



**Bega Cheese AGM
27 October 2015**

Front Page

Welcome to Bega Cheese's Annual General Meeting, which is being recorded and webcast.

For all shareholders who are voting, as you entered the meeting you should have registered and 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 may 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 voting.

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

SLIDE 1

At today's meeting, we have a number of formalities to deal with inclusive of the consideration of the Group's 2015 Annual Report, the adoption of the Remuneration Report, the election of Directors and consideration of the shareholding limit in the constitution.

SLIDE 2

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, Richard Platts, Peter Margin, Raelene Murphy, Jeff Odgers and Rick Cross. We also have with us Steve Bourke representing our auditors PricewaterhouseCoopers and our legal counsel David Ferguson and Li-Jean Chew from Addisons and Tim Faulkner and Nick Marshall from our corporate advisors Kidder Williams.

Are there any apologies?

SLIDE 3

Ladies and Gentlemen, responding to market changes and competitive circumstance is vital for any business and particularly important for businesses that operate in genuinely global industries. There is no question that there were stark differences between the 2014 financial year and the 2015 financial year. In the Australian dairy industry there is little

doubt that those reflecting on the 2014 year would have observed strong demand signals, strong global commodity prices with some easing in the second half, high levels of corporate activity as Australian and international players battled for strategic assets and significant competition for milk supply.

Less than a year later many short term aspects of the dairy industry operating environment had changed. This is not unusual in the global dairy industry and in these circumstances the key is to ensure that strategy is maintained and focus remains on value creating initiatives across the supply chain.

As we entered FY2015 we were observing that global supply had relatively quickly responded to the strong demand signals and inventories were beginning to grow. Russian sanctions had been announced and were beginning to affect global dairy markets and there were early signs of a slowdown in China.

The impact of the above was particularly reflected in changes in global commodity prices with the market decreasing by more than 35% for some commodities.

While global markets were softening the highly competitive environment in the Australian dairy industry remained.

It is in this context that I am pleased to present along with Bega Cheese CEO Aidan Coleman the FY2015 annual report. I would appreciate if you could hold your questions until the end of Aidan's and my presentation.

SLIDE 4

Ladies and Gentlemen, the result for FY2015 has been public for some time and was at expectation given that the significant reduction in global commodity prices were not entirely reflected in farm gate milk price.

It was very pleasing to see an overall increase in revenue of 4% or \$72 million to \$1.1 billion despite the significant reduction in the value of global dairy commodities. The revenue increases were driven by increased sales in our value adding activities in particular nutritional and consumer packaged goods.

The improvement in revenues from our value added products were offset by a \$29 million reduction in revenue from commodities, which as I mentioned was not entirely reflected in farm gate milk prices and therefore directly impacted margins and profit performance.

Experience tells us that dairy markets will be volatile, demand will be responded to and it is vital that we have a clear view on investment and our supply chain to ensure the company is positioned to not only deal with market changes but respond to opportunities.

I was very pleased to see the company take a number of important steps forward with regard to strategy in FY2015. Of particular note was the successful execution of the Milk Sustainability and Growth Program, the increase to scale production of our new infant blending and canning plant at Derrimut, the ongoing investment in innovative next generation cheese packaging equipment and the announcement of an important micro nutrient project at our manufacturing facility in Bega.

SLIDE 5

With regard to financial performance and consistent with last year Aidan and I will focus on our normalised result which does not include for comparative purpose the outcome of the Warrnambool Cheese and Butter bid in 2014 or the impact of the Milk Sustainability and Growth Program.

As I mentioned an increase in revenue to \$1.1 billion was very pleasing to see and confirms the benefit of our investments in higher value products. While the revenue improvement was driven by long term strategy, both EBITDA and profit after tax were down on prior year with the significant impact being our exposure to the substantial drop in global commodities, particularly skim milk powder. Statutory results were lower than the previous year with EBITDA being \$42.0 million and profit after tax \$12.4 million. Focusing on the normalised result, which is more reflective of the ongoing business, EBITDA was \$55.7 million and profit after tax was \$22.0 million.

As you can see on the slide total production grew by 4% reflecting an increase in overall milk intake and the volume build at our Derrimut facility.

The Milk Sustainability and Growth Program cost in FY2015 was \$13.0 million with the program now fully allocated.

While the financial performance of FY2015 was not at the same level as the previous year the fundamentals of the business remain very sound and the balance sheet very strong. In this context the Board believed it was appropriate to deliver a stable return with a dividend of 8.5 cents per share which was in line with FY2014.

SLIDE 6

Examining the financial performance in a little more detail through the segments of the business, we can better see the balance in the business. The Bega Cheese segment of cheese manufacture, and cheese processing and packaging continues to be very stable, the business has a number of long term supply contracts and continues to benefit from growth in both the Australian and international market. The normalised EBITDA and PAT both represented increases from the FY2014 year with EBITDA reaching \$35.7 million and PAT \$15.6 million.

The Tatura Milk segment was significantly impacted by the fall in skim milk prices. While significant investment has been made to add value to the milk components received by Tatura Milk with great success in cream cheese, infant formula and nutritional products this business continues to be exposed to production of skim milk powders. The change in financial performance at Tatura Milk was almost entirely as a result of skim milk powder price declines and while our nutritional business began to receive the benefit of the increasing throughput of our infant formula canning and blending facility the FY2015 year performance included a number of costs associated with the volume increases. Tatura Milk's normalised EBITDA being \$20 million and PAT \$6.5 million was (46)% and (66)% decrease on the previous year respectively.

SLIDE 7

I have made mention a number of times in my presentation the impact of the global commodity price change and while we would see this as a normal part of our business which we are well experienced in managing I do hold the view that the 2015 year was somewhat different with the farm gate milk price not entirely reflecting the change in the market. I have attempted to demonstrate this with the graph on the screen.

As I mentioned earlier farm gate milk price generally reflects global commodity prices in \$AUD terms. As we entered FY2015 we were observing softening in the market as a result of increased global production, a slowing in demand and a new issue in the form of Russian sanctions.

As you can see by the graph while there are some leads and lags farm gate milk price generally reflect the global markets. A highly competitive market for milk in both FY2014 and FY2015 saw all companies open very strongly in June 2015 with the objective of ensuring they secured their milk supply despite a downward trend in price. It is fair to say it was not expected that the price fall would continue as long as it did or reach the depths that it did with many industry analysts and participants expecting price improvement at the beginning of the 2015 calendar year.

The effect of competition a desire to retain and grow supply and the expectation of a market improvement in the second half supported the argument for stable price signals to dairy farmers. As we can see the recovery did indeed come as predicted in February/March. The recovery was very short lived when compared to historic market behaviour. Prices quickly trended down again with the result being that farm gate price although less than the previous year did not entirely reflect the market with the inevitable outcome being a direct impact on the business bottom line (particularly in the Tatura Milk segment of the business).

SLIDE 8

While global market volatility impacted the business last year we maintain our belief that demand for quality, competitive, sustainably produced dairy products will continue to grow and that our best means of meeting that demand is through the growth of our own supply and ensuring that that supply is produced in a manner the market and community expect. We are very pleased with both the uptake and execution of our Milk Sustainability and Growth Program.

- The program represents a strategic investment in milk supply
- Deepens our relationship with our suppliers
- Ensures sustainable resource management and farm practice while meeting meets the growth requirements of the company.

The program is now fully allocated and closed and while it is a 3 year program we believe we are already identifying impacts of the program inclusive of a 6% growth in direct supply in FY2015. When we consider the measures of success of this program the growth component is very clear with the objectives that participants will increase supply by 20% in three years. Importantly the value of a growing sustainably produced milk pool while not being able to

be directly calculated in financial terms clearly sees the company able to continue to grow and meet customer expectations and demand.

SLIDE 9

I do not intent to dwell on this slide for long but it is always important to recognise the quality and product platforms of our business. I believe shareholders are very familiar with our products and our long stated position that we only invest in platforms where we believe we can be globally competitive and at scale.

SLIDE 10

We continue to be a customer focused business no matter where they might be in the world. Our relationships range from large business to business contracts with some of the world's biggest dairy companies and Australia's biggest retailers through to a consumer in the Middle East purchasing some Bega Cheese for the family or a chef in China being trained by our chef to put our cream cheese on the menu.

SLIDE 11

To ensure we service both our existing and future customers we continue to focus our capital expenditure on value adding infrastructure. This year's capital expenditure program was managed carefully in the context of a more difficult trading environment. Capital expenditure was \$18 million, which is slightly below depreciation. Investment included increased consumer packaging capacity for cream cheese, continued investment in our nutritionals facility at Derrimut, next generation retail cheese packaging equipment at Bega, planning for our new micro nutrient extraction facility at Bega and a major environmental project at Tatura which resulted in a significant reduction in air emissions.

SLIDE 12

The impact of long term strategic investment can be seen in the quality of Bega Cheese's six sites. We are very proud of the quality of our infrastructure and the strategic approach we have taken to developing it. I always like to reinforce that this is one of the key competitive advantages of our business.

SLIDE 13

In a challenging year where we have taken a strategic approach to milk supply, continued to invest in our infrastructure and ensured we have recruited the personnel to assist us in moving further up the value chain it is pleasing to present a strong balance sheet.

While there has been an increase in net debt the balance sheet remains very strong. When comparing to the previous year it should be noted that key changes are as a result of the tax payable on the WCB share sales proceeds, payment for the Milk Sustainability and Growth Program, increased inventory reflecting business growth and timing associated with payables.

SLIDE 14

As you would expect after a challenging year in 2015 our goal is to improve financial performance in FY2016.

I would observe the following in terms of the business environment and operational factors impacting the business in FY2016.

- Commodity prices have improved albeit on reduced volumes and the sustainability of the recovery is yet to be established
- Nutritionals and consumer goods businesses continues to grow
- Derrimut blending and canning facility is now fully operational
- We expect increased competition and price pressure as a result of lower farm gate milk prices from competing regions e.g. New Zealand
- Balance sheet remains strong supporting business expansion

SLIDE 15

Before handing over to Aidan, I will make some final comments on our strategic priorities.

We operate in a truly global industry with competitors responding very quickly to market changes and positioning themselves for growth opportunities. In these environments it is important to have a consistent approach to strategy. The strategic priorities for Bega Cheese are constantly reviewed but the core strategy remains consistent and includes the following;

- 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 powder
- Drive efficiency through ongoing investment in globally competitive infrastructure
- New and developing bio nutrient platform
- Continue to investigate corporate opportunities (domestic and international)

SLIDE 16

I would now invite Aidan to the podium to continue the presentation

SLIDE 17

Introduction.

SLIDE 18

Thank you Barry and let me add my welcome to you all. I am pleased to provide some additional perspective and detail on the performance of the business in the 2015 financial year.

Forgive the slight duplication but I will just make some comments on the profit performance for FY2015. As Barry mentioned in his presentation we believe that it is appropriate to review the accounts on a normalised basis as that provides a clearer perspective of the ongoing business. I was most pleased to observe the ongoing strength and growth of our value added products and the impacts of that growth being reflected in a 4% increase in revenue with the business achieving record sales in excess of \$1.1 billion. Unfortunately the

substantial increase in revenue from the value added platforms in the business could not offset the margin impact of the falls in global commodity prices with normalised EBITDA decreasing by 21% to \$55.7 million and normalised profit after tax decreasing by 26% to \$22.0 million.

If we move to slide 19 we can see the normalised outcome in more details.

SLIDE 19

Highlighting a few numbers from this slide you would observe the increase in cost of goods sold which is attributable to both overall volume growth and higher value products. The \$1.7 million reduction in finance costs reflects our low debt position and strength of our balance sheet while the cost of the Milk Sustainability and Growth Program can be seen clearly as the \$13.7 million normalising adjustment. As Barry mentioned the Milk Sustainability and Growth Program is now closed and fully allocated.

SLIDE 20

Examining the financial performance a little more deeply through the cash flow extracts I am sure shareholders observed there was a substantial change in operating cash flow outcomes. The net decrease in cash and cash equivalents is attributable to \$21.7 million in cash outflows associated with the Milk Sustainability and Growth Program, \$18.3 million tax of the proceeds of the sales of our WCB shares and \$18.7 million in capital expenditure. The operating cash inflow in the absence of the Milk Sustainability and Growth Program would have been positive at \$4.4 million.

Despite a more challenging year the business continues to have a strong balance sheet, is investing in its key strategic platforms and is well positioned for growth. I will now turn to more operational matters and provide an overview on our business activities.

SLIDE 21

I will first review our manufacturing performance. We achieved record production of 224,986 tonnes which was a 4% increase in total volume. Our Continuous Improvement Program generated a 3.2% decrease in average conversion costs and 6% increase in FMCG line efficiencies. Energy use had a 4.2% reduction per tonne of production across the group.

Safety is a key focus across the organisation and it is encouraging to note that our LTIFR reduced by 17% over the prior year. With regard to our environmental footprint we had an \$8 million air emission investment on spray driers at Tatura and of course the Milk Sustainability and Growth Program was a key focus during the year.

SLIDE 22

Now turning our attention to sales and marketing. As mentioned previously it has been very good to see increased revenue being generated from our value added platforms and equally pleasing to see the Bega brand maintain its market leading position in Australia.

Bega Brand continues to be the number one Australian cheese brand with 15.3% market share by value and we extended the brand franchise by launching Bega branded UHT milk in China in partnership with Chongqing General Trading Group during the year. Our international food service business now represents 5% of revenue (\$60 million) with 50%

growth in the last 3 years and a strong path to market in the Asian region. There is a strong demand for Australian produced and packaged infant formula and early life nutritional powders and we continue to have long term relationships with Mead Johnson in the USA, Meg-milk Snow in Japan and Bellamy's Organic here in Australia.

SLIDE 23

In the annual report this year we provided some additional detail on food service and I thought I would provide you some commentary about this very successful and growing part of the business. Bega is a market leader in the Asian food service and café bakery sector with its cream cheese and processed cheese. More recently we have added shredded mozzarella and UHT whipping cream to this portfolio. We continue to develop our food service business through the implementation of our Chef led selling program as well as through our strong sales and distribution partnerships established across the China/Asia region.

This network is now well established in 28 countries and will form the basis of our continued investment to grow our food service business over the next five years.

SLIDE 24

There has been much discussion about infant formula and life stage nutritionals in recent years and Bega's wholly owned subsidiary Tatura Milk Industries has been producing bulk infant formula for more than 20 years. I was very pleased to see our new blending and canning facility at Derrimut reach scale production in 2015. This has been a successful investment for the company and is on strategy to evolve the business further into value added consumer products. Toward the latter stages of FY2015 the Board confirmed the investment to expand capacity at Derrimut as it is reaching full capacity on a 24/7 basis in less than half of the time originally anticipated.

SLIDE 25

In recent times we have talked about the development of a fourth platform in the business being Bio Nutrients. I was pleased to announce the appointment of Matthieu Arguillere who was the previous CEO of the French dairy company Ingredia and has experience in Europe, USA/Canada and Asia.

The initial foundation of our bio nutrient platform will be lactoferrin. The company is one of the world's largest producers of lactoferrin and from that base we intend to expand the capacity at Tatura Milk with ongoing research and development in value added derivatives. We will also invest in new capacity in micro nutrient extraction at our Lagoon St, Bega facility utilising the whey stream available there from cheese manufacture.

Given that the market for bio nutrients is not limited to dairy based products we have elected to not constrain our development of this business and will actively pursue opportunities to expand our product portfolio into non-dairy bio nutrients.

SLIDE 26

People often ask me for examples of products that we would classify as bio nutrients so I thought I would take a little more time and outline some of the particular products that may ultimately form part of our 4th platform. These may include, milk protein hydrolysates,

nutritional proteins, lactoferrin based ingredients, specialised milk protein extracts. For non-dairy these could include plant extracts, marine bio nutrients and combination of dairy and non-dairy products.

SLIDE 27

Ladies and Gentlemen, before I close my presentation I would make some observations on the current market signals and strategic focus of the business as we look forward to 2020.

At this time we continue to observe ongoing volatility in global prices of dairy commodities. While there has been some recent uplift in pricing it has been accompanied by corresponding downwards pressure due to a lag effect of production coming into the global market from northern hemisphere producers. As a business we remain clearly focused on our four key commercial platforms mentioned earlier. Our investment strategy is based on expanding these platforms as well as reinvesting to ensure that we are highly competitive in the value added packaging areas of the company. As 60% of our production output is already in consumer or food service pack formats our objective is to expand this further by 2020. At the same time we will continue to seek ways to better utilise our dairy component streams that do not currently find their way into consumer packaged goods, in order to decrease our exposure to commodity cycles.

In closing I would like to thank all of our customers, suppliers and stakeholders for their partnership and commitment to the continued growth of Bega Cheese Limited. In particular I would like to recognise the efforts of our employees in every region of the business as it is their passion and commitment throughout the volatile cycles of global food and agriculture that provides a solid basis for the ongoing growth and success of the company.

Thank you

SLIDE 28

Barry back to podium

SLIDE 29

Questions

SLIDE 30

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

As Chairman, I have determined that items 2&3 in the notice of meeting will be determined by a show of hands. Whilst item 4 will be decided by poll.

For each item of business, I will first open the floor for discussion. For item 4 only, I 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 Registrars staff.

SLIDE 31

Firstly to item 2 in the notice of meeting. The Remuneration report on pages 27-28 of the annual report outlining the remuneration for the Board, Executive, CEO and other key personnel.

SLIDE 32

I would inform the meeting I have the following proxies in respect to the Remuneration report.

Any discussion

I will not put the motion to the meeting

SLIDE 33

Election of Directors (change to Max Roberts)

Thank you Barry, I will act as Chairman while Barry's re-election is considered.

SLIDE 34

Barry Irvin

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

Any discussion

I will now put the motion to the meeting

All those in favour

All those against

Motion passed, congratulations Barry.

Max hands back to Barry.

SLIDE 35

Rick Cross

The second Director subject to re-election is Rick Cross. 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.

Any discussion

I will now put the motion to the meeting

All those in favour

All those against

Motion passed, congratulations Rick.

SLIDE 36

Jeff Odgers

The Third Director subject to re-election is Jeff Odgers. 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 given to me in favour of the motion.

Any discussion

I will now put the motion to the meeting

All those in favour

All those against

Motion passed, congratulations Jeff.

SLIDE 37

Raelene Murphy

The fourth Director subject to election is Raelene Murphy. Before we proceed I would like to inform the meeting we have the following proxies in respect to Raelene's election. I will be casting the undirected proxies given to me in favour of the motion.

Any discussion

I will now put the motion to the meeting

All those in favour

All those against

Motion passed, congratulations Raelene.

SLIDE 38

During first 2 years of company's listing (2011-2013) shareholding limit was 5% and the Shareholding limit for 2013-2016 was automatically moved to 10%. On 16 August 2016 (5th anniversary of listing) the shareholder limit either moves to 15% or is removed, Shareholders must consider this matter on or before that date. The appropriate time to consider this is at the 2015 AGM.

SLIDE 39

The Board recommends continuation of shareholding limit at the higher level (refer notice of meeting page 7)

In support of this recommendation;

- Consistent with views at time of listing (allow transition to public listed company and provided corporate stability)
- Share price performance
- Prefer to implement new growth initiatives with the benefit of corporate stability
- Shareholding limit does not preclude takeover offer being made (special resolution 75%)
- Limit moved to 15% allowing sufficient scope for investment and should not significantly limit liquidity

SLIDE 40

Arguments not supporting the continuation on the shareholding limit (refer notice of meeting page 8);

- Bega Cheese has successfully navigated its initial listing on the ASX and established itself as part of the ASX200
- Acquisition of Bega Cheese shares is subject to regulation under the Corporations Act
- A shareholder entitled to (say) 15% of their shares in Bega Cheese may prevent a takeover by voting against the necessary changes in the constitution
- The shareholding limit places an unnecessary restriction on investment in Bega Cheese

SLIDE 41

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

Any discussion

I put the motion that, in accordance with rule 3.10 of the Constitution, the members approve the continuation of the shareholding limit under rule 3 of the Constitution.

Would you please now complete your yellow voting card in relation to Item 4.

SLIDE 42

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

Please ensure you complete your yellow voting card and place it in the ballot box to ensure your votes are counted. The poll will remain open for a further 10 minutes to enable shareholders to cast their votes.

The results of the poll will be released to the ASX and will be available on our website this afternoon.

I now declare the meeting closed.

SLIDE 43

Disclaimer