

News Release



ASALEO CARE ANNOUNCES PRO FORMA RESULTS FOR HALF YEAR ENDED 30 JUNE 2014

Important note: The financial information in this announcement has been prepared on a pro forma basis and has not been audited. Asaleo Care will not lodge a half year financial report and directors' report for the half year ended 30 June 2014. Asaleo Care is also not required to release an appendix 4D and other documents under Listing Rule 4.2A

Financial Highlights

- Pro forma net profit after tax (NPAT) increased 12.4% on 1H13 to \$28.2M
- Pro forma earnings before interest and tax (EBIT) of \$45.6m up 10.4% on 1H13
- Pro forma EBIT before depreciation and amortisation (EBITDA) up 8.5% to \$60.1M. This represents 43% of the CY14 forecast and is within the 1H Prospectus guidance range of 40-45%
- Increase in revenue of 0.5%, with growth experienced in all categories except Consumer Tissue which was impacted by constraints around the commissioning of converting assets under the Tissue capital investment program
- Pro forma net debt at 30 June 2014 was \$295.9M and in-line with the Prospectus
- Leverage of 2.1x based on the CY14 pro forma EBITDA forecast (\$139.7M)

Business Highlights

- Pro forma EBITDA up 8.5%. Improvement predominantly driven by strong growth in Personal Care categories, delivery of Tissue capital investment program benefits and lower overhead costs.
- Personal Care Pro forma EBITDA up 12% to \$33.7M, with improvement mainly driven by revenue growth across all categories
 - New Product launches during 1H14 including; InstaDRY, Anti-fluff tampons and Libra absorption pads.
 - Full year sales of Lights by Tena (2013 launch) being realised.
 - Improved store distribution in the Feminine Hygiene category.
 - Manufacturing restructure plans for the Tampon product lines delivered in 1H14.
 - Increased market share in the Baby Hygiene category in New Zealand (1H13: 23.7 to 1H14: 26.2%) and the launch of the Treasures brand into the Australian market.
- Tissue Pro forma EBITDA up 4% to \$26.4m
 - Improvement driven by realisation of the Tissue capital investment program benefits (1H14 of \$9.6M).
 - EBITDA growth was constrained in Consumer Tissue due to the impact of commissioning of the Tissue converting lines through lower throughput impacting sales volumes and adverse FX impacts on raw materials. Market demand is now fully supplied.

\$A millions	Pro Forma	Pro Forma	Growth
	1H14	1H13	%
Revenue	303.6	302.1	0.5%
Gross profit	121.3	119.8	1.3%
EBITDA	60.1	55.4	8.5%
EBIT	45.6	41.3	10.4%
NPAT	28.2	25.1	12.4%
Net Debt	295.9	N/A	
Leverage	2.1x	N/A	

IPO Update

- Asaleo Care successfully listed on the Australian Stock Exchange on 27 June 2014 at a price of \$1.65 per share
- Trading range to 26 August 2014 has been between \$1.64 and \$1.96

Outlook 2014

- We are on-track to achieve the CY14 pro forma financial forecasts as set out in the Prospectus. The CY14 forecast is dependent upon;
 - Execution of the remaining components of the Tissue capital investment program
 - New product launches achieving sales targets
 - Selling the optimum sales mix
 - Realising working capital benefits
 - Delivery of non-capex profit improvement initiatives

The financial information included in this release has been prepared on a pro forma basis. Asaleo Care relies on the exemption available under the Australian Securities and Investment Commission Class Order 08/15 which provides that a listed disclosing entity is relieved from the requirements to prepare and lodge a half year financial report and directors' report during the first financial year of the entity where the financial year lasts for 8 months or less. The statutory figures detailed in this release have been subject to review procedures by our auditors. PwC, conducted under ASRE 2405 a Review of Financial Information Other than a Financial Report.

Personal Care

- Pro forma EBITDA up 12% on 1H13 to \$33.7M
- Pro forma Revenue up 7.9% on 1H13 to \$97.3M

Feminine Hygiene

- Improved store distribution and favourable mix driving profitable revenue growth
- Manufacturing restructuring plans for the Tampon product lines delivered in 1H14
- New product launches well supported by customer base with advertising on air in May 2014

Incontinence Hygiene

- Asaleo Care now market leader in Retail Australasia - 1H13 to 1H14 share growth (46.0 - 47.1%)
- InstaDRY new product launch providing retail market share growth (2.8% share in Bladder Weakness market - 4 weeks ending 6 /7/14)
- Advertising for InstaDRY on air in May 2014
- Full year benefits of Lights by TENA launch being realised

Baby Hygiene

- Increase in Treasures market share in New Zealand between 1H13 to 1H14 (23.7 – 26.2%)
- Launch of Baby diapers and wipes into the Australian market via Metcash

Tissue

- Pro forma EBITDA up 4% on 1H13 to \$26.4M
- Pro forma Revenue down (2.6%) on 1H13 to \$206.2M

Consumer Tissue

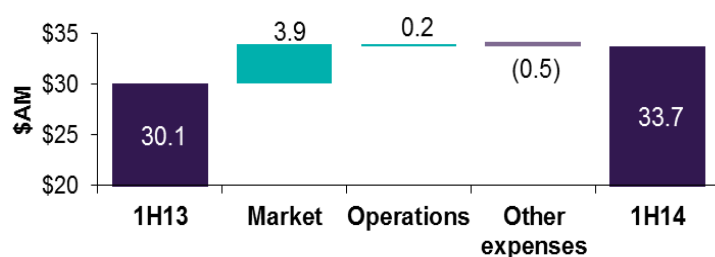
- The result has been impacted by the commissioning of the converting assets which impacted manufacturing fixed cost recoveries through reduced production volumes compared to 1H13. Operational cost improvement despite cost inflation, adverse FX impacts and lower machine throughput
- Other expenses are favourable in 1H14 compared with 1H13 principally due to improved efficiency in advertising, improved media buying rates, together with timing of advertising and promotional activity

Professional Hygiene

- Modest revenue growth compared to 1H13 mainly due to price increases in January 2014
- Successfully secured a number of contract wins which will be realised from late 2014/early 2015

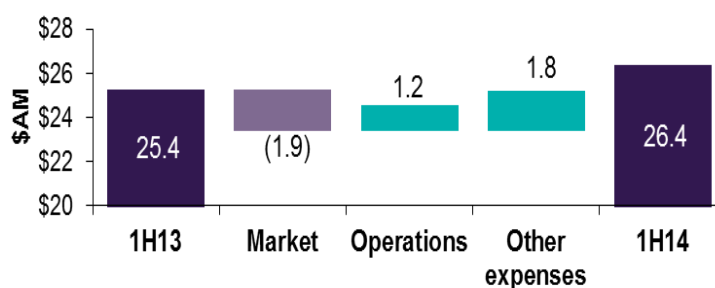
	1H14	1H13	1H14 v 1H13	Forecast CY14	1H% of Forecast
Revenue	97.3	90.2	7.9%	199.1	48.9%
EBITDA	33.7	30.1	12.0%	71.2	47.4%

Personal Care EBITDA Bridge – 1H13 to 1H14



	Pro Forma 1H14	Pro Forma 1H13	1H14 v 1H13	Forecast CY14	1H% of Forecast
Revenue	206.2	211.9	(2.6%)	443.1	46.5%
EBITDA	26.4	25.4	4.0%	68.5	38.5%

Tissue EBITDA Bridge – 1H13 to 1H14



Tissue Capital Investment Program

- Significant capital investment program undertaken in order to reconfigure the company's Tissue manufacturing footprint to increase efficiency and flexibility, and reduce the costs of production
- The total cost of the capital investment program is expected to be \$114.8M (of which \$100.7M/88% has been spent as at 30 June 2014)
- Production volumes have increased over the course of 1H14 and are in accordance with the plan commissioning volumes with market demand now fully supplied. The commissioning is, however, not complete and will continue into 2H14
- Commissioning activities relating to the upgrade of the Tissue converting facilities will be substantially implemented by the end of CY14
- The program is expected to deliver a \$23.7M (CY14) benefit over and above the CY13 benefits. \$9.6M has been delivered in 1H14

Pro Forma Operating Cash Flow

- 1H14 change in working capital driven by:
 - Capital investment program redundancy payments being settled in 1H14
 - Build-up of raw materials and work in progress inventory as a result of the Tissue capital investment program
- 2H14 working capital expected to be positive against 1H14 through the run-down of work in progress inventory
- Maintenance capital expenditure
 - Base maintenance capital expenditure in line with forecast
- Growth capital expenditure
 - Tissue capital investment program expenditure was \$20.2M and represents 59% of the CY14 forecast (\$34.3M) and is within the Prospectus range of 50-60%

Capital Management

- Leverage
 - 2.1x CY14 pro forma EBITDA is consistent with Prospectus guidance
 - Maximum to target investment grade metrics \approx 2.5x
- Cash Generation
 - Significant capital invested in recent years which provides a platform for strong cash flows in future
 - In the short to medium-term operating cashflows generated to be utilised to pay down the groups Revolving financing facilities
- Cost of Debt
 - All up cost of debt for remaining CY14 period is 4.3%

Tissue Capital Investment Expenditure				
	CY12 to	1H14	2H14	% Expenditure
\$A millions	CY13	Actual	Remaining	to 1H14
Australia	38.9	13.3	12.1	81%
New Zealand	41.6	6.9	2.0	96%
TOTAL	80.5	20.2	14.1	88%

Tissue Capital Investment Program - Incremental Benefit					
	CY13	1H14	2H14	CY15	Total
\$A millions	Actual	Actual	Forecast	Forecast	
Incremental Delivery	7.8	9.6	14.1	5.0	36.5

Pro Forma Operating Cash Flow				
			Forecast	
\$A millions	1H14	1H13	CY14	
EBITDA	60.1	55.4	139.7	
Changes in working capital	(29.0)	(11.4)	(24.0)	
Maintenance capex	(5.1)	(4.7)	(15.3)	
Growth capital expenditure	(21.4)	(26.7)	(38.3)	
Net cash flow before financing and taxation	4.6	12.6	62.1	

	Pro forma as at 30 June 2014
\$A millions	
Current interest bearing liabilities	-
Non-current interest bearing liabilities	315
Total debt	315
Cash and cash equivalents	19.1
Net debt	295.9
Net debt/CY2014 pro forma EBITDA	2.1x

- Dividends
 - The Board's current intention is to declare a dividend of \$29.1M which is \approx 4.8 cents per Share in respect of the period 1 July 2014 to 31 December 2014
 - Cashflows provide sustainable dividend payout ratio of between 70% and 80% of Asaleo Care's statutory NPAT from CY15

Balance Sheet

- Key balance sheet movements since December 2013 were:
 - Inventory increase due to build-up of raw materials and work in progress due to Tissue capital investment program
 - PP&E increase resulting from execution of the capital spend program
 - Deferred tax asset increase due to tax losses arising from non-recurring IPO related costs
 - Reduction in provisions due to Tissue capital investment program redundancies
 - Reduction in interest bearing liabilities reflects IPO Financing Facility fully drawn on 30 June 2014

Statutory Balance Sheet			
As at 30 June 2014			
	Actual	Actual	Change
\$A in millions	Jun-14	Dec-13	%
Cash and Cash Equivalents	30.4	54.5	-44%
Inventory	146.0	133.4	9%
Other Current Assets	43.3	40.0	8%
Property, Plant & Equipment	355.0	341.8	4%
Intangible Assets	188.4	183.2	3%
Deferred Tax Asset	61.3	37.3	64%
Total Assets	824.4	790.2	4%
Payables and Provisions	103.1	123.5	-17%
Other Current Liabilities	18.3	20.3	-10%
Interest Bearing Liabilities	314.6	415.5	-24%
Other Non Current Liabilities	3.4	7.6	-55%
Deferred Tax Liabilities	55.8	57.9	-4%
Total Equity	329.2	165.4	99%
Total Liabilities & Equity	824.4	790.2	4%

Pro Forma Cash Balance

- Pro forma cash balance as at 30 June 2014 of \$19.1M is in line with the Prospectus intention of \$20M being held at the completion of the offer
- IPO funds held at 30 June 2014 to be utilised in 2H14

Pro Forma Cash Balance	
\$A millions	30 June 2014
Closing 30 June 2014 Cash	30.4
Closing cash excluding IPO related Funds	19.1
Target Cash Balance per Prospectus	20.0
Variance	(0.9)

Pro Forma to Statutory Income Statement Reconciliation

Income Statement	Pro Forma	Statutory		
	June-14	June-14	Variance	Ref
\$A millions	YTD ACT	YTD ACT		
Revenue from continuing operations	303.6	303.6	-	
Cost of Sales	(182.3)	(182.3)	-	
Gross profit	121.3	121.3	0.0	
Distribution expenses	(35.7)	(35.4)	(0.3)	IM
Sales and marketing expenses	(22.6)	(22.6)	-	
General and Admin expenses	(14.4)	(14.8)	0.4	IM
Other Income/expenses	(3.0)	(54.5)	51.5	A
EBIT	45.6	(6.0)	51.6	
Finance Costs	(6.7)	(51.9)	45.2	B
Finance Income	0.2	0.2	-	
NPBT	39.1	(57.7)	96.8	
Income tax benefit/(expense)	(10.9)	16.0	(26.9)	C
NPAT	28.2	(41.7)	69.9	
Depreciation and Amortisation	14.5	14.5	-	
EBITDA	60.1	8.5	51.6	

Reconciliation components

A - Represents non recurring items including:	\$AM
SCA Rebate	1.4
Capital investment program transition costs	(3.5)
Other manufacturing redundancies	(1.4)
Te Rapa profit on sale	2.7
Management incentive scheme expense	(28.9)
IPO transaction costs	(21.5)
Other	(0.3)
Total	(51.5)
B- Non-recurring finance costs including:	
Debt establishment costs written-off	(27.1)
Settlement of existing swap book	(5.4)
Preference share interest expense	(4.3)
Interest expense differential on pre IPO facility	(8.4)
Total	(45.2)

C- Pro Forma tax expense applies an effective tax rate of 28%

IM - Variance is immaterial. No further information shown