



ASX ANNOUNCEMENT

Half Year 2016 Results Highlights Presentation

I have pleasure in enclosing the Half Year 2016 Results Highlights Presentation to be discussed on the Half Year Result 2016 Conference Call scheduled for 11:00am today.

A handwritten signature in black ink that reads "B. G. Kelly". The signature is written in a cursive style with a long, sweeping tail on the letter 'y'.

Brett Kelly
Company Secretary

24 February 2016

For further information please contact

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1H FY2016 Half Year Results

24 February 2016

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



Strategic Overview

- Business mix continuing to evolve
- Bulk/retail commodities vs high value products
- Life stage nutritionals partnership – Blackmores
- Strong growth in infant formula
- International food service and branded business growth
- Manufacturing infrastructure investment
- Bio Nutrients platform developing
- Milk Sustainability and Growth Program success

Key Messages

- Stable revenue against a back drop of continued lower dairy commodity prices
- Improved statutory/normalised profit and EPS
- Increased direct milk supply ↑ 6.4%
- Manufacturing volume ↑ 3.5%
- Revenue dairy nutritionals ↑ 32%
- Revenue international packaged goods ↑ 2.7%
- Improvement in gross profit margin ↑ 29%
- Strong balance sheet and significant improvement in cash flow
- Infrastructure investment, infant formula, natural and shredded cheese, automation

Result Highlights – Statutory

Revenue
Growth
1.6%

EBITDA
Growth
57%

PAT
Growth
139%

EPS
Growth
139%

Interim
Dividend
4.5cps

- Revenue increase to \$561.4m
- EBITDA increase to \$32.4m
- PAT increase to \$14.5m
- EPS increase to 9.5cps
- Interim dividend 4.5cps

Result Highlights - *Normalised

Revenue
Growth
1.6%

EBITDA
Growth
5.0%

PAT
Growth
9.9%

EPS
Growth
9.9%

Interim
Dividend
4.5cps

- Revenue increase to \$561.4m
- EBITDA increase to \$32.9m
- PAT increase to \$14.8m
- EPS increase to 9.7cps
- Interim dividend 4.5cps

*Normalised for investment in Milk Sustainability and Growth Program (FY2016 and FY2015)



1H FY2016 Results (*Normalised)

Consolidated Period Ending 27 December 2015	Per Financial Statements \$'000	Milk Sustainability and Growth outcome \$'000	Normalised Result \$'000	Change from prior period \$'000	%
Revenue	561,373		561,373	8,873	1.6
Cost of sales	(484,522)	488	(484,034)	(1,787)	0.4
Gross profit	76,851	488	77,339	7,086	10.1
Other income and expenses	(44,480)		(44,480)	(5,516)	14.2
EBITDA	32,371	488	32,859	1,570	5.0
EBIT	21,670	488	22,158	2,138	10.7
Finance costs	(1,926)		(1,926)	(441)	29.7
Profit before income tax	19,744	488	20,232	1,697	9.2
Profit for the year	14,499	342	14,841	1,338	9.9
Basic earnings per share - cents	9.5		9.7	0.8	9.9

- Milk Sustainability and Growth Program fully allocated

*Normalised for investment in Milk Sustainability and Growth Program (FY2016 and FY2015)

Balance Sheet (extract)

	1H FY2016 Dec \$m	1H FY2015 Dec \$m	FY2015 Jun \$m
Trade and other receivables	122.9	131.0	119.5
Inventories	206.5	203.7	194.9
Property, plant & equipment	214.7	208.2	209.7
Total Assets	577.9	588.8	552.4
Trade and other payables	128.9	134.8	139.1
Borrowings	92.4	85.6	69.0
Total Liabilities	257.1	277.9	239.8
Net Assets	320.8	310.9	312.7
Net Debt	(75.0)	(54.9)	(58.7)

Working Capital

	1H FY2016 Dec \$m	1H FY2015 Dec \$m	FY2015 Jun \$m
Trade Receivables	122.9	131.0	119.5
Inventories	206.5	203.7	194.9
Trade Payables	(128.9)	(134.8)	(139.1)
	200.5	199.9	175.3

- Normal seasonal peak in working capital
- Working capital in line with 1H FY2015
- Increase of \$25m includes high value inventory in support of growth in nutritionals, including value added finished goods

Cash Flow

	1H FY2016 Dec \$m	1H FY2015 Dec \$m
Receipts from customers	582.7	549.0
Payments to suppliers	(572.7)	(576.7)
Payments under Milk Sustainability and Growth program	(0.5)	(18.6)
Interest and other costs of financing paid	(2.0)	(1.5)
Income tax paid	(1.3)	(2.7)
Operating activities	6.2	(50.5)
Investing activities	(15.7)	(5.5)
Financing activities	16.5	58.1
Net (decrease)/increase in cash and cash equivalents	7.0	2.1

- Strong underlying operating cash inflow
- Milk Sustainability and Growth Program fully allocated
- Increased capital expenditure

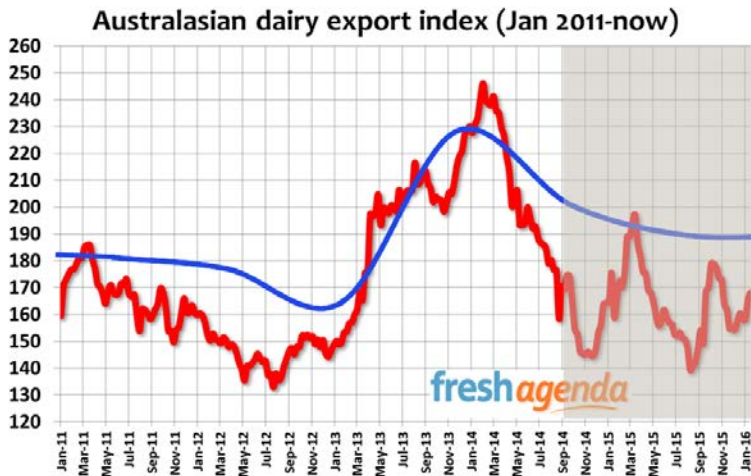


Net Debt

	1H FY2016 Dec \$m	1H FY2015 Dec \$m	FY2015 Jun \$m
Cash	17.3	30.7	10.3
Debt	92.4	85.6	69.0
Net Debt	75.0	54.9	58.7
Net Debt / (Net Debt + Equity)	18.9%	15.0%	15.8%
Interest Coverage > 2.5 times	8.5	4.4	5.9
Debt Leverage < 3.0 times	1.4	1.4	1.4

- Bank facilities refinanced with improved pricing and operating flexibility
- Material headroom in covenants

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
- European production caps removed
- Russian sanctions continue
- Declines in commodity price not entirely reflected in FY2016 Australian milk prices

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

Milk Sustainability and Growth Program



Program achievements to date

- Approximately 3,000 dairy cows added
- 20 new land purchases
- 55 new or upgraded irrigation systems
- 16 new or upgraded dairies
- 13 feed systems and feed pads
- 4 road under passes
- 11 effluent management systems
- More projects still being implemented



Manufacturing Update

- Continued improvement in performance measures
 - Safety improvement - LTIFR 46% improvement
 - Quality improvement – Right First Time 97.2%
- Award winning products
 - Produce winning cheeses including overall champion at the Royal Agricultural Society competition
- Investment in traceability and fraud protection
 - Investing in new coding systems for infant cans
- Maximising efficient utilisation of milk solids
 - Moving solids between product groups depending on return
 - Splitting components for best value
 - Increased factory yields (per kg of solids available)
- Building research networks local and global
 - Australian and International Universities, specialist providers





Sales & Marketing

Bega Brand

- Number one Australian cheese brand – 14% market share
- Continued strong growth in many countries in Middle East

Food service

- Won major QSR processed cheese tender for Asia Pacific
- Chef lead selling program continues to introduce cream cheese to new customers throughout Asia

Nutritionals

- Announced Bega/Blackmores nutritionals alliance
- Continued growth of Bellamy's Organic



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

Investing in Infrastructure

Nutritionals

- Increased canning capacity
- New blending capabilities

Cheese cutting and packaging

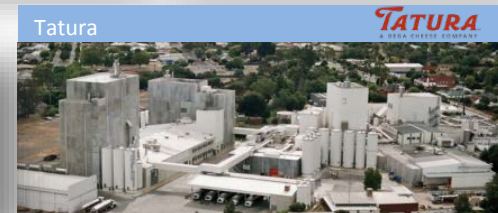
- Efficiency and capacity improvements
- New natural cheese shred and slice packaging lines (Bega)

Cream cheese

- Increased capacity in value added packaging formats

Enterprise resource planning

- Streamline business processes
- Facilitate growth strategy



Strategic Priorities

- Leverage strong nutritional demand and grow infant formula and child nutritional platform
- Grow international consumer and food service segments
- Extract more value from existing milk components
- Decrease exposure to skim milk
- Drive efficiency through ongoing investment in globally competitive infrastructure
- Developing Bio Nutrient platform
- Continue to investigate corporate opportunities (domestic and international)

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