



FY2015 Full Year Results

27 August 2015

Barry Irvin – Executive Chairman
Aidan Coleman – CEO
Colin Griffin – CFO



Key Messages

- Result at expectation given global commodity market downturn and highly competitive milk procurement environment
- 4% increase in revenue (\$1,112m) driven by \$72m increase in sales of nutritional and consumer packed goods
- Margin impacted by \$29m decrease in commodity sales which was not reflected in farm gate milk price
- Milk Sustainability and Growth program successfully executed
- Strategic initiatives on track
 - Infant blending & canning facility
 - Further investment in micro nutrients
 - Next generation cheese packaging equipment
 - Secure, sustainable and growing milk supply

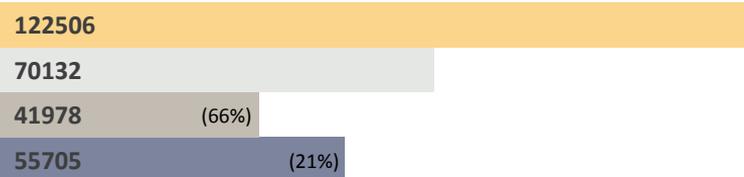


FY2015 Results (Statutory and Normalised)

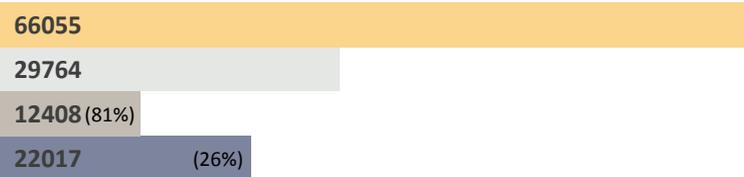
Revenue (\$'000)



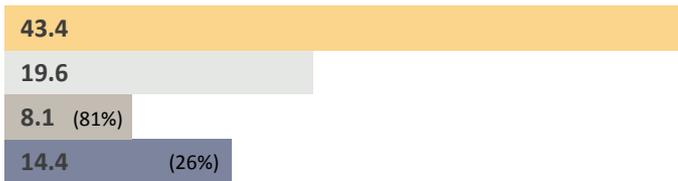
EBITDA (\$'000)



Profit After Tax (\$'000)



Basic Earnings Per Share (\$'000)



Total Dividend Per Share (Cents)



Production Volume (Tonnes)



Milk Sustainability and Growth (\$'000)



*Normalised refers to excluding the impact of significant events occurring during the year.

Business Performance (*Normalised)

	FY2015 \$m	FY2014 \$m
Sales Revenue	1,112.6	1,069.4
EBITDA	55.7	70.1
EBIT	33.5	47.2
PBT	30.2	42.1
NPAT	22.0	29.8

- Appropriate to review financial performance from a normalised perspective
- Revenue attributable to increased volumes and high value products
- Margin increases in value added products did not offset commodity price impact

*Normalised for investment in Milk Sustainability and Growth Program (FY2014 and FY2015) and sales of shares in WCB (FY2014).

FY2015 Results (*Normalised)

Consolidated Period Ending 30 June 2015	Per Financial Statements \$'000	Milk Sustainability and Growth outcome \$'000	Normalised Result \$'000	Change from prior year \$'000	%
Revenue	1,112,630	-	1,112,630	43,238	4
Cost of sales	(991,538)	13,727	(977,811)	(45,925)	5
Gross profit	121,092	13,727	134,819	(2,687)	(2)
Other income and expenses	(79,114)	-	(79,114)	(11,740)	17
EBITDA	41,978	13,727	55,705	(14,427)	(21)
EBIT	19,764	13,727	33,491	(13,737)	(29)
Finance costs	(3,330)	-	(3,330)	1,774	(35)
Profit before income tax	16,434	13,727	30,161	(11,963)	(28)
Profit for the year	12,408	9,609	22,017	(7,747)	(26)
Basic earnings per share - cents	8.1		14.4	(5.1)	(26)

- Milk Sustainability and Growth Program fully allocated
- Increase COGS attributable to volume growth and higher value products

*Normalised for investment in Milk Sustainability and Growth Program (FY2014 and FY2015) and sales of shares in WCB (FY2014).



Balance Sheet Extract

	FY2015 \$m	FY2014 \$m
Trade and other receivables	119.5	106.7
Inventories	194.9	184.2
Property, plant & equipment	209.7	213.6
Total Assets	552.4	548.6
Trade and other payables	139.1	164.2
Borrowings	69.0	20.6
Total Liabilities	239.8	234.2
Net Assets	312.7	314.4
Net cash/(debt)	(58.7)	8.0

- Inventory increase reflecting business growth
- Borrowings increased (Milk Sustainability and Growth Program \$13.7m, WCB tax \$18.3m, payables \$25m)

Cash Flow Extract

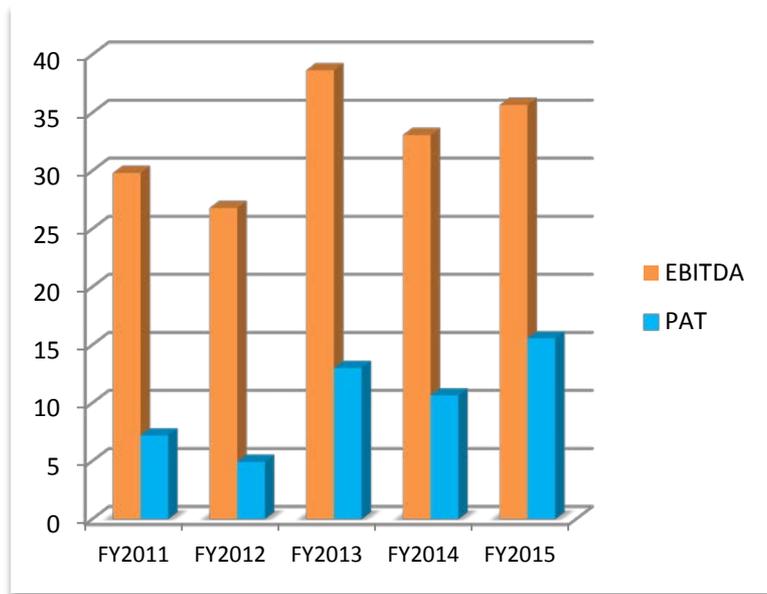
	FY2015 \$m	FY2014 \$m
Receipts from customers	1,160.8	1,102.0
Payments to suppliers	(1,164.8)	(1,049.1)
Interest and other costs of financing paid	(3.4)	(5.3)
Income tax paid	(9.9)	(7.1)
Operating activities	(17.3)	40.5
Investing activities	(36.4)	67.9
Financing activities	35.4	(102.5)
Net (decrease)/increase in cash and cash equivalents	(18.3)	5.9

- Operating cash out flows – Milk Sustainability and Growth Program \$21.7m
- Operating cash in flow in the absence of Milk Sustainability and Growth Program \$4.4m
- Investing activities - \$18.3m tax in relation to the profit on the sales of shares in WCB
- \$18.7m capital expenditure



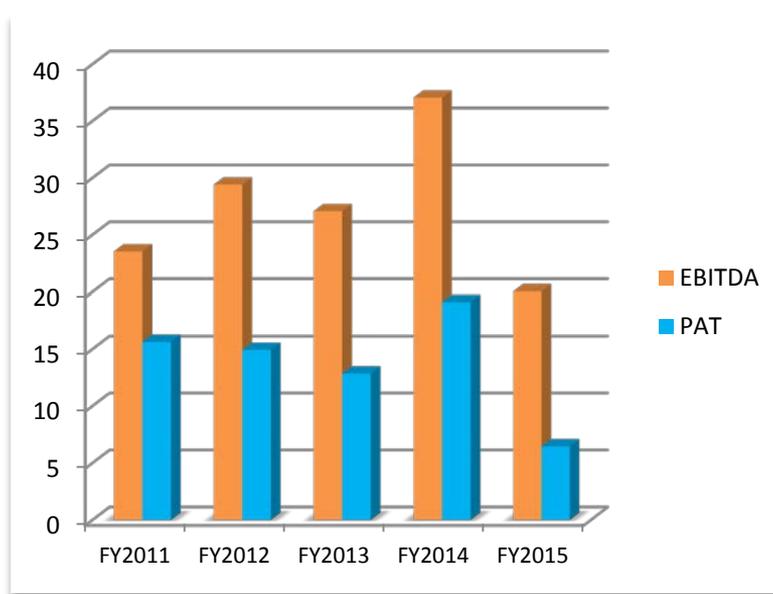
Bega Cheese & Tatura Milk Segment (*Normalised)

\$m Bega Cheese



- Segment stability reflects business exposure to retail and food service markets in Australia and internationally
- Food service into Asia contributes to growth in export volumes

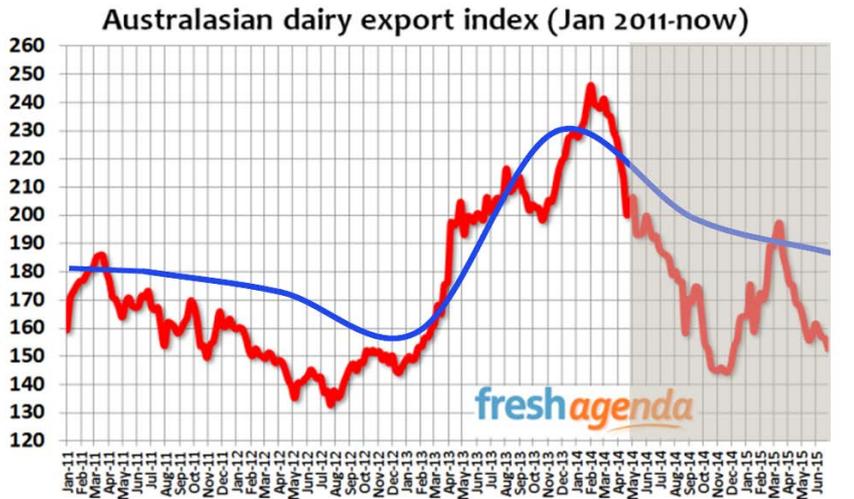
\$m Tatura Milk Industries



- Significantly impacted by fall in commodity prices
- Commodity price decreases not reflected in farm gate milk price
- Improved sales in value added and nutritional products

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Dairy Commodity Prices and Farm Gate Milk Price



- Farm gate milk price generally linked to global dairy commodity market price
- 2015 global production responded to strong market signals from previous year
- High global inventories
- Russian sanctions
- Recent declines in commodity price not entirely reflected in FY2015 Australian milk prices

- Export trend index - global commodity prices/Australian currency impact
- Farm gate milk price trend
- FY2015 Milk price \$6.00 per Kg MS
FY2016 Opening milk price \$5.60 per Kg MS

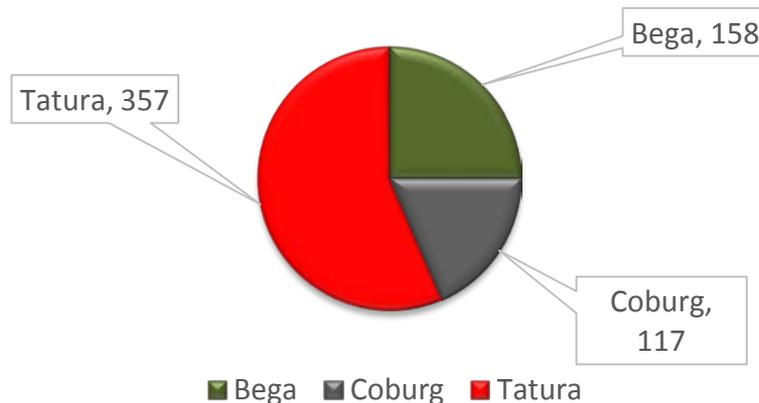
Sustainability and Growth

- Strategic investment in long term milk supply
- 3 year supply relationship
- Sustainability includes resource management and farm practice (BEMS)
- 29% projected milk growth in the next 3 years from participating suppliers
- Program funds now fully allocated

Milk Intake (FY2015)

- Milk pool well balanced to meet business requirements
- Direct milk intake increased 6.4%
- Milk directed to highest returning products across manufacturing infrastructure

Milk Intake



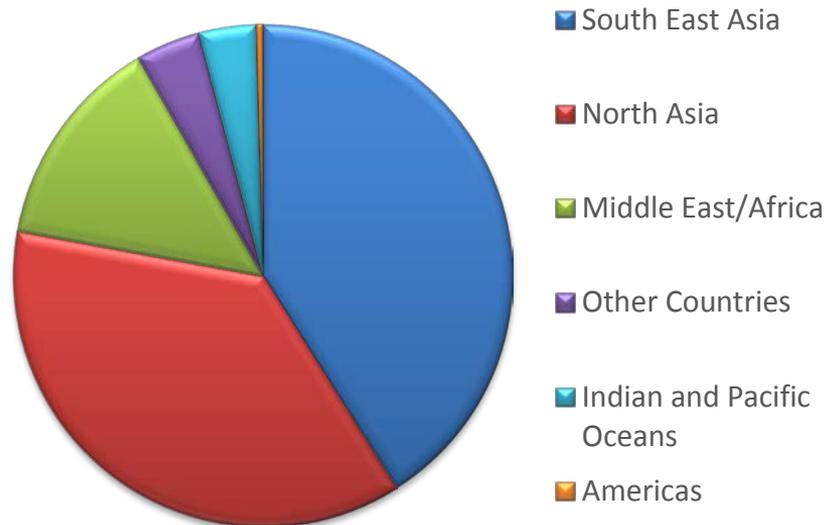
Manufacturing Operations



- Total production 224,986 tonnes
- 4% increase in total volume
- Continuous improvement
 - 3.2% decrease in average conversion costs
 - 6% increase in line efficiencies (FMCG)
 - 4.2% reduction in energy use per tonne of production
 - LTIFR reduced by 17%

- **Bega Brand**
 - Number one Australian cheese brand - 15.3% market share
 - Available in over 50 countries
 - Launch of UHT Bega branded milk in Chongqing
- **Food service**
 - International food services now represents 5% of revenue (\$60 million)
 - 50% growth in the last 3 years
 - Strong path to market
- **Nutritionals**
 - Strong demand for Australian produced and packaged infant formula and growing up milk powders
 - Continued long term relationships with Mead Johnson and Meg-milk Snow
 - New long term supply arrangements – Bellamy’s

Export Markets Total Sales \$310 million



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

Bio-Nutrients

- Well credentialed General Manager being appointed to manage platform - Matthieu Arquillere
 - Previously CEO of Ingredia Nutritionals in France
 - Experience in Europe, USA/Canada & Asia
- Lactoferrin
 - Expanded capacity at Tatura Milk utilised
 - Ongoing research and development in value added derivatives
- Investing in new capacity in micro nutrient extraction (Lagoon Street, Bega)
- Bio nutrients may include non dairy

Bio Nutrients

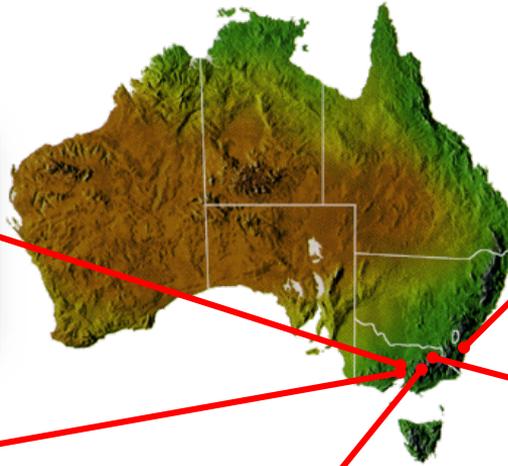
Dairy

- **Milk protein hydrolysates**
 - Infant formula
 - Adult and elderly nutritional products
 - Sports nutrition products
 - Dietary Supplements
- **Nutritional proteins**
 - Infant formula
 - Adult and elderly nutritional products
 - Clinical nutrition products
 - Sports nutrition products
- **Lactoferrin based ingredients**
 - Infant formula
 - Adult and elderly nutritional products
 - Yoghurt and other dairy products
 - Dietary Supplements
- **Specialised milk protein extracts**
 - Dietary supplements
 - Sports nutrition supplements
 - Animal feed supplements

Non Dairy

- **Plant extracts**
 - Weight management products
 - Dietary Supplements
 - Nutricosmetic products
 - Functional foods
- **Marine bio nutrients**
 - Adult and elderly nutritional powders
 - Dietary Supplements
 - Animal supplements and nutrition
- **Combinations of dairy and non-dairy products**
 - Proprietary blends
 - Providing synergistic health benefits

Infrastructure



Derrimut

TATURA
A BEGA CHEESE COMPANY

Processing and Packaging
(Infant Nutritionals)



Bega

Bega

Processing and Packaging
(Cut and Pack Cheese)

Dairy Production
(Cheddar Cheese, Stringers)



Coburg

Bega

Dairy Production
(Cheddar Cheese)



Tatura

TATURA
A BEGA CHEESE COMPANY

Infant Nutritionals, Lactoferrin, D40,
Cream Cheese, Skim and Whole Milk
Powder, MPC, Butter



Strathmerton

Processing and Packaging
(Cut and Pack Cheese)

Investing in Infrastructure

- Focused on investment in value adding activities
- Capital Expenditure \$18m
 - Cream cheese, environmental and nutritionals
 - High value bio nutrient extraction
 - \$22m project (\$5m grant) Target completion 2017
- Capacity and capability projects
 - Nutritionals flexibility
 - Next generation cheese packaging equipment project

Operational Outlook

- Improved financial performance
- Commodity markets remain volatile, however some recovery in recent prices
- Milk procurement environment more stable
- Continued growth in nutritionals and consumer goods
- Nutritional value added infrastructure fully operational
- High value protein extraction project in final development
- Very strong balance sheet to support expansion

Strategic Priorities

- Leverage strong nutritional demand and grow infant formula and child nutritional platform
- Grow consumer goods international business
- Extract more value from existing milk components. Decrease exposure to skim milk
- Drive efficiency through ongoing investment in globally competitive infrastructure
- New and developing bio nutrient platform
- Continue to investigate corporate opportunities (domestic and international)

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