



PROBIOTEC LIMITED

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ASX ANNOUNCEMENT

23 November 2018

CHAIRMAN AND CEO's ADDRESS TO SHAREHOLDERS

Address by the Chairman – Mr Geoff Pearce

Dear Shareholders,

On behalf of your Board of Directors, it is a pleasure to welcome you all to Probiotec's 2018 Annual General Meeting.

After joining the board two years ago, I remain as enthusiastic as ever about the future of Probiotec. The year past has been one of continuation of the execution of our core strategic objectives and it is pleasing to see the results have reflected this.

Our restructuring focus has continued, with the objective of seeking opportunities to maximise shareholder value, whilst aligning our key strengths for future growth. We were delighted to announce, post year end, the successful sale and lease back of our primary manufacturing facility at Cherry Lane, and this, combined with the sale of our Pharmaceutical (Gold Cross, David Craig and Skin Basics) and Impromy brands, has achieved much of this goal.

During the year we completed the purchase of the South Pack Laboratories business, and the smooth integration into Probiotec has been a credit to all concerned. This proved to be a highly successful acquisition, being immediately earnings accretive, and has significant opportunities ahead of it.

Our continued achievements and our confidence in the path ahead, resulted in the Board approving the payment of a 2 cents per ordinary share fully franked dividend, which was paid on 4 October 2018.

The board's confidence was further affirmed by the payment of a 5 cents per ordinary share fully franked special dividend, paid earlier this month, together with the commencement of an on-market buy back last week. The Company will continue to buy back shares whilst the board believes that the shares are trading below their intrinsic value, effected against the backdrop of existing market conditions, the trading range of the Company's securities and capital priorities in respect of existing projects and new transactions.

As previously foreshadowed, the recent divestment of brands in the portfolio, together with the sale and lease back of the manufacturing facility, has unlocked additional capital and the board of directors of Probiotec is considering a number of alternatives to enhance shareholder value, including strategic acquisitions and capital management options.

The Group's contract manufacturing segment continues to be a real strength for the business. As we go forward under our focused business model, this will form our core business and I remain of this view that this is an attractive industry to be involved in.

In 2018, contract manufacturing sales grew by 29% over the prior year with organic growth of 13% being supplemented by the acquisition of South Pack Laboratories in October 2017. This strong revenue growth was driven by the introduction of several new customers, together with growth from a number of long-term customers.

Pleasingly, significant further growth in both revenue and earnings from this business is expected to be driven by:

- The full year impact of the new contracts that came on-line during FY2018;
- The full year impact of the acquisition of South Pack Laboratories;
- New contracts with both existing and new customers, which will be coming on-line progressively over FY019 and fully realised in FY2020; and
- The contract manufacturing of the recently divested branded portfolios.

At the completion of this, my second year as Chairman of Probiotec Limited, I am genuinely excited by the opportunities we see ahead and together with the Board and Executive team we have at Probiotec, believe we can continue to achieve positive outcomes for you, our shareholders.

In conclusion, it would be remiss of me to allow this moment to pass without acknowledging the efforts, commitment, and contribution of our CEO Mr Wes Stringer, his executive team, and indeed all the staff at Probiotec, who's tireless efforts have achieved what we present to you today.

Geoffrey Pearce
Chairman
Probiotec Limited

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About Probiotec

Probiotec Limited is a manufacturer, marketer and distributor of a range of prescription and over-the-counter (OTC) pharmaceuticals, complementary medicines and consumer health products. The company owns two manufacturing facilities in Australia and distributes its products both domestically and internationally.

Further details about Probiotec are available at www.probiotec.com.au.

For further information, contact:

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