



ASX Announcement

Bega Cheese Secures Landmark Cheese Deal with Coles

Bega Cheese announces that it has reached agreement in principle with Coles to supply the entire range of Coles branded cheese products. This will involve Bega Cheese manufacturing and packaging natural cheddar, processed cheddar and mozzarella cheese products for Coles under a five year contract, with initial anticipated annual volumes of approximately 19,000 tonnes.

While Bega Cheese already packs circa 14,000 tonnes of Coles' retail cheese products for a third party, the proposed new direct arrangement will see a significant net increase in the annual volume of products over the term of the contract, inclusive of an additional 7,000 tonnes of bulk cheese through its production facilities, which will result in significant cost improvements from utilising capacity especially at Coburg and Strathmerton.

Coles and Bega Cheese will now formalise the proposed arrangements into a long term agreement. Subject to this formal agreement being signed, it is anticipated that Bega Cheese will commence its direct supply of cheese products to Coles in Q3 FY2012. In anticipation of commencing the proposed arrangement, production and ageing of cheddar cheese will commence immediately at the Bega Cheese Coburg facility.

Bega Cheese plans to manufacture the cheese products for supply to Coles at its facilities in Bega as well as at Coburg and Strathmerton in Victoria. As outlined in its recent prospectus, Bega Cheese operates the two largest cheese cutting, processing and packaging facilities in Australia. In addition to increasing its demand for milk by approximately 70 million litres, which is expected to be sourced from existing and new suppliers in New South Wales and Victoria, the additional volume of products to be supplied to Coles will help to optimise Bega Cheese's embedded capacity and provide an increased return on its significant investment in infrastructure.

Bega Cheese anticipates that a formal contract will be finalised within approximately two months, at which time it will be in position to disclose further particulars of the financial impact of the proposed arrangement.

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