



Anna Bearpark, Senior Product Development Manager; new BioCeuticals liquid Herbal Extracts; Michael Evans and Cirby Denneman

Blackmores delivers strong revenue growth and first quarter profit of \$16.5 million

- Revenue for the quarter of \$154 million – up 15% compared to prior corresponding period
- Net profit after tax of \$16.5 million – up 7%
- Strong sales growth across Australia and Asia
- Significant brand investment driving revenue growth

DEAR SHAREHOLDER

Blackmores Limited (ASX: BKL) today announced a first quarter profit of \$16.5 million, up 7% compared to the prior corresponding period, after achieving revenue of \$154 million (up 15%).

This result reflects strong volume growth across the business with solid performance in both Australia and Asia.

During the quarter, gross margins improved and we invested in major strategic initiatives, including a 55% increase in advertising and promotional spend to strengthen our brand.

After challenges last year, our continuity of product supply through Q1 has returned to business as usual levels.

Strong demand resulted in Australian sales growing 19%. This was supported by our successful 'Move' campaign, a strong media presence, new product launches and lower stock-in-trade levels at the beginning of the quarter.

Australian sales were boosted by retailers more aggressively targeting export trade during the quarter. Factoring this in, underlying domestic sales growth is estimated at 7%, growing faster than the market.

Blackmores remains the number one brand in Australia¹ with 17.5% market share.

Blackmores' China in-country sales growth was very strong at 30%, supported by very successful promotions on Chinese online platforms (Kaola's Super Brand Day and Tmall's Enjoyable Day). This demonstrates Blackmores' strong brand resonance with consumers in China.

There has been a significant shift from direct export to indirect export through our Australian retail partners. This had the impact of increasing Australian sales revenue while decreasing China segment revenue, which grew at 4%.

When this channel shift is taken into account, overall growth in sales to Chinese consumers is estimated to be strong at 18%.

Other strong results include Hong Kong sales growing 59%, a move into Costco contributed to sales increasing 167% in Taiwan, and Korea sales were up 76%.

Our Indonesian joint venture with Kalbe Farma continues to grow significantly, with sales up 115% and we now have more than 3,000 points of distribution.

During the quarter, our Vitamin E Cream range was launched in Thailand, Malaysia, Singapore and Taiwan. We expanded into travel retail in Korea – including on-board Asiana flights.

We are looking forward to showcasing our brand and products as a major exhibitor at the China International Import Expo (CIIE) in Shanghai next month. It will be the largest trade expo ever held anywhere in the world.

Holding the CIIE is a clear demonstration of China's commitment to open trade and to give Chinese consumers access to the world's best products.

Blackmores is the only VDS brand invited by China's Ministry of Commerce to join the CIIE Enterprise Alliance. The Alliance will allow Blackmores to forge an even closer working relationship with the Chinese Government.

We are delighted to welcome Shawn Dou as Blackmores' new brand ambassador in China. Shawn will be an integral part of our marketing campaigns to further our connection with Chinese consumers.

We continue to leverage our expertise in practitioner education by expanding the reach of the Blackmores Institute in Asian markets.

BioCeuticals continues to be Australia's clear market leader of practitioner-only products, with sales growing 13%.

In conjunction with the Prince of Wales Hospital and Endeavour College of Natural Therapies, BioCeuticals has received all required approvals to commence a medicinal cannabis trial. This randomised, double-blind clinical trial will examine the effects of cannabis oil on glioblastoma multiform (GBM), a form of brain cancer. The product's tolerability and efficacy in improving quality of life with standard therapy and reduction in tumour size will be assessed. Endeavour's Dr Janet Schloss is the lead investigator and Neurosurgeon, Dr Charlie Teo, will be the prescribing physician.

During the quarter, BioCeuticals launched a new liquid Herbal Extracts range of organically grown and wild-crafted products for use by herbal practitioners.

Significant work is underway as we prepare to take ownership of the Catalent manufacturing facility (in Braeside, Victoria) by October 2019. We continue to increase the number and volume of Blackmores products manufactured in the facility.

The acquisition will give us greater control over our supply chain and strengthen our research and development capabilities.

We are investing significantly in our strategic priorities to support the ongoing growth of our business. This includes new IT infrastructure to boost operational efficiency and greater consumer engagement in key markets.

Our revenue growth has enabled us to continue making strategic investments that will deliver future growth, notably building our brand in our key markets, and continuing to build our footprint and presence in the emerging Indonesian market.

Blackmores continues to build on our long-term contribution and commitment to education and research – started by founder Maurice Blackmore more than 86 years ago.

With a focus on research and education, the Blackmores Institute team includes researchers, academics, healthcare professionals and educators who translate the evidence-base into practical healthcare education and resources.

Our commitment to research and education has recently been acknowledged by industry with two of our retail e-learning training modules receiving Gold at the LearnX Impact Awards.

Additionally, our CMEd (Complementary Medicine Education) program received the 2018 NutraIngredients Asia Nutrition Research Program of the year, for the research-led approach Blackmores Institute took to develop and implement this program in Malaysia.

Another illustration of Blackmores' commitment to advancing natural health is the appointment of Blackmores Director of Innovation, Mr Paul Mannion, as President of the Complementary Medicines Association – our industry's peak body.

Today we are releasing our **2018 Sustainability Report**, which highlights our commitment to the environment, corporate governance, workplace practices, our quality framework and the community.

Some of our major achievements over the past year include 71% of waste diverted from landfill, a 12% reduction in greenhouse gas emissions and 11% less energy consumed² than in the previous year.

The report can be downloaded at <http://www.blackmoressustainability.com.au/>

OUTLOOK

Our outlook is for continued growth for the full year. We are committed to supporting this with future investment in key strategic initiatives to drive revenue growth.

Our financial position remains strong and the participation rate (of 30%) in the Dividend Reinvestment Plan for the Final Dividend supports the funding of our key strategic priorities and investments.

Our outlook for Asia remains strong. We are confident that China sales through both e-commerce and traditional retail will continue to grow strongly in the future.

To date, we have not experienced any issues getting our product into China and have a positive outlook for the regulatory and trade environment.

Yours faithfully



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RESULTS AT A GLANCE

Results (\$000s) (Quarter 1)	This Year	Last Year	% Change
Revenue ³	153,980	133,521	+15%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	27,053	24,335	+11%
Earnings before interest and tax (EBIT)	24,439	22,211	+10%
Net interest expense	996	843	+18%
Profit before tax	23,443	21,368	+10%
Income tax expense	7,127	6,282	+13%
Loss after tax attributable to non-controlling interests	(197)	(360)	-45%
Profit attributable to owners of Blackmores Limited	16,513	15,446	+7%

Note: all percentage financial growth figures are quoted in comparison to previous corresponding period (i.e. first quarter of 2017/18), unless otherwise stated.

¹ Nielsen total VDS domestic market data MAT to 01/09/18.

² per 1000 units of product sold

³ Invoiced sales (in \$000s) were 190,118 for the quarter, up 17% from 162,417 in the prior corresponding period.