BESTON GLOBAL FOOD COMPANY

ASX RELEASE

26 February 2021

First Half Year FY21 Results and FY21 Guidance

- Commissioning of expanded Lactoferrin plant imminent
- First Half Year FY21 ("1H21") results demonstrated continued growth in sales and production despite being held back by operational issues in Q2:
  - Revenues $53 million up 3% on 1H20
  - Milk supply 73.7 ML, up 28% on 1H20
  - Mozzarella production 5,646 T, up 29% on 1H20
  - Lactoferrin production 640 kg, in line with 1H20
  - Half year statutory loss of $8.8 million
- FY21 operating guidance maintained, highlighting strong growth trajectory as transition to higher margin product mix continues:
  - Contracted milk supply 131-145 ML, up ~25% on FY20
  - Mozzarella production 12,600 - 14,700 tonnes, up ~50% on FY20
  - Lactoferrin production 4-6 tonne, up ~250% on FY20
  - Revenue $130-145 million, up ~33% on FY20
- Other 1H21 highlights include:
  - Initiation of Stage 1 and Stage 2 of the Lactoferrin expansion project
  - Sale of the dairy farms and redeployment of capital to pay down debt
  - Commencement of new milk supply from Aurora Dairies on 1 September
  - Employment of Frank Baldi as GM, Operations and Supply Chain (Dairy) and announcement (February) of Tina Li as GM, Nutritionals
  - Award of $2 million South Australian Government grant for Stage 2 Lactoferrin expansion and securing of second column for this stage
  - Completion of Jervois infrastructure review identifying requirements for the facility to operate more reliably as it moves toward 24/7 operations
  - Initiation of rights issue of $15.6m (completed in February) to fund accelerating Stage 2 Lactoferrin expansion, and further upgrades of infrastructure at the Jervois facility

Beston Global Food Company Limited ("Beston", ASX: BFC) today released its 1H21 results with strong growth in milk supply driving increased production levels. Earnings were held back by operational issues at the Jervois dairy facility later in the period. The operational issues have been rectified and January's mozzarella production of 1,189 T was a record production level despite seasonally lower milk supply. As a result of strong production performance in January and February, operational guidance has been maintained.

The new Lactoferrin plant expansion project, including the acceleration of Stage 2 following award of a $2m grant from the South Australian Government, is progressing very well. To date the project is essentially on-time and on-budget, with only minor delays caused by COVID-19 impacts on the production and transport of equipment from overseas. The new plant will be commissioned over the coming weeks and will deliver an increase in Lactoferrin production capacity to around 25T pa, significantly up on the current 3 Tpa capacity.

The Chief Executive Officer of Beston, Mr Jonathan Hicks said "We are very excited about the imminent commissioning of the two new extraction columns which are at the heart of the Lactoferrin plant expansion project".

Mozzarella sales increased to 5,401 T, up 26% on 1H20 and in line with production growth. Powder sales increased 13% to 2,569 T and Lactoferrin sales increased to 592 kg from 367kg in the prior corresponding period.

1H21 gross revenues were $52.9 million, up 3% on 1H20. **Sales of product manufactured at Jervois increased 24%, from $38.2 million to $47.5 million.** Dairy sales increased 10% with sales of cheddar, produced at Murray Bridge, decreasing to $1.5 million (from $6.9 million in 1H20) as production and inventories of cheddar were reduced and milk was directed mainly to the higher value Jervois operations.

Sales from the meat operations were $4.3 million, 20% lower than in 1H20, largely due to the impacts of COVID-19 on its customer base which reduced demand for burgers and other products supplied into fast food chain outlets.

The progress towards sustainable profitability in the business was held back by some operating issues at the Jervois facility later in the period. The issues were rectified during a week-long shut-down in early December. Following the remediation activities, **January's mozzarella production was a record 1,189 T** from seasonally lower milk supply, with February's production to be at similar levels.

Mr Hicks said "The first half of the financial year was not without its challenges due to the operational issues encountered at Jervois from October-December which caused the reported result to fall short of our targets. This was a very difficult period for the dairy operations team, as the 30% increase in milk supply exposed some weaknesses in the operating practices and infrastructure capabilities at Jervois. While these problems have been rectified, the lost opportunity was significant, costing around $10 million".

"With these operating problems behind us, and the commissioning of the new Lactoferrin plant immediately in front of us, we are back on track and look forward to a much stronger 2H21 leading into FY22, which will benefit from a full year of significantly higher Lactoferrin production", he said.

"The increase in Lactoferrin production will drive higher margins in the dairy business and also enable a focus on new value-added products for health and nutrition based on Lactoferrin", Mr Hicks said.

"The business has developed a strong milk supply portfolio with most of suppliers on multi-year contracts. The recontracting period for milk supply will commence shortly and we are targeting a further lift in milk supply to around 160 ML, which will enable us to take advantage of our new Lactoferrin production capabilities while maintaining a balance with mozzarella demand forecasts".

Beston previously announced that it was well advanced for the launch of its "Immune+" Lactoferrin drink. Trade samples have been distributed and a full-launch of the product, initially through South Australian independent supermarkets, is scheduled for April 2021.

Dr Roger Sexton AM, Beston Chairman, said "Beston carries a lot of momentum into 2021 as it progresses into the third and final stage of its ten year plan. The investment program undertaken at the dairy factories, including the work currently being completed on the expansion of the Lactoferrin plant, underscores the strategy which is in place to create long term value in the dairy business by extracting higher value products, and margins, from every litre of milk processed".

Operating guidance for FY21 mas been maintained. Please note that this guidance assumes no potential worsening of impacts from COVID-19, weather related events and unforeseen operational delays. Capital expenditure and gearing guidance has been amended to reflect the impacts of the accelerated investment program and the successful equity raise. For a full list of risks associated with guidance, please refer to the accompanying 1H20 results presentation.

Key drivers	FY20	FY21	Change	Key risks / considerations
Milk supply (ML)	111	131 – 145	+ ~25%	• Seasonal conditions
Mozzarella production (KT)	9.1	12.6 – 14.7	+ ~50%	• Milk supply; COVID-19 impacts
Lactoferrin production (T)	1.4	4.0 – 6.0	+ ~330%	• Plant construction (Q3 FY21)
Revenue ($m)	103	130 – 145	+ ~33%	• Demand outlook; COVID-19
Gearing	49%	23-30%	-~23%bpts	• Earnings and working capital
Capital expenditure ($m)	6.0	23.0-28.0	+ ~400%	• Stage 1 and 2 Lactoferrin expansion and Jervois infrastructure upgrades

This ASX release was approved and authorised for release by Dr Roger Sexton AM, Chairman.

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ABOUT BESTON GLOBAL FOOD COMPANY LIMITED

Beston Global Food Company is a proud South Australian multi award-winning company taking the best of Australian produce to the world with fresh milk supplied by valued farmers. The company provides direct and indirect employment for nearly 300 people. For more information please visit: www.bestonglobalfoods.com.au