



AUSTRALIA'S NO.1 HONEY, NATURALLY!



Management Presentation

6 October 2006

Introduction

- Group Result
- Finance
- Australian Sales
- International Business
- Medihoney
- Review & Outlook



Group Results



	CHL	MEDIHONEY	GROUP
NPAT	2,559	(1,169)	1,390





Finance

by Richard Rivalland



2006 Annual Report



- New look Accounts in 2006
 - AeIFRS - Australian equivalent to International Financial Reporting Standards...



Profitability



<u>\$ millions</u>	<u>2006</u>	<u>2005</u>	<u>Variance</u>
Revenue	76.17	79.63	(3.46)
Earnings before Interest & Tax	3.60	(1.48)	5.08
Net Operating Profit after Tax	1.39	(2.28)	3.67



Factors affecting

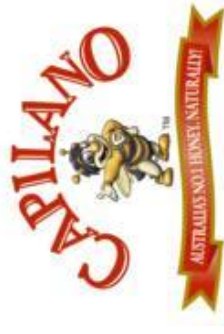
2006 Net Operating Profit

Before Tax

1. Increased domestic retail sales volumes
2. Honey purchase prices aligned with lower returns in local markets
3. Stock devaluation
4. Brand marketing
5. Medihoney costs



Balance Sheet Strength



\$ millions	2006	2005	2004
Total Assets	64.15	65.17	66.20
Total Liabilities	37.99	40.11	42.06
Net Assets (or Equity)	26.16	25.06	24.14
Net Asset Backing (\$/share)	\$ 5.10	\$ 4.89	\$ 4.70



Financial Indicators



	2006	2005	2004	2003
Current Ratio	2.91:1	2.82:1	3.26:1	2.19:1
Debt Ratio	59.2%	61.5%	63.5%	59.8%
Cash Generated through Operating Activities	\$4.33m	\$2.31m	\$(1.63m)	\$(7.07m)





Australian Sales & Marketing

by George Gatenby





Principal Features of Retail Sales

Total CHL Domestic Honey Retail Sales Value

FY 2005

\$41,762,268

FY 2006

\$41,438,879





Total Tonnage

Total CHL Domestic Honey Retail Sales Tonnes

FY 2005

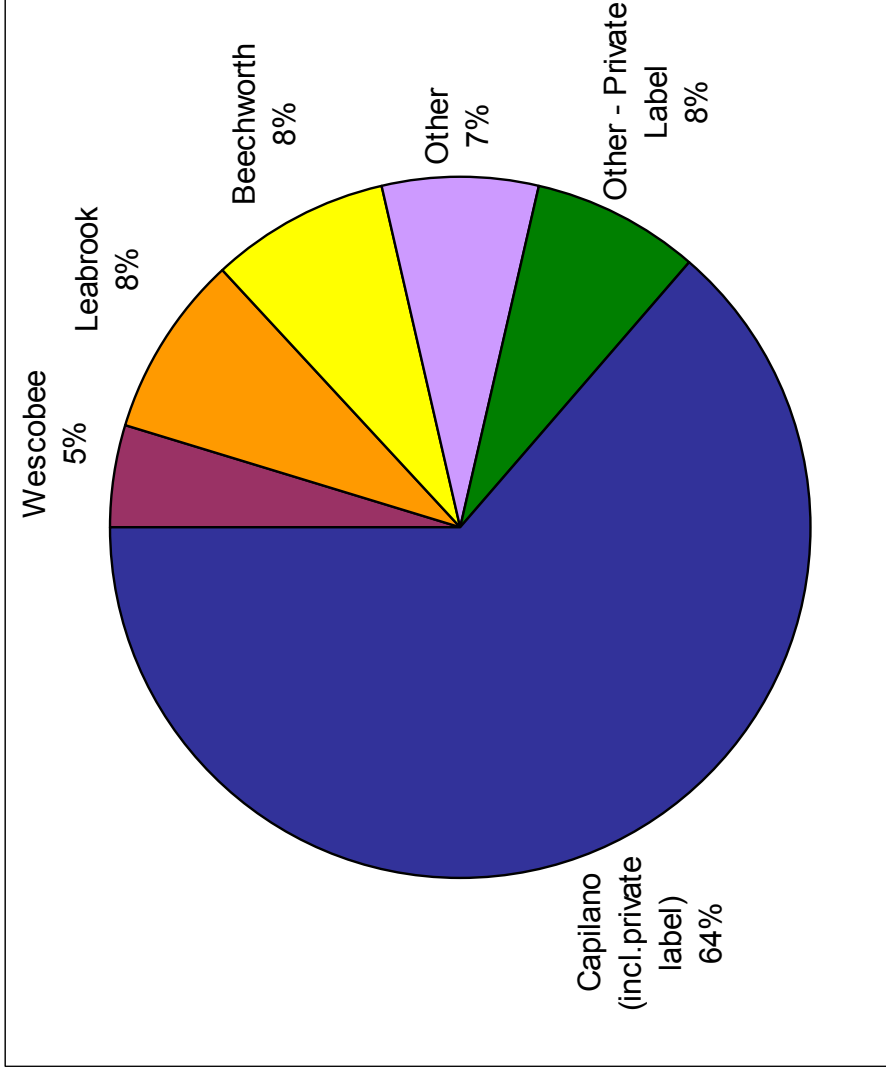
5,215

FY 2006

6,051



Competitors Market Share:



Total Honey Australia: Dollars (MAT

10/9/2006)
% Share Vs Previous Year

- Private Label +1.3%
- Leabrooks Foods +0.4%
- Capilano Honey -0.9%
- Beechworths -0.7%
- Wescobee -0.2%

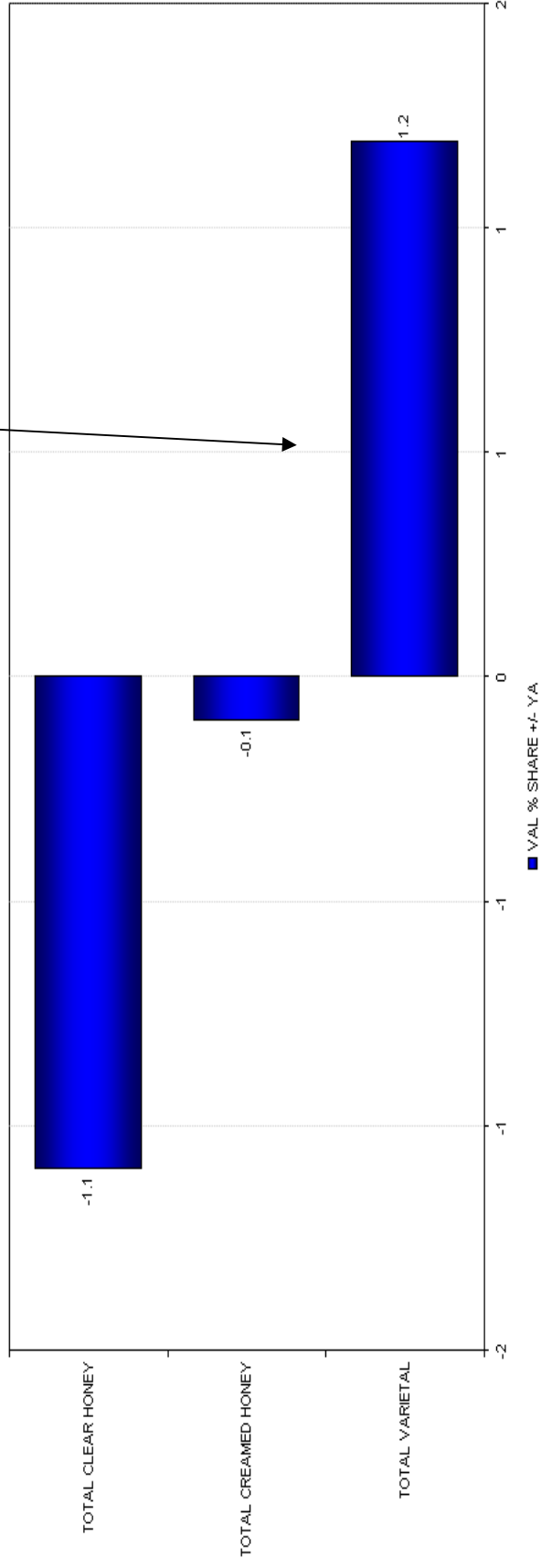


Total Honey Australia: Dollars (MAT 10/9/2006)



Growth of Varietal Segment

AUSTRALIA - MAT TO 10/09/2006 | TOTAL HONEY
Value = \$,000 S



SOURCE: ACN Ielsen Australia ScanTrack (SH O NCAP)



Capilano Marketing Update

- Focus Group Research
- Branding update
- Label Redesign
- New Website
- TV Advertisements
- Media Campaign
- In-Store Marketing Activities





Capilano Market Research

- Consumer focus group research was undertaken in April 2006
- Focus group sessions were held in Brisbane, Melbourne & Sydney
- Groups were separated according to usage:
 - **Users** (who eat honey every week)
 - **Non/Lapsed Users** (who enjoy the taste of honey but have not purchased it in over 6 months)



Objectives of the Research

- Understand reasons for the decline in purchasing and use of honey
 - Category issues
 - Differences by target markets
- Identify current and potential uses for honey
 - Appeal of new ideas
 - Effective communication channels
- Test messages for honey
 - Motivating messages by target markets
 - Brand name leverage for Capilano



Honey Vs Other Spreads

Emotional Comparison



More healthy ←

→ Less healthy



Vegete

Vitamin B
True Blue
Unique
Kids
Part of life



Honey

Pure
Organic
Nurturing
Sweet & sunny
Traditional



Jam

Nanna
Traditional
Healthier options



Peanut Butter

Smart, cool, groovy
American
Low in sugar, high in fat



Nutella

Kids choice
Fancy
Want to believe health claims (*Glycemic Index Vs Transfats*)





Consumers' Honey Usage

Traditional

- Crumpets, toast, sandwiches
- Baking
- Cereals and porridge
- Hot drinks (medicinal)

Contemporary

- Stir-fries
- Marinades
- Salad dressing
- Hot drinks (chai latte)

“I would rather the kids put honey on their cereal than sugar so I'd rather spend money for the honey.” (Brisbane, user)



Changing trends in eating

- Health and nutrition are increasingly important.
- Weight watching so calories are important.
- Bread products are less of a staple item for families and singles.
- Mums are not giving honey to their children to the same degree they ate it as children



Capilano's Brand



- Australian Honey produced by Australian Beekeepers
- Versatile and comes in a large number of varieties
- Healthy- 100% Natural. 0% Fat. Is in the Medium GI range
- Premium category player
- Natural - not manufactured
- Market leader
- Own the BEE personality
- Generational heritage - trusted.
- In everyone's pantry



CAPILANO HONEY = THE TOP AUSTRALIAN NATURAL HONEY



Logo Transition



1953



Early 1980's



1984-1995



1995-2006



2006



Capilano Label Redesign



New Look Website





[Home](#) → [About Us](#) → [Products](#) → [Education](#) → [Nutrition](#) → [Recipes](#) → [Media & News](#) → [Links](#)

AUSTRALIA'S NO.1 HONEY, NATURALLY!

[Contact us](#)



Online Poll: Which Honey variety is your favourite? **Vote Now!**

Recipe of the Month



Honey Soy Stir Fry

Send us your favourite honey recipe ideas

Australia's **No.1** brand of premium honey

0% fat, 100% natural pure Australian honey

From the **beekeeper** to your home, naturally!

A trusted Australian brand for over **50 years**

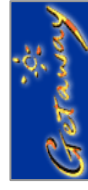




© 2006 Capilano Honey | Privacy & Legals | Built by WDG Alfresco, Powered by AdSphere CMS

Media Campaign

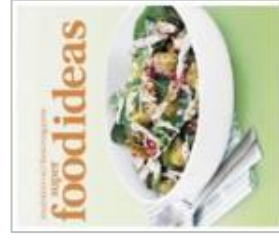
- TVC in Sydney & Melbourne from June - October



- Featured product used in Hueys Cooking (Ch.10)& Fresh Cooking (Ch. 9)



- Honey Recipes in Super Food Ideas



In Store Marketing Activities

- Off location Promotions
(e.g in cereal & vegetable aisles in special merchandising units)
- Point of Sale Promotions
(e.g recipe cards)
- Taste Testings
- Supermarket Promotions
(e.g Coles Meal Ideas Recipe Sponsorship)





International Business

by Peter McDonald



Summary

- Export Sales totalled A\$23.3 million.
- Export retail sales continue to grow.
- Expansion of sales by Capilano Labonté and Capilano Argentina.



Export Retail



- Export Retail sales increased by 3% on previous year.
- Strong competition in key export retail markets.



Europe



- Strong price competition by UK packers.
- Return of Chinese honey in Europe has placed pressure on prices.
- Sales to Ireland continue to expand.



Asia

- Focus on consumer education and brand recognition.



Indian sub-Continent



- First direct sales to Sri Lanka and Pakistan.
- Supermarket distribution channels in India continue to provide some challenges to growth strategies.



Middle East



- Sales to Saudi Arabia continue to be frustrated by sale of other honey brands, misrepresented as Australian.
- Sales to other Middle East markets remain positive.



Export Bulk



- During the past year, prices for commodity bulk honey on the international market retreated to levels that reflect the balance between higher supply and lower demand.
- Capilano export bulk sales were up 6% on the previous year.



Capilano Labonté



- Capilano Labonté has become a major player in the Canadian market, expanding branded and private label retail sales.
- During the 4-week period to 10 July 2006, “Capilano Labonté” brand was the leading branded retail honey in British Columbia.
- Private label remains an integral part of our business in Canada and has provided a strong platform for the development of our retail business.



Capilano Labonté



- Our private label business has expanded, with the launch of a “President’s Choice” upside down organic honey for Loblaws supermarket.



Capilano Labonté



- Capilano Labonté continues to play an important role in our global strategy.
- The development of retail packs for this market has diverted Australian honey from the surplus bulk commodity market and into value added retail packs.



Capilano-Argentina



- A number of important milestones have been achieved during the past year that will enable a further expansion of sales for both Argentine and Australian honey.
- A logistics partner has been appointed in Europe to assist with the management of our warehousing and distribution to end customers.



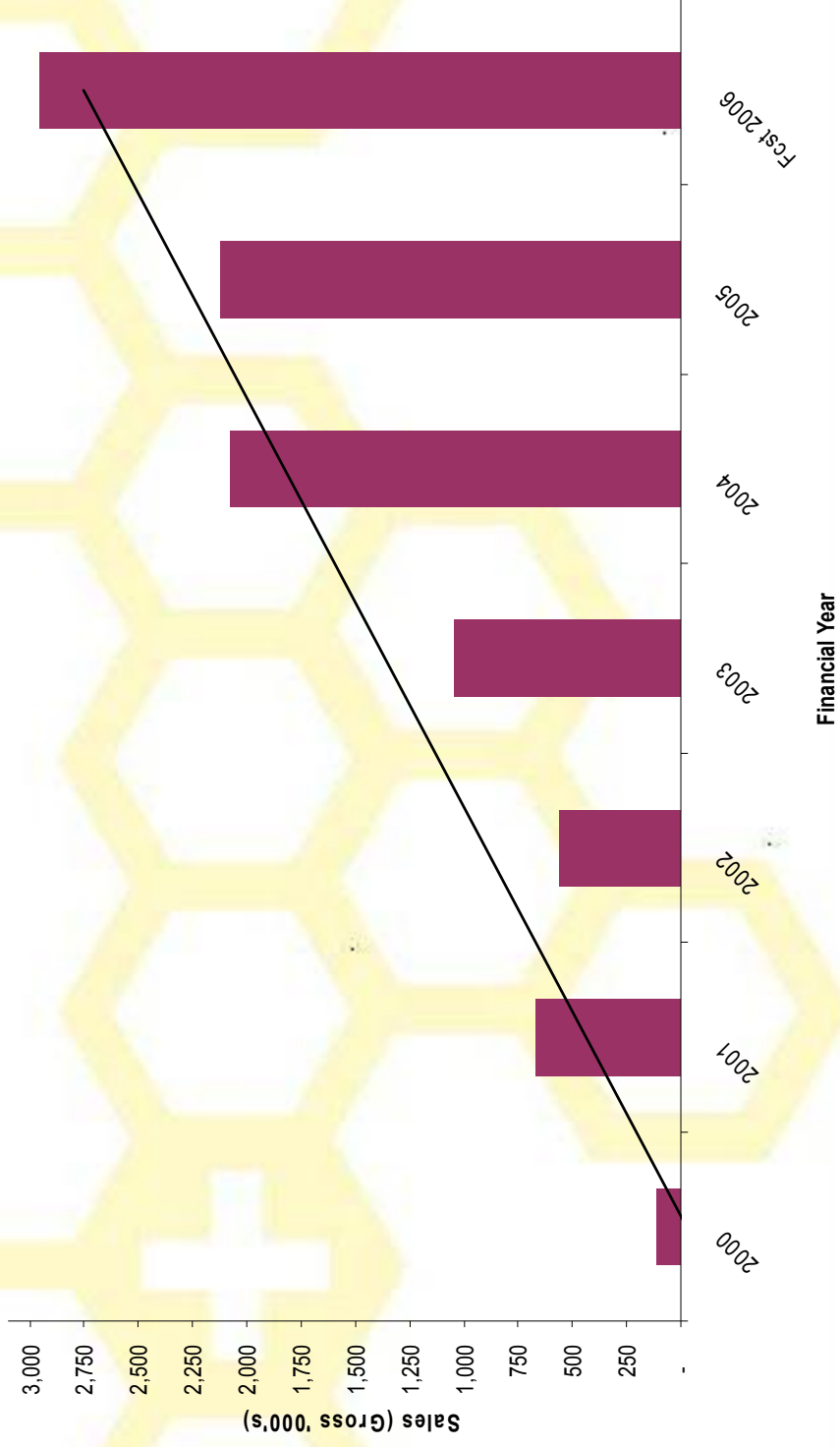


medihoney[®]

nature's antibacterial.

Sales

MEDIHONEY PTY LTD
Gross Sales - 2000 to 2006



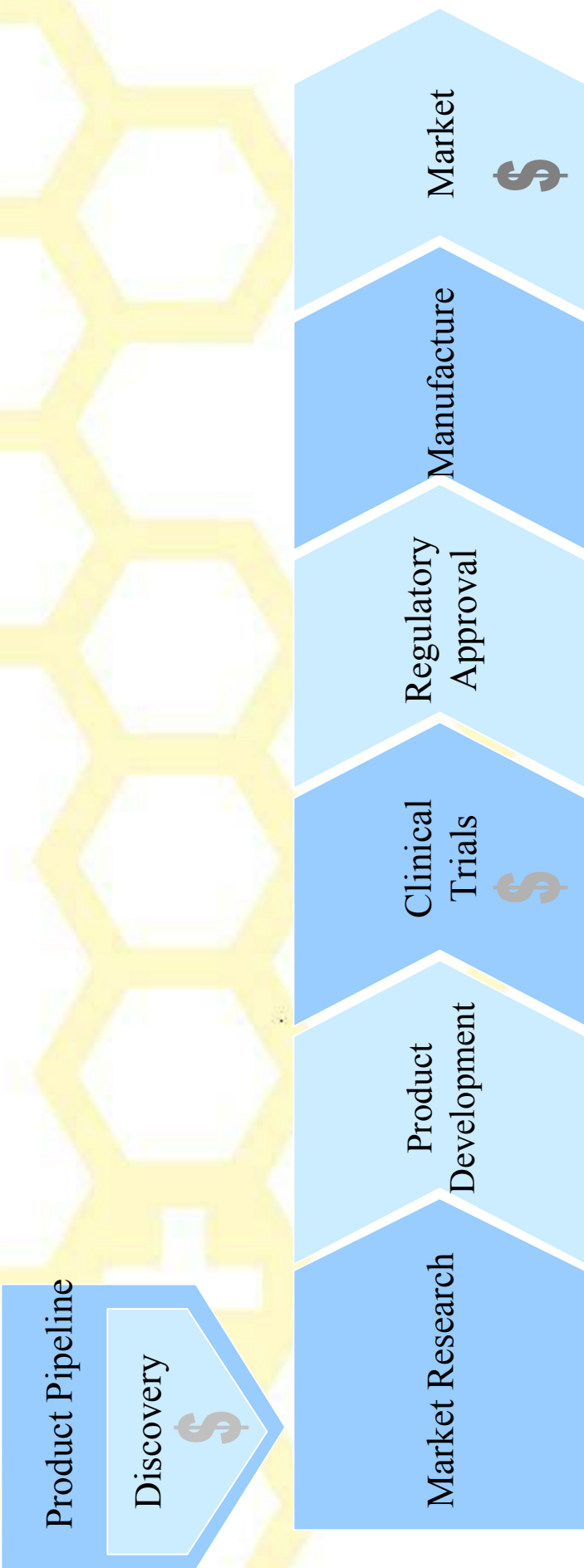
Key Milestones

- Wound Care Paediatric Haematology - Oncology Aug 2005
- Honey Hydrocolloid patent filed October 2005
- Turkey Launch January 2006
- Honey Composition patent granted in the UK February 2006
- AWMA Medihoney workshops by Val Robson - March 2006
- IMB project completed April 2006
- Information Memorandum prepared May 2006

Key Milestones - EU

- UK Drug Tariff Listing - Aug 2005
- UK - Queen Elizabeth 2 Hospital, Greenwich London, Silvers removed, cuts use of Hydrogels, and replaces all with Medihoney. 'First choice dressing'
- UK - Medihoney formulary listings held in now 20 PCTs/Trusts.
- Finland Launch February 2006

Commercialisation



Business Strategy

Business Strategy

Focused on the growing interest in medical honey and its therapeutic use in treating wounds, infection control and skin care.

Development Strategy

Where there is an opportunity, prioritise products that can be fast tracked in development and regulatory approval while projecting a consistent message.

Commercialisation Strategy

Use small, targeted sales forces to promote to physicians in key clinical specialities and “specialist centres”. Enter into distribution and marketing agreements in order to achieve higher penetration in particular markets.

Manufacturing Strategy

To substantially outsource production of products to third parties.

European Market

Hydrogels - \$135 million

- Cleaning

Antibacterial Barrier Dressings - \$402 million

- Protection

Topical Antimicrobial Products - \$144 million

- Protection
- infected wounds

Information Memorandum

- Information Memorandum is for private circulation only;
- IM prepared in order to assist recipients in deciding whether to proceed with an in-depth investigation into the business/investment opportunity;
- Directed at Cornerstone Investors or Part Trade Sale

Australian Product Launch

\$8.75
Recommended price*

MEDIHONEY™

Antibacterial BARRIER Cream

Suitable for the whole family

- Nappy Rash
- Heat Rash
- Chafing
- Skin Abrasions
- Dry Skin
- Minor Skin Irritations

MEDIHONEY™ *A Natural Choice*

Antibacterial BARRIER Cream

Triple Action:

- Antibacterial
- Protection
- Moisturising

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100g

Medihoney is a registered trademark of Medihoney Australia Pty Ltd. Medihoney is a registered trademark of Medihoney Australia Pty Ltd. Medihoney is a registered trademark of Medihoney Australia Pty Ltd.

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\$9.75
Recommended price*

MEDIHONEY™

Antibacterial NIPPLE Balm

Relief for breastfeeding mothers

- Sore and cracked nipples
- Dry and irritated skin
- Helps reduce the risk of infection

MEDIHONEY™ *A Natural Choice*

Antibacterial NIPPLE Balm

Triple Action:

- Protects
- Moisturises
- Antibacterial

Antibacterial NIPPLE Balm

Relief for breastfeeding mothers

- Sore and cracked nipples
- Dry and irritated skin
- Helps reduce the risk of infection

Packaging Upgrade



Turkey

Medihoney Antibacterial Wound Gel - 10 day burns case study, Turkey



Hastane : Urla Devlet Hastanesi
Bölümü : Acil Servis
Tani : 2. Derece Yanik
Tedavi Süresi : 10 gün

DOKTOR
Ali HORASAN
Genel Cerrahi Uzmani
Dip. No: 1258



Review & Outlook

by Roger Masters



Performance Indicators

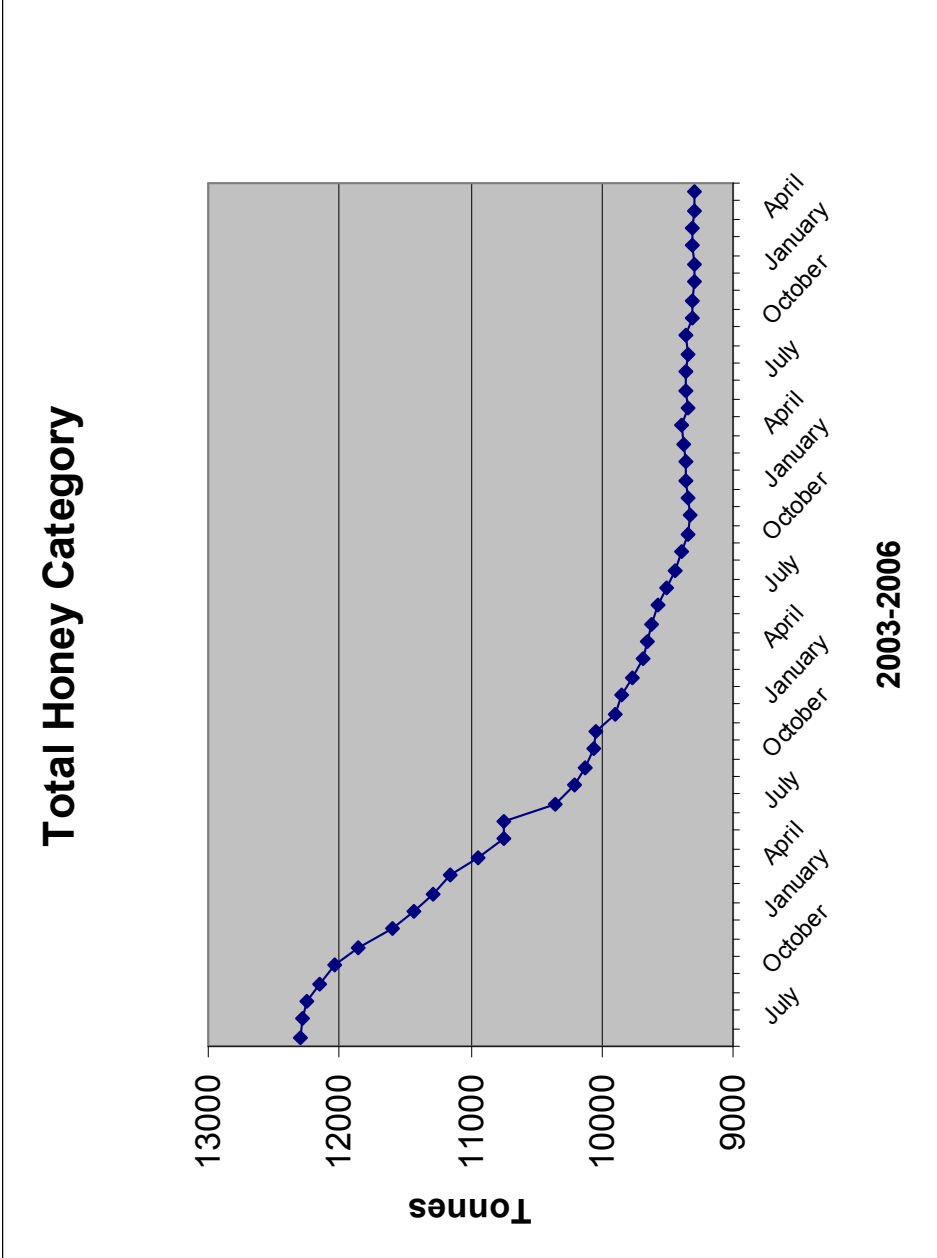


2004 2005 2006

Revenue	\$83.4m	\$79.6m	\$76.1m
EBIT	\$1.4m	(\$1.6)m	\$3.6m
Honey Price	3.08	2.66	2.00



Domestic Market - Honey Category

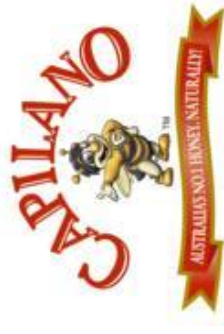


2003-2006

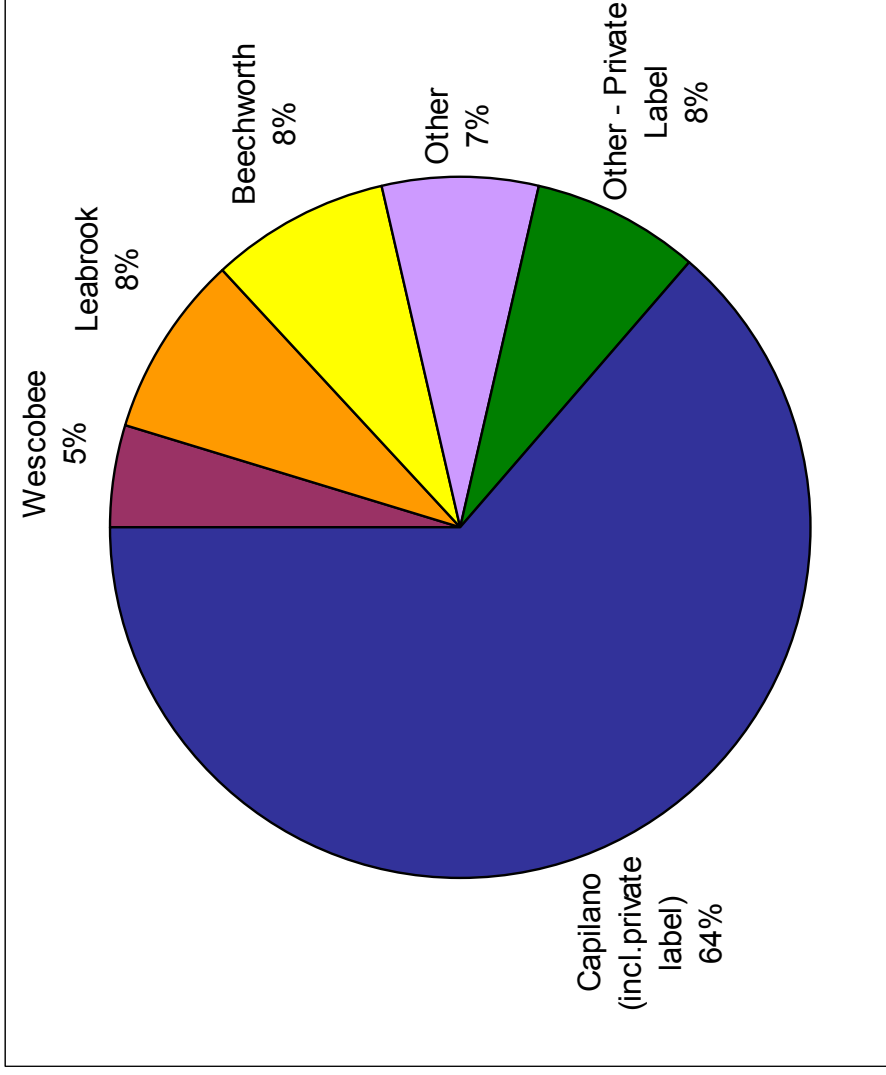


Causes of shrinkage:

- Higher honey shelf prices
- Substitute of spread
- Health
- Lifestyle



Competitors Market Share:

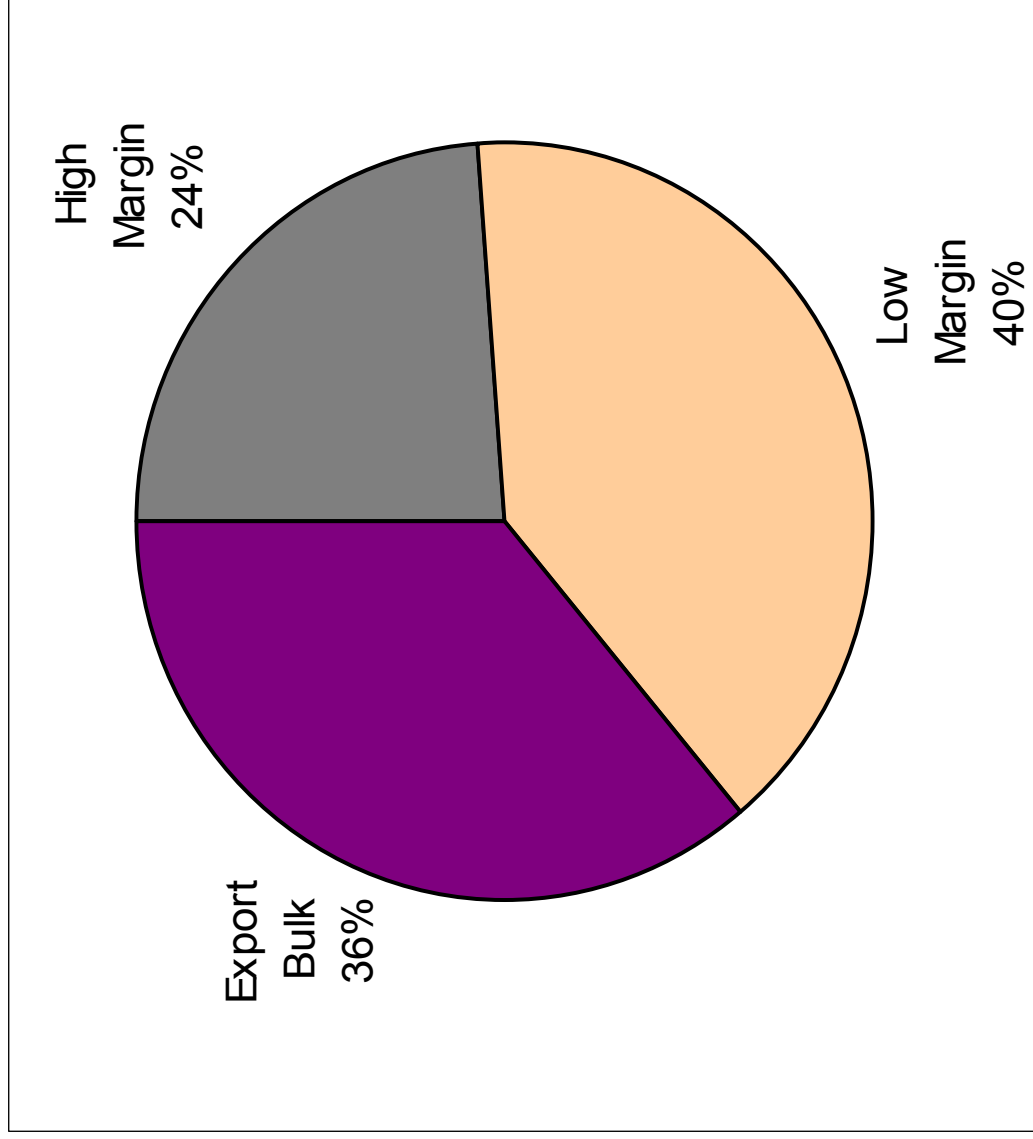


Honey Price drivers

- Market profitability;
- Company profitability;
- Supply & Demand



Market Profitability



Company Profitability

- Sales mix
- Demand shift to low margin segment
- Private Label



Supply & Demand

- Excess honey surplus
- Export bulk margins



Australian Crop



	Tonnes	Trend
Supermarket	9,300	flat
Industrial Bulk	5,000	decline
Food Service	1,000	increase
Fruit & Vegetable	1,000	increase
Farm Gate	1,500	volatile
Export Retail	3,000	increase
Export Bulk	5,000	increase
Australian Crop	25,800	

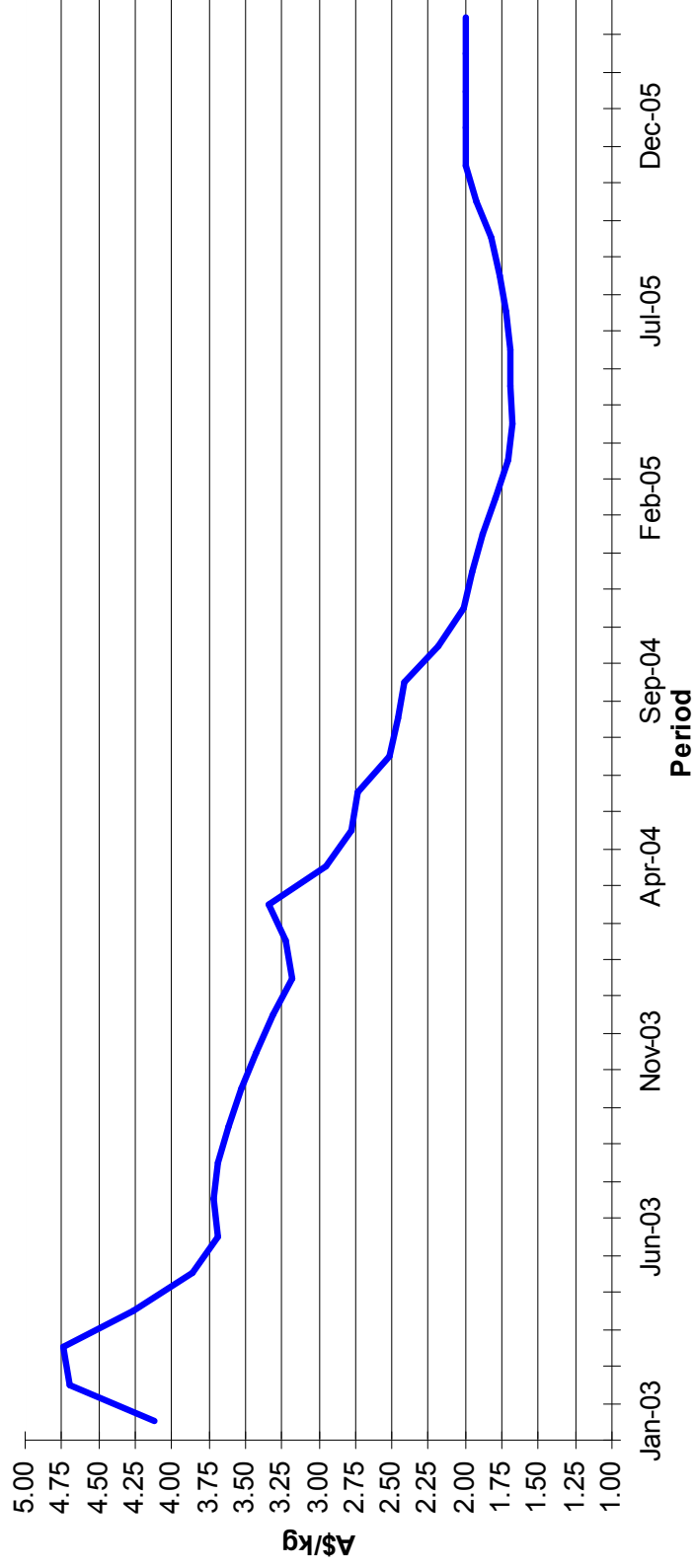




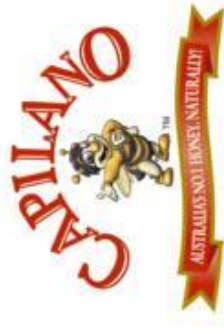
AUSTRALIAN HONEY NATURALITY

Export Bulk Prices

Export Bulk Price



Export Bulk Margins



USD	Ex Rate																
	0.71	0.715	0.72	0.725	0.73	0.735	0.74	0.745	0.75	0.755	0.76	0.765	0.77				
1500	2113	2098	2083	2069	2055	2041	2027	2013	2000	1987	1974	1961	1948				
1525	2148	2133	2118	2103	2089	2075	2061	2047	2033	2020	2007	1993	1981				
1550	2183	2168	2153	2138	2123	2109	2095	2081	2067	2053	2039	2026	2013				
1575	2218	2203	2188	2172	2158	2143	2128	2114	2100	2086	2072	2059	2045				
1600	2254	2238	2222	2207	2192	2177	2162	2148	2133	2119	2106	2092	2078				
1625	2289	2273	2257	2241	2226	2211	2196	2181	2167	2152	2138	2124	2110				
1650	2324	2308	2292	2276	2260	2245	2230	2215	2200	2185	2171	2157	2143				
1675	2359	2343	2326	2310	2295	2279	2264	2248	2233	2219	2204	2190	2175				
1700	2394	2378	2361	2345	2329	2313	2297	2282	2267	2252	2237	2222	2208				
1725	2430	2413	2396	2379	2363	2347	2331	2315	2300	2285	2270	2255	2240				
1750	2465	2448	2431	2414	2397	2381	2365	2349	2333	2318	2303	2288	2273				
1775	2500	2483	2465	2448	2432	2415	2399	2383	2367	2351	2336	2320	2305				
1800	2535	2517	2500	2483	2466	2449	2432	2416	2400	2384	2368	2353	2338				





Export Bulk Margins

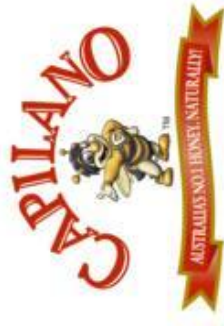
Selling Price	A\$2.10/kg
Drum, labour & overheads	(0.38)/kg

Return	\$1.72/kg less freight



Honey Stocks

- Stock on hand



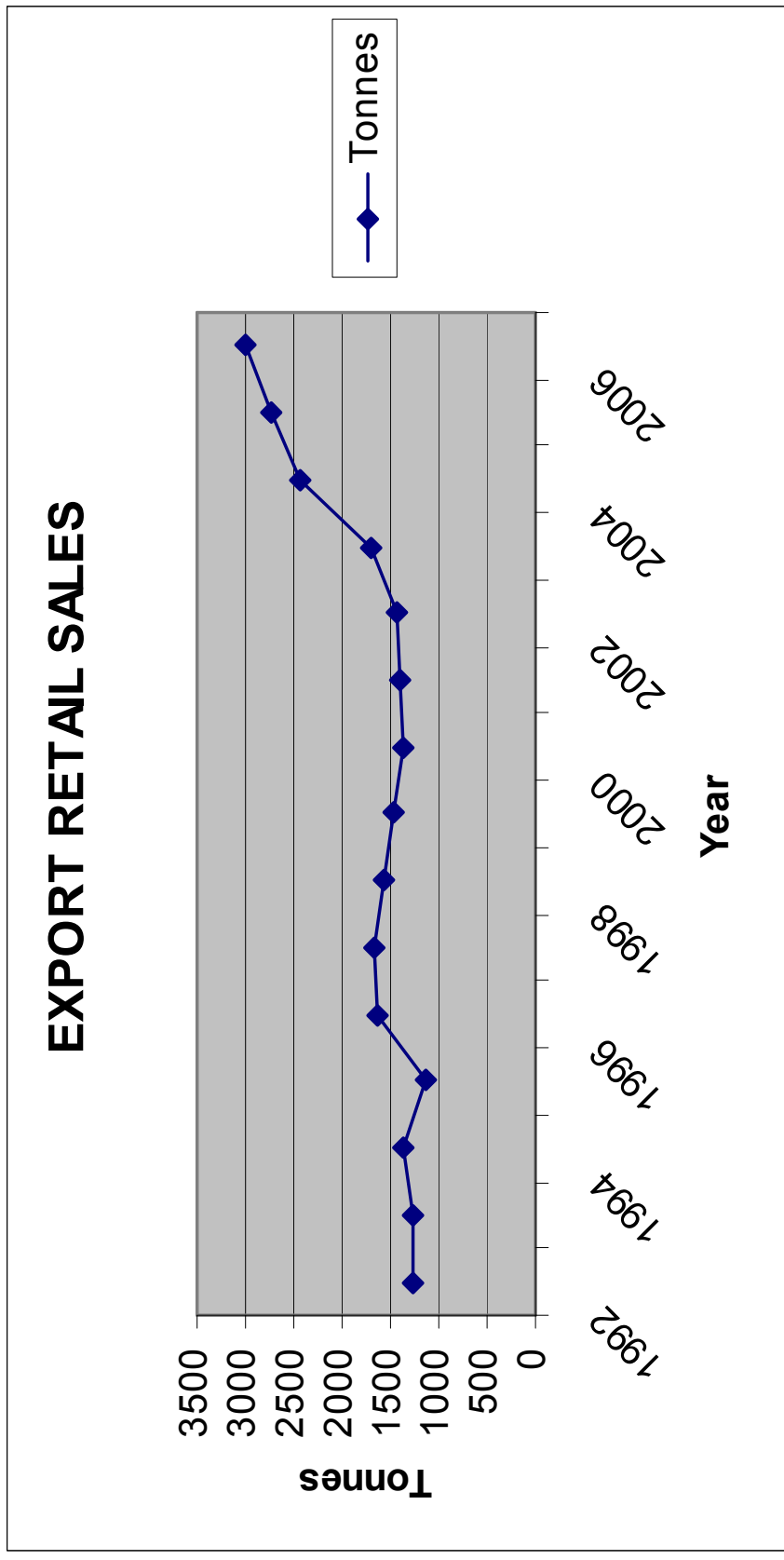
Going Forward

- Export retail
- Product Innovation
- Profitability



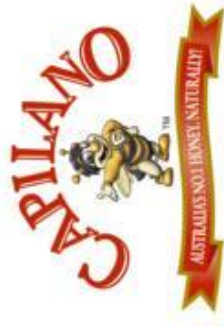


Export Retail



Product Innovation

- Better Margins
- Lifestyle
- Private Label



Profitability

- Operational efficiencies
- Sales Mix
- Global business





Question Time

