ASX ANNOUNCEMENT

Appendix 4D and Half Year Accounts 2013

I have pleasure in enclosing the Appendix 4D in relation to the Half Year ended 30 December 2012 together with the 2013 Interim Report for the Half Year ended 30 December 2012.

B. G. Kelly

Brett Kelly
Company Secretary

21 February 2013

For further information please contact

Brett Kelly
Company Secretary
Bega Cheese Limited
02 6491 7777
www.begacheese.com.au

Bega Cheese Limited

ASX Half Year Information - 30 December 2012

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2012 Annual Report

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Results for Announcement to the Market

Appendix 4D Item	Percentage		Amount $'000	
Revenue from ordinary activities	Up	9.6%	To	$491,308
Profit from ordinary activities after tax	Up	13.6%	To	$15,890
Profit from ordinary activities after tax attributable to members	Up	43.3%	To	$15,890
Net **Profit** for the period attributable to members	Up	43.3%	To	$15,890

Net Tangible Assets Backing	30 December 2012	25 December 2011
Net tangible assets backing per share	$1.62	$1.52

Dividends / Distributions	Amount per Security	Franked Amount per Security
Interim Dividend *(Prior Year)*	3.00 cents	3.00 cents
Final Dividend *(Prior Year)*	3.50 cents	3.50 cents
Interim Dividend Declared 21 February 2013 *(Current Year)*	3.50 cents	3.50 cents

Record Date for Determining Entitlements	Date
Interim Dividend	5 March 2013

Explanation of revenue

The increase in revenue was due to strong performance of domestic product supply agreements, with commodity sales showing firmer prices at the end of the period.

Explanation of profit from ordinary activities after tax

Emphasis on higher margin products and Right First Time principles has enabled an improvement in profit performance.

Explanation of profit from ordinary activities after tax attributable to members and net profit for the period attributable to members

The buy-out of the non-controlling interests in 1H FY2012 resulted in all profit being attributable to members in FY 2013. In the prior period $2.9m of profit was attributable to the non-controlling interests, representing 20.7% of net profit.

Explanation of net tangible assets backing

Net Tangible Assets Backing has increased over the prior period as net tangible assets have increased whilst the number of shares on issue has remained stable. The increase in net assets reflects profitable trading and an increase in the market value of investments.

Explanation of dividends

The interim dividend declared for the current period is improved on prior year, consistent with the strong result in the current period. The interim dividend will be paid on 19 March 2013.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan is not in operation.

Details of associates and joint venture entities

	Reporting entity's percentage holding	
Name of joint venture	Current period	Previous period
Capitol Chilled Foods (Australia) Pty Limited	25%	25%

Bega Cheese Limited

Consolidated 2013 Interim Report for the Half Year Ended 30 December 2012

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 half year ended 30 December 2012.

DIRECTORS

The following persons held office as Directors during the whole of the half year and up to the date of this report:

Barry Irvin

Executive Chairman
Supplier Director
Director since September, 1989

Max Roberts

Supplier Director
Director since September, 1983

Richard Parbery

Supplier Director
Director since September, 1988

Richard Platts

Supplier Director
Director since November, 2000

Peter Margin

Chair of Nomination & Human Resources Committee
Independent Director
Director since June, 2011

Joy Linton

Chair of Audit & Risk Committee
Independent Director
Director since October, 2011

Rick Cross

Supplier Director
Director since December, 2011

Jeff Odgers

Supplier Director
Director since December, 2011

REPORTING ENTITY AND PERIOD

This half-year report covers the operations of the Bega Cheese Group and its related parties, including wholly owned subsidiary Tatura Milk Industries Limited ("Tatura").

This half-year report covers the period from 1 July 2012 to 30 December 2012, being the first half of FY2013 ("1H FY2013"). The relevant prior year comparisons for the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows and related notes are for the period from 1 July 2011 to 25 December 2011 ("1H FY2012").

REVIEW OF OPERATIONS

The principal activity of the Group during the 1H FY2013 was receiving, processing, manufacturing and distributing dairy and associated products.

Performance Highlights

The first half of FY2013 saw the Group achieve the following key highlights:

- Generated EBITDA of $37.4 million, being an increase of 14.0% on the prior period.
- Generated NPAT of $15.9 million, being an increase of 13.6% on the prior period.
- Generated earnings per share of 10.47 cents per share, being an increase of 14.9% on the prior period.
- On 21 February 2013 Bega Cheese declared a fully franked interim dividend of 3.5 cents per share, payable on 19 March 2013, being an increase of 16.7% on the FY2012 interim dividend.

- Bega Cheese extended and refined the long-term product supply agreement with Fonterra Brands (Australia) Pty Ltd ("FBA"), whereby it will continue to supply retail and food service cheese products to FBA for the long term. The agreement confirms the ongoing strong relationship between the two companies.
- Tatura entered into a revised long term agreement with Mead Johnson Nutrition (Asia Pacific) Pte Ltd ("Mead Johnson") under which it produces nutritional powders for Mead Johnson utilising existing infrastructure at its operations in Tatura, Northern Victoria. The revised agreement enables Tatura to access unutilised manufacturing capacity on the drier leased to Mead Johnson for Tatura's own growing nutritional business.
- Tatura entered into a revised long-term agreement with Ingredia S.A. ("Ingredia") under which it produces milk protein concentrate for Ingredia utilising existing infrastructure at its operations in Tatura, Northern Victoria.
- The Board completed a review of the manufacturing infrastructure of the Group and approved a manufacturing activity plan which includes a further $2.0 million investment in cheddar cheese manufacturing capacity to support growing demand from Coles and an $8.0 million expenditure on further value adding of milk proteins.
- Bega Cheese established a syndicated debt facility with Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Australia Branch) being a member of the Rabobank group ("Rabobank") and Westpac Banking Corporation to service the immediate requirements of the Group.

Earnings Performance 1H FY2013

Group consolidated revenue totalled $491.3 million, compared to $448.2 million in 1H FY2012, being an increase of $43.1 million or 9.6%. The increase in Group consolidated revenue was the result of:

- an increase in volume of contract retail and food service cheese products;
- a change in product mix, with the recent trend of directing dairy solids to higher margin products and less to commodity dairy products continuing into 1H FY2013.

The Group's strategy is to continue to maintain its leading position in the value adding of cheese products while diversifying milk solids away from conventional dairy commodities in favour of more technically advanced products that are closely aligned to specific customer needs. This strategy has seen ongoing growth opportunities in infant, growing-up nutritionals, cheese products for the Asian food service sector and lactoferrin products.

The Group generated earnings before interest, tax, depreciation and amortisation ("EBITDA") of $37.4 million, compared to $32.8 million in 1H FY2012, being an increase of 14.0%.

The Group generated earnings before interest and tax ("EBIT") of $26.2 million compared to $22.8 million in 1H FY2012, being an increase of 14.9%.

The Group generated net profit before tax ("PBT") of $21.8 million, compared to $18.6 million in 1H FY2012, being an increase of 17.2%.

The Group generated net profit after tax ("PAT") of $15.9 million, compared to $14.0 million in 1H FY2012, being an increase of 13.6%.

Other comprehensive income due to equity holders was $1.7 million, compared to a loss of $5.2 million in 1H FY2012, being an increase of 132.7%. The increase of 132.7% was the result of:

- an increase of $1.4 million (net of tax) in the market price of shares in Warrnambool Cheese and Butter Factory Company Holdings Limited;
- the impact of the high Australian dollar on hedge reserve accounting.

The half year result continues to be influenced by seasonal factors, the result for the half year is therefore not expected to reflect the proportional full year result of the Group.

Milk Supply

The Group's direct milk supply increased by 8.9% from 337 million litres in 1H FY2012 to 367 million litres in 1H FY2013. The milk was sourced from approximately 500 dairy farmers which is largely in line with those supplying the Group in FY2012. In addition to direct supply, the Group purchases spot milk and milk for toll manufacture. Indirect milk purchases in 1H FY2013 were less than the prior period and totalled approximately 35 million litres.

Operations

The Group continued to operate five production facilities during the reporting period.

Lagoon Street, Bega, New South Wales

Cheddar cheese manufacture and natural snacks production at Lagoon Street, Bega continued to operate at near full capacity during 1H FY2013 as increased demand and initiatives to improve milk utilisation across the Group resulted in more milk and liquid whey being directed to Bega for manufacture into cheddar cheese and whey powder.

Coburg, Victoria

Cheddar cheese manufacture at Coburg, Victoria achieved record production in 1H FY2013 as the Group continued to build up inventory to meet the requirements of the Coles branded contract and demand from other customers.

Ridge Street, Bega, New South Wales

The cheese cut, pack and process operation at Ridge Street, Bega experienced improved operational consistency and overall performance during 1H FY2013 as a result of more stable film performance and renewed focus on operational execution.

Strathmerton, Victoria

The cheese cut, pack and process operation at Strathmerton, Victoria also experienced improved performance throughout the 1H FY2013 as overall equipment effectiveness improved on the new natural cheese cutting and packaging assets implemented in FY2012. Strong demand and ongoing focus on productivity objectives implemented in FY2012 have also contributed to improved performance at Strathmerton.

Tatura, Victoria

Tatura's operations in northern Victoria continue to perform well, with increased cream cheese capacity coming on line in 1H FY2013 (as a result of recent capital expansion initiated in FY2012) quickly being taken up by increased customer demand. Tatura's nutritionals business also is continuing to see growth opportunities, reflecting Asian market demand for these products.

Cash Flows

The Group generated a net cash inflow from operating activities of $3.5 million, compared to a net cash outflow of $38.3 million in 1H FY2012.

Inventory has increased since 1 July 2012 as a result of changing customer mix and the seasonal build-up of stock as increased milk intake in Spring leads to a build-up of production in the first half of each financial year.

Debtors has also increased during the same period as a result of increased sales in the latter part of 1H FY2013.

The business directed funds to the seasonal build-up of stock and the funding of debtors as the primary use of funds during 1H FY2013. The Group has maintained tight control over capital expenditure, particularly as to impact on cash flows during 1H FY2013, whilst continuing to invest in the future via a sound capital expenditure programme.

Markets and Sales

During 1H FY2013 the Group has continued to focus on its key platforms of cut, pack and processing consumer cheese, infant and growing-up dairy nutritional products and cream cheese.

Group consolidated revenue of $491.3 million during 1H FY2013 compared to $448.2 million in 1H FY2012, being an increase of 9.6%.

Softening international dairy commodity prices in the latter half of FY2012 detracted from sales growth in the first part of 1H FY2013, although dairy commodity prices stabilised and then firmed, in American dollar terms, in the latter part of 1H FY2013.

The strong Australian currency continued into 1H FY2013, which has suppressed some of the revenue opportunities that might have otherwise been available during this period.

The Group is constantly developing strategies which increase its ability to withstand variability in dairy commodity prices and the high value of the Australian dollar.

Production Volumes

The Group generated a total production output of 109,868 tonnes during 1H FY2013 compared to 104,191 tonnes in 1H FY2012, being an increase of 5.4%. The main factors contributing to increased total output were as follows:

- increased manufacture of cheddar cheese to meet customer demand;
- increase in cream production with increased capacity coming online during the period; and
- strong volumes at Strathmerton to meet product supply agreements.

Investments

The Company continues to hold a 25% shareholding in Capitol Chilled Foods (Australia) Pty Ltd ("CCFA"), a regional milk processor operating in the Australian Capital Territory and southeast New South Wales.

The Company continues to hold approximately 17% of the shares in Warrnambool Cheese & Butter Factory Company Holdings Limited ("WCB"), with the performance of WCB being on the public record.

Diversified Customer Base

The Group continues to hold a good balance of domestic and international customers across long-term supply contracts and relationships, including Aldi, Coles, Fonterra, Ingredia, Kraft, Lacto Japan, Mead Johnson Nutritionals and Megmilk Snow Brand.

During 1H FY2013 the Group was able to build on a number of key relationships, details of which are provided below.

Coles – Private Label Product Supply Agreement

The Company has continued to develop its significant relationship with Coles Supermarkets Australia Pty Ltd. Having successfully assumed the Coles cheddar cheese and mozzarella cheese business in 2H FY2012, the Company is now the exclusive supplier of Coles branded cheddar cheese and mozzarella cheese in Australia. The Company has also established a baseline investment in stock of maturing cheese to service the Coles business moving forward.

Fonterra Brands Australia - Product Supply Agreement

The Company originally entered into a long-term product supply agreement with FBA in 2001. The Bega Cheese Limited Prospectus ("Prospectus") stated that the Company and FBA had entered into a non-binding memorandum of understanding noting their intent to negotiate a number of changes to the original agreement.

The Company and FBA concluded the negotiations referred to in the Prospectus during 1H FY2013 and entered into a revised long term product supply agreement, whereby the Company will continue to supply retail and food service cheese products to FBA, confirming the ongoing strong relationship between the two companies.

The new agreement continues to require FBA to source all Bega branded products from the Company's Ridge Street, Bega facility while FBA has use of the Bega brand. The new agreement also sees FBA source non-Bega branded products from the Ridge Street facility.

Ingredia – Product Supply Agreement

Tatura originally entered into a series of agreements with Ingredia S.A. ("Ingredia") in 2004 relating to the manufacture, supply and distribution of milk protein products, which was due to expire in 2H FY2013.

Tatura and Ingredia have agreed to vary the terms of the original agreement and in 1H FY2013 entered into a revised medium-term supply and distribution agreement. Under the new agreement Tatura will continue to supply Ingredia milk protein concentrate products (defined as MPC85) and have Ingredia as its exclusive distributor of MPC85 outside of Australia and New Zealand.

Mead Johnson – Product Supply and Plant Sharing Agreement

Tatura originally entered into a long-term project agreement with Mead Johnson Nutrition (Asia Pacific) Pte Ltd ("Mead Johnson") in 2008 under which Tatura agreed to make available and operate one of its driers to produce nutritional powders for Mead Johnson.

Tatura and Mead Johnson have agreed to vary the terms of the original agreement and in 1H FY2013 entered into a revised long term project agreement. Under the new agreement, Tatura will continue to provide Mead Johnson access to the drier and supply infant nutritional powders and will also be able to use the drier for its own requirements for defined periods throughout each year.

The ability for Tatura to access additional capacity on the drier which primarily supplies Mead Johnson will provide the Group the ability to continue to expand its nutritional powders business, manage production peaks and further participate in seasonal milk purchasing opportunities.

Our Team

1H FY2013 represents the first complete reporting period operating under the new organisational structure adopted by the CEO, Aidan Coleman, in FY2012.

The new organisation structure has been supported well by the Executive Team, Leadership Group and staff across the business.

A number of Group-wide initiatives have been investigated during 1H FY2013 that have been managed through cross-functional teams, which has demonstrated an excellent commitment to and participation in the new organisation structure by all involved.

Strategy

The Board has set a clear strategy and direction which sees the Group focused on creating value for our customers, suppliers and shareholders, optimising milk solids away from basic commodities, safeguarding and energising the workforce and continuing long term support and engagement with the communities in which the Group operates.

The Group will maximise the strengths of the business and leverage off its competitive advantages in nutritional food products, FMCG cheese packaging, cream cheese and its core dairy manufacturing network. The Group will continue to invest in infrastructure and skills within the business with the objective remaining that the Bega Cheese Group will be the dairy company of choice for customers, staff, suppliers and investors.

The completion of the cream cheese capacity upgrade and automation in FY2012 now sees the Group cream cheese manufacturing capacity increased by 30% to 22,000 tonnes per year. This capacity is now fully commissioned and the Group is responding to ongoing demand and opportunities being developed particularly in North Asian markets.

The revised contractual arrangements relating to the manufacture of nutritional powders between Mead Johnson and Tatura creates access to additional nutritional powder production for the Group. As international demand was absorbing much of the existing capabilities the 'freeing up' of additional capacity will allow the Group to respond to the strong demand from both existing and new customers.

The extension of the FBA cheese packaging agreement to 2021 builds on the success and innovation that has been the cornerstone of the long term supply arrangement and business relationship between FBA and Bega Cheese. The new arrangements deliver certainty and create future opportunities to grow business between the two companies.

The Board continued to focus on the overall manufacturing infrastructure of the Group and during 1HFY2013 adopted a manufacturing activity plan ("MAP Stage 1") designed to increase cheddar cheese manufacturing capacity and utilisation of whey to maximise the recoverable value of milk solids available to the Group. MAP Stage 1 will be completed during the remainder of FY2013 and into FY2014 with capital works at both Coburg and Tatura to be undertaken as part of the plan.

MAP Stage 1 will increase cheddar/mozzarella cheese capacity at Coburg in the order of 18,000 tonnes per year through installation of additional cheese vats, removal of manufacturing bottlenecks and pre-processing of liquid whey for transport to Tatura for drying, at a capital cost of $2.0 million. This capital programme will complete the approximate $4.0 million in capital expenditure announced at the time Bega Cheese won the Coles private label contract.

MAP Stage 1 will also see further investment in the value adding of milk derived proteins.

Each of the above initiatives represents delivery to the key business platforms of nutritional powders, cream cheese and cheddar and processed cheese. Each business segment now has the opportunity for further growth with current and historic investments delivering the required capacity and capabilities to respond to market demand.

The Group continues to be well positioned to participate in further industry rationalisation and remains alert to the significant interest and unfolding scenarios related to the agriculture segment.

Outlook

Clear direction and a progressive strategic plan means the outlook for the Group remains solid. The Group has extended its relationships with existing and new key customers, strengthened key business platforms, grown direct milk supply, continued to invest in strategic infrastructure and strengthened the organisational structure.

Significant competition in the Australian market continues with international markets recovering albeit at a slow and not necessarily uniform pace. Industry analysts remain confident that international pricing will improve in the second half of FY2013. International pricing improvement may result in an improved outlook for farm gate pricing however much of that improvement is not likely to be seen until the opening price announcements for FY2014 and may be impacted by the historically and continued high value of the Australian dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under *Section 307C* of the *Corporation Act 2001* is set out on page 11.

ROUNDING OF AMOUNTS

The Group is of a kind referred to Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

SUBSEQUENT EVENTS

On 21 February 2013, the Directors declared an interim dividend of 3.50 cents per share.

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

Barry Irvin
Executive Chairman

Joy Linton
Chair of Audit & Risk Committee

Melbourne
21 February 2013

Auditor's Independence Declaration

As lead auditor for the review of Bega Cheese Limited for the half year ended 30 December 2012, I declare that, to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bega Cheese Limited and the entities it controlled during the period.

P.J. Carney

P J Carney
Partner

Sydney
21 February 2013

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Consolidated	
	30 December 2012 $'000	25 December 2011 $'000
Revenue	491,308	448,206
Cost of sales	(419,534)	(387,662)
Gross profit	71,774	60,544
Other income	4,539	4,761
Distribution expense	(22,675)	(16,833)
Marketing expense	(5,085)	(3,268)
Occupancy expense	(1,158)	(1,104)
Administration expense	(21,078)	(21,027)
Finance costs	(4,563)	(4,469)
Profit before income tax	21,754	18,604
Income tax expense	(5,864)	(4,620)
Profit for the period	15,890	13,984
Other comprehensive (expense)/income:		
Items that may be reclassified to profit or loss		
Cash flow hedges	253	(578)
Change in the fair value of other financial assets	1,417	(4,574)
Total other comprehensive income	1,670	(5,152)
Total comprehensive income for the period	17,560	8,832
Profit is attributable to:		
Equity holders of Bega Cheese Limited	15,890	11,089
Non-controlling interests	-	2,895
	15,890	13,984
Total comprehensive income for the period is attributable to:		
Equity holders of Bega Cheese Limited	17,560	6,099
Non-controlling interests	-	2,733
	17,560	8,832
	2012 Cents	2011 Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:		
Basic earnings per share	10.47	9.11
Diluted earnings per share	10.45	9.07

Consolidated Balance Sheet

	Notes	Consolidated 30 December 2012 $'000	Consolidated 30 June 2012 $'000
Assets			
Current assets			
Cash and cash equivalents		13,989	6,053
Trade and other receivables		103,275	95,767
Other financial assets		411	318
Inventories	4	191,071	162,669
Total current assets		308,746	264,807
Non-current assets			
Other financial assets		33,919	30,903
Property, plant and equipment		204,147	204,596
Deferred tax assets		10,691	14,070
Intangible assets		1,580	1,580
Total non-current assets		250,337	251,149
Total assets		559,083	515,956
Liabilities			
Current liabilities			
Trade and other payables		139,007	130,869
Derivative financial instruments		158	-
Borrowings	5	7,765	12,816
Current tax liabilities		1,527	161
Provisions		22,046	21,464
Total current liabilities		170,503	165,310
Non-current liabilities			
Trade and other payables		-	7
Borrowings	5	127,530	102,013
Provisions		2,130	2,186
Total non-current liabilities		129,660	104,206
Total liabilities		300,163	269,516
Net assets		258,920	246,440
Equity			
Contributed equity	7	101,902	101,279
Reserves	8	26,807	25,515
Retained earnings		130,211	119,646
Capital and reserves attributable to owners of Bega Cheese Limited		258,920	246,440
Total equity		258,920	246,440

Consolidated Statement of Changes in Equity

ATTRIBUTABLE TO EQUITY HOLDERS OF BEGA CHEESE

Consolidated	Contributed Equity $'000	Share Based Payment Reserve $'000	Capital Profits Reserve $'000	Hedging Reserve $'000	Fair Value Reserve $'000	Transactions With Non-controlling Interests Reserve $'000	Retained Earnings $'000	Non-Controlling Interests $'000	Total Equity $'000
Balance as at 1 July 2011	27,169	1,090	33,959	534	10,474	-	106,633	25,616	205,475
Profit for the period	-	-	-	-	-	-	11,089	2,895	13,984
Other comprehensive income for the period	-	-	-	(428)	(4,562)	-	-	(162)	(5,152)
Transactions with owners in their capacity as owners									
Contributions of equity net of transaction costs	33,201	-	-	-	-	-	-	-	33,201
Buy-back of shares	-	-	-	-	-	-	-	(58)	(58)
Issue of shares under employee share scheme (Note 8)	1,066	(1,066)	-	-	-	-	-	-	-
Employee share scheme costs	-	319	-	-	-	-	-	-	319
Transactions with non-controlling interest	-	-	-	-	-	-	-	(1,227)	(1,227)
Acquisition of non-controlling interest in Tatura Milk net of transaction costs (Note 8)	38,533	-	-	-	-	(12,567)	-	(27,064)	(1,098)
Balance as at 25 December 2011	99,969	343	33,959	106	5,912	(12,567)	117,722	-	245,444
Balance as at 1 July 2012	101,279	855	33,959	(358)	3,626	(12,567)	119,646	-	246,440
Profit for the period	-	-	-	-	-	-	15,890	-	15,890
Other comprehensive income for the period	-	-	-	253	1,417	-	-	-	1,670
Transactions with owners in their capacity as owners									
Employee share scheme costs	-	234	-	-	-	-	-	-	234
Issue of shares under employee share scheme (Note 8)	612	(612)	-	-	-	-	-	-	-
Shares issued under Dividend Reinvestment Plan	11	-	-	-	-	-	-	-	11
Dividends provided for or paid	-	-	-	-	-	-	(5,325)	-	(5,325)
Balance as at 30 December 2012	101,902	477	33,959	(105)	5,043	(12,567)	130,211	-	258,920

Consolidated Statement of Cash Flows

	Consolidated	
	30 December 2012 $'000	25 December 2011 $'000
Cash flows from operating activities		
Receipts from customers inclusive of goods and services tax	498,364	455,604
Payments to suppliers and employees inclusive of goods and services tax	(489,225)	(490,170)
Interest and other costs of financing paid	(3,820)	(2,696)
Income taxes paid	(1,833)	(1,031)
Net cash inflow/(outflow) from operating activities	3,486	(38,293)
Cash flows from investing activities		
Interest received	102	307
Dividends received	999	-
Payments for property, plant and equipment	(10,816)	(12,152)
Payments for shares in listed companies	(999)	(2,564)
Proceeds from sale of property, plant and equipment	-	9
Proceeds from sale of shares in unlisted companies	12	48
Net cash (outflow) from investing activities	(10,702)	(14,352)
Cash flows from financing activities		
Proceeds from borrowings	31,793	8,482
Repayment of borrowings	(8,200)	-
Repayment of leases	-	(455)
Share capital subscribed by members	-	35,000
Expenses incurred in capital raising	-	(2,982)
Dividends paid to members	(5,314)	-
Dividends paid to non-controlling interests	-	(1,286)
Net cash inflow from financing activities	18,279	38,759
Net increase/(decrease) in cash and cash equivalents	11,063	(13,886)
Cash and cash equivalents at the beginning of the period	2,926	20,587
Cash and cash equivalents at the end of the period	13,989	6,701

Notes to the Financial Statements

1. Basis of Preparation of Half Year Report

This consolidated interim financial report for the half year reporting period ended 30 December 2012 (corresponding prior period being 25 December 2011) has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This interim report includes the result of Bega Cheese Limited (Bega Cheese, Company or parent entity) and the results of the subsidiary, Tatura Milk Industries Limited (subsidiary or Tatura) and joint venture, Capitol Chilled Foods (Australia) Pty Ltd (joint venture or CCFA).

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Bega Cheese Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Comparative financial information for the Statement of Comprehensive Income has been restated where necessary to be consistent with presentation of current year figures.

a. Impact of Standards Issued But Not Yet Applied by the Entity

Certain new accounting standards and interpretations have been published that are not mandatory for the 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

i. AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective for annual reporting periods beginning on or after 1 January 2015).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The Standard is not applicable until 1 January 2015 but is available for early adoption.

The Group has not yet decided when to adopt AASB 9 and is currently assessing the impact of the changes.

ii. AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements and Interpretation 12 Consolidation - Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. This standard will impact the Group's accounting treatment for the CCFA joint venture which is currently proportionately accounted for. The Group's investment in joint venture partnerships will continue to be classified as joint ventures under the new rules. The equity method of accounting will be applied from 1 July 2013.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

AASB 127 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group will not be affected by this amendment.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

iii. AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

iv. AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group has adopted the new standard from 1 July 2012.

v. AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Seasonal Factors

The Consolidated Statement of Comprehensive Income for the half year ended 30 December 2012 is not expected to reflect the proportional full year result of the Group due to seasonal factors.

3. Segment Information

a. Description of Segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group has two reporting segments:

i. Bega Cheese - which manufactures natural cheese, processed cheese, powders and butter and packages cheese products.
ii. Tatura - which manufactures and packages cream cheese, powders and nutritionals.

b. Segment Information Provided to the Board of Directors

Period Ending 30 December 2012	Bega Cheese $'000	Tatura $'000	Group Eliminations $'000	Group Total $'000
Revenues from external customers	341,219	156,134	(6,045)	491,308
EBITDA	20,617	16,810	-	37,427
Interest revenue	64	46	-	110
Interest expense	(3,932)	(631)	-	(4,563)
Depreciation and amortisation	(7,127)	(4,093)	-	(11,220)
Profit before tax	9,622	12,132	-	21,754
Income tax expense	(2,643)	(3,221)		(5,864)
Profit after tax	6,979	8,911	-	15,890
Total segment assets	438,523	198,629	(78,069)	559,083
Total segment liabilities	228,795	72,573	(1,205)	300,163
Purchases of property, plant and equipment	5,120	5,696	-	10,816
Period Ending 25 December 2011				
Revenues from external customers	300,674	154,356	(6,824)	448,206
EBITDA	14,579	17,687	559	32,825
Interest revenue	216	104	-	320
Interest expense	(3,542)	(927)	-	(4,469)
Depreciation and amortisation	(6,402)	(3,670)	-	(10,072)
Profit before tax	4,851	13,194	559	18,604
Income tax expense	(1,076)	(3,544)	-	(4,620)
Profit after tax	3,775	9,650	559	13,984
Total segment assets	392,271	192,527	(78,539)	506,259
Total segment liabilities	182,441	80,051	(1,677)	260,815
Purchases of property, plant and equipment	4,392	7,760	-	12,152

c. Other Segment Information

i. Segment Revenue

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

ii. EBITDA

The Board of Directors assess performance of the operating segments based on EBITDA.

iii. Segment Assets and Liabilities

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

4. Inventories

The increase in inventories from $162,669,000 to $191,071,000 reflects higher stocks of raw materials partly due to the manufacture of bulk cheese in order to fulfil the requirements under the agreement to supply cheese products to Coles.

5. Borrowings

A new Syndicated Facility Agreement was negotiated and executed on 15 November 2012. The syndicate includes the following two financial institutions; Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Australia Branch) and Westpac Banking Corporation. The Group's Revolving Working Capital Facility limit increased by $40 million with no changes to the Term Debt structures however a repayment has been made since 30 June 2012 which has reduced the balance. The Term Loan matures on 31 July 2014. On 28 December 2012 the Revolving Working Capital Facility, Inventory Facility and Tatura Overdraft Facility were amended to extend their maturity dates from 31 July 2013 to 31 January 2014. Group facilities are as follows:

	Consolidated	
	30 December 2012 $'000	30 June 2012 $'000
Financing facilities (excluding leases)		
Amount used	135,295	114,829
Amount unused	66,205	85,371
Total facilities	201,500	200,200
Total financing facilities are represented by:		
Revolving Working Capital Facility	80,000	40,000
Inventory Facility	50,000	50,000
Term Loan	63,800	67,500
Other Facilities	7,700	42,700
Total facilities	201,500	200,200

6. Dividends

An interim dividend of 3.50 cents per share was declared on 21 February 2013, which represents distributions of $5,315,000. An interim dividend of 3.00 cents was paid in 1H FY2012.

7. Contributed Equity

a. Share Capital

	Consolidated	
	30 December 2012 $'000	30 June 2012 $'000
Ordinary shares fully paid	101,902	101,279

b. Movement in Share Capital Value

	A Class Shares $'000	B Class Shares $'000	Ordinary Shares $'000	Total Shares $'000
Shares on issue at 1 July 2011	20,734	6,435	-	27,169
Transfers between classes	(20,734)	(6,435)	27,169	-
Issue of shares on listing	-	-	33,169	33,169
Employee share scheme issues	-	-	1,548	1,548
Issue of shares as consideration on merger with Tatura	-	-	38,573	38,573
Dividend reinvestment plan issues	-	-	820	820
Ordinary shares on issue at 30 June 2012	-	-	101,279	101,279
Shares on issue at 1 July 2012	-	-	101,279	101,279
Employee share scheme issues	-		623	623
Ordinary shares on issue at 30 December 2012	-	-	101,902	101,902

c. Movement in Number of Shares

	A Class Shares Number '000	B Class Shares Number '000	Ordinary Shares Number '000	Total Shares Number '000
Shares on issue at 1 July 2011	82,991	25,686	-	108,677
Transfers between classes	(82,991)	(25,686)	108,677	-
Issue of shares on listing	-	-	17,500	17,500
Employee share scheme issues	-	-	820	820
Issue of shares as consideration on merger with Tatura	-	-	24,019	24,019
Dividend reinvestment plan issues	-	-	481	481
Ordinary shares on issue at 30 June 2012	-	-	151,497	151,497
Shares on issue at 1 July 2012	-	-	151,497	151,497
Employee share scheme issues	-	-	369	369
Ordinary shares on issue at 30 December 2012	-	-	151,866	151,866

8. Reserves

	Consolidated	
	30 December 2012 $'000	30 June 2012 $'000
Share based payment reserve (note 9)	477	855
Capital profits reserve	33,959	33,959
Hedging reserve	(105)	(358)
Fair value reserve	5,043	3,626
Transactions with non-controlling interests reserve *	(12,567)	(12,567)
	26,807	25,515

* This reserve records the differences arising as a result of the acquisition of the non-controlling interest in Tatura.

9. Share Based Payments

a. Bega Cheese Share Group Plans

In 2011, the Board established two employee share plans: The Tax Exempt Plan and the Incremental Plan. The aim of the plans was to reward staff loyalty by a one-off issue of shares on the listing of Bega Cheese on the ASX. The Incremental Plan includes payment of a Retention Award. Shares under both schemes were issued for no consideration. The movement in the Reserve is as follows:

	Consolidated	
	30 December 2012 $'000	30 June 2012 $'000
Reserve balance at beginning of period	855	1,090
Shares issued to employees under the Retention Award	(612)	(1,065)
Employee share scheme expense	234	830
Reserve balance at end of period	477	855

b. Expenses arising from Share Based Payments

Employee share scheme expenses comprise:

	Consolidated	
	30 December 2012 $'000	30 June 2012 $'000
Retention Award	86	649
Expense in relation to Long Term Incentive Plan	148	181
Total expense	234	830

10. Subsequent Events

On 21 February 2013, the Directors declared an interim fully franked dividend of 3.50 cents per share.

Directors' Declaration

In the Directors' opinion:

a. the financial statements and notes set out on pages 12 to 21 are in accordance with the Corporations Act 2001, including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 30 December 2012 and of its performance for the half- year ended on that date; and

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

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

B.A. Irvin.

Barry Irvin
Executive Chairman

Joy Linton
Chair of Audit & Risk Committee

Melbourne
21 February 2013

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Independent Auditor's Review Report to the Shareholders of Bega Cheese Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of Bega Cheese Limited, which comprises the balance sheet as at 30 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Bega Cheese Group (the consolidated entity). The consolidated entity comprises both Bega Cheese Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bega Cheese Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 30 December 2012 included on Bega Cheese Limited's web site. The company's directors are responsible for the integrity of the Bega Cheese Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

P.J. Carney

Paddy Carney
Partner

Sydney
21 February 2013