

**Welcome to the 51st
Annual General Meeting
of Blackmores Limited**

BLACKMORES®

Welcome

Doctor Raymond Schwartz





Christine Holgate
CEO & Managing Director

Building Platforms for Growth – Year Ending June 30th 2013

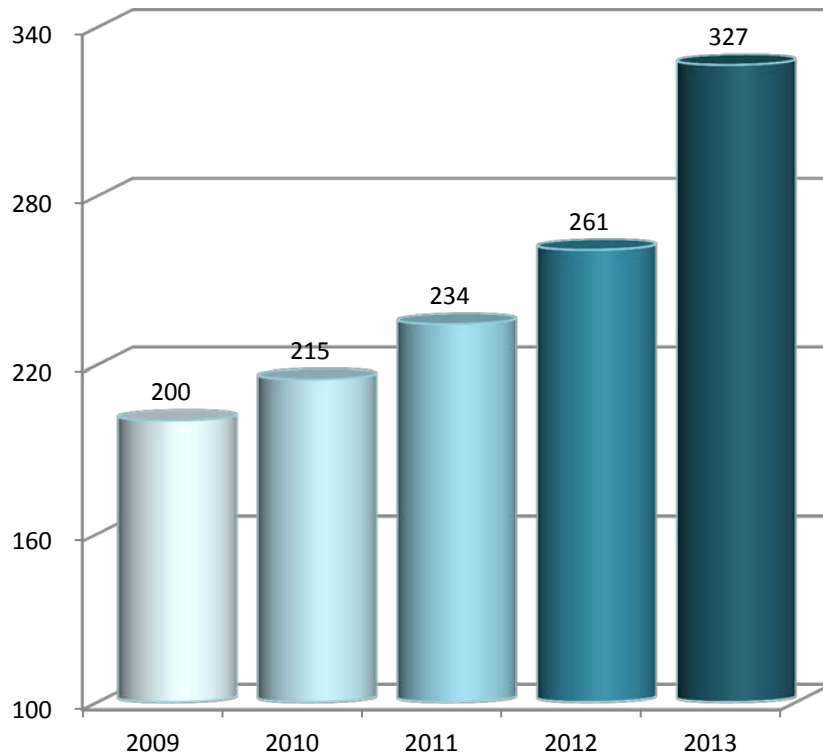


- Strong sales of \$327m, up 25% in a very challenging year
- Good progress on building new platforms for growth
- NPAT at \$25m, down 10% impacted by decline in Australian margins
- Further steps in our Asia expansion, launching in China & Macau
- Successful transition of BioCeuticals acquisition, which is performing well and adding profits
- Prudent expense management, evidenced in reduction in corporate expenses and improved sourcing benefits
- Strong focus on cash management, with operating cash flow improving by 6%
- Awarded again Most Trusted Brand in Australia, Thailand & Malaysia
- Final dividend held at 83c, maintains full year dividend of 127c

Group Sales Performance



Group Sales (\$m)

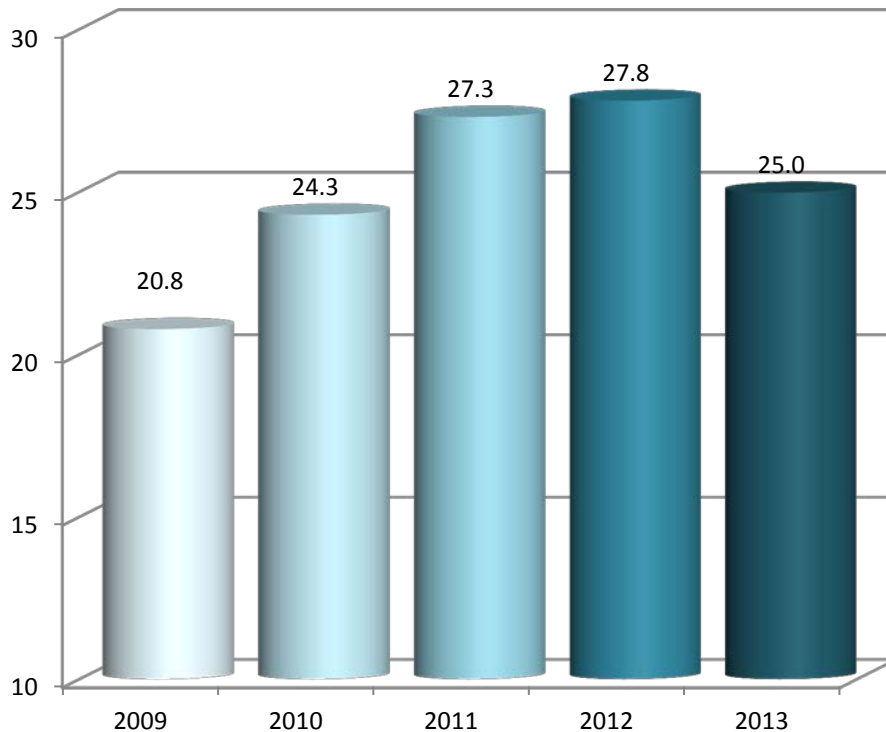


- Group sales increased to \$327m, up +25% reflecting the strength of our brand
- Blackmores Australian sales of \$209m, up +4%
- Asia sales of \$60m, up +14%
- BioCeuticals sales of \$44m, up +8%
- New Zealand sales of AUD \$9m, up +118%
- Animal Health sales of \$4m, up +22%

Profit Performance



Group NPAT (\$m)

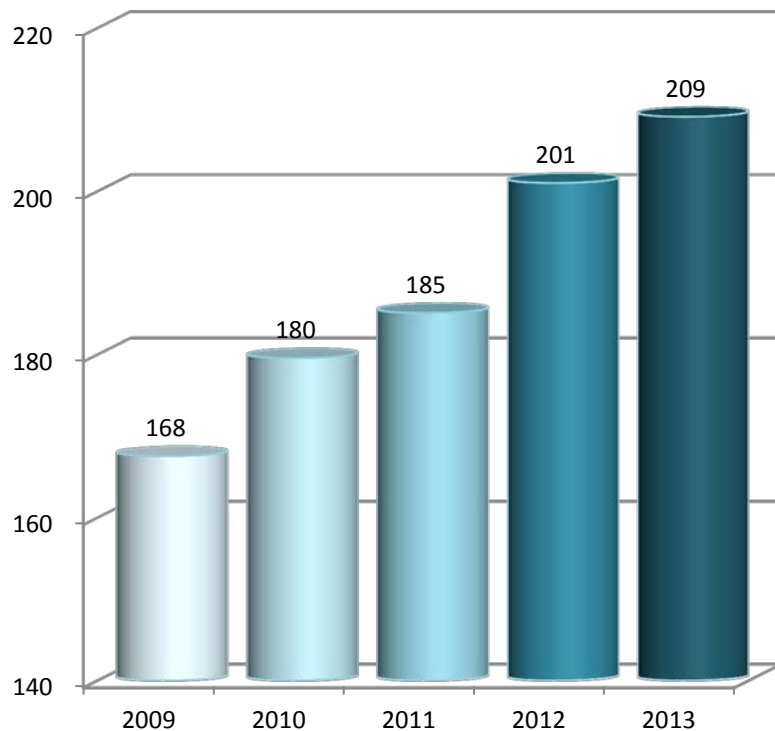


- Group NPAT decreased by 10% to \$25m
- Decline as a result of Australian margins
- All other business groups delivered stronger profit contributions
- Expenses tightly managed
 - Up 2.5% excluding BioCeuticals and new model for New Zealand
 - Corporate costs down 33%
- Further operational efficiencies in sourcing and Warriewood facility
- Improved treasury management

Australian Performance



Australia Sales (\$m)

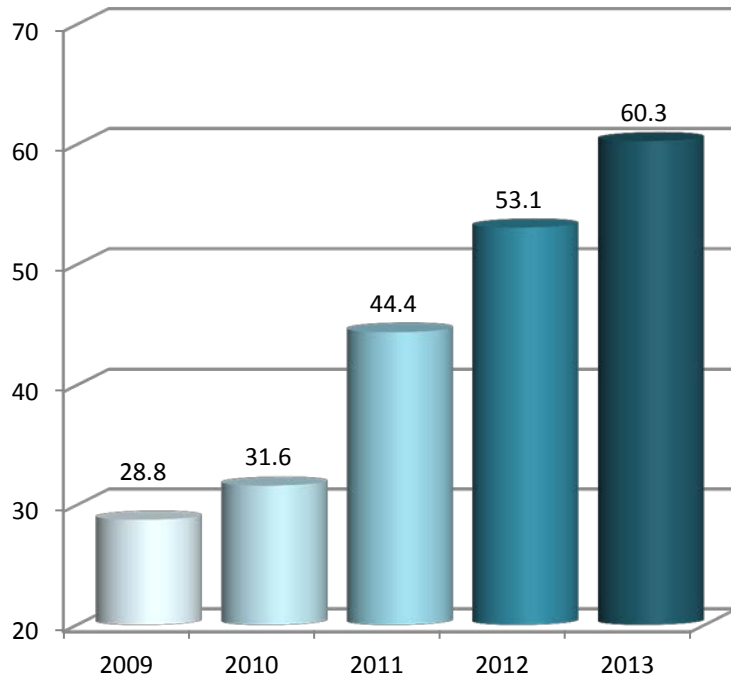


- Sales of \$209m +4% growth in a very challenging market
- Our Australian margins have been impacted by the significant structural changes in the market:
 - Increased growth of larger customers whilst smaller community pharmacies are declining
 - Intense competition with deep discounting
 - Pharmacies destocking to manage cash tighter
 - Significant stock write-offs, up \$2.8m
- We have uplifted our investment in consumer marketing
- Strengthened our management of grocery
- Increased our support for Pharmacy, deploying additional merchandising units, enhanced training and increased trade support
- Opened additional warehouse
- Australia EBIT fell 26% in the year at \$32.3m
- Australia remains very profitable and the foundation of the company

Asia Growth Continues



Asia Sales (\$m)



- The current and prior year Asia results include the allocation of central costs related to this business

- Asia sales of \$60m, up +14%
- EBIT of \$6.3m*, +24%
- 300+ employees in our Asia markets
- Strong performance in key markets:
 - Thailand sales +22% and delivered \$8m in EBIT
 - Malaysia sales +18%
 - Singapore, HK and Taiwan all record years
- Sales in Korea impacted by regulatory changes in the first half
- Launched into China and Macau:
 - China, secured a Wholly Foreign Owned Enterprise Certification and now have 27 products in market
- Asia increasingly important, important source of profitable growth, enables leveraging our central capital investments and provides sources of currencies to protect the cost of our ingredients

BioCeuticals Performing Well



- Sales of \$45m, up +8% on the prior year
- Blackmores acquired Bioceuticals on 5 July 2012 for \$41.3m, \$38.6m net cash paid
- Strong EBIT contribution of \$4.9m
- Earnings accretive post increased debt to fund
- BioCeuticals is Australia's leading brand of practitioner products and represents 14% of Blackmores Group sales
- Agreement with EBOS to support New Zealand market
- Transition has been successful due to a strong philosophical alignment

New Zealand and Animal Health



- In **New Zealand** Blackmores launched a new operating model with API
 - Sales more than doubled
 - Sales 9% up in local retail market despite negative category growth
 - EBIT increased 50%
- **Animal Health** sales grew 22% to \$4m
 - Underlying core pet/vet business grew strongly at 30%
- Animal Health results were impacted by Australian grocery exit and stock write-offs



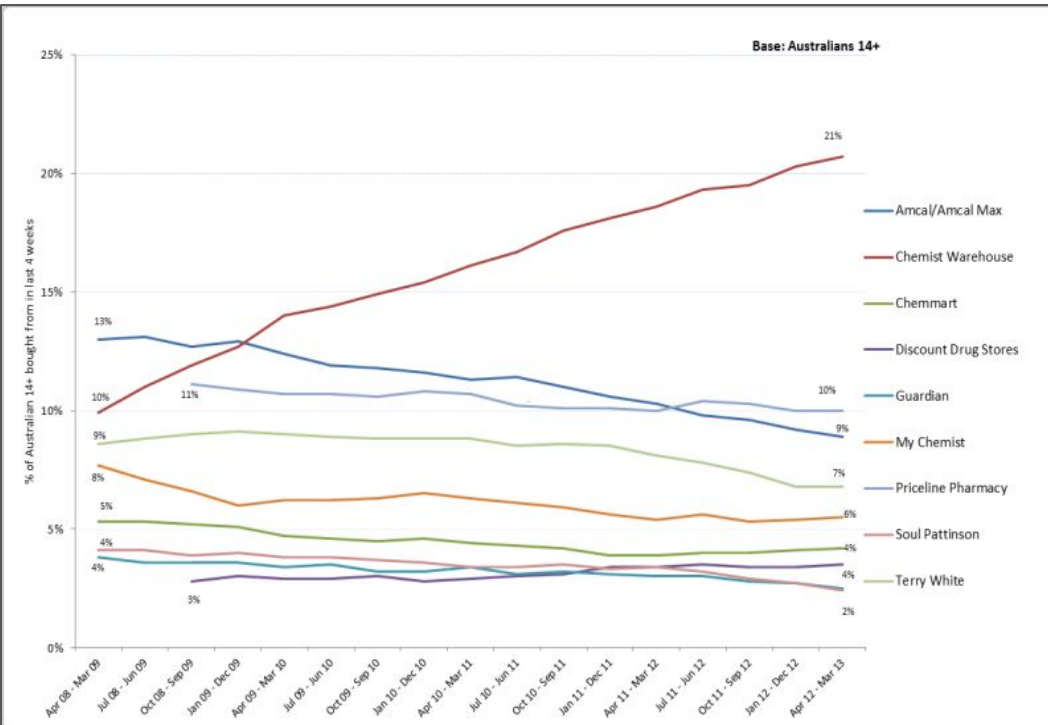
- Centre of excellence for knowledge and research
- Partnerships with 5 leading universities to develop education programs for pharmacists and students giving accreditation points
- RACGP Accreditation Education Modules on CAM for GPs
- Director of Research at Southern Cross University
- We are investing in over 25 clinical trials including:
 - large scale trial of Executive B
 - research into the health benefits of Australian native extracts
 - the effect of Vitamin B3 on non-melanoma skin cancer
 - fish oil in supporting work stress
- Blackmores Fellowship to publish tier one evidence & Blackmores research grant for heart health
- Partnership with major health organisations including HRI & MDF
- Partnership with leading neurologist Dr Raymond Schwartz to develop innovative new range
- Last year we trained in Australia over 3,500 healthcare practitioners



Quarter 1 Trading Update



Challenges in Australian market intensify:



In the five years to March 2013, MyChemist (MYC) have secured 20% of all pharmacy sales.

- In VHMS category this is magnified with MYC, growing approximately 80% in a two year period and now securing 30% of sales.

- As pharmacy groups compete to retain and attract customers, many are driving deep discounting and destocking to manage cash flows.

- Grocery is challenging further pharmacy performance

- Smaller community pharmacies are declining, which are Blackmores most important channel

- Significant slowdown in the category growth

Dietary Supplements	MAT to 08/09/13	Quarter to 08/09/13
National Combined	9.5%	2.4%
National - MYC	0.7%	-3.6%

Pricing Pressure Continues



400 caps
ONLY
\$10⁹⁹



400 caps
NOW
\$16⁷⁹



Quarter 1 Trading Update

- Australia Sales are down 7% impacted by the turbulence in the market.
- New Strengthened Management : David Fenlon Appointed as Managing Director Australia & New Zealand, Martin Robb has been appointed to lead Inventory Management.
- Stronger Consumer Marketing Campaign – building consumer loyalty:
 - Won Most Trusted Brand in Australia again.
- Asia Sales up 19% & BioCeuticals Sales up 7%, helping offset the full impact of Australia trading and contributing profitable growth.
- Fall in Australian dollar has resulted in an increased cost in raw materials – this has not been fully offset by our Asian businesses as the Thai Baht & Malaysian Ringgit have devalued.
- Lower Australian Sales in Quarter 1 and the weaker Australian dollar impacted EBITDA.
- Strong recognition on the need to transform our business. Undergoing a major cost profile review.
- We strongly believe in the overall prospects for Blackmores

First Quarter Results

Q1	This Year (\$)	Last Year (\$)	Change %
Sales	\$84m	\$85	-1.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	\$10.3m	\$13.5	-23.7
Earnings before interest and tax (EBIT)	\$8.8m	\$12m	-27.1
Net interest expense	\$1.25m	\$1.1m	10.8
Profit before tax	\$7.5	\$11m	-31.0
Income tax expense	\$2.1	\$3,1	-31.3
Profit for the period	\$5.4	\$7.8m	-30.9



Outlook

- Blackmores remains a strong company. Our Australian market continues to face challenges. The margin pressure has highlighted the importance of executing on our strategic priorities to transform Blackmores for the future.
- These include:
 - supporting our Australian business whilst building our consumer brand;
 - investing in Asia and BioCeuticals for further profitable growth;
 - continuing to improve operational excellence and transform our cost profile going forward; and
 - simplifying our organisation and aligning resources closer to our customers.
- Asia and BioCeuticals represents a significant and increasing part of our business and we anticipate further profitable growth in the coming year.
- We strongly believe in the overall prospects for Blackmores, adapting the company to meeting the market dynamics is well underway, acknowledging it takes time to build the platforms for growth.
- We are improving momentum in the market but feel it is too early to predict profit for the full year. Through our quarterly reporting we will ensure our investors are kept updated on developments.



Chris Last
Chief Financial Officer

Financial Summary – Profit & Loss

Income Statement	June 2013 \$m	June 2012 \$m	Change
Sales	326.6	260.8	+25.2
Operating Expenses	<u>(281.9)</u>	<u>(213.9)</u>	+31.8
EBITDA	44.7	46.9	-4.7
Depreciation & Amortisation	<u>(6.0)</u>	<u>(4.9)</u>	+22.4
EBIT	38.7	42.0	-7.8
Interest & Tax	<u>(13.7)</u>	<u>(14.2)</u>	-3.5
Net profit after tax	25.0	27.8	-10.2
Earnings per share (c) - basic	147.9	165.8	-10.8

Financial Summary - Balance Sheet

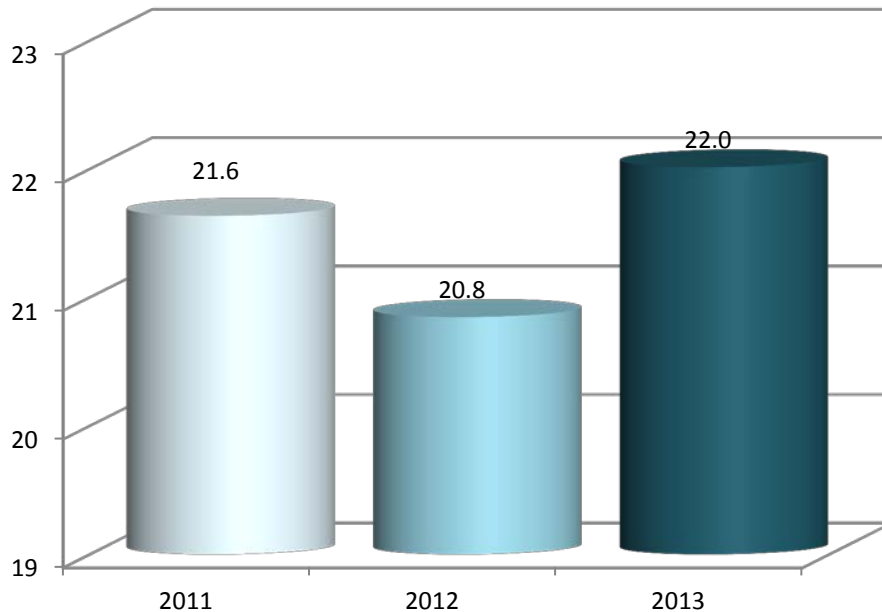
	June 2013	June 2012	% Change
Net assets (\$m)	98.1	86.2	+13.8
Net tangible assets per share (\$)	\$3.47	\$4.75	-26.9
Net debt (\$m)	69.0	33.0	+109.0
Gearing ratio (%)	41.3%	27.7%	+13.6 pts

Financial Summary - Key Ratios

	June 2013	June 2012	% Change
EBIT Margin (%)	11.9%	16.1%	-4.2pts
Net Interest Cover (times)	8.1 x	15.2 x	
Return on Equity (%)	25.5%	32.3%	-6.8 pts
Return on Assets (%)	19.1%	25.6%	-6.5 pts

Cash Flow

Operating Cashflow

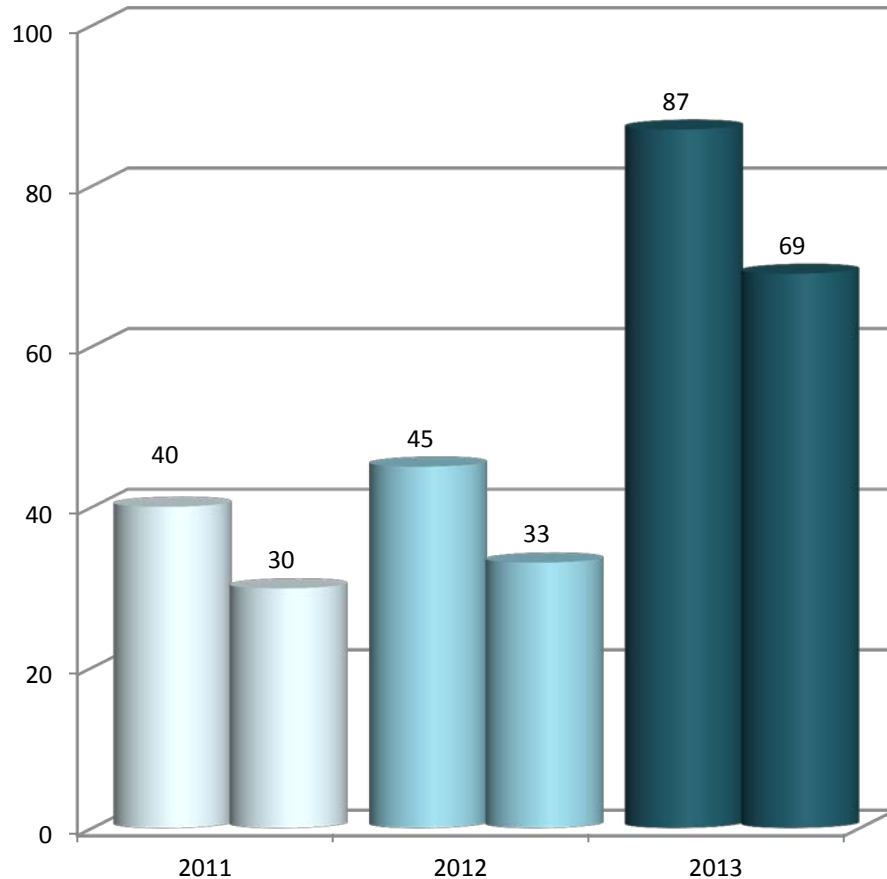


	2013 \$m	2012 \$m
NPAT	25.0	27.8
Depreciation	6.0	4.9
Tax balances	(2.4)	(2.5)
Working capital	(7.8)	(9.6)
Other	<u>1.2</u>	<u>0.2</u>
Operating Cash Flow	22.0	20.8

- Operating cash flow has increased by 6% to \$22.0m
- Strong result achieved by focus on working capital in H2
- Cash outflow on acquisition of BioCeuticals of \$38.6m
- Increase in borrowings of \$42m
- Cash savings of \$5.6m made by reactivation of DRP



Gross and Net Debt

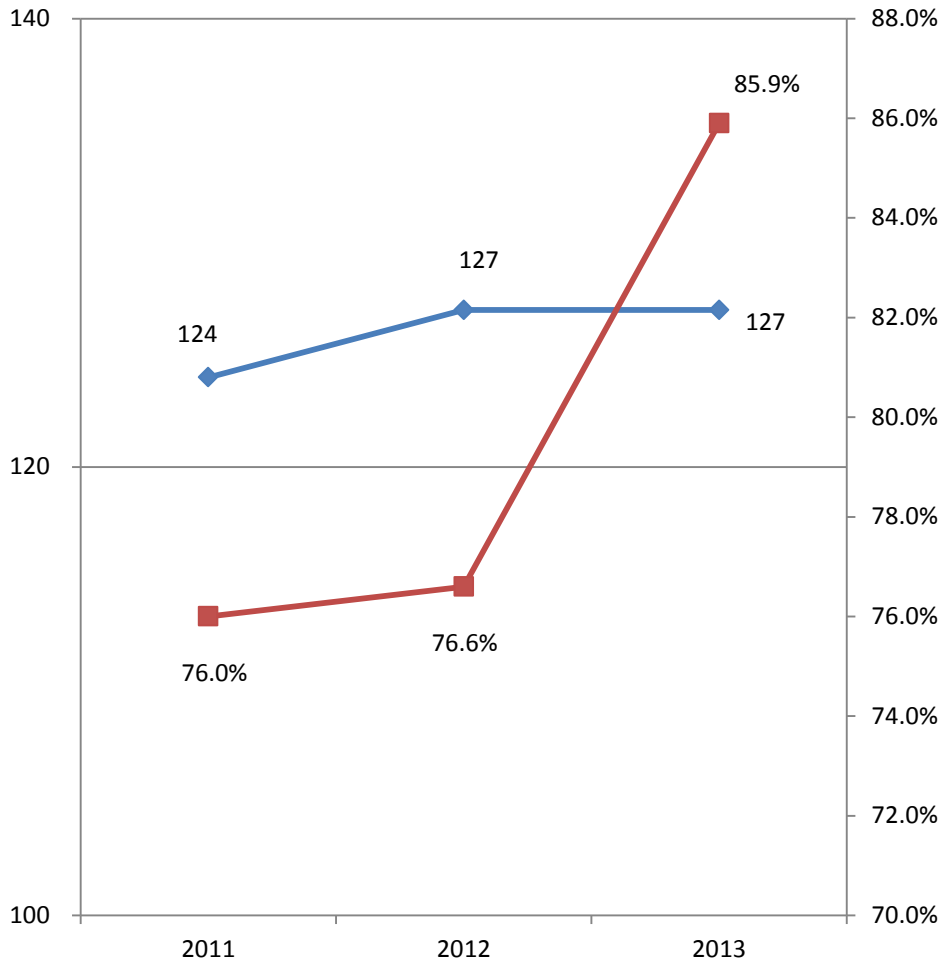


- Net debt has increased from \$33m to \$69m
 - \$39m to fund BioCeuticals acquisition, half of which is hedged at low interest rates
- Core debt facility extended to 2016
- Acquisition debt facility granted of \$43m, expiring 2015
- 56% of Group net debt is hedged by interest rate swaps
- Gearing (net debt/net debt + equity) has increased from 27.7% to 41.3% following the acquisition
- Strong interest cover at 8x and strong cash flow

Dividends



Dividend per Share



- Final dividend of 83¢ fully franked
- Total dividends for the year 127¢, flat with last year
- Paid on 18 October 2013
- Dividend payout ratio of 86%
- Dividend Reinvestment Plan in place with a 5% discount
- Dividend reflects Board's confidence in prospects of the company

Financial Summary

- Solid profit performance in difficult trading conditions
- Strong balance sheet
- Interest cover of 8.1 times
- Dividend maintained at 127 cents
- Total shareholder return of 10% since July 2011





Marcus C. Blackmore AM
Chairman

Resolutions

- Adoption of Remuneration Report
- Re-elect Ms Verilyn Fitzgerald
- Re-elect Mr Stephen Chapman

Executive Remuneration

NO Short Term Incentives were awarded for F13

Short Term Incentive (STI)

- Cash
- Performance based on NPAT relative to budget and achievement of personal objectives
- Minimum 95% of budgeted profit required

Executive Remuneration continued

NO Long Term Incentives were Awarded for F12 or F13

Long Term Incentive (LTI)

- Shares
- F13 Performance based on EPS growth year on year
- Less than or equal to 4% EPS growth - no LTI shares
- Capped at 16% EPS Growth

Note for F14 LTI awards - performance is based on EPS growth on last 3 year average EPS, to better align with shareholder interests.

Resolution 1 – Remuneration Proxies

Vote Type	Voted	% of Voted	% of all securities
For	2,717,421	75.14%	15.94%
Against	554,948	15.35%	3.26%
Open-Usable - refer below	343,842	9.51%	2.02%
Total	3,616,211	100.00%	

Open-Usable Breakdown		
Chairman appointed as Proxy	140,738	3.89%
Others appointed as Proxy	203,104	5.62%

Resolutions

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