FINANCIAL REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

BLACKMORES

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COVER IMAGE: Jessica Jong, Product Development Project Manager.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

The Directors of Blackmores Limited submit herewith the Financial Report of Blackmores Limited and its subsidiaries (the Group) for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

The names of the Directors of the Company during and since the end of the half-year are:

Stephen Chapman
Marcus Blackmore
David Ansell
John Armstrong
Helen Nash
Brent Wallace
Christine Holgate (resigned 29 September 2017)
Richard Henfrey (appointed 30 September 2017)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Directors report that revenue for the six months to 31 December 2017 was $287 million, up 9%, delivering a net profit after tax attributable to Blackmores shareholders of $34 million, up 20% compared to the previous corresponding period.

The Group delivered two quarters of consistent sales growth with improved profitability reflecting the delivery of strategic priorities and greater stability in the business.

Revenue in Australia and New Zealand of $121 million was slightly down compared to last year as the broader consumer market remained subdued and China-influenced sales continue to move to Blackmores' direct China channels. The impact on the overall result was lessened because of the strength of the Group's business diversity, meaning the company is less reliant on any single market or brand.

The earnings from our business in Australia and New Zealand improved in the half with earnings before interest and taxes (EBIT) of $26 million, up 19% compared to the previous corresponding period. The improved EBIT is due to changes to the cost structure of this business and the phasing of expenses.

The success of Blackmores' new product development in the probiotics and children's gummy vitamin categories supported gains in category share in the first half resulting in Blackmores maintaining clear total market leadership.

China sales grew at 27% with online promotional events including Singles Day (11/11) and 12/12 delivering record sales. E-commerce sales of Blackmores products on Singles Day surpassed those achieved in the prior year after only two hours and 10 minutes.

Profit from China grew by 4% for the period after investment in resourcing and operating expenses were made to expand Blackmores' in-country presence. This result was also impacted by an increase to the doubtful debts provision in China of $2.8 million. All appropriate avenues to recover these debts are being progressed.

Blackmores' other businesses in Asia, including Malaysia, Singapore, Hong Kong and Korea, delivered strong double digit sales growth in the first half. The Korean business has stabilised in the period with strong growth through offline retail and the duty free channel and is now making a small but sustainable contribution after a challenging few years.

Blackmores Thailand hosted a Blackmores Institute Symposium attended by more than 200 healthcare professionals.

Directors are encouraged by early consumer feedback and sales, healthcare professional support and distribution in Indonesia and, accordingly, have invested further in this market. Blackmores launched in the half into Vietnam, with five products now registered.

BioCeuticals Group delivered sales growth of 11%. This was a solid result given that both BioCeuticals and Global Therapeutics have been particularly impacted by disruptions to supply. BioCeuticals continues to lead in the practitioner category in both product sales and education resources. Their *FX Medicine* website attracts more than 100,000 unique visitors every month and each *FX Medicine* podcast is downloaded more than 70,000 times.

Blackmores Group closed the half with the new state-of-the-art distribution centre at Bungarribee in Western Sydney fully operational. This was a major change initiative that has required significant investment to underpin the Group's growth ambitions.

Continuity of supply has been a challenge in the second quarter as suppliers have struggled to respond to the Group's increased requirements.

The margin benefits from cost improvements resulting from last year's supply tender have recently started to flow through with more significant savings expected over the next 18 months.

Blackmores Institute signed a landmark partnership with Tsinghua University in Beijing to develop a health communication curriculum course for natural medicine. This partnership demonstrates the global reputation of the Institute's research and education program and the healthcare professionals who support it.

Of the Group's achievements this year, the commitment and performance of the Blackmores team of employees is the greatest. Staff have worked tirelessly through new leadership, operational changes and significant market shifts and employee engagement remains strong at 82% which is 14 percentage points above the industry benchmark. It showcases the unique culture that Marcus Blackmore has fostered and that the Management team will protect and enhance as the business grows.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

FINANCIAL POSITION OF THE GROUP

The Blackmores balance sheet remains in a strong position at the end of the half-year.

Total Net Assets remained broadly flat, increasing by $1 million in the half. Total Current Assets of the Group increased by $11 million during the half year, due to slightly higher inventory levels and sponsorship prepayments. Inventory levels at $89 million continue to be closely managed and represent normalised levels compared to the same time last year.

Non-current assets of the Group increased by $2 million during the half year, due to the capitalisation of the B!Academy online learning management system and other fixed asset expenditure as we continue to invest in our systems.

Current liabilities of the Group decreased by $9 million during the half year, largely due to inventory purchasing cycles.

Non-current liabilities of the Group increased during the half-year to $66 million, up $21 million since June 2017 due to the purchase of shares related to Blackmores' first three-year executive long-term incentive (LTI) award which had vested at the maximum potential, along with the funding of the dividend payments in the period.

Net debt increases were in line with the increase in Gross Debt with cash levels remaining flat at $34 million.

The Gearing Ratio as a measure of the Net Debt to Equity remains low at 27% (2016: 33%).

Working Capital at $103 million, though up $10 million since June, remains at what management consider to be normalised levels.

Cash generated from operations of the Group was $28 million, an increase of 65% ($11 million) on the prior corresponding period. Cash conversion for the Group was 52%, an increase on the prior corresponding period of 37%, as a result of an improved sales performance and normalised working capital cycle offset by cash paid for LTI shares.

DIVIDEND

The amounts paid or declared by way of dividend since the start of the financial year are:

- A final dividend of 140 cents per share fully franked in respect of the year ended 30 June 2017, as detailed in the Directors' Report for that financial year, was paid on 26 September 2017.
- On 22 February 2018, Directors declared an interim dividend of 150 cents per share fully franked, which is an increase of 15% compared to the prior corresponding period. The record date is 8 March 2018 and the dividend is payable on 22 March 2018.

SUBSEQUENT EVENTS

Other than the declaration of the dividend the Directors are not aware of any other matter or circumstance that has arisen since the end of the year that has or may significantly affect the Group's operations or financial state of affairs in future years.

OUTLOOK

The first half performance gives Blackmores a strong foundation for the full year with the delivery of an improved sales and profit result whilst investing in growth initiatives. Directors are particularly encouraged by the progress of Blackmores' businesses in China and Indonesia. Supply issues affecting the Group and the soft Australian retail market will impact us in the second half, though we remain confident we will continue to deliver good profit growth for the full year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 3 of the half-year Financial Report.

ROUNDING OFF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year Financial Report are rounded-off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

On Behalf of the Directors

Steve Chapman

Stephen Chapman
Chairman

Dated in Sydney, 22 February 2018

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Eclipse Tower
60 Station Street
Parramatta
Sydney, NSW, 2150
Australia

Phone: +61 2 9840 7000
www.deloitte.com.au

The Board of Directors
Blackmores Limited
20 Jubilee Avenue
Warriewood NSW 2102

22 February 2018

Dear Board Members

Blackmores Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Blackmores Limited.

As lead audit partner for the review of the financial statements of Blackmores Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

XDelaney

X Delaney
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the members of Blackmores Limited

We have reviewed the accompanying half-year financial report of Blackmores Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 15.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Blackmores Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackmores Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

INDEPENDENT AUDITOR'S REVIEW REPORT

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Blackmores Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants
Parramatta, 22 February 2018

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Steve Chapman

Stephen Chapman
Chairman

Sydney, 22 February 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	NOTES	31 December 2017 $'000	31 December 2016 $'000
Sales (net of discounts)		**351,855**	322,129
Promotional and other rebates		**(64,474)**	(59,093)
Revenue	4	**287,381**	263,036
Other income		**757**	606
Revenue and other income		**288,138**	263,642
Raw materials and consumables used		**111,639**	107,040
Employee benefits expenses		**68,482**	60,389
Selling and marketing expenses		**24,313**	25,852
Depreciation and amortisation expenses		**4,287**	4,009
Operating lease rental expenses		**4,006**	3,777
Professional and consulting expenses		**4,782**	4,573
Repairs and maintenance expenses		**3,234**	2,136
Freight expenses		**6,791**	6,125
Bank charges		**505**	727
Other expenses		**10,847**	7,146
Total expenses		**238,886**	221,774
Earnings before interest and tax	4	**49,252**	41,868
Interest revenue		**249**	178
Interest expense		**(2,231)**	(2,293)
Net interest expense		**(1,982)**	(2,115)
Profit before tax		**47,270**	39,753
Income tax expense		**(13,945)**	(11,592)
Profit after tax		**33,325**	28,161
Profit/(loss) attributable to:			
Owners of the parent		**34,180**	28,491
Non-controlling interests		**(855)**	(330)
		33,325	28,161
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign controlled entities		**967**	(911)
Net (loss)/gain on hedging instruments entered into for cash flow hedges		**(51)**	646
Income tax relating to components of other comprehensive income		**15**	(194)
Other comprehensive expense for the period, net of tax		**931**	(459)
Total comprehensive income for the period		**34,256**	27,702
Total comprehensive income attributable to:			
Owners of the parent		**35,139**	28,010
Non-controlling interests		**(883)**	(308)
		34,256	27,702
EARNINGS PER SHARE			
– Basic earnings per share (cents)		**198.4**	165.4
– Diluted earnings per share (cents)		**198.0**	163.8

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 15.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	NOTES	31 December 2017 $'000	30 June 2017 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		**34,319**	34,251
Receivables		**133,193**	132,146
Inventories		**89,006**	84,794
Other assets		**12,691**	7,471
Current tax asset		**875**	-
Total current assets		**270,084**	258,662
NON-CURRENT ASSETS			
Property, plant and equipment		**75,300**	74,207
Investment property		**2,160**	2,160
Other intangible assets		**33,478**	32,293
Goodwill		**29,461**	29,461
Deferred tax assets		**9,718**	9,960
Other financial assets		**1,485**	1,320
Amounts advanced to related parties		**3,827**	4,111
Total non-current assets		**155,429**	153,512
Total assets		**425,513**	412,174
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		**118,876**	124,365
Current tax liability		**-**	1,811
Provisions		**10,545**	11,549
Other liabilities		**4,256**	4,831
Total current liabilities		**133,677**	142,556
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	5	**100,000**	78,968
Provisions		**1,348**	1,372
Other liabilities		**182**	235
Deferred tax liabilities		**10,027**	10,224
Total non-current liabilities		**111,557**	90,799
Total liabilities		**245,234**	233,355
Net assets		**180,279**	178,819
CAPITAL AND RESERVES			
Issued capital		**37,753**	37,753
Reserves		**3,052**	4,085
Retained earnings		**139,079**	135,703
Equity attributable to shareholders of Blackmores Ltd		**179,884**	177,541
Equity attributable to non-controlling interests		**395**	1,278
Total equity		**180,279**	178,819

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 15.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued Capital	Equity Settled Employee Benefits Reserve	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Equity Attributable to owners of Blackmores Ltd	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 2016	37,753	4,440	(376)	1,188	135,258	178,263	2,330	180,593
Dividends paid	-	-	-	-	(36,174)	(36,174)	-	(36,174)
Profit/(loss) for the period	-	-	-	-	28,491	28,491	(330)	28,161
Other comprehensive income/(expense) for the period, net of tax	-	-	452	(933)	-	(481)	22	(459)
Total comprehensive income for the period	-	-	452	(933)	28,491	28,010	(308)	27,702
Recognition of share-based payments	-	1,522	-	-	-	1,522	-	1,522
Balance as at 31 December 2016	37,753	5,962	76	255	127,575	171,621	2,022	173,643
Balance as at 1 July 2017	**37,753**	**5,167**	**(415)**	**(667)**	**135,703**	**177,541**	**1,278**	**178,819**
Dividends paid	**-**	**-**	**-**	**-**	**(24,117)**	**(24,117)**	**-**	**(24,117)**
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**34,180**	**34,180**	**(855)**	**33,325**
Other comprehensive income/(expense) for the period, net of tax	**-**	**-**	**(36)**	**995**	**-**	**959**	**(28)**	**931**
Total comprehensive income for the period	**-**	**-**	**(36)**	**995**	**34,180**	**35,139**	**(883)**	**34,256**
Share based payments expense	**-**	**752**	**-**	**-**	**-**	**752**	**-**	**752**
Issue of shares under employee long term incentive plans net of onmarket purchases.	**-**	**(2,744)**	**-**	**-**	**(9,549)**	**(12,293)**	**-**	**(12,293)**
Tax effect of issue of shares	**-**	**-**	**-**	**-**	**2,862**	**2,862**	**-**	**2,862**
Balance as at 31 December 2017	**37,753**	**3,175**	**(451)**	**328**	**139,079**	**179,884**	**395**	**180,279**

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 15.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	NOTES	31 December 2017 $'000	31 December 2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers (net of promotional and other rebates)		**317,987**	314,503
Payments to suppliers and employees		**(290,313)**	(297,532)
Cash generated from operations		**27,674**	16,971
Interest and other costs of finance paid		**(2,763)**	(3,026)
Income taxes paid		**(16,296)**	(36,078)
Net cash flows from operating activities		**8,615**	(22,133)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**249**	178
Payments for property, plant and equipment and other intangible assets		**(6,459)**	(7,729)
Proceeds from disposal of property, plant and equipment		**14**	21
Dividends received		**36**	53
Amounts received from /(advanced to) related parties		**285**	(31)
Net cash used in investing activities		**(5,875)**	(7,508)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**21,080**	68,697
Proceeds from other borrowings		**-**	1,100
Dividends paid	3	**(24,117)**	(36,174)
Net cash (used in)/generated from financing activities		**(3,037)**	33,623
Net (decrease)/increase in cash and cash equivalents		**(297)**	3,982
Cash and cash equivalents at the beginning of the period		**34,251**	37,653
Effects of exchange rate changes on the balance of cash held in foreign currencies		**365**	(379)
Cash and cash equivalents at the end of the period		**34,319**	41,256

Notes to the Condensed Consolidated Financial Statements are included on pages 11 to 15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

Blackmores Limited (the Company) is a public company listed on the Australian Securities Exchange (trading under the symbol 'BKL'), incorporated in Australia and operating in Australia, Asia and New Zealand.
Blackmores Limited's registered office and its principal place of business are as follows:

20 Jubilee Avenue
Warriewood NSW 2102
Telephone +61 2 9910 5000

The Group's principal activity is the development and sales and marketing of health products for humans and animals including vitamins, herbal and mineral nutritional supplements.

2 SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Blackmores Limited is a company domiciled in Australia. The Consolidated Interim Financial Report (Financial Report) of Blackmores as at and for the half-year ended 31 December 2017 comprises Blackmores and its subsidiaries (the Group).

The Consolidated Annual Financial Report of the Group for the financial year ended 30 June 2017 is available upon request from the registered office of Blackmores at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at blackmores.com.au.

Statement of Compliance

The half-year Financial Report is a General Purpose Financial Report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 'Interim Financial Reporting' ensures compliance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report as at and for the financial year ended 30 June 2017.

Basis of Preparation

The half-year Financial Report has been prepared on the basis of historical cost, except certain non-current assets and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year Financial Report are rounded-off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year Financial Report are consistent with those adopted and disclosed in the Group's 2017 Annual Financial Report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Estimates

The preparation of the half-year Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this half-year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the Annual Financial Report for the financial year ended 30 June 2017.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Adoption of new and revised Accounting Standards

There are no new and/or revised Standards and Interpretations adopted in these Financial Statements affecting presentation, disclosure, reported results or financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

3 DIVIDENDS

	Half-year ended 31 December 2017		Half-year ended 31 December 2016	
	CENTS PER SHARE	TOTAL $'000	CENTS PER SHARE	TOTAL $'000
RECOGNISED AMOUNTS				
FULLY PAID ORDINARY SHARES				
Final dividend paid in respect of prior financial year – fully franked at 30% corporate tax rate	**140**	**24,117**	210	36,174
UNRECOGNISED AMOUNTS				
FULLY PAID ORDINARY SHARES				
Interim dividend payable in respect of current financial year – fully franked at 30% corporate tax rate	**150**	**25,840**	130	22,394

4 SEGMENT INFORMATION

Information reported to the Group's Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance is largely focused on geographical regions. The Group's reportable segments under AASB 8 are therefore as follows:

ANZ (Australia and New Zealand)
China (In country and China Export Division)
Other Asia
BioCeuticals Group
Other
Corporate Costs

The principal activity of each segment is the development and/or marketing of health products including vitamins, herbal and mineral nutritional supplements.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

SEGMENT REVENUES

The following is an analysis of the Group's revenue from continuing operations by reportable segment.

	Consolidated Half-year ended	
	31 December 2017 $'000	Restated 31 December 2016 $'000
ANZ[1]	**120,642**	123,035
China[2]	**73,881**	58,087
Other Asia[3]	**39,405**	33,430
BioCeuticals Group[4]	**53,130**	48,008
Other[5]	**323**	476
Total Segment Revenue[6]	**287,381**	263,036

The Group had one customer who contributed more than 10% of the Group's revenue in the period (2016: One). Revenue earned from this customer amounts to $63,413 thousand (2016: $53,560 thousand).

1. ANZ segment revenue includes Pure Animal Wellbeing and the benefit of sales made to Australian and New Zealand customers which we believe are ultimately intended for Asian markets.
2. China relates to sales made through Blackmores' Wholly Foreign Owned Entity (WFOE), the free trade zone entities and the China Export division based in Australia.
3. Other Asia comprises the markets of: Thailand, Malaysia, Singapore, Hong Kong, Korea, Indonesia, Kazakhstan, Cambodia and Vietnam.
4. Bioceuticals Group includes Global Therapeutics.
5. Other comprises Bemore.
6. Excludes interest revenue and other income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

4 SEGMENT INFORMATION (CONT.)

SEGMENT RESULTS

The following is an analysis of the Group's EBIT results from continuing operations by reportable segment.

	31 December 2017 $'000	31 December 2016 $'000
ANZ	**25,781**	21,688
China	**20,803**	19,987
Other Asia	**1,240**	(232)
BioCeuticals Group	**7,916**	7,652
Other	**286**	(2,853)
Corporate Costs	**(6,774)**	(4,374)
Earnings before interest and tax	**49,252**	41,868

Segment profit represents EBIT earned by each segment. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

5 INTEREST-BEARING LIABILITIES

	31 December 2017 $'000	30 June 2017 $'000
Non-current		
Unsecured – at amortised cost[1]	**100,000**	78,968

Summary of borrowing arrangements:

1. Blackmores Limited's borrowing arrangements are unsecured and operate under a common terms deed.

6 FINANCIAL INSTRUMENTS

6.1 Fair Value of Financial Instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Condensed Consolidated Financial Statements approximate their fair values.

VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED FOR THE PURPOSE OF MEASURING FAIR VALUE

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

6 FINANCIAL INSTRUMENTS (CONT.)

31 December 2017	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
FINANCIAL ASSETS AT FVTPL:				
Derivative financial assets	**97**	**-**	**-**	**97**
AVAILABLE-FOR-SALE FINANCIAL ASSETS:				
Unquoted equities	**-**	**-**	**1,328**	**1,328**
Total	**97**	**-**	**1,328**	**1,425**
FINANCIAL LIABILITIES AT FVTPL:				
Derivative financial liabilities	**619**	**-**	**-**	**619**
Total	**619**	**-**	**-**	**619**

30 June 2017	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
AVAILABLE-FOR-SALE FINANCIAL ASSETS:				
Unquoted equities	-	-	1,165	1,165
Total	-	-	1,165	1,165
FINANCIAL LIABILITIES AT FVTPL:				
Derivative financial liabilities	580	-	-	580
Total	580	-	-	580

There were no transfers between Levels 1 and 2.

DERIVATIVES

Interest rate swaps are measured at present value of future cash flows estimated and discounted based upon the applicable yield curves derived from quoted interest rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

7 JOINT OPERATIONS

The Group has the following interest in joint operations:

Bemore Partnership Pty Limited

The following amounts are included in the Group's half year financial report in relation to the joint operation, representing the Group's 50% share of Bemore Partnership Pty Limited.

	6 months ended 31 December 2017 $'000	6 months ended 31 December 2016 $'000
Sales (net of discounts)	**347**	996
Promotional and other rebates	**(24)**	(520)
Revenue	**323**	476
Raw materials and consumables[1]	**-**	2,508
Operating expenses	**37**	821
Profit/(loss) before interest	**286**	(2,853)
Interest income	**1**	-
Net profit/(loss) for the period	**287**	(2,853)

1. Included in this expense is a provision for obsolescence of $nil (2016:$2,000 thousand) in the 6 months ended December 2017.

	31 December 2017 $'000	30 June 2017 $'000
Cash and cash equivalents	**140**	217
Receivables	**27**	556
Inventory	**-**	-
Total assets	**167**	773
Other payables	**39**	97
Provisions	**187**	567
Payables to Joint operators	**227**	682
Loans from Joint operators	**7,200**	7,200
Total liabilities	**7,653**	8,546
Net liabilities	**(7,486)**	(7,773)
Accumulated losses	**(7,486)**	(7,773)

8 CONTINGENT LIABILITIES

Blackmores is currently undergoing a detailed review of exemption claims that have been made under the various free trade agreements in place between Australia and the countries with which Blackmores trades. This review is ongoing and includes a review of potential risks and opportunities pertaining to the use of and compliance with detailed requirements relating to different export classification codes. As at the signing date, no conclusions have been reached and discussion with relevant external regulatory bodies are continuing. A reliable estimate of potentials risks or probable outflows as an outcome of the completion of this review cannot be determined. Accordingly, no liability has been recorded in the accounts for the half-year ended 31 December 2017.

9 EVENTS AFTER THE REPORTING PERIOD

INTERIM DIVIDEND

The Directors declared a fully franked dividend of 150 cents per share on 22 February 2018 as described in note 3.

BLACKMORES®

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