



Bega Cheese Annual General Meeting

Barry Irvin – Executive Chairman
Paul van Heerwaarden – CEO

Agenda



- § 2017 Annual Report
 - § Executive Chairman's Report
 - § Chief Executive Officer's Report
- § Questions
- § Approval of Remuneration Report
- § Election of Directors

Welcome



- § Shareholders
 - § Suppliers
 - § PricewaterhouseCoopers
 - § Addisons Lawyers
 - § Link Market Services
 - § Bega Cheese Staff
-
- § Apologies

Bega Cheese Limited

2017
Annual Report

Executive Chairman's Report

Barry Irvin – Executive Chairman



Key Messages


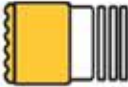






- § Creating a great Australian food company
- § Key strategic transactions
 - § Mondelez Grocery Business
 - § Mead Johnson
- § Successful capital raising
- § Revenue growth 3%
- § EBITDA growth 250% (normalised 7%)
- § Profit growth 382% (normalised 4%)
- § EPS growth 381% (normalised 4%)
- § Business stability in a volatile environment



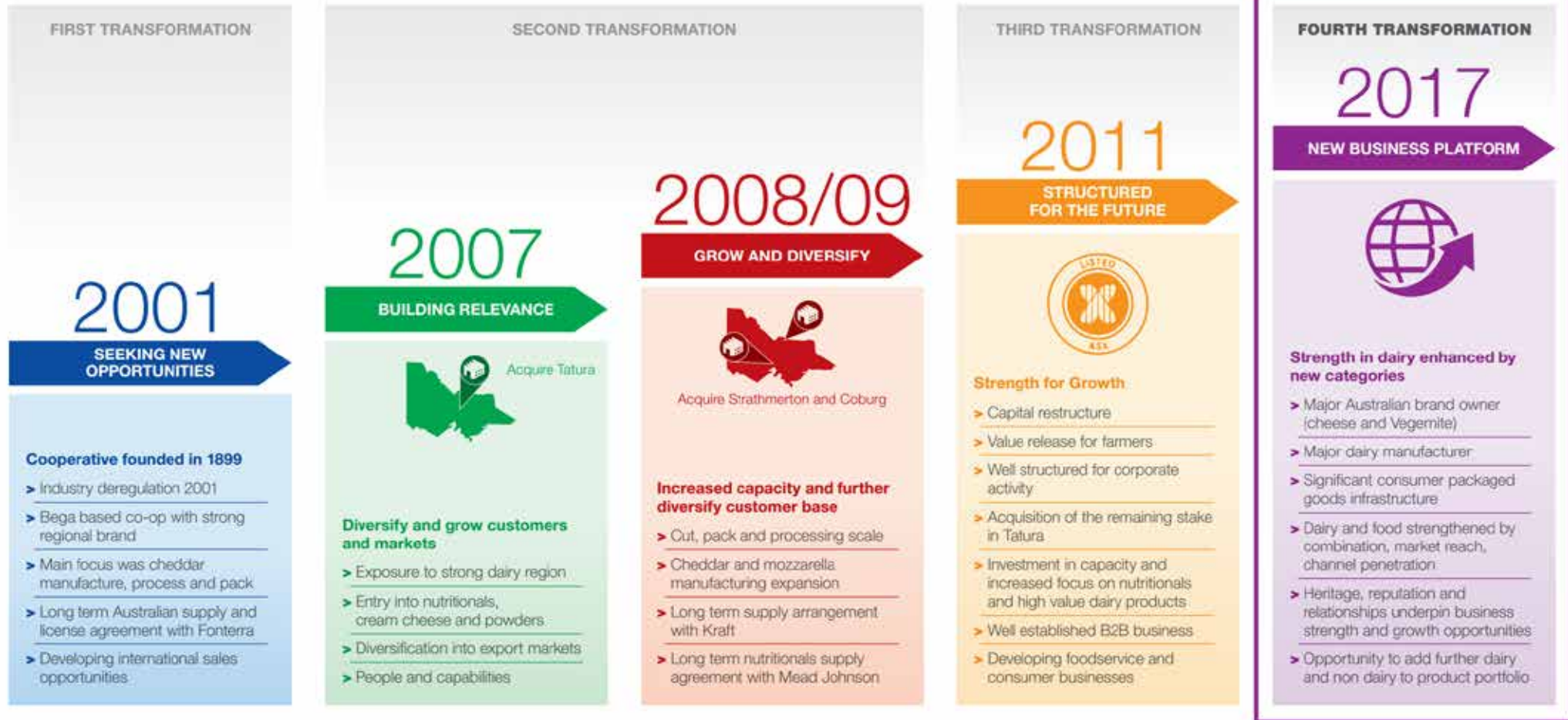
KEY HIGHLIGHTS



	2017	2016
REVENUE (\$'000) 	1,226,663	1,195,967
PRODUCTION VOLUME (TONNES) 	236,928	238,156
EBITDA (\$'000) 	70,620 <small>NORMALISED</small> 228,850 <small>STATUTORY</small>	66,009 <small>NORMALISED</small> 65,405 <small>STATUTORY</small>
PROFIT AFTER TAX (\$'000) 	30,331 <small>NORMALISED</small> 138,748 <small>STATUTORY</small>	29,202 <small>NORMALISED</small> 28,779 <small>STATUTORY</small>
BASIC EARNINGS PER SHARE (CENTS) 	19.9 <small>NORMALISED</small> 90.9 <small>STATUTORY</small>	19.1 <small>NORMALISED</small> 18.9 <small>STATUTORY</small>
TOTAL DIVIDEND PER SHARE (CENTS) 	10.0	9.5

Normalised results exclude the impact of significant events occurring during the year.

Bega Cheese Transformation



Mondelez Grocery Business Overview



- § Cultural fit – Heritage, community, customers
- § Diversifies Bega Cheese into complementary markets and categories beyond dairy
- § Enhances our skills and capability to continue to evolve
- § Complements our significant knowledge of lean and innovative food manufacturing processes
- § Acquisition facilitates growth and extends our capabilities.



Strong Marketing Properties and Branding



Mead Johnson Transaction



- § Long term nutritional partnership strengthens Bega Cheese's relationship with one of its key customers
- § Sale of one spray dryer at Tatura and the infant formula finishing plant at Derrimut, Melbourne
- § Sale proceeds of \$200 million:
 - § \$180 million received in April 2017
 - § \$10 million received in June 2017
 - § Balance of \$10 million due by 31 December 2017
 - § Used to fund MDLZ Grocery Business acquisition by reducing debt funding required
- § Secures revenue streams via a 10 year access and service agreement



Capital Raising

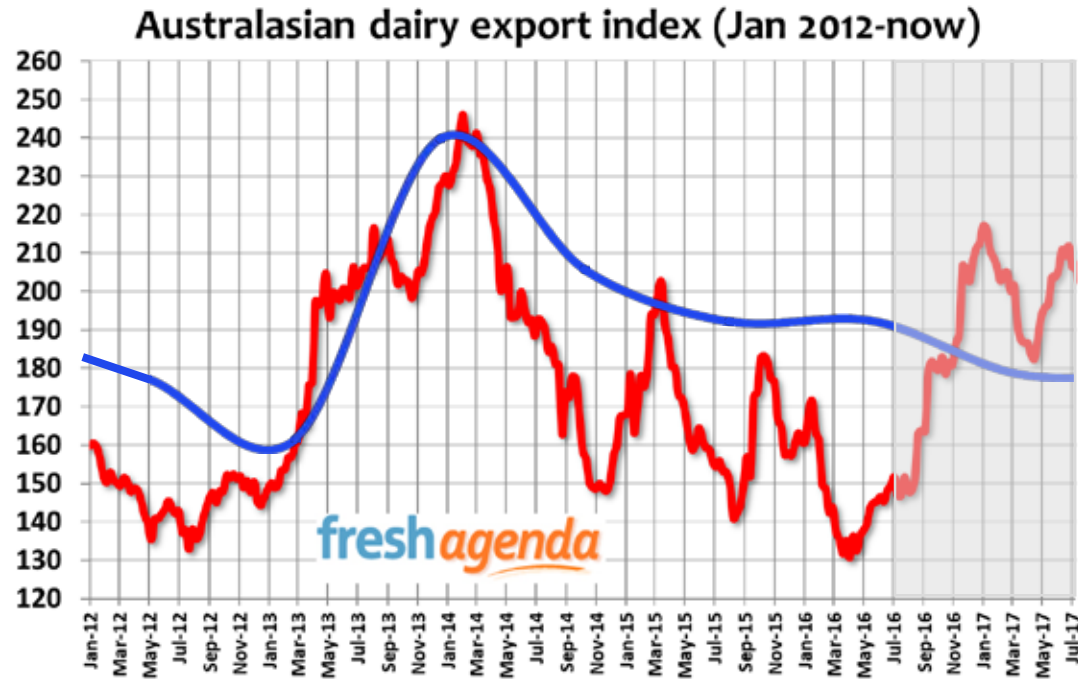


- § Bega Cheese targets \$160 million capital
- § Strengthen balance sheet and position for growth
- § Share Placement Plan target \$122.5 million (\$5.35)
- § Share Purchase Plan target \$37.5 million (\$5.25)
- § Significantly over subscribed
- § Placement scaled back, all valid applications for the SPP accepted
- § Capital raised \$172.7 million

Customer Relationships



Dairy commodity price and farm gate milk price



— Export trend index - global commodity prices/Australian currency impact source *freshagenda*

— Bega Cheese southern farm gate milk price trend

FY2015 Milk price \$6.00 per Kg MS

FY2016 Opening and closing milk price \$5.60 per Kg MS

■ FY2017 Opening milk price \$5.00 per Kg MS

■ FY2018 Opening milk price \$5.50 per Kg MS

§ FY2017 milk supply stable

§ 654 million litres direct milk intake

§ Strong performance in context of 7% decline in national production and 15% decline in northern Victorian production

§ New suppliers added in FY2017 further additional supply in FY2018



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Chief Executive Officer's Report


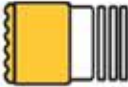




Paul van Heerwaarden – CEO





KEY HIGHLIGHTS



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Reconciliation of Statutory to Normalised Result



Consolidated Period Ending 30 June 2017	Per Financial Statements \$'000	Inventory Losses \$'000	Bega Foods Acquisition Costs \$'000	Sale of Nutritional Assets \$'000	Asset Impairments \$'000	Normalised Outcome \$'000
Revenue	1,226,663	-	-	-	-	1,226,663
Cost of sales	(1,072,436)	8,085	-	-	-	(1,064,351)
Gross profit	154,227	8,085	-	-	-	162,312
EBITDA	228,850	8,085	11,518	(177,833)	-	70,620
Depreciation, amortisation and impairment	28,023	-	-	-	3,347	(24,676)
EBIT	200,827	8,085	11,518	(177,833)	3,347	45,944
NET finance costs	(2,789)	-	-	-	-	(2,789)
Profit before income tax	198,038	8,085	11,518	(177,833)	3,347	43,155
Income tax expense	(59,290)	(2,425)	(3,455)	53,350	(1,004)	(12,824)
Profit for the year	138,748	5,660	8,063	(124,483)	2,343	30,331
Basic earnings per share - cents	90.9					19.9

Cash Flow



	FY2017 \$m	FY2016 \$m
Receipts from customers	1,274.9	1,241.1
Payments to suppliers	(1,203.8)	(1,175.9)
Interest and other costs of financing paid	(3.2)	(3.8)
Income tax paid	(10.7)	(3.3)
Operating activities	57.1	59.0
Investing activities	151.3	(39.6)
Financing activities	257.5	(20.0)
Net increase/(decrease) in cash and cash equivalents	465.9	(0.6)

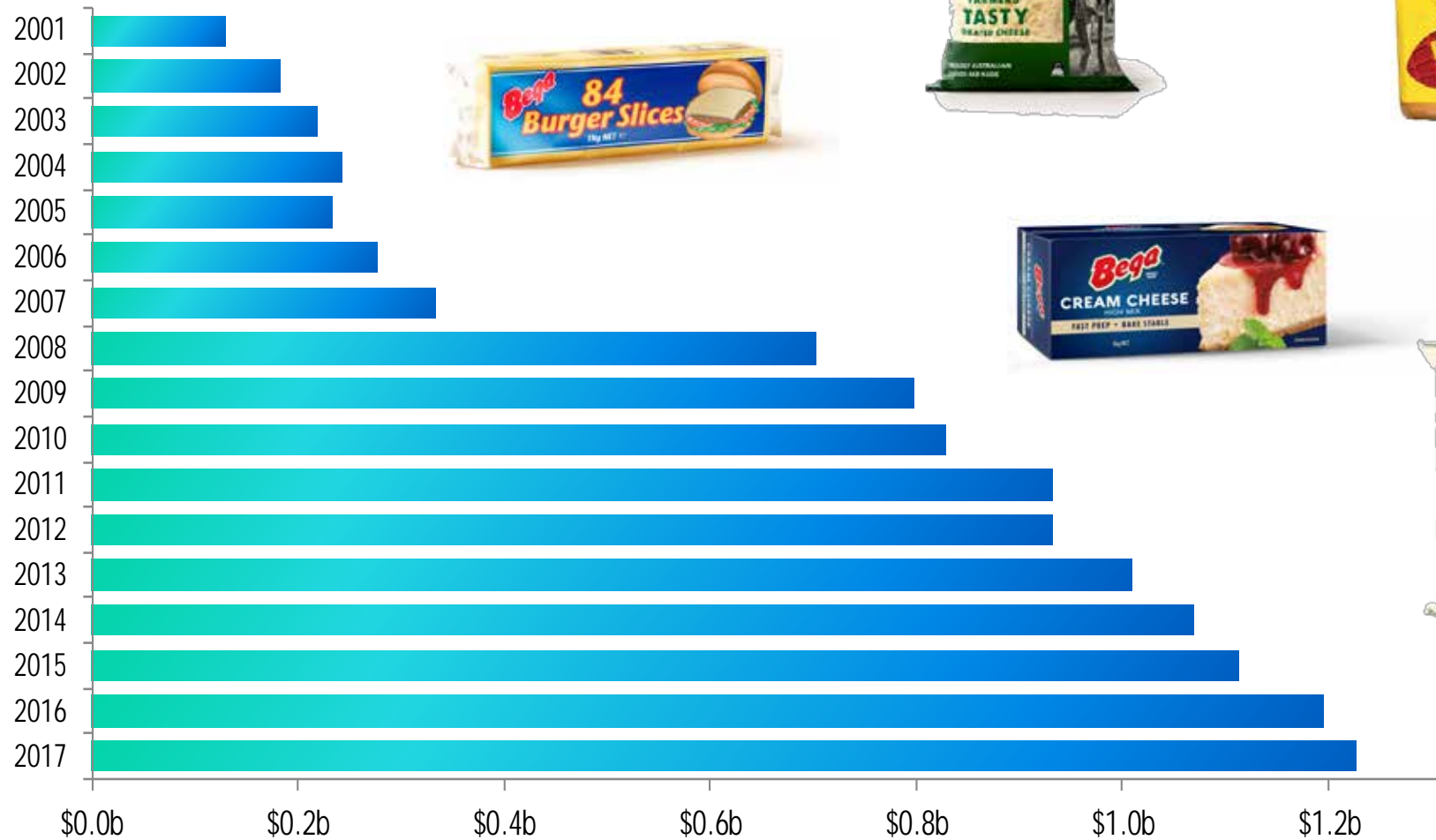
§ High cash position as a result in delay in Mondelez Grocery Business settlement
(Scheduled 30 June actual 4 July)

Balance Sheet (extract)



	FY2017 \$m	FY2016 \$m
Cash	475.5	9.7
Trade and other receivables	168.5	143.7
Inventories	167.9	192.4
Property, plant & equipment	196.8	219.9
Total Assets	1,056.3	586.7
Trade and other payables	169.3	156.0
Borrowings (net of costs)	215.3	62.7
Total Liabilities	485.6	258.8
Net Assets	572.7	327.8
Net Cash / (Debt)	260.2	(53.1)

Group Sales



Business Platforms



Bega Brand

- § Number one Australian cheese brand with 15.7% market share
- § Brand portfolio available in over 40 countries

Food Service and Consumer Goods

- § International portfolio now exceeds \$100 million
- § Continued growth in domestic cheese cut, pack and processing

Nutritionals

- § Regulation changes – challenges and opportunities
- § Recovery and growth in key markets

Bionutrients

- § Recovery in lactoferrin markets
- § Ongoing investments in product and market development



Note: Bega Cheese brand franchised to Fonterra Brands (Australia) for the Australian market

Operations and Infrastructure



NEW SOUTH WALES

VICTORIA



TATURA
236 Hogan Street
Tatura VIC 3616 Australia



DERRIMUT
11 Benn Court
Derrimut VIC 3090 Australia



COBURG
10-16 Allenby Street
Coburg VIC 3058 Australia



PORT MELBOURNE
1 Vegemite Way
Port Melbourne VIC 3207 Australia



PORT MELBOURNE
664 Lorimer Street
Port Melbourne VIC 3207 Australia



STRATHMERTON
Murray Valley Highway
Strathmerton VIC 3641 Australia



BEGA CHEESE MANUFACTURE
11-13 Lagoon Street
Bega NSW 2550 Australia



**BEGA HEAD OFFICE AND
PROCESSING & PACKAGING PLANT**
23-45 Ridge Street
Bega NSW 2550 Australia

- § Production of 236,928 tonnes
- § Commenced continuous improvement program
- § Capital expenditure
 - § Slice line at Ridge St, Bega
 - § Shred line at Ridge St, Bega
 - § Cream cheese at Tatura
 - § Management information system

Workplace Safety and Environmental



Workplace safety

- § 15% decrease in TRIFR
- § Safety behaviour leadership program

Environmental

- § 6.5% energy decrease per tonne of production
- § 6.7% decrease in water usage across the group
- § Sustainability report

Strategic Focus



“The Great Australian Food Company”

- § Build and protect key business platforms
- § Leverage sales channels and brand strength
- § Integrate operational excellence
- § Continue to develop strong leadership team
- § Respond to international demand and changing markets
- § Maximise product returns and mix
- § Continue to pursue acquisitions that delivery synergies and value



Where we are Today?



A stable business growing in dairy and building in food

- § Completing the MDLZ Grocery Business acquisition on 4 July 2017
- § Brand portfolio including iconic Australian brands Bega and Vegemite
- § Company of choice for dairy farmers with strong milk supply growth
- § Stability in dairy nutritional business
- § Growing high value dairy ingredients business
- § International and Australian food service and retail channels well developed
- § Potential new corporate opportunities emerging in dairy and food

Our focus



Creating a great Australian food company

- § Protect the strengths, reputation and returns of the existing businesses
- § Manage volatility in changing markets and maintain a globally competitive supply chain
- § Leverage and grow the iconic brand portfolio
- § Expand channels and markets for our products
- § Build on sales strength and operational knowledge of the combined business
- § Optimise cashflow
- § Invest for efficiency and optimisation of infrastructure
- § Maintain a strong balance sheet
- § Remain agile and well positioned to identify and execute corporate opportunities



Bega Cheese Limited

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Formalities and Voting

Barry Irvin – Executive Chairman



Remuneration Report



- § Pages 22-30 of Annual Report
- § Board, Executive Chairman, CEO and other key management personnel
- § Market data and external advisors

Resolution

- § *Adopt remuneration report for the year ended 30 June 2017*

Remuneration Report Proxies



- § Total Votes – 78,572,099 (42.46%)
- § For – 76,663,052 (97.57%)
- § Open – 1,542,943 (1.96%)
- § Against – 366,104 (0.47%)

Election of Directors



- § Richard Parbery
- § Peter Margin
- § Terrence O'Brien

Election of Directors



- § Total Votes – 80,988,764 (43.76%)
- § For – 51,978,202 (64.18%)
- § Open – 1,500,976 (1.85%)
- § Against – 27,509,586 (33.97%)



Richard Parbery

Election of Directors



- § Total Votes – 80,986,907 (43.76%)
- § For – 71,920,960 (88.81%)
- § Open – 1,503,939 (1.86%)
- § Against – 7,562,008 (9.34%)



Peter Margin

Election of Directors



- § Total Votes – 80,960,637 (43.75%)
- § For – 78,674,442 (97.18%)
- § Open – 1,511,296 (1.87%)
- § Against – 774,899 (0.96%)



Terry O'Brien

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