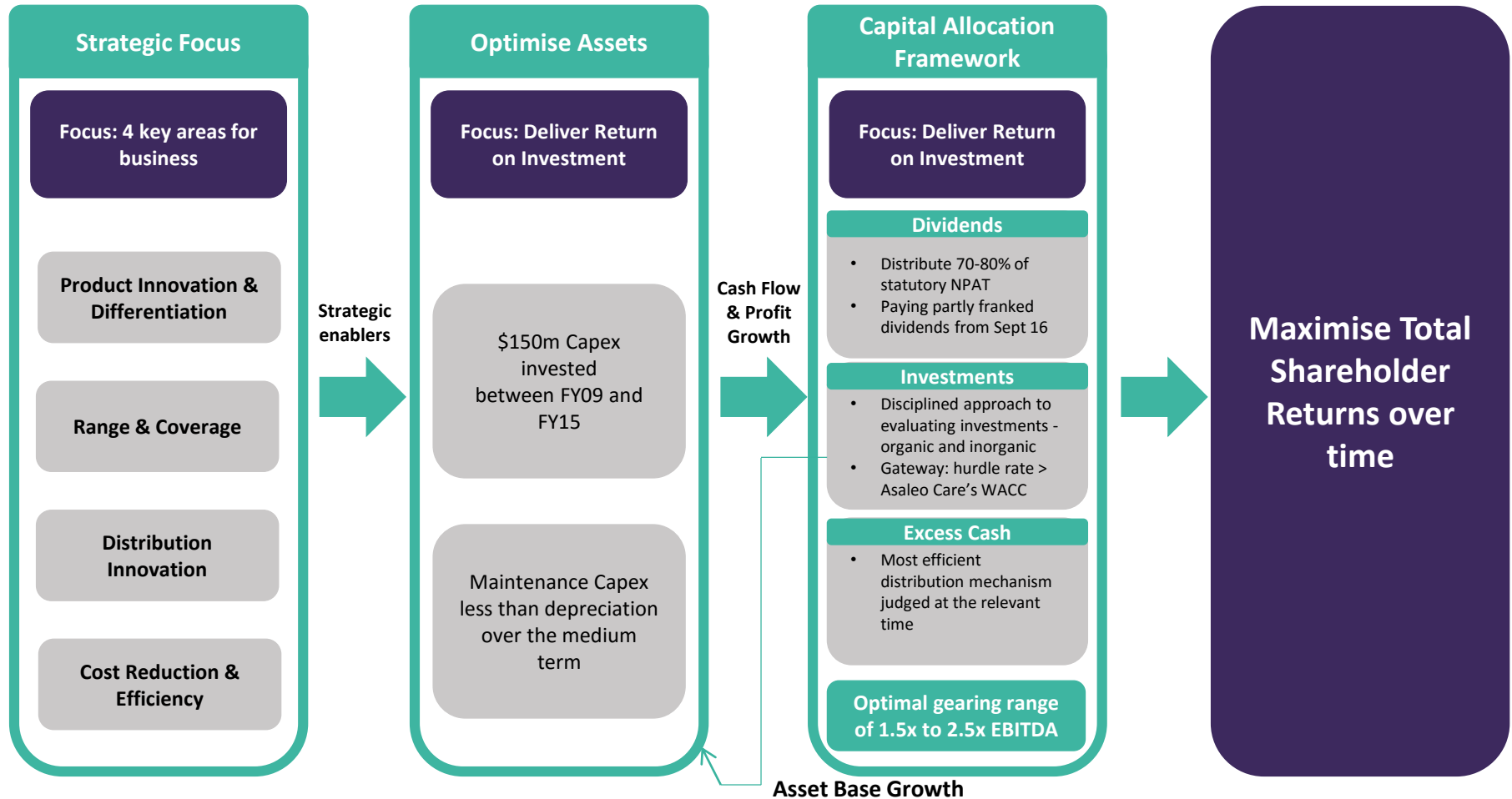
Category	Competitive dynamics
Feminine Care	Asaleo Care is the only Australian manufacturer competing against imported products primarily from Asia
Incontinence Care	Asaleo Care is part Australian manufacturer and part importer (EUR cost base) competing against imported products primarily from Asia
Baby Care	Asaleo Care is a NZ manufacturer competing against Australian and imported products
Consumer Tissue	Paper: Asaleo Care is a local paper maker competing against local and imported paper makers Converting: Asaleo Care has local converting competing against other local converting
Professional Hygiene	Asaleo Care is a local manufacturer competing against local and imported paper makers and tissue importers (including private label)

Net Impact of FX Change from competitive dynamics

- Net impact depends on market dynamics:
- **Short term:** Competitor WIP and inventory, denominated currency, FX and hedging positions, competitor responses to price increases and promotional activity, market supply and demand dynamics
 - **Medium to longer term:** competitor response to changes to prices and promotional activity

Capital Management – Principles

Disciplined drive to maximising shareholder returns



Statutory to Underlying Results Reconciliation

Net impact to Underlying of \$5.6m

A\$m	FY16
Statutory Net Profit After Tax	59.0
Non-recurring costs	7.6
Depreciation	0.3
Tax expense	-2.3
Underlying Net Profit After Tax	64.6

Non-recurring costs:

- Non-recurring manufacturing and storage costs associated with the nappy plant relocation and upgrade, machine upgrade for Feminine Care innovation and NZ paper machine upgrade work (\$3.9m)
- Redundancies - operational headcount reductions and corporate restructure (\$0.7m)
- Other abnormal storage costs prior to 1Q17 capacity shuts to reduce stock in third party storage and decrease associated costs (\$2.4m)
- Other miscellaneous items \$(0.6m)

Depreciation:

- Write-offs associated with nappy machine relocation and upgrade

Tax expense:

- Tax effect of the non-recurring costs

FY16 Results Presentation

Peter Diplaris – CEO and Managing Director & Paul Townsend – Chief Financial Officer

23 February 2017

