

RESULTS FOR ANNOUNCEMENT TO THE MARKET



Bega Cheese Limited

ASX Half-Year Information - 26 December 2021

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2021 Annual Report.

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Results for announcement to the market

Appendix 4D Item	Percentage		Amount \$m	
Revenue from ordinary activities	Up	113.0%	To	1,507.2
Profit from ordinary activities after tax attributable to members	Up	29.0%	To	28.0
Net Profit for the period attributable to members	Up	29.0%	To	28.0

Net Tangible Assets Backing	26 December 2021	27 December 2020
Net tangible assets backing per share	\$1.96	\$2.22

Dividends / Distributions	Amount per Security cents	Franked Amount per Security cents
Interim Dividend (Prior Year)	5.00	5.00
Final Dividend (Prior Year)	5.00	5.00
Interim Dividend Declared 24 February 2022 (Current Year)	5.50	5.50

Record Date for Determining Entitlements	Date
Interim Dividend	2 March 2022

Explanation of result

Details of the results of the Group for the period to 26 December 2021 are included in the attached Interim Report.

Reporting periods

For the purposes of this Appendix 4D and Consolidated 2022 Interim Report for the half-year ended 26 December 2021, the following reporting periods have been applied:

- 1H FY2022 refers to the period from 1 July 2021 to 26 December 2021
- 1H FY2021 refers to the period from 1 July 2020 to 27 December 2020 (also referred to as the Prior Period).

The minor difference in the number of trading days between 1H FY2022 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, an increase of 0.5 cents per share compared to the interim dividend of the Prior Period. The interim dividend will be paid on 24 March 2022.

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 24 March 2022 must be received by the registry by 5:00 pm on 2 March 2022 to be effective for that dividend.

Further information

For further information, please refer to the 2021 Annual Report and the Consolidated 2022 Interim Report attached to this statement.



Bega Cheese Limited

Consolidated 2022 Interim Report for the

Half-Year Ended 26 December 2021

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 26 December 2021.

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 Chair of the Dairy and Drinks Integration Committee since January 2021 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 26 December 2021.

For the purposes of this Consolidated 2022 Interim Report for the half-year ended 26 December 2021, the following reporting periods have been applied in assessing the financial performance of the Group:

- 1H FY2022 refers to the period from 1 July 2021 to 26 December 2021
- 1H FY2021 refers to the period from 1 July 2020 to 27 December 2020 (also referred to as the Prior Period).

The minor difference in the number of trading days between 1H FY2022 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 2021.

DIRECTORS' REPORT

Review of operations

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

Earnings performance review 1H FY2022

Group result 1H FY2022

In 1H FY2022 Bega Cheese generated statutory earnings before interest, tax, depreciation and amortisation (EBITDA) of \$97.2 million an increase on the prior comparative period of \$31.4 million or 48%.

The normalised 1H FY2022 EBITDA of \$106.4 million was an increase on the prior comparative period by \$33.4 million or 46%. Normalised items included Bega Dairy and Drinks transaction related costs which were partially offset by the receipt of termination fees and costs associated with completion of the nutritional service and access agreements with Reckitt.

The Group has been impacted significantly by COVID-19 during the first half. Global supply chain pressures emerged in the first quarter impacting prices for direct and indirect internationally sourced materials such as fuel, packaging, resin and coffee. Many suppliers of these products were unable to meet delivery windows creating interruptions to manufacturing schedules resulting in increased operational costs. In the second quarter the spread of the Omicron variant created significant disruption to the local supply chain and our customer channels. The business suffered from significant absenteeism across Bega manufacturing sites and those of our suppliers which placed pressure on production volumes and service levels and resulted in large cost increases. Additionally, many of our customers in the non-grocery channels were not able to open or suffered from reduced foot traffic. There were significant direct costs including Personal Protective Equipment, Rapid Antigen Testing, and deep cleaning.

The Group's statutory effective tax rate for 1H FY2022 was 23% (Refer to "Note 1d" for further details).

	BDD			Net Other	Normalised outcome
	Per Financial Statements	Reckitt Termination	Transaction Related Costs		
Consolidated	\$m	\$m	\$m	\$m	\$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

DIRECTORS' REPORT

	BDD				Net Normalised outcome
	Per Financial Statements	Reckitt Termination	Transaction Related Costs	Net Other	
Period ended 27 December 2020	\$m	\$m	\$m	\$m	\$m
Revenue	707.7	-	-	-	707.7
Cost of sales	(564.7)	-	-	-	(564.7)
Gross profit	143.0	-	-	-	143.0
EBITDA	65.8	-	6.3	0.9	73.0
Depreciation, amortisation and impairment	(25.0)	-	-	-	(25.0)
EBIT	40.8	-	6.3	0.9	48.0
Net finance costs	(5.0)	-	1.6	-	(3.4)
Profit before income tax	35.8	-	7.9	0.9	44.6
Income tax expense	(14.1)	-	(0.5)	(0.3)	(14.9)
Profit for the period	21.7	-	7.4	0.6	29.7
Gross margin - percentage	20%				20%
Basic earnings per share - cents	9.6				13.2

Cash flows and net debt

The Group statutory net cash inflow from operating activities was \$28.6 million in 1H FY2022, compared to net cash inflow of \$6.8 million in the Prior Period.

Net working capital was \$250.5 million at 26 December 2021, being an increase from \$216.3 million at 30 June 2021. The main contributing factor to the increase from June 2021 was the seasonal inventory build of dairy related products.

The Group had net debt of \$328.6 million at the end of 1H FY2022 compared to net debt of \$324.9 million at 30 June 2021, being an increase of \$3.7 million.

Capital investment during 1H FY2022

Bega Cheese Group capital expenditure in 1H FY2022 totalled \$30.2 million (Prior Period: \$10.7 million).

The capital works program in 1H FY2022 now includes Bega Dairy and Drinks and was centred on:

- Infant formula packing capability expansion following termination of access agreement by Reckitt
- 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

Dividend

On 24 February 2022, the Directors declared an interim fully franked dividend of 5.5 cents per share, which represents a distribution of \$16.7 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

24 February 2022



Auditor's Independence Declaration

As lead auditor for the review of Bega Cheese Limited for the half-year ended 26 December 2021, 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 Loble', written over a light grey horizontal line.

Sam Loble
Partner
PricewaterhouseCoopers

Melbourne
24 February 2022

Consolidated Statement of Comprehensive Income

	CONSOLIDATED	
	26 December	27 December
	2021	2020
	\$m	\$m
Revenue	1,507.2	707.7
Cost of sales	(1,142.3)	(564.7)
Gross profit	364.9	143.0
Other revenue	6.2	4.4
Other income	3.6	1.6
Distribution expense	(158.4)	(45.2)
Marketing expense	(53.8)	(15.8)
Occupancy expense	(16.9)	(8.1)
Administration expense	(76.3)	(39.2)
Acquisition related expenses	(27.1)	-
Finance costs	(6.1)	(5.0)
Share of net profit of equity accounted investments	0.4	0.1
Profit before income tax	36.5	35.8
Income tax expense	(8.5)	(14.1)
Profit for the period attributable to owners of Bega Cheese Limited	28.0	21.7
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Cash flow hedges, net of tax	1.3	2.6
Total other comprehensive income	1.3	2.6
Total comprehensive income for the period attributable to owners of Bega Cheese Limited	29.3	24.3
	2022	2021
	Cents	Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:		
Basic earnings per share	9.3	9.6
Diluted earnings per share	9.2	9.6

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

Consolidated Balance Sheet

	Notes	CONSOLIDATED	
		26 December 2021	30 June 2021 (*)
		\$m	\$m
ASSETS			
Current assets			
Cash and cash equivalents		51.4	87.2
Trade and other receivables		301.8	348.7
Derivative financial instruments		0.7	1.1
Inventories		369.6	345.0
Current tax assets		3.3	13.3
Other current assets		34.2	37.9
Total current assets		761.0	833.2
Non-current assets			
Property, plant and equipment		902.5	911.6
Right-of-use assets		104.6	103.4
Deferred tax assets		23.4	22.7
Other assets		0.1	0.1
Intangible assets		583.4	589.5
Investments accounted for using the equity method		46.0	46.6
Total non-current assets		1,660.0	1,673.9
Total assets		2,421.0	2,507.1
LIABILITIES			
Current liabilities			
Trade and other payables		420.9	477.4
Other liabilities		26.4	42.8
Derivative financial instruments		0.7	2.1
Lease liabilities		23.7	25.5
Current tax liabilities		13.6	18.4
Provisions		107.6	119.8
Total current liabilities		592.9	686.0
Non-current liabilities			
Borrowings	6	378.3	391.9
Lease liabilities		84.9	79.1
Other liabilities		0.2	0.5
Provisions		24.9	24.6
Deferred tax liabilities		59.1	58.5
Total non-current liabilities		547.4	554.6
Total liabilities		1,140.3	1,240.6
Net Assets		1,280.7	1,266.5
Equity			
Share capital	7	877.2	875.7
Reserves		25.7	25.9
Retained earnings		377.8	364.9
Capital and reserves attributable to owners of Bega Cheese Limited		1,280.7	1,266.5
Total Equity		1,280.7	1,266.5

(*) The 30 June 2021 balance sheet has been restated to reflect the final fair value of the purchase price allocation of Bega Dairy and Drinks, which was acquired on 25 January 2021. Refer to note 4 for further details.

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 2020	480.5	20.8	312.7	814.0
Profit for the period	-	-	21.7	21.7
Other comprehensive income/(expense) for the period	-	2.6	-	2.6
Transactions with owners in their capacity as owners:				
- Issue of shares, net of transaction costs and tax (note 7)	394.2	-	-	394.2
- Share-based payments relating to incentives	-	3.6	-	3.6
- Dividends provided for or paid	-	-	(10.7)	(10.7)
Balance as at 27 December 2020	874.7	27.0	323.7	1,225.4
Balance as at 1 July 2021	875.7	25.9	359.1	1,260.7
Purchase price acquisition adjustment ⁽¹⁾	-	-	5.8	5.8
Profit for the period	-	-	28.0	28.0
Other comprehensive income/(expense) for the period	-	1.3	-	1.3
Transactions with owners in their capacity as owners:				
- Issue of shares (note 7)	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

(1) The adjustments relating to the change in the provisional bargain purchase on acquisition of Bega Dairy and Drinks has been reflected in the opening balance of retained earnings as at 1 July 2021. Refer to note 4 for further details. An additional adjustment to prior period income tax of \$4m has also been reflected through opening retained earnings.

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

Consolidated Statement of Cash Flows

	CONSOLIDATED	
	26 December 2021 \$m	27 December 2020 \$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers inclusive of goods and services tax	1,688.1	777.8
Payments to suppliers and employees inclusive of goods and services tax	(1,696.2)	(763.0)
Net proceeds from the Trade Receivables Facility	46.7	9.3
Interest and other costs of financing paid	(6.1)	(5.0)
Interest received	0.1	-
Income taxes paid	(4.0)	(12.3)
Net inflow from operating activities	28.6	6.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(27.3)	(9.0)
Payments for intangible assets	(2.9)	(1.7)
Proceeds from sale of property, plant and equipment	4.8	-
Joint venture partnership distributions received	1.0	-
Net (outflow) from investing activities	(24.4)	(10.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	380.0	-
Repayment of borrowings	(393.0)	(148.6)
Principal elements of lease payments	(13.8)	(1.8)
Net proceeds from issue of shares	-	392.6
Dividends paid to Bega Cheese Limited's shareholders	(13.2)	(9.9)
Net (outflow)/inflow from financing activities	(40.0)	232.2
Net (decrease)/increase in cash and cash equivalents	(35.8)	228.3
Cash and cash equivalents at the beginning of the period	87.2	22.9
Cash and cash equivalents at the end of the period	51.4	251.2

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) Revised Syndicated Facility

In December 2021, the Group entered into a revised syndicated debt facility structure (Refer to “Note 6 Borrowings” for further details).

b) Fonterra legal action

As previously reported, in 2017, Fonterra Brands Australia commenced legal proceedings in the Supreme Court of Victoria in relation to the scope of the 2001 trade mark licence between Bega Cheese and Fonterra. On 25 February 2021, the Supreme Court of Victoria held that Bega Cheese is entitled to use the Bega trade mark, as owner of the trade marks, on its products, outside of the scope of the Fonterra licence, without Fonterra’s consent. Fonterra has an ongoing exclusive licence to use the Bega trade mark on natural cheddar cheese, processed cheddar cheese, string cheese and butter. Bega Cheese’s counter claims in respect of alleged breaches of the trade mark licence by Fonterra were dismissed. Neither party appealed the decision. Fonterra was ordered to pay Bega Cheese’s costs in relation to the claim. Bega Cheese was ordered to pay Fonterra’s costs in relation to the counterclaim. The parties have now settled the claims in relation to costs. This resolves all outstanding issues relating to this matter.

c) Termination of customer contract

In FY2021, one of the Group’s major customers, Reckitt, notified the Group that two arrangements would cease ahead of their contractual expiry date. The first related to an access and services agreement at a plant in Derrimut which ended in October 2021, prior to its original end date of December 2026. The second relates to the Tatura MSD2 dryer access and services agreement that ended in January 2022, prior to its original end date of December 2026. A summary of revenue and other income recognised, and cash received is shown below:

	MSD2	Derrimut	TOTAL
	\$m	\$m	\$m
Summary of termination fee recognition			
Balance not yet recognised as at 1 July 2021	20.1	5.6	25.7
Amounts recognised during 1H FY2022	(18.1)	(5.6)	(23.7)
Balance not yet recognised as at 27 December 2021⁽¹⁾	2.0	-	2.0
	MSD2	Derrimut	TOTAL
	\$m	\$m	\$m
Summary of termination fee cash receipts			
Balance receivable as at 1 July 2021	25.8	15.8	41.6
Amounts received during 1H FY2022	-	(15.8)	(15.8)
Balance receivable as at 27 December 2021⁽¹⁾	25.8	-	25.8

(1) All remaining balances of other income, services revenue and cash to be received will be settled or recognised during 2H FY2022

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT EVENTS IN THE ACCOUNTING PERIOD (CONT.)

d) Effective tax rate

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 23% which is lower than the statutory corporate tax rate. The difference in rates is primarily being driven by research and development tax incentive claims and also an adjustment in respect of stamp duty on the Bega Dairy and Drinks acquisition as well as the utilisation of carried forward losses from prior periods.

2. SEASONAL AND OTHER FACTORS

The Consolidated Statement of Comprehensive Income for the half-year ended 26 December 2021 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 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 EBITDA. In addition, the CODM takes into account current year events by segment so that normalised business performance is assessed.

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. 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 26 December 2021 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 Fees	-	17.9	-	-	17.9
BDD Transaction Related Costs	(12.1)	-	(15.0)	-	(27.1)

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 27 December 2020					
Revenue	440.5	463.5	-	(196.2)	707.7
EBITDA	34.6	52.3	(20.9)	(0.1)	65.8
Depreciation, amortisation and impairment					(25.0)
EBIT					40.8
Interest revenue					-
Interest expense					(5.0)
Profit before income tax					35.8
Income tax expense					(14.1)
Profit for the period					21.7
Impact of prior period events on profit before income tax					
BDD Transaction Related Costs	-	-	(7.9)	-	(7.9)
Other costs	-	-	(0.9)	-	(0.9)

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.

NOTES TO THE FINANCIAL STATEMENTS

4. BUSINESS COMBINATIONS

In the prior year the Group acquired 100% of the shares in Lion Dairy and Drinks legal entities, renamed Bega Dairy and Drinks. Details of this business combination were disclosed in Note 28 of the Group's 2021 Annual Report.

At 30 June 2021, the fair value of some assets and liabilities had been recognised on a provisional basis. In the current reporting period, the fair value of assets acquired and liabilities assumed have been finalised. The amounts which have been altered and the effect on the financial statements has been summarised below:

	Provisional fair value	Purchase price adjustment	Final fair value
	\$m	\$m	\$m
Cash and cash equivalents	13.7	-	13.7
Trade and other receivables	229.5	(0.2)	229.3
Inventories	73.8	-	73.8
Intangible assets	41.8	-	41.8
Property, plant and equipment	487.0	3.1	490.1
Right-of-use assets	101.3	-	101.3
Investments accounted for using the equity method	45.8	-	45.8
Deferred tax assets	19.5	-	19.5
Trade and other payables	(208.2)	-	(208.2)
Lease liabilities	(99.2)	-	(99.2)
Provisions	(89.5)	(1.1)	(90.6)
Deferred tax liabilities	(15.5)	-	(15.5)
Fair value of identifiable net assets acquired	600.0	1.8	601.8
Total purchase consideration	(532.3)	-	(532.3)
Gain on bargain purchase	67.7	1.8	69.5

The adjustments relating to the change in the provisional gain on bargain purchase are reflected by increasing the opening balance of retained earnings as at 1 July 2021. There was no material impact on the 1H FY2022 Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS IN JOINT VENTURES AND ARRANGEMENTS

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

	Country of incorporation	Nature of relationship	1H FY2022 % of ownership interest	1H FY2021 % of ownership interest
Vitasoy Australia Products Pty Ltd	Australia	Associate	49	-
CBH Fresh Ltd	Australia	Joint Venture	13	-

6. BORROWINGS

The Group had \$550.0 million in available debt facilities as at 26 December 2021, as set out below:

	CONSOLIDATED	
	26 December	30 June
	2021	2021
	\$m	\$m
Undrawn facilities expiring within one year	100.0	100.0
Undrawn facilities expiring beyond one year	70.0	87.0
Drawn facilities	380.0	393.0
Total facilities	550.0	580.0
Total facilities are represented by:		
Syndicated Facility - Revolving Cash Advance Facility maturing 17 December 2024	270.0	-
Syndicated Facility - Revolving Cash Advance Facility maturing 17 December 2026	180.0	-
Syndicated Facility - Revolving Cash Advance Facility maturing 10 November 2023	-	140.0
Syndicated Facility - Revolving Cash Advance Facility maturing 10 November 2023	-	140.0
Syndicated Facility - Revolving Cash Advance Facility maturing 30 September 2022	-	100.0
Syndicated Facility - Term Facility maturing 30 September 2022	-	100.0
Inventory Facility	100.0	100.0
Total facilities	550.0	580.0

In December 2021, the Group cancelled its \$480m Syndicated Debt Facility consisting of three revolving cash advance facilities totalling \$380 million (with maturity dates between 30 September 2022 and 10 November 2023) and a term facility totalling \$100 million (with a maturity date of 30 September 2022). This was replaced with a new Syndicated Debt Facility consisting of two facilities: Facility 1 which has a limit of \$270 million maturing in December 2024 and Facility 2 which has a limit of \$180 million maturing in December 2026.

In addition to the Syndicated Debt Facility, the Group continues to operate a stand-alone Inventory Facility (matures on 30 March 2022) which is not subject to cross-charges or cross-guarantees, except as disclosed in the 2021 Annual Report.

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 2021 Annual Report.

NOTES TO THE FINANCIAL STATEMENTS

6. BORROWINGS (CONT.)

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 Group also continues to operate its Trade Receivables Facility with Rabobank as disclosed in the 2021 Annual Report. The facility has a limit of \$200 million and matures on 31 January 2023. 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	
	26 December 2021 \$m	30 June 2021 \$m
Borrowings	378.3	391.9
Add back: borrowing costs	1.7	1.1
Bank guarantees ⁽¹⁾	-	19.1
Cash and cash equivalents	(51.4)	(87.2)
Net debt	328.6	324.9

(1) From 1H FY2022, bank guarantees are excluded from the definition of net debt under the terms of the revised Syndicated Debt Facility.

7. SHARE CAPITAL

a) Share capital

	CONSOLIDATED	
	26 December 2021 \$m	30 June 2021 \$m
Share capital - ordinary shares fully paid	877.2	875.7

NOTES TO THE FINANCIAL STATEMENTS

7. SHARE CAPITAL (CONT.)

b) Movement in number of shares and share capital value

	Ordinary Shares Number '000	Ordinary Shares \$m
Ordinary shares on issue at 1 July 2020	214,437	480.5
Shares issued under Placement and Institutional Entitlement Offer	62,156	285.9
Shares issued under Retail Entitlement Offer	25,024	115.1
Shares issued under Dividend Reinvestment Plan	437	2.5
Shares issued to management under STI scheme	573	-
Share issue transaction costs, net of tax	-	(8.3)
Ordinary shares on issue at 30 June 2021	302,627	875.7
Ordinary shares on issue at 1 July 2021	302,627	875.7
Shares issued under Dividend Reinvestment Plan	358	2.0
Tax effect of prior period share issue transaction costs	-	(0.5)
Ordinary shares on issue at 26 December 2021	302,985	877.2

8. INTANGIBLE ASSETS

The Board of Directors has assessed whether there is any indication that intangible assets may be impaired. They have formed the view that no such indicators exist and therefore have not been required to perform an impairment assessment at 26 December 2021.

9. SUBSEQUENT EVENTS

Dividend

On 24 February 2022, the Directors declared an interim fully franked dividend of 5.5 cents per share, which represents a distribution of \$16.7 million.

10. BASIS OF PREPARATION

a) Interim Financial Reporting

This Consolidated Interim Financial Report for the reporting period ended 26 December 2021 (corresponding prior comparable period ended 27 December 2020) 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 2021 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.

NOTES TO THE FINANCIAL STATEMENTS

10. BASIS OF PREPARATION (CONT.)

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 26 December 2021 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

24 February 2022



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 26 December 2021, 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 26 December 2021 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 26 December 2021 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. Stuebelo'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Sam Lobley'.

Sam Lobley
Partner

Melbourne
24 February 2022