



ASX ANNOUNCEMENT

Half Year 2012 Results Highlights Presentation

I have pleasure in enclosing the Half Year 2012 Results Highlights Presentation to be discussed on the Half Year Result 2012 Conference Call scheduled for 2pm, 23 February 2012, as announced 16 February 2012.

A handwritten signature in black ink, appearing to read "B. G. Kelly", is positioned above the printed name.

Brett Kelly
Company Secretary

23 February 2012

For further information please contact

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**Bega Cheese
Limited**

Results Presentation



1H 2012 Results highlights*

Group
revenue
of
\$448.2m

EBITDA
growth
12.3%

PBT
growth
31.0%

EPS
9.1 cps

Interim
Dividend
3.0 cps

- EBITDA increase 12.3% to \$32.8m
- PBT increase 31% to \$18.6m
- EPS down 3.6% - new share capital issued 16%
- Interim dividend of 3.0 cents per share fully franked
- Milk intake increase 16% to 411m litres
- Increase in total production of 7% to 104,000t
- Capital expenditure \$12.2m

**Comparison to prior corresponding period*

Solid first half while delivering on IPO commitments

- Completed full merger with Tatura Milk Industries
 - Acquired remaining 30% on 23 December 2011
 - 318 new Bega Cheese shareholders and milk suppliers
 - 24m new shares issued
- Increasing plant utilisation
 - Commenced manufacture of bulk cheese in 1H 2012 in preparation for delivery to Coles for supply of Coles branded cheese products in January 2012
 - 19,000t annual volume
 - 5,000t increase in cutting and packing
 - 70 million litres of milk for manufacture
- Additional Board appointments
 - Ms Joy Linton, independent non-executive director
 - Mr Rick Cross, non-executive director (ex-TMI)
 - Mr Jeff Odgers, non-executive director (ex-TMI)

Financial highlights

\$m	1H FY2012	1H FY2011	Variance %
Sales Revenue	448.2	482.0	(7.0)
EBITDA	32.8	29.2	12.3
Depreciation and amortisation	(10.1)	(10.3)	(1.9)
EBIT	22.7	18.8	20.1
Finance costs (net)	(4.1)	(4.7)	(12.8)
PBT	18.6	14.2	31.0
Tax expense	(4.6)	(1.1)	318.2
Net profit (pre non-controlling interest)	14.0	13.1	6.9
Less profit attributable to non-controlling interests	(2.9)	(2.8)	0.0
Net profit to shareholders of Bega Cheese	11.1	10.3	7.8
EPS (weighted) cents per share	9.1	9.5	(3.6)

- Decrease in sales revenue reflects lower volumes in fixed margin contracts and timing of export sales
- Increase in EBITDA driven by change in sales mix and strong returns from export sales
- Depreciation and amortisation in line with 1H 2011
- Decrease in finance costs driven by IPO capital raising in August used to pay down debt
- Increase in tax expense as TMI tax status changed post Bega IPO. Non-cash impact as TMI can offset tax payable against deferred tax assets

Interim dividend

- First dividend as a listed entity
- 3.0 cents per share
- Fully franked
- Dividend Reinvestment plan (DRP) has been enacted by the board
- Record date 5 March
- Payment date 27 March

Balance sheet

\$m	1H FY2012	Full Year FY2011
Current assets	256.8	211.0
Non current assets	249.4	251.1
Total assets	506.2	462.1
Current liabilities	180.3	160.5
Non current liabilities	80.5	96.1
Total liabilities	260.8	256.6
Net assets	245.4	205.5

Net debt	117.6	95.7
Gearing (Net debt/net debt + equity)	32.4%	31.8%

- Inventory reflecting increase in seasonal milk supply and stock build in preparation for Coles contract which commenced in January 2012
- Increase in current borrowings to finance inventory build
- Reduction in borrowings following IPO capital raising offset increased working capital requirement for inventory build
- Net debt typically high at 31 December due to seasonal factors however gearing remains stable

Cash flow summary

\$m	1H FY2012	1H FY2011
Profit after income tax	14.0	13.1
Adjustments for non-cash Items	8.8	10.4
Changes in operating assets and liabilities	(61.1)	(6.9)
Net cash (outflow)/inflow from operating activities	(38.3)	16.6
Cash flows from investing activities	(14.4)	(33.2)
Cash flows from financing activities	38.8	9.8
Net (decrease) in cash and cash equivalents	(13.9)	(6.8)

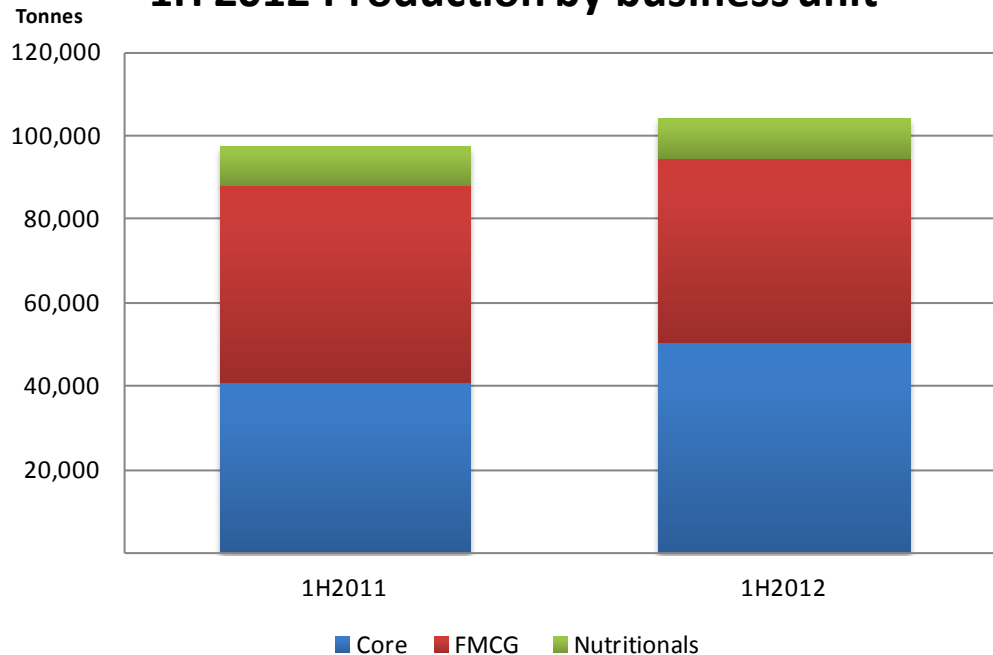
- Negative operating cash flow reflects inventory build and sales timing
- Funding arrangements sufficient to meet working capital requirements
- Second half sales and full transition to Coles business expected to see strong positive operating cash flow

Milk supply and pricing

- Overall growth in milk supply of 63 million litres
 - Organic growth due to favourable season 8% -10%
 - New dairy farmer suppliers joining the Group
 - Third party milk acquisitions
- Year to date pricing in line with industry leaders
 - Victorian price \$5.27 per kg milk solids (approximately 40cpl)
 - NSW price \$6.18 per kg milk solids (approximately 45cpl)
- Competitive position
- Dairy Australia Outlook
 - Currently predicting full year manufacturing milk pricing range of \$5.30 to \$5.50 per kg milk solids

Group production

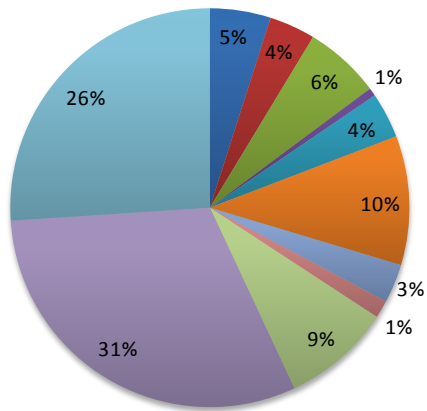
1H 2012 Production by business unit



- 7% increase in overall production reflecting seasonal peak and increase in core production for commencement of Coles contract.

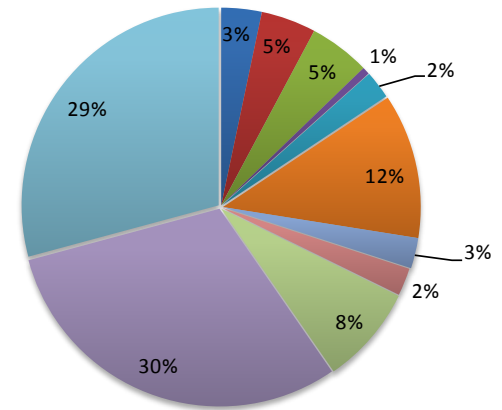
Sales by product

1H2012 Sales by Product



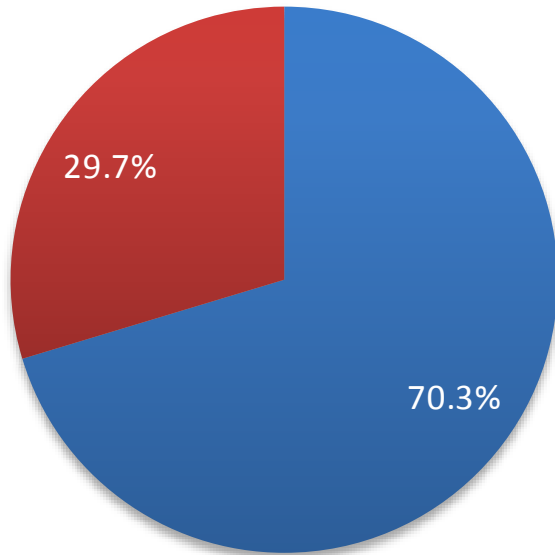
■ Milk ■ Cheddar Cheese ■ Cheese ■ Other Cheese
 ■ High Fat ■ Powder ■ MPC ■ Butter
 ■ Nutritional ■ Natural FMCG ■ Processed FMCG

1H2011 Sales by Product



■ Milk ■ Cheddar Cheese ■ Cheese ■ Other Cheese
 ■ High Fat ■ Powder ■ MPC ■ Butter
 ■ Nutritional ■ Natural FMCG ■ Processed FMCG

Sales by destination



■ Sales to domestic customers ■ Sales to export customers

- Export retail cheese sales impacted by strong Australian dollar
- Demand remains strong for cream cheese, dairy nutritionals and powders
- First half domestic/export split impacted by seasonal sales timing

Capital expenditure

• Infrastructure	\$3.1m
• Process improvement	\$0.7m
• Capacity increases	\$5.7m
• Environmental and compliance	\$2.7m
Total Capital expenditure	\$12.2m

Investments and joint ventures

- **Warrnambool Cheese and Butter**
 - Continues to perform strongly following Bega Cheese's investment and the subsequent capital raising
 - Increased stake from 8.1m shares to 9.0m shares through dividend re-investment and on-market purchases
 - Mark to market movement in investments \$(4.6m)
 - Market value of investment \$33.8m being significant premium to historical cost
- **Capitol Chilled Foods Australia**
 - Performing well in a difficult market
 - Contributed \$1.1m to 1H 2012 result

Strategic priorities

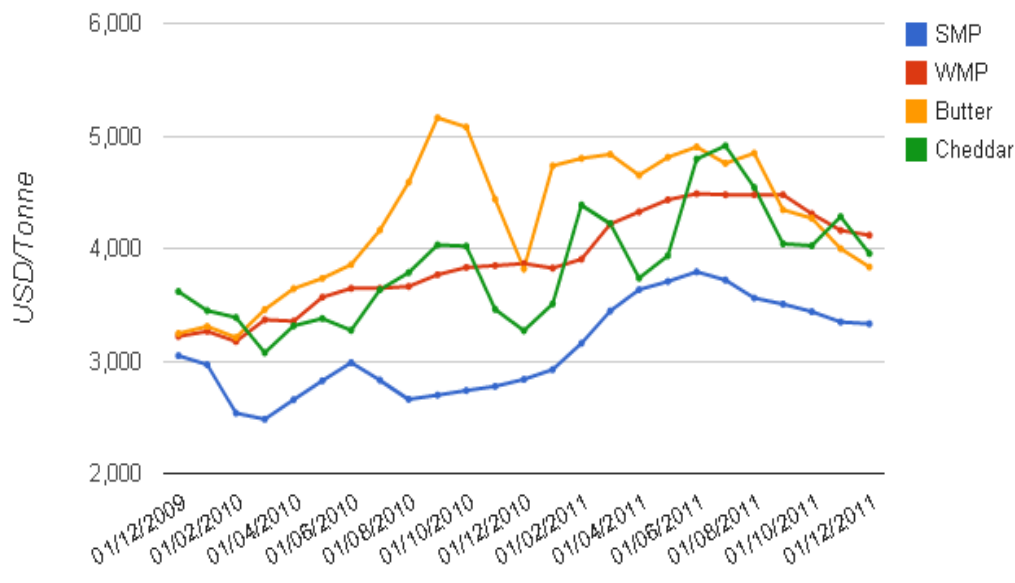
- Senior management structure
 - Paul van Heerwaarden, Group General Manager Sales & Marketing
 - Garth Buttimore, Group General Manager Operations
- Integration of Tatura Milk Industries
 - Focus on managing full integration and extraction of synergies
- Increase plant utilisation
 - Greater core manufacturing volumes as a result of increase milk intake
 - Coles contract increasing both core manufacturing and value added processing
 - Coburg facility dedicated to cheddar cheese production
 - Focus is now on increasing volumes to complement long term contracts
- Industry rationalisation
 - Continue to focus on industry rationalisation opportunities

General outlook

- Domestic market generally flat with existing competitors fighting for share
- Bega Cheese business model and product range successfully building on existing domestic presence
- Highly competitive environment for milk procurement - Bega Cheese's market position with suppliers remains strong resulting in successful procurement of additional milk
- Climatic conditions facilitating overall supply growth particularly in Northern Victoria
- Global markets remain positive
- Exchange rates impacting farm gate milk prices
- Industry analysts continue to predict global demand exceeding supply

Commodity outlook

US indicative export prices



Source: Dairy Australia

- Global market place tends to reflect calendar year trends
- Product mix and price impacted by regional factors
- Product and manufacturing mix impacting returns
- Pass through to milk price

Bega Cheese outlook

- New business will see significant increase in capacity utilisation at Strathmerton and Coburg facilities
- Annualised benefits to be realised in FY2013
- Full year business performance likely to reflect historical seasonality
- Focus on business opportunities and integration benefits between Bega Cheese and TMI
- International markets remain stable however the business continues to be subject to volatility of exchange rates and commodity prices
- Strong overall demand across most revenue lines
- Recent investment in additional cream cheese capacity reflecting strong growth and margin
- Key platforms remain – contract cutting and packing, dairy nutritionals, cream and cheddar cheese and associated by-products.



Thank you