



Record sales delivers first half profit of \$34 million

- Record revenue for the half year of \$319 million – up 11% on the prior corresponding period
- Continued investment in long-term strategic initiatives and brand
- Net profit after tax of \$34 million, in line with the prior corresponding period
- Announcing Business Improvement Program to target savings of \$60 million over three years to fund additional future growth
- Interim dividend of 150 cents fully franked

DEAR SHAREHOLDER,

Blackmores Limited (ASX: BKL) today announced record first half revenue of \$319 million, up 11% compared to the prior corresponding period, delivering profit of \$34 million in line with the prior corresponding period.

Achieving record sales is a very significant result for our business and highlights the benefits of our continued investment in advertising and promotion in recent months.

However, due to this planned investment in the period and a softening of growth in China, there has been a short-term impact on profit growth.

AUSTRALIA & NEW ZEALAND

Revenue in Australia and New Zealand of \$144 million was up \$23 million (or 19%) on the prior corresponding period. This is driven by both domestic growth and continued increased levels of sales through Australian retailers who are focused on servicing China export channels.

Excluding the targeting of export trade by Australian retailers, domestic sales growth is estimated at around 6% for the half year.

Blackmores remains the number one VDS brand in Australia with 16.7% market share¹. Our brand health measures show strong results from our increased marketing investment. We are the most recognised brand name in the market and have had strong year-on-year increases in penetration and brand trial-and-purchase.

In a market that is seeing new entrants and strong competitive activity, we are pleased with this performance.

Also contributing to revenue growth was strong sales of new products including the recently launched Blackmores 'Essentials' range, higher strength magnesium and curcumin joint health products.

During the half, Blackmores also completed the acquisition of Impromy – an evidence-based weight management program developed in collaboration with the CSIRO. This addition to the portfolio builds on our commitment to the health and wellness category, and has an immediate positive impact on profit.

Our animal health business, PAW, has strong revenue growth of 21% year-on-year and is now sold in seven countries. We also continue to see growth from our Infant Formula portfolio.

The online store at blackmores.com.au achieved a record sales month in November as consumers embraced natural health as part of Click Frenzy and Black Friday sales.

BLACKMORES ASIA

Our reported China segment sales were down 11% in the half compared to the prior corresponding period, although when China-influenced sales through Australian retailers are taken into account, we estimate growth in sales to Chinese consumers to be around 8%.

Contributing to this China result was a channel shift with Australian retailers more directly targeting the China export trade which has benefited our Australia segment results. This channel shift was highlighted in quarter one and has continued to accelerate through quarter two.

Consistent with our strategy to further develop the Blackmores China in-country business, we have continued to invest in building our market capability. Within the China segment results we are pleased with the performance of this business, with in-country sales up 76% on prior corresponding period, and sales during the November '11/11 Singles Day' promotion up 65%, with >200,000 products sold.

We are investing strongly in China, including the recent appointment of Shawn Dou as Brand Ambassador. Blackmores had a major presence at the China International Import Expo (CIIE) in Shanghai, which was attended by an estimated 500,000 visitors.

Blackmores has appointed Ms Sophia Tseng as Country Manager for China. Sophia will commence later this month and brings an extensive background in the FMCG and consumer health sectors in China, and has strong experience driving strategic growth.

We have commenced a review of our investment approach in China and the impact of channel shifts, which Sophia will carry forward.

Across Asia we recorded strong levels of sales growth in a number of markets. Korea increased 67%, Taiwan 150% and Hong Kong was up 39% on the prior corresponding period.

EBIT for the Other Asia segment was up 268% for the half, due to success of NPD and marketing, increased distribution and improved supply.

Our joint venture in Indonesia, Kalbe Blackmores Nutrition, continues to grow strongly with sales up 72% in the half. A key driver is Blackmores' entry into Kimia Farma – Indonesia's largest pharmacy retail chain.

BIOCEUTICALS GROUP

BioCeuticals Group delivered sales growth of 7% and continues to lead the practitioner category in both product sales and education resources, with a steadfast focus on developing new innovative products.

During the half, BioCeuticals commenced a medicinal cannabis trial for glioblastoma multiform, a form of brain cancer. The trial is being run in conjunction with the Prince of Wales Hospital and Endeavour College of Natural Therapies. Endeavour's Dr Janet Schloss is the lead investigator and neurosurgeon Dr Charlie Teo is the prescribing physician.

Hero products ArmaForce and Ultra Muscleeze continue to grow strongly and we have bolstered both brands with new range extensions during the half, including ArmaForce for Juniors.

OPERATIONS AND STRATEGIC INITIATIVES

We continue to invest significantly in our strategic priorities to support future business growth.

This includes new systems which will deliver smooth inventory management through better connectivity, critical data and information sharing, and timely and transparent decision-making. This will enable us to boost operational efficiency and achieve greater consumer engagement in key markets.

Preparations for the completion of the acquisition of Catalent's Braeside manufacturing facility in October are well underway and this will further assist with supply challenges, which have continued to ease during the half. The other significant benefit of the acquisition is greater control over our supply chain.

BLACKMORES INSTITUTE

The Blackmores Institute continues to be the industry leader in research and education, with its strong focus on promoting an evidence-based approach to complementary medicine throughout the Asia-Pacific region, including the launch of a Green Paper on the Health of Chinese Career Women in collaboration with the prestigious Tsinghua University



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during the half. The Green Paper examined the health issues, concerns and needs of Chinese career women, with results and recommendations drawn from our survey of over 1000 women.

The Institute held three health professional symposia with record attendances in Bangkok, Hanoi and Ho Chi Minh City, and Pharmacist Masterclasses on Integrative Prescribing were held around Australia.

CASHFLOW AND FINANCIAL POSITION

Blackmores' balance sheet remains in a strong position at the end of the first half, with cash generated from operations of \$34m representing a 22% increase compared to the prior corresponding period. The cash conversion ratio also improved to 60%, up from 52% in the prior corresponding period.

Net debt was \$71m representing increases in the period to fund the acquisition of Impromy and higher working capital. The gearing ratio was 25% in the period and remains at conservative levels with appropriate headroom against all bank covenants.

DIVIDEND

The Board has declared an interim dividend of 150 cents per share fully franked. The record date is 5 March 2019 and the dividend is payable on 20 March 2019.

The Dividend Reinvestment Plan (DRP) remains available for the interim dividend, allowing shareholders to reinvest distributions in the Company's securities and to support the funding of growth initiatives. Shareholders who elect to participate in the DRP will benefit from a 2.5% discount.

If you wish to participate in the DRP or change your current nomination, you will need to do so by 5pm (AEDT) on 6 March 2019. Further information is available at www.blackmores.com.au/dividend

OUTLOOK

Our outlook is for modest full-year revenue growth.

However, our China sales in the third quarter are being impacted by continuing changes to the way consumers purchase our products as well as higher inventory in the trade and a general softening of consumer sentiment.

As a result, we do not expect the second half profit performance to be ahead of the first half result.

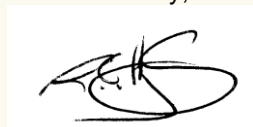
Apart from China, all other markets are expected to continue performing well and we expect overall Group sales to improve in the fourth quarter.

As our business continues to grow and evolve, we are committed to investing in initiatives to drive our future growth.

An efficient operating structure is a critical part of this plan and we are leading a Business Improvement Program across the organisation to target \$60 million of savings over the next three years. This work has already commenced. The intention is that savings will be redirected to investment in strategic initiatives, investment in people and capacity, and delivery of overall margin improvement.

The Board remains confident in the future long-term growth potential for the Blackmores business.

Yours faithfully,



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RESULTS AT A GLANCE

Results (\$000s) (Half year)	This Year	Last Year	Change %
Revenue ²	319,389	287,381	11.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	55,784	53,539	4.2
Earnings before interest and tax (EBIT)	50,477	49,252	2.5
Net interest expense	2,245	1,982	13.3
Profit before tax	48,232	47,270	2.0
Income tax expense	14,132	13,945	1.3
Loss after tax attributable to non-controlling interests	(225)	(855)	-73.6
Profit attributable to owners of Blackmores Limited	34,325	34,180	0.4

Results (\$000s) (Quarter 2)	This Year	Last Year	Change %
Revenue ³	165,409	153,860	7.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	28,731	29,204	-1.6
Earnings before interest and tax (EBIT)	26,038	27,041	-3.7
Net interest expense	1,249	1,139	9.7
Profit before tax	24,789	25,902	-4.3
Income tax expense	7,005	7,663	-8.6
Loss after tax attributable to non-controlling interests	(28)	(495)	-94.2
Profit attributable to owners of Blackmores Limited	17,812	18,734	-4.9

Other key items		31/12/2018	31/12/2017
Earnings per share (basic)	cents	198.90	198.40
Dividend per share	cents	150	150
EBIT/Revenue	%	15.8	17.1
Return on shareholders' equity	%	16.4	19.0
Return on assets	%	10.7	11.8
Cash generated from operations	\$m	33.6	27.7
Cash conversion ratio	%	60.3	51.7
Interest cover (net)	times	22.5	24.8
Net debt ⁴	\$m	70.9	49.5
Gearing ratio ⁴	%	25.3	20.4

¹ Nielsen total VDS market data MAT to 31/12/2018.

² Invoiced sales (in \$000s) were 397,436 for the half, up 13% from 351,855 in the prior corresponding period.

³ Invoiced sales (in \$000s) were 207,318 for the quarter, up 9% from 189,438 in the prior corresponding period.

⁴ Comparative period is 30 June 2018