



ASX ANNOUNCEMENT

Half Year 2023 Results Highlights Presentation

I enclose the Half Year 2023 Results Highlights Presentation to be discussed on the Half Year Result 2023 Conference Call scheduled for 11:00am today.

23 February 2023

For further information please contact

Brett Kelly
Company Secretary
Bega Cheese Limited

02 6491 7777

www.begagroup.com.au

RESULTS FOR ANNOUNCEMENT TO THE MARKET



Bega Cheese Limited

ASX Half-Year Information - 25 December 2022

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2022 Annual Report.

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Results for announcement to the market

Appendix 4D Item	Percentage		Amount \$m	
Revenue from ordinary activities	Up	11.1%	To	1,675.1
Profit from ordinary activities after tax attributable to members	Down	73.9%	To	7.3
Net Profit for the period attributable to members	Down	73.9%	To	7.3

Net Tangible Assets Backing	25 December 2022	26 December 2021
Net tangible assets backing per share	\$1.87	\$1.96

Dividends / Distributions	Amount per Security cents	Franked Amount per Security cents
Interim Dividend (Prior Year)	5.50	5.50
Final Dividend (Prior Year)	5.50	5.50
Interim Dividend Declared 23 February 2023 (Current Year)	4.50	4.50

Record Date for Determining Entitlements	Date
Interim Dividend	1 March 2023

Explanation of result

Details of the results of the Group for the period to 25 December 2022 are included in the attached Interim Report.

Reporting periods

For the purposes of this Appendix 4D and Consolidated 2023 Interim Report for the half-year ended 25 December 2022, the following reporting periods have been applied:

- 1H FY2023 refers to the period from 1 July 2022 to 25 December 2022
- 1H FY2022 refers to the period from 1 July 2021 to 26 December 2021 (also referred to as the Prior Period).

The minor difference in the number of trading days between 1H FY2023 and the Prior Period has not had a material impact on the comparative financial performance of the Group in the current reporting period.

Results for announcement to the market

Explanation of dividends

The interim dividend declared for the current period is 4.5 cents per share, a decrease of 1.0 cent per share compared to the interim dividend of the Prior Period. The interim dividend will be paid on 23 March 2023.

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 23 March 2023 must be received by the registry by 5:00 pm on 1 March 2023 to be effective for that dividend.

Further information

For further information, please refer to the 2022 Annual Report and the Consolidated 2023 Interim Report attached to this statement.



Bega Cheese Limited

Consolidated 2023 Interim Report for the

Half-Year Ended 25 December 2022

ABN 81 008 358 503

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Directors' Report

Your Directors present their report on the consolidated entity (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 25 December 2022.

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	Harper Kilpatrick Director since April 2021
Peter Margin Deputy Chairman Independent Director since September 2020	

Reporting entity and period

This interim report covers the operations of the Company and its subsidiaries, and the Group's interest in joint arrangements and associates as at, and for, the half-year ended 25 December 2022.

For the purposes of this Consolidated 2023 Interim Report for the half-year ended 25 December 2022, the following reporting periods have been applied in assessing the financial performance of the Group:

- 1H FY2023 refers to the period from 1 July 2022 to 25 December 2022
- 1H FY2022 refers to the period from 1 July 2021 to 26 December 2021 (also referred to as the Prior Period).

The minor difference in the number of trading days between 1H FY2023 and the Prior 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 2022.

DIRECTORS' REPORT

Review of operations

The principal activities of the Group during the period were receiving, processing, manufacturing, marketing and selling dairy and other food products.

Earnings performance review 1H FY2023

Group result 1H FY2023

In 1H FY2023 the Group recognised revenue of \$1,675.1 million, an increase on the prior comparative period of \$167.9 million or 11%.

In 1H FY2023 the Group generated statutory earnings before interest, tax, depreciation and amortisation (EBITDA) of \$71.6 million, a decrease on the prior comparative period of \$25.6 million or 26%.

The normalised 1H FY2023 EBITDA of \$74.6 million was a decrease on the prior comparative period by \$31.8 million or 30%. Normalised items in the current period largely include the expenses to complete the development of certain Software as a Service applications that commenced in FY2022 under a revised accounting policy.

The Group's statutory effective tax rate for 1H FY2023 was 29% (Refer to "Note 1" for further details).

Consolidated	Per	Normalised	Normalised
	Financial Statements	items	outcome
	\$m	\$m	\$m
Period ended 25 December 2022			
Revenue	1,675.1	-	1,675.1
Cost of sales	(1,323.4)	-	(1,323.4)
Gross profit	351.7	-	351.7
EBITDA	71.6	3.0	74.6
Depreciation, amortisation and impairment	(51.6)	-	(51.6)
EBIT	20.0	3.0	23.0
Net finance costs	(9.7)	-	(9.7)
Profit before income tax	10.3	3.0	13.3
Income tax expense	(3.0)	(0.9)	(3.9)
Profit for the period	7.3	2.1	9.4
Gross margin - percentage	21%		21%
Basic earnings per share - cents	2.4		3.1

DIRECTORS' REPORT

Earnings performance review 1H FY2023 (cont.)

Comparative Group result 1H FY2022

Consolidated	Per		LDD	
	Financial	Reckitt	Transaction	Normalised
	Statements	Termination	Related	outcome
	\$m	\$m	Costs	\$m
Period ended 26 December 2021				
Revenue	1,507.2	(22.2)	-	1,485.0
Cost of sales	(1,142.3)	-	-	(1,142.3)
Gross profit	364.9	(22.2)	-	342.7
EBITDA	97.2	(17.9)	27.1	106.4
Depreciation, amortisation and impairment	(54.7)	-	-	(54.7)
EBIT	42.5	(17.9)	27.1	51.7
Net finance costs	(6.0)	-	-	(6.0)
Profit before income tax	36.5	(17.9)	27.1	45.7
Income tax expense	(8.5)	5.4	(7.1)	(10.2)
Profit for the period	28.0	(12.5)	20.0	35.5
Gross margin - percentage	24%			23%
Basic earnings per share - cents	9.3			11.7

Cash flows and net debt

The Group's statutory net cash outflow from operating activities was \$10.5 million in 1H FY2023, compared to net cash inflow of \$28.6 million in the Prior Period.

Net working capital was \$198.2 million at 25 December 2022, being an increase from \$143.1 million at 30 June 2022. The main contributing factor to the increase from June 2022 was an increase in inventory from the seasonal build of dairy related products and higher cost of inputs.

The Group had net debt of \$321.4 million at the end of 1H FY2023 compared to net debt of \$265.1 million at 30 June 2022, being an increase of \$56.3 million.

Capital investment during 1H FY2023

The Group's capital expenditure in 1H FY2023 totalled \$22.1 million (Prior Period: \$30.2 million). The capital works program was centred on:

- Investment for Bega branded cream cheese block and tub launch
- Investment in blow moulding technology
- Installation and commissioning of equipment to support sales in key growth segments
- Infrastructure upgrades across various manufacturing sites
- Initiatives to improve safety, sustainability and cost.

DIRECTORS' REPORT

Subsequent events

a) Vitasoy Australia

On 13 February 2023, National Foods Holdings Limited (NFHL) a wholly owned subsidiary of Bega Cheese Limited sold its 49% shareholding in Vitasoy Australia Products Pty Ltd (Vitasoy Australia) to Vita International Holdings Limited for \$51 million. The sale occurred following Vita International exercising a call option right in accordance with the Vitasoy Australia Shareholders Agreement.

b) Canberra milk processing site

On 22 February 2023, the Group announced a plan to cease manufacture of its fresh dairy products at its Griffith facility in Canberra (previously known as Capitol Chilled Foods Australia) and relocate manufacture to the Group's Penrith site. This decision was made following a review of its fresh milk manufacturing operations across the ACT and NSW which considered the decline in production volumes and the on-going changes to milk supply throughout greater NSW. Following this announcement, 19 employees have been directly affected and redundancy packages have been offered. Further work will be conducted prior to 30 June 2023 to determine the alternate use of plant and equipment at the site along with a potential sale of land and buildings. At balance sheet date no adjustment has been made to the carrying value of assets.

c) Dividend

On 23 February 2023, the Directors declared an interim fully franked dividend of 4.5 cents per share, which represents a distribution of \$13.7 million.

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 9.

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 hundred 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

23 February 2023



Auditor's Independence Declaration

As lead auditor for the review of Bega Cheese Limited for the half-year ended 25 December 2022, 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.

A handwritten signature in black ink, appearing to read 'S. Lobley', written over a horizontal line.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
23 February 2023

Consolidated Statement of Comprehensive Income

	CONSOLIDATED	
	25 December	26 December
	2022	2021
	\$m	\$m
Revenue	1,675.1	1,507.2
Cost of sales	(1,323.4)	(1,142.3)
Gross profit	351.7	364.9
Other revenue	5.4	6.2
Other income	4.0	3.6
Distribution expense	(162.6)	(144.7)
Marketing expense	(63.0)	(56.4)
Occupancy expense	(23.9)	(26.8)
Administration expense	(90.0)	(77.5)
Acquisition related expenses	-	(27.1)
Finance costs	(10.1)	(6.1)
Share of net profit of equity accounted investments	(1.2)	0.4
Profit before income tax	10.3	36.5
Income tax expense	(3.0)	(8.5)
Profit for the period attributable to owners of Bega Cheese Limited	7.3	28.0
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Cash flow hedges, net of tax	(1.1)	1.3
Total other comprehensive income	(1.1)	1.3
Total comprehensive income for the period attributable to owners of Bega Cheese Limited	6.2	29.3
	2023	2022
	Cents	Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:		
Basic earnings per share	2.4	9.3
Diluted earnings per share	2.4	9.2

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

Consolidated Balance Sheet

		CONSOLIDATED	
		25 December 2022	30 June 2022
		\$m	\$m
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		78.6	44.9
Trade and other receivables		316.6	274.7
Derivative financial instruments		0.3	2.7
Inventories		414.5	317.6
Current tax assets		4.7	3.0
Assets held for sale	4	106.9	60.5
Other current assets		32.7	26.9
Total current assets		954.3	730.3
Non-current assets			
Property, plant and equipment		834.8	844.0
Right-of-use assets		104.4	109.9
Deferred tax assets		35.8	38.9
Intangible assets		581.1	588.1
Investments accounted for using the equity method		-	47.6
Total non-current assets		1,556.1	1,628.5
Total assets		2,510.4	2,358.8
LIABILITIES			
Current liabilities			
Trade and other payables		532.9	449.2
Other liabilities		19.1	16.5
Derivative financial instruments		1.4	1.7
Lease liabilities		19.8	21.0
Current tax liabilities		5.1	10.3
Provisions		104.0	107.3
Total current liabilities		682.3	606.0
Non-current liabilities			
Borrowings	5	398.7	308.5
Lease liabilities		90.5	93.3
Provisions		16.3	16.9
Deferred tax liabilities		69.5	71.7
Total non-current liabilities		575.0	490.4
Total liabilities		1,257.3	1,096.4
Net Assets		1,253.1	1,262.4
EQUITY			
Share capital	6	880.2	878.2
Reserves		25.0	26.9
Retained earnings		347.9	357.3
Capital and reserves attributable to owners of Bega Cheese Limited		1,253.1	1,262.4
Total Equity		1,253.1	1,262.4

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

Consolidated Statement of Changes in Equity

Consolidated	Share capital	Reserves	Retained earnings	Total
	\$m	\$m	\$m	\$m
Balance as at 1 July 2021	875.7	25.9	359.1	1,260.7
Purchase price acquisition adjustment	-	-	5.8	5.8
Profit for the period	-	-	28.0	28.0
Other comprehensive income for the period	-	1.3	-	1.3
Transactions with owners in their capacity as owners:				
- Issue of shares	2.0	-	-	2.0
- Share-based payments relating to incentives	-	(1.5)	-	(1.5)
- Dividends provided for or paid	-	-	(15.1)	(15.1)
- Tax effect of prior period share issue transaction costs	(0.5)	-	-	(0.5)
Balance as at 26 December 2021	877.2	25.7	377.8	1,280.7
Balance as at 1 July 2022	878.2	26.9	357.3	1,262.4
Profit for the period	-	-	7.3	7.3
Other comprehensive expense for the period	-	(1.1)	-	(1.1)
Transactions with owners in their capacity as owners:				
- Issue of shares (note 6)	2.4	-	-	2.4
- Share-based payments relating to incentives	-	(0.8)	-	(0.8)
- Dividends provided for or paid	-	-	(16.7)	(16.7)
- Tax effect of prior period share issue transaction costs	(0.4)	-	-	(0.4)
Balance as at 25 December 2022	880.2	25.0	347.9	1,253.1

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

Consolidated Statement of Cash Flows

	CONSOLIDATED	
	25 December 2022 \$m	26 December 2021 \$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers inclusive of goods and services tax	1,772.4	1,688.1
Payments to suppliers and employees inclusive of goods and services tax	(1,807.1)	(1,696.2)
Net proceeds from the Trade Receivables Facility	42.7	46.7
Interest and other costs of financing paid	(10.1)	(6.1)
Interest received	0.4	0.1
Income taxes paid	(8.8)	(4.0)
Net (outflow)/inflow from operating activities	(10.5)	28.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(20.9)	(27.3)
Payments for intangible assets	(1.2)	(2.9)
Proceeds from sale of property, plant and equipment	1.1	4.8
Distributions received from associate	0.9	1.0
Net (outflow) from investing activities	(20.1)	(24.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	100.0	380.0
Repayment of borrowings	(10.0)	(393.0)
Principal elements of lease payments	(11.3)	(13.8)
Dividends paid to Bega Cheese Limited's shareholders	(14.4)	(13.2)
Net inflow/(outflow) from financing activities	64.3	(40.0)
Net increase/(decrease) in cash and cash equivalents	33.7	(35.8)
Cash and cash equivalents at the beginning of the period	44.9	87.2
Cash and cash equivalents at the end of the period	78.6	51.4

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

Notes to the Financial Statements

1. SEASONAL AND OTHER FACTORS

The Consolidated Statement of Comprehensive Income for the half-year ended 25 December 2022 is not expected to reflect the proportional full year result of the Group.

The Group's effective company tax rate is calculated as income tax expense divided by profit before tax. Income tax expense captures taxes on profits and excludes other types of taxes for example GST, FBT, payroll tax and PAYG tax paid on behalf of employees. The effective company tax rate will differ from the statutory company tax rate of 30 per cent due to non-temporary differences. The prima facie effective tax rate of the Group is 29 per cent.

2. 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, Chief Operating Officer and Chief Financial Officer, in their capacity as the Chief Operating Decision Makers (CODM).

The Group has two reporting segments:

- i.* Branded – the manufacture of value added consumer products for owned and externally owned 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 takes into account current period 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.

2. SEGMENT INFORMATION (CONT.)

b) Segment information provided to the CODM

The segment information provided to the CODM for the reportable segments for the half-year ended 25 December 2022 is as follows:

	Branded \$m	Bulk \$m	Unallocated overheads \$m	Inter-segment eliminations \$m	Group Total \$m
Period ending 25 December 2022					
Revenue	1,394.2	436.4	-	(155.5)	1,675.1
EBITDA	43.5	49.5	(20.2)	(1.2)	71.6
Depreciation, amortisation and impairment					(51.6)
EBIT					20.0
Interest revenue					0.4
Interest expense					(10.1)
Profit before income tax					10.3
Income tax expense					(3.0)
Profit for the period					7.3
Impact of current period events on profit before income tax					
Normalised items	-	-	(3.0)	-	(3.0)

For further details of the current period events please refer to the table and explanation in the Directors Report on page 6.

Prior period comparative segment information is as follows:

	Branded \$m	Bulk \$m	Unallocated overheads \$m	Inter-segment eliminations \$m	Group Total \$m
Period ending 26 December 2021					
Revenue	1,235.2	429.3	-	(157.3)	1,507.2
EBITDA	65.1	54.0	(21.8)	(0.1)	97.2
Depreciation, amortisation and impairment					(54.7)
EBIT					42.5
Interest revenue					0.1
Interest expense					(6.1)
Profit before income tax					36.5
Income tax expense					(8.5)
Profit for the period					28.0
Impact of current period events on profit before income tax					
Reckitt termination	-	17.9	-	-	17.9
LDD transaction related costs	(12.1)	-	(15.0)	-	(27.1)

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.

3. INVESTMENTS IN JOINT VENTURES AND ARRANGEMENTS

The Group has investments in the following associates and joint venture entities:

	Country of incorporation	Nature of relationship	1H FY2023 % of ownership interest	1H FY2022 % of ownership interest
Vitasoy Australia Products Pty Ltd	Australia	Associate	49	49
CBH Fresh Ltd	Australia	Joint Venture	13	13

Refer to “Note 4” for further details on the re-classification of the investment in Vitasoy Australia Products Pty Ltd at period end from an investment in an associate to an asset held for sale.

4. ASSETS HELD FOR SALE

	CONSOLIDATED	
	25 December 2022 \$m	30 June 2022 \$m
Land and buildings held for sale	61.5	60.5
Investments accounted for using the equity method held for sale	45.4	-
Total assets held for sale	106.9	60.5

In October 2022, Vita International Holdings Limited (Vita International) announced it intended to exercise a call option right to purchase the 49% shareholding in Vitasoy Australia Products Pty Ltd (Vitasoy Australia) held by Group’s subsidiary National Foods Holdings Limited (NFHL) in accordance with the Vitasoy Australia Shareholders Agreement between Bega Cheese Limited and Vita International. Following this action, the Group’s investment in associate of \$45.4 million was reclassified as an asset held for sale at 25 December 2022. In January 2023, in accordance with the Shareholders Agreement, the fair value of NFHL’s shareholding was determined by an independent expert as \$51 million and on receipt of a binding offer from Vita International, NFHL sold its shareholding in Vitasoy Australia on 13 February 2023.

In May 2022, the Group commenced an expression of interest campaign for the sale and leaseback of the Land and Buildings at 1 Vegemite Way, Port Melbourne. This property manufactures Vegemite, peanut butter and other products. The sale is anticipated to be completed before the end of the 2023 calendar year and the assets remain classified as assets held for sale.

5. BORROWINGS

The Group had \$550.0 million in available debt facilities as at 25 December 2022, as set out below:

	CONSOLIDATED	
	25 December 2022 \$m	30 June 2022 \$m
Undrawn facilities expiring within one year	-	100.0
Undrawn facilities expiring beyond one year	150.0	140.0
Drawn facilities	400.0	310.0
Total facilities	550.0	550.0
Total facilities are represented by:		
Syndicated Facility - Revolving Cash Advance Facility maturing 17 February 2025	270.0	270.0
Syndicated Facility - Revolving Cash Advance Facility maturing 17 February 2027	180.0	180.0
Inventory Facility	100.0	100.0
Total facilities	550.0	550.0

Under the Syndicated Debt Facility, the Group is required to comply with the following covenants:

- i. the leverage ratio is not greater than 3.50 times;
- ii. the interest cover ratio must be equal or greater than 2.50 times; and
- iii. shareholder funds must be equal or greater than \$750 million.

The Group has complied with these and previous covenants throughout the reporting period.

The Syndicated Debt Facility and Inventory Facility are secured by equitable mortgages and floating charges on the assets of Bega Cheese Limited and its subsidiaries subject to the Deed of Cross Guarantee as disclosed in the 2022 Annual Report.

The Group's stand-alone Inventory Facility (matures on 31 March 2024) is not subject to cross-charges or cross-guarantees, except as disclosed in the 2022 Annual Report.

The Group also continues to operate its Trade Receivables Facility with Rabobank as disclosed in the 2022 Annual Report. The facility has a limit of \$200 million and matures on 31 January 2024. 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.

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

	CONSOLIDATED	
	25 December 2022 \$m	30 June 2022 \$m
Borrowings	398.7	308.5
Add back: borrowing costs	1.3	1.5
Cash and cash equivalents	(78.6)	(44.9)
Net debt	321.4	265.1

6. SHARE CAPITAL

a) Share capital

	CONSOLIDATED	
	25 December 2022 \$m	30 June 2022 \$m
Share capital - ordinary shares fully paid	880.2	878.2

b) Movement in number of shares and share capital value

	Ordinary Shares Number '000	Ordinary Shares \$m
Ordinary shares on issue at 1 July 2021	302,627	875.7
Shares issued under Dividend Reinvestment Plan	598	3.1
Tax effect of prior period share issue transaction costs	-	(0.6)
Shares issued to management under STI scheme	58	-
Ordinary shares on issue at 30 June 2022	303,283	878.2
Ordinary shares on issue at 1 July 2022	303,283	878.2
Shares issued under Dividend Reinvestment Plan	615	2.4
Tax effect of prior period share issue transaction costs	-	(0.4)
Ordinary shares on issue at 25 December 2022	303,898	880.2

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 after an analysis of the indicators of impairment that an impairment assessment is not required as at 25 December 2022.

8. SUBSEQUENT EVENTS

a) Vitasoy Australia

On 13 February 2023, National Foods Holdings Limited (NFHL) a wholly owned subsidiary of Bega Cheese Limited sold its 49% shareholding in Vitasoy Australia Products Pty Ltd (Vitasoy Australia) to Vita International Holdings Limited for \$51 million. The sale occurred following Vita International exercising a call option right in accordance with the Vitasoy Australia Shareholders Agreement.

b) Canberra milk processing site

On 22 February 2023, the Group announced a plan to cease manufacture of its fresh dairy products at its Griffith facility in Canberra (previously known as Capitol Chilled Foods Australia) and relocate manufacture to the Group's Penrith site. This decision was made following a review of its fresh milk manufacturing operations across the ACT and NSW which considered the decline in production volumes and the on-going changes to milk supply throughout greater NSW. Following this announcement, 19 employees have been directly affected and redundancy packages have been offered. Further work will be conducted prior to 30 June 2023 to determine the alternate use of plant and equipment at the site along with a potential sale of land and buildings. At balance sheet date no adjustment has been made to the carrying value of assets.

c) Dividend

On 23 February 2023, the Directors declared an interim fully franked dividend of 4.5 cents per share, which represents a distribution of \$13.7 million.

9. BASIS OF PREPARATION

a) Interim Financial Reporting

This Consolidated Interim Financial Report for the reporting period ended 25 December 2022 (corresponding prior comparable period ended 26 December 2021) 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), the results of its subsidiaries, and the Group's interest in joint arrangements and associates.

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 2022 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. Certain items in the prior period have been reclassified to be consistent with their presentation in the current 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 hundred 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 10 to 19 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 25 December 2022 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
Bega



Raelene Murphy
Independent Director
Melbourne

23 February 2023



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 25 December 2022, 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 25 December 2022 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities 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.

Auditor's responsibilities 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 25 December 2022 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.

A handwritten signature in black ink, appearing to read 'M. [unclear]', written over a light grey background.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'S. Lobley', written over a light grey background.

Sam Lobley
Partner

Melbourne
23 February 2023