



Bega Cheese AGM
Barry Irvin – Executive Chairman
31 October 2012

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Welcome to Bega Cheese's Annual General Meeting. Today's AGM is being recorded and webcast.

For all voting shareholders as you entered the meeting you should have registered and received a yellow voting card. If you are a non-voting shareholder you should have received a blue card. If you are an attendee you will have received a red card.

Ladies and Gentlemen, as much as I recognise that formalities can feel restrictive this is a formal meeting and we therefore have to conduct it in accordance with good process which will be as follows.

Yellow card holders will be able to vote for or against resolutions using their card and ask any questions they may wish relating to the business of the AGM.

Blue card holders will be able to ask questions but not vote.

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

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

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At today's meeting, we have a number of formalities to deal with inclusive of the consideration of the company's 2012 Annual Report, the adoption of the remuneration report and the election of Directors Barry Irvin, Rick Cross and Jeff Odgers.

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I am always very pleased to welcome both our 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. Welcome also to our Suppliers. Welcome to Leonie Sherrell representing our auditors PricewaterhouseCoopers and our legal counsel David Ferguson from Addisons and Bega Cheese staff.

Are there any apologies?

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I am pleased to provide an overview of Bega Cheese's business performance for 2012.

This is our second AGM as a listed company, as I stood before you at last year's AGM we had been listed for only a few short months and were in the midst of executing a merger with Tatura Milk Industries.

While Bega Cheese has a history and business record that extends back more than 100 years we have in the 2011/12 financial year welcomed many new shareholders. In the past year it has been important that Bega Cheese demonstrate to both our new shareholders and the market what has long been a cornerstone of the company's success. That is the capacity and capability to manage market and business challenges while delivering on key objectives and undertakings.

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When reviewing the year, we can point to highlights which include the successful listing of Bega Cheese on the ASX on 19 August 2011. The merger of Tatura Milk Industries on 23 December 2011. The announcement of a long-term cheese supply agreement with Coles in September 2011. The creation of a new management team drawing on the knowledge and experience of long term Executives while adding new skills and approaches to the business. The delivery of a sound financial performance despite a very volatile market place and a number of operational challenges in the business.

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Ladies and Gentlemen, the financial performance of the business was pleasing in the context of highly competitive Australian market place, volatile international dairy commodity prices and the strong Australian dollar.

In reviewing the 2012 year it is noteworthy that sales revenues were stable at \$927 million and EBITDA grew by 9% to \$57 million, profit before tax increased markedly by 23% to \$27 million.

While earnings per share was down 18% this was a result of the issue of new share capital and the changed tax treatment of Tatura Milk Industries as a consequence of its merger with Bega Cheese. The announcement of a final dividend of 3.5 cents per share in August meant that the total dividend attributable to the 2012 financial year was 6.5 cents per share which was fully franked.

2012 was an historic year for the company from a production point of view. In 2012 the company's total output for the first time in its history exceeded 200,000 tonnes. An increase in milk intake by some 23% saw core manufacture grow to 94,800 tonnes. Our cheese packaging and processing operations at Bega and Strathmerton produced 90,700 tonnes of consumer cheese products and our infant formula, dairy nutritional business continued its solid growth, growing almost 10% to 18,200 tonnes.

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Bega Cheese is very proud of the long-term customer relationships that the business has been able to develop and grow throughout its history. Significant customers such as Fonterra, Kraft, Mead Johnson, Ingredia, Megmilk Snow and Lacto Japan continue to be very important in Bega Cheese's business model and strategy. This year we were very pleased to announce a direct supply relationship with Coles, Coles was very keen to align itself with an Australian based food

manufacturer and source Australian produced cheese. The new supply arrangement has resulted in Bega Cheese securing milk from an increased number of dairy farmers to ensure we can meet Coles' objectives of supplying quality Australian sourced cheese for the Coles brand.

The new Coles supply contract did result in a significant inventory build which ultimately impacted on the business's cash flow in 2012. A cheese inventory build in preparation for the Coles supply contract of in excess of \$50 million was a major contributor to a negative cash flow of \$10.5 million for the 2012 year.

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Ladies and Gentlemen we are comfortable that the balance sheet position of Bega Cheese is appropriate for the current business environment, total assets of \$516 million and liabilities of \$269.5 million result in net assets of \$246 million and a debt to equity ratio of 46%.

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Better seasonal conditions and relatively stable farm gate prices did see production increases occurring across all of our supply regions. The average farm gate milk price for the company was \$5.64/kg milk solids which was not dissimilar to the prior year. Unfortunately, significant decrease in international dairy prices in the lead up to the 2013 financial year has seen a reduction of approximately 8% in opening farm gate prices. We are however currently seeing an improvement in the market which is beginning to flow through to the farm gate.

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A strong balance sheet, excellent supplier and customer relationships, quality infrastructure, extensive product range and a focus on the key business platforms of cheddar, processed and cream cheese, value added milk powders and nutritionals ensure the company has a product mix and business capability to respond to market opportunities and demand whether they be in Australia or the international market place.

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Ladies and Gentlemen, regardless of your political persuasion it is laudable that both sides of politics have in the last week expressed their strong policy support for the opportunities that Asia represents to Australian business and particular Australian agriculture.

It is fair to say that we are delighted that government is catching up. From the Bega Cheese business strategy perspective we have a long term presence and well developed approach to business in Asia that sees us realising value now and having the capacity and capability to respond to continued growing demand particularly in key business platform of nutritional powders (including infant formula), cream cheese, and processed cheese.

Growth in child nutritional products in Asia continues with demand growing consistently at 12% annually. Cream cheese also continues to grow at a rate in excess of 5% per annum. We will be delighted to see a greater focus by government on market development in Asia, unfortunately Australia lags behind many dairy exporting countries in our governments' ability to establish free trade agreements with key dairy importing countries such as China and South Korea and we would

encourage them to both focus on expediting such agreements while at the same time investing in infrastructure and Australian industries that will have sustainable competitive advantage into the future.

While we view the international market place with great optimism we never forget our presence in the Australian market, our key customer relationships, the performance and positioning of our brand and our response to ever changing market conditions. Bega Cheese continues to be the largest processor and packager of cheese in the Australian market. We believe that scale delivers efficiencies and value to all our customers and ultimately the Australian consumer.

As we look around the world we can observe that retailer brands are here to stay and will continue to grow. So as we consider our strategy for the Australian market we accept and embrace the fact that a part of Bega Cheese business profile will include retailer brands.

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Bega Cheese continues to believe that further rationalisation will occur in the Australian dairy industry and while I would make the observation that the success and growth of Bega Cheese business model is not contingent on further rationalisation, Bega Cheese does remain well positioned to participate in the next stage of industry development. Bega Cheese has increased its holdings in WCB to almost 17% in 2012, investing a further \$4 million. Bega Cheeses other non-core asset CCFA continued to perform satisfactorily in a difficult market place.

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Ladies and Gentlemen, in an eventful and dynamic year I am pleased to present the 2012 Annual Report, we continue to focus on the strategic priorities of the business of maximising the utilisation of our current asset base and customer opportunity, optimising the value of our milk components, protect and improve our pre-eminent positioning in the packaging of Australian retail cheese, increase global presence in cream cheese and dairy nutritionals all of which will make us the dairy company of choice for both investors and dairy farmer suppliers.

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It has been a busy year of change and challenge, I am delighted to now invite CEO Aidan Coleman to address you and provide further insights into the operation of the 2012 business. I am very pleased to say that Aidan and I have a shared vision for the business and it has been a pleasure to work alongside him and his executive team as we turn our vision into reality.

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Thanks Aidan

Ladies and Gentlemen, as I have said it has been a dynamic and rewarding year for Bega Cheese.

I am now pleased to open the floor for questions.

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Well thank you Ladies and Gentlemen, the next item on the agenda is the adoption of the remuneration report.

The remuneration report is included in the Annual Report from page 18-28. The report sets out the remuneration of the Executive Chairman, the CEO and other key personnel as well as the Non-Executive Directors.

The Board, Executive Chairman and CEO of the company were responsible for remuneration principles and procedures in 2012. With market data and external advisors assisting the Board and executives when required. On occasions when discussions involved individuals, they absented themselves from the meeting.

There is no request for change in the Directors remuneration, with remuneration details and approach being approved by shareholders at the EGM held to approve the constitutional changes required to list Bega Cheese on the ASX.

Ladies and Gentlemen, I now require someone to move a resolution to adopt the remuneration report.

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Before putting the resolution to vote I wish to advise the details of the valid proxies which are now on the screen;

Do I have someone to move the resolution?

Moved... Seconded... I now open the resolution for discussion.

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I will now move to the election of Directors, we have three Directors that are offering themselves for re-election. Two of our Directors, Rick Cross and Jeff Odgers have been appointed to the Board in accordance with the constitution while I retire by rotation and offer myself for re-election.

Given that I am up for re-election I will now hand the meeting to my fellow Director Peter Margin as Chairman of the Nomination and Remuneration Committee.

Peter Margin

Thank you Barry.

Before I move to the election process I will invite each of the Directors to say a few words. Barry, Jeff and Rick.

I will now move to the formal election process.

The first Director subject to re-election is Barry Irvin. Before we proceed I would like to inform the meeting the following proxies in respect to Barry's re-election.

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Barry Irvin

Can someone please move that Mr Irvin be re-elected as a Director.

Moved

Seconded

Any discussion

All those in favour.

All those against

Motion passed, congratulations Barry.

The second Director subject to re-election is Rick Cross. Before we proceed I would like to inform the meeting the following proxies in respect to Rick's re-election.

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Rick Cross

Can someone please move that Mr Cross be re-elected as a Director.

Moved

Seconded

Any discussion

All those in favour.

All those against

Motion passed, congratulations Rick.

The third Director subject to re-election is Jeff Odgers. Before we proceed I would like to inform the meeting the following proxies in respect to Jeff's re-election.

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Jeff Odgers

Can someone please move that Mr Odgers be re-elected as a Director.

Moved

Seconded

Any discussion

All those in favour.

All those against

Motion passed, congratulations Jeff.

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Barry Irvin

Thank you Peter,

Ladies & Gentlemen thank you very much for your attendance at this year's AGM, I now declare the meeting closed.

October 31, 2012

For further information please contact:

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