



AUSTRALIA'S NO.1 HONEY, NATURALLY!



Management Presentations

5 October 2007



AUSTRALIA'S NO.1 HONEY, NATURALLY!



Domestic Sales & Marketing



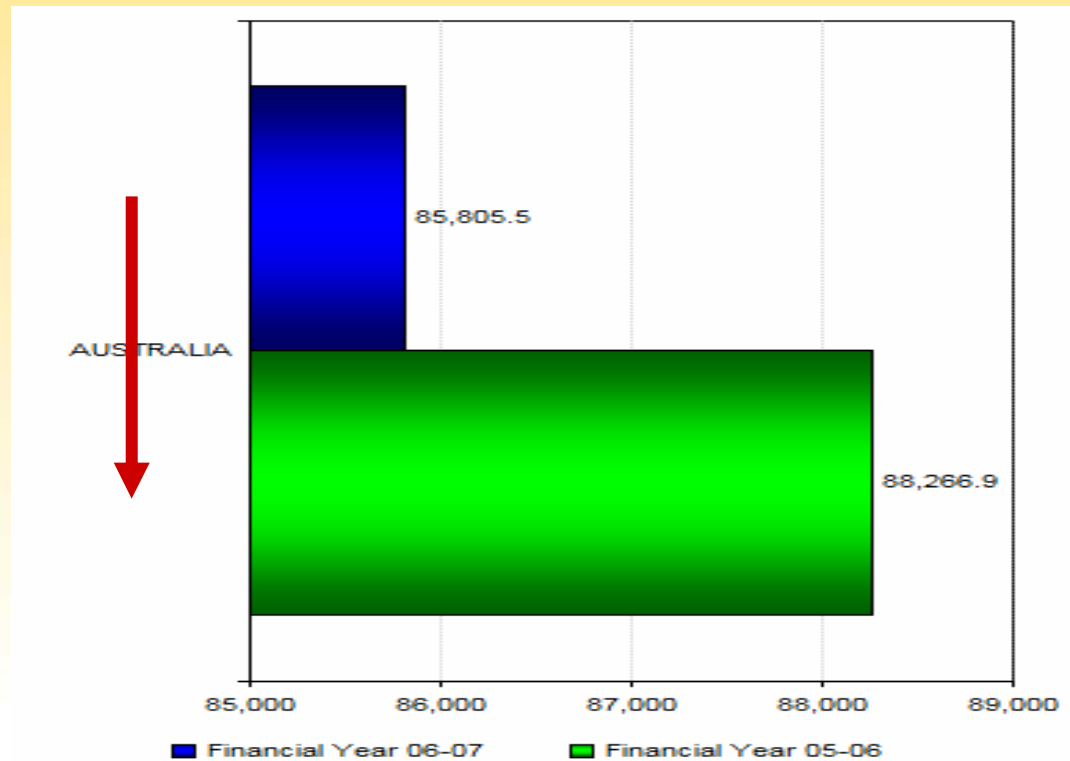
## 2006-07 Highlights

- Capilano maintains market leader status in Retail Channels
- Capilano continues to be the market innovator
- AGM last year discussed development plans



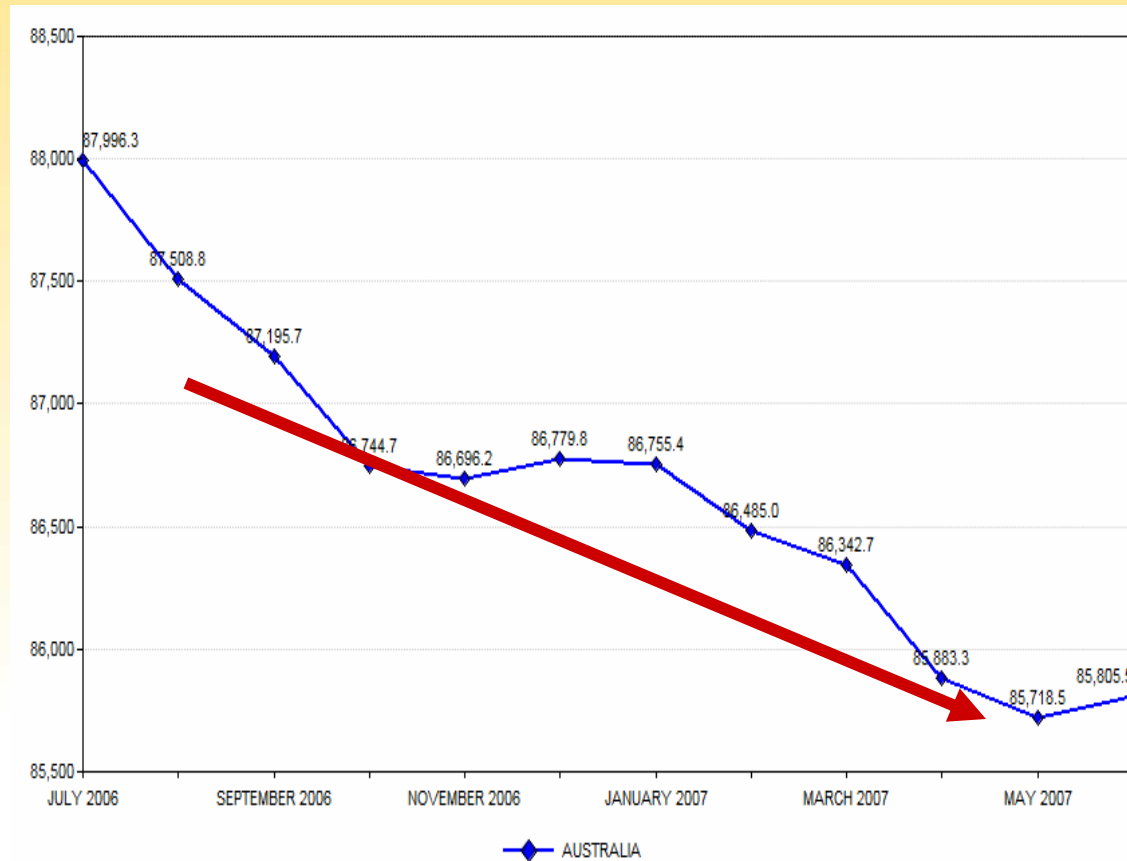
## Total Honey – Value

### Share of Australia total honey





## Total Honey – Value Share of Australia total honey

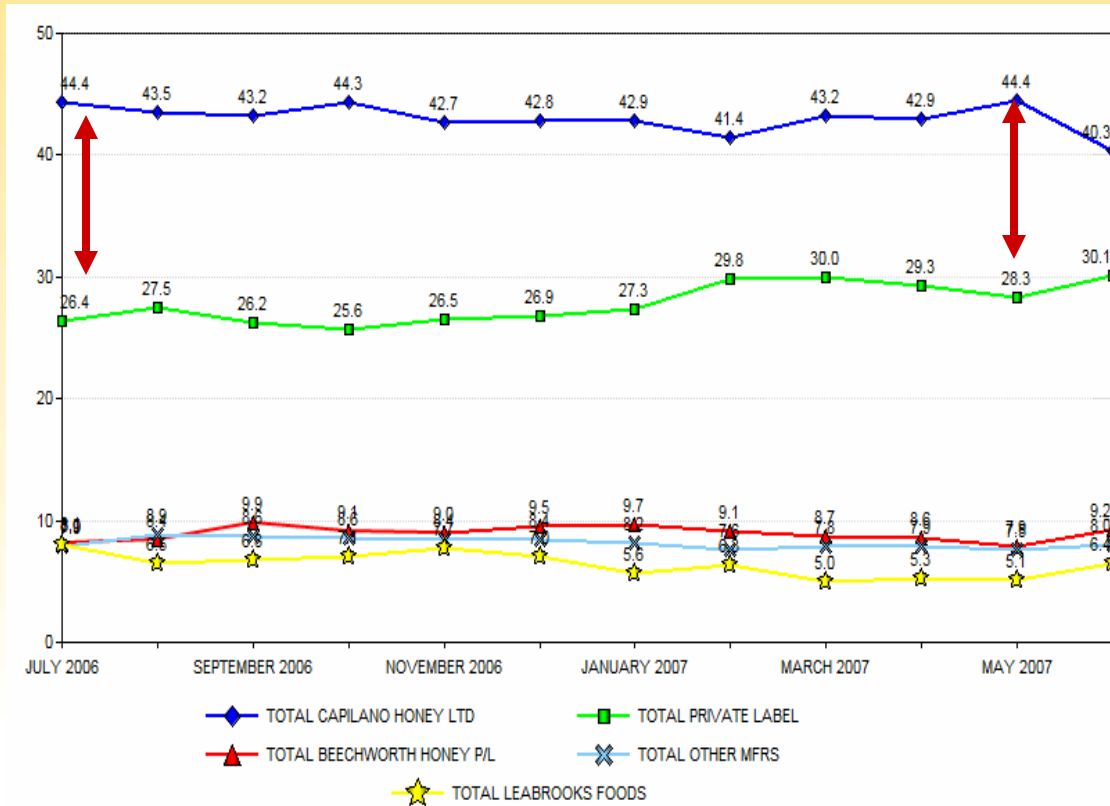


SOURCE : ACNielsen Australia ScanTrack (SHONCAP)



# Capilano Branded Performance vs Market Competitors

## Australia – Val % share of total honey





## Domestic Sales

	2005-06	2006-07	+/- %
Sales	\$47,767	\$41,522	- 13.0%

- Private Label ranges increase at the expense of Branded ranges
- Reduced sales of Capilano brands vs increased sales of Private Labels.
- Varying periods of Housebrand Contracts.
- Increased price competition to supply Private Label
- Competition within the Industrial Bulk distribution channel intensified during the year.



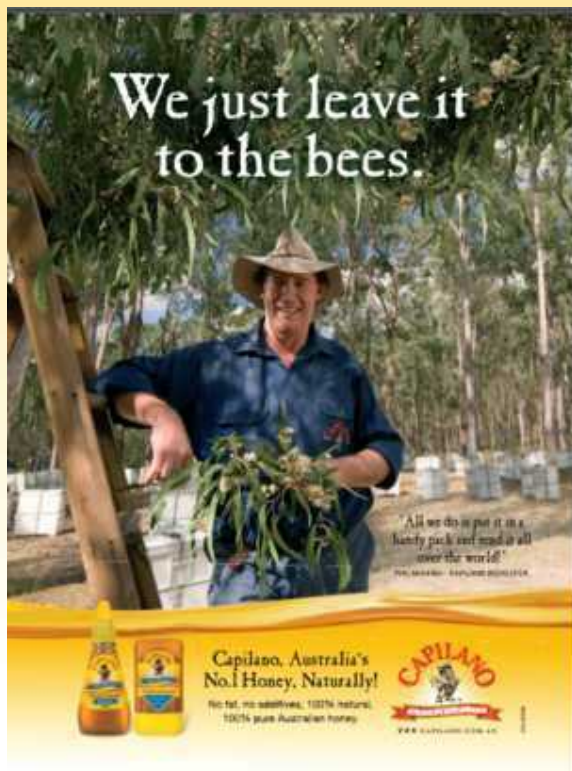
## 2006-07 Highlights

- Media brand awareness campaign
- New UD Squeeze pack finalised June '07 – released August '07
- Irwin deal successfully finalised in Feb '07 – released September '07
- New UD Capilano Floral - released into Retail Channels July '07.
- Snap 'n Squeeze portion pack to be used to connect to healthy eating changes and new uses of honey in a changed consumer market
- Kraft Snackabouts – Capilano Honey Pack
- Bee Movie link to Capilano honey packs through sponsorship deal





## Media Campaign



Capilano Premium Blend Honey adds a natural burst of flavour

#### Honey and lime salmon

Serves 4  
olive oil cooking spray  
4 salmon fillets, skin on, bones removed  
mixed salad greens, boiled potatoes and lime wedges, to serve

#### Honey and lime marinade

1/4 cup Capilano Premium Blend Honey  
2 tablespoons olive oil  
4 green onions, trimmed, thinly sliced  
2 garlic cloves, crushed  
1 lime, juiced

1 Preheat oven to 200°C. Cut four 40cm pieces of foil. Line a large baking tray with baking paper.

2 Make marinade Whisk honey, oil, onions, garlic and 2 tablespoons lime juice in a small jug. Season with salt and pepper.

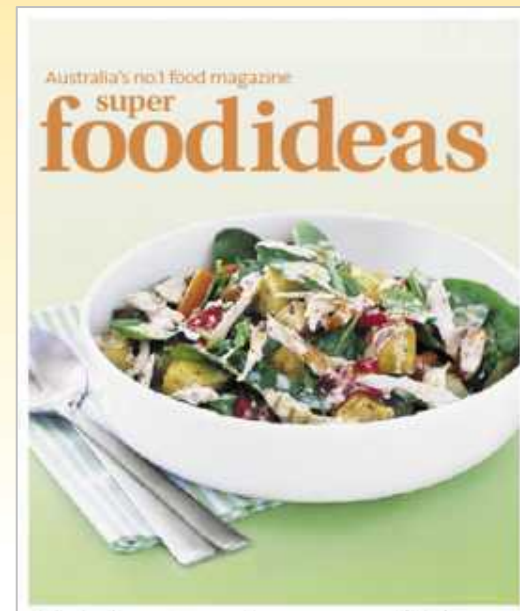
3 Spray 1 side each piece of foil with oil. Place 1 salmon fillet, skin side down, in the centre of each greased piece of foil. Working quickly, pour 1/4 tablespoons marinade over each. Fold foil over salmon to cover. Fold up edges tightly to seal.

4 Place foil parcels on prepared tray. Bake for 15 to 20 minutes or until salmon is just cooked through (parcel should puff up when ready).

5 Carefully open parcels. Serve salmon with salad greens, potatoes and lime wedges.



National print campaign and recipe features July to August 2006.





## Irwin Sponsorship

- Capilano signed up with Australia Zoo, Wildlife Warriors Worldwide and the Irwin family in February 2007.
- The marketing alliance is aimed at opening up new markets and encouraging honey use by a wider audience.
- The official PR launch is on Sunday 7 October 2007





## The Steve Irwin Tribute Pack

- Capilano has produced a Steve Irwin tribute pack.
- The pack was launched in September 2007.
- A percentage of each bottle sold will be going to Steve Irwin Conservation projects.





[Irwin Video](#)



## New Product Development





## New Product Development

- Single serve retail and food service pack finalised
- Significant technological hurdles overcome to make a quantum leap in the serving function of a portion pack.
- The ‘missing’ link between changed consumer usage trends and food preferences.





## Joint Marketing

- In April 2007 Capilano and Kraft launched Snackabouts with Capilano Honey.
- Another link between changed consumer usage trends and food preferences.





## Bee Movie



- Capilano finalised a national marketing sponsorship exclusive to honey company for 'Bee Movie' in February 2007.
- The movie should raise consumer awareness of honey and link to the environment
- 'Bee Movie' is an animated movie starring Jerry Seinfeld as 'Barry the Bee'.
- Launch November 2007 in Australia
- Further information: [www.beemovie.com](http://www.beemovie.com)







AUSTRALIA'S NO.1 HONEY, NATURALLY!



International Sales & Marketing



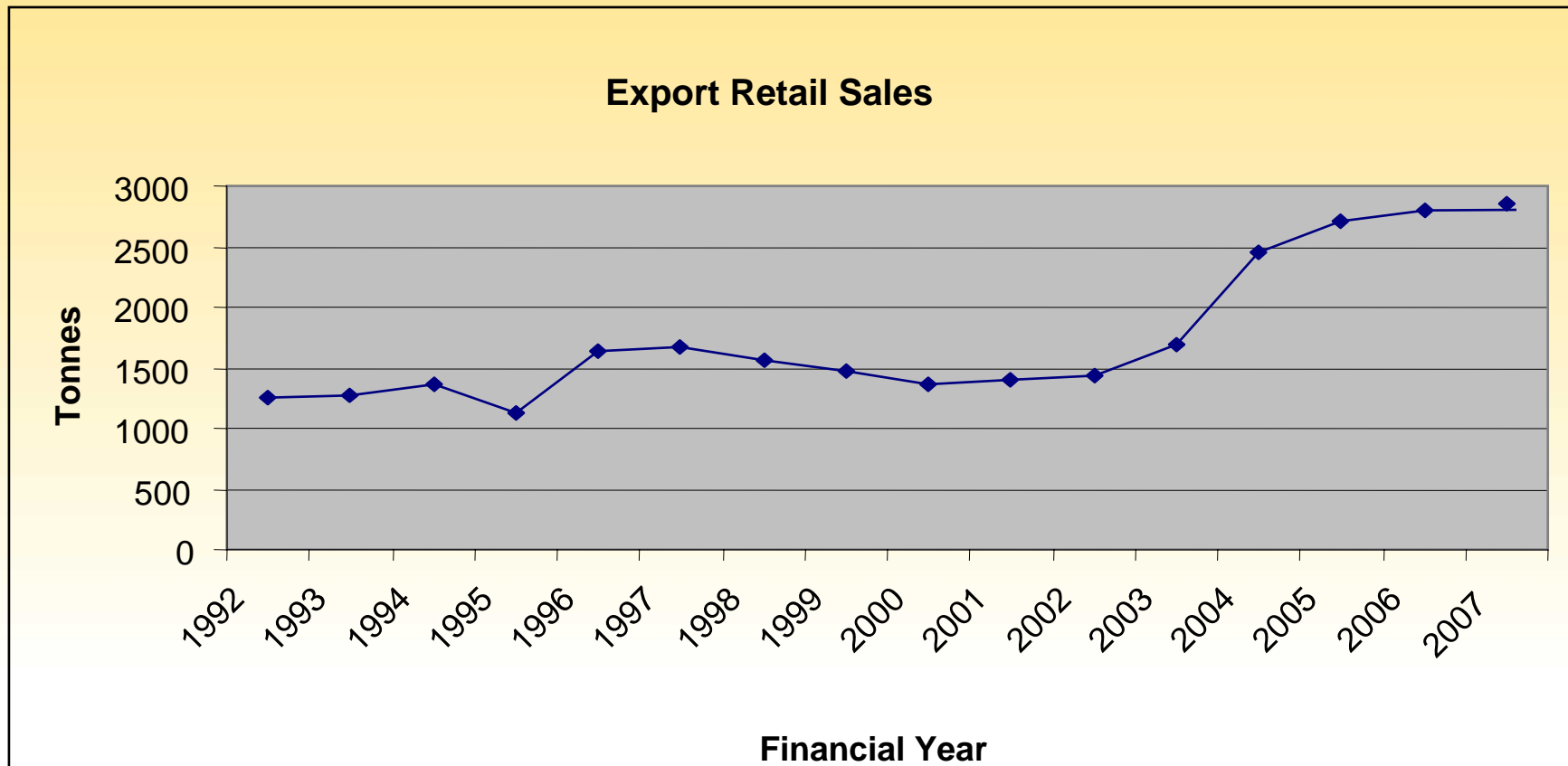
## Sales Summary

	<b>2005</b>	<b>2006</b>	<b>2007</b>
	A\$million	A\$million	A\$million
<b>Total Export Sales</b>	23.280	23.286	22.915

\* Capilano brand retail sales increased 21% (volume) during the year.

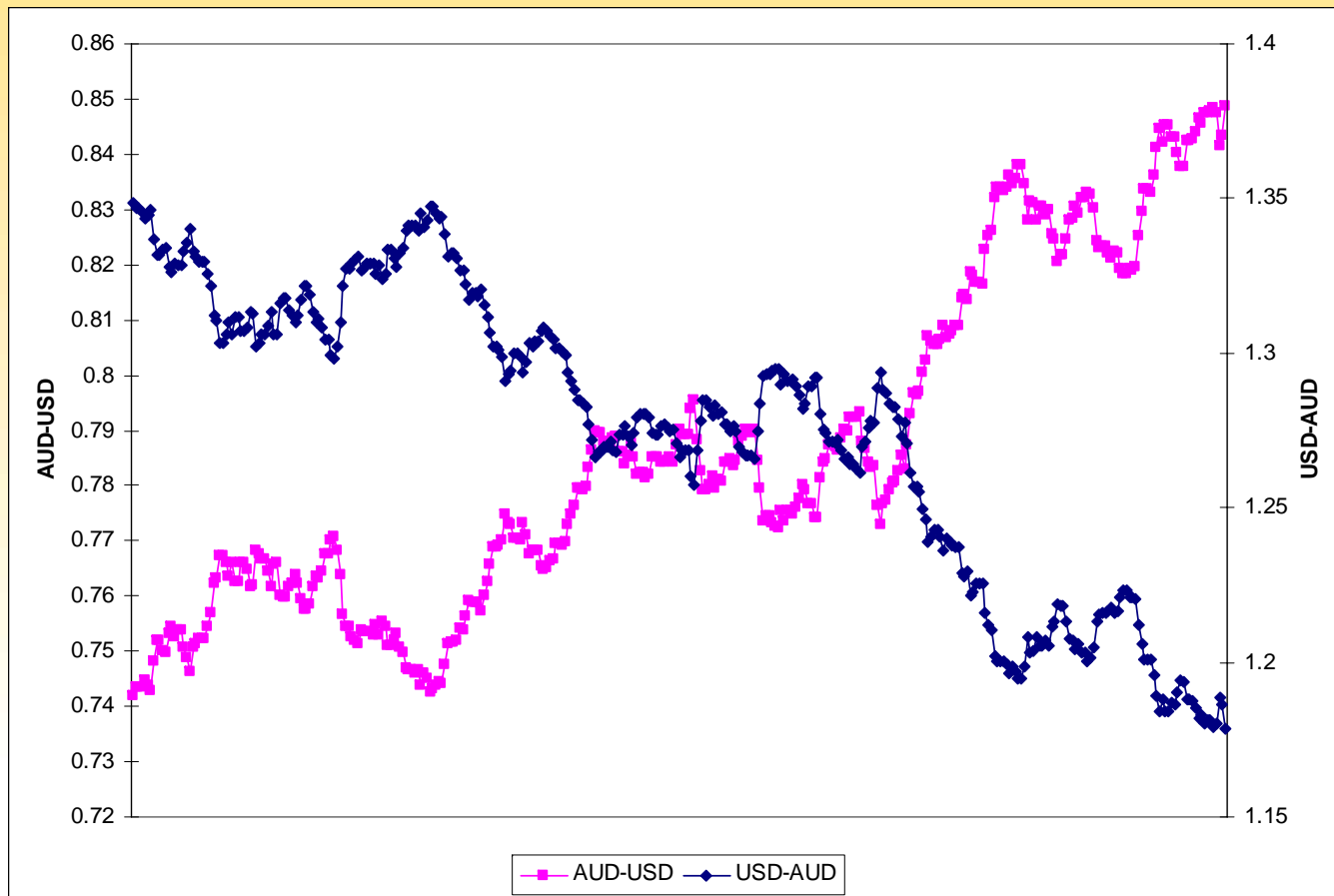


## Export Retail Sales





## Exchange rate movements





## Key Export Markets

- Middle East
- Europe
- South East Asia
- Pacific Islands
- Canada
- USA



## Canada – Capilano Labonté:

- Based on AC Nielsen figures (MAT), our brand shows the strongest growth of +113% nationally.
- In Quebec, our brand has the highest growth and second largest brand share.
- On the West Coast our brand has the second largest brand share at 9.8%, behind the market leader with 12.1% and Private Label with 62.6%. Our growth is 129% compared with the market leader declining at -8%.



Canada



Canadian supermarket





# Canada





Canada



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**NEW!** PC Manuka Honey



Thick and rich-tasting, with a wonderful, caflavour. Great as a spread or as a sweetene beverages.  
Product of Australia

**Overall Customer Rating:**  
★★★★★ 4.8 out of 5  
23 of 24 (96%) of customers said they w this to a friend.  
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**FEATURED REVIEW** ★ Top 100 Reviewer

Overall Rating: ★★★★★ 5 out of 5  
You did it!!!, May 24, 2007  
By fastgrey from Port Maitland NS (read all my reviews)

Flavour/Taste: ----- 5 out of 5  
Value for Money: ----- 5 out of 5

"You absolutely hit the nail on the head with this one. It is splendid to say the least. The par first thing that caught my eye. It is utterly beautiful. Then on to the taste. It is so smooth to just the right sweetness. The thickness is perfect. The color is spectacular. I have used it in cooked with it had it on a slice of homemade bread, and it is great in any application that I will be purchasing this honey that I can promise you. Thanks again for the opportunity to r product. You got it right with this one."

Did you love this product?: Yes  
1 of 1 people found this review helpful.  
Was this review helpful to you? Yes No (Report Inappropriate Review)

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Food & Recipes For The Home Pets Lawn & Garden Financial Telecom Gift Basket

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# United States





## United States





United States





# United Kingdom



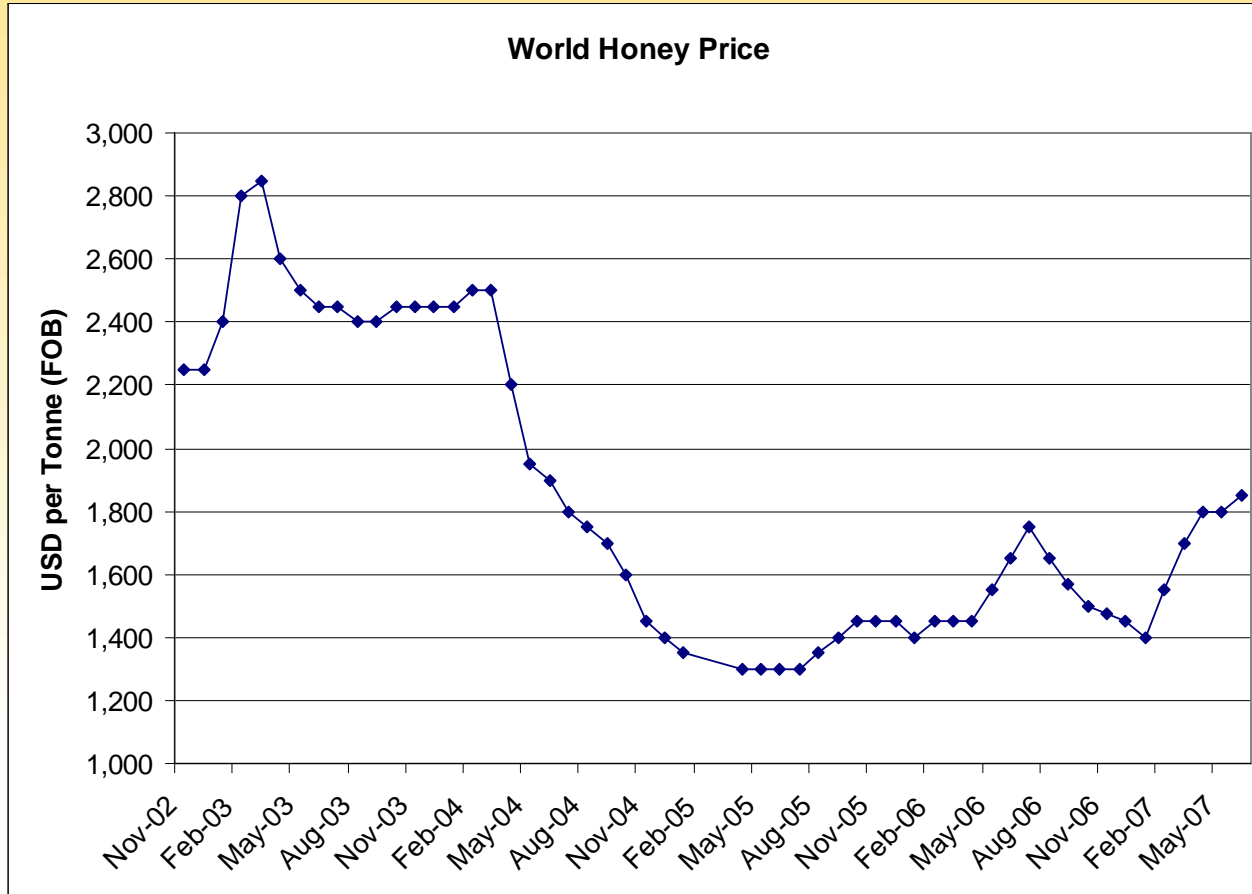


United Kingdom





# Export Bulk Prices







## Export Bulk Prices

	Exchange Rate (AUD-USD)															
	0.74	0.75	0.76	0.77	0.78	0.79	0.8	0.81	0.82	0.83	0.84	0.85	0.86	0.87	0.88	0.89
<b>1600</b>	2162	2133	2105	2078	2051	2025	2000	1975	1951	1928	1905	1882	1860	1839	1818	1798
<b>1650</b>	2230	2200	2171	2143	2115	2089	2063	2037	2012	1988	1964	1941	1919	1897	1875	1854
<b>1700</b>	2297	2267	2237	2208	2179	2152	2125	2099	2073	2048	2024	2000	1977	1954	1932	1910
<b>1750</b>	2365	2333	2303	2273	2244	2215	2188	2160	2134	2108	2083	2059	2035	2011	1989	1966
<b>1800</b>	2432	2400	2368	2338	2308	2278	2250	2222	2195	2169	2143	2118	2093	2069	2045	2022
<b>1850</b>	2500	2467	2434	2403	2372	2342	2313	2284	2256	2229	2202	2176	2151	2126	2102	2079
<b>1900</b>	2568	2533	2500	2468	2436	2405	2375	2346	2317	2289	2262	2235	2209	2184	2159	2135
<b>1950</b>	2635	2600	2566	2532	2500	2468	2438	2407	2378	2349	2321	2294	2267	2241	2216	2191
<b>2000</b>	2703	2667	2632	2597	2564	2532	2500	2469	2439	2410	2381	2353	2326	2299	2273	2247
<b>2050</b>	2770	2733	2697	2662	2628	2595	2563	2531	2500	2470	2440	2412	2384	2356	2330	2303
<b>2100</b>	2838	2800	2763	2727	2692	2658	2625	2593	2561	2530	2500	2471	2442	2414	2386	2360





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## Overview



## Profitability

<i>(\$,000's)</i>	<b>2006</b>	<b>2007</b>
<b>Revenue</b>	76,174	69,269
<b>Earnings before Interest &amp; Tax</b>	3,599	3,562
<b>Net Profit after tax</b>	1,390	1,875





## Balance Sheet Indicators

	2006	2007
<b>Current Ratio</b>	<b>2.91</b>	<b>3.58</b>
<b>Debt (Total Liabilities / Total Assets)</b>	<b>59%</b>	<b>58%</b>
<b>Net Assets (\$'000's)</b>	<b>26,164</b>	<b>28,098</b>
<b>Total Assets (\$'000's)</b>	<b>64,150</b>	<b>67,399</b>





## Medihoney

- Sale to Comvita
- Purchase price of \$6.0m
- Paid by cash (\$0.5) and shares in Comvita (\$5.5)
- Capilano retains potential benefits from wound care development in Comvita



## Comvita

The Comvita Directors have made profit forecasts of:

- NPAT 12 months to Dec 06 NZ\$1.5m
- NPAT 15 months to 31 March 08 NZ\$1.8m and NZ\$0.7 after acquisition adjustments
- NPAT 12 months to 31 March 09 NZ\$ 5.2m



## Operations

- More efficient use of factories and equipment, the change in location of retail and bulk packing operations in 2007 has produced considerable savings of over A\$800,000 per year.



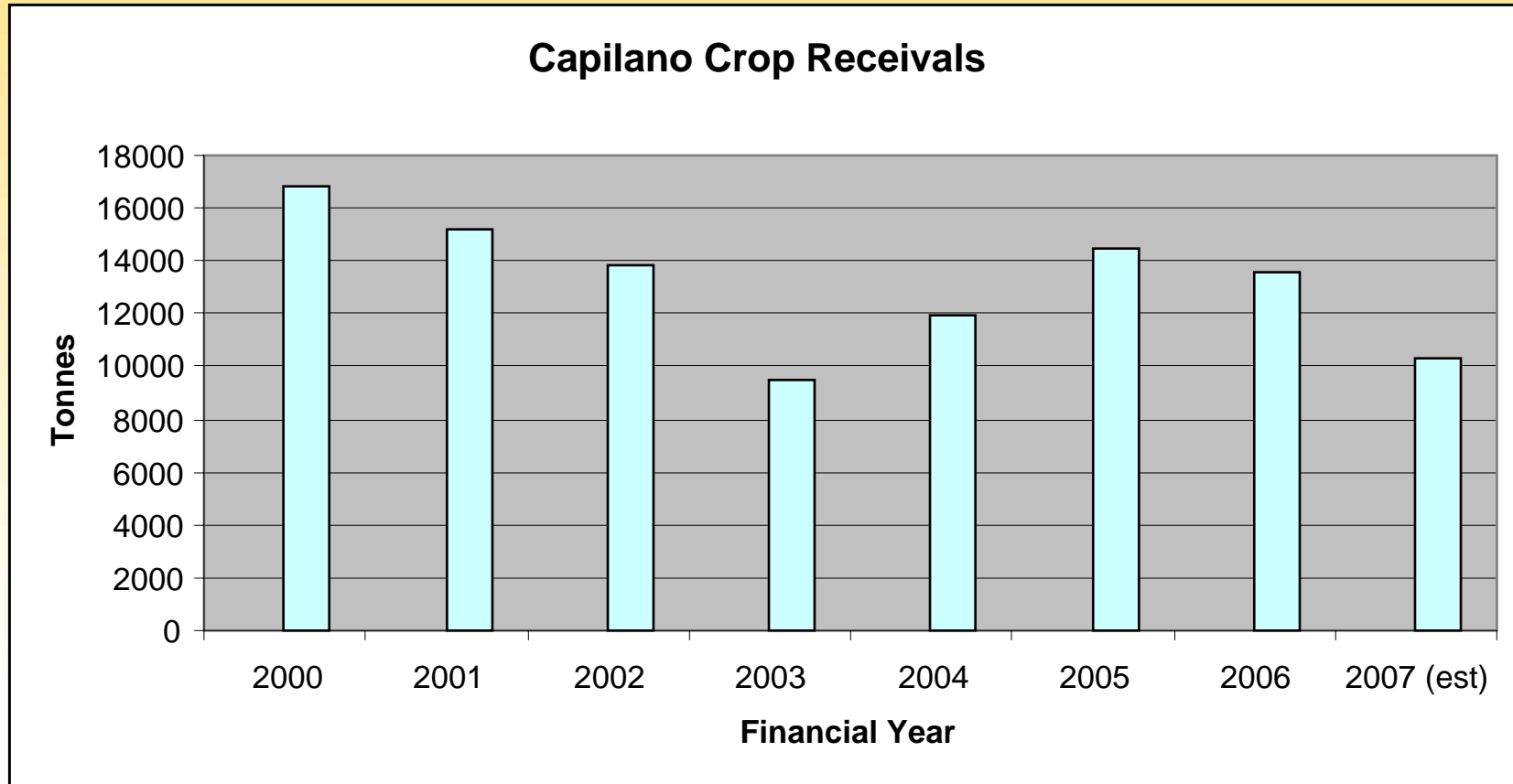
## Key Influencing Factors

- Drought
- Foreign Exchange
- Private Label





## Effect of Drought





## Foreign Exchange impact

Selling Price (USD 2100@0.88)	A\$2.38/kg
Drum, labour & overheads	(0.38)/kg
	-----
Return ( <u>before freight cost</u> )	A\$2.00/kg



## Private Label

- The private label market has expanded to an estimated 37% of the honey category from 29 % last year, a very significant change.
- New packers compete strongly for the private label business, driving down returns for the company.
- Low margin business annually put out to tender.



## Marketing

- Premium upside down Pack (involves re-design, equipment re-tooling and body sleeve design)
- Finalisation of a Single Serve product
- Finalisation of marketing program with Steve Irwin Management Company
- Re-launch of the floral range in new premium upside down packs & labels;
- Completion and implementation of consumer market research focus group project results.



## Outlook

- One Product – strength but also a risk
- Capilano's role in industry stability
- Private Label → declining revenue  
→ declining profit
- Honey Pricing → matching return to costs



## Honey Pricing Mechanisms

- Sales - a mix of high and low margin
- Cost of Honey - an average of the returns from your sales mix
- Competitors - only branded → higher honey price
- Capilano - match honey price to the market return



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Question Time