

ASX RELEASE

12 May 2022

LETTER TO SHAREHOLDERS: BUSINESS UPDATE

Dear Valued Shareholder

I am writing to follow up further, subsequent to our Lactoferrin business update issued recently, and to provide you with some additional information and updates about other parts of our Beston Global Food Company business (ASX: BFC or "Beston").

Much has happened in recent months at Beston, and in the broader food commodity industry (and the dairy industry in particular). My objective remains to keep you well informed about these important developments and especially about how these changes are set to transform and reposition our company across all parts of our value chain, from our farmers to our customers and consumers.

I am excited about these developments and the prospects for our company across the markets in which we participate, as explained in the updates below:

Operational Highlights of First Half Results

The half year results released to the ASX on 25 February 2022 showed significant operational improvements in our business. Both our operational and our commercial improvements continue to trend positively.

Milk Supply: Positive Momentum Continues

At end of H1/FY22, our milk supply of 79.8 million litres was **8% higher** than the previous year. Our full year forecast, set for 155 million litres and up from 146 million litres last year continues to track well against this guidance. At this volume of milk supply, Beston continues to be the largest Dairy processor in South Australia.

Given the overall national milk production outlook for FY22, showing a decline of approximately 3%, Beston is among the few Dairy companies in Australia that continues to grow its milk intake in a sustainable manner. More than ever and in a world filled with uncertainties, our clients are seeking supply security. We believe

we are well placed to continue to support our customers with their product requirements now and into the future.

Having attended several farmer meetings last week and personally spent time with our farmers, I am pleased to inform our shareholders that a significant part of our milk supply requirements has now been contracted for FY23, allowing us to confidently kick off our key commercial initiatives for next year. This is thanks to the fantastic trust which our organisation has been able to build with our supply base over these several past seasons.

At this stage, our teams are now focused on securing some incremental milk so we can continue to make the most of our specialty cheese manufacturing capabilities at our Murray Bridge (South Australia) factory. Speciality Cheese is among one of the fastest growing Dairy categories in Australia and we believe we are well positioned to capitalise on our facilities and capabilities at Murray Bridge.

As another key development supporting our milk growth, Beston has now partnered with Mondelez Australia (via their Suttontown plant) where our milk will be processed into Cream Cheese under our **Edward's Crossing Brand** for several key export markets such as South Korea, Japan, and China.

Other Key Operational Highlights

Our operational performance and manufacturing reliability also continues to trend positively across our main key performance indicators.

Across our key product portfolio streams such as Mozzarella, Lactoferrin, Whey, Cream, Butter, and Meat Processing, production levels continue to outperform last year's production numbers and we continue to receive positive feedback about the quality and performance of our products across our customer base.

These operational improvements have put us in a good position to meet emerging developments in the marketplace and have provided the basis for margin improvements during Q4/FY22 as well as into FY23. Our strong long term commercial supply partnerships with McCain's Australia, Campbells Soup (via our Provincial Food Group, PFG) as well as Woolworths Group also continues to offer us great opportunities for further commercial expansion heading towards FY23.

Leadership Team Changes

This last month has also allowed us to make some important changes in our leadership team, to add further to our bench strength and to reflect our key strategic priorities as we move forward with the next stage of growth of the Company. The changes reflected in the new organisation structure will allow us to

build on the momentum which has been created in Beston and adopt a much deeper commercial and channel focussed approach towards our sales base.

I am extremely pleased with the leadership team we have in place and with the calibre and experience of the new appointees we have been able to attract:

Chief Financial Officer (CFO): Nick Wagner has been promoted to the position of **CFO**. Nick has been with Beston since 2017 and has extensive financial management experience in food and agriculture including roles with Elders and Viterra.

Chief Manufacturing Officer (CMO): We have appointed **David Isherwood** to the position of **CMO** and have disestablished the previous role of Chief Operating Officer. The change of this role to CMO reflects the focus on the delivery of manufacturing excellence at our factories and builds on the momentum established at our factories by our former Chief Operating Officer. Some of the broader functions previously performed in this role have been re-assigned to other senior executives.

David has spent the past 20 years with Fonterra in multiple roles across Technical, Production, Quality, Business Development, and Marketing. He brings to Beston a global understanding of Dairy Manufacturing having worked in numerous countries across the world including Europe, New Zealand, and Japan.

With David commencing, I would like to take this opportunity to sincerely thank Hamish Browning for his outstanding and tireless work in the last few months in the role of Interim Chief Operating Officer.

Director, Milk Supply & Agribusiness: I am pleased to announce that as of 1 May 2022, **Hamish Browning** has taken up a new role within the Leadership Team as **Director Milk Supply & Agribusiness**. Hamish's new role will enable him and the Milk Supply Team greater focus on continuing to build strong, committed relationships with our Farmers and solidifying our milk portfolio in what is currently a very competitive market. As part of this role, Hamish will also retain the overall responsibility for our Meat Processing business, PFG.

As part of our leadership team review and reorganisation, we have made the decision to restructure the Sales & Commercial Team to ensure a channel led focus. This means that we have disestablished the Chief Commercial Officer role and established Business Unit Director roles, representing the various facets of our business.

The new sales and commercial structure will recognise the vastly different channels and customers we service as a business, which ranges from everyday Dairy Foods with channels such as Foodservices, Domestic Dairy Ingredients, Export Dairy Ingredients to far more advanced clients that are using our Lactoferrin for Infant Nutrition and Nutraceuticals.

It is my expectation, that the new organisation structure will unlock substantial value creation for the Company because of dedicated resources that will support specific sales channels while also allowing the teams to stay focused on areas where we can make a real difference for our customers. Put another way, the new organisation structure will enable BFC to better focus on areas where it has competitive advantage and can capture greater margins.

We were pleased to announce last week the appointment of **Cameron Woods** to the position of **Director, Food and Beverages Business Unit**. Cameron starts with Beston on 16 May 2022. He has spent most of his career in senior marketing and brand management roles in the food and cosmetics industries, working for large multi-national companies. For the past five years he has been based in Singapore as Managing Director, Asia Pacific Region for Leprino Food Company (a US headquartered company which is one of the largest producers of mozzarella in the world, along with other cheese products and dairy ingredients).

Director, People & Culture: Adrian Bartsch has been appointed to the position of **Director, People & Culture**. Adrian has been with Beston since 2019 leading our HR activities. The internal direct appointment for this role reflects our corporate commitment towards world class employee engagement as well as health & safety wellbeing, inclusion, and employee diversity principles.

Milk Supply & Pricing Outlook

National milk production this year has continued to be lower, despite Beston's milk supply results being higher. National volumes for March were down 5.1% and year to date are 3.2% down accounting for approximately 190 million litres less milk in the system so far this year.

National milk supply is down, farm cost of production has substantially increased, and most global dairy product markets have strengthened. It is inevitable therefore that milk prices will move upwards in FY23. Beston remains committed to reward our farmers competitively for their great quality milk and we are well advanced in detailed discussions with our farmers on their contracted supplies into FY23.

Beston has been through the tough times of drought and Covid with many of our contract dairy farmers. Back in 2016 and 2017, when many dairy farmers in South Australia did not have an outlet for their milk and were in desperate financial straits,

the Company purchased milk ahead of its processing needs. Beston took a long-term view that it was the right thing to do to help farmers get through their difficult times. And equally, that it was the right thing to do for shareholders as it helped to build a pool of contracted milk that could be tapped into, very readily, as the new mozzarella plant came online, and capacity utilisation of the plant increased as sales ramped up.

These were obviously difficult decisions at the time. However, they had the effect of building goodwill within the dairy farming community in South Australia, with the result that Beston now draws down one-third of all milk produced in the State.

We believe that the relationships we have built, and the loyalty which Beston has demonstrated to farmers, not only in purchasing their milk ahead of requirements but also in facilitating access to counselling, health care and other services for their families when required, has been instrumental in building our milk supply and we are hopeful that these relationships will continue to hold us in good stead as we progress forward with our aim to both consolidate and grow our milk supply.

Notwithstanding the upward pressures on milk prices, the trends currently at play in the marketplace are presenting us with opportunities to significantly reposition our organisation in the marketplace. This is reflected in a much-improved performance of our Dairy business gross margins heading towards Q4/FY22. Additionally, we believe that our organisational restructure to bring greater focus on key specific areas of our business will unlock further value over and above commodity prices.

Conclusion

As Beston continues to grow through its next stage of development, we are continuing to position ourselves as a valued, reliable, high quality and trustworthy Food and Beverage player across the whole of our product range.

I am confident that our fundamentals are strong and that the recent continued improvements achieved in our operational performance will be further accelerated via the renewed leadership team allowing our repositioning in the market, whilst accelerating our key strategic customer alliances via safe, quality, and stable supplies.

Kind regards

Fabrizio Jorge

Chief Executive Officer

This ASX Release was approved and authorised for release by the Board of BFC.

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ABOUT BESTON GLOBAL FOOD COMPANY LIMITED

Beston Global Food Company is a proud SA 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