



Raphael Maufay at the Blackmores Campus | Blackmores Distribution Operator Elena Rivera

Blackmores second quarter showed strong improvement, though first half sales and profit down

Highlights

- Improved second quarter sales up 16% and profit up 33% compared to the first quarter
- Group sales of \$322 million, 6% down for the first half compared to the previous corresponding period
- Net profit after tax of \$28 million, down 42% compared to the previous corresponding period
- Blackmores China business contributed \$64 million in sales, up 92% compared to previous corresponding period
- Blackmores Asia, BioCeuticals and Global Therapeutics all delivered strong growth
- First half dividend of 130 cents per share fully franked, down 35% compared to the previous corresponding period

Dear Shareholder

Blackmores Limited (ASX:BKL) has announced Group sales of \$322 million for the first half, down 6% compared to the previous corresponding period. Net profit after tax (NPAT) was \$28 million, a 42% decrease on the previous corresponding period.

Sales in Australia for the six months were \$158 million, down 31% compared to the previous corresponding period. Brand health in Australia is strong with Blackmores the clear number one brand in the category. Domestic Australian sales returned to modest year on year growth in the second quarter. Chinese-influenced sales through Australian retailers remain down as buying patterns evolve. Blackmores continues to build a successful China business to better serve these customers.

Sales and profit improved in the second quarter compared to the first quarter. The first quarter was impacted by changes to the buying patterns of Chinese exporters and by high stock levels held by Australian retailers. We are encouraged by progress in the second quarter across the Group, though the Australian retail environment remains challenging.

China direct sales were strong and delivered almost \$64 million in the half, up 92% compared to the previous corresponding period. The Chinese market is both complex and challenging, though it remains a very important part of our business and we are pleased with our growth.

Other Asia sales (excluding Korea) delivered almost \$40 million in the first half, up 16%. All our core markets are in growth and the smaller markets particularly have delivered strong performances - Taiwan, up 93%, Hong Kong, up 49%, Singapore, up 19%, Malaysia, up 20%, and Thailand, up 6%, in local currencies. In September Blackmores launched in Indonesia with a limited range, contributing just under \$2 million in sales. Korea's results reflect Blackmores' transition to a new selling model.

BioCeuticals and Global Therapeutics also delivered strong performances. Together they delivered \$51 million in sales in the half, up 54% compared to the prior corresponding period, and benefitting from the acquisition of Global Therapeutics in the second half of the last financial year. Every brand in this portfolio is in growth and, excluding the benefit of the acquisition, sales for the division are up 19%.

We are pleased with the progress of Global Therapeutics and welcomed the employees who unanimously elected to join the Blackmores Group Enterprise Agreement in November.

The infant nutrition range developed in partnership with Bega Cheese is growing steadily, though its progress has been impacted by regulatory changes and volatile market conditions. As a result we continue to review this business to ensure we have the right structure in place for the future. The first half financial results include a \$2 million inventory provision.

Increased cost of goods, predominantly as a result of lower volumes and higher ingredient costs, impacted gross profit.

Management continues to focus on reducing and redirecting costs in the business. Other operating costs were flat in the first half. Importantly, the Group has increased brand and infrastructure investment to underpin future growth. This includes investment in the lease and fit-out of additional warehousing in Western Sydney, in Blackmores' new Indonesian business and the inclusion of Global Therapeutics operating expenses.

The Blackmores balance sheet remains in a strong position. Net debt has increased by \$65 million in the period due to higher working capital and record income taxation and dividend payments following an exceptional year.

Working Capital was \$117 million, up \$27 million in the period, and continues to be tightly managed. Cash generated from operations was \$17 million, down from \$81 million in the same comparable period with a cash conversion ratio of 37%. Inventory levels were carefully managed and were down more than 10% in the half.

BOARD UPDATE

Starting next month Blackmores' Chairman, Marcus Blackmore, is taking a sabbatical for up to six months during which time the Deputy Chairman, Stephen Chapman, will assume the role of Chairman. Marcus will remain a Director and will maintain close contact with the Board and Executive team as required.

DIVIDEND

The Board has declared an interim dividend of 130 cents per share fully franked, which is a decrease of 35% compared to the prior corresponding period. The record date is 8 March 2017 and the dividend is payable on 22 March 2017.

OUTLOOK

In recent months we have made progress and improved our sales and profit position in what is a challenging Australian retail landscape and a rapidly evolving market. We will continue to invest in our future growth to shape our business so we can further leverage our capabilities and diversify our revenues.

As previously stated, we anticipate that our full year will not match the exceptional 2016 financial year result, though will represent good growth on our 2015 profit. The Board remains confident in Blackmores' growth prospects.

Yours faithfully



CHRISTINE HOLGATE
CHIEF EXECUTIVE OFFICER
M: 0409 102 122

INVESTOR CONTACT

Aaron Canning
Chief Financial Officer
+61 2 9910 5136

Blackmores Institute Review

Visit blackmoresinstitute.org to download the Blackmores Institute Review detailing Blackmores Institute's research and education activities.

Results at a Glance

Results (\$000s) (Half Year to 31 December 2016)	This Year	Last Year	% Change
Sales	322,129	341,433	-5.7%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	45,877	72,554	-36.8%
Earnings before interest and tax (EBIT)	41,868	69,083	-39.4%
Net interest expense	2,115	797	+165.4%
Profit before tax	39,753	68,286	-41.8%
Income tax expense	11,592	19,982	-42.0%
Profit for the period	28,161	48,304	-41.7%
Profit/(loss) attributable to:			
Owners of Blackmores Ltd.	28,491	48,300	-41.0%
Non-controlling interests	(330)	4	-8350.2%
Results (\$000s) (Quarter 2)	This Year	Last Year	% Change
Sales	173,087	179,205	-3.4%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	26,088	37,683	-30.8%
Earnings before interest and tax (EBIT)	24,045	35,953	-33.1%
Net interest expense	1,266	424	+198.6%
Profit before tax	22,779	35,529	-35.9%
Income tax expense	6,693	9,857	-32.1%
Profit for the period	16,086	25,672	-37.3%
Other Key Items	31/12/2016	30/06/2016	
Total Assets	\$m	405.9	434.0
Shareholders' Equity	\$m	171.6	178.3
Non-controlling interest share of equity	\$m	2.02	2.33
Net debt	\$m	82.7	17.8
Net debt / (Net debt + Equity)	%	32.5	9.1
Net tangible assets per share	\$	6.41	6.76
Shares on issue	m	17.23	17.23