

ASX Release

23 April 2021

Release of Scheme Booklet

Asaleo Care Limited (“Asaleo” or the “Company”) is pleased to announce that the Australian Securities and Investments Commission has registered the explanatory statement (“Scheme Booklet”) in relation to the proposed scheme under which Essity Holding Company Australia Pty Ltd (ACN 649 075 310), a wholly owned subsidiary of Essity Group Holding BV (“Essity”), will acquire all of the ordinary shares in Asaleo (“Scheme”).

This follows the orders made by the Federal Court of Australia (“Court”) on 22 April 2021 approving the convening of a meeting of Asaleo shareholders to consider and vote on the Scheme (“Scheme Meeting”) and the distribution of the Scheme Booklet to Asaleo shareholders, as announced by Asaleo on 22 April 2021.

Release of Scheme Booklet

A copy of the Scheme Booklet, including the Independent Expert’s Report and the notice of the Scheme Meeting, will be emailed or posted to Asaleo shareholders. A copy of the Scheme Booklet is also attached to this announcement.

Shareholder who have elected to receive communications electronically will receive an email that will contain instructions about how to view or download a copy of the Scheme Booklet, and to lodge their proxies for the Scheme Meeting online. Shareholders who have not made such an election will receive a hard copy of the Scheme Booklet by post together with a hard copy proxy form and Q&A form for the Scheme Meeting. The Scheme Booklet will also be available for viewing and downloading on the Asaleo website at www.asaleocare.com.

Asaleo Shareholders who wish to receive a printed copy of the Scheme Booklet may request one by calling Link on 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Melbourne time).

Independent Expert’s conclusion

The Independent Expert, Lonergan Edwards & Associates Limited, has concluded that the Scheme is fair and reasonable and, therefore, in the best interests of Asaleo shareholders in the absence of a superior proposal. The Independent Expert’s conclusions should be read in context with the full Independent Expert’s Report and the Scheme Booklet.

Recommendation

The Independent Board Committee and the CEO and Managing Director continue to unanimously recommend that Asaleo shareholders vote in favour of the Scheme in the absence of a Superior

Proposal¹ and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo shareholders.

Subject to those same qualifications, all of the directors of Asaleo who hold Asaleo shares intend to vote in favour of the Scheme. However, Essity, its related bodies corporate and the Essity nominee directors will abstain from voting on the Scheme at the Scheme Meeting.

Further Information

Asaleo encourages all shareholders to read the Scheme Booklet in its entirety before deciding whether to vote in favour of the Scheme at the Scheme Meeting. For further information, shareholders should contact the Shareholder Information Line on 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia) which is open between Monday and Friday from 8.30am to 5.30pm (Melbourne time), or visit http://www.asaleocare.com/globalassets/news/asaleo-care/scheme_faq.pdf.

FY21 Outlook

Section 4.9 of the Scheme Booklet provides commentary on the Company's Financial outlook for FY21 and FY22. It includes the following statement, "Asaleo continues to target FY21 EBITDA within the range of \$90m-\$93m, albeit current conditions suggest it will likely be at the bottom of that range". An explanation of relevant factors impacting Company performance in FY21 is also included in this section.

– ENDS –

About Asaleo Care

Asaleo Care is a leading personal care and hygiene company which markets, manufactures, distributes, and sells personal care and hygiene products throughout Australia, New Zealand, and the Pacific Islands. Its portfolio of market-leading brands includes Libra, TENA, Tork, Viti and Orchid. The Purex, Sorbent and Handee brands are owned in New Zealand and the Pacific Islands only. The Company has 14 manufacturing and distribution facilities and employs around 650 people who work together to offer products and services which provide care, comfort, and confidence every day. For more information visit www.asaleocare.com.

Asaleo Contact:

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This release has been approved by Asaleo Independent Board Committee.

¹ Superior Proposal has the same meaning as given in the scheme implementation agreement which was released to the market on 17 February 2021 (as amended on 31 March 2021).



Asaleo Care Limited
ACN 154 461 300

Scheme Booklet

In relation to a proposal from Essity Group Holding BV for its wholly owned subsidiary Essity Holding Company Australia Pty Ltd ("**Bidder**") to acquire all of the ordinary shares in Asaleo Care Limited (ACN 154 461 300) by way of a scheme of arrangement between Asaleo and Asaleo Shareholders.

VOTE IN FAVOUR

The Independent Board Committee and Managing Director unanimously recommend that you **vote in favour** of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders.

This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser. If you have recently sold all your Asaleo Shares, please ignore this Scheme Booklet. Asaleo has established a Shareholder Information Line which you should call if you have any questions in relation to the Scheme. The telephone number for the Shareholder Information Line is 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia). The Shareholder Information Line is open between Monday and Friday from 8.30am to 5.30pm (Melbourne time).

Financial adviser

**LUMINIS PARTNERS**
IN AFFILIATION WITH EVERCORE

Legal adviser

**KING & WOOD
MALLESONS**
金杜律师事务所

Important Notices

General

Asaleo Shareholders should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting.

Purpose of Scheme Booklet

The purpose of this Scheme Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented (if approved by the Requisite Majority of Asaleo Shareholders and the Court) and to provide such information as is prescribed or otherwise material to the decision of Asaleo Shareholders whether or not to approve the Scheme. This Scheme Booklet includes the explanatory statement required to be sent to Asaleo Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme.

This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act.

Responsibility for information

The information contained in this Scheme Booklet, other than the information concerning the Essity Group in section 5 and the Independent Expert's Report, has been prepared by Asaleo and is the responsibility of Asaleo. None of the Bidder, its directors, officers or advisers assume any responsibility for the accuracy or completeness of the Asaleo Information.

The Essity Information, which primarily consists of the information contained in section 5, has been provided by the Bidder and is the responsibility of the Bidder. None of Asaleo, its directors, officers or advisers assume any responsibility for the accuracy or completeness of the Essity Information.

The Independent Expert has prepared the Independent Expert's Report in relation to the Scheme contained in Annexure A and takes responsibility for that report. None of Asaleo, the Bidder and their respective directors, officers and advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

ASIC and the ASX

A copy of this Scheme Booklet was provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the hearing on the Second Court Date. Neither ASIC nor its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to the ASX for its review under the Listing Rules. Neither the ASX nor its officers take any responsibility for the contents of this Scheme Booklet.

IMPORTANT NOTICE ASSOCIATED WITH COURT ORDERS UNDER SECTION 411(1) OF THE CORPORATIONS ACT

A copy of this Scheme Booklet was submitted to the Court to obtain orders of the Court under section 411(1) of the Corporations Act directing Asaleo to convene the Scheme Meeting. Those orders were obtained at the First Court Hearing on 22 April 2021.

The fact that the Court has ordered the Scheme Meeting to be convened is no indication that the Court has: (a) formed a view about the merits of the proposed Scheme or about how the Asaleo Shareholders should vote (on this matter the Asaleo Shareholders must reach their own decisions); (b) prepared, or is responsible for, the content of this Scheme Booklet; or (c) approved or will approve the terms of the Scheme.

An order of the Court under section 411(1) of the Corporations Act is not an endorsement of, or any other expression of opinion on, the Scheme.

Future matters and intentions

Certain statements in this Scheme Booklet relate to the future. These statements may not be based on historical facts, and they involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Asaleo to be materially different from future results, performance or achievements expressed or implied by those statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, commodity prices, competitive pressures, selling price, market demand, and changes to the operational and regulatory environment of Asaleo, including the risks and uncertainties associated with the ongoing impacts of COVID-19. These forward-looking statements and information are based on numerous assumptions regarding present and future business strategies, and the environment in which Asaleo will operate in the future, including anticipated costs and ability to achieve objectives and strategies.

Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of Asaleo are or may be forward looking statements. These statements only reflect views held as at the date of this Scheme Booklet.

Other than as required by law neither Asaleo, the Bidder nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned about relying on any such forward looking statements in this Scheme Booklet. Additionally, statements of the intentions of the Bidder reflect the Bidder's present intentions as at the date of this Scheme Booklet and may be subject to change.

All subsequent written and oral forward-looking statements attributable to Asaleo or the Bidder or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under law or the Listing Rules, Asaleo and the Bidder do not give any undertaking to update or revise any forward-looking statements after the date of this Scheme Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to the investment objectives, financial situation and particular needs of individual Asaleo Shareholders. This Scheme Booklet should not be relied upon as the sole basis for any investment decision in relation to the Scheme or your Asaleo Shares. Before making an investment decision in relation to the Scheme or your Asaleo Shares, including any decision to vote for or against the Scheme, you should consider, with or without the assistance of a financial adviser, whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should consult your legal, financial or other professional adviser before making any investment decision in relation to the Scheme or your Asaleo Shares.

Asaleo Shareholders outside Australia

This Scheme Booklet complies with the disclosure requirements applicable in Australia, which may be different to those in other countries.

Financial Information

Financial information in this Scheme Booklet has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and also complies with the International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board. It is presented in an abbreviated form and does not contain all the disclosures usually provided in an annual report prepared in accordance with the Corporations Act.

Australian disclosure requirements may differ from those applicable in other jurisdictions. Accordingly, the release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in those other jurisdictions, and persons outside Australia who come into possession of this Scheme Booklet should seek advice on, and observe, any applicable restrictions. This Scheme Booklet does not in any way constitute an offer to buy securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Taxation implications of the Scheme

Section 6 provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for Asaleo Shareholders who dispose of their Asaleo Shares to the Bidder in accordance with the Scheme. It does not purport to be a complete analysis or to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual Asaleo Shareholders.

Asaleo Shareholders who are subject to taxation outside Australia should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

Privacy

Asaleo, the Bidder and Link may collect personal information in the process of implementing the Scheme. The personal information may include the names, addresses, contact details and security holdings of Asaleo Shareholders and the names of persons appointed by Asaleo Shareholders as proxies, attorneys or corporate representatives at the Scheme Meeting. The collection of some of this personal information is required or authorised by the Corporations Act.

The primary purpose of collecting this personal information is to assist Asaleo in the conduct of the Scheme Meeting and to enable the Scheme to be implemented by Asaleo in the manner described in this Scheme Booklet. The personal information may be disclosed to the Bidder's share registry, print and mail service providers, authorised securities brokers and any other service provider to the extent necessary to effect the Scheme.

If the information outlined above is not collected, Asaleo may be hindered in, or prevented from, conducting the Scheme Meeting and implementing the Scheme.

Asaleo Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact Link on 1300 494 861 (within Australia) or +61 1300 494 861 (outside Australia) if they wish to exercise these rights.

Asaleo Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of the matters outlined above.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure E.

Essity holds 196,396,028 Asaleo Shares (representing 36.16% of issued Asaleo Shares) through Essity BV. Essity Group members and Essity Nominee Directors who hold Asaleo Shares will not vote on the Scheme.

Notice of Second Court Hearing and if any Asaleo Shareholder wishes to oppose the Scheme

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Asaleo Shareholder may appear at the Second Court Hearing, expected to be held at 11.30am (Melbourne time) on 9 June 2021, virtually as required in accordance with any COVID-19 related requirements or recommendations.

Asaleo Shareholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in light of developments relating to COVID-19. Any such change will be announced by Asaleo on the ASX and notified on Asaleo's website (www.asaleocare.com).

Any Asaleo Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Asaleo a notice of appearance in the prescribed form together with any affidavit that the Asaleo Shareholder proposes to rely on. The notice of appearance and affidavit must be served on Asaleo at the address for service at least one day before the date fixed for the Second Court Hearing.

The address for service is: c/o King & Wood Malesons, Level 27, Collins Arch, 447 Collins Street, Melbourne, VIC 3000, Attention: Diana Nicholson. The notice of appearance and affidavit must also be sent by email to Diana.Nicholson@au.kwm.com.

Asaleo and Essity websites

The content of Asaleo's and Essity's respective websites do not form part of this Scheme Booklet and Asaleo Shareholders should not rely on their content.

Any references in this Scheme Booklet to a website is a textual reference for information only and no information in any website forms part of this Scheme Booklet.

Questions

Asaleo has established a Shareholder Information Line which you should call if you have any questions or require further information. The telephone number is 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia). The Shareholder Information Line is open between Monday and Friday from 8.30am to 5.30pm (Melbourne time).

Asaleo Shareholders should consult their legal, financial or other professional adviser before making any decision regarding the Scheme.

Supplementary information

In certain circumstances, Asaleo may provide additional disclosure to Asaleo Shareholders in relation to the Scheme after the date of this Scheme Booklet. To the extent applicable, Asaleo Shareholders should have regard to any such supplemental information in determining how to vote in relation to the Scheme.

Interpretation

Capitalised terms and certain abbreviations used in this Scheme Booklet have the meanings set out in the Glossary at the back of this Scheme Booklet. The documents reproduced in the Annexures to this Scheme Booklet may have their own defined terms, which are sometimes different from those in the Glossary.

Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Scheme Booklet. A number of figures, amounts, percentages, estimates, calculations and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding.

Unless otherwise specified, all references to \$, A\$, AUD and cents are references to Australian currency.

All information set out in this Scheme Booklet (including financial and operational information) is current as at the date of this Scheme Booklet, unless otherwise stated.

All references to times in this Scheme Booklet are references to time in Melbourne, Australia unless otherwise stated.

All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet are subject to change.

Date

This Scheme Booklet is dated 22 April 2021.

Important matters relating to the Scheme Meeting during COVID-19

In order to minimise health risks created by the COVID-19 pandemic, the Scheme Meeting is scheduled to be held virtually.

Asaleo Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical Scheme Meeting.

Asaleo Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the Scheme Meeting through an online platform via the website <https://agmlive.link/AHYScheme>.

The online platform enables participants to listen to the relevant Scheme Meeting live, vote on the relevant resolution in real time and ask questions online.

Further details with respect to the conduct of the Scheme Meeting, including how to join the virtual Scheme Meeting, ask questions during the Scheme Meeting and vote at the Scheme Meeting are set out in the Notice of Meeting for the Scheme Meeting (see Annexure E) and summarised in pages 10 to 13.

Asaleo strongly encourages Asaleo Shareholders to consider lodging a directed proxy if they are not able to participate in the virtual Scheme Meeting.

ASALEO CARE

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Important Dates

Tuesday, 16 March 2021	Ordinary Dividend Record Date
Wednesday, 31 March 2021	Ordinary Dividend Payment Date
	Date on which the Ordinary Dividend was paid to the Asaleo Shareholders who held Asaleo Shares on the Ordinary Dividend Record Date
Thursday, 22 April 2021	First Court Hearing at which the Court made orders convening the Scheme Meeting
3.00pm on Sunday, 30 May 2021	Latest time and date for receipt of proxy forms for Scheme Meeting ¹
3.00pm on Sunday, 30 May 2021	Time and date for determining eligibility to vote at the Scheme Meeting
3.00pm on Tuesday, 1 June 2021	Asaleo Shareholders' virtual meeting to vote on the Scheme
	To be held virtually. There will be no physical meeting. Further details relating to the Scheme Meeting are set out in the Notice of Scheme Meeting set out at Annexure E to this Scheme Booklet
Post Scheme Meeting on Tuesday, 1 June 2021	Asaleo Board meeting regarding the Special Dividend
	The decision in respect of the Special Dividend, will be communicated on the ASX as soon as possible after the Board meeting, via an ASX announcement prior to the next market opening.

If the Scheme is approved by the Requisite Majority of Asaleo Shareholders

Wednesday, 9 June 2021	Second Court Hearing for approval of the Scheme
Thursday, 10 June 2021	Court order is lodged with ASIC and Scheme becomes Effective (Effective Date) Last day of trading in Asaleo Shares
Close of trading on ASX on Effective Date	Suspension of Asaleo Shares from trading on the ASX
5.00pm on Tuesday, 15 June 2021	Special Dividend Record Date (if the Asaleo Board decides to pay a Special Dividend)
Monday, 21 June 2021	Special Dividend Payment Date
	Date on which the Special Dividend will be paid to the Asaleo Shareholders who hold Asaleo Shares on the Special Dividend Record Date
5.00pm on Tuesday, 22 June 2021	Scheme Record Date for determining entitlement to receive Scheme Consideration
Thursday, 1 July 2021	Implementation of the Scheme (Implementation Date) Payment of the Scheme Consideration

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable will be announced through the ASX. All references to time and dates in this Scheme Booklet are references to Melbourne time unless otherwise stated.

Asaleo Shareholders who have elected to receive communications electronically will receive an email which contains instructions about how to view or download a copy of the Scheme Booklet (including the Notice of Scheme Meeting), and to lodge their proxy vote online. Asaleo Shareholders who have not elected to receive communications electronically will be mailed a paper copy of the Scheme Booklet and accompanying proxy form.

The Scheme Booklet will also be available for viewing and downloading on the Asaleo website at www.asaleocare.com. Asaleo Shareholders who wish to receive a printed copy of the Scheme Booklet may request one by calling Link on 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia), Monday to Friday between 8.30am and 5.30pm (Melbourne time).

¹ Asaleo Shareholders should note the final date to provide their proxy forms falls on a Sunday. Asaleo Shareholders who wish to deliver their proxy forms in person to Link should do so by Friday, 28 May 2021, or otherwise contact Link to make special arrangements.

Chairman's Letter

Dear Shareholder

On 17 February 2021, Asaleo Care Limited (ACN 154 461 300) ("**Asaleo**") announced that it had entered into a Scheme Implementation Agreement with Essity Group Holding BV ("**Essity BV**") as amended on 31 March 2021 under which Essity BV has agreed to acquire, via its wholly owned subsidiary, all of the issued shares in Asaleo at a price of \$1.40 per Asaleo Share by way of a scheme of arrangement between Asaleo and its shareholders under Part 5.1 of the Corporations Act.

This Scheme Booklet includes:

- important information relating to the Scheme;
- the reasons why the Independent Board Committee, and the Managing Director, have unanimously recommended that Asaleo Shareholders vote in favour of the Scheme;
- the Independent Expert's Report, which has concluded that the Scheme is in the best interests of Asaleo Shareholders; and
- some of the reasons why you may wish to vote against the Scheme.

Please read this document carefully and in its entirety. It will assist you in making an informed decision on how to vote.

For the Scheme to proceed, it must be approved by the Requisite Majority of Asaleo Shareholders (the requirements of which are set out later in this Scheme Booklet) and by the Court.

The total value to Asaleo Shareholders of the Essity BV proposal at the time of the announcement of the Scheme was \$1.45 per Asaleo Share, inclusive of Permitted Dividends as described below (before any benefit of franking credits).² Permitted Dividends payable to Asaleo Shareholders on the Register at relevant record dates are:

- (a) A fully franked ordinary dividend of \$0.03 per Asaleo Share paid on 31 March 2021. You would have received this dividend, if you were an Asaleo Shareholder on the Ordinary Dividend Record Date; and
- (b) a special dividend of \$0.02 per Asaleo Share, subject to Asaleo Board's resolution to declare and pay that dividend (and provided you are an Asaleo Shareholder on the Special Dividend Record Date). The declaration and payment of any such Special Dividend will not operate to reduce the Scheme Consideration of \$1.40 per Asaleo Share.

If Asaleo Shareholders or the Court do not approve the Scheme, the Asaleo Board does not intend to declare the Special Dividend. In those circumstances, Asaleo will decide whether to pay future dividends in accordance with its dividend policy, subject to performance. The Special Dividend is expected to be fully franked, subject to Asaleo receiving a class ruling from the Australian Taxation Office.

The total cash value of \$1.45 described above values Asaleo's equity at approximately \$788 million³ and represents a 44.7% premium to the 1-month volume weighted average price of Asaleo Shares ("**VWAP**") of \$1.00 to 9 December 2020 (being the date of Essity's proposal).

In addition, the potential value in franking credits attached to the Ordinary Dividend and any Special Dividend for those Asaleo Shareholders who are able to realise the full benefit of franking credits, is up to \$0.02 per Asaleo Share.⁴

The Scheme is subject to a number of conditions, including regulatory and court approval, no material adverse change and the approval by the Requisite Majority of Asaleo Shareholders, but not subject to financing or due diligence.⁵

² Subject to being an Asaleo Shareholder on the respective Ordinary Dividend Record Date, the Special Dividend Record Date and the Scheme Record Date and the Asaleo Board deciding to pay the Special Dividend. The availability of franking credits will be subject to a class ruling from the ATO. If you buy any additional Asaleo Shares after the Special Dividend Record Date and before the Scheme Record Date, those Asaleo shares will not carry any right to the Special Dividend.

³ Based on 543,122,491 Asaleo Shares as at 16 February 2021. As set out in section 7.14, 128,336 Asaleo Shares will be issued to Mr Andrew Leyden, conditional on the Scheme becoming Effective.

⁴ Whether an Asaleo Shareholder (who has received the Ordinary Dividend and the Special Dividend) will be able to realise the full benefit of the franking credits will also depend (among other things) on any class ruling issued by the ATO in respect of the Ordinary Dividend and the Special Dividend and the circumstances of the Asaleo Shareholder. When assessing the benefit of franking credits attached to any Special Dividend, Asaleo Shareholders should also seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 6 of this Scheme Booklet.

⁵ The conditions precedent to the Scheme are contained in clause 3.1 of the Scheme Implementation Agreement, a summary of which is set out in section 7.11(b).

An Independent Board Committee was formed on 9 December 2020, and comprises the independent directors of Asaleo (excluding the Essity Nominee Directors). The Independent Board Committee, and the Managing Director, consider that the Scheme is in the best interests of the Asaleo Shareholders. The Independent Board Committee, and the Managing Director, unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders.

When considering the recommendation of the Independent Board Committee, and the Managing Director, to vote in favour of the Scheme, Asaleo Shareholders should have regard to the personal interests of the Independent Board Committee and the Managing Director as detailed in sections 7.2 and 7.3 of this Scheme Booklet.⁶ The Independent Board Committee and Managing Director (respectively) consider that, despite these interests, it is appropriate for the Independent Board Committee and Managing Director to make a voting recommendation on the Scheme given their roles in Asaleo.

The reasons for their recommendation include:

- the Independent Expert has concluded that the Scheme is in the best interests of Asaleo Shareholders;
- the Scheme Consideration, and total value to Asaleo Shareholders, represents an attractive premium to historical trading prices;
- the Scheme Consideration provides Asaleo Shareholders with certainty of value;
- no Superior Proposal has emerged as at the date of this Scheme Booklet and the Independent Board Committee is not aware of any Superior Proposal; and
- there is potential value in the franking credits attached to the Ordinary Dividend and any Special Dividend of up to \$0.02 per Asaleo Share for those shareholders who are able to realise the full benefit of franking credits.

The Scheme Booklet also sets out some of the reasons why you may not wish to vote in favour of the Scheme, which include:

- you may disagree with the Independent Board Committee/Managing Director and the Independent Expert, and believe that the Scheme is not in the best interests of Asaleo Shareholders;
- if the Scheme proceeds you will no longer be a shareholder of Asaleo and you will not participate in any potential upside that may result from being an Asaleo Shareholder;
- you may believe it is in your best interests to maintain your current investment and risk profile;
- the tax consequences of transferring your Asaleo Shares pursuant to the Scheme may not be optimal for your financial position; and
- you may consider that there is potential for a Superior Proposal to be made after the date of this Scheme Booklet (noting that no Superior Proposal has been received as at the date of this Scheme Booklet).

Further information to assist you in determining whether to vote in favour of or against the Scheme is set out in section 1 of this Scheme Booklet.

Each Asaleo director (excluding the Essity Nominee Directors) who holds Asaleo Shares intends to vote in favour of the Scheme in relation to all Asaleo Shares held or controlled by them in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders. The Independent Expert considers that, in the absence of a Superior Proposal, the Scheme is in the best interests of Asaleo Shareholders. The Independent Expert has assessed the full underlying value of Asaleo Shares at between \$1.39 and \$1.49 per Asaleo Share (excluding the \$0.03 per share Ordinary Dividend which was paid on 31 March 2021). On an equivalent basis, the cash value to Asaleo Shareholders of \$1.42 per Asaleo Share (i.e. including the \$1.40 per share Scheme Consideration and the \$0.02 per share Special Dividend payable to Asaleo Shareholders who hold Asaleo Shares on the Special Dividend Record Date) is within the Independent Expert's assessed value range. The full report of the Independent Expert is set out in Annexure A.

I encourage you to read this Scheme Booklet (including the report of the Independent Expert) carefully in full and, if required, to seek your own legal, financial or other professional advice.

At the Scheme Meeting, Asaleo Shareholders will be asked to approve the Scheme. The Bidder has advised Asaleo that all Essity Group members and Essity Nominee Directors who hold Asaleo Shares will abstain from voting on the Scheme at the Scheme Meeting. A confirmatory statement to that effect is made by Essity in section 5 of this Scheme Booklet.

⁶ In the case of the Managing Director, as detailed in sections 7.2 and 7.3, those personal interests comprise: (a) a \$900,000 retention payment, (b) the potential early payment of the remaining 50% of his 2020 Executive Incentive Plan award in cash and (c) the potential early grant and payment in cash of his 2021 Executive Incentive Plan award (in the case of (b) and (c), subject to the Asaleo Board determining to exercise its discretion to approve the relevant grant and payment).

To minimise the health risks created by the COVID-19 pandemic, and in accordance with Federal and State government directions and restrictions with respect to non-essential gatherings of people regarding electronic shareholder meetings, there will not be a physical meeting where Asaleo Shareholders and their proxies, attorneys or corporate representatives can attend in person. Instead, the Scheme Meeting will be held virtually on 1 June 2021 commencing at 3.00pm. Asaleo Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the Scheme Meeting through an online platform at <https://agmlive.link/AHYScheme>. Please refer to pages 10 to 13 and the Notice of Scheme Meeting (Annexure E) for detailed instructions on how you can participate in the Scheme Meeting through the online platform.

Your vote is important. I strongly encourage you to vote either by attending the virtual Scheme Meeting, or by appointing a proxy to vote on your behalf by completing and returning the proxy form (either online or by returning the paper form to the addresses shown on the proxy form) by 3.00pm (Melbourne time) on 30 May 2021.

Asaleo Shareholders who have any questions relating to the Scheme should contact the Shareholder Information Line on 1300 494 861 (for callers within Australia) or +61 1300 494 861 (for callers outside Australia) between 8.30am and 5.30pm (Melbourne time) Monday to Friday, or visit the FAQ page at http://www.asaleocare.com/globalassets/news/asaleo-care/scheme_faq.pdf

Yours sincerely



Harry Boon, Chairman

What is the Scheme?

The Scheme is a scheme of arrangement between Asaleo and Scheme Participants. If the Scheme becomes Effective, the Bidder will acquire all of the Asaleo Shares on issue, including those currently held by the Essity Group, and Asaleo will become a wholly owned Subsidiary of the Bidder.

A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by a Requisite Majority of Asaleo Shareholders at a meeting of Asaleo Shareholders, as well as Court approval. Essity holds 196,396,028 Asaleo Shares (representing 36.16% of issued Asaleo Shares) through Essity BV. Essity Group members and Essity Nominee Directors who hold Asaleo Shares will not vote on the Scheme.

If you are an Asaleo Shareholder:

- on the Scheme Record Date, you will receive \$1.40 per Asaleo Share in cash as Scheme Consideration; and
- on the Special Dividend Record Date, you will receive the Special Dividend of \$0.02 per Asaleo Share, subject to the Asaleo Board resolving to declare and pay the Special Dividend and being an Asaleo Shareholder on the Special Dividend Record Date. The Special Dividend is expected to be fully franked, subject to Asaleo receiving a class ruling from the Australian Taxation Office.

If you were an Asaleo Shareholder on the Ordinary Dividend Record Date, you would also have received the Ordinary Dividend of \$0.03 per Asaleo Share.

The resolution to approve the Scheme must be passed by Asaleo Shareholders by the Requisite Majority, being:

- a majority in number (more than 50%) of Asaleo Shareholders who are present and voting either virtually or by proxy, attorney or, in the case of corporate shareholders, by corporate representative (**Headcount Test**); and⁷
- at least 75% of the total number of total votes cast on the resolution to approve the Scheme by Asaleo Shareholders who are present and voting either virtually or by proxy, attorney or, in the case of corporate shareholders, by corporate representative.

The Scheme is also subject to the satisfaction or waiver of the Conditions Precedent summarised on pages 10 and 11 and set out in full in clause 3.1 of the Scheme Implementation Agreement (a copy of which is set out in Annexure B).

The terms of the Scheme are set out in full in Annexure C.

What should I do?

You should read this Scheme Booklet carefully in its entirety and then vote by attending the virtual Scheme Meeting or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out on pages 11 and 12.

Answers to various frequently asked questions are set out on pages 23 to 30 and at the FAQ page at http://www.asaleocare.com/globalassets/news/asaleo-care/scheme_faq.pdf. If you have any additional questions in relation to this Scheme Booklet or the Scheme please call the Shareholder Information Line on 1300 494 861 within Australia and +61 1300 494 861 outside Australia between Monday and Friday from 8.30am to 5.30pm (Melbourne time). Alternatively you may consult your legal, financial or other independent professional adviser.

What are the conditions to the Scheme?

The implementation of the Scheme is subject to a number of Conditions Precedent as set out in the Scheme Implementation Agreement, a summary of which is set out in section 7.11(b). A full copy of the Scheme Implementation Agreement is attached in Annexure B of this Scheme Booklet. As at the date of this Scheme Booklet, implementation of the Scheme remains conditional on:

- approvals from relevant Australian Regulatory Authorities such as FIRB, ASIC and the ASX;
- approval from the New Zealand OIO;
- Asaleo Shareholders’ approval of the Scheme at the Scheme Meeting by the Requisite Majority;
- Court approval of the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- no Material Adverse Change having occurred between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date;
- no Court or Regulatory Authority has issued or taken actions to prevent the Scheme and no such actions or refusal are in effect as at 8.00am on the Second Court Date; and
- no Asaleo Prescribed Event having occurred as stipulated in the Scheme Implementation Agreement between the date of the Scheme Implementation Agreement and the Second Court Date.

⁷ The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Scheme Meeting. Asaleo reserves the right to apply to the Court at the Second Court Hearing to approve the Scheme even if the Headcount Test is not satisfied.

As at the date of this Scheme Booklet, Asaleo is not aware of any circumstances which would cause the Conditions Precedent not to be satisfied. An update as to the status of the Conditions Precedent will be provided at the Scheme Meeting.

How do I vote?

Am I entitled to vote?

If you are registered on the Register at 3.00pm (Melbourne time) on 30 May 2021 as an Asaleo Shareholder, you will be entitled to vote on the resolution to approve the Scheme at the Scheme Meeting. Registrable transmission applications or transfers registered after this time will not be recognised in determining entitlements to vote at the Scheme Meeting.

How/when will the Scheme Meeting be held?

Due to the coronavirus (COVID-19) pandemic, Asaleo has decided to hold the Scheme Meeting virtually. The Scheme Meeting is being arranged to ensure all Asaleo Shareholders can participate, question the Independent Board Committee and Managing Director, and have their views and opinions put forward on this important decision for Asaleo Shareholders. Asaleo Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical meeting.

The Scheme Meeting is to be held at 3.00pm (Melbourne time) on 1 June 2021. Asaleo Shareholders and their proxies, attorneys or corporate representatives will be entitled to attend and vote at the Scheme Meeting via the website <https://agmlive.link/AHYScheme>.

How do I vote?

Asaleo Shareholders may vote by either personally joining the Scheme Meeting virtually which is to be held at 3.00pm (Melbourne time) on 1 June 2021 at <https://agmlive.link/AHYScheme>, or by appointing a proxy, an attorney, or in the case of an Asaleo Shareholder which is a corporation, a corporate representative to join the Scheme Meeting and vote on your behalf. Please refer to the "Virtual Meeting Online Guide" at http://www.asaleocare.com/globalassets/news/asaleo-care/schememeeting_virtualguide.pdf for more information.

Voting using the online platform:

Enter <https://agmlive.link/AHYScheme> into a web browser on your computer or online device. You will need to log on using your full name, mobile number, email address and company name (if applicable).

- (a) Asaleo Shareholders will need their SRN or HIN and postcode (or country code, if outside Australia) to vote at the Scheme Meeting. Please note the SRN or HIN includes the 'X' or the 'I' which precedes the number; and
- (b) Proxyholders will need their proxy number issued by Link, to register to vote at the Scheme Meeting. If you have not received confirmation of your proxy number prior to the Scheme Meeting, please call the Shareholder Information Line on 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia) on the day of the Scheme Meeting to request confirmation of your proxy number. The Shareholder Information Line is open between Monday and Friday from 8.30am to 5.30pm (Melbourne time).

Unless otherwise determined by the Chair, online voting will be open from when the Chair declares the poll to be open at the Scheme Meeting, until the time at which the Chair closes the voting.

More information about online voting in the Scheme Meeting is available in the Virtual Meeting Online Guide at http://www.asaleocare.com/globalassets/news/asaleo-care/schememeeting_virtualguide.pdf

Voting by proxy:

Asaleo Shareholders can appoint a proxy to vote on their behalf at the Scheme Meeting electronically by following the instructions contained in the email communications they receive to complete the online proxy form **OR** if you received a paper copy proxy form, by following the instructions to complete the proxy form and by returning that form in accordance with the details set out on that form.

If you wish to appoint a proxy using the paper copy proxy form, you must:

Deliver or Mail the completed proxy form to Link located at 1A Homebush Bay Drive, Rhodes, NSW 2138 or Level 12, 680 George Street, Sydney, NSW 2000 using the reply paid envelope. Should you choose to return their hard copy proxy form via mail, please be aware of the current postal timeframes, including the possibility of delays due to COVID-19 regulations and reduced frequency of deliveries. If a proxy form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must be received by Link at least 48 hours before the Scheme Meeting unless the power of attorney or other authority has previously been received by Link. Asaleo encourages Asaleo Shareholders to return their proxy forms electronically or by fax to Link on 02 9287 0309 (within Australia) or +61 2 9287 0309 (outside Australia).

Proxies must be received by Link by no later than 3.00pm (Melbourne time) on 30 May 2021 (48 hours prior to commencement of the Scheme Meeting). Proxy forms received after this time will be invalid.

An Asaleo Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If an Asaleo Shareholder appoints two proxies and does not specify the percentage of votes each proxy may exercise, each proxy may exercise 50 per cent of the votes. Fractions of votes are to be disregarded.

If Asaleo Shares are jointly held, either shareholder may sign the proxy form.

A proxy need not be an Asaleo Shareholder. A body corporate appointed as an Asaleo Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the meeting (see "Corporate Representatives" below).

If a proxy appointment is signed or validly authenticated by an Asaleo Shareholder but does not name the proxy or proxies in whose favour it is given, the Chair or any other director of Asaleo or the company secretary, as nominated by the Chair, will act as proxy in respect of the resolution to be considered at the Scheme Meeting.

Asaleo Shareholders who have appointed a proxy prior to the meeting can still attend and take part in the meeting. If the Asaleo Shareholder votes on a resolution during the meeting, the proxy is not entitled to vote and must not vote as the shareholder's proxy on that resolution.

Asaleo encourages you to direct your proxy how to vote. As the Scheme will be voted on by a poll, if you direct your proxy how to vote at the meeting and your proxy is the Chair, your proxy must vote on the poll and must vote in the way directed. If your proxy is not the Chair, your proxy need not vote on the poll, but if your proxy does so, your proxy must vote as directed. The Chair intends to vote all undirected proxies in favour of the Scheme.

If you return your proxy form with a proxy identified on it but your proxy does not attend the Scheme Meeting or does not vote as directed, the Chair will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

It is important that you vote or instruct your proxy, attorney or corporate representative to vote in favour of the Scheme if you want the Scheme to proceed.

Technical difficulties

Technical difficulties may arise during the course of the Scheme Meeting. The Chair has discretion as to whether, and how, the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising their discretion, the Chair will have regard to the number of Asaleo Shareholders impacted and the extent to which participation in the business of the Scheme Meeting is affected.

In these circumstances, where the Chair considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, Asaleo Shareholders are encouraged to lodge a proxy form that accompanies this Scheme Booklet by no later than 3.00pm (Melbourne time) on 30 May 2021, even if they plan to attend the Scheme Meeting.

Jointly held securities

If the Asaleo Shares are jointly held, only one of the joint Asaleo Shareholders is entitled to vote. If more than one joint Asaleo Shareholder votes, only the vote of the Asaleo Shareholder whose name appears first in the Register will be counted.

Attorney

An Asaleo Shareholder entitled to attend and vote at the Scheme Meeting may appoint an attorney to virtually attend and vote at the Scheme Meeting on his/her behalf. For an appointment to be effective for the Scheme Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by Link at the address listed above for the receipt of proxy appointments by no later than 3.00pm (Melbourne time) on 30 May 2021 (48 hours prior to commencement of the Scheme Meeting).

Corporate Representatives

A body corporate which is an Asaleo Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act.

The representative should provide a certified copy of the original form of appointment, a certified copy of appointment, or a certificate of the body corporate evidencing the appointment must be received by Link at the address listed above for the receipt of proxy appointments by no later than 3.00pm (Melbourne time) on 30 May 2021 (48 hours prior to commencement of the Scheme Meeting).

For further details of how to vote, appoint a proxy, or any other Scheme Meeting related queries, please refer to the Notice of Scheme Meeting (see Annexure E), the "Virtual Meeting Online Guide" available online at http://www.asaleocare.com/globalassets/news/asaleo-care/schememeeting_virtualguide.pdf, or please call the Shareholder Information Line on 1300 494 861 (within Australia) or +61 1300 494 861 (outside Australia) between Monday and Friday from 8.30am to 5.30pm (Melbourne time).

What is the Independent Board Committee and the Managing Director's recommendation?

The Independent Board Committee and the Managing Director believe that the Scheme is in the best interests of Asaleo Shareholders and unanimously recommend that Asaleo Shareholders vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders.

In reaching their recommendation, the Independent Board Committee and the Managing Director have assessed the Scheme having regard to the reasons to vote for, or against, the Scheme, as set out in this Scheme Booklet and Asaleo's current strategic plans.

The Independent Board Committee and Managing Director believe the Scheme Consideration and the total value to Asaleo Shareholders represents an attractive price and provides an opportunity for Asaleo Shareholders to realise certain value in cash in the near term which may not be achieved if the Scheme does not proceed. Section 1 sets out reasons to vote for or against the Scheme.

As the Essity Nominee Directors have been nominated by Essity BV to join the Asaleo Board, they are abstaining from making a recommendation in respect of the Scheme and voting on the Scheme.

Each Asaleo director (excluding the Essity Nominee Directors) who owns Asaleo Shares intends to vote the Asaleo Shares that they own or control, and will direct any proxies placed at their discretion, in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders.

The Bidder has advised Asaleo that all Essity Group members and Essity Nominee Directors who hold Asaleo Shares will abstain from voting on the Scheme at the Scheme Meeting. A confirmatory statement to that effect is made by the Bidder in section 5 of this Scheme Booklet.

If a Superior Proposal emerges after the date of this Scheme Booklet, or the Independent Expert changes its conclusion that the Scheme is in the best interests of Asaleo Shareholders, the Independent Board Committee and the Managing Director will carefully reconsider the Scheme and advise you of their recommendation.

The interests of members of the Independent Board Committee and the Managing Director, and the number and description of Asaleo Shares held by or on behalf of them, are set out in sections 7.2 and 7.3 of this Scheme Booklet. When considering the recommendation of the Independent Board Committee and the Managing Director to vote in favour of the Scheme, Asaleo Shareholders should have regard to the personal interests of the Independent Board Committee and the Managing Director.⁸ The Independent Board Committee and Managing Director (respectively) consider that, despite these interests, it is appropriate for the Independent Board Committee and Managing Director to make a voting recommendation on the Scheme given their role in Asaleo.

⁸ In the case of the Managing Director, as detailed in sections 7.2 and 7.3, those personal interests comprise: (a) a \$900,000 retention payment, (b) the potential early payment of the remaining 50% of his 2020 Executive Incentive Plan award in cash and (c) the potential early grant and payment in cash of his 2021 Executive Incentive Plan award (in the case of (b) and (c), subject to the Asaleo Board determining to exercise its discretion to approve the relevant grant and payment).

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ASALEO CARE

1. Matters relevant to your vote on the Scheme

Reasons to vote for the Scheme

- ✓ The Independent Board Committee and Managing Director unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders.
- ✓ The Independent Expert has concluded that the Scheme is in the best interests of Asaleo Shareholders.
- ✓ The Scheme Consideration, and total value to Asaleo Shareholders (see below), represents an attractive premium to historical trading prices.
- ✓ The Scheme Consideration provides Asaleo Shareholders with certainty of value.
- ✓ No Superior Proposal has emerged as at the date of this Scheme Booklet and the Independent Board Committee is not aware of any Superior Proposal.
- ✓ Asaleo's share price may fall if the Scheme is not approved and no Superior Proposal emerges.
- ✓ No brokerage or stamp duty will be payable on the transfer of your Asaleo Shares.
- ✓ You may be entitled to receive the Special Dividend, and the franking credits attached to any Special Dividend.
- ✓ If the Scheme does not proceed, Asaleo Shareholders will continue to be exposed to risks associated with Asaleo's business rather than realising certain value for their Asaleo Shares in a certain timeframe.

Reasons to vote for the Scheme are discussed in more detail in section 1.1 of this Scheme Booklet.

Reasons to vote against the Scheme

- ✗ You may disagree with the Independent Board Committee/Managing Director and the Independent Expert, and believe that the Scheme is not in the best interests of Asaleo Shareholders.
- ✗ If the Scheme proceeds you will no longer be a shareholder of Asaleo and you will not participate in any potential upside that may result from being an Asaleo Shareholder.
- ✗ You may believe it is in your best interests to maintain your current investment and risk profile.
- ✗ The tax consequences of transferring your Asaleo Shares pursuant to the Scheme may not be optimal for your financial position.
- ✗ You may consider that there is potential for a Superior Proposal to be made after the date of this Scheme Booklet (noting that no Superior Proposal has been received as at the date of this Scheme Booklet).

Reasons why you may want to vote against the Scheme are discussed in more detail in section 1.2 of this Scheme Booklet.

1.1 Reasons to vote for the Scheme

(a) **The Independent Board Committee and Managing Director unanimously recommend that you vote for the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders**

The Independent Board Committee and Managing Director believe that the Scheme is in the best interests of Asaleo Shareholders and unanimously recommend that Asaleo Shareholders vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders.

In reaching their recommendation, the Independent Board Committee and Managing Director have assessed the Scheme having regard to the reasons to vote for, or against, the Scheme, as set out in this Scheme Booklet and Asaleo's current strategic plans.

The Independent Board Committee and Managing Director believe the Scheme Consideration and the total value to Asaleo Shareholders provides a compelling opportunity for Asaleo Shareholders to realise certain value in cash in the near term which may not be achieved if the Scheme does not proceed. As the Essity Nominee Directors have been nominated by Essity BV to join the Asaleo Board, they are abstaining from making a recommendation in respect of the Scheme and will abstain from voting on the Scheme.

Each Asaleo director (excluding the Essity Nominee Directors) who owns Asaleo Shares intends to vote the Asaleo Shares that they own or control, and will direct any proxies placed at their discretion, in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders.

The Bidder has advised Asaleo that all Essity Group members and Essity Nominee Directors who hold Asaleo Shares will abstain from voting on the Scheme at the Scheme Meeting. A confirmatory statement to that effect is made by the Bidder in section 5 of this Scheme Booklet.

If a Superior Proposal emerges after the date of this Scheme Booklet or the Independent Expert ceases to hold the view that the Scheme is in the best interests of Asaleo Shareholders, the Independent Board Committee and Managing Director will carefully reconsider the Scheme and advise you of their recommendation.

The interests of members of the Independent Board Committee and the Managing Director, and the number and description of Asaleo Shares held by or on behalf of them, are set out in sections 7.2 and 7.3 of this Scheme Booklet. When considering the recommendation of the Independent Board Committee and the Managing Director to vote in favour of the Scheme, Asaleo Shareholders should have regard to the personal interests of the Independent Board Committee and the Managing Director.⁹ The Independent Board Committee and Managing Director (respectively) consider that, despite these interests, it is appropriate for the Independent Board Committee and Managing Director to make a voting recommendation on the Scheme given their role in Asaleo.

In considering whether to vote for the Scheme, the Independent Board Committee encourages you to:

- carefully read the whole of this Scheme Booklet (including the Independent Expert's Report);
- consider the choices available to you as outlined in section 3.4;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- consult your legal, financial or other professional adviser.

(b) **The Independent Expert has concluded that the Scheme is in the best interests of Asaleo Shareholders**

The Independent Expert has concluded that the acquisition of Asaleo Shares by the Bidder under the Scheme is in the best interests of Asaleo Shareholders.

The Independent Expert has assessed the full underlying value of Asaleo Shares at between \$1.39 and \$1.49 per Asaleo Share (excluding the \$0.03 per share Ordinary Dividend which was paid on 31 March 2021). On an equivalent basis, the cash value to Asaleo Shareholders of \$1.42 per Asaleo Share (i.e. including the \$1.40 per share Scheme Consideration and the \$0.02 per share Special Dividend payable to Asaleo Shareholders who hold Asaleo Shares on the Special Dividend Record Date) is within the Independent Expert's assessed value range.

⁹ In the case of the Managing Director, as detailed in sections 7.2 and 7.3, those personal interests comprise: (a) a \$900,000 retention payment, (b) the potential early payment of the remaining 50% of his 2020 Executive Incentive Plan award in cash and (c) the potential early grant and payment in cash of his 2021 Executive Incentive Plan award (in the case of (b) and (c), subject to the Asaleo Board determining to exercise its discretion to approve the relevant grant and payment).

A copy of the Independent Expert's Report is included in Annexure A.

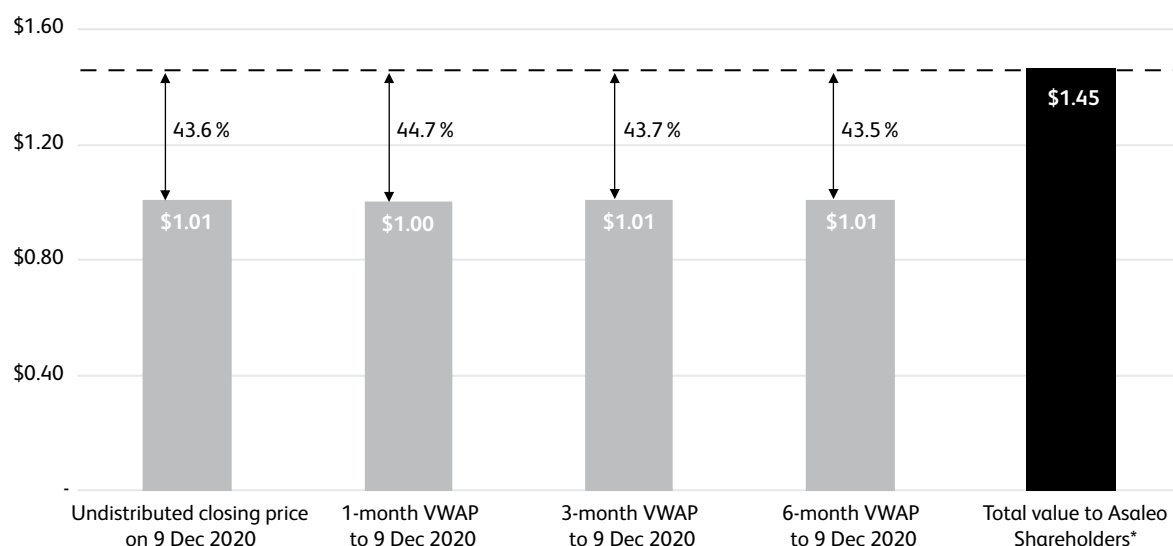
You are strongly encouraged to read the Independent Expert's Report in its entirety.

(c) **The Scheme Consideration and total value to Asaleo Shareholders represents an attractive premium to historical trading prices**

The Scheme Consideration is \$1.40 per Asaleo Share.

Subject to being an Asaleo Shareholder on the relevant record dates, Asaleo Shareholders may also have received the Ordinary Dividend paid on 31 March 2021, and may receive the Special Dividend on the Special Dividend Payment Date (subject to the Asaleo Board's resolution to declare and pay that dividend). The total cash value of the Essity BV proposal to Asaleo Shareholders entitled to receive both the Ordinary Dividend and Special Dividend, as well as the Scheme Consideration, is \$1.45 per Asaleo Share (before any benefit of franking credits).^{*} If the Scheme becomes Effective, this total value represents an attractive premium of approximately:

- 43.6% to the undisturbed closing Asaleo Share price on 9 December 2020 (the day prior to the announcement of Essity's initial proposal) of \$1.01;
- 44.7% to the 1-month VWAP of Asaleo Shares of \$1.00 to 9 December 2020;
- 43.7% to the 3-month VWAP of \$1.01 to 9 December 2020; and
- 43.5% to the 6-month VWAP of \$1.01 to 9 December 2020.



^{*} Subject to being an Asaleo Shareholder on the respective Ordinary Dividend Record Date, Special Dividend Record Date and the Scheme Record Date, and to the Asaleo Board deciding to pay the Special Dividend. The availability of franking credits are subject to a class ruling application process with the ATO.

(d) **The Scheme Consideration provides Asaleo Shareholders with certainty of value**

If the Scheme is implemented the Scheme Consideration of \$1.40 per Asaleo Share provides attractive value and certainty of cash to Asaleo Shareholders.

Specifically, if all conditions and approvals for the Scheme are satisfied or waived, as applicable, Asaleo Shareholders on the Scheme Record Date will receive \$1.40 per Asaleo Share which is expected to be paid on or about 1 July 2021 (being the Implementation Date).

In addition to the Scheme Consideration, Asaleo Shareholders who hold Asaleo Shares on the Special Dividend Record Date will also receive a Special Dividend of \$0.02 per Asaleo Share, subject to the Asaleo Board resolving to declare and pay that the Special Dividend. If you were an Asaleo Shareholder on the Ordinary Dividend Record Date, you would also have received the Ordinary Dividend of \$0.03 per Asaleo Share. The Special Dividend is expected to be fully franked, subject to Asaleo receiving a class ruling from the Australian Taxation Office.

The potential value in franking credits attached to the Ordinary Dividend and any Special Dividend for those Asaleo Shareholders who are able to realise the full benefit of franking credits, is up to \$0.02 per Asaleo Share.¹⁰

In contrast, if the Scheme does not proceed, the amount which Asaleo Shareholders will be able to realise for their Asaleo Shares (in terms of price) and from their Asaleo Shares (by way of future dividends) will necessarily be uncertain. Among other things, this will be subject to the performance of Asaleo's business from time to time, general economic conditions and movements in the share market. The Scheme (if implemented) removes this uncertainty for Asaleo Shareholders.

(e) **No Superior Proposal has emerged as at the date of this Scheme Booklet and the Independent Board Committee is not aware of any Superior Proposal**

As at the date of this Scheme Booklet, no other proposal has emerged. However, there remains the possibility that a third party may make a Superior Proposal prior to the Scheme Meeting.

The Scheme Implementation Agreement includes terms which prevent Asaleo from seeking an alternative proposal from a third party (see section 7.11(c) for more details).

The Scheme Implementation Agreement does not prevent a third party from making an alternative proposal and does not prevent the Independent Board Committee and Managing Director from responding to an unsolicited written proposal if they determine (after consultation with advisers) that the proposal is a Superior Proposal or may reasonably be expected to become a Superior Proposal, and a failure to respond to the proposal may be a breach of their fiduciary or statutory duties. If a Superior Proposal emerges, Asaleo is required under the Scheme Implementation Agreement to notify Essity and to provide it with an opportunity to match or exceed that Superior Proposal.

In addition, under the Scheme Implementation Agreement, if certain events occur, for example, a Competing Transaction is implemented or agreed, the Independent Board Committee and Managing Director withdraw their recommendation of the Scheme, or recommend a Competing Transaction, or publicly state the Scheme is not recommended, or Essity BV validly terminates the Scheme Implementation Agreement because of Asaleo's material breach of a term of that document (see section 7.11(g) for more details), Asaleo is required to make a payment of \$4,855,967 (excluding GST) to Essity BV.

The Independent Board Committee and the Managing Director also note that the likelihood of an alternative proposal emerging is naturally constrained by the fact that Essity BV is currently the largest Asaleo Shareholder with a shareholding of approximately 36.16%. Therefore, any alternative proposal (were one to emerge) could only succeed with Essity's support.

The Independent Board Committee will notify Asaleo Shareholders if a Superior Proposal is received before the Scheme Meeting.

(f) **Asaleo's share price may fall if the Scheme is not approved and no Superior Proposal emerges**

If the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the Independent Board Committee, then the Asaleo Share price is expected to fall.

Since market close on 9 December 2020 (last undisturbed closing price for Asaleo Shares), the Asaleo Share price has increased 38.6% up to a closing price of \$1.40 on 19 April 2021.

In assessing whether the Scheme is reasonable and in the best interests of Asaleo Shareholders, the Independent Expert has also considered, among many other factors, the listed market price of Asaleo Shares both prior to and subsequent to the announcement of the proposed Scheme, and the likely market price of Asaleo Shares if the proposed Scheme is not approved.

The Independent Expert notes that: "if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Asaleo Care shares is likely to trade at a significant discount to our valuation and the Total Consideration due to the portfolio nature of individual shareholdings."

¹⁰ Whether an Asaleo Shareholder (who has received the Ordinary Dividend and the Special Dividend) will be able to realise the full benefit of the franking credits will also depend (among other things) on any class ruling issued by the ATO in respect of the Ordinary Dividend and the Special Dividend and the circumstances of the Asaleo Shareholder. When assessing the benefit of franking credits attached to any Special Dividend, Asaleo Shareholders should also seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 6 of this Scheme Booklet.

(g) No brokerage or stamp duty will be payable on the transfer of your Asaleo Shares

You will not incur any brokerage or stamp duty on the transfer of your Asaleo Shares to the Bidder under the terms of the Scheme. If you sell your Asaleo Shares on the ASX (rather than disposing of them via the Scheme), you may incur brokerage charges.

(h) You may be entitled to receive the Special Dividend, and the franking credits attached to any Special Dividend

The Asaleo Board currently intends to pay a fully franked Special Dividend of up to \$0.02 per Asaleo Share, subject to the Scheme being approved by Asaleo Shareholders and the Court. The final decision on whether or not to pay a Special Dividend will be made by the Asaleo Board and depends upon a number of factors, including the availability of franking credits, the requirements of the Corporations Act and Asaleo having applied for a draft class ruling, which seeks confirmation from the ATO that, among other things, franking credits attached to the Special Dividend will be available to Asaleo Shareholders. The final decision of the Asaleo Board will be communicated to the Asaleo Shareholders by way of an ASX announcement before the Second Court Hearing.

The declaration and payment of any such Special Dividend will not operate to reduce the Scheme Consideration of \$1.40 per Asaleo Share.

Asaleo Shareholders should note the following important points in relation to the Special Dividend and the Scheme:

- if Asaleo Shareholders or the Court do not approve the Scheme, the Asaleo Board does not intend to declare any Special Dividend. In those circumstances, Asaleo will decide whether to pay future dividends in accordance with its dividend policy, subject to performance;
- if any Special Dividend is declared, the Special Dividend Record Date is expected to be set as 5.00pm on 15 June 2021, which will be prior to the Scheme Record Date;
- due to the different record dates that apply to the Special Dividend and the Scheme respectively, only the persons registered as an Asaleo Shareholder on both the Special Dividend Record Date and the later Scheme Record Date will be entitled to receive the Special Dividend and participate in the Scheme;
- if you buy (additional) Asaleo Shares after the Special Dividend Record Date and before the Scheme Record Date, those shares will not carry any right to the Special Dividend. Conversely, if you sell your Asaleo Shares through an off-market transfer after the Special Dividend Record Date but before the Scheme Record Date, you will receive the Special Dividend but not the Scheme Consideration;¹¹
- Asaleo Shareholders should take careful note of the key dates applying to the Special Dividend and the Scheme as set out in the section entitled 'Important dates' at the beginning of this Scheme Booklet. Any acquisitions or disposals of Asaleo Shares before or during these key dates will affect your entitlement to receive the Special Dividend and participate in the Scheme; and
- the Special Dividend will be paid on the Special Dividend Payment Date (currently proposed to be 21 June 2021).

If Asaleo pays a Special Dividend of the maximum amount of \$0.02 per Asaleo Share, then, in addition to the total value payable to Asaleo Shareholders, those Asaleo Shareholders who are entitled to the franking credits attached to both the Ordinary Dividend and the Special Dividend may be entitled to an Australian tax offset of up to approximately \$0.02 of additional value per Asaleo Share (of which approximately \$0.01 of the additional value relates to the Ordinary Dividend and \$0.01 of the additional value relates to the Special Dividend). In assessing the value to them of any Special Dividend, Asaleo Shareholders should seek independent professional taxation advice as to whether or not the receipt of any Special Dividend and any entitlement to franking credits attached thereto is beneficial to them based on their own particular circumstances. In particular, Asaleo Shareholders should note that, depending on the timing of and price at which they acquired their Asaleo Shares, there may be differences in the tax consequences for them.

(i) If the Scheme does not proceed, Asaleo Shareholders will continue to be exposed to risks associated with Asaleo's business rather than realising certain value for their Asaleo Shares in a certain timeframe

If the Scheme does not proceed, the value that you will be able to realise from your Asaleo Shares (in terms of the price of those Asaleo Shares and any future dividends paid in respect of them) will necessarily be uncertain and subject to a number of risks outlined in section 4.6.

¹¹ Asaleo Shares will cease trading on the ASX at close of trading on the Effective Date. If you wish to buy or sell Asaleo Shares after the Effective Date you will have to do so through an off-market transfer.

In addition to the general investment risks outlined in section 4.6(a) faced by investors in an ASX listed company, you will also be exposed to the range of business-specific risks associated with your current investment in Asaleo Shares outlined in section 4.6(b).

The Scheme removes these risks for you and allows you to exit your investment in Asaleo at a price that the Independent Board Committee and Managing Director consider attractive. If the Scheme is approved and implemented, these risks and uncertainties will be assumed by the Bidder, as the sole shareholder of Asaleo following implementation of the Scheme.

1.2 Possible reasons to vote against the Scheme

- (a) **You may disagree with the Independent Board Committee/Managing Director and the Independent Expert, and believe that the Scheme is not in the best interests of Asaleo Shareholders**

In concluding that the Scheme is in the best interests of Asaleo Shareholders, in the absence of a Superior Proposal, the Independent Board Committee and Managing Director and the Independent Expert are making judgments based on their respective assessments of future trading conditions and events which cannot be predicted with certainty and which may prove to be inaccurate (either positively or negatively).

You may hold a different view to the Independent Board Committee/Managing Director and the Independent Expert and believe that the Scheme Consideration is inadequate.

There is no obligation to follow the recommendation of the Independent Board Committee and Managing Director or to agree with the opinion of the Independent Expert.

- (b) **If the Scheme proceeds you will no longer be a shareholder of Asaleo and you will not participate in any potential upside that may result from being an Asaleo Shareholder**

If the Scheme is implemented, you will no longer be an Asaleo Shareholder and you will forgo any benefits that may result from being an Asaleo Shareholder.

You will no longer participate in the future performance of Asaleo. This will mean that you will not retain any exposure to Asaleo's assets or have the potential to share in the value that could be generated by Asaleo in the future.

- (c) **You may believe it is in your best interests to maintain your current investment and risk profile**

You may wish to maintain your investment in Asaleo in order to have an investment in a public listed company with the specific characteristics of Asaleo in terms of industry, operational profile, size, capital structure and potential future dividend stream. It may be difficult for Asaleo Shareholders who wish to maintain their investment profile to identify and invest in alternative investments that have a similar profile to that of Asaleo, and they may incur transaction costs in undertaking any such new investment.

You may also consider that, despite the risk factors relevant to Asaleo's potential future operations (including those set out in section 4.6 of this Scheme Booklet), Asaleo may be able to return greater value from its assets by remaining a standalone entity or by seeking alternative corporate transactions in the future.

- (d) **The tax consequences of transferring your Asaleo Shares pursuant to the Scheme may not be optimal for your financial position**

Implementation of the Scheme may have tax consequences for you. A general guide to the taxation implications of the Scheme is set out in section 6 of this Scheme Booklet. This guide is expressed in general terms and you should seek your own independent professional advice regarding the tax consequences applicable to your circumstances.

- (e) **You may consider that there is potential for a Superior Proposal to be made after the date of this Scheme Booklet (noting that no Superior Proposal has been received as at the date of this Scheme Booklet)**

You may believe that there is a possibility that a Superior Proposal could emerge in the foreseeable future. However, for the reasons noted below, the Independent Board Committee and Managing Director consider that the possibility of a Superior Proposal emerging is low:

- Since the announcement of the Scheme on 17 February 2021 and up to the date of this Scheme Booklet, the Independent Board Committee and Managing Director have not received or become aware of any Superior Proposal.
- The Scheme is a result of an initial unsolicited approach made by Essity announced on 10 December 2020. Since then, no alternative proposals have been received by Asaleo.

- The Scheme Implementation Agreement prohibits Asaleo from soliciting any Competing Transaction, although Asaleo may respond to a Competing Transaction if the Independent Board Committee and Managing Director determine that failing to do so would be likely to constitute a breach of their fiduciary or statutory duties, as discussed in section 7.11(c) of this Scheme Booklet.
- If a Superior Proposal emerges, Asaleo is required under the Scheme Implementation Agreement to notify Essity and to provide it with an opportunity to match or exceed that Superior Proposal.

As at the date of this Scheme Booklet, no Superior Proposal has emerged, and neither the Independent Board Committee or the Managing Director is aware of any Superior Proposal or any alternative proposal that is likely to emerge. The Independent Board Committee and the Managing Director also note that the likelihood of an alternative proposal emerging is naturally constrained by the fact that Essity BV is currently the largest Asaleo Shareholder with a shareholding of approximately 36.16%. Therefore, any alternative proposal (were one to emerge) could only succeed with Essity's support.

1.3 Other relevant considerations

(a) **The Scheme is subject to conditions**

In addition to the need to obtain shareholder approval and Court approval, the Scheme is subject to a number of other conditions. These Conditions Precedent are summarised in section 7.11(b) and are set out in full in clause 3.1 of the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is attached in Annexure B of this Scheme Booklet.

All these Conditions Precedent need to be satisfied (or alternatively waived, in the case of certain conditions that are capable of being waived) in order for the Scheme to proceed.

The Independent Board Committee has reviewed these Conditions Precedent and does not consider them to be unduly onerous or inconsistent with market practice for a transaction of this nature.

As to the date of this Scheme Booklet, Asaleo is not aware of any circumstances which would cause the Conditions Precedent not to be satisfied. An update as to the status of the Conditions Precedent will be provided at the Scheme Meeting.

(b) **The Scheme may be implemented even if you vote against it**

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme will still be implemented if it is approved by the Requisite Majority of Shareholders and the Court and if all of the other conditions are satisfied (or if applicable) waived. If this occurs, your Asaleo Shares will be transferred to the Bidder and you will receive:

- \$1.40 cash per Asaleo Share, as Scheme Consideration, if you are an Asaleo Shareholder on the Scheme Record Date; and
- a Special Dividend of \$0.02 per Asaleo Share, subject to the Asaleo Board's resolution to declare and pay that dividend, if you are an Asaleo Shareholder on the Special Dividend Record Date,

even though you did not vote on, or voted against, the Scheme.

In addition, you should have received the Ordinary Dividend of \$0.03 per Asaleo Share, if you were an Asaleo Shareholder on the Ordinary Dividend Record Date, regardless of how you vote at the Scheme Meeting.

The Special Dividend is expected to be fully franked, subject to receiving a class ruling from the Australian Taxation Office.

The potential value in franking credits attached to the Ordinary Dividend and any Special Dividend for those Asaleo Shareholders who are able to realise the full benefit of franking credits, is \$0.02 per Asaleo Share.¹²

¹² Whether an Asaleo Shareholder (who has received the Ordinary Dividend and the Special Dividend) will be able to realise the full benefit of the franking credits will also depend (among other things) on any class ruling issued by the ATO in respect of the Ordinary Dividend and the Special Dividend and the circumstances of the Asaleo Shareholder. When assessing the benefit of franking credits attached to any Special Dividend, Asaleo Shareholders should also seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 6 of this Scheme Booklet.

(c) **Costs**

Asaleo has incurred significant costs in responding to Essity's proposal to acquire Asaleo Shares announced on 10 December 2020 and negotiating that proposal to the point that it is capable of being submitted to Asaleo Shareholders as a scheme of arrangement for their consideration. These costs include negotiating the Scheme Implementation Agreement, retaining professional advisers (including financial, legal and tax advisers), facilitating Essity's access to due diligence, engaging the Independent Expert, considering regulatory matters and preparing this Scheme Booklet.

If the Scheme is implemented, these costs will effectively be met by the Bidder as the ultimate controller of Asaleo following implementation of the Scheme. If the Scheme is not implemented and if no Superior Proposal emerges and is implemented, Asaleo expects to incur total external costs of approximately \$2.45 million which will be paid in the FY21 financial year.

(d) **Break fee**

A break fee of \$4,855,967 (excluding GST), is payable by Asaleo to Essity BV if the Scheme does not proceed because certain events occur including, for example:

- a Competing Transaction is implemented or agreed;
- the Independent Board Committee and Managing Director withdraw their recommendation of the Scheme, or recommend a Competing Transaction, or publicly state the Scheme is not recommended; or
- Essity BV validly terminates the Scheme Implementation Agreement because of Asaleo's material breach of a term of that document.

However, this break fee is not payable simply because the Scheme is not approved by the Requisite Majority of Asaleo Shareholders. See section 7.11(d) for more details.

(e) **Reverse break fee**

A reverse break fee of \$4,855,967 (excluding GST), is payable by Essity BV to Asaleo if the Scheme does not proceed because:

- Asaleo validly terminates the Scheme Implementation Agreement because of Essity BV's material breach of a term of that document; or
- Essity BV does not pay the aggregate Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Agreement, the Scheme and the Deed Poll.

See section 7.11(e) for more details.

(f) **Implications if the Scheme does not proceed**

If the Scheme is not approved by Asaleo Shareholders or the Court or if any of the other Conditions Precedent set out in section 7.11(b) of the Scheme Booklet are not satisfied or waived (if applicable), the Scheme will not proceed. In those circumstances:

- Essity BV will not pay the Scheme Consideration;
- Asaleo will not declare and pay the Special Dividend. In those circumstances, Asaleo will decide whether to pay future dividends in accordance with its dividend policy, subject to performance;
- Asaleo will remain listed on the ASX; and
- Asaleo Shareholders will retain their Asaleo Shares and, in doing so, will continue to have the benefits of their current Asaleo investment and continue to be exposed to the risks of holding their Asaleo Shares (see section 4.6 in respect of risks relating to an investment in Asaleo).

However, Asaleo Shareholders who held Asaleo Shares on the Ordinary Dividend Record Date will still have received the Ordinary Dividend on the Ordinary Dividend Record Date (and the benefit of any franking credits attached to the Ordinary Dividend).

In the absence of a Superior Proposal, there is a risk that Asaleo Shareholders may not be able to realise a price for all of their Asaleo Shares (at least in the short term) comparable to the price that they would receive under the Scheme.

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ASALEO CARE

2. Q&A

This Scheme Booklet contains detailed information regarding the Scheme. The following section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Scheme Booklet.

THE SCHEME AT A GLANCE

Why have I received or why am I eligible to receive or access this Scheme Booklet?

You have received or are eligible to receive or access this Scheme Booklet because you are shown in the Register as an Asaleo Shareholder and Asaleo Shareholders are being asked to vote on the Scheme which, if approved, will result in the Bidder acquiring all of the Asaleo Shares on issue.

This Scheme Booklet is intended to help you to decide how to vote on the resolution which needs to be passed at the Scheme Meeting to allow the Scheme to proceed to be implemented.

If you have sold all of your Asaleo Shares, please disregard this Scheme Booklet as you will not be entitled to vote at the Scheme Meeting.

What is the Scheme?

The Scheme is a scheme of arrangement between Asaleo and Scheme Participants. If the Scheme becomes Effective the Bidder will acquire all the Asaleo Shares on issue and Asaleo will become a wholly-owned Subsidiary of the Bidder.

A “scheme of arrangement” is a statutory procedure that can be used to enable one company to acquire another company. It requires a vote in favour of the Scheme by a Requisite Majority of Asaleo Shareholders at a meeting of Asaleo Shareholders, and Court approval.

The terms of the Scheme are set out in full in Annexure C.

Who is Essity and what are its intentions regarding Asaleo?

Essity is a leading global hygiene and health company and currently the largest Asaleo Shareholder with a shareholding of approximately 36.16%.

For further information on the Essity Group and its intentions regarding Asaleo, please refer to section 5 of this Scheme Booklet.

What does the Independent Board Committee, and the Managing Director, recommend?

The Independent Board Committee, and the Managing Director, unanimously consider that the Scheme is in the best interests of Asaleo Shareholders and recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders. The basis for this recommendation is set out in section 1.1.

The interests of members of the Independent Board Committee and the Managing Director, and the number and description of Asaleo Shares held by or on behalf of them, are set out in sections 7.2 and 7.3 of this Scheme Booklet. When considering the recommendation of the Independent Board Committee and the Managing Director to vote in favour of the Scheme, Asaleo Shareholders should have regard to the personal interests of the Independent Board Committee and the Managing Director.¹³ The Independent Board Committee and Managing Director (respectively) consider that, despite these interests, it is appropriate for the Independent Board Committee and Managing Director to make a voting recommendation on the Scheme given their role in Asaleo.

As the Essity Nominee Directors have been nominated by Essity BV to join the Asaleo Board, they are abstaining from making a recommendation in respect of the Scheme and will abstain from voting on the Scheme.

Section 1.2 includes a summary of the possible reasons to vote against the Scheme.

How do Asaleo directors intend to vote?

Each Asaleo director (excluding the Essity Nominee Directors) who owns or controls Asaleo Shares intends to vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders.

The Bidder has advised Asaleo that all Essity Group members and Essity Nominee Directors who hold Asaleo Shares will abstain from voting on the Scheme at the Scheme Meeting. A confirmatory statement to that effect is made by the Bidder in section 5 of this Scheme Booklet.

¹³ In the case of the Managing Director, as detailed in sections 7.2 and 7.3, those personal interests comprise: (a) a \$900,000 retention payment, (b) the potential early payment of the remaining 50% of his 2020 Executive Incentive Plan award in cash and (c) the potential early grant and payment in cash of his 2021 Executive Incentive Plan award (in the case of (b) and (c), subject to the Asaleo Board determining to exercise its discretion to approve the relevant grant and payment).

What is the Independent Expert's conclusion?

The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme is in the best interests of Asaleo Shareholders.

The Independent Expert has assessed the full underlying value of Asaleo Shares at between \$1.39 and \$1.49 per Asaleo Share (excluding the \$0.03 per share Ordinary Dividend which was paid on 31 March 2021). On an equivalent basis, the cash value to Asaleo Shareholders of \$1.42 per Asaleo Share (i.e. including the \$1.40 per share Scheme Consideration and the \$0.02 per share Special Dividend payable to Asaleo Shareholders who hold Asaleo Shares on the Special Dividend Record Date) is within the Independent Expert's assessed value range.

The Independent Expert's Report is set out in full in Annexure A.

What are the prospects of receiving a Superior Proposal?

Since the Scheme was announced, no Superior Proposal has emerged. Given the time that has elapsed since Essity's initial proposal was announced on 10 December 2020, the view of the Independent Board Committee and Managing Director is that a Superior Proposal is unlikely to emerge prior to the Scheme Meeting.

Is the Scheme subject to any conditions?

Implementation of the Scheme is subject to a number of Conditions Precedent summarised in section 7.11(b) of this Scheme Booklet and set out in full in clause 3.1 of the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement is attached in Annexure B of this Scheme Booklet.

What should I do?

You should read this Scheme Booklet carefully in its entirety and then vote by attending the virtual Scheme Meeting or by appointing a proxy to vote on your behalf. Full details of who is eligible to vote and how to vote are set out on pages 26 to 28.

WHAT YOU WILL RECEIVE UNDER THE SCHEME

What will I receive if the Scheme becomes Effective?

If the Scheme is approved and implemented and you remain an Asaleo Shareholder on the Scheme Record Date, you will receive \$1.40 cash for each Asaleo Share you hold on the Scheme Record Date, as Scheme Consideration. This will be funded by the Essity Group and paid by Essity BV.

In addition to the Scheme Consideration, Asaleo Shareholders who hold Asaleo Shares on the Special Dividend Record Date will also receive a Special Dividend of \$0.02 per Asaleo Share, subject to the Asaleo Board resolving to declare and pay the Special Dividend. The Special Dividend is expected to be fully franked, subject to Asaleo receiving a class ruling from the Australian Taxation Office. The Special Dividend, if declared, would be paid by Asaleo.

If you were an Asaleo Shareholder on the Ordinary Dividend Record Date, you would also have received the Ordinary Dividend of \$0.03 per Asaleo Share.

The potential value in franking credits attached to the Ordinary Dividend and any Special Dividend for those Asaleo Shareholders who are able to realise the full benefit of franking credits, is up to \$0.02 per Asaleo Share.¹⁴

What will I receive if the Scheme is not approved by the Requisite Majority at the Scheme Meeting?

If the Scheme is not approved by the Requisite Majority, you will not receive the Scheme Consideration or the Special Dividend.

How is Essity funding the Scheme Consideration?

The aggregate Scheme Consideration is AUD 760,551,157.80 and will be funded by the Essity Group's available cash and other liquid financial resources.

As at 31 December 2020, the Essity Group's cash and cash equivalents amounted to SEK 4.982 billion (approximately AUD 757 million) and long term, unutilised bank credit facilities amounted to SEK 20.056 billion (approximately AUD 3.08 billion).

For further information on the Essity Group and Essity's funding arrangements please refer to Section 5 of this Scheme Booklet.

¹⁴ Whether an Asaleo Shareholder (who has received the Ordinary Dividend and the Special Dividend) will be able to realise the full benefit of the franking credits will also depend (among other things) on any class ruling issued by the ATO in respect of the Ordinary Dividend and the Special Dividend and the circumstances of the Asaleo Shareholder. When assessing the benefit of franking credits attached to any Special Dividend, Asaleo Shareholders should also seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 6 of this Scheme Booklet.

When and how will I receive payments under the Scheme?

If you hold Asaleo Shares on the Scheme Record Date, you will be paid your Scheme Consideration on the Implementation Date (currently expected to be 1 July 2021).

If a Special Dividend is declared and paid by Asaleo prior to the Implementation Date, this is intended to occur on the Special Dividend Payment Date (currently expected to be 21 June 2021).

Such payment(s) will be made in Australian currency either by electronic means to a bank account nominated by you for the purposes of receiving the payment of the Ordinary Dividend, Special Dividend or Scheme Consideration (if you have validly registered bank account details with Link by the relevant record date) or otherwise by cheque dispatched to your address recorded in the Register on the relevant record date by pre-paid ordinary post (or, if your address is outside Australia, by pre-paid airmail post) on the Implementation Date.

What are the tax consequences of the Scheme?

Section 6 provides a general outline of the Australian income tax, capital gains tax, GST and stamp duty consequences for Scheme Participants who dispose of their Asaleo Shares in accordance with the Scheme. You should not rely on those general descriptions as advice for your own affairs.

You should consult with your own independent tax adviser regarding the tax consequences of disposing of your Asaleo Shares in accordance with the Scheme in light of current tax laws and your own particular circumstances.

Will I have to pay brokerage fees or stamp duty?

No brokerage fees or stamp duty will be payable on the transfer of Asaleo Shares under the Scheme.

VOTING TO APPROVE THE SCHEME

When and where will the Scheme Meeting be held?

The Scheme Meeting will be held at 3.00pm (Melbourne time) on 1 June 2021. The Scheme Meeting will be held virtually via the link: <https://agmlive.link/AHYScheme>.

In order to minimise health risks created by the COVID-19 pandemic, the Scheme Meeting is scheduled to be held virtually.

Asaleo Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical Scheme Meeting.

Asaleo strongly encourages Asaleo Shareholders to consider lodging a directed proxy in the event they are not able to participate in the electronic Scheme Meeting.

How do I attend the Scheme Meeting?

Asaleo is holding its Scheme Meeting online. To attend Asaleo's Scheme Meeting online:

- Enter <https://agmlive.link/AHYScheme> into a web browser on your desktop computer or online device. You will need to log on using your full name, mobile number, email address and company name (if applicable). We recommend you log into the online platform 30 minutes prior to the Scheme Meeting to check your connection.
- **For Asaleo Shareholders:** You will need your SRN or HIN and postcode (or country code, if outside Australia) to register to vote at the Scheme meeting once logged in. Please note the SRN or HIN includes the 'X' or the 'I' which precedes the number.
- **For proxyholders:** You will need your proxy number issued by Link to register to vote at the Scheme Meeting once you log in. If you have not received confirmation of your proxy number prior to the Scheme Meeting, please call the Shareholder Information Line on 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia) on the day of the Scheme Meeting to request confirmation of your proxy number.
- You will only be able to ask a question after you have registered to vote. To ask a question, click the 'Ask a Question' button on the webpage.
- Once the Scheme Meeting commences at 3.00pm (Melbourne time), you will hear the audio webcast and see the presentation slides displayed.

For further details, please refer to the "Virtual Meeting Online Guide" available online at http://www.asaleocare.com/globalassets/news/asaleo-care/schememeeting_virtualguide.pdf

Am I entitled to vote at the Scheme Meeting?

If you are registered as a shareholder on Asaleo's Register at 3.00pm (Melbourne time) on 30 May 2021, you will be entitled to vote at the Scheme Meeting.

What vote is required to approve the Scheme?

For the Scheme to proceed, votes "in favour of" the resolution to approve the Scheme at the Scheme Meeting must be received from a Requisite Majority of Asaleo Shareholders. A Requisite Majority, in relation to the resolution to be put to Asaleo Shareholders at the Scheme Meeting, is:

- a majority in number (more than 50%) of Asaleo Shareholders, who are present and voting either in person or by proxy, attorney or, in the case of corporate shareholders, by corporate representative; and¹⁵
- at least 75% of the total number of votes cast on the resolution to approve the Scheme by Asaleo Shareholders, who are present and voting either in person or by proxy, attorney or, in the case of corporate shareholders, by corporate representative.

It is also necessary for the Court to approve the Scheme before it can become Effective.

What choices do I have as an Asaleo Shareholder?

As an Asaleo Shareholder you have the following choices:

- you can vote virtually or by proxy at the Scheme Meeting;
- you can elect not to vote at the Scheme Meeting; or
- you can sell your Asaleo Shares on the ASX. If you sell your Asaleo Shares on the ASX you may incur brokerage costs. If the Scheme becomes Effective, Asaleo Shares will cease trading on the ASX at close of trading on the Effective Date (expected to be 10 June 2021). Accordingly, you can sell your Asaleo Shares on market at any time before the close of trading on the day that the Scheme becomes Effective. Normal brokerage and other expenses on sale may be incurred. You may however seek to sell your Asaleo Shares off-market after the Effective Date but before the Scheme Record Date (currently proposed to be 5.00pm on 22 June 2021).

Should I vote?

Voting is not compulsory. However, the Independent Board Committee and Managing Director believe that the Scheme is important to Asaleo Shareholders and the Independent Board Committee and Managing Director unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders.

How do I vote?

Asaleo Shareholders may vote by either joining the Scheme Meeting virtually which is to be held at 3.00pm on 1 June 2021 at <https://agmlive.link/AHYScheme>, or by proxy.

Voting using the online platform:

To join the meeting, enter <https://agmlive.link/AHYScheme> into a web browser on your computer or online device. You will need to log on using your full name, mobile number, email address and company name (if applicable).

- Asaleo Shareholders will need their SRN or HIN and postcode (or country code, if outside Australia) to vote at the Scheme Meeting. Please note the SRN or HIN includes the 'X' or the 'I' which precedes the number.
- Proxyholders will need their proxy number issued by Link to vote at the Scheme Meeting. If you have not received confirmation of your proxy number prior to the Scheme Meeting, please call the Shareholder Information Line on 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia) on the day of the Scheme Meeting to request confirmation of your proxy number. The Shareholder Information Line is open between Monday and Friday from 8.30am to 5.30pm (Melbourne time).

More information on how to vote during the meeting is provided in the "Virtual Meeting Online Guide" available online at http://www.asaleocare.com/globalassets/news/asaleo-care/schememeeting_virtualguide.pdf.

You can also vote by appointing a corporate representative (if you are a corporate shareholder) or an attorney.

Further details of how to vote and how to lodge a corporate representative appointment or power of attorney are set out on pages 11 and 12 ("How do I vote").

¹⁵ The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Scheme Meeting. Asaleo reserves the right to apply to the Court at the Second Court Hearing to approve the Scheme even if the Headcount Test is not satisfied.

How do I appoint a proxy?

Asaleo Shareholders can appoint a proxy to vote on their behalf at the Scheme Meeting electronically by following the instructions contained in the email communications they receive to complete the online proxy form **OR** if you received a paper copy proxy form, by following the instructions to complete the proxy form and by returning that form in accordance with the details set out on that form.

If you wish to appoint a proxy using the paper copy proxy form, please be aware of current postal timeframes, including the possibility of delays due to COVID-19 regulations and reduced frequency of deliveries. Proxies must be received by Link by 3.00pm (Melbourne time) on 30 May 2021 to be valid for the Scheme Meeting. Proxy forms received after this time will be invalid.

Further details of how to vote and how to lodge a proxy form are set out on pages 11 and 12 (“How do I vote”).

How do I ask questions before the Scheme Meeting?

We encourage Asaleo Shareholders to submit questions in advance of the Scheme Meeting by sending their questions to investors@asaleocare.com.

Asaleo Shareholders who have elected to receive electronic communications may also ask a question when completing the online proxy form.

Asaleo Shareholders who have not elected to receive all their communications electronically and have therefore received a paper copy question form, may also ask a question by completing and returning that question form in the enclosed reply paid envelope.

Questions submitted in advance of the Scheme Meeting need to be received by no later than 3.00pm (Melbourne time) on 30 May 2021.

How do I ask questions at the Scheme Meeting?

Asaleo Shareholders and proxyholders can ask questions during the Scheme Meeting using the online platform by selecting the “Ask a Question” button.

- Questions should be stated clearly and should be relevant to the business of the Scheme Meeting, including matters directly relating to the Scheme.
- No questions should be asked at the Scheme Meeting regarding personal matters or those that are commercial in confidence.

More information about asking questions at the Scheme Meeting is available in the “Virtual Meeting Online Guide” at http://www.asaleocare.com/globalassets/news/asaleo-care/schememeeting_virtualguide.pdf

How can I vote if I can't attend the Scheme Meeting or do not have a working internet connection?

If you are unable to attend the Scheme Meeting you are able to vote by proxy, by following the instructions contained in the email communications you receive to complete the online proxy form, **OR** by completing and returning to Link the paper copy proxy form. The proxy form must be received by Link by no later than 3.00pm (Melbourne time) on 30 May 2021.

Further information relating to how to appoint a proxy and how to vote by proxy is set out on pages 11 to 13.

What happens if I do not vote, or I vote against the Scheme?

The Scheme may not be approved at the Scheme Meeting. If this occurs the Scheme will not proceed, you will not receive the Scheme Consideration and you will remain an Asaleo Shareholder.

However, if the Scheme is approved and implemented and you remain an Asaleo Shareholder on the Scheme Record Date, your Asaleo Shares will be transferred to the Bidder and you will receive the Scheme Consideration for your Asaleo Shares even if you did not vote or you voted against the Scheme.

What happens if the Scheme is not approved at the Scheme Meeting or is not approved by the Court or if any of the other Condition Precedents are not satisfied or waived?

If the Scheme is not approved by a Requisite Majority of Asaleo Shareholders at the Scheme Meeting or the Scheme is not approved by the Court or if any of the other Conditions Precedent are not satisfied or waived, the Scheme will not proceed. In those circumstances:

- Asaleo will remain listed on the ASX;
- Asaleo Shareholders will retain their Asaleo Shares and, in doing so, will continue to have the benefits of their current Asaleo investment and continue to be exposed to the risks of holding their Asaleo Shares (see section 4.6);
- Asaleo Shareholders will not receive the Scheme Consideration; and
- Asaleo will not declare and pay the Special Dividend. In those circumstances, Asaleo will decide whether to pay future dividends in accordance with its dividend policy, subject to performance.

The Independent Board Committee and Managing Director believe that if the Scheme is not implemented then the price of Asaleo Shares may fall.

Before the Scheme Meeting, Asaleo estimates that it will have incurred or committed transaction costs of approximately \$2.45 million in relation to the Scheme. Those costs will be payable by Asaleo regardless of whether or not the Scheme is approved and becomes Effective.

If the Scheme does not proceed you will retain your Asaleo Shares. The Asaleo Board intends to continue to operate Asaleo as a listed public company carrying on the business of Asaleo under the leadership of the current senior management. Other than as set out in section 4, the Asaleo Board has not formed any plans to make any significant changes to the business of Asaleo, redeploy any of its operating assets or change or affect the future employment of the present employees of Asaleo.

If the Scheme does not proceed, Asaleo Shareholders will continue to be exposed to risks associated with Asaleo's business rather than realising certain value for their Asaleo Shares in a certain timeframe.

When will the result of the Scheme Meeting be known?

The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX once available. The results will also be published on www.asaleocare.com soon after the Scheme Meeting.

OTHER

Can I keep my Asaleo Shares?

If the Scheme is implemented, your Asaleo Shares will be transferred to the Bidder. This will happen even if you did not vote or you voted against the Scheme.

Can I sell my Asaleo Shares now?

You can sell your Asaleo Shares on market at any time before close of trading on the ASX on the Effective Date at the then prevailing market price (which may vary from the value of the Scheme Consideration).

If the Scheme becomes Effective, Asaleo intends to apply to the ASX for Asaleo Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date (which is currently expected to be 10 June 2021). You will not be able to sell your Asaleo Shares on market after this time.

You may however seek to sell your Asaleo Shares off-market after the Effective Date but before the Scheme Record Date (currently proposed to be 5.00pm on 22 June 2021).

If you sell your Asaleo Shares before the Scheme Record Date you:

- will receive the proceeds from the sale of your Asaleo Shares sooner than you would receive payment under the Scheme (noting that your sale proceeds may vary from the Scheme Consideration);
- may incur a brokerage charge if you sell your Asaleo Shares on market; and
- will not be able to participate in the Scheme or a Superior Proposal, if one emerges.

What happens if a Competing Transaction emerges?

If a proposal for a Competing Transaction is received this will be announced to the ASX and the Independent Board Committee and the Managing Director will carefully consider the proposal and advise you of any change to their recommendation.

In accordance with the Scheme Implementation Agreement, Essity has a right to match any such Competing Transaction that the Independent Board Committee determines is a Superior Proposal.

Are any other approvals required?

The Scheme must be approved by the Court in addition to being approved by a Requisite Majority of Asaleo Shareholders. If the Scheme is approved by a Requisite Majority of Asaleo Shareholders at the Scheme Meeting, Asaleo will apply to the Court for approval of the Scheme. The Court hearing is expected to be held on 9 June 2021 (although this may change). Further details of the approval process are set out in sections 3.3 and 3.14.

Implementation of the Scheme is subject to certain regulatory approvals as summarised in sections 7.11(b) and 7.12.

Will I receive any more dividends from Asaleo?

No, you will not receive any further special or ordinary dividends from Asaleo if the Scheme becomes Effective (other than any Special Dividend declared and paid by Asaleo prior to the Implementation Date).

Do I need to do or sign anything to transfer my Asaleo Shares?

No. If the Scheme becomes Effective, Asaleo will automatically have authority to sign a transfer document on behalf of Scheme Participants, who will then be paid the Scheme Consideration as set out above.

You should be aware that, if you are a Scheme Participant, you will be deemed to have warranted to Asaleo, and authorised Asaleo to warrant to the Bidder on your behalf, that

- all of your Asaleo Shares are fully paid and free from all encumbrances (for example, mortgages or other security interests); and
- you have full power and capacity to transfer your Asaleo Shares to the Bidder.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

What if I have further questions about the Scheme?

If you have any further questions about the Scheme please call the Shareholder Information Line on 1300 494 861 (within Australia) or +61 1300 494 861 (outside Australia) between 8.30 am to 5.30 pm (Melbourne time) Monday to Friday or visit the FAQ page at http://www.asaleocare.com/globalassets/news/asaleo-care/scheme_faq.pdf

For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser.

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ASALEO CARE

3. Details of the Scheme

3.1 Overview

On 17 February 2021, Asaleo announced that it had entered into a Scheme Implementation Agreement (as amended on 31 March 2021) with Essity BV under which, subject to the satisfaction or waiver of a number of Conditions Precedent, Essity BV has agreed to acquire all of the issued shares in Asaleo at a price of \$1.40 per Asaleo Share by way of a scheme of arrangement between Asaleo and its shareholders under Part 5.1 of the Corporations Act. A summary of the key terms of the Scheme Implementation Agreement is included in section 7.11 of this Scheme Booklet.

3.2 Payment of Scheme Consideration

If the Scheme is implemented, Asaleo Shareholders will receive \$1.40 per share in cash from Essity BV, as Scheme Consideration. You will be paid the Scheme Consideration in respect of each Asaleo Share held by you as at the Scheme Record Date. Payment will be made to you on the Implementation Date (which is currently expected to be 1 July 2021).

In addition to the Scheme Consideration, the total cash value of \$1.45 per Asaleo Share realised by you from being an Asaleo Shareholder will also include:

- (a) an Ordinary Dividend of \$0.03 per Asaleo Share, fully franked, which was recorded on 16 March 2021 and paid on 31 March 2021. You would have received this dividend, if you were an Asaleo Shareholder on the Ordinary Dividend Record Date; and
- (b) a Special Dividend of \$0.02 per Asaleo Share, subject to the Asaleo Board's resolution to declare and pay that dividend, and if you are an Asaleo Shareholder on the Special Dividend Record Date.

The Special Dividend noted above is expected to be fully franked.

The potential value in franking credits attached to the Ordinary Dividend and any Special Dividend for those Asaleo Shareholders who are able to realise the full benefit of franking credits, is up to \$0.02 per Asaleo Share.¹⁶

3.3 Key steps to implement the Scheme

The key steps to implement the Scheme are as follows:

- (a) Asaleo Shareholders will vote on whether to approve the Scheme at the Scheme Meeting. Each Asaleo Shareholder who is registered on the Register at 3.00pm (Melbourne time) on 30 May 2021 is entitled to vote at the Scheme Meeting. The Bidder has advised Asaleo that all Essity Group members and Essity Nominee Directors who hold Asaleo Shares will abstain from voting on the Scheme at the Scheme Meeting. The Bidder has made a confirmatory statement to this effect in section 5 of this Scheme Booklet.
- (b) If the Scheme is approved by the Requisite Majority at the Scheme Meeting, Asaleo will apply to the Court to approve the Scheme on the Second Court Date (expected to be 9 June 2021). Section 3.14 contains details on this procedure. The Corporations Act and the relevant Court rules provide a procedure for Asaleo Shareholders to oppose the approval by the Court of the Scheme.
- (c) If the Court approves the Scheme, and if all other Conditions Precedent to the Scheme are satisfied or waived, Asaleo will lodge with ASIC an office copy of the Court order approving the Scheme. Asaleo expects to lodge this with ASIC around 10 June 2021. The Scheme becomes Effective once the Court order is lodged with ASIC.
- (d) With effect from close of trading on the Business Day on which the office copy of the Court order is lodged with ASIC, Asaleo Shares will be suspended from trading on the ASX.
- (e) Asaleo Shareholders will be entitled to receive the Scheme Consideration under the Scheme if they are registered as the holders of Asaleo Shares at 5.00pm on the Scheme Record Date. The Scheme Record Date is currently expected to be 22 June 2021.
- (f) No later than 2 Business Days before the Implementation Date, Essity BV is required to deposit the aggregate amount of the Scheme Consideration into the Trust Account. On the Implementation Date, Asaleo will pay the Scheme Consideration from the Trust Account to each Asaleo Shareholder by cheque or direct credit; and
- (g) After the Scheme has been implemented Asaleo will apply for termination of the official quotation of Asaleo Shares on the ASX and to have itself removed from the official list of the ASX.

¹⁶ Whether an Asaleo Shareholder (who has received the Ordinary Dividend and the Special Dividend) will be able to realise the full benefit of the franking credits will also depend (among other things) on any class ruling issued by the ATO in respect of the Ordinary Dividend and the Special Dividend and the circumstances of the Asaleo Shareholder. When assessing the benefit of franking credits attached to any Special Dividend, Asaleo Shareholders should also seek independent professional taxation advice as to whether or not receipt of the Special Dividend and any associated entitlement to a tax offset in respect of such franking credits will be of benefit to them based on their own individual circumstances. For further information refer to section 6 of this Scheme Booklet.

3.4 Your choices as an Asaleo Shareholder

As an Asaleo Shareholder you have the following choices:

- (a) you can vote at the virtual Scheme Meeting personally, or appoint an attorney, proxy or, in the case of corporate shareholders, a corporate representative to vote on your behalf;
- (b) you can elect not to vote at the Scheme Meeting; or
- (c) you can sell your Asaleo Shares. If the Scheme becomes Effective, Asaleo Shares will cease trading on the ASX at close of trading on the Effective Date (expected to be 10 June 2021). Accordingly, you can sell your Asaleo Shares on market at any time before the close of trading on the day that the Scheme becomes Effective. Normal brokerage and other expenses on sale may be incurred. You may however seek to sell your Asaleo Shares off-market after the Effective Date but before the Scheme Record Date (currently proposed to be 5.00pm on 22 June 2021).

3.5 How to vote

Asaleo Shareholders can vote in either of two ways:

- (a) by attending the virtual Scheme Meeting personally; or
- (b) by appointing a proxy, attorney or in the case of corporate shareholders, by corporate representative, to attend and vote on their behalf.

See pages 11 to 12 for full details on how to vote.

3.6 Eligibility to vote

The time for determining eligibility to vote at the Scheme Meeting is 3.00pm (Melbourne time) on 30 May 2021. Only those Asaleo Shareholders entered on the Asaleo Register at that time will be entitled to attend and vote at the Scheme Meeting.

3.7 Determination of persons entitled to the Scheme Consideration

To establish the identity of the Scheme Participants, dealings in Asaleo Shares will only be recognised by Asaleo if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Register as the holder of the relevant Asaleo Shares on or before 5.00pm on the Scheme Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before 5.00pm on the Scheme Record Date at the place where the Register is kept.

3.8 Scheme Record Date

Those Asaleo Shareholders on the Register on the Scheme Record Date, being 5.00pm on the 7th Business Day following the Effective Date, will be entitled to receive the Scheme Consideration in respect of Asaleo Shares they hold as at the Scheme Record Date.

3.9 Register

Asaleo must register any registrable transmission applications or transfers of Asaleo Shares received on or before 5.00pm on the Scheme Record Date.

For the purposes of determining entitlements under the Scheme, Asaleo will not accept for registration or recognise any transfer or transmission applications in respect of Asaleo Shares received after the Scheme Record Date.

3.10 No disposals after Scheme Record Date

If the Scheme becomes Effective, you may not dispose of any Asaleo Shares after 5.00pm on the Scheme Record Date, and any dealings in Asaleo Shares after this time will not be recognised, except a transfer to the Bidder pursuant to the Scheme and any subsequent transfer by the Bidder or its successors in title.

3.11 Maintenance of the Register

For the purpose of determining entitlements to the Scheme Consideration, Asaleo will maintain the Register until the Scheme Consideration has been paid to the Scheme Participants and the Bidder has been entered in the Register as the holder of all Asaleo Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

3.12 Deemed warranty on transfer of Asaleo Shares to Essity

Under the terms of the Scheme each Scheme Participant is deemed to have warranted to Essity BV and authorised Asaleo to warrant to Essity BV as its agent and attorney that all of their Asaleo Shares (including all rights attaching to them) will, on the Implementation Date, be fully paid and free from all encumbrances or any other third party interest, or restrictions on transfer of any kind, and that they have full power and capacity to transfer their Asaleo Shares (including any rights attaching to them) to the Bidder. See further clause 5.6 of the Scheme in Annexure C. Asaleo undertakes that it will provide the warranty to Essity BV as agent and attorney of each Scheme Participant. You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

3.13 Deed Poll

On 14 April 2021 Essity BV and the Bidder executed the Deed Poll under which they covenant in favour of Scheme Participants, subject to the Scheme becoming Effective, to perform the actions attributable to Essity BV and the Bidder under the Scheme including the obligation of Essity BV to pay the aggregate Scheme Consideration payable to Scheme Participants into the Trust Account no later than 2 Business Days before the Implementation Date. A summary of the key terms of the Deed Poll is set out in section 7.13 of this Scheme Booklet. A copy of the Deed Poll is also included in Annexure D.

3.14 Court approval

On 22 April 2021, the Court made orders that the Scheme Meeting be convened and that this Scheme Booklet be despatched to Asaleo Shareholders. Those orders do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Scheme Booklet.

Asaleo will apply to the Court for orders approving the Scheme if the Scheme is approved by the Requisite Majority of Asaleo Shareholders at the Scheme Meeting. The Court has discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved by the Requisite Majority of Shareholders.

Each Asaleo Shareholder and, with the Court's permission, any other interested person has the right to appear at the Second Court Hearing.

The Corporations Act and the Federal Court (Corporations) Rules 2000 provide a procedure for Asaleo Shareholders to oppose the approval by the Court of the Scheme. If you wish to oppose the approval of the Scheme at the Second Court Hearing you may do so by filing with the Court and serving on Asaleo a notice of appearance in the prescribed form together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Asaleo at the address for service at least one day before the date fixed for the Second Court Hearing. With leave of the Court, you may also oppose the approval of the Scheme by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. Asaleo should be notified in advance of an intention to object.

The address for service is: c/o King & Wood Mallesons, Level 27, Collins Arch, 447 Collins Street, Melbourne, VIC 3000, Attention: Diana Nicholson. The notice of appearance and affidavit must also be sent by email to Diana.Nicholson@au.kwm.com.

The date for the Second Court Hearing is currently scheduled to be 9 June 2021. Any change to this date will be announced through the ASX and notified on Asaleo's website (www.asaleocare.com).

3.15 Taxation implications

A general guide to the taxation implications of the Scheme for Asaleo Shareholders is set out in Section 6 of this Scheme Booklet. This guide is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Asaleo Shareholder. Each Asaleo Shareholder should seek and rely on their own independent tax advice in relation to their particular circumstances.

3.16 Suspension of trading

Asaleo will apply to the ASX for suspension of trading in Asaleo Shares on the ASX after close of trading on the day the Scheme becomes Effective. Following final implementation of the Scheme, Asaleo will request the ASX to remove it from the official list of the ASX.

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ASALEO CARE

4. Information on Asaleo

4.1 Introduction

Asaleo is a leading personal care and hygiene company that manufactures, markets, distributes and sells essential everyday consumer products across the Feminine Care, Incontinence Care and Baby Care, Consumer Tissue and Professional Hygiene product categories. We have a proud heritage of more than 60 years and every day, our products are used in households and businesses across Australia, New Zealand and the Pacific Islands.

4.2 History









Asaleo can trace its origins back to 1932 with the establishment of the British Australian Paper Company. Since then it has grown to become a leading personal care and hygiene company in Australia, New Zealand and the Pacific Islands.

A summary of key milestones is set out in the timeline below, since Asaleo listed on the ASX:

DATE	KEY DEVELOPMENT
2014	Asaleo is listed on the ASX (ASX:AHY)
2019	Completed sale of the Australian Consumer Tissue business
2020	Cessation of New Zealand Diaper business
2021	Completed acquisition of TOM Organic

4.3 Overview of operations

Asaleo has two key business segments – Retail and Business-to-Business (B2B):

B2B		Retail			
Australia & New Zealand		Australia & New Zealand		New Zealand	
<i>Professional Hygiene</i>	<i>Incontinence Healthcare</i>	<i>Feminine Hygiene</i>	<i>Incontinence Retail</i>	<i>Consumer Tissue</i>	<i>Pacific Islands</i>
				  	
REVENUE			EBITDA		
52%		48%		46%	

(a) Retail

Asaleo's retail segment markets and distributes an innovative, comprehensive range of Feminine Care, Incontinence Care and Baby Care, and Consumer Tissue products. These essential, everyday products include pads, tampons, liners, nappies, wipes, toilet, facial tissue and paper towels. The retail products are sold under the popular, recognised household brands of: Libra and TENA in Australia and New Zealand; Sorbent, Purex, and Handee in New Zealand only; and Viti, Orchid and Drypers in Fiji.

(b) Business-to-Business ("B2B")

Asaleo's B2B segment has two divisions - Professional Hygiene and Incontinence Healthcare. In the Professional Hygiene division, Tork is the leading global brand in workplace hygiene offering a range of products including hand towels, toilet and facial tissue, napkins, soaps, sanitisers and other hygiene accessories. Key selling channels include schools, hospitals, shopping centres, industrial work environments and the hospitality sector. The TENA Healthcare products and support services are provided to healthcare professionals in residential and community care facilities, retirement villages and hospitals. With over 50 years' experience, TENA is the global leader in continence care management and personal hygiene, providing products and services to individuals and healthcare professionals. TENA's continence and skincare range has been rigorously researched and tested to meet the needs of individuals and to ensure the highest quality of care.

Asaleo is also well represented in Fiji and the Pacific Islands in distribution of a wide range of Consumer Tissue, Professional Hygiene and Personal and Baby Care products. Asaleo's Orchid and Viti brands are well known, trusted brands for quality hygiene products in the Pacific Islands. Drypers is the leading baby care brand in Fiji, with an extended range of nappies, soaps, wipes, and talcum powder.

On 29 January 2021, Asaleo acquired TOM Organic, a leading Australian organic feminine care business. The TOM Organic brand portfolio includes tampons, pads, liners, period briefs and menstrual cups. The acquisition is an important strategic step for Asaleo as it enters the fast growing 'better-for-you' personal care sub-category. Growth in this category is being driven by increasing demand from consumers who prefer natural and sustainable products as part of their personal care repertoire.

4.4 Directors and senior management

The current directors of Asaleo are:

Harry Boon – Independent Non-Executive Chairman

- (a) Harry is Chairman of the Asaleo Board and the Nomination and Governance Committee, and is a member of the Audit and Risk Committee and the Remuneration and Human Resources Committee.
- (b) He was appointed on 30 May 2014 in preparation for Asaleo's listing on the ASX.
- (c) Harry has over 40 years broad experience in marketing and sales, manufacturing and product development, including 15 years as Chief Executive Officer and Managing Director of Ansell Limited. He has worked in senior management positions in Australia, Europe and North America.
- (d) Harry is a Director of ASX-listed Tabcorp Limited, and was until late 2017 Chairman of Tatts Group Limited.
- (e) Harry holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from the University of Melbourne.

Sid Takla – CEO and Managing Director

- (a) Sid joined Asaleo in 2007 and has over 25 years of industry experience. He was appointed Chief Executive Officer and Managing Director on 23 October 2018. Previously, he was Chief Operating Officer from May 2017, Executive General Manager, Business to Business (2015–17) and Executive General Manager, Tork Professional Hygiene and Pacific Islands (2012–15).
- (b) Previously, he held senior operational and finance roles within Carter Holt Harvey Packaging (2000–07) and Amcor Flexible Packaging (1996–2000).
- (c) Sid holds a Bachelor of Commerce (Accounting and Commercial Law) from the University of Western Sydney.

Mats Berencreutz – Non-Executive Director (Essity Nominee Director)

- (a) Mats is a member of the Remuneration and Human Resources Committee and Nomination and Governance Committee.
- (b) He was appointed as a Director on 14 March 2014.
- (c) Mats is a former Executive Vice President of SCA and Chairman of the Board for SCA Hygiene Products AB, as well as a former member of the board of Uni-Charm Mölnlycke BV.
- (d) He has over 35 years industry experience, having joined SCA in 1981, and has worked in various positions including: Head of R&D Baby; Feminine and Incontinence Care; Technology and Quality Director (based in USA); President Incontinence Care North America; Chief Technology Officer Personal Care Europe; and President Tissue Europe.
- (e) Mats holds a Master of Science in Mechanical Engineering from Luleå University of Technology.

Marie-Laure Mahé – Non-Executive Director (Essity Nominee Director)

- (a) Marie-Laure was appointed as a Director on 20 August 2019 and is a member of the Nomination and Governance Committee.
- (b) She is currently Vice President marketing, ecommerce and Essity Ventures for Essity consumer goods. In this role she has responsibility for developing Essity's business in Europe. Previously, she held the positions of Commercial Director for France and Belgium, and Marketing Director Europe, Toilet paper.
- (c) Prior to joining SCA in 2012, Marie-Laure held senior sales and marketing roles with Georgia Pacific, Danone and Colgate Palmolive.
- (d) Marie-Laure holds a Bachelor of Commerce from ESSEC business school in France and an MBA from the University of California, Irvine.

Sue Morphet – Independent Non-Executive Director

- (a) Sue is Chairperson of the Remuneration and Human Resources Committee and is a member of the Audit and Risk Committee and Nomination and Governance Committee.
- (b) She was appointed as a Director on 30 May 2014.
- (c) Sue has over 30 years industry experience and is currently a Non-Executive Director of Mosaic Brands Limited and The Arnott's Group.
- (d) Previously, she was an Executive Director and Chief Executive Officer of Pacific Brands Limited, following a number of senior roles with the company, including Group General Manager of Underwear and Group General Manager of Bonds. Sue also held roles in manufacturing and sales and marketing with Pacific Dunlop and Sheridan Australia.
- (e) Within the past three years she has been a Director of Godfreys Group Limited.
- (f) Sue holds a Bachelor of Science and Education from the University of Melbourne.

JoAnne Stephenson – Independent Non-Executive Director

- (a) JoAnne is Chairperson of the Audit and Risk Committee and a member of the Remuneration and Human Resources Committee and the Nomination and Governance Committee.
- (b) She was appointed as a Director on 30 May 2014.
- (c) JoAnne has over 29 years' experience and is currently a Non-Executive Director of Challenger Ltd and Japara Healthcare Limited. She is currently acting Chair of Myer Holdings Ltd and is Chair of the Victorian Major Transport Infrastructure Board.
- (d) Previously, she worked at KPMG International as Senior Client Partner in the Advisory Division.
- (e) JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from the University of Queensland.
- (f) She is a member of both the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand.

The current executive leadership team of Asaleo is comprised of the following members:

- Sid Takla – CEO and Managing Director
- Andrew Leyden – Chief Financial Officer
- Caitlin Patterson – Executive General Manager, Retail
- Jody Scaife – Executive General Manager, B2B
- Paul Honey – Executive General Manager, Supply
- David Griss – Executive General Manager, People and Corporate Services
- James Orr – General Counsel and Company Secretary

If the Scheme does not proceed, the current senior management of Asaleo will remain. If the Scheme is approved, the intentions of the Bidder in relation to employees generally is set out in section 5.7(d).

4.5 Asaleo Shares

As at the date of this Scheme Booklet, there are:

- 543,122,491 Asaleo Shares on issue; and
- 128,336 Asaleo Share Rights on issue and held by Mr Andrew Leyden (Asaleo's Chief Financial Officer). Please refer to section 7.14 for more information with respect to these Asaleo Share Rights, including the intended treatment upon implementation of the Scheme. There are currently no other Asaleo Share Rights on issue.

4.6 Risks relating to an investment in Asaleo

In considering the Scheme, you should be aware that there are a number of risk factors, general and specific, which could materially adversely affect the future operating and financial performance of Asaleo, the value of Asaleo Shares and future dividends. These risks will only continue to be relevant to Asaleo Shareholders if the Scheme does not proceed and Asaleo Shareholders retain their current investment in Asaleo. If the Scheme proceeds, Asaleo Shareholders will receive the Scheme Consideration, will cease to be Asaleo Shareholders and will no longer be exposed to the risks set out in this section.

Before deciding how to vote you should have a sufficient understanding of these matters and should consider whether continuing to hold Asaleo Shares is a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Scheme Booklet or are in any doubt as to how to vote in relation to the Scheme, it is recommended that you consult your legal, financial or other professional adviser before deciding how to vote.

This section describes the potential risks associated with Asaleo's business and risks associated with continuing to hold Asaleo Shares. It does not purport to list every risk that may be associated with an investment in Asaleo Shares now or in the future, and the occurrence of consequences of some of the risks described in this section are partially or completely outside the control of Asaleo, the Asaleo Board and senior management team.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the Asaleo Board as at the date of this Scheme Booklet, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

(a) **General risks**

Economic and business risks

The fundamentals of Asaleo's business operation may be affected by changes in economic and business conditions. Such changes may adversely affect Asaleo's performance and financial results, and some changes are out of Asaleo's control. Set out below are some examples:

- loss of key personnel;
- interruptions at Asaleo's workplaces arising from industrial disputes, work stoppages and accidents, which may affect Asaleo's operations;
- reputational risks;
- competition in the industry in which Asaleo operates;
- cash flow and liquidity risks;
- strategic and contractual risks, including but not limited to the potential loss, non-renewal or renewal on less favourable terms of contracts with third parties; and
- commodity price risks.

Investment risks

Asaleo Shareholders should be aware that the performance of Asaleo's business operations and any decisions by the Asaleo Board to make future distributions to Asaleo Shareholders will be influenced by various risk factors which include, for example:

- changes in investor sentiment and perceptions, and overall performance of the Australian and international stock and credit markets. Price or volume volatility in securities markets have experienced wide fluctuations in recent years, including in response to COVID-19. The fluctuations have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Asaleo Shares; and
- general economic conditions, including changes in business and industry cycles, inflation, interest rates, exchange rates, prices of commodities, transport, utility and energy costs, employment levels and consumer demand.

Policy and regulatory risks

Changes in laws, regulations or policies may affect Asaleo's business, increase Asaleo's compliance costs or non-compliance risks. The relevant risks may include:

- changes in government fiscal, monetary and regulatory policies, including legislative and regulatory regimes for corporations, taxation laws and foreign investment rules;
- changes in accounting standards which affect the financial performance and position reported by Asaleo; and
- government or political intervention in markets.

Force majeure risks

These include natural disasters, catastrophes and disease or pandemic (whether global, regional or local in scale). These circumstances or events may adversely affect Asaleo's business and operation (the impact of which cannot be predicted).

The ongoing impacts of COVID-19 and the full nature and extent of its social, economic and financial impact remain uncertain. Australia's economic growth may be negatively impacted by the measures introduced by State and Federal governments at any stage to limit transmission of the virus (such as the forced closure of businesses to facilitate 'social-distancing', travel bans and quarantine requirements). A deterioration or escalation of the COVID-19 situation may adversely impact on Asaleo's business and the market for Asaleo Shares.

COVID-19 and its impacts on the global economy and financial markets

The ongoing COVID-19 pandemic and associated uncertainty continues to impact the global economy and financial markets, including Australian and international equity markets. There is minimal consensus on the outlook for economic recovery and a return to the levels of economic activity preceding the pandemic, and the social, economic and financial impacts once government support is withdrawn are unknown. As a result, there is increased risk associated with making investment decisions in this environment.

The full nature and extent of the impact of the COVID-19 pandemic on the global economy and financial markets remains unknown, as does any future effect on Asaleo's business. Asaleo's share price may be adversely affected as a result of this uncertainty and may continue to be affected under the ongoing impact of the COVID-19 pandemic on the global economy and financial markets. In addition, measures taken by any government agency or regulatory body in response to the COVID-19 pandemic are likely to be outside of the control of Asaleo. If COVID-19 outbreaks and associated lockdowns and other restrictive interventions continue to occur in Australia (or elsewhere globally), there may be associated impacts for the Australian and global economy, Asaleo's business activity, and the market for Asaleo Shares.

(b) Risks specific to Asaleo**Key retail customers have significant market power**

Asaleo generates a portion of its revenue from major supermarkets. Key retail customers could use their commercial leverage to push for lower prices and demand higher trade discounts, as well as impose additional commercial and operational conditions relating to safety, environment, social and other sustainability issues.

Competition may increase

Asaleo's market share may decline due to competitor activity, new competitors entering the market or if competitors release more advanced products that result in reduced market share.

Brand names may diminish in reputation or value

Asaleo is reliant on the reputation of its key brands. Any factors or events that diminish the reputation of Asaleo, its key brands or related trademarks or intellectual property may adversely affect the operating and financial performance of Asaleo.

Increases in prices for raw materials, supplies and services

Asaleo relies on various procurement relationships for the supply of pulp, transport and logistics, packaging, engineering, marketing, energy and utilities services. Asaleo is exposed to risks associated with the availability/price of raw materials and inputs, some of which have been subject to price volatility in the past.

Adverse movements in exchange rates may occur

Asaleo's financial reports are prepared in Australian dollars. However, a portion of Asaleo's sales revenue, expenditures and cash flows are generated in, and assets and liabilities are denominated in New Zealand and Fijian dollars. Asaleo also sources raw materials and finished goods in other currencies, primarily euros and US dollars.

Disruptions to Asaleo's manufacturing capacity

Asaleo manufactures its products at three sites across Australia, New Zealand and Fiji. A disruption at any of these facilities could adversely affect production capacity and earnings.

Approximately 38% of Asaleo's employees are covered by enterprise bargaining agreements and other workplace agreements, which periodically require renegotiation and renewal. Disputes may emerge out of the renegotiation and renewal process.

Product recalls and liability

Poor product quality, contamination or an extortion threat on the basis of alleged or actual contamination of one or more of Asaleo's products may lead to product recalls or liabilities to consumers.

Essity may not renew its Trademark and Technology Licence Agreement or Supply Agreement with Asaleo

Asaleo has a number of commercial agreements with Essity, including a Trademark and Technology Licence Agreement ("**TMTLA**") and a Supply Agreement. Under the TMTLA, Asaleo pays Essity a royalty for the exclusive licence to use certain brands (including Tork and TENA) and technology in Australia, New Zealand and specified countries in the Pacific region. This agreement has an expiry date of 2027. However, there is an option to extend it to 2032 by mutual agreement. The Supply Agreement captures the supply of key products from Essity. The Supply Agreement terminates if the TMTLA expires or is terminated.

4.7 Financial information

(a) **Basis of preparation**

The historical financial information in this section 4.7 has been derived from Asaleo's financial statements for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020, which were audited by PricewaterhouseCoopers.

The financial information in this section 4.7 is a summary only and is prepared for the purpose of this Scheme Booklet. The historical financial information of Asaleo is presented in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Asaleo considers that for the purpose of this Scheme Booklet the historical financial information presented in an abbreviated form is more meaningful to Asaleo Shareholders.

Further detail on Asaleo's financial performance can be found in:

- the financial statements for the year ended 31 December 2020 (included in the Annual Financial Report released to the ASX on 17 February 2021);
- the financial statements for the year ended 31 December 2019 (included in the Annual Financial Report released to the ASX on 19 February 2020 and the Annual Report released to the ASX on 20 March 2020); and
- the financial statements for the year ended 31 December 2018 (included in the Annual Financial Report released to the ASX on 20 February 2019 and the Annual Report released to the ASX on 29 March 2019),

each of which can be found in the Investors section of the Asaleo website (www.asaleocare.com) or the ASX website (www.asx.com.au).

(b) **Historical consolidated income statement**^{17,18}

The historical consolidated income statement of Asaleo for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020:

	2020	<i>Restated</i>	<i>Restated</i>
	\$'000	2019	2018
		\$'000	\$'000
Revenue from operations			
Sale of goods	419,157	409,694	394,552
Other revenue from ordinary activities	866	617	1,508
	420,023	410,311	396,061
Expenses			
Cost of goods sold	(243,105)	(254,359)	(232,959)
<i>Other expenses from ordinary activities</i>			
Distribution	(48,387)	(42,909)	(39,462)
Sales and administration	(61,349)	(48,121)	(47,664)
Impairment losses	-	-	(10,156)
Other	(5,515)	(9,382)	(24,441)
Finance costs	(8,212)	(12,287)	(15,122)
Profit before income tax	53,455	43,253	26,257
Income tax expense	(15,269)	(12,731)	(9,707)
Profit from continuing operations	38,186	30,522	16,551
(Loss) from discontinued operation	(5,890)	(8,434)	(125,230)
Profit for the period	32,296	22,088	(108,679)

17 2018 published audited results have been adjusted to reflect a reclassification of NZ Baby operations as discontinued.

18 2018 results are presented on a pre AASB16 basis with operating lease costs included within operating expenses. Lease costs in 2019 and 2020 are recognised as depreciation and interest.

(c) **Historical consolidated statement of financial position¹⁹**

The historical consolidated statements of financial position of Asaleo for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020:

	2020 \$'000	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	55,122	33,169	67,355
Trade receivables	8,884	23,841	12,998
Inventories	95,159	104,663	107,277
Derivative financial instruments	1,382	561	3,298
Current tax receivable	324	2,123	6,736
Other current assets	4,159	6,905	9,391
Assets classified as held for sale	-	-	178,789
Total current assets	165,030	171,262	385,844
Non-current assets			
Property, plant and equipment	152,234	151,946	138,564
Right-of-use assets	22,011	22,992	-
Intangible assets	133,837	134,773	134,542
Total non-current assets	308,082	309,711	273,106
Total assets	473,112	480,973	658,950
LIABILITIES			
Current liabilities			
Trade payables	43,359	48,618	62,598
Other payables	17,919	16,510	17,649
Lease liabilities	10,913	9,297	-
Current tax payable	3,224	3,025	9,152
Derivative financial instruments	7,611	2,189	565
Employee provisions	11,935	10,864	11,515
Liabilities associated with assets held for sale	-	-	46,406
Total current liabilities	94,961	90,503	147,885
Non-current liabilities			
Borrowings	148,880	171,263	325,723
Lease liabilities	13,287	16,175	-
Deferred tax liabilities	20,509	20,502	20,291
Employee provisions	367	405	396
Total non-current liabilities	183,043	208,345	346,410
Total liabilities	278,004	298,848	494,295
Net assets	195,108	182,125	164,655
EQUITY			
Contributed equity	260,815	260,815	260,815
Other reserves	28,178	36,629	39,110
Retained losses	(93,885)	(115,319)	(135,270)
Total equity	195,108	182,125	164,655

¹⁹ 2018 is presented on a pre AASB16 basis with operating leases not capitalised on balance sheet. Leased assets and associated liabilities are recognised on balance sheet in 2019 and 2020.

(d) **Historical consolidated statement of cash flows**²⁰

The historical consolidated statements of cash flows of Asaleo for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020:

	2020 \$'000	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)	478,873	482,976	623,298
Payments to suppliers and employees (inclusive of GST)	(382,743)	(473,383)	(528,139)
	96,130	9,593	95,159
Income taxes paid	(1,951)	(7,588)	(1,172)
Interest received	212	373	394
Interest paid	(7,258)	(12,280)	(13,126)
Net cash inflow/(outflow) from operating activities	87,133	(9,902)	81,255
Cash flows from investing activities			
Payments for property, plant, and equipment	(20,505)	(32,794)	(21,448)
Proceeds from sale of property, plant, and equipment	1,007	83	-
Proceeds from the sale of Consumer Tissue Australia	-	182,667	-
Payments related to sale of business transaction	-	(8,148)	(8,509)
Net cash (outflow)/ inflow from investing activities	(19,498)	141,808	(29,957)
Cash flows from financing activities			
Proceeds from borrowings	30,000	40,000	90,000
Repayment of borrowings	(52,500)	(195,000)	(71,000)
Payment of principal elements of lease	(11,491)	(11,328)	-
Dividends paid to company's shareholders	(10,862)	-	(32,588)
Transaction costs for debt refinance	(406)	-	(1,398)
Net cash (outflow) from financing activities	(45,259)	(166,328)	(14,986)
Net increase/(decrease) in cash and cash equivalents	22,376	(34,422)	36,312
Cash and cash equivalents at the beginning of the financial year	33,169	67,355	30,205
Effects of exchange rate changes on cash and cash equivalents	(423)	236	838
Cash and cash equivalents at end of period	55,122	33,169	67,355

4.8 Material changes in Asaleo's financial position

To the knowledge of your Directors, and except as disclosed elsewhere in this Scheme Booklet, the financial position of Asaleo has not materially changed since 17 February 2021.

²⁰ 2018 cashflows are presented on a pre AASB16 basis with operating leases payments included as payments to suppliers. Lease payments in 2019 and 2020 are separately disclosed.

4.9 Financial year outlook for FY21 and FY22

Certain statements in this section and in the Scheme Booklet relate to the future. These statements may not be based on historical facts, and they involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Asaleo to be materially different from future results, performance or achievements expressed or implied by those statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, commodity prices, competitive pressures, selling price, market demand, and changes to the operational and regulatory environment of Asaleo, including the risks and uncertainties associated with the ongoing impacts of COVID-19. These forward-looking statements and information are based on various assumptions regarding present and future business strategies, and the environment in which Asaleo will operate in the future, including anticipated costs and ability to achieve objectives and strategies.

Other than as required by law neither Asaleo, the Bidder nor any other person gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned about relying on any such forward looking statements in this Scheme Booklet.

In an announcement to the ASX on 27 January 2021 and upon release on 17 February 2021 of Asaleo's full year results for the financial year ended 31 December 2020, Asaleo provided the following outlook for the financial years ending 31 December 2021 (FY21) and 31 December 2022 (FY22):

- (a) For FY21:
 - (i) Targeting 5-7% revenue growth. This target reflected assumptions including continuation of the experienced trading momentum in feminine care, retail incontinence and B2B incontinence healthcare. It also reflected assumptions as to the part-year contribution from the recently completed acquisition of TOM Organic as well as a recovery in Professional Hygiene partly on the basis of COVID-19 impacts beginning to ease during the second half of the financial year; and
 - (ii) Targeting \$90m-\$93m EBITDA (with 40% in 1H FY21 and 60% in 2H FY21 expected). This target reflected assumptions including growth in revenue and gross margin balanced against expected offsetting impacts for the final year of the absorption of stranded costs from the sale of the Australian Consumer Tissue business that completed in March 2019, Asaleo's withdrawal from the Baby category in New Zealand and assumptions as to expectations around rising pulp, sea freight and energy prices (noting pulp and sea freight prices are inherently volatile given exposure to global markets).
- (b) For FY22:
 - (i) Targeting mid-single digit revenue growth. This target reflected assumptions including continued growth across all of Asaleo's core categories and the second-year benefit of the contribution from TOM Organic's operations; and
 - (ii) Targeting EBITDA growth of 10%+. This target reflected assumptions as to the expected abatement of stranded costs and a full year of the contribution of TOM Organic's operations including associated synergies arising from expected scale and supply chain benefits.

As at the date of this scheme booklet, Asaleo continues to target FY21 EBITDA within the range of \$90m-\$93m, albeit current conditions suggest it will likely be at the bottom of that range.

This target reflects operating performance and market conditions for the year to date, as well as assumptions as to adverse impacts of:

- (a) recent increases in pulp prices that are arising from various factors, including growing Chinese demand and speculative activity in the pulp market, supply constraints and rising energy costs in originating markets;
- (b) recent sea freight price increases that are continuing to be impacted by supply and demand imbalances arising from COVID-19-related disruptive events; and
- (c) recent rises in electricity prices in New Zealand that are driven by constrained hydro and natural gas supply.

Notwithstanding that increases in pulp and sea freight prices were assumed in the original targets, prices have increased at a greater rate than previously assumed.

The impact of these external short-term cost factors is expected to be partially mitigated by a number of profit improvement initiatives and a favourable movement in foreign exchange rates. Asaleo will continue to maintain significant brand investment to deliver on its focus of driving sustainable growth and value creation.

4.10 Recent share price history

The latest recorded undisturbed price of Asaleo Shares on the ASX on 9 December 2020 was \$1.01. The latest recorded price of Asaleo Shares on the ASX before the public announcement of the Scheme Implementation Agreement on 17 February 2021 was \$1.37. The closing price of Asaleo Shares on the ASX on 19 April 2021 was \$1.40.

The chart below shows Asaleo's share price performance over the 12 months to 19 April 2021.



The current price of Asaleo Shares on the ASX can be obtained from the ASX website (www.asx.com.au) or at www.asaleocare.com.

4.11 Publicly available information

As an ASX listed company and a “disclosing entity” for the purposes of section 111AC(1) of the Corporations Act, Asaleo is subject to regular reporting and disclosure obligations. Broadly these require it to announce price sensitive information to the ASX as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Asaleo's most recent announcements are available from its website at <https://www.asaleocare.com/investor-relations/asx-announcements/>. Further announcements concerning Asaleo will continue to be made available on this website after the date of this Scheme Booklet.

The ASX maintains files containing publicly available information about entities listed on their exchange. Asaleo's files are available for inspection at the ASX during normal business hours and are available on the ASX website (www.asx.com.au). These include:

- the Constitution of Asaleo;
- Asaleo's annual report for the financial year ended 31 December 2020; and
- Asaleo's public announcements.

The annual reports and public announcements are also available at <https://www.asaleocare.com/investor-relations>.

Additionally copies of documents lodged with ASIC in relation to Asaleo may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.

For personal use only

ASALEO CARE

5. Information on the Essity Group

5.1 Introduction

The information contained in this section 5 has been prepared by the Bidder. The information concerning the Essity Group and the intentions, views and opinions contained in this section are the responsibility of the Bidder. Asaleo and its officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

5.2 Overview of Essity Group

Essity is a leading global hygiene and health company, with sales conducted in approximately 150 countries under the leading global brands TENA and Tork, and other strong brands, including JOBST, Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa. Essity holds the number one or number two position in at least one product category in approximately 90 countries and is the global market leader for incontinence products.

Essity has approximately 46,000 employees with net sales in 2020 amounting to approximately SEK 122 billion (approximately AUD 18 billion). Essity's headquarters are located in Stockholm, Sweden. Essity is listed on Nasdaq Stockholm with a current market capitalisation of SEK 189 billion (approximately AUD 29 billion).

As a company listed on Nasdaq Stockholm, Essity is subject to reporting and disclosure obligations. Recent Essity announcements are available from www.essity.com. Further, Essity is required to prepare and disclose quarterly and annual financial statements.

5.3 Essity and Asaleo

Essity was part of the SCA group until June 2017 when it was demerged and separately listed on Nasdaq Stockholm. In 2004, the SCA group acquired 100% of the shares in the company that is now Asaleo. Subsequently, in 2012, the SCA group divested 50% of its interest in Asaleo to Pacific Equity Partners. In 2014, SCA group and Pacific Equity Partners together, listed Asaleo's shares for trading on the ASX. Since Asaleo's ASX listing in 2014, Essity has maintained a significant holding in Asaleo. Essity is currently the largest Asaleo shareholder with a shareholding of 36.16% and has nominated two current directors to the Asaleo board, being Mats Berencrutz and Marie-Laure Mahé.

Essity and Asaleo have long-standing contractual and commercial relationships, including Essity granting Asaleo an exclusive license to the Tork and TENA brands in Australia, New Zealand and Pacific region. In the normal course of the parties' established commercial relationship, Essity receives certain financial and other information from Asaleo. However, Essity does not consider that any such information received by virtue of the established commercial relationship is material for inclusion in this Scheme Booklet or alternatively such information has either otherwise been previously publicly disclosed by Asaleo or is included elsewhere in this Scheme Booklet.

At the time of submitting its non-binding indicative offer to Asaleo in December 2020, Essity established internal protocols between it and the Essity Nominee Directors. These protocols set out governance principles and arrangements to:

- address any actual or potential conflict of interest or duty, or any perception of such conflict, that may arise from the continuation in office of the Essity Nominee Directors during the development, negotiation and implementation of the proposed Scheme;
- assist in ensuring that the Essity Nominee Directors comply with their fiduciary, contractual and statutory duties to Asaleo generally and specifically in the context of the proposed Scheme;
- assist in ensuring that Essity's development, negotiation and execution of the proposed Scheme are advanced whilst appropriately regulating the flow of information from the Essity Nominee Directors to Essity; and
- assist in ensuring that, during the development, negotiation and implementation of the proposed Scheme, Essity's directors, officers and advisers engage with the Essity Nominee Directors in a manner that promotes and is otherwise consistent with the first three objectives.

These protocols supplement and are generally consistent with the protocols adopted by Asaleo's Independent Board Committee and with the duties of confidentiality already owed by Essity's Nominee Directors to Asaleo.

Following engagement between Essity and the Independent Board Committee, Essity was granted a short period to undertake confirmatory due diligence which included access to certain non-public information of Asaleo. Essity does not consider that any of the non-public information to which it has had access is material for disclosure in this Scheme Booklet or alternatively such information has otherwise been previously publicly disclosed by Asaleo or is included elsewhere in this Scheme Booklet.

5.4 Essity's Board

DIRECTOR	BIOGRAPHY
Pär Boman – Chairman of the Essity Board	<ul style="list-style-type: none"> • Engineering and Business Administration degrees • Chairman of the Board since 2016 • Chairman of the Board of Svenska Handelsbanken AB and Svenska Cellulosa Aktiebolaget SCA, Deputy Chairman of the Board of AB Industrivärden and member of the Board of Skanska AB • 2006–2015 President of Handelsbanken • Elected: 2016 • Independent of the company and corporate management • Own shareholdings in Essity and those of related persons, Class B shares: 5,000
Magnus Groth – President and CEO	<ul style="list-style-type: none"> • MBA and MSc ME • President and CEO of Essity • Former President and CEO of SCA 2015–2017, former President of SCA Consumer Goods Europe 2011–2015. President of Studsvik AB (publ) 2006–2011 and SVP of Vattenfall 2001–2005. Former member of the Board of Acando AB, Svenska Cellulosa Aktiebolaget SCA and Studsvik AB • Elected: 2016 • Independent of Essity's major shareholders • Own shareholdings in Essity and those of related persons, Class B shares: 57,700
Ewa Björling – Director	<ul style="list-style-type: none"> • Med. Dr. Sci. and Associate Professor from Karolinska Institutet • Chairman of the Board of The Swedish Petroleum & Biofuels Institute (SPBI). Member of the boards of Biogaia AB, Bioarctic AB and Mobilaris AB. Former member of the Boards of the Swedish National Insurance Office, the Swedish International Development Cooperation Agency (SIDA) and Svenska Cellulosa Aktiebolaget SCA • Minister for Trade 2007–2014, and Minister for Nordic Cooperation 2010–2014. Previously Karolinska Institutet • Elected: 2016 • Independent of the company, corporate management and Essity's major shareholders
Annemarie Gardshol – Director	<ul style="list-style-type: none"> • MSc Eng • Member of the Board of Svenska Cellulosa Aktiebolaget SCA, CEO of PostNord and President PostNord Sverige • Former member of the Boards of Etac AB, Bygghemma AB, Ortivus and Semcon. Former President of PostNord Strålfors Group AB and various management positions in Gambro AB and McKinsey & Company • Elected: 2016 • Independent of the company, corporate management and Essity's major shareholders • Own shareholdings in Essity and those of related persons, Class B shares: 3,200
Barbara Milian Thoralfsson – Director	<ul style="list-style-type: none"> • MBA, BA • Member of the Board of Hilti AG, G4S Plc and Svenska Cellulosa Aktiebolaget SCA • Former President of NetCom ASA 2001–2005 and President of Midelfart & Co AS 1995–2000. Former member of the Boards of Cable & Wireless Plc, AB Electrolux, Orkla ASA, Tandberg ASA and Telenor ASA • Elected: 2016 • Independent of the company, corporate management and Essity's major shareholders

Bert Nordberg – Director	<ul style="list-style-type: none"> • Engineer • Chairman of the Board of Vestas Wind Systems A/S. Member of the Boards of Svenska Cellulosa Aktiebolaget SCA and SAAB • Previously held various management positions in Digital Equipment Corp. and Ericsson, President of Sony Mobile Communications AB 2009–2012. Former Chairman of the Board of Sony Mobile Communications and member of the Boards of BlackBerry Ltd, Skistar AB, Axis AB and AB Electrolux • Elected: 2016 • Independent of the company, corporate management and Essity’s major shareholders • Own shareholdings in Essity and those of related persons, Class B shares: 16,800
Lars Rebien Sørensen – Director	<ul style="list-style-type: none"> • BSc Forestry and MSc Econ • Chairman of Axcel. Member of the Boards of Jungbunzlauer, Novo Holding A/S, Novo Nordisk Foundation and Thermo Fisher Scientific Inc • Former Deputy Chairman of the Board of Carlsberg A/S, President and CEO of Novo Nordisk 2000–2017 • Elected: 2017 • Independent of the company, corporate management and Essity’s major shareholders
Louise Svanberg – Director	<ul style="list-style-type: none"> • MSc Econ • Member of the Boards of Dana Farber Cancer Institute, Boston and CERAS Health, New York. Chairman of the Swedes Worldwide organization • Previously held various management positions in EF Education First, including President 2002–2008 and Chairman of the Board 2008–2010. Former member of the Boards of Careers Australia Group Ltd and Svenska Cellulosa Aktiebolaget SCA • Elected: 2016 • Independent of the company, corporate management and Essity’s major shareholders • Own shareholdings in Essity and those of related persons, Class B shares: 28,540
Torbjörn Lööf – Director	<ul style="list-style-type: none"> • Technician • Holding a position as president of Inter IKEA Holding between 2016-2020. Previously holding positions as president of Inter Ikea Systems between 2013-2016, as president of IKEA of Sweden between 2007-2013. He has also been chairman of the board of directors in a number of IKEA Group companies between 2013-2016 and member of the board of directors in Inter IKEA Holding between 2016-2020 • Elected 2021 • Independent of the company, corporate management and Essity’s major shareholders • Own shareholdings in Essity and those of related persons. Class B shares: 2000 Essity
Susanna Lind – Trade union appointed member	<ul style="list-style-type: none"> • Operator at Essity Hygiene and Health AB, Falkenberg, Member of the Swedish Trade Union Confederation (LO) • Appointed: 2019 • Own shareholdings in Essity and those of related persons, Class B shares: 100
Örjan Svensson – Trade union appointed member	<ul style="list-style-type: none"> • Senior Industrial Safety Representative at Essity Hygiene and Health AB, Edet Bruk, Lilla Edet • Member of the Swedish Trade Union Confederation (LO) • Former member of the Board of Svenska Cellulosa Aktiebolaget SCA • Appointed: 2017 • Own shareholdings in Essity and those of related persons, Class B shares: 112
Niclas Thulin – Trade union appointed member	<ul style="list-style-type: none"> • IT Specialist Collaboration & Workplace at Essity Hygiene & Health AB, Gothenburg • Member of the Council for Negotiation and Cooperation (PTK). • Appointed: 2017

5.5 About Essity Group Holding BV (Essity BV), Essity HoldCo and the Bidder

(a) Corporate overview and principal activities of Essity BV

Essity BV is a Netherlands incorporated wholly-owned subsidiary of Essity. Essity BV holds 196,396,028 Asaleo Shares representing approximately 36.16% of the total issued share capital of Asaleo.

Essity BV is strictly a holding company for various global subsidiaries of Essity and does not undertake any substantial business

(b) Corporate overview and principal activities of Essity HoldCo

Essity HoldCo is a special purpose company that was incorporated on 29 March 2021 for the purposes of, if the Scheme becomes Effective, directly holding all the shares in the Bidder. Essity HoldCo is an Australian proprietary company that has not conducted business and does not own any assets or have any liabilities other than in connection with its incorporation.

(c) Corporate overview and principal activities of the Bidder

The Bidder is a special purpose company that was incorporated on 29 March 2021 for the purposes of, if the Scheme becomes Effective, directly acquiring the Scheme Shares from the Scheme Participants under the Scheme. The Bidder is an Australian proprietary company that has not conducted business and does not own any assets or have any liabilities other than in connection with its incorporation and the taking of such actions as are necessary to facilitate the implementation of the Scheme.

5.6 Funding of the Scheme Consideration

The maximum aggregate Scheme Consideration is \$760,551,157.80, which is based on 543,250,827 Asaleo Shares being on issue at the Scheme Record Date.²¹ If the Scheme becomes Effective, Essity BV will pay the Scheme Consideration in cash, in accordance with the Scheme.

Essity BV will fund the payment of the Scheme Consideration by accessing the substantial internal cash reserves, existing debt facilities and other liquid financial resources of Essity Treasury AB, being the treasury company for the Essity Group. All obligations of Essity Treasury AB are supported by Essity. As at 31 December 2020, the Essity Group's cash and cash equivalents amounted to SEK 4.982 billion (approximately AUD 757 million) and long term, unutilised bank credit facilities amounted to SEK 20.056 billion (approximately AUD 3.08 billion).

On the basis of the arrangements described above, Essity BV has reasonable grounds to conclude that it will be able to satisfy its obligations to fund the Scheme Consideration as and when it is due and payable under the terms of the Scheme.

5.7 Essity's intentions for Asaleo

(a) Rationale for the proposed acquisition of Asaleo

In addition to providing a liquidity opportunity for all Asaleo Shareholders, Essity believes that returning Asaleo to 100% ownership by Essity will provide a positive outcome for the growth of Asaleo's business. Essity is well placed to invest in Asaleo's business and facilitate its growth. Essity wishes to use its global resources to accelerate existing growth of Asaleo's business. It is Essity's investment philosophy to make long-term investments in high quality businesses where it believes it can add demonstrable value.

Essity is recognised as a leading global producer of personal care and hygiene products. Essity has built up its hygiene and personal care investment ecosystem across several continents. It has helped many of its portfolio companies achieve high growth locally, contributing to local manufacturing and retail sectors. With its significant resources and deep understanding of the hygiene and personal care industries, Essity believes it can assist Asaleo's business in expanding its market and executing its growth strategy.

²¹ This is the sum of 543,122,491 (being the number of Asaleo Shares on issue as at the date of this Scheme Booklet) and 128,336 (being the new Asaleo Shares to be issued on cancellation of all of the Asaleo Share Rights if the Scheme becomes Effective (see section 7.14)).

(b) Essity Group's intentions for Asaleo

If the Scheme is approved and implemented, Essity Group intends to:

- conduct a detailed review of Asaleo's strategic, financial and business operations to further verify its understanding of Asaleo's performance, profitability and prospects; and
- consult with the Asaleo management team to determine how to further develop the Asaleo business and maximise its operating performance,

(together, the **Post-Implementation Review**).

The current intentions of Essity Group are as more specifically set out below. These intentions have been formed based on facts and information concerning Asaleo which are known to the Essity Group as at the date of this Scheme Booklet and based on the general business environment as at that date. Final decisions regarding Essity Group's intentions will be made considering all material information, facts and circumstances at the relevant time if the Scheme is approved and implemented. Accordingly, the statements set out in this section 5.7 are statements of current intention only and may change as new information becomes available or as circumstances change.

(c) Business continuity and general operations

Based on information known to Essity as at the date of this Scheme Booklet and subject to the outcome of the Post-Implementation Review, Essity intends to:

- invest capital in and grow Asaleo's existing business;
- evaluate the feasibility of selling Asaleo's products to additional markets, whilst continuing to sell the existing product range in Australia, New Zealand and the Pacific;
- maintain a local management team and continue to contribute to the Australian, New Zealand and Fiji economies through ongoing development of Asaleo's business in these countries - Essity views Asaleo's existing management as an integral part of the business and critical to driving future growth and, therefore, intends to retain all key management personnel, including the Managing Director. However, Essity may consider changes in staffing and the organisational structure following the Post-Implementation Review; and
- continue operating Asaleo's existing manufacturing facilities in Australia, New Zealand and Fiji.

On the basis of the information concerning Asaleo which is known to Essity as at the date of this Scheme Booklet and subject to the outcome of the Post-Implementation Review, it is the current intention of Essity that:

- Asaleo's business will continue in its present form;
- there will be no major changes to Asaleo's business; and
- there will be no redeployment of the fixed assets of Asaleo.

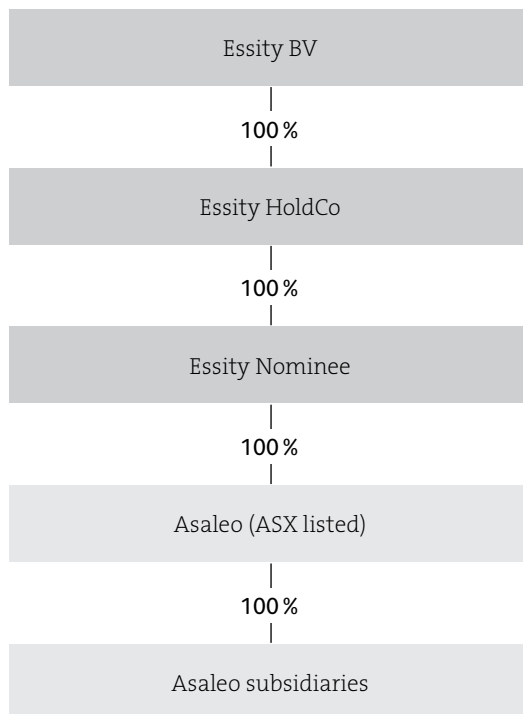
(d) Employees

Essity considers that Asaleo's employees are an integral part of, and key to the success of, the business. Essity believes that the acquisition of all of the remaining Asaleo Shares will offer opportunities for Asaleo's employees and management as part of a much larger enterprise and a global supplier of hygiene and health products and services. Essity intends to make limited changes to roles as a result of Asaleo no longer being an ASX listed entity and becoming part of the Essity Group.

Other than these anticipated limited changes, definitive plans in relation to the broader employee base of Asaleo have not yet been fully determined by Essity. However, on the basis of the information concerning Asaleo which is known to Essity as at the date of this Scheme Booklet and subject to the outcome of the Post-Implementation Review, it is the current intention of Essity to retain the majority of Asaleo employees in line with current operations.

(e) **Corporate Structure and Board of Directors**

If the Scheme is approved and implemented, Asaleo will become a wholly owned subsidiary within the Essity Group, as shown below.



Essity intends to consider the possible replacement of some or all members of the boards of Asaleo and its subsidiaries with nominees of Essity BV, who are yet to be identified.

(f) **Removal from the ASX**

If the Scheme is approved and implemented, Essity will cause Asaleo to apply to the ASX for removal of Asaleo from the official list of the ASX after the Implementation Date.

5.8 Essity’s interest and dealings in Asaleo Shares

(a) **Interest in Asaleo Shares**

As at the date of this Scheme Booklet, Essity BV has a relevant interest in 36.16% of Asaleo Shares.

The Bidder has advised Asaleo that all Essity Group members, including Essity BV, and all Essity Nominee Directors who hold Asaleo Shares will abstain from voting on the Scheme at the Scheme Meeting.

(b) **No dealings in Asaleo Shares in the previous four months**

Other than as contemplated by the Scheme, none of Essity or any of its associates has provided or agreed to provide consideration for any Asaleo Shares under any purchase, agreement or other transaction during the four months before the date of this Scheme Booklet.

(c) **Benefits to holders of Asaleo Shares**

During the four months before the date of this Scheme Booklet, none of Essity or any of its associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an associate to:

- (i) vote in favour of the Scheme; or
- (ii) dispose of Asaleo Shares,

where the benefit was not offered to all Asaleo Shareholders.

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(d) **Benefits to Asaleo officers**

None of Essity nor any of its associates will be making any payment or giving any benefit to any current director, secretary or executive officer of Asaleo or any of its Related Bodies Corporate as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

(e) **Regulatory approvals**

Essity Group has applied for confirmations from FIRB and the New Zealand OIO in respect of the Scheme.

5.9 Other material information

Except as set out in this section 5, so far as the directors of Essity are aware, there is no other information regarding Essity, or its intentions regarding Asaleo, that is material to the making of a decision by an Asaleo Shareholder on whether or not to vote in favour of the Scheme, being information that is within the knowledge of any director of Essity as at the date of this Scheme Booklet, which has not been previously disclosed to Asaleo Shareholders.

As at the date of this Scheme Booklet, Essity is not aware of any circumstances which would cause the Conditions Precedent not to be satisfied.

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6. Tax implications of the Scheme

6.1 Scope of tax comments

This is a general overview of the Australian income tax, GST and stamp duty implications for certain Australian resident Asaleo Shareholders on implementation of the Scheme and payment of the Special Dividend, should Asaleo decide to declare and pay the Special Dividend.

The categories of Asaleo Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts (other than Attribution managed investment trusts (**AMITs**)) and complying superannuation funds that hold their Asaleo Shares on capital account for income tax purposes.

The tax comments as outlined below are not applicable to all Asaleo Shareholders and are not intended to cover Asaleo Shareholders who:

- (a) are entitled to receive the Special Dividend but dispose of their Asaleo Shares prior to the Scheme Record Date such that they are not entitled to receive the Scheme Consideration;
- (b) hold their Asaleo Shares as a revenue asset (e.g. trading entities or entities who acquired their Asaleo Shares for the purposes of resale at a profit) or as trading stock;
- (c) are partnerships or individuals who are partners of such partnerships;
- (d) are non-residents who hold their shares as an asset in a business that is carried on through a permanent establishment in Australia;
- (e) acquired their Asaleo Shares pursuant to an employee share, option or rights plan;
- (f) are under a legal disability;
- (g) unless stated otherwise, are not Australian income tax residents or are temporary residents as determined under Australian income tax law;
- (h) are exempt from Australian income tax;
- (i) are subject to the Taxation of Financial Arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Asaleo Shares; or
- (j) are subject to the Investment Manager Regime under Subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth) in respect of their Asaleo Shares.

This summary is based on the Australian tax law, and the practice of the tax authorities, at the time of issue of this Scheme Booklet. The laws are complex and subject to change periodically as is their interpretation by the courts and the tax authorities. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not take into account the tax law of countries other than Australia. The precise implications of ownership or disposal will depend upon each Asaleo Shareholder's specific circumstances.

These comments should not be a substitute for advice from an appropriate professional adviser having regard to each Asaleo Shareholder's individual circumstances. All Asaleo Shareholders are strongly advised to obtain and rely only on their own professional advice on the tax implications based on their own specific circumstances.

Asaleo is in the process of applying for a class ruling from the ATO regarding the income tax implications for Asaleo Shareholders of receiving the Special Dividend of \$0.02 per Asaleo Share held on the Special Dividend Record Date in the event that Asaleo decides to pay the Special Dividend, and the Scheme Consideration to be received by Asaleo Shareholders from Essity BV ("**Class Ruling**"). The income tax comments provided below are consistent with the positions taken in the Class Ruling application lodged with the ATO.

The Class Ruling is not expected to be issued by the ATO until after the Implementation Date (which is expected to be 1 July 2021). However, Asaleo expects to receive a draft of the Class Ruling prior to the Scheme Meeting on 1 June 2021 for Asaleo Shareholder approval of the Scheme. Asaleo Shareholders should refer to the Class Ruling once it is published on www.ato.gov.au. However, it is possible that the Commissioner may reach different conclusions. Accordingly, it is important that this Section be read in conjunction with the Class Ruling to be issued by the ATO.

6.2 Australian resident shareholders

These comments apply to Asaleo Shareholders who are residents of Australia for income tax purposes.

(a) Australian income tax treatment of the Special Dividend

Under the Scheme, the Asaleo board is entitled to decide to pay a Special Dividend, provided:

- (i) the payment of the Special Dividend complies with the Corporations Act;
- (ii) the record date and payment date for the Special Dividend are before the Scheme Record Date;
- (iii) the Special Dividend is franked to the maximum extent possible, subject to the franking account of Asaleo not being in deficit as at 31 December 2021; and
- (iv) the Special Dividend is paid from accumulated profits, retained earnings or distributable reserves (or a combination of all or some of them) existing immediately prior to the declaration of the dividend.

The Scheme Consideration will not be reduced by the amount of the Special Dividend. The Directors anticipate that they will decide whether to pay the Special Dividend on or around 1 June 2021. If the Special Dividend is subsequently declared by the Asaleo Board, Asaleo Shareholders on the Special Dividend Record Date (which is expected to be 15 June 2021) will be entitled to the Special Dividend. For those Asaleo Shareholders who held Asaleo Shares on the Special Dividend Record Date, the Special Dividend will be paid on the Special Dividend Payment Date (which is expected to be 21 June 2021).

The Special Dividend will be assessable to Australian resident Asaleo Shareholders in the year of income in which it is paid.

Franking credits attached to the Special Dividend paid to Asaleo Shareholders should be included in the assessable income of each Asaleo Shareholder (i.e. Asaleo Shareholders are assessed on the cash component of the Special Dividend received, plus the amount of any franking credits attached to the Special Dividend).

Certain Asaleo Shareholders may be entitled to a tax offset in the calculation of their tax liability equal to the franking credit attached to the Special Dividend.

Asaleo Shareholders that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits where the tax offset associated with franking credits attached to the Special Dividend exceeds their tax liability for the relevant income year. An Asaleo Shareholder's eligibility for a refund of excess franking credits should also have regard to whether they have a total franking credit entitlement of \$5,000 or more in the income year.

Asaleo Shareholders that are companies will not be entitled to a refund of excess franking credits where the franking credits attached to the Special Dividend exceeds their tax liability for the relevant income year. Instead, Asaleo Shareholders that are companies will convert any excess franking offset to a tax loss and will be taken to have incurred this tax loss for the relevant income year in which the dividend is paid. Asaleo Shareholders that are companies may be able to credit their franking account with the amount of any franking credit attached to the Special Dividend.

Where Asaleo Shares are held by an Australian resident trust (other than an AMIT) and Australian resident beneficiaries are presently entitled to the income of the trust including the Special Dividend, the benefit of the franking credit attached to the Special Dividend may also flow through to Australian resident beneficiaries. The income tax treatment of the Special Dividend and attached franking credits in the hands of those beneficiaries will depend on the flow-through status of the trust and tax status of those beneficiaries. Beneficiaries of trusts that hold Asaleo Shares should seek their own independent advice.

For Asaleo Shareholders to be assessed on any franking credits attached to the Special Dividend and to be eligible for the tax offset or tax loss associated with any franking credit attached to the Special Dividend, those Asaleo Shareholders must be considered to be 'qualified persons'. For Asaleo Shareholders to be considered to be 'qualified persons' in relation to the Special Dividend, Asaleo Shareholders must have held their Asaleo Shares 'at risk' for a continuous period of at least 45 days (not including the date of acquisition or the date of disposal of the Asaleo Shares) within the relevant 'qualification period'.

An Asaleo Shareholder will not be considered to have held their Asaleo Shares 'at risk' where that Asaleo Shareholder holds 'positions' (such as options or other hedging instruments and arrangements) which materially diminish the risk of loss or opportunities for gains in respect of those Asaleo Shares by more than 70%. In the context of the Scheme, Asaleo Shareholders will no longer hold their Asaleo Shares at risk from the Scheme Record Date (which is expected to be 22 June 2021).

In the context of the Scheme, Asaleo Shareholders (who do not have other 'positions') should be considered to be qualified persons where they hold their Asaleo Shares at risk for a continuous period of at least 45 days during the 'primary' qualification period, being the period starting the day after the Asaleo Shareholder acquired their Asaleo Shares and ending 45 days after the day the Asaleo Shares become ex-dividend (i.e. 21 June 2021 based on the current timetable) (inclusive).

Practically, assuming a Scheme Record Date of 22 June 2021, it is expected that Asaleo Shareholders that acquire their Asaleo Shares on or after 8 May 2021 would not be entitled to a tax offset for franking credits attached to the Special Dividend. Asaleo Shareholders who acquired their shares prior to 7 May 2021 should seek their own independent advice to confirm that they have satisfied the 45 day holding period in order to access the tax offset for the franking credits attached to the Special Dividend.

Where an Asaleo Shareholder's entitlement to franking credits for the income year is below \$5,000, the Asaleo Shareholder should not need to meet the holding period rule to be entitled to a refund of franking credits, and instead should only be required to still have regard to the related payments rule.

(b) **Tax implications associated with the disposal of Asaleo Shares**

Asaleo Shareholders will dispose of their Asaleo Shares to the Bidder under the Scheme for CGT purposes on the Implementation Date.

Asaleo Shareholders will be required to determine their capital gain or loss in respect of disposal of their Asaleo Shares. In this regard, Asaleo Shareholders should make a capital gain on disposal of their Asaleo Shares if the capital proceeds from the disposal of their Asaleo Shares exceed the cost base of their Asaleo Shares. Conversely, Asaleo Shareholders should make a capital loss on disposal of their Asaleo Shares if the capital proceeds from the disposal of their Asaleo Shares are less than the reduced cost base of their Asaleo Shares.

Asaleo Shareholders' cost base in their Asaleo Shares will generally comprise the original amount paid to acquire their Asaleo Shares, plus certain non-deductible incidental costs incurred in relation to the acquisition or disposal of their Asaleo Shares (such as brokerage). No brokerage is payable in relation to the transfer of the Asaleo Shares to the Bidder under the Scheme. Broadly, an Asaleo Shareholders' reduced cost base in the Asaleo Shares will exclude any non-deductible ownership costs related to the Asaleo Shares.

The capital proceeds received by an Asaleo Shareholder will be the Scheme Consideration of \$1.40 in cash per Asaleo Share for the calculation of any capital gain or loss. The Special Dividend should not be included in the capital proceeds.

No CGT roll-over will be available to Asaleo Shareholders in relation to the Scheme.

(c) **CGT discount**

If an Asaleo Shareholder is an individual, complying superannuation entity, or trustee and acquired their Asaleo Shares at least 12 months before the Implementation Date (the date that the relevant CGT event is taken to have occurred), the amount of the capital gain (after firstly being reduced for any current year capital losses and prior year capital losses) may be reduced by the relevant CGT discount.

- If an Asaleo Shareholder who is an individual or a trustee applies the CGT discount, the capital gain (after firstly being reduced for current year capital losses and prior year capital losses) will be reduced by half.
- If an Asaleo Shareholder is a complying superannuation entity, the capital gain (after firstly being reduced for current year capital losses and prior year capital losses) will be reduced by one third.

Asaleo Shareholders who are companies, are not entitled to the CGT discount.

6.3 Non-resident shareholders

These comments apply to Asaleo Shareholders who are not residents of Australia for income tax purposes.

(a) **Australian income tax treatment of Special Dividend**

The Special Dividend is expected to be fully franked and as a result no Australian dividend withholding tax should be applied to the Special Dividend.

Non-resident Asaleo Shareholders should seek independent professional advice in relation to their own particular circumstances, including in respect of taxation in the jurisdiction where they are resident.

(b) Tax implications associated with disposal of Asaleo Shares

An Asaleo Shareholder who is not a resident of Australia for Australian income tax purposes should be able to disregard any capital gain or capital loss that would otherwise arise from the disposal of their Asaleo Shares unless their Asaleo Shares constitute 'Taxable Australian Property', as defined for Australian income tax purposes, at the Implementation Date.

Specifically, 'Taxable Australian Property' includes interests held in an entity that satisfies both of the following two tests:

- (i) non-portfolio interest test – where an entity's interests, on an associate inclusive basis, in the test entity of 10% or more at the time of disposal (or throughout a 12 month period within the period commencing 24 months before the time of disposal); and
- (ii) principal asset test – where the sum of the market values of the entity's assets that are taxable Australian real property exceeds the sum of the market value of its assets that are not taxable Australian real property (broadly, Australian land interests).

While both Asaleo and the Bidder do not expect the principal asset test to have been satisfied, any non-resident shareholders who own 10% or more of the shares in Asaleo (on an associate inclusive basis) should seek independent professional advice in relation to their own particular circumstances, including whether any protection will be available under a relevant double tax treaty.

Any non-resident individual Asaleo Shareholder who was previously a resident of Australia and chose to disregard a capital gain or capital loss on ceasing to be an Australian resident will be subject to Australian CGT consequences on disposal of their Asaleo Shares as set out in this section 6.

Non-resident shareholders should seek independent professional advice in relation to their own particular circumstances, including in respect of taxation in the jurisdiction where they are resident.

6.4 Foreign Resident Capital Gains Withholding

The foreign resident capital gains withholding regime applies to transactions involving the acquisition of certain indirect interests in Australian real property from relevant foreign residents. Essity BV has acknowledged that no withholding, deduction or payment is required to be made to the ATO from the Scheme Consideration in respect of this withholding regime.

6.5 Stamp duty

No stamp duty should be payable by Asaleo Shareholders in relation to the transfer of their Asaleo Shares to the Bidder under the Scheme.

6.6 GST

No GST should be payable by Asaleo Shareholders in relation to the disposal of their Asaleo Shares to the Bidder under the Scheme. The disposal of Asaleo Shares will be either an input taxed financial supply, or an out-of-scope supply (depending on the circumstances of the Asaleo Shareholder).

No GST should be payable in respect of any dividends paid to Asaleo Shareholders.

Asaleo Shareholders may be charged GST on costs from third party suppliers (such as advisor costs and third party brokerage) in connection with the Scheme. The entitlement of Asaleo Shareholders to claim input tax credits in relation to these acquisitions (if any) may be restricted. Asaleo Shareholders who are GST registered should seek their own professional tax advice in relation to the impact of GST in their individual circumstances and recovery of input tax credits on costs related to the Scheme.

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7. Additional information

This section sets out additional statutory information, as well as some additional information that may be considered material to Asaleo Shareholders' decision as to how they should vote at the Scheme Meeting.

7.1 Substantial Asaleo Shareholders

As at 19 April 2021, the following persons had notified Asaleo that they had voting power in 5% or more of Asaleo Shares:

NAME	NUMBER OF ASALEO SHARES IN WHICH THEY HAVE VOTING POWER	% OF ASALEO SHARES*
Essity Group Holding BV**	196,396,028	36.16
Allan Gray Australia	99,030,345	18.23
Marathon Asset Management	37,988,846	6.99

* Based on substantial holder notices lodged by the relevant shareholder with the ASX.

** Essity Group members who are Asaleo Shareholders will not vote at the Scheme Meeting.

7.2 Marketable securities held by or controlled by Asaleo directors

As at 19 April 2021, no marketable securities of Asaleo are held or controlled by Asaleo directors and no such persons are otherwise entitled to such securities other than as listed below:

DIRECTOR	CLASS OF SECURITIES	NUMBER OF SECURITIES
Harry Boon ²²	Ordinary shares	146,212
Sid Takla ²³	Ordinary shares	611,601
Mats Berencreutz (Essity Nominee Director)	Ordinary shares	66,868
Sue Morphet ²⁴	Ordinary shares	46,425
JoAnne Stephenson ²⁵	Ordinary shares	50,000
Marie-Laure Mahe (Essity Nominee Director)	Ordinary shares	Nil

Each Asaleo director listed above (other than the Essity Nominee Directors) intends to vote any Asaleo Shares held by or on behalf of him or her in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Asaleo Shareholders. Mr Mats Berencreutz (being the only Essity Nominee Director who holds, controls or otherwise has a relevant interest in Asaleo Shares) has notified Asaleo that he will abstain from voting his Asaleo Shares at the Scheme Meeting.

The Bidder has advised Asaleo that all Essity Group members and Essity Nominee Directors who hold Asaleo Shares will abstain from voting on the Scheme at the Scheme Meeting. A confirmatory statement to that effect is made by the Bidder in section 5 of this Scheme Booklet.

²² Held through Bond Street Custodians Limited.

²³ Held through Nido D'oro Pty Ltd as Trustee for the Nido D'oro Trust.

²⁴ Held through Morphet Superannuation Fund Pty Ltd.

²⁵ Held by Mr Robin James Larsen and Ms JoAnne Maree Stephenson.

Mats Berencreutz holds 10 B class shares and Marie-Laure Mahé holds 1,637 B class shares in Essity Aktiebolag (publ), the ultimate parent holding company of Essity BV and the Bidder. Essity Aktiebolag is publicly listed on the Nasdaq Stockholm and its shares are publicly traded. Neither Mr Berencreutz nor Ms Mahé have traded any Essity Aktiebolag shares in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

Except as stated in this section of the Scheme Booklet:

- (a) there are no marketable securities of Asaleo held by or on behalf of the members of the Asaleo Board as at the date of this Scheme Booklet;
- (b) there are no marketable securities of the Bidder (or its Related Bodies Corporate) held by or on behalf of the members of the Asaleo Board as at the date of this Scheme Booklet; and
- (c) there has been no dealing by any member of the Asaleo Board in any marketable securities of Asaleo or the Bidder (or its Related Bodies Corporate) in the four months preceding the date of this Scheme Booklet.

7.3 Benefits and agreements

(a) Benefits in connection with retirement from office

It is not proposed that any payment or other benefit be made or given to any director, secretary or executive officer of Asaleo (or of its Related Bodies Corporate) as compensation for loss of, or as consideration for, or in connection with his or her retirement from, office in Asaleo or in any of its Related Bodies Corporate as a result of the Scheme other than as set out in their existing employment agreement or as a result of them participating in the Scheme as a Scheme Participant.

Asaleo pays premiums in respect of a directors and officers (D&O) insurance policy for the benefit of its directors and executive officers.

As announced on 17 February 2021, in recognition of the critical role the Managing Director is playing in leading Asaleo through current circumstances, the Managing Director is entitled to a one-off cash retention payment of \$900,000,²⁶ subject to him remaining with Asaleo until 30 June 2022. If the Managing Director is terminated other than for cause prior to 30 June 2022, his retention payment will be reduced on a pro-rata basis reflecting the portion of the retention period not served. The retention payment is not contingent on the Scheme proceeding (i.e. so long as the Managing Director remains employed by Asaleo on 30 June 2022, the retention payment will still be payable by Asaleo irrespective of whether the Scheme proceeds or not). The Independent Board Committee and the Managing Director respectively consider that despite this arrangement and the other personal benefits the Managing Director may receive (as set out in section 7.3(d) below), it is appropriate for him to make a voting recommendation on the Scheme.

Further, pursuant to their employment agreements, each Asaleo executive²⁷ is entitled to receive a one-off payment if they remain employed by Asaleo at 30 June 2022. If they are terminated, without cause, prior to 30 June 2022, they are entitled to receive a pro rata amount of the one-off payment.

(b) Agreements connected with or conditional on the Scheme

Marie-Laure Mahé is an employee of the Essity Group, and both Ms Mahé and Mats Berencreutz are Essity Nominee Directors. Both Ms Mahé and Mr Berencreutz are abstaining from making a recommendation in respect of the Scheme, and Mr Berencreutz (who holds Asaleo Shares) will abstain from voting on the Scheme.

Except as set out below or otherwise disclosed in this section:

- no member of the Asaleo Board has any other interests in a contract entered into by an Essity Group member;
- there are no contracts or arrangements between a member of the Asaleo Board and any person, including the Bidder in connection with or conditional on the outcome of the Scheme; and
- no member of the Asaleo Board has a material interest in relation to the Scheme, other than in their capacity as an Asaleo Shareholder.

²⁶ Equivalent to 12 months Total Fixed Remuneration (base salary and superannuation).

²⁷ Comprising the members listed in section 4.4.

(c) **Executive employment agreements**

Each Asaleo director and executive has an employment agreement with Asaleo.

Although their respective employment agreements do not entitle any Asaleo director or executive to receive any direct benefit as a result of the Scheme being implemented, pursuant to Asaleo's Executive Incentive Plan rules, the Asaleo Board has the discretion to resolve to approve the delivery of EIP awards in any combination of cash and share rights and to vary the delivery dates of EIP awards.

- In respect of the financial year ending 31 December 2020, the executive leadership team members²⁸ achieved varying percentages of their respective 2020 EIP awards. The Asaleo Board is yet to consider the early payment of the remaining portion of these executives' 2020 EIP awards, but will review this matter subject to the Scheme becoming Effective.
- The Asaleo Board has also not yet made any decision in respect of the grant of the 2021 EIP award to its executive leadership team members²⁹ (which performance period measures from 1 January 2021 to 31 December 2021). Any grant of the 2021 EIP award would be dependent on the relative level of achievement against the performance measures attached to that award. The Asaleo Board may determine to exercise its discretion to accelerate the payment (or part payment) of the 2021 EIP award (if granted) and to do so in cash (up to the maximum amount under the award).

Further details regarding the Executive Incentive Plan ("EIP") with respect to the Managing Director is also set out in paragraph 7.3(d) below.

(d) **Executive Incentive Plan – information with respect to the Managing Director**

Under the EIP rules, the Asaleo Board has discretion in exceptional circumstances to approve delivery of awards in any combination of cash and equity (share rights) and to vary delivery dates of EIP awards.

2020 EIP award

In respect of the financial year ending 31 December 2020, the Managing Director (Sid Takla) achieved 95.06% of his total 2020 EIP award (equalling \$1,283,302). The Asaleo Board exercised its discretion to pay this award 100% in cash, in 2 tranches. The first tranche was payable as soon as practicable after release of the Company's full year results. Payment of the second tranche was to be deferred. The deferral period was for 12 months, unless a Scheme Implementation Agreement was agreed with Essity, in which case the Asaleo Board might exercise its discretion to pay the second tranche on a date to be determined prior to the Scheme Record Date. 50% of this award (\$641,651) was paid in cash on 26 February 2021.

The Asaleo Board is yet to consider the early payment of the remaining portion of Mr Takla's 2020 EIP award, but will review this matter subject to the Scheme becoming Effective.

FY21 EIP incentive payments

The Asaleo Board has not yet made any decision in respect of the grant of the 2021 EIP award to Mr Takla (which performance period measures from 1 January 2021 to 31 December 2021). Any grant of the 2021 EIP award would be dependent on the relative level of achievement against the performance measures attached to that award.

However, the Asaleo Board has the discretion to resolve to approve the delivery of awards in any combination of cash and share rights and to vary the delivery dates of EIP awards.

Although the Asaleo Board has not yet made any decision in respect of Mr Takla's 2021 EIP award, subject to the achievement of the performance measures attached to the 2021 EIP award, the Asaleo Board may determine to exercise its discretion to accelerate the payment (or part payment) of the 2021 EIP award and to do so in cash (up to the maximum of \$1,350,000). The maximum award would be only be granted if stretch performance measures were achieved and the Asaleo Board resolved to grant the whole, and not a pro-rated, amount of the 2021 EIP award.

Asaleo Shareholders should have regard to the above matters when considering the Managing Director's (Mr Takla's) recommendation on the Scheme, which appears throughout this Scheme Booklet. The Independent Board Committee considers that, despite these arrangements, it is appropriate for Mr Takla to make a recommendation on the Scheme given his role in the operation and management of Asaleo and that Asaleo Shareholders would wish to know Mr Takla's views in relation to the Scheme. Mr Takla also considers that it is appropriate for him to make a recommendation on the Scheme.

²⁸ Comprising the members listed in section 4.4 other than Mr Andrew Leyden.

²⁹ Comprising the members listed in section 4.4.

(e) **Fees for Independent Board Committee members**

In accordance with Asaleo's Constitution, the Asaleo Board has approved a one-off fee equal to \$90,000 including applicable superannuation payable to Mr Harry Boon (as Chair of the Independent Board Committee), and a one-off fee equal to \$35,000 including applicable superannuation payable to each of Ms JoAnne Stephenson and Ms Sue Morphet (the other members of the Independent Board Committee), in consideration for their time commitment and consideration of the Essity proposal and their participation in the work of a sub-committee in relation to this Scheme Booklet.

The relevant fees were payable upon the draft of this Scheme Booklet being lodged with ASIC for review, regardless of whether or not the Scheme is subsequently approved and implemented.

7.4 Capital structure of Asaleo

As at the date of this Scheme Booklet, Asaleo has 543,122,491 ordinary shares on issue, of which Essity BV holds 196,396,028 ordinary shares (representing 36.16% of the voting power).

As set out in section 7.14, 128,336 Asaleo Shares will be issued to Mr Andrew Leyden conditional on the Scheme becoming Effective.

7.5 Independent Expert

The Independent Expert has prepared the Independent Expert's Report set out in Annexure A of this Scheme Booklet advising as to whether, in its opinion, the Scheme is fair and reasonable and, therefore, in the best interests of Asaleo Shareholders.

The Independent Expert has concluded that the Scheme is in the best interests of Asaleo Shareholders in the absence of a Superior Proposal.

7.6 Consents

The following parties have given and have not withdrawn, before the registration of this Scheme Booklet by ASIC, their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- King & Wood Mallesons as legal adviser to Asaleo;
- Luminis Partners as financial advisor to Asaleo;
- Lonergan Edwards & Associates Limited as Independent Expert;
- PricewaterhouseCoopers as tax advisor and provider of assurance services;
- Link as Asaleo's share registry; and
- Essity BV and the Bidder.

Lonergan Edwards & Associates Limited has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to the Independent Expert's Report in the form and context in which they appear.

The Bidder has also given and has not withdrawn, before the time of registration of this Scheme Booklet by ASIC, its written consent to the inclusion of the Essity Information in the form and context in which it is included and to all references in this Scheme Booklet to the Essity Information in the form and context in which they appear.

7.7 Disclaimers

None of the persons referred to in section 7.6 of this Scheme Booklet have authorised or caused the issue of this Scheme Booklet and do not make or purport to make any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

To the maximum extent permitted by law, each person referred to in section 7.6 of this Scheme Booklet disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Scheme Booklet other than as described in this section with that person's consent.

The Essity Information has been prepared by and is the responsibility of the Bidder. Asaleo does not assume responsibility for the accuracy or completeness of the Essity Information.

7.8 Fees

Each of the persons named in section 7.6 of this Scheme Booklet who is performing a function in a professional, advisory or other capacity in connection with the Scheme and the preparation of this Scheme Booklet, will be entitled to receive professional fees charged in accordance with their normal basis of charging.

7.9 Foreign jurisdictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities law. Asaleo disclaims all liabilities to such persons. Asaleo Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Scheme Booklet or any aspect of the acquisition in any jurisdiction outside of Australia.

7.10 Financial assistance

Section 260A of the Corporations Act enables a company to financially assist a person to acquire shares in the company or a holding company only if certain conditions are satisfied. Financial assistance of this kind would be permitted if the giving of assistance does not materially prejudice:

- the interests of the company;
- the interest of its shareholders; or
- the company's ability to pay its creditors.

The Corporations Act specifically contemplates that financial assistance (of the kind that is regulated under Section 260A) may take the form of paying a dividend and may be given before the acquisition of shares.

If the Asaleo Board declares the Special Dividend, the Asaleo Shareholders entitled to the Special Dividend would be those that are on the Register on the Special Dividend Record Date, which would include Essity BV.

Asaleo has, through the Independent Board Committee, determined that even if the payment of the Special Dividend (if declared) could be considered to be financial assistance to the Bidder, it would still be in the best interest of Asaleo and the Asaleo Shareholders and not materially prejudice Asaleo's ability to pay its creditors. This determination of the Independent Board Committee has been reached after taking into account the financial position of Asaleo, including the assets and liability of Asaleo after the payment of the Special Dividend. Asaleo has sufficient accumulated profits, retained earnings or distributable reserves (or a combination of all or some of them) from which to pay the Special Dividend. Asaleo will still retain sufficient financial capacity to meet its ongoing commitments to creditors.

In particular, the net assets of Asaleo were \$195.1 million as at 31 December 2020. After payment of the Ordinary Dividend and the Special Dividend, Asaleo's net assets will be approximately \$178.9 million (assuming normal receipts from trading from 1 January 2021 until the date of payment of the Special Dividend). The above indicates that Asaleo will be able to meet its financial commitments in the ordinary course following the payment of the Ordinary Dividend and the Special Dividend.

7.11 Key terms of the Scheme Implementation Agreement

(a) Overview

Asaleo and Essity BV entered into the Scheme Implementation Agreement on 17 February 2021 as amended by amending deed dated 31 March 2021. The Scheme Implementation Agreement sets out the steps required to be taken by Asaleo and Essity BV to give effect to the Scheme. Key terms of the Scheme Implementation Agreement are summarised below:

(b) Conditions Precedent

The implementation of the Scheme is subject to certain Conditions Precedent, including:

- **(FIRB and OIO approvals)** Essity BV obtaining the required consents (or confirmation of no objections) from FIRB and the New Zealand OIO before 5.00pm on the Business Day before the Second Court Date;
- **(ASIC and the ASX)** before 8.00am on the Second Court Date, ASIC and the ASX issue or provide any consents, waivers, relief or approvals, or have done any other acts, which the parties agree are reasonably necessary to implement the Scheme, and those consents, waivers, relief or approvals or other acts have not been withdrawn or revoked at that time;
- **(Shareholder approval)** Asaleo Shareholders approve the Scheme by the Requisite Majority in accordance with the Corporations Act;
- **(Court approval)** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- **(No Material Adverse Change)** no Material Adverse Change occurring between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date;
- **(Regulatory intervention)** no Court or Regulatory Authority intervening or otherwise preventing the Scheme and no restrictive order is in effect as at 8.00am on the Second Court Date;
- **(Independent Expert)** the Independent Expert issues a report which concludes that the Scheme is in the best interests of Asaleo Shareholders before the date on which the Scheme Booklet is lodged with ASIC; and
- **(No Asaleo Prescribed Event)** no Asaleo Prescribed Event occurring between the date of the Scheme Implementation Agreement and 8.00am on the Second Court Date.

Asaleo may waive the Conditions Precedent above regarding “ASIC and the ASX”, “Regulatory intervention” and “Independent Expert” at its absolute discretion. Essity BV may waive the Conditions Precedent above regarding “ASIC and the ASX”, “No Material Adverse Change”, “Regulatory intervention” and “No Asaleo Prescribed Event” at its absolute discretion. Asaleo must at the hearing on the Second Court Date, provide to the Court a certificate confirming whether or not the Conditions Precedent for which it is responsible (other than the condition relating to Court approval of the Scheme) have been satisfied or waived as required by the Scheme Implementation Agreement, and a certificate confirming the same matters provided by Essity BV.

An update as to the status of the Conditions Precedent will be provided at the Scheme Meeting.

(c) Exclusivity

Asaleo and its representatives may not, during the Exclusivity Period:

- **(No shop)** solicit any enquiries, negotiations or discussions with any third party that may encourage or lead to, an actual, proposed or potential Competing Transaction or which may otherwise lead to the Scheme not being completed.
- **(No talk)** negotiate or enter into a Competing Transaction (or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Transaction), even if the Competing Transaction was not directly or indirectly solicited or initiated by Asaleo or any of its representatives.
- **(No due diligence)** facilitate or permit third parties to undertake due diligence investigations or receive non-public information.

However, Asaleo and the Asaleo Board will not be restricted from taking or refusing to take any action with respect to a genuine unsolicited Competing Transaction if the Independent Board Committee and the Managing Director have determined in good faith after consultation with its financial advisers that the Competing Transaction is a Superior Proposal and, on advice from Asaleo’s external legal advisers, that failing to respond to the Competing Transaction may constitute a breach of its fiduciary or statutory duties.

If Asaleo receives an unsolicited offer which could lead to a Competing Transaction, it must notify Essity BV within 48 hours. Upon receiving notice, Essity BV will have the right within 5 Business Days to provide a new or amended proposal that constitutes a matching or superior proposal to its existing proposal.

(d) **Break fee**

Asaleo agrees to pay \$4,855,967 (excluding GST) to Essity BV in the following circumstances:

- **(Competing Transaction)** a Competing Transaction is publicly announced during the Exclusivity Period and, within 12 months from the date of the announcement, the Competing Transaction is completed substantially on the terms described in the public announcement (but for the purposes of this circumstance, the reference to “10% or more” in paragraph (a) of the definition of “Competing Transaction” will be deemed to be a reference to “more than 20%”), or the proponent of the Competing Transaction acquires control of Asaleo and the Competing Transaction is (or becomes) free of any defeating condition;
- **(Competing Transaction executed)** at any time before termination of the Scheme Implementation Agreement, Asaleo enters into any agreement with a third party agreeing to undertake or give effect to a Competing Transaction;
- **(Change of Recommendation)** at any time prior to the Second Court Date, any member of the Independent Board Committee or the Managing Director adversely modifies their recommendation of or fails to recommend the Scheme, or makes a public statement to that effect, unless the Independent Expert opines the Scheme is not in the best interest of Asaleo Shareholders (other than where the reason for that opinion is a Competing Transaction which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document); or
- **(Material breach)** Essity BV validly terminates the Scheme Implementation Agreement due to Asaleo’s material breach.

(e) **Reverse break fee**

Essity BV has agreed to pay \$4,855,967 (excluding GST) to Asaleo if the Scheme does not proceed where:

- **(Material breach)** Asaleo validly terminates the Scheme Implementation Agreement due to the Essity BV’s material breach; or
- **(non-payment)** Essity BV does not pay the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Agreement, the Scheme and the Deed Poll.

Both the break fee and the reverse break fee are subject to modification / amendment if required by a Regulatory Authority (e.g. the Takeovers Panel).

(f) **Conduct of business**

Before implementation, Asaleo must and must procure that each member of the Asaleo Group continues to conduct its business in the ordinary and usual course, including:

- operate those businesses and subsidiaries in a manner substantially consistent with past practice, as altered by measures taken as a result of the impact of the COVID-19 virus, and in accordance with all applicable laws;
- using reasonable endeavours to preserve material third party relationships, to retain the services of all key employees, and comply with all laws and material contracts;
- keeping Essity BV reasonably and promptly informed of, and consult with Essity BV in good faith in respect of, material developments in the business, and notifying Essity BV of any events which might have a material adverse effect on the Asaleo Group or any breach of law, contract or other authorisations reasonably likely to result in a material liability or any breach under one of Asaleo Group’s debt financing arrangements;

not doing certain activities, such as:

- incurring any additional financial indebtedness other than in the usual and ordinary course of business and consistent with past practice, or amending financial indebtedness arrangements except as approved by Essity BV, not to be unreasonably withheld;
- engaging any new employee or changing the employment terms of any Key Person (as defined in the Scheme Implementation Agreement) (whose total employment cost exceeds \$300,000) except as required by law or as provided in an existing contract in place as at the date of the Scheme Implementation Agreement, or terminate or encourage the resignation of a Key Person without consultation with Essity BV in accordance with current personnel practices;

- amending the terms of any option, performance right, incentive or share plan or accelerating the rights of any employees to compensation or benefits of any kind;
- paying a bonus, severance, termination or retention payment, other than pursuant to existing contractual arrangements;
- settling any ATO dispute/audit/inquiry or amending any tax return, other than in the ordinary course of its business;
- commencing, threatening or settling any proceeding of more than \$500,000 other than pursuing debts in the ordinary course of business;
- entering into any enterprise bargaining agreement or similar collective employment agreement except under contractual arrangements in effect on the date of the Scheme Implementation Agreement;
- acquiring or disposing of any interest in any equity securities, business, real property, entity or undertaking which exceeds \$1,000,000;
- incurring or agreeing to capital expenditure commitments of more than \$1,000,000 (or bringing them forward);
- entering into, varying or terminating any material contract, lease, licence, distribution arrangement with a term of more than 2 years, and with a financial impact of more than \$2,000,000 or including a restraint;
- change any accounting policy applied by it to report its financial position other than any change in policy required by a change in accounting standards or law; or
- entering into related party transactions (other than a related party which is an Asaleo Group member or Essity Group member).

Certain exceptions apply, including for matters already in Asaleo's FY21 budget, matters required by law or for insurance purposes, matters known by or fairly disclosed to Essity BV, or matters which are a necessary and prudent response to emergencies.

(g) **Termination**

The Scheme Implementation Agreement may be terminated by either party in certain circumstances if the Scheme has not become Effective on or before the End Date, being 30 September 2021, if the other party is in material breach of the Scheme Implementation Agreement and the breach remains unremedied 5 Business Days after being notified, or if there is a breach or non-satisfaction of a Condition Precedent, or if the Court refuses to make orders convening the Scheme meeting or approving the Scheme.

Essity BV may also terminate the Scheme Implementation Agreement if a member of the Independent Board Committee or the Managing Director changes their recommendation that Asaleo Shareholders vote in favour of the Scheme.

Asaleo may also terminate the Scheme Implementation Agreement if the Independent Board Committee and the Managing Director determine that an unsolicited Competing Transaction is a Superior Proposal.

(h) **Representations and warranties**

Both parties give customary power and capacity warranties. Asaleo also gives a number of warranties in respect of the due diligence and information provided, compliance with law (including continuous disclosure) and the securities it has on issue. Essity BV warrants that it will, by 8.00am on the Second Court Date and on the Implementation Date, have sufficient cash amounts available to it to satisfy its obligation to pay the Scheme Consideration.

7.12 Regulatory

All regulatory approvals that are Conditions Precedent to the Scheme are set out in clause 3.1 of the Scheme Implementation Agreement.

In addition, all the ASX and ASIC relief, approvals or consents that Asaleo consider are necessary to implement the scheme as at the date of this Scheme Booklet have been granted or obtained.

7.13 Deed Poll

Essity BV and the Bidder have entered into the Deed Poll in favour of Asaleo Shareholders under which they covenant in favour of Scheme Participants, subject to the Scheme becoming Effective, to perform the actions attributable to Essity BV and the Bidder under the Scheme including the obligation of Essity BV to pay the aggregate Scheme Consideration payable to Scheme Participants into the Trust Account no later than 2 Business Days before the Implementation Date.

The Deed Poll may be relied upon by any Asaleo Shareholder despite the fact that they are not a party to it and each Asaleo Shareholder appoints Asaleo as its agent to enforce their rights under the Deed Poll against Essity BV and the Bidder.

7.14 Treatment of Asaleo Share Rights

As at the date of this Scheme Booklet, there are 128,336 Asaleo Share Rights on issue and held by Mr Andrew Leyden (Asaleo's Chief Financial Officer). Each Asaleo Share Right confers on Mr Leyden the entitlement to receive one Asaleo Share on the first-year anniversary of his employment start date (being 2 November 2020) under the Executive Incentive Plan. Mr Leyden is not currently an Asaleo Shareholder.

Under the Scheme Implementation Agreement, Asaleo is required to ensure there are no outstanding Asaleo Share Rights by the Effective Date by causing the Asaleo Share Rights to be vested or cancelled.

Asaleo will issue one Asaleo Share (128,336 Asaleo Shares in total) to Mr Leyden for every Asaleo Share Right that he holds, conditional on the Scheme becoming Effective. As an Asaleo Shareholder, Mr Leyden will be able to participate in the Scheme in respect of the Asaleo Shares issued to him.

7.15 Lodgement of this Scheme Booklet

This Scheme Booklet was registered with ASIC on 23 April 2021 as required by sections 411(2)(b) and 412(6) of the Corporations Act.

7.16 No unacceptable circumstances

The Independent Board Committee and Managing Director believe that the Scheme does not involve any circumstances in relation to the affairs of Asaleo that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

7.17 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, so far as the Independent Board Committee and Managing Director are aware, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any member of the Independent Board Committee, the Managing Director or any director of a Related Body Corporate of Asaleo which has not previously been disclosed to Asaleo Shareholders.

7.18 Supplementary information

Asaleo will issue a supplementary document to this Scheme Booklet if it becomes aware, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- (a) that a material statement in this Scheme Booklet is false or misleading in a material respect;
- (b) that there is a material omission from this Scheme Booklet;
- (c) of a significant change affecting a matter included in this Scheme Booklet has occurred; or
- (d) of a significant new matter that has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances, and subject to compliance with any relevant laws and/or obtaining any relevant approvals, Asaleo may circulate and publish any supplementary document by:

- (e) making an announcement to the ASX;
- (f) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (g) emailing (for those who have opted for email communications) or posting the supplementary document to Asaleo Shareholders to their email/postal address shown on the Register; and/or
- (h) posting a statement on the Asaleo website at www.asaleocare.com,

as Asaleo, in its absolute discretion, considers appropriate.

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ASALEO CARE

8. Glossary

The following is a glossary of certain terms used in this Scheme Booklet.

\$ or AUD	Australian dollar.
Asaleo	Asaleo Care Limited ACN 154 461 300.
Asaleo Board	the board of directors of Asaleo.
Asaleo Group	Asaleo and its Subsidiaries.
Asaleo Information	the information regarding Asaleo, other than the Essity Information and the Independent Expert's Report, contained in this Scheme Booklet.
Asaleo Prescribed Event	has the meaning given to the term "Target Prescribed Event" in the Scheme Implementation Agreement.
Asaleo Share	a fully paid ordinary share in Asaleo.
Asaleo Share Right	a share right issued under the Executive Incentive Plan.
Asaleo Shareholder	each person who is registered in the Register from time to time as the holder of an Asaleo Share.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited.
ATO	the Australian Taxation Office.
Bidder	Essity Holding Company Australia Pty Ltd ACN 649 075 310.
Business Day	a weekday on which trading banks are open for business in Melbourne, Victoria (not being a Saturday, Sunday or public holiday in such place).
CGT	Australian capital gains tax.
Chair	means the Chair of the Scheme Meeting
Competing Transaction	<p>a proposal, transaction or arrangement (whether by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise) which, if completed, would mean a person (other than an Essity Group member) whether alone or together with its Associates would:</p> <ul style="list-style-type: none"> (a) directly or indirectly, acquire an interest or Relevant Interest in or become the holder of 10% or more of Asaleo Shares (other than as custodian, nominee or bare trustee); (b) acquire control of Asaleo, within the meaning of section 50AA of the Corporations Act; (c) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all or a substantial part or a material part of the assets of or business conducted by the Asaleo Group; or (d) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with Asaleo.
Conditions Precedent	the conditions precedent in clause 3.1 of the Scheme Implementation Agreement, a summary of which are set out in section 7.11(b).
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed by Asaleo and the Bidder.
Deed Poll	the deed poll dated 14 April 2021 executed by the Bidder and Essity BV under which they covenant to carry out the actions attributable to Essity BV and the Bidder under the Scheme. A copy of the Deed Poll is set out in Annexure D.

Effective	the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under sections 411(4)(b) and 411(6) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.
Effective Date	the date on which the Scheme becomes Effective.
End Date	30 September 2021.
Essity	Essity Aktiebolag (publ)
Essity BV	Essity Group Holding BV.
Essity Group	Essity and each of its Related Bodies Corporate.
Essity HoldCo	Essity Holding Australia Pty Ltd ACN 649 073 003.
Essity Information	the information prepared by the Bidder for inclusion in this Scheme Booklet and for which the Bidder is responsible, as contained in section 5 and in the following sections of section 2: "Who is Essity and what are its intentions regarding Asaleo?" and "How is Essity funding the Scheme Consideration?"
Essity Nominee Directors	the Essity Nominee Directors are: <ul style="list-style-type: none"> (a) Mats Berencreutz; and (b) Marie-Laure Mahé.
Exclusivity Period	the period from and including 17 February 2021 to the earlier of: <ul style="list-style-type: none"> (a) the Effective Date; (b) the termination of the Scheme Implementation Agreement in accordance with its terms; and (c) the End Date.
Executive Incentive Plan or EIP	the executive incentive plan operated by Asaleo Group.
FIRB	the Australian Foreign Investment Review Board.
GST	has the meaning given in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
HIN	Holder Identification Number.
Implementation Date	the 5 th Business Day following the Scheme Record Date or such other date that Asaleo and the Bidder agree.
Independent Board Committee	the committee of the Asaleo Board established for the purposes of (among other things) evaluating and overseeing the Scheme, comprising the following Asaleo directors: <ul style="list-style-type: none"> (a) Harry Boon; (b) Sue Morphet; and (c) JoAnne Stephenson.
Independent Expert	Lonergan Edwards & Associates Limited ABN 53 095 445 560.
Independent Expert's Report	means the report of the Independent Expert, as set out in Annexure A.
Link	Link Market Services Limited (ABN 54 083 214 537).
Listing Rules	the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.
Managing Director	Sid Takla.
Material Adverse Change	has the meaning given to it in the Scheme Implementation Agreement.
New Zealand OIO	the New Zealand Overseas Investment Office.
Notice of Scheme Meeting	the notice convening the Scheme Meeting, as set out in Annexure E.

Ordinary Dividend	a fully franked ordinary dividend of an amount \$0.03 per Asaleo Share.
Ordinary Dividend Record Date	16 March 2021.
Permitted Dividend	each of the Ordinary Dividend and Special Dividend.
Register	the register of shareholders maintained by Asaleo in accordance with the Corporations Act.
Regulatory Authority	includes: <ul style="list-style-type: none"> (a) ASX, ASIC and the Takeovers Panel; (b) a government or governmental, semi-governmental or judicial entity or authority in Australia; (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government in Australia; and (d) any regulatory organisation in Australia established under statute.
Related Body Corporate	has the meaning given to it in the Corporations Act.
Relevant Interest	has the meaning given to it in sections 608 and 609 of the Corporations Act.
Requisite Majority	means, in relation to the resolution to be put to Asaleo Shareholders at the Scheme Meeting, the resolution being passed by: <ul style="list-style-type: none"> (a) a majority in number (more than 50%) of Asaleo Shareholders, who are present and voting, either virtually or by proxy, attorney or in the case of a corporation its duly appointed corporate representative; and (b) passed by at least 75% of the total votes cast on the resolution by Asaleo Shareholders who are present and voting, either virtually or by proxy, attorney or in the case of a corporation its duly appointed corporate representative.
Scheme	the scheme of arrangement between Asaleo and the Scheme Participants as described in clause 2 of the Scheme Implementation Agreement and set out in Annexure C.
Scheme Booklet	this booklet.
Scheme Consideration	the consideration payable by the Bidder for the transfer of Asaleo Shares held by a Scheme Participant to the Bidder, being, in respect of each Asaleo Share, \$1.40.
Scheme Implementation Agreement	the scheme implementation agreement dated 17 February 2021 between Asaleo and the Bidder relating to the implementation of the Scheme, as amended by amending deed dated 31 March 2021, set out in Annexure B.
Scheme Meeting	the meeting to be convened by the Court pursuant to the Scheme.
Scheme Participants	each person registered in the Register as the holder of an Asaleo Share as at the Scheme Record Date.
Scheme Record Date	5.00pm on the 7 th Business Day following the Effective Date or such other time and date as Asaleo and the Bidder agree in writing.
Second Court Date	the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard (as agreed between Asaleo and the Bidder) or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard (as agreed between Asaleo and the Bidder).
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Scheme.
SEK	Swedish Krona.
Shareholder Information Line	an information hotline set up for Asaleo Shareholders at 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia)

Special Dividend	a special dividend which the Asaleo Board may, in its absolute discretion (and subject to the terms and conditions of the Scheme Implementation Agreement) (including clause 4.6(b) of the Scheme Implementation Agreement), declare and pay in an amount of \$0.02 per each Asaleo Share, which dividend is expected to be fully franked subject to the availability of franking credits and a class ruling from the ATO.
Special Dividend Payment Date	21 June 2021.
Special Dividend Record Date	5.00pm on 15 June 2021.
SRN	Shareholder Reference Number.
Subsidiary	of an entity means another entity which: <ul style="list-style-type: none"> (a) is a subsidiary of the first entity within the meaning of the Corporations Act; and (b) is part of a consolidated entity constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares or would be, if the first entity was required to prepare consolidated financial statements.
Superior Proposal	a genuine Competing Transaction received in writing (in relation to which there has been no breach of clause 9 of the Scheme Implementation Agreement) which the Independent Board Committee and the Managing Director, acting in good faith in the interests of Asaleo and the Asaleo Shareholders, after taking written advice from its legal and financial advisers, determines would be: <ul style="list-style-type: none"> (a) reasonably capable of being valued and completed taking into account all aspects of the Competing Transaction, including its conditions, the identity, reputation and financial condition of the person making such proposal, and all relevant legal, regulatory and financial matters; and (b) if completed substantially in accordance with its terms, of a higher financial value and is more favourable to Asaleo Shareholders (excluding any Essity Group member) than the Scheme, taking into account all aspects of the Competing Transaction, including the identity, reputation and financial condition of the person making such proposal, and relevant legal, regulatory and financial matters.
Trust Account	the Australian dollar denominated trust account operated by or on behalf of Asaleo to hold the Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with the Scheme.

Interpretation

In this Scheme Booklet (other than the Annexures):

- (a) except as otherwise provided, all words and phrases used in this Scheme Booklet have the meanings (if any) given to them by the Corporations Act;
- (b) headings are for ease of reference only and will not affect the interpretation of this Scheme Booklet;
- (c) words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;
- (d) all dates and times are Melbourne times, unless otherwise stated;
- (e) a reference to \$, A\$, AUD and cents is to Australian currency, unless otherwise stated; and
- (f) a reference to a section or Annexure is to a section in or Annexure to this Scheme Booklet, unless otherwise stated.

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Annexure A – Independent Expert’s Report

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The Independent Board Committee
Asaleo Care Limited
30-32 Westall Road
Springvale VIC 3171

15 April 2021

Subject: Proposed acquisition by way of Scheme

Dear Independent Board Committee

Introduction

- 1 On 17 February 2021, Asaleo Care Limited (Asaleo Care or the Company) announced that it and Essity Group Holding BV (Essity)¹ had entered into a Scheme Implementation Agreement (the Agreement) under which Essity (or its nominee) would acquire all of the issued shares in Asaleo Care² under a proposal that provides for a total value of \$1.45 per share.
- 2 The proposed acquisition of the shares is to be implemented via a scheme of arrangement between Asaleo Care and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of this report).
- 3 If the Scheme is approved and implemented, Asaleo Care shareholders will receive:
 - (a) \$1.40 cash for each Asaleo Care share they hold on the Scheme Record Date (Scheme Consideration); plus
 - (b) at the absolute discretion of the Asaleo Care Board, a special dividend of \$0.02 per share (Special Dividend), provided that they hold their Asaleo Care shares on the record date for the Special Dividend, which is expected to be fully franked (subject to a class ruling from the Australian Tax Office).

¹ Essity Group Holding BV is a wholly owned subsidiary of Essity Aktiebolag. For the purpose of our report we have collectively referred to these entities as Essity.

² At the date of entering into the Agreement Essity owned 36.2% of the issued ordinary shares in Asaleo Care. We have been advised that pursuant to the proposed Scheme, Essity Group Holdings BV's nominee (Essity Holding Company Australia Pty Ltd), will acquire 100% of the issued shares in Asaleo Care, including the 36.2% interest currently held Essity Group Holding BV. Whilst Essity will therefore become a participant under the proposed Scheme, our opinion is only provided for the benefit of those Asaleo Care shareholders not associated with Essity.

Authorised Representatives:

Wayne Lonergan • Craig Edwards* • Hung Chu • Martin Hall • Martin Holt* • Grant Kepler* • Julie Planinic* • Nathan Toscan • Jorge Resende

* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.
Liability limited by a scheme approved under Professional Standards Legislation



- 4 Irrespective of the outcome of the Scheme, Asaleo Care shareholders will have received an ordinary dividend of \$0.03 per share in respect of the year ended 31 December 2020 (Ordinary Dividend) if they held Asaleo Care shares on the record date for the Ordinary Dividend. This dividend was fully franked and was paid on 31 March 2021.
- 5 The announced total value of \$1.45 per share to be received by Asaleo Care shareholders therefore comprises the Scheme Consideration of \$1.40 per share together with Permitted Dividends (i.e. the Ordinary Dividend and Special Dividend) totalling \$0.05 per share.

Asaleo Care

- 6 Asaleo Care sells, markets and manufactures essential everyday consumer products across the feminine, incontinence and professional hygiene categories in Australia, New Zealand and the Pacific Islands. It also manufactures and markets consumer tissue products in New Zealand and consumer tissue and diaper products in the Pacific Islands. The Company distributes its own brands along with brands it licenses from its major shareholder, Essity, under an exclusive licence agreement.

Essity

- 7 Essity is a leading global hygiene and health company dedicated to improving well-being through its products and services. It is headquartered in Stockholm, Sweden and is listed on the Swedish stock exchange, Nasdaq Stockholm. The company sells products in approximately 150 countries under the leading global brands TENA and Tork, together with other brands, including Leukoplast, Cutimed, JOBST, Delta Cast, Delta Lite and Actimove. Essity has around 46,000 employees.

Purpose of report

- 8 As Essity holds shares in Asaleo Care representing 36.2% of the ordinary shares on issue, there is a regulatory requirement for an independent expert's report (IER) to be prepared for Asaleo Care shareholders pursuant to s412 of the *Corporations Act 2001* (Cth) (Corporations Act), and Regulation 5.1.01 and Part 3 of Schedule 8 of the Corporations Regulations 2001 (Corporations Regulations).
- 9 In addition:
 - (a) the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Asaleo Care shareholders;
 - (b) the Independent Board Committee's and the Managing Director's recommendation of the Scheme is subject to an independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of Asaleo Care shareholders; and
 - (c) as the Scheme is a change of control transaction where an independent expert report is required, Australian Securities & Investments Commission's (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) also requires the independent expert to provide an opinion on whether the Scheme is fair and reasonable.



- 10 Accordingly, the Independent Board Committee of Asaleo Care has requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Asaleo Care shareholders and the reasons for that opinion. LEA is independent of Asaleo Care and Essity and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 11 In our opinion, the Scheme is fair and reasonable and in the best interests of Asaleo Care shareholders in the absence of a superior proposal³. We have formed this opinion for the reasons set out below.

Value of Asaleo Care

- 12 We have assessed the value of Asaleo Care shares on a 100% controlling interest basis at \$1.39 to \$1.49 per share, as shown below. Our valuation reflects the shares that will be subject to the Scheme and allows for the payment of the Ordinary Dividend that Asaleo Care shareholders have already received irrespective of the outcome of the Scheme and that was paid prior to the Scheme meeting (provided that they held Asaleo Care shares on the record date for the Ordinary Dividend).

Value of Asaleo Care		
	Low \$m	High \$m
Enterprise value	900.0	960.0
Less net debt	(120.0)	(125.0)
Payment of Ordinary Dividend	(16.3)	(16.3)
Net derivative liability	(7.1)	(7.1)
Equity value	756.6	811.6
Fully diluted shares on issue (million)	543.1	543.1
Value per share (\$)	\$1.39	\$1.49

- 13 In assessing the enterprise value of Asaleo Care we have had regard to both the capitalisation of earnings (EBITDA⁴) and discounted cash flow (DCF) valuation methodologies.

Value of Total Consideration

- 14 As noted above, if the Scheme is approved and implemented, Asaleo Care shareholders will receive both the Scheme Consideration of \$1.40 per share and (at the absolute discretion of the Asaleo Care Board) the Special Dividend of \$0.02 per share. For the purpose of our evaluation of the Scheme we have assumed that the Special Dividend will be paid and that on approval and implementation of the Scheme Asaleo Care shareholders will receive in total \$1.42 per share (Total Consideration)⁵. We consider this assumption to be appropriate given:

³ As stated above, our opinion is only provided for the benefit of those Asaleo Care shareholders not associated with Essity.
⁴ Earnings before interest, tax, depreciation and amortisation (EBITDA).
⁵ If the Special Dividend is not declared and paid Asaleo Care shareholders will receive only the Scheme Consideration of \$1.40 per share.

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- (a) the Asaleo Care Directors have advised that it is their intention to pay the Special Dividend, subject to the Scheme being approved by Asaleo Care shareholders and the Court
- (b) in our opinion, shares in Asaleo Care have traded with an expectation that the Special Dividend will be paid, subsequent to the announcement of the Scheme on 17 February 2021.

Fair and reasonable opinion

- 15 Pursuant to RG 111 a scheme is fair if the value of the (total) consideration to be received by security holders on approval and implementation of the scheme is equal to or greater than the value of the securities the subject of the scheme. This comparison for Asaleo Care shares is shown below:

Position of Asaleo Care shareholders			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Value of Total Consideration	1.42	1.42	1.42
Value of 100% of Asaleo Care	1.39	1.49	1.44
Extent to which the Total Consideration exceeds (or is less than) the value of Asaleo Care	0.03	(0.07)	(0.02)

- 16 As the Total Consideration lies within (albeit towards the lower end of) our assessed valuation range for Asaleo Care shares on a 100% controlling interest basis, in our opinion, the Scheme is fair to Asaleo Care shareholders when assessed based on the guidelines set out in RG 111.
- 17 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Scheme is also reasonable.
- 18 In this regard, we note that in the event that the Special Dividend is not paid, and accordingly Asaleo Care shareholders only receive the Scheme Consideration of \$1.40 per share, there will be no change to our opinion. This is because the Scheme Consideration of \$1.40 per share also lies within our assessed valuation range of Asaleo Care shares on a 100% controlling interest basis.

In the best interests

- 19 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a scheme may be “in the best interests of the members of the company” if there are sufficient reasons for shareholders to vote in favour of the scheme in the absence of a higher offer.
- 20 In our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders.
- 21 We therefore consider that the Scheme is also “in the best interests” of Asaleo Care shareholders in the absence of a superior proposal.



Assessment of the Scheme

22 We summarise below the likely advantages and disadvantages of the Scheme for Asaleo Care shareholders.

Advantages

23 In our opinion, the Scheme has the following benefits for Asaleo Care shareholders:

- (a) the Total Consideration of \$1.42 per share is consistent with (albeit towards the low end of) our assessed value range for Asaleo Care shares on a 100% controlling interest basis
- (b) the total value of \$1.45 per share (being the Total Consideration plus the Ordinary Dividend) represents a significant premium to the market prices of Asaleo Care shares prior to the announcement on 10 December 2020 of Essity's initial proposal to acquire Asaleo Care
- (c) furthermore, the premium exceeds observed premiums generally paid to target company shareholders in comparable circumstances
- (d) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Asaleo Care shares is likely to trade at a significant discount to our valuation and the Total Consideration due to the portfolio nature of individual shareholdings.

Disadvantages

24 Asaleo Care shareholders should note that if the Scheme is approved and implemented they will no longer hold an interest in the Company. Asaleo Care shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Total Consideration.

25 However, as our assessed value of Asaleo Care shares is consistent with the Total Consideration, in our opinion, the present value of Asaleo Care's future potential is appropriately reflected in the Total Consideration.

Other considerations

26 In considering the Scheme, Asaleo Care shareholders should also note that as Essity already owns 36.2% of the ordinary shares on issue in Asaleo Care, there is no realistic likelihood that a competing offer for Asaleo Care will be received prior to the Scheme meeting.

General

27 In preparing this report we have considered the interests of Asaleo Care shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

28 The impact of approving the Scheme on the tax position of Asaleo Care shareholders depends on the individual circumstances of each investor. Asaleo Care shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.



- 29 The ultimate decision whether to approve the Scheme should be based on each Asaleo Care shareholder's assessment of their own circumstances. If Asaleo Care shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that Asaleo Care shareholders read the remainder of our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J Resende'.

Jorge Resende
Authorised Representative

A handwritten signature in black ink, appearing to read 'M Holt'.

Martin Holt
Authorised Representative

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I Key terms of the Scheme

Terms

- 30 On 17 February 2021, Asaleo Care announced that it and Essity had entered into a Scheme Implementation Agreement (the Agreement) under which Essity (or its nominee) would acquire all of the issued shares in Asaleo Care⁶ under a proposal that provides for a total value of \$1.45 per share.
- 31 The proposed acquisition of the shares is to be implemented via the Scheme between Asaleo Care and its shareholders and is subject to a number of conditions precedent as referenced below.
- 32 If the Scheme is approved and implemented, Asaleo Care shareholders will receive:
- (a) \$1.40 cash for each Asaleo Care share they hold on the Scheme Record Date (Scheme Consideration); plus
 - (b) at the absolute discretion of the Asaleo Care Board, a special dividend of \$0.02 per Asaleo Care share (Special Dividend) they hold on the record date for the Special Dividend which is expected to be fully franked (subject to a class ruling from the Australian Tax Office).
- 33 Irrespective of the outcome of the Scheme, Asaleo Care shareholders will also have received the Ordinary Dividend of \$0.03 per share in respect of the year ended 31 December 2020, provided that they held their Asaleo Care shares on the record date for the Ordinary Dividend. This dividend was fully franked and was paid on 31 March 2021.
- 34 The announced total value of \$1.45 per share to be received by Asaleo Care shareholders therefore comprises the Scheme Consideration of \$1.40 per share together with Permitted Dividends totalling \$0.05 per share.

Conditions

- 35 Implementation of the Scheme is conditional on, amongst other things:
- (a) regulatory approval from the Foreign Investment Review Board, the New Zealand Overseas Investment Office, ASIC and the ASX
 - (b) approval by Asaleo Care shareholders at a Court-convened meeting⁷, and approval from the Court
 - (c) receipt of an IER which concludes that the Scheme is in the best interests of Asaleo Care shareholders

⁶ At the date of entering into the Agreement Essity owned 36.2% of the issued ordinary shares in Asaleo Care. We have been advised that pursuant to the proposed Scheme, Essity Group Holdings BV's nominee (Essity Holding Company Australia Pty Ltd), will acquire 100% of the issued shares in Asaleo Care, including the 36.2% interest currently held Essity. Whilst Essity will therefore become a participant under the proposed Scheme, our opinion is only provided for the benefit of those Asaleo Care shareholders not associated with Essity.

⁷ We have been advised that as a participant under the Scheme Essity is entitled to vote, but that Essity and its associated entities will not do so and will abstain from voting.



- (d) no “Material Adverse Change” in respect of Asaleo Care and no Asaleo Care “Target Prescribed Event” (as defined in the Agreement).
- 36 Under the Agreement, Asaleo Care is bound by customary exclusivity provisions including:
- (a) no shop
 - (b) no talk (subject to a customary fiduciary carve-out)
 - (c) notification of approaches
 - (d) bidder counter-proposal obligations.
- 37 Break fees of approximately \$4.9 million may apply in certain circumstances as outlined in the Agreement.
- 38 The above is a summary only of the conditions necessary to the implementation of the Scheme. Full details are set out in the Agreement dated 17 February 2021 as amended on 31 March 2021.

Resolution

- 39 Asaleo Care shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the notice of meeting accompanying the Scheme Booklet.
- 40 If the resolution is passed by the requisite majorities, Asaleo Care must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all Asaleo Care shareholders who hold Asaleo Care shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

II Scope of our report

Purpose

- 41 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the Corporations Regulations prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 42 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 43 As Essity holds shares in Asaleo Care representing 36.2% of the ordinary shares on issue, there is a regulatory requirement for an IER to be prepared for Asaleo Care shareholders.
- 44 In addition:
- (a) as noted above, the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Asaleo Care shareholders
 - (b) the Independent Board Committee's and the Managing Director's recommendation of the Scheme is subject to an independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of Asaleo Care shareholders
 - (c) as the Scheme (if approved and implemented) will result in 100% of the shares in Asaleo Care being held by Essity through the Essity nominee, RG 111 also requires an independent expert to provide an opinion on whether the Scheme is fair and reasonable.
- 45 The Independent Board Committee of Asaleo Care has therefore requested LEA to prepare an IER stating whether the proposed acquisition of the shares in the Company by the Essity nominee under the Scheme is fair and reasonable and in the best interests of Asaleo Care shareholders and the reasons for that opinion.
- 46 This report has been prepared by LEA for the benefit of Asaleo Care shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to Asaleo Care shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Asaleo Care shareholders.
- 47 The ultimate decision whether to approve the Scheme should be based on each Asaleo Care shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.



Basis of assessment

- 48 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 49 RG 111 distinguishes “fair” from “reasonable” and considers:
- (a) a scheme to be “fair” if the value of the scheme consideration is equal to or greater than the value of the securities that are the subject of the scheme. A comparison must be made assuming 100% ownership of the target company
 - (b) a scheme to be “reasonable” if it is fair. A scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, in the opinion of the expert there are sufficient reasons for shareholders to approve the scheme in the absence of a superior proposal.
- 50 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a scheme may be “in the best interests of the members of the company” if there are sufficient reasons for securityholders to vote in favour of the scheme in the absence of a higher offer.
- 51 Our report has therefore considered:
- (a) the market value of 100% of the shares in Asaleo Care
 - (b) the value of the Total Consideration (comprising the \$1.40 per share Scheme Consideration offered by Essity and the \$0.02 per share Special Dividend)
 - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
 - (d) the extent to which a control premium is being paid to Asaleo Care shareholders
 - (e) the extent to which Asaleo Care shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (f) the listed market price of Asaleo Care shares, both prior to and subsequent to the announcement of the proposed Scheme
 - (g) the likely market price of Asaleo Care shares if the proposed Scheme is not approved
 - (h) the value of Asaleo Care to an alternative offeror and the likelihood of a higher alternative offer being made for Asaleo Care prior to the date of the Scheme meeting
 - (i) the advantages and disadvantages of the Scheme from the perspective of Asaleo Care shareholders
 - (j) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 52 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

- 53 Our report is also based upon financial and other information provided by Asaleo Care and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 54 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of Asaleo Care shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 55 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 56 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 57 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 58 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.



III Profile of Asaleo Care

Overview

59 Asaleo Care sells, markets and manufactures essential everyday consumer products across the feminine, incontinence and professional hygiene categories in Australia, New Zealand and the Pacific Islands. It also manufactures and markets consumer tissue products in New Zealand and consumer tissue and diaper products in the Pacific Islands. The Company distributes its own brands along with brands it licenses from its major shareholder, Essity, under an exclusive licence agreement.

History

60 Asaleo Care's history dates back over 80 years, with some of its key brands being more than 60 years old. Its relationship with Essity dates to 1978, when SCA⁸ entered into a personal care joint venture with a previous owner of the business. Asaleo Care's more recent history has included several ownership changes, detailed as follows:

- (a) during May 2004, SCA acquired The Carter Holt Harvey Tissue business to form SCA Hygiene Australasia Pty Ltd, with SCA moving to 100% ownership
- (b) on 4 January 2012, Pacific Equity Partners acquired a 50% interest in SCA Hygiene Australasia Pty Ltd from SCA and formed a joint venture company named PEPSCA Pty Ltd
- (c) PEPSCA Pty Ltd became a public limited company and was renamed Asaleo Care, listing on the ASX on 26 June 2014, with Pacific Equity Partners selling its 50% interest and SCA reducing its ownership to 32.7%.

61 At the time of listing on the ASX, the Asaleo Care business had two operating segments, being:

- (a) **Tissue** – comprising toilet tissue, paper towels, facial tissue, napkins and other tableware products sold within Australia, New Zealand and the Pacific Islands; and
- (b) **Personal Care** – comprising personal hygiene products and nappies sold within Australia and New Zealand.

62 In the years following the ASX listing, Asaleo Care introduced a number of new products and invested in enhanced manufacturing capabilities. At the same time however, the Company was underinvesting in its key brands, and as a result, its financial performance deteriorated.

63 During 2018, Asaleo Care undertook a strategic review of its divisions, which culminated in the sale of the Australian Consumer Tissue division (effective 1 April 2019)⁹, and a restructure of its operations to focus on higher margin and less capital-intensive personal care

⁸ Svenska Cellulosa AB (SCA), the predecessor company that owned Essity. During 2017, SCA split into two separately listed companies, being Essity, a global hygiene and health company, and SCA, a forest products company.

⁹ The proceeds of the sale were primarily used to reduce Asaleo Care's net debt.

and professional hygiene products. As a part of the restructure, Asaleo Care’s remaining operating segments were reclassified to Retail and Business to Business (B2B).

- 64 On 25 June 2020, the Company announced it would withdraw from the New Zealand baby care market, by discontinuing its Baby division. The decision followed a review of options for the division and led to the discontinuation of the Treasures nappy brand and the closure of the Te Rapa manufacturing facility in New Zealand.
- 65 On 22 December 2020, Asaleo Care announced an agreement to acquire TOM Organic for \$12.75 million, extending the Company’s product and service portfolio into higher growth and higher margin categories¹⁰. Established in 2009, TOM Organic is a leader in Australia’s high growth organic feminine hygiene category, providing a range of tampons, pads, liners, period briefs and menstrual cups. Asaleo Care plans to accelerate the growth of the TOM Organic brand in markets where it has an established presence, as well as in new markets and potentially other personal care categories.

Current operations

- 66 Asaleo Care operates from its Melbourne office and employs approximately 620 staff across 3 manufacturing and 12 distribution facilities throughout Australia, New Zealand and Fiji. A summary of the Company’s segments and primary brands is as follows:

Asaleo Care – overview of operations



Licensing arrangements with Essity

- 67 Essity and Asaleo Care entered into commercial agreements relating to the licensing, supply and distribution of Essity’s products through Asaleo Care’s distribution channels. The key agreement governing the licensing of certain trademarks, technology and other intellectual property is the Trade Mark and Technology Licensing Agreement (TMTLA). Under the TMTLA, Asaleo Care pays Essity an annual royalty for the technology, marketing, and sales

¹⁰ The acquisition completed on 29 January 2021.

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rights for the Tork and TENA brands in Australia, New Zealand and certain countries in the Pacific region. In December 2018, Asaleo Care renegotiated the TMTLA and secured a five year extension, to 2027.

Strategy

- 68 Asaleo Care is in the process of implementing a five-year strategy (to 2025), that aims to create long term value for shareholders. This strategy has involved several initiatives including:
- (a) exiting low margin, capital intensive divisions (such as the Australian Consumer Tissue and New Zealand Baby divisions)
 - (b) re-investing in core brands to drive revenue and market share growth
 - (c) investing in its supply base to create capability and improve efficiency
 - (d) acquiring the growth orientated TOM Organic business
 - (e) reducing debt levels.
- 69 Consistent with the Company's strategy, Asaleo Care continues to target growth initiatives that create sustainable and higher returns, with management currently focused on:
- (a) further development of its presence in higher margin and higher growth product categories
 - (b) leveraging the company's scale
 - (c) realising ongoing cost efficiencies
 - (d) generating strong cash flow
 - (e) executing an actionable merger and acquisition pipeline in higher growth, higher margin and low capital intensity categories; and
 - (f) reducing the Company's exposure to commodities such as pulp.

Retail segment

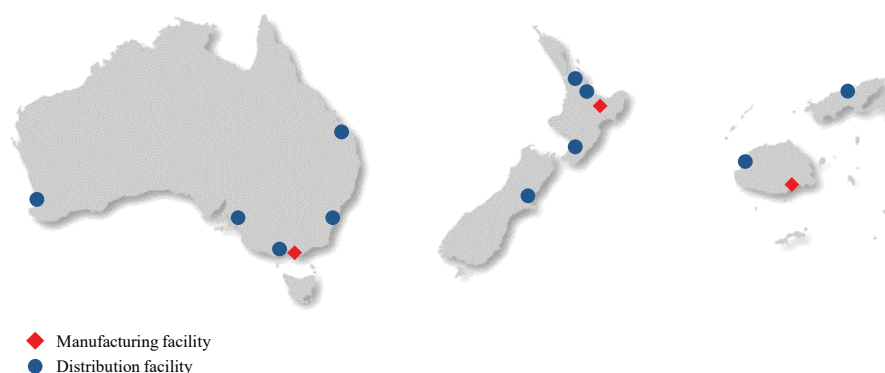
- 70 The Retail segment includes the sale and manufacture of a comprehensive range of feminine care, incontinence care and consumer tissue products. This segment has recently been repositioned following the sale of the Australian Consumer Tissue division and exit of the New Zealand Baby division.
- 71 The divisions that comprise the Retail segment are as follows:
- (a) **Feminine Care** – includes pads, tampons and liners sold under the Libra brand in Australia and New Zealand. This division will also absorb the newly acquired TOM Organic brand, a leader in Australia's high growth organic feminine hygiene category (which will increase Asaleo Care's exposure to natural and environmentally friendly products)
 - (b) **Incontinence Care** – includes pads, pants and liners for males and females who suffer from bladder weakness and incontinence. These are sold under the TENA brand in Australia and New Zealand

- (c) **Consumer Tissue** – operating in New Zealand only, this division provides toilet paper, facial tissues and paper towels
 - (d) **Pacific Islands** – Asaleo Care distributes a range of consumer and professional hygiene products in Fiji and the Pacific Islands across the tissue, nappies, and personal care categories. Brands sold include Viti, Orchid, Softly, Drypers and Giggles.
- 72 Asaleo Care has recently invested substantially in advertising and promotional activities across key retail brands. Retail advertising and promotional activity increased 83% in 2019 and a further 18% in 2020. Funds were invested in Libra’s award winning “#bloodnormal” campaign (which was aimed at reducing the stigma surrounding periods), Libra’s “#LiveLiberated” campaign and TENA’s “Carnivale” campaign.

B2B segment

- 73 The B2B segment sells, markets and manufactures personal care and professional products within Australia and New Zealand. Key selling channels include aged care facilities, distributors, schools, hospitals, shopping centres, industrial work environments and the hospitality sector. B2B divisions include:
- (a) **Professional Hygiene** – comprising hand towels, toilet paper, serviettes, soaps, sanitisers, facial tissues and other hygiene accessories, primarily sold under the Tork brand. The division also includes dispensing solutions and servicing and replenishing Libra feminine hygiene products in over 1,500 Victorian schools (and it is expected this program will extend to other states)
 - (b) **Incontinence Healthcare** – comprises TENA incontinence products and support services provided to healthcare professionals in residential and community care facilities, retirement villages and hospitals.
- 74 The B2B segment is well positioned to take advantage of increased focus on health and hygiene following the outbreak of COVID-19. In addition, given an ageing population, there are also demographic tailwinds for its incontinence products. B2B plans to take advantage of these favourable market conditions by leveraging product development opportunities to extend its current offering, whilst identifying cross selling opportunities for its retail products (such as selling Libra products into schools).
- 75 The Libra schools program is a partnership between Asaleo Care and the Victorian Government to supply feminine hygiene products in public schools across the state over a four year term. Whilst feminine hygiene sales fall under the Retail segment, the Company receives B2B revenue for the management, installation and replenishment of dispensers. The program highlights the significant potential to provide similar services to the community, including other state government schools, independent and Catholic schools, tertiary and government institutions, and the corporate and industrial sectors.
- 76 Asaleo Care has three manufacturing facilities, one in each of Australia (Springvale in Melbourne), New Zealand (Kawerau on the North Island), and Fiji, and distributes its products through a network of distribution centres across each country (12 distribution centres in total).

Asaleo Care – manufacturing and distribution network



- 77 The Springvale manufacturing facility predominantly produces feminine care products sold under the Libra brand along with some Incontinence Care and Professional Hygiene products sold under the TENA and Tork brands. The Kawerau plant in New Zealand produces product for the Consumer Tissue and Professional Hygiene divisions. The smaller production facility in Fiji converts imported paper reels into products sold across the Pacific Islands' professional hygiene and consumer markets.
- 78 A key manufacturing input is pulp, which is the single largest commodity input for Asaleo Care. Pulp represented 19% of cost of goods sold in CY19 and 15% in CY20, reflecting the reduced exposure to commodities after recent portfolio divestments and exits. It is difficult to manage pulp prices and pricing fluctuates cyclically based on supply and demand. However, there are some opportunities to mitigate risk through product composition, hedging and managing foreign exchange exposures.

Financial performance

- 79 The financial performance of Asaleo Care for the four years ended CY20 is set out below:

Asaleo Care – statement of financial performance ⁽¹⁾				
	CY17	CY18	CY19	CY20
	\$m	\$m	\$m	\$m
Revenue	393.7	394.6	409.7	419.2
Cost of goods sold	(206.9)	(222.8)	(236.2)	(229.5)
Distribution	(36.9)	(39.4)	(37.0)	(42.2)
Gross profit	149.9	132.4	136.5	147.5
Sales, marketing, and administration	(49.2)	(49.0)	(47.2)	(54.0)
Other income and expenses	(4.7)	0.2	(5.4)	(4.3)
Underlying EBITDA	96.0	83.5	83.9 ⁽²⁾	89.2 ⁽²⁾
Depreciation and amortisation	(15.0)	(15.2)	(24.2) ⁽²⁾	(26.6) ⁽²⁾
Underlying EBIT	80.9	68.3	59.7	62.6
Net finance costs	(11.3)	(14.8)	(11.9)	(8.0)
Underlying profit before tax	69.6	53.5	47.8	54.6
Income tax expense	(20.2)	(14.7)	(14.0)	(15.6)
Underlying profit after tax	49.4	38.8	33.8	39.0

Asaleo Care – statement of financial performance ⁽¹⁾				
	CY17	CY18	CY19	CY20
	\$m	\$m	\$m	\$m
Non-recurring / significant items ⁽³⁾	4.8	(36.2)	(3.2)	(0.8)
Profit / (loss) from discontinued operations ⁽¹⁾	3.0	(111.3)	(8.4)	(5.9)
Statutory net profit / (loss) after tax	57.2	(108.7)	22.1	32.3
<i>Revenue growth</i>	<i>nm⁽⁴⁾</i>	<i>0.2%</i>	<i>3.8%</i>	<i>2.3%</i>
<i>Underlying EBITDA growth</i>	<i>nm⁽⁴⁾</i>	<i>(13.0%)</i>	<i>0.4%</i>	<i>6.3%</i>
<i>Underlying EBITDA margin</i>	<i>24.4%</i>	<i>21.2%</i>	<i>20.5%⁽²⁾</i>	<i>21.3%⁽²⁾</i>

Note:

- 1 Rounding differences exist. Both the Australian Consumer Tissue and the Baby divisions have been excluded from the CY17 to CY20 results. The aggregated results for these businesses are shown as discontinued operations.
- 2 The Company adopted Australian Accounting Standards Board (AASB) 16 – *Leases* (AASB 16) from CY19 and the results for CY19 and CY20 are presented on a post AASB 16 basis. Pre AASB 16 (i.e. on a comparative basis to CY17 and CY18), underlying EBITDA for CY19 and CY20 was \$72.8 million and \$78.2 million respectively. Underlying EBITDA margins pre AASB 16 for CY19 and CY20 were 17.8% and 18.7% respectively.
- 3 Non-recurring items relate to the following:

Profit on sale of Springvale site	9.3	-	-	-
Upgrade of New Zealand manufacturing site	-	(5.4)	(4.5)	-
Restructuring and other abnormal expenses	(2.4)	(10.2)	-	(1.1)
Strategic review and business divestment	-	(31.0)	-	-
Net related tax benefit / (expense)	(2.1)	10.4	1.3	0.3
Total non-recurring items	4.8	(36.2)	(3.2)	(0.8)
- 4 nm = not meaningful.

- 80 Below is a summary of the factors impacting the annual financial performance of Asaleo Care in the three years to CY20.

CY18 results

- 81 On a comparative basis (i.e., excluding the Consumer Tissue and Baby divisions), Asaleo Care's revenue increased by 0.2% and underlying EBITDA declined by 13.0% in CY18. This was due to the following:
- (a) the Retail segment's underlying EBITDA decreased 13.6% to \$38.4 million. Sales for the Feminine division reduced by 5.2%, which was partially offset by growth in Incontinence Care, Consumer Tissue (New Zealand) and Pacific Islands. Higher pulp costs as well as the lease of the Springvale site (sold in June 2017) were partially offset by favourable foreign exchange and lower brand investment
 - (b) the B2B segment's underlying EBITDA decreased by 12.4% to \$45.1 million, due primarily to an increase of approximately \$12 million in commodity costs. This was partially offset by higher sales from Incontinence Healthcare (which increased 5.2%) and Professional Hygiene (which increased 1.3%).
- 82 During CY18, Asaleo Care announced the sale of the Australian Consumer Tissue division (settlement occurred in March 2019), enabling the Company to focus on its higher margin and less capital-intensive divisions and to materially reduce debt. This included the sale of the



Australian Sorbent, Handee Ultra and Deeko brands to Solaris Paper as well as the Box Hill manufacturing and corporate head office site¹¹.

CY19 results

- 83 Revenue and underlying EBITDA from continuing operations increased by 3.8% and 0.4% respectively in CY19. However, after removing the AASB 16 accounting change (with lease costs essentially being reclassified into depreciation), underlying EBITDA decreased by 12.7% compared to the prior period. Both the Retail and B2B businesses experienced revenue growth, however margins were adversely impacted by higher marketing and brand support expenditure (which reflected reinvestment in core brands) as well as higher input costs across the entire business.
- 84 In addition, a major capital investment project to upgrade the Kawerau manufacturing facility in New Zealand was completed during the period, along with the settlement of the sale of the Australian Consumer Tissue division.

CY20 results

- 85 Revenue and underlying EBITDA from continuing operations increased by 2.3% and 6.3% respectively, notwithstanding the challenges presented by COVID-19¹². However, some of the increase in EBITDA in CY20 was due to a reduction in pulp costs in comparison to the previous year.
- 86 The Company also reported:
- (a) an increase in gross margins of 1.9 percentage points in comparison to CY19
 - (b) strong performance in all Retail divisions and the B2B Incontinence Healthcare division, with sales collectively increasing by 6.7%
 - (c) market share growth in key Retail product categories
 - (d) a 4% reduction in revenue for the B2B Professional Hygiene division, notwithstanding the impact of COVID-19 restrictions on “away from home” activity¹³.
- 87 The Company announced the acquisition of TOM Organic and stated that the acquisition was expected to be accretive in its first year of ownership, with EBIT estimated to be \$1.7 million in CY21, increasing to \$3.5 million to \$4.0 million in CY22 (after the realisation of scale and synergy benefits).

CY21 guidance

- 88 On 27 January 2021, Asaleo Care provided a trading update and guidance for CY21 and CY22. This guidance was reiterated in the CY20 results release to the market on 17 February 2021:

¹¹ The financial results for the Australian Consumer Tissue division are set out in discontinued operations in the table above.

¹² Asaleo did not receive any COVID-19 related Government assistance.

¹³ This sector prospers when people use public facilities in offices, industrial premises, hospitals, hospitality venues, sports stadiums and facilities, schools, and universities. COVID-19 restrictions in all markets adversely impacted the use of these facilities in CY20.



“For FY21, the Company is targeting 5-7% revenue growth which includes a part-year contribution from TOM Organic and an expected recovery in Professional Hygiene as COVID-19 impacts ease. EBITDA is targeted at \$90m - \$93m (40% of which is expected to be delivered in 1H and 60% in 2H) with growth for the year moderated by the impact of the final year absorption of stranded costs, along with rising pulp and sea freight prices.

For FY22, the Company is targeting mid-single digit revenue growth and EBITDA growth of 10%+ benefiting from the abatement of stranded costs and a full year of TOM Organic contribution including synergies.

Asaleo Care has now completed the reset of its business, having exited the low margin, capital intensive Australian Consumer Tissue and NZ Baby businesses. It has created growth momentum by increasing investment in its brand portfolio, has focused on building its talent base and now has a strong and flexible balance sheet with the capacity to invest in growth opportunities.

Its focus now is to invest in sustainable and profitable growth initiatives, to continue to build a strong pipeline of product innovation in higher growth, higher margin categories, taking advantage of its scale.”

Financial position

89 The financial position of Asaleo Care as at 31 December 2019 and 31 December 2020 is set out below:

Asaleo Care – statement of financial position ⁽¹⁾		
	31 Dec 19	31 Dec 20
	\$m	\$m
Debtors and prepayments	30.7	13.0
Inventories	104.7	95.2
Creditors, accruals and provisions	(76.4)	(73.6)
Net working capital	59.0	34.6
Property, plant and equipment	151.9	152.2
Intangible assets (including goodwill)	134.8	133.8
Net tax liabilities	(21.4)	(23.4)
Right of use assets (net of associated lease liabilities)	(2.5)	(2.2)
Total funds employed	321.8	295.1
Cash and cash equivalents	33.2	55.1
Interest bearing liabilities	(171.3)	(148.9)
Derivative financial instruments (net)	(1.6)	(6.2)
Net cash / (borrowings)	(139.7)	(100.0)
Net assets attributable to Asaleo Care shareholders	182.1	195.1

Note:

1 Rounding differences exist.

Net working capital

90 Asaleo Care’s working capital is driven by inventory movements, timing of purchases and receipts, and changes in prepayment balances due to payment of insurance and rates.

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Working capital reduced significantly over the year to 31 December 2020, which was a reflection of shipping delays due to COVID-19, active management of accounts payable and the timing of customer receipts.

- 91 The Company uses debtor financing arrangements for some customers, the respective balances for which (as at 31 December 2020) were as follows¹⁴:
- (a) B2B Australia – \$12.6 million facility, drawdowns totalled \$7.6 million
 - (b) B2B New Zealand – \$7.6 million facility, drawdowns totalled \$4.4 million
 - (c) Retail Australia – \$7.0 million facility, drawdowns totalled \$3.3 million.

Inventories

- 92 Inventories are valued at the lower of cost and net realisable value, being the estimated selling price that could be achieved in the ordinary course of business, less the estimated costs of completion and selling expenses. Raw material costs are accounted for using a weighted average of purchase costs, whilst work in progress and finished goods include costs of direct material and labour and apportioned production overheads.

- 93 A breakdown of raw materials, work in progress and finished goods inventories as at 31 December 2019 and 31 December 2020 is set out below:

Asaleo Care – inventories ⁽¹⁾		
	31 Dec 19	31 Dec 20
	\$m	\$m
Raw materials	27.1	27.8
Work in progress	6.0	4.9
Finished goods	71.6	62.5
Total	104.7	95.2

Property, plant, and equipment

- 94 The Company's reports its property, plant and equipment at cost less accumulated depreciation and any impairment losses. Depreciation is generally calculated on a straight line basis over the estimated useful life of the asset. A breakdown of Asaleo Care's property plant and equipment as at 31 December 2019 and 31 December 2020 is shown below:

Asaleo Care – property, plant and equipment ⁽¹⁾		
	31 Dec 19	31 Dec 20
	\$m	\$m
Plant and equipment	125.7	125.7
Capital works in progress	13.2	14.5
Buildings	10.5	9.6
Freehold land	2.6	2.5
Total	151.9	152.2

Note:

- 1 Rounding differences exist.

¹⁴ These balances were largely unchanged from the position as at 31 December 2019.

- 95 Asaleo Care has an ongoing capital expenditure plan which allocates expenditure between ongoing maintenance and growth initiatives. During the year ended 31 December 2020, capital expenditure was \$20.5 million, the majority of which related to asset maintenance and safety.

Intangible assets

- 96 Asaleo Care's intangible assets primarily comprise goodwill and brands resulting from previous acquisitions:

Asaleo Care – intangible assets ⁽¹⁾		
	31 Dec 19	31 Dec 20
	\$m	\$m
Goodwill – retail Australia	16.1	16.1
Goodwill – retail New Zealand	3.3	3.2
Goodwill – B2B	21.7	21.5
Brands and other intangibles – retail Australia	70.8	70.8
Brands and other intangibles – retail New Zealand	22.8	22.2
Total	134.8	133.8

Note:

- 1 Rounding differences exist.

Net borrowings

- 97 As at 31 December 2020, Asaleo Care had borrowings of \$148.9 million, and \$55.1 million of cash. The Company's debt structure comprises a mixture of bank loans issued at variable rates, together with Series A and Series B notes with a fixed rate of 4.7%, and 5.1% per annum respectively. The weighted average interest for variable rate borrowings for the year ended 31 December 2020 was 1.7%.
- 98 A summary of Asaleo Care's debt facilities at 31 December 2020 is shown below, noting that the Company renegotiated and extended the maturity of its Facility A and Facility C revolving facilities in December 2020.

Asaleo Care – debt facilities		
Facility	Facility limit	Date of maturity
	\$m	
Facility A	70.0	31 July 23
Facility B	40.0	31 July 23
Facility C	50.0	31 July 24
Series A Note	65.0	26 June 25
Series B Note	25.0	26 June 28

Share capital and performance

- 99 As at 28 February 2021, Asaleo Care had 543.1 million fully paid ordinary shares on issue¹⁵.

¹⁵ Asaleo Care also has a performance rights plan in place, however no performance rights were outstanding as at 28 February 2021.



Significant shareholders

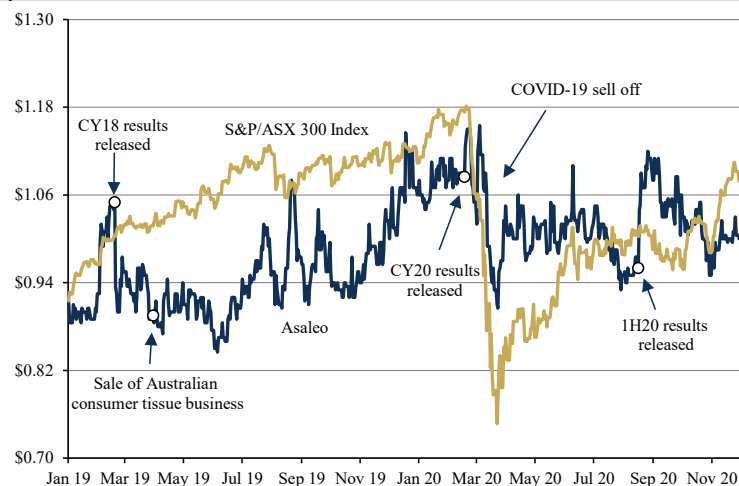
100 Based on substantial shareholder notices lodged on the ASX, aside from Essity (which holds 36.2% of the Asaleo Care shares on issue), there were three other significant Asaleo Care shareholders, as shown below. In total, these significant shareholders held 67.4% of the total Asaleo Care shares on issue as at that date.

Asaleo Care – significant shareholders		
	Number of shares (million)	% of total shares on issue
Essity Group Holding BV	196.4	36.2
Allan Gray Australia	99.0	18.2
Marathon Asset Management	38.0	7.0
Spheria Asset Management	32.8	6.0
Total	366.2	67.4

Share price performance

101 The following chart illustrates the movement in the share price of Asaleo Care from 1 January 2019 to 9 December 2020¹⁶:

Asaleo Care – share price history⁽¹⁾
1 January 2019 to 9 December 2020



Note:

¹ Based on closing prices. The S&P/ASX300 Index has been rebased to Asaleo Care's closing share price on 2 January 2019.

Source: Bloomberg.

¹⁶ Being the last trading day prior to the announcement of the receipt of the unsolicited proposal from Essity.



- 102 From 1 January 2019 to March 2020, Asaleo Care underperformed the S&P/ASX300 index. However, since the COVID-19 sell off in March 2020, Asaleo Care has generally outperformed the S&P/ASX300 index, which can primarily be attributed to the defensive and non-cyclical nature of Asaleo Care’s operations.

Liquidity in Asaleo Care shares

- 103 The liquidity in Asaleo Care shares based on trading on the ASX over the 12-month period prior to 9 December 2020¹⁷ is set out below:

Asaleo Care – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	10 Nov 20	9 Dec 20	4,818	543,122	0.9	10.6
3 months	10 Sep 20	9 Dec 20	21,620	543,122	4.0	15.9
6 months	10 Jun 20	9 Dec 20	53,082	543,122	9.8	19.5
1 year	10 Dec 19	9 Dec 20	132,434	543,122	24.4	24.4

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

- 104 Trading in Asaleo Care shares has exhibited relatively low liquidity, as evidenced by the annualised implied liquidity for the one, three and six month periods prior to the announcement of Essity’s initial proposal to acquire Asaleo Care. This is reflective of the large portion of shares held by the top four shareholders, which own a combined 67.4% of the Company’s shares on issue.

¹⁷ Asaleo Care announced a trading halt on the morning of 10 December 2020, around one and a half hours after the market opened. Trading data for the morning of 10 December 2020 has been excluded in the calculation of liquidity prior to the announcement.

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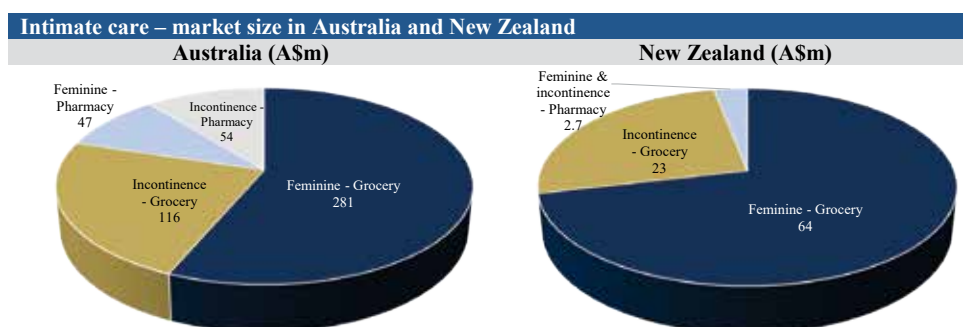
IV Industry overview

Overview

- 105 Asaleo Care manufactures and distributes a portfolio of brands targeting the personal care and professional hygiene sectors of the Australian and New Zealand consumer goods markets. The Company's target markets include consumers (through retail channels) and businesses such as shopping centres, airports, industrial companies, aged care facilities, hospitals and education providers.
- 106 Asaleo Care derives the majority of its revenue and earnings from products classified into the following segments:
- intimate care** – includes feminine hygiene products including pads, tampons and liners, as well as incontinence care products that help with bladder weakness for males and females, such as pads, pants and liners. Products are typically sold through retail channels such as supermarkets, pharmacies, independent retailers and convenience stores
 - healthcare incontinence** – includes incontinence hygiene products and support services that are provided to healthcare institutions, aged care and community care facilities, and home care providers
 - professional hygiene** – includes hand towels, toilet paper, serviettes, soap and hand sanitisers, facial tissues and ancillary products that are sold directly to businesses such as distributors, hospitality venues, office buildings and industrial companies.

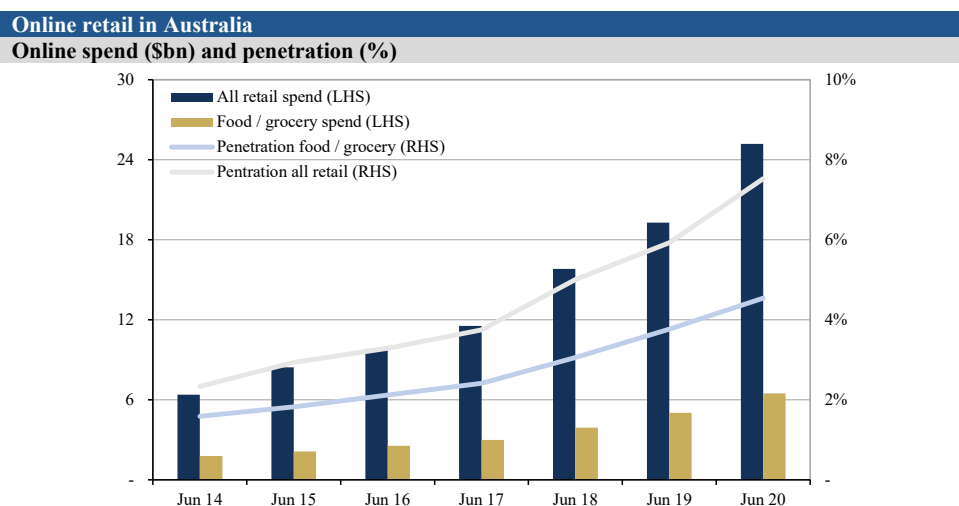
Intimate care

- 107 Annual turnover for the intimate care market in Australia and New Zealand is estimated to be around \$0.6 billion. Products are primarily sold through supermarket and pharmacy channels, as shown below:



- 108 Retail is a large and dynamic sales channel for intimate care products, and is primarily represented by major supermarket chains Woolworths and Coles in Australia and Woolworths and Foodstuffs in New Zealand.

- 109 E-commerce penetration, which is currently low in the intimate care sector, is expected to continue to increase over the next five years, as major brand owners and traditional retailers invest in online platforms and digital capabilities, and large online retailers such as Amazon expand into the online grocery segment.
- 110 Historically, online spending has increased across all categories of retail, both in terms of total spend and penetration¹⁸. Within the food retail category, which includes supermarket and grocery store products, online spending and internet penetration levels increased significantly over the five years to 30 June 2020, as shown below:



Source: Australian Bureau of Statistics (2020): Retail Trade, Australia and Online Sales, November 2020 reports.

- 111 The COVID-19 pandemic, and the associated increased awareness of Australia and New Zealand’s reliance upon China for the production of many essential items, has increased consumer demand for locally manufactured products.
- 112 More generally, demand for intimate hygiene products in Australia and New Zealand has been and is expected to continue to benefit from:
 - (a) an ageing population and rising incidence of incontinence and associated health issues
 - (b) consumption preferences of younger generations, who are more health conscious and well informed on social and environmental issues. Consumers in this category tend to spend more per capita in comparison to older demographics.
- 113 The intimate care market is a competitive market with a range of existing operators as well as new competitors entering the market. For example, during August 2020, American feminine hygiene brand Thinx launched at selected David Jones stores in Australia, as well as the

¹⁸ Being online retail spending divided by total retail spending over a given period.

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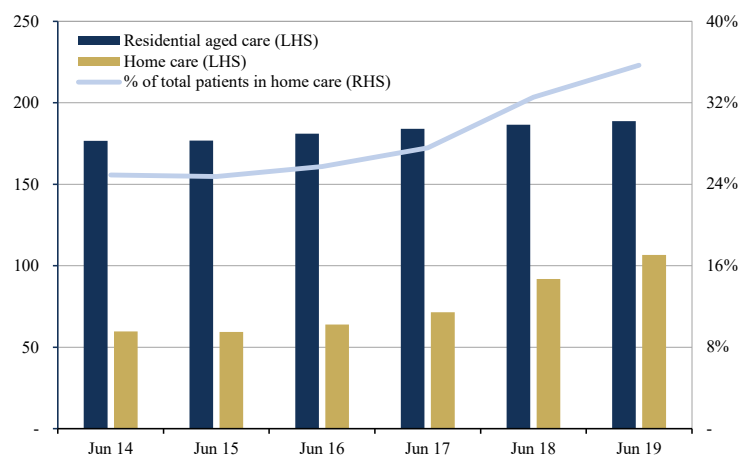
David Jones website. Thinx sells leak-proof underwear, and is backed by Kimberly-Clark, which has provided investment to support the entrance of Thinx into the Australian market.

Healthcare incontinence

- 114 Healthcare incontinence products are those that are distributed directly to healthcare institutions such as aged care providers. The aged care market has experienced strong growth in recent years, with the total number of aged care patients increasing at a compound annual growth rate of 4.5% for the five years to 30 June 2019¹⁹. A key trend within aged care is the expansion of the home care sector, which has grown by 12.3% annually over the same five year period.

Aged care patients in Australia

Number of patients



Source: Australian Institute of Health and Welfare (2021): *People using aged care data 2014 to 2019* reports website accessed January 2021.

- 115 The proportion of aged care patients receiving care from the home has increased from 24.9% in 2014 to 35.7% in 2019. This trend is expected to continue, driven by advancements in support services and rising concerns surrounding the spread of infections and visitor restrictions at residential aged care facilities following COVID-19.
- 116 Technological innovation is high in the healthcare incontinence sector, and is primarily focused around patient management and ongoing product support. With the recent emergence of Telehealth²⁰, the sector is experiencing a technology leap, and it has become increasingly common for brands to provide online educational resources, remote customer service and assistance programs alongside their wearable products. There have also been a number of new developments in the treatment of neurological bladder control issues, and the ongoing monitoring of incontinence through the use of wearable sensor pads. Whilst this has created

¹⁹ The latest available data.

²⁰ Telehealth is the use of telecommunication techniques for the purpose of providing telemedicine, medical education, and health education over a distance.

new product categories for existing operators to expand into, it has also increased the threat of increased competition from technology companies.

Professional hygiene

- 117 Professional hygiene services are provided to business and enterprise customers and hence the sector's turnover and performance is affected by changes in business activity in the broader economy. Demand for products is generally strong during periods of economic expansion, and due to the necessity for businesses to maintain a hygienic environment regardless of the economic conditions, demand remains relatively stable during downturns.
- 118 COVID-19 has presented a number of challenges for professional hygiene providers in Australia and New Zealand, being:
- (a) a sharp decrease in away from home activity, as workplaces enforced work from home policies, and schools, stadiums and venues as well as major shopping centres temporarily closed
 - (b) a decline in tourism, which impacted demand in the hotel and hospitality industries
 - (c) disruptions to supply chains due to restricted imports and a decline in overseas manufacturing
 - (d) higher pulp prices due to a spike in global demand, placing pressure on manufacturing and production costs.
- 119 Notwithstanding the above, the professional hygiene segment is expected to benefit from increased awareness and expenditure on hygiene products going forward. In addition, due to consumer preference for high quality and well known products, premium brands (such as Kimberly-Clark and Asaleo Care's Tork brands) are well positioned to benefit from this trend. However, the threat of substitution is high for the more commoditised products²¹.
- 120 The markets for professional hygiene products in both Australia and New Zealand are mature, and relatively small when benchmarked to other global markets. This reduces the threat of new manufacturers or distributors entering the region.

Competition

- 121 Asaleo Care's products are non-discretionary consumer goods, and experience relatively stable demand through different stages of the economic cycle. The market is considered competitive, with a large range of both generic and luxury brands providing internal competition, in addition to external pressure from imported products and substitute goods. Market operators seek to differentiate themselves by:
- (a) developing a strong brand by increasing investment in marketing and promotional activities
 - (b) innovating and expanding product offerings through continuous research and development efforts, particularly as it relates to sustainability and environmental health

²¹ These products represent the largest proportion of the market, and include paper based products that are inexpensive to produce and undifferentiated, such as tissues, toilet paper and hand towels.



- (c) responding quickly to changes in policy or technological advances that affect consumer behaviour
- (d) manufacturing products domestically to appeal to customers that prefer to buy locally made products.

122 The major operators in each of the intimate care, professional hygiene and healthcare incontinence sectors are as follows:

Market competition and major operators	
Product segment	Major operators
Intimate care	Feminine hygiene – Asaleo Care, Kimberly-Clark Australia, Proctor & Gamble and Johnson & Johnson, as well as a range of smaller local businesses Incontinence care – Asaleo Care (TENA), Kimberly-Clark Australia, Proctor & Gamble and Hartmann
Professional hygiene	Kimberly-Clark Australia and Asaleo Care (Tork) are the market leading brands, with high level of competition from private label brands and APP
Healthcare incontinence	Asaleo Care (TENA), Abena, Ontex and Hartmann

V Valuation methodology

Valuation approaches

- 123 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, schemes of arrangement, takeovers, share buy-backs, selective capital reductions and prospectuses. These include:
- (a) the DCF methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 124 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 125 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 126 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.
- 127 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no



longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 128 The market value of Asaleo Care has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and deducting net borrowings and surplus liabilities. The valuation of the business has been undertaken on the basis of market value as a going concern.
- 129 The primary valuation methodology adopted to determine the enterprise value of Asaleo Care is the capitalisation of future maintainable earnings approach (using EBITDA). Under this methodology, the value of the business is represented by its underlying EBITDA capitalised at an EBITDA multiple that reflects the risks inherent in those earnings.
- 130 We have adopted this method when valuing the business operations of Asaleo Care for several reasons:
- (a) Asaleo Care has both a demonstrated history of profitability and an expectation of ongoing profitability
 - (b) Asaleo Care operates in a relatively mature industry, in which it has well established market positions in the geographies in which it operates
 - (c) the EBITDA multiples for listed companies operating in similar sectors can be derived from publicly available information
 - (d) transaction evidence in the similar sectors is generally expressed in terms of EBITDA multiples.
- 131 As a secondary valuation methodology we have also assessed the enterprise value of Asaleo Care adopting the DCF methodology, based on five year cash flow projections prepared by Asaleo Care management (which we have adjusted where appropriate).
- 132 We have cross-checked our valuation of Asaleo Care by comparison with the listed market prices of Asaleo Care shares on the ASX prior to the announcement of Essity's original proposal to acquire Asaleo Care, which we have adjusted to reflect a premium for control.

VI Valuation of Asaleo

- 133 As stated in Section V, in assessing the enterprise value of Asaleo Care we have:
- (a) adopted the capitalisation of EBITDA method as our primary valuation method. Under this method the normalised (underlying) EBITDA is capitalised at an appropriate EBITDA multiple
 - (b) as a secondary valuation method adopted the DCF methodology, based on cash flow projections prepared by Asaleo Care management (which we have adjusted where appropriate).
- 134 The value of the shares in Asaleo Care is then derived by adding the realisable value of any surplus assets and deducting net borrowings and surplus liabilities.
- 135 The resulting values have been cross-checked by reference to the listed market prices of Asaleo Care shares on the ASX prior to the announcement of Essity's original proposal to acquire Asaleo Care, which we have adjusted to reflect a premium for control.

Capitalisation of EBITDA methodology

Assessment of normalised EBITDA

- 136 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of the business, and have discussed the financial performance, operating environment and prospects with Asaleo Care management.
- 137 Asaleo Care adopted AASB 16²² for the first time in CY19, however the results shown below have been restated to exclude the effect of AASB 16 (for CY19 and CY20) as it is driven by an accounting entry that has no impact on the underlying cash flow or overall profitability of Asaleo Care²³. A summary of Asaleo Care's revenue and underlying EBITDA (excluding the impact of AASB 16) for the three historical years ended CY20 is set out below.

²² AASB 16 changes the way that companies account for operating leases in their financial disclosures. It replaces the previous lease accounting standard (AASB 117).

²³ The impact of adopting AASB 16 on Asaleo Care's reported results was an uplift in EBITDA for both of CY19 and CY20 of approximately \$11.0 million as rent expenses were replaced by depreciation of the "right of use" asset and lease interest expenses (in respect of the lease liability recognised).



Asaleo Care – historical performance⁽¹⁾			
	CY18	CY19	CY20
	\$m	\$m	\$m
Revenue			
B2B	218.2	221.6	219.4
Retail	176.4	188.1	199.8
Total	<u>394.6</u>	<u>409.7</u>	<u>419.2</u>
Underlying EBITDA (pre AASB 16)⁽²⁾			
B2B	45.1	40.8	41.7
Retail	38.4	32.0	36.5
Total	<u>83.5</u>	<u>72.8</u>	<u>78.2</u>
Underlying EBITDA margin (pre AASB 16)			
B2B	20.7%	18.4%	19.0%
Retail	21.8%	17.0%	18.3%
Total	21.2%	17.8%	18.7%

Note:

- 1 Excluding the Australian Consumer Tissue and Baby divisions.
- 2 The impact of excluding AASB 16 in the analysis above was a reduction in reported underlying EBITDA of approximately \$11 million for CY19 and CY20.

- 138 Asaleo Care's strategy to focus on higher margin and less capital-intensive personal care and professional hygiene products was set during 2018 and has resulted in number of changes to business operations, including:
- (a) the re-establishment of higher levels of brand investment from CY19 (following underinvestment in advertising and marketing during CY16 to CY18)²⁴
 - (b) the sale or exit of low margin, capital intensive divisions (being the Australian Consumer Tissue and New Zealand Baby divisions) and reducing the Company's exposure to commodities such as pulp
 - (c) a focus on categories with higher growth potential
 - (d) a focus on ongoing cost efficiencies.
- 139 On 27 January 2021, Asaleo Care provided a trading update including revenue and earnings guidance for CY21 and CY22. This guidance was reiterated in the Company's CY20 results release on 17 February 2021, and is summarised as follows:
- (a) for CY21 the Company is targeting:
 - (i) revenue growth of 5% to 7%
 - (ii) EBITDA of \$90 million to \$93 million (on a post AASB 16 basis)
 - (b) growth in CY21 EBITDA is expected to be moderated by:
 - (i) the impact of the final year of absorption of stranded fixed costs from the exit of the Australian Consumer Tissue and New Zealand Baby divisions

²⁴ As a result, the earnings and margins reported in CY18 were artificially high.

- (ii) higher pulp and sea freight prices
- (c) for CY22 the Company is targeting:
 - (i) mid-single digit revenue growth
 - (ii) EBITDA growth of 10% plus (benefiting from the abatement of stranded fixed costs and a full year contribution from TOM Organic, including synergies)
- (d) ongoing investment and innovation in core brands is expected to deliver continued revenue growth and market share gains across its core categories, with the Company targeting sustainable future growth in CY21 and beyond.

140 The Scheme Booklet provides an update to this guidance, which is as follows:

“As at the date of this scheme booklet, Asaleo continues to target FY21 EBITDA within the range of \$90m-\$93m, albeit current conditions suggest it will likely be at the bottom of that range.

This target reflects operating performance and market conditions for the year to date, as well as assumptions as to adverse impacts of:

- (a) *recent increases in pulp prices that are arising from various factors, including growing Chinese demand and speculative activity in the pulp market, supply constraints and rising energy costs in originating markets;*
- (b) *recent sea freight price increases that are continuing to be impacted by supply and demand imbalances arising from COVID-19-related disruptive events; and*
- (c) *recent rises in electricity prices in New Zealand that are driven by constrained hydro and natural gas supply.*

Notwithstanding that increases in pulp and sea freight prices were assumed in the original targets, prices have increased at a greater rate than previously assumed.

The impact of these external short-term cost factors is expected to be partially mitigated by a number of profit improvement initiatives and a favourable movement in foreign exchange rates. Asaleo will continue to maintain significant brand investment to deliver on its focus of driving sustainable growth and value creation.”

141 Given the above, Asaleo Care expects its CY21 EBITDA to be within the previously provided guidance range, however, this is now expected to be at the lower end of the range. In addition, the CY22 EBITDA guidance remains unchanged.

142 A summary of the CY21 and CY22 revenue and EBITDA guidance provided by Asaleo Care is as follows:



Asaleo Care – CY21 and CY22 guidance				
	CY21		CY22	
	Low \$m	High \$m	Low \$m	High \$m
Revenue guidance	440.2	448.5	462.2	471.0
<i>Revenue growth guidance</i>	5.0%	7.0%	5.0% ⁽¹⁾	5.0% ⁽¹⁾
Underlying EBITDA (post AASB 16)	90.0	93.0	99.0	102.3
<i>Underlying EBITDA growth guidance</i>	na	na	10.0% ⁽²⁾	10.0% ⁽²⁾
Underlying EBITDA (pre AASB 16) ⁽³⁾	79.0	82.0	88.0	91.3
<i>Implied EBITDA growth</i>	na	na	11.4%	11.3%

Note:

- 1 Revenue guidance for CY22 is mid-single digit growth which has been assumed to be 5%.
 - 2 Assumes growth of 10%, rather than the 10% plus growth in the target guidance provided for CY22.
 - 3 Assuming similar AASB 16 adjustments to that for CY19 and CY20, i.e. reduction of \$11 million per annum compared to reported EBITDA.
- na – not available.

- 143 Based on the above, and the most recent company update provided in the Scheme Booklet, Asaleo Care's revenue and EBITDA guidance, shown alongside the actual results for CY20, is set out below:

Asaleo Care – CY20 results and CY21 and CY22 guidance			
	CY20 Actual \$m	CY21 Guidance \$m	CY22 Guidance \$m
Revenue	419.2	444.4	466.6
Underlying EBITDA (pre AASB 16)	78.2	79.0	89.6
<i>Underlying EBITDA margin (pre AASB 16)</i>	18.7%	17.8%	19.2%

- 144 Due to continued sales growth, and the abatement of stranded fixed costs, EBITDA growth is expected to be significantly higher in CY22 than CY21. Whilst this earnings growth is not without risk, it is supported by:
- (a) an increasing contribution from the TOM Organic business which is expected to contribute EBIT ranging between \$3.5 million to \$4.0 million in CY22
 - (b) a number of growth initiatives, including continued brand investment and a pipeline of product innovation
 - (c) ongoing cost reduction initiatives.

Conclusion on EBITDA

- 145 Having regard to the above, we have adopted underlying EBITDA (pre AASB 16) for valuation purposes for the Asaleo Care business (excluding TOM Organic) of \$78 million to \$82 million. This is slightly higher than the actual results for CY20 and Asaleo Care management's guidance for CY21 (which includes the absorption of stranded fixed costs for what is expected to be the last time) to allow for some of the forecast CY22 earnings growth.



We have allowed for the majority of the forecast increase in EBITDA for CY22 in the EBITDA multiple we have adopted for valuation purposes.

- 146 Given the short period of time under Asaleo Care’s ownership, we have valued the TOM Organic business separately adopting EBITDA of \$3 million (including synergies) for valuation purposes, having particular regard to CY22 EBITDA.

EBITDA multiple

- 147 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

<ul style="list-style-type: none"> • The stability and quality of earnings • The quality of the management and the likely continuity of management • The nature and size of the business • The spread and financial standing of customers • The financial structure of the company and gearing level • The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors • The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors 	<ul style="list-style-type: none"> • The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc. • The cyclical nature of the industry • Expected changes in interest rates • The asset backing of the underlying business of the company and the quality of the assets • The extent to which a premium for control is appropriate • Whether the assessment is consistent with historical and prospective earnings
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- 148 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Asaleo Care.

Listed company multiples

- 149 Given the lack of directly comparable companies to Asaleo Care on the ASX, we have considered the EBITDA multiples for consumer goods, health care and other manufacturing companies listed on the ASX. In addition, we have had regard to global consumer goods companies with a focus on health and hygiene products. The EBITDA multiples for these companies are set out in Appendix D, with a summary shown below:

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Listed company EBITDA multiples		
	EBITDA multiples ⁽¹⁾	
	2020	2021
	x	x
Asaleo Care	8.8	8.7
Australian companies		
Range (low to high)	7.3 – 23.4	7.3 – 16.8
Median	11.2	9.8
International companies		
Range (low to high)	6.0 – 17.9	5.9 – 15.3
Median	9.9	9.8

Note:

¹ EBITDA multiples calculated as at 28 February 2021 except for Asaleo Care, which is calculated on 9 December 2020, i.e. prior to the announcement of Essity's initial proposal to acquire Asaleo Care. Multiples have been calculated excluding the impact of AASB 16 (consistent with our valuation of Asaleo Care).

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

150 The above multiples are based on the listed market price of each company's shares and therefore exclude a premium for control. Empirical evidence from research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.

151 In addition, we note that:

- (a) as stated above, there are no directly comparable companies to Asaleo Care listed on the ASX and we have therefore had regard to companies that are generally exposed to similar industry drivers and market trends as Asaleo Care (noting these companies are also driven by sector specific factors)
- (b) the international consumer goods companies include a number of companies that are direct competitors to one or more of Asaleo Care's divisions. However, these companies are multi-national companies with operations in numerous countries and hence there are limitations with comparability to Asaleo Care
- (c) Asaleo Care licenses the Tork and TENA brands and related intellectual property from Essity. In comparison, the international consumer goods companies generally own the brands and intellectual property for the products they manufacture and sell
- (d) all of the listed companies are larger (and most are significantly larger) and have more diverse operations than Asaleo Care. In this regard, we note that the smaller listed companies are generally trading on lower multiples than the larger listed companies.

Transaction evidence

- 152 Asaleo Care sold its Australian Consumer Tissue division²⁵ during 2019 for \$180 million and the implied transaction multiple was stated as greater than 10 times EBITDA²⁶. This business had relatively low margins and experienced a relatively high level of earnings volatility due to its significant exposure to pulp prices.
- 153 Given the above, as well as a number of other differences to Asaleo Care's remaining business (such as the lack of diversification and lower quality of earnings), we consider that the appropriate EBITDA multiple applicable to the valuation of the Asaleo Care business would be higher than that reported for the sale of the Australian Consumer Tissue division.
- 154 We also note that there have been no other relevant transactions and hence transaction multiples in sectors in which Asaleo Care operates in recent years that would be indicative for the valuation of Asaleo Care²⁷.

Potential synergies

- 155 Whilst there are likely to be additional synergy benefits available to Essity given its ownership of the Tork and TENA brands and intellectual property, as well as Essity's ownership of other complementary businesses that operate in Australia and New Zealand, these synergies are not available to other consumer goods companies. As set out in RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair. The synergies available to other potential bidders²⁸ are predominantly public company costs, noting that Asaleo Care's public company costs are estimated to be approximately \$2 million per annum.
- 156 The existence of such cost saving synergies from business combinations is one of the key reasons why bidders pay a control premium to acquire a company. Accordingly, in our opinion, it is inappropriate (in the circumstances of Asaleo Care) to incorporate a separate value for synergies over and above that implicitly reflected in the controlling interest multiple applied.

Conclusion on appropriate EBITDA multiple

- 157 Based on the above, in our opinion, an EBITDA multiple range of 11.0 to 11.5 times is appropriate when applied to the underlying EBITDA for Asaleo Care (excluding the TOM Organic business) adopted for valuation purposes. This EBITDA range includes a premium for control and reflects in particular:
- (a) allowance as appropriate for the targeted growth in earnings for CY22
 - (b) the quality of earnings of the Asaleo Care business, noting that:

²⁵ To maintain critical scale in the New Zealand market, Asaleo Care maintains its New Zealand Consumer Tissue division, however this division represents a relatively small proportion of overall earnings for the Company.

²⁶ The earnings for this business were potentially at a low point in its cycle, which suggests that the EBITDA multiple would have been lower if an over the cycle multiple was calculated.

²⁷ We have considered the acquisition of TOM Organic and related implied transaction multiple in our assessed (separate) value of TOM Organic below. Given the small size of this transaction, we do not consider it representative when assessing the value of the Asaleo Care business as a whole.

²⁸ As Essity already owns 36.2% of the ordinary shares on issue in Asaleo Care, there is no realistic likelihood that a competing offer for Asaleo Care will be received prior to the Scheme meeting.



- (i) Asaleo Care has a diversified revenue stream (operating six divisions within two business segments), albeit all largely exposed to the health and hygiene sectors
- (ii) the Company sells a number of brands that are either market leading or the number two brand in each of the segments in which it operates
- (c) the proportion of sales and earnings that are attributable to brands and intellectual property that is owned by Essity (i.e. Tork and TENA) and licensed to Asaleo Care and an implicit assumption that the TMTLA with Essity will be renewed upon expiry
- (d) favourable long term trends for incontinence products in light of the ageing demographics in Australia and New Zealand
- (e) the defensive qualities of the professional hygiene market in which Asaleo Care's Professional Hygiene division operates
- (f) the impact of COVID-19 and the increasing importance of health and hygiene on the buying decisions of consumers and businesses.

158 Whilst the B2B segment is higher margin and higher growth and has a greater client diversity, it also has a higher reliance on the brands and intellectual property licensed from Essity. The Retail segment, whilst having a relatively lower reliance on Essity's brands and intellectual property, has a more concentrated customer base. On this basis we believe that the appropriate multiple for valuation purposes is relatively consistent between business segments.

159 For the TOM Organic business, in our opinion, an EBITDA multiple range of 6.5 to 7.0 times is appropriate when applied to the EBITDA adopted for valuation purposes. This EBITDA multiple range is lower than the EBITDA multiple range adopted for the existing Asaleo Care business, given that the earnings are essentially based on CY22 EBITDA, and also that a significant proportion of these projected earnings are from the realisation of expected synergies (which makes these earnings less certain).

Enterprise value under the EBITDA methodology

160 Having regard to the above, we have adopted a capitalisation of earnings based value for the Asaleo Care business of \$880 million to \$960 million, as follows:

Enterprise value – EBITDA approach		
	Low \$m	High \$m
EBITDA		
Asaleo Care (ex TOM Organic)	78.0	82.0
TOM Organic	3.0	3.0
EBITDA multiple		
Asaleo Care (ex TOM Organic) (times)	11.0	11.5
TOM Organic (times)	6.5	7.0
Enterprise value		
Asaleo Care (ex TOM Organic)	858.0	943.0
TOM Organic	19.5	21.0
Total enterprise value (as calculated)	877.5	964.0
Enterprise value range adopted	880.0	960.0

DCF methodology

Cash flow projections

- 161 As noted above, as a secondary method we have assessed the enterprise value of Asaleo Care adopting the DCF methodology. Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 162 Our DCF valuation is based on free cash flow projections derived by LEA having regard to, inter alia, five year cash flow projections prepared by Asaleo Care management and related discussions with Asaleo Care management. Whilst LEA believes the assumptions underlying the cash flow projections are reasonable and appropriate, it should be noted in respect of these projections that:
- (a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions
 - (b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions
 - (c) future profits and cash flows are inherently uncertain
 - (d) by their nature, the projections do not take into account the operational flexibility available to management to react to changes in the market conditions in which Asaleo Care operates
 - (e) the achievability of the projections is not warranted or guaranteed by Asaleo Care or LEA, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of Asaleo Care and its management; and
 - (f) actual results may be significantly more or less favourable.
- 163 Free cash flow represents the operating cash flows on an un-g geared basis (i.e. before interest) less taxation payments²⁹, capital expenditure and working capital requirements. The free cash flow on an un-g geared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.
- 164 The free cash flow projections cover the period to 31 December 2025 (being a period of five years from 1 January 2021). For valuation purposes we have assumed a commencement date of 1 January 2021. A terminal value has been adopted at the end of the forecast period.
- 165 As the detailed cash flow projections are commercially sensitive they have not been set out in our report. However, we set out below information on the major assumptions underlying the free cash flow projections.

²⁹ Also calculated on an un-g geared basis.



Major assumptions

Revenue and EBITDA

166 The revenue and EBITDA (pre AASB 16) forecasts for Asaleo Care for CY21 and CY22 are set out below³⁰.

Asaleo Care – CY20 results and CY21 and CY22 guidance			
	CY20 Actual \$m	CY21 Guidance \$m	CY22 Guidance \$m
Revenue	419.2	444.4	466.6
Underlying EBITDA (pre AASB 16)	78.2	79.0	89.6
Underlying EBITDA margin (pre AASB 16)	18.7%	17.8%	19.2%

167 For CY23 to CY25, revenue and EBITDA are forecast to grow at compound annual growth rates of 4.0% and 6.6% respectively. Forecast growth in revenue and EBITDA reflects a number of sustainable growth and cost reduction initiatives.

168 As noted in Section III, pulp costs are a major cost to Asaleo Care and represented some 15% of cost of goods sold in CY20. The increases in pulp prices in CY21 year to date, and the higher prices inferred by forward pulp contracts, have been allowed for in the cash flow forecasts.

Operating margins

169 Operating margins (EBITDA pre AASB 16) are forecast to increase from 18.7% achieved in CY20 to 20.2% in CY25. This forecast increase in operating margins reflects the combined benefit of:

- (a) continued sales growth
- (b) the abatement of stranded fixed costs and related level of operating leverage within the business
- (c) the expected reduction (as a percentage of revenue) in the operating cost base, associated with (a) and (b) above.

Capital expenditure

170 Capital expenditure comprises a mix of maintenance and growth capital expenditure:

- (a) average maintenance capital expenditure is projected to increase modestly over CY21 to CY25 in comparison to the level of expenditure in CY20 (which was \$15.2 million)
- (b) average strategic capital expenditure for the five years to CY25 is also projected to increase modestly over the level incurred in CY20 (which was \$5.3 million). Strategic capital expenditure includes allowance for:

³⁰ These forecasts are consistent with the latest guidance provided by Asaleo Care and are discussed in further detail at paragraphs 139 to 144.



- (i) the capital expenditure required to realise the scale and supply benefits (synergies) from the TOM Organic business
- (ii) continued investment in manufacturing facilities (e.g. with more efficient and flexible machinery); and
- (iii) investment in technology and information technology systems.

Working capital

- 171 As noted in Section III, working capital reduced significantly over the year to 31 December 2020, which was a reflection of shipping delays due to COVID-19, active management of accounts payable and the timing of customer receipts. We understand that some of this cash flow benefit has reversed in early CY21 and we have made allowance for this in the level of net debt adopted for valuation purposes (refer paragraph 186 below).
- 172 In addition, over the forecast period the cash flows allow for modest increases in working capital, consistent with the Company's assumed growth in revenue over this period.

Taxation

- 173 We have assumed a corporate tax rate of 29% having regard to Asaleo Care's relative exposure to the Australian (30%), New Zealand (28%) and Fijian (20%) corporate tax rates. This is also broadly consistent with Asaleo Care's historical effective corporate tax rate as well as its expected future corporate tax rate.

Synergies

- 174 As stated above, the synergies available to other potential bidders are predominantly public company costs, noting that Asaleo Care's public company costs are estimated to be approximately \$2 million per annum. These cost savings (tax effected) have been allowed for in the cash flow forecasts.

Discount rate

- 175 We have applied a (mid-point) discount rate of 8.5% per annum (after tax) for the reasons set out in Appendix C, which reflects:
- (a) a risk-free rate of 3.0% per annum
 - (b) a market risk premium of 6.5% per annum
 - (c) a beta of 0.8 to 0.9
 - (d) an additional equity risk premium of 0.5% to 1.0% per annum to recognise the risk associated with achievement of the forecast growth in revenues reflected in the cash flow forecasts
 - (e) a cost of debt of 5.0% per annum, which reflects an appropriate borrowing margin of 2.0% per annum over the adopted risk-free rate
 - (f) a corporate tax rate of 29%
 - (g) an assumption that over the long term the business operations of Asaleo Care are financed by a combination of 85% equity and 15% debt.



- 176 Based on the above (and set out in further detail in Appendix C) our adopted discount rate is derived as follows:

Asaleo Care – adopted discount rate		
	Low %	High %
Risk-free rate	3.0	3.0
Market risk premium (MRP)	6.5	6.5
Beta	0.8	0.9
Cost of equity	8.2	8.9
Additional equity risk premium	0.5	1.0
Cost of equity including additional equity risk premium	8.7	9.9
Cost of debt pre-tax	5.0	5.0
Cost of debt after tax	3.6	3.6
Proportion of equity funding	85.0	85.0
Proportion of debt funding	15.0	15.0
Weighted average cost of capital (WACC)	7.9	8.9
WACC – adopted	8.5	

Terminal value

- 177 We have estimated the terminal value of the Asaleo Care business as at 31 December 2025 based on the free cash flow projected in the year ending 31 December 2026.
- 178 Growth in perpetuity of 2.5% per annum has been assumed after 31 December 2025. The selection of this growth rate has been based on our review of:
- the growth in revenue and EBITDA projected over the period to 31 December 2025
 - the projected scale of operations as at 31 December 2025, and the potential for real growth beyond that date
 - projected and targeted long term inflation rates.
- 179 Notwithstanding the projected growth levels inherent in the cash flow forecasts, our adopted growth rate reflects a modest assumption as to continued real growth in the Asaleo Care business beyond December 2025.
- 180 The terminal value of the Asaleo Care business as at 31 December 2025 represents 9.8 times projected EBITDA in CY25 (which we consider reasonable).

Sensitivity analysis

- 181 As noted in paragraph 162 above, there are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.



182 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.

183 We set out below therefore the sensitivity of the Asaleo Care business value (on a cash and debt free basis) to changes in the key value drivers, including:

(a) differences in the terminal growth rate and the WACC:

Sensitivity analysis		WACC				
		8.0%	8.25%	8.5%	8.75%	9.0%
Terminal growth rate	1.5%	894	860	829	800	773
	2.0%	955	916	881	848	817
	2.5%	1,027	982	941	903	868
	3.0%	1,113	1,060	1,012	967	927
	3.5%	1,219	1,155	1,097	1,044	996

(b) changes in operating costs and pulp prices:

Sensitivity analysis		Changes in operating costs				
		-2.50%	-1.25%	-	+1.25%	+2.50%
Changes in pulp prices	-15.0%	1,149	1,094	1,039	984	930
	-7.5%	1,099	1,045	990	935	881
	-	1,050	995	941	886	831
	+7.5%	1,001	946	891	837	782
	+15.0%	952	897	842	788	733

Enterprise value under the DCF methodology

184 Having regard to the above, we have adopted a DCF value for the Asaleo Care business of \$900 million to \$980 million.

Enterprise value

185 Having regard to the valuation ranges for both the EBITDA and DCF methodologies, our assessed valuation range for the Asaleo Care business is as follows:

Asaleo Care – assessed enterprise (business) value		
	Low \$m	High \$m
Capitalisation of EBITDA methodology	880	960
DCF methodology	900	980
Adopted valuation range	900	960

Net debt

186 As at 31 December 2020, Asaleo Care had net debt of \$93.8 million (excluding capitalised interest). However, this amount excludes allowance for:

(a) the consideration for the acquisition of TOM Organic of \$12.75 million, which was paid during January 2021



- (b) favourable movements in working capital as at 31 December 2020, which had the effect of lowering net debt at year end, with some of this cash flow benefit having reversed early in CY21
- (c) the level of positive operating cash flow in the period from 1 January 2021 to 28 February 2021.

187 For valuation purposes we have adopted net debt of \$120 million to \$125 million. We also understand that this is broadly consistent with the actual net debt position for the Company as at 28 February 2021.

188 In addition we have allowed for the Ordinary Dividend of \$0.03 per share paid on 31 March 2021³¹ as, irrespective of the outcome of the Scheme, Asaleo Care shareholders who held the Asaleo Care shares on the record date for the Ordinary Dividend received this dividend. The amount of this payment (\$16.3 million) has therefore been included in assessing the value of Asaleo Care shares subject to the Scheme.

Other assets / liabilities

189 We have allowed for the net derivative liability position of \$7.1 million as at 28 February 2021.

190 We are not aware of any other assets which are surplus to the business operations of Asaleo Care, nor any other liabilities which should be deducted from our assessed business value.

Share capital

191 As at the date of this report, Asaleo Care had 543.1 million fully paid ordinary shares on issue, which we have adopted for valuation purposes.

Valuation summary

192 The value of 100% of Asaleo Care on a controlling interest basis is therefore as follows:

Value of Asaleo Care		
	Low \$m	High \$m
Enterprise value	900.0	960.0
Less net debt	(120.0)	(125.0)
Payment of Ordinary Dividend	(16.3)	(16.3)
Net derivative liability	(7.1)	(7.1)
Equity value	756.6	811.6
Fully diluted shares on issue (million)	543.1	543.1
Value per share (\$)	\$1.39	\$1.49

Cross-check to pre-announcement share trading range

193 We have cross-checked our assessed value of the equity in Asaleo Care to the listed market price of Asaleo Care shares prior to the announcement of Essity's initial proposal to acquire the Company. Specifically, we have considered the listed market price of Asaleo Care shares

³¹ Shares in Asaleo Care have traded ex-entitlement in relation this interim dividend since 15 March 2021.



up to 9 December 2020 (being the last day of trading prior to the announcement of Essity's initial proposal to acquire Asaleo Care), adjusted for a premium for control.

- 194 The volume weighted average share prices (VWAP) for Asaleo Care in the one and three month periods up to 9 December 2020 were \$1.00 and \$1.01 per share respectively. Empirical evidence from research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). Adding a 30% to 35% premium for control to these share prices would therefore result in a theoretical "control" value of \$1.30 to \$1.36 per share.
- 195 Our assessed valuation range is above these implied theoretical control values. However, given the prevalence of a number of major shareholders, the liquidity of Asaleo Care shares is relatively low. In addition, subsequent to the announcement of Essity's initial proposal to acquire Asaleo Care, updated information as to Asaleo Care's improved financial performance and future prospects on which our valuation is based was released to the market on 27 January 2020, with further clarification regarding its earnings prospects set out in Asaleo Care's announcement of its CY20 results (released on 17 February 2021). This information was previously unavailable to market analysts and investors and, in our opinion, when combined with the low levels of liquidity of Asaleo Care shares, may explain some of the difference between our assessed valuation range and the implied theoretical "control" value.



VII Evaluation of the Scheme

196 In our opinion, the Scheme is fair and reasonable and in the best interests of Asaleo Care shareholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

Assessment of the Scheme

Value of Asaleo Care

197 As set out in Section VI we have assessed the value of Asaleo Care between \$1.39 and \$1.49 per share. Our valuation reflects the shares that will be subject to the Scheme and allows for the payment of the Ordinary Dividend that Asaleo Care shareholders have already received irrespective of the outcome of the Scheme and that was paid prior to the Scheme meeting (provided that they held Asaleo Care shares on the record date for the Ordinary Dividend).

Value of Total Consideration

198 If the Scheme is approved and implemented, Asaleo Care shareholders will receive both the Scheme Consideration of \$1.40 per share and (at the absolute discretion of the Asaleo Care Board) the Special Dividend of \$0.02 per share. For the purpose of our evaluation of the Scheme we have assumed that the Special Dividend will be paid and that on approval and implementation of the Scheme Asaleo Care shareholders will receive in total \$1.42 per share (Total Consideration)³². We consider this assumption to be appropriate given:

- (a) the Asaleo Care Directors have advised that it is their intention to pay the Special Dividend, subject to the Scheme being approved by Asaleo Care shareholders and the Court
- (b) in our opinion, shares in Asaleo Care have traded with an expectation that the Special Dividend will be paid, subsequent to the announcement of the Scheme on 17 February 2021.

Fair and reasonable opinion

199 Pursuant to RG 111 a scheme is fair if the value of the (total) consideration to be received by security holders on approval and implementation of the scheme is equal to or greater than the value of the securities the subject of the scheme. This comparison for Asaleo Care shares is shown below:

Position of Asaleo Care shareholders	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Value of Total Consideration	1.42	1.42	1.42
Value of 100% of Asaleo Care	1.39	1.49	1.44
Extent to which the Total Consideration exceeds (or is less than) the value of Asaleo Care	0.03	(0.07)	(0.02)

³² If the Special Dividend is not declared and paid Asaleo Care shareholders will receive only the Scheme Consideration of \$1.40 per share.



- 200 As the Total Consideration lies within (albeit towards the lower end of) our assessed valuation range for Asaleo Care shares on a 100% controlling interest basis, in our opinion, the Scheme is fair to Asaleo Care shareholders when assessed based on the guidelines set out in RG 111.
- 201 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, in our opinion, the Scheme is also reasonable.
- 202 In this regard, we note that in the event that the Special Dividend is not paid, and accordingly Asaleo Care shareholders only receive the Scheme Consideration of \$1.40 per share, there will be no change to our opinion. This is because the Scheme Consideration of \$1.40 per share also lies within our assessed valuation range of Asaleo Care shares on a 100% controlling interest basis.

In the best interests

- 203 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a scheme may be “in the best interests of the members of the company” if there are sufficient reasons for shareholders to vote in favour of the scheme in the absence of a higher offer.
- 204 In our experience, if a transaction is “fair” and “reasonable” under RG 111 it will also be “in the best interests” of shareholders. This is because, if the consideration payable pursuant to a scheme is fair, shareholders are implicitly receiving consideration for their shares which is consistent with the full underlying value of those shares.
- 205 We therefore consider that the Scheme is also “in the best interests” of Asaleo Care shareholders in the absence of a superior proposal.

Other considerations

- 206 In assessing whether the Scheme is reasonable and in the best interests of Asaleo Care shareholders LEA has also considered, in particular:
- (a) the extent to which a control premium is being paid to Asaleo Care shareholders
 - (b) the extent to which Asaleo Care shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (c) the listed market price of the shares in Asaleo Care, both prior to and subsequent to the announcement of the proposed Scheme
 - (d) the likely market price of Asaleo Care shares if the proposed Scheme is not approved
 - (e) the value of Asaleo Care to an alternative offeror and the likelihood of a higher alternative offer being made for Asaleo Care prior to the date of the Scheme meeting
 - (f) the advantages and disadvantages of the Scheme from the perspective of Asaleo Care shareholders
 - (g) other qualitative and strategic issues associated with the Scheme.
- 207 These issues are discussed in detail below.



Extent to which a control premium is being paid

- 208 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares³³ three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price)³⁴. This premium range reflects the fact that:
- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
 - (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
 - (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
 - (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.
- 209 We have calculated the premium implied by the Scheme by reference to the market prices of Asaleo Care shares (as traded on the ASX) for periods up to and including 9 December 2020 (being the last full trading day prior to the announcement of Essity's initial proposal to acquire Asaleo Care).
- 210 We note that in the period up to 9 December 2020, Asaleo Care shares traded with an entitlement to the FY20 final dividend, which was subsequently announced on 17 February 2021 at an amount of \$0.03 per share (Ordinary Dividend). For implied premium calculation purposes we have therefore had regard to the total value of \$1.45 per share to be received by Asaleo Care shareholders, comprising the Scheme Consideration, the Special Dividend and the Ordinary Dividend.
- 211 The implied offer premium relative to Asaleo Care share prices up to 9 December 2020 is shown below:

³³ After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

³⁴ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2018. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.



Implied offer premium relative to recent Asaleo Care share prices		
	Asaleo Care share price	Implied offer premium
	\$	%
Total value to Asaleo Care shareholders	1.45	
Closing share price on:		
9 December 2020 ⁽¹⁾	1.01	43.6
VWAP:		
1 month up to and including 9 December 2020	1.00	44.7
3 months up to and including 9 December 2020	1.01	43.6

Note:

1 The last full trading day prior to the announcement of Essity’s initial proposal to acquire Asaleo Care.

- 212 In our opinion, more regard should be had to the VWAPs above rather than the share price on a single day (notwithstanding the consistency in the data). Having regard to the VWAPs, we note that the total value to Asaleo Care shareholders provides Asaleo Care shareholders with a premium that exceeds observed premiums generally paid in comparable circumstances.
- 213 Accordingly, in our view, relevant share trading data suggests that Asaleo Care shareholders are being appropriately compensated for the fact that 100% of control of Asaleo Care will pass to Essity if the Scheme is approved.

Extent to which Asaleo Care shareholders are being paid a share of synergies

- 214 If the Scheme is approved by Asaleo Care shareholders, Essity (through the Essity nominee) will acquire a 100% interest in Asaleo Care. As Asaleo Care will be privatised, listed company costs will be eliminated.
- 215 Further, Essity currently operates in similar business sectors to those of Asaleo Care. In the circumstances we would therefore expect Essity to be able to generate some operational synergies from the acquisition of Asaleo Care, such as:
- (a) potential savings in head office and administration costs
 - (b) potential rationalisation of office space (leasing costs); and
 - (c) improved market position (depth and breadth of services, etc.).
- 216 As noted above, the existence of synergies from business combinations is one of the reasons why bidders pay a control premium to acquire a company. In assessing the value of Asaleo Care for the purpose of this report, we have allowed an appropriate control premium in determining the value of a 100% interest in the Company³⁵. Implicitly therefore, the value of a typical level of potential synergies arising from the transaction has been reflected in our valuation assessment.

³⁵ For instance, by using comparable transaction multiples we implicitly include the share of synergies paid in those transactions.

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- 217 As further noted above, the Total Consideration to be received by Asaleo Care shareholders lies within (albeit towards the lower end of) our assessed valuation range for Asaleo Care shares on a 100% controlling interest basis. Accordingly we are of the view that an appropriate share of the value of potential synergies arising from the transaction is being paid to Asaleo Care shareholders pursuant to the Scheme.

Recent share prices subsequent to the announcement of the Scheme

- 218 Shareholders should note that Asaleo Care shares have traded on the ASX in the range of \$1.38 to \$1.45 per share in the period since the Scheme was announced up to 19 March 2021, with the VWAP for this period being \$1.42 per share. During the period prior to 15 March 2021, Asaleo Care shares traded with an entitlement to the Ordinary Dividend of \$0.03 per share. Asaleo Care shares have traded without an entitlement to the Ordinary Dividend effective 15 March 2021.
- 219 With minor exceptions, these share prices are lower than the corresponding total value of \$1.45 per share to be received by Asaleo Care shareholders and suggest that the market consensus view is that a superior offer or proposal is unlikely to emerge.
- 220 Asaleo Care shareholders considering selling their Asaleo Care shares on the ASX will need to consider brokerage costs and should note that:
- (a) the Asaleo Care share price on the ASX is subject to daily fluctuation
 - (b) Asaleo Care shareholders who sell their Asaleo Care shares on the ASX will not obtain the benefit of any superior proposal should this eventuate.

Likely price of Asaleo Care shares if the Scheme is not implemented

- 221 If the Scheme is not implemented we expect that, at least in the short term, Asaleo Care shares will trade at a significant discount to our valuation and the Total Consideration due to the difference between the value of Asaleo Care shares on a portfolio basis and their value on a 100% takeover basis. In this regard we note that Asaleo Care shares last traded at \$1.01 per share on 9 December 2020 (being the last full trading day prior to the announcement of Essity's initial proposal to acquire Asaleo Care), at which time Asaleo Care shares also traded with an entitlement to the Ordinary Dividend.
- 222 If the Scheme is not implemented those Asaleo Care shareholders who wish to sell their Asaleo Care shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will be payable under the Scheme.

Likelihood of an alternative offer

- 223 We have been advised by the Directors of Asaleo Care that no formal alternative offers have been received subsequent to the announcement of the Scheme on 17 February 2021.
- 224 In this regard, in considering the Scheme, Asaleo Care shareholders should also note that as Essity already owns 36.2% of the ordinary shares on issue in Asaleo Care, there is no realistic likelihood that a competing offer for Asaleo Care will be received prior to the Scheme meeting.



Summary of opinion on the Scheme

225 In our opinion, the Scheme has the following benefits for Asaleo Care shareholders:

- (a) the Total Consideration of \$1.42 per share is consistent with (albeit towards the low end of) our assessed value range for Asaleo Care shares on a 100% controlling interest basis
- (b) the total value of \$1.45 per share (being the Total Consideration plus the Ordinary Dividend) represents a significant premium to the market prices of Asaleo Care shares prior to the announcement on 10 December 2020 of Essity's initial proposal to acquire Asaleo Care
- (c) furthermore, the premium exceeds observed premiums generally paid to target company shareholders in comparable circumstances
- (d) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Asaleo Care shares is likely to trade at a significant discount to our valuation and the Total Consideration due to the portfolio nature of individual shareholdings.

Disadvantages

226 Asaleo Care shareholders should note that if the Scheme is approved and implemented they will no longer hold an interest in Asaleo Care. Asaleo Care shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Total Consideration.

227 However, as our assessed value of Asaleo Care shares is consistent with the Total Consideration, in our opinion, the present value of Asaleo Care's future potential is appropriately reflected in the Total Consideration.

Conclusion

228 Given the above analysis, we consider the acquisition of Asaleo Care shares under the Scheme is fair and reasonable and in the best interests of Asaleo Care shareholders in the absence of a superior proposal.



Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to Asaleo Care shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$180,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.



Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm’s profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
 64 Castlereagh Street
 Sydney NSW 2000
 (or GPO Box 1640, Sydney NSW 2001)

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Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Jorge Resende and Mr Martin Holt, who are each authorised representatives of LEA. Mr Resende and Mr Holt have over 20 years and 35 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Independent Board Committee of Asaleo Care to accompany the Scheme Booklet to be sent to Asaleo Care shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of Asaleo Care shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Resende nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Asaleo Care agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Asaleo Care which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

Appendix C

Assessment of discount rate

Principles

- 1 The determination of the discount rate or cost of capital for an asset requires identification and consideration of the factors that affect the returns and risks of that asset, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the asset.
- 2 The discount rate applied to the projected cash flows from an asset or business represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the asset or business. Discount rates for assets or businesses are frequently evaluated using the WACC which is a function of the cost of equity and the cost of debt (and related debt to equity levels).

WACC

- 3 The generally accepted WACC formula is the post-tax WACC (without adjustment for dividend imputation), as shown below:

WACC formula

$$WACC = R_e \frac{E}{V} + R_d(1 - t) \frac{D}{V}$$

where:

- R_e = expected equity investment return or cost of equity in nominal terms
- R_d = interest rate on debt (pre-tax)
- t = corporate tax rate
- E = market value of equity
- D = market value of debt
- V = market value of debt plus equity

- 4 We have used the capital asset pricing model to derive the cost of equity for Asaleo Care. The formula for deriving the cost of equity using the capital asset pricing model is as follows:

Cost of equity calculation

$$R_e = R_f + \beta_e [E(R_m) - R_f]$$

where:

- R_e = expected equity investment return or cost of equity in nominal terms
- R_f = risk-free rate of return
- $E(R_m)$ = expected market return
- $E(R_m) - R_f$ = market risk premium (MRP)
- β_e = equity beta

- 5 It is appropriate to use a debt cost equivalent to that likely to be incurred by Asaleo Care assuming it were to raise debt finance in the capital market on the valuation date. Since interest costs are tax deductible we have made an adjustment to reduce the debt cost by its tax rate.



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- 6 The elements adopted in the calculation of the discount rate for Asaleo Care using the WACC are detailed as follows.

Discount rate for Asaleo Care

Risk-free rate

- 7 For the purpose of our valuation of Asaleo Care we have adopted a long-term risk-free rate of 3% per annum, which is broadly consistent with the yield on the 31-year Australian Commonwealth Government Bond of 2.9% per annum as at 28 February 2021 (note, this is the longest term Australian Commonwealth Government Bond on issue).

Market risk premium

- 8 The MRP represents the additional return above the risk-free rate that investors require in order to invest in a well-diversified portfolio of equity securities (i.e. the equity market as a whole). Having regard to academic studies and empirical evidence, as well as the average market risk premium calculated over the longer term, we have adopted a long-term MRP of 6.5%.

Equity beta

- 9 In determining the appropriate equity beta for Asaleo Care, we have considered (inter-alia):
- (a) the risks associated with the business of Asaleo Care
 - (b) the beta estimates for consumer goods, health care and other manufacturing companies operating in Australia as well as global consumer goods companies with a focus on health and hygiene products
 - (c) the beta estimates for Asaleo Care and relevant industry sectors.

Risk factors of Asaleo Care

- 10 We have considered the key business risks associated with Asaleo Care which are summarised below:
- (a) market power of retail customers – a significant proportion of Asaleo Care’s revenue is generated from major supermarkets and there is the potential for these customers to use their commercial leverage to petition for lower prices, demand higher trade discounts and impose additional commercial and operational conditions
 - (b) competition risks – Asaleo Care’s market share may be negatively impacted by competitor activity, including new market entrants or the release of more advanced products
 - (c) brand reputation risks – the Company is reliant on the reputation of its key brands³⁶. Any factors or events that diminish the reputation of Asaleo Care, its key brands or related intellectual property may adversely affect the Company’s operating and financial performance

³⁶ Including those licensed from Essity.

Appendix C

- (d) input price risks – the Company is exposed to risks associated with the volatility and prices of pulp and other commodities
- (e) exchange rate risk – Asaleo Care’s financial reports are prepared in Australian dollars, however a proportion of its cash flows are generated in New Zealand dollars (the Company also has a small exposure to Fijian dollars). The Company also sources raw materials and finished goods in currencies other than Australian dollars
- (f) manufacturing disruption risk – Asaleo Care manufactures its products at three sites across Australia, New Zealand and Fiji³⁷. A disruption at any of these facilities has the potential to adversely affect production capacity and earnings
- (g) commercial agreement renewal risk – Asaleo Care’s TMTLA with Essity is discussed in Section III (paragraph 67). The TMTLA has an expiry date of 2027, however, there is an option to extend it to 2032 by mutual agreement.

Betas of comparable companies

- 11 The equity betas of consumer goods, health care and other manufacturing companies operating in Australia as well as global consumer goods companies with a focus on health and hygiene products are as follows:

Listed company betas						
Company	Market value⁽¹⁾ A\$bn	Gearing⁽²⁾ %	Bloomberg		Rozetta Technology	
			beta⁽³⁾	RSQ⁽⁴⁾	beta⁽⁵⁾	RSQ⁽⁴⁾
Asaleo Care	0.5	18%	0.40	0.02	0.79	0.03
Australian companies						
Ansell	4.6	5%	0.65	0.23	0.87	0.20
Orora	2.7	10%	0.61	0.16	0.77	0.18
Blackmores	1.6	(5)%	0.36	0.02	1.29	0.11
Pact Group Holdings	1.1	35%	1.33	0.25	1.69	0.24
Sigma Healthcare	0.7	10%	0.24	0.01	1.34	0.10
		Average	0.64		1.19	
		Median	0.61		1.29	
International companies						
Procter & Gamble	394.7	6%	0.42	0.19	na	na
Kimberly-Clark	56.3	16%	0.51	0.26	na	na
Unicharm	31.9	17%	0.17	0.01	na	na
Essity	27.4	(10)%	0.39	0.12	na	na
Hengan International Group	10.6	(5)%	0.52	0.12	na	na
Vinda International Holdings	4.6	13%	0.48	0.05	na	na
Ontex Group	1.1	49%	0.57	0.07	na	na
		Average	0.45			
		Median	0.49			

³⁷ Noting Fiji represents only a small proportion of overall production capacity.



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Note:

- 1 Market capitalisation obtained from Bloomberg as at 28 February 2021 (excluding Asaleo Care which is as at 9 December 2020).
 - 2 Gearing equals net debt divided by enterprise value. Negative levels indicate a net cash position.
 - 3 Based on four years of monthly returns to 28 February 2021 (excluding Asaleo Care which is based on four years of monthly returns to 9 December 2020).
 - 4 R-squared (RSQ) measures the reliability of the beta estimate. Industry sector betas generally have a higher RSQ value and are typically more reliable.
 - 5 As at 31 December 2020 (being the most current data available) and based on 47 monthly returns. Rozetta Technology has excluded the share trading in March 2020 given the additional volatility caused by the COVID-19 pandemic.
- na – not available.

- 12 The above betas vary widely which reflects differences in size, leverage and operational risks. None of the other listed companies are directly comparable to Asaleo Care and all are much larger in size. Individual stock betas are also generally less reliable than industry betas. As a result, it is important to also consider the related RSQ values shown above.

Historical betas of Asaleo Care relative to sector beta

- 13 The table below shows the historical beta estimates of Asaleo Care, and the betas for the Australian consumer goods industry:

Asaleo Care / Sector betas				
Data period Ended	Asaleo Care		Consumer goods sector ⁽¹⁾	
	beta ⁽²⁾	RSQ ⁽²⁾	beta ⁽²⁾	RSQ ⁽²⁾
31 December 2020 ⁽³⁾	0.79	0.03	0.67	0.24
31 December 2019	0.04	0.00	0.76	0.28
31 December 2018	nm	0.00	0.76	0.40
31 December 2017	nm	0.00	0.88	0.43

Note:

- 1 Includes the constituents of the Consumer Staples – Food and Staples and Consumer Staples – Household & Personal Products industry groups.
 - 2 Beta based on 47 monthly returns.
 - 3 Being the most current data available. The share trading in March 2020 has been excluded from the analysis by Rozetta Technology given the additional volatility caused by the COVID-19 pandemic.
- Source:** Rozetta Technology.

- 14 As evidenced by the low RSQ values of individual companies, the betas of individual stocks (including Asaleo Care), are significantly less reliable than the betas for industry sectors. In addition, the beta for Asaleo Care has very low RSQ values, in part due to low levels of liquidity of the shares of the Company (given the large portion of shares held by the top four shareholders³⁸). Accordingly, we believe most reliance should be placed on the industry or sector betas.
- 15 In addition, we have also considered the following sector betas derived from the United States of America (US) markets:

³⁸ These shareholders collectively own 67.4% of Asaleo Care shares.

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Sector betas	No. of companies in sector	Gearred beta	Ungearred beta
Consumer Goods / Household Products	140	0.73	0.66

Source: pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html.

Conclusion

- 16 Having regard to the above, and in particular the reliability of the beta estimates, the long-term beta estimates of relevant industry sectors and the relative volatility of the Company, we have adopted an equity beta of 0.8 to 0.9 for Asaleo Care.

Additional equity risk premium

- 17 An additional risk premium of 0.5% to 1.0% per annum has been included to recognise the risk associated with achievement of the forecast growth in revenues and earnings reflected in cash flow forecasts adopted for valuation purposes.

Cost of debt

- 18 A long term cost of debt of 5.0% per annum has been adopted. This reflects a borrowing margin of around 2.0% above the risk-free rate. In forming this opinion, we have also considered the terms of Asaleo Care's current debt facilities, which comprises a mixture of bank loans (for which Asaleo Care pays a weighted average variable interest rate of 1.7% per annum), and its Series A and Series B notes for which the Company pays a fixed rate of 4.7% and 5.1% per annum respectively.

Debt to debt plus equity ratio

- 19 We have assumed that over the long term the business operations of Asaleo Care are financed by a combination of 85% equity and 15% debt (broadly consistent with the existing funding mix of the business). This level is also broadly consistent with the listed companies shown in the table at paragraph 11.

Corporate tax rate

- 20 We have assumed a corporate tax rate of 29% having regard to Asaleo Care's relative exposure to the Australian (30%), New Zealand (28%) and Fijian (20%) corporate tax rates. This is also broadly consistent with Asaleo Care's historical effective corporate tax rate as well as its expected future corporate tax rate.

Calculation of nominal WACC

- 21 Based on the above, the discount rate range for Asaleo Care is as follows:



Appendix C

Asaleo Care – assessment of discount rate		
Parameters	Low	High
	%	%
Beta	0.8	0.9
MRP	6.5	6.5
Risk-free rate	3.0	3.0
Cost of equity	8.2	8.9
Additional risk premium	0.5	1.0
Adjusted cost of equity	8.7	9.9
Cost of pre-tax debt	5.0	5.0
Tax rate	29.0	29.0
Cost of post-tax debt	3.6	3.6
Proportion of equity funding (%)	85.0	85.0
Proportion of debt funding (%)	15.0	15.0
WACC / discount rate (after tax)	7.9	8.9

- 22 Accordingly, for the purposes of our calculations we have adopted a (post-tax) discount rate of 8.5% per annum (around the midpoint of the discount rate range calculated above).

Appendix D

Listed company multiples

- 1 The implied EBITDA multiples for consumer goods, health care and other manufacturing companies listed on the ASX, as well as global consumer goods companies with a focus on health and hygiene products are set out below, with a brief description of their respective business activities following:

Listed company trading multiples ⁽¹⁾					
	Financial year end ⁽²⁾	Enterprise value ⁽³⁾ A\$m	EBITDA multiples		
			2020 ⁽⁴⁾⁽⁵⁾ x	2021 ⁽⁵⁾ x	2022 ⁽⁵⁾ x
Asaleo Care	31 Dec	669	8.8	8.7	8.2
Australian companies					
Ansell	30 Jun	4,888	11.2	11.3	10.9
Orora	30 Jun	2,974	10.2	9.8	9.2
Blackmores	30 Jun	1,498	23.4	16.8	14.0
Pact Group Holdings	30 Jun	1,726	7.3	7.3	6.8
Sigma Healthcare	30 Jun	783	11.4	9.7	8.6
International companies					
Procter & Gamble	30 Jun	420,204	15.2	14.5	13.6
Kimberly-Clark	31 Dec	67,193	12.0	11.8	11.4
Essity	31 Dec	35,148	9.9	9.8	9.1
Unicharm	31 Dec	29,714	17.9	15.3	14.7
Hengan International Group	31 Dec	10,141	7.4	7.1	6.8
Vinda International Holdings	31 Dec	5,308	8.9	8.5	7.8
Ontex Group	31 Dec	2,166	6.0	5.9	5.6

Note:

- 1 Enterprise value and earnings multiples calculated as at 28 February 2021 except for Asaleo Care, which is calculated on 9 December 2020, i.e. prior to the announcement of Essity's initial proposal to acquire Asaleo Care. Multiples have been calculated excluding the impact of AASB 16.
- 2 For those companies with a financial year ending 30 June the EBITDA multiples for 2020 are based on forecast earnings. For those companies with a financial year end 31 December the EBITDA multiples for 2020 are based on historical earnings.
- 3 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, market capitalisation adjusted for material option dilution and excludes surplus assets.
- 4 Historical earnings are based on latest statutory full year accounts and exclude non-recurring items.
- 5 Forecast earnings are based on Bloomberg average analyst forecasts.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.



Appendix D

Australian companies

Ansell Ltd

- 2 Ansell is a global provider of latex gloves and protective personal equipment to the industrial and medical end markets. Its industrial business provides high-performance hand and chemical protective clothing solutions for industrial applications in the automotive, chemical, first responder, machinery and equipment, food, oil and gas, construction, mining and metal fabrication industries. Its healthcare business manufactures medical gloves, garments and consumables used by healthcare, life sciences and industrial workers.

Orora Ltd

- 3 Orora is a packaging manufacturer, distributor and visual communication solutions company. The company provides packaging products such as glass bottles, beverage cans, corrugated boxes, recycled paper and point of purchase displays. It also offers broad end-to-end packaging solutions and complementary services, including global product sourcing, distribution, design, printing and warehouse optimisation. Orora employs over 3,800 staff throughout Australia, New Zealand, China, the United Kingdom, Mexico, the US and Canada.

Blackmores Ltd

- 4 Blackmores is a natural health supplements company, providing a range of vitamins, minerals, herbs and nutrients. The company's brands include Blackmores, PAW, Fusion Health, Oriental Botanicals and Impromy. Products are distributed through retail pharmacies, supermarkets, health food stores, mass merchants and distributors. Blackmores produces 550 labels in 12 markets, employing over 1,400 people.

Pact Group Holdings Ltd

- 5 Pact Group Holdings primarily manufactures rigid plastic packaging products in Australia, New Zealand and Asia, with a growing focus on recycling and sustainability services. The company also provides materials handling and pooling services as well as contract manufacturing services in Australia for the home, hygiene, personal care and health and wellness categories. Pact Group Holdings employs 6,000 staff across 15 countries.

Sigma Healthcare Ltd

- 6 Sigma Healthcare is a wholesale and distribution business servicing community and hospital pharmacies. The company provides retail support services to independent pharmacies and branded network pharmacy members, including Amcal, Guardian, Discount Drug Stores, Pharmasave, Chemist King and Whole Life. Through its network infrastructure, the company also offers third and fourth party logistics services to pharmaceutical manufacturers and other supplier partners.

International companies

The Procter & Gamble Company

- 7 Procter & Gamble is a global multinational branded consumer goods company, operating through five segments (Beauty, Grooming, Health Care, Fabric and Home Care, and Baby, Feminine and Family Care). It sells products in over 180 countries through mass merchandisers, supermarkets, pharmacies, department stores, distributors, baby stores, beauty

Appendix D

stores and online channels. Procter & Gamble's brands include Olay, Old Spice, Safeguard, Head & Shoulders, Pantene, Rejoice, Gillette, Prestobarba, Venus, Cascade and Febreze.

Kimberly-Clark Corporation

- 8 Kimberly-Clark manufactures and markets products made from natural or synthetic fibres, selling disposable diapers, baby wipes, paper towels, tissues, soaps, sanitisers, feminine and incontinence care products and other related products and services. The company is structured around its Personal Care, Consumer Tissue, K-C Professional³⁹ and Corporate and Other divisions. It operates in over 175 countries, selling products through supermarkets, mass merchandisers, pharmacies, warehouse clubs and other retail outlets.

Essity AB

- 9 Essity is a leading global hygiene and health company dedicated to improving well-being through its products and services. It is headquartered in Stockholm, Sweden and is listed on the Swedish stock exchange (Nasdaq Stockholm). The company sells products in approximately 150 countries⁴⁰ under the leading global brands TENA and Tork, together with other brands including Leukoplast, Cutimed, JOBST, Delta Cast, Delta Lite and Actimove. Essity has around 46,000 employees.

Unicharm Corp

- 10 Unicharm is a Japanese based company that manufactures and sells baby care, feminine care, healthcare and pet-care products. The company operates across five business segments, including Baby and Child Care (disposable diapers and wipes), Feminine Care (feminine pads, tampons and panty liners), Health Care (non-woven fabric masks, powder puffs and incontinence products), Clean and Fresh (home care, personal care and kitchen care products, wet tissue products and paper towels) and Pet Care (pet food products and pet toiletry products). Unicharm's brands include moony, Silcot, Wave, Sofy and Lifree.

Hengan International Group Co Ltd

- 11 Hengan International Group manufactures, distributes and sells personal hygiene products, including sanitary products, disposable diapers and tissue papers as well as skin care and food and snack products. Its brands include Heattex, Pino, Bamboo, Missmay, Banitore, Bendi, Heattex, H'Yeas and Homeline. The company is also engaged in trading and procurement businesses. Hengan International Group employs 25,000 staff across 63 countries.

Vinda International Holdings Ltd

- 12 Vinda International Holdings primarily manufactures and sells hygiene products. The company operates four core business segments, namely Tissue, Incontinence Care, Feminine Care and Baby Care. Its products include tissue, napkins, toilet paper, liquid soaps, dispensers, diapers, pants, pads, baby wet wipes and other related accessories. The company is 51.8% owned by Essity and licenses products and intellectual property from Essity. Its brands are therefore a combination of company owned and licensed brands, which include

³⁹ The major competitor to the Tork brand.

⁴⁰ Either directly or under licence arrangements such as those with Asaleo Care.



Appendix D

Tork, TENA, Dr. P, Libresse, VIA, Libero, Drypers and Vinda napkins. Vinda International Holdings employs over 10,900 staff.

Ontex Group NV

- 13 Ontex Group is a Belgium based company that manufactures disposable personal hygiene solutions for adults and babies. Its products include pads, panty liners, tampons, light incontinence products, pull-ups, belt diapers, baby diapers, baby pants and wet wipes. Ontex Group distributes its products through retailers, care institutions and pharmacies under both private label brands and Ontex Group's company owned brands (which include canbebe, canped and Moltex). The company operates in Europe, North America, Brazil, North Africa, Australia and Asia.

Appendix D

Glossary

Term	Meaning
AASB	Australian Accounting Standards Board
AASB 16	AASB 16 – <i>Leases</i>
AFCA	Australian Financial Complaints Authority
Agreement	Scheme Implementation Agreement between Asaleo Care and Essity dated 17 February 2021 as amended on 31 March 2021
Asaleo Care / Company	Asaleo Care Limited
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
B2B	Business to business
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Corporations Regulations	<i>Corporations Regulations 2001</i>
CY	Calendar year
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
Essity	Essity Group Holding BV
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
LEA	LonerGAN Edwards & Associates Limited
MRP	Market risk premium
NPV	Net present value
Ordinary Dividend	Ordinary dividend of \$0.03 per share paid on 31 March 2021 to Asaleo Care shareholders who held Asaleo Care shares on the applicable record date
Permitted Dividends	The Ordinary Dividend and Special Dividend
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
RSQ	R-squared
SCA	Svenska Cellulosa AB
Scheme	Scheme of arrangement between Asaleo Care and its shareholders to implement the Agreement
Scheme Consideration	\$1.40 total per Asaleo Care share
Special Dividend	A special dividend of \$0.02 per share to be paid at the discretion of the Asaleo Care Board to Asaleo Care shareholders who hold Asaleo Care shares on the applicable record date
TMTLA	Trade Mark and Technology Licensing Agreement
Total Consideration	\$1.42 per Asaleo Care share
US	United States of America
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WANOS	Weighted average number of shares outstanding

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ASALEO CARE

Annexure B – Scheme Implementation Agreement



CONFORMED COPY

Scheme Implementation Agreement

Dated 17 February 2021, as amended on 31 March 2021

Essity Group Holding BV ("**Bidder**")

Asaleo Care Limited (ACN 154 461 300) ("**Target**")

King & Wood Mallesons

Level 27
Collins Arch
447 Collins Street
Melbourne VIC 3000
Australia
T +61 3 9643 4000
F +61 3 9643 5999
DX 101 Melbourne
www.kwm.com

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Scheme Implementation Agreement

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Scheme Implementation Agreement

Details

Parties	Bidder and Target	
Bidder	Name	Essity Group Holding BV
	Formed in	Netherlands
	Address	Postbus 670, 3700AR Zeist Netherlands
	Email	mikael.schmidt@essity.com
	Attention	Mikael Schmidt, SVP and General Counsel
		With a copy to MinterEllison: Jeremy.Blackshaw@minterellison.com Alberto.Colla@minterellison.com
Target	Name	Asaleo Care Limited
	ACN	154 461 300
	Formed in	Australia
	Address	30-32 Westall Road Springvale VIC 3171 Australia
	Email	James.Orr@asaleocare.com
	Attention	James Orr, General Counsel and Company Secretary
	With a copy to King & Wood Mallesons: Diana.Nicholson@au.kwm.com	
Governing law	Victoria, Australia	
Recitals	A	The Target and the Bidder have agreed to merge by means of a members' scheme of arrangement under Part 5.1 of the Corporations Act.
	B	At the request of the Bidder, the Target intends to propose the Scheme and issue the Scheme Booklet.

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- C** The Target and the Bidder have agreed to implement the Scheme on the terms and conditions of this document.

Scheme Implementation Agreement

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

Accounting Standards means:

- (a) the applicable accounting standards made by the relevant regulatory body, and the requirements relating to the preparation and content of accounts; and
- (b) generally accepted accounting principles that are consistently applied, except those inconsistent with the standards or requirements referred to in paragraph (a).

Adviser means, in relation to a party, a financial, corporate, legal, accounting adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Scheme by the party.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act, as if section 12(1) of the Corporations Act included a reference to this document.

ASX means ASX Limited or the market operated by it, as the context requires.

Authorised Officer means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

Bidder Board means the board of directors of the Bidder.

Bidder Group means the Bidder and each of its Related Bodies Corporate.

Bidder Indemnified Parties means the Bidder, its officers, employees, and Advisers and, where relevant, its Related Bodies Corporate and the officers, employees and Advisers of each of its Related Bodies Corporate.

Bidder Information means the information regarding the Bidder as is required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60. Bidder Information does not include information about the Target Group (except to the extent it relates to any statement of intention relating to the Target Group following the Effective Date).

Bidder Nominee means any wholly-owned Subsidiary of the Bidder nominated by the Bidder to acquire Scheme Shares under the Scheme in accordance with clause 2.3.

Break Fee means \$4,855,967 being less than 1% of the total Scheme Consideration payable to all Scheme Participants (excluding GST).

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Business Day means any day for which banks are open for business in Melbourne, Victoria (not being a Saturday, Sunday or public holiday in such place).

Competing Transaction means a proposal, transaction or arrangement (whether by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise) which, if completed, would mean a person (other than the Bidder or its Related Bodies Corporate) whether alone or together with its Associates would:

- (a) directly or indirectly, acquire an interest or Relevant Interest in or become the holder of 10% or more of the Target Shares (other than as custodian, nominee or bare trustee);
- (b) acquire control of the Target, within the meaning of section 50AA of the Corporations Act;
- (c) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all or a substantial part or a material part of the assets of or business conducted by the Target Group; or
- (d) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with the Target.

Conditions Precedent means the conditions precedent set out in clause 3.1.

Confidentiality Agreement means the Confidentiality Agreement between the parties dated 9 February 2021.

Confidential Information has the meaning given to it in the Confidentiality Agreement.

Controller has the meaning it has in the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Costs includes costs, charges and expenses, including those incurred in connection with Advisers and any legal costs on a full indemnity basis.

Court means the Federal Court of Australia (Melbourne registry), or such other court of competent jurisdiction under the Corporations Act agreed by the parties.

Data Room means the electronic data room established by the Target in connection with the Scheme, hosted by Ansarada and made available to the Bidder Group and its Representatives.

Deed Poll means a deed poll substantially in the form of Annexure C to this document or as otherwise agreed by the Bidder and the Target under which each of the Bidder and Bidder Nominee covenants in favour of each Scheme Participant to perform the actions attributed to it under the Scheme.

Details means the section of this document headed "Details".

Due Diligence Materials means the written information disclosed by or on behalf of the Target and its Subsidiaries (including management presentations and all written responses provided in response to written questions or requests for information) to the Bidder or any of its Representatives in the Data Room prior to the date of this document, as evidenced by the Ansarada 'Project Tango' electronic archive provided by the Target to the Bidder or one of its Advisers prior

to or promptly after the execution of this document (a copy of such archive to be sent by USB to the Bidder's financial Adviser following execution).

Effective, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Employee Share Right means a share right issued under the Employee Incentive Plan operated by the Target Group.

End Date means 30 September 2021.

Exclusivity Period means the period commencing on the date of this document and ending on the earliest of:

- (a) the Effective Date;
- (b) the End Date; and
- (c) the termination of this document in accordance with its terms.

Fairly Disclosed means disclosed:

- (a) by the Target in the Due Diligence Materials;
- (b) in a Transaction Document;
- (c) in any announcement made by the Target on the ASX; or
- (d) in discussions with, or otherwise provided by, any Bidder Group nominee on the Target Board (past or present) to a member of the Bidder Group, within the period from 30 June 2020 to the date of this document,

to a sufficient extent and in sufficient detail so as to enable a reasonable person who is experienced in transactions similar to the Scheme, or experienced in a business similar to the type of business generally conducted by the Target, to identify the nature and scope of the relevant matter, event or circumstance, and having regard to the fact that the Bidder Group is a major supplier to the Target Group, and the Target Group operates under extensive commercial arrangements with the Bidder Group, including as to intellectual property, which necessarily requires the frequent exchange of information in the ordinary course of business.

Financial Indebtedness means any debt or other monetary liability (whether actual or contingent) in respect of monies borrowed or raised or any financial accommodation including under or in respect of any:

- (a) borrowing from any bank or other financial institution;
- (b) bill, bond, debenture, note or similar instrument;
- (c) acceptance, endorsement or discounting arrangement;
- (d) guarantee;
- (e) finance or capital lease;

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- (f) agreement for the deferral of a purchase price or other payment in relation to the provision of services other than in the ordinary course of business of the Target Group.

FIRB means the Foreign Investment Review Board.

FIRB Act means the *Foreign Acquisitions and Takeovers Act 1975* (Cth).

First Court Date means the first day on which an application made to the Court, in accordance with clause 5.2(h), for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Target Shareholders present and voting, either in person or by proxy.

Implementation Date means the 7th Business Day following the Scheme Record Date or such other date as the parties agree.

Incoming Directors means the persons nominated in writing by the Bidder to the Target at least 3 Business Days prior to the Implementation Date as new Target directors.

Independent Expert means the independent expert appointed by the Target under clause 5.2(c).

Independent Expert's Report means the report from the Independent Expert for inclusion in the Scheme Booklet, including any update or supplementary report, stating whether in the Independent Expert's opinion the Scheme is in the best interests of Target Shareholders.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property;
- (c) it is subject to any arrangement (including a deed of company arrangement or scheme of arrangement), assignment, moratorium, compromise or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document);
- (d) an application or order has been made (and in the case of an application which is disputed by the person, it is not stayed, withdrawn or dismissed within 14 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of the things described in any of the above paragraphs;
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand;

- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this document reasonably deduces it is so subject);
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to any of the things described in the above paragraphs happens in connection with that person under the law of any jurisdiction.

Interested Directors means the following directors of the Target:

- (a) Mats Berencreutz; and
- (b) Marie-Laure Mahé.

Listing Rules means the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.

Losses means all claims, demands, damages, losses, costs, expenses and liabilities.

Material Adverse Change means:

- (a) an event, change, condition, matter, thing or circumstance that occurs, is announced or becomes known to the Bidder or the Target Board (in each case whether or not it becomes public) after the date of this document which (in each case determined in accordance with Accounting Standards):
 - (i) has or could reasonably be expected to have individually or when aggregated with all such events, changes, conditions, matters, things or circumstances the effect of diminishing the net assets of the Target Group as reported in the Target's financial statements for the full year ended 31 December 2020 by 15% or more; or
 - (ii) has or could reasonably be expected to have individually or when aggregated with all such events, changes, conditions, matters, things or circumstances the result of a diminution in the annual consolidated EBITDA of the Target Group as reported in the Target's financial statements for the full year ended 31 December 2020 of 15% or more,

but excluding any event, change, condition, matter, thing or circumstance:

- (b) required or permitted to be done or procured by the Target under this document or the Scheme, including the declaration and payment of the Permitted Dividends;
- (c) arising from any action taken, or not taken, by a member of the Bidder Group;
- (d) which the Bidder has previously approved in writing;
- (e) to the extent it was Fairly Disclosed or otherwise disclosed in documents that were publicly available in the 12 months prior to the date of this document from filings of the Target with ASX or ASIC;
- (f) that is known to the Bidder Group, including through its business and commercial dealings with the Target Group;

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- (g) relating to reasonable costs and expenses incurred by the Target associated with the Scheme process, including all fees payable to Advisers of the Target;
- (h) comprising a change in any applicable law or a change in Accounting Standards or the interpretation of Accounting Standards;
- (i) relating to the COVID-19 global pandemic or any related epidemic or pandemic, including the outbreak, escalation or any impact of, or recovery from, COVID-19 (including any a mutation, variation or derivative of the COVID-19 virus); or
- (j) relating to any material adverse change or major disruption to the existing financial markets, political or economic conditions of Australia or New Zealand, excluding any events, changes, conditions, matters, things or circumstances which have a disproportionate effect on the Target Group as compared to other participants in the industries in which the Target Group operates (“**Excluded Event**”). However, for the purpose of this clause (j), the following will not be an Excluded Event even if they have a disproportionate effect on the Target: (i) changes in foreign exchange rates or interest rates, and (ii) any industry-wide changes relating to any material adverse change or major disruption to commodity markets or prices, including for pulp, transport and energy.

OIO means the NZ Overseas Investment Office.

Ordinary Dividend has the meaning given to it in clause 4.6(a).

Outgoing Directors means the Target directors (if any) notified in writing by Essity to the Target at least 3 Business Days prior to the Implementation Date.

Permitted Dividends means the Ordinary Dividend and Special Dividend.

Register means the share register of the Target.

Regulator’s Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Approval means any approval of a Regulatory Authority to the Scheme or any aspect of it which is necessary to implement the Scheme.

Regulatory Authority includes:

- (a) ASX, ASIC and the Takeovers Panel;
- (b) a government or governmental, semi-governmental or judicial entity or authority in Australia;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government in Australia; and
- (d) any regulatory organisation in Australia established under statute.

Related Body Corporate has the meaning it has in the Corporations Act.

Relevant Interest has the meaning it has in sections 608 and 609 of the Corporations Act.

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Representative means, in relation to a party:

- (a) a Related Body Corporate;
- (b) a director, officer or employee of the party or any of the party's Related Bodies Corporate; or
- (c) an Adviser to the party or any of the party's Related Bodies Corporate.

Reverse Break Fee means \$4,855,967, being less than 1% of the total Scheme Consideration payable to all Scheme Participants (excluding GST).

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act under which all the Target Shares will be transferred to the Bidder Nominee substantially in the form of Annexure B or such other form as agreed to in writing by the Target and the Bidder prior to submission of the Regulator's Draft to ASIC, each acting reasonably including having due regard to:

- (a) the Bidder's bona fide structuring requirements and preferences including a potential alternative form of Scheme communicated by the Bidder to the Target prior to the date of this document; and
- (b) the overriding imperative of preserving the economic terms, intended benefit and level of certainty of the Scheme, as publicly announced on execution of this document, for the benefit of Target Shareholders (other than the Bidder or a member of the Bidder Group),

together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Target Shareholders which includes the Scheme, an explanatory statement complying with the requirements of the Corporations Act and notices of meeting and proxy forms.

Scheme Consideration means the consideration payable by the Bidder for the transfer of Target Shares held by a Scheme Participant to the Bidder Nominee, being, in respect of each Target Share, \$1.40.

Scheme Meeting means the meeting of Target Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Participants means each person who is a Target Shareholder at the Record Date.

Scheme Record Date means 5.00pm on the 7th Business Day following the Effective Date or such other time and date as the parties agree in writing.

Scheme Share means a Target Share on issue as at the Scheme Record Date.

Second Court Date means the first day on which an application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard (as agreed between the parties) or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard (as agreed between the parties).

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Share Splitting means the splitting by a holder of Target Shares into two or more parcels of Target Shares whether or not it results in any change in beneficial ownership of the Target Shares.

Special Dividend has the meaning given to it in clause 4.6(b).

Subsidiary of an entity means another entity which:

- (a) is a subsidiary of the first entity within the meaning of the Corporations Act; and
- (b) is part of a consolidated entity constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares or would be, if the first entity was required to prepare consolidated financial statements.

A trust may be a subsidiary (and an entity may be a subsidiary of a trust) if it would have been a subsidiary under this definition if that trust were a body corporate. For these purposes, a unit or other beneficial interest in a trust is to be regarded as a share.

Superior Proposal means a genuine Competing Transaction received in writing (in relation to which there has been no breach of clause 9) which the Target Board (excluding the Interested Directors), acting in good faith in the interests of the Target and its shareholders, after taking written advice from its legal and financial advisers, determines would be:

- (a) reasonably capable of being valued and completed taking into account all aspects of the Competing Transaction, including its conditions, the identity, reputation and financial condition of the person making such proposal, and all relevant legal, regulatory and financial matters; and
- (b) if completed substantially in accordance with its terms, of a higher financial value and is more favourable to Target Shareholders (excluding any Bidder Group members) than the Scheme, taking into account all aspects of the Competing Transaction, including the identity, reputation and financial condition of the person making such proposal, and relevant legal, regulatory and financial matters.

Target Board means the board of directors of the Target.

Target Constitution means the constitution of the Target.

Target Group means the Target and its Subsidiaries.

Target Indemnified Parties means the Target, its officers, employees, and Advisers and its Related Bodies Corporate and the officers, employees and Advisers of each of its Related Bodies Corporate.

Target Information means all information contained in the Scheme Booklet other than the Bidder Information and the Independent Expert's Report.

Target Prescribed Event means, except to the extent contemplated by this document or the Scheme, any of the following events:

- (a) **(conversion)** the Target converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** the Target or another member of the Target Group resolves to reduce its share capital in any way;

- (c) **(buy-back)** the Target or another member of the Target Group:
- (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)** the Target makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction, bonus or other share of its profits, income, capital or assets or otherwise and whether in cash or in specie) except for the Permitted Dividends or as Fairly Disclosed;
- (e) **(issuing or granting shares or options)** any member of the Target Group:
- (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make such an issue or grant such an option,
- in each case to a person outside the Target Group other than as Fairly Disclosed;
- (f) **(constitution)** the Target adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (g) **(disposals)** other than as Fairly Disclosed, the Target disposes, or agrees to dispose of the whole or a substantial part of its business or property;
- (h) **(Insolvency)** a member of the Target Group becomes Insolvent;
- (i) **(Cessation of business)** any member of the Target Group permanently ceases, or threatens to permanently cease to, carry on the business conducted as at the date of this document except in circumstances where this could not reasonably be expected to have a material adverse effect on the financial and operational performance or reputation of the Target Group, except as Fairly Disclosed; or
- (j) any member of the Target Group directly or indirectly authorises, commits or agrees to take or announces any of the actions referred to in paragraphs (a) to (i) above insofar as it applies to the member of the Target Group the subject of such direct or indirect authorisation, commitment, agreement or announcement,

provided that a Target Prescribed Event listed in items (a) to 1.1(b)(j) will not include any matter:

- (k) which the Bidder has previously approved in writing, or where the Target has first consulted with the Bidder in relation to the event and the Bidder has not objected to the proposed event within 2 Business Days of having been so consulted;
- (l) expressly required to be done or procured by the Target Group or permitted to be done by the Target Group under this document or the Scheme;
- (m) required by law or by an order of a court or a Regulatory Authority; or

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- (n) to the extent it is Fairly Disclosed as an obligation the Target Group must or may undertake or fulfil between and including the date of this document and the Implementation Date.

Target Share means an ordinary fully paid share in the capital of the Target.

Target Shareholder means each person registered in the Register as a holder of Target Shares.

Target Warranties means the representations and warranties of the Target set out in clause 13.1.

Taxes means taxes, levies, imposts, charges and duties (including stamp and transaction duties) paid, payable or assessed as being payable by any authority together with any fines, penalties and interest in connection with them.

Timetable means the indicative timetable set out in Schedule 1 subject to any amendments agreed by the parties in writing.

Transaction Document means any of:

- (a) this Scheme Implementation Agreement;
- (b) the Scheme;
- (c) the Deed Poll;
- (d) the Confidentiality Agreement; and
- (e) any other document which the parties agree in writing is a Transaction Document.

Treasurer means the Treasurer of Australia.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);
- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;
- (e) a reference to "**person**" includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;-
- (g) a reference to a time of day is a reference to Melbourne time;

- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to "**law**" includes common law, principles of equity and legislation (including regulations);
- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (k) a reference to "**regulations**" includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually; and
- (m) a reference to any thing (including an amount) is a reference to the whole and each part of it.

1.3 Inconsistent agreements

If a provision of this document is inconsistent with a provision of another Transaction Document the provisions of this document prevail to the extent of the inconsistency.

2 Agreement to propose and implement Scheme

2.1 Target to propose Scheme

The Target agrees to propose the Scheme on and subject to the terms and conditions of this document.

2.2 Agreement to implement Scheme

The parties agree to implement the Scheme on the terms and conditions of this document.

2.3 Bidder may nominate Subsidiary

At any time prior to the Business Day before the First Court Date, the Bidder may nominate any wholly-owned subsidiary of the Bidder to acquire Scheme Shares under the Scheme by providing a written notice which sets out the details of the Bidder Nominee to the Target. If the Bidder decides to nominate a Bidder Nominee to acquire Scheme Shares:

- (a) the parties must procure that the Scheme Shares transferred under the Scheme are transferred to the Bidder Nominee rather than the Bidder;
- (b) the Bidder must procure that the Bidder Nominee complies with all of the relevant obligations of the Bidder under this document and the Deed Poll; and
- (c) any such nomination will not relieve the Bidder of any of its obligations under this document, including the obligation to pay (or procure the payment by the Bidder Nominee of) the Scheme Consideration or the Reverse Break Fee in accordance with the terms of the Scheme.

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3 Conditions Precedent

3.1 Conditions Precedent

Subject to this clause 3, the Scheme will not become Effective, and the obligations of the Bidder under clause 4.3 are not binding, until each of the following Conditions Precedent are satisfied or waived to the extent and in the manner set out in this clause.

Condition Precedent	Party entitled to benefit	Party responsible
<p>(a) (FIRB approval) before 5.00pm on the Business Day before the Second Court Date either:</p> <p>(i) the Treasurer (or the Treasurer's delegate) has provided a written no objections notification to the Scheme either without conditions or with conditions acceptable to the Bidder, acting reasonably; or</p> <p>(ii) following notice of the proposed Scheme having been given by the Bidder to the Treasurer under the FIRB Act, the Treasurer has ceased to be empowered to make any order under Part 3 of the FIRB Act because the applicable time limit on making orders and decisions under the FIRB Act has expired.</p>	Cannot be waived	Bidder
<p>(b) (OIO approval) before 5.00pm on the Business Day before the Second Court Date, the Bidder has obtained all consents required under the Overseas Investment Act 2005 (NZ) to the implementation of the Scheme on terms or conditions acceptable to the Bidder acting reasonably.</p>	Cannot be waived	Bidder
<p>(c) (ASIC and ASX) before 8.00am on the Second Court Date, ASIC and ASX issue or provide any consents, waivers, relief or approvals, or have done any other acts, which the parties agree are reasonably necessary to implement the Scheme, and those consents, waivers, relief or approvals or other acts have not been withdrawn or revoked at that time.</p>	Both	Both
<p>(d) (Shareholder approval) Target Shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act.</p>	Cannot be waived	Target
<p>(e) (Court approval) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.</p>	Cannot be waived	Target

Condition Precedent		Party entitled to benefit	Party responsible
(f)	(No Material Adverse Change) no Material Adverse Change occurs between the date of this document and 8.00am on the Second Court Date.	Bidder	Target
(g)	(Regulatory intervention) no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Scheme and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date.	Both	Both
(h)	(Independent Expert) the Independent Expert issues a report which concludes that the Scheme is in the best interests of Scheme Participants before the date on which the Scheme Booklet is lodged with ASIC.	Target	Target
(i)	(No Target Prescribed Event) no Target Prescribed Event occurs between the date of this document and 8.00am on the Second Court Date.	Bidder	Target

3.2 Reasonable endeavours

Each of the Target and the Bidder agrees to use reasonable endeavours to procure that:

- (a) each of the Conditions Precedent for which it is a party responsible (as noted in clause 3.1):
 - (i) is satisfied as soon as practicable after the date of this document; and
 - (ii) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
- (b) there is no occurrence within its control that would prevent the Condition Precedent for which it is a party responsible being satisfied.

3.3 Regulatory matters

Without limiting clause 3.2, each party:

- (a) **(applying for Regulatory Approvals)** must promptly apply for all relevant Regulatory Approvals and provide each other party with a copy of those applications (provided that any commercially sensitive information may be redacted from the copy provided);
- (b) **(Regulatory Approvals process)** must take all steps it is responsible for as part of the Regulatory Approval process, including responding to

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requests for information at the earliest practicable time and, in the case of the OIO approval process, the Target must submit the vendor information form to the OIO by no later than 21 February 2021;

- (c) **(representation)** has the right to be represented and make submissions at any meeting with any Regulatory Authority relating to a Regulatory Approval;
- (d) **(consultation)** must consult with the other party in advance in relation to all communications (whether written or oral, and whether direct or via a Representative) with any Regulatory Authority relating to any Regulatory Approval and:
 - (i) provide the other party with drafts of any material written communications to be sent to a Regulatory Authority and make any amendments as the other party reasonably requires; and
 - (ii) provide copies of any material written communications sent to or received from a Regulatory Authority to the other party promptly upon despatch or receipt (as the case may be),
 in each case to the extent it is reasonable to do so; and
- (e) **(Regulatory Authority)** must promptly offer to the relevant Regulatory Authority, and agree or accept, all undertakings, commitments and conditions necessary or appropriate in order to obtain the approval or consent (as the case may be) as soon as possible, unless it would be unreasonable to do so.

3.4 FIRB and OIO conditions

The parties acknowledge that:

- (a) the standard tax conditions issued by FIRB from time to time are accepted if imposed on the no objections notifications; and
- (b) the standard terms or conditions of consent set out in sections 25B and 25C, as applicable, of the *Overseas Investment Act 2005* (NZ) and those set out on the OIO's website at <https://www.linz.govt.nz/overseas-investment/applying-for-consent-purchase-new-zealand-assets/how-oio-assesses-your-application>, are accepted.

3.5 Waiver of Conditions Precedent

- (a) A Condition Precedent may only be waived in writing by the party or parties entitled to the benefit of that Condition Precedent if so noted in clause 3.1, and will be effective only to the extent specifically set out in that waiver.
- (b) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.5 may do so in its absolute discretion.
- (c) If either the Target or the Bidder waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause 3.5, then:
 - (i) subject to clause 3.5(c)(ii), that waiver precludes that party from suing the other for any breach of this document arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but

- (ii) if the waiver of the Condition Precedent is itself conditional and the other party:
- (A) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with clause 3.5(c)(i); or
 - (B) does not accept the condition, the Condition Precedent has not been waived.
- (d) A waiver of a breach or non-fulfilment in respect of a Condition Precedent does not constitute:
- (i) a waiver of a breach or non-fulfilment of any other Condition Precedent arising from the same event; or
 - (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.6 Notices in relation to Conditions Precedent

Each party must:

- (a) **(notice of satisfaction)** promptly notify the other of the satisfaction of a Condition Precedent and must keep the other informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent;
- (b) **(notice of failure)** immediately give written notice to the other of a breach or non-fulfilment of a Condition Precedent, or of any event which will prevent a Condition Precedent being satisfied; and
- (c) **(notice of waiver)** upon receipt of a notice given under clause 3.6(b), the party receiving the notice must give written notice to the first party as soon as possible (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question.

3.7 Consultation on failure of Condition Precedent

If:

- (a) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this document by the time or date specified in this document for the satisfaction of the Condition Precedent;
- (b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this document for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this document); or
- (c) the Scheme has not become Effective by the End Date,

the parties must consult in good faith with a view to determine whether:

- (d) the Scheme may proceed by way of alternative means or methods;
- (e) to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or

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- (f) to extend the End Date.

3.8 Failure to agree

If the parties are unable to reach agreement under clause 3.7 within 5 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date):

- (a) subject to clause 3.8(b), either party may terminate this document (and that termination will be in accordance with clause 14.1(e)(i)); or
- (b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this document (and that termination will be in accordance with clause 14.1(e)(ii)),

in each case before 8.00am on the Second Court Date.

A party will not be entitled to terminate this document under this clause if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of a breach of this document by that party or a deliberate act or omission of that party.

3.9 Scheme voted down because of Headcount Test

If the Scheme is not approved by the Target Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and the Target and the Bidder consider, acting reasonably, that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied, then the Target must:

- (a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
- (b) make such submissions to the Court and file such evidence as counsel engaged by the Target to represent it in Court proceedings related to the Scheme, in consultation with the Bidder, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act by making an order to disregard the Headcount Test.

4 Outline of Scheme

4.1 Scheme

The Target must propose a scheme of arrangement under which:

- (a) all the Target Shares held by Scheme Participants at the Scheme Record Date will be transferred to the Bidder Nominee; and
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration,

subject to and in accordance with this document, the Scheme and the Deed Poll.

4.2 Scheme Consideration

Subject to and in accordance with this document and the Scheme, each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Target Share held by that Scheme Participant.

4.3 Payment of Scheme Consideration

Subject to this document and the Scheme, the Bidder undertakes to the Target (in its own right and separately as trustee or nominee of each Scheme Participant) that, in consideration of the transfer to the Bidder Nominee of each Target Share held by a Scheme Participant, on the Implementation Date:

- (a) the Bidder Nominee will accept that transfer, and the Bidder will procure that the Bidder Nominee does so; and
- (b) the Bidder will pay or procure the payment of the Scheme Consideration in accordance with the Scheme.

Where the calculation of the Scheme Consideration to be provided to a Scheme Participant would result in the Scheme Participant becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up or down (as applicable) to the nearest whole cent.

4.4 Employee incentives

- (a) The Target will ensure that, by no later than the Effective Date, there are no outstanding Employee Share Rights.
- (b) In order to comply with its obligation under clause 4.4(a), the Target will:
 - (i) cause some or all of the outstanding Employee Share Rights to vest and, following such vesting, cause the relevant number of Target Shares to be transferred or issued (as applicable) to the relevant former holders of the relevant Employee Share Rights in sufficient time to allow the relevant former holders of the relevant Employee Share Rights to participate in the Scheme; and
 - (ii) take such action as may be necessary to cancel any outstanding Employee Share Rights which it does not cause to vest in accordance with clause 4.4(b)(i) (if any).

4.5 No amendment to the Scheme without consent

The Target must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of the Bidder (which must not be unreasonably withheld or delayed).

4.6 Permitted Dividends

- (a) Subject to the requirements of this clause 4.6, the Target may declare and pay to Target Shareholders a fully franked ordinary dividend of an amount up to \$0.03 per Target Share, in the ordinary course in respect of the financial year ended 31 December 2020 ("**Ordinary Dividend**"), provided that:
 - (i) the payment of the Ordinary Dividend must comply with the Corporations Act;

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- (ii) the record date and payment date for the Ordinary Dividend must be before the Scheme Record Date.
- (b) Despite any other provision of this document but subject to the requirements of this clause 4.6, the Target may in its absolute discretion declare and pay to Target Shareholders a special dividend of an amount up to \$0.02 per Target Share, which will be franked to the fullest extent possible ("**Special Dividend**"), provided that:
 - (i) the payment of the Special Dividend complies with the Corporations Act;
 - (ii) the record date and payment date for the Special Dividend must be before the Scheme Record Date.
- (c) If the Target announces, declares and pays the Ordinary Dividend and/or the Special Dividend in accordance with clauses 4.6(a) and 4.6(b):
 - (i) the Ordinary Dividend and Special Dividend will each be franked to the maximum extent possible, subject to the franking account of the Target not being in deficit as at 31 December 2021;
 - (ii) the Ordinary Dividend and the Special Dividend are each to be paid from accumulated profits, retained earnings or distributable reserves (or a combination of all or some of them) of the Target Group existing immediately prior to the declaration of that dividend;
 - (iii) the Scheme Consideration will not be reduced by the amount of the Ordinary Dividend or the Special Dividend.
- (d) The Target undertakes to use best endeavours so that:
 - (i) the Implementation Date occurs after 21 June 2021; and
 - (ii) on the Implementation Date any deficit in the Target's franking account will not exceed \$5,000,000.
- (e) Despite any other provision of this document, the Target may make any intra group distributions and payments between wholly-owned members of the Target Group, in order to be able to declare and pay the Ordinary Dividend in accordance with clause 4.6(a) and the Special Dividend in accordance with clause 4.6(b).
- (f) The provisions of this clause 4.6 do not prevent the declaration or payment of a dividend by the Target if this document is terminated.

4.7 Withholding

The Bidder acknowledges that no withholding, deduction or payment is required to be made to a Tax authority under Subdivision 14-D of Schedule 1 of the *Tax Administration Act 1953* (Cth) in relation to the Scheme Consideration.

5 Implementation

5.1 General obligations

The Target and the Bidder must each:

- (a) use all reasonable endeavours and commit necessary resources (including management and corporate relations resources and the resources of Advisers); and
- (b) procure that its officers (other than the Interested Directors) and its Advisers work in good faith and in a timely and co-operative fashion with the other party (including by attending meetings and by providing information),

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable.

5.2 Target's obligations

The Target must take all reasonable steps to implement the Scheme on a basis consistent with this document as soon as reasonably practicable and must:

- (a) **(announce directors' recommendation)** following execution of this document, announce, in the form contained in Annexure A (on the basis of statements made to the Target by each member of the Target Board, excluding Interested Directors where relevant) that:
 - (i) the Target Board (excluding the Interested Directors) intends to unanimously recommend to the Scheme Participants that the Scheme be approved; and
 - (ii) each Target Board member who holds Target Shares (excluding the Interested Directors), intends to vote his or her Target Shares in favour of the Scheme,
 subject to:
 - (iii) the Independent Expert concluding, and continuing to conclude, that the Scheme is in the best interests of Target Shareholders; and
 - (iv) there being no Superior Proposal.
- (b) **(preparation of Scheme Booklet)** subject to clause 5.2(e)(i), as soon as practicable after the date of this document, prepare and despatch the Scheme Booklet:
 - (i) in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules; and
 - (ii) which includes a statement:
 - (A) by the Target Board (excluding the Interested Directors) unanimously recommending that Target Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Target Shareholders and there being no Superior Proposal; and
 - (B) by each Target Board member who holds Target Shares (excluding the Interested Directors) that they intend to vote their Target Shares in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of

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Target Shareholders and there being no Superior Proposal;

- (c) **(Independent Expert)** promptly appoint Lonergan Edwards & Associates as the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable the Independent Expert to prepare its report for the Scheme Booklet as soon as practicable;
- (d) **(section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (e) **(consultation with the Bidder)** consult with the Bidder as to the content and presentation of:
 - (i) the Scheme Booklet, which includes:
 - (A) allowing the Bidder a reasonable opportunity to review and make comments on successive drafts of the Scheme Booklet (however, any review of the Independent Expert's Report is limited to review for factual accuracy of those parts that include information relating to the Bidder);
 - (B) taking any reasonable comments made by the Bidder into account in good faith when producing a revised draft of the Scheme Booklet;
 - (C) providing to the Bidder a revised draft of the Scheme Booklet within a reasonable time before the draft of the Scheme Booklet which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act is finalised; and
 - (D) obtaining the Bidder's consent to the inclusion of the Bidder Information (including in respect of the form and context in which the Bidder Information appears in the Scheme Booklet); and
 - (ii) documents required for the purposes of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating processes, affidavits, submissions and draft minutes of Court orders), and consider in good faith any comments on, or suggested amendments to, those documents from the Bidder prior to filing those documents with the Court;
- (f) **(lodgement of Regulator's Draft)**
 - (i) no later than 14 days before the First Court Date, provide an advanced draft of the Scheme Booklet ("**Regulator's Draft**") to ASIC for its review for the purposes of section 411(2) of the Corporations Act, and provide a copy of the Regulator's Draft to the Bidder immediately thereafter; and
 - (ii) keep the Bidder reasonably informed of any material issues raised by ASIC in relation to the Regulator's Draft and, where practical to do so, consult with the Bidder in good faith prior to taking any steps or actions to address those material issues;

- (g) **(supplementary disclosure)** if, after despatch of the Scheme Booklet, the Target becomes aware:
- (i) that information included in the Scheme Booklet is or has become misleading or deceptive in any material respect (whether by omission or otherwise); or
 - (ii) of information that is required to be disclosed to Target Shareholders under any applicable law but was not included in the Scheme Booklet,
- promptly consult with the Bidder in good faith as to the need for, and the form of, any supplementary disclosure to Target Shareholders, and make any disclosure that the Target considers reasonably necessary in the circumstances, having regard to applicable laws;
- (h) **(Court application)** apply to the Court for an order under section 411(1) of the Corporations Act directing the Target to convene the Scheme Meeting;
- (i) **(send Scheme Booklet)** send the Scheme Booklet to Target Shareholders as soon as practicable after the Court orders the Target to convene the Scheme Meeting;
- (j) **(Scheme Meeting)** convene the Scheme Meeting to agree to the Scheme in accordance with any orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (k) **(director's voting)** use its reasonable endeavours to procure that each member of the Target Board (excluding the Interested Directors) votes any Target Shares in which they have a Relevant Interest in favour of the Scheme;
- (l) **(Court approval)** subject to all Conditions Precedent, other than paragraph (e) in clause 3, being satisfied or waived in accordance with this document, apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act;
- (m) **(Conditions Precedent certificate)** at the hearing on the Second Court Date, provide to the Court (through its counsel):
- (i) a certificate signed by one of its directors and made in accordance with a resolution of its board confirming (in respect of matters within the Target's knowledge) whether or not the Conditions Precedent for which it is responsible, as noted in clause 3.1 (other than paragraph (e)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to the Bidder by 5.00pm on the Business Day prior to the Second Court Date; and
 - (ii) any certificate provided to it by the Bidder under clause 5.3(h);
- (n) **(lodge copy of Court order)** lodge with ASIC an office copy of the Court order approving the Scheme as approved by the Target Shareholders at the Scheme Meeting in accordance with section 411(10) of the Corporations Act on the day after that office copy is received (or any later date agreed in writing by the Bidder);
- (o) **(Register)** close the Register as at the Scheme Record Date to determine the identity of Scheme Participants and their entitlements to Scheme Consideration;

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- (p) **(instruments of transfer)** subject to the Bidder satisfying its obligations under clause 5.3, on the Implementation Date:
 - (i) execute proper instruments of transfer and effect the transfer of the Target Shares held by Scheme Participants to the Bidder Nominee in accordance with the Scheme; and
 - (ii) register all transfers of the Target Shares held by Scheme Participants to the Bidder Nominee;
- (q) **(suspension of trading)** apply to ASX to suspend trading in the Target Shares with effect from the close of trading on the Effective Date; and
- (r) **(other steps)** do all other things necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

5.3 Bidder's obligations

The Bidder must take all reasonable steps to assist the Target to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(execute documents and perform acts)** execute all documents and do all acts and things within its power as may be necessary for the implementation and performance of the Scheme in accordance with the Transaction Documents;
- (b) **(Bidder Information)** prepare and promptly provide to the Target for inclusion in the Scheme Booklet the Bidder Information (in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules) and consent to the inclusion of that information in the Scheme Booklet;
- (c) **(further Bidder Information)** promptly provide to the Target any further or new Bidder Information as may arise after the Scheme Booklet has been sent to Target Shareholders and until the date of the Scheme Meeting as may be necessary to ensure that the Bidder Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission) and to ensure that there would be no breach of clause 13.6(g) if it applied as at the date on which such further or new Bidder Information arose;
- (d) **(supplementary disclosure)** promptly provide to the Target any information and disclosures concerning the Bidder as may arise after the Scheme Booklet has been sent to Target Shareholders and until the date of the Scheme Meeting as is as reasonably requested by the Target for inclusion in any supplementary disclosure to Target Shareholders contemplated in clause 5.2(g);
- (e) **(Independent Expert information)** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (f) **(representation)** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through its counsel, the Bidder must undertake (if requested by the Court) to do all things and take all steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this document and the Scheme;

- (g) **(Deed Poll)** prior to the Scheme Booklet being sent, sign and deliver the Deed Poll, and procure that the Bidder Nominee signs and delivers the Deed Poll prior to the Scheme Booklet being sent;
- (h) **(Conditions Precedent certificate)** before 8.00am on the Second Court Date, provide to the Target for provision to the Court at the hearing on that date a certificate signed by one of its directors and made in accordance with a resolution of its board confirming (in respect of matters within the Bidder's knowledge) whether or not the Conditions Precedent for which the Bidder is responsible, as noted in clause 3.1 (other than paragraph (e)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to the Target by 5.00pm on the Business Day prior to the Second Court Date;
- (i) **(Share transfer)** if the Scheme becomes Effective, procure that the Bidder Nominee accepts a transfer of the Target Shares as contemplated by clause 4.3(a); and
- (j) **(Scheme Consideration)** if the Scheme becomes Effective, pay or procure the payment of the Scheme Consideration in the manner and amount contemplated by clause 4.3(b) and the terms of the Scheme.

5.4 Scheme Booklet responsibility statement

The responsibility statement to appear in the Scheme Booklet, in a form to be agreed by the parties, will contain words to the effect of:

- (a) the Target has prepared, and is responsible for, the content of the Scheme Booklet other than, to the maximum extent permitted by law, the Bidder Information, the Independent Expert's Report or any other report or letter issued to the Target by a third party;
- (b) the Bidder has prepared, and is responsible for, the Bidder Information in the Scheme Booklet (and no other part of the Scheme Booklet); and
- (c) the Target and its directors and officers do not assume any responsibility for the accuracy or completeness of the sections of the Scheme Booklet that the Bidder has prepared and has responsibility for.

5.5 Disagreement on content of Scheme Booklet

- (a) If the Bidder and the Target disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet.
- (b) If complete agreement is not reached after reasonable consultation, then:
- (i) if the disagreement relates to the form or content of the Bidder Information contained in the Scheme Booklet, the Target will make any amendments as the Bidder reasonably requires (unless the information relates to the Bidder in the Independent Expert's Report, in which case the Target will communicate the request for amendment to the Independent Expert); and
- (ii) if the disagreement relates to the form or content of any other part of the Scheme Booklet, the Target Board (excluding Interested Directors) will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet.

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5.6 Verification

Each party must undertake appropriate verification processes for the information supplied by that party in the Scheme Booklet.

5.7 Conduct of Court proceeding

The Target and the Bidder are entitled to separate representation at all Court proceedings relating to the Scheme. This document does not give the Target or the Bidder any right or power to give undertakings to the Court for or on behalf of the other party without that party's written consent. The Target and the Bidder must give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme as contemplated by this document.

5.8 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, the Bidder and the Target must appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties agree otherwise; or
- (b) an independent senior counsel of the Victorian bar advises that, in their opinion, an appeal would have no reasonable prospect of success before the End Date,

in which case either party may terminate this document in accordance with clause 14.1(e)(iii).

5.9 No partnership or joint venture

Subject to this document, nothing in this clause requires either party to act at the direction of the other. The business of each party will continue to operate independently from the other until the Implementation Date. The parties agree that nothing in this document constitutes the relationship of a partnership or a joint venture between the parties.

6 Recommendation

The Target must use its reasonable endeavours to procure that none of its directors (excluding the Interested Directors) withdraws, or changes their recommendation in favour of the Scheme, unless:

- (a) there is a Superior Proposal; or
- (b) the Independent Expert concludes that the Scheme is not in the best interests of Target Shareholders, or adversely changes its previously given opinion that the Scheme is in the best interests of Target Shareholders; and
- (c) the Target Board (excluding Interested Directors) determines in good faith and acting reasonably, that they must do so because of their fiduciary or statutory duties to Target Shareholders.

7 Releases and other matters

7.1 Release of the Target Indemnified Parties

Subject to the Corporations Act, the Bidder releases its rights, and agrees with the Target that it will not make a claim, against any Target Indemnified Party (other than the Target and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) the Target's execution or delivery of a Transaction Document;
- (b) any breach of any representations and warranties of the Target or any other member of the Target Group in this document; or
- (c) the implementation of the Scheme; or
- (d) any disclosures containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the Target Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 7.1 limits the Bidder's rights to terminate this document under clause 14.1.

7.2 Benefit for Target Indemnified Parties

- (a) The Target receives and holds the benefit of this clause to the extent it relates to each Target Indemnified Party on behalf of each of them.
- (b) This clause is subject to any Corporations Act restriction and will (if and to the extent required) be read down accordingly.

7.3 Release of the Bidder Indemnified Parties

Subject to the Corporations Act, the Target releases its rights, and agrees with the Bidder that it will not make a claim, against any Bidder Indemnified Party (other than the Bidder and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) the Bidder's execution or delivery of a Transaction Document;
- (b) any breach of any representations and warranties of the Bidder or any other member of the Bidder Group in this document;
- (c) the implementation of the Scheme; or
- (d) any disclosures containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the Bidder Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 7.3 limits the Target's rights to terminate this document under clause 14.1.

7.4 Benefit for Bidder Indemnified Parties

- (a) The Bidder receives and holds the benefit of this clause to the extent it relates to each Bidder Indemnified Party on behalf of each of them.

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- (b) This clause is subject to any Corporations Act restriction and will (if and to the extent required) be read down accordingly.

7.5 Appointment of Target directors

On the Implementation Date, but subject to the Scheme Consideration having been paid to the Scheme Participants and receipt by the Target of signed consents to act, the Target must use its reasonable endeavours to:

- (a) cause the appointment of each Incoming Director to the Target Board; and
- (b) procure that each of the Outgoing Directors retire from the Target Board, in accordance with the Target Constitution, the Corporations Act and the Listing Rules.

7.6 Directors' and officers' insurance

Subject to the Scheme becoming Effective and subject to applicable laws (including the Corporations Act), the Bidder undertakes in favour of the Target and each other person who is a Target Indemnified Party that it will:

- (a) for a period of 7 years from the Implementation Date, ensure that the constitutions and deeds of indemnity of each Target Group member continue to contain such rules and indemnities as are contained in those constitutions and deeds of indemnity at the date of this document that provide for each Target Group member to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a member of the Bidder Group; and
- (b) procure that each Target Group member complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time and without limiting the foregoing, ensure that the directors' and officers' run-off insurance cover for those directors and officers is maintained, subject to clause 7.7, for a period of 7 years from the retirement date of each director and officer.

7.7 Period of undertaking

The undertakings contained in clause 7.6 are given until the earlier of the end of the relevant period specified in that clause or the relevant member of the Target Group ceasing to be part of the Bidder Group.

7.8 Benefit of undertaking for the Target Group

- (a) The Target acknowledges that it receives and holds the benefit of clause 7.6 to the extent it relates to each director and officer of a member of the Target Group on behalf of each of them.
- (b) The undertakings contained in clause 7.6 are subject to any Corporations Act restriction, or any restriction in the law of a jurisdiction in which an entity is incorporated, and will be read down accordingly.

8 Conduct of business before the Implementation Date and related matters

8.1 Conduct of business – Target's positive obligations

From the date of this document up to and including the Implementation Date, the Target must, and must procure each member of the Target Group to, conduct its business in the ordinary and usual course and:

- (a) operate those businesses and subsidiaries in a manner substantially consistent with past practice, as altered by measures taken as a result of the impact of the COVID-19 virus, and in accordance with all applicable laws;
- (b) use reasonable endeavours to preserve their relationships with customers, suppliers, joint venture parties, landlords, licensors, licensees and others having material business dealings with them, and to retain the services of all key employees;
- (c) use reasonable endeavours to comply in all material respects with: (i) all material contracts to which a member of the Target Group is a party; and (ii) all laws, authorisations and licences applicable to each member of the Target Group;
- (d) keep the Bidder reasonably and promptly informed of, and consult the Bidder in good faith in respect of, material developments in the business of the Target Group, including any decision to cease (temporarily or permanently) any material part of the business of the Target Group;
- (e) promptly notify the Bidder in writing of any of the following matters of which the Target becomes aware, and such written notification must include a reasonable summary of the relevant matter (to the extent the Target is aware):
 - (i) events, facts, matters or circumstances which would or would be reasonably be expected to either constitute a Material Adverse Change or have a material adverse effect on the financial or operational performance, or the reputation, of the Target Group or the Target Group's relationships with Regulatory Authorities, financiers or key business partners (including joint venture parties); and
 - (ii) any breach of, or default under, any law, contract, arrangement, permit, license or authorisation that is binding on any member of the Target Group and which the Target is aware is reasonably likely to result in a material liability for the Target Group or any breach, default, event of default, cancellation event or review event under a debt financing agreement to which any member of the Target Group is a party.

8.2 Conduct of business – Target's negative obligations

Without limiting clause 8.1, Target must not, and must procure that its Subsidiaries do not, from the date of this document up to and including the Implementation Date, do any of the following (or agree or offer to do any of the following):

- (a) incur any additional Financial Indebtedness (except for draw-downs on existing banking facilities, or utilising or leveraging of any existing financing or hedging arrangements, or entering into such arrangements

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in accordance with the Target Group's Treasury policies as at the date of this document) or guarantee or indemnify the obligations of any person other than a member of the Target Group that is directly or indirectly wholly owned by Target, other than in the usual and ordinary course of business and consistent with past practice;

- (b) other than as approved in writing by the Bidder (not to be unreasonably withheld or delayed), amend or take any action that:
 - (i) seeks or causes a financier (or person acting on its behalf) to consent to or waive (whether or not such consent or waiver is conditioned) any provision under; or
 - (ii) would be reasonably likely to give rise to a financier (or person acting on its behalf) being capable of exercising a right that would pose a risk to the continuity of,
 - any Financial Indebtedness arrangements to which one or more members of the Target Group are a party;
- (c) (except as required by law or as provided in an existing contract in place as at the date of this document) engage any new employee or enter into or make any material change to the terms of employment of any person, including an officer, director, executive or other employee, whose total employment cost exceeds \$300,000 ("**Key Person**");
- (d) amend the terms of any option, performance right, incentive or share plan;
- (e) accelerate the rights of any of their employees to compensation or benefits of any kind (including under any option, performance right, incentive or share plan);
- (f) terminate or encourage the resignation of a Key Person, except, after good faith consultation with the Bidder, in accordance with current personnel practices;
- (g) pay or agree to pay any of its officers, directors, executives or other employees a bonus, severance, termination or retention payment, other than pursuant to existing contractual arrangements in effect on the date of this document and which are Fairly Disclosed in the Due Diligence Materials prior to the date of this document, including the special exertion fees for the members of the IBC and retention bonus arrangements for employees of the Target Group;
- (h) settle or compromise any dispute, audit or inquiry in relation to Tax or duty or amend any tax return, other than in the ordinary course of its business;
- (i) commence, threaten in writing, settle or offer to settle any legal proceedings, claim, dispute, investigation, arbitration or other like proceeding that relates to potential costs or liability of more than \$500,000 (after allowing for insurance recoveries), other than pursuing debts in the ordinary course of business;
- (j) except under contractual arrangements in effect on the date of this document and which are Fairly Disclosed, enter into any enterprise bargaining agreement or similar collective employment agreement;
- (k) in respect of any single transaction or series of related or similar transactions, acquire or dispose of (or agree or commit to or grant a right

which would lead to the acquisition or disposal of) any interest in any equity securities, business, real property, entity or undertaking, the value of which exceeds \$1,000,000 when aggregated with all acquisitions or disposals of interests in securities, assets (other than in the ordinary course of business), businesses, real property, entities or undertakings;

- (l) incur, agree to, enter into commitments involving, bring forward the time for incurring or committing to, or grant to another person any right the exercise of which could be reasonably expected to involve or result in any member of the Target Group incurring capital expenditure of more than \$1,000,000;
- (m) enter into, vary or terminate any contract, lease, licence arrangement, distribution arrangement, joint venture, partnership or commitment other than in the ordinary course:
 - (i) that has a term of more than 2 years; and
 - (ii) either:
 - (A) results in total expenditure greater than \$2,000,000 in each case;
 - (B) results in total revenue of greater than \$2,000,000 in each case individually; or
 - (C) contains a restrictive covenant or otherwise has the effect of imposing additional restrictions on the future business activities of the Target Group;
- (n) change any accounting policy applied by it to report its financial position other than any change in policy required by a change in Accounting Standards or law; or
- (o) enter into or resolve to enter into a transaction with any related party of Target (other than a related party which is a Target Group member or Bidder Group member) as defined in section 228 of the Corporations Act, other than pursuant to arrangements and on the same terms as the arrangements Fairly Disclosed in the Target's annual report issued for the full year ended 31 December 2019.

8.3 Exceptions

The obligations of Target under this clause 8 do not apply in respect of any matter:

- (a) expressly required to be done or procured by Target or expressly permitted to be done by Target under this document, the Target's FY21 budget or in connection with the Scheme;
- (b) required by law or by an order of a court or Regulatory Authority;
- (c) which, in the reasonable opinion of Target, is required in order to obtain insurances for the Target Group (or any member thereof) or the business conducted by the Target Group (or any member thereof);
- (d) which, in the reasonable opinion of Target, is a necessary and prudent response to any emergency or disaster (including a situation giving rise to a risk of personal injury or damage to property) and it is impractical to seek the approval of the Bidder prior to giving effect to the response;

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- (e) which is Fairly Disclosed but excluding for this purpose any acquisition or other equivalent transaction that would fall within clause 8.2(k) even it was Fairly Disclosed;
- (f) otherwise known to the Bidder Group through its business and commercial dealings with the Target Group; or
- (g) the undertaking of which the Bidder has approved prior to the date of this document or otherwise approved in writing (which approval must not be unreasonably withheld or delayed).

8.4 Access

- (a) In the period from the date of this document to the Implementation Date and for so long as the Target Board (excluding the Interested Directors) continues to publicly recommend that Target Shareholders vote in favour of the Scheme, the Target must:
 - (i) provide the Bidder and its officers and advisers with reasonable access to the Target's officers and Advisers which the Bidder reasonably requires for the purposes of applying for all relevant Regulatory Approvals;
 - (ii) procure that the Target's CEO and CFO (or their nominees) meet with Representatives of the Bidder twice a month for the purpose of or in connection with:
 - (A) planning the transition of the Target Group and other matters relating to the conduct of the Target Group following the Implementation Date; and
 - (B) keeping the Bidder informed of material developments relating to the Target Group.
- (b) Nothing in this clause 8.4 obliges the Target to provide to the Bidder or its Representatives any information:
 - (i) concerning the consideration of the Scheme by the Target Board (excluding the Interested Directors); or
 - (ii) which would breach any applicable law (including privacy laws) or regulation or any obligations of confidentiality owed to any person or result in the loss of legal privilege.
- (c) The Target will provide reasonable assistance to the Bidder for the purpose of satisfying the Target's obligations under this clause 8.4 but nothing in this clause 8.4 requires the Target to provide access to its people or documentation or to take any other action which would unreasonably disrupt the usual and ordinary course of the Target's businesses and operations.

8.5 Change of control provisions

- (a) As soon as practicable after the date of this document, the Target and the Bidder must seek to identify any change of control or unilateral termination rights in material contracts to which the Target or another Target Group member is party which may be triggered by or exercised in response to the implementation of the Scheme.
- (b) In respect of those contracts:

- (i) the parties will agree a proposed course of action, adopting the reasonable requests of the Bidder, and then the Target will initiate contact, including joint discussions if required, with the relevant counterparties and request that they provide any consents or confirmations required or appropriate, including confirmation that the counterparties will not terminate those contracts because of a change in control in the Target or as a result of the implementation of the Scheme;
- (ii) the Target must take all reasonable action necessary to obtain such consents or confirmations as expeditiously as possible, including by promptly providing any information reasonably required by counterparties. The Target must use reasonable endeavours to resist any requirements of landlords or contract counterparties that new or increased bank guarantees or security deposits be provided and ensure that no directors or other personal guarantees are offered or agreed to; and
- (iii) the Bidder must cooperate with, and provide all reasonable assistance to, the Target to obtain such consents or confirmations, including by promptly providing any information reasonably required by counterparties,

provided nothing in this clause 8.5 or any other provision of this document requires the Bidder to agree to any new conditions or to provide any new guarantees or security to a contract or lease counterparty which are not reasonably acceptable to the Bidder.

9 Exclusivity

9.1 No-shop

During the Exclusivity Period, the Target must ensure that neither it nor any of its Representatives:

- (a) solicits, invites, encourages, continues or initiates any enquiries, negotiations or discussions with any third party; or
- (b) communicates any intention to do any of these things,

in relation to, or that may reasonably be expected to encourage or lead to, an actual, proposed or potential Competing Transaction or which may otherwise lead to the Scheme not being completed.

9.2 No-talk

Subject to clause 9.4, during the Exclusivity Period, the Target must ensure that neither it nor any of its Representatives:

- (a) negotiates or enters into; or
- (b) participates in negotiations or discussions with any other person regarding,

a Competing Transaction or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Transaction, even if that person's Competing Transaction was not directly or indirectly solicited, invited, encouraged or initiated by the Target or any of its Representatives or even if the person has publicly announced the Competing Transaction.

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9.3 No due diligence

- (a) During the Exclusivity Period, except with the prior written consent of the Bidder, the Target must not, and must ensure that its Representatives do not, directly or indirectly:
- (i) solicit, invite, initiate, or encourage, or (subject to clause 9.4) facilitate or permit, any person (other than the Bidder) to undertake due diligence investigations in respect of the Target, its Related Bodies Corporate, or any of their businesses and operations, in connection with or with a view to obtaining or which would reasonably be expected to lead to such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Transaction; or
 - (ii) subject to clause 9.4, make available to any person (other than the Bidder) or permit any such person to receive any non-public information relating to the Target, its Related Bodies Corporate, or any of their businesses and operations, in connection with or with a view to obtaining or which would reasonably be expected to lead to such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Transaction.
- (b) If the Target proposes that any non-public information be provided to a third party while validly relying on the exception in clause 9.4, then:
- (i) before the Target provides such information, the third party must enter into a confidentiality agreement which contains obligations on the recipient of that information which are no less onerous in any material respect than the obligations of the Bidder and the Target under the Confidentiality Agreement; and
 - (ii) any non-public information provided to that third party must also be provided to the Bidder (unless the information has already been provided to the Bidder or its Representatives).

9.4 Exceptions

Clauses 9.2 and 9.3(a)(ii) do not apply to the extent that it restricts the Target or the Target Board from taking or refusing to take any action with respect to a genuine Competing Transaction (which was not solicited, invited, encouraged or initiated by the Target in contravention of clause 9.1) provided that the Target Board (excluding Interested Directors) has determined, in good faith that:

- (a) where there is a written Competing Transaction, after consultation with its financial advisers, that the Competing Transaction is a Superior Proposal or the steps which the Target Board proposes to take may reasonably be expected to lead to a Competing Transaction which is a Superior Proposal; and
- (b) after receiving written legal advice from the Target's external legal advisers experienced in transactions of this nature, that failing to respond to the Competing Transaction may constitute a breach of its fiduciary or statutory duties.

9.5 Further exceptions

Nothing in this document prevents the Target from:

- (a) continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to the Scheme or its business generally; or
- (b) fulfilling its continuous disclosure requirements.

9.6 Notice of unsolicited approach

- (a) During the Exclusivity Period, the Target must promptly (and in any event, within 48 hours) notify the Bidder in writing if it, or any of its Representatives, receives any unsolicited approach with respect to any inquiry, expression of interest, offer, proposal or discussion that could reasonably be expected to lead to a Competing Transaction and disclose to the Bidder the fact that such an approach has been made.
- (b) A notice under this clause 9.6 must be accompanied by all material details of the approach, including:
 - (i) the material terms and conditions (including price, conditions precedent, timetable and any break fee) of any Competing Transaction or any proposed Competing Transaction (to the extent known); and
 - (ii) the identity of the person who made the approach, inquiry or proposal to initiate discussions or negotiations referred to in clause (a).
- (c) During the Exclusivity Period, the Target must also notify the Bidder in writing as soon as possible after becoming aware of any material developments in relation to any actual, proposed or potential Competing Transaction, including in respect of any of the information previously notified to the Bidder under this clause.

9.7 Bidder counterproposal

- (a) Upon receiving notice under clause 9.6, the Bidder will have the right, but not the obligation, at any time during the 5 Business Days following the receipt of the notice, to put to the Target a new or amended proposal that constitutes a matching or superior proposal to its existing proposal ("**Bidder Counterproposal**").
- (b) The Target will procure that the Target Board (excluding the Interested Directors) considers the Bidder Counterproposal and if the Target Board (excluding the Interested Directors), acting reasonably and in good faith, determines that the Bidder Counterproposal would provide an equivalent or superior outcome for Target Shareholders as a whole compared with the Competing Transaction, taking into account all of the terms and conditions of the Bidder Counterproposal, then:
 - (i) the Target and the Bidder must use their best endeavours to agree the amendments to this document and, if applicable, the Scheme and Deed Poll that are reasonably necessary to reflect the Bidder Counterproposal and to implement the Bidder Counterproposal, in each case as soon as reasonably practicable; and

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- (ii) the Target will use its best endeavours to procure that each of the directors of Target (excluding Interested Directors) continues to recommend the Scheme (as modified by the Bidder Counterproposal) to Target Shareholders.
- (c) If the determination is that the Bidder Counterproposal would not provide an equivalent or superior outcome to the Target Shareholders as a whole compared with the Competing Transaction, then the Bidder may take steps to amend the Bidder Counterproposal to address the reasons given within a further period of 5 Business Days. If the Bidder does so to the Target's satisfaction, then the process in clause 9.7(b) applies to that amended Bidder Counterproposal.

10 Break Fee

10.1 Background

This clause has been agreed in circumstances where:

- (a) the Bidder and the Target believe that the Scheme will provide significant benefits to the Bidder, the Target and their respective shareholders, and the Bidder and the Target acknowledge that, if they enter into this document and the Scheme is subsequently not implemented, the Bidder will incur significant costs including those described in clause 10.2 and that while the Bidder is prepared to absorb those costs if the Scheme is implemented because the Bidder will benefit in that scenario, the Bidder will not benefit if the Scheme is not implemented;
- (b) in the circumstances referred to in clause 10.1(a), the Bidder has requested that provision be made for the payment of the Break Fee, without which the Bidder would not have entered into this document;
- (c) the Target Board (excluding the Interested Directors) believe that the Scheme will provide benefit to the Target and Target Shareholders (as a whole) and that it is appropriate for the Target to agree to the payments referred to in this clause to secure the Bidder's participation in the Scheme; and
- (d) both parties have received legal advice on this document and the operation of this clause.

10.2 Nature of payment

- (a) The Break Fee is an amount to compensate the Bidder for:
 - (i) fees for legal, taxation and financial advice in planning and implementing the Scheme;
 - (ii) reasonable opportunity costs incurred in engaging in the Scheme or in not engaging in other alternative acquisitions or strategic initiatives;
 - (iii) costs of management and directors' time in planning and implementing the Scheme;
 - (iv) out of pocket expenses incurred in planning and implementing the Scheme; and

- (v) any damage to the Bidder's reputation associated with a failed transaction and the implications of that damage if the Bidder seeks to execute alternative acquisitions in the future,

in each case, incurred by the Bidder directly or indirectly as a result of having entered into this document and pursuing the Scheme.

- (b) The parties acknowledge that:
- (i) the amount of fees, costs and losses referred to in this clause 10.2 is inherently unascertainable and that, even after termination of this document, the costs will not be able to be accurately quantified; and
 - (ii) the amount of the costs payable under clause 10.3 is a genuine and reasonable pre-estimate of those fees, costs and losses and is not a penalty.

10.3 Payment of Break Fee

The Target agrees to pay the Break Fee to the Bidder without withholding or set off if in any of the following circumstances:

- (a) **(Competing Transaction succeeds)** both of the following occur:
- (i) a Competing Transaction is publicly announced during the period commencing on the date of this document and ending on the End Date; and
 - (ii) within 12 months from the date of the public announcement of such Competing Transaction:
 - (A) the Competing Transaction is implemented or completed substantially on the terms described in the public announcement but for the purposes of this clause 10.3(a)(ii)(A), the reference to "10% or more" in paragraph (a) of the definition of "Competing Transaction" will be deemed to be a reference to "more than 20%"; or
 - (B) without limiting clause 10.3(a)(ii)(A), the proponent of that Competing Transaction acquires a Relevant Interest in, an economic interest in or voting power of at least 50% of the Target Shares or otherwise acquires 'control' (as defined in section 50AA of the Corporations Act) of Target and the Competing Transaction is (or becomes) free of any defeating condition; or
- (b) **(Competing Transaction executed)** at any time before termination of this document, Target enters into any agreement with a third party in respect of a Competing Transaction under which that third party and Target agree to undertake or give effect to such Competing Transaction; or
- (c) **(Change of recommendation)** at any time prior to the Second Court Date, any member of the Target Board (excluding the Interested Directors):
- (i) withdraws or adversely modifies their recommendation of the Scheme or recommends or supports a Competing Transaction;

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- (ii) does not recommend in an ASX announcement announcing the Scheme, or the Scheme Booklet, that the Target Shareholders vote in favour of the Scheme; or
- (iii) makes any public statement to the effect that the Scheme is not, or is no longer, recommended,

except where that act is as a result of:

- (iv) the Independent Expert opining (either in its initial report or any updated, revised or supplemental report) that the Scheme is not in the best interest of Target Shareholders (other than where the reason for that opinion is a Competing Transaction which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document); or
- (d) **(Material breach)** the Bidder validly terminates this document in accordance with clause 14.1(c).

10.4 Timing of payment

- (a) A demand by the Bidder for payment of the Break Fee under clause 10.3 must:
 - (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of the Bidder into which the Target must pay the Break Fee.
- (b) The Target must pay the Break Fee to the Bidder without withholding or set off within 5 Business Days of receipt by the Bidder of a valid demand for payment from the Target under clause 10.4(a).

The demand may only be made after the occurrence of an event referred to in clause 10.3.

10.5 Other matters

- (a) **(No naked no vote trigger)** For the avoidance of doubt, the Break Fee is not payable by the Target merely because the resolution submitted to the Scheme Meeting in respect of the Scheme is not approved by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (b) **(Not payable if Target validly terminates)** For the avoidance of doubt, the Break Fee is not payable by the Target if it validly terminates this document in accordance with clause 14.1(c).
- (c) **(Only payable once)** The Break Fee is only payable once and the maximum amount payable by the Target is the amount calculated as 1% of the Scheme Consideration at the time the demand is made under clause 10.4(a).
- (d) **(Not payable if Scheme Effective)** The Break Fee is not payable if the Scheme becomes Effective, despite the occurrence of any event in clause 10.3.

10.6 Target's limitation of liability

Notwithstanding any other provision of this document:

- (a) the maximum liability of the Target to the Bidder under or in connection with this document including in respect of any breach of this document but excluding any wilful and intentional breach of clause 9 will be the Break Fee; and
- (b) the payment by the Target of the Break Fee represents the sole and absolute amount of liability of the Target under or in connection with this document and no further damages, fees, expenses or reimbursements of any kind will be payable by the Target in connection with this document, other than with respect to any wilful and intentional breach of clause 9.

11 Reverse Break Fee

11.1 Background

This clause has been agreed in circumstances where:

- (a) the Bidder and the Target believe that the Scheme will provide significant benefits to the Bidder, the Target and their respective shareholders, and the Bidder and the Target acknowledge that, if they enter into this document and the Scheme is subsequently not implemented, the Target and Target Shareholders will incur significant costs including those set out in clause 11.5;
- (b) in the circumstances referred to in clause 11.1(a), the Target has requested that provision be made for the payment of the Reverse Break Fee, without which the Target would not have entered into this document;
- (c) both the Bidder Board and the Target Board (excluding the Interested Directors) believe that the Scheme will provide benefit to the Target and Target Shareholders (as a whole) and that it is appropriate for both parties to agree to the payment referred to in this clause to secure the Target's participation in the Scheme; and
- (d) both parties have received legal advice on this document and the operation of this clause.

11.2 Payment by the Bidder to the Target

The Bidder agrees to pay the Reverse Break Fee to the Target without withholding or set off if the Scheme does not proceed because:

- (a) **(material breach)** the Target validly terminates this document in accordance with clause 14.1(c); or
- (b) **(failure to pay Scheme Consideration)** the Bidder does not pay the aggregate Scheme Consideration in accordance with the terms and conditions of this document, the Scheme and the Deed Poll.

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11.3 Reverse Break Fee not payable in certain circumstances

- (a) Despite the occurrence of any event in clause 11.2, if the Scheme becomes Effective and the Scheme Consideration has been paid by the Bidder:
 - (i) no amount is payable by the Bidder under clause 11.2; and
 - (ii) if any amount has already been paid under clause 11.2 it must be refunded by the Target.
- (b) For the avoidance of doubt, the Reverse Break Fee is not payable by the Bidder if it validly terminates this document in accordance with clause 14.1(c).
- (c) The Reverse Break Fee is only payable once and the maximum amount payable by the Bidder is the amount calculated as 1% of the Scheme Consideration at the time the demand is made under clause 11.4(a).

11.4 Timing of payment

- (a) A demand by the Target for payment of the Reverse Break Fee under clause 11.2 must:
 - (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of the Target into which the Bidder must pay the Reverse Break Fee.
- (b) The Bidder must pay the Reverse Break Fee to the Target without withholding or set off within 5 Business Days of receipt by the Bidder of a valid demand for payment from the Target under clause 11.4(a).

The demand may only be made after the occurrence of an event referred to in clause 11.2.

11.5 Nature of payment

The Reverse Break Fee is an amount to compensate the Target for:

- (a) advisory costs including fees for legal, taxation and financial advice in planning and implementing the Scheme;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) the distraction of the Target's management from conducting the Target's business as usual caused by pursuing the Scheme;
- (e) reasonable opportunity costs incurred by the Target in pursuing the Scheme or in not pursuing strategic initiatives which the Target could have developed to further its business and objectives; and
- (f) any damage to the Target's reputation associated with a failed transaction and the implications of that damage to the Target's business,

in each case, incurred by the Target directly or indirectly as a result of having entered into this document and pursuing the Scheme.

The parties agree that the costs incurred are of a nature that is inherently unascertainable and that, even after termination of this document, they cannot be accurately quantified and that a genuine pre-estimate of the costs, fees and losses would equal or exceed the amount payable under clause 11.2 and is not a penalty.

11.6 Bidder's limitation of liability

Notwithstanding any other provision of this document:

- (a) the maximum liability of the Bidder to the Target under or in connection with this document including in respect of any breach of this document but excluding the Bidder's obligation to pay the aggregate Scheme Consideration in accordance with the terms and conditions of this document, the Scheme and the Deed Poll will be the Reverse Break Fee; and
- (b) the payment by the Bidder of the Reverse Break Fee represents the sole and absolute amount of liability of the Bidder under or in connection with this document other than with respect to the Bidder's obligation to pay the aggregate Scheme Consideration in accordance with the terms and conditions of this document, the Scheme and the Deed Poll and no further damages, fees, expenses or reimbursements of any kind will be payable by the Bidder in connection with this document.

12 Modification of Break Fee, Reverse Break Fee or exclusivity arrangements

12.1 Modifications following regulatory intervention

If any of the following occurs:

- (a) a Regulatory Authority finds that all or any part of the payment required to be made under clauses 10.3 or 11.2 or an exclusivity arrangement under clause 9 is unacceptable or unenforceable; or
- (b) as a result of an application to the Takeovers Panel, the Takeovers Panel indicates that, in the absence of a written undertaking under section 201A of the *Australian Securities and Investments Commission Act 2001* (Cth) to modify the amount of the Break Fee or the Reverse Break Fee or the circumstances in which it is to be paid or the circumstances in relation to an exclusivity arrangement under clause 9, it will make a declaration of unacceptable circumstances,

then, subject to clause 20.20:

- (c) the parties must amend clauses 10.3, 11.2 and/or 9 to the extent required to give effect to the requirements of the Regulatory Authority or the Takeovers Panel (as the case may be) and (in circumstances referred to in clause 12.1(b) must give the required undertaking(s)); and
- (d) neither the occurrence of any of the events referred to in clause 12.1(a) or 12.1(b) nor the amendment of clauses 10.3, 11.2 and/or 9 will be taken to be a breach of, or permit any party to terminate, this document.

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12.2 Conduct during proceedings

- (a) During the course of any Takeovers Panel or court proceedings (including any appeal or review thereof) referred to in clause 12.1, the parties must take all reasonable steps to ensure that any such declaration or determination has the minimum effect possible.
- (b) The parties must not make or cause or permit to be made any application to a court or the Takeovers Panel for or in relation to a determination referred to in clause 12.1.

12.3 No requirement to act unless decision final

The parties are only required to take steps under clause 12.1(c) in relation to any requirement of a Regulatory Authority or the Takeovers Panel if:

- (a) no appeal or review proceeding is available from the decision to impose that requirement or the period for lodging an appeal or commencing review proceedings has expired without an appeal having been lodged or review proceedings commenced; or
- (b) the Bidder and the Target agree in writing not to appeal or seek review of the decision to impose that requirement.

12.4 Appeals and review of regulatory decisions

Nothing in this document requires either party to appeal or seek review of any decision of a Regulatory Authority or the Takeovers Panel referred to in clause 12.1(a) or 12.1(b). If the Bidder or the Target wishes to appeal or seek review of any such decision then the other must make submissions in the course of those proceedings supporting the review made by the first party.

12.5 Determination by Regulatory Authority

If a Regulatory Authority determines that payment of all or any part of the Break Fee is unacceptable, unlawful or involves a breach of the fiduciary or statutory duties of the members of the Target Board ("**Impugned Amount**") and either no appeal from that determination is available or the period for lodging an appeal has expired without having an appeal having been lodged then:

- (a) the obligation of Target to pay the Break Fee does not apply to the extent of the Impugned Amount; and
- (b) if the Bidder has received any part of the Impugned Amount, it must refund it within 5 Business Days after that determination is made or the period for lodging has expired, whichever is later.

13 Representations and warranties**13.1 Target's representations and warranties**

The Target represents and warrants to the Bidder that each of the following statements is true and correct in all material respects as at the date of this document and as at 5.00pm on the Business Day immediately prior to the Second Court Date:

- (a) **(status)** it is a validly existing corporation registered under the law of its place of incorporation;

- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** this document constitutes legal, valid and binding obligations on the Target and the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
- (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded; or
 - (ii) any law binding on or applicable to it or its assets;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms;
- (f) **(Target Information)** the Target Information provided in accordance with this document and included in the Scheme Booklet as at the date of the Scheme Booklet will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides and other guidelines and requirements of ASIC;
- (g) **(compliance)** the Target Group has complied in all material respects with all Australian and foreign laws and regulations applicable to it and orders of Australian and foreign governmental agencies having jurisdiction over it and has all material licenses and permits necessary for it to conduct its respective businesses as presently being conducted;
- (h) **(provision of information to Independent Expert)** all information provided by or on behalf of the Target to the Independent Expert to enable the Independent Expert's Report to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will use that information for the purpose of preparing the Independent Expert's Report;
- (i) **(securities)** the Target's issued securities as at the date of this document are 543,122,491 ordinary shares, and other than as Fairly Disclosed it has not issued or agreed to issue any other securities or instruments which are still outstanding, and which may convert into Target Shares;
- (j) **(continuous disclosure)** as at the date of this document:
- (i) Target has complied in all material respects with its continuous disclosure obligations under Listing Rule 3.1; and
 - (ii) except in relation to the Scheme, it is not relying on the carve-out in Listing Rule 3.1A to withhold any material information from public disclosure;
- (k) **(Due Diligence Materials)** the Due Diligence Materials have been collated and prepared in good faith, and Target is not aware of any information contained in the Due Diligence Materials that was false or

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misleading in any material respect (including by omission) as at the date of collation or preparation;

- (l) **(No knowledge of Material Adverse Change)** the Target is not aware of any information relating to the Target Group or its respective businesses or operations as at the date of this document that has or could reasonably be expected to give rise to a Material Adverse Change that has not been Fairly Disclosed; and
- (m) **(No Insolvency event)** as at the date of this document, no member of the Target Group is Insolvent or is reasonably likely to become Insolvent in the near term, nor has any regulatory action of any nature of which it is aware been taken that would reasonably be likely to prevent or restrict the Target's ability to fulfil its obligations under this document or the Scheme.

13.2 Target's indemnity

The Target agrees with the Bidder (on the Bidder's own behalf and separately as trustee for each of the Bidder Indemnified Parties) to indemnify and keep indemnified the Bidder Indemnified Parties from and against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 13.1 not being true and correct in all material respects.

13.3 Notifications

The Target will promptly advise the Bidder in writing if the Target becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by the Target under this clause 13.

13.4 Target's knowledge or awareness

Where a Target Warranty is given 'to the best of the Target's knowledge', or 'so far as Target is aware' or with a similar qualification as to Target's awareness or knowledge, Target will be deemed to know or be aware of a particular fact, matter or circumstance at a given time only if, at that time, any of Sid Takla, Andrew Leyden or James Orr is aware of that fact, matter or circumstance as at the date the Target Warranty is given.

13.5 Qualifications on Target's representations, warranties and indemnities

The representations and warranties in clause 13.1 and the indemnity in clause 13.2 are each subject to matters which:

- (a) are expressly provided for in this document;
- (b) have been Fairly Disclosed; or
- (c) are within the actual knowledge of the Bidder Group as at the date of this document or otherwise known to the Bidder Group through their business and commercial dealings with the Target Group.

13.6 Bidder's representations and warranties

The Bidder represents and warrants to the Target (on its own behalf and separately as trustee or nominee for each of the Target directors) that each of the following statements is true and correct in all material respects as at the date

of this document and as at 5.00pm on the Business Day immediately prior to the Second Court Date:

- (a) **(status)** it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) **(power)** it has power to enter into this document, to comply with its obligations under it and exercise its rights under it;
- (c) **(no contravention)** this document constitutes legal, valid and binding obligations on the Bidder and the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
 - (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded; or
 - (ii) any law binding on or applicable to it or its assets;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms;
- (f) **(reliance)** the Bidder Information provided to the Target for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that the Target and its directors will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the Corporations Act;
- (g) **(Bidder Information)** the Bidder Information provided in accordance with this document and included in the Scheme Booklet, as at the date of the Scheme Booklet, will not contain any material statement which is misleading or deceptive nor contain any material omission having regard to applicable disclosure requirements and will comply in all material respects with the requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides and other guidelines and requirements of ASIC;
- (h) **(compliance)** the Bidder Group has, in the specific context of the Scheme, complied in all material respects with all Australian and foreign laws and regulations applicable to it and orders of Australian and foreign governmental agencies having jurisdiction over it;
- (i) **(no dealing with Target Shareholders)** neither it nor any of its associates has any agreement, arrangement or understanding with any Target Shareholder under which that Target Shareholder (or an associate of that Target Shareholder) would be entitled to receive consideration for their Target Shares different from the Scheme Consideration or under which the Target Shareholder agrees to vote in favour of the Scheme or against any Competing Transaction;
- (j) **(Scheme Consideration)** it has a reasonable basis to expect that it will, by the Implementation Date, have available to it sufficient cash amounts to satisfy the Bidder's obligations to pay the Scheme Consideration in accordance with its obligations under this document, the Scheme and the Deed Poll;

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- (k) **(provision of information to Independent Expert)** all information provided by or on behalf of the Bidder to the Independent Expert to enable the Independent Expert's Report to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will use that information for the purpose of preparing the Independent Expert's Report;
- (l) **(unconditional cash reserves on the Second Court Date and the Implementation Date)** by 8.00am on the Second Court Date and on the Implementation Date, the Bidder will have available to it on an unconditional basis (other than, on the Second Court Date, conditions relating to the approval of the Court and other conditions within the sole control of the Bidder) sufficient cash reserves to satisfy the Bidder's obligations to pay the Scheme Consideration in accordance with its obligations under this document, the Scheme and the Deed Poll; and
- (m) **(No knowledge of Material Adverse Change)** the Bidder is not aware of any information relating to the Target Group or its respective businesses or operations as at the date of this document that has or could reasonably be expected to give rise to a Material Adverse Change; and
- (n) **(Insolvency event)** as at the date of this document, no member of the Bidder Group is Insolvent or is reasonably likely to become Insolvent in the near term, nor has any regulatory action of any nature of which it is aware been taken that would reasonably be likely to prevent or restrict the Bidder's ability to fulfil its obligations under this document or the Scheme.

13.7 Bidder's indemnity

The Bidder agrees with the Target (on the Target's own behalf and separately as trustee for each of the Target Indemnified Parties) to indemnify and keep indemnified the Target Indemnified Parties from and against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 13.6 not being true and correct.

13.8 Notifications

The Bidder will promptly advise the Target in writing if the Bidder becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by the Bidder under this clause 13.

13.9 Survival of representations

Each representation and warranty in clauses 13.1 and 13.6:

- (a) is severable;
- (b) will survive the termination of this document; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this document.

13.10 Survival of indemnities

Each indemnity in this document (including those in clauses 13.2 and 13.7) will:

- (a) be severable;

- (b) be a continuing obligation;
- (c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this document; and
- (d) survive the termination of this document.

14 Termination

14.1 Termination events

This document may be terminated:

- (a) **(End Date)** by either party, if the Scheme has not become Effective on or before the End Date;
- (b) **(lack of support)** by the Bidder at any time prior to 8.00am on the Second Court Date if the Target Board (excluding Interested Directors) changes its recommendation to the Scheme Participants that they vote in favour of the resolution to approve the Scheme, including any adverse modification to its recommendation, or otherwise makes a public statement indicating that it no longer supports the Scheme or recommends, endorses or supports a Competing Transaction;
- (c) **(material breach)** by either the Bidder or the Target at any time prior to 8.00am on the Second Court Date, if the other is in material breach of a term of this document (including any representation and warranty not being true and correct), taken in the context of the Scheme as a whole, provided that the Bidder or the Target (as the case may be) has, if practicable, given notice to the other setting out the relevant circumstances and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 8.00am on the Second Court Date) after the time such notice is given;
- (d) **(Competing Transaction)** by the Target at any time prior to 8.00 am on the Second Court Date if the Target Board (excluding Interested Directors) determines that a Competing Transaction that was not solicited, invited, encouraged or initiated in breach of clause 9.2 is a Superior Proposal;
- (e) **(consultation or appeal failure)** in accordance with and pursuant to:
 - (i) clause 3.8(a);
 - (ii) clause 3.8(b); or
 - (iii) clause 5.8; or
- (f) **(agreement)** if agreed to in writing by the Bidder and the Target.

14.2 Termination

Where a party has a right to terminate this document, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this document.

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14.3 Effect of Termination

If this document is terminated by either party, or if this document otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this document, other than the obligations set out in this clause and in clauses 7.1 to 7.4 (inclusive), 10 to 12 (inclusive), 13.5, 13.9 and 13.10, and 15 to 20 (inclusive) will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause releases any party from liability for any pre-termination breach of this document.

14.4 Damages

In addition to the right of termination under clause 14.1 where there is no appropriate remedy for the breach in this document (other than termination), the non-defaulting party is entitled to damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this document.

15 Public announcements**15.1 Public announcement of Scheme**

Immediately after signing this document, the Target and the Bidder must each issue a public announcement of the proposed Scheme in the respective forms contained in Annexure A.

15.2 Required disclosure

Where a party is required by any applicable law or any Listing Rule to make any announcement or make any disclosure in connection with the Scheme, it must use all reasonable endeavours, to the extent possible, to consult with the other party prior to making the relevant disclosure, and to the extent that the announcement or disclosure would require disclosure of Confidential Information, comply with clause 4.3 of the Confidentiality Agreement.

15.3 Other announcements

Subject to clauses 15.1 and 15.2, no party may make any public announcement or disclosure in connection with the Scheme (including disclosure to a Regulatory Authority) other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as practicable.

16 Confidential Information**16.1 Disclosure of Confidential Information**

- (a) Each party acknowledges and agrees that it continues to be bound by the Confidentiality Agreement in respect of all Confidential Information, before or after the date of this document.
- (b) A requirement under this document to provide information to a third party must be read subject to the Confidentiality Agreement (including to the extent that this results in reading down any obligation in this document to provide such information). Any information so provided remains subject to and must be dealt in accordance with the terms of the Confidentiality Agreement.

17 Notices and other communications

17.1 Form

Unless this document expressly states otherwise, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and signed by the sender (if an individual) or an Authorised Officer of the sender.

All communications (other than email communications) must also be marked for the attention of the person referred to in the Details (or, if the recipient has notified otherwise, then marked for attention in the way last notified).

Email communications must state the first and last name of the sender and are taken to be signed by the named sender.

17.2 Delivery

Communications must be:

- (a) left at the address referred to in the Details; or
- (b) sent by email to the address referred to in the Details.

If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

17.3 When effective

Communications take effect from the time they are received or taken to be received under clause 17.4 (whichever happens first) unless a later time is specified in the communication.

17.4 When taken to be received

Communications sent by email are taken to be received:

- (a) when the sender receives an automated message confirming delivery; or
- (b) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

17.5 Receipt outside business hours

Despite anything else in this clause 17, if communications are received or taken to be received under clause 17.4 after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

18 GST

18.1 Definitions and interpretation

For the purposes of this clause:

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- (a) **"GST Act"** means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth);
- (b) a term which has a defined meaning in the GST Act has the same meaning when used in this clause, unless the contrary intention appears; and
- (c) each periodic or progressive component of a supply to which section 156-5(1) of the GST Act applies will be treated as if it were a separate supply.

18.2 GST exclusive

Unless this document expressly states otherwise, all consideration to be provided under this document is exclusive of GST.

18.3 Payment of GST

- (a) If GST is payable, or notionally payable, on a supply in connection with this document, the party providing the consideration for the supply agrees to pay to the supplier an additional amount equal to the amount of GST payable on that supply ("**GST Amount**").
- (b) Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time as the GST-exclusive consideration for the supply, or the first part of the GST-exclusive consideration for the supply (as the case may be), is payable or is to be provided.
- (c) This clause does not apply to the extent that the consideration for the supply is expressly stated to include GST or the supply is subject to a reverse-charge.

18.4 Adjustment events

If an adjustment event arises for a supply made in connection with this document, the GST Amount must be recalculated to reflect that adjustment. The supplier or the recipient (as the case may be) agrees to make any payments necessary to reflect the adjustment and the supplier agrees to issue an adjustment note.

18.5 Reimbursements

Any payment, indemnity, reimbursement or similar obligation that is required to be made in connection with this document which is calculated by reference to an amount paid by another party must be reduced by the amount of any input tax credits which the other party (or the representative member of any GST group of which the other party is a member) is entitled. If the reduced payment is consideration for a taxable supply, clause 18.3 will apply to the reduced payment.

19 Costs

19.1 Costs

The parties agree to pay their own Costs in connection with the preparation, negotiation, execution and completion of this document, except for amounts covered by clause 19.2.

19.2 Stamp duty and registration fees

The Bidder:

- (a) agrees to pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of those amounts); and
- (b) indemnifies the Target against, and agrees to reimburse and compensate it for, any liability in respect of stamp duty under clause 19.2(a).

The Bidder agrees to pay amounts due to the Target under this clause within 3 Business Days of demand from the Target.

20 General**20.1 Variation and waiver**

A provision of this document, or right, power or remedy created under it, may not be varied or waived except in writing signed by the party to be bound.

20.2 Consents, approvals or waivers

By giving any approval, consent or waiver a party does not give any representation or warranty as to any circumstance in connection with the subject matter of the consent, approval or waiver.

20.3 Discretion in exercising rights

Unless this document expressly states otherwise, a party may exercise a right, power or remedy or give or refuse its consent, approval or a waiver in connection with this document in its absolute discretion (including by imposing conditions).

20.4 Partial exercising of rights

Unless this document expressly states otherwise, if a party does not exercise a right, power or remedy in connection with this document fully or at a given time, they may still exercise it later.

20.5 Conflict of interest

Each party may exercise their rights, powers and remedies in connection with this document even if this involves a conflict of duty or they have a personal interest in their exercise.

20.6 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

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20.7 Indemnities and reimbursement obligations

Any indemnity, reimbursement or similar obligation in this document.

- (a) is a continuing obligation despite the satisfaction of any payment or other obligation in connection with this document, any settlement or any other thing;
- (b) is independent of any other obligations under this document; and
- (c) continues after this document, or any obligation arising under it, ends.

It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity in connection with this document.

20.8 Inconsistent law

To the extent the law permits, this document prevails to the extent it is inconsistent with any law.

20.9 Supervening law

Any present or future law which operates to vary the obligations of a party in connection with this document with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

20.10 Counterparts

This document may consist of a number of copies, each signed by one or more parties to it. If so, the signed copies are treated as making up a single document.

20.11 Electronic exchange of documents

In relation to the electronic exchange of documents:

- (a) parties may exchange executed counterparts of this document, or any other document required to be executed under this document, by delivery from one party to the other party by emailing a pdf (portable document format) copy of the executed counterpart to that other party ("**Electronic Delivery**"); and
- (b) Electronic Delivery of an executed counterpart will be deemed effective delivery of the original executed counterpart, from the date and time of receipt by the other party.

20.12 Entire agreement

This document (together with the Transaction Documents) constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

20.13 Further steps

Each party agrees to execute all documents and do all things necessary to perform its obligations under this document and each other Transaction Document.

20.14 No liability for loss

Unless this document expressly states otherwise, a party is not liable for any loss, liability or costs arising in connection with the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right, power or remedy in connection with this document.

20.15 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this document or is contrary to public policy.

20.16 Rules of construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this document or any part of it.

20.17 Assignment

A party may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of the other party.

20.18 Enforceability

For the purpose of this document, the Target is taken to be acting as agent and trustee on behalf of and for the benefit of all Target Indemnified Parties, and all of those persons are to this extent taken to be parties to this document.

20.19 No representation or reliance

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this document, except for representations or inducements expressly set out in this document; and
- (b) it does not enter into this document in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this document,

20.20 Amendment

This document may be amended only in writing executed by the parties.

21 Governing law**21.1 Governing law and jurisdiction**

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

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21.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address for service of notices under clause 17.2 or with its process agent.

21.3 Appointment of process agent

Without preventing any method of service allowed under any relevant law, the Bidder:

- (a) irrevocably appoints Minter Ellison as its process agent to receive any document in an action in connection with this document; and
- (b) agrees that failure by a process agent to notify the Target of any document in an action in connection with this document does not invalidate the action concerned.

If for any reason the Minter Ellison ceases to be able to act as process agent, the Bidder agrees to appoint another person as its process agent in the place referred to in clause 21.1 and ensure that the replacement process agent accepts its appointment and confirms its appointment to the Bidder.

The Bidder agrees that service of documents on its process agent is sufficient service on it.

EXECUTED as an agreement

Scheme Implementation Agreement

Schedule 1 Timetable (clause 5.1)

Event	Date
Lodge Scheme Booklet with ASIC	31 March 2021
Application in respect of the Court hearing to be held on the First Court Date, filed with the Court, served on ASIC	31 March 2021
First Court Date	22 April 2021
Scheme Meeting held	1 June 2021
Second Court Date	9 June 2021
Lodge Court order with ASIC (Effective Date)	10 June 2021
Special Dividend Record Date*	15 June 2021
Special Dividend Payment Date*	21 June 2021
Scheme Record Date	22 June 2021
Implementation Date	1 July 2021

* Subject to the Asaleo Board declaring the Special Dividend

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SIGNED by the following authorised representatives of **ESSITY GROUP HOLDING BV**, who by executing this document each warrant that he/she is duly authorised to execute this document on behalf of ESSITY GROUP HOLDING BV, in the presence of:

.....
Signature of witness

.....
Name of witness (block letters)

.....
Signature of witness

.....
Name of witness (block letters)

.....
MUKUNDKUMAR AMIN, DIRECTEUR A

.....
MATS BECKMAN, DIRECTEUR B

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Scheme Implementation Agreement

Annexure A Respective public announcements



ASX Release

17 February 2021

Asaleo Care recommends improved Essity Proposal

Highlights

- Total value to Asaleo Care shareholders of \$1.45 per share, comprising \$1.40 cash in scheme consideration, plus \$0.05 per share of permitted dividends, expected to be fully franked¹
- Potential value in franking credits of up to \$0.02 per share for shareholders able to realise full benefit
- Total value represents a 44.7% premium to the 1-month VWAP of \$1.00 to 9 December 2020²
- Unanimous Independent Board Committee recommendation
- Acquisition by way of Scheme of Arrangement

Asaleo Care Limited ("Asaleo" or the "Company") and Essity Group Holding BV ("Essity") have entered into a Scheme Implementation Agreement under which it is proposed that Essity (or its nominee) will acquire all outstanding ordinary shares in Asaleo not already owned by the Essity group.

Recommendation

Independent non-Essity directors and the CEO and Managing Director³ unanimously recommend that Asaleo shareholders vote in favour of the Scheme in the absence of a Superior Proposal⁴ and subject to the Independent Expert concluding in its report (and continuing to conclude) that the Scheme is in the best interests of shareholders.

Subject to those same qualifications, the directors of Asaleo who hold shares, intend to vote in favour of the Scheme.

Value to shareholders and dividends

The total value to shareholders of \$1.45¹ per share (before the benefit of franking credits), values Asaleo's equity at approximately \$788m⁵ and represents a 44.7% premium to the 1-month VWAP of \$1.00 to 9 December 2020.

¹ Subject to being a shareholder on the respective ordinary and special dividend record dates and the Asaleo Board determining to pay the special dividend. Franking credits will be subject to a class ruling from the Australian Taxation Office.

² Undisturbed closing share price the day prior to announcement of Essity's initial proposal to acquire Asaleo Care.

³ CEO and Managing Director, Sid Takla. Refer separate announcement today in relation to current employment arrangements for the CEO and Managing Director.

⁴ Superior Proposal has the same meaning as given in the scheme implementation agreement.

⁵ Based on 543,122,491 fully paid ordinary shares as at 16 February 2021.



The Board has today (with the FY20 full year results) declared an ordinary dividend of \$0.03 per share ("Ordinary Dividend"), to be paid on 31 March 2021.

In addition, the Board intends to pay, in its absolute discretion, a special dividend of \$0.02 per share prior to the Scheme Record Date ("Special Dividend").

Asaleo expects that the Ordinary Dividend and Special Dividend will be fully franked, subject to a class ruling from the Australian Taxation Office. There is potential value in the franking credits attached of up to approximately \$0.02 per share (for those shareholders able to realise the full benefit of franking credits).

Transaction highlights

- **Offer premium⁶:** the total value to Asaleo shareholders of \$1.45¹ represents an attractive premium of:
 - 43.6% premium to the undisturbed closing price of \$1.01 on 9 December 2020;
 - 44.7% premium to the 1-month VWAP of \$1.00 to 9 December 2020;
 - 43.7% premium to the 3-month VWAP of \$1.01 to 9 December 2020; and
 - 43.5% premium to the 6-month VWAP of \$1.01 to 9 December 2020.
- **Certainty of value:** the 100% cash consideration provides Asaleo shareholders with certainty of value.
- **Not subject to financing or due diligence:** The Scheme is not subject to financing or due diligence.

The IBC, and CEO and Managing Director, unanimously recommend the Scheme

Asaleo Chairman, Harry Boon, said: "The Scheme is an attractive, all-cash transaction and represents a compelling outcome for our shareholders, customers, suppliers and staff. Essity is a long-term strategic partner for Asaleo and there is a strong commercial logic for this combination. Essity will further enhance our position in the markets in which we operate"

CEO and Managing Director, Sid Takla, said: "The announcement today recognises the strategic value of the Asaleo business and reflects the steps we have undertaken to optimise the portfolio, strengthen the company's balance sheet and set Asaleo on a clear path towards sustainable growth. The value to our shareholders under this proposal is testament to the quality of our products, our people and our recent strong performance."

Essity CEO, Magnus Groth, said: "We are very pleased to welcome Asaleo Care into our global portfolio. We believe this transaction will facilitate the opportunity for continued investment and profitable growth in Australia, New Zealand and the Pacific region."

⁶ VWAPs are subject to rounding.



Details of the scheme implementation agreement

A copy of the Scheme Implementation Agreement is attached to this announcement. Implementation is conditional on, amongst other things, the approval by Asaleo shareholders at a Court-convened meeting and Court approval.

Under the Scheme Implementation Agreement, Asaleo is bound by customary exclusivity provisions including “no shop,” “no talk,” “notification of approaches” and “bidder counter-proposal” obligations. The “no talk” restriction is subject to a customary fiduciary carve-out.

Break fees, equal to approximately 1% of the total Scheme consideration, may apply in certain circumstances.

Indicative timetable and next steps

Asaleo shareholders do not need to take any action at the present time.

A Scheme Booklet containing information relating to the Scheme, reasons supporting the IBC’s recommendation, an Independent Expert’s report and details of the Scheme meeting, is expected to be sent to shareholders in late April 2021.

Shareholders, other than Essity, will then have the opportunity to vote on the Scheme at a Court-convened shareholder meeting, expected to be held in the first half of June 2021.

Subject to regulatory approvals (FIRB and OIO), shareholder approval being obtained by the requisite majorities, Court approval and other conditions of the Scheme being satisfied, or waived (as applicable), it is expected to be implemented in June 2021.

Advisers

Asaleo is advised by Luminis Partners as financial adviser, and King & Wood Mallesons as legal counsel.

– ENDS –

About Asaleo Care

Asaleo Care is a leading personal care and hygiene company that manufactures, markets, distributes and sells personal care and hygiene products. Our portfolio of market-leading brands includes Libra, TENA, Tork, Viti and Orchid. The Purex, Sorbent and Handee Ultra brands are not owned in Australia. The Company has 14 manufacturing and distribution facilities throughout Australia, New Zealand and the Pacific Islands. Asaleo Care employs about 650 people who work together to offer products and services which provide care, comfort and confidence every day. For more information visit www.asaleocare.com.

About Essity

Essity is a leading global hygiene and health company. We are dedicated to improving well-being through our products and services. Sales are conducted in approximately 150 countries under the leading global brands TENA and Tork, and other strong brands, such as JOBST, Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa. Essity has about 46,000 employees. Net sales in 2020 amounted to approximately SEK 122bn (EUR 11.6bn). The company’s headquarters is located in Stockholm, Sweden, and Essity is listed on Nasdaq Stockholm. Essity breaks barriers to well-being and contributes to a healthy, sustainable and circular society. More information at www.essity.com.



Asaleo Contacts:

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This release has been approved by the Asaleo IBC.



Press release

Stockholm, February 16, 2021

Essity enters agreement to acquire Australian hygiene company Asaleo Care

Further to the announcement on December 10, 2020, hygiene and health company Essity has now entered an agreement with hygiene company Asaleo Care to acquire the remaining 63.8% of the shares in the company for AUD 1.40 cash per share. Asaleo Care is listed on the Australian Securities Exchange and Essity is the largest shareholder, currently holding 36.2% of the shares.

The consideration implies an equity value on a 100% basis of approximately AUD 760m (approximately SEK 4.9bn) and an enterprise value of AUD 855m (approximately SEK 5.5bn). This represents an EV/EBITDA multiple of 9.6x based on Asaleo Care's reported underlying EBITDA for 2020 of AUD 89m (approximately SEK 574m). Shareholders in Asaleo Care will receive the AUD 0.03 dividend declared by Asaleo following the announcement of their Full Year 2020 results on February 17, 2021 and, subject to approval of the transaction by shareholders and the Court and at the absolute discretion of the Asaleo Board it is intended that a further special dividend of AUD 0.02 is paid prior to completion of the transaction.

"Following productive discussions with the Asaleo Board of Independent Directors, I am pleased to announce this agreement. The acquisition of Asaleo Care will facilitate the opportunity for profitable growth in Australia, New Zealand and the Pacific region and will further consolidate our position as a leading global health and hygiene company", says Magnus Groth, President and CEO, Essity.

Asaleo Care manufactures and markets Personal Care and Professional Hygiene products in Australia, New Zealand and Fiji and Consumer Tissue in New Zealand and Fiji. The company's portfolio of market-leading brands includes Libra, Handee Ultra, Purex, Sorbent, Deeko, Viti and Orchid, and the global brands TENA and Tork through an exclusive license agreement with Essity.

In 2020, Asaleo Care reported sales of AUD 419m (approximately SEK 2.7bn) and underlying EBITDA of AUD 89m (approximately SEK 574m). Sales growth in 2020 amounted to 2.3%. Asaleo Care has approximately 700 employees and three manufacturing facilities.

The proposal is not subject to financing conditions. Essity will finance the acquisition of shares through own funds.

The agreement is supported by the Independent Directors of Asaleo Care and is expected to be voted on at a meeting of the independent shareholders in Asaleo Care in the second quarter of 2021. Subject to the approval of the agreement at that meeting, subsequent Court and regulatory approvals, the completion of the transaction is expected to be finalized in the second quarter of 2021. The timing is indicative and subject to change.



NB: This information is such that Essity Aktiebolag (publ) is obligated to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at **xx:xx** CET on February 16, 2021.

Karl Stoltz, Media Relations Manager, +46 8 788 51 55

Essity contacts:

Johan Karlsson, Vice President Investor Relations, +46 8 788 51 30, johan.ir.karlsson@essity.com
Per Lorentz, Vice President Corporate Communications +46 8 788 52 51, per.lorentz@essity.com

About Essity

Essity is a leading global hygiene and health company. We are dedicated to improving well-being through our products and services. Sales are conducted in approximately 150 countries under the leading global brands TENA and Tori, and other strong brands, such as JOBST, Leukoplast, Libero, Libresse, Lotus, Nosotras, Saba, Tempo, Vinda and Zewa. Essity has about 46,000 employees. Net sales in 2020 amounted to approximately SEK 122bn (EUR 11.6bn). The company's headquarters is located in Stockholm, Sweden, and Essity is listed on Nasdaq Stockholm. Essity breaks barriers to well-being and contributes to a healthy, sustainable and circular society. More information at www.essity.com.

Essity Internal

Scheme Implementation Agreement

Annexure B Scheme of Arrangement

Not reproduced here – see Annexure C of the Scheme Booklet

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Scheme Implementation Agreement

Annexure C Deed Poll

Not reproduced here – see Annexure D of the Scheme Booklet

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ASALEO CARE

Annexure C – Scheme of Arrangement



Scheme of Arrangement

Dated

Asaleo Care Limited (ACN 154 461 300) ("**Target**")

Scheme Participants

King & Wood Mallesons

Level 27
Collins Arch
447 Collins Street
Melbourne VIC 3000
Australia
T +61 3 9643 4000
F +61 3 9643 5999
DX 101 Melbourne
www.kwm.com

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Scheme of Arrangement

Details

Parties

Asaleo	Name	Asaleo Care Limited
	ACN	154 461 300
	Formed in	Australia
	Address	30-32 Westall Rd, Springvale, VIC 3171
	Email	James.Orr@asaleocare.com
	Attention	James Orr, General Counsel and Company Secretary
	Copy to	Diana Nicholson, King & Wood Mallesons Diana.Nicholson@au.kwm.com

Scheme Participants	Each person registered as a holder of fully paid ordinary shares in the Target as at 5.00pm on the Record Date.
----------------------------	---

Governing law	Victoria, Australia
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Scheme of Arrangement

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or the market operated by it, as the context requires.

Bidder means Essity Group Holding BV.

Bidder Nominee means Essity Holding Company Australia Pty Ltd (ACN 649 075 310), being a wholly-owned Subsidiary of the Bidder nominated by the Bidder to acquire Scheme Shares under this Scheme in accordance with clause 2.3 of the Scheme Implementation Agreement.

Business Day means any day for which banks are open for business in Melbourne, Victoria (not being a Saturday, Sunday or public holiday in such place).

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Federal Court of Australia (Melbourne registry), or such other court of competent jurisdiction under the Corporations Act agreed by the Bidder and the Target.

Deed Poll means the deed poll dated [•] 2021 executed by the Bidder and Bidder Nominee substantially in the form of Annexure C to the Scheme Implementation Agreement or as otherwise agreed by the Bidder and the Target under which each of the Bidder and Bidder Nominee covenants in favour of each Scheme Participant to perform the actions attributed to it under this Scheme.

Details means the section of this Scheme headed "Details".

Effective, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which this Scheme becomes Effective.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or (2) of the PPSA, or any agreement to create any of them or allow them to exist.

End Date means the 'End Date' determined in accordance with the Scheme Implementation Agreement.

Implementation Date means the 7th Business Day following the Record Date or such other Business Day after the Record Date agreed to in writing between the parties to the Scheme Implementation Agreement.

Record Date means the 7th Business Day following the Effective Date or such other Business Day after the Effective Date agreed to in writing between the parties to the Scheme Implementation Agreement.

Register means the share register of the Target maintained by it under section 168(1) of the Corporations Act.

Registered Address means, in relation to a Scheme Participant, the address shown in the Register as at the Record Date.

Regulatory Authority means:

- (a) ASX, ASIC and the Takeovers Panel;
- (b) a government or governmental, semi-governmental or judicial entity or authority in Australia;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government in Australia; and
- (d) any regulatory organisation in Australia established under statute.

Related Body Corporate has the meaning it has in the Corporations Act.

Rights means all accretions, rights and benefits attaching to, or arising from, the Target Shares directly or indirectly, including any capital returns, all dividends and all rights to receive them and rights to receive or subscribe for shares, notes, bonds, options or other securities or entitlements declared, paid or issued by the Target.

Scheme means this scheme of arrangement between the Target and Scheme Participants under which all of the Scheme Shares will be transferred to the Bidder Nominee under Part 5.1 of the Corporations Act as described in clause 6 of this Scheme, in consideration for the Scheme Consideration, subject to any amendments or conditions that are:

- (a) agreed to in writing by the Target and the Bidder (with any such amendments to be in accordance with the principles in the definition of 'Scheme' in the Scheme Implementation Agreement), and approved by the Court; or
- (b) made or required by the Court pursuant to section 411(6) of the Corporations Act and accepted in writing by the Target and the Bidder.

Scheme Consideration means \$1.40 cash in respect of each Scheme Share to be provided by the Bidder to Scheme Participants under the terms of this Scheme for the transfer to the Bidder Nominee of all of their Scheme Shares.

Scheme Implementation Agreement means the scheme implementation agreement dated 17 February 2021 as amended by the amending deed dated 31 March 2021 between the Target and the Bidder under which, among other things, the Target has agreed to propose this Scheme to Target Shareholders, and each of the Bidder and the Target has agreed to take certain steps to give effect to this Scheme.

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Scheme Meeting means the meeting of Target Shareholders, ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Participant means each person who holds one or more Scheme Shares.

Scheme Share means a Target Share on issue as at 5:00pm on the Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard (as agreed by the Target and the Bidder), if the application is adjourned for any reason, means the date on which the adjourned application is heard scheduled to be heard.

Share Scheme Transfer means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the Scheme Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

Subsidiary of an entity means another entity which:

- (a) is a subsidiary of the first entity within the meaning of the Corporations Act; and
- (b) is part of a consolidated entity constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares or would be, if the first entity was required to prepare consolidated financial statements.

A trust may be a subsidiary (and an entity may be a subsidiary of a trust) if it would have been a subsidiary under this definition if that trust were a body corporate. For these purposes, a unit or other beneficial interest in a trust is to be regarded as a share.

Target Registry means Link Market Services Limited or any replacement provider of share registry services to the Target.

Target Share means an issued fully paid ordinary share in the capital of the Target.

Target Shareholder means each person registered in the Register as a holder of Target Shares.

Trust Account means the Australian dollar denominated trust account operated by or on behalf of the Target to hold the Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with clause 6.2 of this Scheme.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this Scheme:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);

- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by "including", "for example", "such as" or similar expressions;
- (e) a reference to "**person**" includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Melbourne time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (j) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually;
- (k) a reference to any thing (including an amount) is a reference to the whole and each part of it;
- (l) a period of time starting from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (m) if a party must do something under this Scheme on or by a given day and it is done after 5.00pm on that day, it is taken to be done on the next day; and
- (n) if the day on which a party must do something under this Scheme is not a Business Day, the party must do it on the next Business Day.

2 Preliminary

2.1 Target

- (a) The Target is a public company limited by shares, incorporated in Australia, registered in Victoria and admitted to the official list of ASX.
- (b) The Target Shares are officially quoted on ASX. As at the date of the Scheme Implementation Agreement, 543,122,491 Target Shares were on issue which are officially quoted on ASX.

2.2 Bidder and Bidder Nominee

- (a) The Bidder is a company registered in the Netherlands. Its registered address is Postbus 670, 3700AR Zeist, Netherlands.
- (b) The Bidder Nominee is a company registered in Victoria. Its registered address is c/- Minter Ellison, Collins Arch, Level 17/447 Collins Street, Melbourne, Victoria, 3000.

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2.3 Scheme Implementation Agreement and Deed Poll

- (a) The Target and the Bidder have agreed by executing the Scheme Implementation Agreement to implement this Scheme subject to the terms and conditions of this Scheme.
- (b) This Scheme attributes actions to the Bidder and Bidder Nominee but does not itself impose an obligation on it to perform those actions, as the Bidder is not a party to this Scheme in its capacity as an acquirer but only as a Scheme Participant. The Bidder and Bidder Nominee have agreed, by executing the Deed Poll, to perform the actions attributed to them under this Scheme (including the provision of the Scheme Consideration to the Scheme Participants subject to the terms and conditions of this Scheme).

2.4 If Scheme becomes Effective

If this Scheme becomes Effective:

- (a) the Bidder will provide or procure the provision of the Scheme Consideration in accordance with the terms of this Scheme;
- (b) all Scheme Shares will be transferred to the Bidder Nominee on the Implementation Date together with all Rights as at that date; and
- (c) the Target will enter the name of the Bidder Nominee in the Register in respect of all of the Scheme Shares transferred to the Bidder Nominee in accordance with the terms of this Scheme, with the result that the Target will become a wholly-owned Subsidiary of the Bidder Nominee.

3 Conditions precedent

3.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with their terms;
- (b) all of the conditions precedent listed in clause 3.1 of the Scheme Implementation Agreement (other than the condition precedent relating to the Court having approved the Scheme) having been satisfied, or waived in accordance with the terms of the Scheme Implementation Agreement (unless they cannot be waived, in which case they must be satisfied);
- (c) the Court having approved this Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, the Target and the Bidder having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; and
- (d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme on or before the End Date (or any later date the Target and the Bidder agree in writing in accordance with the Scheme Implementation Agreement).

3.2 Conditions precedent and operation of clause 5

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme.

3.3 Certificate in relation to conditions precedent

- (a) The Target and the Bidder must provide to the Court on the Second Court Date (and to the extent applicable to each other, in accordance with the Scheme Implementation Agreement) a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and clause 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.
- (b) The certificate referred to in this clause 3.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 3.1 of this Scheme (other than the conditions precedent in clause 3.1(c) and clause 3.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

4 Scheme

4.1 Effective Date

Subject to clause 4.2, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

4.2 End Date

Without limiting any rights under the Scheme Implementation Agreement, this Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Scheme Implementation Agreement or the Deed Poll is terminated in accordance with its terms,

unless the Target and the Bidder otherwise agree in writing.

5 Implementation of Scheme

5.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 3.1 of this Scheme (other than the condition precedent in clause 3.1(d) of this Scheme) are satisfied, the Target must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Court order approving this Scheme as soon as possible, and in any event by no later than 5.00pm on the first Business Day after the day on which the Court approves this Scheme.

5.2 Transfer and registration of Target Shares

On the Implementation Date, but subject to the provision of the Scheme Consideration for the Scheme Shares in accordance with clauses 6.1 to 6.3 of this Scheme:

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- (a) the Scheme Shares, together with all Rights attaching to them as at the Implementation Date, will be transferred to the Bidder Nominee without the need for any further act by any Scheme Participant (other than acts performed by the Target or its officers as attorney and agent for Scheme Participants under clause 8 of this Scheme) by:
 - (i) the Target delivering to the Bidder a duly completed and executed Share Scheme Transfer executed on behalf of the Scheme Participants; and
 - (ii) the Bidder Nominee duly executing the Share Scheme Transfer and the Bidder procuring that the Bidder Nominee duly executes the Share Scheme Transfer and attending to the stamping of the Share Scheme Transfer (if required) and delivering it to the Target for registration; and
- (b) as soon as practicable after receipt of the duly executed Share Scheme Transfer, but subject to the stamping of the Share Scheme Transfer (if required), the Target must enter, or procure the entry of, the name of the Bidder Nominee in the Register in respect of all Scheme Shares transferred to the Bidder Nominee in accordance with the terms of this Scheme.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to the Bidder Nominee of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 6 of this Scheme.

5.4 Title and Rights in Target Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 6.1 to 6.3 of this Scheme, on and from the Implementation Date, the Bidder Nominee will be beneficially entitled to the Scheme Shares transferred to it under this Scheme, pending registration by the Target of the Bidder Nominee in the Register as the holder of the Scheme Shares.

5.5 Scheme Participants' agreements

Under this Scheme, each Scheme Participant agrees to the transfer of their Scheme Shares, together with all Rights attaching to them, in accordance with the terms of this Scheme. In relation to such transfer, each Scheme Participant also provides the authorities and acknowledgements in clause 11.3.

5.6 Warranty by Scheme Participants

Each Scheme Participant warrants to the Bidder and is deemed to have authorised the Target to warrant to the Bidder as agent and attorney for the Scheme Participant by virtue of this clause 5.6, that, on the Implementation Date:

- (a) all of their Scheme Shares (including all Rights attaching to them) transferred to the Bidder Nominee under the Scheme will, as at the date of the transfer, be fully paid and free from all Encumbrances, or any other third party interest, or restrictions on transfer of any kind;
- (b) all of their Scheme Shares which are transferred to the Bidder Nominee under this Scheme will, on the date on which they are transferred to the Bidder Nominee, be fully paid;

- (c) they have full power and capacity to sell and to transfer their Scheme Shares (including all Rights attaching to them) to the Bidder Nominee under the Scheme; and
- (d) they have no existing right to be issued any Target Shares, options exercisable into Target Shares, Target convertible notes or any other Target securities,

and the Target undertakes that it will provide such warranty to the Bidder as agent and attorney of each Scheme Participant.

5.7 Transfer free of Encumbrances

To the extent permitted by law, all Scheme Shares (including all Rights attaching to them) which are transferred to the Bidder Nominee under this Scheme will, at the date of the transfer of them to the Bidder Nominee, vest in the Bidder Nominee free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

5.8 Appointment of the Bidder as sole proxy

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clauses 6.1 to 6.3 of this Scheme, on and from the Implementation Date until the Target registers the Bidder Nominee as the holder of all of the Scheme Shares in the Register, each Scheme Participant:

- (a) irrevocably appoints the Target as its attorney and agent (and directs the Target in such capacity) to appoint the Bidder and each of its directors from time to time (jointly and each of them individually) as its sole proxy, and where applicable, corporate representative to attend shareholders' meetings, exercise the votes attaching to Scheme Shares registered in its name and sign any shareholders resolution,
- (b) undertakes not to attend shareholder meetings, exercise the votes attaching to Scheme Shares registered in their names or vote on any resolutions at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 5.8(b));
- (c) must take all other actions in the capacity of the registered holder of Scheme Shares as the Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 5.8(a), the Bidder and any officer or agent nominated by the Bidder under clause 5.8(a) may act in the best interests of the Bidder Nominee as the intended registered holder of the Scheme Shares.

The Target undertakes in favour of each Scheme Participant that it will appoint the Bidder and each of its directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 5.8(a) of this Scheme.

5.9 Instructions and elections

Except as prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Participant to the Target binding or deemed binding between the Scheme Participant and the Target relating to the Target or Target Shares (including any email addresses, instructions relating to communications from the Target, whether dividends are to be paid by cheque or into a specific bank

account, notices of meetings or other communications from the Target) will be deemed from the Implementation Date (except to the extent determined otherwise by the Bidder and in its sole discretion), by reason of this Scheme, to be made by the Scheme Participant to the Bidder Nominee, and will be accepted by the Bidder Nominee until that instruction, notification or election is revoked or amended in writing addressed to the Bidder at the relevant registry.

6 Scheme Consideration

6.1 Consideration under the Scheme

- (a) Each Scheme Participant is entitled to receive the Scheme Consideration.
- (b) No later than 5.00pm on the day that is 2 Business Days before the Implementation Date, the Target must procure the Bidder to pay (or procure the payment of), and the Bidder must pay, the Scheme Consideration to the Scheme Participants in accordance with clauses 6.2, 6.3 and 6.4 of this Scheme.

6.2 Satisfaction of obligations

The obligation of the Target to procure payment of, and of the Bidder to pay, the Scheme Consideration pursuant to clause 6.1 of this Scheme will be satisfied by the Target procuring the Bidder to pay, and the Bidder paying, no later than 5.00pm on the day that is 2 Business Days before the Implementation Date, in cleared funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants into the Trust Account (except that the amount of any interest on the amount deposited will accrue to the Bidder).

6.3 Payment of Scheme Consideration

- (a) On the Implementation Date, subject to receipt of the Scheme Consideration from the Bidder in accordance with clause 6.2 of this Scheme, the Target must pay to each Scheme Participant an amount equal to the Scheme Consideration for each Scheme Share transferred to the Bidder Nominee on the Implementation Date by that Scheme Participant.
- (b) The obligations of the Target under clause 6.3(a) will be satisfied by the Target (in its absolute discretion, and despite any election referred to in clause 6.3(b)(i) or authority referred to in clause 6.3(b)(ii) made or given by the Scheme Participant):
 - (i) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Participant, where the Scheme Participant has made a valid election prior to the Record Date in accordance with the requirements of the Register to receive dividend payments from the Target to that bank account;
 - (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Participant by an appropriate authority from the Scheme Participant to Target; or
 - (iii) dispatching, or procuring the dispatch of, a cheque drawn on an Australian bank for the relevant amount in Australian currency to each Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant in the Register is outside

Australia, by pre-paid airmail post) to their address recorded in the Register on the Record Date.

- (c) In the event that:
- (i) a Scheme Participant does not have a Registered Address and no account has been notified in accordance with clause 6.3(b)(ii) or a deposit into such an account is rejected or refunded; or
 - (ii) a cheque issued under this clause 6.3 has been cancelled in accordance with clause 6.4(a),

the Target as the trustee for the Scheme Participants may credit the amount payable to the relevant Scheme Participant to a separate bank account of the Target ("**Separate Account**") to be held until the Scheme Participant claims the amount or the amount is dealt with under the *Unclaimed Money Act 2008* (Vic). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Participant claims the amount or the amount is dealt with under *Unclaimed Money Act 2008* (Vic). Until such time as the amount is dealt with under *Unclaimed Money Act 2008* (Vic), the Target must hold the amount on trust for the relevant Scheme Participant, but any interest or other benefit accruing from the amount will be to the benefit of the Bidder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Participant when credited to the Separate Account or Trust Account (as applicable). The Target must maintain records of the amounts paid, the people who are entitled to the amount and any transfers of the amounts.

- (d) To the extent that, following satisfaction of the Target's obligations under clause 6.3(c), there is a surplus in the amount held in the Trust Account, that surplus may be paid by the Target to the Bidder.

6.4 Unclaimed monies

- (a) The Target may cancel a cheque issued under clause 6.3 of this Scheme if the cheque:
- (i) is returned to the Target; or
 - (ii) has not been presented for payment within 6 months after the date on which the cheque was sent.
- (b) During the period of 1 year commencing on the Implementation Date, on request in writing from a Scheme Participant to the Target, the Target must reissue a cheque that was previously cancelled under this clause 6.4.
- (c) The *Unclaimed Money Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes "unclaimed money" (as defined in section 3 of the *Unclaimed Moneys Act 2008* (Vic)).
- (d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of the Bidder.

6.5 Fractional entitlements and splitting

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Participant would result in the Scheme Participant becoming entitled to

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a fraction of a cent, the fractional entitlement will be rounded up or down (as applicable) to the nearest whole cent.

6.6 Orders of a court or Regulatory Authority

In the case of a written notice having been given to the Target (or the Target Registry) of an order made by or requirement of a court of competent jurisdiction or other Regulatory Authority:

- (a) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to that Scheme Participant in accordance with clause 6.3 of this Scheme, then the Target must procure that payment is made in accordance with that order or otherwise by law; or
- (b) which would prevent the Target from dispatching payment to any particular Scheme Participant in accordance with clause 6.3 of this Scheme, or the payment is otherwise prohibited by applicable law, the Target will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Participant multiplied by the Scheme Consideration until such time as payment in accordance with clause 6.3 of this Scheme Consideration is permitted by that order or otherwise by law,

and the payment or retention by the Target (or the Target Registry) will constitute the full discharge of the Target's obligations under clause 6.3 with respect of the amount so paid or retained until, in the case of clause 6.6(b), it is no longer required to be retained.

6.7 Joint holders

In the case of Scheme Shares held in joint names any bank cheque required to be paid to Scheme Participants under this Scheme must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

7 Dealings in Scheme Shares

7.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Target Shares or other alterations to the Register will only be recognised by the Target if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Register as the holder of the relevant Target Shares on or before 5.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings, or valid requests in respect of other alterations, are received on or before 5.00pm on the Record Date at the place where the Register is kept,

and the Target will not accept for registration, nor recognise for any purpose (except a transfer to the Bidder Nominee under this Scheme and any subsequent transfer by the Bidder Nominee or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

7.2 Register

The Target must register any registrable transmission applications or transfers of the Scheme Shares received in accordance with clause 7.1(b) of this Scheme on or as soon as reasonably practicable after 5.00pm on the Record Date.

7.3 No disposals after Effective Date

- (a) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after 5:00pm on the Record Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.
- (b) The Target will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Scheme Shares received after 5.00pm on the Record Date (except a transfer to the Bidder Nominee pursuant to this Scheme and any subsequent transfer by the Bidder Nominee or its successors in title).

7.4 Maintenance of Target Register

For the purpose of determining entitlements to the Scheme Consideration, the Target will maintain the Register in accordance with the provisions of this clause 7.4 until the Scheme Consideration has been paid to the Scheme Participants and the Bidder Nominee has been entered in the Register as the holder of all the Scheme Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

7.5 Effect of certificates and holding statements

Subject to provision of the Scheme Consideration and registration of the transfer to the Bidder Nominee contemplated in clauses 5.2 and 7.4 of this Scheme, any statements of holding or share certificates in respect of Scheme Shares will cease to have effect after 5.00pm on the Record Date as documents of title in respect of those shares (other than statements of holding in favour of the Bidder Nominee and its successors in title). After 5.00pm on the Record Date, each entry current on the Register as at 5.00pm on the Record Date (other than entries in respect of the Bidder Nominee or its successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.

7.6 Details of Scheme Participants

Within 2 Business Days after the Record Date, the Target will ensure that details of the names, Registered Addresses and holdings of Scheme Shares for each Scheme Participant, as shown in the Register at 5.00pm on the Record Date are available to the Bidder in such form as the Bidder reasonably requires.

8 Power of attorney

Each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints the Target and each of its directors, officers and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of:

- (a) on and from the Effective Date, enforcing the Deed Poll against the Bidder or Bidder Nominee (if required); and
- (b) on and from the Implementation Date, executing and delivering any document or doing or taking any other act necessary, desirable or

expedient to give effect to this Scheme including the Share Scheme Transfer,

and the Target accepts such appointment. The Target, as attorney and agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8 to all or any of its directors, officers or secretaries (jointly, severally or jointly and severally).

9 Notices

9.1 No deemed receipt

If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to the Target, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the Target's registered office or at the office of the Target Registry.

9.2 Accidental omission

The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Target Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

10 Suspension and delisting

- (a) The Target will apply to ASX to suspend trading on the ASX in the Target Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by the Bidder, and to take effect only after the transfer of Scheme Shares has been registered in accordance with clause 5.2, the Target will apply for termination of the official quotation of the Target Shares on ASX and to have itself removed from the official list of ASX.

11 General

11.1 Variations, alterations and conditions

If the Court proposes to approve this Scheme subject to any variations, alterations or conditions:

- (a) the Target may, with the consent of the Bidder, by its counsel or solicitor consent on behalf of all persons concerned to those variations, alterations or conditions; and
- (b) each Scheme Participant agrees to any such variations, alterations or conditions which the Target has consented to.

11.2 Further actions

- (a) The Target, the Bidder and the Bidder Nominee must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.

- (b) Each Scheme Participant consents to the Target doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

11.3 Authority and acknowledgement

Each Scheme Participant:

- (a) acknowledges that this Scheme binds the Target and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting or vote against the Scheme at that Scheme Meeting) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of the Target;
- (b) irrevocably consents to the Target, the Bidder and the Bidder Nominee doing all things necessary or expedient for or incidental to the implementation of this Scheme, whether on behalf of the Scheme Participants, the Target or otherwise; and
- (c) agrees to the variation, cancellation or modification of the rights attached to their Target Shares constituted by or resulting from this Scheme; and
- (d) agrees to, on the direction of the Bidder, destroy any holding statements or share certificates relating to their Target Shares.

11.4 No liability when acting in good faith

Neither the Target, the Bidder, the Bidder Nominee nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

11.5 Enforcement of Deed Poll

The Target undertakes in favour of each Scheme Participant to enforce the Deed Poll against the Bidder on behalf of and as agent and attorney for the Scheme Participants.

11.6 Stamp duty

The Bidder will:

- (a) pay all stamp duty (including any fines, penalties and interest) payable in connection with this Scheme or the transactions effected by or made under the Scheme; and
- (b) indemnify each Scheme Participant against any liability arising from failure to comply with clause 11.6(a),

subject to and in accordance with clause 7 of the Deed Poll.

12 Governing law

12.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this Scheme. The parties irrevocably submit to the non-exclusive jurisdiction of the courts of that place.

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12.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this Scheme may be served on a party by being delivered or left at that party's address set out in the Details, provided that a copy of the document (or details of it) must also be sent by email to the email address set out in the Details.

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ASALEO CARE

Annexure D – Deed Poll

KING & WOOD
MALLESONS
金杜律师事务所

EXECUTION VERSION

Deed Poll

Dated 14 April 2021

Essity Group Holding BV ("**Bidder**")

Essity Holding Company Australia Pty Ltd (ACN 649 075 310) ("**Bidder Nominee**")

In favour of each registered holder of fully paid ordinary shares in Asaleo Care Limited (ACN 154 461 300) ("**Target**") as at 5.00pm on the Record Date ("**Scheme Participants**")

King & Wood Mallesons
Level 27
Collins Arch
447 Collins Street
Melbourne VIC 3000
Australia
T +61 3 9643 4000
F +61 3 9643 5999
DX 101 Melbourne
www.kwm.com

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Deed Poll

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Details

Parties

Bidder	Name	Essity Group Holding BV
	Formed in	Netherlands
	Address	Postbus 670, 3700AR Zeist Netherlands
	Email	mikael.schmidt@essity.com
	Attention	Mikael Schmidt, SVP and General Counsel With a copy to MinterEllison: Jeremy.Blackshaw@minterellison.com Alberto.Colla@minterellison.com
	Bidder Nominee	Name
	Formed in	Victoria, Australia
	Address	c/o Minter Ellison, Collins Arch, Level 17/447 Collins Street, Melbourne, Victoria 3000 Australia
	Email	mikael.schmidt@essity.com
	Attention	Mikael Schmidt, SVP and General Counsel With a copy to MinterEllison: Jeremy.Blackshaw@minterellison.com Alberto.Colla@minterellison.com
In favour of	Each registered holder of fully paid ordinary shares in the Target as at 5.00pm on the Record Date.	
Governing law	Victoria, Australia	
Recitals	A	The Target's directors (other than the Interested Directors) have resolved that the Target should propose the Scheme.
	B	The effect of the Scheme will be that all Scheme Shares will be transferred to the Bidder Nominee.

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-
- C** The Target and the Bidder have entered into the Scheme Implementation Agreement.
 - D** In the Scheme Implementation Agreement, the Bidder agreed (amongst other things) to provide the Scheme Consideration to the Target on behalf of the Scheme Participants, subject to the satisfaction of certain conditions and on the terms and conditions of the Scheme Implementation Agreement.
 - E** The Bidder and Bidder Nominee are each entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform the actions attributed to it under the Scheme and to provide the Scheme Consideration in accordance with the Scheme.
-

Deed Poll

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

Details means the section of this document headed "Details".

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property;
- (c) it is subject to any arrangement (including a deed of company arrangement or scheme of arrangement), assignment, moratorium, compromise or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document);
- (d) an application or order has been made (and in the case of an application which is disputed by the person, it is not stayed, withdrawn or dismissed within 14 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of the things described in any of the above paragraphs;
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand;
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this document reasonably deduces it is so subject);
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to any of the things described in the above paragraphs happens in connection with that person under the law of any jurisdiction.

Immediately Available Funds means cash, bank cheque or telegraphic or other electronic means of transfer of cleared funds into a bank account.

Interested Directors means Mats Berencreutz and Marie-Laure Mahé.

Scheme means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between the Target and Scheme Participants under which all the Scheme Shares will be transferred to the Bidder Nominee, substantially in the form of Annexure B to the Scheme Implementation Agreement, or as otherwise agreed by the Bidder and the Target, subject to any amendments or conditions that are:

- (a) agreed to in writing by the Target and the Bidder (with any such amendments to be in accordance with the principles in the definition of 'Scheme' in the Scheme Implementation Agreement), and approved by the Court; or
- (b) made or required by the Court pursuant to section 411(6) of the Corporations Act and accepted in writing by the Target and the Bidder.

Scheme Implementation Agreement means the scheme implementation agreement dated 17 February 2021 between the Target and the Bidder as amended by the amending deed dated 31 March 2021 under which, among other things, the Target has agreed to propose the Scheme to Target Shareholders, and each of the Bidder and the Target has agreed to take certain steps to give effect to the Scheme.

Scheme Share means a Target Share held by a Scheme Participant as at the Record Date.

All other words and phrases used in this document have the same meaning as given to them in the Scheme.

1.2 General interpretation

Clause 1.2 of the Scheme applies to this document.

1.3 Nature of deed poll

The Bidder and Bidder Nominee each acknowledges that:

- (a) this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants (other than the Bidder) are not a party to it; and
- (b) under the Scheme, each Scheme Participant irrevocably appoints the Target and each of its directors, officers and secretaries (jointly and severally) as its agent and attorney to enforce this deed poll against the Bidder and Bidder Nominee.

2 Condition precedent and termination

2.1 Condition precedent

The Bidder and Bidder Nominee's obligations under this document are subject to the Scheme becoming Effective.

2.2 Termination

This document and the Bidder and Bidder Nominee's obligations under it will automatically terminate and this document will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date or any later date as the Court, with the consent of the Bidder and the Target, may order; or
- (b) the Scheme Implementation Agreement is terminated in accordance with its terms,

unless the Bidder and the Target otherwise agree in writing.

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2.3 Consequences of termination

If this document is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) the Bidder and Bidder Nominee are each released from its obligations to further perform this document; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against the Bidder or Bidder Nominee in respect of any breach of this document which occurs before it is terminated.

3 Performance of obligations generally

- (a) The Bidder covenants in favour of Scheme Participants to comply with its obligations under the Scheme Implementation Agreement and, subject to the terms of that document, do all acts and things necessary or desirable on its part to give full effect to the Scheme.
- (b) Subject to clause 2, the Bidder and Bidder Nominee each covenants in favour of each Scheme Participant to perform the actions attributed to it under the Scheme as if the Bidder and Bidder Nominee were a party to the Scheme.

4 Scheme Consideration

4.1 Scheme Consideration

Subject to clause 2, the Bidder undertakes in favour of each Scheme Participant to pay or procure the payment of the Scheme Consideration to the Trust Account on behalf of each Scheme Participant, subject to and in accordance with the Scheme.

4.2 Manner of payment

The Bidder's obligation to provide the Scheme Consideration to the Target, on behalf of each Scheme Participant, is satisfied by the Bidder, no later than 5.00pm on the day that is 2 Business Days before the Implementation Date, depositing into the Trust Account in Immediately Available Funds the aggregate amount of the Scheme Consideration payable to all Scheme Participants (except that the amount of any interest on the amount deposited (less bank fees and other charges) will accrue to the Bidder).

5 Representations and warranties

The Bidder and Bidder Nominee each represent and warrant that:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;
- (b) **(power)** it has full legal capacity and power to enter into this document, to comply with its obligations under it and carry out the transactions under it;

- (c) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:
- (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded;
 - (ii) any law binding on or applicable to it or its assets; or
 - (iii) any Encumbrance or document binding on or applicable to it;
- (d) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced;
- (e) **(validity of obligations)** its obligations under this document are valid and binding and are enforceable against it in accordance with its terms; and
- (f) **(solvency)** it is not Insolvent.

6 Continuing obligations

This document is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) the Bidder and Bidder Nominee have each fully performed its obligations under this document; or
- (b) the earlier termination of this document under clause 2.2.

7 Costs

7.1 Costs

If the Scheme becomes Effective, the Bidder agrees to pay all costs in respect of the implementation of the Scheme (including in connection with the transfer of Target Shares to the Bidder Nominee in accordance with the terms of the Scheme).

7.2 Stamp duty and registration fees

The Bidder:

- (a) agrees to pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of these amounts); and
- (b) indemnifies each Scheme Participant against, and agrees to reimburse and compensate it, for any liability in respect of stamp duty under clause 7.2(a).

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8 Notices

8.1 Communications

Notices and other communications in connection with this document must be in writing. They must be sent to the address or email address referred to in the Details and (except in the case of email) marked for the attention of the person referred to in the Details. If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

8.2 When effective

Communications take effect from the time they are received or taken to be received under clause 8.3 (whichever happens first) unless a later time is specified in the communication.

8.3 When taken to be received

Communications sent by:

- (a) post are taken to be received, 2 Business Days after posting (or 5 Business Days after posting if set from the country to another); or
- (b) email are taken to be received:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

8.4 Receipt outside business hours

Despite anything else in this clause 8, if communications are received or taken to be received under clause 8.3 after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

9 General

9.1 Variation

A provision of this document or any right created under it may not be varied, altered or otherwise amended unless:

- (a) the variation is agreed to by the Target, the Bidder and the Bidder Nominee in writing; and
- (b) if the variation occurs after the First Court Date (as that term is defined in the Scheme Implementation Agreement), the Court indicates (either at the hearing on the First Court Date, an interlocutory hearing or the hearing on the Second Court Date) that the variation, alteration or amendment would not itself preclude approval of the Scheme,

in which event the Bidder and Bidder Nominee must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

9.2 Partial exercising of rights

Unless this document expressly states otherwise, if the Bidder or Bidder Nominee does not exercise a right, power or remedy in connection with this document fully or at a given time, it may still exercise it later.

9.3 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

9.4 Assignment or other dealings

The Bidder, Bidder Nominee and each Scheme Participant may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without each other's consent.

9.5 Further steps

The Bidder and Bidder Nominee each agrees to do anything including executing all documents and do all things (on its own behalf or on behalf of each Scheme Participant), at its own expense, necessary or expedient to give full effect to this document and the transactions contemplated by it.

9.6 Counterparts

This document may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart. Each counterpart is an original but the counterparts together are one and the same agreement.

10 Governing law and jurisdiction

10.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The Bidder and Bidder Nominee each submit to the non-exclusive jurisdiction of the courts of that place.

10.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on the Bidder or Bidder Nominee by being delivered or left at their address set out in the Details.

EXECUTED as a deed poll.

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Deed Poll Signing page

DATED: Apr 13, 2021

SIGNED by the following authorised representatives of **ESSITY GROUP HOLDING BV**, who by executing this document each warrant that he/she is duly authorised to execute this document on behalf of ESSITY GROUP HOLDING BV, in the presence of:

Jan Carlsson
.....
Signature of witness

Jan Carlsson
.....
Name of witness (block letters)

Mikael Schmidt
.....
Signature of witness

Mikael Schmidt
.....
Name of witness (block letters)

MC
.....
MUKUNDKUMAR AMIN, DIRECTEUR A


MB
.....
MATS BECKMAN, DIRECTEUR B

For personal use only

EXECUTED by ESSITY HOLDING)
COMPANY AUSTRALIA PTY LTD in)
accordance with section 127(1) of the)
Corporations Act 2001 (Cth) by)
authority of its directors:)


Signature of director

STEPHEN W HABERECHT
Name of director (block letters)


Signature of company secretary* director
*delete whichever is not applicable

Gregory Percey
Name of director/company secretary*
(block letters)
*delete whichever is not applicable

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ASALEO CARE

Annexure E – Notice of Scheme Meeting

Asaleo Care Limited
 (ACN 154 461 300)
 (“Company”)

Notice of Scheme Meeting

Notice is hereby given that by an order of the Federal Court of Australia made on 22 April 2021 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (“**Corporations Act**”) a meeting of the holders of ordinary shares of the Company will be held virtually at <https://agmlive.link/AHYSCHEME> on 1 June 2021 at 3.00pm (Melbourne time).

Accessing the Scheme Meeting online, voting and shareholder questions

Due to uncertainty resulting from COVID-19 related restrictions the meeting will be held virtually. No physical meeting will be held.

Asaleo Shareholders wishing to participate in the Scheme Meeting must do so via the online platform at <https://agmlive.link/AHYSCHEME> and are encouraged to submit questions to the Company in advance of the Scheme Meeting by sending their questions to investors@asaleocare.com. Asaleo Shareholders who have elected to receive electronic communications may also ask a question when completing the online proxy form, while those who receive hard copy communications may also complete a hard copy question form. Questions submitted in advance of the Scheme Meeting need to be received by no later than 3.00pm (Melbourne time) on 30 May 2021. Details on how Asaleo Shareholders can participate in the Scheme Meeting via our online platform and how to ask questions are contained in the Explanatory Notes to this Notice of Scheme Meeting and in the Virtual Meeting Online Guide at http://www.asaleocare.com/globalassets/news/asaleo-care/schememeeting_virtualguide.pdf.

Business of the Scheme Meeting

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any alterations or conditions agreed to in writing between Asaleo and the Bidder or any alterations or conditions required by the Court to which Asaleo and the Bidder agree) to a scheme of arrangement proposed to be made between Asaleo and the holders of its ordinary shares (**Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet of which this notice forms part.

The meeting will be asked to consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth):

- (a) the members agree to the scheme of arrangement proposed between the Company and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed to in writing between the Company and the Bidder or any alterations or conditions required by the Court to which the Company and the Bidder agree); and*
- (b) The board of directors of the Company is authorised to implement the Scheme with any such alterations or conditions.”*

By order of the Court



James Orr, Company Secretary

Date: 22 April 2021

Explanatory Notes:

These notes should be read in conjunction with this Notice of Scheme Meeting.

Terminology

Capitalised terms which are defined in section 8 of the Scheme Booklet which accompanies this Notice of Scheme Meeting have the same meaning when used in this notice (including these notes) unless the context requires otherwise.

Chairperson

The Court has ordered that Harry Boon act as Chairperson of the Scheme Meeting or, failing him, JoAnne Stephenson and has ordered that the Chairperson to report the result of the Scheme Meeting to the Court.

Requisite Majority required

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution contained in this Notice of Scheme Meeting must be passed by:

- (a) a majority in number (more than 50%) of those Asaleo Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate shareholders, by corporate representative); and
- (b) at least 75% of the total votes cast on the resolution contained in this Notice of Scheme Meeting by Asaleo Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate shareholders, by corporate representative).

The vote will be conducted by poll.

Entitlement to vote

For the purposes of the Scheme Meeting, Asaleo Shares will be taken to be held by the persons who are registered as Asaleo Shareholders at the Register at 5.00pm on 22 June 2021. Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

How to vote

Due to the coronavirus (COVID-19) pandemic, Asaleo will hold the Scheme Meeting virtually. The Scheme Meeting is being arranged to ensure all Asaleo Shareholders can participate and question the Independent Board Committee and Managing Director, and have their views and opinions put forward on this important decision for Asaleo Shareholders. Asaleo Shareholders and their proxies, attorneys or corporate representatives will not be able to attend a physical meeting.

The Scheme Meeting is to be held at 3.00pm (Melbourne time) on 1 June 2021. Asaleo Shareholders and their proxies, attorneys or corporate representatives will be entitled to attend and vote at the Scheme Meeting to be held via an online platform at <https://agmlive.link/AHYScheme> which will enable participants to listen to the Scheme Meeting live, vote on the resolution in real time and ask questions online. Registration will commence from 2.30pm (Melbourne time).

Asaleo Shareholders may vote by either joining the Scheme Meeting virtually, or by proxy.

- (a) **Voting using the online platform.** We recommend logging in to the online platform at least 30 minutes prior to the scheduled start time for the Scheme Meeting using the instructions below:
 - Enter <https://agmlive.link/AHYScheme> into a web browser on your computer or online device. You will need to log on using your full name, mobile number, email address and company name (if applicable);
 - Asaleo Shareholders will need their SRN or HIN and postcode (or country code, if outside Australia) to vote at the Scheme Meeting. Please note this includes the 'X' or the 'I' which precedes the number; and
 - Proxyholders will need their proxy number issued by Link, to register to vote and ask questions. If you have not received confirmation of your proxy number prior to the Scheme Meeting, please call the Shareholder Information Line on 1300 494 861 (within Australia) and +61 1300 494 861 (outside Australia) on the day of the Scheme Meeting to request confirmation of your proxy number. The Shareholder Information Line is open between Monday and Friday from 8.30am to 5.30pm (Melbourne time).

Unless otherwise determined by the Chair, online voting will be open from when the Chair declares the poll to be open at the Scheme Meeting, until the time at which the Chair closes the voting.

- (b) **Voting by proxy.** Asaleo Shareholders can appoint a proxy to vote on their behalf at the Scheme Meeting electronically by following the instructions contained in the email communications they receive to complete the online proxy form OR if you received a paper copy proxy form, by following the instructions to complete the proxy form and by returning that form in accordance with the details set out on that form.

If you wish to appoint a proxy using the paper copy proxy form, you must:

- **Deliver** the completed proxy form to Link located at 1A Homebush Bay Drive, Rhodes, NSW 2138 or Level 12, 680 George Street, Sydney, NSW 2000. Asaleo encourages Asaleo Shareholders to return their proxy forms electronically or by fax or by mail (see details below).
- **Mail** the completed proxy form to Link using the reply paid envelope. Should an Asaleo Shareholder choose to return their hard copy proxy form via mail, please be aware of the current postal timeframes, including the possibility of delays due to COVID-19 regulations and reduced frequency of deliveries. If a proxy form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must be received by Link at least 48 hours before the Scheme Meeting unless the power of attorney or other authority has previously been received by Link.
- **Fax** the completed proxy form to Link on 02 9287 0309 (within Australia) or + 61 2 9287 0309 (outside Australia).

Proxies must be received by Link by no later than 3.00pm (Melbourne time) on 30 May 2021 (48 hours prior to commencement of the Scheme Meeting). Proxy forms received after this time will be invalid.

An Asaleo Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If an Asaleo Shareholder appoints two proxies and does not specify the percentage of votes each proxy may exercise, each proxy may exercise 50 per cent of the votes. Fractions of votes are to be disregarded.

If Asaleo Shares are jointly held, either shareholder may sign the proxy form.

A proxy need not be an Asaleo Shareholder. A body corporate appointed as an Asaleo Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the meeting (see "Voting by corporate representative" below).

Asaleo Shareholders who have appointed a proxy prior to the meeting can still attend and take part in the meeting. If the Asaleo Shareholder votes on a resolution during the meeting, the proxy is not entitled to vote and must not vote as the shareholder's proxy on that resolution.

Asaleo encourages you to direct your proxy how to vote. As the Scheme will be voted on by a poll, if you direct your proxy how to vote at the meeting, your proxy must vote as directed. The Chair intends to vote all undirected proxies in favour of the Scheme.

If you return your proxy form with a proxy identified on it but your proxy does not attend the Scheme Meeting or does not vote as directed, the Chair will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

It is important that you vote or instruct your proxy, attorney or corporate representative to vote in favour of the Scheme if you want the Scheme to proceed.

Technical difficulties

Technical difficulties may arise during the course of the Scheme Meeting. The Chair has discretion as to whether, and how, the Scheme meeting should proceed in the event that a technical difficulty arises. In exercising their discretion, the Chair will have regard to the number of Asaleo Shareholders impacted and the extent to which participation in the business of the meeting is affected.

In these circumstances, where the Chair considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, Asaleo Shareholders are encouraged to lodge a proxy form that accompanies this Scheme Booklet by no later than 3.00pm (Melbourne time) on 30 May 2021, even if they plan to attend the Scheme Meeting.

Jointly held securities

If the Asaleo Shares are jointly held, only one of the joint Asaleo Shareholders is entitled to vote. If more than one joint Asaleo Shareholder votes, only the vote of the Asaleo Shareholder whose name appears first in the Register will be counted.

Voting by attorney

An Asaleo Shareholder entitled to attend and vote at the Scheme Meeting may appoint an attorney to virtually attend and vote at the Scheme Meeting on his/her behalf. For an appointment to be effective for the Scheme Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by Link at the address listed above for the receipt of proxy appointments by no later than 3.00pm (Melbourne time) on 30 May 2021 (48 hours prior to commencement of the Scheme Meeting).

Voting by corporate representative

A body corporate which is an Asaleo Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act 2001.

The representative should provide a certified copy of the original form of appointment, a certified copy of appointment, or a certificate of the body corporate evidencing the appointment must be received by Link at the address listed above for the receipt of proxy appointments by no later than 3.00pm (Melbourne time) on 30 May 2021 (48 hours prior to commencement of the Scheme Meeting).

Court approval

If the resolution contained in this Notice of Scheme Meeting is approved at the Scheme Meeting by the Requisite Majority, the implementation of the Scheme (with or without modification) will be subject to, among other things, the subsequent approval of the Court and the Scheme becoming Effective upon lodgement of an office copy of the Court orders with ASIC.

Further information

For further details on how to vote, appointing a proxy, or any other Scheme Meeting related queries, please refer to the "Virtual Meeting Online Guide" available online at http://www.asaleocare.com/globalassets/news/asaleo-care/schememeeting_virtualguide.pdf, the FAQ page at http://www.asaleocare.com/globalassets/news/asaleo-care/scheme_faq.pdf, or please call the Shareholder Information Line on 1300 494 861 (within Australia) or +61 1300 494 861 (outside Australia) between Monday and Friday from 8.30am to 5.30pm (Melbourne time).

Corporate Directory

Asaleo Care Limited

ABN 61 154 461 300
30–32 Westall Road
Springvale VIC 3171
Phone: +61 3 9550 2999
Website: <https://www.asaleocare.com/>

Financial adviser

Luminis Partners
Level 32, Aurora Place
88 Phillip Street
Sydney NSW 2000

Legal adviser

King & Wood Mallesons
Level 27, Collins Arch
447 Collins Street
Melbourne VIC 3000

Tax adviser

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

Share registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Website: www.linkmarketservices.com.au

Stock exchange listing

Asaleo ordinary shares are quoted on the Australian Securities Exchange (ASX: AHY)

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