



18 August 2020

Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Electronic lodgement via ASX Online

Asaleo Care Limited (AHY) – Appendix 4D for the half year ended 30 June 2020

In accordance with ASX Listing Rule 4.2A.3, please find attached the Appendix 4D for the half year ended 30 June 2020 for immediate release. The Appendix 4D incorporates the Interim Financial Report.

A handwritten signature in black ink, appearing to be "James Orr", written in a cursive style.

Yours sincerely,

James Orr
Company Secretary

Appendix 4D Rule 4.2A.3

Half year report

Asaleo Care Limited
ABN 61 154 461 300

1. Details of reporting period and the previous corresponding period

Reporting Period: half year ended 30 June 2020
 Previous Corresponding Period: half year ended 30 June 2019

2. Results for announcement to the market

Key information	30 June 2020				30 June 2019**
Statutory results*					
2.1 Revenue from ordinary activities (thousands)	214,964	Up	9.6%	from	196,125
2.2 Net profit after tax for the period attributable to members (thousands)	18,847	Up	158.7%	from	7,286
2.3 Net profit after tax from continuing operations (thousands)	22,700	Up	81.3%	From	12,520
2.4 Basic earnings per share (cents)	3.5	Up	169.2%	from	1.3
2.5 Diluted earnings per share (cents)	3.5	Up	169.2%	from	1.3
Underlying results*					
2.1 Revenue from ordinary activities (thousands)	214,964	Up	9.6%	from	196,125
2.2 Net profit after tax for the period attributable to members (thousands)	22,785	Up	50.3%	from	15,156
2.3 Basic earnings per share (cents)	4.2	Up	50.0%	from	2.8
2.4 Diluted earnings per share (cents)	4.2	Up	50.0%	from	2.8

Dividends	Amount per security	Franked amount per security
<i>Current Period</i>		
2.5 Interim dividend	0 cents	-
2.5 Final dividend (in respect of prior year)	2.0 cents	-
<i>Previous corresponding period</i>		
2.5 Interim dividend	0 cents	-
2.5 Final unfranked dividend	0 cents	-

2.6 Record date for determining entitlements to the dividend	N/A
2.6 Payment date	N/A

	30 June 2020	30 June 2019
2.7 Net tangible asset backing per ordinary security (cents per share)	5.2	2.4



For explanation of the figures reported above or other item(s) of importance not previously released to the market, please refer to the attached Interim Financial Report (which incorporates the Directors' Report and Financial Statements).

*** Supplementary comments**

As required for statutory reporting purposes, the statutory financial information for Asaleo Care Limited (the Company) and its controlled entities (collectively referred to as the Asaleo Care Group) has been presented for the financial period ended 30 June 2020 and for the comparative period ended 30 June 2019.

A reconciliation between the 2020 Underlying financial information and Asaleo Care Group's statutory financial information is included in Note 4(c) of the Interim Financial Report.

The statutory results in this Report are based on the Interim Financial Report which has been reviewed by PwC.

*** Restated 2019 results**

Numbers have been restated due to the classification of Baby Diaper business as a discontinued operations.

A handwritten signature in black ink, appearing to read "James Orr", is written over a light blue horizontal line.

James Orr
Company Secretary

Date: 18 August 2020



Asaleo Care Limited

ABN 61 154 461 300

Interim Financial Report
for the half year ended
30 June 2020

Asaleo Care Limited

ABN 61 154 461 300

Interim Financial Report - 30 June 2020

Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	2
<i>Interim Financial Statements</i>	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Consolidated Balance Sheet	4
Consolidated Statement of Changes in Equity	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7
Directors' Declaration	17
Independent auditor's review report to the members	18

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Asaleo Care Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2020.

Directors

The following persons were directors of Asaleo Care Limited during the half year ended 30 June 2020:

Harry Boon	Independent Non-Executive Director
Sid Takla	Chief Executive Officer and Managing Director
Mats Berencreutz	Non-Executive Director (nominee of Essity AB)
Marie-Laure Mahe`	Non-Executive Director (nominee of Essity AB)
Sue Morphet	Independent Non-Executive Director
JoAnne Stephenson	Independent Non-Executive Director

Review of operations

A review of operations of the Group during the half year, and the results of those operations is contained in Asaleo Care Limited's statement to the Australian Stock Exchange and the Investor Results Release dated 18 August 2020.

The impact of Covid-19 has been considered in the review of the carrying value of assets and provisions for half year ended 30 June 2020. The assessment concluded that although market conditions and economic factors have changed there is no material impact on the carrying value of balance sheet items.

Significant Changes in State of Affairs

On 25 June 2020 the Company announced it has ceased the Baby Diaper business in New Zealand, which involves the closure of the Te Rapa manufacturing facility.

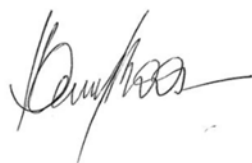
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This Directors' Report is made in accordance with a resolution of Directors.



Harry Boon
Director

Dated this 17th day of August 2020



Auditor's Independence Declaration

As lead auditor for the review of Asaleo Care Limited for the half-year ended 30 June 2020, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Asaleo Care Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Alison Tait'.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
17 August 2020

Asaleo Care Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year 30 June 2020

		Consolidated entity	
		30 June	Restated
		2020	30 June
		\$'000	2019
			\$'000
Revenue from continuing operations			
	Notes		
Sale of goods	4(b)	214,964	196,125
Other revenue from ordinary activities		533	315
		215,497	196,440
Other income		840	466
Expenses			
Cost of sales of goods		(131,427)	(119,857)
Other expenses from ordinary activities:			
Distribution		(22,130)	(20,933)
Sales and administration		(23,845)	(24,434)
Other	4(c)	(2,329)	(6,760)
Finance costs	4(c)	(4,172)	(7,628)
Profit before income tax	4(c)	32,434	17,294
Income tax (expense)		(9,734)	(4,774)
Profit from continuing operations		22,700	12,520
(Loss) from discontinued operations	3	(3,853)	(5,234)
Profit for the period		18,847	7,286
 <i>Item that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges	12	(846)	(1,466)
Exchange differences on translation of foreign operations	12	(3,741)	810
Income tax relating to these items	12	291	290
Other comprehensive (loss) for the period, net of tax		(4,296)	(366)
Total comprehensive income for the period		14,551	6,920
Total comprehensive income for the period attributable to:			
Owners of Asaleo Care Limited		14,551	6,920
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	5	3.5	1.3
Diluted earnings per share	5	3.5	1.3

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Asaleo Care Limited
Consolidated Balance Sheet
As at 30 June 2020

		Consolidated entity	
	Notes	30 June 2020 \$'000	31 December 2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		63,584	33,169
Trade receivables		9,760	23,841
Inventories	7	113,182	104,663
Derivative financial instruments	10	1,038	561
Current tax receivable		16	2,123
Other current assets		7,469	6,905
Total current assets		195,049	171,262
Non-current assets			
Property, plant and equipment	8	149,353	151,946
Right-of-use assets		23,823	22,992
Intangible assets	9	133,896	134,773
Total non-current assets		307,072	309,711
Total assets		502,121	480,973
LIABILITIES			
Current liabilities			
Trade payables		56,342	48,618
Other payables		16,927	16,510
Lease Liabilities		10,687	9,297
Current tax liabilities		3,244	3,025
Derivative financial instruments	10	3,201	2,189
Employee provisions		11,997	10,864
Total current liabilities		102,398	90,503
Non-current liabilities			
Borrowings	11	181,525	171,263
Lease liabilities		16,001	16,175
Deferred tax liabilities		16,011	20,502
Employee provisions		373	405
Total non-current liabilities		213,910	208,345
Total liabilities		316,308	298,848
Net assets		185,813	182,125
EQUITY			
Contributed equity		260,815	260,815
Other reserves	12	32,333	36,629
Retained earnings		(107,335)	(115,319)
Total equity		185,813	182,125

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

Asaleo Care Limited
Consolidated Statement of Changes in Equity
For the half year 30 June 2020

Consolidated entity	Notes	Attributable to owners of Asaleo Care Limited			Total equity
		Contributed equity	Reserves	Retained earnings/ (losses)	
		\$'000	\$'000	\$'000	
Balance at 1 January 2019		260,815	39,110	(135,270)	164,655
Impact of change in accounting policy		-	-	(2,407)	(2,407)
Profit for the period		-	-	7,286	7,286
Other comprehensive (loss)		-	(366)	-	(366)
Total comprehensive (loss)/profit for the period		-	(366)	7,286	6,920
Balance at 30 June 2019		260,815	38,744	(130,391)	169,168
Balance at 1 January 2020		260,815	36,629	(115,319)	182,125
Profit for the period		-	-	18,847	18,847
Other comprehensive (loss)		-	(4,296)	-	(4,296)
Total comprehensive (loss)/profit for the period		-	(4,296)	18,847	14,551
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	6	-	-	(10,863)	(10,863)
Balance at 30 June 2020		260,815	32,333	(107,335)	185,813

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Asaleo Care Limited
Consolidated Statement of Cash Flows
For the half year 30 June 2020

	Notes	Consolidated entity	
		30 June 2020 \$'000	30 June 2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		251,012	261,518
Payments to suppliers and employees (inclusive of goods and services tax)		(198,456)	(286,404)
		52,556	(24,886)
Income taxes paid		(2,540)	(9,382)
Interest received		112	315
Borrowing costs		(3,556)	(8,433)
Net cash inflow/(outflow) from operating activities		46,572	(42,386)
Cash flows from investing activities			
Payments for property, plant and equipment	8	(9,284)	(16,477)
Receipts from sale of property, plant and equipment		-	31
Proceeds from the sale of Consumer Tissue Australia		-	180,000
Payments related to sale of business transaction costs		-	(6,965)
Net cash (outflow)/inflow from investing activities		(9,284)	156,589
Cash flows from financing activities			
Proceeds from borrowings		30,000	35,000
Repayment of borrowings		(20,000)	(180,000)
Payment of principal elements of lease		(5,662)	(6,140)
Dividends paid to company's shareholders		(10,863)	-
Net cash (outflow) from financing activities		(6,525)	(151,140)
Net increase/(decrease) in cash and cash equivalents		30,763	(36,937)
Cash and cash equivalents at the beginning of the financial year		33,169	67,355
Effects of exchange rate changes on cash and cash equivalents		(348)	148
Cash and cash equivalents at end of period		63,584	30,566

The above Consolidated Statement of Cash flows includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in Note 3.

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

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these Consolidated Interim Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Interim Financial Statements are for the consolidated entity consisting of Asaleo Care Limited and its subsidiaries.

(a) Basis of preparation of interim report

This Condensed Consolidated Interim Financial Report for the half year ended 30 June 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The Condensed Consolidated Interim Financial Report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report of the consolidated entity as at and for the year ended 31 December 2019 and any public announcements made by Asaleo Care Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied by the consolidated entity in this Condensed Consolidated Interim Financial Report are consistent with those applied in the Annual Report for the year ended 31 December 2019.

This financial report is 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, in accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191.

(b) New accounting standards and interpretations

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2 Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Discontinued operations

The Baby Diaper business was withdrawn from operations on 25 June 2020 and is reported in the financial statements for the half-year ended 30 June 2020 as a discontinued operation. The Baby Diaper business includes the Te Rapa manufacturing site, along with the Treasures brand. Cessation will allow the group to concentrate on its core, higher margin businesses in Personal Care and Hygiene in the Retail and Business-to-Business markets.

Provisions have been raised with respect to the make good of leased property, inventories on hand and redundancies. A sale process of the business assets will be undertaken. Any profits on the sale of assets or changes to expenses as the provisions are realised will be recognised in the second half of 2020.

The Australian Consumer Tissue business was sold on 29 March 2019 for \$186.1 million including a favourable working capital adjustment of \$6.1 million of which \$2.7 million was received in 2019. A receivable of the balance of \$3.4 million has been recorded as an Other Current Asset. Further, an environmental indemnity granted by the Group in favour of the purchaser in respect of the manufacturing facility sold with the business is subject to a limit of \$9 million. At the date of this report, an environmental assessment of the site is in progress. Based on a preliminary assessment, an amount of \$0.16 million has been provided.

The results of the Baby Diaper business and Australian Consumer Tissue business for the current and comparative periods, have been classified as a discontinued operation in the statement of comprehensive income and all related note disclosures.

2 Critical accounting estimates and judgement (continued)

(ii) Impairment assessment of indefinite life intangibles

The Group tests annually or where there are indicators of impairment whether goodwill has suffered any impairment. The Group has reassessed growth assumptions and consider these assumptions to remain valid over the long term. As there were no indicators of impairment, the Group has not updated the value in use calculations used for the year ended 31 December 2019. The recoverable amount of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of assumptions for each CGU.

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.

The impact of Covid-19 on the market and economic environment in which The Group operates continues to be monitored. The impairment assessment considered the financial impact of Covid-19 on the Group's CGUs.

(iii) Indefinite useful lives of brands

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.

No factors have been identified in the period that would alter the Group's assumption of indefinite useful life for the brands.

Management intends to continue to promote, maintain and defend the brands to the extent necessary to maintain their value for the foreseeable future.

(iv) Income taxes

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.

The Group has recognised deferred tax assets relating to carried forward tax offsets. The assumptions regarding future realisation of deferred tax assets may change due to future operating performance and other factors.

(v) Impairment of inventory

The provision for impairment of inventories requires a degree of estimation and judgement. Provisions are established for obsolete and slow moving inventories, taking into consideration the ageing of inventories, discontinued lines, sell through history and forecast sales.

(vi) Customer rebates

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 activities has occurred prior to period end. Customer rebates consist primarily of customer pricing allowances and promotional allowances, which are governed by agreements with trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience.

(vii) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

3 Discontinued operations

The Baby Diaper business ceased operating from 25 June 2020 and is reported in the financial statements for the half-year ended 30 June 2020 as a discontinued operation. The Baby Diaper business includes the Te Rapa manufacturing site, along with the Treasures brand. Cessation will allow the group to concentrate on its core, higher margin businesses in Personal Care Hygiene in Retail and Business-to-Business markets.

The Australian Consumer Tissue business was sold on 29 March 2019. Costs related to the sale and transition to new owners were incurred for the 6 months ended 30 June 2020. As such, the results have been disclosed as a discontinued operation.

The financial performance and cash flow information presented reflects the operations for the 6 months ended 30 June 2020.

	30 June 2020 \$'000	30 June 2019 \$'000
Discontinued Baby Diaper operations		
Revenue from operations	4,637	5,900
Expenses	<u>(14,201)</u>	<u>(7,003)</u>
(Loss) before income tax	(9,564)	(1,103)
Income tax benefit	<u>2,686</u>	<u>310</u>
(Loss) after income tax of discontinued Baby Diaper operations	<u>(6,878)</u>	<u>(793)</u>
Australian Consumer Tissue business		
Revenue from operations	-	34,260
Expenses	<u>(2,202)</u>	<u>(50,048)</u>
(Loss) before income tax	(2,202)	(15,788)
Income tax benefit	<u>5,227</u>	<u>3,985</u>
Profit/(Loss) after income tax of discontinued Australian Consumer Tissue operations	<u>3,025</u>	<u>(11,803)</u>
Gain on sale subsidiary	<u>-</u>	<u>7,362</u>
Profit/(Loss) from discontinued Australian Consumer Tissue operations	<u>3,025</u>	<u>(4,441)</u>
(Loss) from total discontinued operations	<u>(3,853)</u>	<u>(5,234)</u>
Statement of Cash Flows for discontinued Baby Diaper operations		
Net cash (outflow) from operating activities	(5,445)	(448)
Net cash (outflow) from financing activities	<u>(392)</u>	<u>(409)</u>
Net (decrease) in cash generated by discontinued operations	<u>(5,837)</u>	<u>(857)</u>
Statement of Cash Flows for discontinued Australian Consumer Tissue operations		
Net cash (outflow) from operating activities	(2,202)	(38,296)
Net cash inflow from investing activities	-	172,033
Net cash (outflow) from financing activities	<u>-</u>	<u>(1,669)</u>
Net (decrease)/increase in cash generated by discontinued operations	<u>(2,202)</u>	<u>132,068</u>
(Loss) per share from discontinued operations attributable to the ordinary equity holders of the Company	Cents	Cents
Basic (loss) per share	(0.7)	(1.0)
Diluted (loss) per share	(0.7)	(1.0)

4 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, Consumer Tissue and Professional Hygiene product categories.

The operating segments are Retail Australia, Retail New Zealand and Business to Business (B2B). While a separate management reporting structure is in place for Retail Australia and Retail New Zealand, they have been aggregated into one reportable segment as they have similar customers and economic characteristics, such as margins and growth forecasts.

The consolidated entity is organised on an international basis into the following reporting segments:

Reporting Segment	Description
Retail	This segment manufactures and markets toilet and facial tissue, wipes, paper towel, napkins, personal hygiene products for feminine and incontinence including pads, tampons and liners to retail customers within Australia, New Zealand and the Pacific Islands. All Pacific Islands product sales are recognised in the Retail segment.
B2B	This segment manufactures and distributes tissue and personal hygiene products including hand towels, napkins, soaps, facial and toilet tissue and other hygiene accessories through a distributor network to business end users including schools, restaurants, shopping centres, airports, industrial companies, aged care facilities and hospitals within Australia and New Zealand. Incontinence products and support services are provided to healthcare professionals in residential and community care facilities, aged care facilities and hospitals.

Reporting segments and their related results below are consistent with the Group's internal reporting provided to the chief operating decision maker, being the Chief Executive Officer and Managing Director.

(b) Segment information provided to senior management

Reportable segment information provided to senior management for the half year ended 30 June is as follows:

30 June 2020	Retail	B2B	Continuing Operations
	\$'000	\$'000	\$'000
Revenue from external customers	103,640	111,324	214,964
Underlying EBITDA	24,993	24,445	49,438
Restated 30 June 2019	Retail	B2B	Continuing Operations
	\$'000	\$'000	\$'000
Revenue from external customers	89,680	106,445	196,125
Underlying EBITDA	18,971	20,799	39,770

4 Segment information (continued)

(c) Underlying EBITDA

The Chief Executive Officer assesses the performance of the operating segments based on a measure of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as impairment and asset write-downs, restructuring costs, strategic review costs and accelerated depreciation, and this is then referred to as Underlying EBITDA. 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 underlying EBITDA to operating profit before income tax is provided as follows:

	Consolidated entity	
	30 June	30 June
	2020	2019
	\$'000	\$'000
Underlying EBITDA	49,438	39,770
Restructuring costs*	(108)	(284)
Kawerau site upgrade*	-	(476)
EBITDA	49,330	39,010
Finance costs	(4,172)	(7,628)
Interest received	112	315
Depreciation	(12,826)	(11,481)
Accelerated depreciation*	-	(2,912)
Amortisation	(10)	(10)
Profit before income tax	32,434	17,294

* These expenses are included in other expenses in the Consolidated Statement of Profit or Loss and Comprehensive Income with the remaining mostly being the royalties, refer to Note 13 and FX losses.

5 Earnings per share

(a) Earnings per share

	Consolidated entity	
	30 June	30 June
	2020	2019
	Cents	Cents
Basic earnings per share	3.5	1.3
Diluted earnings per share	3.5	1.3

(b) Weighted average number of shares used as denominator

	Consolidated entity	
	2020	2019
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	543,122,491	543,122,491
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	543,122,491	543,122,491

6 Dividends

Ordinary shares

	Consolidated entity	
	30 June	30 June
	2020	2019
	\$'000	\$'000
2020: payment of 2019 final dividend of 2.0 cents per share (2019: No dividend provided for or paid)	10,863	-

7 Inventories

	Consolidated entity	
	30 June	31 December
	2020	2019
	\$'000	\$'000
Raw materials and stores*	28,871	27,073
Work in progress*	4,567	5,958
Finished goods*	79,744	71,632
	113,182	104,663

*The above categories of inventories are net of non-recurring inventory write-downs. Provisions relating to the Te Rapa manufacturing facility for inventory write downs amounted to \$1.4 million and write downs allocated to manufacturing spares amounted to \$0.8 million for the period ended 30 June 2020. Write downs of inventories amounted to \$0.4 million in 2019.

8 Property, plant and equipment

	Freehold land	Buildings	Plant and equipment	Capital development	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Half Year ended 30 June 2020					
Opening net book amount 1 January 2020	2,568	10,470	125,669	13,239	151,946
Exchange differences	(37)	(177)	(2,293)	(226)	(2,733)
Reclassification of Asset Class	-	-	6,816	(6,816)	-
Additions	-	-	1,444	7,840	9,284
Disposals	-	-	(326)	(753)	(1,079)
Depreciation	-	(415)	(7,650)	-	(8,065)
Closing net book amount	2,531	9,878	123,660	13,284	149,353

8 Property, plant and equipment (continued)

(a) Capital commitments

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

	Consolidated entity	
	30 June 2020 \$'000	31 December 2019 \$'000
Property, plant and equipment	2,152	4,624

9 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 and product development.

Consolidated entity	Goodwill \$'000	Brands and other rights \$'000	Total \$'000
Opening net book amount	41,142	93,631	134,773
Exchange differences	(287)	(580)	(867)
Amortisation charge	-	(10)	(10)
Closing net book amount as at 30 June 2020	40,855	93,041	133,896

At 31 December 2019, the Retail NZ CGU had limited headroom of \$8.1 million and its recoverable amount is sensitive to forecast EBITDA and its discount rate. No factors have come to light in the 6 months to 30 June 2020 that would indicate an impairment.

10 Derivative financial instruments

	Consolidated entity	
	30 June 2020	31 December 2019
	\$'000	\$'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	1,038	561
Total current derivative financial instrument assets	1,038	561
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	3,151	1,899
Interest rate swap contracts – cash flow hedges	-	12
Other hedging instruments	50	278
Total current derivative financial instrument liabilities	3,201	2,189
	(2,163)	(1,628)

(a) Fair value measurements

Asaleo Care Ltd discloses fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) 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
- (c) 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 30 June 2020 and 31 December 2019 the Group's derivative instruments were all level 2:

- Derivative financial assets \$1,038,000 (2019: \$561,000)
- Derivative financial liabilities \$3,201,000 (2019: \$2,189,000)

11 Non-current liabilities - borrowings

	Consolidated entity	
	30 June	31 December
	2020	2019
	\$'000	\$'000
Unsecured		
Bank loans	92,500	82,500
Senior Notes	90,000	90,000
Capitalised debt establishment costs	(975)	(1,237)
Total unsecured current borrowings	181,525	171,263

Facility	Facility limit	Maturity date
Facility A	70,000	31-Jul-21
Facility B	40,000	31-Jul-23
Facility C	50,000	31-Jul-22
Series A Notes	65,000	26-Jun-25
Series B Notes	25,000	26-Jun-28
Total	250,000	

(a) Financial undertakings

As at 30 June 2020, the Group was compliant with all financial undertakings of the revolving cash advance financing facilities and the Senior Notes facilities.

12 Reserves

	Consolidated entity	
	30 June	31 December
	2020	2019
	\$'000	\$'000
Movements:		
<i>Cash flow hedges</i>		
Opening balance	(1,167)	2,178
Revaluation – gross	(846)	(4,696)
Deferred tax	291	1,351
	(1,722)	(1,167)
<i>Share-based payments</i>		
Opening balance	15,861	15,861
	15,861	15,861
<i>Foreign currency translation</i>		
Opening balance	21,935	21,071
Currency translation differences arising during the year	(4,484)	1,079
Deferred tax	743	(215)
	18,194	21,935
	32,333	36,629

13 Related party transactions

The following transactions occurred with related parties:

	Consolidated entity	
	30 June	30 June
	2020	2019
	\$	\$
<i>Purchases of goods</i>		
Purchases of materials and goods from related parties	40,475,791	31,228,791
<i>Other transactions</i>		
Royalties - Essity Hygiene and Health Aktiebolag	2,222,615	3,235,848

All transactions with related parties were made at normal commercial terms and conditions and at market rates.

14 Events occurring after the reporting period

No matters occurred after the reporting date

Directors' Declaration

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 3 to 16 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 30 June 2020 and of its performance for the half year 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 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.

Note 1 confirms that the interim 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
Director

Dated this 17th day of August 2020



Independent auditor's review report to the members of Asaleo Care Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Asaleo Care Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 30 June 2020, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Asaleo Care Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.


PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Asaleo Care Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



Alison Tait
Partner

Melbourne
17 August 2020