



Marcus Blackmore and WSU Vice Chancellor Prof Barney Glover | Amie Skilton, Senior Educator, BioCeuticals

Blackmores optimistic about future growth

Summary

- Group sales of \$496M for the first nine months, 6.7% down compared to previous corresponding period and a moderate increase on second quarter despite fewer trading days
- Net profit after tax of \$43M for the first nine months, down 42.8% compared to the previous corresponding period
- Invested in brand, a world-class distribution centre in Western Sydney and expansion into new markets
- The Board remains confident in future growth prospects

DEAR SHAREHOLDER

Blackmores (ASX: BKL) today announced Group sales of \$496 million for the first nine months, down 6.7% compared to the previous corresponding period. Net profit after tax of \$43 million was down 42.8% compared to the previous corresponding period.

The sales trend is encouraging, particularly as we finished the third quarter slightly ahead of our second quarter result despite having fewer trading days.

Our profit result for the first nine months was impacted by lower sales in Australia for Blackmores which was compounded by the higher cost of operating in those channels. We are focused on simplifying and streamlining our business, conservatively managing expenses and investing in our brand, facilities and new markets to diversify our revenues and underpin growth.

Blackmores Australia and New Zealand achieved sales of \$264 million for the nine months, down 26% compared to the previous corresponding period. Blackmores Australia sales have steadily grown over each quarter of the year. This has still not been enough to make up for the decline in sales through Australian retailers to entrepreneurs selling to consumers in China that so heavily influenced the Australian market in the prior year.

Chinese consumers are now purchasing through multiple channels and our China in-country and export sales increased to \$92 million in the nine months, up 60% from the prior year. China remains an important part of our business and we were extremely honoured to meet with China's Premier Li Keqiang in March to share our support of his Healthy China 2030 vision.

In March Blackmores welcomed encouraging news from China's Ministry of Commerce which reinforced its commitment to China's free trade zones and to supporting cross border e-commerce. We recognise that regulation in China evolves, as it does in any market, and we are focused on continuing to build a business that is able to adapt to market changes to ensure consumers continue to have access to our products.

Blackmores Greater Asia region, excluding China, generated sales of \$62 million, in line with last year. Excluding Korea, which is in the process of completing a transition to a new distribution model, core markets in Asia were up 14%. Blackmores' emerging business in Indonesia has progressed well.

Blackmores signed a distribution agreement with the Mesa Group, Vietnam's leading distribution company with a network of 150,000 retail stores. Blackmores and Mesa will launch a range of 13 Blackmores products in the coming months.

Vietnam is a market we are excited about, with enviable economic growth, a growing investment in the region and double digit growth in the vitamin and dietary supplement category and we are proud to have a distribution partner with such expertise. Our launch in Vietnam consolidates our presence in the ASEAN region and we hope that through our high quality products and leading education programs we can make a positive contribution to health in the Vietnamese community.

BioCeuticals Group, including Global Therapeutics, increased sales by 53% compared to the previous corresponding period to \$76 million for the first nine months. All brands in this practitioner division are delivering strong profitable sales. The Global Therapeutics distribution centre was successfully integrated into Group operations in the quarter which will result in improved efficiencies and customer benefits.

To support sustainable industry growth, Blackmores and the Blackmore Foundation, Marcus and Caroline Blackmore's personal philanthropic trust, each gifted \$5 million to the National Institute of Complementary Medicine (NICM) at Western Sydney University (WSU) to further natural health research. The \$10 million will be paid over seven years and will advance the global evidence-base of complementary medicine and take scientific findings into practical healthcare solutions. It represents a significant opportunity to enrich the health of the community.

OUTLOOK

Continued consumer demand across all core markets, as well as the strong performance of our practitioner businesses and emerging markets in Asia, gives us confidence in our medium-term growth opportunities.

The Board expects the full year profit will represent good growth on the 2015 financial year, recognising that 2016 was an exceptional performance that we will not match. We remain confident in the Group's strategic focus and growth prospects.

Yours faithfully



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BLACKMORES

Results at a Glance

Results (\$000s) (Nine months to 31 March 2017)	This Year	Last Year	% Change
Sales	495,927	531,605	-6.7%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	69,560	114,873	-39.4%
Earnings before interest and tax (EBIT)	63,334	109,665	-42.2%
Net interest expense	3,089	1,171	+163.8%
Profit before tax	60,245	108,494	-44.5%
Income tax expense	17,562	32,917	-46.6%
Profit for the period	42,683	75,577	-43.5%
Profit/(loss) attributable to:			
Owners of Blackmores Ltd.	43,232	75,558	-42.8%
Non-controlling interests ¹	(549)	19	-2989.5%

Results (\$000s) (Quarter 3)	This Year	Last Year	% Change
Sales	173,798	190,172	-8.6%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	23,683	42,319	-44.0%
Earnings before interest and tax (EBIT)	21,466	40,582	-47.1%
Net interest expense	974	374	+160.4%
Profit before tax	20,492	40,208	-49.0%
Income tax expense	5,970	12,935	-53.8%
Profit for the period	14,522	27,273	-46.8%
Profit/(loss) attributable to:			
Owners of Blackmores Ltd.	14,741	27,258	-45.9%
Non-controlling interests ¹	(219)	15	-1560.0%

1. Non-controlling interest represents the 50% share of Kalbe Blackmores Nutrition PT which is not owned by Blackmores Limited shareholders.