



ASX ANNOUNCEMENT

Appendix 4D and Half Year Accounts 2024

Enclosed is the Appendix 4D in relation to the Half Year ended 24 December 2023 together with the 2024 Interim Report for the Half Year ended 24 December 2023.

22 February 2024

For further information please contact

Brett Kelly
Company Secretary
Bega Cheese Limited

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RESULTS FOR ANNOUNCEMENT TO THE MARKET



Bega Cheese Limited

ASX Half-Year Information - 24 December 2023

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2023 Annual Report.

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Results for announcement to the market

Appendix 4D Item	Percentage		Amount \$m	
Revenue from ordinary activities	Up	3.2%	To	1,728.0
Profit from ordinary activities after tax attributable to members	Up	263.0%	To	26.5
Net Profit for the period attributable to members	Up	263.0%	To	26.5

Net Tangible Assets Backing	24 December 2023	25 December 2022
Net tangible assets backing per share	\$1.27	\$1.87

Dividends / Distributions	Amount per Security cents	Franked Amount per Security cents
Interim Dividend (Prior Year)	4.50	4.50
Final Dividend (Prior Year)	3.00	3.00
Interim Dividend Declared 22 February 2024 (Current Year)	4.00	4.00

Record Date for Determining Entitlements	Date
Interim Dividend	28 February 2024

Explanation of result

Details of the results of the Group for the period to 24 December 2023 are included in the attached Interim Report.

Reporting periods

For the purposes of this Appendix 4D and Consolidated 2024 Interim Report for the half-year ended 24 December 2023, the following reporting periods have been applied:

- 1H FY2024 refers to the period from 1 July 2023 to 24 December 2023
- 1H FY2023 refers to the period from 1 July 2022 to 25 December 2022 (also referred to as the Prior Period).

The minor difference in the number of trading days between 1H FY2024 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 4.0 cents per share, a decrease of 0.5 cent per share compared to the interim dividend of the Prior Period. The interim dividend will be paid on 4 April 2024.

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 dividend to be paid on 4 April 2024 must be received by the registry by 5:00 pm on 29 February 2024 to be effective for that dividend.

Further information

For further information, please refer to the 2023 Annual Report and the Consolidated 2024 Interim Report attached to this statement.



Bega Cheese Limited

Consolidated 2024 Interim Report for the

Half-Year Ended 24 December 2023

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 24 December 2023.

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 Committee Independent Director since June 2015
Terry O'Brien Chair of the Nomination, Remuneration, People & Capability 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 Chair of the Risk & Sustainability Committee 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 as at, and for, the half-year ended 24 December 2023.

For the purposes of this Consolidated 2023 Interim Report for the half-year ended 24 December 2023, the following reporting periods have been applied in assessing the financial performance of the Group:

- 1H FY2024 refers to the period from 1 July 2023 to 24 December 2023
- 1H FY2023 refers to the period from 1 July 2022 to 25 December 2022 (also referred to as the Prior Period).

The minor difference in the number of trading days between 1H FY2024 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 2023.

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 and beverage products.

Earnings performance review 1H FY2024

Group result 1H FY2024

In 1H FY2024 the Group recognised revenue of \$1,728.0 million, an increase on the prior comparative period of \$52.9 million or 3.2%.

In 1H FY2024 the Group generated statutory earnings before interest, tax, depreciation and amortisation (EBITDA) of \$86.1 million, an increase on the prior comparative period of \$14.5 million or 20.3%.

The normalised 1H FY2024 EBITDA of \$76.5 million was an increase on the prior comparative period by \$1.9 million or 2.5%. Normalised items in the current period include the gain on sale of property at Canberra, the acquisition of Betta Milk and Meander Valley Dairy and restructuring costs. Normalised items in the current period also includes an income tax expense impact of \$6.5 million, which primarily relates to the Group's finalisation of forming a tax consolidated group as a result of resetting the tax cost bases of revenue and capital assets. Normalisations in the prior comparative period largely included the expenses to complete 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 FY2024 was 0.7% and the normalised effective tax rate was 22.2% (Refer to "note 2" for further details).

Consolidated	Per Financial Statements \$m	Canberra sale and restructuring \$m	Betta Milk acquisition \$m	Tax adjustments \$m	Normalised outcome \$m
Period ended 24 December 2023					
Revenue	1,728.0	-	-	-	1,728.0
Cost of sales	(1,378.8)	-	-	-	(1,378.8)
Gross profit	349.2	-	-	-	349.2
EBITDA	86.1	(11.2)	1.6	-	76.5
Depreciation, amortisation and impairment	(42.9)	-	-	-	(42.9)
EBIT	43.2	(11.2)	1.6	-	33.6
Net finance costs	(16.5)	-	-	-	(16.5)
Profit before income tax	26.7	(11.2)	1.6	-	17.1
Income tax expense	(0.2)	3.4	(0.5)	(6.5)	(3.8)
Profit for the period	26.5	(7.8)	1.1	(6.5)	13.3
Gross margin - percentage	20%				20%
Basic earnings per share - cents	8.7				4.4

DIRECTORS' REPORT

Earnings performance review 1H FY2024 (cont.)

Comparative Group result 1H FY2023

Consolidated	Per Financial Statements \$m	Normalised items \$m	Normalised outcome \$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

Cash flows and net debt

The Group's statutory net cash outflow from operating activities was \$3.0 million in 1H FY2024, compared to net cash outflow of \$10.5 million in the Prior Period.

Net working capital was \$263.8 million at 24 December 2023, being an increase from \$224.8 million at 30 June 2023.

The Group had net debt of \$250.9 million at the end of 1H FY2024 compared to net debt of \$203.6 million at 30 June 2023, being an increase of \$47.3 million.

Capital investment during 1H FY2024

The Group's capital expenditure in 1H FY2024 totalled \$40.3 million (Prior Period: \$22.1 million). The capital works program was centred on:

- Investing in infrastructure to automate processes at the Group's distribution centres.
- Developing a new and improved customer service portal and technology enhancements to simplify the order to cash business cycle.
- Implementation of safety initiatives across multiple locations.

DIRECTORS' REPORT

Subsequent events

a) Burnie milk processing site

On 19 February 2024, the Group announced a plan to cease manufacture of its fresh dairy products at its Burnie facility in Tasmania and relocate manufacture to the Group's Lenah Valley site. The Meander Valley production site at Kings Meadow will continue to operate and is not affected by this change. This decision was made following a review of its fresh milk manufacturing operations across Tasmania following the acquisition of Betta Milk and Meander Valley Dairy in December 2023. Following this announcement, employees that have been directly affected have been notified and redundancy packages have been offered. Further work will be conducted to determine the alternate use of plant and equipment at the site. At balance sheet date no adjustment has been made to the carrying value of assets.

b) Dividend

On 22 February 2024, the Directors declared an interim fully franked dividend of 4.0 cents per share, which represents a distribution of \$12.2 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
Melbourne



Raelene Murphy
Independent Director
Melbourne

22 February 2024



Auditor's Independence Declaration

As lead auditor for the review of Bega Cheese Limited for the half-year ended 24 December 2023, 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', with a long horizontal flourish extending to the right.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
22 February 2024

Consolidated Statement of Comprehensive Income

	CONSOLIDATED	
	24 December 2023 \$m	25 December 2022 \$m
Revenue	1,728.0	1,675.1
Cost of sales	(1,378.8)	(1,323.4)
Gross profit	349.2	351.7
Other revenue	5.8	5.4
Other income	19.3	4.0
Distribution expense	(160.4)	(162.6)
Marketing expense	(56.6)	(63.0)
Occupancy expense	(23.2)	(23.9)
Administration expense	(90.2)	(90.0)
Finance costs	(17.2)	(10.1)
Share of net loss of equity accounted investments	-	(1.2)
Profit before income tax	26.7	10.3
Income tax expense	(0.2)	(3.0)
Profit for the period attributable to owners of Bega Cheese Limited	26.5	7.3
Other comprehensive income: <i>Items that may be reclassified to profit or loss</i>		
Cash flow hedges, net of tax	(0.3)	(1.1)
Total other comprehensive income	(0.3)	(1.1)
Total comprehensive income for the period attributable to owners of Bega Cheese Limited	26.2	6.2
	2024	2023
	Cents	Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:		
Basic earnings per share	8.7	2.4
Diluted earnings per share	8.7	2.4

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

Consolidated Balance Sheet

		CONSOLIDATED	
		24 December	30 June
		2023	2023
Notes		\$m	\$m
ASSETS			
Current assets			
		69.1	66.4
		355.1	306.1
		1.2	0.2
		434.8	428.7
	4	6.5	1.4
		33.2	29.4
		899.9	832.2
Non-current assets			
		681.7	687.2
		157.9	161.4
		18.7	7.8
		474.7	464.5
		1,333.0	1,320.9
		2,232.9	2,153.1
LIABILITIES			
Current liabilities			
		526.1	510.0
		19.0	17.3
		1.6	0.8
		17.7	17.2
		18.3	13.0
		109.4	120.3
		692.1	678.6
Non-current liabilities			
	5	319.0	269.0
		179.6	180.9
		5.2	4.4
		16.4	16.5
		520.2	470.8
		1,212.3	1,149.4
		1,020.6	1,003.7
EQUITY			
	6	881.5	881.0
		24.7	25.7
		114.4	97.0
		1,020.6	1,003.7
		1,020.6	1,003.7

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

Consolidated Statement of Changes in Equity

Consolidated	Share capital \$m	Reserves \$m	Retained earnings \$m	Total \$m
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 income for the period	-	(1.1)	-	(1.1)
Transactions with owners in their capacity as owners:				
- Issue of shares	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
Balance as at 1 July 2023	881.0	25.7	97.0	1,003.7
Profit for the period	-	-	26.5	26.5
Other comprehensive income for the period	-	(0.3)	-	(0.3)
Transactions with owners in their capacity as owners:				
- Issue of shares (note 6)	0.8	-	-	0.8
- Share-based payments relating to incentives	-	(0.7)	-	(0.7)
- Dividends provided for or paid	-	-	(9.1)	(9.1)
- Tax effect of prior period share issue transaction costs	(0.3)	-	-	(0.3)
Balance as at 24 December 2023	881.5	24.7	114.4	1,020.6

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

Consolidated Statement of Cash Flows

	CONSOLIDATED	
	24 December 2023 \$m	25 December 2022 \$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers inclusive of goods and services tax	1,798.5	1,772.4
Payments to suppliers and employees inclusive of goods and services tax	(1,785.5)	(1,807.1)
Net proceeds from the Trade Receivables Facility	6.3	42.7
Interest and other costs of financing paid	(17.2)	(10.1)
Interest received	0.7	0.4
Income taxes paid	(5.8)	(8.8)
Net (outflow) from operating activities	(3.0)	(10.5)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(29.7)	(20.9)
Payments for intangible assets	(10.6)	(1.2)
Payments for business combinations	(11.1)	-
Proceeds from sale of property, plant and equipment	26.2	1.1
Distributions received from associate	-	0.9
Net (outflow) from investing activities	(25.2)	(20.1)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	50.0	100.0
Repayment of borrowings	-	(10.0)
Principal elements of lease payments	(10.8)	(11.3)
Dividends paid to Bega Cheese Limited's shareholders	(8.3)	(14.4)
Net inflow from financing activities	30.9	64.3
Net increase in cash and cash equivalents	2.7	33.7
Cash and cash equivalents at the beginning of the period	66.4	44.9
Cash and cash equivalents at the end of the period	69.1	78.6

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

Notes to the Financial Statements

1. SIGNIFICANT EVENTS IN THE ACCOUNTING PERIOD

a) Acquisition of Betta Milk and Meander Valley Dairy

On 28 August 2023, the Group announced that it had entered into a binding agreement to acquire the businesses and certain assets of Betta Milk and Meander Valley Dairy from TasFoods Limited and its subsidiary Van Diemen's Land Dairy Pty Ltd. The acquisition also included a perpetual, royalty free licence to use the Pyengana Dairy brand for milk and cream products in Australia. The total purchase price was \$12.4 million.

The acquisition was successfully completed on 1 December 2023. Acquisition related costs of \$1.6 million are included in the consolidated statement of comprehensive income for the half-year ended 24 December 2023. Refer to note 7 for further details.

b) Canberra property sale and sale and leaseback

In FY2023, the Group ceased the manufacture of fresh milk product at its Griffith facility in Canberra and relocated manufacturing to the Group's Penrith site. The site was comprised of five adjacent blocks of land, operating as a combined manufacturing site and logistics hub.

In November 2023, the Group sold all five blocks of land at the Griffith site for \$25.3 million. The Group leased back Block 5 of the site for use as a logistics hub. The pre-tax profit on sale of the property realised for 1H FY2024 was \$15.4 million.

2. SEASONAL AND OTHER FACTORS

The Consolidated Statement of Comprehensive Income for the half-year ended 24 December 2023 is not necessarily expected to reflect the proportional full year result of the Group as it is influenced by seasonal factors.

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 differs from the statutory company tax rate of 30% primarily due to the favourable impact of finalising the Group's formation of a tax consolidated group, the permanent benefit in respect of research and development tax incentive and recognition of deferred taxes on sale and leaseback transactions.

3. SEGMENT INFORMATION

a) Description of segments

The Group determines the reporting segments based on financial and other management reports reviewed by the Executive Chairman, Chief Executive Officer and Chief Financial Officer, in their capacity as the Chief Operating Decision 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 statutory 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 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.

b) Segment information provided to the CODM

The segment information provided to the CODM for the reportable segments for the half-year ended 24 December 2023 is as follows:

	Branded	Bulk	Unallocated overheads	Inter-segment eliminations	Group Total
	\$m	\$m	\$m	\$m	\$m
Period ending 24 December 2023					
Revenue	1,508.3	366.4	-	(146.7)	1,728.0
EBITDA	110.1	(5.6)	(19.8)	1.4	86.1
Depreciation, amortisation and impairment					(42.9)
EBIT					43.2
Interest revenue					0.7
Interest expense					(17.2)
Profit before income tax					26.7
Income tax expense					(0.2)
Profit for the period					26.5
Impact of current period events on profit before income tax					
Canberra sale and restructuring					11.2
Betta Milk acquisition					(1.6)
Tax adjustments					-

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

3. SEGMENT INFORMATION (CONT.)

Prior period comparative segment information 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)

c) Other segment information

Segment revenue

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

4. ASSETS HELD FOR SALE

	CONSOLIDATED	
	24 December 2023 \$m	30 June 2023 \$m
Land and buildings held for sale	6.5	1.4
Total assets held for sale	6.5	1.4

Assets held for sale relate to various unutilised properties across the Group's property portfolio which are expected to be sold in the next 12 months.

5. BORROWINGS

The Group had \$550 million in available debt facilities as at 24 December 2023, of which \$320 million was drawn, as set out below:

	CONSOLIDATED	
	24 December 2023 \$m	30 June 2023 \$m
Undrawn facilities expiring within one year	100.0	100.0
Undrawn facilities expiring beyond one year	130.0	180.0
Drawn facilities	320.0	270.0
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 1.75 times for June 2023 to May 2024, increasing to 2.50 times from June 2024 and beyond; 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 Group has commenced re-negotiating the terms and tenure of the Syndicated Debt Facility that matures in February 2025.

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 2023 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 2023 Annual Report. The Group has commenced re-negotiating the terms and tenure of the Inventory Facility and is expected to be finalised by March 2024.

The Group also continues to operate its Trade Receivables Facility with Rabobank as disclosed in the 2023 Annual Report. The facility has a limit of \$200 million and matures on 31 August 2025. 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	
	24 December 2023 \$m	30 June 2023 \$m
Borrowings	319.0	269.0
Add back: borrowing costs	1.0	1.0
Cash and cash equivalents	(69.1)	(66.4)
Net debt	250.9	203.6

6. SHARE CAPITAL

a) Share capital

	CONSOLIDATED	
	24 December 2023 \$m	30 June 2023 \$m
Share capital - ordinary shares fully paid	881.5	881.0

b) Movement in number of shares and share capital value

	Ordinary Shares Number '000	Ordinary Shares \$m
Ordinary shares on issue at 1 July 2022	303,283	878.2
Shares issued under Dividend Reinvestment Plan	965	3.6
Tax effect of prior period share issue transaction costs	-	(0.8)
Ordinary shares on issue at 30 June 2023	304,248	881.0
Ordinary shares on issue at 1 July 2023	304,248	881.0
Shares issued under Dividend Reinvestment Plan	270	0.8
Tax effect of prior period share issue transaction costs	-	(0.3)
Ordinary shares on issue at 24 December 2023	304,518	881.5

7. BUSINESS COMBINATIONS

On 1 December 2023, the Group completed the acquisition of the businesses and certain assets of Betta Milk and Meander Valley Dairy, and the licence to use the Pyengana Dairy brand. The core business of Betta Milk and Meander Valley Dairy is the manufacture, marketing and sales of white milk, milk based beverages and culinary products.

The results of the Betta Milk and Meander Valley Dairy businesses are included in the Branded segment from the date of acquisition. The total contribution to the Group's earnings for the half-year ended 24 December 2023 was not material.

The provisionally determined fair values of the assets acquired, and total purchase consideration paid as at the date of acquisition are summarised as follows:

	Provisional fair value
	\$m
Inventories	1.3
Property, plant and equipment	4.0
Deferred tax assets	0.2
Provisions	(0.6)
Provisional fair value of identifiable net assets acquired	4.9
Total purchase consideration	12.4
Provisional goodwill	7.5

Identifiable net assets acquired

The provisional fair values of the identifiable assets and liabilities have been determined as at 1 December 2023, applying their acquired carrying amounts. These values are subject to change as independent experts have been engaged to provide updated valuations which reflect their fair value at acquisition date. Any material changes to the amounts recognised within one year of the acquisition date due to new information obtained about the facts and circumstances that existed as at the acquisition date will be recognised by the Group in future reporting periods.

Purchase consideration

Total purchase consideration of \$12.4 million does not include acquisition related expenses. \$11.1 million of cash was received prior to period end and the remaining \$1.3 million was received subsequently.

Total acquisition related costs incurred to date are \$1.6 million (before tax). The total costs have been incurred in the current period. These costs are included in the Group's Consolidated Statement of Comprehensive Income for the half-year ended 24 December 2023.

8. INTANGIBLE ASSETS

Change in cash generating units

During the period, management has reviewed its cash generating units (CGU) and determined that the Bega Dairy and Drinks and the Bega Foods CGUs are now combined to form a single Branded CGU. Management has deemed the Branded CGU to be the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The organisational restructure in October 2023, current projects within the Group's operating systems and the strategic direction of the Group have all increased the interdependencies of cash inflows being generated from the collective assets in the Branded segment, which has led to this decision. The cash inflows of the Branded CGU are driven by the sale of goods to shared end customers, which are produced at shared manufacturing facilities.

The Branded CGU is equivalent to the Branded operating segment. It includes Goodwill of \$236.9 million, and capitalised brands of \$177.6 million. The core business of the Branded CGU is the manufacture, marketing, sale and distribution of branded white milk, milk based beverages, yoghurt, chilled juices, spreads and other culinary products to domestic and international customers.

Indicators of impairment

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 24 December 2023.

9. SUBSEQUENT EVENTS

a) Burnie milk processing site

On 19 February 2024, the Group announced a plan to cease manufacture of its fresh dairy products at its Burnie facility in Tasmania and relocate manufacture to the Group's Lenah Valley site. The Meander Valley production site at Kings Meadow will continue to operate and is not affected by this change. This decision was made following a review of its fresh milk manufacturing operations across Tasmania following the acquisition of Betta Milk and Meander Valley Dairy in December 2023. Following this announcement, employees that have been directly affected have been notified and redundancy packages have been offered. Further work will be conducted to determine the alternate use of plant and equipment at the site. At balance sheet date no adjustment has been made to the carrying value of assets.

b) Dividend

On 22 February 2024, the Directors declared an interim fully franked dividend of 4.0 cents per share, which represents a distribution of \$12.2 million.

10. BASIS OF PREPARATION

a) Interim Financial Reporting

This Consolidated Interim Financial Report for the reporting period ended 24 December 2023 (corresponding prior comparable period ended 25 December 2022) 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.

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 2023 and any public announcements made by Bega Cheese Limited in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in this report are consistent with those of the previous financial year and corresponding interim reporting period.

b) Rounding of amounts

The Group is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest 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 21 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 24 December 2023 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
Melbourne



Raelene Murphy
Independent Director
Melbourne

22 February 2024



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 24 December 2023, 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 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 24 December 2023 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 24 December 2023 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 'Marshall', written over a light grey horizontal line.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Sam Loble', written over a light grey horizontal line.

Sam Loble
Partner

Melbourne
22 February 2024