



Images: [Evan Hayes](#) | Blackmores Director of Sourcing [Anna Lane](#) | Project Manager

Strong second half performance and a return to profit growth for Blackmores

Highlights

- Full year sales of \$346.8 million, up 6.2% on the previous year
- Full year profit of \$25.4 million, up 1.8% on the previous year
- Net debt decreased by \$14.6 million to \$54.4 million
- Improved operating cash flow from \$22.0 million to \$37.5 million, an increase of 70% compared to the previous year
- Final dividend of 83 cents, brings total dividends to 127 cents, equal to the previous year

Dear Shareholder

Blackmores Limited (ASX: BKL) has announced annual sales of \$346.8 million, up 6.2% compared to the prior year and the twelfth consecutive year of record sales, with a net profit after tax of \$25.4 million, a 1.8% increase on last year's profit.

We closed the year in a much better position than we entered it and have stronger sales momentum, reduced debt, greater cash flows and improved market share in all of our core businesses. The Group delivered a record profit result in the fourth quarter.

The full year result reflects a much stronger performance in the second half and a turnaround from the first quarter of the financial year when the business was directly impacted by challenges facing the Australian retail market and increased raw ingredient costs resulting from the falling Australian dollar.

We responded with stronger brand marketing, a review of unprofitable product lines, investment in the Blackmores Institute, a refreshed Board, strengthened management team, a review of our cost structure and a focus on optimising our working capital.

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BLACKMORES AUSTRALIA

Blackmores Australia returned to profit growth in the second half of the financial year, compared to the same period in the previous year. Blackmores maintained the leadership position as the clear number one brand in the market. We were recently awarded Most Trusted vitamin and supplement brand in Australia for the sixth consecutive year in the Reader's Digest survey, an accolade we were also proud to receive this year in Thailand, Malaysia and Singapore.

Blackmores worked to optimise the consumer shopping experience and continued the installation of branded merchandising units in retail stores developed to make product selection easier for shoppers supported by trained in-store product advisors.

We furthered our commitment to education of healthcare professionals and pharmacy assistants with an independently-accredited program with the Pharmacy Guild of Australia. More than 15,000 healthcare professionals and pharmacy assistants completed Blackmores training during the year.

We have a reinvigorated digital strategy across the Group in recognition of the growing importance of e-commerce and social media to our consumers and retail partners. Blackmores engages with more than 400,000 friends of our brand through the Group's social media platforms.

BIOCEUTICALS

BioCeuticals made a very strong contribution to the Blackmores Group with BioCeuticals branded product sales up 14% and unprofitable lines discontinued. EBIT of \$6.8 million delivered growth of 45% which exceeded our expectations at acquisition just two years ago.

PURE ANIMAL WELLBEING

Pure Animal Wellbeing (PAW) underlying sales were up 23%. The animal health business is making an improved contribution to the Group and continuing to expand in the domestic and export market, recently launching in Hong Kong.

BLACKMORES ASIA

Blackmores Asia achieved 11% sales growth and forged ahead with a strong program of sales-generating activity. Earnings before interest and taxes (EBIT) were up 10% even with a continued investment in new strategic initiatives.

Political instability in Thailand and the resulting impact on consumer confidence has pressured sales growth in our largest export market. Even with these challenges, Blackmores Thailand grew market share and protected its profit contribution to the Group.

We are now seeing the benefits of our investment in Blackmores Malaysia in recent years with the market delivering an impressive 75% earnings growth in the year.

Blackmores entered two new markets in the region, Macau and Cambodia, which will support future growth. These smaller market launches required no further investment from the Group as we were able to leverage existing infrastructure in the region.

Blackmores has made important changes to our Asian business structure to enable achievement of our Asia growth goals. This included the establishment of a wholly foreign owned enterprise (WFOE) in China to improve our speed to market and ability to develop our China strategy.

We progressed the development of our new headquarters for our Asia business, based in Singapore. The presence of Blackmores International in Singapore will enable us to be closer to our consumers and retail partners, to optimise our supply chain and distribution partnerships and deliver further operational efficiencies as we continue to drive our strategy of 'Asia for Asia'. It will improve Blackmores' access to the best talent pool for our Asia leadership team.

DIVIDEND

The Board has declared a final dividend of 83 cents per share (fully franked), taking total dividends for the year to 127 cents (equal to the previous year). The record date is 12 September 2014 and the dividend is payable on 3 October 2014.

OUTLOOK

Our strategic priorities are to:

- Continue to be consumer centric as we support our important Australian business and improve our connectivity to customers by expanding our digital platform;
- Invest in growth in Asia;
- Leverage the knowledge within the Blackmores Institute and BioCeuticals to drive product leadership and innovation and be the authoritative voice of natural health; and
- Improve our operational effectiveness.

Whilst there is encouraging momentum in the business, we are mindful of the continued challenges we face in the markets where we operate, particularly Thailand. We will remain focused on growing our business and we aim to improve shareholder returns.

ANNUAL REPORT

For the full year in review, the 2014 Blackmores Limited Annual Report is now available in the Investor Centre at **blackmores.com.au**

Yours faithfully



CHRISTINE HOLGATE

CHIEF EXECUTIVE OFFICER

P: 0409 102 122

INVESTOR CONTACT

Adrian Sturrock
Investor Relations Manager
+61 2 9910 5373

DIVIDEND REINVESTMENT PLAN

Shareholders who elect to participate in the Dividend Reinvestment Plan (DRP) will benefit from a 5% discount. Shareholders' current DRP election choice is maintained by Computershare Investor Services Limited, the Company's registry manager, and shareholders are not required to notify Computershare if their previous election to participate remains unchanged.

Shareholders can check their current election by contacting Computershare on 1300 555 159 or online at: www.computershare.com.au/investors

Shareholders are able to change their election or register to participate by either:

- Visiting the Computershare Investor Centre website: www.computershare.com.au/investors;
- Contacting Computershare for assistance on 1300 555 159; or
- Completing the form enclosed.

The change to your participation will be effective from the next dividend payment if the notification is received by 15 September 2014.

BLACKMORES

Results at a Glance

Results (\$000s) (Year to 30 June 2014)	This Year	Last Year	% Change
Sales	346,760	326,603	+6.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	46,055	44,692	+3.1%
Earnings before interest and tax (EBIT)	39,789	38,703	+2.8%
Net interest expense	4,826	4,752	+1.6%
Profit before tax	34,963	33,951	+3.0%
Income tax expense	9,534	8,975	+6.2%
Profit for the period	25,429	24,976	+1.8%
Results (\$000s) (Quarter 4)	This Year	Last Year	% Change
Sales	92,984	86,006	+8.1%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	13,217	10,895	+21.3%
Earnings before interest and tax (EBIT)	11,596	9,306	+24.6%
Net interest expense	1,167	1,202	-2.9%
Profit before tax	10,429	8,104	+28.7%
Income tax expense	2,513	1,654	+51.9%
Profit for the period	7,916	6,450	+22.7%
Other Key Items	30/06/2014	30/06/2013	
EBIT/Sales	%	11.5	11.9
Interest cover (net)	times	8.2	8.1
Total Assets	\$m	236.6	231.5
Shareholders' equity	\$m	104.2	98.1
Net debt	\$m	54.4	69.0
Net debt / (Net debt + Equity)	%	34.3	41.3
Net tangible assets per share	\$	3.81	3.47
Operating cash flow	\$m	37.5	22.0
Share price (25 August 2014) ¹	\$	28.40	26.94
Shares on issue	m	17.11	16.97

Notes: (1) Last year's share price is as at 30 June 2013.