

**ASX ANNOUNCEMENT**

28 April 2020

TRADING AND COVID-19 UPDATE

Probiotec Limited (ASX: PBP) (“Probiotec” or “the Company”) is pleased to advise that all of its manufacturing and packing sites have remained fully operational throughout the Covid-19 pandemic. Probiotec has been actively managing the situation and continues to trade strongly despite these unprecedented times.

Highlights:

- Board reiterates FY20 guidance
- Confident about future growth in FY21
- Currency related cost pressures being well managed
- Minimal supply chain disruption

Approach to Covid-19 management

Probiotec’s key priorities are to ensure:

1. the safety and wellbeing of its people;
2. the most efficient continuity of its business operations.

Wes Stringer, Managing Director of Probiotec said ‘the team at Probiotec has proactively implemented a number of initiatives to ensure the safety of our people and the continuation of operations. These have included increasing cleaning and sanitation resources and processes, personal protective equipment, segregation of teams and functions, social distancing and the smooth transition to work from home for non-essential staff’.

‘I wish to acknowledge the dedication and professionalism of the entire Probiotec team, whose ability to adapt and apply themselves during this unprecedented challenge cannot be underestimated and is a testament to everyone involved.’

To date, no Probiotec staff member has tested positive to Covid-19.

Trading Update

Pleasingly, Probiotec has seen an increased level of demand with several categories seeing meaningful uplifts in orders, including cough, cold & Flu, analgesics and immunity products. Some of this additional demand will fall into FY20 with the balance to be supplied in the first quarter of FY21. The increased level of demand is currently expected to continue through the first half of FY21.

These demand tailwinds have been somewhat moderated by a reduction in some product lines related to elective surgery and discretionary goods as well as the increased costs of working under the pandemic conditions, increases in international freight costs and margin impacts caused by the rapid decline in the Australian dollar. New pricing has been agreed with all major customers to adjust for these impacts, which will take effect from the start of FY21 (given the standard notification lead times under our customer contracts).

Probiotec has taken a proactive approach to ensuring sufficient inventory is available to meet our customers needs. To this end, we have invested additional working capital to procure safety stocks to buffer against any supply disruption that may occur in the future. To date, Probiotec has had only minimal supply disruptions to a small number of inputs, which given the diversified supply lines of the business, we do not envisage these disruptions having a material negative impact on the group subject to further deterioration in the pandemic globally.

In spite of the cost pressures outlined, Probiotec still expects to meet its previously advised guidance for FY20 of sales revenue in excess of \$100m and EBITDA of between \$16 to \$17 million.

The board is also optimistic about the outlook for FY21 and beyond as many Probiotec customers are expressing their appreciation for our industry leading supply performance in these challenging times. In addition, Probiotec supports the calls by members of the Australian government and industry leaders to ensure the continuity of supply of critical medicines via the onshoring of additional manufacturing and we stand ready and able to facilitate this.

The Company continues to closely monitor the impact of Covid-19 and will be as responsive as possible to any changes in conditions. The forecasts provided are done so on an underlying basis and exclude the impact of any extraordinary items or impairment charges related to Covid-19 that may arise.

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About Probiotec

Probiotec Limited is a manufacturer, packer and distributor of a range of prescription and over-the-counter (OTC) pharmaceuticals, complementary medicines and consumer health products. The company owns three manufacturing facilities in Australia and distributes its products both domestically and internationally. Products are manufactured by Probiotec on behalf of a range of clients, including major international pharmaceutical companies.

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

Authorised for release to the ASX and for further information:

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