



UTS Vice-Chancellor and President Attila Brungs with BioCeuticals MD Eyal Wolstin, Marcus Blackmore, Caroline Blackmore and Terri Albert from The Jacka Foundation (left image) and Jackie McArthur (right image)

Blackmores announces strategic acquisition of Australian manufacturing facility and appoints a new Non-Executive Director, as sales and profit growth continues

- Net sales for the nine months to 31 March of \$434 million, up 8.5% compared to prior corresponding period
- Net profit after tax of \$52 million, up 19.3% compared to prior corresponding period
- Acquisition of 100% of the world-class Catalent Australia tablet and soft-gel capsule manufacturing facility in Braeside, Victoria for \$43.2 million, delivering increased agility to respond to changing market conditions
- The acquisition will support the Group's future growth and product innovation with strong research and development capabilities and provide greater control over production
- Jackie McArthur appointed to the Board as Non-Executive Director, with extensive operational expertise across the Asia Pacific region

DEAR SHAREHOLDER

Blackmores Limited (ASX: BKL) today announced profit for the first nine months of \$52 million, up 19.3% compared to the prior corresponding period, on net sales of \$434 million, up 8.5% on the prior corresponding period.

We made solid market share gains in Australia over the last quarter and remain the clear number one brand in Australia in both total market and domestic sales. This was a solid result notwithstanding the impact of supply challenges over the period.

Blackmores has a strong commitment to Australian and New Zealand manufacturing, and recent structural changes in the sector have affected the supply continuity of many of our smaller lines and brands as well as export sales in the second and third quarters. We finished the quarter in a much better supply position and we expect this to continue to improve in the coming months.

Strong advertising and promotional activity in the quarter supported sales in Australia which remain broadly in line with last year for the nine months to 31 March.

Blackmores sales in China at \$102 million for the nine months were up 21% compared to the prior corresponding period. China sales in the third quarter were below our expectations mainly as a result of

the impact of supply challenges and some disruption due to customer trading term re-negotiations, with a stronger fourth quarter expected.

Blackmores' established businesses in other markets in Asia experienced growth of 20% in constant currency terms compared to the prior corresponding period. Indonesia, Korea, Taiwan and Hong Kong continue to deliver particularly strong growth.

BioCeuticals Group net sales at \$79 million were up 11% compared to the prior corresponding period and will further benefit from the recent extended distribution of IsoWhey products into new sales channels.

The cost benefits resulting from last year's full supplier review are continuing to deliver and will positively impact our margins this year. The acquisition of Catalent Australia will support further efficiencies in the future.

During the quarter, BioCeuticals partnered with the Blackmore Foundation, the personal philanthropic trust of Marcus and Caroline Blackmore and the Jacka Foundation, to provide \$1.5 million in funding for the Australian Research Centre in Complementary and Integrative Medicine at the University of Technology Sydney (UTS:ARCCIM), a scientific research program that aims to improve understanding into the ways health consumers and practitioners use naturopathy and other complementary medicines.

The announcement was made by BioCeuticals' newly appointed Managing Director, Eyal Wolstin. Eyal brings extensive experience in the complementary health industry. As sales director, he has successfully led the growth of BioCeuticals for four years and has been the acting Managing Director since November 2017.

APPOINTMENT OF JACKIE MCARTHUR, NON-EXECUTIVE DIRECTOR

Also today, Blackmores Chairman Stephen Chapman announced the appointment of highly experienced global executive Jackie McArthur as a Non-Executive Director of Blackmores Limited. Ms McArthur brings more than 20 years of experience at board and executive levels in supply chain, logistics and operations management.

Jackie brings extensive operational experience which will bolster the skills of our Board. She has lived in Singapore and led a complex and far reaching supply chain for a global business across 38 countries from China and South East Asia to the Middle East. She is passionate about corporate social responsibility, diversity and developing engaged workforces.

Ms McArthur was 2016 Telstra NSW Businesswoman of the Year and has a strong interest in natural health.

OUTLOOK

We ended the quarter with momentum, particularly as the impact of supply disruptions has improved. In addition, Blackmores continues to leverage our leading market share and strong consumer demand across all markets and brands.

Supply constraints will continue to ease in the fourth quarter, coupled with continued benefits from the supply tender.

We will continue to invest more in our brand, particularly in China, and to deliver our strategic priorities by connecting with our consumers, leveraging our global advantage, innovation and expertise and improving our operational fitness.

The Board expects our current growth trajectory will continue and that we will deliver good profit growth for the full year.

Yours faithfully



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BLACKMORES



Blackmores' strategic acquisition of world-class Australian manufacturing facility

KEY POINTS

- Acquisition of 100% of Catalent's tablet and soft-gel capsule manufacturing facility in Braeside, Victoria for \$43.2 million
- The acquisition will support the Group's future growth and product innovation with strong research and development capabilities and will provide greater control over production, strengthening Blackmores' quality credentials
- Delivers increased agility to respond to changing market conditions
- Improved management of Blackmores' current and future portfolio of registered products in Asia
- Demonstrates ongoing commitment to invest in Australian manufacturing
- Fully debt funded, with a positive impact on earnings per share from year one

Blackmores Limited (ASX:BKL) today announced that it has agreed to the purchase of Catalent Australia Holding Pty Limited, owner of one of the highest quality complementary medicine manufacturing facilities in Australia.

Blackmores will acquire 100% of the issued share capital of Catalent Australia Holding Pty Limited from Catalent Inc. on a cash free and debt free basis. The total acquisition cost is expected to be AUD \$43.2 million, subject to agreed adjustments. Completion is expected to occur on or before 31 October 2019 and is expected to be fully debt-funded.

The 18-month completion period will enable a seamless transition for both parties, enabling Catalent Inc. to migrate third-party customers to its other facilities while Blackmores moves more products into the Braeside facility.

This is a highly strategic acquisition for Blackmores which will give us increased control and agility to respond to changing market conditions while also helping us 'future proof' our Asian business.

We know this plant extremely well having partnered with this first class facility for more than 30 years and the manufacturing capacity of the site and expertise of the team are a natural fit, both culturally and technically, for our growing business. The research and development capabilities will bolster our existing program and will enable us to accelerate new product innovation by giving us the ability to test and launch new products across the Blackmores Group.

A significant number of the product registrations for Blackmores' range across Asia are associated with the Catalent Braeside facility, so this acquisition gives us increased control and certainty about the future of these products at a time when there is increasing importance on product registrations across the region.

The 30,000 square metre site is located in Braeside, Victoria. The tablet and soft-gel capsule manufacturing facility is licensed to produce medicines by Australia's Therapeutic Goods Administration as well as international regulators.

Our strategy will be to continue to source a significant proportion of our products from our existing contract manufacturing partners and we will supplement this with our own manufacturing capacity through the Braeside facility. By configuring this site especially for the production of our products, we expect to deliver improved operational efficiencies.

The 265 employees at the Braeside facility have upheld high quality standards with Catalent Australia consistently ranked as one of Blackmores' highest quality suppliers based on Blackmores' internal audits and product testing.

Through this acquisition we are further protecting the Australian origins of our products which are valued by consumers here and across Asia. It will also enable us to extend our program of ingredient sustainability and traceability.

The acquisition will support every pillar of our growth strategy. It will deliver operational efficiencies, support our innovation and new product development program, further our supply chain capabilities and demonstrates our commitment to investing in Australian manufacturing skills.

Mark Bisset, President of Catalent Asia Pacific, said: "Catalent has had a strong relationship with Blackmores over many years and we hold the greatest respect for them as the industry leaders in Australia. We're equally committed to working together to ensure a smooth transition over the coming 18-months."

"A key consideration in this transaction for Catalent has been our employees, and with this acquisition by Blackmores we are confident they will be welcomed warmly into Blackmores' team when we transfer ownership of the business next year. These are two teams with highly complementary skills and with a shared passion for quality."

The transaction is not subject to any regulatory or other conditions, except for a material adverse event or insolvency event.

The transaction is expected to have a positive impact on earnings per share from year one and will be debt-funded. Blackmores continues to have a conservative approach to debt management and has a strong balance sheet. Including this transaction, Blackmores' debt levels remain comfortably within all banking covenant limits.

Results at a Glance

Results (\$000s) (Nine months to 31 March 2018)	This Year	Last Year	% Change
Invoiced sales	539,825	495,927	+8.9%
Revenue	434,449	400,559	+8.5%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	81,024	69,560	+16.5%
Earnings before interest and tax (EBIT)	74,493	63,334	+17.6%
Net interest expense	2,986	3,089	-3.3%
Profit before tax	71,507	60,245	+18.7%
Income tax expense	21,309	17,562	+21.3%
Profit after tax	50,198	42,683	+17.6%
Profit/(loss) attributable to:			
Owners of Blackmores Ltd	51,572	43,232	+19.3%
Non-controlling interests	(1,374)	(549)	+150.3%
Results (\$000s) (Quarter 3)	This Year	Last Year	% Change
Invoiced sales	187,970	173,798	+8.2%
Revenue	147,068	137,098	+7.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	27,485	23,683	+16.1%
Earnings before interest and tax (EBIT)	25,241	21,466	+17.6%
Net interest expense	1,004	974	+3.1%
Profit before tax	24,237	20,492	+18.3%
Income tax expense	7,364	5,970	+23.4%
Profit after tax	16,873	14,522	+16.2%
Profit/(loss) attributable to:			
Owners of Blackmores Ltd	17,392	14,741	+18.0%
Non-controlling interests	(519)	(219)	+137.0%

MEET THE MANAGEMENT

Exclusive shareholder event



BLACKMORES

INVITATION

WEDNESDAY 23RD MAY 2018

This exclusive shareholder-only event will give you the unique opportunity to better understand our business strategy and natural health opportunity.

TIME

10am to 12pm, followed by a light lunch

VENUE

Blackmores Warriewood Campus
20 Jubilee Avenue, Warriewood NSW 2102

RSVP

By Monday 14th May 2018 - Robyn Taylor - robyn.taylor@blackmores.com.au or phone +61 2 9910 5136