



ASX ANNOUNCEMENT

Half Year 2018 Results Highlights Presentation

I have pleasure in enclosing the Half Year 2018 Results Highlights Presentation to be discussed on the Half Year Result 2018 Conference Call scheduled for 11:00am today.

A handwritten signature in blue ink, which appears to read "B. G. Kelly", is positioned above the printed name of the signatory.

Brett Kelly
Company Secretary

28 February 2018

For further information please contact

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1H FY2018 Half Year Results

28 February 2018

Barry Irvin – Executive Chairman
Paul van Heerwaarden – CEO
Colin Griffin – CFO

Key Messages



The great Australian food company


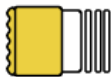




- § Solid financial performance in first half
- § Bega Foods integration progressing well
- § PCA acquisition completed
- § Significant investment in brand positioning, transition and business integration
- § Dairy nutritionals stabilised following market correction in FY2017
- § Dairy ingredients growth
- § Margin pressure in retail dairy and food
- § Increased competition for milk

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KEY HIGHLIGHTS



	1H FY18	1H FY17	Change %
REVENUE (\$'000) 	705,195	621,131	14 ↑
PRODUCTION VOLUME (TONNES) 	137,175	112,474	22 ↑
EBITDA (\$'000) 	70,086 NORMALISED	42,596 NORMALISED	65 ↑
	51,698 STATUTORY	35,496 STATUTORY	46 ↑
PROFIT AFTER TAX (\$'000) 	36,584 NORMALISED	20,659 NORMALISED	77 ↑
	20,563 STATUTORY	15,689 STATUTORY	31 ↑
BASIC EARNINGS PER SHARE (CENTS) 	20.0 NORMALISED	13.5 NORMALISED	48 ↑
	11.2 STATUTORY	10.3 STATUTORY	9 ↑
TOTAL DIVIDEND PER SHARE (CENTS) 	5.5	5.0	10 ↑

Normalised results exclude the impact of significant events occurring during the year.

1H FY2018 Results Normalised*



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Consolidated Period Ending 31 December 2017	Per Financial Statements \$'000	Bega Foods Acquisition Costs \$'000	Bega Foods Fair Value Adjustments \$'000	PCA Acquisition Costs \$'000	Other Costs \$'000	Normalised Result \$'000	Change from prior period \$'000	%
Revenue	705,195	-	-	-	-	705,195	84,064	14
Cost of sales	(571,541)	-	3,733	-	-	(567,808)	(18,831)	3
Gross profit	133,654	-	3,733	-	-	137,387	65,233	90
Other income and expenses	(81,956)	11,659	-	2,061	935	(67,301)	(37,743)	128
EBITDA	51,698	11,659	3,733	2,061	935	70,086	27,490	65
EBIT	38,062	11,659	3,733	2,061	935	56,450	26,402	88
Finance costs	(3,890)	-	-	-	-	(3,890)	(2,476)	175
Profit before income tax	34,172	11,659	3,733	2,061	935	52,560	23,926	84
Profit for the half year	20,563	10,791	2,613	1,962	655	36,584	15,925	77
Basic earnings per share - cents	11.2					20.0	6.5	48

*Normalised for acquisition costs for Bega Foods, Peanut Company of Australia and fair value adjustments.

Balance Sheet (extract)



	1H FY2018 Dec \$m	1H FY2017 Dec \$m	FY2017 Jun \$m
Cash and cash equivalents	18.7	14.5	475.5
Trade and other receivables	215.5	160.5	168.5
Inventories	272.5	194.3	167.9
Property, plant & equipment	307.5	222.7	196.8
Intangible assets	413.3	14.6	22.7
Total Assets	1,250.4	621.3	1,056.3
Trade and other payables	229.9	157.9	169.3
Borrowings	292.1	85.1	215.3
Total Liabilities	616.1	286.3	483.6
Net Assets	634.3	335.0	572.7
Net Debt	(273.4)	(70.6)	260.2

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Segments



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Segment Information Period Ending 31 December 2017	Bega Cheese \$'000	Tatura Milk \$'000	Consolidation Adjustments \$'000	Group Total \$'000
Revenue	497,306	233,294	(25,405)	705,195
EBITDA	17,164	38,267	(3,733)	51,698
Depreciation, amortisation and impairment	(9,465)	(4,171)	-	(13,636)
EBIT	7,699	34,096	(3,733)	38,062
Interest revenue	161	1,515	(1,168)	508
Interest expense	(5,530)	(36)	1,168	(4,398)
Profit before income tax	2,330	35,575	(3,733)	34,172
Income tax expense	(6,129)	(8,600)	1,120	(13,609)
Profit for the period	(3,799)	26,975	(2,613)	20,563
Acquisitions and corporate costs - after tax impact	13,408	-	2,613	16,021
Normalised profit for the period	9,609	26,975	-	36,584

Bega Foods



- § Transaction completed 4 July 2017
- § FY2018 will not receive full years sales revenue
- § Integration progressing well – strong cultural alignment
- § Bega Foods now includes Peanut Company of Australia and the international branded consumer and food service business
- § Successful brand activation
 - § Vegemite - Australian tennis open, Cadel Evans ride
 - § Peanut butter - Bega brand transition, marketing investment
 - § Zoosh brand transition completed
- § Vegemite, peanut butter and Zoosh
 - § Significant up front investment in brand and brand positioning

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Peanut Company of Australia and Peanut Butter



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Peanut Company of Australia

- § Acquisition completed 25 January \$0.83 per share \$11.9 million
- § Australia's largest processor and supplier of peanuts
- § Average intake since 2015 approximately 17,000 tonnes (60-80% total Australian peanut production)
- § Peanut production in Australia is estimated to be less than 40% of domestic consumption
- § PCA acquisition secures Australian peanut supply chain
- § Opportunity to increase peanut production in Australia

Peanut Butter

- § Accelerated investment in branding and positioning
- § Bega peanut butter differentiated by ownership of supply chain and manufacturing infrastructure combined with close association with Australian farmers
- § Provenance objective for Bega peanut butter, 100% Australian peanuts
- § Aggressive competitive environment impacting margins

Consumer Packaged Cheese



- § Retailers mark contracts remain highly competitive
- § Retailers mark contract transition from Coles to Woolworths now complete
- § Food service growth continues
- § International market growth
- § Capital expenditure in shred and slice lines complete
- § Continuous improvement program
- § Optimising manufacturing capacity and capability footprint



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Dairy Ingredients



- § Strong performance for ingredients
- § Milk supply intake increased 25% year on year
- § Volume growth of cream cheese 19%
- § Increase in mozzarella production 33%
- § Implementing continuous improvement program
- § Highly competitive milk acquisition environment
- § Global commodity price volatility
- § Analysts predicting additional global milk supply and oversupply of commodities in CY2018

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Nutritionals



- § Dairy nutritionals stabilised following market correction in FY2017
- § More stable market and regulatory environment
- § Investing in the development of new nutritional categories
- § Continue to invest in novel nutraceuticals and bionutrient capacity
- § Mead Johnson transition progressing well
- § Lactoferrin market stabilised with price improving
- § Secured long term sourcing arrangements for commercial quantities of organic milk destined for infant formula

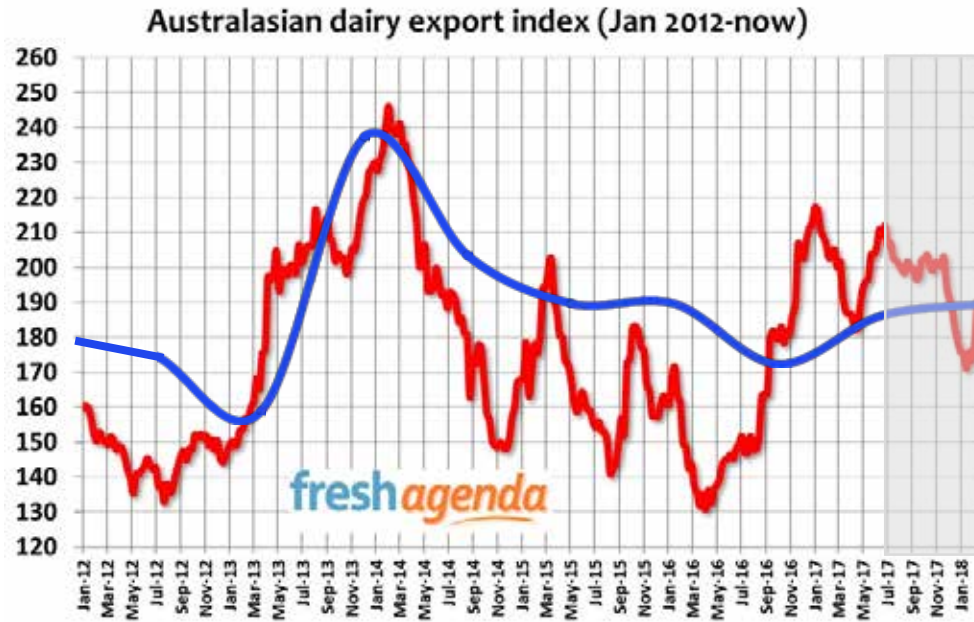


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Dairy commodity price and farm gate milk price



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- § 25% increase in milk intake volume
- § 3% increase in national production and 8% increase in northern Victoria
- § Farm gate milk price more aligned with global dairy market

— Export trend index - global commodity prices/Australian currency impact source *freshagenda*

— Bega Cheese southern farm gate milk price trend

FY2016 Opening and closing milk price \$5.60 per Kg MS

FY2017 Opening milk price \$5.00 per Kg MS

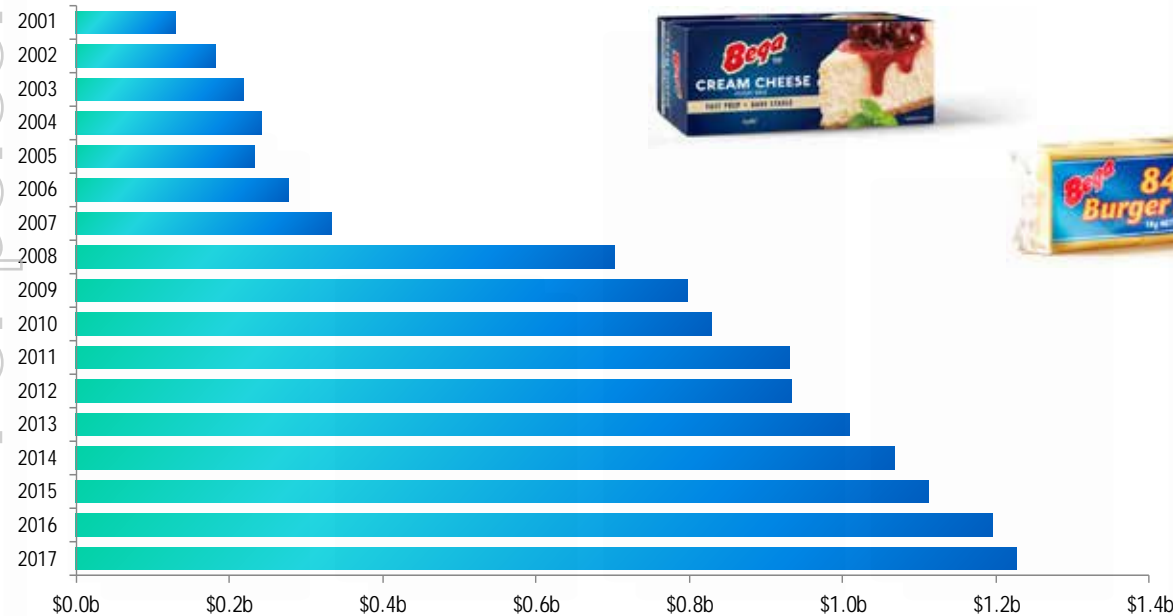
FY2018 Opening milk price \$5.50 per Kg MS



Group Sales



- § 1H FY2018 sales \$705 million increased 14%
- § Additional sales following Mondelez Grocery Business acquisition \$136 million
- § Decrease in private label cheese in 1H FY2018 (Woolworths only) compared to 1H FY2017 (servicing both Coles and Woolworths)
- § Cheese sales to Mondelez previously classified as Revenue now accounted for as intra-company transfer



Operations Review

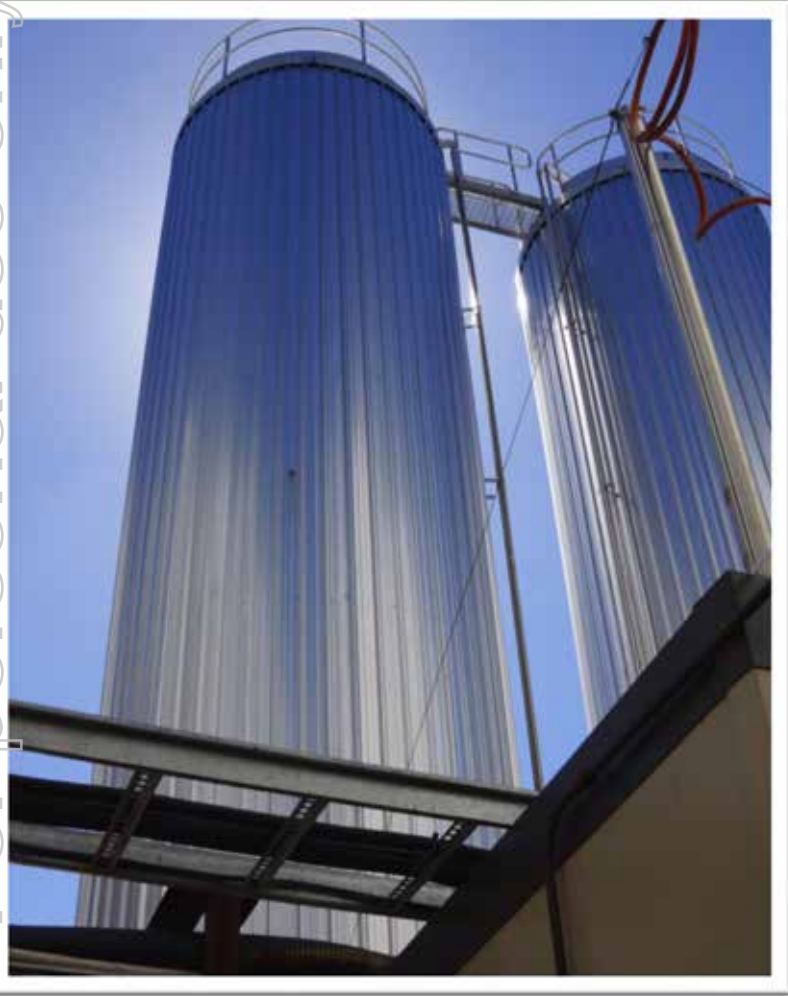


Operations

- § 137,175 tonnes of production
- § Capital expenditure \$7.5 million focused on efficiency and capacity
- § Continuous improvement programs across all sites
- § Optimising manufacturing capacity and capability footprint

Environment and safety

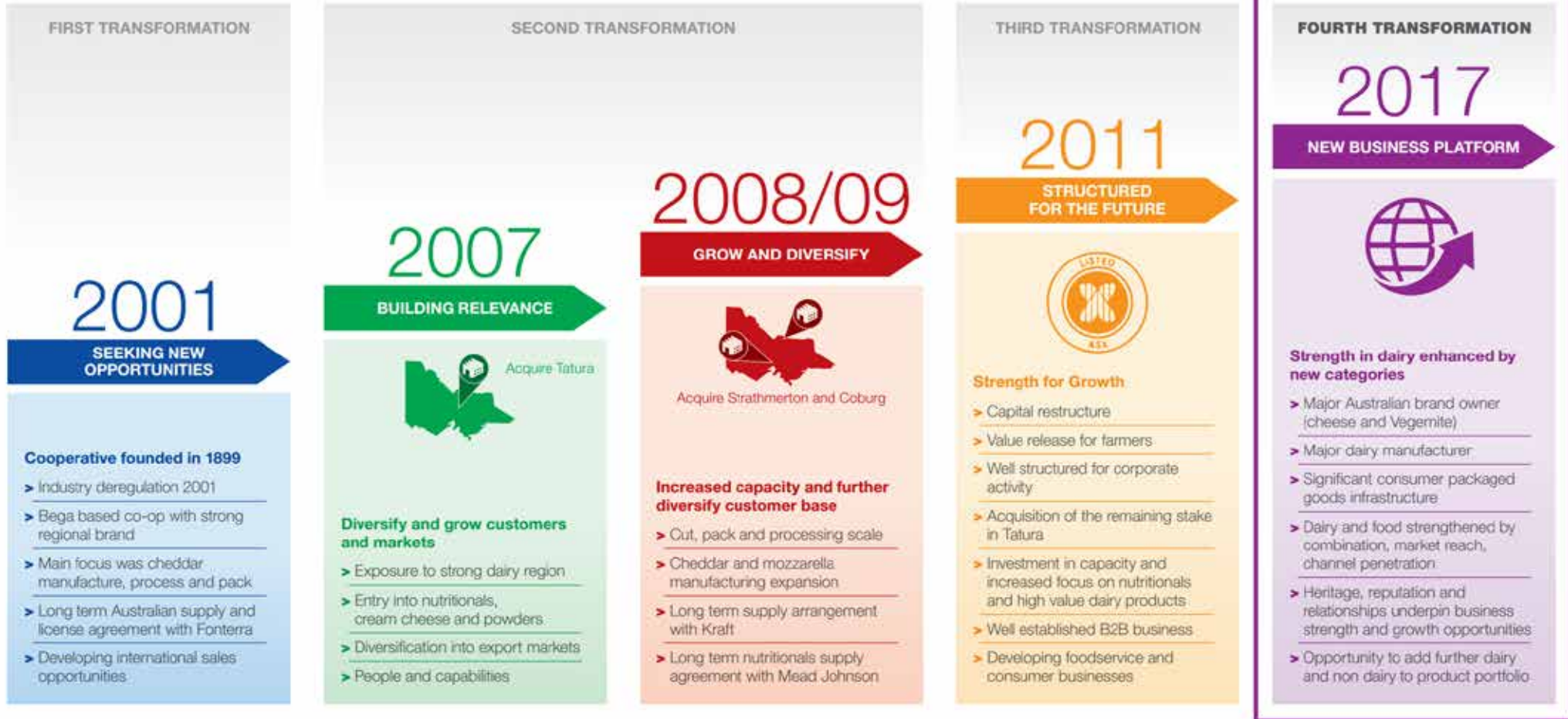
- § Bega Cheese sustainability report issued March 2017
- § Continued success with on farm environmental management program
- § 42% reduction in TRIFR



Bega Cheese Transformation



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Where we are Today?



A stable business growing in dairy and building in food

- § Bega Foods integration well progressed
- § Peanut Company of Australia acquisition complete
- § Strong presence in major Australian retailers with significant market investment in brand transitions and brand positions
- § Growth in dairy nutritional business following market correction
- § Growth in high value dairy ingredients business
- § International and Australian food service and retail channels strengthened
- § New corporate opportunities continue to emerge in dairy and food

Our focus



Creating the great Australian food company

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

Outlook



- § Continued growth in branded consumer and food service business
- § Dairy ingredients market softening with competitive milk acquisition environment
- § Nutritionals business continued recovery
- § Integration of Bega Foods further progressed
- § Consumer packaged goods will remain highly competitive
- § FY2018 normalised EBITDA range \$105-\$115 million
- § Acquisition opportunities remain in dairy and food

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