ASX ANNOUNCEMENT

Appendix 4D and Half Year Accounts 2017

I have pleasure in enclosing the Appendix 4D in relation to the Half Year ended 25 December 2016 together with the 2017 Interim Report for the Half Year ended 25 December 2016.

B. G. Kelly

Brett Kelly
Company Secretary

22 February 2017

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 - 25 December 2016

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with

the 30 June 2016 Annual Report

Contents

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Appendix 4D Item	Percentage		Amount $'000	
Revenue from ordinary activities	Up	**10.6%**	To	621,131
Profit from ordinary activities after tax	Up	**8.2%**	To	15,689
Profit from ordinary activities after tax attributable to members	Up	**8.2%**	To	15,689
Net Profit for the period attributable to members	Up	**8.2%**	To	15,689

Net Tangible Assets Backing	25 December 2016	27 December 2015
Net tangible assets backing per share	**$2.03**	$2.04

Dividends / Distributions	Amount per Security cents	Franked Amount per Security cents
Interim Dividend (Prior Year)	4.5	4.5
Final Dividend (Prior Year)	5.0	5.0
Interim Dividend Declared 22 February 2017 (Current Year)	5.0	5.0

Record Date for Determining Entitlements	Date
Interim Dividend	1 March 2017

Explanation of revenue

Revenue for the Group totalled $621.1 million for 1H FY2017, being an increase of 10.6% on 1H FY2016. Provided below are the key factors impacting revenue in the period:

- growth in the sale of retailers own brand cheese products to Aldi and Coles over the prior comparable period and commencement of sales to Woolworths
- with weak global dairy commodity pricing through 2H FY2016 the Group renewed a focus in line with strategy on mozzarella. In 1H FY2017 the Group has been able to drive additional mozzarella volume and revenue through domestic and international food service channels
- adverse weather conditions and Northern Victoria farmers adjusting their production to address decreased milk prices in 1H FY2017 resulted in a reduction in milk processed compared to the prior comparable period at Tatura
- global dairy commodity prices were at historically low levels in 1H FY2016. In 1H FY2017 commodity prices have increased, in some product lines materially from a low base. This, together with the weakening of the AUD, has also resulted in improved commodity sales on a $/mt basis
- sales for infant nutritional canned products solid through the first quarter of FY2017 compared to the prior period.

Explanation of profit from ordinary activities after tax

The Group generated a statutory profit after tax of $15.7 million, being an increase of 8% over the prior comparable period. Before net realisable value (NRV) adjustments adversely impacting infant nutritionals inventory, the Group generated normalised profit after tax of $20.7 million being an increase of 39%. Provided below are the key factors impacting profit in the period:

- statutory profit after tax of $15.7 million was an increase of $1.2 million on the prior comparable period
- the Group normalised profit after tax of $20.7 million was after adjusting for the effect of infant nutritionals inventory NRV
- the solid performance of the nutritionals business throughout FY2016 carried into the first three months of 1H FY2017
- the slow-down in infant nutritional markets during the latter part of 2016 resulted in the Group taking nutritionals inventory NRV impairments totalling ($7.1) million, which has been expensed in the 1H FY2017 result
- dairy commodity prices have shown strong signs of recovery and the Australian industry is gaining some confidence that commodity prices will return to more sustainable levels
- improving dairy commodity returns and a contraction in the total milk pool in Australia in the first half of FY2017 as a result of climatic conditions and recent industry disruption are leading to a more favourable milk price outlook for farmers in FY2017. The Group recently announced a milk price increase to its Victorian supplier base
- managing increased retailers own brand business, including gearing up to supply the majority of the Woolworths natural cheddar and processed cheese business has been a key deliverable for the dairy foods business in 1H FY2017
- commissioned projects delivered efficiencies and are beginning to deliver value benefits and increased capacity, enabling the business to drive savings through conversion costs
- net interest expense totalled $1.4 million, being a decrease of $0.5 million reflecting lower average net debt and tight working capital management through the period with strong underlying operating cash flow also having a positive impact on net debt in 1H FY2017.

Infant nutritionals business

During the latter part of FY2016 and into 1H FY2017 there was major disruption in the domestic and international infant nutritionals markets. As indicated above, the Group experienced an increase in sales and margins from infant nutritionals business generating favourable normalised returns in 1H FY2017 when compared to the prior comparable period. However, the infant nutritionals market remains disrupted and the outlook for this business in the short term is not without challenge.

Provided below are the key factors impacting the infant nutritionals business in 1H FY2017 and into the immediate future:

- solid sales growth in the early part of 1H FY2017 as evidenced in the broader infant formula market slowed significantly in the latter part of the half-year, the market began to address a build-up of inventory and a contraction of sales

- growth in infant formula demand through 2H FY2016 supported the expansion of our partnership with Blackmores Limited. However, the significant change in the infant nutritionals market since the partnership launched its first products in January 2016 has dampened the expectations for this business
- a combination of regulatory changes in China, a supply response to the demand signal and the evolution of supply channels to market now sees significant discounting in the market place and signs of short term oversupply
- recent announcements by key customers indicate some short-term demand shift and a softening of uptake from Daigou channels.

Explanation of net tangible assets backing

Net tangible assets backing of $2.03 per share has remained stable compared to the prior comparable period with the number of shares on issue in line with prior period. An improved trading performance, net of dividend payments has helped maintain net tangible assets backing.

Explanation of dividends

The interim dividend declared for the current period is 5.0 cents being in line with the prior year final dividend. The interim dividend will be paid on 15 March 2017.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan is not in operation.

Details of subsidiaries, associates and joint venture entities

		Reporting entity's percentage holding	
Name of subsidiary	**Nature of relationship**	**1H FY2017**	**1H FY2016**
Tatura Milk Industries Limited	Subsidiary	100%	100%
Bega Cheese Investments Pty Ltd	Subsidiary	100%	100%
Bemore Partnership	Joint Operation	50%	0%
Capitol Chilled Foods (Australia) Pty Limited	Joint Venture	25%	25%

Bemore partnership

Bega Cheese Investments Pty Ltd is a wholly owned subsidiary of Bega Cheese Limited. With effect from 6 January 2016 this entity held the Group's 50% interest in the Bemore joint arrangement with Blackmores Limited ('Bemore'). Bemore was formed on 6 January 2016 and is ultimately owned and controlled equally by Bega Cheese Limited and Blackmores Limited with both parties sharing equally in the branding, selling, marketing and distribution of life stage nutritional powders sourced from Bega Cheese's subsidiary Tatura Milk.

Domestic and international infant formula markets have experienced major disruption since April 2016, largely as a result of the Chinese authorities announcing changes to regulations relating to selling and marketing infant formula in China from January 2018. The Bemore business was adversely impacted by this disruption in 1H FY2017, which is expected to continue into 2H FY2017. As a result, Bega Cheese and Blackmores are reviewing the operations of the Bemore partnership and the dynamics of the markets in which it operates.

Further information

For further information, please refer to the 2016 Annual Report and the Consolidated 2017 Interim Report attached to this statement.

Bega Cheese Limited

Consolidated 2017 Interim Report for the

Half-Year Ended 25 December 2016

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 25 December 2016.

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	**Richard Cross** Supplier Director Director since December 2011
Peter Margin Chair of the Nomination, Remuneration and Human Resources Committee Independent Director Director since June 2011	**Raelene Murphy** Chair of the Audit & Risk Committee Independent Director Director since June 2015
Jeff Odgers Chair of the Milk Services Committee Supplier Director Director since December 2011	**Richard Parbery** Supplier Director Director since September 1988
Richard Platts Supplier Director Director since November 2000	**Max Roberts** Supplier Director Director since September 1983

At the 2016 Annual General Meeting Richard Platts gave notice that he intends to retire as a director prior to the end of his current term. Mr Platts is supporting the Executive Chairman to coordinate a smooth transition, although a final date for Mr Platt's retirement is still to be determined.

Reporting entity and period

This interim report covers the operations of the Bega Cheese Group, including the wholly owned subsidiary Tatura Milk Industries Limited (Tatura Milk) and the Group's 50% interest in the Bemore partnership with Blackmores Limited through Bega Cheese Investments Limited.

This interim report covers the period from 1 July 2016 to 25 December 2016, being the first half of FY2017 (1H FY2017). The relevant prior period comparatives for the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and related notes are for the period from 1 July 2015 to 27 December 2015 (1H FY2016). The minor difference in the number of trading days in 1H FY2017 compared to the prior period has not had a material impact on the comparative financial performance in the current period.

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

1. 30 June 2016, as reflecting the financial position at the end of the last statutory full year reporting period; and

2. 27 December 2015, which demonstrates the financial position at the end of the previous statutory half-year reporting period, being the more relevant prior period financial position given the seasonal nature of the Group's milk intake and processing activities. The comparable difference in the balance sheet date for 1H FY2017 compared to 1H FY2016 does not have a material impact on the comparative financial position of the Group.

Review of operations

The principal activity of the Group during 1H FY2017 continued to be receiving, processing, manufacturing and distributing dairy and associated products.

Key impacts 1H FY2017

The first half of FY2017 saw the Group achieve the following:

- generated revenue of $621.1 million, being an increase of 10.6% on the prior comparable period with solid infant nutritionals volumes in bulk and canned products, increased volumes though key contract manufacturing customers and a recovery in dairy commodity prices particularly in the latter part of 2016
- increased capacity through capital programs in natural cheese slices, shredded cheese and cream cheese
- generated half-year normalised operating profit after tax of $20.7 million
- increased utilisation of the Derrimut blending and canning facility in 1H FY2017
- lower input costs compared to the prior comparable period combined with increased demand for value added products
- continued focus on manufacturing costs as volumes increased with the addition of Woolworths own label cheese business and other contract manufacturing customers driving better utilisation of cheese cutting, packing and processing assets
- on 25 October 2016 it was announced that the Group had identified significant head winds in infant nutritionals business as the market rebalanced and customers became increasingly cautious as to the impact of regulation changes in China
- on 21 December 2016 Bega Cheese responded to the market on Bellamy's ASX announcement of a trading halt reiterating the comments made on 25 October 2016 about the earnings outlook for FY2017
- Bega Cheese monitored the position of Bellamy's, a major infant nutritionals customer of the Group, during its period of suspension from listing on the ASX and worked cooperatively with management representing this important customer in accordance with contractual arrangements existing between the two companies
- on 22 February 2017 Bega Cheese declared a fully franked interim dividend of 5.0 cents per share, payable on 15 March 2017.

Earnings performance review 1H FY2017

Group statutory result 1H FY2017

The Group generated earnings before interest, tax, depreciation and amortisation (EBITDA) of $35.5 million, compared to $32.4 million in 1H FY2016, being an increase of 10%.

The Group generated earnings before interest and tax (EBIT) of $22.9 million compared to $21.7 million in 1H FY2016, being an increase of 6%.

The Group generated profit before tax (PBT) of $21.5 million, compared to $19.7 million in 1H FY2016, being an increase of 9%.

The Group generated profit after tax (PAT) of $15.7 million, compared to $14.5 million in 1H FY2016, being an increase of 8%.

As in prior years, the result for 1H FY2017 is not expected to reflect the proportional full year result of the Group as it is influenced by seasonal factors. In addition, previous announcements by the Group in relation to the softening short term outlook for its infant nutritionals business and the loss of the Coles own brand cheese business from January 2017 will also impact the first half versus second half performance of the Group in FY2017.

Recent market announcements providing guidance as to the Group's performance in FY2017 overall should also be considered in assessing the performance of the Group in 1H FY2017.

The remainder of this earnings performance review for 1H FY2017 will focus on the normalised result, consistent with prior years.

Group normalised result 1H FY2017

The normalising adjustment for 1H FY2017 relates to the NRV inventory adjustment of infant and nutritionals finished goods and raw materials inventory of ($7.1) million as communicated at the 2016 Annual General Meeting (AGM).

The normalising adjustment of ($0.5) million in 1H FY2016 related to the final costs of the Milk Sustainability and Growth Program, which closed in February 2015. No other costs associated with the program were incurred in 1H FY2017.

The Group generated normalised EBITDA of $42.6 million, compared to $32.9 million in 1H FY2016, being an increase of 30%.

The Group generated normalised EBIT of $30.0 million compared to $22.2 million in 1H FY2016, being an increase of 36%.

The Group generated normalised PBT of $28.6 million, compared to $20.2 million in 1H FY2016, being an increase of 42%.

The Group generated normalised PAT of $20.7 million, compared to $14.8 million in 1H FY2016, being an increase of 39%.

The table below demonstrates the movement between the statutory reporting financial performance and the normalised financial performance for the Group after adjusting for infant nutritionals inventory NRV provisions in 1H FY2017 and final costs associated with the Milk Sustainability and Growth Program in 1H FY2016.

Normalised result for the Group

Consolidated	Per Financial Statements $'000	Inventory Impairment $'000	Milk Sustainability and Growth adjustment $'000	Normalised outcome $'000
Period Ending 25 December 2016				
Revenue	621,131	-	-	621,131
Cost of sales	(556,077)	7,100	-	(548,977)
Gross profit	**65,054**	**7,100**	**-**	**72,154**
Other income and expenses	(29,558)	-	-	(29,558)
EBITDA	**35,496**	**7,100**	**-**	**42,596**
Depreciation, amortisation and impairment	(12,548)	-	-	(12,548)
EBIT	**22,948**	**7,100**	**-**	**30,048**
Finance costs, net	(1,414)	-	-	(1,414)
Profit before income tax	**21,534**	**7,100**	**-**	**28,634**
Income tax expense	(5,845)	(2,130)	-	(7,975)
Profit for the period	**15,689**	**4,970**	**-**	**20,659**
Gross margin - percentage	**10%**			**12%**
Basic earnings per share - cents	**10.3**			**13.5**
Period Ending 27 December 2015				
Revenue	561,373	-	-	561,373
Cost of sales	(502,668)	-	488	(502,180)
Gross profit	**58,705**	**-**	**488**	**59,193**
Other income and expenses	(26,334)	-	-	(26,334)
EBITDA	**32,371**	**-**	**488**	**32,859**
Depreciation, amortisation and impairment	(10,701)	-	-	(10,701)
EBIT	**21,670**	**-**	**488**	**22,158**
Finance costs, net	(1,926)	-	-	(1,926)
Profit before income tax	**19,744**	**-**	**488**	**20,232**
Income tax expense	(5,245)	-	(146)	(5,391)
Profit for the period	**14,499**	**-**	**342**	**14,841**
Gross margin - percentage	**10%**			**11%**
Basic earnings per share - cents	**9.5**			**9.7**

Overview of segment normalised performance

Bega Cheese

The Bega Cheese segment generated normalised PAT of $8.1 million, compared to $9.3 million in 1H FY2016, being a decrease of (13%).

Key impacts relevant to the Bega Cheese segment for the period were as follows:

- milk intake from suppliers decreased from a record Bega Cheese segment milk intake in the prior comparable period by (4%) to 163 million litres. New South Wales suppliers were favourable as a result of on farm conditions while there was a decrease in milk supplied from Western Victoria regions
- total production and sales volume were favourable, with additional volume of Coles, Woolworths and Aldi products generating increased revenue and overhead recoveries compared to the prior comparable period
- core dairy production increased on the prior comparable period driving increased operating efficiency and improved average conversion costs
- volume through the cheese cutting, packaging and processing plants increased by 18% as a result of increased demand from key customers and the commencement of the Woolworths own brand cheese business in 1H FY2017, although this rate of growth will not be sustained in 2H FY2017 as the Coles own brand business ceased with effect from late January 2017
- revenue totalled $406.1 million in 1H FY2017, being an increase of 11%, driven largely by the above increase in production and milk diverted from Tatura Milk to Bega Cheese's Coburg plant for mozzarella processing.

Tatura Milk

The Tatura Milk segment generated normalised PAT of $12.5 million, compared to $5.5 million in 1H FY2016, being an increase of 128%.

Tatura Milk delivered a strong improvement in normalised PAT as a result of favourable sales through its nutritionals business in the first quarter of FY2017 and a recovery in its dairy ingredients business off the back of a favourable commodity market in the later months of 2016.

Further capital expansion in the Derrimut blending and canning facility and new capacity within cream cheese has also delivered benefits in 1H FY2017.

Key impacts relevant to the Tatura Milk segment for the period were as follows:

- milk intake from suppliers decreased by (9%) to 179 million litres reflecting the abnormally wet season experienced in Northern Victoria through the winter months
- production of dairy related finished goods at Tatura Milk was down (7%), with lower milk intake from suppliers in Northern Victoria and the Group diverting some of Tatura Milk's traditional milk pool to the Bega Coburg cheese facility for manufacture of mozzarella cheese reducing the manufacture of Tatura Milk's core dairy products and commodity dairy ingredients

- infant formula in finished canned format increased from the prior comparable period with the Derrimut canning line operating 24 hours, seven days a week for the first three months, increasing value-added volume to Tatura's product mix along with increased margins, although this business contracted in the latter part of 1H FY2017 resulting in production reducing to five days per week
- ongoing demand for cream cheese products and increased capacity allowed the business to service strong demand domestically and internationally
- Tatura Milk opened with a milk price to Southern suppliers of $5.00/kg milk solids, a leading price compared to the competition at the time, being a materially lower average cost of milk compared to the prior comparable period
- increased demand for value added dairy products, a contracting Australian milk pool due to industry disruption in the second half of FY2016 and increasing demand for milk enabled Tatura Milk to announce an increase in the FY2017 average milk price to $5.13/kg milk solids.

Cash flows

The Group generated statutory net cash inflow from operating activities of $9.0 million in 1H FY2017, compared to net cash inflow of $6.2 million in 1H FY2016.

The improvement in operating cash flow has resulted from an improvement in profitability and tight management of working capital compared to the prior comparable period.

In line with the Group's seasonal spring peak net working capital increased from $180.0 million at 30 June 2016 to $196.9 million at 25 December 2016. The Group's net working capital of $196.9 million is slightly favourable to the prior comparable period.

Net debt totalled $70.6 million as at the end of 1H FY2017, being an increase of $17.6 million from 30 June 2016. This increase in net debt was largely the result of a seasonal build in inventory leading up to 25 December 2016 in line with expectations and a build-up of Woolworths own label cheese inventory as this new contract commenced from January 2017.

Capital investment during 1H FY2017

Bega Cheese Group capital expenditure in 1H FY2017 totalled $15.4 million (1H FY2016: $15.1 million). The Group also invested in the development of a new enterprise resource planning and management reporting information system (ERP) with investment in 1H FY2017 totalling $6.7 million (1H FY2016: $1.0 million).

In addition to ongoing preventative capital works the Group has commenced or completed the following capital expenditure initiatives in 1H FY2017:

- additional capacity within cream cheese at Tatura Milk with larger separators also allowing for future expansion and new product lines
- increasing the efficiency and production capacity of natural cheese slices and increasing the efficiency, flexibility and capacity of shredded cheese at Ridge Street, Bega
- infrastructure programs at Tatura Milk for sodium management and bag house installation
- increasing efficiency, quality controls and production capacity at the Derrimut blending and canning facility.

Revised syndicated debt facility

Bega Cheese Group had $163.0 million in available facilities as at 25 December 2016 (in line with 30 June 2016). The seasonal facility in place for the latter part of 1H FY2016 was not required for the current period.

The Group's net debt as at 25 December 2016 was $70.6 million, well within the available facility limits.

Milk supply

Overall milk supply is down on the prior comparable period as a result of the conditions described above although the Group managed to attract new milk suppliers to accommodate the increased demand in ingredients products in 1H FY2017.

During the period the Group established a unique water access arrangement for the benefit of its Northern Victoria milk suppliers. This arrangement also involved Murray Irrigation Limited and other water authorities and provided the opportunity for Tatura Milk's suppliers who applied under the scheme to access water at a competitive cost in certain circumstances. This arrangement was established in a period where water supply was limited and the cost of water was high and was well supported by the suppliers. The benefits of this scheme were ultimately not required, as heavy rains across the catchment areas replenished water reserves and reduced the cost of water in the region.

Northern Victoria quickly turned from drought to too much rain. As a result, dairy farming conditions have been particularly harsh, with very heavy rainfall in the winter months continuing into spring adversely impacting milk production. Paddocks usually prospering through spring, became unusable for extended periods of time, cows were calving in relatively cold and wet conditions with access to dairy sheds for milking and milk pickup limited at times.

Strategic outlook

The Group continues to invest in its key strategic platforms of dairy ingredients, dairy foods (encompassing food service and consumer goods), nutritionals and bionutrients to enable shareholder return and margin growth diversifying earnings streams away from commodity markets.

Higher value consumer goods and key dairy ingredients products continue to gather momentum, with the Group being flexible to change in markets and developing new products to support our customers. Investment in these platforms continues to drive margin benefit to the business and support competitive milk prices to suppliers.

Securing high quality, sustainably produced and growing milk supply remains very important to the business as the Board continues to look at opportunities to support our farmers through loyalties for milk and on-farm support packages.

The Board and management continue to work on the strategic direction of the Group to grow shareholder return.

Subsequent events

Acquisition of MDLZ Grocery Business

On 19 January 2017, Bega Cheese announced that it had entered into a binding agreement to acquire most of Mondelez International's Australia and New Zealand grocery and cheese business (MDLZ Grocery Business) for $460 million.

The MDLZ Grocery Business is a portfolio of iconic food brands and manufacturing capability including *Vegemite* and other licensed Kraft products including *KRAFT* peanut butter, *KRAFT* cheese and *ZoOSh* salad dressings with annual pro-forma net revenue of approximately $310 million and EBITDA of between $40 and $45 million (prior to one off transaction costs, implementation costs and any impact arising from the purchase price allocation) in its first full year of operation.

Bega Cheese will acquire the global trademark rights to *Vegemite* and *ZoOSh*; a transitional royalty free trademark licence for several *KRAFT* branded products, including peanut butter and processed cheese until December 2017; a licence for the *Dairylea* and *Snackabouts* brands together with inventory, property, plant and equipment and employee entitlements.

The acquisition will deliver a strong branded consumer food platform and unique scalable production facility with strong sales and marketing, research and development and operations teams. It has with it an excellent culture with high staff engagement focussed on operational best practice, productivity and continuous improvement.

Rationale

Rare opportunity to acquire Vegemite and other well-known brands

The combination of Australia's most iconic food brand with Bega Cheese's product portfolio creates a leading Australian branded consumer goods business, significantly enhances Bega Cheese's already strong retailer and food service relationships and adds further diversification to Bega Cheese's large business to business dairy foods and nutritional businesses.

Adds management capability and experience

The MDLZ Grocery Business brings significant depth and expertise to Bega Cheese's management and complements our operational capability to facilitate future growth through sales and marketing, manufacturing and operations.

Strong financial benefits

Mix of strong stable cash flow and new growing businesses aligns with Bega Cheese's traditional structure which is expected to deliver earning per share accretion in the first full year (prior to one off transaction costs, implementation costs and any impact arising from the purchase price allocation), has low capital intensity spend, substantial property holding and world-class manufacturing capability at Port Melbourne, Victoria.

Opportunity to unlock further profitable growth

The combined Bega Cheese and MDLZ Grocery Business is expected to energise staff and create new marketing, development and brand opportunities. It provides the Group with an unrivalled position in the spreads category which has seen recent growth led by the health benefits of nut spreads. The combined brand, product and manufacturing capabilities should drive marketing efficiencies, unique increased retail presence and consumption opportunities with the Port Melbourne facilities providing significant capacity for organic growth and acquisitions.

Earnings

Bega Cheese expects the MDLZ Grocery Business to generate pro-forma EBITDA between $40 and $45 million (prior to one off transaction costs, implementation costs and any impact arising from the purchase price allocation) in its first full year of operation.

This EBITDA range includes additional costs estimated by Bega Cheese to reflect the post transaction operation of the MDLZ Grocery Business. This includes additional sales and marketing resources, investment in information technology, other back office support systems, additional distribution and other costs.

Balance sheet

The acquisition includes approximately $90 million of inventory and property, plant and equipment, (current net book value of property, plant and equipment, before any fair value adjustment on acquisition) plus trademarks, other intellectual property and employee entitlements for transferring employees.

Purchase price and funding

The acquisition price of $460 million will be fully funded from a $500 million facility from Bega Cheese's existing lenders. Bega Cheese intends to maintain a strong balance sheet and has near-term corporate opportunities underway to reduce debt. In the event these are unsuccessful a capital raising may be considered at a later date.

Post the acquisition date, financial covenants must be met at all times with revised terms commencing 30 June 2017.

Under the revised terms of the Syndicated Facilities, the Group is required to comply with the following covenants:

- the leverage ratio (Net Debt / EBITDA) must be less than 4.75 times at 30 June 2017, stepping down to 4.00 times at various quarterly reporting dates up to 31 March 2018, then stepping down to 3.00 times at 30 June 2018 and thereafter;
- the interest cover ratio (EBIT / Net Interest Expense) must be greater than 2.50 times; and
- shareholder funds must be greater than $250 million.

Victorian milk price

There has been a relatively rapid improvement in global commodity prices in recent months and while there remains volatility the outlook for sustained improvements in global dairy commodity pricing is becoming more positive. At the beginning of the financial year the Group held the view that commodity prices would improve and to give a level of confidence to its Victorian milk suppliers the Group included some of this anticipated improvement into its opening price of $5.00/kg milk solids.

On 6 January 2017, the Directors declared a price increase of two cents per litre or $0.26/kg milk solids for the milk pay periods January 2017 to June 2017 inclusive for Victorian suppliers. Whilst this price increase will be paid across milk to be supplied in 2H FY2017 part of the financial effect has been accrued as part of the full year average milk price for the Southern milk pool, bringing the average annual milk price to $5.13/kg milk solids.

CEO appointment

At the 2016 AGM Aidan Coleman announced his intention to retire as Chief Executive Officer (CEO) of Bega Cheese Group, which took effect on 31 January 2017. The Board is pleased to confirm that Mr Coleman will continue to work with Bega Cheese Group beyond 31 January 2017 in a consulting role to assist with the integration of the MDLZ Grocery Business.

During his five years of service as CEO Mr Coleman has made a significant contribution across all parts of Bega Cheese Group, growing its revenue, adding capacity and capability to its infrastructure, developing its people and strengthening relationships with our suppliers and customers. Mr Coleman has been a great steward of Bega Cheese Group and his knowledge, experience and skill has been of great value to the business.

The Executive Chairman and Board have actively managed the retirement of Mr Coleman and the smooth transition to Paul van Heerwaarden, with Mr van Heerwaarden assuming the role of CEO from 1 February 2017. Mr van Heerwaarden's appointment is ongoing with no fixed term.

Dividend

On 22 February 2017, the Directors declared an interim fully franked dividend of 5.0 cents per share, which represents a distribution of $7.6 million. An interim fully franked dividend of 4.5 cents per share was paid in the prior comparable period.

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 17.

Rounding of amounts

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

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

Barry Irvin
Executive Chairman
Melbourne

Raelene Murphy
Independent Director
Melbourne

22 February 2017

Auditor's Independence Declaration

As lead auditor for the review of Bega Cheese Limited for the half-year ended 25 December 2016, 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.

SJ Bourke
Partner
PricewaterhouseCoopers
Sydney

22 February 2017

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	CONSOLIDATED 25 December 2016 $'000	CONSOLIDATED 27 December 2015 $'000
Revenue		621,131	561,373
Cost of sales	8	(556,077)	(502,668)
Gross profit		**65,054**	**58,705**
Other revenue		3,103	3,052
Other income		399	588
Distribution expense		(25,915)	(24,841)
Marketing expense		(5,796)	(4,655)
Occupancy expense		(1,609)	(1,788)
Administration expense	8	(12,734)	(9,646)
Finance costs		(1,511)	(2,037)
Share of net profit of joint venture		543	366
Profit before income tax		**21,534**	**19,744**
Income tax expense		(5,845)	(5,245)
Profit for the period		**15,689**	**14,499**
Other comprehensive (expense) / income:			
Items that may be reclassified to profit or loss			
Cash flow hedges and other items		(1,095)	691
Change in the fair value of other financial assets		217	(184)
Total other comprehensive (expense) / income		**(878)**	**507**
Total comprehensive income for the period		**14,811**	**15,006**
Profit attributable to owners of Bega Cheese Limited		15,689	14,499
Total comprehensive income for the period attributable to owners of Bega Cheese Limited		14,811	15,006

	2017 Cents	2016 Cents
Earnings per share for profit attributable to ordinary equity holders of the parent:		
Basic earnings per share	10.3	9.5
Diluted earnings per share	10.3	9.5

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

CONSOLIDATED BALANCE SHEET

	Notes	CONSOLIDATED 25 December 2016 $'000	30 June 2016 $'000	27 December 2015 $'000
ASSETS				
Current assets				
Cash and cash equivalents		14,508	9,658	17,323
Trade and other receivables		160,502	143,673	122,874
Derivative financial instruments	6	1,323	545	540
Inventories		194,331	192,398	206,545
Total current assets		**370,664**	**346,274**	**347,282**
Non-current assets				
Other financial assets	6	1,039	729	729
Property, plant and equipment		222,702	219,944	213,669
Deferred tax assets		11,059	10,329	11,699
Intangible assets		14,625	7,903	3,021
Investments accounted for using the equity method		1,226	1,495	1,463
Total non-current assets		**250,651**	**240,400**	**230,581**
Total assets		**621,315**	**586,674**	**577,863**
LIABILITIES				
Current liabilities				
Trade and other payables		157,911	156,044	128,922
Derivative financial instruments	6	3,060	1,583	1,306
Borrowings	4	24,139	15,235	350
Current tax liabilities		6,343	5,056	2,898
Provisions		31,945	31,335	29,774
Total current liabilities		**223,398**	**209,253**	**163,250**
Non-current liabilities				
Borrowings	4	61,000	47,500	92,000
Provisions		1,898	2,083	1,808
Total non-current liabilities		**62,898**	**49,583**	**93,808**
Total liabilities		**286,296**	**258,836**	**257,058**
Net assets		**335,019**	**327,838**	**320,805**
EQUITY				
Share capital	5a	103,942	103,942	103,942
Reserves		20,180	21,058	21,438
Retained earnings		210,897	202,838	195,425
Capital and reserves attributable to owners of Bega Cheese Limited		**335,019**	**327,838**	**320,805**
Total equity		**335,019**	**327,838**	**320,805**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes. The Balance Sheet as at 27 December 2015 has been included to better reflect the impact of business seasonality on the financial position at the half-year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated	Share capital $'000	Share-based payment reserve $'000	Capital profits reserve $'000	Hedging reserve $'000	Fair value reserve $'000	Transactions with non-controlling interests $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2015	103,942	94	33,959	(555)	-	(12,567)	187,793	312,666
Profit for the period	-	-	-	-	-	-	14,499	14,499
Other comprehensive income (expense) for the period	-	-	-	691	(184)	-	-	507
Transactions with owners in their capacity as owners								
- Dividends provided for or paid	-	-	-	-	-	-	(6,867)	(6,867)
Balance as at 27 December 2015	**103,942**	**94**	**33,959**	**136**	**(184)**	**(12,567)**	**195,425**	**320,805**
Balance as at 1 July 2016	103,942	94	33,959	(244)	(184)	(12,567)	202,838	327,838
Profit for the period	-	-	-	-	-	-	15,689	15,689
Other comprehensive income (expense) for the period	-	-	-	(1,095)	217	-	-	(878)
Transactions with owners in their capacity as owners								
- Dividends provided for or paid	-	-	-	-	-	-	(7,630)	(7,630)
Balance as at 25 December 2016	**103,942**	**94**	**33,959**	**(1,339)**	**33**	**(12,567)**	**210,897**	**335,019**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	25 December 2016 $'000	27 December 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers inclusive of goods and services tax	640,986	582,708
Payments to suppliers and employees inclusive of goods and services tax	(625,103)	(572,748)
Payments under the Milk Sustainability and Growth Program	-	(488)
Interest and other costs of financing paid	(1,511)	(1,990)
Income taxes paid	(5,381)	(1,276)
Net cash inflow from operating activities	**8,991**	**6,206**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	97	103
Dividend received	10	-
Payments for property, plant and equipment	(14,374)	(13,906)
Payments for intangible assets	(5,502)	(936)
Payments for other financial assets	-	(992)
Proceeds from sale of property, plant and equipment	41	55
Joint venture partnership distributions received	813	-
Net cash (outflow) from investing activities	**(18,915)**	**(15,676)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	22,500	23,376
Repayment of borrowings	(96)	-
Dividends paid to members	(7,630)	(6,867)
Net cash inflow from financing activities	**14,774**	**16,509**
Net increase in cash and cash equivalents	4,850	7,039
Cash and cash equivalents at the beginning of the period	9,658	10,284
Cash and cash equivalents at the end of the period	**14,508**	**17,323**

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) Woolworths own label cheese business

In July 2016 the Group announced that it had secured a significant component of the Woolworths own label cheese business to commence January 2017. This business commenced in 1H FY2017 and provided additional revenue to the Group's results.

b) Infant nutritionals business

On 25 October 2016 the Group announced significant headwinds in its life stage nutritional powders business as the market rebalances and customers remain cautious as to the impact of regulation changes in China. The change in market circumstances has resulted in sales not materialising at levels that were initially forecasted.

As such the Group has written down the value of its infant nutritionals inventory holding by $7.1 million in 1H FY2017 and will continue to keep the business under review through to June 2017.

	CONSOLIDATED	
	25 December 2016 $'000	27 December 2015 $'000
Impact on cost of sales and EBITDA	(7,100)	-
Impact on income tax expense	2,130	-
Impact on profit for the period	**(4,970)**	**-**
Impact on cash flows for the period before tax	**-**	**-**

c) Bellamy's trading halt

On 21 December 2016 Bega Cheese provided a disclosure to the ASX, responding to Bellamy's ASX announcement of a trading halt. In Bega Cheese's disclosure it reiterated comments made on 25 October 2016 on its earnings outlook for FY2017. The Group supplies infant formula to a number of customers with product destined to both domestic and international markets. There continues to be sound underlying consumer demand for infant formula in China and in other Asian markets.

2. SEASONAL FACTORS

The Consolidated Statement of Comprehensive Income for the half-year ended 25 December 2016 is not expected to reflect the proportional full year result of the Group due to seasonal factors and other factors addressed throughout this report, including a likely contraction in the infant nutritionals business and a decrease in sales volume and margin as a result of the conclusion of the Coles own brand cheese business, offset in part by commencement of the Woolworths own label cheese business compared to 1H FY2017.

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 - manufactures natural cheese, processed cheese, powders and butter and packages cheese products.

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

	Bega Cheese $'000	Tatura Milk $'000	Group Eliminations $'000	Group Total $'000
Period ending 25 December 2016				
Revenue	406,111	232,543	(17,523)	621,131
EBITDA	19,213	16,283	-	35,496
Depreciation, amortisation and impairment	(7,221)	(5,327)	-	(12,548)
EBIT	11,992	10,956	-	22,948
Interest revenue	42	55	-	97
Interest expense	(1,033)	(478)	-	(1,511)
Profit before income tax	**11,001**	**10,533**	-	**21,534**
Income tax expense	(2,869)	(2,976)	-	(5,845)
Profit for the period	**8,132**	**7,557**	-	**15,689**
Impact of current period events on EBITDA (note 1)				
Inventory Impairment before tax	-	(7,100)	-	(7,100)
Period ending 27 December 2015				
Revenue	366,828	211,596	(17,051)	561,373
EBITDA	19,110	13,261	-	32,371
Depreciation, amortisation and impairment	(5,794)	(4,907)	-	(10,701)
EBIT	13,316	8,354	-	21,670
Interest revenue	41	70	-	111
Interest expense	(1,093)	(944)	-	(2,037)
Profit before income tax	**12,264**	**7,480**	-	**19,744**
Income tax expense	(3,334)	(1,911)	-	(5,245)
Profit for the period	**8,930**	**5,569**	-	**14,499**
Impact of current period events on EBITDA				
Milk Sustainability and Growth Program before tax	(596)	108	-	(488)
Total segment assets and liabilities				
Total segment assets 25 December 2016	445,033	264,112	(87,830)	621,315
Total segment assets 30 June 2016	405,585	266,444	(85,355)	586,674
Total segment assets 27 December 2015	407,465	251,745	(81,347)	577,863
Total segment liabilities 25 December 2016	200,692	95,805	(10,201)	286,296
Total segment liabilities 30 June 2016	162,819	103,833	(7,816)	258,836
Total segment liabilities 27 December 2015	161,831	99,714	(4,487)	257,058

b) Other segment information

i. Segment revenue

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

ii. EBITDA

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

iii. Segment assets and liabilities

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

4. BORROWINGS

Bega Cheese Group had $163.0 million in available facilities as at 25 December 2016 (in line with 30 June 2016). The seasonal facility in place for part of FY2016 was not required for the current period.

	CONSOLIDATED		
	25 December 2016 $'000	30 June 2016 $'000	27 December 2015 $'000
Undrawn facilities expiring within one year	51,000	67,765	-
Undrawn facilities expiring beyond one year	26,861	32,500	100,650
Drawn facilities	85,139	62,735	92,350
Total facilities	**163,000**	**163,000**	**193,000**
Total facilities are represented by:			
Syndicated Facilities - Non Current	80,000	80,000	80,000
Syndicated Facility - Seasonal Revolving Cash Advance Facility	-	-	30,000
Inventory Facility	75,000	75,000	75,000
Overdraft Facility	6,500	6,500	6,500
Vat Financing Facility	1,500	1,500	1,500
Total facilities	**163,000**	**163,000**	**193,000**

The Syndicated Facilities Non Current comprises of two cash advance facilities, with $70.0 million maturing 31 January 2019 and $10.0 million maturing 31 January 2020.

Under the terms of the current Syndicated Facilities, the Group is required to comply with the following covenants:

- the interest cover ratio must be equal or greater than 2.50 times;
- the leverage ratio must not be greater than 3.00 times; and
- shareholder funds must be equal or greater than $200 million.

Post the acquisition date of the MDLZ Grocery Business, under the revised terms of the Syndicated Facilities, the Group is required to comply with the following covenants commencing 30 June 2017:

- the leverage ratio must be less than 4.75 times at 30 June 2017, stepping down to 4.00 times at various quarterly reporting dates up to 31 March 2018, then stepping down to 3.00 times at 30 June 2018 and thereafter;
- the interest cover ratio must be greater than 2.50 times; and
- shareholder funds must be greater than $250 million.

5. SHARE CAPITAL

a) Share capital

	CONSOLIDATED		
	25 December 2016 $'000	30 June 2016 $'000	27 December 2015 $'000
Share capital - ordinary shares fully paid	**103,942**	**103,942**	**103,942**

b) Movement in number of shares and share capital value

	Ordinary Shares Number '000	Ordinary Shares $'000
Ordinary shares on issue at 1 July 2015	152,603	103,942
Movements	-	-
Ordinary shares on issue at 27 December 2015 and 30 June 2016	152,603	103,942
Ordinary shares on issue at 1 July 2016	152,603	103,942
Movements	-	-
Ordinary shares on issue at 25 December 2016	152,603	103,942

6. FINANCIAL RISK MANAGEMENT

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. Refer to the 2016 Annual Report for details on the basis of AASB 7 *Financial Instruments* disclosure of fair value measurements. The following table presents the Group's assets and liabilities measured and recognised at fair value at the end of the reporting periods:

Consolidated	Level 1 $'000	Level 2 $'000	Total $'000
Period ending 25 December 2016			
Assets			
Derivatives used for hedging	-	1,323	1,323
Financial assets at fair value through equity	1,039	-	1,039
Total assets	**1,039**	**1,323**	**2,362**
Liabilities			
Derivatives used for hedging	-	(3,060)	(3,060)
Total liabilities	**-**	**(3,060)**	**(3,060)**
Period ending 30 June 2016			
Assets			
Derivatives used for hedging	-	545	545
Financial assets at fair value through equity	729	-	729
Total assets	**729**	**545**	**1,274**
Liabilities			
Derivatives used for hedging	-	(1,583)	(1,583)
Total liabilities	**-**	**(1,583)**	**(1,583)**
Period ending 27 December 2015			
Assets			
Derivatives used for hedging	-	540	540
Financial assets at fair value through equity	729	-	729
Total assets	**729**	**540**	**1,269**
Liabilities			
Derivatives used for hedging	-	(1,306)	(1,306)
Total liabilities	**-**	**(1,306)**	**(1,306)**

7. SUBSEQUENT EVENTS

a) Victorian milk price

There has been a relatively rapid improvement in global commodity prices in recent months and while there remains volatility the outlook for sustained improvements in global dairy commodity pricing is becoming more positive. At the beginning of the financial year the Group held the view that commodity prices would improve and to give a level of confidence to its Victorian milk suppliers the Group included some of this anticipated improvement into its opening price of $5.00/kg milk solids.

On 6 January 2017, the Directors declared a price increase of two cents per litre or $0.26/kg milk solids for the milk pay periods January 2017 to June 2017 inclusive for Victorian suppliers. Whilst this price increase will be paid across milk to be supplied in 2H FY2017 part of the financial effect has been accrued as part of the full year average milk price for the Southern milk pool, bringing the average annual milk price to $5.13/kg milk solids.

b) Acquisition of MDLZ grocery business

On 19 January 2017, Bega Cheese announced that it had entered into a binding agreement to acquire the MDLZ Grocery Business for $460 million.

For further details relating to the subsequent event refer to the subsequent events section of the Directors' Report starting on page 13.

c) Dividend

On 22 February 2017, the Directors declared an interim fully franked dividend of 5.0 cents per share, which represents a distribution of $7.6 million. An interim dividend of 4.5 cents per share was paid in respect of 1H FY2016.

8. RECLASSIFICATION OF ITEMS IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The classification of certain items was revised to improve reporting of administration expenses in order to present information in a more relevant way. There was no impact on profit or net assets from these reclassifications. Presentation of the affected financial statement line items for the prior comparable period has been restated as summarised below.

	CONSOLIDATED			
	27 December 2015 As reported $'000	Restatement Bega Cheese $'000	Restatement Tatura Milk $'000	27 December 2015 Restated $'000
Cost of sales	(484,522)	(18,146)	-	(502,668)
Administration expense	(27,792)	18,146	-	(9,646)
Profit before income tax	19,744	-	-	19,744

	CONSOLIDATED			
	27 December 2015 As reported $'000	Restatement Bega Cheese $'000	Restatement Tatura Milk $'000	27 December 2015 Restated $'000
Property, plant and equipment	214,655	(986)	-	213,669
Intangible assets	2,035	986	-	3,021

9. BASIS OF PREPARATION

This Consolidated Interim Financial Report for the half-year reporting period ended 25 December 2016 (corresponding prior comparable period being 27 December 2015) 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 Milk), joint operation, Bemore Partnership (joint operation or Bemore) 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 2016 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 are consistent with those of the previous financial year and corresponding interim reporting period.

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 18 to 28 are in accordance with the *Corporations Act 2001*, including:

    i. complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

    ii. giving a true and fair view of the consolidated entity’s financial position as at 25 December 2016 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.

B.A. Irvin

Barry Irvin
Executive Chairman
Melbourne

Raelene Murphy
Independent Director
Melbourne

22 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF BEGA CHEESE LIMITED

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Bega Cheese Limited (the company), which comprises the consolidated balance sheet as at 25 December 2016, 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 for the Bega Cheese Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 25 December 2016 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
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 25 December 2016 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*.

PricewaterhouseCoopers

PricewaterhouseCoopers

SJ Bourke
Partner
PricewaterhouseCoopers
Sydney

22 February 2017