BELLAMY'S

1H17 Results Presentation

Resetting our business

February 2017

Summary

- We met 1H17 guidance for Sales, normalised EBIT and NPAT, but did not achieve our statutory EBIT target by ~$2M due to a further write-down of ingredients associated with reduced production
- Full-year guidance has been adjusted for this additional write-down and higher expected legal, accounting and restructuring costs in 2H17
  - Expected full-year sales and normalised EBIT is unchanged. Guidance for reported EBIT has been revised from $22-26M to $19-23M
- Importantly we expect to meet our internal forecasts for January and February, and we have made strong progress against our “stabilisation” plan since December
  - Trade credibility and stability has improved and we have pulled-back on discounting
  - Operating costs and overheads have been reduced materially and we are reviewing our supply chain to reduce future ingredient costs
  - Agreed a production plan below expected demand and can see a path to positive free cashflow
  - Launched a focused marketing campaign to win back the Daigou and have agreed a plan with our China offline distributor to expand our store coverage
- The strength of our brand and size of the opportunity remains. However, we need to continue to reset the business over the next 18 months to return to sustained profitable growth

1H17 snapshot

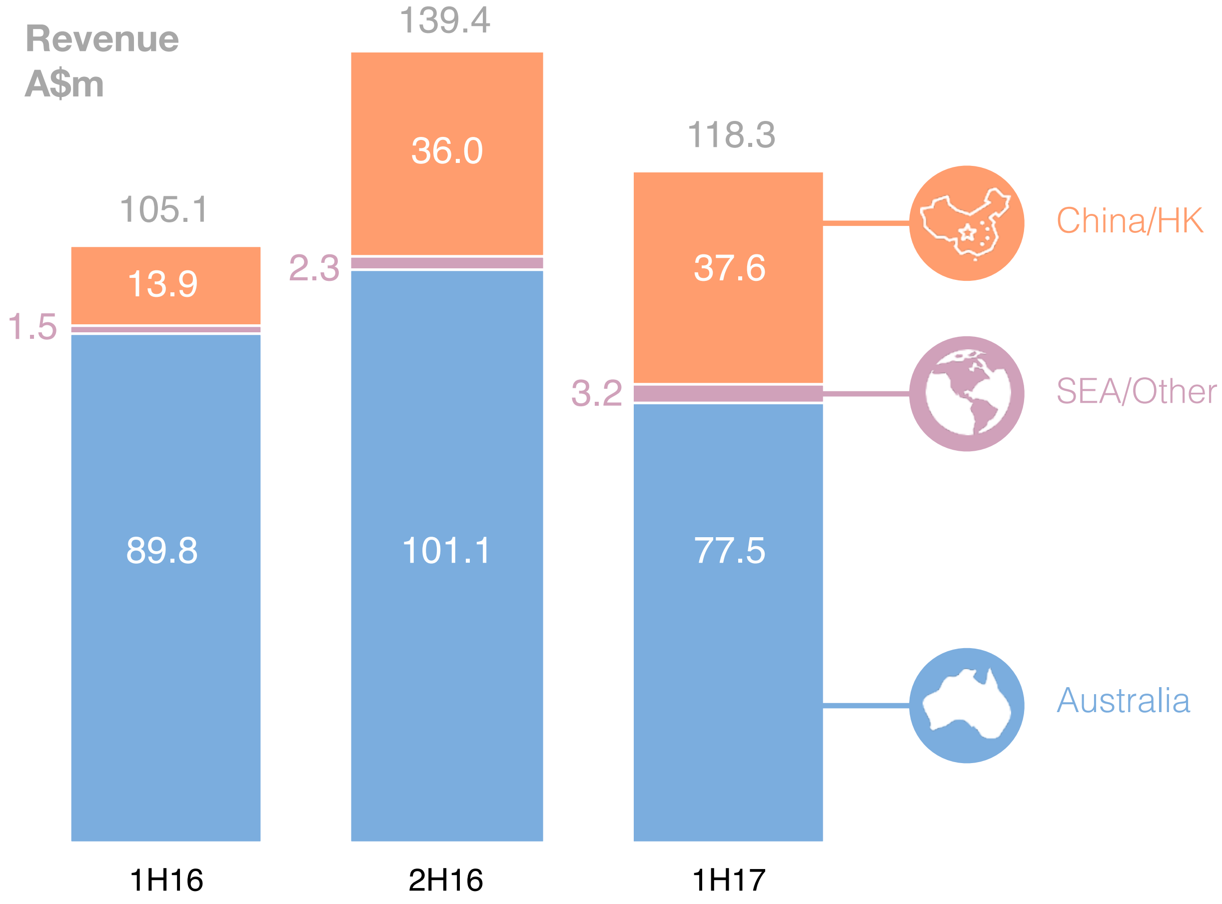
	1H17		1H16	
	Actual A$m	*Guidance A$m*	*Actual A$m*	*Change vs 1H16*
Profit & Loss				
Net Revenue	118.3	115 - 120 ✓	105.1	+13%
Gross Profit	46.8	45 - 48 ✓	43.7	+7%
Direct costs	(14.6)		(13.3)	10%
Marketing costs	(7.9)		(1.9)	316%
Employee, admin & other costs[1]	(14.1)		(9.3)	52%
EBIT	10.1	12 - 14 ✗	19.2	(47)%
Net Profit after Tax	7.2	6 - 11 ✓	13.7	(47)%
Normalised EBIT[2]	18.7	17 - 19 ✓	19.2	(3)%
One-off costs[3]	8.6		-	-
Balance Sheet	31 Dec-16		30 Jun-16	
Debt	14.6		0.1	+14.5
Cash and equivalents	15.6		32.3	(16.7)
Net cash / (debt)	1.0		32.2	(31.2)
Inventory[4]	102.7	105 - 110 ✓	67.8	+34.9

Key drivers

- Sales impacted by high Trade inventory
- Margins impacted by discounting, channel mix and higher ingredient costs
- Operating costs, headcount and marketing spend was initially based on original sales forecast which was reset in Dec-16
- Business reset resulted in inventory write-downs, FX losses and legal, accounting and restructuring costs
- Inventory and cash impacted by mismatch between demand and production

1. Net of other income 2. Excludes $8.6M of significant items (accounted for in operating expenses) 3. Individually significant items per Note 4 of the 4D includes inventory provisions and write-offs of $6.84M, legal, accounting and restructuring costs relating to the business update on 2 Dec-16 and associated matters of $1.02M, and ineffective foreign exchange hedges of $0.73M 4. Includes $20.6M of raw materials, $82.1M of finished goods

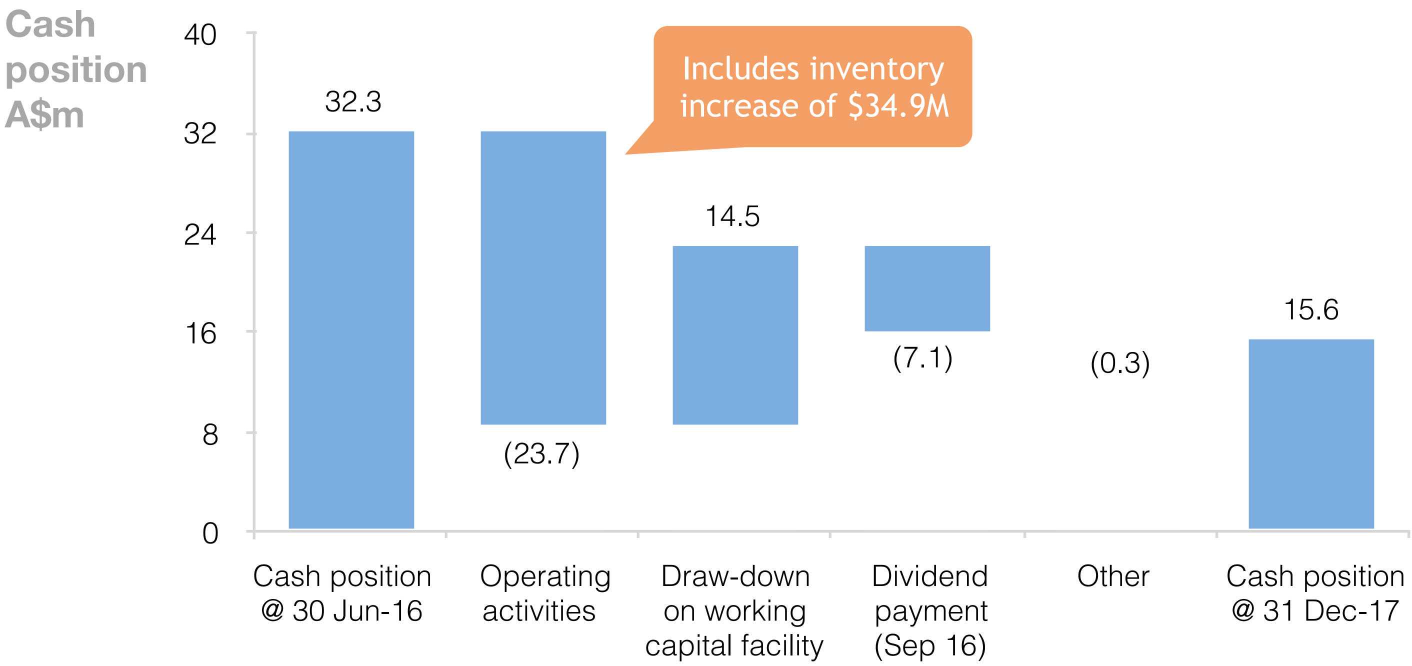
1H17 sales breakdown



Commentary

- Inventory build of 'Australian label' product by China/HK resellers in 2H16 and 1H17
- This led to widespread discounting on Chinese e-commerce platforms, especially for singles day, and impacted the competitiveness of the Daigou channel and Australian sales
- We are addressing this issue by consolidating inventory with a single strategic reseller in China
  - This reseller is managing the sell-through of inventory to prevent oversupply leading to consumer price discounting

1H17 cash position



	Cash position @ 30 Jun-16	Cash position @ 31 Dec-17
Cash	$32.3M	$15.6M
Working capital facility usage	$0.0M	$14.5M
Other borrowings	$0.1M	$0.1M
Total debt	$0.1M	$14.6M
Net cash	$32.2M	$1.0M

Commentary

- Our cash position has been materially impacted by an increase in inventory
- We had drawn $14.5M of a $40M working capital facility as at 31 Dec 2016
- It will take several months to reduce production due to supply-chain lead times
- However, based on our current forecast, we anticipate returning to positive free cash-flow by mid 2H17

Strong progress since December

PRIORITIES

Establish **CREDIBILITY & STABILITY** with the trade	**DRIVE OUT COST** to create fuel for growth	Focus on transition to **POSITIVE CASH FLOW**	Reinvest in the **BRAND** and increase **PENETRATION**

RESULTS

Establish credibility & stability with the trade

- ✓ Reduced retail promotions and ceased on Tmall flagship
- ✓ Stabilised wholesale price
- ✓ Consolidated China and Australian Reseller partners

Drive out cost

- ✓ Amended Fonterra contract
- ✓ Reduced indirect cost base by $8m+ before one-offs
- ✓ Reviewing supply chain to reduce ingredient costs

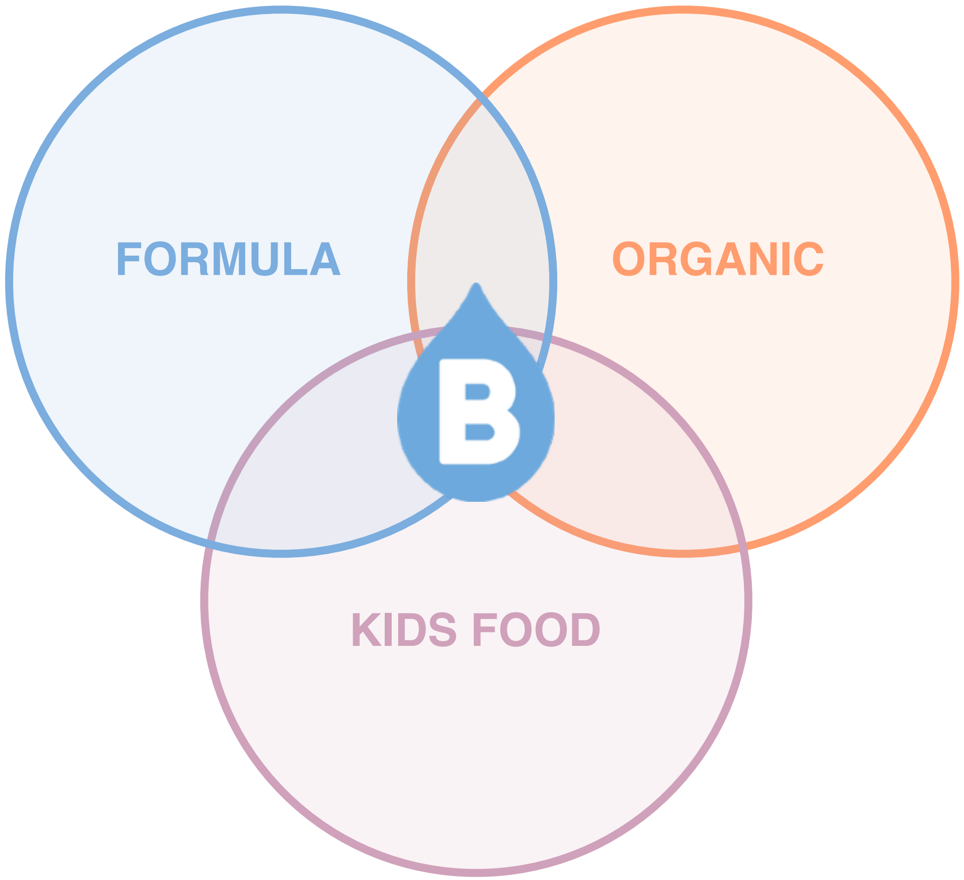
Positive cash flow

- ✓ Reduced 2H17 and FY18 production by 45-50% (versus 1H17)
- ✓ Secured working capital facility

Brand and penetration

- ✓ Agreed +1600 store increase in China offline distribution in CY17
- ✓ Launched Daigou marketing campaign with specialist advisor
- ✓ Launched new Step 3 formula

Our brand is unique and resilient



Stabilised Australian share[1]

- Formula share stabilised at 14% over 1H17 and maintained in Jan-17
- #3 formula brand and #2 SKU (Step 3)
- #1 Kids Cereal brand

Growth in China e-commerce share

- Share grew to 4.9% in 1H17[3] (up from 3.8% in 2H16) on Alibaba Global platforms[2]
- Top 12 consumer rated imported formula brand[3]

Daigou continue to believe in brand

- 75% of Daigou rank Bellamy's in the top 3 Australian / NZ Mother and Baby brands most likely to succeed in China[4]

1. IRI MarketEdge; based on share of sales by value in 1H17; 2. Adways Information Technology (Shanghai); Tmall Global and Taobao Global platforms sell domestic product
3. Canadean, Global Data; 4. Based on anonymous trade survey of 150 Daigou conducted in Dec-16

Our story is compelling

ALL THE GOOD

- Uncompromising organic standards
- Omega-3 and antioxidants
- Prebiotics, vitamins and minerals

WITHOUT THE BAD

- **NO** Chemical pesticides
- **NO** Artificial preservatives
- **NO** Antibiotics or hormones
- **NO** Added sugar
- **NO** GMOs

The opportunity remains

AUSTRALIA

+23% p.a. Infant milk formula value growth[1]

+14% p.a. Organic retail value growth[2]

+27% p.a. Organic baby food value growth[1]

CHINA

+8% Birth rate increase in 2016, post one-child policy[3]

+19% p.a. Super-premium IMF growth[4]

30% IMF sales online (up from 8% 2012)[4]

90K Mother and Baby stores[4], currently ranged in ~2.5K

NEW MARKETS

Proven success entering new markets

+50% Singapore 1H17 sales growth vs pcp (1.1 ppt. share gain)

+73% Malaysia 1H17 sales growth vs pcp

Currently evaluating 3-5 new markets

1. Australian retail scan sales, CAGR 2013-2016, IRI MarketEdge 2. Value of Australian organic retail sales, CAGR 2010-2014, Australian Organic Market Report 3. National Bureau of Statistics of China 4. Canadean, Global data

We have multiple revenue streams

CEREAL GROSS SALES

2016 : $6.9m

+46%

2015 : $4.7m

Commentary

- Leader in Australian Baby cereal with 36% share of sales[1]
- In China, the cereal category accounted for 41% of the baby food market in 2015[2]
- Share of Bellamy's cereal sales on Alibaba Global platforms was 5.9% in 1H17[3]
- Currently supply constrained. Increasing production to meet demand

1. Data sourced from IRI MarketEdge based on definitions provided by Bellamy's; based on share of sales by value in 1H17 2. Global Data, "Daily food in China", June 2016
3. QBT, Shanghai; Tmall Global and Taobao Global platforms sell domestic product. Excl. Tmall PRC and Taobao PRC platforms

There are challenges to navigate

TRADE INVENTORY	Consolidating inventory with a limited number of strategic resellers in Australian and China. Resellers are managing the sell-through of inventory to prevent oversupply leading to consumer price discounting
BELLAMY'S INVENTORY	Carefully managing the ageing profile of formula inventory, but with the benefit of a 2-3 year shelf-life
PRC REGISTRATION	Continuing to work with suppliers on CFDA registration which commenced in mid-2016 - well progressed on draft application
NEW STEP 3 TRANSITION	Successfully launched and transitioned in Australia, but need to carefully manage trade inventory of original formulation in China

18 months to turnaround

STABILISE
2H17

- Trade stability
- Reduce overhead and ingredient costs
- Positive free cash flow by reducing production below expected demand
- Targeted Daigou trade marketing

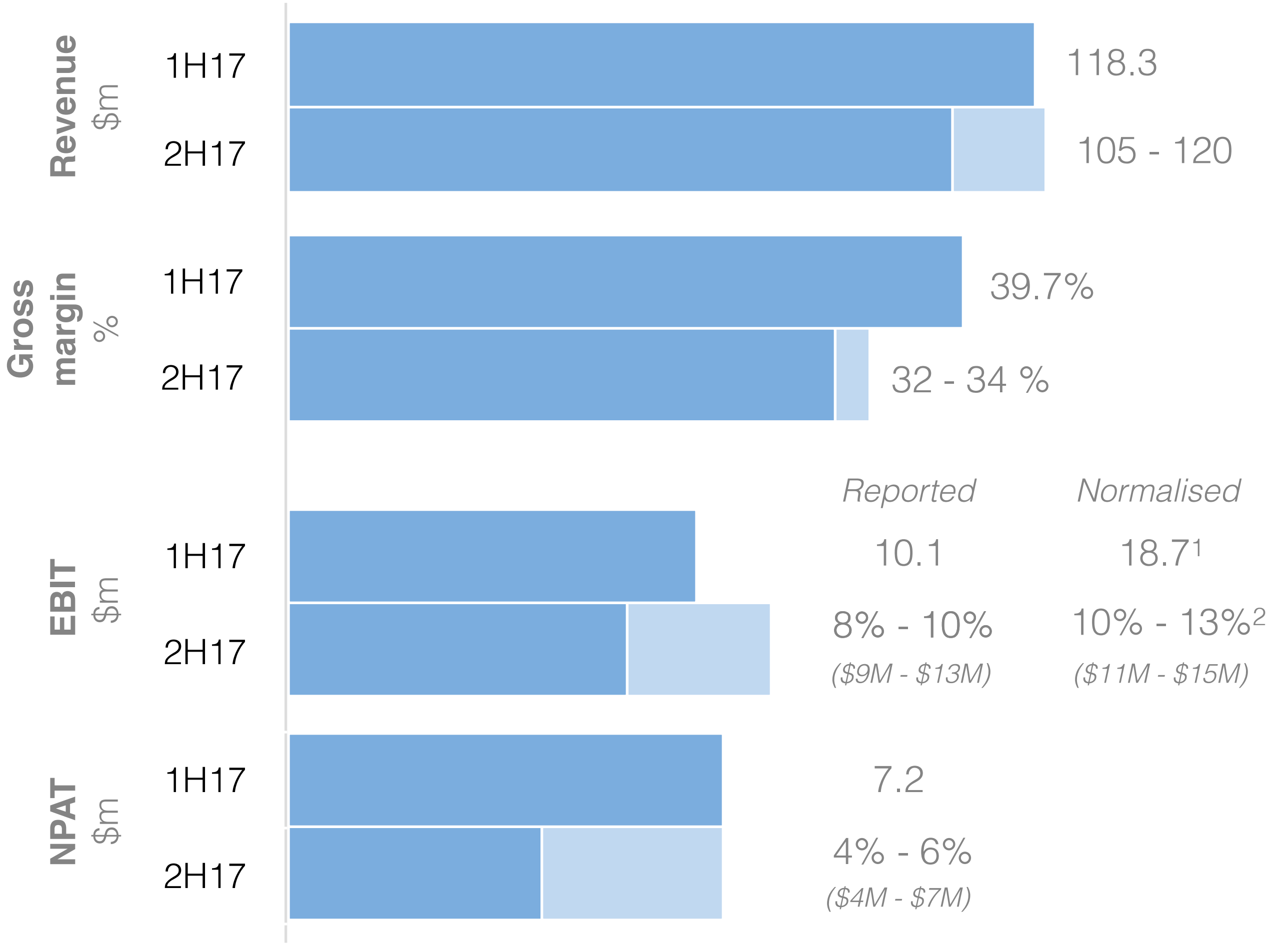
INVEST IN CORE
FY18

- Successful CFDA registration
- Bankable brand assets (e.g. ambassadors, brand relaunch, our organic story)
- Expand China offline network
- Seed 2-3 ancillary markets with existing products

NEXT FRONTIER
BEYOND FY18

- R&D and product upgrades (e.g. organic DHA, standardised recipes, refreshed food range)
- Major market entry
- New category entry
- Local organic milk pool

2H17 Outlook



Commentary

- Full-year guidance has been adjusted for:
  - The additional write-down of ingredients realised in 1H17
  - Higher expected legal, accounting and restructuring costs in 2H17
- We expect to meet our internal forecast in January-February, which accounted for elevated inventory in the trade and the seasonality impact of Chinese New Year
- March and April will provide greater clarity on underlying sales trajectory

1. Excludes $8.6M of individually significant items per Note 4 of the 4D: inventory provisions and write-offs of $6.84M, legal, accounting and restructuring costs relating to the business update on 2 Dec-16 and associated matters of $1.02M, and ineffective foreign exchange hedges of $0.73M
2. Excludes $3.2M of anticipated legal and restructuring costs

Disclaimer

The following disclaimer applies to this presentation and any information provided in this presentation (Information). You are advised to read this disclaimer carefully before reading or making any other use of this presentation or any Information.

This presentation has been prepared by Bellamy's Australia Limited ACN 124 272 108 (Bellamy's) on information available at the time of its preparation. The Information is in summary form and does not purport to be complete. Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, reliability or correctness of the Information, opinions or conclusions, or as to the reasonableness of any assumptions.

Certain statements, particularly those regarding possible or assumed future performance, costs, returns, prices, potential business growth, industry growth, estimates and judgements or other trend projections, and any estimated company earnings or other performance measures, are, or may be, forward looking statements. Such statements relate to future events and expectations and as such involve unknown risks and uncertainties, many of which are outside the control of or unknown to Bellamy's and its officers, employees, agents or associates. Actual results, performance or achievement may vary materially from any forward looking statements and the assumptions on which those are based, and such variations are normal and to be expected.

The Information also assumes the success of Bellamy's business strategies. The success of the strategies is subject to uncertainties and contingencies beyond Bellamy's control, and no assurance can be given that the anticipated benefits from the strategies will be realised in the periods for which forecasts have been prepared or otherwise. Given these uncertainties, Bellamy's cautions investors and potential investors not to place undue reliance on these forward-looking statements.

The Information may be changed at any time in Bellamy's absolute discretion and without notice to you. Bellamy's undertakes no obligation to revise the forward looking statements included in this presentation to reflect any future events or circumstances. Except as required by law or any relevant regulatory authority.

The release, publication or distribution of this Information in jurisdictions outside of Australia may be restricted by law and you should observe any such restrictions. This Information does not constitute investment, legal, accounting regulatory, taxation or other advice and the Information does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the Information. You are solely responsible for seeking independent professional advice in relation to the Information and any action taken on the basis of the Information. No responsibility or liability is accepted by Bellamy's or any of its officers, employees, agents or associates for any of the Information or for any action taken by you on the basis of the information.


BELLAMY'S