

ANNUAL GENERAL MEETING

BEGA CHEESE LIMITED



2013 Annual General Meeting

Executive Chairman

Barry Irvin AM

AGENDA

- 2013 Annual Report
 - Executive Chairman's Report
 - Chief Executive Officer's Report
- Questions
- Approval of Remuneration Report
- Election of Directors
- Constitutional changes

WELCOME

- Shareholders
- Suppliers
- Pricewaterhouse Coopers
- Addisons Lawyers
- Kidder Williams
- Bega Cheese Staff

- Apologies

2013 Annual Report

Executive Chairman's Report

Barry Irvin AM

A YEAR OF ACHIEVEMENT

- Improved financial performance
- Strengthened customer relationships
- Infrastructure investment
- Challenging year on farm
- Improved outlook
- Corporate activity

FY2013 RESULTS HIGHLIGHTS

**Revenue
Growth
8.3%**

**EBITDA
growth
13.2%**

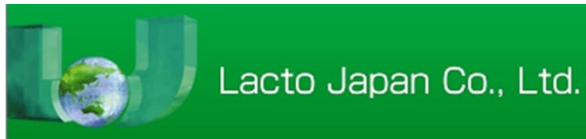
**PAT
growth
24.6%**

**EPS
16.76
cps**

**Total
dividend
7.5 cps**

- Revenue to \$1,010m
- EBITDA \$64.3m
- PAT \$25.4m
- Net debt \$86.7m
- Total FY2013 dividend 7.5 cps
- Strong revenue growth in all business areas, particularly contract pack and nutritionals
- Prior year included one-off expenses associated with listing

CUSTOMER RELATIONSHIPS



BALANCE SHEET EXTRACT

	FY2013 \$m	FY2012 \$m
Trade and other receivables	104.3	95.8
Inventories	163.3	162.7
Investments	39.0	30.9
Property, plant & equipment	210.9	204.6
Total Assets	551.5	516.0
Trade and other payables	144.9	130.5
Borrowings	110.9	114.8
Total Liabilities	289.5	269.5
Net Assets	262.0	246.4
Net debt	86.7	108.7



MILK INTAKE

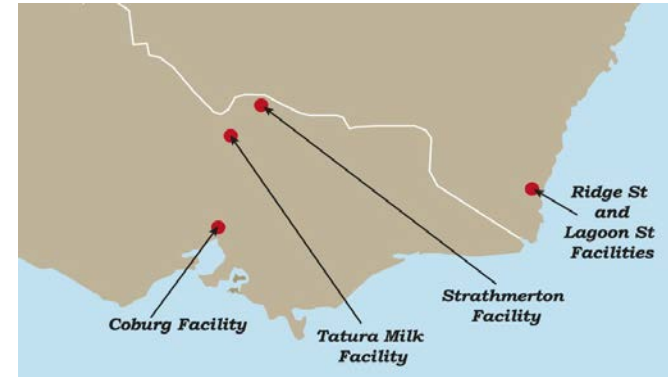
	FY2013 million litres	FY2012 million litres
Bega	191	182
Coburg	107	100
Tatura	343	401
Contract	54	42
Total	695	725

- Milk pool well balanced to meet production requirements
- Difficult dairy farming circumstances

INFRASTRUCTURE

- Capital expenditure \$27.8m
- Investment in capacities
- Integrated infrastructure
- Process improvement
- Risk management capability

Map of facilities

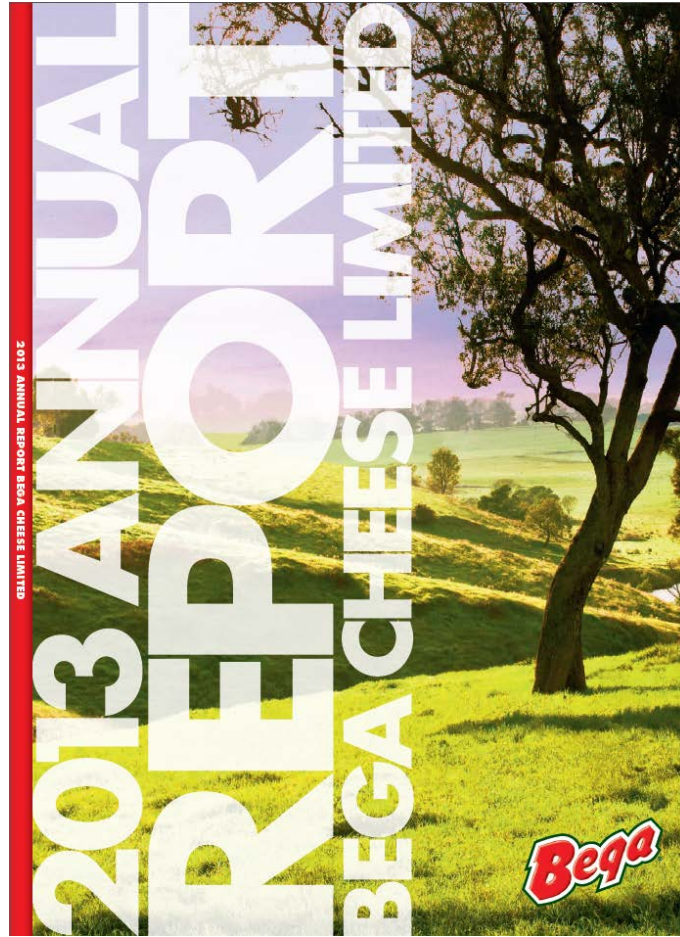


STRATEGIC PRIORITIES

- Infant formula/nutritionals blending and canning capacities
- Manufacturing improvement/integration plan
- High value whey processing
- Ongoing development of international FMCG business
- Customer service/value creation
- Improved milk supplier returns

OUTLOOK

- Improved and stable global dairy commodity prices
- Improved currency relativity
- Business improvement/integration initiatives adding value
- Improved farm gate milk prices
- Global supply/currency/trade relativities continue to create a volatile environment



2013 Annual Report

Chief Executive officer's Report

Aidan Coleman

GROUP BUSINESS PERFORMANCE

	2013 \$ m	2012 \$ m		%
Sales Revenue	1,010	933	↑	8.3
EBITDA	64	57	↑	13.2
EBIT	43	36	↑	21.3
NPBT	35.3	27.1	↑	30.5
Tax	(9.9)	(6.7)		
NPAT	25.4	20.4	↑	24.6

BEGA BRAND



INFANT FORMULA



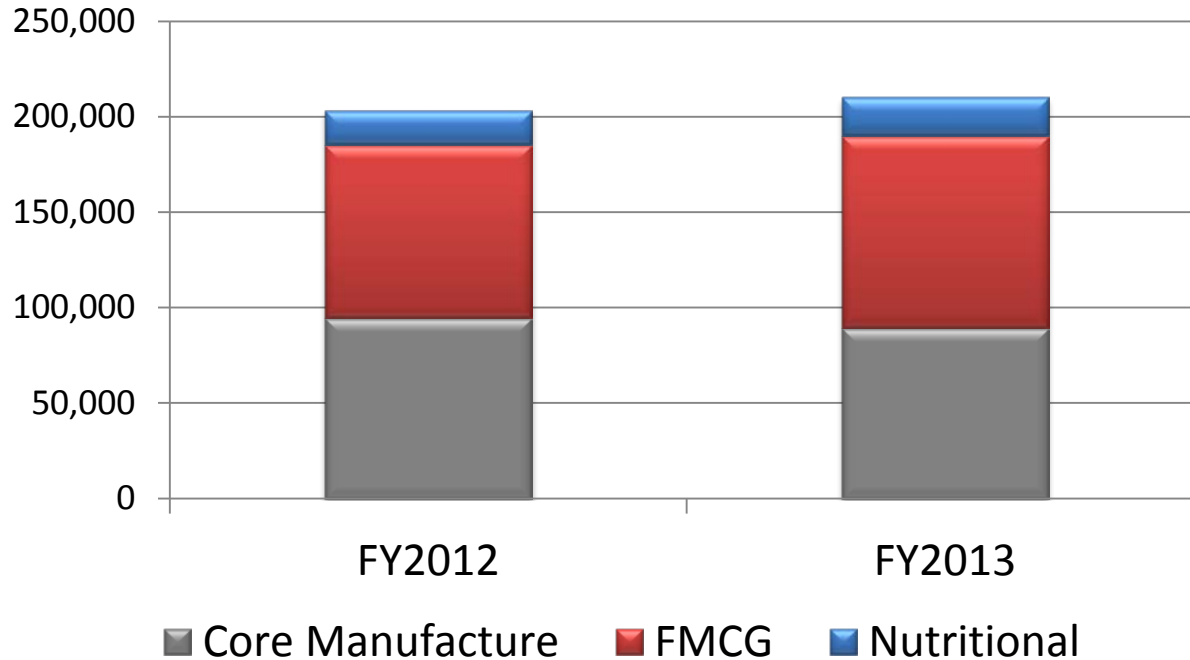
EXPORT PRODUCTS



BEGA BRAND



PRODUCTION



- Total production 210,052 tonnes increase of 3%

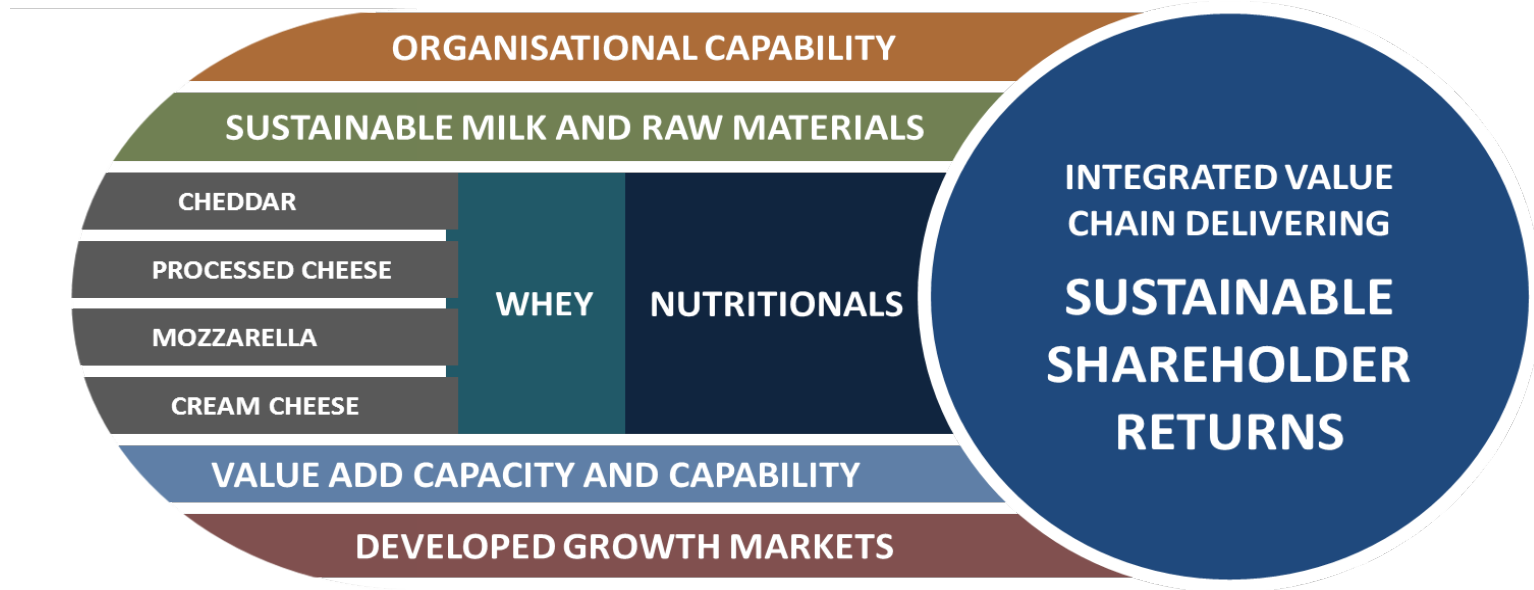
CASH FLOW EXTRACT

	FY2013 \$m	FY2012 \$m
Receipts from customers	1,041.0	945.6
Payments to suppliers	(966.9)	(944.4)
Interest and other costs of financing paid	(8.1)	(8.8)
Income tax paid	(4.0)	(3.0)
Operating activities	62.0	(10.6)
Investing activities	(29.3)	(30.1)
Financing activities	(11.4)	23.0
Net increase/(decrease) in cash and cash equivalents	21.3	(17.7)

- Cash flow benefiting from working capital control, with inventory build up complete
- Investing activity includes \$27.8m on capital expenditure



STRATEGIC FOCUS AREAS



Formalities and Voting

Executive Chairman

Barry Irvin AM

REMUNERATION REPORT

- Pages 16 – 26 of Annual Report
- Board, Executive and key management personnel
- Market data and external advisors
- No change to Director's fees

Resolution

- *Adopt remuneration report for the year ended 20 June 2013*

REMUNERATION REPORT

Proxies

- Total votes – 29,056,464 (19.13%)
- For – 25,263,645 (86.95%)
- Open – 3,557,056 (12.24%)
- Against – 235,763 (0.81%)

ELECTION OF DIRECTORS

- Max Roberts
- Richard Platts

ELECTION OF DIRECTORS

Max Roberts

- Total Votes – 28,629,783 (18.85%)
- For – 24,578,357 (85.85%)
- Open – 3,109,747 (10.86%)
- Against – 941,679 (3.29%)

ELECTION OF DIRECTORS

Richard Platts

- Total Votes – 28,629,783 (18.85%)
- For – 24,555,865 (85.77%)
- Open – 3,129,385 (10.93%)
- Against – 944,533 (3.30%)

CONSTITUTIONAL CHANGES / WCB OFFER

- Constitution currently sets 10% max cap on shareholdings
- WCB shareholder who accepts the Bega Cheese offer may be issued with shares as consideration beyond 10%
- Special resolution will allow share issues under a takeover bid or scheme of arrangement as an exception to the cap
- All other share acquisitions remain subject to the cap
- If an exempt issue of shares gives a person more than 10% their shareholding level becomes the new cap
- Maximum shareholding cap retained but (perhaps) at a new level

REASONS FOR THE OFFER

- The history of Bega Cheese 18% of WCB
- Shared history, culture and ambition
- Next logical step in dairy industry consolidation
- Major cheddar and processed cheese production facilities
- Substantial cutting, packaging and processing operation
- Scale of dairy nutritionals, milk powders and cream cheese manufacturing
- Synergies \$7.5 million
- Well positioned to create value and improve returns across entire supply chain

WCB OFFER

- 1.2 Bega Cheese shares and \$2 cash
- Valuing WCB at \$385m

Timetable

- Offer announced 12 September
- Offer open until 28 November
- Offer conditions e.g. ACCC
- Bega Cheese constitutional change

OUTCOME OF OFFER

- 7 integrated manufacturing sites
- 1,000 dairy farmers from southern NSW, VIC and SA
- Revenues exceeding \$1.5 billion
- Milk intake 1.6 billion litres
- 350,000 tonnes total annual dairy production
- Market capitalisation circa \$845 million

OUTCOME OF OFFER

	SCENARIO 1 Obtains a Relevant Interest in 100%	SCENARIO 2 Obtains a Relevant Interest in 50.1%	SCENARIO 3 Obtains a Relevant Interest in 30%
BGA Shares issued to WCB shareholders	54.4 million	21.2 million	7.9 million
Total BGA Shares on issue following completion of the Offer	206.2 million	173.1 million	159.8 million
New BGA Shares as a percentage of total Bega Cheese Shares on issue following completion of the Offer	26%	12%	5%
Debt required to fund the acquisition and transaction costs	\$95.7 million	\$39.0 million	\$14.9 million
Total consideration paid to WCB Shareholders	\$261.9 million	\$102.3 million	\$38.1 million



OUTCOME OF OFFER

<i>in millions</i>	BGA FY13	WCB FY13	100% Ownership	
			Net Adjustments	FY13 Pro forma Combined Group
Revenue	1,010.1	495.9	(19.0)	1,486.9
EBITDA	64.3	25.4	6.5	96.2
Profit before tax	35.3	9.6	1.6	46.5
Profit after tax	25.4	7.5	0.8	33.8
<u>Balance Sheet</u>				
Current assets	291.8	185.8	1.6	479.1
Total Assets	551.5	306.6	106.8	964.8
Current Liabilities	177.0	135.4	0.0	312.5
Total Liabilities	289.5	144.8	95.8	530.1
Net Assets	262.0	161.8	11.0	434.7

WHAT WE SAID AT THE TIME OF IPO

- Structure and constitution would recognise the past and prepare for the future
- Value options important for farmer shareholders
- Wealth release only one reason for structure change
- Greater flexibility for capital needs of business was a second reason for change
- New structure would position Bega for future corporate activity e.g. acquisitions with cash/shares or both

CURRENT POSITION

- Successful listing and capital raising
- Successful merger with TMI
- Strong interest in Bega Cheese shares but no dominant shareholder (shareholder cap)
- 6 out of 8 Directors are Supplier Directors
- Majority of shareholders continue to be dairy farmers
- IPO delivered a corporate structure and capital to grow and participate in industry rationalisation

SHAREHOLDER CAP/SUPPLIER REPRESENTATION

- Important features of the Bega Cheese constitution
- Supplier representation a permanent feature
- Shareholder cap removed over time: currently 10%
2016 – 15% or removed by shareholder vote
- 2021 – cap falls away

Rationale for cap

- Time for adjustment to full market conditions
- Reflects co-operative history
- Assist in retaining majority farmer ownership
- Makes unwanted hostile takeover bid very difficult
- Prevents creeping



LIMITATION OF THE SHAREHOLDER CAP

- Identified in the WCB offer
- Current offer is cash and shares
- All offers must pass “same offer” test
- Breach “same offer” test if a shareholder can’t accept offer
- Theoretic possibility to breach cap
- No current WCB or Bega Cheese shareholder would breach 10% shareholder cap if offer successful

PROPOSED CHANGE IN SHAREHOLDER CAP

- Shareholders are being asked to approve a change in the shareholder cap mechanism
- New mechanism allows “same offer” test to be met
- Cap will increase in the event of a takeover or scheme of arrangement if a breach would result
- Change limited to takeovers or schemes of arrangement
- The Cap stays and the protection against takeover and creep also change

A DAIRY COMPANY FOR THE FUTURE



CONSTITUTIONAL CHANGE

“that the company’s constitution be modified by making the alternation set out in the information memorandum accompanying this notice”

Constitutional Change

- Total votes – 29,186,184 (19.22%)
- For – 24,929,216 (85.41%)
- Open – 3,579,845 (12.27%)
- Against – 677,123 (2.32%)

THANK YOU



DISCLAIMER

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