



ASX ANNOUNCEMENT

Bega to raise approximately A\$160m via an Institutional Placement and Share Purchase Plan

Bega Cheese Limited (Bega Cheese) is pleased to announce a non-underwritten institutional share placement to raise approximately A\$122.5 million (Institutional Placement). The Institutional Placement will be followed by an offer to all existing eligible Australian and New Zealand shareholders to participate in a Share Purchase Plan (SPP). The SPP is expected to raise up to A\$37.5 million and is not underwritten.

The proceeds from the Institutional Placement and the SPP will be used to improve Bega Cheese's financial flexibility to take advantage of future growth opportunities in dairy and food.

Bega Cheese's Executive Chairman, Mr Barry Irvin, said: "Bega Cheese has today moved to strengthen its balance sheet through an approximately A\$160 million capital raising.

It has been a significant year for Bega Cheese with the announcement of the company changing acquisition of the Mondelez Grocery Business including Vegemite, peanut butter, salad dressings and cheese for A\$460 million. This was followed by a transaction with Mead Johnson which included the sale of a spray dryer and an infant formula finishing plant for A\$200 million with a ten-year access and service agreement which secures revenue and income streams from these plants".

With respect to the raising, Mr Irvin said "This capital raising gives us the financial strength and flexibility to grow our dairy and food businesses as part of our vision to be a great Australian food company."

Bega Cheese also confirmed its current estimate of FY17 normalised EBITDA (unaudited) is approximately A\$67.4 million.

Institutional Placement

The key details of the Institutional Placement are:

- An offer of approximately 22.9 million new fully paid ordinary shares, representing approximately 15% of Bega Cheese's issued capital at an issue price of A\$5.35 per share. The issue price represents a 10.1% discount to Bega Cheese's closing price of A\$5.95 on Thursday, 22 June 2017;
- Offer to be made to institutional and professional investors in Australia and certain overseas jurisdictions; and
- The Institutional Placement is not underwritten.

New Bega Cheese shares issued under the Institutional Placement will rank equally with existing Bega Cheese shares and are expected to be issued on Friday, 30 June 2017 and to commence trading on ASX on Friday, 7 July 2017.

Bega Cheese is advised by Kidder Williams Limited. Bell Potter Securities Ltd is Lead Manager to the Placement together with Co-managers PAC Partners Pty Ltd, Baillieu Holst Ltd and Select Equities Pty Ltd.

Share Purchase Plan

Each eligible Bega Cheese shareholder at 7.00pm (AEST) on 22 June 2017 will have an opportunity to subscribe for up to A\$15,000 of new Bega Cheese shares, subject to scale back, without incurring brokerage or transaction costs. Eligible Bega Cheese shareholders are holders of full-paid ordinary shares in Bega Cheese and whose address on the share register is in Australia or New Zealand (provided that such shareholder is not in the United States or acting for the account or benefit of a person in the United States).

An SPP Offer Booklet with further details on the SPP will be dispatched to Eligible Shareholders in the coming weeks.

The issue price of the new Bega Cheese shares under the SPP will be A\$5.25, a A\$0.10 discount to the issue price under the Institutional Placement and 10.4% discount to the 5-day volume weighted average price of \$5.86¹.

Bega Cheese reserves the right (at its absolute discretion) to scale back applications under the SPP if the total demand exceeds A\$37.5 million or as required to ensure that Bega Cheese's shareholding limit under its constitution is not breached. However, in a situation where total demand exceeds A\$37.5 million, Bega Cheese may decide (at its absolute discretion) to increase the SPP cap to reduce or eliminate the need for scale back.

Full details of the SPP will be in the SPP Offer Booklet.

New Bega Cheese shares issued under the SPP will rank equally with the existing Bega Cheese shares.

23 June 2017

For further information please contact

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¹ 5-day volume weighted average price is calculated from 16 June 2017 to 22 June 2017.

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PROUDLY MADE IN AUSTRALIA SINCE 1923

A significant Australian Branded Food Company

Capital Raising Presentation

Important Information

Summary Information

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By attending an investor presentation or briefing, or accepting, accessing or reviewing this document you acknowledge and agree to the terms set out above and on the next page.

Important Information

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Financial Data

All financial information in this presentation is in Australian Dollars (\$) or AUD unless otherwise stated. Investors should note that this presentation contains pro forma historical and forward looking financial information. In particular, a pro forma balance sheet has been prepared by Bega Cheese based on the reviewed Bega Cheese balance sheet as at 31 December 2016 and unaudited / unreviewed information relating to Mondelēz International's Australia and New Zealand grocery and cheese business, including Vegemite ("MDLZ Grocery Business") and certain disposal adjustments (including adjustments in relation to the Mead Johnson transaction). The pro forma and forward looking financial information and the historical information, provided in this presentation is for illustrative purposes only and is not represented as being indicative of Bega Cheese's views on its future financial condition and / or performance.

The pro forma financial information has been prepared by Bega Cheese in accordance with the recognition and measurement principles of Australian Accounting Standards and Bega Cheese's adopted accounting policies of applicable accounting standards and other mandatory reporting requirements in Australia. Investors should also note that the pro forma financial information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Such information does not purport to comply with Article 3-05 of Regulation S-X.

Investors should be aware that certain financial measures included in this presentation are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-IFRS financial information / non-GAAP financial measures include EBITDA and EBIT, as shown on slides 4 and 11. Bega Cheese believes the non-IFRS financial information / non-GAAP financial measures provide useful information to users in measuring the financial performance and conditions of Bega Cheese. The non-IFRS financial information / non-GAAP financial measures do not have a standardised meaning prescribed by AAS and IFRS. Therefore, the non-IFRS financial information is not a measure of financial performance. Liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information / non-GAAP financial measures included in this presentation.

Overview

- Bega Cheese Limited (“Bega Cheese” or the “Company”) is an Australian dairy company which supplies Australian and international markets with a range of quality dairy products. Bega Cheese has a strong history of valuing its heritage, people, customers and the community.
- On 19 January 2017, Bega Cheese announced the acquisition of Mondelez International’s Australia and New Zealand grocery and cheese business, including Vegemite (MDLZ Grocery Business) for \$460 million. This transaction is expected to complete on or around 30 June 2017.
- On 27 February 2017, Bega Cheese announced a revised long term nutritional partnership with Mead Johnson, including the sale of one of its spray dryers and infant formula finishing facilities for \$200 million. That transaction has since completed and Bega Cheese has received proceeds of \$190 million, with the balance of \$10 million due before 31 December 2017.
- Bega Cheese is conducting a circa \$160 million equity raising (Capital Raising) to maintain a balance sheet with target gearing of around 30%¹ and flexibility to participate in future growth opportunities as they arise. The equity raising will comprise:
 - \$122.5 million non-underwritten placement to Bega Cheese’s existing shareholders and new investors at a price of \$5.35 per share (“Placement”); and
 - \$37.5 million share purchase plan at \$5.25 per share, representing a 10.3% discount to TERP² of \$5.85 and a 10.4% discount to the 5-day volume weighted average price³ of \$5.86 (“Share Purchase Plan” or “SPP Offer”).

1. Net Debt / (Net Debt + Equity)

2. Theoretical ex-raising price (“TERP”) calculated based on a closing price for Bega Cheese shares on ASX of \$5.95 on 22 June 2017 and includes shares issued under both Placement and SPP Offer

3. 5-day volume weighted average price is calculated from 16 June 2017 to 22 June 2017

About Bega Cheese

- The *Bega* brand¹ is Australia’s number one cheese brand with over 32 million Bega branded products sold throughout the country each year
- Bega Cheese operates six dairy manufacturing plants across New South Wales and Victoria, manufacturing and value-adding approximately 238,000 tonnes of dairy products each year
- The Company generated FY2016 Revenue of \$1.2 billion and normalised EBITDA of \$66.0 million and currently estimates FY17 normalised EBITDA (unaudited) will be approximately \$67.4 million.
- Since listing on ASX in August 2011, Bega Cheese’s share price has increased from \$2.00 per share to \$5.95 on 22 June 2017. During this time Bega Cheese has declared \$0.455 per share of fully-franked dividends.
- The core Bega Cheese business led by an experienced, skilled and long term management team has evolved substantially, particularly over the last decade, and currently operates with three key platforms:

Dairy Foods	Nutritionals	Ingredients
<ul style="list-style-type: none"> ■ Cheese ■ Consumer goods ■ Food service ■ Contract packing 	<ul style="list-style-type: none"> ■ Bulk (high value) powders ■ Infant formula ■ Specialised powders and micronutrients 	<ul style="list-style-type: none"> ■ Cream cheese ■ Mozzarella ■ Milk powders ■ Milk

- The acquisition of the MDLZ Grocery Business, expected to complete on or around 30 June 2017, will add a new branded consumer foods platform to the business and provide opportunities for growth in new categories.

1. The *Bega* trademark is licensed to Fonterra for use on certain products within Australia.

Bega Cheese's Transformation

FIRST TRANSFORMATION

2001

SEEKING NEW OPPORTUNITIES

Cooperative founded in 1899

- > Industry deregulation 2001
- > Bega based co-op with strong regional brand
- > Main focus was cheddar manufacture, process and pack
- > Long term Australian supply and license agreement with Fonterra
- > Developing international sales opportunities

SECOND TRANSFORMATION

2007

BUILDING RELEVANCE



Diversify and grow customers and markets

- > Exposure to strong dairy region
- > Entry into nutritionals, cream cheese and powders
- > Diversification into export markets
- > People and capabilities

2008/09

GROW AND DIVERSIFY



Acquire Strathmerton and Coburg

Increased capacity and further diversify customer base

- > Cut, pack and processing scale
- > Cheddar and mozzarella manufacturing expansion
- > Long term supply arrangement with Kraft
- > Long term nutritionals supply agreement with Mead Johnson

THIRD TRANSFORMATION

2011

STRUCTURED FOR THE FUTURE



Strength for Growth

- > Capital restructure
- > Value release for farmers
- > Well structured for corporate activity
- > Acquisition of the remaining stake in Tatura
- > Investment in capacity and increased focus on nutritionals and high value dairy products
- > Well established B2B business
- > Developing foodservice and consumer businesses

FOURTH TRANSFORMATION

2017

NEW BUSINESS PLATFORM



Strength in dairy enhanced by new categories

- > Major Australian brand owner (cheese and Vegemite)
- > Major dairy manufacturer
- > Significant consumer packaged goods infrastructure
- > Dairy and food strengthened by combination, market reach, channel penetration
- > Heritage, reputation and relationships underpin business strength and growth opportunities
- > Opportunity to add further dairy and non dairy to product portfolio

MDLZ Grocery Business Overview

Summary

- Vegemite, peanut butter, salad dressings and cheese
- 66% of revenue derived from products with #1 positions¹
- Estimated \$40-45 million EBITDA² in first full year of operation
- Low capital intensity
- Substantial land value in Port Melbourne site
- Strong positive reaction to announcement.

Strong Strategic Fit

- Cultural fit – heritage, community, customers
- Diversifies Bega Cheese into complementary markets and categories beyond dairy
- Enhances sales and marketing and R&D skills and capability
- Complements Bega Cheese’s significant knowledge of lean and innovative food manufacturing processes
- Port Melbourne facilities provide significant capacity for organic growth and acquisitions.



Update on MDLZ Grocery Business Acquisition

Integration

- Bega Cheese has been working closely with Mondelez International on the planning and integration of the MDLZ Grocery Business into the Bega Cheese group. Completion of the acquisition is intended to occur on or around 30 June 2017. Following completion, some Transitional Services will be supplied by MDLZ until March 2018.
- The MDLZ Grocery Business, including the iconic *Vegemite* brand, will be run as a separate independent business unit, with the ability to draw on Bega Cheese resources, when required.

Brand Transition

- The MDLZ Grocery Business, under Mondelez International's ownership has commenced a brand transition process for certain products previously branded Kraft, due to the expiry of the Kraft brand licence on 31 December 2017. This process has seen the *Dairylea*¹ brand introduced in cheese and *The Good Nut* in peanut butter. Bega Cheese recognises the opportunities in peanut butter and has a number of branding strategies. The Company continues to review the transition of *Dairylea* while considering other options for the cheese business.

Property

- Bega Cheese has received numerous approaches regarding the sale of the Port Melbourne facility. Bega Cheese recognises the value in the property, however it is committed to the site and has no intention to relocate or sell at this time.

1. Bega Cheese will receive an assignment of the residual Kraft brand licence in relation to the MDLZ Grocery Business and a 5 year licence to use the *Dairylea* brand.

Mead Johnson Transaction

- Long term nutritional partnership strengthens Bega Cheese's relationship with one of its key customers
- Sale of one spray dryer at Tatura and the infant formula finishing plant at Derrimut, Melbourne
- Sale proceeds of \$200 million:
 - \$180 million received in April 2017
 - \$10 million received in June 2017
 - Balance of \$10 million due by 31 December 2017
 - Used to fund MDLZ Grocery Business acquisition by reducing debt funding required
- Secures revenue streams via a 10 year access and service agreement



Where we are today

A stable business growing in dairy and building in food

- Completing the MDLZ Grocery Business acquisition on 30 June 2017
- Brand portfolio including iconic Australian brands Bega and Vegemite
- Company of choice for dairy farmers with strong milk supply growth
- Stability in dairy nutritionals business
- Growing high value dairy ingredients business
- International and Australian food service and retail channels well developed
- Potential new corporate opportunities emerging in dairy and food

Our focus

Creating a great Australian food company

- Protect the strengths, reputation and returns of the existing businesses
- Manage volatility in changing markets and maintain a globally competitive supply chain
- Leverage and grow the iconic brand portfolio
- Expand channels and markets for our products
- Build on sales strength and operational knowledge of the combined business
- Optimise cashflow
- Invest for efficiency and optimisation of infrastructure
- Maintain a strong balance sheet
- Remain agile and well positioned to identify and execute corporate opportunities

Pro Forma Balance Sheet and EBITDA

In \$'m	Bega Cheese ¹	Mead Johnson Transaction ²	Additional Debt Funding ³	MDLZ Grocery Business Acquisition ^{4,5}	Capital Raising ⁶	Pro forma
Cash and cash equivalents	14.5	190.0	293.8	(486.1)		12.2
Trade and other receivables	160.5	10.0				170.5
Inventories	194.3			34.0		228.3
Property, plant and equipment	222.7	(21.0)		90.4		292.1
Intangible assets ⁸	14.6			386.8		401.4
Other Assets	14.6			7.4		22.0
Total Assets	621.3	179.0	293.8	32.4		1,126.6
Trade and other payables	157.9					157.9
Borrowings	85.1		294.4		(157.0)	222.5
Current tax liabilities	6.3	53.9				60.3
Other Liabilities	36.9			56.7		93.6
Total Liabilities	286.3	53.9	294.4	56.7	(157.0)	534.3
Share capital	103.9				157.0	260.9
Reserves	20.2					20.2
Retained earnings	210.9	125.1	(0.6)	(24.3)		311.1
Net Assets	335.0	125.1	(0.6)	(24.3)	157.0	592.3
Net Debt	70.6	(190.0)	0.6	486.1	(157.0)	210.3
Adjusted Net Debt ⁹	70.6	(146.1)	0.6	486.1	(157.0)	254.3
Pro forma EBITDA	67.4 ⁷	-	-	40.0 ⁷	-	107.4
					Adjusted Net Debt basis	Net Debt basis
Net Debt / Equity	21.1%				42.9 %	35.5 %
Net Debt / (Net Debt + Equity)	17.4%				30.0 %	26.2 %
Net Debt / EBITDA	1.05 x				2.37 x	1.96 x

Notes:

- 1 Net Assets of Bega Cheese as reported at 25 December 2016. Refer to the Investors section on Bega Cheese's website for Bega Cheese's 1HFY2017 result
- 2 Pro forma adjustments reflect the Mead Johnson transaction with \$190 million upfront payment received in April and June 2017 and \$10 million to be paid before 31 December 2017. The estimated capital gain tax liability of the sale of \$53.9 million is payable in Q3 FY2018
- 3 The incremental funds required to initially fund the purchase price of the MDLZ business will be sourced through Bega Cheese's new and existing debt facilities. Estimated total debt facilities costs of \$2.3 million will be capitalised and amortised throughout the term of the debt facilities. Of the total \$2.3 million, Bega Cheese is expected to amortise \$0.6 million in FY2017
- 4 Reflects the net purchase price of the MDLZ Grocery Business of \$456.1 million (being \$460 million less assumed net employee entitlements of \$3.9 million) and approximately \$30 million of transaction costs (\$24.3 million after tax) funded through Capital Raising and new debt facilities
- 5 The pro forma adjustments reflect the estimated financial effect of accounting for the acquisition of the MDLZ Grocery Business and are illustrative only. Australian Accounting Standards require an allocation of fair value of assets and liabilities acquired. The amounts included are provisional based on a preliminary valuation and purchase price allocation exercise. The Company has 12 months from the date of acquisition to finalise the provisional purchase price accounting
- 6 Assumes proceeds from the Capital Raising of approximately \$160 million. Estimated transaction costs of \$3.0 million are offset against Capital Raising proceeds. \$160 million Capital Raising proceeds assume an 28.4% SPP Offer acceptance rate. There is a risk the SPP Offer acceptance rate may be lower (or higher) resulting in the final Capital Raising proceeds (and consequently net debt) being higher or lower than presented above
- 7 Estimated Bega Cheese FY17 normalised EBITDA (unaudited) and estimated MDLZ Grocery Business EBITDA in first full year of operation, prior to one off transaction costs, implementation costs and any impact arising from a purchase price allocation
- 8 Certain intangible assets with finite useful lives will be amortised over those lives. Goodwill and other indefinite life intangibles will be subject to annual impairment tests.
- 9 Adjusted Net Debt: Proforma Net Debt plus \$53.9 million Mead Johnson Deal tax payable less \$10 million Mead Johnson consideration receivable

Placement and SPP Offer Details

Institutional Placement	<ul style="list-style-type: none"> ▪ A non-underwritten institutional placement (“Placement”) of c. 22.9m shares (representing up to 15% of the shares on issue prior to the Placement) to raise \$122.5m ▪ The price per share under Placement is fixed at \$5.35 (“Placement Price”) ▪ The Placement Price represents a 8.7% discount to the 5-day volume weighted average price of \$5.86
Share Purchase Plan	<ul style="list-style-type: none"> ▪ A non-underwritten share purchase plan (“SPP”) is available to eligible shareholders in Australia and New Zealand ▪ Participation is limited to \$15,000 of new Bega Cheese shares per eligible shareholder ▪ The SPP is capped at \$37.5m. Bega Cheese reserves the right to increase this amount or scale back applications under the SPP at its absolute discretion ▪ The SPP price will be \$5.25 per share (“SPP Price”). The SPP Price represents a representing a 10.3% discount to TERP¹ of \$5.85 and a 10.4% discount to the 5-day volume weighted average price of \$5.86 ▪ Full details of the SPP will be set out in the SPP Offer Booklet, which will be lodged with ASX and sent to eligible shareholders in due course
Use of proceeds	<ul style="list-style-type: none"> ▪ To maintain a balance sheet with target gearing of around 30%² and flexibility to participate in future growth opportunities as they arise
Ranking	<ul style="list-style-type: none"> ▪ All New Shares issued will rank equally with existing Bega Cheese shares
Risks	<ul style="list-style-type: none"> ▪ Investors are encouraged to review the risk considerations detailed on slides 14 to 19 of this presentation
Advisers	<ul style="list-style-type: none"> ▪ Adviser: Kidder Williams Limited ▪ Lead Manager: Bell Potter Securities Ltd ▪ Co-managers: PAC Partners Pty Ltd, Baillieu Holst Ltd and Select Equities Pty Ltd

Capital Raising Timetable

Event	Date
Trading halt	Friday, 23 June 17
Announcement of Placement and SPP	Friday, 23 June 17
Announcement of completion of Placement	Tuesday, 27 June 17 (unless completed earlier)
Issue of Appendix 3B for Placement	Tuesday, 27 June 17
Issue of shares under Placement	Friday, 30 June 17
Release of Cleansing Notice	Friday, 30 June 17
New Shares issued under Placement commence trading on ASX	Friday, 7 July 17
SPP Record date	Thursday, 22 June 17
Issue of SPP Offer Booklet	Monday, 3 July 17
SPP Opening Date	Monday, 3 July 17
SPP Closing Date	Monday, 31 July 17
Announcement of completion of SPP	Monday, 07 August 17
Issue of New Shares under SPP	Tuesday, 8 August 17
Issue of Appendix 3B for SPP	Tuesday, 8 August 17
New Shares commence trading on ASX	Tuesday, 8 August 17
Despatch of SPP Shareholding statements	Friday, 11 August 17

1. Timetable is indicative and subject to change without notice

Key Risks

This section discusses some of the key risks associated with an investment in shares in Bega Cheese and with the acquisition of the MDLZ Grocery Business. These risks may affect the future operating and financial performance of Bega Cheese and the value of Bega Cheese shares.

The risks set out below are not listed in order of importance and do not necessarily constitute an exhaustive list of all risks involved with an investment in Bega Cheese.

Before investing in Bega Cheese, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on Bega Cheese (such as that available on the websites of Bega Cheese and ASX), carefully consider their personal circumstances and consult their professional advisers before making an investment decision. Additional risks and uncertainties that Bega Cheese is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Bega Cheese's operating and financial performance (including the operating and financial performance of the MDLZ Grocery Business).

Nothing in this presentation is financial product advice and this document has been prepared without taking into account your investment objectives or personal circumstances.

You should note that the occurrence or consequences of many of the risks described in this section are partially or completely outside the control of Bega Cheese, its directors, senior management and advisers. Further, you should note that this section focuses on the potential key risks and does not purport to list every risk that Bega Cheese may have now or in the future. It is also important to note that there can be no guarantee that Bega Cheese will achieve its stated objectives or that any forward looking statements contained in this presentation will be realised or otherwise eventuate. All potential investors should satisfy themselves that they have a sufficient understanding of these matters, including the risks described in this section, and have regard to their own investment objectives, financial circumstances and taxation position.

Cooling off rights do not apply to the acquisition of New Shares.

Key Risks: MDLZ Grocery Business Acquisition

Reliance on information provided

There is a risk that information provided by Mondelēz International (including financial information) was incomplete, inaccurate or unreliable and there is no assurance that the due diligence was conclusive or identified all material issues in relation to MDLZ Grocery Business. If any of the data or information provided to and relied upon by Bega Cheese in its due diligence process and its preparation of this presentation proves to be incomplete, inaccurate or misleading, there is a risk that the actual financial position and performance of the MDLZ Grocery Business and Bega Cheese may be materially different to the financial position and performance expected by Bega Cheese and reflected in this presentation.

Analysis of acquisition opportunity

It is possible that the financial, operational, business and/or other analysis undertaken by Bega Cheese in relation to MDLZ Grocery Business or the MDLZ Grocery Business acquisition, as well as its best estimates and forecasts, are inaccurate or are not realised in due course.

To the extent that actual results achieved by MDLZ Grocery Business are weaker than those assumed by Bega Cheese's analysis and forecasts, there is a risk that this may have an adverse impact on the financial position and financial performance of Bega Cheese and its share price.

Estimates of certain management, selling, general and administrative costs of running the MDLZ Grocery Business were made by Bega Cheese. There is a risk that Bega Cheese's estimates of these costs may be inaccurate which may have an adverse impact on the financial position and performance of Bega Cheese.

Customer and supplier relationships

There is a risk that as a result of acquiring MDLZ Grocery Business and competing in the markets of some of its products, contractual relationships with customers may result in decreased sales volumes and increased costs which could materially affect the financial performance of Bega Cheese.

A number of the MDLZ Grocery Business supply contracts are due for renewal in the next 24 months. There is a risk that Bega Cheese may not be able to successfully negotiate the renewal of these contracts, or that contracts are renewed on less favourable terms. This could materially affect the financial performance of Bega Cheese.

Expiry of Kraft trade mark licence

Some of the products within the MDLZ Grocery Business, such as peanut butter and processed cheese, are or have previously been sold under the Kraft brand. The licence rights to use the Kraft brand, which were established on the separation of Kraft and Mondelēz in 2012, will expire on 31 December 2017 and there are transitional branding arrangements being implemented. There are risks associated with this transitional branding. Kraft-Heinz will also be in a position to commence selling Kraft branded products including peanut butter and cheese in Australia and New Zealand following the expiry of the licence, thereby introducing a higher level of competition.

Kraft-Heinz has opposed the registration by MDLZ of The Good Nut trade mark on various bases and applied for registration of a trade mark for trade dress associated with peanut butter products on the basis that it alleges ownership of such trade dress. Bega Cheese does not agree with the position taken by Kraft-Heinz and intends to protect the intellectual property rights that it will acquire from MDLZ.

Finance Facilities

Bega Cheese has approval from its banks for new facilities, which together with existing facilities, are intended to be drawn down to pay the purchase price for the MDLZ Grocery Business. Draw down of the new facilities is subject to finalisation and signing of facility documentation and certain conditions precedent. Facility documents are expected to be signed before 30 June 2017. The conditions precedent to draw down are usual for financing transactions of this nature and include the release of existing securities over the MDLZ Grocery Business assets.

Key Risks: MDLZ Grocery Business Acquisition

Operational Implementation Risk

The integration of a business of the size of MDLZ Grocery Business carries risk, including potential delays or costs in implementation and integration. The success of the acquisition and the ability to realise any synergies will be dependent upon the effective and timely integration of MDLZ Grocery Business with the Bega Cheese business. While Bega Cheese has undertaken analysis in relation to potential synergies and integration costs of the acquisition, they are Bega Cheese's best estimates, and there is a risk that the actual synergies and integration costs may vary materially significantly and that any expected synergies may not materialise at all.

There is a risk that Bega Cheese's future profitability and prospects could be adversely affected if integration of MDLZ Grocery Business with Bega Cheese's business is not completed efficiently and effectively, with minimal disruption. Although integration planning is advanced, there remains a risk that unforeseen events may arise causing the expected synergies to be delayed, not be obtained, or cost more to achieve than originally expected. These risk include:

- Higher than anticipated costs to operate the MDLZ Grocery Business;
- Disruption to the ongoing operations of both businesses;
- Unforeseen costs relating to the integration of some of the IT platforms, management information systems and financial and accounting systems;
- Unintended loss of key personnel, expert knowledge or reduced employee productivity due to uncertainty arising from the acquisitions; and
- Failure to maintain key supplier and/or customer relationships.

Bega Cheese's business has focused on the contract manufacture of products for other parties and has not been directly involved in the retail marketing of products to consumers in the Australian market. The MDLZ Grocery Business, on the other hand, is a consumer goods manufacturing and marketing business. The skilled MDLZ staff that will become Bega Cheese employees on completion of the acquisition of the MDLZ Grocery Business will provide expertise to support the on-going successful operation of that business.

Key Risks: General Business

Milk supply and pricing

Bega Cheese relies on milk supply from its farmer suppliers. In turn, the farmer suppliers need suitable climatic conditions in order to produce pasture and source grain and hay/fibre to feed their dairy herds. Farmer suppliers are not under long term supply contracts, and milk prices are usually set and communicated to farmer suppliers on an annual basis.

Farmer suppliers are generally free to supply alternative buyers if they so wish. The price paid to farmer suppliers for their milk is a key factor in being able to attract and retain supply. Milk prices paid are a function of the returns that Bega Cheese can achieve for its dairy products. If Bega Cheese cannot achieve a return that enables it to be competitive there is the potential to lose some supply of milk from farmer suppliers.

International dairy commodity prices

Dairy commodity prices fluctuate in accordance with global supply and demand. The market prices of core products of Bega Cheese such as cheddar cheese, cream cheese, milk powders and butter are all affected by the global commodities market. To some extent, even those products not exported but traded within the domestic market are similarly affected. There is risk that a decline in commodity prices may reduce the prices at which Bega Cheese is able to sell its products, thereby adversely impacting Bega Cheese's earnings unless input prices for raw materials, including milk, can be adjusted to reflect this change.

Competition Risks

Bega Cheese's market remains highly competitive and any increased competition from new and existing competitors may lead to a decline in sales and profitability.

The MDLZ Grocery Business operates in a highly competitive market with low barriers to entry. Many competitors and potential competitors are significant and well-funded multinational food and beverage producers who could materially impact the MDLZ Grocery Businesses' market share by entering or increasing their prominence in the categories the MDLZ Grocery Business operates in.

Reputation and Brand Risk

A decline in the high level of loyalty and trust that Bega Cheese and the MDLZ Grocery Business enjoys with its customers could compromise its market positions and adversely affect Bega Cheese's operating and financial performance. This could occur as a result of a wide range of factors or events, including:

- A product contamination and/or recall;
- A major workplace health and safety incident occurring in one of Bega Cheese's manufacturing facilities;
- A significant breach of regulatory or legislative requirements.

Changes in Regulatory Environment

Changes in the regulatory environment in which Bega Cheese operates may affect Bega Cheese's ability to supply certain types of products and services to particular customers or sell products into certain end markets.

Increasing Cost of Doing Business

Certain costs of doing business are outside Bega Cheese's control. For example Bega Cheese's cost of doing business is impacted by the Australian Dairy Farmgate Milk Price which is a major component of its dairy products and global peanut prices and sourcing which are a major component of the MDLZ Grocery Business' products.

Key Risks: General Business

Failure to Maintain Supplier Relationships

Failure to maintain supplier relationships could adversely impact Bega Cheese's operating and financial performance, which may in turn impact its share price.

Failure to Maintain Key Customer Relationships

Given Bega Cheese's reliance on several key customers, a failure to maintain these relationships could adversely impact Bega Cheese's operating and financial performance as well as growth of MDLZ Grocery Business, which may in turn impact Bega Cheese's share price.

Loss of, or Inability to Attract and Retain, Key Staff

Bega Cheese's ability to attract and retain talented staff is critical to its operating and financial performance, and loss of key staff or the inability to attract talented staff could have a detrimental impact on performance.

IT Systems

Bega Cheese's reliance on IT systems means that outages and disruptions could have a detrimental impact on its operating and financial performance, and any failure to maintain and upgrade its IT systems over time has the potential to inhibit the achievement of its business initiatives.

Litigation

Legal proceedings and claims may arise from time to time in the ordinary course of Bega Cheese's business and may result in high legal cost, adverse monetary judgements and/or damage to Bega Cheese's reputation which could have an adverse impact on Bega Cheese's financial position, performance and share price.

Interest Rate and Foreign Currency Risk

Where dairy commodities are sold into export markets the predominant currency is the US dollar. Fluctuations in the Australian dollar compared with foreign currencies have the potential to impact the revenue and returns of Bega Cheese. Bega Cheese will be subject to the risk of rising interest rates associated with borrowing on a floating rate basis and risk of foreign currency exposure from its export operations. Bega Cheese seeks to manage all or part of its exposure to adverse fluctuations in floating interest rates and/or foreign currency receivables through hedging arrangements, including derivative financial instruments. Such arrangements involve risk, such as the risk that counterparties may fail to honour their obligations under these arrangements, and such arrangements may not be effective in reducing exposure. To the extent that Bega Cheese does not hedge effectively (or at all) against these movements, such movements may adversely affect Bega Cheese's results.

General market and share price risk

The operating and financial performance of the Bega Cheese is also influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest and exchange rates, access to debt and capital markets, and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, may have an adverse impact on Bega Cheese's business or financial condition. These factors may cause the price of Bega Cheese shares to trade below the price at which they are offered under the Offer, notwithstanding Bega Cheese's financial or operating performance.

Other Risks

The list of risks highlighted here should not be taken as a complete list of risks associated with an investment in Bega Cheese. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect the value of Bega Cheese shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Bega Cheese in respect of Bega Cheese shares.

Key Risks: Participation in the Offer

Risks associated with an investment in shares

There are general risks associated with investments in equity capital such as Bega Cheese shares. The trading price of Bega Cheese shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being less or more than the Placement Price and SPP Price. Generally applicable factors which may affect the market price of shares include:

- General movements in Australian and international stock markets;
- Investor sentiment;
- Australian and international economic conditions and outlook;
- Changes in interest rates and the rate of inflation;
- Changes in government legislation and policies, in particular taxation laws;
- Announcement of new technologies; and
- Geo-political instability, including international hostilities and acts of terrorism

No assurances can be given that the New Shares will trade at or above the Placement Price and SPP Price. None of Bega Cheese, its directors or any other person guarantees the market performance of the New Shares

The effect of these conditions on Bega Cheese's ability to refinance its debt obligations, and the terms on which any such refinancing can be obtained, is uncertain. If these conditions and risks result in Bega Cheese being unable to refinance its debt obligations, or to do so on reasonable terms, this may have an adverse effect on the financial position and performance of the Bega Cheese's share price.

The operational and financial performance and position of the Bega Cheese's share price may be adversely affected by a worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible new risks might emerge as a result of Australian or global markets experiencing extreme stress or existing risks may manifest themselves in ways that are not currently foreseeable

Underwriting Risk

Bega Cheese has not entered into any underwriting agreement in relation to the Offer. The Board of Bega Cheese have considered the relevant factors relating to the Offer, including but not limited to, terms of the Offer, Placement Price and SPP Price, historical share price movement of Bega Cheese, and determined that there is a strong enough support and interest from existing Bega Cheese shareholders and new investors to complete the Offer at the Placement and SPP Price.

In the event there is a shortfall in the subscription of the Offer, Bega Cheese will utilise new and existing debt facilities provided by Rabobank and Westpac.

Sell-down by existing shareholders

There is a risk that existing substantial shareholders (including directors) may seek to sell-down their shareholding in Bega Cheese. A significant sale of shares or a perception that a sell-down may occur could adversely affect the price of Bega shares.

Foreign selling restrictions

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Australia

The information in this document has been prepared on the basis that all offers of New Shares will be made to Australian resident investors to whom an offer of shares for issue may lawfully be made without disclosure under Part 6D.2 of the Corporations Act 2001 (Cth). This document is not a prospectus, product disclosure statement or any other form of disclosure document regulated by the Corporations Act 2001 (Cth) and has not been and will not be lodged with ASIC. Neither ASIC or ASX take any responsibility for the contents of this document. Accordingly, this document may not contain all information which a prospective investor may require to make a decision whether to subscribe for New Shares and it does not contain all of the information which would otherwise be required by Australian law to be disclosed in a prospectus, product disclosure statement or any other form of disclosure document regulated by the Corporations Act 2001 (Cth). This document does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to the offer of New Shares, you should assess whether the acquisition of New Shares is appropriate in light of your own financial circumstances or seek professional advice.

France

This document is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers ("AMF"). The New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. This document and any other offering material relating to the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11 to D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation. Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Germany

The New Shares have not been and will not be offered, sold or publicly promoted or advertised in any Member State of the European Economic Area ("EEA") which has implemented the Prospectus Directive (each, a "Relevant Member State") other than in compliance with the Prospectus Directive or any other laws applicable in the EEA governing the issue, offering and sale of securities.

No action has been taken, or will be taken, in any Relevant Member State to permit an offer to the public of any of the New Shares in that Relevant Member State. Accordingly, the New Shares are not being (and will not be) offered and will not be allocated to any person in Germany other than:

- a) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;
- b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriters; or
- c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of New Shares shall require the Company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of New Shares to the public" in relation to any New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the New Shares to be offered so as to enable an investor to decide to purchase or subscribe the New Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Foreign selling restrictions

Hong Kong

WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO").

No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it.

Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

Japan

The New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 item 1 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Shares is conditional upon the execution of an agreement to that effect.

New Zealand

This document is not a product disclosure statement or any other form of disclosure document under the Financial Markets Conduct Act 2013 (the "FMC Act"). This document has not been registered, filed with or approved by any New Zealand regulatory authority under the FMC Act. The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act; or
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Foreign selling restrictions

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, or registered as a prospectus with the Monetary Authority of Singapore.

Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (b) to a relevant person under Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where New Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- b) a trust (where the trustee is not an accredited investor) whose purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferrable for six months after that corporation or that trust has acquired the New Shares pursuant to an offer made under Section 275 of the SFA except:
 - 1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - 2) where no consideration is or will be given for the transfer;
 - 3) where the transfer is by operation of law;
 - 4) pursuant to section 276(7) of the SFA or as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) a "relevant person" (as defined in section 275(2) of the SFA). You must ensure that you comply with the requirements under the SFA (including any applicable resale restrictions) in respect of any investment in the New Shares. In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

Foreign selling restrictions

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) ("Qualified Investors") in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.