



BEGA CHEESE

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1 November 2016

Mr Kobe Li
Senior Adviser Listings Compliance (Melbourne)
ASX Compliance Pty Limited
Level 4 North Tower, Rialto
525 Collins Street
MELBOURNE VIC 3000

By email: zheng.li@asx.com.au

Dear Mr Li

Bega Cheese Limited (BGA): response to aware query

We refer to your letter of 28 October 2016 and respond as follows:

1. The "Statement" that you have identified from the Chairman's address to the Annual General Meeting contains two aspects. The first relates to general observations about the infant formula markets in Australia and China and the second refers to a decision by the BGA Board "to take a provision of in the range of \$5-7 million on inventory representing Bega Cheese's share [of] the Bemore partnership" in the light of slower sales in the prevailing market conditions.

BGA does not consider the general observations about the infant formula market to be market sensitive. The Bemore partnership is a relatively new business partnership between BGA and Blackmores Limited, having commenced operations in early 2016. No forecasts have been previously provided to the market as to the expected levels of sales of the products of the Bemore partnership. The reference in the Statement to "our expected sales not materialis[ing] at levels that were initially forecast" is a reference to confidential internal management business targets that were not made public.

The decision by the BGA Board to record a provision against inventory relating to the Bemore partnership in the context of market conditions and anticipated FY2017 earnings, is information that BGA believes a reasonable person would expect to have a material effect on the price or value of BGA shares. For this reason, an announcement relating to the provision and anticipated FY2017 earnings was made immediately after the BGA Board made the relevant decision.

2. As noted in paragraph 1 above, the only part of the Statement that is considered to be market sensitive is the decision by the BGA Board to record a provision against inventory relating to the Bemore partnership and the FY2017 business performance commentary also provided by the Chairman in his address. The part of the Statement in which general observations about the infant formula market are made is not regarded as market sensitive for the reasons set out in paragraph 1 above.

BEGA CHEESE LIMITED ACN 008 358 503

Head Office, Cheese Packaging & Processing: 23—45 Ridge Street, North Bega NSW 2550, Australia

Butter, Cheese & Powder Manufacture: 13 Lagoon Street, North Bega NSW 2550, Australia



3. BGA first became aware of the market sensitive information in the Statement, on the morning of 25 October 2016 when a decision to make that provision and to provide commentary regarding FY2017 earnings was taken by the BGA Board.
4. BGA was not aware of the market sensitive information in the Statement prior to the date that it was announced. The possibility that the provision may need to be made on the basis of the aging and potential sales value of certain inventory in the context of prevailing market conditions and the revised anticipated FY2017 earnings were first discussed at the regular Board meeting of BGA held on Monday 24 October 2016. However, it was determined at that meeting that further analysis was required regarding the provision and the anticipated FY2017 earnings and management was directed to undertake this analysis. Following the receipt and review of management's analysis, the BGA Board made the decision to make the inventory provision and to provide commentary regarding FY2017 earnings at approximately 9.30 am on Tuesday 25 October 2016. Given that the AGM was to be held at 11.00 am on that morning and the Chairman's AGM address was to be released to the market shortly, it was decided that the most expedient way to ensure that the information was available to the market before it opened at 10.00 am was to include it in the text of the Chairman's address. It was also determined that the information was best presented in the context of the Board's guidance on BGA's financial performance in the current financial year. Further, whereas the information could be readily included in the Chairman's presentation to the AGM, it would have taken further time to prepare a stand-alone announcement.
5. BGA confirms that it is in compliance with the Listing Rules, including Listing Rule 3.1.
6. The Board has authorised the Company Secretary to provide BGA's responses as set out in this letter.

Yours sincerely

A handwritten signature in blue ink that reads "Brett Kelly". The signature is written in a cursive, flowing style.

Brett Kelly
Company Secretary



28 October 2016

Mr Brett Kelly
Company Secretary
Bega Cheese Limited

By email: Brett.Kelly@begacheese.com.au

Dear Mr Kelly

Bega Cheese Limited ("BGA"): aware query

ASX Limited ("ASX") refers to the following:

- A. BGA's announcement entitled "2016 Annual General Meeting Speech" lodged on the ASX Market Announcements Platform and released at 9:57 am on 25 October 2016 (the "Announcement"), disclosing the following statement :

"While this time last year supermarket shelves were empty and customers in Australia and internationally were providing ever increasing orders, the combination of a regulation change in China, a supply response to the demand signals and the evolution of supply channels to market now sees significant discounting in the market place and signs of short term oversupply.

This change in market circumstances has seen our expected sales not materialise at levels that were initially forecast and some strong head winds for the partnership particularly in the Australian market. The business has taken the view that it is appropriate to take a provision on in the range of \$5-7 million on inventory representing the Bega Cheese's share or the Bemore partnership. The partnership is keeping the business under constant review and will continue to monitor the performance with our partner Blackmores as market evolution and circumstances becomes clearer."

("Statement").

- B. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- C. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity"

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information"*.

D. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

E. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

F. Section 4.14 of Guidance Note 8, which states that:

“ASX has experienced difficulties in the past with announcements that have been given a fairly innocuous header (such as “Chairman’s Address to AGM”) but have had market sensitive material embedded in them. ASX would ask entities to ensure that the header to such an announcement clearly identifies the fact that it contains market sensitive information (eg, “Chairman’s Address to AGM and Buyback Announcement”) or, better still, that market sensitive announcements are made on a stand-alone basis and not embedded in other announcements that may not be market sensitive.”

G. We have noted the changes in the price of BGA’s securities as follows:

Time and Date	Price
Close – 24 October 2016	\$6.49
Open – 25 October 2016	\$6.48
Close – 25 October 2016	\$5.40

Having regard to the above, ASX asks BGA to respond separately to each of the following questions and requests for information:

1. Does BGA consider Statement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. If the answer to question 1 is “yes”, when did BGA first become aware of the information contained in the Statement?
4. If the answer to question 1 is “yes” and BGA first became aware of the information before the relevant date, did BGA make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe BGA was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps BGA took to ensure that the information was released promptly and without delay. In answering this question, please explain why BGA did not make a clearer header to identify the information contained in the Statement or make a stand alone announcement in accordance with section 4.14 of Guidance Note 8.
5. Please confirm that BGA is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that BGA’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BGA with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (ie before 9.30 a.m. AEDT) on 2 November 2016. If we do not have your response by then, ASX will have no choice but to consider suspending trading in BGA’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, BGA’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to BGA’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that BGA’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in BGA's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Kobe Li
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