



## **MEDIA RELEASE**

### **Bega Stable in Volatile Times**

Bega Cheese Limited (Bega Cheese) has announced an increase in first half profit after tax of 8.2% to \$15.7 million. This result is after a \$7.1 million pre-tax inventory impairment for stock in the Bemore partnership. Bega Cheese profit after tax after normalising for the inventory impairment is \$20.7 million an increase of 39%. Revenue increased by 10.6% to \$621 million.

Growth in Bega Cheese's retailers own brand business, an improvement in global dairy commodity prices and increased first half sales in the nutritional business all positively contributed to the revenue and profit improvement.

Bega Cheese Executive Chairman Barry Irvin said, "I am very pleased to present a strong first half performance particularly in the context of the recent upheaval in the Australian dairy industry, a highly competitive retail environment and significant disruption in infant formula supply channels into China".

Barry Irvin further commented "the highly competitive environment and changes in markets and supply channels is something that we are very used to managing. Our strategy has always been to have a balanced business which assists us in dealing with volatility in either the Australian or global market".

The long-term downward trend in global dairy commodity prices is showing strong signs of correcting at the same time as the infant formula market has become more volatile.

While pleased with a strong first half result Barry Irvin said that he expected the second half to be more challenging and reconfirmed the outlook expressed at the FY2016 AGM that FY2017 full year earnings would be broadly in line with FY2016 before the impact of provisions.

Bega Cheese's newly appointed CEO Paul van Heerwaarden said, "while nutritionals is experiencing challenges this year the ingredients market is improving rapidly. We always remain alert to changes in the market and supply and demand dynamics endeavouring to position ourselves to be agile enough to meet challenges and respond to opportunity".

Bega Cheese recently announced the \$460 million acquisition from Mondelez International of a portfolio of iconic food brands and manufacturing capability including, Vegemite, peanut butter, salad dressings and other products. Barry Irvin said "there is no doubt that in the future we will look back on the past six months as one of the most significant periods in the Company's history".

Mondelez International and Bega Cheese are currently implementing a transition plan with the objective of concluding the transaction before the end of this financial year. CEO Paul van Heerwaarden commented "I am very pleased with the progress of our transition plan, the calibre of the staff that are joining us and the excitement that this transaction has created in both businesses and the broader community".

Bega Cheese continued to remain positive regarding near term corporate opportunities which will reduce debt and assist in Bega Cheese's objective of maintaining a strong balance sheet.

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