

ASX RELEASE
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2017 Annual General Meeting – Chairman & CEO addresses

Chairman's address delivered by John Ho

On behalf of the Board, I welcome you to the 2017 Annual General Meeting for Bellamy's Organic.

We are pleased to host this meeting in beautiful Tasmania, a place with great historical significance as it is where Bellamy's was born.

Your Company has gone through an amazing journey since its founding in 2004, with the belief that it can provide a pure start to life, a convenient nutritious organic choice for babies.

I speak with some authority on this, as I have 3 young children aged 2, 4 and 6 years old. The strong desire to give our babies the best we can, good food that is straightforward, wholesome and nutritious is common across all cultures.

Just like a child's growth journey, Bellamy's in the last 12 months has had some growing pains and at times faced significant challenges.

Despite the uncertainty early this year, my firm Janchor Partners acquired a significant stake in the Company. This is because Janchor is an industrialist investor, one that is committed to work with companies like Bellamy's to deliver its potential.

It is also during this time that I joined the Company's Board and since May appointed as its Chairman. It is perhaps a bit unexpected for someone of my background to help steer your Company in these times.

So – why did I and my new fellow Directors join the Company earlier in the year? This is because we truly believe in the substantial potential this Company has. Bellamy's has the right ingredients to be a leading player in the organic baby nutrition market. The organic and natural positioning is becoming more and more relevant to consumers everywhere.

Fellow shareholders, I and my fellow board members are highly motivated with deep experience and relevant skills to play our part in enabling the new leadership team under Andrew to take Bellamy's to the next level. The market opportunity is enormous and we are excited to re-orient the company back to long-term sustainable growth.

More important - it makes all of us proud to take this great Tasmanian brand outside of Australia, to China and other parts of the world, so mothers and babies can also enjoy a pure start to life. This is a mission worthwhile working hard for.

In particular, the rising affluence of the Chinese consumers, and the digitally savvy parents who research through mobile internet what is best for their babies, have meant that a high-quality product and unique brand like Bellamy's can now serve those in China - a market of immense size and scale.

This is my hope for Bellamy's and we are working hard with management to define this in more detail.

Just like a young child, Bellamy's will inevitably have the occasional fall and graze its knees in its growing journey. My fellow Directors and I can assure you that we will always think long term, work diligently to take balanced risks to raise Bellamy's into a responsible and contributing member of the world.

On behalf of the Board and management team of Bellamy's, thank you for your ongoing support.

Last but not least, I want to add an extra word of thank you to our staff and employees, who has worked tirelessly to help deliver the potential of Bellamy's.

CEO's address delivered by Andrew Cohen

On behalf of the Management team, I would like to welcome you to our annual general meeting.

The last year has been challenging on many fronts for the Bellamy's business. However, together with a new Board and Management team we have set a clear direction and turnaround plan. This turnaround plan is on track and the stability of the underlying business continues to improve.

- Sales have stabilised and have gained momentum;
- Our operating cost base has been reset including a 23% reduction in overheads and we are now in a position to reinvest;
- The supply-chain restructure is yielding reductions in future input costs;
- Inventory has declined since March 2017 and we have greater visibility of trade inventory that is approaching acceptable levels; and
- Operating cash-flow, excluding the one-off Fonterra payment, has been positive since March 2017 and we are debt free.

In context of this momentum, we have upgraded forecast guidance to 15-20% revenue growth and 17-20% EBITDA margin in FY18, excluding Camperdown. This momentum has not come without cost, and it is important to recognise the significant one-off restructuring costs in the FY17 year and the resulting statutory loss of \$0.8M. We believe this investment was critical to resetting the business and rebuilding a foundation for future growth.

Adjusting for these one-off items, we note a stronger picture of our underlying business, and a 2H17 result that exceeded guidance and market expectations in terms of both revenue and normalised EBIT. Early results in FY18 have built on this result and we have upgraded our forecast guidance from 5-10% revenue growth to 15-20%, and forecast EBITDA from 15-20% to 17-20%, excluding Camperdown. We still expect a stronger first half in terms of revenue, due to:

- Seasonality factors including platform events, winter consumption, and the timing of Chinese New Year; and
- The impact of a delay in CFDA registration, previously flagged, which will reduce 'Chinese label' product sales to zero in 2H18.

We also note Gross Margins are likely to improve in the second half as ingredient savings begin to cycle through inventory, subject to FX changes.

Our better than expected result in FY17 and continued momentum in early FY18 has been anchored in an aggressive stabilisation plan that sought to:

- Re-establish credibility and stability in the trade including a significant channel restructure;
- Drive out cost from every part of the value chain;
- Refocus on positive free cash flow and inventory turnover; and
- Begin to reinvest in the brand, our marketing presence and trade penetration.

These principles continue to be fundamental to the mindset in how we run the business everyday.

Strategically, the Camperdown acquisition and the recent reinstatement of our CNCA licence provides a pathway to CFDA registration in China. This registration relates specifically to our 'Chinese labelled' product and the offline channel in China which represented 15.4% of FY17 sales. In addition to the licence, we believe the Camperdown business can become an important future contributor given its existing customer base and future Bellamy's volumes. Following the lifting of its suspension and a series of minor upgrades, Camperdown has recommenced production and is operating extended

shifts to make up for lost ground. Our focus is now on submitting of formal CFDA application by the end of this calendar year and on planning capacity upgrades for next calendar year.

Beyond this, we recognise the potential for our brand and size of the opportunity, illustrated by the underlying growth in the global organic formula market, but also much broader than in organic food. To realise this opportunity and achieve sustained growth, it is critical the Management team continues to both solidify and de-risk our business and our sales channels. To this end, FY18 will be a year of continued investment.

Our overall strategy is very simple. We will drive the fuel we need to grow through cost transformation and disciplined revenue management, reinvest these gains in a clear blueprint we have now developed for our brand, our marketing, our product, our trade partnerships, our supply-chain and our internal capability, and drive the next frontier of growth and economics.

Underpinning this strategy is a disciplined and ambitious Management team that is working arm-in-arm with an active and experienced Board. This is reinforced by a drive to upgrade our capability across the business with leading talent, a move to establish a true performance-based culture, and a realignment of both our organisational structure and ways of working to create focus on our must-win strategic priorities. The recent establishment of a General Manager of Food to incubate that business to its full potential is a good example of this, as is our greater emphasis on spending time on the ground in China and understanding the regulatory environment.

We remain highly conscious of the continued risks and challenges that face our business, but equally excited by the opportunity for shareholders.

On behalf of the Management team, I thank you for your ongoing support.

-ENDS-

Company inquiries, please contact:

Melinda Harrison
Company Secretary
+613 6332 9200

Media inquiries, please contact:

John Hurst
Quay Advisers
+61 418 708 663