

ASX RELEASE

2 December 2016

Business Update

- FY17 is a transitional year underpinning the Company's long term growth profile
 - Continued revenue momentum with total revenue up 24% year-to-20 November 2016 compared to same period last year
 - Bellamy's remains positive in its long term revenue outlook, although the Company has experienced temporary volume dislocation in China sales channels which are adjusting for regulatory changeover
 - EBIT margin anticipated to be moderately below 20% depending on sales channel mix with planned investment to underpin long term, sustainable growth
- Attractive long term outlook
 - Current China regulatory changes positive for Bellamy's as a high quality premium brand in high demand
 - Continued momentum in Australia and South East Asia, across formula and food

Bellamy's Australia Limited (ASX: BAL) provides this update to shareholders regarding its momentum and the strategic initiatives outlined at its Investor Strategy Day in May 2016.

Unaudited revenue for the period 1 July 2016 to 20 November 2016 is up 24% to \$93 million (compared to the same period last year). The growth in revenue reflects a successful Singles Day result, expanded China on-line and off-line distribution, and continued underlying growth in Australia.

This momentum however has been tempered by temporary volume dislocation in China due to regulatory changeover and the flow-on effects of restructuring the route-to-market in China impacting from late 1Q17, as well as by strategic investment in promotions.

Growing brand strength

Bellamy's brand strength continues to grow across Asia, underpinned by a true, legitimate brand following in Australia.

"The Company's approach to being a 100% certified organic brand is a key differentiator, and the reason why more than 110,000 people follow Bellamy's on Facebook in Australia, and thousands more across social media platforms in China, Singapore, Malaysia and Vietnam," said Bellamy's Managing Director & CEO Laura McBain.

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Singles Day performance

Bellamy's 2016 Singles Day sales were significantly stronger compared to last year's performance, however below the Company's expectations. The expected uplift in China Market sales in the period following Singles Day have also been softer than anticipated.

"We more than doubled revenue growth on Singles Day across all e-commerce platforms compared to last year. Bellamy's Step 3 was the 9th best performing product across T-mall Global¹ on the day. The growth however fell short of our expectations", added Mrs McBain.

Expanding China distribution footprint and regulatory changes anticipated to have a positive long term effect

The opportunity for Bellamy's in China remains vast. Bellamy's is currently stocked in less than 5% of the potential distribution points in China. The Company's team is extending its online presence as well as broadening its offline, bricks and mortar presence.

As a premium brand with a high quality product offering, Bellamy's anticipates that the upcoming regulatory changes should have a positive effect in both online and offline channels.

The final document requirements for the China Food and Drug Administration product registration have now been released. Bellamy's is well progressed with the preparation of its documentation. With the period for registration extended to 31 December 2017, sales will continue under the current registration regime until the end of next year.

Temporary dislocation due to regulatory changeover

Bellamy's will continue to experience temporary volume dislocation until regulatory registrations are completed in China. Brands that are unlikely to gain registration are liquidating inventory at discounted prices, which impacts both imported brands such as Bellamy's and the market overall.

As with the broader infant formula market, Bellamy's has experienced restructuring of the sales channels into China since the regulatory announcements. Management has worked closely with the various e-commerce networks to build stronger, more efficient routes-to-market that are expected to support increased demand following the regulatory change over.

The Company's premium organic offering is well positioned for the long term opportunities in the China market, given its leading position in toddler milk in Australia.

Bellamy's supply chain supporting increased infant formula volume

As highlighted in May, Bellamy's has been working to ensure its supply chain can support added volume demand. The benefits of these supply initiatives were seen in 1Q17, with the Company's Australian retail and direct China distribution channels signalling increased confidence of access to Bellamy's products, which will result in more stable and regular ordering patterns over the remainder of the year.

¹ Based on eBrun.com Bellamy's ranked 9th in the top selling SKU's within TMall Global platform during Singles Day promotion

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Enhanced Australian distribution and cereal supply

In the last month, ranging reviews have broadened Bellamy's retail presence in Australia. For example, Bellamy's formula share of space at Coles has more than doubled and the Company's organic food range will now be available in around 400 more Coles stores nationally.

Initiatives put in place in 1H17 to expand cereal manufacturing capacity and increase access to certified, high quality organic cereal are expected to support solid growth in cereal sales moving into the New Year. This reinforces Bellamy's position as the number 1 selling organic baby cereal brand in Australia².

South East Asia continues to grow

The Company continues to perform well in South East Asia. Although a small market, Bellamy's is the fastest growing retail infant milk formula brand in Singapore, having grown more than 45% over the past four months³, solidifying its position as the number 1 organic infant milk formula in the market⁴, and surpassing sales of Danone and Wyeth in the pharmacy channel⁵ in Q1 FY16.

Continuing to invest to drive sustainable long term growth

Given the long term opportunity, Bellamy's has continued to invest in its business to deliver sustainable growth.

In the FY16 results announcement the Company indicated it expected to invest an additional \$15-20 million (compared to spend on FY 16) on products, people and marketing to support and consolidate its long term growth ambitions. To date the company has invested a proportion of this on promotional spend in retail (net against revenue), marketing activities, increasing people capability and further enhancing its organic supply chain. As a result of the investment to underpin long term ambitions, the Company expects its EBIT margin will be moderately below 20%, with the ultimate outcome dependent on final sales channel mix.

Based on Bellamy's current view of its end markets, revenue for 1HFY17 is anticipated to be approximately \$120 million. While Bellamy's remains positive regarding its long term outlook, if current trends in its existing channels-to-market continue, 2HFY17 revenue will be similar to the first half. The Company has recently commenced initiatives to expand its distribution footprint in China. The benefits of these efforts are expected to contribute incremental revenue over and beyond this run rate and potentially beginning in late 2HFY17, although the timing is uncertain and could be early 1HFY18.

Bellamy's balance sheet remains strong supporting future growth.

² IRI MarketEdge AU Grocery + Pharmacy Scan, Baby Food – Dry Cereal, 52 Weeks ending 13/11/16

³ Compared to previous corresponding period

⁴ Based on Nielsen Infant Formula scanned sales data (10/2014 to 10/2016)

⁵ Based on Nielsen Infant Formula scanned sales data (7/2016 to 9/2016)

Looking forward

Bellamy's continues to build a sustainable long term business, focused on increasing distribution across Australia and Asia, while sowing the seeds for new markets. Bellamy's strong brand positioning, together with our strategic investments in products, people and marketing, underpin the future long term outlook and the Company is focused and energized by the opportunities ahead.

- ENDS -

Investor and analyst conference call

The Company will be holding an investor and analyst conference call at 10.30AM AEDT today.

Participants can dial +61 2 9007 8048 or 1800 908 299 (toll free) to join the call. When prompted, please provide CONFERENCE ID: 312389

For further information, please contact:

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About Bellamy's

Bellamy's Australia is a Tasmanian-based company and we produce only Australian made organic foods. Our mission is to provide a pure start to life for babies and young children everywhere and we are passionate about promoting healthy eating practices in our children. Bellamy's Organic started in Launceston, Tasmania in 2004 as a family-operated company.

We supply our product range to supermarket chains and independent stores across Australia. Bellamy's also exports its certified organic food to customers in China, Hong Kong, Taiwan, Singapore, Malaysia, Vietnam, and New Zealand.

We are proud that we make a positive contribution to the wellbeing of this and future generations by helping people on a path to Mindful Eating.
For further information please go to www.bellamysaustralia.com.au

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