A Maltsters View of the Future

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BOORTMALT
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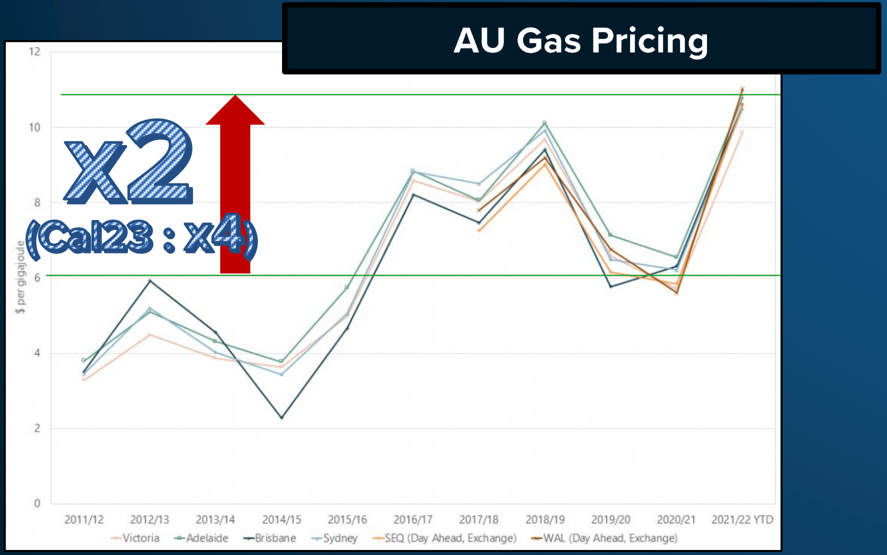
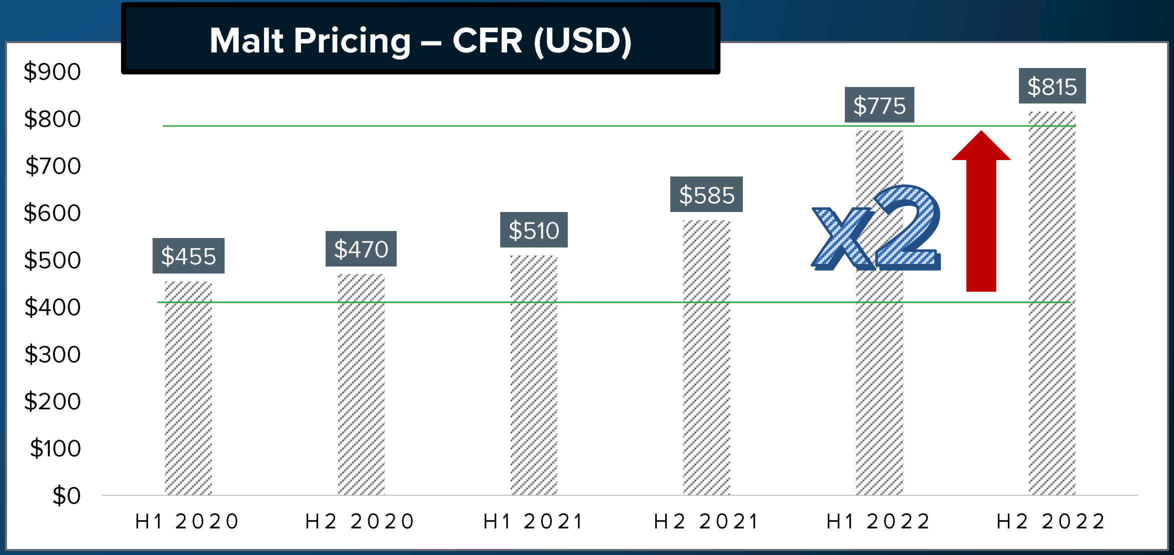
Global Malting Market.

General anxiety around security of supply.

› **Malt Pricing has increased x 2 since 2020 (CFR Basis)**

- **Barley:** x2.5 historical average
- **Logistics:** 15-20% increase in land transportation, sea transportation – port congestion, lack of containers
- **Energy:** Increase in global energy costs: EU Gas x5 historical average, AU gas x 3 higher



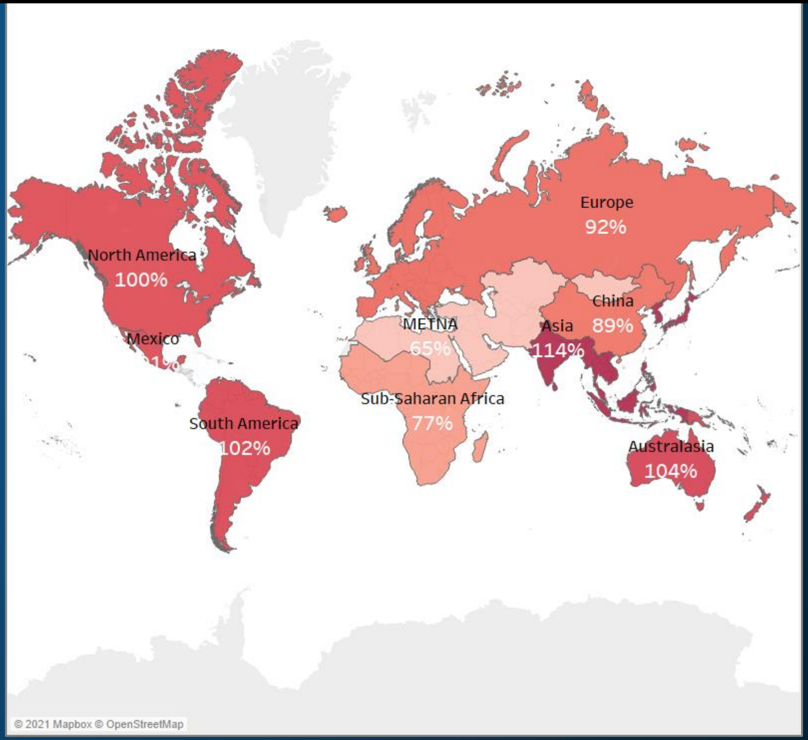


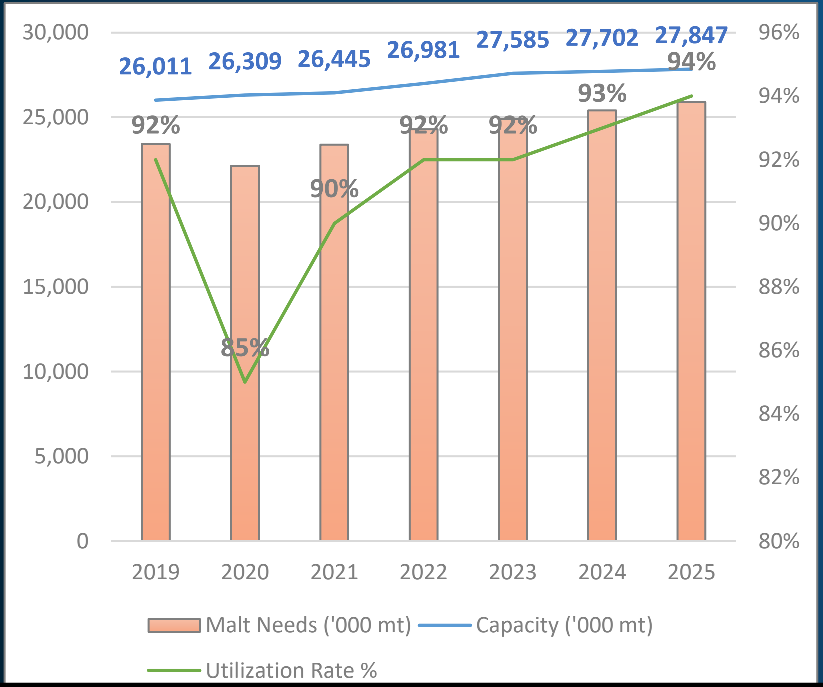
Malt Demand.

Growth above pre-covid levels with outlook for continued strong demand.

- **2022 demand** ≈ 1 Million tons of Malt extra demand vs pre-COVID
- **2025 demand** expected to add another 1.5 Million tons extra vs 2022
- No major export capacity addition/extension: malting utilization to increase 4% and reach over 100% in all major export hubs

Malt Production Utilisation – 2025 Forecast

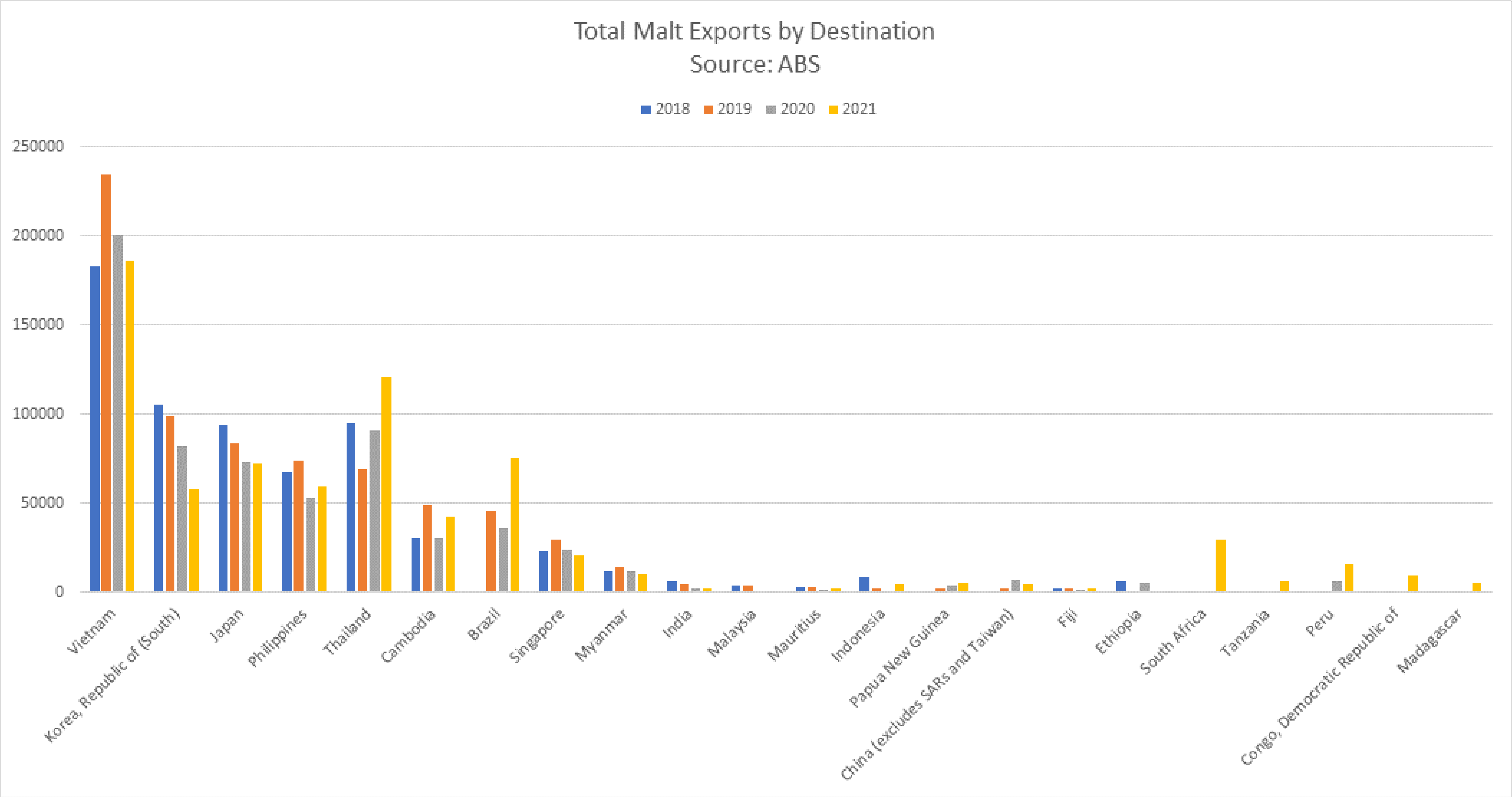




Global Supply & Demand – 2019 to 2025

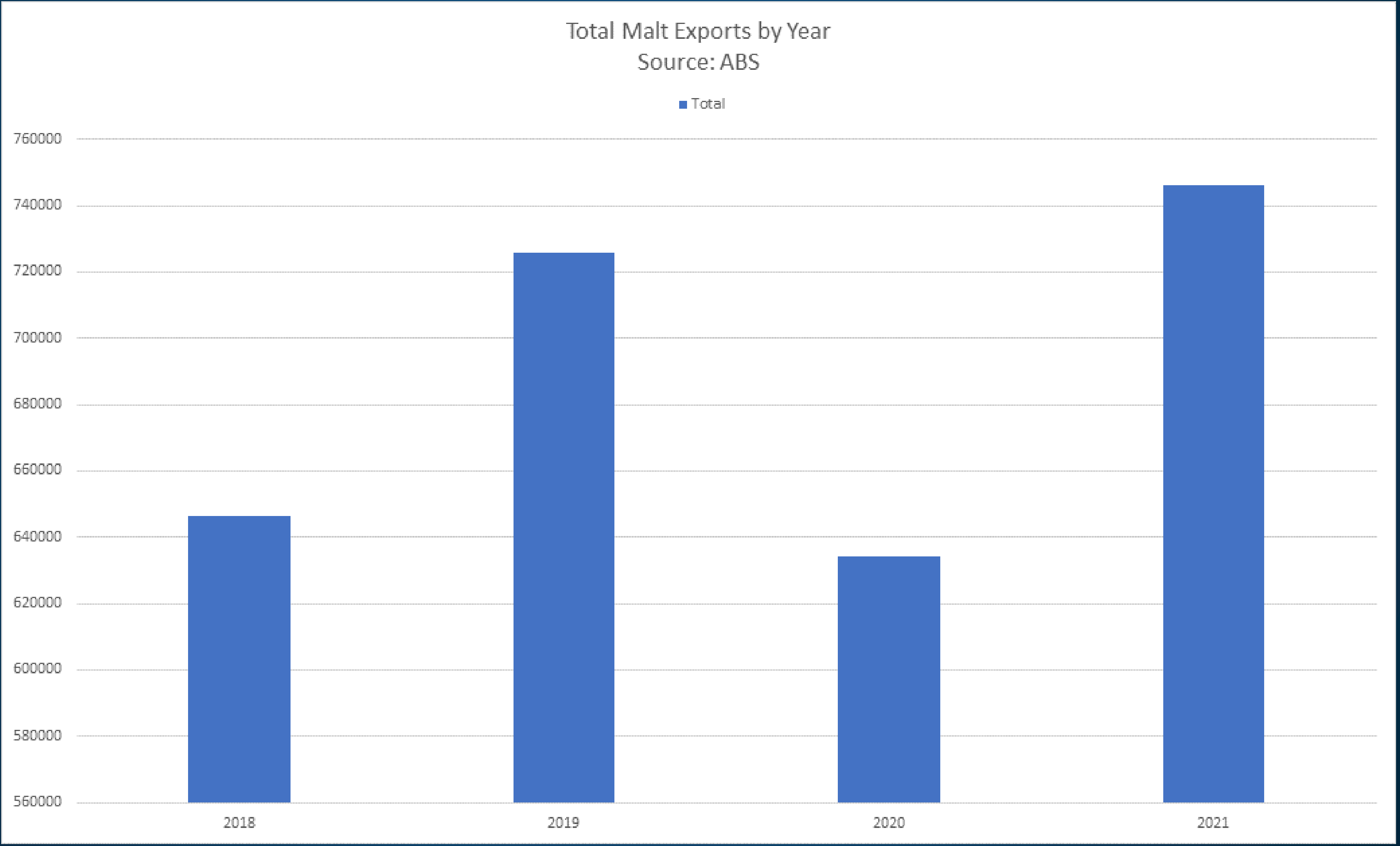
Total Malt Exports by Destination

Increased diversification over recent years



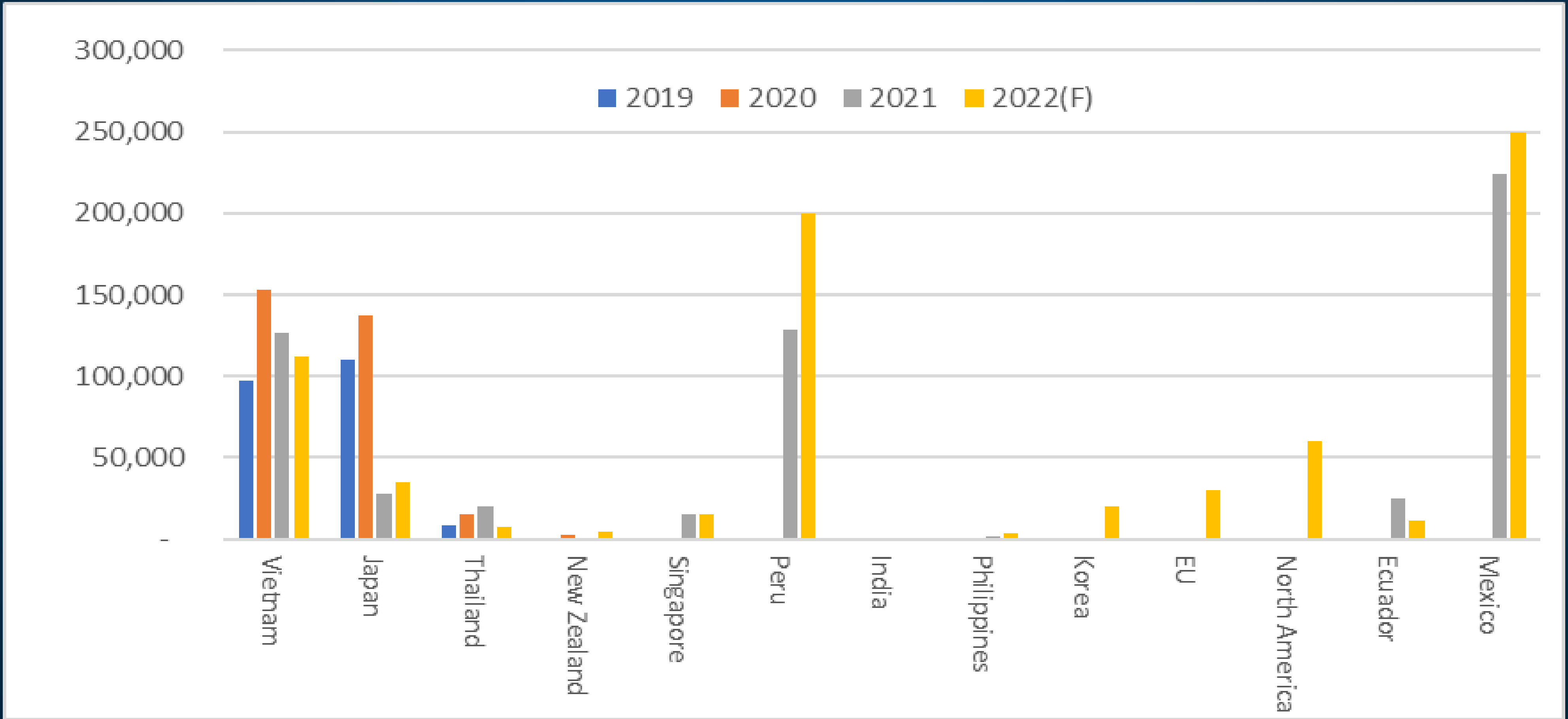
Total AU Malt Exports by Year

Strong post-Covid recovery in 2021



Total Malting Barley Exports (excluding China) by Destination

Lack of China presence driving increased diversification



Our Customers.

Customer & Market Trends.

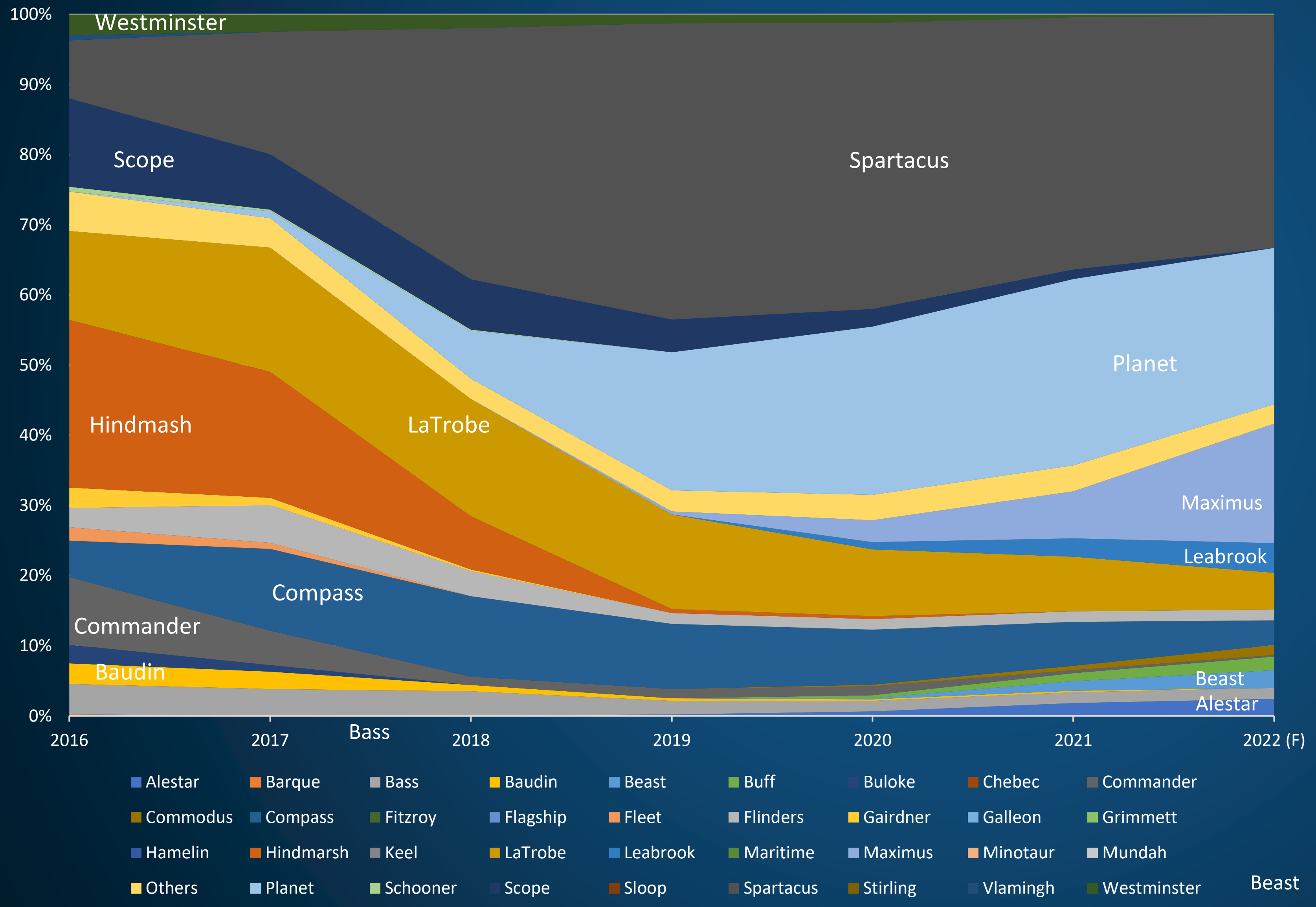
- **Global & Large Regional brewers** requesting extra LTA volume + duration
- **Boortmalt and other major maltsters** constrained with available capacity.
- **Heineken:** estimates total cost increase this year would be around 15%
  - Heineken beers prices increased 4-5% in Europe.
- Despite price inflation, beer sales rose 5% in average in 2021
- **Historically, beer proved to be quite inelastic to price.**
- **M&A Activity:** locally in Australia, large industrial brewers continue to acquire large craft brewery operations to compensate for a structural decline in traditional beer brands

A Maltsters View of the APAC Region….

Diversification is key

- Covid restrictions have eased globally, tourism is recovering in South-East Asia
- Beer market has recovered quickly, but is subject to global supply chain disruption
- Increased malt production has been met by customer demand
- Malt use in beer is steadily increasing as premium beer becomes more desirable in growth markets
- Sustainability, named low and zero carbon products are becoming opportunities for differentiation
- Malt barley prices have increased relative to feed barley due to global demand and diversification of Australian malt barley export destinations

Australian Malt Barley – Variety Development



- Spartacus and Planet dominate *__the national landscape__* in crop 21;
- LaTrobe remains strong in NSW;
- Compass resilient in SA and Vic Mallee but will be challenged by potential new varieties – Beast
- Spartacus showing signs of disease breakdown. Its replacement Maximus, gaining traction particularly in WA;
- Planting area of older varieties Westminster, Bass, Scope and Baudin niche at best. Farmers switched to higher yielding Planet

Newly Accredited Malting Barley (Feb 2022)

- Diversity of varieties is key, important for blending to give the maltster & brewer maximum flexibility
  - Homogeneity of the barley variety, and segregation availability
- Newly Accredited: Kiwi (high rainfall) & Bottler (medium rainfall). High fermentability, well suited to export markets. Western Australia suitability?
- Pipeline varieties appear to be not well-suited to export market.
- Desirable traits
  - Export market demand (high fermentability)
  - Sustainable Barley e.g. process efficiency (single steep, lower kilning time)

A Maltsters View Closer to Home

Western Australia Focus

- Market dominance from Spartacus to Maximus
  - Anticipated enzymatic increase will affect brewers considerably
  - Management of crop switch from pipeline to consumer

- Demand remains strong for non-additive barley varieties but we need a mix
  - Bass, Planet & Flinders remain an important part of the maltsters demand portfolio
    - For ‘non-additive only’ customers
    - For blending up quality when growing seasons are tough

- Increased frequency of non-germinating barley seen in 2021. Rumblings of the same in 2022 but lack of typical catalysts (frost, pre-harvest germination) – Why?

- GIWA Receival Standards:
  - Supportive of the removal of the colour specification, however we will continue to push that less subjective testing measuring viability be implemented (i.e. Falling Number, RVA Testings as pet GTA)
  - Need confidence in testing standards as we may process barley 12-18 months post-harvest

Baseline 2020/21 – Target 2030/31

4 CORE OBJECTIVES

Health & Safety

0 injury

through excellent health & safety programmes.

Water conservation

30% water reduction

per MT of Malt produced through efficiency and re-use

Sustainable farming

50% of barley base

engaging in one or more sustainable farming practices.

Energy use & Emissions reduction

50% emissions reduction

through reduced consumption & renewable energy sources.

5 SUPPORTING OBJECTIVES

No waste to landfill

packaging footprint reduced by 50%.

Full traceability

and where customer requires, using blockchain.

Every plant to be engaged...

in one or more local community initiatives.

All employees to respect...

our business ethics manual & our supplier code of conduct.

Equal pay & opportunity across all sites

Diversity and inclusion in line with UN guidelines.

BOORTMALT GOALS

30-31 Targets vs 20-21 baseline

Sustainable farming

- **100%** SAI or equivalent certified farms in Europe and 50% in all other regions
- **50%** dedicated carbon measured supply chains.
- **25%** regenerative farming.
- **5%** niche carbon neg farming

Water conservation

- Continue on our path of **- 50%** => < 2 m³ water per MT/Malt.
- Work with **local communities** in high risk areas.

Targets under evaluation

Energy use efficiency & Emissions reduction

- Aim for the **SBTi target** to keep global warming **below 1.5 C°** increase.
- **42%** reduction in absolute emissions
- **50%** renewable energy used.
- **25%** 0-emissions farming.
- **25%** reduced logistics emissions.

Health & Safety

- Group Safety target of **“0” harm**.
- Being recognised as the **safest place to work** in the industry.

Sustainable Farming Roadmap

2030-2031

50% Barley offered to the market
- Carbon reduced
- Carbon neutral
- Carbon negative

Climate ‘robust’ varieties program in place
SAI + CFT or equivalent continued
Carbon Certificates & Credits continued

2024-2025

Projects continued => measurable footprint reductions
Farmer base extended to +5000 ??
Boortmalt low carbon barley/malt program taking off
Carbon Certificates generated
BI reporting in place
First Carbon Credits generated
SAI + CFT new certification program

2022-2023

Projects continued
CFT Farmer base extended to + 1000 ?
BI reporting on Scope 3 introduced
Boortmalt low carbon barley /malt program developed
First Carbon Certificates generated ?
SAI or equivalent continued

2021-2022

Projects set up with
- Customers
- Axereal: Bas Carbone
- Coops/Dealers/Traders
- Farmers
- SoilCapital / SouthPole
- BASF / Goldstandard

CFT farmer base extended to +500
SAI or equivalent continued

2020-2021

CFT selected for Scope 3 Barley data gathering
First farmers entered in the program
SAI or equivalent ongoing

Conclusions

A Maltsters View of the Future

- Strong malting barley premiums being offered for 2023, indicative of current demand pull for malt. Despite better than expected yield & quality on EU winter barley. Spring crop may be more affected by heat last two months.
- Expected return of normalised conditions in Canada, and good prospects for South Hemisphere crops in Argentina & Australia. So we could see pressure on global malting premium.
- On balance expect supportive malting premiums and so looking for appropriate segregations for growers to realise this value.
- We need to maintain some diversification in varieties
- Expect increased seasonal volatility due to weather events.
- Global brewers are looking for action on sustainability, in lower demand pull environment this could be important differentiator of malt supply
- Work collaboratively to reduce carbon footprint, brewers will pay but we have to demonstrate the cost

Thank You

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