FY17 Results Presentation

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22 February 2018

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Peter Diplaris – CEO and Managing Director

FY17 Results Presentation

Highlights

Revised guidance met, strong Tissue performance, challenging year for Personal Care despite investment in product improvements/relaunches

Financial Summary

- Underlying^ EBITDA decline of 4.9% to $124.3m, Tissue EBITDA $69.2m (+8.5%) Personal Care EBITDA $55.1m (-17.7%)
- Underlying^ NPAT decline of 8.0% to $59.4m from $64.6m (2016), Statutory NPAT decline of 3.0% to $57.2m from $59.0m (2016)
- Underlying ^ EPS decline of 5.2% to 10.9cps from 11.5cps
- Strong Tissue result with contract wins in Professional Hygiene, mix shift to higher margin products in Consumer Tissue combined with cost reduction program
- Reduced earnings in Personal Care, specifically Feminine and Baby
  - Feminine impacted by intensely price competitive marketplace whereby Asaleo brands (Libra) became uncompetitive. Now price competitive, and market share improvement
  - Baby care impacted by quality issues on new nappies. Now producing higher quality nappies
- FY17 dividend of 10 cps maintained. Final dividend of 6cps franked to 40%. On market share buy back completed
- Reduction in net debt to $279.1m (Dec-16: $295.2m), with leverage at 2.25x

Executing Strategy

- Feminine Care & Baby Care product innovations in market. Responded to issues impacting success
- FY17 Capital optimisation projects (Springvale site sale and leaseback & finished goods inventory reduction initiative) executed successfully
- Delivering on Tissue strategy with better mix impact and cost out programs
- Solid year on year sales growth for Professional Hygiene and Incontinence Healthcare

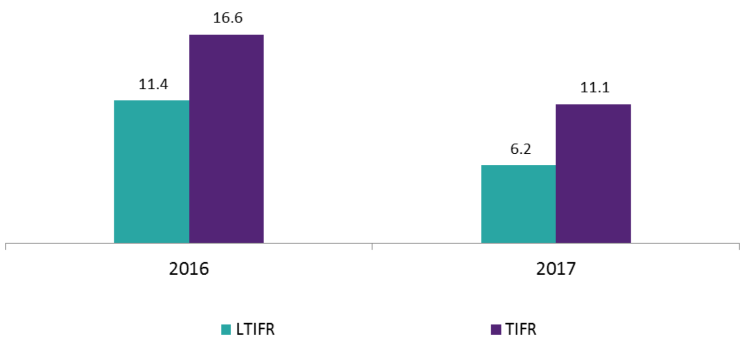
FY18 Outlook

- Significant cost impost in 2018 in pulp and energy. Mitigating initiatives are planned – timing of execution is critical
- Expect retail environment to remain highly competitive
- Feminine Hygiene/Baby ability to compete is enhanced compared to 2017
- Product improvement/marketing initiatives will continue in 2018

^ Underlying FY17 Result: Has been adjusted for ($3.5m pre-tax) or ($2.2m after-tax) non-recurring income and expenditure associated with the finished goods inventory reduction initiative, abnormal storage costs, restructuring costs, abnormal manufacturing costs and the gain recognised from the Springvale site sale and leaseback

Key Metric Trends

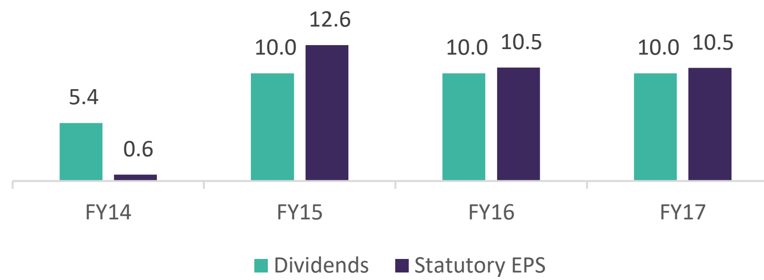
Safety



- Improved safety metrics with continued focus on injury prevention
- Metrics evidence that focus and actions on safety are gaining traction

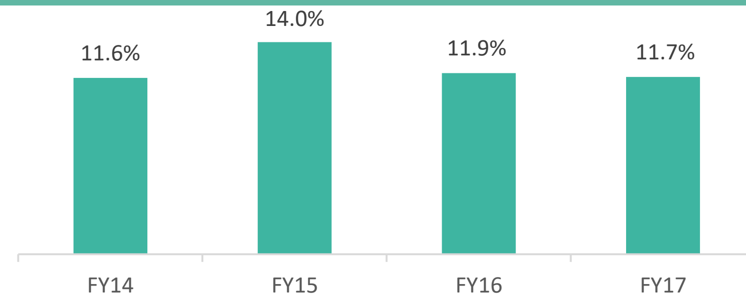
- ***LTIFR:*** *Lost Time Injury Frequency Rate (no. of lost time injuries per million hours worked)*
- ***TIFR***: *Total Injury Frequency Rate (no. of lost time, doctors cases and restricted work injuries per million hours worked)*

Dividends and Statutory EPS, Cents Per Share



- Total of 35.4cps in dividends have been returned to shareholders since listing in FY14
- Dividend maintained since 2015

ROIC



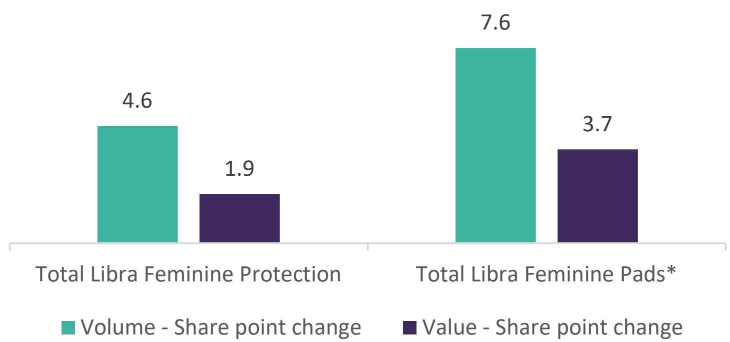
- Slight decrease in ROIC

Segment Performance: Personal Care

Challenging second half for Feminine and Baby Care. Change in pricing strategy for Feminine, off Every Day Pricing (EDP) with key retailers in November. Investment in new product development supported by marketing expenditure.

$m	FY17	FY16	FY17 vs FY16
Revenue	169.1	182.7	-7.5%
Underlying EBITDA	55.1	66.9	-17.7%
EBITDA Margin %	32.6%	36.6%	

Asaleo Care Market Share Point Change; Feminine Hygiene Nov 2017 - 14 Jan 2018 (post EDP) compared to Aug 2017 – Oct 2017 (EDP)



- Volume and value market share improvement since moving off EDP

**Libra pads represent 65% of Feminine Care revenue in Australia*

Overall

- FY17 revenue decline of 7.5% to FY16 with drop in 2H17 in Feminine and Baby partially offset by Incontinence Care
- Significant increase in A&P (~$3m) to support Feminine Roll.Press.Go innovation and new packaging which was launched into market in May 17
- Adverse FX impacting raw materials and finished goods costs by ~$1.4m

Feminine Care

- Feminine Care revenue declined as an intensely price competitive market place impacted sales volumes. Moved off Every Day Pricing (EDP) in key retail chains in November and have recommenced promotional price activity, providing more flexibility to respond to market pricing than previously. Market share in Australia post EDP have improved (See bar chart)
- Roll.Press.Go innovation launched in May-17 and benefit realisation is expected in the medium term. Uncompetitive price during launch/ impacted trial potential
- Incontinence Care performing strongly with Healthcare revenue growth of 5.5% in FY17, driven by contract wins and organic growth of existing customers

Baby Care

- Sales decline predominately due to loss of private label contracts, (private label sales down 44% on last year)
- Branded sales were impacted by product quality issues on the upgraded nappy machine in the second half. This has now been rectified

Incontinence Care

- Incontinence Care performing strongly with Healthcare revenue growth of 5.5% in FY17, driven by contract wins and organic growth of existing customers

Segment Performance: Tissue

EBITDA growth in challenging environment. Sales growth in Professional Hygiene channel, improved mix, and reduced costs driving profit growth

$m	FY17	FY16	FY17 vs FY 16
Revenue	416.7	423.2	-1.5%
Underlying EBITDA	69.2	63.8	8.5%
EBITDA Margin %	16.6%	15.1%	

Overall

- Revenue decline of 1.5%, with Professional Hygiene (B2B) +5%, Consumer Tissue -5% and Fiji -3%
- Underlying EBITDA improvement includes lower manufacturing costs (~$9m) more than offsetting increased energy costs (~$5m). Movements in pulp and raw materials pricing was largely offset by FX movements
- Logistics savings from rate reductions and optimized use of pallet space
- Tight control of SM&A spend yielded ~+$1m benefit

Professional Hygiene

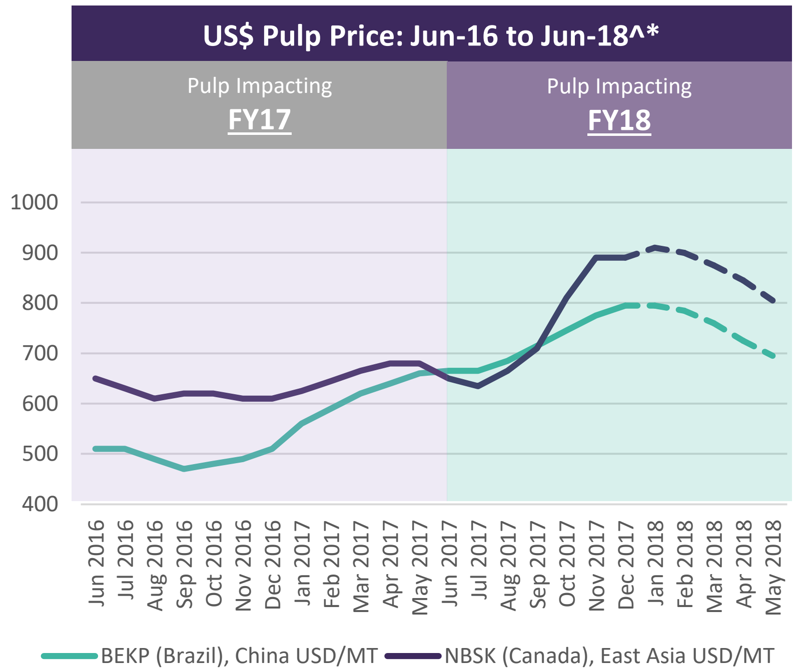
- Revenue growth for Australia 4% and New Zealand 6%
- New contract wins and improved sales mix through continued increase in proportion of sales of Tork proprietary products to ~32%

Consumer Tissue

- Re-investing in branded product across both Australia and New Zealand and improved mix to higher margin product
- Sales reduction in private label across Australia and New Zealand of ~$4m, combined with reduced promotional activity on branded product in key categories compared to the previous year, impacted volumes

FY18 Outlook

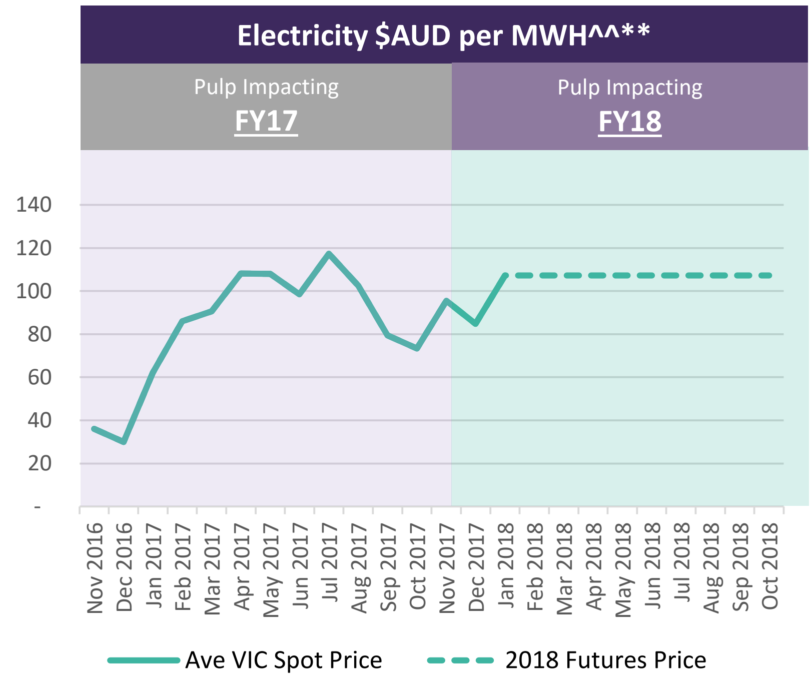
Significant cost imposts in 2018 with pulp and energy impacts, partially offset by favourable FX.



- BEKP (hardwood) to increase ~35% on FY17
- NBSK (softwood) to increase ~25% on FY17

^ Indicative impact of US$ pulp price changes – driven by ~6 month lag from pulp purchase price being set to pricing reflected in Cost of Sales

* Source: Risi,Inc. Pricing to Dec 17 is actual and forecast is from Jan-18 to May-18. The price Asaleo Care pays is subject to commercial arrangements that impact price. Asaleo Care primarily sources Softwood from Canada and New Zealand and Hardwood from South America & South East Asia.



- 2018 futures price at December 2017 28% higher than average spot price in 2017

^^ Indicative impact of electricity prices – price lag of ~two months from electricity usage to pricing reflected in Cost of Sales.

** Source: Australian Energy Market Operator (AEMO) Victoria Electricity spot price. Futures price from ASX.com.au. The price Asaleo Care pays is subject to commercial arrangements that impact price.

FY18 Outlook

Significant cost imposts in 2018 specifically with pulp and energy. Initiatives are planned to mitigate impact of cost increases. Timing and execution of initiatives is critical and outlook range reflects potential upside and downside associated with timing and effectiveness of these initiatives

	FY18 Guidance
Underlying* EBITDA	$113m to $119m
Capital Management	Clear Principles 1. Intend to maintain current dividend amount subject to achieving EBITDA guidance 2. Investigate initiatives to deploy capital into high returning projects – hurdle rate materially higher than WACC
Guidance Range	Reflects Management and Boards assessment of potential upsides and downsides due to: 1. Timing of price increases, restructuring and other cost out initiatives 2. Effectiveness and timing impact of market growth initiatives

* Statutory result expected to be ~$10m lower due to restructure costs in FY18 of which ~$6m will be cash

Strategic Focus - Overview

Strategy remains unchanged, focus on execution

1. Product Innovation & Differentiation

Treasures

- Enhanced open nappy product with premium leakage protection
- Re-launch brand

Sorbent

- Enhance Sorbent product by further improving quality
- Advertising campaign planned in FY18. Investing in Sorbent brand

TORK

- Continued product innovation throughout the portfolio
- Continue sales growth of proprietary systems

Libra

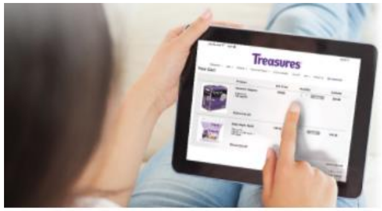
- Continuation of marketing activity

2. Range & Coverage

- Significant customer opportunities
  - Fast growing new B2B customers
  - Building the range at existing customers

3. Distribution Innovation

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



4. Cost Reduction & Efficiency

- Maintaining intense focus on improving efficiency and productivity
- Company wide restructure is planned to occur throughout FY18

Lyndal York– Chief Financial Officer

FY17 Results Presentation

Sorbent TORK Libra TENA Handee Ultra Purex Treasures deeko Orchid Viti

FY17 Underlying Results vs FY16 Underlying Results

Decline in retail categories partly offset by growth in B2B categories

$Am	Underlying FY17	Underlying FY16	% Change
Revenue	585.8	605.9	-3.3%
Cost of Sales	(354.6)	(364.6)	2.8%
Gross profit	**231.2**	**241.3**	**-4.2%**
Distribution Expenses	(68.6)	(70.9)	3.3%
Sales, Marketing & Admin Expenses	(62.5)	(62.8)	0.5%
Other Income/Expenses	(4.5)	(5.8)	22.2%
EBITDA	**124.3**	**130.7**	**-4.9%**
Depreciation and Amortisation	(28.7)	(28.9)	0.7%
EBIT	**95.6**	**101.8**	**-6.1%**
Net Finance Costs	(11.3)	(10.6)	(6.6%)
NPBT	**84.3**	**91.3**	**-7.6%**
Income Tax Expense	(24.9)	(26.7)	6.6%
Underlying NPAT	**59.4**	**64.6**	**-8.0%**
Non-recurring income/expenses	(3.5)	(7.9)	N/A
Income tax on non-recurring items	1.3	2.3	N/A
Statutory NPAT	**57.2**	**59.0**	**-3.0%**

Revenue:

- Primarily Feminine and Baby categories impacted sales
- Private label sales decline in Consumer Tissue

Cost of Sales & Gross Profit:

- Costs of sales percentage maintained in FY17 with savings in Tissue manufacturing including reduced labour costs (~$9m), more than offsetting unfavourable energy (~$5m) and impacts from nappy machine relocation. Movements in pulp and raw material pricing was largely offset by FX impacts.
- FY17 margin of 39.5% consistent with FY16 of 39.8%

Expenses:

- **Distribution Expenses:** Lower due to favourable rate negotiations, lower volumes being moved.
- **Sales, Marketing and Admin Expenses:** Decreased due to savings in salaries/labour, and discretionary spend, slightly offset with additional advertising expenditure to support the Feminine Care and Baby Care innovation market launches.
- **Net Finance Costs:** Increased on higher average gross debt (FY17: $334m vs FY16: $322m) with effective interest rate in FY17 of 3.5% compared with FY16 of 3.4%.

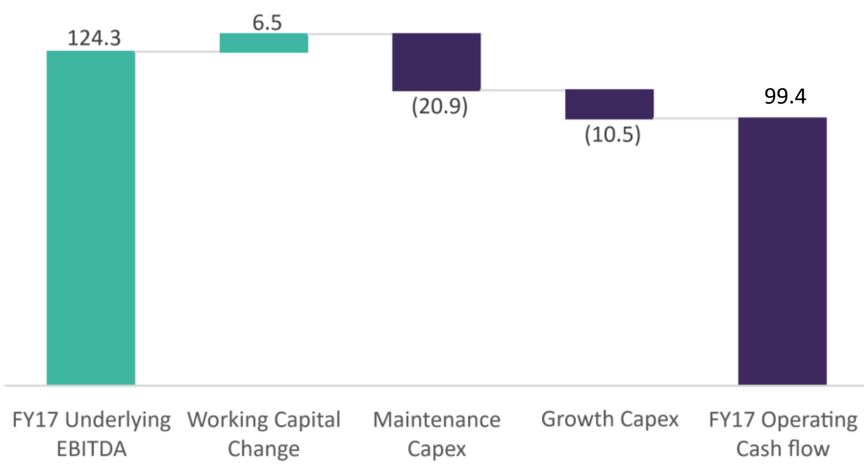
Non-recurring expenses:

- Includes non-recurring income and expenditure associated with the finished goods inventory reduction initiative, abnormal storage costs, restructuring costs, abnormal manufacturing costs and the gain recognised from the Springvale site sale

Cash Flow

Strong cash flow generation continues

Operating Cash Flow ($m)



Operating Cash Flow: $99.4m achieved in FY17

Working Capital $6.5m improvement in FY17 with:

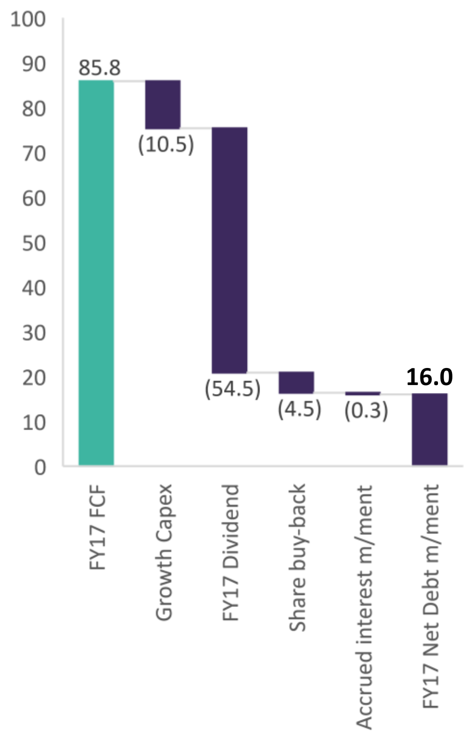
- Trade & Other Payables up $9.0m – primarily due to an increase in imported/manufactured finished goods and raw materials and other expenses
- Inventory up $2.8m:
    - Reflects higher pulp and electricity costs for manufactured goods and increased volume of imported finished goods, which aligns with growing Professional Hygiene and Incontinence categories

Free Cash Flow & Net Debt Movement

Strong Free Cash Flow generation allowing for growth capex expenditure, $59m in Capital Management and -$16m reduction in Net Debt

Free Cash Flow (FCF) ($m)

FCF Applied to Capital Allocation ($m)



Free Cash Flow

- Free cash flow of $85.8m ($75.3m after growth capex), which includes proceeds from sale of Springvale site and non-recurring expenditure associated with the finished goods inventory reduction initiative and abnormal third party storage costs

Cash Flow Applied to Capital Allocation:

- FY17 generated $85.8m which is available for strategic investment and / or capital management
- $10.5m allocated to Growth Capex
- $59.0m allocated to Capital Management
  - $32.8m Mar-17 Dividend (6cps)
  - $21.7m Sep-17 Dividend (4cps)
  - $4.5m 1H17 share buy-back

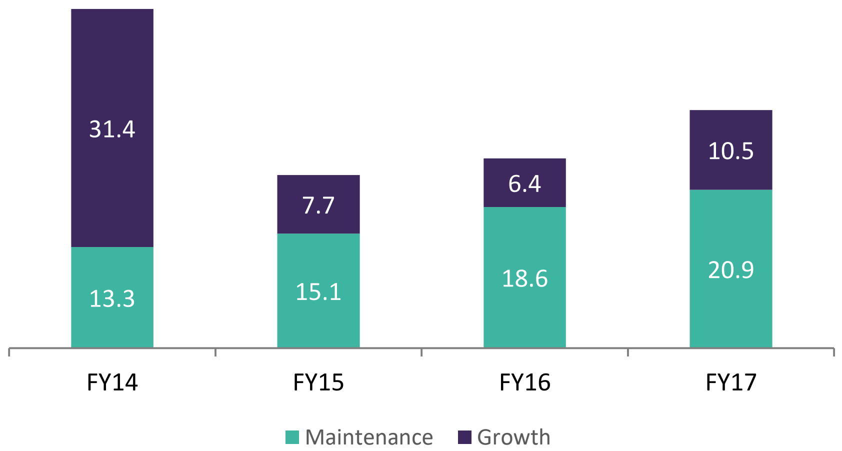
Net Debt Movement:

- Reduction of -$16m to $279.1m at Dec-17 (Dec-16: $295.2m)

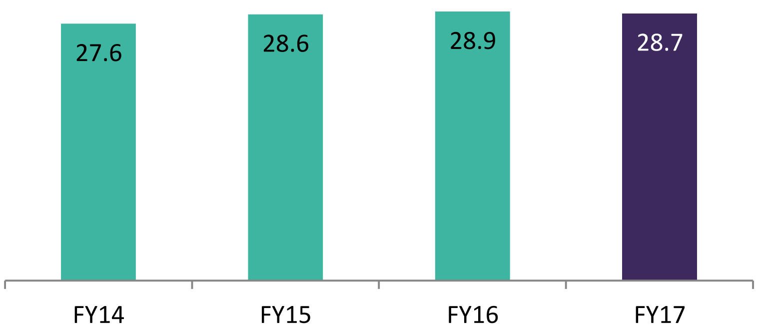
** "Other/Non-recurring exp" category includes Non-recurring costs -$12.8m, FX on opening cash held -$1.0m & Non-cash items -$3.4m*

Capex and Depreciation

Capital Expenditure ($m)



Depreciation ($m)*



Maintenance Capex:

- FY17 Maintenance Capex includes site improvements for Box Hill and Kawerau, investment in digital platforms and increased investment in Professional Hygiene proprietary dispensers

Growth Capex:

- FY17 Growth Capex of $10.5m includes relocation/upgrade of nappy assets, Box Hill paper machine upgrade and pre-engineering for a Professional Hygiene initiative that is being evaluated

Depreciation:

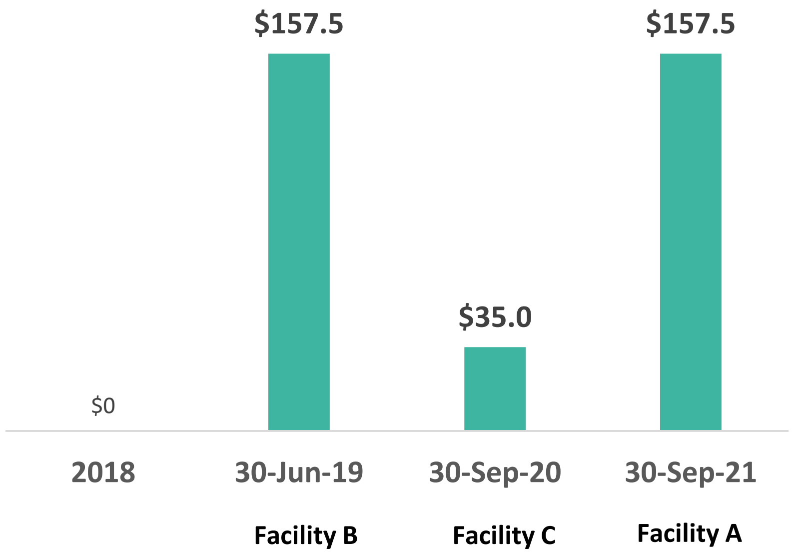
- Includes impact of the depreciation of new plant introduced as part of the $114.8m Tissue Capital Investment Program and other projects
- Depreciation expense to increase to ~$30m in FY18 which includes a full year impact of the nappy machine relocation and upgrade and investment in dispensers underpinning the strong growth in the Professional Hygiene business

** Depreciation reflects underlying levels.*

Debt Management

Leverage of 2.25x after share buy-back & capital optimisation program

Debt Maturity Profile ($m)



Leverage^:

- Leverage at 2.25x, despite impact of $99.5m share buy-back

FY17 Financing Costs ($11.6m):

- Higher average net debt in FY17 ($334m) v FY16 ($322m) due to share buy back
- FY17 effective interest rate of 3.5%, vs. 3.4% in FY16

Debt Maturity Profile:

- Weighted average maturity of 2.6 years, with Facility B maturing on 30 June 2019

	As at 31 Dec 2017
Total Facilities	$350.0m
Drawn Debt	$308.5m
Cash & Cash Equivalents	$30.2m
Net Debt	$279.1m*

* After adjusting for accrued interest of $0.8m on drawn debt

^ Leverage = Net Debt / EBITDA

Shareholder Return Calculations

	FY17 Underlying	FY16 Underlying	Change
EPS	10.9cps	11.5cps	-5.2%

	FY17 Underlying	FY16 Underlying	Change*
ROIC	11.7%	11.9%	-0.2pp
ROE	20.1%	21.0%	-0.9pp

Methodology^:

- Earnings Per Share **(EPS)**
  - NPAT / Weighted average shares on issue
  - FY17: $59.4m / 544,110,690 = 10.9 cps
  - FY16: $64.6m / 559,891,610 = 11.5 cps
- Return on Invested Capital **(ROIC)**
  - NoPAT / Debt + Equity
  - FY17: $67.3m / ($279.1m + $296.3m) = 11.7%
  - FY16: $72.0m / ($295.2m + $307.4m) = 11.9%
- Return on Equity **(ROE)**
  - NPAT / Equity
  - FY17: $59.4m / $296.3m = 20.1%
  - FY16: $64.6m / $307.4m = 21.0%

* 'pp' means percentage points
^ Calculated on an underlying basis

Capital Management

Dividend maintained and buy-back completed

FY17 dividend of 10 cps, partially franked

- Maintained 10 cps full-year dividend through strong capital and cash flow management (FY16 10cps).
- Dividend paid in accordance with Asaleo Care capital management principle of returning excess cash to shareholders and represents 95% of statutory NPAT.
- 50% franking attached to the Sep-17 dividend and 40% franking attached to Mar-18 dividend

On-market buy-back complete

Details of Buy-back	
Shares brought back	60,346,943 shares
Total number of shares issued after buy-back	543,122,491 shares
Total Cost	$99,489,652
Average buy-back price	**$1.65/share**

As a result of Essity^ not participating in the buy-back, Essity's stake in Asaleo Care has increased from 32.54% holding to 36.16%.

^ Essity AB was listed on Nasdaq Sweden on 15 June 2017 and was formed from the demerger of SCA's forestry and hygiene business. Essity is the ultimate parent entity in their investment in Asaleo Care Limited

Summary

Met revised FY17 Guidance	• FY17 Results in-line with December revised guidance. • Strong Tissue profit growth which is diversifying our customer base as Professional Hygiene sales increase. Results achieved despite higher input costs • Challenging year in Feminine and Baby Care, corrective action has been taken
Delivering on Capital Management	• Dividends: 2H17 6cps 40% franked, FY 17 total 10cps partially franked • On-market buy-back completed (10% issued equity acquired for $99.5m)
FY18 Outlook	• Significant cost imposts in pulp and energy. Initiatives planned to mitigate, timing is critical • FY18 Underlying EBITDA of $113m to $119m • Intend to maintain current dividend amount subject to achieving EBITDA guidance

FY17 Results Presentation

Appendices

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 (Retail & B2B)

TENA *

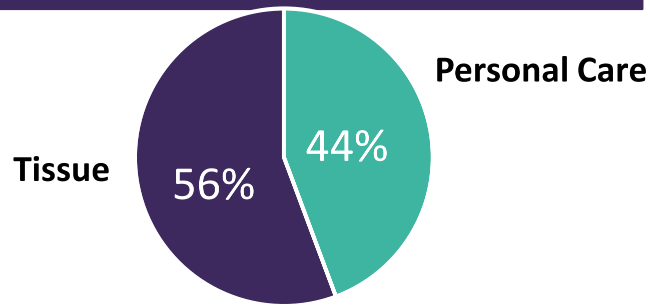
Feminine Care

Libra

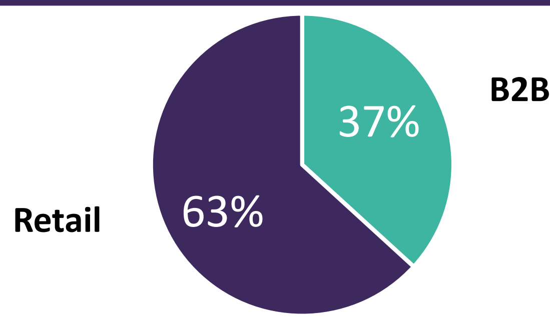
Baby Care

Treasures

FY17 EBITDA split



FY17 Sales – Retail v B2B



Manufacturing Plants

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

Consumer Tissue

Sorbent Always Soft · Always Strong, Handee Ultra, Purex, deeko, Viti, Orchid

Professional Hygiene (B2B)

TORK *

* Licensed from Essity

Commitment to Capital Management

Strong free cash flow generation driving shareholder returns

Strategic Focus

Focus: 4 key areas for business

- **Product Innovation & Differentiation**
- **Range & Coverage**
- **Distribution Innovation**
- **Cost Reduction & Efficiency**

Strategic enablers driving Cash Flow and Profit Growth

Capital Allocation Principles

Focus: Deliver Return on Investment

Dividends

- Distribute excess cash to shareholders.
- Paying partly franked dividends from Sep-16

Investments

- Disciplined approach to evaluating investments - organic and inorganic
- Gateway: hurdle rate > Asaleo Care's WACC (8.4%)

Excess Cash

- Most efficient distribution mechanism judged at the relevant time

Maximise Total Shareholder Returns over time

Recent evidence in maximising shareholder returns

Dividends

- FY17 dividend maintained at 10cps evidencing confidence in cashflow generation
- Dividends partially franked since Sep-16

Investments

- Roll. Press.Go and Baby nappy product innovation investments
- On-going evaluation of a Professional Hygiene initiative

Excess Cash

- On-market buy-back for 10% of equity ($99.5m) completed

Gearing ratio
Dec-16 = 2.26x
Jun-17 = 2.05x
Dec-17 = 2.25x*

Underlying to Statutory Results Reconciliation

Net impact to Underlying of +$2.2m

A$m	FY17
Underlying Net Profit After Tax	**59.4**
Springvale Site – profit on sale	9.3
Non-recurring costs	(12.8)
Tax benefit	1.3
Statutory Net Profit After Tax	**57.2**

Springvale Site – profit on sale:

- In June 2017, settlement occurred on the sale of the Springvale site which resulted in a profit on sale of $9.3m (pre-tax). Asaleo Care continues to manufacture at the Springvale site under a 7-year lease which contains two 5-year extension options.

Non-recurring costs:

- Finished Goods Inventory Reduction Initiative – represents abnormal manufacturing costs per unit resulting from the 1H17 capacity shuts which delivered the improved inventory holdings $8.5m
- Abnormal third party warehouse expenses – 1H17 manufacturing capacity shuts has resulted in an exit from holding stock in third party warehouses $1.1m
- Restructuring – operational headcount reductions and corporate restructure redundancies $1.3m
- Abnormal manufacturing Costs – Paper machine at Box Hill ran abnormally slow due to mechanical issues $1.4m
- Other miscellaneous items $0.5m

Tax expense:

- Tax effect of the Springvale site profit on sale and the non-recurring costs

FY17 Results Presentation

Peter Diplaris – CEO and Managing Director
Lyndal York– Chief Financial Officer
22 February 2018