ASX ANNOUNCEMENT

Appendix 4D and Half Year Accounts 2021

Enclosed is the Appendix 4D in relation to the Half Year ended 27 December 2020 together with the 2021 Interim Report for the Half Year ended 27 December 2020.

24 February 2021

For further information please contact

Brett Kelly
Company Secretary
Bega Cheese Limited

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www.begacheese.com.au

Bega Cheese Limited

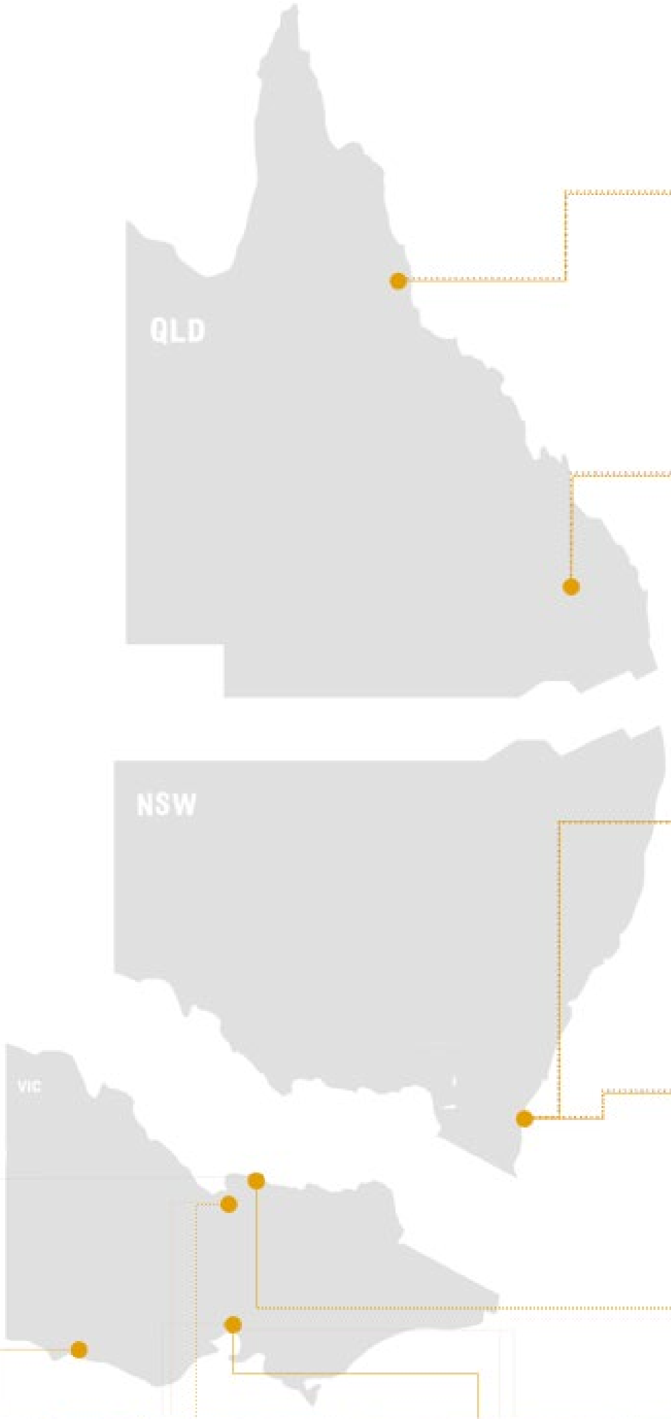
ASX Half-Year Information - 27 December 2020

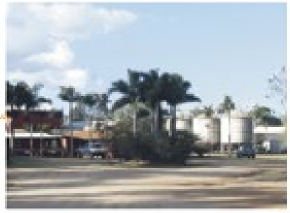
Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with

the 30 June 2020 Annual Report

Contents





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12 Tostevin Street
Tolga QLD 4882 Australia

KINGAROY
133 Haly Street
Kingaroy QLD 4610 Australia

BEGA CHEESE MANUFACTURE
11-13 Lagoon Street
Bega NSW 2550 Australia

BEGA HEAD OFFICE AND PROCESSING & PACKAGING PLANT
23-45 Ridge Street
Bega NSW 2550 Australia

KOROIT
41 Commercial Road
Koroit VIC 3282 Australia

TATURA
236 Hogan Street
Tatura VIC 3616 Australia

PORT MELBOURNE
1 Vegemite Way
Port Melbourne VIC 3207 Australia

STRATHMERTON
Murray Valley Highway
Strathmerton VIC 3641 Australia

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Appendix 4D Item		Percentage		Amount $'000
Revenue from ordinary activities	Down	**4.5%**	To	707,733
Profit from ordinary activities after tax attributable to members	Up	**154.0%**	To	21,707
Net Profit for the period attributable to members	Up	**154.0%**	To	21,707

Net Tangible Assets Backing	27 December 2020	29 December 2019
Net tangible assets backing per share	**$2.22**	$1.19

Dividends / Distributions	Amount per Security cents	Franked Amount per Security cents
Interim Dividend (comparative period)	5.00	5.00
Final Dividend (comparative period)	5.00	5.00
Interim Dividend Declared 24 February 2021 (Current Year)	5.00	5.00

Record Date for Determining Entitlements	Date
Interim Dividend	2 March 2021

Explanation of result

Details of the results of the Group for the period to 27 December 2020 are included in the attached Interim Report.

Reporting periods

For the purposes of this Appendix 4D and Consolidated 2021 Interim Report for the half-year ended 27 December 2020, the following reporting periods have been applied:

- 1H FY2021 refers to the period from 1 July 2020 to 27 December 2020
- 1H FY2020 refers to the period from 1 July 2019 to 29 December 2019 (also referred to as the comparative period).

The minor difference in the number of trading days between 1H FY2021 and the comparative 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, in line with the interim dividend of the comparative period. The interim dividend will be paid on 26 March 2021.

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 26 March 2021 must be received by the registry by 5:00 pm on 3 March 2021 to be effective for that dividend.

Details of significant subsidiaries and joint venture entities

		Reporting entity's percentage holding	
Name of entity	**Nature of relationship**	**1H FY2021**	**1H FY2020**
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	100%	61%
Capitol Chilled Foods (Australia) Pty. Ltd.	Joint Venture	25%	25%

Further information

For further information, please refer to the 2020 Annual Report and the Consolidated 2021 Interim Report attached to this statement.

Bega Cheese Limited

Consolidated 2021 Interim Report for the

Half-Year Ended 27 December 2020

ABN 81 008 358 503

Contents

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 ending 27 December 2020.

Directors

The Directors of the Company during the financial half-year and up to the date of this report are:

Barry Irvin
Executive Chairman
Director since September 1989

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

Terry O'Brien
Chair of the Nomination Remuneration & Human Resources Committee
Independent Director since September 2017

Patria Mann
Independent Director since September 2019

Rick Cross
Chair of the Milk Services Committee
Director since December 2011

Richard Parbery*
Director since September 1988

Peter Margin
Deputy Chairman
Chair of the Dairy and Drinks Integration Committee since January 2021
Independent Director since September 2020

* Richard Parbery resigned as a Director of Bega Cheese, effective 27 October 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 results of 180 Nutrition Pty. Ltd. have not been included in this report as they are not considered material.

For the purposes of this Consolidated 2021 Interim Report for the half-year ended 27 December 2020, the following reporting periods have been applied in assessing the financial performance of the Group:

- 1H FY2021 refers to the period from 1 July 2020 to 27 December 2020
- 1H FY2020 refers to the period from 1 July 2019 to 29 December 2019 (also referred to as the comparative period).

The minor difference in the number of trading days between 1H FY2021 and the comparative period has not had a material impact on the comparative financial performance of the Group in the current reporting period. The relevant prior period comparative for the Consolidated Balance Sheet is at 30 June 2020.

Review of operations

The principal activities of the Bega Cheese Group during the period were receiving, processing, manufacturing and distributing dairy and other food-related products.

1H FY2021 overview

Summarised below are the key activities of the Group in 1H FY2021:

- on 26 November 2020, the Group announced that it had entered into a binding agreement to acquire all of the shares in Lion Dairy & Drinks Pty Ltd (LD&D) for a net acquisition cost of $534.1 million. The acquisition successfully completed on 25 January 2021. To fund the acquisition the Group successfully completed a capital raise of $401 million (pre-transaction costs) at an offer price of $4.60 per share in December 2020.
- on 13 November 2020, the High Court of Australia dismissed Kraft Heinz's application for special leave to appeal to the High Court, in the legal proceedings by Kraft Heinz against Bega Cheese in relation to the right to use the trade dress currently used for Bega Cheese's peanut butter products.
- on 27 August 2020, the Group declared a final fully franked dividend of 5.0 cents per share, representing a distribution of $10.7 million which included the Dividend Reinvestment Plan.
- the Group's lactoferrin facility at Koroit that was commissioned in April 2020 and is now operating at full capacity supported by an offtake agreement with an international nutritionals company.
- the organisational and process review at the end of FY2020 was fully enacted in the 1H FY2021, with most redundancies being made prior to 27 December. This has ensured a material reduction in non-manufacturing overheads that gives the group a globally competitive cost base.
- the Group continued to refine its secondary processing capacity with the consolidation of some processed cheese capability at Strathmerton from the Ridge Street site at Bega with some roles becoming redundant.

Earnings performance review 1H FY2021

Group result 1H FY2021

In 1H FY2021 the Group generated reported earnings before interest, tax, depreciation and amortisation (EBITDA) of $65.8 million, which was an increase on the comparative period of $26.5 million. The half- year reported profit after tax was $21.7 million, being an increase of 154% on 1H FY2020.

Revenue declined in 1H FY2021 by 4.5% when compared to the prior period. Impacts on revenue included the conclusion of the milk supply guarantee arrangements at Koroit, ongoing competition for milk resulting in decreased volumes, a reduction in global commodity prices, Australian currency appreciation and the exiting of lower value contract manufacturing agreements for cheese. The business is continuing to grow its Australian and international branded business, high value nutritional

powders and lactoferrin sales. The consequence of the above has been a more profitable sales mix and an increase in margin against the comparative period.

The effective tax rate for the period is 39.4%, which is relatively high as a result of a significant amount of non-deductible expenses in the period. These expenses are largely transaction costs relating to the acquisition of LD&D, which are one-off in nature.

As in prior years, the result for 1H FY2021 is not expected to reflect the proportional full year result of the Group as it is influenced by seasonal factors. The full year result will reflect the earnings impact from the acquisition of LD&D from the date the Group gained control. The remainder of this earnings performance review for 1H FY2021 will focus on the normalised result, consistent with prior years.

The Group generated normalised EBITDA of $73.0 million which was up on the comparative period by $24.5 million or 51%, after adjusting for costs related to the acquisition of LD&D and legal costs related to ongoing litigation with Kraft Heinz and Fonterra.

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

Consolidated	Per Financial Statements $'000	Lion Dairy & Drinks Acquisition Costs $'000	Legal Costs $'000	Normalised outcome $'000
Period ending 27 December 2020				
Revenue	707,733	-	-	707,733
Cost of sales	(564,734)	-	-	(564,734)
Gross profit	**142,999**	**-**	**-**	**142,999**
EBITDA	65,810	6,337	842	72,989
Depreciation, amortisation and impairment	(24,984)	-	-	(24,984)
EBIT	40,826	6,337	842	48,005
Net finance costs	(4,979)	1,610	-	(3,369)
Profit before income tax	**35,847**	**7,947**	**842**	**44,636**
Income tax expense	(14,140)	(508)	(253)	(14,901)
Profit for the period	**21,707**	**7,439**	**589**	**29,735**
Gross margin - percentage	**20%**			**20%**
Basic earnings per share - cents	**9.6**			**13.2**

Consolidated	Per Financial Statements $'000	Legal Costs $'000	Other Costs $'000	Normalised outcome $'000
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**

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

The comparative period '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 result

In each of 1H FY2021 and the comparative period all of the normalised adjustments related to activities within unallocated overheads in the segment reporting.

Prior to inter-segment elimination, the Bulk segment EBITDA of $52.3 million was favourable to the comparative period, with an increase of $19.8 million mainly due to a more profitable sales mix with increased sales of high value nutritional powders and lactoferrin. Prior to inter-segment elimination, the branded segment EBITDA of $34.6 million was favourable to the comparative period, with an increase of $2.5 million largely due to growth across the Group's spreads categories.

Cash flows and net cash (debt)

The Group statutory net cash inflow from operating activities was $6.8 million in 1H FY2021, compared to net cash inflow of $38.1 million in 1H FY2020.

Net working capital was $168.3 million at 27 December 2020, being an increase from $121.4 million at 30 June 2020 and a decrease from $177.8 million at 29 December 2019. The main contributing factors to the increase from June 2020 was the seasonal inventory build of milk related products.

The Group had net cash of $145.1 million at the end of 1H FY2021 compared to net debt of $231.3 million at 30 June 2020, being a net cash increase of $376.4 million. This increase in net cash was largely the result of the net cash proceeds of $392.6 million from the December 2020 capital raise to fund the acquisition of LD&D in January 2021. Net debt excluding the capital raise was $247.5 million at 27 December 2020, being a decrease of $64.7 million from 29 December 2019.

Capital investment during 1H FY2021

Bega Cheese Group capital expenditure in 1H FY2021 totalled $8.5 million (1H FY2020: $21.1 million).

The capital works program in 1H FY2021 was focused on the Koroit site, investing in the replacement of three boilers and the upgrade of high voltage infrastructure. The boiler final commissioning activities are planned for FY2022. The Group has also commenced or completed the following capital expenditure initiatives in the same period:

- commissioning of equipment to produce Vegemite in a squeezable bottle.
- consolidation of all site-based laboratories into the Port Melbourne lab, and an increase in testing capacity.
- implementation of energy saving initiatives across multiple locations to reduce costs.

Change of Directors

On 8 September 2020, the Company announced that Peter Margin would join the Board as an Independent Director and Deputy Chairman of Bega Cheese. On 27 October 2020, Richard Parbery resigned as a Director of Bega Cheese after more than 30 years of service.

Milk supply

Seasonal conditions continued to remain positive during the first half of FY2021. The improved conditions provide relief for dairy suppliers recovering from the impacts of drought in the first half of FY2020. Our dairy suppliers benefitted from improved rainfall and growing conditions that have resulted in lower prices for farm inputs, including feed, fodder and water. The seasonal outlook for growing conditions remains positive for the second half of FY2021.

During the first half of FY2021, the competitive environment remained strong despite positive Australian milk supply compared to the comparative period. Total milk processed including toll arrangements was higher by 1.6%, with increased tolling volumes. Direct milk intake decreased following the cessation of the Saputo milk supply guarantee at Koroit and continued competitive milk procurement circumstances particularly in northern Victoria. Direct farm milk supply from all other regions is relatively consistent with the comparative period and our overall milk supply is expected to remain stable for the balance of FY2021.

COVID-19

To date the COVID-19 situation in most of Australia has improved with minimal community transmission and restrictions being eased. The Group continues to closely monitor COVID-19 recognising this position could rapidly change. Our priority remains on ensuring the health and well-being of our employees. The Executive Crisis Team continues to closely monitor the situation with COVID-19 and the implications of ongoing government advice. The Group has demonstrated resilience throughout this difficult period and increased portfolio and channel diversification has helped overcome some of the challenges experienced through our supply and customer base.

Strategic outlook

The Group has made significant progress towards our vision to become The Great Australian Food Company. During 1H FY2021 we announced that we had entered a binding share sale and purchase agreement to acquire all of the shares in LD&D for $534.1 million which was completed on 25 January 2021. The acquisition of LD&D delivers important industry consolidation and will create value across our supply chain. The addition of LD&D extends our capabilities into new branded dairy categories such as yoghurt, white milk and flavoured milk. The acquisition also expands our product portfolio into juice and provides access to new customers and markets for our existing range of consumer products.

We have continued to invest in the development of new products across our spreads, snacking and dairy portfolio, and the acquisition of market leading iconic Australian brands in LD&D provides further opportunities to extend our product range. The international branded food business has continued to grow, despite the impact of COVID-19 on the foodservice channel in some of our key export markets. The LD&D acquisition provides a platform for further growth in international markets and provides us with an in-market presence to support innovation and a closer connection to customers and consumers.

Strength in our bulk segment has been partially impacted by COVID-19 particularly in the infant formula category. Our customers have been impacted by trading conditions in key markets and the effects of COVID-19 on international travel and the Daigou channel. The outlook for this category remains challenging and we will continue to respond through diversification in our revenue streams through product innovation and new customer and channel development.

The Group has completed its review of direct and indirect costs and implemented a number of cost saving initiatives, ensuring the Group remains cost competitive in both domestic and international markets. The acquisition of LD&D provides further opportunities for synergies across corporate functions and many areas of the supply chain.

Subsequent events

Dividend

On 24 February 2021, the Directors declared an interim fully franked dividend of 5.0 cents per share, which represents a distribution of $15.1 million.

Lion Dairy & Drinks acquisition

On 25 January 2021, Bega Cheese announced that it completed the acquisition of LD&D. The consideration was funded from the net proceeds from the December capital raise of $393.4 million and an additional $140.7 million drawn from its syndicated debt facilities.

Termination of customer contract

Subsequent to 27 December 2020, one of the Group's major customers notified the Group that a contractual arrangement will cease in October 2021 prior to its original end date of December 2026. To compensate for the loss of future earnings, a contractual termination fee of $21.1 million is expected to be received across FY2021 and FY2022. The Group is currently considering any potential implications of the termination.

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 11.

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
Bega

Raelene Murphy
Independent Director
Melbourne

24 February 2021

Auditor's Independence Declaration

As lead auditor for the review of Bega Cheese Limited for the half-year ended 27 December 2020, 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
24 February 2021

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CONSOLIDATED	
	27 December 2020 $'000	29 December 2019 $'000
Revenue	707,733	741,151
Cost of sales	(564,734)	(615,312)
Gross profit	**142,999**	**125,839**
Other revenue	4,369	4,239
Other income	1,599	1,290
Distribution expense	(45,203)	(46,224)
Marketing expense	(15,778)	(21,144)
Occupancy expense	(8,115)	(6,185)
Administration expense	(39,055)	(39,818)
Finance costs	(5,025)	(6,186)
Share of net profit/(loss) of joint venture	56	(128)
Profit before income tax	**35,847**	**11,683**
Income tax expense	(14,140)	(3,138)
Profit for the period attributable to owners of Bega Cheese Limited	**21,707**	**8,545**
Other comprehensive income/(expense):		
Items that may be reclassified to profit or loss		
Cash flow hedges	3,704	64
Change in the fair value of other financial assets	-	(7)
Income tax relating to these items	(1,111)	-
Total other comprehensive income	**2,593**	**57**
Total comprehensive income for the period attributable to owners of Bega Cheese Limited	**24,300**	**8,602**

	2021 Cents	2020 Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:		
Basic earnings per share	9.6	4.0
Diluted earnings per share	9.6	4.0

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

CONSOLIDATED BALANCE SHEET

		CONSOLIDATED	
		27 December 2020	30 June 2020
	Notes	$'000	$'000
ASSETS			
Current assets			
Cash and cash equivalents		251,242	22,882
Trade and other receivables		97,788	117,419
Derivative financial instruments	6	3,926	1,309
Inventories		296,179	257,372
Current tax assets		17,063	10,703
Total current assets		**666,198**	**409,685**
Non-current assets			
Financial assets at fair value through other comprehensive income (FVOCI)	6	716	716
Property, plant and equipment		435,015	445,955
Right-of-use assets		9,556	8,769
Deferred tax assets		5,693	6,696
Intangible assets		545,798	548,136
Other receivables		512	2,053
Investments accounted for using the equity method		1,459	1,403
Total non-current assets		**998,749**	**1,013,728**
Total assets		**1,664,947**	**1,423,413**
LIABILITIES			
Current liabilities			
Trade and other payables		225,633	253,389
Derivative financial instruments	6	216	61
Lease liabilities		3,259	2,978
Current tax liabilities		6,724	-
Provisions		50,123	49,546
Total current liabilities		**285,955**	**305,974**
Non-current liabilities			
Borrowings		98,641	247,260
Lease liabilities		8,685	8,290
Provisions		2,975	2,879
Deferred tax liabilities		43,291	44,971
Total non-current liabilities		**153,592**	**303,400**
Total liabilities		**439,547**	**609,374**
Net assets		**1,225,400**	**814,039**
EQUITY			
Share capital	5a	874,724	480,507
Reserves		27,017	20,859
Retained earnings		323,659	312,673
Capital and reserves attributable to owners of Bega Cheese Limited		**1,225,400**	**814,039**
Total equity		**1,225,400**	**814,039**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated	Share capital $'000	Share-based payment reserve $'000	Capital profits reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Transactions with non-controlling interests $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2019	477,494	1,196	33,959	272	-	(12,567)	313,873	814,227
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)**	**310,663**	**813,406**
Balance as at 1 July 2020	480,507	416	33,959	(949)	-	(12,567)	312,673	814,039
Profit for the period	-	-	-	-	-	-	21,707	21,707
Other comprehensive income for the period	-	-	-	2,593	-	-	-	2,593
Transactions with owners in their capacity as owners:								
- Share-based payments relating to incentives	-	3,565	-	-	-	-	-	3,565
- Issue of shares, net of transaction costs and tax (note 5)	394,217	-	-	-	-	-	-	394,217
- Dividends provided for or paid	-	-	-	-	-	-	(10,721)	(10,721)
Balance as at 27 December 2020	**874,724**	**3,981**	**33,959**	**1,644**	**-**	**(12,567)**	**323,659**	**1,225,400**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	27 December 2020	29 December 2019
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers inclusive of goods and services tax	787,212	866,971
Payments to suppliers and employees inclusive of goods and services tax	(763,034)	(814,560)
Interest and other costs of financing paid	(5,025)	(6,186)
Income taxes paid	(12,310)	(8,165)
Net cash inflow from operating activities	**6,843**	**38,060**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for shares in unlisted companies	-	(1,000)
Interest received	46	181
Payments for property, plant and equipment	(9,028)	(21,499)
Payments for intangible assets	(1,738)	(9,955)
Proceeds from sale of property, plant and equipment	6	97
Net cash (outflow) from investing activities	**(10,714)**	**(32,176)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	29,000
Repayment of borrowings	(148,619)	(29,391)
Principal elements of lease payments	(1,803)	(1,058)
Net proceeds from issue of shares	392,583	-
Dividends paid to members	(9,930)	(9,543)
Net cash inflow/(outflow) from financing activities	**232,231**	**(10,992)**
Net increase/(decrease) in cash and cash equivalents	228,360	(5,108)
Cash and cash equivalents at the beginning of the period	22,882	28,760
Cash and cash equivalents at the end of the period	**251,242**	**23,652**

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) Acquisition of Lion Dairy & Drinks

On 26 November 2020, the Group announced that it had entered into a binding agreement to acquire all of the shares in LD&D for a net acquisition cost of $534.1 million. The acquisition successfully completed on 25 January 2021.

b) Capital raising

On 26 November 2020, the Group announced an underwritten entitlement offer and placement to raise $401 million at an offer price of $4.60 per share. The capital raising comprised:

- a 1 for 4.5 pro-rata accelerated non-renounceable entitlement offer of approximately $220 million, comprising an Institutional Entitlement Offer and a Retail Entitlement Offer; and
- an Institutional Placement of approximately $181 million.

The offer price of $4.60 represented a 9.1% discount to the last traded price of $5.06 on Friday, 20 November 2020. The net proceeds of $393.4 million include direct costs in undertaking the capital raise.

c) Revised Syndicated Facility

On 23 December 2020, Bega Cheese Group entered into a revised Group syndicated debt facility structure (Refer to “Note 4 Borrowings” for further details).

d) 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 filed an appeal against the judgment of the Federal Court on various grounds. The Full Court of the Federal Court of Australia dismissed the appeal in its judgment delivered on 14 April 2020. Kraft Heinz then filed an application in the High Court of Australia seeking special leave to appeal from the judgment of the Full Court of the Federal Court, however on 13 November 2020, the High Court of Australia dismissed Kraft Heinz’s application for special leave to appeal. The dismissal of the special leave application means that the decision of the Full Court of the Federal Court of Australia will stand and confirmed Bega Cheese’s ownership of the trade dress rights.

The amount of compensation to which Bega Cheese is entitled to be paid as a result of Kraft Heinz's use of the peanut butter trade dress will be considered and determined in a further hearing before the Federal Court. A contingent asset has not been recognised as a receivable as at 27 December 2020 on the grounds that the amount of compensation is unknown and any estimate would prejudice the outcome of the litigation.

e) 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). In 2017 Fonterra 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 trade marks, has vigorously opposed Fonterra's position and asserted its rights to use its trade marks in Australia. Bega Cheese has also made various counter claims in respect of alleged breaches of the licence by Fonterra. The hearing by the Supreme Court of Victoria concluded in mid-2020 and the parties are awaiting the decision of the Court.

f) Director appointment

On 8 September 2020, Bega Cheese announced the appointment of Peter Margin as an Independent Director and Deputy Chairman of the Company.

g) Effective tax rate

The effective tax rate for the period is 39.4%, which is relatively high as a result of a significant amount of non-deductible expenses in the period. These expenses are largely transaction costs relating to the acquisition of LD&D, which are one-off in nature.

2. SEASONAL AND OTHER FACTORS

The Consolidated Statement of Comprehensive Income for the half-year ended 27 December 2020 is not expected to reflect the proportional full year result of the Group. The full year result will reflect the earnings impact from the acquisition of LD&D from the date the Group gained control.

3. SEGMENT INFORMATION

a) Description of segments

The Group determines the reporting segments based on financial and other management reports reviewed by the Executive Chairman, Chief Executive Officer and Chief Financial Officer, in their capacity as the Chief Operating Decision Maker (CODM). The Group has two reporting segments:

i. Branded – the manufacture of bulk ingredients into value added consumer products for internal or external brands.

ii. Bulk – the manufacture of bulk dairy ingredients, nutritional and bio nutrient products.

The CODM assesses the performance of the operating segments based on a measure of EBITDA. In addition, the CODM take into account current year events by segment so that normalised business performance is assessed.

Unallocated overheads relate to corporate and legal costs that cannot be reasonably classified into a segment.

Inter-segment eliminations represent elimination of sales and profit in stock arising from inter-segment sales at an arm's length transfer price.

As a result of the recent acquisition of LD&D, the CODM is currently reviewing the overall structure of business activities which may result in changes to how activities are reported in future.

b) Segment information provided to the Chief Operating Decision Maker

	Branded	Bulk	Unallocated overheads	Inter-segment eliminations	Group Total
	$'000	$'000	$'000	$'000	$'000
Period ending 27 December 2020					
Revenue	440,458	463,464	-	(196,189)	707,733
EBITDA	34,602	52,263	(20,918)	(137)	65,810
Depreciation, amortisation and impairment					(24,984)
EBIT					40,826
Interest revenue					46
Interest expense					(5,025)
Profit before income tax					**35,847**
Income tax expense					(14,140)
Profit for the period					**21,707**
Impact of current period events on profit before income tax					
Legal costs	-	-	(842)	-	(842)
Lion Dairy & Drinks Acquisition costs	-	-	(7,947)	-	(7,947)

Prior period comparative segment information is as follows:

	Branded	Bulk	Unallocated overheads	Inter-segment eliminations	Group Total
	$'000	$'000	$'000	$'000	$'000
Period ending 29 December 2019					
Revenue	401,400	510,183	-	(170,432)	741,151
EBITDA	32,095	32,417	(19,934)	(5,316)	39,262
Depreciation, amortisation and impairment					(21,574)
EBIT					17,688
Interest revenue					181
Interest expense					(6,186)
Profit before income tax					**11,683**
Income tax expense					(3,138)
Profit for the period					**8,545**
Impact of current period events on profit before income tax					
Legal costs	-	-	(4,490)	-	(4,490)
Other costs	-	-	(4,712)	-	(4,712)

For further details of the current period events please refer to the table and explanation in the Directors report on page 5.

c) Other segment information

Segment revenue

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

4. BORROWINGS

The Group had $586.5 million in available debt facilities as at 27 December 2020, as set out below:

	CONSOLIDATED	
	27 December 2020	30 June 2020
	$'000	$'000
Undrawn facilities expiring within one year	106,500	100,000
Undrawn facilities expiring beyond one year	380,000	168,500
Drawn facilities	100,000	248,000
Total facilities	**586,500**	**516,500**
Total facilities are represented by:		
Syndicated Facilities - Non-current	480,000	410,000
Inventory Facility	100,000	100,000
Overdraft Facility	6,500	6,500
Total facilities	**586,500**	**516,500**

On 23 December 2020, the Group entered into a revised syndicated debt facility structure funded by Coöperatieve Rabobank U.A. (Australia Branch) (Rabobank) and Westpac Banking Corporation (Syndicate Banks) (Revised Syndicated Facility). The Revised Syndicated Facility included three revolving cash advance facilities totalling $480 million and a term facility totalling $100 million. The amendments to the Group syndicated debt facility is summarised below:

Amendment to facility limits and maturity dates

- Syndicated Cash Advance Facility of $140 million maturing 10 November 2023;
- Syndicated Cash Advance Facility of $140 million (increased from $70 million) maturing 10 November 2023;
- Syndicated Term Debt Facility of $100 million maturing 30 September 2022; and
- Syndicated Cash Advance Facility of $100 million maturing 30 September 2022.

Amendment to covenants:

- the leverage ratio is not greater than 3.50 times from 31 December 2020, reducing to 3.00 times from 31 March 2021. Lease liabilities under AASB 16 *Leases* were removed in the determination of debt and its corresponding impact on earnings;
- 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 up to and including 29 June 2021; and must be equal to or greater than $750 million from 30 June 2021.

In addition to the Revised Syndicated Facility, the Group continues to operate a stand-alone Inventory Facility with Rabobank which is not subject to cross-charges or cross guarantees except as disclosed in the 2020 Annual Report and matures on 30 March 2021.

The Group also continues to operate its Trade Receivables Facility with Rabobank as disclosed in the 2020 Annual Report. The facility has limit of $200 million and matures on 31 January 2022. The facility is not classified as borrowings as the contractual rights to cash flows from these receivables have expired on acceptance of the sale to Rabobank.

At 27 December 2020 the Revised Syndicated Facility and Inventory Facility are secured by mortgages and general securities over the assets of Bega Cheese Limited, Tatura Milk Industries Pty. Ltd. and Peanut Company of Australia Pty. Ltd. From 25 January 2021, the shares acquired by Bega Cheese Limited in the LD&D acquisition have been included as security against the facilities, and further assets acquired from the LD&D acquisition are to be included in this security package subject to obtaining necessary shareholder approvals.

The Group's net debt comprises of borrowings (excluding borrowing costs), unrecognised bank guarantees and cash and cash equivalents. The Group's net debt at the reporting date is as follows:

	CONSOLIDATED	
	27 December 2020 $'000	30 June 2020 $'000
Borrowings	98,641	247,260
Add back: borrowing costs	1,359	740
Unrecognised bank guarantees	6,139	6,139
Cash and cash equivalents	(251,242)	(22,882)
Net (cash) / debt	**(145,103)**	**231,257**

5. SHARE CAPITAL

a) Share capital

	CONSOLIDATED	
	27 December 2020 $'000	**30 June 2020** $'000
Share capital - ordinary shares fully paid	**874,724**	**480,507**

b) Movement in number of shares and share capital value

	Ordinary Shares Number '000	**Ordinary Shares** $'000
Ordinary shares on issue at 1 July 2019	213,734	477,494
Shares issued under Dividend Reinvestment Plan	703	3,013
Ordinary shares on issue at 30 June 2020	214,437	480,507
Ordinary shares on issue at 1 July 2020	214,437	480,507
Shares issued under Placement and Institutional Entitlement Offer	62,156	285,915
Shares issued under Retail Entitlement Offer	25,024	115,109
Shares issued under Dividend Reinvestment Plan	147	791
Shares issued to management under STI scheme	573	-
Share issue transaction costs, net of tax	-	(7,598)
Ordinary shares on issue at 27 December 2020	302,337	874,724

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 2 $'000	Level 3 $'000	Total $'000
At 27 December 2020			
Assets			
Foreign currency forwards - cash flow hedges	3,926	-	3,926
Financial assets at fair value through other comprehensive income (FVOCI) - unlisted equity securities	-	716	716
Total assets	**3,926**	**716**	**4,642**
Liabilities			
Foreign currency forwards - cash flow hedges	(216)	-	(216)
Total liabilities	**(216)**	**-**	**(216)**
At 30 June 2020			
Assets			
Foreign currency forwards - cash flow hedges	824	-	824
Foreign currency forwards - fair value hedges	485	-	485
Financial assets at fair value through other comprehensive income (FVOCI) - unlisted equity securities	-	716	716
Total assets	**1,309**	**716**	**2,025**
Liabilities			
Foreign currency forwards - cash flow hedges	(48)	-	(48)
Foreign currency forwards - fair value hedges	(13)	-	(13)
Total liabilities	**(61)**	**-**	**(61)**

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 perform an impairment assessment at 27 December 2020.

8. SUBSEQUENT EVENTS

a) Dividend

On 24 February 2021, the Directors declared an interim fully franked dividend of 5.0 cents per share, which represents a distribution of $15.1 million.

b) Lion Dairy & Drinks acquisition

On 25 January 2021, Bega Cheese announced that it completed the acquisition of LD&D. The consideration was funded from the net proceeds from the December capital raise of $393.4 million and an additional $140.7 million drawn from its syndicated debt facilities.

Due to the time between the acquisition date of 25 January 2021 and the date of this report, it was impractical for the Group to provide a provisional estimate of the fair value of assets and liabilities acquired (and therefore any potential goodwill on acquisition).

c) Termination of customer contract

Subsequent to 27 December 2020, one of the Group's major customers notified the Group that a contractual arrangement will cease in October 2021 prior to its original end date of December 2026. To compensate for the loss of future earnings, a contractual termination fee of $21.1 million is expected to be received across the FY2021 and FY2022. The Group is currently considering any potential implications of the termination.

9. BASIS OF PREPARATION

a) Interim Financial Reporting

This Consolidated Interim Financial Report for the reporting period ending 27 December 2020 (corresponding prior comparable period ending 29 December 2019) 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., and joint venture Capitol Chilled Foods (Australia) Pty. Ltd. (joint venture or CCFA). The results of 180 Nutrition 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 2020 and any public announcements made by Bega Cheese Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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 new or amended standards became applicable for the current reporting period, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

DIRECTORS' DECLARATION

In the Directors' opinion:

a. the financial statements and notes set out on pages 12 to 24 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 27 December 2020 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.

B.A. Irvin

Barry Irvin
Executive Chairman
Bega

Raelene Murphy
Independent Director
Melbourne

24 February 2021

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

Report on the half-year financial report

Conclusion

We have reviewed the 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 27 December 2020, 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, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 27 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors 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.

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Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 27 December 2020 and of 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*.

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney	Sydney
Partner	24 February 2021