



**Bega Cheese AGM
23 October 2018**

SLIDE 1

Welcome to Bega Cheese's Annual General Meeting, which is being recorded and webcast. As we have a quorum, I now declare the meeting open. When you registered this morning, you will have received an admittance card. For all shareholders and proxy holders who are voting, you should have received a yellow voting card. If you are a shareholder who is not voting you should have received a blue card. If you are a non-shareholder you will have received a red card.

Yellow cardholders will be able to vote for or against resolutions and ask any questions they wish relating to the business of the AGM.

Blue cardholders will be able to ask questions but not vote.

Red cardholders are most welcome at the meeting but will be unable to participate in the proceedings.

Further information regarding voting procedures will be provided prior to commencement of the resolutions to be put to the meeting.

For the benefit of all attendees at this meeting and those on the webcast I would ask that you identify yourself before asking a question or making a comment.

SLIDE 2

At today's meeting, we have a number of formalities to deal with inclusive of the consideration of the Group's 2018 Annual Report, the adoption of the Remuneration Report and election of Directors, approval of the issues of shares under the September 2018 institutional placement and the provision of financial assistance by Peanut Company of Australia.

SLIDE 3

I am pleased to welcome new shareholders and our long term shareholders who know the company so well and have supported the strategy and Directors of the company over many years.

Let me introduce my fellow Directors, Max Roberts, Richard Parbery, Terry O'Brien, Raelene Murphy, Jeff Odgers and Rick Cross. I am also pleased to welcome Paddy Carney representing our auditors PricewaterhouseCoopers, our legal counsel David Ferguson and Li-Jean Chew from Addisons and Julie Stokes from Link Market Services Limited and a number of Bega Cheese staff. I would like to apologise on behalf of my fellow Director Peter Margin, who was unable to attend today.

Are there any other apologies?

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I am pleased to present along with Bega Cheese CEO Paul van Heerwaarden the FY2018 annual report.

SLIDE 5

Ladies and Gentlemen, I am pleased to report to you on the financial and strategic performance of Bega Cheese for the 2018 financial year.

It has been an important and significant year for the company as we continue building on our strategy to create a Great Australian Food Company. This year we have successfully integrated the Mondelez

Grocery Business and the Peanut Company of Australia into what is now known as Bega Foods. Importantly we have been able to deliver a stable financial performance, increase milk supply and grow our international business. As has been the case for the last few years our cheese packaging and processing platform has been experiencing highly competitive industry dynamics particularly in the supply of retailers mark cheese.

While not a part of the reporting period I was very pleased to announce on 18 July that Bega Cheese had been successful in negotiations to acquire the large and high quality dairying manufacturing infrastructure at Koroit in western Victoria. We will say more about Koroit during the presentation but I would comment in overview this was a significant step in adding to our manufacturing foot print and we have been delighted with the response we have received from dairy farmers, staff, the community and shareholders.

SLIDE 6

It is well documented that dairy and food have faced their share of challenges in recent times and perhaps this is best demonstrated by the number of companies that are either for sale or under a review. Bega Cheese has successfully navigated through these challenging times and continues to deliver growth and financial performance.

At Bega Cheese we have always sought to grow a balanced business that is able to both take opportunities and deal with challenges as they arise. With regard to some of the business highlights this year I am pleased to report a 17% increase in revenue to \$1.44 billion and growth in export sales of 29% to \$430 million. The balance of our business is demonstrated on the slide with our nutritionals platform delivering 9% of revenue, dairy and other ingredients 28%, dairy consumer packaged goods 45% and spreads and other grocery 18%.

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I am pleased to provide an overview of FY2018 performance of the business, Paul will speak in more detail in his part of the presentation. While it is important to understand the statutory performance of the business we do strongly focus on normalised financial outcomes. Given the significant corporate activity of the last couple of years including the acquisition of Mondelez Grocery Business, the sale of nutritionals assets to Mead Johnson, the acquisition of Koroit and the Peanut Company of Australia our statutory result reflects the impact of a number of one off costs largely associated with the acquisitions I have mentioned. With regard to financial performance Bega Cheese reported a statutory EBITDA of \$92 million and a normalised EBITDA of \$109.6 million. The company's normalised net profit after tax was \$44 million with our statutory net profit after tax being \$28.8 million dollars. The above earnings results delivered normalised earnings per share of 23.9 cents and statutory earning per share of 15.6 cents. The FY2018 dividend was 11 cents per share.

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At last year's AGM I discussed the opportunities that the acquisition of Bega Foods brought to the company in terms of skills and capability, market channels, customers, knowledge of food innovation and lean manufacturing. I am pleased to report that our sense that the culture of the businesses that we acquired was aligned to Bega's culture and the integration would be quick and effective has proven to be true and we are beginning to see the benefits of the new skills and capabilities.

Our international branded and Food Service business has been added to Bega Foods taking advantage of the new skills and sales channels that we now have available to us.

Consistent with Bega Cheese's belief that increasingly consumers throughout the world are more concerned with where their food comes from, the sustainability of the supply chain and corporate social responsibility approach of companies that manufacture, market and sell their products Bega

Cheese continues to invest in the supply chain and is proud of the close associations it has with farmers.

This year Bega Cheese purchased the Peanut Company of Australia, Australia's biggest processor of peanuts securing our supply chain for Australia's favourite peanut butter, Bega Peanut Butter. Our objective is to grow Australia's peanut production with the goal of in the future producing all our peanut butter from 100% Australian nuts. It is well documented that the peanut butter category has been subject to some significant competition this year and that Bega Cheese is in a legal dispute with Kraft Foods. We are pleased with our current position in the market place and Bega Cheese continues to be confident of its position in the dispute with Kraft, we expect a court determination of legal matters in the first half of 2019 calendar year.

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I will leave Paul to talk about the details of the latest step in Bega Cheese's strategy being the acquisition of Koroit. As I mentioned in my opening comments we are delighted to have added this excellent facility to our dairy manufacturing footprint. The response has been very positive from all stakeholders. From the announcement of ACCC approval the company executed a very rapid transition of ownership, 5 business days. In order to give affect to the above we entered into a transition services agreement with Saputo Dairy Australia. It has been a very busy time as we are transferring customers, recruiting milk, building inventory and integrating the business. We expect FY2019 to be very much a transition year with the business to be fully integrated in FY2020.

We were pleased with the response from our institutional shareholders to the share placement with \$200 million being subscribed in our recent capital raising. Clearly our Share Placement Plan was not as successful due to the share price drifting immediately following our announcement of the share placement and share purchase plan. While the SPP was very modest our balance sheet has been strengthened by the capital raise and our focus is now on the integration of Koroit.

SLIDE 10

One of the most important steps in realising the opportunities Koroit presents us with is a successful milk acquisition program. As we were negotiating to purchase Koroit we were confident we would be able to successfully execute an ambitious procurement program. In FY2018 we managed 750 million litres of milk with a direct milk intake increase of 97 million litres. Paul will update you on this year's program but it goes without saying that the significant capacities of Koroit create great opportunities. I will not dwell on the graph on this slide for too long except to say market volatility remains and we have seen some softening in global prices over the last few months. Everybody would be aware of the significant impact drought is having on many farmers and we are seeing an overall impact on the industry in terms of total production and on farm costs.

SLIDE 11

Ladies and Gentlemen, I will speak to you a little more following Paul's presentation but given that I continually keep saying that Paul van Heerwaarden our CEO will comment further I had better hand him the microphone.

Paul the floor is yours.

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Thank you Barry and welcome Ladies and Gentlemen.

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Forgive me for repeating a slide that Barry has already shown you, but I thought it would be appropriate to share my perspective on the growth of the business. It was pleasing to deliver top line growth of 17% in what was a volatile year. Clearly much of that growth came from the integration of the Bega Foods business and I would hasten to point out that the cheese component of that acquisition was business we were previously doing as a contract manufacturer which explains why revenue didn't increase by the full amount outlined in the acquisition documentation. Overall we have been pleased to see our nutritional business stabilise in FY2018 following some upheaval with the changes to the Chinese regulations in the previous year. The skills and capability we have in our nutritional and bio nutrient platform continues to see strong performance and demand for our products. We look forward to future growth in particular with the Koroit acquisition and the opportunities that that integration will provide to our nutritional business unit.

A successful milk acquisition program saw growth in our ingredients platform. Our focus on product mix and returns has seen us significantly lift mozzarella production in FY2018. We continue to be very pleased with the performance of cream cheese. I would note that when I joined the business in 2009 that our cream cheese volumes were less than 10,000 tonnes and today volumes are approaching 30,000 tonnes. Cheese packaging and processing remains an important part of our business and as Barry mentioned, significant competition has eroded the margins that we receive from this business. We have adopted a number of initiatives to address margin erosion including cost out programs and further international business development. This year we exported almost 14,000 tonnes of packaged and processed cheese and we continue to seek new market opportunities to build that business.

I have been delighted with the successful integration of Bega Foods and Peanut Company of Australia. The challenges of peanut butter have been widely discussed but putting that to one side we have seen a strong and positive consumer response to Bega branded peanut butter and our promotion of Vegemite.

Ladies and Gentlemen, I am pleased to lead a strong balanced business with growth in dairy ingredients, ongoing opportunities in nutritionals, a focus on margin improvement and new product and market development in cheese packaging and processing and now also as a successful participant in spreads, dips and dressings with Vegemite, peanut butter and the Zoosh range.

I see this business well positioned for growth both organically and through highly synergistic acquisitions that will all combine to create a Great Australian Food Company.

SLIDE 14

It is important to understand both the statutory and normalised result and I think the table on the screen clearly describes the reconciliation. As you can see our statutory profit after tax was \$28.8 million. When we consider the major one off costs in the business we see that they are largely related to acquisition activity. The most significant of these are Bega Foods acquisition costs of some \$14.8 million, a large part of that amount being stamp duty. PCA acquisition costs were \$2.7 million. An accounting treatment of the PCA acquisition saw a favourable outcome of \$4.4 million on the purchase price. Some of the Koroit acquisition costs are included in the FY2018 accounts, although the majority will appear in the FY2019 accounts. There are two reasons for outlining the normalisation of results. First, the underlying business continues to grow and deliver positive financial outcomes and second, that we are able to achieve those outcomes and have the team not distracted by the significant corporate activity the company has been engaged in.

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Turning our attention to the balance sheet, which is now a little out of date given the acquisition of Koroit and the recent capital raise, you can see that the growth and changes in the business reflected through inventory with the inclusion of Bega Foods and business growth in dairy

ingredients, in particular the inventory associated with an additional 100 million litres of milk. There has been a significant addition of assets in the form of both property, plant and equipment and intangibles including brands and goodwill. As has long been the case we look to maintain a strong balance sheet with a gearing of less than three times normalised EBITDA and this balance sheet reflects that objective.

SLIDE 16

I won't dwell on cash flow, however we did see a decrease in operating cash flow from \$70.2 million to \$58.6 million. This was largely attributable to the impact of the working capital investment associated with the acquisition of Bega Foods and PCA that is included in operating cash flow. The other significant cash flow movements were associated with our acquisitions and tax on the sale of some of our nutritional assets to Mead Johnson in FY2017.

SLIDE 17

For our business operations it has been a year of important achievements and the completion of several internal projects. As outlined on the slide, total production in excess of 259,000 tonnes was an increase of 9% compared to the previous year. Total capital expenditure of \$46 million included business improvement projects to upgrade cream cheese at Tatura and processed cheese block at Strathmerton. We have also continued with the implementation of an integrated ERP system which required investment of \$17 million in FY2018 and this project is scheduled to be completed in FY2019. We also continue to improve our key employee safety KPIs with a total reportable injury frequency rate of 6.8 which is a 37% decrease compared to the prior year. We are committed to a target of zero.

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As mentioned earlier when I was outlining the business profile, Bega Cheese continues to grow. I think the important takeout from this slide is that it demonstrates consistent growth and the fact that Bega has successfully grown both organically and through acquisition. Our product range now includes micro nutrients, infant formula, specialised milk powders, mozzarella, cheddar, processed and cream cheese, Vegemite, peanut butter, peanuts, sauces, dressings and dips. We see opportunities for growth across our product range. Our relationship with customers both in Australia and around the world gives us confidence that demand will continue for the high quality products we are able to offer.

SLIDE 19

We are very proud of each of our sites and while I don't have much to add to this slide it is testament to our operations team that we have added three sites this year with seamless integration into the overall business. We took ownership of Koroit on August 17 this year and it is appropriate to provide you with our thoughts on the strategy and its integration.

SLIDE 20

We are very excited about Koroit which is a dairy facility located in western Victoria that we acquired from Saputo for \$250 million including inventory. The facility has the capability to produce commodity milk powders, nutritional powders and bulk and retail butter. The facility has an annual capacity to process in excess of 800 million litres. As part of the acquisition, Saputo are required to guarantee annual milk supply of 300 million litres through until the end of FY2020. Koroit

complements our existing dairy infrastructure across Victoria and New South Wales and provides significant potential for future growth in both domestic and export markets. The western district of Victoria is a significant dairy production region producing in excess of two billion litres of milk annually. We are currently on track to meet our annualised FY2019 target of between 420 and 450 litres of milk. Our objective is to continue to increase the volume of milk sourced from this region to process into value added dairy products.

SLIDE 21

Ladies and Gentlemen, all that we achieve at Bega Cheese would not be possible without our great teams. We continue to have a focus on investing in our employees. I would like to particularly highlight some of our achievements and programs this year. These include a focus on employee development in safety behaviours, continuous improvement and innovation. This year we initiated the Aspire Leadership Program for developing our young leaders of the future, and we have achieved a seamless integration of employees from the Mondelez, PCA and Koroit acquisitions.

I would like to thank all employees for their ongoing support and commitment and welcome our new colleagues from across Australia, from Koroit in south west Victoria up to Tolga in northern Queensland. I would also like to thank Colin, the executive team and the Board for their leadership and support during a year of significant activity.

Thank you Barry.

SLIDE 22

Barry back to podium

Thanks Paul, it has certainly been a year of achievement.

SLIDE 23

Reflecting on where the business is today I think we can be very pleased with our strategic progress, we have;

- Integrated Australian dairy industry and food company exporting to over 40 countries
- Significant new capacity added in dairy with the acquisition of Koroit
- Successful milk procurement program
- Strong international business growth
- Stabilised dairy nutritional and improving grocery business
- Strong growth in dairy ingredient and micro nutrients
- Highly competitive contract cheese processing and packaging environment
- Legal cases progressing with resolution expected in 2H FY2019

SLIDE 24

We of course should always ensure that we remain focused on strategy and operational performance. We always ensure that we have clear priorities as we look to the year ahead we will be focused on;

- Continue to grow branded retail and food service business
- Increase production volumes at Koroit facility
- Integrate Koroit into our production network
- New milk pricing option for dairy farmers to encourage lower farm production costs

- Increase peanut crop size with improved grower package and support
- Increase our customer reach with new products and channel expansion
- Improve financial performance through product development, continuous improvement and plant efficiencies

SLIDE 25

Ladies and Gentlemen that brings us to the end of the presentation.

Are there any questions?

SLIDE 26

Ladies and Gentlemen, we have now come to the formal part of the meeting.

SLIDE 27

A poll is being held on all resolutions at this meeting. If leaving early, place completed voting cards in the ballot boxes by the registration desk.

For each item of business, I will first open the floor for discussion and then, will put the motion for that item to the meeting, and ask you to complete your voting cards in relation to that item.

Share Registrar, Ms Julie Stokes of Link Market Services Limited will act as Returning Officer in relation to the poll.

If there are any aspects regarding voting that you are uncertain about, please ask one of the Registrar staff.

The results of the poll will not be available before the end of the meeting. You can, however obtain the results of the poll later today by visiting the company's website or the ASX.

SLIDE 28

Resolutions

- *Adopt remuneration report for the year ended 30 June 2018*
- *Election of Directors*
- *Approval of the issue of Shares under the September 2018 Institutional Placement*
- *Provision of financial assistance by Peanut Company of Australia*

SLIDE 29

Firstly, to item 2 in the notice of meeting. The Remuneration report on pages 22 - 29 of the annual report outlining the remuneration for the Board, Executive, CEO and other key personnel.

In setting remuneration the Nom and Rem committee refer to market and external advisors.

SLIDE 30

I would inform the meeting that the following proxies have been received in respect to the Remuneration report. I will be casting the undirected proxies in favour of the motion.

Are there any questions?

As there are no [further] questions, I now move that the remuneration report for the period ended 30 June 2017 be adopted.

I will now put the motion to the meeting.

Would you please now compete your yellow voting card in relation to item 2?

SLIDE 31

Election of Directors, please refer to Item 3 in the notice of meeting.

Offering themselves for election are Myself, Jeff Odgers, Raelene Murphy, and Rick Cross.

As I am first on the list I will ask Director Max Roberts to chair the meeting while my election is conducted.

Max if you could take the chair.

Barry would you like to say a few words.

SLIDE 32 – Max Roberts

I now move to the election of Barry Irvin.

Before we proceed I would like to inform the meeting we have the following proxies in respect to Barry's re-election. I will be casting the undirected proxies in favour of the motion.

Are there any questions?

As there are no [further] questions, I now move that Barry Irvin be re-elected to the Board.

I will now put the motion to the meeting

Would you please now compete your yellow voting card in relation to item 3a?

I will now hand the meeting back to Barry Irvin

SLIDE 33

I now move to the election of Jeff Odgers. Jeff I invite you to say a few words.

Before we proceed I would like to inform the meeting we have the following proxies in respect to Jeff's re-election. I will be casting the undirected proxies in favour of the motion.

Are there any questions?

As there are no [further] questions, I now move that Jeff Odgers to be re-elected to the Board.

I will now put the motion to the meeting

Would you please now compete your yellow voting card in relation to item 3b?

SLIDE 34

I now move to the election of Raelene Murphy. Raelene would you like to say a few words?

Before we proceed I would like to inform the meeting we have the following proxies in respect to Raelene's re-election. I will be casting the undirected proxies given to me in favour of the motion.

Are there any questions?

As there are no [further] questions, I now move that Raelene Murphy be re-elected to the Board.

I will now put the motion to the meeting

Would you please now compete your yellow voting card in relation to item 3c?

SLIDE 35

I now move to the election of Richard Cross. Rick would you like to say a few words?

Before we proceed I would like to inform the meeting we have the following proxies in respect to Rick's re-election. I will be casting the undirected proxies given to me in favour of the motion.

Are there any questions?

As there are no [further] questions, I now move that Rick Cross be re-elected to the Board.

I will now put the motion to the meeting

Would you please now compete your yellow voting card in relation to item 3d?

SLIDE 36

Approval of the issue of shares under the September 2018 Institutional Placement

Please refer to item 4 in the Notice of Meeting.

Before we proceed I would like to inform the meeting we have the following proxies in respect to resolution. I will be casting the undirected proxies given to me in favour of the motion.

Are there any questions?

As there are no [further] questions, I now move that resolution be approved.

I will now put the motion to the meeting

Would you please now compete your yellow voting card in relation to item 4?

SLIDE 37

Provision of financial assistance by Peanut Company of Australia

Please refer to item 5 in the Notice of Meeting.

Before we proceed I would like to inform the meeting we have the following proxies in respect to resolution. I will be casting the undirected proxies given to me in favour of the motion.

Are there any questions?

As there are no [further] questions, I now move that resolution be approved.

I will now put the motion to the meeting

Would you please now compete your yellow voting card in relation to item 5?

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Ladies and gentlemen thank you very much for your attendance at this year's AGM.

If all votes have been completed, please ensure you lodge your yellow voting cards in the ballot box stationed at the registration desk to ensure your votes are counted. The poll will remain open for a further 5 minutes.

I now declare the meeting closed.

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Disclaimer