ASX ANNOUNCEMENT

Appendix 4D and Half Year Accounts 2019

I have pleasure in enclosing the Appendix 4D in relation to the Half Year ended 30 December 2018 together with the 2019 Interim Report for the Half Year ended 30 December 2018.

Brett Kelly
Company Secretary

27 February 2019

For further information please contact

Brett Kelly
Company Secretary
Bega Cheese Limited
02 6491 7777
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Bega Cheese Limited

ASX Half-Year Information - 30 December 2018

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with

the 30 June 2018 Annual Report

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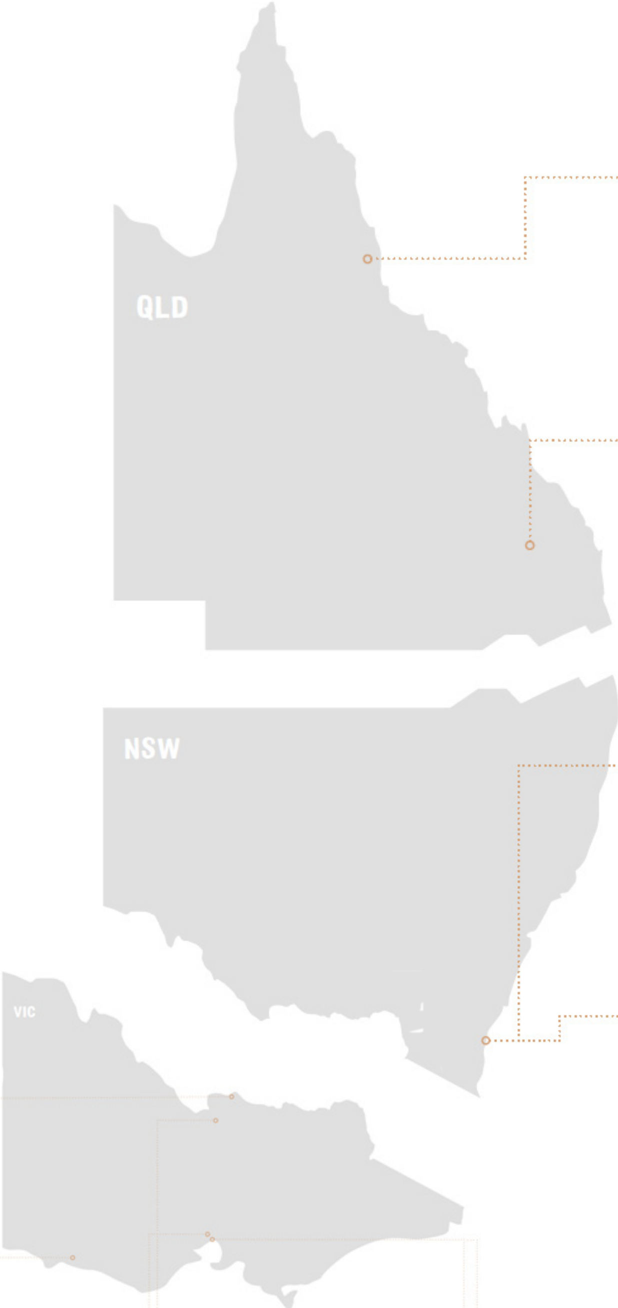


TOLGA
12 Tostevin Street
Tolga QLD 4882 Australia

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

COBURG
10-16 Allenby Street
Coburg VIC 3058 Australia

PORT MELBOURNE
664 Lorimer Street
Port Melbourne VIC 3207 Australia

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Appendix 4D Item		**Percentage**		**Amount $'000**
Revenue from ordinary activities	Up	**6%**	To	649,164
Profit from ordinary activities after tax	Down	**76%**	To	4,993
Profit from ordinary activities after tax attributable to members	Down	**76%**	To	4,993
Net Profit for the period attributable to members	Down	**76%**	To	4,993

Net Tangible Assets Backing	**30 December 2018**	**31 December 2017**
Net tangible assets backing per share	**$1.44**	$1.19

Dividends / Distributions	**Amount per Security cents**	**Franked Amount per Security cents**
Interim Dividend (Prior Year)	5.5	5.5
Final Dividend (Prior Year)	5.5	5.5
Interim Dividend Declared 27 February 2019 (Current Year)	5.5	5.5

Record Date for Determining Entitlements	**Date**
Interim Dividend	26 March 2019

Explanation of result

New accounting standards have been adopted in the current period results and as permitted by the new standards, the prior corresponding period impact has been adjusted.

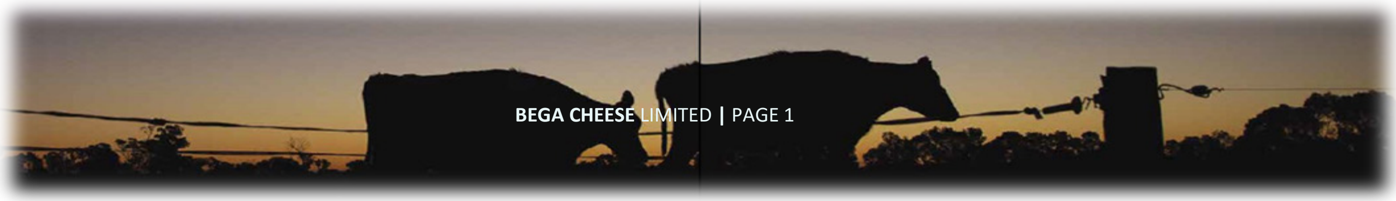
Details of the results of the Group for the period to 30 December 2018 are included in the attached Interim Report.

Reporting periods

For the purposes of this Appendix 4D and Consolidated 2019 Interim Report for the half-year ended 30 December 2018, the following reporting periods have been applied:

- 1H FY2019 refers to the period from 1 July 2018 to 30 December 2018
- 1H FY2018 refers to the period from 1 July 2017 to 31 December 2017 (also referred to as the Prior Period).

The minor difference in the number of trading days between 1H FY2018 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 5.5 cents per share, being in line with the interim dividend of the Prior Period. The interim dividend will be paid on 16 April 2019.

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 16 April 2019 must be received by the registry by 5:00 pm on 27 March 2019 to be effective for that dividend.

Details of subsidiaries, associates and joint venture entities

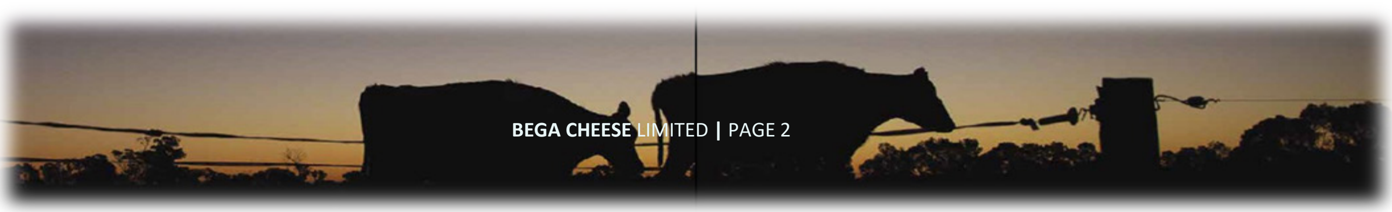
		Reporting entity's percentage holding	
Name of entity	**Nature of relationship**	**1H FY2019**	**1H FY2018**
Tatura Milk Industries Limited	Subsidiary	100%	100%
Bega Cheese Investments Pty Ltd	Subsidiary	100%	100%
Peanut Company of Australia Limited	Subsidiary	100%	96%
Bemore Partnership	Joint Operation	50%	50%
Capitol Chilled Foods (Australia) Pty Limited	Joint Venture	25%	25%

Bemore partnership

Bega Cheese Investments Pty Ltd is a wholly owned subsidiary of Bega Cheese Limited. With effect from 6 January 2016 this entity has held the Group's 50% interest in the Bemore joint arrangement with Blackmores Limited (Bemore). Blackmores and Bega Cheese have mutually agreed to wind-up the partnership, with the intention to complete this process prior to 30 June 2019.

Further information

For further information, please refer to the 2018 Annual Report and the Consolidated 2019 Interim Report attached to this statement.



Bega Cheese Limited

Consolidated 2019 Interim Report for the

Half-Year Ended 30 December 2018

ABN 81 008 358 503

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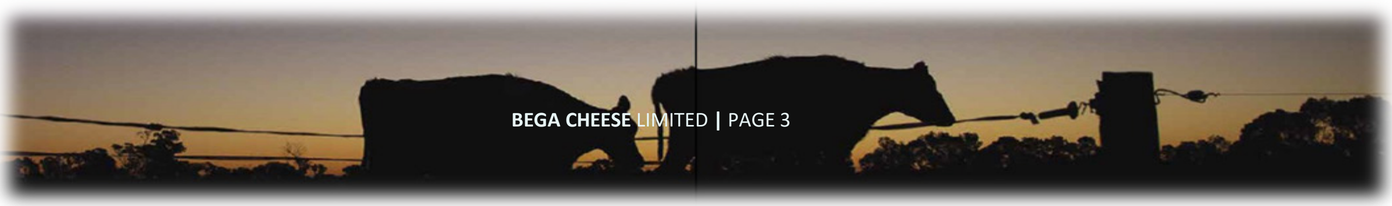


DIRECTORS' REPORT

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 30 December 2018.

Directors

The following persons held office as Directors during the whole of the period ended 30 December 2018:

Barry Irvin Executive Chairman Director since September 1989	Richard Cross Director since December 2011
Peter Margin* Chair of the Nomination, Remuneration and Human Resources Committee Independent Director since June 2011	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
Max Roberts Director since September 1983	Terry O'Brien Director since September 2017

* Peter Margin resigned as a Director of Bega Cheese, effective 31 January 2019

Reporting entity and period

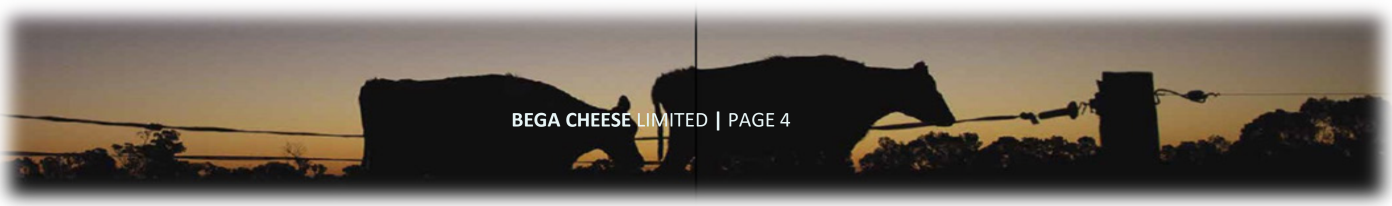
This interim report covers the operations of the Bega Cheese Group, including:

- the wholly owned subsidiary Tatura Milk Industries Limited (Tatura Milk)
- the wholly-owned subsidiary Peanut Company of Australia (PCA) acquired on 11 December 2017
- the Group's 50% interest in the Bemore partnership with Blackmores Limited (currently not trading)
- the Bega Foods business which was acquired on 4 July 2017
- the Koroit Facility which was acquired on 17 August 2018.

For the purposes of this Consolidated 2019 Interim Report for the half-year ended 30 December 2018, the following reporting periods have been applied in assessing the financial performance of the Group:

- 1H FY2019 refers to the period from 1 July 2018 to 30 December 2018
- 1H FY2018 refers to the period from 1 July 2017 to 31 December 2017 (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.



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

1. 30 June 2018, as reflecting the financial position at the end of the last statutory full year reporting period; and

2. 31 December 2017, 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 FY2019 compared to 1H FY2018 does not have a material impact on the comparative financial position of the Group.

Review of operations

The principal activity of the Group during 1H FY2019 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 FY2019 overview

Summarised below are the key activities of the Group in 1H FY2019:

- generated half-year normalised operating profit after tax of $18.9 million, being down on the record first half result of the Prior Period by ($17.7) million or 48%
- on 17 August 2018 the Group acquired Saputo Dairy Australia Limited's (Saputo) dairy processing facility at Koroit, Western Victoria (Koroit Facility) for $251.2 million, which included a tranche of inventory
- on 11 September 2018 the Group completed an Institutional Placement raising $199.9 million (before capital raising costs) which was used to reduce debt following the purchase of the Koroit Facility
- a Share Purchase Plan (SPP) announced at the same time as the Institutional Placement and which closed on 18 October 2018 subsequently raised an additional $2.2 million (before capital raising costs)
- with the strong support of the Koroit Facility staff, milk suppliers, customers and Saputo the Koroit Facility operations were successfully integrated into the Group, with the Koroit Facility receiving more milk through the 2018 Spring peak than the site had received in the period prior to Bega Cheese taking control of the facility
- implemented a three-year milk supply agreement, signing up the majority of our traditional Victorian and NSW direct milk suppliers, introduced new Saputo suppliers transferring directly to Group under a process outlined in the Milk Supply Guarantee Agreement and gained new suppliers across the Group's milk collection network under this agreement which increased the Group's total anticipated annualised direct milk pool to approximately 1.0 billion litres for FY2019
- with additional milk procured across the Group and the acquisition of the Koroit Facility at the commencement of Spring 2018 the Group processed a record 645 million litres in the first half, being up on the prior year by 189 million litres or 41%

- with the Koroit Facility acquisition and related milk intake, the Group manufactured 149,486 metric tonnes of products in the first half with a diversified mix of cheddar, mozzarella, cream cheese, skim milk powder, whole milk powder and butter contributing to the year on year increase in production
- expanded on the Group's existing customer network to open up new channels in which to sell the additional inventory manufactured at the Koroit Facility
- rolled out the new Enterprise Resource Planning and management information system (Project One) Bega Cheese Limited businesses, turned attention to planning for the Project One deployment across Tatura Milk and incorporated the business functions of the Koroit Facility into planning for Project One
- on 29 August 2018 declared a final fully franked dividend of 5.5 cents per share, representing a distribution of $10.2 million.

Earnings performance review 1H FY2019

Group result 1H FY2019

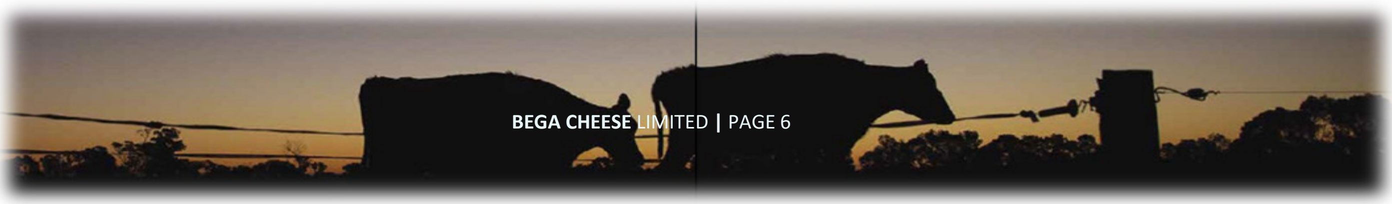
In 1H FY2019 the Group generated earnings before interest, tax, depreciation and amortisation (EBITDA) of $39.6 million, being down on the prior year by $12.1 million or 23%. As in prior years, the result for 1H FY2019 is not expected to reflect the proportional full year result of the Group as it is influenced by seasonal factors.

Forecast Guidance Issued 19 December 2018

In assessing the 1H FY2019 normalised performance it is also relevant to consider an update issued to the market on 19 December 2018. At this time the Group announced that the overall reduction in the Australian milk supply pool has created significant competitive farm gate milk pricing pressure. The outlook for Bega Cheese's financial performance in FY2019 is expected to be impacted by this competitive pressure. As a result, Bega Cheese issued a forecast normalised EBITDA in the range of $123.0 to $130.0 million for FY2019, compared to the FY2018 normalised EBITDA of $109.6 million.

The remainder of this earnings performance review for 1H FY2019 will focus on the normalised result, consistent with prior years.

The Group generated normalised EBITDA of $57.9 million, being down on the prior year by ($12.2) million or 17%.



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

Consolidated	Per Financial Statements	Koroit Acquisition Costs	Koroit Fair Value Adjustments	Bega Foods Acquisition Costs	Bega Foods Fair Value Adjustments	PCA Acquisition Costs	Legal Costs	Other Costs	Normalised outcome
	$'000	$'000	Notes	$'000	$'000	$'000	$'000	$'000	$'000
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**
Period ending 31 December 2017									
Revenue	613,467	-	-	-	-	-	-	-	613,467
Cost of sales	(479,813)	-	-	-	3,733	-	-	-	(476,080)
Gross profit	**133,654**	**-**	**-**	**-**	**3,733**	**-**	**-**	**-**	**137,387**
EBITDA	51,698	-	-	11,659	3,733	2,061	-	935	70,086
Depreciation, amortisation and impairment	(13,636)	-	-	-	-	-	-	-	(13,636)
EBIT	38,062	-	-	11,659	3,733	2,061	-	935	56,450
Net finance costs	(3,890)	-	-	-	-	-	-	-	(3,890)
Profit before income tax	**34,172**	**-**	**-**	**11,659**	**3,733**	**2,061**	**-**	**935**	**52,560**
Income tax expense	(13,609)	-	-	(868)	(1,120)	(99)	-	(280)	(15,976)
Profit for the period	**20,563**	**-**	**-**	**10,791**	**2,613**	**1,962**	**-**	**655**	**36,584**
Gross margin - percentage	**22%**								**22%**
Basic earnings per share - cents	**11.2**								**20.0**

The Koroit Facility acquisition costs totalling $11.2 million (before tax) related to stamp duty, corporate advisory, legal fees and finance costs.

The Koroit Facility Fair Value adjustment represents the fair value uplift applied to inventory purchased on acquisition of the facility in line with AASB 3 and which does not affect the underlying financial performance of the Group in 1H FY2019. As the Koroit Facility inventory was uplifted to fair value on the opening balance sheet, the gross margin on sale of this inventory during the 6 months ended 30 December 2018 was lower than would ordinarily have been achieved on an ongoing basis and has therefore been treated as a normalising adjustment.

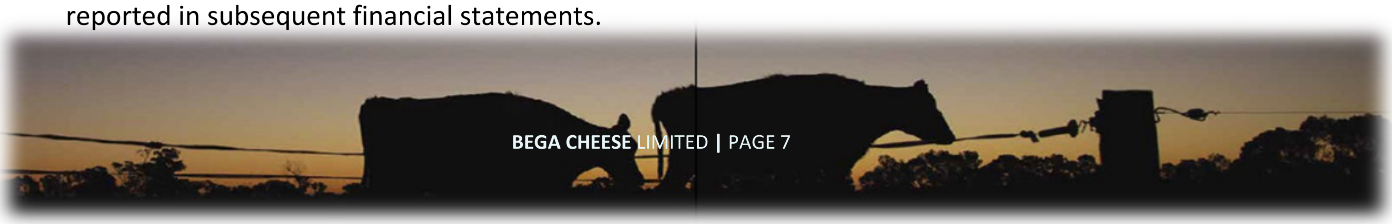
The legal fees relate to the Kraft Heinz and Fonterra litigation matters (refer "Significant events in the accounting period" for further details on these matters).

Other costs include one-off ERP deployment costs for resources to support post go-live deployment of the ERP system for Bega Cheese Limited.

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 FY2019 and the Prior Period the majority of the one-off current period events related to activities within the Bega Cheese segment.

On a normalised basis the Bega Cheese segment EBITDA of $31.5 million was in line with the Prior Period, inclusive of operating activities of the Koroit Facility from 17 August 2018. The cost of milk from traditional Bega segment suppliers and energy and insurance costs increased compared to the Prior Period, which were in a large part offset by the EBITDA contribution of the Koroit Facility.

The Bega Cheese segment has been impacted by incremental depreciation in 1H FY2019 at the Koroit Facility totalling ($3.2) million ($nil Prior Period) and amortisation relating to the newly commissioned ERP management information system totalling ($2.1) million ($nil Prior Period).

The significant increase in working capital across the Group throughout 1H FY2019, primarily in relation to the newly acquired Koroit Facility, together with additional net debt to fund the initial acquisition of the Koroit Facility materially increased overall net debt for the period, which increased net external interest expense to ($10.9) million in 1H FY2019, compared to ($4.2) million in the Prior Period.

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

- revenue totalled $473.5 million, being an increase of 12% on the Prior Period, driven by the acquisition of the Koroit Facility and PCA
- normalised profit before income tax (PBT) was $2.0 million in 1H FY2019, compared to $17.0 million in the Prior Period
- normalised profit after tax (PAT) was $1.4 million, compared to PAT of $9.6 million in 1H FY2018, being a decrease of 85%
- milk intake from suppliers including the Koroit Facility increased by 126% across the Bega Cheese manufacturing sites to 422 million litres.

Bega Foods, which was acquired in July 2017, has stabilised and is well positioned for growth following the transition of this business in the Prior Year. The transition included a series of one-off costs, a reduction in peanut butter margins (the result of competitive pressures) and the transfer of some processed cheese volume to our contract manufacturing business. New product innovation, channel expansion and a focus on cost efficiencies across the supply chain have contributed to this improvement. Peanut Company of Australia (PCA) which was acquired in December 2017 has been fully integrated into the Bega Foods supply chain and continues to provide Australian peanuts used in our peanut butter products as well as the range of Picky Picky snacking nuts which was part of the acquisition.

The immediate focus on acquisition of the Koroit Facility has been to transition staff, introduce new direct milk suppliers and scale up the operations of the site for the Spring seasonal peak in production. The Group has also established a number of new relationships with domestic and international retail, foodservice, nutritional and ingredients customers.

From acquisition to 30 December 2018 the Koroit Facility has processed 233 million litres of milk and manufactured 36,000 metric tonnes of dairy products, including retail and bulk butter, nutritional powders, SMP and WMP. This incremental production has resulted in a significant increase in inventory at 30 December 2018, which will be sold down in 2H FY2019.

Tatura Milk

The Tatura Milk segment did not include any material one-off items in 1H FY2019, and as a result the normalised financial performance of Tatura Milk is in line with the statutory result.

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

- revenue totalled $209.1 million, being a decrease of 2% on the Prior Period, driven by a reduction in nutritionals sales
- PBT was $26.0 million, compared to $35.6 million in the Prior Period, being a decrease of 27%
- PAT of $18.1 million, compared to $27.0 million in the Prior Period, being a decrease of 33%
- milk intake from suppliers decreased by 6% to 223 million litres, with the milk price to Victorian suppliers opening at $5.86/kg milk solids (before milk supplier premium incentives) and in January 2019 increasing via a milk loyalty payment of $0.14/kg milk solids to $6.00/kg milk solids
- higher cost of milk from Tatura suppliers and increased energy and insurance costs.

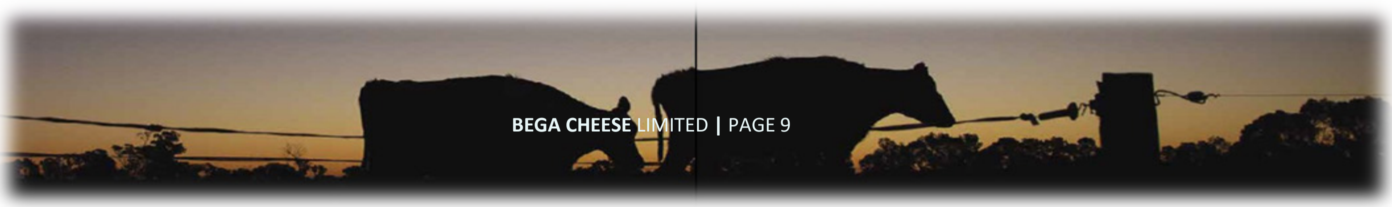
Cash flows and net debt

The Group statutory net cash outflow from operating activities was ($128.3) million in 1H FY2019, compared to net cash inflow of $5.4 million in 1H FY2018.

Net working capital was $379.3 million at 30 December 2018, being an increase of $172.6 million from 30 June 2018 and $121.2 million from 31 December 2017. The main factor contributing to the increase was additional milk intake through the Koroit Facility.

Net debt totalled $468.1 million at the end of 1H FY2019, being an increase of $222.6 million from 30 June 2018. This increase in net debt was largely the result of:

- payment of $251.2 million for acquisition of the Koroit Facility plus related transaction costs of $11.2 million, less net proceeds from the issues of shares raising $199.9 million
- increase in working capital with the acquisition of the Koroit Facility and milk intake program resulting in an increase in inventory of $166.7 million
- increase in trade and other receivables of $81.7 million, largely as a result of commencing selling inventory manufactured at the Koroit Facility
- payments totalling $24.8 million for capital expenditure and intangible assets relating to the ERP system.



Capital investment during 1H FY2019

Bega Cheese Group capital expenditure in 1H FY2019 totalled $12.8 million (1H FY2018: $7.5 million). The Group also continued to invest in the development of a new ERP system in 1H FY2019, totalling $9.0 million (1H FY2018: $8.1 million).

In addition to ongoing preventative capital works, the capital program focussed on cost reduction and efficiency upgrades. The Group has commenced or completed the following capital expenditure initiatives in 1H FY2019:

- installation of new tub manufacturing line at the Port Melbourne facility for cream cheese-based dip products
- upgrade of existing peanut butter manufacturing line at Port Melbourne facility for new natural "farm to plate" nut spreads
- implementation of energy saving initiatives, delivering cost benefit to energy usage
- lactoferrin upgrade at Tatura Milk reducing current turn-around time of the lactoferrin process allowing increased production capacity
- automation of cream cheese bulk filling to reduce labour and manual handling and to meet market demands
- installation of separator and analyser to preserve cream fat percentage, optimizing throughput.

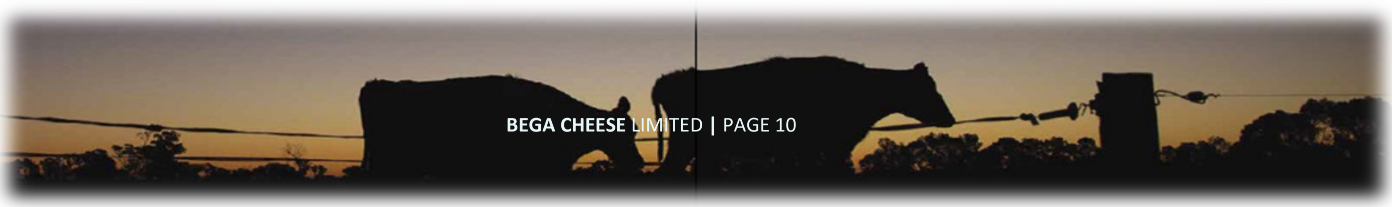
Milk supply

Severe drought conditions continue to adversely affect a large part of Australia, directly impacting farming conditions in the regions supplying the Group, with Northern Victoria being most affected. The strength and resilience of our loyal dairy farming families has been tested in these harsh conditions. The Group has provided financial support through competitive milk prices, supplier premiums, loyalty payments, special drought assistance and funding water purchases on farm. This ongoing investment in support of the dairy communities in which we operate is important to the long-term sustainability of the dairy industry.

Against this challenging backdrop, and with the acquisition of the Koroit Facility providing an incremental boost to supply through the Milk Supply Guarantee Agreement entered into with Saputo, total milk intake in 1H FY2019 was 645 million litres, being up by 41% on the Prior Period.

The Group's milk price to Victorian and South Australian suppliers opened at $5.86/kg milk solids. In addition, the Group has provided $0.50/kg milk solids under the Milk Supplier Premiums program and $0.11/ kg milk solids under a water rebate support payment for Northern Victoria suppliers. The Group increased the milk price to Victorian and South Australian suppliers by $0.14/kg milk solids in January 2019 by way of a loyalty payment, applicable across all milk in FY2019 for qualifying suppliers.

The current price structure is quite strong compared to prior years, there is still intense competition for milk. The Group aims to pay a leading milk price while being financially responsible. In these circumstances, the Group has lost milk to competitors in recent months, mostly out of Norther Victoria and milk intake in 2H FY2019 will be down on 1H FY2019.



Strategic outlook

The Group remains confident in its dairy and foods businesses and continues to explore opportunities for growth.

Acquisition of the Koroit Facility and related Milk Supply Guarantee has provided a significant step-change to the Group's dairy activities without increasing overall capacity in the industry. The acquisition has also expanded the geographic diversification of the milk pool available to the Group. The assets and infrastructure provide significant dairy manufacturing capability and capacity for growth in production, adding retail foodservice and bulk butter, retail powdered milk, growing up milk powders, SMP and WMP to the product portfolio.

The Group continues to invest in lactoferrin at Tatura Milk with capital expenditure currently well advanced to add additional capacity end of FY2019. In addition, the Group recently announced it will be establishing a 35 tonne capacity lactoferrin plant at the Koroit Facility, primarily to service a long-term product supply agreement. Once these two capital expenditure programs are completed, the Group will be amongst the leading manufacturers of lactoferrin globally.

During the period the Group also investigated opportunities to extend the range of spreads products. The Group actively engaged in the possible acquisition of Capilano Honey, before selling its stake in this company into a Scheme of Arrangement and remains interested in the honey category.

A number of other material Australian food and dairy enterprises are currently available for sale. The Group regularly reviews such opportunities that will add value, with a view to participating where the consideration required provides a strong commercial return.

Climatic conditions and other circumstances with in the dairy industry have resulted in a material reduction in the Australian milk pool, which is estimated to be down at least 500 million litres in FY2019. These issues have placed cost pressure on dairy farmers and increased competition for milk.

Strategically, the Group pre-empted this challenging dynamic and established the Milk Supplier Premium and other meaningful financial support initiatives to the Group's direct suppliers. At the beginning of FY2019 these initiatives assisted to build on the core milk pool, but as competition has continued to drive up milk price the Group has lost some suppliers to competitors.

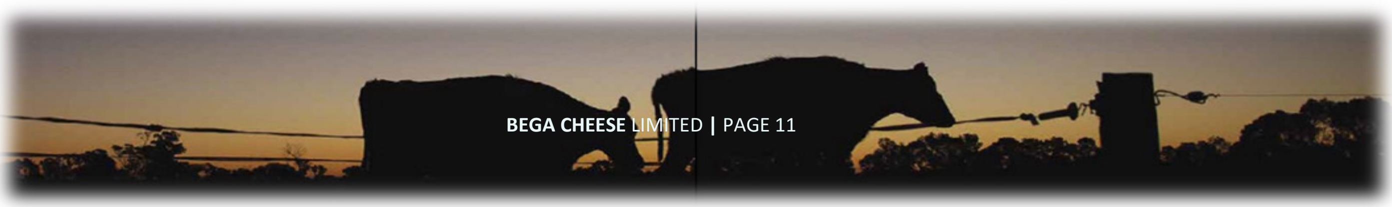
Subsequent events

Milk Loyalty

On 30 January 2019, the Directors announced an increase in milk price to be paid to suppliers from 1 July 2018 to 30 June 2019 of $0.14/kg milk solids. The impact of this has been reflected in the 1H FY2019 accounts.

Lactoferrin Plant

On 14 February 2019 Bega Cheese announced it has secured a long term lactoferrin supply agreement, which will support an investment of approximately $34 million to establish a new lactoferrin plant at its Koroit Facility. The new lactoferrin plant is expected to produce 35 tonnes of lactoferrin each year. This lactoferrin will be used in the manufacture of infant formula and other pharmaceutical products.



Coburg

On 27 February 2019 Bega Cheese announced that it will be closing its Coburg, Victoria cheddar and mozzarella cheese manufacturing facility, effective immediately. Whilst some staff will be offered employment at other Bega sites, there will unfortunately be some redundancies. Management is currently working through transition issues with staff and other key stakeholders.

Further details are contained in the subsequent events note of the Financial Report.

Dividend

On 27 February 2019, the Directors declared an interim fully franked dividend of 5.5 cents per share, which represents a distribution of $11.7 million. An interim dividend of 5.5 cents per share was paid in respect of 1H FY2018.

Trade Debtor Facility

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 did not come into effect prior to 26 February 2019 and as a result did not impact the financial performance or position of the Group up to and as at 30 December 2018.

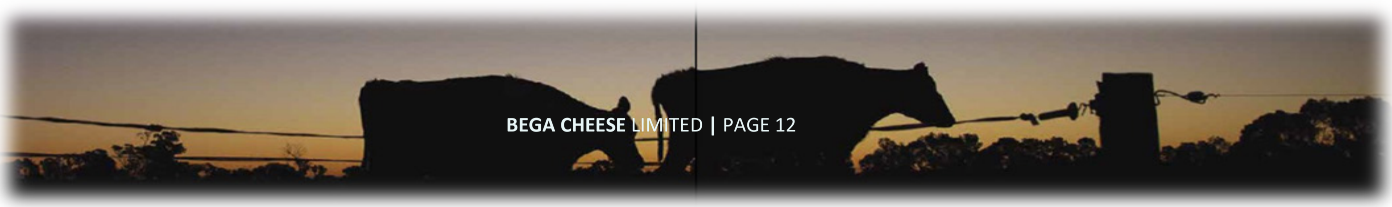
The first commercial transaction under the facility is expected to take place in March 2019, at which time the following key events will occur:

- the facility will be used as a primary source of working capital for the Group
- the facility will provide a maximum equivalent limit of $200 million and will involve a number of currencies including AUD, USD, NZD and JPY; with AUD representing the significant majority
- the facility includes a committed equivalent limit of $150 million and an uncommitted equivalent limit of $50 million
- the facility will be a one-year revolving purchase facility and is subject to annual review.

Once the receivables are sold by the Group they will be derecognised at a rate of approximately 90%, with the remainder reflected in the Group balance sheet, representing the level of continuing involvement in the receivables. On completion of the sale approximately 90% of the amounts received will be used to reduce current borrowings, which will result in a reduction in interest expense offset by a cost of sale on the receivables asset.

The derecognition of the receivables relies on a complex analysis and will be disclosed as a critical accounting judgement in the 2019 Annual Report.

As a result of entering into the facility a number of changes will be made to the Syndicated Debt Facility subsequent to the date of this report.



Revised Syndicated Facility

As at 27 February 2019 there were three revolving cash advance facilities with maturity dates between 1 September 2020 and 31 August 2021. As at 27 February 2019 the Term Facility maturity date was 1 July 2020.

At the time the Group begins to use the Trade Receivables facility the limit available under the Syndicated Facility will decrease as proposed in the table below:

	CONSOLIDATED		
	Proposed	**30 December 2018**	**30 June 2018**
	$'000	$'000	$'000
Syndicated Facility:			
Cash Advance Facilities	335,000	410,000	280,000
Term Facility	100,000	100,000	100,000
Total Syndicated Facility	435,000	510,000	380,000
Inventory and other facilities	108,000	108,000	106,800
Total facilities	**543,000**	**618,000**	**486,800**

As a result of the commencement of the Trade Receivables facility, one of the proposed cash advance facilities will require a $25 million reduction of the facility limit on 30 September 2019.

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 14.

Rounding of amounts

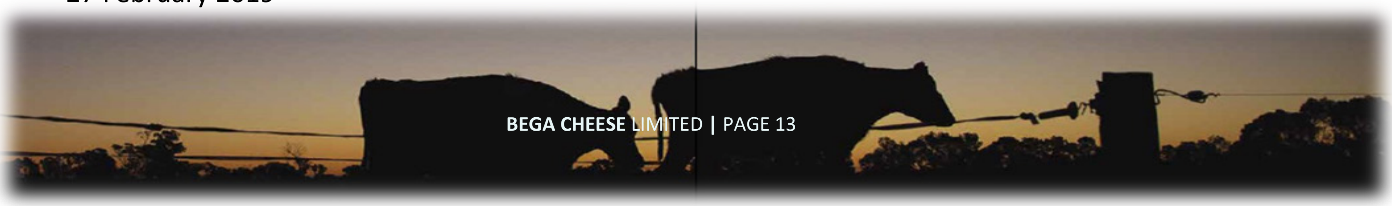
The Group is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest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

27 February 2019



Auditor's Independence Declaration

As lead auditor for the review of Bega Cheese Limited for the half-year ended 30 December 2018, 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.

P.J. Carney

Paddy Carney
Partner
PricewaterhouseCoopers

Sydney
27 February 2019

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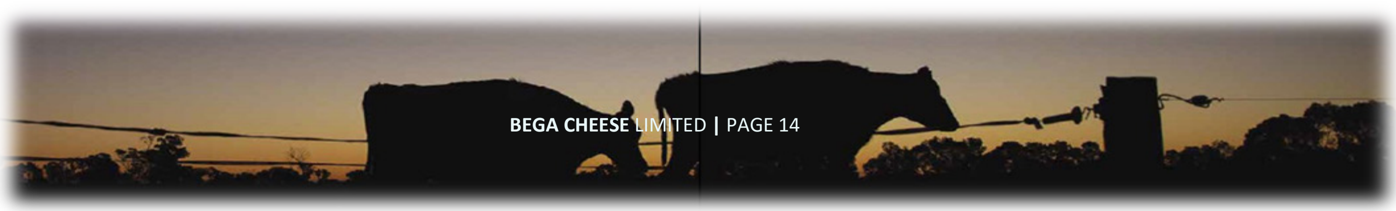


CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	CONSOLIDATED 30 December 2018 $'000	CONSOLIDATED Restated* 31 December 2017 $'000
Revenue		649,164	613,467
Cost of sales		(528,274)	(479,813)
Gross profit		**120,890**	**133,654**
Other revenue		4,101	3,435
Other income		1,738	1,030
Distribution expense		(41,776)	(33,832)
Marketing expense		(17,970)	(18,869)
Occupancy expense		(7,038)	(5,060)
Administration expense		(28,670)	(28,463)
Transaction costs relating to Koroit acquisition	7	(11,199)	-
Transaction costs relating to Bega Foods acquisition		-	(11,659)
Transaction costs relating to PCA acquisition		-	(2,061)
Finance costs		(11,897)	(4,398)
Share of net profit of joint venture		338	395
Profit before income tax		**8,517**	**34,172**
Income tax expense		(3,524)	(13,609)
Profit for the period attributable to owners of Bega Cheese Limited		**4,993**	**20,563**
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss			
Cash flow hedges		318	(340)
Change in the fair value of other financial assets		(8)	406
Total other comprehensive income		**310**	**66**
Total comprehensive income for the period attributable to owners of Bega Cheese Limited		**5,303**	**20,629**

	2019 Cents	2018 Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:		
Basic earnings per share	2.5	11.2
Diluted earnings per share	2.5	11.2

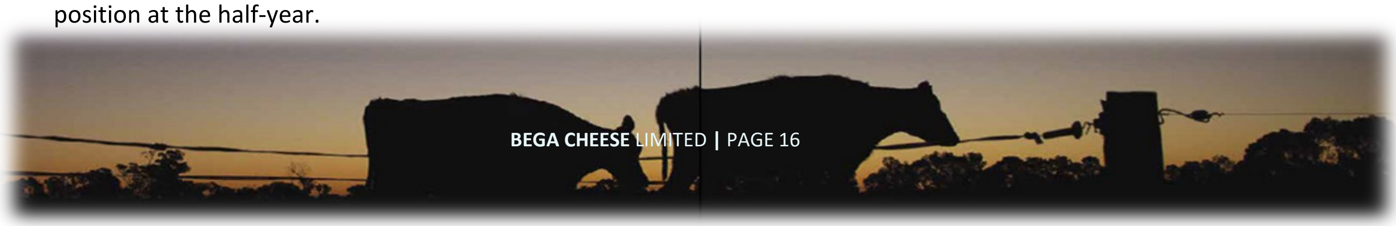
* See note 10(a) and (c) for details about restatements due to changes in accounting policies.

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

CONSOLIDATED BALANCE SHEET

		CONSOLIDATED		
		30 December 2018	**30 June 2018**	**31 December 2017**
	Notes	$'000	$'000	$'000
ASSETS				
Current assets				
Cash and cash equivalents		40,646	21,669	18,682
Trade and other receivables		282,240	200,561	215,512
Derivative financial instruments	6	896	707	533
Inventories		398,759	232,080	272,500
Current tax assets		21,169	14,014	12,518
Total current assets		**743,710**	**469,031**	**519,745**
Non-current assets				
Other financial assets		43	635	1,459
Property, plant and equipment		443,613	323,585	307,539
Deferred tax assets		3,833	3,589	7,097
Intangible assets		520,770	411,463	413,252
Other receivables		19,467	6,120	34
Investments accounted for using the equity method		1,419	1,393	1,307
Total non-current assets		**989,145**	**746,785**	**730,688**
Total assets		**1,732,855**	**1,215,816**	**1,250,433**
LIABILITIES				
Current liabilities				
Trade and other payables		301,695	225,910	229,895
Derivative financial instruments	6	1,583	2,018	323
Borrowings	4	140	121	28,428
Current tax liabilities		10,135	6,737	14,268
Provisions		47,942	43,405	41,766
Total current liabilities		**361,495**	**278,191**	**314,680**
Non-current liabilities				
Borrowings	4	508,573	266,982	263,670
Provisions		1,682	1,784	1,802
Deferred tax liabilities		33,721	36,868	35,981
Total non-current liabilities		**543,976**	**305,634**	**301,453**
Total liabilities		**905,471**	**583,825**	**616,133**
Net assets		**827,384**	**631,991**	**634,300**
EQUITY				
Share capital	5a	474,785	274,862	274,851
Reserves		22,121	21,466	21,813
Retained earnings		330,478	335,663	337,636
Capital and reserves attributable to owners of Bega Cheese Limited		**827,384**	**631,991**	**634,300**
Total equity		**827,384**	**631,991**	**634,300**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes. The Balance Sheet as at 31 December 2017 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

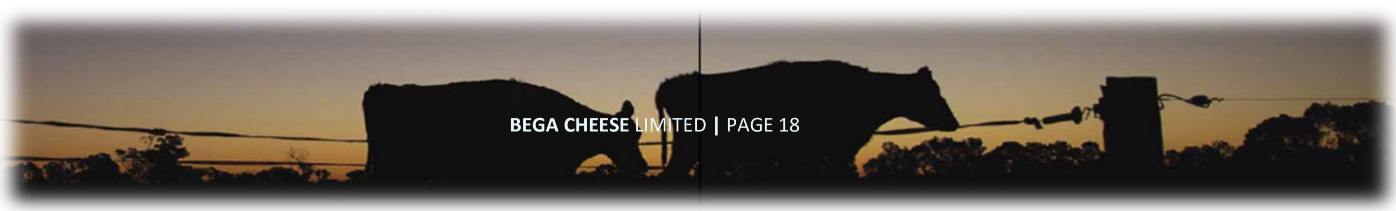
Consolidated	Share capital $'000	Share-based payment reserve $'000	Capital profits reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Transactions with non-controlling interests $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2017	224,692	211	33,959	132	(79)	(12,567)	326,326	572,674
Profit for the period	-	-	-	-	-	-	20,563	20,563
Other comprehensive income/(expense) for the period	-	-	-	(340)	406	-	-	66
Transactions with owners in their capacity as owners:								
- Share-based payments relating to incentives	-	91	-	-	-	-	-	91
- Issue of shares, net of transaction costs and tax (note 5)	50,159	-	-	-	-	-	-	50,159
- Dividends provided for or paid	-	-	-	-	-	-	(9,253)	(9,253)
Balance as at 31 December 2017	**274,851**	**302**	**33,959**	**(208)**	**327**	**(12,567)**	**337,636**	**634,300**
Profit for the period	-	-	-	-	-	-	8,205	8,205
Other comprehensive income/(expense) for the period	-	-	-	(234)	(319)	-	-	(553)
Transactions with owners in their capacity as owners:								
- Share-based payments relating to incentives	-	300	-	-	-	-	-	300
- Other share scheme movement	-	(94)	-	-	-	-	-	(94)
- Issue of shares, net of transaction costs and tax (note 5)	11	-	-	-	-	-	-	11
- Dividends provided for or paid	-	-	-	-	-	-	(10,178)	(10,178)
Balance as at 30 June 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**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	CONSOLIDATED 30 December 2018 $'000	 31 December 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers inclusive of goods and services tax		718,334	708,997
Payments to suppliers and employees inclusive of goods and services tax		(824,625)	(684,230)
Interest and other costs of financing paid		(11,897)	(4,043)
Income taxes paid		(10,075)	(15,372)
Net cash (outflow)/inflow from operating activities		**(128,263)**	**5,352**
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		(43)	-
Payments related to corporate activity		(9,970)	(10,783)
Interest received		191	508
Dividend received		15	15
Tax paid on sale of infant nutritional assets		-	(53,438)
Payments for property, plant and equipment		(13,973)	(9,802)
Payments for intangible assets		(10,868)	(10,706)
Payment for acquisition of Koroit	7	(251,173)	-
Payment for acquisition of Bega Foods		-	(452,726)
Payment for acquisition of PCA, net of cash acquired		-	(11,267)
Proceeds from sale of property, plant and equipment		20	1
Joint venture partnership distributions received		313	375
Net cash (outflow) from investing activities		**(284,116)**	**(547,823)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		242,031	47,861
Repayment of borrowings		(420)	(2,948)
Net proceeds from issue of shares	5	199,923	49,960
Dividends paid to members		(10,178)	(9,253)
Net cash inflow from financing activities		**431,356**	**85,620**
Net (decrease)/increase in cash and cash equivalents		18,977	(456,851)
Cash and cash equivalents at the beginning of the period		21,669	475,533
Cash and cash equivalents at the end of the period		**40,646**	**18,682**

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) Koroit Facility Acquisition

On 17 August 2018 Bega Cheese announced that it had completed the purchase of Saputo's dairy processing facility at Koroit in Western Victoria. Following the acquisition, the activities of the Koroit Facility were consolidated within the Bega Cheese Limited entity.

The Koroit Facility acquisition cost $251.2 million, which included a tranche of inventory. The acquisition was funded initially as part of a syndicated debt facility structure provided by Coöperatieve Rabobank U.A. (Australian Branch) (Rabobank) and Westpac Banking Corporation established on 17 August 2018, which was for this purpose.

As part of the transaction Bega Cheese and Saputo entered into a Transition Services Agreement under which Bega Cheese receives certain administration, management information systems and reporting services for a limited period. In addition, the parties entered into a Milk Supply Guarantee Agreement (MSG) under which Bega Cheese is guaranteed to receive 300 million litres of milk per annum (as adjusted for milk that transitions from the defined milk pool to Bega Cheese directly) until 30 June 2020. Since 17 August 2018, Bega Cheese has established direct supply relationships with a large number of suppliers, effectively reducing the volume of milk that Saputo is required to supply under the MSG.

b) Institutional Placement

A non-underwritten Institutional Placement was opened on 11 September 2018 and closed on 11 September 2018. The proceeds from the Institutional Placement were used to partially fund the acquisition of the Koroit Facility and improve the Group's financial flexibility to take advantage of future growth opportunities in dairy and food. The Institutional Placement raised $199.9 million in new share capital and resulted in an additional 27,758,218 ordinary fully paid shares being issued.

c) Share Purchase Plan

A Share Purchase Plan Offer (SPP) was opened on 18 September 2018 and closed on 18 October 2018. Under the SPP, each eligible Bega Cheese shareholder was able to subscribe for up to $15,000 of new Bega Cheese shares at a price of $7.10 per share. The SPP Offer raised $2.3 million and resulted in an additional 318,118 ordinary fully paid shares being issued.

d) Capilano Honey

During FY2018 Bega Cheese made a minor investment in Capilano Honey, Australia's biggest honey producer. In 1H FY2019 Bega Cheese continued to invest in this business, which was seen as very complimentary to the Bega Foods spreads portfolio, spending $29.6 million on market. During this period Capilano Honey was subject to a Scheme of Arrangement which was initially priced at $20.06 per share and subsequently increased to $21.00 per share. Bega Cheese ultimately sold its investment via the Scheme for $31.0 million, realising a net gain on sale of $0.7 million before transaction costs and interest.

e) Kraft Legal Action

As reported in the FY2018 Annual Report, Kraft Foods Group Brands LLC and H.J. Heinz Company Australia Limited (collectively referred to as Kraft Heinz) instigated arbitration in the United States and proceedings in the Federal Court of Australia, challenging Bega Cheese's use of and promotion of the trade dress (yellow lid, clear jar, yellow label with red or blue peanut device) of the Bega peanut butter products. Bega Cheese is strongly defending its right to use the trade dress and opposing the use of similar trade dress in Australia by Kraft Heinz.

The hearing of the Australian Federal Court proceedings took place from 6 to 14 August 2018 and 12 to 16 November 2018. The Judge reserved his decision at the conclusion of the hearing and is expected to deliver judgment by April 2019.

Bega Cheese has received detailed legal advice. Bega Cheese does not expect that the Kraft Heinz legal action currently under consideration by the Judge, will have a material impact on the underlying financial performance or position of the Group.

f) 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 trade marks in Australia.

Bega Cheese has received detailed legal advice. Bega Cheese does not expect that the Fonterra legal action currently before the court, will have a material impact on the underlying financial performance or position of the Group.

g) Market Update

On 19 December 2018 Bega Cheese provided a market update on the overall business performance and the acquisition of the Koroit Facility. The severe drought and increased farming costs has impacted the Australian dairy industry resulting in overall milk supply being expected to be down in excess of 5% in FY2019. The Group's financial performance is expected to be impacted by competitive pressures for milk supply and provided a range for normalised EBITDA accordingly.

h) Effective Tax Rate

The effective tax rate for the period is 41.4%, which is abnormally high as a result of a significant amount of non-deductible expenses in the period. These expenses are primarily stamp duty, landholder duty and legal costs relating to the acquisition of the Koroit Facility which are one-off in nature.

2. SEASONAL FACTORS

The Consolidated Statement of Comprehensive Income for the half-year ended 30 December 2018 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.

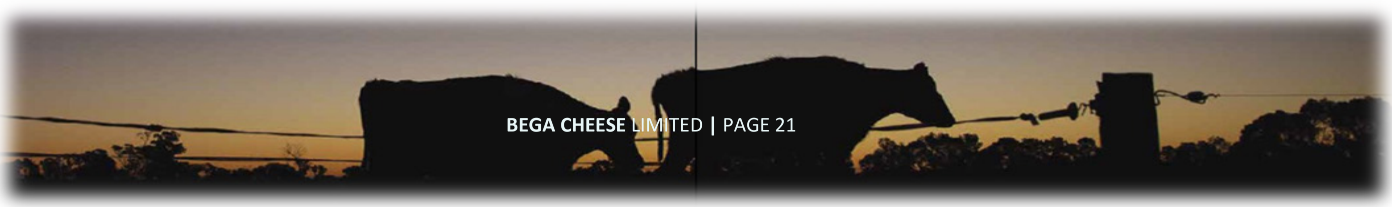
ii. Tatura Milk – manufactures, packages and sells cream cheese, commodity powders, butter and nutritional powders.

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 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/(loss) before income tax	**(13,924)**	**25,982**	**(3,541)**	**8,517**
Income tax benefit/(expense)	3,258	(7,844)	1,062	(3,524)
Profit/(loss) 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



	Bega Cheese $'000	Tatura Milk $'000	Consolidation Adjustments $'000	Group Total $'000
Period ending 31 December 2017 restated*				
Revenue	424,653	214,219	(25,405)	613,467
EBITDA	17,164	38,267	(3,733)	51,698
Depreciation, amortisation and impairment	(9,465)	(4,171)	-	(13,636)
EBIT	7,699	34,096	(3,733)	38,062
Interest revenue	161	1,515	(1,168)	508
Interest expense	(5,530)	(36)	1,168	(4,398)
Profit before income tax	**2,330**	**35,575**	**(3,733)**	**34,172**
Income tax expense	(6,129)	(8,600)	1,120	(13,609)
Profit for the period	**(3,799)**	**26,975**	**(2,613)**	**20,563**
Impact of current period events on profit/(loss) before income tax				
Transaction costs relating to Bega Foods acquisition	(11,659)	-	-	(11,659)
Bega Foods fair value adjustments	-	-	(3,733)	(3,733)
Transaction costs relating to PCA acquisition	(2,061)	-	-	(2,061)
Other	(935)	-	-	(935)
EBITDA excluding the impact of current period events	**31,819**	**38,267**	**-**	**70,086**

* See note 10(a) and (c) for details about restatements due to changes in accounting policies.

	Bega Cheese $'000	Tatura Milk $'000	Consolidation Adjustments $'000	Group Total $'000
Total segment assets and liabilities				
Total segment assets 30 December 2018	1,602,758	359,752	(229,655)	1,732,855
Total segment assets 30 June 2018	1,113,089	442,544	(339,817)	1,215,816
Total segment assets 31 December 2017	1,108,631	419,167	(277,365)	1,250,433
Total segment liabilities 30 December 2018	963,305	77,853	(135,687)	905,471
Total segment liabilities 30 June 2018	750,444	96,115	(262,734)	583,825
Total segment liabilities 31 December 2017	715,805	86,257	(185,929)	616,133

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

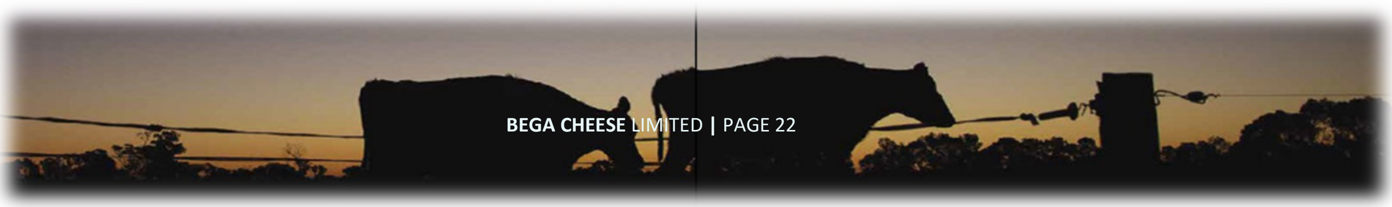
c) Other segment information

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.



iii. Segment assets and liabilities

The amounts provided to the Board of Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. These liabilities are allocated based on the operations of the segment. The eliminations relate to inter-segment debtors and creditors arising in the ordinary course of business.

4. BORROWINGS

Bega Cheese Group had $618 million in available debt facilities as at 30 December 2018 (refer note 9(e) for changes which occurred to the debt facilities subsequent to the end of the reporting period), as set out below:

	CONSOLIDATED		
	30 December 2018 $'000	30 June 2018 $'000	31 December 2017 $'000
Undrawn facilities expiring within one year	108,000	170,289	86,498
Undrawn facilities expiring beyond one year	-	48,500	116,500
Drawn facilities	510,000	268,011	291,492
Total facilities	**618,000**	**486,800**	**494,490**
Total facilities are represented by:			
Syndicated Facilities - Non-current	510,000	380,000	380,000
Inventory Facility	100,000	100,000	75,000
Overdraft Facility	6,500	6,500	6,500
Vat Financing Facility	1,500	300	1,500
Seasonal Multi-Option/Term Facility	-	-	31,490
Total facilities	**618,000**	**486,800**	**494,490**

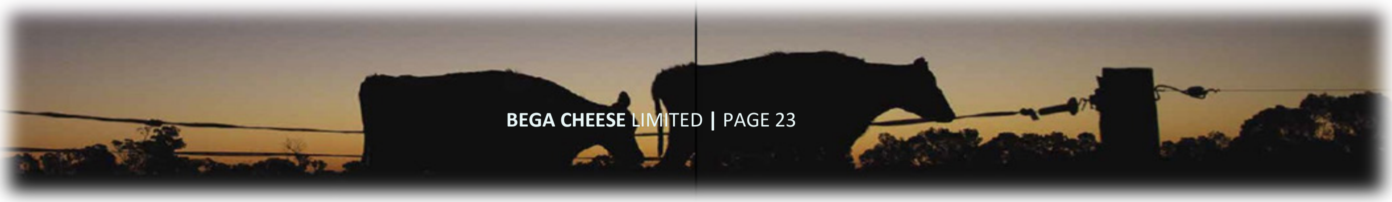
On 17 August 2018 Bega Cheese Group entered into a revised Group syndicated debt facility structure funded by Coöperatieve Rabobank U.A. (Australia Branch) and Westpac Banking Corporation (Syndicate Banks) (Revised Syndicated Facility). The Revised Syndicated Facility included three revolving cash advance facilities totalling $410 million (with maturity dates between 1 September 2020 and 31 August 2021), a term facility of $100 million (with a maturity date of 1 July 2020) and a term facility of $180 million (with a maturity date of 16 August 2019).

On 17 September 2018 the Group used $180 million of the proceeds from share capital raised under the Institutional Placement to repay the $180 million term facility. This facility was no longer available to the Group from 17 September 2018.

In addition to the Revised Syndicated Facility, the Group continues to operate three separate banking facilities including:

- Inventory Facility (matures on 21 February 2020)
- Overdraft Facility (matures on 1 July 2019); and
- Vat Financing Facility (matures on 28 February 2019).

These three facilities are stand-alone and are not subject to cross-charges or cross-guarantees, except as disclosed in the 2018 Annual Report.



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 Limited and Peanut Company of Australia Limited.

On 21 December 2018 the Group and Syndicate Banks agreed to change the Revised Syndicated Facility, resulting in the following covenants and facility maturity dates applying as at 30 December 2018:

Covenants:

- the leverage ratio not greater than 4.75 times at 30 December 2018, 4.00 times at 30 March 2019, 3.50 times at 30 June 2019 and 3.00 times at 30 September 2019
- the interest cover ratio must be equal or greater than 2.50 times; and
- shareholder funds must be equal or greater than $450 million.

Syndicated Facilities and Maturity Dates (all were non-current as at 30 December 2018):

- Term Debt Facility of $100 million maturing 1 July 2020
- Cash Advance Facility of $200 million maturing 1 September 2020
- Cash Advance Facility of $140 million maturing 31 August 2021; and
- Cash Advance Facility of $70 million maturing 31 August 2021.

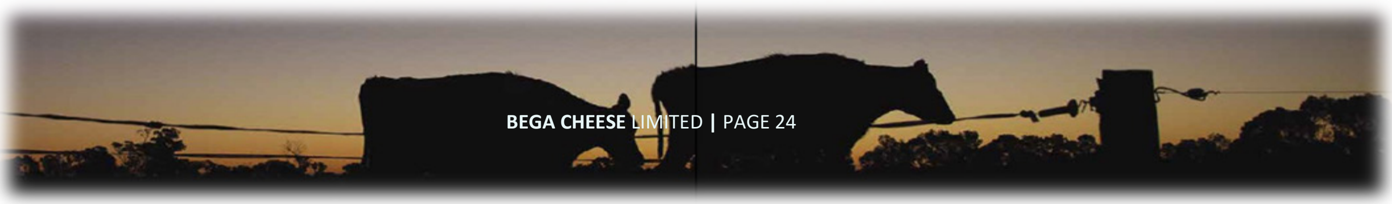
5. SHARE CAPITAL

a) Share capital

	CONSOLIDATED		
	30 December 2018 $'000	30 June 2018 $'000	31 December 2017 $'000
Share capital - ordinary shares fully paid	**474,785**	**274,862**	**274,851**

b) Movement in number of shares and share capital value

	Ordinary Shares Number '000	Ordinary Shares $'000
Ordinary shares on issue at 1 July 2017	175,493	224,692
Shares issued under Share Purchase Plan	9,562	50,199
Share issue transaction costs, net of tax	-	(40)
Ordinary shares on issue at 31 December 2017	185,055	274,851
Ordinary shares on issue at 1 January 2018	185,055	274,851
Share issue transaction costs, net of tax	-	11
Ordinary shares on issue at 30 June 2018	185,055	274,862
Ordinary shares on issue at 1 July 2018	185,055	274,862
Shares issued under Institutional Placement (note 1b)	27,758	199,859
Shares issued under Share Purchase Plan (note 1c)	318	2,259
Share issue transaction costs, net of tax (note 1)	-	(2,195)
Ordinary shares on issue at 30 December 2018	213,131	474,785



Institutional Placement:

A non-underwritten Institutional Placement was opened and closed on 11 September 2018. The Institutional Placement raised $199.9 million in new share capital and resulted in an additional 27,758,218 ordinary fully paid shares being issued.

Share Purchase Plan:

A Share Purchase Plan Offer (SPP) was opened on 18 September 2018 and closed on 18 October 2018. Under the SPP, each eligible Bega Cheese shareholder was able to subscribe for up to $15,000 of new Bega Cheese shares at a purchase price of $7.10 per share. The SPP raised $2.3 million and resulted in an additional 318,118 ordinary fully paid shares being issued.

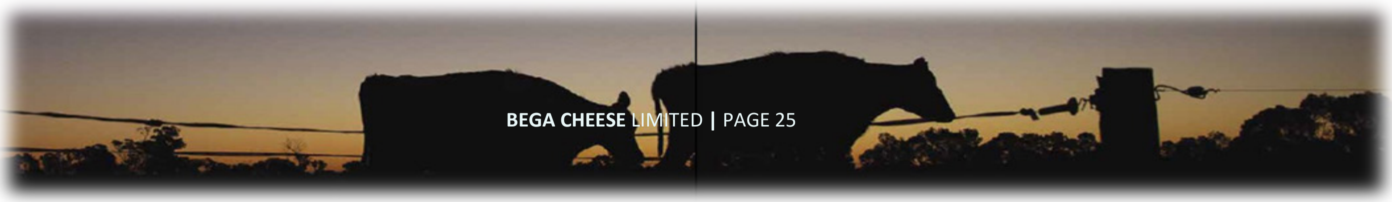
6. FINANCIAL RISK MANAGEMENT

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:

	Level 1	Level 2	Level 3	Total
Consolidated	$'000	$'000	$'000	$'000
Period ending 30 December 2018				
Assets				
Derivatives used for hedging	-	896	-	896
Available for sale financial assets - unlisted equity securities	-	-	43	43
Total assets	**-**	**896**	**43**	**939**
Liabilities				
Derivatives used for hedging	-	(1,583)	-	(1,583)
Total liabilities	**-**	**(1,583)**	**-**	**(1,583)**
Period ending 30 June 2018				
Assets				
Derivatives used for hedging	-	707	-	707
Available for sale financial assets - listed equity securities	635	-	-	635
Total assets	**635**	**707**	**-**	**1,342**
Liabilities				
Derivatives used for hedging	-	(2,018)	-	(2,018)
Total liabilities	**-**	**(2,018)**	**-**	**(2,018)**
Period ending 31 December 2017				
Assets				
Derivatives used for hedging	-	533	-	533
Available for sale financial assets - listed equity securities	1,459	-	-	1,459
Total assets	**1,459**	**533**	**-**	**1,992**
Liabilities				
Derivatives used for hedging	-	(323)	-	(323)
Total liabilities	**-**	**(323)**	**-**	**(323)**



7. BUSINESS COMBINATIONS

Purchase of Koroit Facility

On 17 August 2018 the Group announced it had acquired the Koroit Facility located at Koroit in Western Victoria from Saputo.

The provisionally determined fair values of the assets and liabilities of the Koroit Facility and related business as at the date of acquisition are as follows:

	Koroit Fair value $'000
Inventories	29,453
Prepayments	209
Intangible assets	52
Land and buildings	32,625
Plant and equipment	90,709
Employee benefits	(3,628)
Other liabilities	(400)
Deferred tax assets	592
Fair value of identifiable net assets acquired	**149,612**
Goodwill	101,561
Net assets acquired	**251,173**
Purchase consideration:	
Cash paid	251,173

Consideration transferred

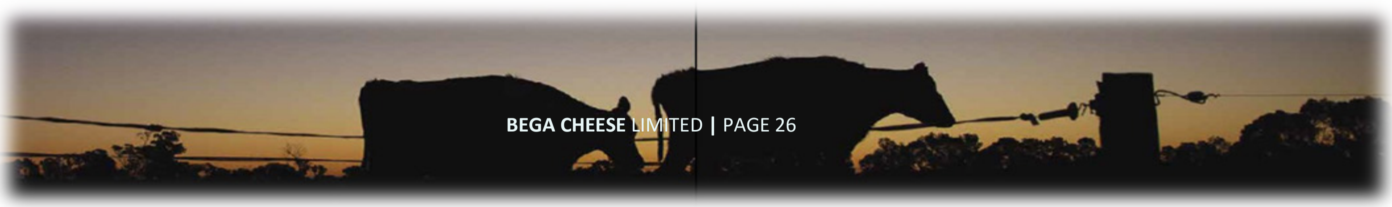
Completion of the acquisition accounting for the Koroit Facility during 1H FY2019 continues to be assessed in accordance with the key accounting policies of the Group (further details of the significant accounting policies of the Group which also apply to this 1H FY2019 Interim Report are set out in the 2018 Annual Report).

The fair values of the identifiable assets and liabilities have been provisionally determined as at 30 December 2018 applying preliminary independent valuations and estimates made by Bega Cheese management.

Koroit Facility Acquisition Costs amounting to $11.2 million (before tax) are not included as part of consideration transferred and have been recognised as an expense in the Consolidated Statement Comprehensive Income for statutory reporting purposes, although these costs are one-off for the purposes of the normalised performance of the Group.

8. INTANGIBLE ASSETS

The Board of Directors has formed the view that the fair values of the identifiable intangible asset and goodwill brought to account as at 30 December 2018 are reasonable. The Board intends to finalise property, plant and equipment, intangibles and goodwill valuations for the business combinations and report the outcome of this work in the FY2019 Annual Report.



9. SUBSEQUENT EVENTS

a) Milk Loyalty

On 30 January 2019, the Directors announced an increase in milk price to be paid to suppliers from 1 July 2018 to 30 June 2019 of $0.14/kg milk solids. The impact of this milk price increase for the period from 1 July to 30 December 2018 has been reflected in the 1H FY2019 accounts.

b) Lactoferrin Plant

On 14 February 2019 Bega Cheese announced it has secured a long term lactoferrin supply agreement, which will support an investment of approximately $34 million to establish a new lactoferrin plant at its Koroit Facility. The new lactoferrin plant is expected to produce 35 tonnes of lactoferrin each year. This lactoferrin will be used in the manufacture of infant formula and other pharmaceutical products.

c) Coburg manufacturing facility

On 27 February 2019 Bega Cheese announced that it will be closing its Coburg, Victoria cheddar and mozzarella cheese manufacturing facility, effective immediately. Whilst some staff will be offered employment at other Bega sites, there will unfortunately be some redundancies. Management is currently working through transition issues with staff and other key stakeholders.

The decision to close the Coburg facility was confirmed by the Board as at the date of this Report following a review of our network which has concluded that Coburg's capacity and city location will not viably support Bega's expected future growth. Bega will continue to develop its domestic and international cheddar and mozzarella cheese business, sourcing cheese from Bega's other dairy sites and toll manufacturing arrangements.

The financial impact of closing the Coburg facility has not been reflected in the financial statements for 1H FY2019. A decision regarding the full exit from the site will be made in due course. We expect the realisable value to be below book value.

d) Trade receivables facility

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 did not come into effect prior to 26 February 2019 and as a result did not impact the financial performance or position of the Group up to and as at 30 December 2018.

The first commercial transaction under the facility is expected to take place in March 2019, at which time the following key events will occur:

- the facility will be used as a primary source of working capital for the Group
- the facility will provide a maximum equivalent limit of $200 million and will involve a number of currencies including AUD, USD, NZD and JPY; with AUD representing the significant majority
- the facility includes a committed equivalent limit of $150 million and an uncommitted equivalent limit of $50 million
- the facility will be a one-year revolving purchase facility and is subject to annual review.

Once the receivables are sold by the Group they will be derecognised at a rate of approximately 90%, with the remainder reflected in the Group balance sheet, representing the level of continuing involvement in the receivables. On completion of the sale approximately 90% of the amounts received will be used to reduce current borrowings, which will result in a reduction in interest expense offset by a cost of sale on the receivables asset.

The derecognition of the receivables relies on a complex analysis and will be disclosed as a critical accounting judgement in the 2019 Annual Report.

As a result of entering into the Receivables Purchase Facility a number of changes will be made to the Syndicated Debt Facility subsequent to the date of this report.

e) Revised Syndicated Facility

As at 27 February 2019 there were three revolving cash advance facilities with maturity dates between 1 September 2020 and 31 August 2021. As at 27 February 2019 the Term Facility maturity date was 1 July 2020.

At the time the Group begins to use the Trade Receivables facility the limit available under the Syndicated Facility will decrease as proposed in the table below:

	CONSOLIDATED		
	Proposed $'000	30 December 2018 $'000	30 June 2018 $'000
Syndicated Facility:			
Cash Advance Facilities	335,000	410,000	280,000
Term Facility	100,000	100,000	100,000
Total Syndicated Facility	435,000	510,000	380,000
Inventory and other facilities	108,000	108,000	106,800
Total facilities	**543,000**	**618,000**	**486,800**

As a result of the commencement of the Trade Receivables facility, one of the proposed cash advance facilities will require a $25 million reduction of the facility limit on 30 September 2019.

f) Dividend

On 27 February 2019, the Directors declared an interim fully franked dividend of 5.5 cents per share, which represents a distribution of $11.7 million. An interim dividend of 5.5 cents per share was paid in respect of 1H FY2018.

10. BASIS OF PREPARATION

a) Interim Financial Reporting

This Consolidated Interim Financial Report for the reporting period ended 30 December 2018 (corresponding prior comparable period ended 31 December 2017) 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 Limited (Tatura Milk), Peanut Company of Australia (PCA), and Bega Cheese Investments Pty Ltd, joint operation Bemore

Partnership (joint operation or Bemore, which has not traded during 1H FY2019) and joint venture Capitol Chilled Foods (Australia) Pty Ltd (joint venture or CCFA).

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 2018 and any public announcements made by Bega Cheese Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The presentation of certain operating expenses has been changed in the current period to better reflect their nature as administration expenses. The prior period comparatives have been restated to reflect consistent presentation with the current period.

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

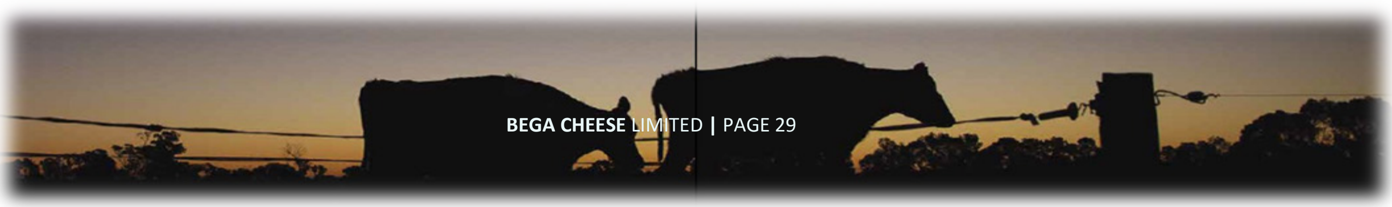
A number of amendments to standards and interpretations are required for adoption for the current reporting period. The Group has applied AASB 9 and AASB 15 in preparing this financial report, AASB 16 will be applied from 1 July 2019.

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 9 Financial Instruments (effective for annual reporting periods commencing on or after 1 January 2018). The Group has adopted AASB 9 from 1 July 2018.

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement and makes a number of changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for allowances against financial assets.

In adopting AASB 9, the Group revised its loss allowance methodology in relation to its trade receivables and has now applied a simplified model of recognising lifetime expected credit losses immediately upon recognition. These items do not have a significant financing component and have maturities of less than 12 months. Historical loss allowances in relation to trade receivables have not been material. The impact of the change in the loss allowance methodology did not result in a material change to the Group's net trade receivables in the current or prior reporting period.



The Group enters into a variety of derivative financial instruments to manage exposures which include forward foreign currency contracts to hedge exchange rate risks from the sale of exported goods and purchase of imported goods. In adopting AASB 9, the Group assessed that there was no impact to the accounting for its cash flow for fair value hedges.

ii. AASB 15 Revenue from Contracts with Customers (effective for annual reporting periods commencing on or after 1 January 2018). The Group has adopted AASB 15 from 1 July 2018.

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new rules retrospectively and has restated comparatives.

Under AASB 15, the Group is required to offset certain payments to customers against the revenue earned from those customers where the payments are not deemed to be for distinct goods or services as defined in the standard.

The following adjustments were made to the amounts recognised in the profit and loss for the six months to 31 December 2017.

	Prior period restatement		
	31 December 2017 (Previously stated)	**Remeasurement Increase/ (Decrease)**	**31 December 2017 (Restated)**
Consolidated statement of comprehensive income (extracts)	$'000	$'000	$'000
Revenue	705,195	(91,728)	613,467
Cost of sales	(571,541)	91,728	(479,813)
Profit before income tax	**34,172**	**-**	**34,172**

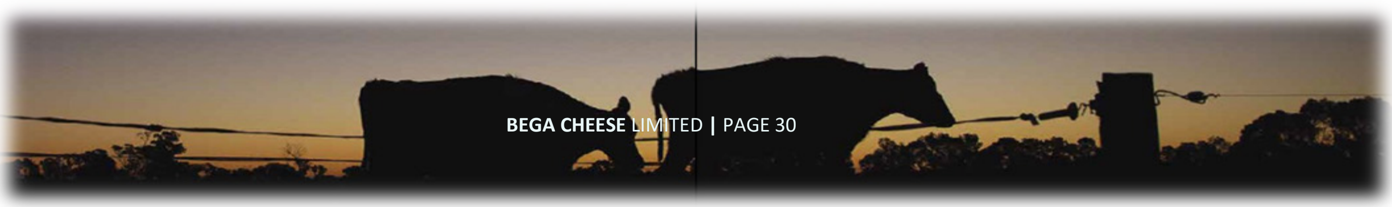
Following a review of a representative sample of contracts and standard sales terms and conditions no other material changes were required. In making this assessment the following key judgments were considered.

Performance obligations

Determining whether product and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgement. The Group provides products and services to specific customers based on contracts that may contain several elements and therefore performance obligations. Where this is the case, the performance obligations are being provided over the same period as one another and therefore there has been no change in the revenue recognition in the current or comparative period.

Advertising costs

The Group advertises a number of its retail brands in conjunction with certain customers. To the extent that the spend is linked to a Bega-owned brand, the Group has some control over the way the money is invested, and a similar service could be performed with another party. The cost of this activity has been recognised as an advertising cost, consistent with prior periods. Management will review the approach on any new future arrangements that may be undertaken.



Shipping terms

The group sells a proportion of its products on cost and freight (CFR) or cost, insurance and freight (CIF) terms. These terms mean that the group is responsible for providing shipping and other services after the date at which control of the goods passes to the customer. Management has assessed the impact of this change as not material at 30 December 2018. Currently the group reviews sales under Inco terms at reporting period and adjusts for those which have not crossed the rail and control has not passed to the buyer. Management will continue this approach.

iii. AASB 16 Leases (effective for annual reporting periods commencing on or after 1 January 2019). The Group will adopt AASB 16 from 1 July 2019.

The AASB has issued a new standard for lease accounting. AASB 16 will replace AASB 117. AASB 16 introduces a single, on-balance sheet accounting model, similar to the current finance lease accounting. The standard includes two recognition exemptions for lessees, being lease of "low-value" assets and short-term leases.

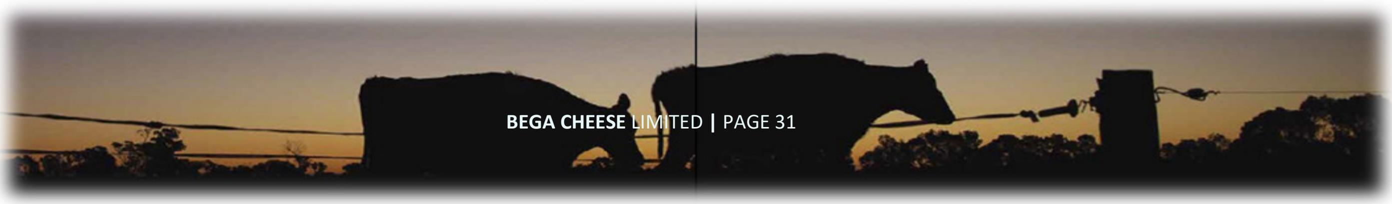
Under the new standard the Group will be required to recognise a 'right-of-use' asset and a lease liability for all identified leased assets in the balance sheet. The current operating lease expense will be replaced with a depreciation and finance charge.

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events. The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The standard must be implemented using either a full retrospective approach or a modified retrospective approach. Under the modified retrospective approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2019), without restating the comparative period.

The Group is currently assessing the impact of the new standard on the statement of comprehensive income and balance sheet.

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.



DIRECTORS' DECLARATION

In the Directors' opinion:

a. the financial statements and notes set out on pages 15 to 31 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 30 December 2018 and of its performance for the half-year ended on that date; and

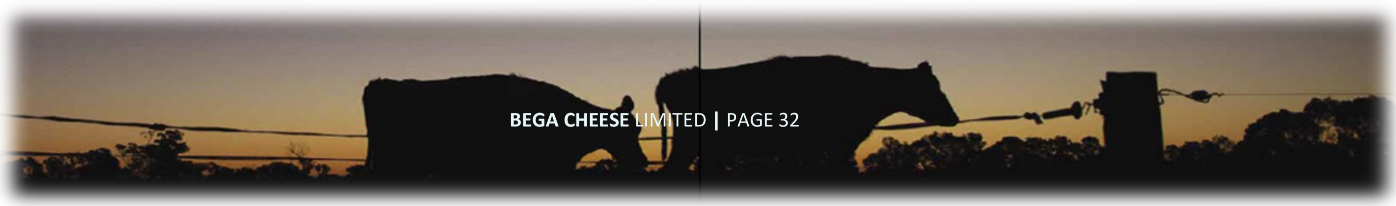
b. there are reasonable grounds to believe that Bega Cheese Limited will be able to pay its debts as and when they become due and payable.

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

Barry Irvin
Executive Chairman
Sydney

Raelene Murphy
Independent Director
Melbourne

27 February 2019



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), which comprises the consolidated balance sheet as at 30 December 2018, 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 for the Bega Group (the Group). The Group comprises the Company and the entities it controlled during that half-year.

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 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 30 December 2018 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.

Independence

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

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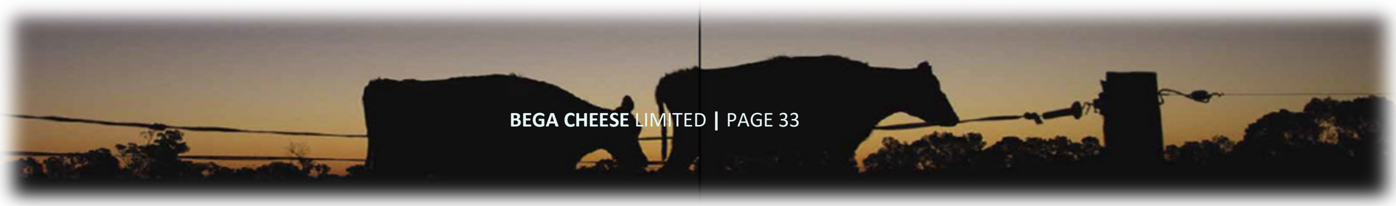

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Conclusion

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 30 December 2018 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*.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney
Partner

Sydney
27 February 2019

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