



INTERIM REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH ASX LISTING RULE 4.2A

This document should be read in conjunction with the most recent annual financial report

Appendix 4D
**Probiotec Limited
Half Year Report
For the half year ended 31 December 2020**
Results for announcement to market

Current Reporting Period: Half year ended 31 December 2020

Previous Corresponding Period: Half year ended 31 December 2019

Reported results	Movement			(\$'000)
Sales Revenue from continuing operations	Down	3.5%	to	42,583
Earnings before interest, tax, depreciation & amortisation (EBITDA)	Down	2.0%	to	5,864
Earnings before interest and tax (EBIT)	Up	25.8%	to	3,255
Net profit from ordinary activities before tax attributable to members (NPBT)	Up	55.4%	to	2,152
Net profit for the period attributable to members (NPAT)	Up	79.1%	to	1,238
Earnings per share	Up	58.7%	to	1.66 ¢

Underlying results ¹	Movement			(\$'000)
Sales Revenue from continuing operations	down	3.5%	to	42,583
Earnings before interest, tax, depreciation & amortisation (EBITDA)	Up	20.1%	to	7,448
Earnings before interest and tax (EBIT)	Up	26.0%	to	5,614
Net profit from ordinary activities before tax attributable to members (NPBT)	Up	38.6%	to	4,512
Net profit for the period attributable to members (NPAT)	Up	44.2%	to	3,598
Earnings per share	Up	27.8%	to	4.81 ¢

Net Tangible assets per share as at 31 December 2020	31.7 ¢
Net Tangible assets per share as at 31 December 2019	21.0 ¢

Dividends (Ordinary shares)	Record Date	Amount per Security	Franked Amount per Security
Interim Dividend	4 March 2021	2.0 cent	2.0 cent

¹ Results from continuing operations, excluding amortisation of acquired Intangibles and transaction costs primarily associated with acquisition of Multipack-LJM

Dividends

The directors have today declared an interim dividend of 2.0 cents per ordinary share, fully franked, and to be paid on 19 March 2021. The dividend will be payable to shareholders of record on 4 March 2021. This dividend is up 33% from 1.5 cents in the prior period. The company's Dividend Reinvestment Plan will not be operational for this dividend. This dividend does not relate to any conduit foreign income.

A final dividend of 3.0 cents per ordinary share relating to the 2020 financial year was paid during the half year.

Additional Information

Additional financial information is included in attached Interim Financial Report which has been reviewed by the Group's auditors.

Audit Status

This report is based on accounts which have been reviewed. The accounts are not subject to any dispute, emphasis of matter or qualification.

About Probiotec

Probiotec Limited is a manufacturer, packer and distributor of a range of prescription and over-the-counter (OTC) pharmaceuticals, complementary medicines, FMCG and consumer health products. The company owns five 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 companies.

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

Authorised for release to the ASX by:

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**PROBIOTEC LIMITED
AND ITS CONTROLLED ENTITIES
A.C.N. 075 170 151**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

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DIRECTORS' REPORT

The Directors submit the financial report of Probiotec Limited (Company) and its controlled entities (Group) for the half-year ended 31 December 2020.

Directors

The names of the directors in office at any time during or since the end of the half-year are:

Alexander Beard	Chairman
Wesley Stringer	Managing Director
Greg Lan	Non-Executive Director
Jonathan Wenig	Non-Executive Director

Directors have been in office since the start of the half-year reporting period to the date of this report unless otherwise stated.

Company Secretary

The company secretary to the date of this financial report was:

Jared Stringer

The company secretary has been in office since the start of the half-year reporting period to the date of this report.

Dividends

A dividend of 2.0 cents per fully paid ordinary share has been declared for the half year ended 31 December 2020 (2019: 1.5 cents). A dividend of 3.0 cents per fully paid ordinary share was paid during the half year ended 31 December 2020, being the final dividend relating to the financial year ended 30 June 2020.

Review of operations

The Group's underlying¹ net operating profit after tax from continuing activities attributable to members for the half year was \$2.8 million compared to a profit of \$2.0 million for the prior corresponding period, representing growth of 44%.

In light of the ongoing global covid-19 pandemic, the result for the half year shows the defensive and resilient nature of the Group's business.

The half year was one of considerable activity as the Group:

- ✓ Acquired Multipack-LJM on 31 December 2020;
- ✓ Managed the unprecedented events from the global Covid-19 pandemic;
- ✓ Was able to avoid any Covid-19 related shutdown at any of our facilities;
- ✓ Continued to acquire and on-board new customers and contracts.

¹ Excluding transaction costs associated primarily with the acquisitions of the Multipack-LJM business

Acquisition of Multipack-LJM

On 1 January 2021, the Company acquired all of the issued shares of Multipack-LJM Pty Ltd and L.J.M. Marketing Services Pty Ltd, which comprise the operations of the Multipack LJM business (**Multipack-LJM**) for \$52.5 million (subject to the vendors achieving certain deferred consideration earnings hurdles). The vendors are also entitled to earn-outs payable over the first two years from completion, upon the achievement of earnings hurdles over and above the deferred consideration hurdles. The vendors are entitled to the value of the outperformance (over the deferred consideration earnings hurdles) over the first two years.

Risk and title in the issued shares of Multipack-LJM did not pass until 1 January 2021 and as a result, this acquisition had no impact on the half year accounts other than the creation of an other current asset being held equal to the consideration paid on completion.

Multipack-LJM is one of Australia's leading contract packers, providing value-added packing services for some of the world's leading pharmaceutical, consumer healthcare, cosmetics and food and beverage companies. With over 30,000 square-meters of dedicated warehouse capacity in Sydney and Melbourne, Multipack-LJM has the capability to provide 'clean room' and cold-pack services, plus a broad range of automated and manual packing solutions for large and small-run product lines, making them a vital local partner for world-leading brands.

The acquisition is supported by a compelling strategic rationale and provides a new platform for our future growth:

- **Scale:** The Multipack-LJM business combined with Probiotec's existing Sydney packing operations creates one of Australia's leading packing operations, with sales revenue from packing services across the Probiotec Group expected to be approximately \$100 million on an annual basis.
- **Expanded Capabilities:** The combination with Multipack-LJM will give Probiotec a full range of manufacturing and rounded-out packing services. Following the acquisition, Probiotec will be the largest co-packer in Australia and will be able to offer an extended range of services to our increasing and widespread client base.
- **Customer Relationships:** Multipack-LJM's capabilities and relationships are expected to deliver organic revenue opportunities. Furthermore, Probiotec expects to be able to service the needs of national accounts in both of its key markets of NSW and Victoria with a combined range of increasing services.
- **Cost Savings:** The acquisition provides the catalyst to consolidate Probiotec's operations and asset footprint over the next 2-3 years, driving material overhead cost saving opportunities and operating synergies.
- **Management depth & future M&A:** Multipack-LJM's founders will join the Probiotec executive team with a mandate to drive further growth in our packing businesses and cross-sell Probiotec's manufacturing services, leveraging their industry relationships and Probiotec's reputation for quality and customer service.

Given the timing of the completion of the acquisition, the Multipack-LJM business did not contribute any revenue or earnings to the Group for the half year but will contribute for the entire second half of the 2021 financial year.

Covid-19

In totality, the Group's business experienced several impacts from the Covid-19 pandemic during the half year.

A decrease in demand for Cough, Cold and immunity products was the primary impact, together with increases in certain operating costs, including:

- employee costs due to government restrictions
- increased cleaning and sanitation
- increased personal protective equipment

As a result of the Covid-19 pandemic, several entities within the Group were able to access the JobKeeper program during the half year. The health and safety of our workforce is paramount and pleasingly, none of the Group's facilities were closed at any time as a result of the Covid-19 pandemic.

Significant Changes in State of Affairs

There was no other significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto and elsewhere in the financial report of the Company and its controlled entities for the half-year ended 31 December 2020.

Significant After Balance Date Events

There has not been any matters or circumstances that have arisen since the end of the half-year that have significantly affected or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in half-year subsequent to the end of the half-year other than the acquisition of the Multipack-LJM business as set out in the review of operations above.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 of this report.

Signed in accordance with a resolution of the Board of Directors.



.....
Director
Wesley Stringer

Signed at Melbourne this 24th day of February 2021

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF PROBIOTEC LIMITED

As lead auditor, I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Hayley Underwood

Hayley Underwood
Partner

Melbourne, 24 February 2021

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PROBIOTEC LIMITED
A.C.N. 075 170 151

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	Consolidated	
		Half-year ended 31 Dec 2020 \$	Half-year ended 31 Dec 2019 \$
Sales revenue from continuing operations	4	42,583,375	44,108,841
Cost of goods sold	5(b)	(27,048,087)	(30,800,636)
Gross profit		15,535,288	13,308,205
Other income		21,104	111,182
Warehousing and distribution expenses		(2,891,980)	(2,916,488)
Sales and marketing expenses		(634,690)	(662,801)
Finance costs		(1,102,554)	(1,201,299)
Administration and other expenses	5(a)	(8,775,162)	(6,140,091)
Profit from continuing activities before income tax expense		2,152,006	2,498,708
Income tax expense relating to continuing activities		(913,861)	(693,395)
Profit for the period attributable to members of the parent entity from continuing activities		1,238,145	1,805,313
Loss from discontinued operations	8	-	(1,113,911)
Profit for the period attributable to members of the parent entity		1,238,145	691,403
Other Comprehensive income			
Other comprehensive income / (loss) for the half-year, net of tax		-	-
Total comprehensive income for the half-year		1,238,145	691,403
Total comprehensive income for the half-year attributable to members of the parent entity		1,238,145	691,403
Earnings per share for profit attributable to members of the parent entity			
Basic (cents per share)		1.66	1.04
Diluted (cents per share)		1.66	1.04
Earnings per share for profit from continuing activities attributable to members of the parent entity			
Basic (cents per share)		1.66	2.72
Diluted (cents per share)		1.66	2.72

The accompanying notes form part of these financial statements

PROBIOTEC LIMITED
A.C.N. 075 170 151

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	Consolidated	
		31 Dec 2020	30 Jun 2020
		\$	\$
Current Assets			
Cash and cash equivalents		17,710,855	6,305,680
Trade and other receivables		12,623,465	22,939,155
Inventories		12,698,786	15,700,277
Assets held for sale		-	730,000
Other current assets	6	40,640,092	515,089
Total Current Assets		83,673,198	46,190,201
Non-Current Assets			
Property, plant and equipment		18,248,687	17,110,977
Right of use assets		18,196,425	19,482,337
Deferred tax assets		8,985,987	8,326,377
Intangible assets		42,781,895	42,948,070
Total Non-Current Assets		88,212,994	87,867,761
Total Assets		171,886,192	134,057,962
Current Liabilities			
Trade and other payables		10,855,375	18,043,083
Borrowings		450,000	1,640,000
Lease liabilities		2,374,688	2,260,285
Current tax liabilities		697,305	568,957
Provisions		3,556,553	3,139,537
Total Current Liabilities		17,933,921	25,651,862
Non-Current Liabilities			
Borrowings	10	49,385,000	9,660,000
Lease liabilities		24,032,370	24,462,581
Deferred tax liabilities		13,908,062	13,229,361
Provisions		166,594	545,170
Total Non-Current Liabilities		87,492,026	47,897,112
Total Liabilities		105,425,947	73,548,974
Net Assets		66,460,245	60,508,988
Equity			
Contributed equity	3	50,693,401	43,737,151
Share Based Payments Reserve		477,952	477,952
Retained earnings		15,288,892	16,293,884
Total Equity		66,460,245	60,508,988

The accompanying notes form part of these financial statements

PROBIOTEC LIMITED
A.C.N. 075 170 151

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Ordinary Share Capital \$	Foreign Currency Translation Reserve \$	Asset Revaluation Reserve \$	Share Based Payments Reserve \$	Retained Earnings \$	Total \$
Balance as at 1 July 2019	33,608,259	(379,516)	488,797	477,952	15,653,481	49,848,973
Total comprehensive income for the half-year						
Profit for the half-year	-	-	-	-	691,403	691,403
Asset sales	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	-	691,403	691,403
Transactions with owners in their capacity as owners						
Shares issued during the half year	10,128,892	-	-	-	-	10,128,892
Dividends paid or provided for	-	-	-	-	(1,869,703)	(1,869,703)
Balance as at 31 December 2019	43,737,151	(379,516)	488,797	477,952	14,475,180	58,799,564
Total comprehensive income for the half-year						
Profit for the half-year	-	-	-	-	2,814,795	2,814,795
Recognition of asset held for sale	-	-	(488,797)	-	488,797	-
Deregistration of overseas entities	-	379,516	-	-	(363,209)	16,307
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the half-year	-	379,516	(488,797)	-	2,940,383	2,831,102
Transactions with owners in their capacity as owners						
Shares issued / (cancelled) during the half year	-	-	-	-	-	-
Dividends paid or provided for	-	-	-	-	(1,121,680)	(1,121,680)
Balance as at 1 July 2020	43,737,151	-	-	477,952	16,293,884	60,508,988
Total comprehensive income for the half-year						
Profit for the half-year	-	-	-	-	1,238,145	1,238,145
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	-	1,238,145	1,238,145
Transactions with owners in their capacity as owners						
Shares issued during the half year (see note 3)	6,956,250	-	-	-	-	6,956,250
Dividends paid or provided for (see note 2)	-	-	-	-	(2,243,136)	(2,243,136)
Balance as at 31 December 2020	50,693,401	-	-	477,952	15,288,892	66,460,245

The accompanying notes form part of these financial statements

PROBIOTEC LIMITED
A.C.N. 075 170 151

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	Consolidated	
		Half-year ended 31 Dec 2020	Half-year ended 31 Dec 2019
		\$	\$
Cash Flows From Operating Activities			
Receipts from customers		56,292,065	50,359,725
Payments to suppliers and employees		(47,282,106)	(40,290,289)
Income tax paid		-	(605,558)
Interest and other costs of finance paid		(1,102,554)	(1,201,299)
Net cash provided by operating activities		7,907,405	8,262,579
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,064,572)	(636,038)
Proceeds from sale of property, plant and equipment		750,000	-
Proceeds from sale of intangible assets		-	5,297,038
Prepayment made for Multipack-LJM acquisition	7	(32,418,729)	-
Payment for investment in subsidiaries, net of cash received		-	(24,378,715)
Payments for intangible assets		(609,985)	(3,242,284)
Net cash used in investing activities		(33,343,286)	(22,959,999)
Cash Flows From Financing Activities			
Dividends Paid		(2,243,136)	(1,869,703)
Proceeds from issue of shares		-	10,137,600
Payment for shares - Buy back		-	(8,708)
Proceeds from borrowings		40,000,000	8,586,874
Repayment of borrowings		(915,808)	(2,620,000)
Net cash provided by financing activities		36,841,056	14,226,063
Net increase / (decrease) in cash and cash equivalents		11,405,175	(471,357)
Cash and cash equivalents at the beginning of the period		6,305,680	8,843,997
Cash and cash equivalents at the end of the period		17,710,855	8,372,640

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1

(a) BASIS OF FINANCIAL REPORT PREPARATION

These general purpose interim financial statements for half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Probiotec Limited and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 25 February 2021.

(b) ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The Group has considered the implications of new or amended Accounting Standards as per below.

2 DIVIDENDS

	31 Dec 2020	31 Dec 2019
	\$	\$
Ordinary Shares		
Dividends paid for during the half-year	2,243,136	1,869,703
Dividends not recognised at the end of the half-year	1,495,577	1,121,683

Since the end of the half-year the directors have declared an interim dividend of 2.0 cent per fully paid ordinary share.

The interim dividend was declared on 25 February 2021 and is payable on 19 March 2021 with a record date for determining entitlements to the dividend of 4 March 2021.

3 CONTRIBUTED EQUITY

Reconciliation of fully paid ordinary shares

	\$	Number of Shares
Balance at 1 July 2020	43,737,151	74,778,870
Issue of shares in relation to acquisition of Multipack-LJM	6,956,250	3,684,536
Balance at 31 December 2020	50,693,401	78,463,406

4 DISAGGREGATION OF REVENUE

The Group derives its revenue from the transfer of goods and services over time in the following major product lines.

	Half-year ended	
	31-Dec-20	31-Dec-19
	\$'000	\$'000
Contract manufacturing	42,583,375	44,108,841
Timing of revenue recognition		
At a point in time	-	-
Over time	42,583,375	44,108,841
	42,583,375	44,108,841

5 ADMINISTRATION & OTHER EXPENSES

(a) Administration & other expenses comprises:

Accounting, Audit and legal fees	140,276	147,125
Transaction costs	1,583,540	221,625
Insurance	380,375	323,157
Employee costs	4,209,704	3,889,171
Office expenses	318,556	268,217
Compliance costs	89,861	86,230
Amortisation - non contractual customer relationships	776,160	475,000
Other expenses	1,276,690	729,566
	8,775,162	6,140,091

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

- (b) Due to the impact of the global Covid-19 pandemic, several entities within the Probiotec Group became eligible for government wage subsidies. The Group received \$3.4 million in subsidies during the half year (\$2.6 million applied against cost of goods sold and \$0.8 million applied against administration and other expenses). These subsidies were offset by top-ups to employees who earned below the subsidised amount, restructuring costs, additional operating costs to comply with government requirements (e.g. no shift cross-overs, social distancing), additional cleaning staff and the purchase of personal protective equipment and sanitation products. The net positive impact of the subsidies offset by the increased operating costs is estimated at approximately \$1 million for the half year.

6 OTHER CURRENT ASSETS

Prepayment for acquisition of Multipack-LJM	39,374,979
Other current assets	<u>1,265,113</u>
Total other current assets	<u>40,640,092</u>

As at 31 December 2020, the Group completed the acquisition of the Multipack-LJM business (see note 7 below for further details), with initial consideration of \$39,374,979 being transferred (as a combination of cash and shares).

This amount is held as an other current asset at 31 December 2020 as under the transaction documents entered into for the above acquisition, the risk and title in the shares of the Multipack-LJM business did not pass to the Probiotec Group until 1 January 2021.

7 SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since the end of the half year that has significantly affected or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs after the half year other than the acquisition of Multipack-LJM as set out below.

On 1 January 2021, the Company acquired all of the issued shares of Multipack-LJM Pty Ltd and L.J.M. Marketing Services Pty Ltd, which comprise the operations of the Multipack LJM business (Multipack-LJM) for \$52.5 million (subject to the vendors achieving certain deferred consideration hurdles). The vendors are also entitled to earn-outs payable over the first two years from completion, upon the achievement of earnings hurdles over and above the deferred consideration hurdles. The vendors are entitled to the value of the outperformance (over the deferred consideration earnings hurdles) over the first two years.

Risk and title in the issued shares of Multipack-LJM did not pass until 1 January 2021 and as a result, this acquisition had no impact on the half year accounts other than the creation of an other current asset being held equal to the consideration transferred on completion.

At completion, cash consideration of \$32.4 million was paid together with the issue of shares to the vendors valued at \$7.0 million for a total of \$39.4 million. Contingent consideration of up to \$13.1 million is payable based on the performance of the Multipack-LJM business over the 2 years following completion. Consideration will be subject to normal adjustments related to cash, debt and working capital levels. The additional earn-outs for overperformance have not been quantified by management.

Purchase Consideration	\$
Cash	32,418,729
Shares Issued	6,956,250
Contingent cash consideration	<u>13,100,000</u>
Total Purchase Consideration	<u>52,474,979</u>

At the time of the issuance of this financial report, the Company has not yet finalised its initial accounting for this acquisition as it is still in the process of finalising valuations of intangibles, contingent consideration and property, plant & equipment. See below for summarised financial information relating to Multipack-LJM as at 31 December 2020. These figures are provisional and unaudited as at the date of this report and are expected to change based on a post completion adjustment mechanism, which is yet to occur.

Assets	\$
Cash and cash equivalents	3,997,568
Other current assets	12,041,599
Plant and equipment	9,162,673
Other non-current assets	<u>29,714,615</u>
	<u>54,916,455</u>
Liabilities	
Current liabilities	11,868,883
Non-current liabilities	<u>26,662,868</u>
	<u>38,531,751</u>
Net Tangible Assets	<u>16,384,704</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

8 DISCONTINUED OPERATIONS

As set out in the financial report for the year ended 30 June 2020, the Group has now divested its Celebrity Slim brand and associated assets.

	Half year ended 31 Dec	
	2020	2019
The Comprehensive income of the discontinued operations was:		
	\$	\$
Revenue	-	1,596,767
Profit on sale of intangible assets	-	499,228
Expenses	-	(3,359,635)
Loss from discontinued operations before income tax	-	(1,263,640)
Income tax expense	-	149,729
Loss from discontinued operations after income tax	-	(1,113,911)
The cash flow of the discontinued operations was:		
Net cash flow used in operating activities	-	(1,762,868)
Net cash flow provided by investing activities	-	499,228
Net cash flow used in financing activities	-	-
Net decrease in cash held	-	(1,263,640)

9 ASSETS HELD FOR SALE

	31 Dec 2020	30 Jun 2020
	\$	\$
Assets held for sale	-	730,000

On 25 September 2020, the Group completed the sale of its site in Bomaderry, New South Wales for \$750,000. The site was not being operated by Probiotec prior to the sale. Transaction costs of \$10,816 were incurred in relation to this sale of property.

10 BORROWINGS

During the half-year, the Group obtained a new bank loan to the amount of \$50,000,000 with \$40,000,000 of this drawn at 31 December 2020. The loan bears interest at variable market rates and is repayable within three years. The proceeds from the loan have been used to assist with the acquisition of the Multipack-LJM business. Repayments of other borrowings amounting to \$609,985 (2019: \$2,620,000) were made in line with previously disclosed repayment terms.

11 EXECUTIVE OPTION ISSUE

On 27 October 2020, 3.36 million options over fully paid ordinary shares were issued to eligible executives under the Probiotec Limited Executive Option Plan. They options have a three year expiry, two year vesting period and an exercise price of \$2.1176 per share.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

12 OPERATING SEGMENTS

The Group operates three facilities in Australia and for the purposes of this note these have been considered as separate segments.

(a) Segment Performance

Segment	
Laverton	Located in Laverton North, Victoria. Manufacture and packing plant producing predominantly pharmaceutical products along with cosmetics and consumer health products.
ABS	Located in Seven Hills, New South Wales. Packing plant specialising in pharmaceuticals together with cosmetics and consumer goods.
SPL	Located in Kirrawee, New South Wales. Packing plant specialising in pharmaceuticals and complimentary medicines along with cosmetics and consumer goods.

Half year ended 31 December 2020	Laverton \$'000	ABS \$'000	SPL \$'000	Other \$'000	Total \$'000
Sales Revenue	28,857	8,836	4,890	–	42,583
Segmental EBITDA	4,792	2,379	1,709	–	8,880
				Corporate expenses	(3,037)
				Other Income	21
				Depreciation expenses	(1,833)
				Amortisation expenses	(776)
				Interest expenses	(1,103)
				Income tax expense	(914)
				Profit for the period attributable to owners of the parent entity	1,238
Half year ended 31 December 2019	Laverton \$'000	ABS \$'000	SPL \$'000	Other \$'000	Total \$'000
Sales Revenue	32,796	6,915	4,398	–	44,109
Segmental EBITDA	4,487	2,124	1,332	–	7,943
				Corporate expenses	(1,932)
				Other Income	111
				Depreciation expenses	(1,823)
				Amortisation expenses	(534)
				Interest expenses	(1,201)
				Income tax expense	(693)
				Loss from discontinued operations	(1,180)
				Profit for the period attributable to owners of the parent entity	691

(b) Customer Concentration

There was one customer who contributed more than 10% of the Group's revenue for the half year.

**PROBIOTEC LIMITED
AND ITS CONTROLLED ENTITIES
A.C.N. 075 170 151**

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Probiotec Limited, the directors of the company declare that:

The financial statements and notes are in accordance with the *Corporations Act 2001*, including:

- a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
- b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



.....
Director
Wesley Stringer

Dated at Melbourne this 24th day of February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PROBIOTEC LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Probiotec Limited (the Company and its subsidiaries (the Group)) which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Probiotec Limited does not comply with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors' for the Financial Report

The directors of Probiotec Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

ShineWing Australia

ShineWing Australia
Chartered Accountants



Hayley Underwood
Partner

Melbourne, 24 February 2021