



ASX ANNOUNCEMENT

Appendix 4D and Half Year Accounts 2020

Enclosed is the Appendix 4D in relation to the Half Year ended 29 December 2019 together with the 2020 Interim Report for the Half Year ended 29 December 2019.

2 March 2020

For further information please contact

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Bega Cheese Limited

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Bega Cheese Limited

ASX Half-Year Information - 29 December 2019

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with
the 30 June 2019 Annual Report

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Appendix 4D Item	Percentage		Amount \$'000	
Revenue from ordinary activities	Up	14%	To	741,151
Profit from ordinary activities after tax	Up	71%	To	8,545
Profit from ordinary activities after tax attributable to members	Up	71%	To	8,545
Net Profit for the period attributable to members	Up	71%	To	8,545

Net Tangible Assets Backing	29 December 2019	30 December 2018
Net tangible assets backing per share	\$1.27	\$1.44

Dividends / Distributions	Amount per Security cents	Franked Amount per Security cents
Interim Dividend (Prior Year)	5.50	5.50
Final Dividend (Prior Year)	5.50	5.50
Interim Dividend Declared 1 March 2020 (Current Year)	5.00	5.00

Record Date for Determining Entitlements	Date
Interim Dividend	12 March 2020

Explanation of result

AASB 16 has been adopted in the current period results using the modified retrospective approach with no impact to prior periods.

Details of the results of the Group for the period to 29 December 2019 are included in the attached Interim Report.

Reporting periods

For the purposes of this Appendix 4D and Consolidated 2020 Interim Report for the half-year ended 29 December 2019, the following reporting periods have been applied:

- 1H FY2020 refers to the period from 1 July 2019 to 29 December 2019
- 1H FY2019 refers to the period from 1 July 2018 to 30 December 2018 (also referred to as the Prior Period).

The minor difference in the number of trading days between 1H FY2019 and the Prior Period has not had a material impact on the comparative financial performance of the Group in the current reporting period.



Explanation of dividends

The interim dividend declared for the current period is 5.0 cents per share, a reduction of 0.5 cents per share when compared to the interim dividend of the Prior Period. The interim dividend will be paid on 3 April 2020.

Dividend Reinvestment Plan

The Group's Dividend Reinvestment Plan (DRP) will be activated for this dividend. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares without transaction costs. It is expected that shares allocated under the DRP will be derived from new issued ordinary shares. The shares will rank pari passu with other ordinary shares already on issue. The allocation price will be determined in accordance with the DRP rules as the arithmetic average of the daily volume weighted average market price of all Bega Cheese Limited shares sold through a normal trade on the ASX trading system over the five business days commencing on the day of the record date.

A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Election notices for participation in the DRP in relation to the final dividend to be paid on 3 April 2020 must be received by the registry by 5:00 pm on 13 March 2020 to be effective for that dividend.

Details of significant subsidiaries, associates and joint venture entities

Name of entity	Nature of relationship	Reporting entity's percentage holding	
		1H FY2020	1H FY2019
Tatura Milk Industries Pty. Ltd.	Subsidiary	100%	100%
Bega Cheese Investments Pty. Ltd.	Subsidiary	100%	100%
Peanut Company of Australia Pty. Ltd.	Subsidiary	100%	100%
180 Nutrition Pty. Ltd.	Subsidiary	61%	0%
Capitol Chilled Foods (Australia) Pty. Ltd.	Joint Venture	25%	25%
Hummingbird Superfoods Pty. Ltd.	Associate	20%	0%

Further information

For further information, please refer to the 2019 Annual Report and the Consolidated 2020 Interim Report attached to this statement.





Bega Cheese Limited

Consolidated 2020 Interim Report for the

Half-Year Ended 29 December 2019

ABN 81 008 358 503

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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (Bega Cheese Group or Group) consisting of Bega Cheese Limited (Bega Cheese or the Company) and the entities it controlled at the end of or during the period ended 29 December 2019.

Directors

The following persons held office as Directors during the whole of the period ended 29 December 2019 and up until the date of signing the accounts:

Barry Irvin *

Executive Chairman
Director since September 1989

Raelene Murphy

Chair of the Audit & Risk Committee
Independent Director since June 2015

Jeff Odgers

Chair of the Milk Services Committee
Director since December 2011

Richard Parbery

Director since September 1988

Richard Cross

Director since December 2011

Terry O'Brien

Chair of the Nomination Remuneration &
Human Resources Committee
Independent Director since September 2017

Max Roberts *

Alternate Director Chairman
Director since December 1983

Patria Mann

Independent Director since September 2019

* Barry Irvin returned as Executive Chairman of Bega Cheese, effective 29 January 2020

* Max Roberts resigned as a Director of Bega Cheese, effective 29 January 2020

Reporting entity and period

This interim report covers the operations of the Bega Cheese Group, including:

- the wholly owned subsidiary Tatura Milk Industries Pty. Ltd. (Tatura Milk);
- the wholly owned subsidiary Peanut Company of Australia Pty. Ltd. (PCA);
- the Bega Foods business; and
- the Koroit Facility which was acquired on 17 August 2018.

The results of 180 Nutrition Pty. Ltd. and Hummingbird Superfoods Pty. Ltd. have not been included in this report as they are not considered material.

For the purposes of this Consolidated 2020 Interim Report for the half-year ended 29 December 2019, the following reporting periods have been applied in assessing the financial performance of the Group:

- 1H FY2020 refers to the period from 1 July 2019 to 29 December 2019
- 1H FY2019 refers to the period from 1 July 2018 to 30 December 2018 (also referred to as the Prior Period).



The minor difference in the number of trading days between 1H FY2020 and the Prior Period has not had a material impact on the comparative financial performance of the Group in the current reporting period.

For the purposes of the Consolidated Balance Sheet, two prior comparisons have been provided, being:

1. 30 June 2019, as reflecting the financial position at the end of the last statutory full year reporting period; and
2. 30 December 2018, which demonstrates the financial position at the end of the previous statutory half-year reporting period, being the more relevant prior period financial position given the effect of recent acquisitions and the seasonal nature of the Group's milk intake and processing activities.

The difference in the balance sheet date for 1H FY2020 compared to 1H FY2019 does not have a material impact on the comparative financial position of the Group.

Restatement FY2019 financial statements

In the 30 June 2019 financial statements, Bega incorrectly calculated its costs of sales resulting in an understatement of trade and other payables and current tax assets and an overstatement of inventory and retained earnings. Details of this error are outlined in note 10 of the financial statements and will not impact the FY2020 result.

Review of operations

The principal activity of the Group during 1H FY2020 continued to be receiving, processing, manufacturing and distributing dairy and nutritional products and manufacture and sale of branded food products including Vegemite, peanut butter, ambient cheese products, ZoOSh salad dressings and other food products.

1H FY2020 overview

Summarised below are the key activities of the Group in 1H FY2020:

- revenue growth for the Group totalling \$741.2m, being an increase of 14% on 1H FY2019;
- half year statutory profit after tax of \$8.5m, being an increase of 71% on 1H FY2019;
- half-year normalised operating profit after tax of \$15.0 million, being down on the record first half result of the Prior Period by (\$3.9) million or 21%;
- the Group manufactured 154,456 metric tonnes of products in the first half, which was down on the prior year by 16,411 or 10% and a decline in nutritional powder production at Tatura;
- invested in additional lactoferrin capacity at Tatura and Koroit. The new lactoferrin facility at Koroit will be commissioned in 2H FY2020 and add 35 tonnes of additional capacity;
- on 28 August 2019 declared a final fully franked dividend of 5.5 cents per share, representing a distribution of \$11.8 million; and

on 29 October 2019 the Group announced a market update on trading performance as a result of unprecedented competitive milk supply conditions and easing demand from third party branded businesses impacting the profit outlook for FY2020. The Group advised the market that normalised EBITDA is expected to be in the range of \$95 to \$105 million for FY2020.



Earnings performance review 1H FY2020

Group result 1H FY2020

In 1H FY2020 the Group generated statutory earnings before interest, tax, depreciation and amortisation (EBITDA) of \$39.3 million, being down on the prior year by \$0.4 million. As in prior years, the result for 1H FY2020 is not expected to reflect the proportional full year result of the Group as it is influenced by seasonal factors. The remainder of this earnings performance review for 1H FY2020 will focus on the normalised result, consistent with prior years.

The Group generated normalised EBITDA of \$48.5 million, after adjusting for legal and other costs associated with the new ERP system, was down on the Prior Year by \$9.4 million or 16%.

The table below demonstrates the movement between the financial performance for statutory reporting purposes and the normalised financial performance for the Group.

Normalised result for the Group						
	Per Financial Statements	Koroit Acquisition Costs	Koroit Fair Value Adjustments	Legal Costs	Other Costs	Normalised outcome
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Period ending 29 December 2019						
Revenue	741,151	-	-	-	-	741,151
Cost of sales	(615,312)	-	-	-	-	(615,312)
Gross profit	125,839	-	-	-	-	125,839
EBITDA	39,262	-	-	4,490	4,712	48,464
Depreciation, amortisation and impairment	(21,574)	-	-	-	-	(21,574)
EBIT	17,688	-	-	4,490	4,712	26,890
Net finance costs	(6,005)	-	-	-	-	(6,005)
Profit before income tax	11,683	-	-	4,490	4,712	20,885
Income tax expense	(3,138)	-	-	(1,347)	(1,414)	(5,899)
Profit for the period	8,545	-	-	3,143	3,298	14,986
Gross margin - percentage	17%					17%
Basic earnings per share - cents	4.0					7.0
Period ending 30 December 2018						
Revenue	649,164	-	-	-	-	649,164
Cost of sales	(528,274)	-	2,648	-	-	(525,626)
Gross profit	120,890	-	2,648	-	-	123,538
EBITDA	39,627	10,842	2,648	2,194	2,549	57,860
Depreciation, amortisation and impairment	(19,404)	-	-	-	-	(19,404)
EBIT	20,223	10,842	2,648	2,194	2,549	38,456
Net finance costs	(11,706)	357	-	-	-	(11,349)
Profit before income tax	8,517	11,199	2,648	2,194	2,549	27,107
Income tax expense	(3,524)	(2,442)	(794)	(658)	(765)	(8,183)
Profit for the period	4,993	8,757	1,854	1,536	1,784	18,924
Gross margin - percentage	19%					19%
Basic earnings per share - cents	2.5					9.5

The legal fees relate to the Kraft Heinz and Fonterra litigation matters (refer "Significant events in the accounting period" for further details).

Other costs include one-off ERP deployment costs (that could not be capitalised) for resources to support post go-live deployment of the ERP system.



Overview of segment normalised performance

Overview of segment structure

As a result of the recent acquisitions, the Directors are currently reviewing the overall structure of business activities which may result in changes to how activities are reported to the Chief Operating Decision Maker in future. Any changes made may have a corresponding impact on segment results reported in subsequent financial statements.

Bega Cheese

In each of 1H FY2020 and the Prior Period all of the one-off adjustments related to activities within the Bega Cheese segment.

On a normalised basis the Bega Cheese segment EBITDA of \$44.0 million was favourable to the Prior Period, inclusive of the operating activities of the Koroit Facility for the six-month period to 29 December 2019.

The cost of milk from traditional Bega segment suppliers increased compared to the Prior Period. This was offset by the EBITDA contribution of the Koroit facility over the six months and growth within the international business.

Net external interest expense of \$4.9 million in 1H FY2020, compared to \$10.9 million in the Prior Period reduced predominately due to the impact of the Trade Receivables Facility from February 2019 and favourable working capital position through the period.

Other key financial metrics relating to the normalised Bega Cheese segment for the period were as follows:

- revenue totalled \$624.4 million, being an increase of 32% on the Prior Period, driven by an increase in the export branded business and consumer packaged business through volume and price growth and the timing of the Koroit facility acquisition contributing a full six months of revenue;
- normalised profit before income tax (PBT) was \$18.6 million in 1H FY2020, which is a significant increase compared to \$2.0 million in the Prior Period mainly due to the ongoing growth of the branded business and changes to the dairy manufacturing footprint included in the Bega Cheese segment;
- the branded consumer and food service business is continuing to grow both domestically and internationally with strong growth in our core product range and from new products;
- the performance of Koroit, the improvement in milk returns following the closure of Coburg and new toll processing arrangements; and
- normalised profit after tax (PAT) was \$13.1 million, compared to PAT of \$1.4 million in 1H FY2019.

Tatura Milk

Key financial metrics relating to the Tatura Milk segment for the period were as follows:

- revenue totalled \$189.1 million, being a decrease of 10% on the Prior Period, predominately driven by a reduction in milk intake;



- PBT was \$2.1 million, compared to \$26.0 million in the Prior Period, being a decrease of 92%. This reduction has been caused by a significant decline in milk volume in Northern Victoria and difficult trading conditions for nutritionals particularly for demand for infant formula into China; and
- PAT of \$1.8 million, compared to \$18.1 million in the Prior Period, being a decrease of 90%.

Cash flows and net debt

The Group statutory net cash inflow from operating activities was \$38.1 million in 1H FY2020, compared to net cash outflow of \$128.3 million in 1H FY2019.

Net working capital was \$177.8 million at 29 December 2019, being in line with 30 June 2019 and a decrease of \$201.5m from 30 December 2018. The main contributing factors to the decrease from December 2018 was the introduction of the Trade Receivables Facility and a reduction in inventory levels following the initial delays in customers shipments that resulted in an inventory build-up in the Prior Period related to the Koroit acquisition.

Net debt totalled \$303.4 million at the end of 1H FY2020, being an increase of \$16.1 million from 30 June 2019. This increase in net debt was largely the result of:

- increase in inventory of \$23.6 million as a result of Spring milk processed and reduction in trade payables of \$23.2 million;
- payments totalling \$31.5 million for capital expenditure and intangible assets of which a significant amount relates to the installation of the Lactoferrin plant at Koroit and the ERP system; and
- a decrease in trade and other receivables of \$53.7 million.

Capital investment during 1H FY2020

Bega Cheese Group capital expenditure in 1H FY2020 totalled \$21.1 million (1H FY2019: \$12.8 million). The Group continued to invest in the final deployment stages of the new ERP system in 1H FY2020, totalling \$4.9 million (1H FY2019: \$9.0 million).

The capital works program in 1H FY2020 has focused on the investment in the lactoferrin plant at Koroit. Through 1H FY2020 the building work was started and completed, installation of process equipment neared completion and is on plan for commissioning activities to commence in 2H FY2020. The Group has also commenced or completed the following capital expenditure initiatives in the same period:

- commissioning the lactoferrin upgrade at Tatura which has improved efficiencies and increased capacity;
- commissioning and first production of the new tub manufacturing line at Port Melbourne for cream cheese-based dip products;
- outbound logistics upgrade at Koroit, which has improved efficiencies in the site logistics operations;
- bulk powder packing capability at Koroit to meet future market demands;
- installation of process technology at Tatura to recover and value add a previous waste stream through the acid whey recovery project; and
- implementation of energy saving initiatives across multiple location to provide cost benefits.



Appointment of alternate director

On 24 May 2019 the Company announced that the Executive Chairman Barry Irvin would take a period of leave to recover from surgery and receive chemotherapy. Mr Irvin appointed long time director Max Roberts as his alternate director for the duration of his leave. Mr Roberts also acted as Chairman of the Board of Directors during this period.

On 23 December 2019 the Company announced that Mr Irvin's intention was to return from his leave of absence and chair the Board from January 2020 onwards. Mr Roberts ceased as a Director of Bega Cheese, effective 29 January 2020 coinciding with the return of Mr Irvin.

Appointment of new director

On 9 September 2019 the Company announced that Patria Mann would join the Board as an Independent Director of Bega Cheese.

Milk supply

The impact of drought in Australia have continued into the first six months of FY2020. This impact has placed operating and competitive pressure on all regions supplying the Group. Our dairy suppliers have faced continued high feed costs and suppliers in irrigation regions are having to manage tight water allocations and continued high costs of temporary water. Our dairy suppliers are showing great resilience and are adapting their farming practices and operations to these challenging seasonal conditions. In addition, the competitive environment for milk has increased due to lower Australian milk supply, increased demand from the domestic market and improved global commodity returns. The competition for milk and improved global returns has increased milk prices for 1H FY2020 across Australia.

Total milk processed including toll arrangements is lower by 4.6% compared to the prior year. Direct farmer milk supply declined by 13% compared to the prior year, primarily due to poor seasonal conditions and competitive pressures in Northern Victoria. Direct milk supply from all other regions is relatively consistent with the prior year. At this stage we do not anticipate any material impact to the milk supply as a result of the recent devastating bushfires affecting communities across Australia particularly the NSW Bega Valley and Victorian Orbost regions which were heavily affected.

We continue to monitor drought conditions and competition for milk and expect our supply to remain under pressure. Strong milk prices are expected to continue for the balance of FY2020 and into 1H FY2021 due to persistent challenging seasonal conditions, robust competition, strong global commodity returns and the lower Australian dollar.

COVID-19

Bega Cheese remains in constant discussions with domestic and international suppliers and customers regarding the potential impact of COVID-19 on ours and their businesses. At this stage our supply chain and customer shipments have not been materially impacted by the virus. We will continue to closely monitor any potential direct and indirect impacts.



Strategic outlook

Bega has continued the transition towards our vision to become The Great Australian Food Company. During 1H FY2020 we continued to accelerate the development of new product ranges and format extensions across our spreads, snacking and dairy portfolio, as well as increased distribution in retail and foodservice in Australia and overseas. The international branded food business continues strong sales growth experienced across recent years, fuelled by an expanded product portfolio, broader distribution channels and strong demand for Australian dairy products in Asia.

This has been a particularly challenging period for the dairy industry, with many regions affected by extreme drought conditions and very strong competition amongst processors for a reducing Australian milk pool in FY2020. This reduction follows a similar decline in FY2019 as a result of the drought and high costs for feed, water and other inputs. The Group has worked closely with our suppliers and has responded to these challenges in a number of ways, including a simplified pricing system, the Bega Supply Premiums, drought support payments and base price increases. During the recent bush fires we supported suppliers directly depending on their circumstances. The Group has also initiated further efficiency programs as part of our culture of continuous improvement and as we continue to leverage our new manufacturing footprint following the acquisition of Koroit in FY2019. The Group is also conducting a review of direct and indirect costs, ensuring Bega Cheese remains cost competitive in both domestic and international markets.

During this half-year period, the Group has invested in additional lactoferrin capacity at Tatura and Koroit. The investment at Tatura has been completed and the construction of the new lactoferrin facility at Koroit is on schedule to be commissioned in April 2020. As previously announced, the lactoferrin facility will add 35 tonnes of additional capacity and is supported by a long-term supply arrangement with a large international customer. Once the Koroit lactoferrin plant becomes fully operational, the Group will be amongst the world's leading manufacturers of lactoferrin.

Whilst we expect supply challenges to remain in the short term, the Group continues to focus on the growth of its branded consumer foods business and is well placed to achieve its strategic ambition to become The Great Australian Food Company.

Subsequent events

Dividend

On 1 March 2020, the Directors declared an interim fully franked dividend of 5.0 cents per share, which represents a distribution of \$10.7 million. An interim dividend of 5.5 cents per share was paid in respect of 1H FY2019.



Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 12.

Rounding of amounts

The Group is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of the Directors.



Barry Irvin
Executive Chairman
Sydney



Raelene Murphy
Independent Director
Melbourne

1 March 2020





Auditor's Independence Declaration

As lead auditor for the review of Bega Cheese Limited for the half-year ended 29 December 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bega Cheese Limited and the entities it controlled during the period.

Paddy Carney
Partner
PricewaterhouseCoopers

Sydney
1 March 2020

PricewaterhouseCoopers, ABN 52 780 433 757

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	CONSOLIDATED	
		29 December 2019 \$'000	30 December 2018 \$'000
Revenue		741,151	649,164
Cost of sales		(615,312)	(528,274)
Gross profit		125,839	120,890
Other revenue		5,080	4,101
Other income		449	1,738
Distribution expense		(46,224)	(41,776)
Marketing expense		(21,144)	(17,970)
Occupancy expense		(6,185)	(7,038)
Administration expense		(39,818)	(28,670)
Transaction costs relating to Koroit acquisition	7	-	(11,199)
Finance costs		(6,186)	(11,897)
Share of net profit of joint venture		(128)	338
Profit before income tax		11,683	8,517
Income tax expense		(3,138)	(3,524)
Profit for the period attributable to owners of Bega Cheese Limited		8,545	4,993
Other comprehensive income/(expense): <i>Items that may be reclassified to profit or loss</i>			
Cash flow hedges		64	318
Change in the fair value of other financial assets at fair value through other comprehensive income		(7)	(8)
Total other comprehensive income		57	310
Total comprehensive income for the period attributable to owners of Bega Cheese Limited		8,602	5,303
		2020	2019
		Cents	Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:			
Basic earnings per share		4.0	2.5
Diluted earnings per share		4.0	2.5

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Notes	CONSOLIDATED		
		29 December	Restated*	
		2019	30 June	30 December
		2019	2018	
		\$'000	\$'000	\$'000
ASSETS				
Current assets				
Cash and cash equivalents		23,652	28,760	40,646
Trade and other receivables		126,179	179,910	282,240
Derivative financial instruments	6	875	754	896
Inventories		296,270	272,625	398,759
Current tax assets		16,064	9,168	21,169
Other current assets		3,406	-	-
Total current assets		466,446	491,217	743,710
Non-current assets				
Financial assets at fair value through other comprehensive income (FVOCI)		1,716	716	43
Property, plant and equipment		452,067	443,331	443,613
Deferred tax assets		6,802	4,444	3,833
Intangible assets		536,924	535,147	520,770
Other receivables		7,431	14,028	19,467
Investments accounted for using the equity method		1,213	1,341	1,419
Total non-current assets		1,006,153	999,007	989,145
Total assets		1,472,599	1,490,224	1,732,855
LIABILITIES				
Current liabilities				
Trade and other payables		244,638	274,877	301,695
Derivative financial instruments	6	29	175	1,583
Borrowings	4	2,647	13	140
Current tax liabilities		-	-	10,135
Provisions		47,763	48,996	47,942
Total current liabilities		295,077	324,061	361,495
Non-current liabilities				
Borrowings	4	324,404	316,058	508,573
Provisions		2,528	1,773	1,682
Deferred tax liabilities		33,650	29,768	33,721
Total non-current liabilities		360,582	347,599	543,976
Total liabilities		655,659	671,660	905,471
Net assets		816,940	818,564	827,384
EQUITY				
Share capital	5a	479,706	477,494	474,785
Reserves		23,037	22,860	22,121
Retained earnings		314,197	318,210	330,478
Capital and reserves attributable to owners of Bega Cheese Limited		816,940	818,564	827,384
Total equity		816,940	818,564	827,384

* See note 10 for details about restatements due to an error.

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes. The Balance Sheet as at 30 December 2018 has been included to better reflect the impact of business seasonality on the financial position at the half-year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated	Share-based		Capital	Transactions			Retained earnings	Total
	Share capital	payment reserve	profits reserve	Hedging reserve	Fair value reserve	with non-controlling interests		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2018	274,862	508	33,959	(442)	8	(12,567)	335,663	631,991
Profit for the period	-	-	-	-	-	-	4,993	4,993
Other comprehensive income/(expense) for the period	-	-	-	318	(8)	-	-	310
Transactions with owners in their capacity as owners:								
- Share-based payments relating to incentives	-	345	-	-	-	-	-	345
- Issue of shares, net of transaction costs and tax (note 5)	199,923	-	-	-	-	-	-	199,923
- Dividends provided for or paid	-	-	-	-	-	-	(10,178)	(10,178)
Balance as at 30 December 2018	474,785	853	33,959	(124)	-	(12,567)	330,478	827,384
Loss for the period (restated*)	-	-	-	-	-	-	(546)	(546)
Other comprehensive income/(expense) for the period	-	-	-	396	-	-	-	396
Transactions with owners in their capacity as owners:								
- Share-based payments relating to incentives	-	343	-	-	-	-	-	343
- Other share scheme movement	-	-	-	-	-	-	-	-
- Issue of shares, net of transaction costs and tax (note 5)	2,709	-	-	-	-	-	-	2,709
- Dividends provided for or paid	-	-	-	-	-	-	(11,722)	(11,722)
Balance as at 30 June 2019 (restated*)	477,494	1,196	33,959	272	-	(12,567)	318,210	818,564
Change in accounting policy	-	-	-	-	-	-	(803)	(803)
Restated balance as at 1 July 2019	477,494	1,196	33,959	272	-	(12,567)	317,407	817,761
Profit for the period	-	-	-	-	-	-	8,545	8,545
Other comprehensive income/(expense) for the period	-	-	-	64	(7)	-	-	57
Transactions with owners in their capacity as owners:								
- Share-based payments relating to incentives	-	120	-	-	-	-	-	120
- Issue of shares, net of transaction costs and tax (note 5)	2,212	-	-	-	-	-	-	2,212
- Dividends provided for or paid	-	-	-	-	-	-	(11,755)	(11,755)
Balance as at 29 December 2019	479,706	1,316	33,959	336	(7)	(12,567)	314,197	816,940

* See note 10 for details about restatements due to an error.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

		CONSOLIDATED	
		29 December 2019	30 December 2018
		\$'000	\$'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of goods and services tax		866,971	718,334
Payments to suppliers and employees inclusive of goods and services tax		(814,560)	(824,625)
Interest and other costs of financing paid		(6,186)	(11,897)
Income taxes paid		(8,165)	(10,075)
Net cash inflow/(outflow) from operating activities		38,060	(128,263)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of shares in listed company		-	30,981
Payments for shares in listed companies		-	(29,609)
Payments for shares in unlisted companies		(1,000)	(43)
Payments related to corporate activity		-	(9,970)
Interest received		181	191
Dividend received		-	15
Payments for property, plant and equipment		(21,499)	(13,973)
Payments for intangible assets		(9,955)	(10,868)
Payment for acquisition of Koroit	7	-	(251,173)
Proceeds from sale of property, plant and equipment		97	20
Joint venture partnership distributions received		-	313
Net cash (outflow) from investing activities		(32,176)	(284,116)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		29,000	242,031
Repayment of borrowings		(29,391)	(420)
Principal elements of lease payments		(1,058)	-
Net proceeds from issue of shares	5	-	199,923
Dividends paid to members		(9,543)	(10,178)
Net cash (outflow)/inflow from financing activities		(10,992)	431,356
Net (decrease)/increase in cash and cash equivalents		(5,108)	18,977
Cash and cash equivalents at the beginning of the period		28,760	21,669
Cash and cash equivalents at the end of the period		23,652	40,646

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT EVENTS IN THE ACCOUNTING PERIOD

a) Kraft legal action

On 1 May 2019, the Federal Court of Australia delivered judgment in favour of Bega Cheese in proceedings that were commenced by Kraft Foods Group Brands LLC and H.J. Heinz Company Australia Limited (collectively referred to as Kraft Heinz) in November 2017.

In the proceedings, Kraft Heinz challenged Bega Cheese's use and promotion of the trade dress (yellow lid, clear jar, yellow label with red or blue peanut device) of the Bega Cheese peanut butter products. However, the Court determined that Bega Cheese was the rightful owner of the relevant rights in the peanut butter trade dress and the Court ordered that Kraft Heinz may not use, sell or advertise and promote its own peanut butter products using the trade dress. The Court also ordered Kraft Heinz to pay Bega Cheese's costs of the proceedings.

Kraft Heinz commenced an appeal against the judgment of the Federal Court. The appeal was heard by the Full Court of the Federal Court in November 2019. The parties are awaiting the judgment of the Full Court, which is anticipated to be delivered by March 2020. Kraft Heinz has been permitted by the Court to continue to use the peanut butter trade dress until the determination of the appeal.

Subject to the outcome of the appeal, the issue of the amount of compensation to which Bega Cheese is entitled to be paid arising from Kraft Heinz's use of the peanut butter trade dress will be considered by the Federal Court in a further hearing, which is likely to take place in late 2020.

b) Fonterra legal action

In 2001 Bega Cheese granted Fonterra an exclusive licence to use the Bega trade marks in Australia on natural cheddar cheese, processed cheddar cheese, string cheese and butter (Licensed Products). Fonterra has commenced legal proceedings in the Supreme Court of Victoria seeking orders including declarations that Bega Cheese cannot use the Bega trade marks in Australia on products outside of the Licensed Products without Fonterra's consent as well as damages. Bega Cheese as owner of the trademarks will vigorously oppose Fonterra's position and defend its rights to use its trademarks in Australia.

c) Revised Syndicated Facility and Trade Receivables Facility

On 23 December 2019 Bega Cheese announced that it had extended the maturity date on facilities 4 and 5 to 30 September 2022 and extended covenant ratios. These facilities have a combined total capacity of \$200 million.

On 26 February 2019 the Group entered a Trade Receivables Facility with Rabobank under which Rabobank may purchase receivables from the Group at a discount.

The facility is used as a primary source of working capital for the Group and provides a maximum committed equivalent limit of \$200 million. On 23 December 2019 the facility was extended to 31 January 2022.



d) Director appointment

On 10 September 2019 Bega Cheese announced the appointment of Ms Patria Mann as an Independent Director of the company. Ms Mann is an experienced non-executive director and brings over 16 years board experience, including at ASX listed companies in the consumer staples sector.

e) FY2020 market update

On 29 October 2019 Bega Cheese announced that normalised EBITDA is expected to be in the range of \$95 to \$105 million for FY2020. The effects of the continuing drought and further decreases in total Australian milk production has escalated competition for milk in Q1 FY2020. This competition has flowed through to a higher ongoing cost of milk across the industry.

2. SEASONAL FACTORS

The Consolidated Statement of Comprehensive Income for the half-year ended 29 December 2019 is not expected to reflect the proportional full year result of the Group.

3. SEGMENT INFORMATION

a) Description of segments

The Group determines the reporting segments based on financial and other management reports reviewed by the Board of Directors, in its capacity as the Chief Operating Decision Maker. The Group has two reporting segments:

- i.* Bega Cheese – manufactures, packages and sells natural cheese, processed cheese, powders, butter and branded food products.
- ii.* Tatura Milk – manufactures, packages and sells cream cheese, commodity powders, butter and nutritional powders.

As a result of the recent acquisitions, the Directors are currently reviewing the overall structure of business activities which may result in changes to how activities are reported to the Chief Operating Decision Maker in future. Any changes made may have a corresponding impact on segment results reported in the financial statements.



b) Segment information provided to the Board of Directors

	Bega Cheese \$'000	Tatura Milk \$'000	Consolidation Adjustments \$'000	Group Total \$'000
Period ending 29 December 2019				
Revenue	624,446	189,092	(72,387)	741,151
EBITDA	34,801	4,327	134	39,262
Depreciation, amortisation and impairment	(16,572)	(5,002)	-	(21,574)
EBIT	18,229	(675)	134	17,688
Interest revenue	1,085	3,009	(3,913)	181
Interest expense	(9,889)	(210)	3,913	(6,186)
Profit/(loss) before income tax	9,425	2,124	134	11,683
Income tax benefit/(expense)	(2,739)	(359)	(40)	(3,138)
Profit/(loss) for the period	6,686	1,765	94	8,545
Impact of current period events on profit/(loss) before income tax				
Legal costs	(4,490)	-	-	(4,490)
Other costs	(4,712)	-	-	(4,712)
EBITDA excluding the impact of current period events	44,003	4,327	134	48,464
	Bega Cheese \$'000	Tatura Milk \$'000	Consolidation Adjustments \$'000	Group Total \$'000
Period ending 30 December 2018				
Revenue	473,522	209,131	(33,489)	649,164
EBITDA	15,896	27,272	(3,541)	39,627
Depreciation, amortisation and impairment	(15,087)	(4,317)	-	(19,404)
EBIT	809	22,955	(3,541)	20,223
Interest revenue	960	3,069	(3,838)	191
Interest expense	(15,693)	(42)	3,838	(11,897)
Profit before income tax	(13,924)	25,982	(3,541)	8,517
Income tax expense	3,258	(7,844)	1,062	(3,524)
Profit for the period	(10,666)	18,138	(2,479)	4,993
Impact of current period events on profit/(loss) before income tax				
Transaction costs relating to Koroit acquisition	(10,842)	-	-	(10,842)
Finance costs relating to Koroit acquisition ¹	(357)	-	-	(357)
Koroit fair value adjustments	-	-	(2,648)	(2,648)
Legal costs	(2,194)	-	-	(2,194)
Other costs	(2,549)	-	-	(2,549)
EBITDA excluding the impact of current period events	31,481	27,272	(893)	57,860

¹ excluded from the calculation of EBITDA

For further details of the current period events please refer to the table and explanation in the Directors report on page 7.



c) Other segment information*i.* Segment revenue

Sales between segments are carried out at arm's length and eliminated on consolidation. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income.

ii. EBITDA

The Board of Directors assesses the underlying performance of the operating segments based on EBITDA.

4. BORROWINGS

Bega Cheese Group had \$516.5 million in available debt facilities as at 29 December 2019, as set out below:

	CONSOLIDATED		
	29 December 2019 \$'000	30 June 2019 \$'000	30 December 2018 \$'000
Undrawn facilities expiring within one year	106,500	100,000	108,000
Undrawn facilities expiring beyond one year	93,000	124,500	-
Drawn facilities	317,000	317,000	510,000
Total facilities	516,500	541,500	618,000
Total facilities are represented by:			
Syndicated Facilities - Non-current	410,000	435,000	510,000
Inventory Facility	100,000	100,000	100,000
Overdraft Facility	6,500	6,500	6,500
Vat Financing Facility	-	-	1,500
Total facilities	516,500	541,500	618,000

On 17 August 2018 (subsequently amended on 20 December 2019), Bega Cheese Group entered into a revised Group syndicated debt facility structure funded by Coöperatieve Rabobank U.A. (Australia Branch) and Westpac Banking Corporation (Syndicate Banks) (Revised Syndicated Facility). The Revised Syndicated Facility included three revolving cash advance facilities and a term facility. The amendment executed on 20 December 2019 to the Group syndicated debt facility is summarised over the page:



Amendment to covenants:

- the leverage ratio is not greater than 3.75 times from December 2019 through to September 2020, reducing to 3.50 times for December 2020 and reducing to 3.00 times from March 2021;
- the interest cover ratio must be equal to or greater than 2.50 times; and
- shareholder funds must be equal to or greater than \$450 million.

Amendment to maturity dates (all were non-current as at 29 December 2019):

- Syndicated Term Debt Facility of \$100 million maturing 30 September 2022;
- Syndicated Cash Advance Facility of \$100 million maturing 30 September 2022;
- Syndicated Cash Advance Facility of \$140 million maturing 31 August 2021; and
- Syndicated Cash Advance Facility of \$70 million maturing 31 August 2021.

In addition to the Revised Syndicated Facility, the Group continues to operate a stand-alone Inventory Facility with Coöperatieve Rabobank U.A. (Australia Branch) which is not subject to cross-charges or cross guarantees except as disclosed in the 2019 Annual Report and matures on 30 March 2020.

The Revised Syndicated Facility and Inventory Facility are secured by equitable mortgages and floating charges on the assets of Bega Cheese Limited, Tatura Milk Industries Pty. Ltd. and Peanut Company of Australia Pty. Ltd.



5. SHARE CAPITAL

a) Share capital

	CONSOLIDATED		
	29 December	30 June	30 December
	2019	2019	2018
	\$'000	\$'000	\$'000
Share capital - ordinary shares fully paid	479,706	477,494	474,785

b) Movement in number of shares and share capital value

	Ordinary Shares Number '000	Ordinary Shares \$'000
Ordinary shares on issue at 1 July 2018	185,055	274,862
Shares issued under Institutional Placement	27,758	199,859
Shares issued under Share Purchase Plan	318	2,259
Share issue transaction costs, net of tax	-	(2,195)
Ordinary shares on issue at 30 December 2018	213,131	474,785
Ordinary shares on issue at 1 January 2018	213,131	474,785
Shares issued under Dividend Reinvestment Plan	603	2,773
Share issue transaction costs, net of tax	-	(64)
Ordinary shares on issue at 30 June 2019	213,734	477,494
Ordinary shares on issue at 1 July 2019	213,734	477,494
Shares issued under Dividend Reinvestment Plan	511	2,212
Ordinary shares on issue at 29 December 2019	214,245	479,706



6. FINANCIAL RISK MANAGEMENT

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The following table presents the Group's assets and liabilities measured and recognised at fair value at the end of the reporting periods:

Consolidated	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Period ending 29 December 2019				
Assets				
Foreign currency forwards	-	875	-	875
Financial assets at fair value through other comprehensive income (FVOCI) - unlisted equity securities	-	-	1,716	1,716
Total assets	-	875	1,716	2,591
Liabilities				
Foreign currency forwards	-	(29)	-	(29)
Total liabilities	-	(29)	-	(29)
Period ending 30 June 2019				
Assets				
Foreign currency forwards	-	754	-	754
Financial assets at fair value through other comprehensive income (FVOCI) - unlisted equity securities	-	-	716	716
Total assets	-	754	716	1,470
Liabilities				
Foreign currency forwards	-	(175)	-	(175)
Total liabilities	-	(175)	-	(175)
Period ending 30 December 2018				
Assets				
Foreign currency forwards	-	896	-	896
Financial assets at fair value through other comprehensive income (FVOCI) - unlisted equity securities	-	-	43	43
Total assets	-	896	43	939
Liabilities				
Foreign currency forwards	-	(1,583)	-	(1,583)
Total liabilities	-	(1,583)	-	(1,583)

7. INTANGIBLE ASSETS

The Board of Directors has assessed whether there is any indication that intangible assets may be impaired. They have formed the view that no such indicators exist and therefore have not been required to re-estimate the asset's recoverable amount as at 29 December 2019.

8. SUBSEQUENT EVENTS

Dividend

On 1 March 2020, the Directors declared an interim fully franked dividend of 5.0 cents per share, which represents a distribution of \$10.7 million. An interim dividend of 5.5 cents per share was paid in respect of 1H FY2019.



9. BASIS OF PREPARATION

a) Interim Financial Reporting

This Consolidated Interim Financial Report for the reporting period ended 29 December 2019 (corresponding prior comparable period ended 30 December 2018) has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This interim report includes the result of Bega Cheese Limited (Bega Cheese, Company or parent entity) and the results of the subsidiaries, Tatura Milk Industries Pty. Ltd. (Tatura Milk), Peanut Company of Australia Pty. Ltd. (PCA), and Bega Cheese Investments Pty. Ltd., joint operation Bemore Partnership (joint operation or Bemore, which has not traded during 1H FY2020) and joint venture Capitol Chilled Foods (Australia) Pty. Ltd. (joint venture or CCFA). The results of 180 Nutrition Pty. Ltd. and Hummingbird Superfoods Pty. Ltd. have not been included in this report as they are not considered material.

This Consolidated Interim Financial Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2019 and any public announcements made by Bega Cheese Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

With the exceptions noted in paragraph c) below, the accounting policies adopted in this report are consistent with those of the previous financial year and corresponding interim reporting period.

b) Rounding of amounts

The Group is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

c) New and amended standards adopted by the Group

A number of amendments to standards and interpretations are required for adoption for the current reporting period. The Group has applied AASB 16 in preparing this financial report.

The following new or amended accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) have been identified as those that may have a material impact on the Group in the period of initial application.

- i. AASB 16 *Leases* (effective for annual reporting periods commencing on or after 1 January 2019). The Group has adopted AASB 16 from 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 6.55% for leases with greater than a 5-year term and 4.31% for all remaining leases.



	\$m
Lease Commitments as at 30 June 2019	5.0
Discounted using the lessee's incremental borrowing rate at the date of initial application	4.8
Add: Amount lease liability >than PV of operating lease due to extended term recognised under new standard	4.2
Add: Other	0.5
(Less): short-term leases recognised on a straight-line basis as an expense	-0.7
Lease liability recognised as at 1 July 2019	8.8

The associated right-of-use assets for leases were measured on a modified retrospective basis but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard.

The recognised right-of-use assets relate to the following types of assets:

	29-Dec-19	1-Jul-19
Balance Sheet	\$m	\$m
Asset Type		
Properties	7.3	4.6
Equipment	1.5	1.6
Motor Vehicles	0.7	0.9
Total right-of-use assets	9.5	7.0

	29-Dec-19
Income Statement	\$m
EBIT Impact	0.1

Transition

The Group adopted the new standard using the modified retrospective approach at the initial application (1 July 2019), without restating the comparative period. Upon initial application an adjustment for the difference between the right of use asset and lease liability was recognised in retained earnings. Adjustments in respect to deferred tax and deferred rent were also made on adoption.

Practical expedients applied

The Group has applied practical expedients on transition as permitted by the standard for non-lease components, low-value and short-term exemptions applied to the remaining term, portfolios formed for forklifts and motor vehicles by location with similar remaining lease term and the weighted average incremental borrowing rate applied to portfolio of leases.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



10. RESTATEMENTS

In the 30 June 2019 financial statements, Bega did not appropriately calculate its costs of sales, resulting in an understatement of trade and other payables of \$9.0 million, an overstatement of inventories of \$1.5 million together with the related tax impact of \$3.2 million at 30 June 2019. The error has been corrected by restating the 30 June 2019 trade and other payables, inventories and current tax asset balances within these interim financial statements and a corresponding adjustment to retained earnings. There was no impact on the profit and loss for the six months to 30 December 2018.

	Prior period restatement		
	30 June 2019 (Previously stated)	Increase/ (Decrease)	30 June 2019 (Restated)
Consolidated balance sheet (extracts)	\$'000	\$'000	\$'000
Inventories	274,146	(1,521)	272,625
Current tax assets	6,008	3,160	9,168
Trade and other payables	265,866	9,011	274,877
Net assets	825,936	(7,372)	818,564
Retained earnings	325,582	(7,372)	318,210
Total equity	825,936	(7,372)	818,564

The restatement does affect the Statement of Comprehensive Income for the 12 month period to 30 June 2019, which will result in an increase in cost of sales of \$10.5 million to \$1,140.2 million and a decrease in the current tax expense of \$3.2 million to \$3.9 million within the comparative period presented in the 30 June 2020 annual financial statements.

	Prior period restatement		
	30 June 2019 (Previously stated)	Increase/ (Decrease)	30 June 2019 (Restated)
Consolidated statement of comprehensive income and segment information (extracts)	\$'000	\$'000	\$'000
Revenue	1,419,952	-	1,419,952
Cost of sales	(1,129,674)	(10,532)	(1,140,206)
Gross profit	290,278	(10,532)	279,746
EBITDA	89,465	(10,532)	78,933
EBIT	38,863	(10,532)	28,331
Profit before income tax	18,911	(10,532)	8,379
Income tax expense	(7,092)	3,160	(3,932)
Profit for the period attributable to owners of Bega Cheese Limited	11,819	(7,372)	4,447
Basic earnings per share (cents)	5.7	(3.6)	2.1
Diluted earnings per share (cents)	5.7	(3.6)	2.1

Basic and diluted earnings per share have not been impacted in this interim report, however basic and diluted EPS will be restated for 30 June 2019 in the 30 June 2020 annual financial statements. The amount of the correction for basic and diluted earnings per share was a decrease of 3.6 cents.

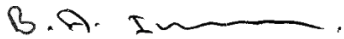


DIRECTORS' DECLARATION

In the Directors' opinion:

- a. the financial statements and notes set out on pages 13 to 26 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 29 December 2019 and of its performance for the half-year ended on that date; and
- b. there are reasonable grounds to believe that Bega Cheese Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Barry Irvin
Executive Chairman
Sydney



Raelene Murphy
Independent Director
Melbourne

1 March 2020



Independent auditor's review report to the members of Bega Cheese Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Bega Cheese Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 29 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 29 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bega Cheese Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bega Cheese Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 29 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A large, stylized handwritten signature of 'PricewaterhouseCoopers' in black ink.

PricewaterhouseCoopers

A handwritten signature of 'P.J. Carney' in black ink.

Paddy Carney
Partner

Sydney
1 March 2020

