



BEGA CHEESE
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27 September 2013

ASX Limited
Company Announcements Office
North Tower, Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Sir/Madam,

Takeover Offer by Bega Cheese Limited (ASX Code: BGA) for Warrnambool Cheese and Butter Factory Company Holdings Limited (ASX Code: WCB) – Supplementary and mark-up Replacement Bidder's Statements

We refer to the bidder's statement issued by Bega Cheese Limited ABN 81 008 358 503 (**Bega Cheese**) in relation to its off-market bid (**Takeover Bid**) for all of the ordinary shares in Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15 071 945 232 (**Warrnambool Cheese & Butter**) that it does not already own, dated 12 September 2013 (**Original Bidder's Statement**).

We **enclose**, by way of service pursuant to section 647(3)(b) of the *Corporations Act* 2001 (Cth) (**Act**), a supplementary bidder's statement dated 27 September 2013.

We also **enclose** (as attached to the Supplementary Bidder's Statement), by way of service pursuant to section 633A(2)(c) of the Act (as inserted by ASIC Class Order [CO 13/528]), a copy of a replacement bidder's statement (**Replacement Bidder's Statement**), which replaces the Original Bidder's Statement and the Supplementary Bidder's Statement, marked to show all changes from the Original Bidder's Statement.

A clean version of the Replacement Bidder's Statement will be released under a separate announcement.

Regards

Brett Kelly
Company Secretary

BEGA CHEESE LIMITED ACN 008 358 503

Head Office, Cheese Packaging & Processing: 23—45 Ridge Street, North Bega NSW 2550, Australia
Butter, Cheese & Powder Manufacture: 13 Lagoon Street, North Bega NSW 2550, Australia

First Supplementary Bidder's Statement

**In relation to the Offer by Bega Cheese Limited ABN 81 008 358 503
to acquire all of your ordinary shares in
Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15
071 945 232**

This is an important document and requires your immediate attention.
If you are in doubt as to how to deal with it,
please consult your financial or other professional adviser as soon as possible.

FIRST SUPPLEMENTARY BIDDER'S STATEMENT

1. **Supplementary Bidder's Statement**

This document is a supplementary bidder's statement (**Supplementary Bidder's Statement**) to the bidder's statement dated 12 September 2013 issued by Bega Cheese Limited ABN 81 008 358 503 (**Bega Cheese**) to Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15 071 945 232 (and lodged with the Australian Securities and Investments Commission (**ASIC**) on 12 September 2013) (**Original Bidder's Statement**).

This Supplementary Bidder's Statement supplements, and should be read together with, the Original Bidder's Statement.

This Supplementary Bidder's Statement is dated 27 September 2013, and was lodged with ASIC on that date. Neither ASIC nor any of its officers takes any responsibility for the content of this Supplementary Bidder's Statement.

2. **Amendments to Original Bidder's Statement**

This Supplementary Bidder's Statement amends the Original Bidder's Statement in the manner as marked up in the attached.

3. **Issue of Replacement Bidder's Statement**

A replacement bidder's statement (**Replacement Bidder's Statement**), which incorporates into the Original Bidder's Statement the amendments made by this Supplementary Bidder's Statement, is issued by Bega Cheese at the same time as this Supplementary Bidder's Statement.

4. **Approval of Supplementary Bidder's Statement**

This Supplementary Bidder's Statement has been approved by a unanimous resolution duly passed at a meeting of the directors of Bega Cheese.

Signed for and on behalf of Bega Cheese Limited.



Barry Irvin

Executive Chairman

27 September 2013

Bidder's Statement

ACCEPT THE OFFER

By Bega Cheese Limited ABN 81 008 358 503

to acquire all of your ordinary shares in
Warrnambool Cheese and Butter Factory
Company Holdings Limited ABN 15 071 945 232

For each Warrnambool Cheese & Butter Share
you are offered 1.2 Bega Cheese Shares and
\$2.00 Cash

This Offer is dated [date] and will close at 7pm
(Melbourne time) on [date], unless extended

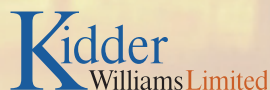
**This is an important document and requires your
immediate attention**

If you are in any doubt as to how to deal with it,
please consult your financial or other professional
adviser as soon as possible.

Legal Adviser


ADDISONS

Corporate Adviser


Kidder
Williams Limited


Bega
SINCE
1899

IMPORTANT INFORMATION

Bidder's Statement

This document is [the a replacement](#) Bidder's Statement issued by Bega Cheese Limited ABN 81 008 358 503 (**Bega Cheese**) to Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15 071 945 232 (**Warrnambool Cheese & Butter**) under Chapter 6 of the Corporations Act ([as modified by ASIC Class Order \[CO 13/528\]](#)) in relation to the Offer contained in Section 9 of this Bidder's Statement.

A copy of this Bidder's Statement has been lodged with ASIC and the ASX. None of ASIC, ASX or any of their officers take any responsibility for the content of this Bidder's Statement.

The date of this Bidder's Statement is [12-27 September 2013](#). [This Bidder's Statement replaces the original bidder's statement lodged with ASIC on 12 September 2013 and the supplementary bidder's statement lodged with ASIC on 27 September 2013. References in this Bidder's Statement to "the date of this Bidder's Statement" \(or similar\) should be read as references to 12 September 2013.](#)

Foreign jurisdictions

The distribution of this document and the making of the Offer may be restricted by the laws of foreign jurisdictions. This Bidder's Statement does not constitute an offer to issue, or the solicitation of an offer to buy, any Bega Cheese Shares in any jurisdiction other than Australia, its external territories and New Zealand, unless Bega Cheese determines otherwise.

No action has been taken to register this Bidder's Statement or qualify Bega Cheese or to otherwise permit an offering of Bega Cheese Shares outside Australia, its external territories or New Zealand. It is your sole responsibility to satisfy yourself that you are permitted by any law of a country, other than Australia (including its external territories) or New Zealand, applicable to you to accept this Offer and to comply with any other necessary formality and to obtain any necessary governmental or other consents.

In particular, Bega Cheese Shares have not been, and will not be, registered under the United States Securities Act of 1933 (**Securities Act**) and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the Securities Act), except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

In making the Offer available to persons in New Zealand, Bega Cheese is relying on an exemption contained in the New Zealand Securities Act (Overseas Companies) Exemption Notice 2013 in relation to prospectus and investment statement requirements in New Zealand.

The entitlements of Warrnambool Cheese & Butter Shareholders who are located in jurisdictions outside Australia, its external territories and New Zealand are set out in Section 9.1.11 of this Bidder's Statement.

Forward-looking statements

Statements contained in this document may contain forward-looking statements including statements with respect to Bega Cheese's current intentions (which include those in Section 3), statements of opinion and predictions of possible future events. Statements in this document that are not historical facts are "forward-looking statements".

Forward-looking statements relate to future matters and are subject to inherent risks and uncertainties. These risks and uncertainties include risks that are specific to the dairy industry as well as matters such as general economic conditions, many of which are outside the control of Bega Cheese and its directors. These factors may cause the actual results, performance or achievements of Bega Cheese to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward-looking statements. The past performance of Bega Cheese is not a guarantee and perhaps not an indicator of future performance.

The forward-looking statements do not constitute a representation that future profits (or any other matter) will be achieved in the amounts or by the dates indicated and are presented as a guide to assist Warrnambool Cheese & Butter Shareholders in assessing the Offer. The financial information and other forward-looking statements are based on information available to Bega Cheese at 12 September 2013 and should be read in conjunction with the assumptions underlying their preparation as set out elsewhere in this Bidder's Statement.

None of Bega Cheese or its officers, or persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any intentions or outcomes expressed or implied in any forward-looking statement. You are cautioned not to place undue reliance on any forward-looking statement having regard to the fact that the outcome may not be achieved.

Disclaimer as to Warrnambool Cheese & Butter information

The information in this Bidder's Statement concerning Warrnambool Cheese & Butter, the Warrnambool Cheese & Butter Group, and Warrnambool Cheese & Butter Shares has been prepared by Bega Cheese using publicly available information and has not been independently verified by Bega Cheese or its directors. Accordingly, subject to the Corporations Act, Bega Cheese makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

To the extent that any other information in this Bidder's Statement incorporates or reflects information on Warrnambool Cheese & Butter, the Warrnambool Cheese & Butter Group, or Warrnambool Cheese & Butter Shares, that information is subject to the same disclaimer. Further information relating to Warrnambool Cheese & Butter Group may be included in Warrnambool Cheese & Butter's Target Statement which Warrnambool Cheese & Butter must provide to Warrnambool Cheese & Butter Shareholders in response to this Bidder's Statement, and reference should be made to that information.

Other matters

The Implied Offer Price will vary with, among other things, the value of Bega Cheese Shares and the value of Warrnambool Cheese & Butter Shares. Further information on the Implied Offer Price is contained in this Bidder's Statement. Before accepting the Offer, Warrnambool Cheese & Butter Shareholders should obtain current quotes for Bega Cheese Shares and Warrnambool Cheese & Butter Shares from their stockbroker or other financial adviser, or from the Australian Securities Exchange website (www.asx.com.au).

Privacy

Bega Cheese and its Share Registry may collect your information in the process of making and implementing the Offer, including information from the register of Warrnambool Cheese & Butter Shareholders for the purposes of making the Offer and, if you accept the Offer, administering your acceptance and establishing your holding in Bega Cheese Shares. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Bega Cheese's related bodies corporate and external service providers, and may be required to be disclosed to regulators, such as ASIC. If you would like details of your information held by Bega Cheese or its Share Registry please contact them at the addresses set out in this Bidder's Statement.

Investment decisions

This Bidder's Statement does not take into account the individual investment objectives, financial situation or particular needs of each Warrnambool Cheese & Butter Shareholder or any other person. You are encouraged to seek independent financial, legal and taxation advice before making a decision as to whether or not to accept the Offer.

Defined terms

A number of defined terms are used in this Bidder's Statement. Unless expressly specified otherwise, defined terms have the meaning given in Section 10.

Shareholder enquiries

If you have any queries regarding the Offer, please contact the Bega Cheese Information Line on 1300 880 751 (for callers in Australia) or +61 1300 880 751 (for callers outside Australia), Monday to Friday, 8.30am to 5.30pm (Melbourne time).

This is an important document and should be read in its entirety before you decide whether to accept the Offer. If you are in any doubt about how to deal with this document or whether to accept the Offer, you should consult your legal, financial or other professional adviser.

HOW TO ACCEPT THIS OFFER

Please refer to Section 9.1.7 of this Bidder's Statement and your personalised Acceptance Form (which accompanies this Bidder's Statement) for details on how to accept this Offer.

The Offer may be accepted for some or all of Your Warrnambool Cheese & Butter Shares. How you accept this Offer depends on whether Your Warrnambool Cheese & Butter Shares are held in an Issuer Sponsored Holding or a CHESS Holding. This information is shown on your personalised Acceptance Form.

For Issuer Sponsored Holdings of Warrnambool Cheese & Butter Shares (Securityholder Reference Number beginning with 'I'):

To accept the Offer, complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the postal address on the Acceptance Form (as set out below).

For CHESS Holdings of Warrnambool Cheese & Butter Shares (Holder Identification Number beginning with 'X'):

To accept the Offer, either instruct your Controlling Participant (usually your broker) to accept the Offer on your behalf, or complete the enclosed Acceptance Form in accordance with the instructions on it and return it in the enclosed envelope or to the postal address on the Acceptance Form (as set out below).

Postal Address:

Bega Cheese Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery Address

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

Your acceptance must be received by no later than 7pm Melbourne time on [date], unless the Offer is extended or withdrawn.

If you have any questions about how to accept the Offer please contact:

Bega Cheese Information Line
In Australia: 1300 880 751
Outside Australia: +61 1300 880 751

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OFFER AND ACCEPTANCE ENQUIRES

If you have any questions about how to accept the Offer please contact:

Offer Information Line
In Australia: 1300 880 751
Outside Australia: +61 1300 880 751

Important Dates

Original Bidder's Statement lodged with ASIC	12 September 2013
Replacement Bidder's Statement (this document) lodged with ASIC	27 September 2013
Date of the Offer	[date]
Offer scheduled to close (unless extended)	[time], [date]

Note: The closing date of the Offer may change as permitted by the Corporations Act

CHAIRMAN'S LETTER



Dear Warrnambool Cheese & Butter Shareholders,

On behalf of Bega Cheese I am pleased to present you with an offer to acquire all of Your Warrnambool Cheese & Butter Shares. This Offer will enable you to become a Bega Cheese Shareholder and receive a combination of cash and Bega Cheese Shares for Your Warrnambool Cheese & Butter Shares¹.

For each of Your Warrnambool Cheese & Butter Shares, we are offering 1.2 Bega Cheese Shares and \$2.00 cash. This Offer values each Warrnambool Cheese & Butter Share at \$5.78², a premium of 28%³. The Offer values Warrnambool Cheese & Butter company at \$319 million⁴. By way of an example, if you own 10,000 Warrnambool Cheese & Butter Shares and you accept the Offer for all of those shares, you will receive 12,000 Bega Cheese Shares plus \$20,000 cash under the Bega Cheese Offer¹.

The Offer has been formulated to enable a merger of Warrnambool Cheese & Butter and Bega Cheese. Of course our ability to achieve a Successful Merger will depend on the level of acceptances received.

We believe that a merger between Bega Cheese and Warrnambool Cheese & Butter is the next logical progression to create a strong, Australian owned, ASX Listed dairy company with history and shared values that stretch back over 100 years.

Like Warrnambool Cheese & Butter, Bega Cheese and the recently merged Tatura Milk Industries have a history steeped in their local communities. The origin of each of the organisations reflects a vision to source and process milk from local dairy farmer suppliers to produce and deliver quality dairy products to local and international markets.

Bega Cheese and Warrnambool Cheese & Butter still have a large number of shareholders who are dairy farmers, or have roots in dairy farming communities, and each have constitutions that recognise the importance of dairy farmer representation on their boards. While both companies value their heritage, each has also looked to the future in terms of corporate structure and invited investment from other shareholders who recognise the opportunity that exists to create value and respond to the growing global demand for quality dairy products.

At Bega Cheese we have always believed that Australian dairy products have a competitive advantage and that focused business leadership and investment will result in better outcomes for everyone in the dairy supply chain including customers, suppliers and shareholders. Bega Cheese's history and performance over the last decade is an example of what can be achieved if the right strategy and skills are adopted and pursued.

From small beginnings Bega Cheese has become the largest cheese cutting and packaging company in Australasia and in FY13 sales exceeded \$1 billion for the first time. We have expanded to five sites with capabilities that include the manufacture of cheddar, mozzarella and processed cheese, infant formula, milk and whey protein concentrate, cream cheese, butter, milk powders and nutraceuticals.

Importantly we have demonstrated a record of investment to continuously build a better business. This is particularly true of our merger with Tatura Milk Industries. When Bega Cheese first invested in the company, Tatura Milk Industries had a high level of debt, volatile earnings and was struggling to provide a competitive milk pay-rate to its farmers. Bega Cheese's expertise, management and strategy has transformed the Tatura Milk Industries business into a reliable, profitable, highly competitive business with a focused and clear strategy to be a leading payer for milk used in the manufacture of dairy products.

¹ Subject to the Offer becoming unconditional. If you are an Ineligible Foreign Shareholder you will receive cash and will not become a Bega Cheese Shareholder.

² Implied Offer Price of \$5.78.

³ Based on the Warrnambool Cheese & Butter share price as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date.

⁴ Equity value based on 55,246,173 Warrnambool Cheese & Butter Shares outstanding and an Implied Offer Price of \$5.78.

The combined Bega Cheese, Tatura Milk Industries and Warrnambool Cheese & Butter would create a business that would operate over seven sites, produce 353,000 tonnes⁵ of dairy products, generate revenues of \$1.5 billion⁶ from customers in Australia and around the world, process approximately 1.6 billion⁵ litres of milk from Australian dairy farmers (many of whom are shareholders) and employ approximately 2,000 people in regional Australia.

Bega Cheese recognises the importance of heritage and the significant role that businesses like Bega Cheese, Tatura Milk Industries and Warrnambool Cheese & Butter play in their local communities and with their dairy farmer suppliers. As was the case with Tatura Milk Industries, it will be our endeavour to complete this merger in a way that ensures that the Warrnambool Cheese & Butter name, a Warrnambool Cheese & Butter Board, the Warrnambool Cheese & Butter operating sites and the Warrnambool, Sungold and Great Ocean Road brands are retained.

Upon a Successful Merger, we will invite a number of existing Warrnambool Cheese & Butter directors to remain on the Warrnambool Cheese & Butter Board to ensure a seamless transition and representation for Warrnambool Cheese & Butter suppliers. We would apply Bega Cheese's policy of always endeavouring to be a leading manufacturing milk pay-rate company and being the company of choice for dairy farmer suppliers.

If you accept this Offer, you will become a shareholder in Australia's largest ASX Listed dairy company⁷.

Change brings great opportunity and, in our view, the combining of Bega Cheese, Tatura Milk Industries and Warrnambool Cheese & Butter will create an Australian dairy company with significant market presence in a number of key dairy platforms. Bringing together capacities and capabilities, creating efficiencies, synergies and value while retaining the knowledge and heritage of each business is something that all shareholders can look forward to and embrace.

I encourage you to read this Bidder's Statement carefully and I hope that you will conclude that this Offer represents both excellent value for Your Warrnambool Cheese & Butter Shares and an opportunity to participate in an exciting future for the Combined Group.

I look forward to the opportunity to welcome you as a new shareholder of Bega Cheese.

Regards,



Barry Irvin

Executive Chairman

⁵ Pro forma using Bega Cheese and Warrnambool Cheese & Butter FY13 actual production.

⁶ FY13 pro forma (refer to Section 4 for further details).

⁷ Subject to the Offer becoming unconditional. If you are an Ineligible Foreign Shareholder you will receive cash and will not become a Bega Cheese Shareholder.

OVERVIEW OF THE OFFER

The information set out in this Section is intended to provide you with an overview of Bega Cheese, its Offer to acquire Your Warrnambool Cheese & Butter Shares and the risks that you should consider.

The information in this Section is not intended to be comprehensive and should be read in conjunction with the detailed information contained in the other Sections of this Bidder's Statement.

The full terms and conditions of the Offer are contained in Section 9.

PART A – SUMMARY OF OFFER

No.	Question	Answer	Section
1.	What is the offer?	<p>This Bidder's Statement relates to the Offer by Bega Cheese to acquire all of Your Warrnambool Cheese & Butter Shares.</p> <p>Bega Cheese is offering 1.2 Bega Cheese Shares plus \$2.00 cash for each of Your Warrnambool Cheese & Butter Shares (unless you are an Ineligible Foreign Shareholder), on the terms and conditions set out in Section 9. You may, at your election, accept the Offer for either some or all of Your Warrnambool Cheese & Butter Shares.</p> <p>The Offer relates to all Warrnambool Cheese & Butter Shares that exist, or will exist, on the Register Date.</p> <p>The Offer also extends to all:</p> <ul style="list-style-type: none"> • Warrnambool Cheese & Butter Shares that are issued under the Warrnambool Cheese & Butter Dividend Reinvestment Plan in respect of the Warrnambool Cheese & Butter FY13 Final Dividend between the Register Date and the end of the Offer Period; and • Warrnambool Cheese & Butter Shares that are issued or come into existence between the Register Date and the end of the Offer Period as a result of the conversion of, or exercise of rights under, other Warrnambool Cheese & Butter securities (including the Warrnambool Cheese & Butter Performance Rights) that exist as at the Register Date. <p>This Bidder's Statement is an important document. It sets out the terms of Bega Cheese's Offer to acquire Your Warrnambool Cheese & Butter Shares. It contains information relevant to your decision whether to accept Bega Cheese's Offer.</p>	<p>Section 9 contains the full terms and conditions of the Offer.</p> <p>Section 9.1.11 contains more information regarding Ineligible Foreign Shareholders.</p>
2.	Who is making the Offer?	<p>The Offer is being made by Bega Cheese Limited, a company listed on the ASX (ASX Code: BGA).</p>	<p>Sections 1 and 6 contain more information regarding Bega Cheese, its business and the risks that affect the Bega Cheese Group.</p>
3	Who may accept this Offer?	<p>Any person who is capable of, during the Offer Period, giving good title to a parcel of Warrnambool Cheese & Butter Shares that:</p> <ul style="list-style-type: none"> • are on issue as at the Register Date; or • are issued or come into existence before the end of the Offer Period; <ul style="list-style-type: none"> ○ as a result of the conversion of, or exercise of rights under, other Warrnambool Cheese & Butter securities (including the Warrnambool Cheese & Butter Performance Rights) that exist as at the Register Date; or 	<p>Section 9.1.6.</p>

No.	Question	Answer	Section
3. cont.	Who may accept this Offer?	<p>o pursuant to the Warrnambool Cheese & Butter Dividend Reinvestment Plan in respect of the Warrnambool Cheese & Butter FY13 Final Dividend;</p> <p>and has not already accepted the Offer for those Warrnambool Cheese & Butter Shares.</p> <p>The Register Date, being the date of determination of those Warrnambool Cheese & Butter Shareholders to whom this Bidder's Statement will be sent, is 12 September 2013.</p>	Section 9.1.6.
4.	Why should I accept the Offer?	<p>The Bega Cheese Board believes that the Offer provides significant benefits to Warrnambool Cheese & Butter Shareholders. These benefits are set out below:</p> <ol style="list-style-type: none"> 1. Receive a premium of 28%⁸ for Your Warrnambool Cheese & Butter Shares. 2. Become part of Australia's largest ASX Listed dairy company⁹. 3. Share in an exciting future for the Combined Group⁹. 4. Bega Cheese has a record of strong financial performance. 5. Bega Cheese has a record of consistent value creation. 6. Bega Cheese's approach on farm gate milk pricing. 7. Warrnambool Cheese & Butter's identity will be retained. 	Refer to page 17.
5.	What will I receive if I accept the Offer?	<p>If you accept the Offer and the Offer becomes unconditional, you will receive 1.2 Bega Cheese Shares plus \$2.00 cash for each of Your Accepted Warrnambool Cheese & Butter Shares (unless you are an Ineligible Foreign Shareholder).</p> <p>If you accept the Offer and a fractional entitlement to Bega Cheese Shares arises from the calculation of your entitlement under the Offer, any such fractional entitlements will be rounded up or down to the nearest whole number of Bega Cheese Shares.</p> <p>If you are an Ineligible Foreign Shareholder and accept the Offer, you will not receive any Bega Cheese Shares. Instead, the Bega Cheese Shares which would otherwise have been issued to you will be issued to the Nominee, who will sell those Bega Cheese Shares and remit the net proceeds of such sale to you in cash.</p>	<p>Section 9.1.4 contains further information on the Offer Consideration.</p> <p>Section 9.1.11 contains more information regarding Ineligible Foreign Shareholders.</p>
6.	What is the value of the Offer?	<p>The Offer Consideration values each Warrnambool Cheese & Butter Share at \$5.78 based on the closing price of Bega Cheese Shares on the ASX the trading day before the Announcement Date.</p> <p>The value of the Offer Consideration may change as a consequence of changes in the market price of Bega Cheese Shares.</p> <p>If you are an Ineligible Foreign Shareholder and accept the Offer, because the Bega Cheese Shares that you would have received will be sold, the amount of cash that you will be paid will depend on the price received for Bega Cheese Shares when they are sold less brokerage, sale expenses and the costs of appointing the Nominee, plus the cash component of the Offer Consideration.</p>	<p>Section 9.1.4 contains more information regarding the Offer Consideration.</p> <p>Section 9.1.11 contains more information for Ineligible Foreign Shareholders.</p>
7.	Am I entitled to the Warrnambool Cheese & Butter FY13 Final Dividend?	<p>If you were a registered holder of a Warrnambool Cheese & Butter Share on the record date for the Warrnambool Cheese & Butter FY13 Final Dividend, namely 9 September 2013, you will be entitled to receive this dividend, even if you accept the Offer. The terms of the Offer provide that Bega Cheese will not reduce the Offer Consideration as a result of the payment of the Warrnambool Cheese & Butter FY13 Final Dividend.</p>	Refer to definition of Rights in Glossary and Sections 9.1.20(b)(v) and 9.1.4.

⁸ Based on the Warrnambool Cheese & Butter share price as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date.

⁹ If you are an Ineligible Foreign Shareholder you will receive cash and will not become a Bega Cheese Shareholder. Therefore benefits not applicable.

OVERVIEW OF THE OFFER (CONTINUED)

No.	Question	Answer	Section
8.	What are the tax implications of acceptance?	You should consult your financial, tax or other professional adviser on the tax implications of acceptance. However, Section 5 contains a general summary of the major likely Australian tax consequences for Warrnambool Cheese & Butter Shareholders who accept the Offer.	Refer to Section 5 for further details.
9.	Do I pay brokerage or stamp duty if I accept?	You will not pay any stamp duty on the disposal of Your Accepted Warrnambool Cheese & Butter Shares if you accept the Offer. If Your Warrnambool Cheese & Butter Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Bega Cheese, you will not incur any brokerage in connection with your acceptance of the Offer. If Your Warrnambool Cheese & Butter Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Warrnambool Cheese & Butter Shares are registered in the name of a broker, bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the Offer. If you accept the Offer for some of Your Warrnambool Cheese & Butter Shares only and you choose to sell the remainder of Your Warrnambool Cheese & Butter Shares on ASX, you may incur brokerage on that sale. If you are an Ineligible Foreign Shareholder, brokerage will be payable in respect of the sale of the Bega Cheese Shares that you would otherwise be entitled to receive under the Offer, and the proceeds you will receive will be net of sale costs including such brokerage.	Refer to Section 5.6 for further details in relation to stamp duty. Section 9.1.11 contains more information regarding Ineligible Foreign Shareholders.
10.	Is Bega Cheese paying brokers a commission?	Bega Cheese may offer a commission to brokers who solicit acceptances of the Offer from their clients. If such arrangements are put in place, commission payments will not exceed 0.50% of the value of the Offer Consideration payable for parcels of Warrnambool Cheese & Butter Shares held by retail Warrnambool Cheese & Butter Shareholders who accept the Offer, and will be subject to minimum payments of \$50 and maximum payments of \$750 for each acceptance. If a commission is offered, it will be paid by Bega Cheese to brokers only and no part of the fee will be passed on, or paid, to Warrnambool Cheese & Butter Shareholders.	See Section 8.7 for further Information.
11.	When does the Offer open and close?	The Offer opens on [day, month] 2013 and is scheduled to close at 7pm Melbourne time on [date]. You should note that the Offer Period can be extended as permitted by the Corporations Act.	Refer to Section 9.1.5 for further details.
12.	How do I accept the Offer?	See the Section 'How to Accept the Offer' on page 2 and the instructions on the accompanying Acceptance Form.	Section 9.1.7 also contains detailed information regarding how to accept the Offer.
13.	If I accept the Offer, when will I receive the Offer Consideration?	If you validly accept the Offer then you will be provided with the Offer Consideration on or before the earlier of: <ul style="list-style-type: none"> • 1 month after the date of your acceptance, or if at the time of your acceptance the Offer is subject to an Offer Condition, 1 month after the date on which all of the Offer Conditions have been fulfilled or waived; and • 21 days after the end of the Offer Period (provided that the Offer Conditions have been fulfilled or waived). 	Sections 9.1.8 and 9.1.9 contain further information as to when the Offer Consideration will be paid or issued to you. Section 9.1.11 contains more information regarding Ineligible Foreign Shareholders.

No.	Question	Answer	Section
14.	Can I accept the Offer if I am not resident in Australia?	<p>You may accept the Offer. However, Bega Cheese Shares will not be issued as consideration to Ineligible Foreign Shareholders. Instead, the Bega Cheese Shares which would otherwise have been issued to you will be issued to the Nominee who will sell those Bega Cheese Shares and remit the net proceeds of such sale to you in cash.</p> <p>Ineligible Foreign Shareholders are those Warrnambool Cheese & Butter Shareholders whose address, as shown on the register of members of Warrnambool Cheese & Butter, is in a jurisdiction other than Australia, its external territories or New Zealand, unless Bega Cheese is satisfied that it is not precluded from lawfully issuing Bega Cheese Shares to those Warrnambool Cheese & Butter Shareholders either unconditionally or after compliance with conditions that Bega Cheese regards as acceptable and not unduly onerous.</p>	Section 9.1.11.
15.	What are the conditions of the Offer?	<p>The completion of the Offer is subject to a number of conditions set out in Section 9.2. In summary, the key Offer Conditions include:</p> <ul style="list-style-type: none"> • no objection by the ACCC; • Bega Cheese Shareholders having adopted the Shareholding Limit Constitutional Amendments; • no Prescribed Occurrences having occurred; • no regulatory actions being taken in consequence of, or in connection with, the Offer; • no Warrnambool Cheese & Butter Material Adverse Change having occurred; • no persons being entitled, as a result of the Offer, to exercise certain rights (including rights of termination or to accelerate repayment obligations) under material agreements or instruments that a member of the Warrnambool Cheese & Butter Group is party to; • no member of the Warrnambool Cheese & Butter Group undertaking, agreeing to undertake or announcing an intention to undertake, any material acquisitions, material disposals or material commitments; • no material litigation in respect of any member of the Warrnambool Cheese & Butter Group being on foot or pending, other than as previously disclosed; • Warrnambool Cheese & Butter not declaring or paying any dividends, other than the Warrnambool Cheese & Butter FY13 Final Dividend; • no material changes in the conduct of the Warrnambool Cheese & Butter Group's business, including in relation to the contracts of service with its directors and senior managers, Material Contracts, new indebtedness and new security interests; • no new Warrnambool Cheese & Butter Performance Rights being issued; • Bega Cheese being provided with equal access to information provided by the Warrnambool Cheese & Butter Group to competing acquirers (Bega Cheese has given an undertaking to Warrnambool Cheese & Butter not to rely on this Offer Condition in certain circumstances. Please refer to Section 8.14A.); • no member of the Warrnambool Cheese & Butter Group agreeing to pay any break fees (Bega Cheese has given an undertaking to Warrnambool Cheese & Butter in relation to this Offer Condition. Please refer to Section 8.14A.); and • no material adverse change to the S&P/ASX All Ordinaries Index. <p>The status of the Offer Conditions as at the date of this Bidder's Statement is set out in Sections 8.12 to 8.14.</p> <p>The Offer is also subject to a statutory condition required by section 625(3) of the Corporations Act (see Section 9.1.18).</p>	<p>For a full list of Offer Conditions, please refer to Section 9.2.</p> <p>Sections 9.1.13 to 9.1.17 contain further information regarding the nature of the Offer Conditions and the consequences of non-fulfilment.</p>
16	Is there a minimum acceptance condition?	<p>No. The Offer does not have a minimum acceptance condition. You can accept the Offer knowing that, subject to the fulfilment or waiver of the Offer Conditions, you will receive cash and Bega Cheese Shares for your Warrnambool Cheese & Butter Shares (unless you are an Ineligible Foreign Shareholder).</p>	Refer to Section 6.4(a).

OVERVIEW OF THE OFFER (CONTINUED)

PART B – OVERVIEW OF BEGA CHEESE

No.	Question	Answer	Section
1.	Who is Bega Cheese?	<p>Bega Cheese is an Australian dairy company. Since its establishment in 1899 it has grown from a small farmer-owned co-operative based in Bega NSW to an ASX Listed company with annual sales revenue of over \$1 billion in FY13. Bega Cheese is a significant retail and business-to-business supplier of dairy products. It exports its products to over forty countries worldwide and has sales or supply contracts with global food and dairy companies such as Fonterra, Mondelez Foods (Kraft) and Mead Johnson and retailers such as Coles and ALDI. With five sites across New South Wales and Victoria, it has offices and factories in Bega, Strathmerton, Coburg, Tatura and Melbourne employing over 1,600 staff. Bega Cheese Group's core operations include:</p> <ul style="list-style-type: none"> • manufacturing of dairy products such as cheddar, cream and mozzarella cheeses, milk powders, butter and cream; • providing FMCG cheese packaging and processing (including under the Bega brand) for Fonterra, Mondelez Foods (Kraft), Coles, ALDI stores and other multinational customers; • licensing the Bega brand in Australia to Fonterra, in return for a royalty; • marketing its own brand of dairy products internationally; and • manufacturing nutraceuticals including infant formula and lactoferrin. 	Please refer to Section 1 for further information regarding Bega Cheese including its share structure and financial information.
2.	What is the financial profile and performance of Bega Cheese?	<p>Bega Cheese has a long history of successful operations generating a strong track record of financial performance and growth.</p> <p>Bega Cheese recently reported the following results for the full year of FY13 (comparison to FY12):</p> <ul style="list-style-type: none"> • operating revenue: \$1 billion (+8.3%) • net profit after tax: \$25.4 million (+24.6%) • earnings per share: \$0.168 (+30.8%) • dividend per share: \$0.075 (+15.4%). 	Please refer to Section 1.5 for further information.
3.	Who are the directors of Bega Cheese?	<p>The directors of Bega Cheese are:</p> <ul style="list-style-type: none"> • Barry Irvin AM, Executive Chairman • Max Roberts, Non-Executive Director • Richard Parbery, Non-Executive Director • Richard Platts, Non-Executive Director • Peter Margin, Non-Executive Director • Joy Linton, Non-Executive Director • Richard Cross, Non-Executive Director • Jeff Odgers, Non-Executive Director <p>The directors of Bega Cheese together with the Bega Cheese management team have significant experience in managing dairy products and ingredients businesses.</p>	Refer to Sections 1.7 and 1.8 for further information regarding Bega Cheese Directors and its Executive Team.
4.	What rights will attach to the Bega Cheese Shares issued to me?	<p>Any Bega Cheese Share issued under the Offer will be issued fully paid and will, from the time of issue, rank equally for dividends and other rights with existing Bega Cheese Shares. A summary of the rights and liabilities attaching to Bega Cheese Shares is set out in Section 1.16 of this Bidder's Statement.</p> <p>As the record date for the Bega Cheese final dividend was 2 September 2013, the Bega Cheese Shares issued under the Offer will not be entitled to the Bega Cheese final dividend.</p>	Sections 1.16 and 9.1.18.

No.	Question	Answer	Section
4. <i>cont.</i>	What rights will attach to the Bega Cheese Shares issued to me?	Bega Cheese will apply to ASX for admission to official quotation of the Bega Cheese Shares to be issued under the Offer within seven days of this Bidder's Statement. Quotation of the Bega Cheese Shares will not be automatic but will depend on ASX exercising its discretion to admit them. However, Bega Cheese is already admitted to the official list of ASX and shares in Bega Cheese in the same class as those to be issued under the Offer are already quoted. In accordance with the Corporations Act, the quotation of the Bega Cheese Shares to be issued under the Offer is a condition to the Offer under Section 9.1.18.	Sections 1.16 and 9.1.18.
5.	Do the Bega Cheese Directors have any interests in Bega Cheese Shares?	Yes. All Bega Cheese Directors and a number of management have interests in Bega Cheese Shares.	Refer to Section 1.12 for further information.
6.	What is Bega Cheese's current interest in Warrnambool Cheese & Butter Shares?	Bega Cheese has a Relevant Interest in 18% of Warrnambool Cheese & Butter Shares. Bega Cheese has elected to participate in the Warrnambool Cheese & Butter DRP and will therefore receive further shares in Warrnambool Cheese & Butter.	Refer to Section 2.8 for further information.
7.	Do the Bega Cheese Directors have any interests in Warrnambool Cheese & Butter Shares?	None of the Bega Cheese Directors have a Relevant Interest in Warrnambool Cheese & Butter Shares.	Refer to Section 2.9 for further information.

PART C – OVERVIEW OF KEY RISKS

The following is a summary of the key risk factors which you should consider in deciding whether to accept the Offer. This list is not exhaustive and is not a substitute for careful consideration of Section 6 which describes these and other risks in detail. Many of the risks relating to the Bega Cheese Group, as outlined in Section 6, are common to dairy manufacturing businesses and are therefore also applicable to the current Warrnambool Cheese & Butter business and have not been listed here as key risks.

No.	Key Risk	Summary	Section
1	Bega Cheese Shareholder Approval	The Offer is subject to a condition that the Bega Cheese Constitution be modified by the adoption of the Shareholding Limit Constitutional Amendments by special resolution of the Bega Cheese Shareholders. There is a risk that this special resolution may not be passed by the requisite majority of Bega Cheese Shareholders, in which case, the Shareholding Limit Constitutional Amendments will not be adopted and this condition of the Offer will not be satisfied. If this situation arises and this condition is not waived, any acceptances of the Offer will be void.	Section 6.4(d).
2.	Integration of Warrnambool Cheese & Butter	Bega Cheese's ability to complete a Successful Merger and realise the synergies outlined in Section 4.5, and the time taken to do so, will be dependent upon the level of acceptances received under the Offer and the ability to effectively integrate Bega Cheese and Warrnambool Cheese & Butter. Bega Cheese's ability to complete a Successful Merger and realise synergies will be adversely affected if: <ul style="list-style-type: none"> • Bega Cheese does not receive the minimum 90% acceptances required in order to proceed to compulsory acquisition of 100% of the Warrnambool Cheese & Butter Shares; or • Even if Bega Cheese obtains 100% ownership of Warrnambool Cheese & Butter, integration may not be completed efficiently and effectively, with minimal disruption to the business. There is also a risk that issues not currently known to Bega Cheese may arise resulting in lower integration benefits or synergies than anticipated, higher than anticipated costs of achieving these synergies or significant disruption to ongoing business operations.	Section 6.4(a).

OVERVIEW OF THE OFFER (CONTINUED)

PART D – OTHER RELEVANT QUESTIONS

No.	Question	Answer	Section
1.	Can Bega Cheese extend the time at which the Offer is to close?	Yes. Bega Cheese can extend the Offer Period in accordance with the Corporations Act. Bega Cheese will give written notice of any extension of the Offer Period in accordance with the Corporations Act.	Refer to Section 9.1.5.
2.	What alternatives do I have as a Warrnambool Cheese & Butter Shareholder?	<p>You have the following alternatives as a Warrnambool Cheese & Butter Shareholder:</p> <ul style="list-style-type: none"> • accept the Offer for some or all Your Warrnambool Cheese & Butter Shares; • sell some or all of Your Warrnambool Cheese & Butter Shares on ASX (unless you have previously accepted the Offer). If you sell some of Your Warrnambool Cheese & Butter Shares before you accept the Offer, you can accept the Offer for some or all of the balance of Your Warrnambool Cheese & Butter Shares; or • do nothing. 	
3.	What happens if I do not accept the Offer?	<p>You will remain a Warrnambool Cheese & Butter Shareholder and will not receive the consideration offered by Bega Cheese under the Offer.</p> <p>If Bega Cheese acquires 90% or more of Warrnambool Cheese & Butter Shares</p> <p>If you do not accept the Offer but Bega Cheese acquires a Relevant Interest in at least 90% of Warrnambool Cheese & Butter Shares (including the 18% Relevant Interest that it already holds) and is entitled to proceed to compulsory acquisition, Bega Cheese intends to acquire all remaining Warrnambool Cheese & Butter Shares which it does not already own. If this happens, you will still receive the Offer Consideration under the Offer but you will receive it later than if you accept the Offer.</p> <p>If Bega Cheese acquires less than 90% of Warrnambool Cheese & Butter Shares</p> <p>The Offer is not subject to a minimum acceptance condition. If all of the Offer Conditions are fulfilled or waived and Bega Cheese does not become entitled to compulsorily acquire Your Warrnambool Cheese & Butter Shares under the Corporations Act, you will remain a shareholder in Warrnambool Cheese & Butter.</p> <p>If Bega Cheese obtains a majority control of Warrnambool Cheese & Butter (but is not entitled to compulsorily acquire the remaining Warrnambool Cheese & Butter Shares), those Warrnambool Cheese & Butter Shareholders who do not accept the Offer will stay as minority Warrnambool Cheese & Butter Shareholders with possibly less influence over the future direction and control of Warrnambool Cheese & Butter.</p>	<p>Refer to the following Sections for information regarding Bega Cheese's intentions if it acquires the following levels of Relevant Interest in Warrnambool Cheese & Butter Shares:</p> <ul style="list-style-type: none"> • Section 3.3 (at least 90% Relevant Interest) • Section 3.4 (more than 50% but less than 90% Relevant Interest) • Section 3.5 (50% or less Relevant Interest) <p>Refer to Section 6.4(g) for a description of the possible risks of becoming a minority shareholder in Warrnambool Cheese & Butter.</p>

No.	Question	Answer	Section
4.	Can I withdraw my acceptance after I have accepted the Offer?	Under the terms and conditions of the Offer, you will not be able to withdraw your acceptance of the Offer other than as provided for in the Corporations Act. A withdrawal right arises under the Corporations Act if, after you accept the Offer, the Offer remains subject to any of the Offer Conditions and Bega Cheese varies the Offer in a way that postpones, for more than one month, the time that Bega Cheese has to meet its obligations under the Offer. A notice will be sent to you at the time explaining your rights in this regard.	Refer to Section 9.1.20(a).
5.	What happens if the Offer Conditions are not fulfilled or waived?	If the Offer Conditions are not fulfilled by the end of the Offer Period or otherwise waived by Bega Cheese in accordance with Section 9.1.16 of this Bidder's Statement, then the Offer will lapse and any acceptances received for the Offer will be void. You will continue to hold Your Warrnambool Cheese & Butter Shares and be free to deal with them as if the Offer had not been made and you will not be paid the Offer Consideration. In addition, Bega Cheese may withdraw the Offer at any time before you accept it (subject to the consent of ASIC).	Refer to Section 9.1.14.
6.	What will happen to the Warrnambool Cheese & Butter Performance Rights?	The vesting and exercise of Warrnambool Cheese & Butter Performance Rights are subject to certain conditions. However, the board of Warrnambool Cheese & Butter has the discretion to accelerate the vesting of unvested Warrnambool Cheese & Butter Performance Rights upon an offer being made for Warrnambool Cheese & Butter Shares under a takeover bid. If this discretion is exercised and, prior to the end of the Offer Period, holders of Warrnambool Cheese & Butter Performance Rights are issued or transferred Warrnambool Cheese & Butter Shares, the holders will be entitled to accept the Offer (assuming that any Warrnambool Cheese & Butter Shares so issued or transferred are not subject to a transfer restriction).	Refer to Section 8.1 for further information.
7.	When will the Offer become unconditional?	The Offer will become unconditional upon all Offer Conditions being either fulfilled in accordance with their terms or waived by Bega Cheese in accordance with the terms outlined in Section 9.1.16 of this Bidder's Statement.	Sections 9.1.13 to 9.1.17, and Section 9.2.
8.	What happens if Bega Cheese increases the Offer Consideration?	If Bega Cheese increases the Offer Consideration, all Warrnambool Cheese & Butter Shareholders who have accepted the Offer by the close of the Offer Period – including those who have accepted the Offer prior to the Offer Consideration having been increased – will be entitled to the increased Offer Consideration, assuming that the Offer is completed successfully.	Section 9.1.19.
9.	What if I require further information?	If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please call the Bega Cheese Information Line on 1300 880 751 (for callers in Australia) or +61 1300 880 751 (for callers outside Australia), Monday to Friday, 8.30am to 5.30pm (Melbourne time).	

WHY A MERGER OF BEGA CHEESE AND WARRNAMBOOL CHEESE & BUTTER MAKES SENSE

A Successful Merger will bring together Bega Cheese, Warrnambool Cheese & Butter and Tatura Milk Industries, three iconic Australian dairy companies.

Bega Cheese, Warrnambool Cheese & Butter and Tatura Milk Industries share histories, values and goals. Bringing together all three great companies will, in our view, create a business well positioned to respond to both the opportunities and challenges of the Australian and global dairy industry.

A Successful Merger will create a globally relevant, well-structured business with:

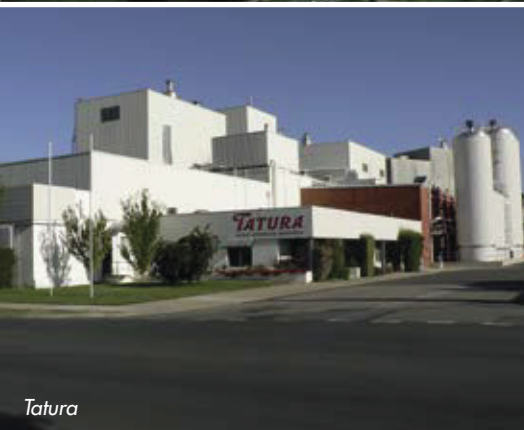
- Shared history, culture and ambitions for future success
- Revenues exceeding \$1.5 billion¹⁰ per year
- A pro forma market capitalisation of \$650 million¹¹
- An understanding of the importance of a sustainable dairy farmer supply base
- Milk intake of 1.6 billion¹² litres per year
- Seven integrated production facilities across South East Australia
- Australia's largest cheese cutting and packaging infrastructure and one of the country's largest cheese manufacturing facilities
- 353,000 tonnes¹³ of total annual dairy products production, comprising approximately:
 - o 68,000 tonnes of cheddar and mozzarella cheese;
 - o 102,000 tonnes of cheddar and processed cheese packaging;
 - o 70,000 tonnes of milk powder and whey powder;
 - o 30,000 tonnes of butter, cream and frozen cream;
 - o 20,000 tonnes of infant formula and nutraceuticals;
 - o 16,000 tonnes of GOS;
 - o 17,000 tonnes of cream cheese; and
 - o 30,000 tonnes (30 million litres) of packaged milk.
- A range of quality and highly regarded retail and manufacturing brands
- Key business to business relationships with globally recognised companies including Fonterra, Mondelez Foods (Kraft), Mead Johnson, Lion Dairy, FrieslandCampina and Ingredia
- Strong relationships with major Australian retailers
- Experienced and highly skilled personnel.

¹⁰ FY13 pro forma (see Section 4.8 for further detail)

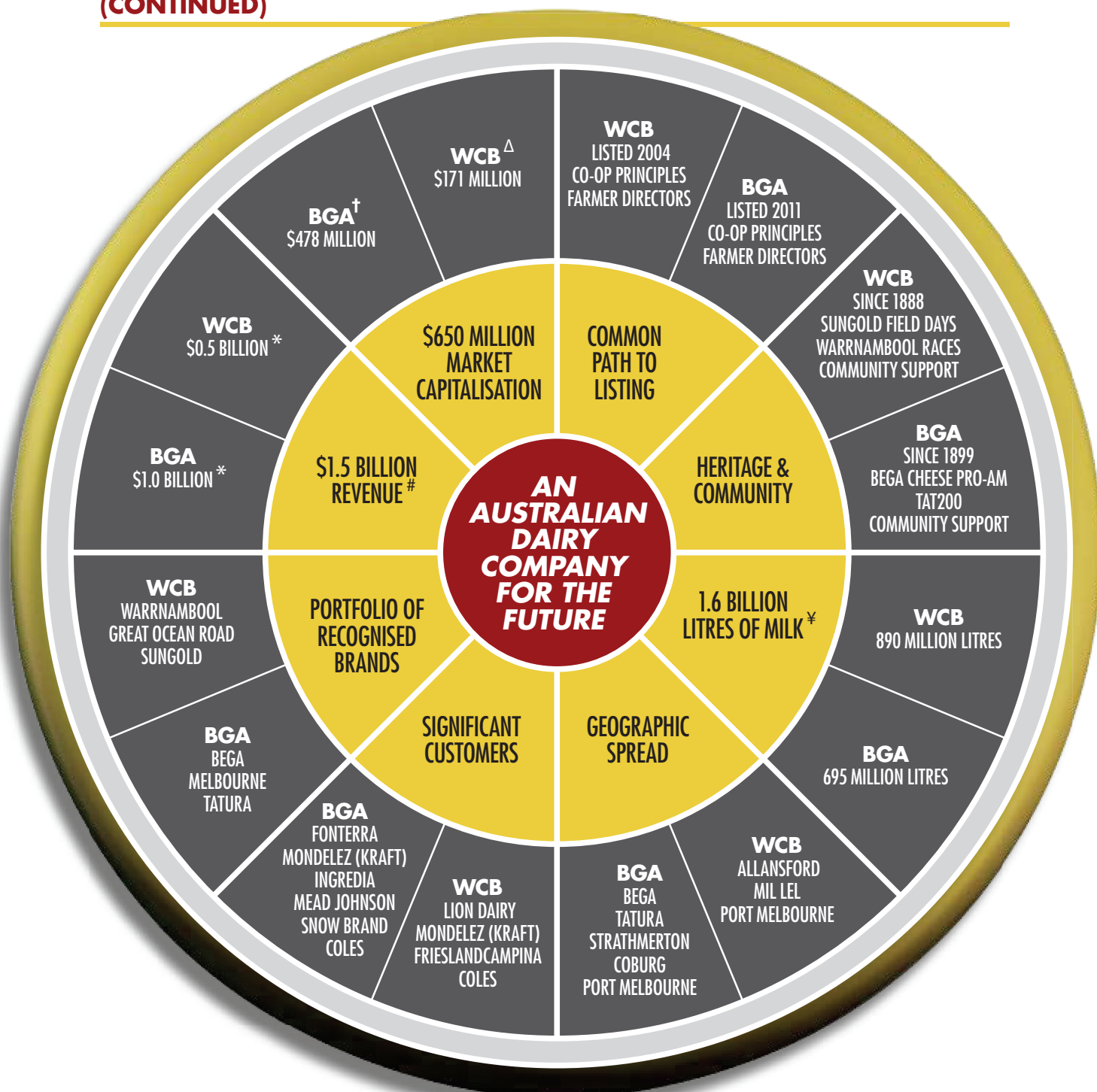
¹¹ Based on the Bega Cheese Shares on issue and Bega Cheese Share price of \$3.15 as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date plus Bega Cheese Shares that will be issued as Offer Consideration under a Successful Merger.

¹² Bega Cheese and Warrnambool Cheese & Butter FY13 actual milk intake.

¹³ Pro forma production using Bega Cheese and Warrnambool Cheese & Butter FY13 actual production.



WHY A MERGER OF BEGA CHEESE AND WARRNAMBOOL CHEESE & BUTTER MAKES SENSE (CONTINUED)



^Δ Based on Bega Cheese Shares issued as Offer Consideration under a Successful Merger using share prices as at close of trading on ASX on 11 September 2013, being the trading date immediately before the Announcement Date.

[†] Share prices as at close of trading on ASX on 11 September 2013, being the trading date immediately before the Announcement Date.

[¥] Approximate based on Bega Cheese and Warrnambool Cheese & Butter FY13 milk intake.

[#] FY13 pro forma (see Section 4.8 for further details).

^{*} Based on FY13 Audited Financial Statements.

WHY YOU SHOULD ACCEPT BEGA CHEESE'S OFFER

HIGHLIGHTS

The Bega Cheese Board believes that the Offer provides significant benefits to Warrnambool Cheese & Butter Shareholders. These benefits are set out below.

1	Receive a premium of 28%¹⁴ for Your Warrnambool Cheese & Butter Shares.
2	Become part of Australia's largest ASX Listed dairy company.
3	Share in an exciting future for the Combined Group.
4	Bega Cheese has a record of strong financial performance.
5	Bega Cheese has a record of consistent value creation.
6	Bega Cheese's approach on farm gate milk pricing.
7	Warrnambool Cheese & Butter's identity will be retained.

The above table is a headline summary of some of the benefits to Warrnambool Cheese & Butter Shareholders that the Bega Cheese Board considers the Offer provides. These benefits are explained in further detail on pages 18 to 29. In considering these benefits, Warrnambool Cheese & Butter Shareholders should also bear in mind that the Offer is subject to a number of risks which are set out in Section 6 of this Bidder's Statement. If you are an Ineligible Foreign Shareholder you will receive cash and will not become a Bega Cheese Shareholder. Therefore benefits 2 to 7 would not be applicable to you.

¹⁴ Based on the Implied Offer Price and the Warrnambool Cheese & Butter share price as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date.

WHY YOU SHOULD ACCEPT BEGA CHEESE'S OFFER (CONTINUED)

1. Receive a premium of 28%¹⁵ for Your Warrnambool Cheese & Butter Shares

Bega Cheese is offering 1.2 Bega Cheese Shares plus \$2.00 cash, for each of Your Warrnambool Cheese & Butter Shares (unless you are an Ineligible Foreign Shareholder).

The Implied Offer Price represents a significant premium of 30% based on the one month Volume Weighted Average Price (VWAP) of \$4.46, and 28% based on the closing price of Warrnambool Cheese & Butter Shares of \$4.51, prior to the Announcement Date.

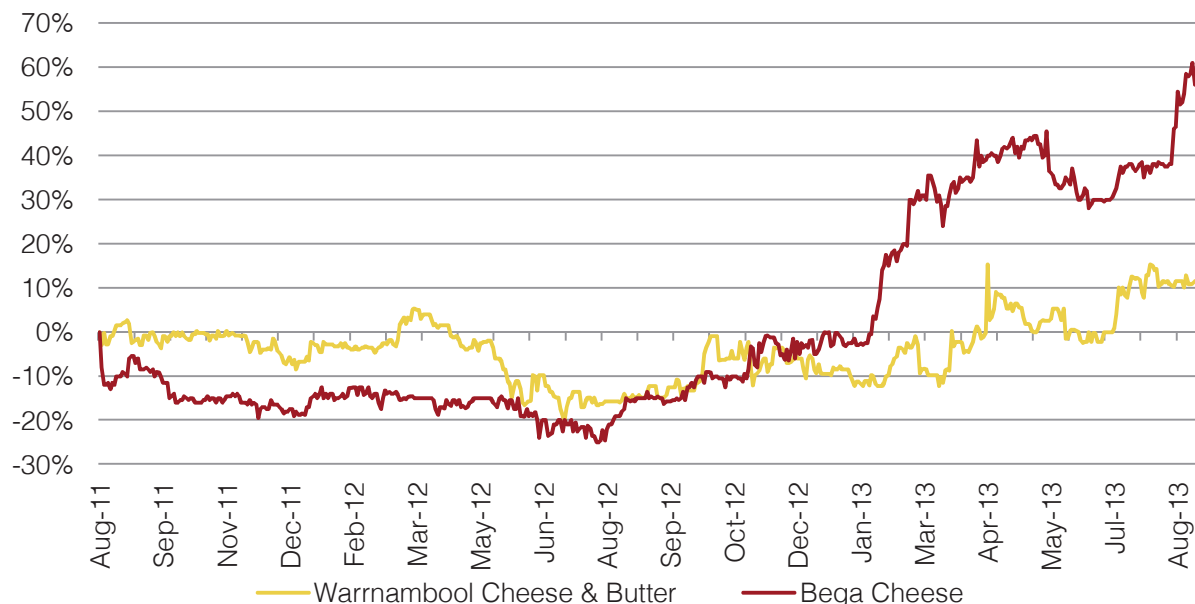
The Implied Offer Price represents a significant premium to a range of historical trading prices for Warrnambool Cheese & Butter Shares prior to the Announcement Date:



Source: S&P Capital IQ. As permitted by ASIC Class Order [CO 07/429], this chart contains ASX share price trading information sourced from S&P Capital IQ without its consent.

¹⁵ Based on the Warrnambool Cheese & Butter share price as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date.

Comparison of share price performance of Bega Cheese Shares and Warrnambool Cheese & Butter Shares since Bega Cheese's ASX Listing



Source: S&P Capital IQ. As permitted by ASIC Class Order [CO 07/429], this chart contains ASX share price trading information sourced from S&P Capital IQ without its consent.

The Offer Consideration is \$2.00 cash and 1.2 Bega Cheese Shares for each of your Warrnambool Cheese & Butter Shares (unless you are an Ineligible Foreign Shareholder). Based on the Bega Share price of \$3.15 as at close of trading on ASX on 11 September 2013, the Implied Offer Price is \$5.78 per Warrnambool Cheese & Butter Share and values Warrnambool Cheese & Butter at \$319 million¹⁶.

By way of example, if you accept the Offer in relation to 10,000 Warrnambool Cheese & Butter Shares, and the Offer becomes unconditional, you will receive the Offer Consideration set out in the table below (unless you are an Ineligible Foreign Shareholder):

Offer Consideration (e.g. 10,000 Warrnambool Cheese & Butter Shares)		
Share and cash consideration		
Cash consideration	(10,000 x \$2.00)	\$20,000
Bega Cheese Shares	(10,000 x 1.2 ¹⁷)	12,000
Implied value of Bega Cheese Shares and cash consideration		
Cash	(10,000 x \$2.00)	\$20,000
Implied value of Bega Cheese Shares	(10,000 x 1.2 ¹⁷ x \$3.15 ¹⁸)	\$37,800
Total implied Offer price		\$57,800
Implied Offer Price per Warrnambool Cheese & Butter Share	(\$57,800 / 10,000)	\$5.78

¹⁶ Equity value based on 55,246,173 Warrnambool Cheese & Butter Shares outstanding and the Implied Offer Price.

¹⁷ Based on the Bega Cheese Share component of the Offer Consideration.

¹⁸ Based on the Bega Cheese Share price of \$3.15 as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date

WHY YOU SHOULD ACCEPT BEGA CHEESE'S OFFER (CONTINUED)

2. Become Part of Australia's Largest ASX Listed Dairy Company

Bega Cheese has an enviable position in the Australian dairy industry. Its strength comes from a unique set of capabilities, the combination of which has delivered consistent financial performance, business growth, shareholder returns and strong manufacturing milk pricing in changing market conditions.

Bega Cheese is Australia's largest ASX Listed dairy company with:

- Australia's leading cheddar cheese brand
- Long term major customer relationships
- Integrated manufacturing and value-adding infrastructure
- Diversified product range and earnings profile
- Over \$1 billion in annual revenue in FY13
- FY13 EBITDA of \$64.3 million and FY13 NPAT \$25.4 million
- Approximately 700 million litres of annual milk intake
- Five integrated and efficient production facilities
- A record of investment in technologies and innovation
- 210,000¹⁹ tonnes of annual total dairy production, comprising approximately:
 - o 102,000 tonnes of natural and processed cheese retail packaging;
 - o 25,000 tonnes of cheddar and mozzarella cheese production;
 - o 17,000 tonnes of cream cheese;
 - o 35,000 tonnes of milk and whey powder;
 - o 20,000 tonnes of infant formula and nutraceuticals; and
 - o 11,000 tonnes of butter and cream products.
- Experienced and highly skilled personnel
- Market capitalisation of \$478 million²⁰.

¹⁹ Bega Cheese FY13 actual production figures.

²⁰ Based on the Bega Cheese Shares on issue and Bega Cheese Share price of \$3.15 as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date.



Products produced by Bega Cheese Group. Some products are contract manufactured for customers.

WHY YOU SHOULD ACCEPT BEGA CHEESE'S OFFER (CONTINUED)

3. Share in an Exciting Future for the Combined Group

A Successful Merger of Bega Cheese, Warrnambool Cheese & Butter and Tatura Milk Industries will, in Bega Cheese's opinion, create a Combined Group with a product range, manufacturing capabilities, scale and investment capacity that will be well positioned to meet the growing demand for high quality, efficiently produced, value-added dairy products for markets in Australia and around the world.

If a Successful Merger is achieved and the businesses are combined, Bega Cheese believes that a truly integrated, value-adding dairy supply chain would be formed. The Combined Group will have a greater capacity to invest in new technologies and product innovation, attract quality staff and external investment and create value for shareholders while always endeavouring to ensure a sustainable and viable dairy farmer supply base.

- Combined milk annual intake – 1.6 billion litres
- Combined total annual production – 353,000 tonnes²¹
- Products – cheddar, mozzarella, processed and cream cheese, milk and whey powders, infant formula, dairy nutritionals, nutraceuticals, butter, cream and milk
- Customers – Australian and international, retail and ingredients
- Revenue - \$1.5 billion per year²²
- Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) of \$96.2 million including estimated synergies²²
- Net Profit After Tax of \$33.8 million including estimated synergies²²
- Synergies - approximately \$7.5 million (estimated)²³
- Pro forma market capitalisation - \$650 million²⁴

²¹ Pro forma production using Bega Cheese and Warrnambool Cheese & Butter FY13 actual production.

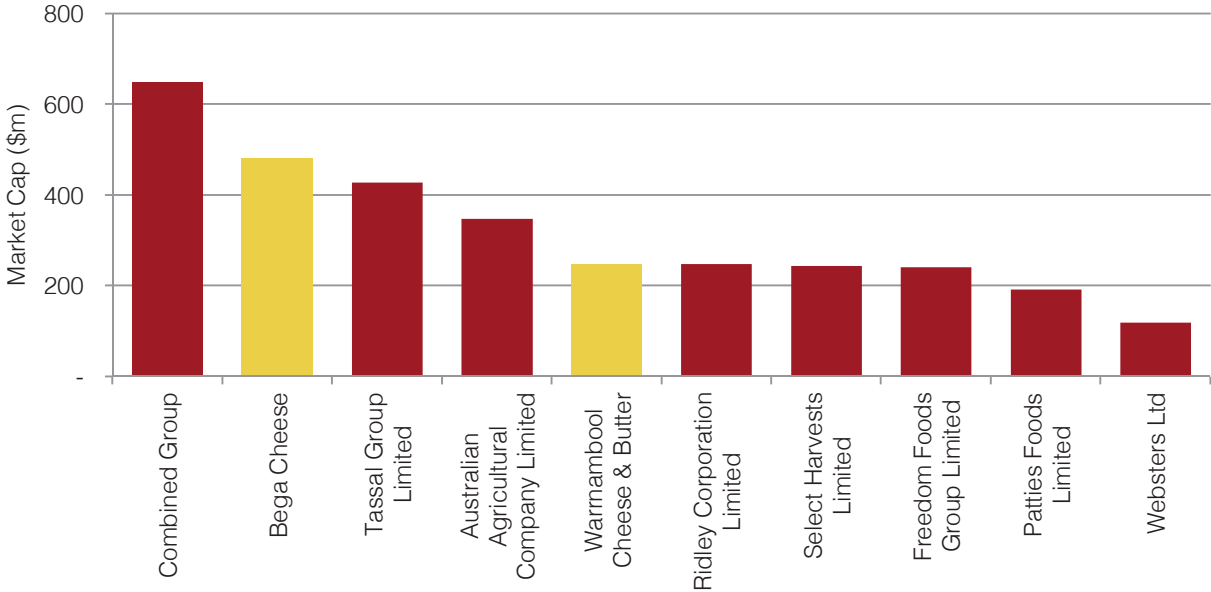
²² FY13 pro forma (refer to Section 4.8 for further details).

²³ Pre-tax and excluding one off integration costs (refer to Section 4.5 for further details).

²⁴ Based on the Bega Cheese Shares on issue and Bega Cheese Share price of \$3.15 as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date plus Bega Cheese Shares that will be issued as Offer Consideration under a Successful Merger.

If a Successful Merger is achieved, the increased scale of the Combined Group should enhance capital market interest as well as provide Warrnambool Cheese & Butter Shareholders²⁵ (who accept the Offer and become Bega Cheese Shareholders) with increased liquidity compared with historical trading of Warrnambool Cheese & Butter Shares. The chart below shows the comparative market capitalisation of ASX Listed food and agricultural companies²⁶ including the estimated pro forma market capitalisation of the Combined Group²⁷.

Combined Group market capitalisation as at 11 September 2013



Source: S&P Capital IQ. As permitted by ASIC Class Order [CO 07/429], this chart contains ASX share price trading information sourced from S&P Capital IQ without its consent.



²⁵ Subject to the Offer becoming unconditional. If you are an Ineligible Foreign Shareholder you will receive cash and will not become a Bega Cheese Shareholder.
²⁶ Based on the share prices of the relevant companies as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date.
²⁷ Based on the Bega Cheese Shares on issue and Bega Cheese Share price of \$3.15 as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date plus Bega Cheese Shares that will be issued as Offer Consideration under a Successful Merger.

WHY YOU SHOULD ACCEPT BEGA CHEESE'S OFFER (CONTINUED)

4. Bega Cheese Has a Record of Strong Financial Performance

Bega Cheese has a record of consistent profitability and business performance. Since Listing, Bega Cheese has generated a total shareholder return of 65%.

Bega Cheese's long term focus and investment in the key business platforms of dairy nutritionals, consumer cheese contract processing and packaging and dairy ingredients has created a business with growing revenues and margins and a capacity to perform well in all industry circumstances, including those that are a reflection of the cyclical nature of the global dairy industry.

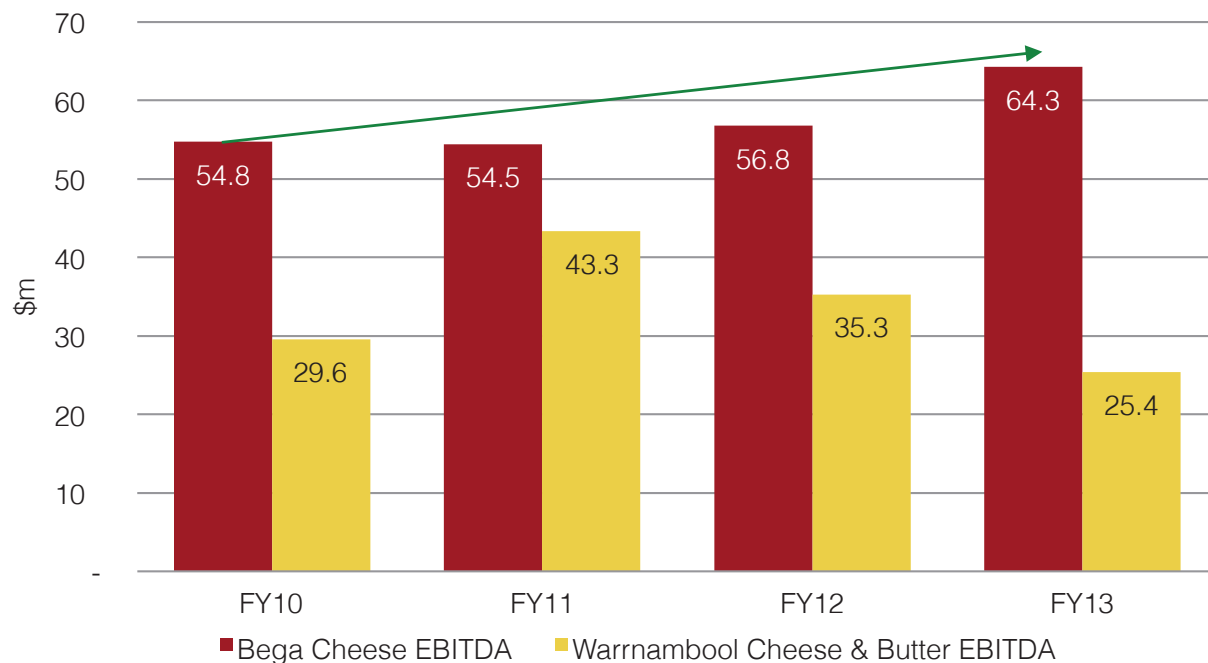
Bega Cheese's customer profile, diversity of earnings, value added product mix and integrated infrastructure have consistently delivered competitive advantages and stability to the business.



Source: Bega Cheese and Warrnambool Cheese & Butter's Audited Financial Statements.

Note: (a) Based on Bega Cheese Audited Financial Statements including adjustments to EBITDA and Profit before Tax for Regional Milk Price Premiums in FY10 and FY11 of \$2.6 million and \$2.3 million respectively, disclosed as normalisation adjustments in the 2011 Bega Cheese Prospectus (page 72).

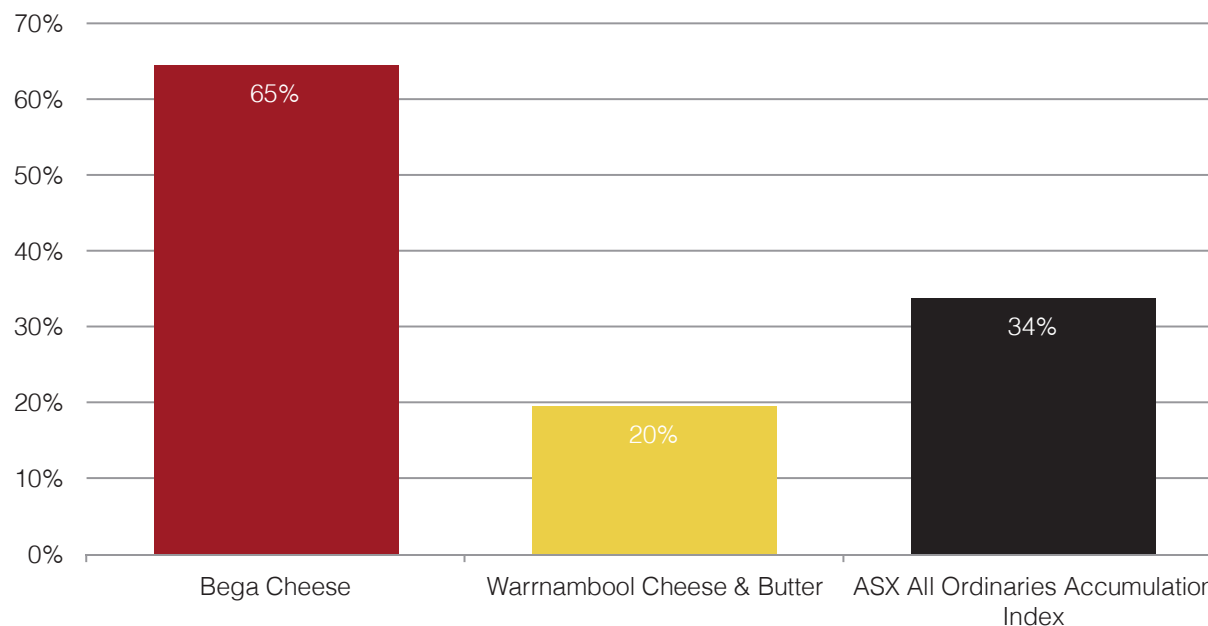
Bega Cheese vs. Warrnambool Cheese & Butter earnings profile



Source: Bega Cheese and Warrnambool Cheese & Butter's Audited Financial Statements.

Note: Based on Bega Cheese Audited Financial Statements including adjustments to EBITDA and Profit before Tax for Regional Milk Price Premiums in FY10 and FY11 of \$2.6 million and \$2.3 million respectively, disclosed as normalisation adjustments in the 2011 Bega Cheese Prospectus (page 72).

Total Shareholder Returns since Bega Cheese's ASX Listing (18 August 2011 to 11 September 2013)



Source: S&P Capital IQ. As permitted by ASIC Class Order [CO 07/429], this chart contains ASX share price trading information sourced from S&P Capital IQ without its consent.

Note: Based on the issue price of Bega Cheese Shares at Listing of \$2.00. Total shareholder returns includes dividends paid to shareholders of Bega Cheese and Warrnambool Cheese & Butter.

WHY YOU SHOULD ACCEPT BEGA CHEESE'S OFFER (CONTINUED)

5. Bega Cheese Has a Record of Consistent Value Creation

Bega Cheese's philosophy of being a demand driven organisation is the foundation on which its success is built. The culture, capacity and capability of being responsive to customer needs have seen Bega Cheese build substantial long-term value and relationships with its customers in Australia and around the world.

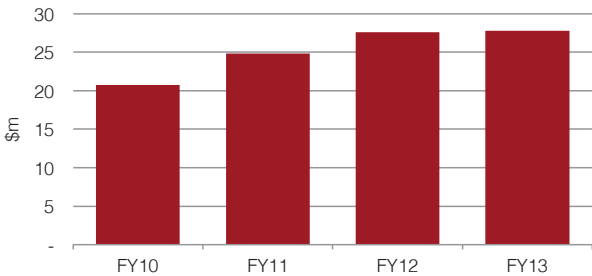
Since 2007 Bega Cheese has invested in excess of \$150 million on dairy business acquisitions and spent an additional \$130 million in capital expenditure, ensuring its production and value-adding facilities are relevant, reliable, at scale and globally competitive. Bega Cheese's record of integrating and creating value within the businesses it aligns with is demonstrated best by its consistent financial performance, even through periods of great market change and acquisition integration. Bega Cheese has been able to navigate through rapidly changing dynamics since dairy de-regulation in 2000 by consistently identifying opportunities and relationships that build value.

- 2001** – Bega Cheese brand licensed to Fonterra for cheese and butter in the Australian market in conjunction with a long-term product supply agreement and a major upgrade of the Ridge Street facility at Bega
- 2007** – Acquired 70% of Tatura Milk Industries
- 2008** – Acquired Coburg Cheese plant
- 2008** – Long term nutritional powder processing agreement with Mead Johnson
- 2009** – Acquired cheese processing facility at Strathmerton from Mondelez Foods (Kraft) and entered into a long-term product supply agreement
- 2011** – Listed on the ASX
- 2011** – Completed full merger with Tatura Milk Industries, acquiring the remaining 30% not owned.

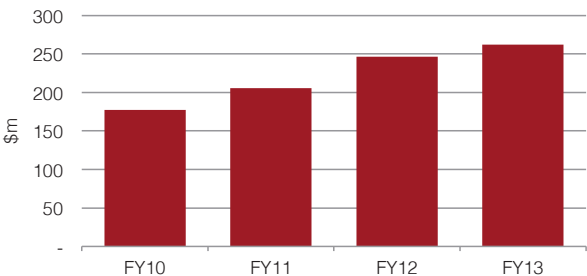
Bega Cheese's acquisition of Tatura Milk Industries demonstrates the capacity of Bega Cheese's management to create value through refocusing and improving business performance. Not unlike Warrnambool Cheese & Butter, Tatura Milk Industries is an export focussed dairy ingredients business.

- In 2007 Bega Cheese acquired 70% of Tatura Milk Industries for \$38.8 million
- Between 2007 and 2011, Bega Cheese helped transform the business with a lift in net profit after tax from a loss of \$16.1 million to a profit of \$15.6 million
- In 2011, the increase in value of Tatura Milk Industries was demonstrated when Bega Cheese paid \$40.8 million (implied offer price based on a Bega Cheese Share price of \$1.70 as at 4 October 2011) to acquire the remaining 30% it did not own, nearly the same value it paid to acquire the initial 70%
- Since assuming full control of Tatura Milk Industries in 2011, the Bega Cheese Shares issued to Tatura Milk Industries farmers in consideration for their shares in Tatura Milk Industries have risen from \$1.70 per share as at 4 October 2011 to \$3.15²⁸ per share.

Bega Cheese capital invested



Bega Cheese net assets



Source: Bega Cheese Audited Financial Statements.

6. Bega Cheese’s Approach on Farm Gate Milk Pricing

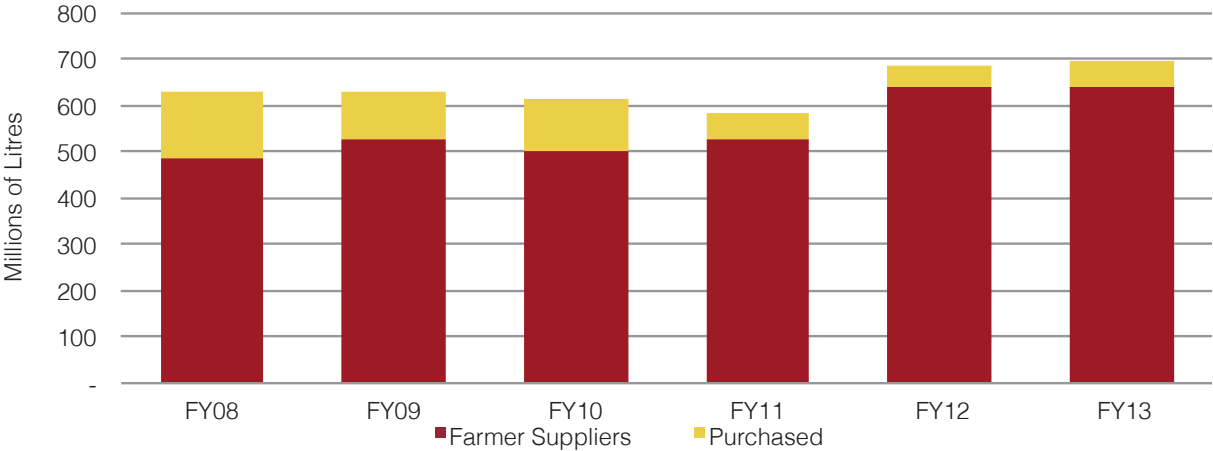
A cornerstone of the development of the Bega Cheese business has been the organisation’s understanding of, and focus on, retaining and growing milk supply.

The careful management and recognition of the changing environment dairy farmers operate in has seen Bega Cheese develop a close association with its 440 Farmer Suppliers. The organisation’s capacity to respond to Farmer Supplier concerns, deliver appropriate market signals and provide support on key issues is a core competency for Bega Cheese.

A long term, sustainable supply of milk ensures Bega Cheese’s manufacturing facilities operate efficiently and competitively to meet the short and long-term needs of its customers.

Bega Cheese endeavours to be the company of choice for dairy farmers in South Eastern Australia for the sale of their milk. The combination of a leading manufacturing milk price and innovative farm extension programs will be the key to Bega Cheese attracting and retaining milk supply and keeping its Farmer Suppliers viable.

Bega Cheese milk by source



Source: Bega Cheese Management Information

²⁸ Based on the Bega Cheese Share price of \$3.15 as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date.

WHY YOU SHOULD ACCEPT BEGA CHEESE'S OFFER (CONTINUED)

7. Warrnambool Cheese & Butter's Identity Will be Retained



12 Apostles, Great Ocean Road, Victoria



Allansford facility, Warrnambool, Victoria

Bega Cheese recognises the importance of heritage and the significant role that businesses like Bega Cheese, Tatura Milk Industries and Warrnambool Cheese & Butter play in their local communities and with their dairy farmer suppliers.

As was the case when Bega Cheese merged with Tatura Milk Industries, Bega Cheese will endeavour to complete the merger with Warrnambool Cheese & Butter in a way that ensures that the Warrnambool Cheese & Butter name, a Warrnambool Cheese & Butter Board, the Warrnambool Cheese & Butter operating sites and the Warrnambool Cheese & Butter brands including, Warrnambool, Sungold and Great Ocean Road are retained.

Bega Cheese believes that the key to its successful merger with Tatura Milk Industries was in building on the existing strengths of the Tatura Milk Industries business from an infrastructure and personnel point of view, while adding new skills and investment to the business. Bega Cheese is confident that this approach will also be successful with Warrnambool Cheese & Butter. Bega Cheese is very conscious of creating value in businesses by building on their strengths and addressing their weaknesses.

Bega Cheese is always keen to build on strengths and invest to ensure its businesses are efficient, competitive and able to deliver value to customers, dairy farmer suppliers and shareholders. When considering the benefits of merging with Warrnambool Cheese & Butter, Bega Cheese has identified a number of potential synergies. If a Successful Merger results, these synergies would be implemented through cost savings in administration, corporate services and procurement, as well as through efficiency gains in the operation and co-ordination of the manufacturing and packaging sites. Further particulars of the synergies are set out in Section 4.5.

Bega Cheese's long term behaviour in the communities it operates in should give Warrnambool Cheese & Butter Shareholders confidence that Bega Cheese will be able to deliver on its endeavour to ensure that it is a well regarded and valued member of the Warrnambool Cheese & Butter community.

In order to ensure the Combined Group maintains close links with the Warrnambool Cheese & Butter dairy farmer suppliers and the community, Bega Cheese intends to maintain a Warrnambool Cheese & Butter Board and invite a number of existing Warrnambool Cheese & Butter directors to remain on that board. Going forward, Bega Cheese will endeavour to ensure that there is strong representation on the Warrnambool Cheese & Butter Board from farmer suppliers to Warrnambool Cheese & Butter.

It is important to note that Bega Cheese has a constitutional requirement for dairy Farmer Supplier representation on the Bega Cheese Board. There are currently six Supplier Directors on the Bega Cheese Board and, upon a Successful Merger, supplier shareholders from the Warrnambool Cheese & Butter region may be nominated as candidates not only for the Warrnambool Cheese & Butter Board but also the Bega Cheese Board. Further information on Bega Cheese's intentions is set out in Section 3 of this Bidder's Statement. All statements of Bega Cheese's intentions in this Bidder's Statement, including those set out in this Section, should be read in the context outlined in Section 3.1.

A SHARED HISTORY

2011	BGA Listed on ASX and Tatura Milk shareholders vote to fully merge with BGA	2012	Capacity upgrade of processing plant for Sungold Milk
2009	BGA acquires Mondelez Foods' (Kraft) Strathmerton Facility	2009	Opening of Great Ocean Ingredients
2008	BGA acquires Coburg cheese manufacturing site and strategic alliance formed with Mead Johnson of USA	2007	WCB enters into joint venture with FrieslandCampina
2007	BGA acquires 70% of Tatura Milk Industries	2004	WCB builds new fresh milk processing plant for Sungold Milk
2005	Tatura forms strategic alliance with Ingredia of France	2004	WCB Listed on ASX
2001	BGA entered product supply agreement and licensed Bega Brand to Fonterra	1998	WCB builds new milk powder plant
1998	Opened BGA cutting, packing and processing site	1993	WCB commissions new cheese and WPC plant
1991	Tatura Milk signed supply contract with Snow Brand	1956	Kraft and WCB purchase Sungold Milk brand and business
1924	BGA butter factory built at Lagoon Street	1935	WCB's affiliation with Kraft commenced
1907	The Tatura Butter Factory and Farmers Produce Company Ltd formed	1888	Warrnambool Cheese & Butter Factory Company Limited established
1900	BGA original Butter Factory opened		
1899	Bega Co-Operative Creamery Company formed		

1. PROFILE OF BEGA CHEESE

1.1 Background

Bega Cheese is a company registered under the Corporations Act, which was admitted to the official list of the ASX on 16 August 2011 (ASX Code: BGA).

Bega Cheese was formerly The Bega Co-operative Society Limited, a co-operative registered under the *Co-operatives Act 1992* (NSW). On 23 April 2008, The Bega Co-operative Society Limited was registered as a company under the Corporations Act as Bega Cheese Limited.

Since its establishment in 1899, Bega Cheese has grown from a small farmer-owned co-operative based in Bega NSW to an Australian dairy company Listed on ASX and generating annual sales revenue of over \$1 billion.

In 2007, Bega Cheese acquired a 70% shareholding in Tatura Milk Industries and in December 2011, acquired the balance of its shares. With five sites across New South Wales and Victoria, its offices and factories in Bega, Strathmerton, Coburg, Tatura and Melbourne employ over 1,600 staff. The Bega Cheese Group has strong long-term relationships with its Farmer Suppliers. In FY13, milk intake was approximately 700 million litres, most of which was sourced directly from farmers, many of whom are also shareholders.

Bega Cheese is a significant retail and business-to-business supplier of dairy products. It exports its products to over forty countries worldwide and has sales or supply contracts with global food and dairy companies such as Fonterra, Mondelez Foods (Kraft), Snow Brand and Mead Johnson and retailers such as Coles and ALDI.

Bega Cheese has a proven management team with significant experience in the dairy sector. Executive Chairman, Barry Irvin, leads an experienced Bega Cheese Board that has foundations and insights into the dairy industry from farming to processing, marketing, sales and financial management. The management team, led by Chief Executive Officer, Aidan Coleman, has a strong combination of international marketing and manufacturing expertise, knowledge of the history and culture of the organisation and a diverse skill set with a proven capability of executing and implementing business improvement initiatives and growth strategies.

Bega Cheese's customer focus, product range, infrastructure and supplier relationships see it well positioned for growth. Significant opportunity exists to continue to grow Bega Cheese's presence in the Australian market and many of the forty international markets it currently exports to. It has been well documented that demand for dairy products continues to grow, particularly in the Asian market. Bega Cheese, through its wholly owned subsidiary Tatura Milk Industries, has been producing and selling high quality infant formula milk powders and cream cheese to these markets for over two decades.

Bega Cheese has several strategic investments outside of its core manufacturing businesses. These assets and interests include its investment of approximately 18% in Warrnambool Cheese & Butter and a 25% interest in Capitol Chilled Foods in Canberra, a joint venture with Lion Dairy.

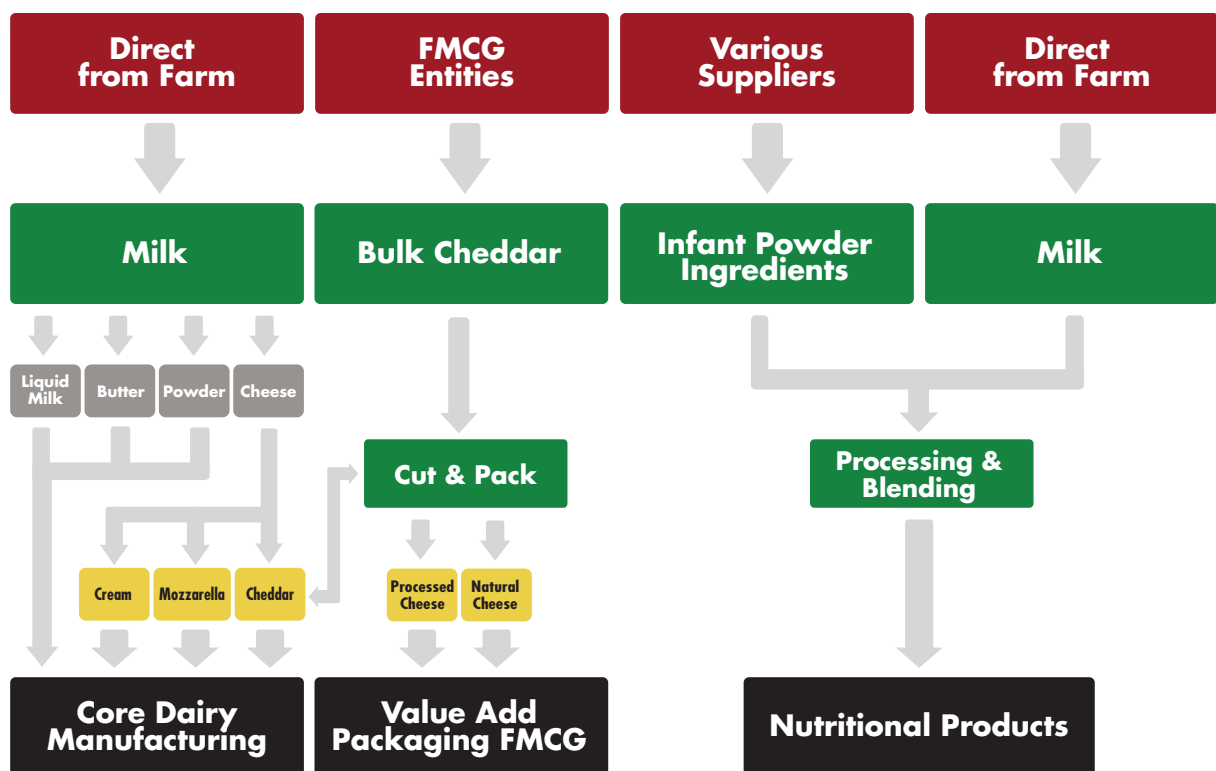
In recent years, Bega Cheese has demonstrated business stability, financial performance and share value appreciation:

- Increase in net asset value from \$177.6 million in FY10 to \$262.0 million in FY13
- Growth in revenue of 21.8% from \$829.0 million to \$1.0 billion between FY10 and FY13
- Growth in EBITDA of 17.3% from \$54.8 million²⁹ to \$64.3 million between FY10 and FY13
- Consistent dividend payments of 6.5 and 7.5 cents per share in FY12 and FY13 respectively
- 65% increase in total shareholder return since Listing

²⁹ Based on Bega Cheese FY10 Audited Financial Statement including adjustments to EBITDA for Regional Milk Price Premiums in FY10 of \$2.6 million, disclosed as normalisation adjustments in the 2011 Bega Cheese Prospectus (page 72).

1.2 Principal activities of Bega Cheese Group

The Bega Cheese Group operates five sites, manufacturing and value-adding approximately 210,000 tonnes of dairy products in FY13. Bulk cheddar cheese, string cheese and whey powder are produced at Lagoon Street, Bega, and bulk cheddar and mozzarella cheese at Coburg, Victoria. Milk powders, cream cheese, dairy nutritionals and nutraceuticals are produced at Tatura. The Ridge Street, Bega and Strathmerton, Victoria facilities are dedicated to the cutting, packaging and processing of bulk cheese products into retail and food service packs. Bega Cheese has recently implemented arrangements under which it will construct an infant formula blending and packing facility in Melbourne.



The above table provides a schematic overview of the receipt of milk and other raw materials and the processing by the Bega Cheese business. The size of boxes and arrows in the chart does not reflect the relative size of each business.

1. PROFILE OF BEGA CHEESE (CONTINUED)

The Bega Cheese Group's business can be categorised as follows:

Core dairy products

Manufacture and sale of cheddar, cream and mozzarella cheeses, milk and whey powders, butter, frozen cream and milk protein concentrate

Fast Moving Consumer Goods (FMCG) business focussed on cheese packaging and processing, including products under the Bega brand

- Cutting, packaging and processing of cheese products into retail packs for customers including Fonterra, Mondelez Foods (Kraft), Coles and ALDI Stores
- Receiving a royalty from Fonterra for the exclusive right to use the Bega brand trade marks in Australia on natural and processed cheddar cheese, string cheese and butter products
- Direct marketing and sales of Bega products internationally

Nutritional food products

- Manufacture and sale of infant formula, growing-up milk powders and lactoferrin

The following table summarises Bega Cheese's recent production.

Facility	Production FY10 Tonnes	Production FY11 Tonnes	Production FY12 Tonnes	Production FY13 Tonnes
Lagoon Street	23,349	24,683	29,973	27,731
Coburg	5,799	4,750	8,677	8,151
Ridge Street	61,626	60,528	53,470	56,180
Strathmerton	29,422	33,864	37,276	44,691
Tatura	66,896	62,398	74,382	73,297
Total	187,092	186,223	203,778	210,050

Source: Bega Cheese Management Information

1.3 Business highlights

The Bega Cheese Group has an enviable position in the Australian dairy industry. Its strength comes from a unique set of capabilities, the combination of which has proven to deliver enduring competitive advantage and strong shareholder returns in changing market conditions.

Brand strength and leadership

The Bega brand is one of the most widely recognised and respected food brands in Australia and, as the country's number one cheddar cheese brand, has been built under the consistent stewardship of Bega Cheese and its long term Australian licensee, Fonterra. This market winning brand position has been leveraged internationally into more than twenty six countries.

Bega Cheese has also built a formidable corporate brand reputation in Tatura Milk Industries. Tatura Milk Industries is a supplier of high quality cream cheese and nutritional products in Asian markets.

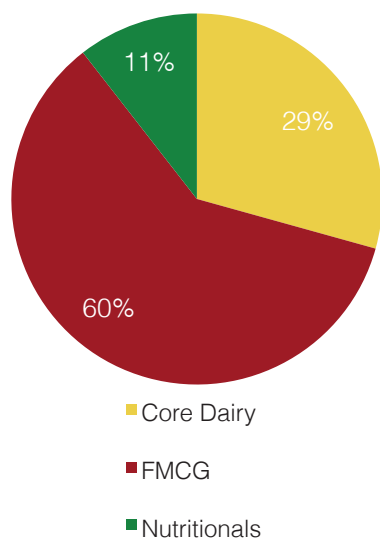
Long term major customer relationships

Bega Cheese has developed long term, cost plus, supply commitments over a significant proportion of its manufacturing capacity, with customers such as Fonterra, Mondelez Foods (Kraft) and Coles in cheese products, and Mead Johnson in nutritional powders. This gives secured capacity utilisation and protection of core profitability in times of market volatility, as well as continuously improving capability, through collaboration with its long term partners on innovation and cost initiatives.

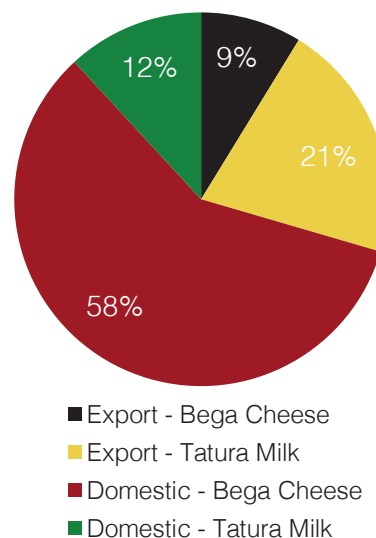
Diversified earnings across businesses and geographies

With strong market share positions across a number of channels and geographies in cheese products and nutritional powders, Bega Cheese has a diversified earnings base with multiple pathways for future growth. Cheese products are sold to industrial, food service and retail customers, balancing the different channel growth rates and maximising sales from similar products. Its broad geographical spread in Oceania, Asia and the Middle East has enabled Bega Cheese to leverage its domestic scale into emerging countries and be well positioned to capture the growing Asian demand for quality dairy products.

Bega Cheese 2013 revenue by business unit



Bega Cheese 2013 revenue by destination



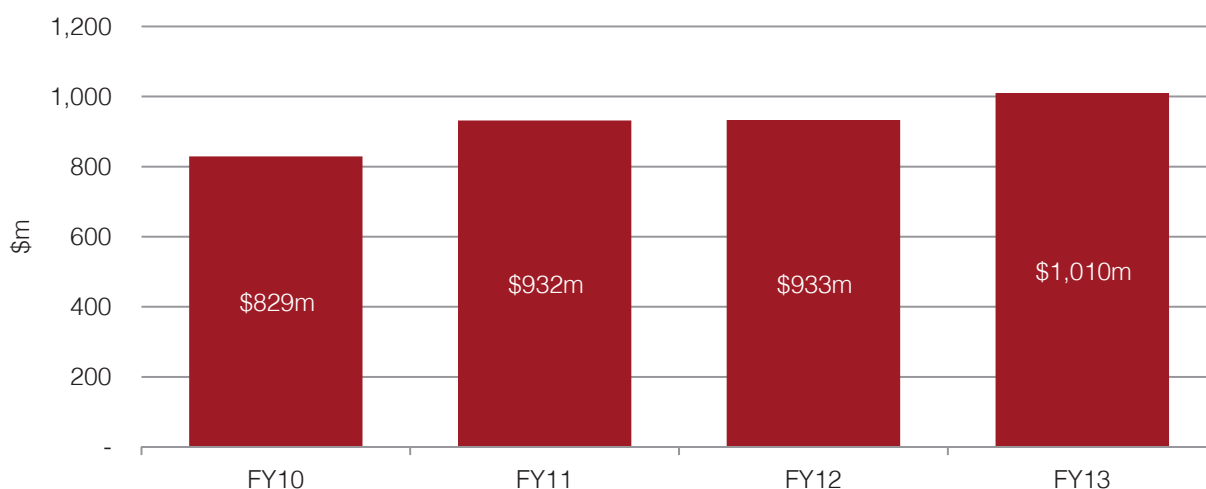
Source: Bega Cheese FY13 Annual Report

1. PROFILE OF BEGA CHEESE (CONTINUED)

Integrated infrastructure and value add products generate stable business performance

Bega Cheese's infrastructure and milk management planning systems allow it to direct milk to higher returning products and respond quickly to changes in market demand and customer requirements. This, combined with a focus on value adding and long term business to business contracts, contribute to a more stable business performance and growth profile.

Bega Cheese's annual revenues FY10 to FY13



Source: Bega Cheese Audited Financial Statements

Investment in technology and capability for sustainability and global competitiveness

To maintain global competitiveness and sustainability, Bega Cheese has continuously reinvested in its plants, processes and people. Technology investment in the five production plants, including robotics and automated processing lines, has ensured a high level of production and cost efficiency. Working collaboratively with farmers to audit and continuously improve on farm practices has ensured a high quality milk supply and assisted farmers with environmental sustainability.

1.4 Milk supply and pricing

The annual milk intake by the Bega Cheese Group is approximately 700 million litres, which is about 7.5% of total Australian milk production.

The Bega Cheese Group receives milk from around 440 Farmer Suppliers. The largest single Farmer Supplier represents just over 1% of milk delivered. Traditionally, Farmer Suppliers do not have written, long term contracts relating to the supply of their milk, but effectively commit to a buyer on an annual basis.

The Bega Cheese Group also acquires milk from third party suppliers as and when required and available.

Milk pricing is traditionally set on a July to June financial year or 'season' basis. Milk prices are set in a highly competitive environment. In NSW, the major competitors for milk are dairy companies supplying the liquid milk market. In Victoria, the competitors for milk are predominantly processing milk into dairy products, including milk powders cheese and butter, primarily for export markets. Milk prices therefore reflect global commodity prices and competition for product. Bega Cheese intends to maintain its objective of paying leading manufacturing milk prices. Milk price decisions are made by the Bega Cheese Board based on recommendations by management. Bega Cheese believes that it is in the interests of shareholders that all Bega Cheese Board members (including those who are Farmer Suppliers) are involved in milk pricing decisions due to its critical importance. To ensure that the milk price paid by the Bega Cheese Group is appropriate, the Bega Cheese Board has adopted the following milk price policy.

Bega Cheese Group Milk Price Policy

1. Introduction

A cornerstone of the development of the Bega Cheese Group business has been its understanding of, and focus on, retaining and growing milk supply.

The careful management and recognition of the changing environment dairy farmers operate in has seen the Bega Cheese Group develop a close association with its suppliers. Its capacity to respond to supplier concerns, deliver appropriate market signals and provide support on key issues is a core competency for Bega Cheese.

A long term, sustainable supply of milk ensures the Bega Cheese Group's manufacturing facilities operate efficiently and competitively to meet the short and long-term needs of its customers.

2. Milk Price Policy and Milk Prices in Various Regions

Bega Cheese will consider the following issues when setting milk prices for the various supply regions:

- (a) the significance of the place of origin of the milk used in manufacture of particular dairy products (for example, milk used in the manufacture of Bega branded cheese);
- (b) the financial return expected to be earned from dairy products manufactured using milk supplied by the relevant regions;
- (c) the need to ensure the long term sustainability of dairy farming in the relevant region; and
- (d) the competitive farm gate milk prices in each region.

3. Company of Choice

Bega Cheese endeavours to be the company of choice for dairy farmers in South Eastern Australia for the sale of their milk. The combination of a leading manufacturing milk price and innovative farm extension programs is the key to attracting and retaining milk supply and keeping our Farmer Suppliers viable.

1.5 Historical financial information on Bega Cheese

(a) Basis of preparation of historical financial information

The historical financial information below relates to Bega Cheese and does not reflect any impacts of the Offer. It is a summary only and the full financial statements for Bega Cheese for the financial periods described below, which include the notes to the accounts, can be found in Bega Cheese's annual reports for those periods. Copies of those annual reports are available at Bega Cheese's website (www.begacheese.com.au).

1. PROFILE OF BEGA CHEESE (CONTINUED)

(b) Consolidated statement of financial position

Set out below is the summarised historical consolidated statement of financial position that has been extracted from the audited financial statements of Bega Cheese for the financial years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 (being the last four audited statements prior to the date of this Bidder's Statement).

Bega Cheese \$'000	12 months to 30 June			
	2010	2011	2012	2013
Current Assets				
Cash and cash equivalents	18,169	20,587	6,053	24,235
Trade and other receivables	89,580	83,341	95,767	104,303
Other financial assets	819	2,489	318	-
Inventories	122,531	104,595	162,669	163,277
Assets classified as held for sale	27	9	-	-
Total Current Assets	231,126	211,021	264,807	291,815
Non-Current Assets				
Other financial assets	199	37,010	30,903	39,028
Property, plant & equipment	193,796	197,866	204,596	209,892
Deferred tax assets	17,212	14,400	14,070	9,157
Intangible assets	2,170	1,788	1,580	1,580
Total Non-current Assets	213,377	251,064	251,149	259,657
TOTAL ASSETS	444,503	462,085	515,956	551,472
Current Liabilities				
Trade and other payables	108,947	116,802	130,450	144,940
Borrowings	63,953	22,006	12,816	601
Current tax liabilities	2,717	1,904	161	1,397
Provisions	16,745	18,872	21,464	22,893
Derivative financial instruments	3,518	962	419	7,191
Total Current Liabilities	195,880	160,546	165,310	177,022
Non-Current Liabilities				
Trade & other payables	704	148	7	-
Borrowings	68,659	94,300	102,013	110,300
Provisions	1,644	1,616	2,186	2,198
Total Non-Current Liabilities	71,007	96,064	104,206	112,498
TOTAL LIABILITIES	266,887	256,610	269,516	289,520
NET ASSETS	177,616	205,475	246,440	261,952
Equity				
Contributed equity	27,163	27,169	101,279	101,902
Reserves	31,907	46,057	25,515	25,585
Retained earnings	92,888	106,633	119,646	134,465
Equity attributable to the Owners	151,958	179,859	246,440	261,952
Minority interests	25,658	25,616	-	-
TOTAL EQUITY	177,616	205,475	246,440	261,952

Source: FY13 and FY11 Audited Financial Statements.

(c) Consolidated statement of comprehensive income

Set out below is the summarised historical consolidated statement of comprehensive income that has been extracted from the audited financial statements of Bega Cheese for the financial years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 (being the last four audited statements prior to the date of this Bidder's Statement).

Bega Cheese \$'000	12 months to 30 June			
	2010	2011	2012	2013
Revenue	829,029	931,690	932,911	1,010,086
Cost of sales	(743,750)	(837,145)	(817,545)	(874,961)
Gross profit	85,279	94,545	115,366	135,125
Other income	8,106	7,533	9,141	8,660
Distribution expense	(24,016)	(25,343)	(36,192)	(44,255)
Marketing expense	(8,085)	(10,765)	(6,948)	(9,733)
Occupancy expense	(2,358)	(2,634)	(2,790)	(2,552)
Administration expense	(27,007)	(31,741)	(42,294)	(43,449)
Finance costs	(10,120)	(9,505)	(9,204)	(8,447)
Profit before income tax	21,799	22,090	27,079	35,349
Income tax expense	1,468	(397)	(6,650)	(9,904)
Profit for the period	23,267	21,693	20,429	25,445
Other comprehensive income				
Cash flow hedges (net of tax)	(3,300)	3,442	(1,042)	(2,868)
Change in the fair value of other financial assets	98	10,474	(6,860)	3,289
Total other comprehensive (expense)/income	(3,202)	13,916	(7,902)	421
Total comprehensive income for the period	20,065	35,609	12,527	25,866

Source: FY13 and FY11 Audited Financial Statements

1.6 Corporate governance

The Bega Cheese Board seeks, where appropriate, to provide accountability levels that meet the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (with 2010 Amendments).

Details of Bega Cheese's corporate governance procedures, policies and practices can be obtained from its website (www.begacheese.com.au).

1. PROFILE OF BEGA CHEESE (CONTINUED)

1.7 Directors

The directors of Bega Cheese are set out below.



BARRY IRVIN AM

*Executive Chairman,
Director since September,
1989.*

Experience and Expertise

Barry Irvin is recognised globally for his extensive knowledge of the Australian dairy industry. In 2011 he was awarded the Rabobank Agribusiness Leader of the Year. He was awarded the NAB Agribusiness Leader of the Year in 2009 and appointed a member of the Order of Australia in 2008.

Other current Directorships

Gardiner Foundation, Tatura Milk Industries Limited, Capitol Chilled Foods (Australia) Pty Ltd and Giant Steps Sydney Limited.

Former directorships in the last 3 years

Warrnambool Cheese and Butter Factory Company Holdings Limited.

Special Responsibilities

Chair of the Board and member of Nomination & Human Resources Committee.



RICHARD CROSS

BAgSci (Hon), GAICD
Director since December 2011.

Experience and Expertise

Richard Cross has represented dairy farmers at various levels within the United Dairyfarmers of Victoria, and was recently a member of the Horizon 2020 working group. Richard Cross was a director of Tatura Milk from 2003 to 2011.

Other current Directorships

Nil.

Former directorships in the last 3 years

Tatura Milk Industries Limited.

Special Responsibilities

Nil.



JOY LINTON

BComm, Grad Dip AFI, GAICD
Independent Director since October 2011.

Experience and Expertise

Joy Linton is currently Chief Financial Officer at Bupa Australia and New Zealand, one of Australia's leading healthcare companies. She has 21 years of experience in strategic and financial roles with companies such as Ford Motor Company, Pacific Dunlop Food Group and National Foods Limited. She held the role of CFO of National Foods from 2007 to 2010 and prior to that was General Manager Commercial for the Dairy Foods Group.

Other current Directorships

Executive Director of Bupa Australia Holdings Limited.

Former directorships in the last 3 years

Nil.

Special Responsibilities

Chair of Audit & Risk Committee.



PETER MARGIN

BSc (Hons), MBA
Independent Director since June 2011.

Experience and Expertise

Peter Margin has many years of leadership experience in major Australian and international food companies. His most recent position was the CEO of the ASX-listed food group Goodman Fielder Ltd from 2005 until April 2011. Prior to that appointment he was the CEO and Chief Operating Officer of National Foods Ltd and has had experience at Heinz, Birds Eye Foods and Plumrose.

Other current Directorships

Non-executive director of three other public companies: Nufarm Limited (director since 2011), PMP Limited (director since 2012), on the Board of Ricegrowers Limited.

Former directorships in the last 3 years

Goodman Fielder Limited.

Special Responsibilities

Chair of Nomination & Human Resources Committee and member of Audit & Risk Committee.

**JEFF ODGERS****BBus (Ag Mgt)**

Director since December 2011.

Experience and Expertise

Jeff Odgers has been involved in dairy and water industry roles for the past 13 years, and actively managing farming businesses for over 25 years. Jeff Odgers is a former Chairman of Murray Dairy Inc.

Other current Directorships

Nil.

Former directorships in the last 3 years

Tatura Milk Industries Limited.

Special Responsibilities

Nil.

**RICHARD PARBERY****FCPA**

Director since September, 1988.

Experience and Expertise

Richard Parbery is the Managing Partner of a successful regional accounting practice, is a Fellow of the Australian Society of Certified Practising Accountants, a registered Company Auditor, registered Tax Agent and a Justice of the Peace NSW, a registered Self-Managed Superannuation Fund Auditor, an External Examiner for the Law Society of NSW and a Member of the Australian Institute of Company Directors. Richard Parbery is experienced in servicing many agricultural and general business clients.

Other current Directorships

Nil.

Former directorships in the last 3 years

Tatura Milk Industries Limited.

Special Responsibilities

Member of Audit & Risk Committee.

**RICHARD PLATTS****Adv Dip Agr; GAICD**

Director since November, 2000.

Experience and Expertise

Richard Platts owns and manages a large dairy farming business near Bega NSW. He completed the Rabobank Executive Development Program in 2011. In the past he has represented dairy farmers on a number of organisations.

Other current Directorships

Nil.

Former directorships in the last 3 years

Nil.

Special Responsibilities

Member of Nomination & Human Resources Committee.

**MAX ROBERTS**

Director since September, 1983.

Experience and Expertise

Max Roberts has been involved in the dairy industry for many years, including agripolitical, Board representation and direct dairy farming activities. Max Roberts was a director of Milk Marketing NSW Pty Ltd, Chairman of NSW Farmers Inc dairy section and Vice President of Australian Dairy Farmers Federation. Max Roberts is also a member of the Australian Institute of Company Directors.

Other current Directorships

Chairman of Dairy Australia Limited.

Former directorships in the last 3 years

Nil.

Special Responsibilities

Member of Nomination & Human Resources Committee.

1. PROFILE OF BEGA CHEESE (CONTINUED)

1.8 Executive Team

The Executive Team of Bega Cheese (other than the Executive Chairman) comprises of the following:

Name / Position	Experience
Aidan Coleman (Chief Executive Officer)	<p>Aidan has twenty eight years of experience in the international marketing and manufacturing of consumer dairy products and dairy ingredients primarily in Australia, New Zealand, China, Japan, South East Asia, Latin America and the Indian sub-continent.</p> <p>Aidan has held positions including Manager Director – Fonterra Brands Australia, CEO of Bonland Dairies – Australia, Managing Director of New Zealand Milk in Sri Lanka and was General Manager – Consumer Foods at Tatura Dairy Cooperative in New Zealand. In 2008 he was appointed Chief Executive Officer of Tatura Milk Industries before taking up the role of Chief Executive Officer of Bega Cheese in 2011.</p> <p>He holds a B.A. in economics and psychology from Auckland University and a Business Degree in marketing from Massey University in New Zealand, as well as being a graduate of the Australian Institute of Company Directors.</p>
Colin Griffin (Chief Financial Officer)	<p>Colin Griffin was appointed Chief Financial Officer and Company Secretary in April 1993 and has been responsible for finance, IT, legal, corporate affairs and compliance since that time. Prior to joining Bega Cheese, Colin had an extensive background in audit and corporate advisory services within KPMG. Colin is a Chartered Accountant.</p> <p>Colin is a director of Tatura Milk Industries and Capitol Chilled Foods (Australia) and represents Bega Cheese's interests in these two businesses.</p> <p>Colin is responsible for supporting the Executive Chairman and Chief Executive Officer in mergers, acquisitions and major commercial negotiations. Colin has also previously been responsible for the Bega brand, including franchise sales and marketing management and managing Bega Cheese's relationship with Fonterra Australia.</p>
Paul van Heerwaarden (General Manager – Sales & Marketing)	<p>Paul was previously Executive General Manager and Chief Financial Officer of Tatura Milk Industries. Prior to these roles, Paul worked in senior financial and management positions with a number of Australian and international agribusinesses.</p> <p>Paul has an MBA from the Melbourne Business School, a Bachelor of Business (Accounting) from RMIT and is a Certified Practising Accountant.</p> <p>Paul is a director of Tatura Milk Industries and was recently appointed as a director of Dairy Innovation Australia Limited, an industry funded research/innovation organisation.</p>
Grattan Smith (General Manager – Supply Chain)	<p>Grattan joined Bega Cheese in December 1997. He has over twenty six years of industry experience in logistics and supply chain including retail, manufacturing and contract warehousing and distribution. Grattan's varied roles have encompassed all aspects of the supply chain including inventory management, procurement, planning and logistics.</p> <p>Grattan holds a Bachelor of Business (Operations) from the University of Western Sydney.</p>
David McKinnon (General Manager – Human Resources)	<p>David has a Bachelor of Commerce degree from the University of Melbourne and has significant experience in human resources management, business acquisitions and integration both in Australia and internationally.</p> <p>Prior to joining Bega Cheese in April 2012, David worked in a number of senior HR leadership roles with Orica over sixteen years. During his time at Orica, he was also accountable for remuneration and benefits and organisational development leadership for the company. Prior to Orica, David worked in a number of operational and functional Human Resources roles for Mobil Oil Australia.</p>

Name / Position	Experience
Garth Buttimore (General Manager – Operations)	<p>Garth joined Bega Cheese in December 2011 in the role of General Manager Operations for the Group. He is responsible for all manufacturing sites and related manufacturing activities along with the technical, environmental and project engineering functions for the business.</p> <p>Garth is an industry specialist with over 30 years' experience in both scientific and operational roles primarily within the dairy industry. Garth was trained in New Zealand as a food technologist with the New Zealand Dairy Group (predecessor to Fonterra) before taking up operational roles within New Zealand Dairy Group and later Bonlac Foods Australia, Simplot Australia, National Foods (now Lion Dairy), Goodman Fielder - Dairy and Bega Cheese. Garth's breadth of experience includes senior and executive roles in manufacturing/operations, B2B sales, research & development, project management and technical/quality. Garth holds a Diploma in Dairy Technology from Massey University.</p>

1.9 Remuneration of directors

Directors' remuneration is set by the Bega Cheese Board within the maximum aggregate amount of \$900,000 per annum approved by Bega Cheese Shareholders.

For the financial year ended 30 June 2013, the Bega Cheese Directors were paid as follows:

\$	Salary, fees & allowances	Superannuation benefits	Total
Mr B Irvin	567,285	25,000	592,285 ⁽¹⁾
Mr M Roberts	70,031	6,303	76,334
Mr R Parbery	70,948	6,385	77,333
Mr R Platts	70,031	6,303	76,334
Mr R Cross	66,361	5,972	72,333
Mr J Odgers	66,361	5,972	72,333
Mr P Margin	86,438	2,896	89,334
Ms J Linton	79,205	7,128	86,333

Source: FY13 Bega Cheese Annual Report.

Note: ⁽¹⁾This comprises the remuneration of the Executive Chairman in his capacity as Chairman of \$174,950 and \$417,335 for his executive responsibilities, including bonus.

1.10 Directors' indemnity and insurance

Bega Cheese pays a premium in respect of a contract insuring the Bega Cheese Directors and all executive officers of Bega Cheese and of any related body corporate against liabilities incurred as such a director or executive officer, not exceeding the extent permitted by law. The contracts of insurance prohibit disclosure of the nature of the liabilities and the amount of the premiums.

In addition, each Bega Cheese Director has entered into a Deed of Access and Indemnity with Bega Cheese which indemnifies them for losses incurred as a director or officer of Bega Cheese and places an obligation on the Bega Cheese Group to maintain a current directors' and officers' policy with a reputable insurer for the period of the director's tenure and

1. PROFILE OF BEGA CHEESE (CONTINUED)

for a seven year tail period (or longer if there is an unresolved outstanding claim against the director) and a contractual right of the director to access Bega Cheese Group records for the period of the director's tenure and for a seven year tail period (or longer if there is an unresolved outstanding claim against the director).

1.11 Capital structure

As at the date of this Bidder's Statement, Bega Cheese has 151,866,050 fully paid ordinary shares on issue and has granted 1,417,684 performance rights (see Section 1.18).

1.12 Bega Cheese Directors' interests in Bega Cheese securities

As at the date of this Bidder's Statement 26 September 2013, the interests of Bega Cheese Directors in Bega Cheese securities are as set out below:

Name	Registered shareholder	Number of Bega Cheese Shares
Mr B Irvin	Aljo Pastoral Pty Ltd	3,004,984
Mr M Roberts	Max and Sue Roberts	1,675,000
	Buckajo Superannuation Fund	80,000
Mr R Parbery	Jerang Pty Ltd	2,664,012
Mr R Platts	Richard Ellwyn Platts	3,600,233
	Mrs Deborah Jane Platts & Mr Richard Ellwyn Platts	1,018
	Mr Ellwyn Keith Platts & Mrs Kathleen Platts	78,996
Mr R Cross	Waranga Downs Pty Ltd	288,154
	Mr Richard Dean Cross & Mrs Judith Florence Cross	9,393 12,393
Mr J Odgers	Lagoona Farm Pty Ltd	163,174
Mr P Margin	Margin Holdings (Aust) Pty Ltd	6,500
Ms J Linton	Ms Joy Carolyn Linton	20,000

Source: Bega Cheese Management Information.

Note: No Bega Cheese Director has any Relevant Interest in Warrnambool Cheese & Butter Shares.

During the year, Supplier Directors and their related entities had transactions with Bega Cheese relating to the supply of milk. These transactions were on the same normal commercial terms as other suppliers and are summarised in the table below:

\$	FY12	FY13
Milk payments made by Bega Cheese to Supplier Directors (and their related entities)	7,865,339	8,085,608
Amounts outstanding at year end	367,005	603,567

Source: FY13 Bega Cheese Annual Report

1.13 Bega Cheese's major shareholders

The name of the twenty largest holders of Bega Cheese Shares as at 28 June 2013 are set out below:

Rank	Shareholder	Number of Bega Cheese Shares held	Percentage of issued capital
1	Karara Capital	5,646,226	3.72%
2	Perpetual Limited	5,616,656	3.70%
3	Paewai Pty Ltd	3,738,442	2.46%
4	RE Platts	3,680,247	2.42%
5	Aljo Pastoral Pty Ltd	3,004,984	1.98%
6	R & R Apps Pty Ltd	2,823,972	1.86%
7	Jerang Pty Ltd	2,664,012	1.75%
8	JL & KD Kimber	2,500,066	1.65%
9	M & C Moffitt	2,169,112	1.43%
10	C & M Beresford & B Game	1,799,000	1.18%
11	Mirrabooka Investments	1,786,186	1.18%
12	P C Shearer	1,781,408	1.17%
13	S & M Roberts	1,755,000	1.16%
14	SG Hiscock & Co	1,745,885	1.15%
15	Cooper Investors	1,707,422	1.12%
16	Jelgowry Pty Ltd	1,630,150	1.07%
17	NG & NG Pearce	1,611,888	1.06%
18	DMP Asset Management	1,571,141	1.04%
19	Investors Mutual	1,555,000	1.03%
20	PC, CL & AL Collett	1,521,116	1.00%
	Total number of Bega Cheese Shares held by the top 20 shareholders	50,307,913	33.13%
	Total number of Bega Cheese Shares held by other shareholders	101,558,137	66.87%
	Total number of Bega Cheese Shares on issue	151,866,050	100.00%

Source: Bega Cheese FY13 Annual Report

Under the Bega Cheese Constitution as at the date of this Bidder's Statement, a shareholding limit of 10% is in place until 16 August 2016, before which date Bega Cheese must seek the approval of Bega Cheese Shareholders (by ordinary resolution) to the continuation of the shareholding limit at 15% until 16 August 2021 (see Section 1.16 for further details).

1. PROFILE OF BEGA CHEESE (CONTINUED)

1.14 Recent share price performance of Bega Cheese on ASX

The closing price of Bega Cheese Shares on ASX over the last 12 months prior to the date of this Bidder's Statement is shown below:



Source: S&P Capital IQ. As permitted by ASIC Class Order [CO 07/429], this chart contains ASX share price trading information sourced from S&P Capital IQ without its consent.

Description	Share price	Date
Closing ASX sale price of Bega Cheese Shares on 11 September 2013 (last practicable date before finalisation of this Bidder's Statement)	\$3.15	11/09/13
Latest ASX sale price of Bega Cheese Shares before the Announcement Date	\$3.15	11/09/13
One month VWAP of Bega Cheese Shares before the Announcement Date	\$3.01	12/08/13-11/09/13
Highest ASX sale price of Bega Cheese Shares in the 12 months before this Bidder's Statement was lodged with ASIC the Announcement Date	\$3.25	02/09/13
Lowest ASX sale price of Bega Cheese Shares in the 12 months before this Bidder's Statement was lodged with ASIC the Announcement Date	\$1.69	12/09/12

Source: S&P Capital IQ. As permitted by ASIC Class Order [CO 07/429], this table contains ASX share price trading information sourced from S&P Capital IQ without its consent.

1.15 Dividend history

The dividends paid and payable on Bega Cheese Shares since Bega Cheese was Listed are set out below:

Date paid	Dividend amount per Bega Cheese Share
27 March 2012	3.0 cents, fully franked
19 September 2012	3.5 cents, fully franked
19 March 2013	3.5 cents, fully franked
16 September 2013	4.0 cents, fully franked

Source: Bega Cheese FY12 and FY13 Annual Reports.

1.16 Rights and liabilities attached to Bega Cheese Shares

Bega Cheese Shares are quoted on ASX. The rights and restrictions attaching to Bega Cheese Shares are set out in the Bega Cheese Constitution and, in certain circumstances, are regulated by the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and general law. Under section 140(1) of the Corporations Act, the Bega Cheese Constitution has effect as a contract between Bega Cheese and each member and between a member of Bega Cheese and each other member. Accordingly, if you accept the Offer and you are issued Bega Cheese Shares³⁰, you will, as a result, become liable to comply with the Bega Cheese Constitution.

The following is a summary of the principal rights attaching to Bega Cheese Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of Bega Cheese.

Further details of the rights attaching to the Bega Cheese Shares are set out in the Bega Cheese Constitution. The Offer is conditional, amongst other things, on the adoption of the Shareholding Limit Constitutional Amendments by a special resolution of the Bega Cheese Shareholders at the 2013 annual general meeting of Bega Cheese. If the Shareholding Limit Constitutional Amendments are adopted by special resolution, the Bega Cheese Constitution will be modified with effect from the special resolution being passed to incorporate the Shareholding Limit Constitutional Amendments.

ASX has notified Bega Cheese, based solely on information provided to it, that it considers:

- the Shareholding Limit provisions incorporating the Shareholding Limit Constitutional Amendments (**Modified Shareholding Limit Provisions**) to be appropriate for the purposes of Listing Rules 6.1 and 12.5; and
- the disenfranchisement and divestment provisions in the Modified Shareholding Limit Provisions to be appropriate and equitable for the purposes of Listing Rules 6.10.5 and 6.12.3 respectively.

As required by ASX, if the Shareholding Limit Constitutional Amendments are adopted and an adjustment to the Shareholding Limit occurs under the Modified Shareholding Limit Provisions, Bega Cheese will announce the new Shareholding Limit to the market.

A copy of the Bega Cheese Constitution as at the date of this Bidder's Statement is available, and a copy of the modified Bega Cheese Constitution incorporating the Shareholding Limit Constitutional Amendments will be available, on Bega Cheese's website (www.begacheese.com.au) or can be inspected at Bega Cheese's registered office at 23-45 Ridge Street, Bega NSW, Australia during normal business hours.

Shareholders should seek their own advice when trying to establish their rights in specific circumstances.

Shares

Subject to the Corporations Act, ASX Listing Rules and the Bega Cheese Constitution, the Bega Cheese Board may issue, or grant options in respect of, Bega Cheese Shares.

³⁰ Subject to the Offer becoming unconditional. If you are an Ineligible Foreign Shareholder you will receive cash and will not become a Bega Cheese Shareholder.

1. PROFILE OF BEGA CHEESE (CONTINUED)

Voting rights

At a general meeting, every registered holder of a Bega Cheese Share present in person, or by proxy, attorney or representative, has one vote on a show of hands and one vote per Bega Cheese Share on a poll.

Dividend rights

Bega Cheese Shares participate in all dividends that have a record date after their issue. Dividends are determined by the Bega Cheese Directors at their discretion and, subject to any special rights (at present there are none), are payable on all Bega Cheese Shares in proportion to the amount of the issue price paid up on those Bega Cheese Shares.

Rights on winding-up

On a winding-up of Bega Cheese, all holders of Bega Cheese Shares are entitled to participate in the distribution of surplus property in proportion to the Bega Cheese Shares held by them.

Transfers of Bega Cheese Shares

Bega Cheese Shares are transferable, subject to the requirements of the Bega Cheese Constitution (including the Shareholding Limit) and the ASX Listing Rules.

Shareholding Limit

The following summarises the Shareholding Limit provisions of the Bega Cheese Constitution as at the date of this Bidder's Statement:

No person, together with his or her Associates, may hold or have a Relevant Interest in a number of Bega Cheese Shares that exceeds the Shareholding Limit.

For the first two years from the Listing of Bega Cheese (**Bega Cheese Listing**), the Shareholding Limit was 5% of the total number of Shares on issue. Bega Cheese Listing occurred on 16 August 2011, and therefore this two year period has expired. The Shareholding Limit from the end of this two year period up to the fifth anniversary of Bega Cheese Listing is 10% of the total number of Shares on issue. This is the Shareholding Limit which is applicable as at the date of this Bidder's Statement.

The Shareholding Limit must be put to Bega Cheese Shareholders for renewal for another five years by way of ordinary resolution by no later than the fifth anniversary of Bega Cheese Listing. If the Shareholding Limit is not renewed, it will automatically cease. If the Shareholding Limit is renewed, the Shareholding Limit will increase to 15% of the total number of Shares on issue and will automatically cease at the tenth anniversary of Bega Cheese Listing.

The Shareholding Limit will cease to have effect on the earlier of:

- (a) the Bega Cheese Constitution being amended by special resolution of Bega Cheese Shareholders to remove the Shareholding Limit;
- (b) the fifth anniversary of Bega Cheese Listing if the continuation of the Shareholding Limit is not approved by shareholders; or
- (c) the tenth anniversary of Bega Cheese Listing if the continuation of the Shareholding Limit is approved by shareholders by the fifth anniversary of Bega Cheese Listing.

If a person acquires Bega Cheese Shares in excess of the Shareholding Limit, the right to vote and be paid dividends in relation to the Bega Cheese Shares held in excess of the Shareholding Limit will be suspended. Further, the Bega Cheese Directors may require the disposal of the Bega Cheese Shares held in excess of the Shareholding Limit. If that disposal is not made within the period set out in the Bega Cheese Constitution, the Bega Cheese Directors may proceed to sell those Bega Cheese Shares and distribute the proceeds of the sale, after paying relevant costs and expenses, to the holder.

The following summarises the modifications to the Shareholding Limit provisions of the Bega Cheese Constitution if the Shareholding Limit Constitutional Amendments are adopted by special resolution of the Bega Cheese Shareholders:

Under the current Shareholding Limit provisions of the Bega Cheese Constitution, the Bega Cheese Board cannot issue Bega Cheese Shares if a breach of the Shareholding Limit would occur as a result of that issue. The Shareholding Limit Constitutional Amendments will, if adopted by special resolution of the Bega Cheese shareholders, establish a qualification to the Shareholding Limit so as to permit the Bega Cheese Board to issue Bega Cheese Shares under a takeover offer, including compulsory acquisition, or scheme of arrangement (**Exempt Transaction**). If a person (**Affected Person**) is issued with a number of Bega Cheese Shares under an Exempt Transaction that results in it exceeding the Shareholding Limit in force immediately before the issue, then the Shareholding Limit will automatically increase to accommodate the issue to the Affected Person. The resultant percentage shareholding of the Affected Person (together with his or her Associates), rounded up to the nearest half per cent, will then become the new Shareholding Limit for all Bega Cheese Shareholders. Subject to this right in the Bega Cheese Board to issue Bega Cheese Shares under an Exempt Transaction and the potential resulting adjustment to the percentage figure that constitutes the Shareholding Limit, the Shareholding Limit provisions of the Bega Cheese Constitution will continue to operate in the current manner, as described above.

Directors

The Bega Cheese Board comprises up to eight directors of whom four must be Supplier Directors. There are currently six Supplier Directors on the Bega Cheese Board, including two Directors who supply milk to Tatura Milk Industries. The Supplier Directors supply milk to the Bega Cheese Group on the same terms as other suppliers in the same region. However the Bega Cheese Board recognizes that there may be a perception that the milk supply relationship between the Bega Cheese Group and the Supplier Directors may influence the decision making of those Directors. Accordingly, while they are able to bring an independent judgment to bear on board decisions, the Supplier Directors have not been characterised as independent for the purposes of the ASX Corporate Governance Principles and Recommendations (ASX Recommendations). This means that the Bega Cheese Board does not include a majority of independent directors for the purposes of ASX Recommendations 2.1 and 2.2.

Remuneration of Directors

The Bega Cheese Directors are entitled to be remunerated for their services as directors of Bega Cheese. The total annual remuneration must not exceed \$900,000 or such other amount approved by Bega Cheese Shareholders. The total annual remuneration amount is divided between the Bega Cheese Directors in the manner agreed or, in default of agreement, equally.

1.17 Dividend Reinvestment Plan

Bega Cheese has in place a dividend reinvestment plan (**Bega Cheese DRP**). Participation by Bega Cheese Shareholders in the Bega Cheese DRP is governed by the Dividend Reinvestment Plan Rules dated 22 June 2011.

Participation is optional and is generally open to all Bega Cheese Shareholders, with the exception of Bega Cheese Shareholders having a registered address or being resident in a jurisdiction other than Australia who may not be able to participate because of legal requirements in the applicable jurisdiction.

Bega Cheese has not offered the Bega Cheese DRP for the previous three dividends paid in September 2012, March 2013 and September 2013.

For further information and for a copy of the Dividend Reinvestment Plan Rules please see the Bega Cheese's website (www.begacheese.com.au).

1.18 Bega Cheese Share Incentive Plans

Bega Cheese has established employee share plans under which Bega Cheese Shares, or rights to receive Bega Cheese Shares, may be issued to employees of the Bega Cheese Group.

At the date of this Bidder's Statement, 1,417,684 performance rights have been granted under long term incentive plans to the Chief Executive Officer, Aidan Coleman, each of which entitles him to one Bega Cheese Share for no monetary payment upon certain performance hurdles and vesting conditions being satisfied.

2. PROFILE OF WARRNAMBOOL CHEESE & BUTTER

2.1 Basis of preparation of information

The information on Warrnambool Cheese & Butter, the Warrnambool Cheese & Butter Group and Warrnambool Cheese & Butter Shares has been prepared on the basis described in the Important Information Section at the beginning of this Bidder's Statement.

Subject to the Corporations Act, neither Bega Cheese nor any of its directors, officers or advisers, makes any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on Warrnambool Cheese & Butter in this Bidder's Statement should not be considered comprehensive.

The Corporations Act requires the Warrnambool Cheese & Butter directors to provide a Target's Statement to Warrnambool Cheese & Butter Shareholders in response to this Bidder's Statement. In addition to reading this Bidder's Statement, you should also read the Target's Statement to be provided by Warrnambool Cheese & Butter before deciding whether to accept this Offer.

2.2 Principal activities of Warrnambool Cheese & Butter

The principal activities of Warrnambool Cheese & Butter and the Warrnambool Cheese & Butter Group are the manufacture, processing and sale of cheese, milk powder, butter, cream, whey protein concentrate and bulk and processed milk. Situated on the Great Ocean Road at Allansford near Warrnambool, Warrnambool Cheese & Butter draws milk from some of the most productive dairying regions in the country, including southwest Victoria, southeast South Australia and the Fleurieu Peninsula. Warrnambool Cheese & Butter is Listed on the ASX (ASX Code: WCB).

2.3 Great Ocean Ingredients

Great Ocean Ingredients is a joint venture company owned equally with Royal FrieslandCampina of the Netherlands. Great Ocean Ingredients owns and operates a manufacturing plant at the Allansford site, producing the high-value ingredient Vivinal GOS (galacto oligosaccharides) for the infant nutrition market.

2.4 Warrnambool Cheese & Butter Japan

Warrnambool Cheese & Butter Japan is a joint venture company, formed in 2008 to facilitate and enhance the sales, marketing and promotion of Warrnambool Cheese & Butter's dairy products into the Japanese market. Warrnambool Cheese & Butter Japan is owned by Warrnambool Cheese & Butter and Mori International Corporation of Japan.

2.5 Directors and associated directors

As at the date of this Bidder's Statement, Warrnambool Cheese & Butter has nine directors and two associate directors, as follows:

- Terence J Richardson (Supplier Director and Chairman);
- David J Lord (Managing Director and Chief Executive Officer);
- R.A. Andrew Anderson (Supplier Director);
- Kay Antony (Supplier Director);
- John A Gall (Supplier Director);
- Bruce G Vallance (Supplier Director);
- Michael Carroll (Independent Non-Executive Director);
- Ray Smith (Independent Non-Executive Director);
- John F McLean (Associate Director);
- Bruce Morley (Associate Director); and
- Neville Fielke (Independent Non-Executive Director).

The constitution of Warrnambool Cheese & Butter requires that the composition of the board of Warrnambool Cheese & Butter includes at least four supplier directors, being directors who actively supply milk directly or indirectly through another party to Warrnambool Cheese & Butter.

2.6 Summary of financial information on Warrnambool Cheese & Butter

(a) Basis of preparation of historical financial information

The historical financial information below relates to Warrnambool Cheese & Butter and does not reflect any impacts of the Offer. It is a summary only and the full financial statements for Warrnambool Cheese & Butter for the financial periods described below, which include the notes to the accounts, can be found in Warrnambool Cheese & Butter's annual reports and financial statements for those periods. Copies of those documents are available at Warrnambool Cheese & Butter's website (www.wcbf.com.au).

2. PROFILE OF WARRNAMBOOL CHEESE & BUTTER (CONTINUED)

(b) Consolidated statement of financial position

Set out below is the summarised historical consolidated statement of financial position that has been extracted from the audited financial statements of Warrnambool Cheese & Butter for the financial years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 (being the last four audited financial statements prior to the date of this Bidder's Statement).

Warrnambool Cheese & Butter \$'000	12 months to 30 June			
	2010	2011	2012	2013
Current Assets				
Cash and cash equivalents	-	-	1,846	3,794
Trade and other receivables	85,433	83,966	93,485	111,176
Other financial assets	-	2,501	-	-
Inventories	40,663	51,317	71,782	70,804
Assets classified as held for sale	-	9,469	-	-
Total Current Assets	126,096	147,253	167,113	185,774
Non-Current Assets				
Investment properties	9,812	9,973	9,973	10,138
Other financial assets	5	5	5	5
Investments	18,463	19,838	23,066	23,705
Property, plant & equipment	86,197	72,103	74,691	85,314
Deferred tax assets	4,000	355	-	-
Intangible assets	1,628	1,628	1,628	1,628
Total Non-current Assets	120,105	103,902	109,363	120,790
TOTAL ASSETS	246,201	251,155	276,476	306,564
Current Liabilities				
Trade and other payables	37,162	58,695	56,070	52,638
Borrowings	72,680	23,626	43,914	71,278
Current tax liabilities	-	2,197	-	1,546
Provisions	4,800	5,719	5,529	5,845
Derivative financial instruments	523	-	374	4,137
Total Current Liabilities	115,165	90,237	105,887	135,444
Non-Current Liabilities				
Borrowings	28,693	8,844	8,265	8,001
Provisions	368	474	455	524
Deferred tax liabilities	-	-	1,124	792
Total Non-Current Liabilities	29,061	9,318	9,844	9,317
TOTAL LIABILITIES	144,226	99,555	115,731	144,761
NET ASSETS	101,975	151,600	160,745	161,803
Equity				
Contributed equity	29,108	65,016	67,676	69,607
Reserves	11,641	12,446	11,859	9,507
Retained earnings	61,226	74,138	81,210	82,689
Equity attributable to the Owners	101,975	151,600	160,745	161,803
TOTAL EQUITY	101,975	151,600	160,745	161,803

Source: FY13 and FY11 Warrnambool Cheese & Butter Audited Financial Statements

(c) Consolidated statement of comprehensive income

Set out below is the summarised historical consolidated statement of comprehensive income that has been extracted from the audited financial statements of Warrnambool Cheese & Butter for the financial years ended 30 June 2010, 30 June 2011, 30 June 2012 and 30 June 2013 (being the audited financial statements prior to the date of this Bidder's Statement).

Warrnambool Cheese & Butter \$'000	12 months to 30 June			
	2010	2011	2012	2013
Revenue	415,523	503,612	496,599	495,851
Other income	729	536	1,151	653
Distribution expense	(18,197)	(18,006)	(18,622)	(23,506)
Finance costs	(7,181)	(5,784)	(3,118)	(4,142)
Changes in inventories	1,092	10,654	20,465	(978)
Raw materials and consumables used	(319,289)	(394,169)	(402,875)	(376,835)
Depreciation and amortisation	(12,824)	(12,926)	(12,661)	(11,798)
Employee benefits expense	(34,618)	(39,214)	(41,500)	(45,963)
Corporate advisory expenses	(697)	-	-	-
Other expenses	(18,744)	(21,320)	(22,968)	(25,379)
Share of net profits of joint ventures (equity accounted)	3,895	1,415	3,212	1,688
Profit before Income tax	9,689	24,798	19,683	9,591
Income tax expense	(885)	(6,306)	(4,499)	(2,101)
Profit for the period	8,804	18,492	15,184	7,490
Other comprehensive income				
Cash flow hedges (net of tax)	(2,904)	575	(588)	(2,383)
Total other comprehensive (expense)/income	(2,904)	575	(588)	(2,383)
Total comprehensive income for the period	5,900	19,067	14,596	5,107

Source: FY13 and FY11 Warrnambool Cheese & Butter Audited Financial Statements

2.7 Warrnambool Cheese & Butter securities on issue

Warrnambool Cheese & Butter Shares

According to documents provided by Warrnambool Cheese & Butter to ASX, as at the date of this Bidder's Statement, Warrnambool Cheese & Butter has 55,246,173 Warrnambool Cheese & Butter Shares on issue which are quoted on ASX. As at 30 June 2013, 296,832 of those Warrnambool Cheese & Butter Shares were issued under the Warrnambool Cheese & Butter Employee Share Plan.

Performance Rights

At Warrnambool Cheese & Butter's 2012 annual general meeting, held on 25 October 2012, Warrnambool Cheese & Butter Shareholders approved the establishment of the Warrnambool Cheese & Butter Executive Performance Rights Plan and the issue of up to 68,627 Warrnambool Cheese & Butter Performance Rights to Mr David J Lord under that Plan. Refer to Section 8.1 for more information.

2. PROFILE OF WARRNAMBOOL CHEESE & BUTTER (CONTINUED)

Substantial shareholders

The Warrnambool Cheese & Butter ASX announcements indicate that, as at the date immediately before the date of this Bidder's Statement, the substantial shareholders of Warrnambool Cheese & Butter are:

- Bega Cheese – 18%; and
- Murray Goulburn Co-Operative Co Ltd – 16.3%.

2.8 Dealings in Warrnambool Cheese & Butter Shares

Bega Cheese's Relevant Interest in Warrnambool Cheese & Butter Shares

As at the date immediately before the Offer was sent, Bega Cheese had a Relevant Interest in 10,007,290 Warrnambool Cheese & Butter Shares, giving it 18% Voting Power in Warrnambool Cheese & Butter.

Prices paid for Warrnambool Cheese & Butter Shares by Bega Cheese

Other than as set out in the table below, neither Bega Cheese nor any Associate of Bega Cheese provided, or agreed to provide, consideration for a Warrnambool Cheese & Butter Share under a purchase or agreement in the four months before the date of the Offer.

Purchaser	Date of purchase	Type of purchase	Number of Warrnambool Cheese & Butter Shares purchased	Purchase price per Warrnambool Cheese & Butter Share	Total purchase price
Bega Cheese	28 May 2013	On-market	552,188	\$4.02	\$2,219,796

Valuation of Bega Cheese Shares for the purposes of the minimum bid price rule

Bega Cheese may rely on the provisions of ASIC Class Order [CO 00/2338]. That Class Order provides relief from the requirement in section 621(4) of the Corporations Act and allows a bidder up to five business days before the date of the takeover bid to value quoted securities that it is offering as part of its bid consideration, for the purpose of determining whether the value of Bega Cheese's bid consideration at least equals the maximum value of consideration paid by Bega Cheese for Warrnambool Cheese & Butter Shares in the four months prior to the date of the Offer (described above).

Relying on that relief, Bega Cheese may value Bega Cheese Shares to be provided under the Offer at any date nominated by Bega Cheese (**Valuation Date**) up to five business days before the date of the Offer. The valuation is determined by calculating the VWAP of Bega Cheese Shares in the ordinary course of trading on ASX during two full trading days before the Valuation Date.

Under section 621(4A) (as inserted in the Corporations Act by ASIC Class Order [00/2338]) the following information is provided:

- Valuation of Bega Cheese Shares under section 621(4A): ~~3.16~~3.34 per Bega Cheese Share
- Valuation Date: ~~125~~ September 2013
- Trading days on which valuation based: ~~1023~~ September 2013 and ~~1124~~ September 2013

The value of the Offer Consideration per Warrnambool Cheese & Butter Share for the purposes of section 621 of the Corporations Act using this valuation is therefore ~~5.79~~6.01 (being ~~3.79~~4.01 plus the cash component of the Offer Consideration of \$2.00).

This value exceeds the maximum value of consideration paid by Bega Cheese for Warrnambool Cheese & Butter Shares in the four months prior to the date of the Offer, described above.

The highest and lowest closing prices of Bega Cheese Shares on the ASX in the four months before the Valuation Date were ~~[\$3.22]~~\$3.46 and \$[2.56] respectively.

No escalation agreements

Neither Bega Cheese nor any Associate of Bega Cheese has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

No collateral benefits

During the four months before the date of the Offer, neither Bega Cheese nor any Associate of Bega Cheese gave, or agreed to give, a benefit to another person which was likely to induce the other person, or an Associate of the other person to:

- accept the Offer; or
- dispose of Warrnambool Cheese & Butter Shares,

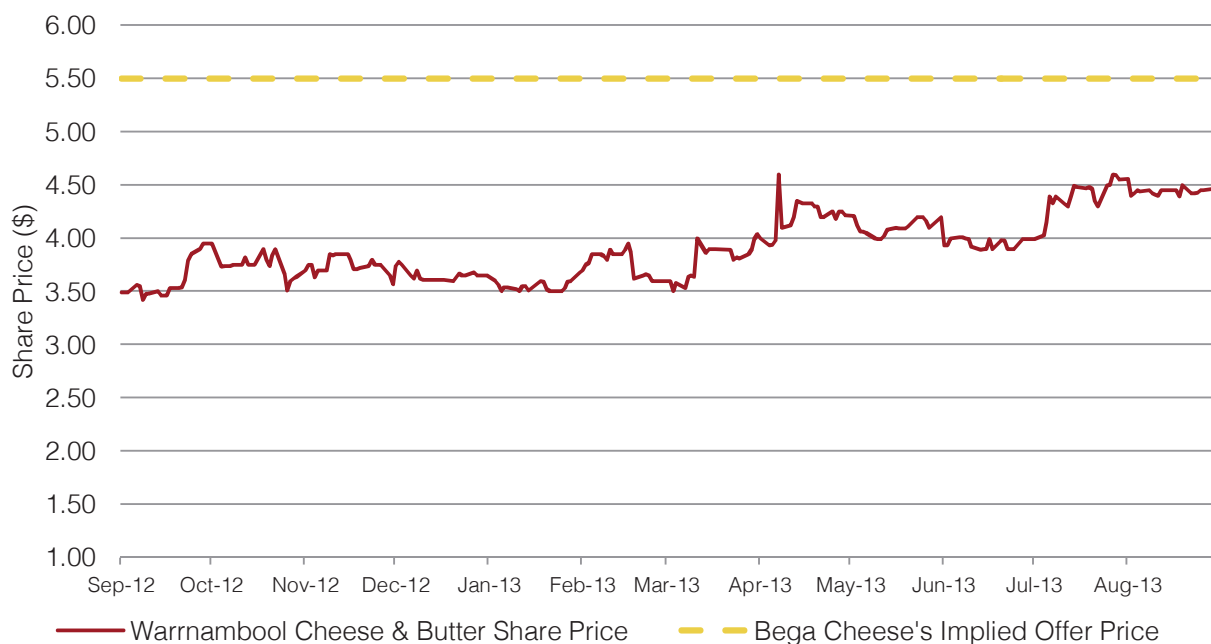
and which is not offered to all Warrnambool Cheese & Butter Shareholders under the Offer.

2.9 Bega Cheese Directors’ interests in Warrnambool Cheese & Butter Shares

As at the date of this Bidder’s Statement, none of the Bega Cheese Directors has any Relevant Interest in Warrnambool Cheese & Butter Shares.

2.10 Recent share price performance of Warrnambool Cheese & Butter on ASX

The closing price of Warrnambool Cheese & Butter Shares on ASX over the twelve months prior to the date of this Bidder’s Statement is shown below:



Source: S&P Capital IQ. As permitted by ASIC Class Order [CO 07/429], this chart contains ASX share price trading information sourced from S&P Capital IQ without its consent.

2. PROFILE OF WARRNAMBOOL CHEESE & BUTTER (CONTINUED)

2.11 Documents lodged with ASIC or ASX

As a disclosing entity for the purposes of the Corporations Act, Warrnambool Cheese & Butter is subject to regular reporting and disclosure obligations. This and other Sections of the Bidder's Statement include statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. In particular the information has been sourced from ASX announcements listed below:

- 2013 Full Year Results Presentation
- 2013 Preliminary Final Report and Results Media Release
- 28 August 2013 WCB Board Changes
- 23 August 2013 WCB and Tātua sign Lactoferrin Agreement
- 30 July 2013 Trading Update
- 22 April 2013 Change in Substantial Holding
- 18 April 2013 Trading Update
- 28 March 2012 – Presentation to Octa Phillip Agribusiness Conference
- 22 March 2013 WCB and Kraft – Cream Cheese Manufacturing Agreement
- 14 January 2013 – Appendix 3B
- 2013 Half Yearly Report and Accounts and Media Release
- 2012, 2011 and 2010 Warrnambool Cheese & Butter Annual Reports
- 2012 Full Year Results Presentation
- 25 October 2012 – Results of Meeting
- WCB 2012 Notice of Annual General Meeting and Explanatory Memorandum
- Warrnambool Cheese & Butter Prospectus, dated 31 March 2009
- 15 November 2004 – Supplier Share Plan Implemented
- 12 November 2004 – Employee Share Plan
- 26 May 2004 – Terms & Conditions of Share Plans
- 26 May 2004 – Warrnambool Cheese & Butter Constitution
- Warrnambool Cheese & Butter Prospectus, dated 21 April 2004

Under the terms of ASIC Class Order [CO 13/521], the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement.

Bega Cheese will, on request during the Bid Period, provide within two business days, a copy of the Warrnambool Cheese & Butter documents referred to above (or the part of the document containing the statement) free of charge to any Warrnambool Cheese & Butter Shareholder. If you would like to receive a copy of any of these documents, or the relevant part of the documents containing the statements (free of charge), please contact the Bega Cheese Information Line on 1300 880 751 (for callers in Australia) or +61 1300 880 751 (for callers outside Australia), Monday to Friday, 8.30am to 5.30pm (Melbourne time). Copies of the Warrnambool Cheese & Butter documents referred to above are also available on the ASX website, www.asx.com.au (ASX code WCB).



Photos sourced from Bega Cheese 2013 Annual Report

3. BEGA CHEESE'S INTENTIONS

3.1 Overview

This Section 3 sets out the intentions of Bega Cheese in relation to the following:

- the continuation of the business of Warrnambool Cheese & Butter;
- any major changes to be made to the business of Warrnambool Cheese & Butter, including any redeployment of fixed assets of Warrnambool Cheese & Butter; and
- the future employment of the present employees of Warrnambool Cheese & Butter,

on the basis of the facts and information concerning Warrnambool Cheese & Butter which were publicly available to Bega Cheese at the time of the preparation of this Bidder's Statement.

At the conclusion of the Offer Period, Bega Cheese will, to the extent which it is able, conduct reviews of Warrnambool Cheese & Butter's assets, strategies, operations and organisation to evaluate Warrnambool Cheese & Butter's performance, profitability and prospects.

Final decisions will only be reached after those reviews and in light of all material facts known to Bega Cheese and the circumstances at the relevant time. Accordingly, any statements set out in this Bidder's Statement referring to intentions are current intentions and may vary as new information becomes available or circumstances change.

Some of the intentions anticipate cost synergies available to the Combined Group on a Successful Merger which are not currently available in isolation to Bega Cheese or Warrnambool Cheese & Butter. The extent and timing of these benefits is currently uncertain, and the ability of the Combined Group to capture these synergy benefits will depend on, amongst other things, whether or not Bega Cheese is able to acquire 100% of Warrnambool Cheese & Butter and the results of the operational review referred to above.

Bega Cheese's analysis and review of publicly available information of Warrnambool Cheese & Butter has led it to conclude that, if a Successful Merger is achieved, synergies of approximately \$7.5 million (pre-tax excluding one-off integration costs) should be realised in the first full year following the Successful Merger. ~~The synergies are likely to be achieved in the areas of head office and administrative services rationalisation, costs relating to ASX Listing, procurement savings, efficiency gains and optimised infrastructure utilisation. These potential synergies are addressed in more detail in Section 4.5.~~

Combining two substantial, complex businesses like Bega Cheese and Warrnambool Cheese & Butter carries significant integration risk. Bega Cheese will endeavour to mitigate these risks with a comprehensive integration plan, but not all risks can be eliminated. Integration risk is discussed in further detail in Section 6.4(a).

3.2 Rationale for the Offer

The Offer is designed to enable a merger of Bega Cheese and Warrnambool Cheese & Butter to create a leading Australian dairy products and ingredients business. On a Successful Merger, the Combined Group would benefit from increased product diversification, geographic diversification, scale and financial strength. Bega Cheese is confident that customers of both Bega Cheese and Warrnambool Cheese & Butter will gain from greater depth of resourcing, improved operational efficiency and access to a broader range of services and products.

Bega Cheese is familiar with the type of activities comprising of the Warrnambool Cheese & Butter business. Bega Cheese successfully owns and operates Tatura Milk Industries, a dairy ingredients focussed business similar to Warrnambool Cheese & Butter, as well as a successful cheese value-adding business supplying major supermarkets such as Coles and ALDI. Bega Cheese is also a partner in the successful market milk joint venture, Capitol Chilled Foods, with Dairy Farmers Pty Ltd (a wholly owned subsidiary of Lion Dairy).

Bega Cheese believes that its experience will enable it to quickly understand Warrnambool Cheese & Butter's customer base and the domestic and international markets Warrnambool Cheese & Butter operates in. Bega Cheese also understands the importance of milk suppliers to the Warrnambool Cheese & Butter business.

3.3 Intentions upon ownership of 90% or more of Warrnambool Cheese & Butter

This Section 3.3 sets out Bega Cheese's current intentions if it acquires a Relevant Interest in at least 90% of Warrnambool Cheese & Butter Shares (including the 18% Relevant Interest that it already holds) and is entitled to proceed to compulsory acquisition of the outstanding Warrnambool Cheese & Butter Shares.

(a) Compulsory acquisition of Warrnambool Cheese & Butter Shares

Bega Cheese intends to proceed with the compulsory acquisition of any Warrnambool Cheese & Butter Shares not acquired under the Offer, in accordance with section 661A of the Corporations Act.

(b) Directors and corporate structure

Bega Cheese intends to amend the constitution of Warrnambool Cheese & Butter to reflect its status as a wholly-owned subsidiary of Bega Cheese. The current name of Warrnambool Cheese & Butter will be retained. Bega Cheese will appoint some new directors nominated by Bega Cheese to the Warrnambool Cheese & Butter Board. Barry Irvin, the Executive Chairman of Bega Cheese will be one of the Bega Cheese nominated directors. Bega Cheese intends to invite a number of the existing Warrnambool Cheese & Butter directors to remain on the Warrnambool Cheese & Butter Board. Going forward, Bega Cheese will endeavour to ensure there is strong representation on the Warrnambool Cheese & Butter Board from farmer suppliers to Warrnambool Cheese & Butter.

(c) ASX listing

As part of the compulsory acquisition process, Bega Cheese will arrange for Warrnambool Cheese & Butter to be removed from the official list of the ASX in accordance with the requirements of the ASX.

(d) Warrnambool Cheese & Butter's operations and assets

Bega Cheese intends to continue the current business of Warrnambool Cheese & Butter and, in particular:

- retain the Warrnambool Cheese & Butter name and corporate identity;
- seek to retain a number of existing Warrnambool Cheese & Butter Directors on the Warrnambool Cheese & Butter Board;
- continue to operate its facilities at Allansford and Mil Lel; and
- retain the Warrnambool, Sungold and Great Ocean Road brands.

Bega Cheese does not intend to redeploy any of Warrnambool Cheese & Butter's fixed assets. Bega Cheese does, however, intend to conduct a review of Warrnambool Cheese & Butter's operations and personnel on both a strategic and financial level to determine mechanisms for improving the performance of the Warrnambool Cheese & Butter business generally and realise any potential operational and financial synergies and cost savings available to the Combined Group.

Bega Cheese will formulate an integration plan to identify and facilitate specific integration objectives and actions required to merge the businesses of Bega Cheese and Warrnambool Cheese & Butter. Bega Cheese's management has significant integration experience and anticipates that the integration of the Bega Cheese and Warrnambool Cheese & Butter businesses will be conducted within a reasonable time frame with minimum disruption.

3. BEGA CHEESE'S INTENTIONS (CONTINUED)

(e) Milk supply

As outlined in Section 1.4, Bega Cheese's policy is to maintain a strong relationship with its Farmer Suppliers with a goal of paying leading manufacturing milk prices and implementing innovative farm extension programs. Bega Cheese will support the continuation of the strong relationship between Warrnambool Cheese & Butter and its milk suppliers ~~through an application of Bega Cheese's milk price policy to Warrnambool Cheese & Butter.~~

Bega Cheese will endeavour to retain all Warrnambool Cheese & Butter's existing milk suppliers. The goal of a Successful Merger will be to improve returns across the supply chain, including to dairy farmer suppliers while retaining existing milk payment structures. Bega Cheese will endeavour to ensure that it has the capacity to accommodate any growth in milk supply from existing suppliers and will add new suppliers as a consequence of the growth and success of the Combined Group.

(f) Employees

Bega Cheese intends to conduct a review of the employment requirements of the Combined Group as part of determining its proposed operating model. This will be done with input from management of both Bega Cheese and Warrnambool Cheese & Butter. The Combined Group is expected to provide advancement opportunities for a number of people and it is intended that the Combined Group will place an emphasis on the ongoing improvement of skills and competencies of key staff of both businesses.

Bega Cheese anticipates some duplication in administrative and corporate functions, for example senior executive and positions associated with ASX Listing. Bega Cheese will aim to identify suitable alternative roles for employees adversely affected by integration, however where this is not possible, individuals will receive redundancy payments and other benefits in accordance with their entitlements.

Commitment to employees will remain a high priority for Bega Cheese and further details of the integration process will be shared with employees as they become available.

One of the Combined Group's objectives will be to provide an attractive and rewarding place to work and to maintain a high level of employee engagement and commitment. The Combined Group will also have in place strategies to encourage the retention of staff with key skills, knowledge and experience. The Combined Group, by virtue of its scale and breadth, will be able to provide expanded career and development opportunities for both Bega Cheese and Warrnambool Cheese & Butter employees.

3.4 Intentions upon ownership of less than 90% but more than 50% of Warrnambool Cheese & Butter

Set out below are Bega Cheese's current intentions if Bega Cheese acquires effective control of Warrnambool Cheese & Butter, but does not acquire a Relevant Interest in at least 90% of Warrnambool Cheese & Butter Shares (including the 18% Relevant Interest that it already holds) and is therefore not entitled to compulsorily acquire the remaining Warrnambool Cheese & Butter Shares.

(a) Compulsory acquisition of Warrnambool Cheese & Butter Shares

If Bega Cheese does not become entitled to compulsorily acquire Warrnambool Cheese & Butter Shares under section 661A of the Corporations Act, it may nevertheless become entitled to exercise the general compulsory acquisition power under Part 6A.2 of the Corporations Act if it later becomes a 90% holder as defined in that part. Bega Cheese intends to exercise that power in respect of Warrnambool Cheese & Butter Shares if it becomes entitled to do so.

(b) Directors

Depending on the level of ownership achieved and subject to the Corporations Act and Warrnambool Cheese & Butter's constitution, Bega Cheese will seek to further enhance the skills and capabilities of the Warrnambool Cheese & Butter Board while maintaining the number of supplier directors required by Warrnambool Cheese & Butter's constitution.

(c) Intentions with respect to matters at Section 3.3 above

Bega Cheese will endeavour to implement the intentions set out in Sections 3.3(d), (e) and (f) above. The ability of Bega Cheese to implement any of these intentions will be subject to the limitations identified in Section 3.6.

(d) ASX listing

The ongoing listing of Warrnambool Cheese & Butter on the ASX will be subject to Warrnambool Cheese & Butter satisfying the ongoing requirements under the ASX Listing Rules (including there being the required spread of shareholders). ASX may delist Warrnambool Cheese & Butter if it does not meet these requirements. In the event Bega Cheese obtains greater than 80% of Warrnambool Cheese & Butter it will seek to delist Warrnambool Cheese & Butter from the ASX. Any proposal to delist Warrnambool Cheese & Butter from the ASX will require ASX consent and maybe subject to conditions imposed by the ASX.

~~In this situation, Therefore, if Bega Cheese obtains greater than 80% of Warrnambool Cheese & Butter,~~ Warrnambool Cheese & Butter Shareholders should be aware that, if they do not accept the Offer, the liquidity and market value of their Warrnambool Cheese & Butter Shares may be materially reduced.

(e) Dividends

Future dividends will be determined by the Warrnambool Cheese & Butter Board consistent with the company's policy, being dependent on various matters, including Warrnambool Cheese & Butter's financial performance, the contributions of its joint ventures, its capital structure and cash position.

3.5 Intentions upon ownership of 50% or less of Warrnambool Cheese & Butter

If Bega Cheese does not obtain control of Warrnambool Cheese & Butter, then Bega Cheese will endeavour to implement its intentions set out in Section 3.4 to the extent to which it is able to do so, subject to the limitations identified in Section 3.6.

3.6 Limitation on intentions

The implementation of Bega Cheese's intentions in the event of Bega Cheese controlling less than 100% of Warrnambool Cheese & Butter, will be subject to the Corporations Act, the ASX Listing Rules, the Competition and Consumer Act 2010 (Cth), Warrnambool Cheese & Butter's constitution and the obligations of Warrnambool Cheese & Butter's directors to act in the best interests of Warrnambool Cheese & Butter and all Warrnambool Cheese & Butter Shareholders.

In particular, if Bega Cheese does not obtain a Relevant Interest in at least 90% of the Warrnambool Cheese & Butter Shares and therefore cannot compulsorily acquire the balance of Warrnambool Cheese & Butter Shares, the related party provisions of the Corporations Act (and the ASX Listing Rules) will apply.

Bega Cheese will only make a decision on its courses of action in these circumstances after it receives appropriate legal and financial advice on such matters, where required, including in relation to any requirements for Warrnambool Cheese & Butter Shareholder approval.



Bega
SINCE
1899

*Strathmerton Facility
supply chain and logistics.*

4. OUTCOME OF THE OFFER

4.1 Overview of the Combined Group

The creation of the Combined Group through a Successful Merger is, in Bega Cheese's opinion, the next logical step in the consolidation of the Australian dairy industry. The Combined Group will have a product range, manufacturing capabilities, scale and investment capacity that will be better positioned to meet the growing demand for high quality, efficiently produced, value-added dairy products for markets in Australia and around the world.

In Bega Cheese's view, the opportunity to create a globally relevant, well structured, financially secure dairy business that understands both the importance of the customer and the dairy farmer in a sustainable dairy supply chain should not be missed. As the Combined Group comes together and grows, a truly integrated value-adding dairy supply chain will be formed. The Combined Group will have a greater capacity to invest in new technologies, innovate and value-add its products, attract quality staff and investment and create value for shareholders while always endeavouring to ensure a sustainable and viable dairy farmer supply base.

With a milk intake of 1.6 billion³¹ litres, significant cheese manufacturing capacities, the largest cheese cutting, packing and processing infrastructure in Australasia, scale capacities in dairy nutritionals, cream cheese, milk powders, whey powders and a proven track record of customer service, the Combined Group will present an exciting profile of the Australian dairy industry to the world.

A Successful Merger will provide shareholders with a larger, stronger and more diversified company. The Combined Group will be Australia's largest ASX Listed dairy company, with:

- Total revenues of \$1.5 billion³²
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$96.2 million³² including estimated synergies
- Net Profit After Tax of \$33.8 million³² including estimated synergies
- A diverse Australian and international customer base
- Key business-to-business relationships with global food and dairy companies including Fonterra, Mondelez Foods (Kraft), Mead Johnson, FrieslandCampina, Lion Dairy and Ingredia
- 1.6 billion³¹ litres of milk a year from approximately 1,000 farmers, many of whom are existing Warrnambool Cheese & Butter and Bega Cheese Shareholders
- Seven integrated manufacturing and value adding facilities
- Over 2,000 employees, mainly located in rural Australian areas
- Production of approximately 353,000 tonnes³³ of manufactured dairy products
- Major cheddar and processed cheese production facilities and substantial cutting, packaging and processing operations
- A significant presence in dairy nutritionals, milk powders, and cream cheese
- Pro forma combined market capitalisation of circa \$650 million³⁴.

³¹ Bega Cheese and Warrnambool Cheese & Butter FY13 actual milk intake.

³² FY13 pro forma (see Section 4.8 for further detail)

³³ Pro forma production using Bega Cheese and Warrnambool Cheese and Butter FY13 actual production

³⁴ Based on the Bega Cheese Shares on issue and Share price of \$3.15 as at close of trading on ASX on 11 September 2013, being the trading day immediately before the Announcement Date plus Bega Cheese Shares that will be issued as Offer Consideration under a Successful Merger.

4. OUTCOME OF THE OFFER (CONTINUED)

Bega Cheese and Warrnambool Cheese & Butter's export locations



Source: Bega Cheese and Warrnambool Cheese & Butter FY12 Annual Reports.



4. OUTCOME OF THE OFFER (CONTINUED)

4.2 Key variables and scenario analysis

The Offer Conditions are set out in Section 9.2 and do not include a minimum acceptance condition. In addition, the number of Warrnambool Cheese & Butter Performance Rights that will vest as a result of the Offer, and entitle the holders to be issued with Warrnambool Cheese & Butter Shares is uncertain (refer to Section 8.1 for further details) and the number of Warrnambool Cheese & Butter Shares to be issued under the Warrnambool Cheese & Butter Dividend Reinvestment Plan is unknown as at the date of the Offer. As such Bega Cheese cannot reasonably predict the number of acceptances under the Offer.

The key financial metrics that will be affected by the actual number of acceptances received under the Offer include:

- the actual number of Bega Cheese Shares on issue at completion of the Offer, as consideration for the purchase of the Warrnambool Cheese & Butter Shares includes the issue of Bega Cheese Shares;
- the total amount of cash Bega Cheese will be required to pay at completion of the Offer as consideration for the purchase of the Warrnambool Cheese & Butter Shares, which will directly impact borrowings and interest costs of the Combined Group;
- whether or not Bega Cheese will have control or have significant influence over Warrnambool Cheese & Butter, both from a structural and accounting perspective; and
- the dollar amount and timing over which synergy benefits can be implemented.

Bega Cheese has undertaken a sensitivity analysis of the relevant financial outcomes that may arise under three scenarios driven by the number of acceptances received under the Offer. The scenarios under which pro forma financial information of the Combined Group have been analysed are as follows: full control (100% Relevant Interest), attaining control (50.1% Relevant Interest), and significant influence (30% Relevant Interest).

4.3 Effect on Bega Cheese's capital structure, financial position and accounting treatment

The table below summarises the major factors impacting Bega Cheese's capital structure, financial position and the basis on which its investment in Warrnambool Cheese & Butter is to be accounted for under the three scenarios:

	SCENARIO 1		SCENARIO 2		SCENARIO 3	
	Obtains a Relevant Interest in 100% ^(a)		Obtains a Relevant Interest in 50.1% ^(a)		Obtains a Relevant Interest in 30% ^(a)	
Total Bega Cheese Shares on issue as at the date of this Bidder's Statement	151,866,050		151,866,050		151,866,050	
Bega Cheese Shares issued to Warrnambool Cheese & Butter Shareholders under the Offer	54,369,012		21,246,510		7,904,580	
Total Bega Cheese Shares on issue following completion of the Offer ^(a)	206,235,062		173,112,560		159,770,630	
Bega Cheese Shares issued under the Offer as a percentage of total Bega Cheese Shares on issue following completion of the Offer	26%		12%		5%	
Additional Bega Cheese debt required to fund the acquisition and transaction costs (\$ million)	Transaction costs	\$2.8	Transaction costs	\$1.6	Transaction costs	\$1.0
	Facility set up costs	\$2.3	Facility set up costs	\$2.0	Facility set up costs	\$0.7
	Cash consideration	\$90.6	Cash consideration	\$35.4	Cash consideration	\$13.2
	Total	\$95.7	Total	\$39.0	Total	\$14.9
Total consideration paid to Warrnambool Cheese & Butter Shareholders for shares not already held by Bega Cheese at date of Offer ^(b)	\$261.9 million		\$102.3 million		\$38.1 million	
Expected Potential synergies (pre-tax excluding one-off integration costs)	\$7.5 million		\$3.75 million		\$0 million	
Accounting treatment	Consolidate 100% of Warrnambool Cheese & Butter, in accordance with the acquisition method		Consolidate 100% of Warrnambool Cheese & Butter, in accordance with the acquisition method with 49.9% attributed to non-controlling interests		Consolidate 30% of Warrnambool Cheese & Butter in accordance with the equity method	

Note: (a) The above table excludes the effect of any Warrnambool Cheese & Butter Shares issued as part of the Warrnambool Cheese & Butter Dividend Reinvestment Plan and assumes that all of the Warrnambool Cheese & Butter Performance Rights are vested. If all Warrnambool Cheese & Butter Shareholders were to participate fully in the Warrnambool Cheese & Butter Dividend Reinvestment Plan for the Warrnambool Cheese & Butter Final FY13 Dividend, the number of Warrnambool Cheese & Butter Shares on issue would increase by 1.4 million and, the maximum total consideration paid by Bega Cheese would increase by \$6.8 million split as to \$2.4 million cash (which would incur additional net interest expense of \$0.1 million) and 1.4 million additional Bega Cheese Shares.

(b) Assumes Bega Share price of \$3.15 and Implied Offer Price of \$5.78.

4. OUTCOME OF THE OFFER (CONTINUED)

4.4 Effect on Bega Cheese's earnings per share

For the year ended 30 June 2013, Bega Cheese achieved basic earnings per share of 16.8 cents per share, as disclosed in its 2013 Annual Report. The table below summarises the pro forma impact of the Offer on the earnings per Bega Cheese Share under the three scenarios:

	Scenario 1 Obtains a Relevant Interest in 100% ^(a)	Scenario 2 Obtains a Relevant Interest in 50.1% ^(a)	Scenario 3 Obtains a Relevant Interest in 30% ^(a)
Pro forma profit after tax attributable to the equity holders of the Combined Group	\$33,760,232	\$29,192,621	\$26,071,827
Total Bega Cheese Shares on issue following completion of the Offer	206,235,062	173,112,560	159,770,630
Basic earnings per Bega Cheese Share on issue	16.4 cents	16.9 cents	16.3 cents

Note: (a) The above table excludes the effect of any Warrnambool Cheese & Butter Shares issued as part of the Warrnambool Cheese & Butter Dividend Reinvestment Plan and assumes that all of the Warrnambool Cheese & Butter Performance Rights are vested. If all Warrnambool Cheese & Butter Shareholders were to participate fully in the Warrnambool Cheese & Butter Dividend Reinvestment Plan for the Warrnambool Cheese & Butter Final FY13 Dividend, the number of Warrnambool Cheese & Butter Shares on issue would increase by 1.4 million and basic earnings per Bega Cheese Share would decrease by approximately 0.1, 0.2 and 0.1 cents under scenario 1, 2 and 3 respectively.

4.5 Estimated synergies

Bega Cheese's management's analysis and review of publicly available information on Warrnambool Cheese & Butter and its experience with previous industry integration has led it to conclude that, if a Successful Merger is achieved, potential synergies of approximately \$7.5 million (pre-tax excluding one-off integration costs) should be realised in the first full year following the Successful Merger. The potential synergies are likely to be achieved in the areas of head office and administrative services rationalisation, costs relating to ASX Listing, procurement savings, efficiency gains and optimised infrastructure utilisation. The synergies and their estimated value has been formulated by Bega Cheese management have been assessed by Bega Cheese management as potentially realisable through:

- removing duplication of costs across the operations of the Combined Group including such areas as head office senior executive and corporate services;
- removing costs associated with Warrnambool Cheese & Butter being listed on ASX;
- leveraging scale benefits of non-milk supplier services and inputs procurement;
- enhanced milk flow management;
- improved milk solids management;
- better alignment of the production of dairy products to enhance the performance of the manufacturing facilities of Bega Cheese, Tatura Milk Industries and Warrnambool Cheese & Butter;
- improved transport management; and
- leveraging best practice processes and systems.

The potential synergies are based on estimates by Bega Cheese management. Bega Cheese has not discussed its analysis of achievable synergies with Warrnambool Cheese & Butter management and does not have available to it (based on the

publicly available information) sufficient information to develop a detailed integration plan to achieve the synergies. The extent and timing of the benefit of the potential synergies is currently uncertain and will depend on, amongst other things, whether or not Bega Cheese is able to acquire a Relevant Interest in 100% of Warrnambool Cheese & Butter and the results of the operational review that Bega Cheese intends to conduct following the conclusion of the Offer, as referred to in Section 3.1. The risks associated with the implementation of the potential synergies are dealt with in more detail in Section 6.4(a).

The full benefit of the potential synergies would not be available if Bega Cheese acquired a Relevant Interest in less than 100% of Warrnambool Cheese & Butter. In circumstances where Bega Cheese acquires a Relevant Interest in more than 50% but less than the 90% of the Warrnambool Cheese & Butter Shares required to proceed to compulsory acquisition, the Bega Cheese Board management has estimated that the value of the potential synergies will be reduced to one half of the estimate above, being \$3.75 million (pre-tax excluding one-off integration costs). In circumstances where Bega Cheese attains a Relevant Interest in 50% or less of the Warrnambool Cheese & Butter Shares, the Bega Cheese Board management has formed the view that no synergy benefits would be achieved. This position is reflected in the pro forma historical financial information.

4.6 Prospective financial information

Apart from the estimated synergies of up to \$7.5 million described above, this Bidder's Statement does not include any financial forecasts or projections for revenue or profit in relation to Bega Cheese, Warrnambool Cheese & Butter or the Combined Group.

Bega Cheese has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information in relation to Bega Cheese and the Combined Group following the Offer. The Bega Cheese Board has concluded that forecast financial information would be misleading to provide, as a reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable, particularly considering Warrnambool Cheese & Butter's recent financial performance and the large effect that variations in key inputs, most of which are outside the control of Bega Cheese, may have on the future financial position of Bega Cheese and the Combined Group following the Offer. Key variable inputs include prevailing foreign exchange rates, milk supply and pricing and costs related to development and operating activities. In addition, as Bega Cheese has not undertaken due diligence on Warrnambool Cheese & Butter, Bega Cheese is not in a position to provide forecasts of the financial performance of the Combined Group.

4.7 Information used in preparing pro forma financial information

The pro forma historical financial information included in Section 4 is based on the latest publicly available information for Bega Cheese and Warrnambool Cheese & Butter, which comprises the following:

- audited consolidated financial statements of Bega Cheese for the year ended 30 June 2013;
- the ASX announcement by Warrnambool Cheese & Butter dated 28 August 2013, including Appendix 4E Preliminary Final Report for the year ended 30 June 2013; and
- such other publicly available information as was considered necessary to reflect the effect of the Offer on Bega Cheese in the pro forma historical financial information.

The pro forma historical financial information has been prepared in order to give Warrnambool Cheese & Butter Shareholders an indication of the scale and size of the Combined Group following acceptance of the Offer under each of the three scenarios modelled. It is not intended to illustrate the financial position that would have been obtained or the financial performance which would have occurred had the completion of the Offer occurred on or before 30 June 2013. Bega Cheese and Warrnambool Cheese & Butter classify certain expenses differently in their statement of comprehensive income and in other disclosures in their annual reports. Accordingly a high level summary of financial performance (**Pro Forma Profit & Loss**) has been prepared rather than a more detailed combined pro forma statement of comprehensive income. In addition, a pro forma balance sheet has been included as part of the pro forma historical financial information (**Pro Forma Balance Sheet**).

4. OUTCOME OF THE OFFER (CONTINUED)

The Bega Cheese Directors have drawn their conclusions based on the known facts and other information publicly available as at the date of this Bidder's Statement. Bega Cheese will undertake a comprehensive assessment of fair value of the assets and liabilities acquired and a review of accounting policies of Warrnambool Cheese & Butter after the Offer has been completed. If the facts, circumstances, assumptions or other information should prove different to that described, the conclusions may change accordingly.

4.8 Basis of preparation of the pro forma financial information

Application of generally accepted accounting standards

The source for the pro forma historical financial information described above is assumed to have been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards. Further information regarding the accounting policies and compliance of the relevant Bega Cheese and Warrnambool Cheese & Butter financial reports with the measurement and recognition requirements of Australian Accounting Standards can be obtained by reviewing the latest publicly available financial statements of each company.

The basis used to prepare the pro forma historical financial information in Section 4 is as follows:

- the pro forma historical financial information is in summary form and as such is not intended to comply with all of the presentation and disclosure requirements of Australian Accounting Standards applicable to statutory annual reports prepared in accordance with the Corporations Act;
- the pro forma historical financial information of Bega Cheese and Warrnambool Cheese & Butter has been combined based on Australian Accounting Standards, mainly AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures (**Consolidation Principles**);
- under the Consolidation Principles, the acquirer is identified as the entity that obtains control of or significant influence over the other entity. It is assumed that Bega Cheese will be the acquirer for the purpose of preparing the Combined Group's pro forma financial information;
- in addition to the adjustments made in accordance with the Consolidation Principles, adjustments as described in the notes to the pro forma historical financial information have also been made to better illustrate the pro forma impact of the acquisition on the Combined Group;
- the Pro Forma Profit & Loss illustrates the pro forma historical performance of the Combined Group (excluding the impact of any one-off items) and assumes the proposed transaction occurred on 1 July 2012; and
- the Pro Forma Balance Sheet has been prepared as at 30 June 2013 to illustrate the financial position of the Combined Group after taking into account the impact of the Offer and associated funding requirements.

Accounting for Goodwill

It will not be possible to ascertain the fair values of Warrnambool Cheese & Butter's identifiable assets and liabilities or the intangible assets that might be recognised on acquisition until after completion of the Offer. Accordingly, for the purposes of calculating goodwill under scenarios 1 and 2, for inclusion in the pro forma historical financial information Bega Cheese has assumed that the book value of Warrnambool Cheese & Butter's relevant assets and liabilities as set out in their results announcement for 30 June 2013 represents their fair value for purposes of calculating the goodwill on acquisition under the Offer. Therefore, it is possible that the final calculation of goodwill and any consequential impacts on earnings following acquisition may differ from that applied in the pro forma historical financial information.

Pro forma net interest expense

For the purposes of calculating pro forma net interest expense, it has been assumed that the proposed transaction occurred on 1 July 2012 and that the appropriate debt facilities were available throughout the year ended 30 June 2013 to finance the cash portion of the Offer Consideration, facility establishment and transaction costs. Interest expense is calculated at an effective rate of 4.3%, which is consistent with the agreed terms of the Facility Agreement and includes amortisation of the establishment costs relating to the Facility Agreement.

Transaction costs

Transaction costs relating to the Offer have been treated as follows for the purposes of preparing the Pro Forma Profit & Loss:

- costs relating to the merger have been treated as one-off and non-recurring in nature and as such have not been reflected in the Pro Forma Profit & Loss, although for statutory reporting purposes these costs will be expensed to profit and loss in the period they relate;
- costs relating to the issuing of share capital by Bega Cheese as consideration for Warrnambool Cheese & Butter Shares have been offset against the increase in equity; and
- the cost of establishing new debt facilities has been amortised over the expected maturity of the new facilities and included in the pro forma interest costs, which is consistent with statutory reporting requirements.

Income tax expense

The pro forma income tax expense for the Combined Group has been calculated assuming a 30% Australian corporate tax rate.

Bega Cheese's existing investment in Warrnambool Cheese & Butter

Bega Cheese has an existing equity interest in Warrnambool Cheese & Butter, which may need to be re-stated at acquisition date to fair-value, with the resulting gain or loss, if any, recognised in profit and loss for statutory reporting purposes. However, as the impact of this accounting treatment will be one off and non-recurring in nature no adjustment has been made for this re-statement in preparing the Pro Forma Profit & Loss.

Other factors to consider

The pro forma historical financial information set out in this Section should be read in conjunction with the following additional information:

- the risk factors described in Section 6;
- the notes regarding the adjustments incorporated into the Combined Group's Pro Forma Profit & Loss and Pro Forma Balance Sheet;
- other information contained in this Section 4 of the Bidder's Statement;
- synergy adjustments are estimated based on factors identified in Section 4.5 and do not include the one-off implementation costs incurred to achieve these benefits; and
- the pro forma historical financial information has not been subject to audit.

SCENARIO 1 - The Pro Forma Profit & Loss and Pro Forma Balance Sheet are as follows:

\$'000	BGA	WCB	Aggregated	100% Ownership	
	FY13	FY13	FY13	Net Adjustments	FY13 Pro forma Combined Group
Revenue	1,010,086	495,851	1,505,937	(19,047)	1,486,890
EBITDA	64,269	25,386	89,655	6,501	96,156
Depreciation and amortisation	(20,785)	(11,798)	(32,583)	-	(32,583)
EBIT	43,484	13,588	57,072	6,501	63,573
Net interest expense	(8,135)	(3,997)	(12,132)	(4,894)	(17,026)
Profit before tax	35,349	9,591	44,940	1,607	46,547
Tax expense	(9,904)	(2,101)	(12,005)	(782)	(12,787)
Profit for the period	25,445	7,490	32,935	825	33,760
Non controlling interests	-	-	-	-	-
Profit attributable to equity holders	25,445	7,490	32,935	825	33,760

\$'000	BGA	WCB	Aggregated	100% Ownership	
	Jun-13	Jun-13	Jun-13	Net Adjustments	Jun-13 Pro forma Combined Group
Current Assets					
Cash and cash equivalents	24,235	3,794	28,029	-	28,029
Trade and other receivables	102,830	111,176	214,006	1,551	215,557
Other financial assets	1,473	-	1,473	-	1,473
Inventories	163,277	70,804	234,081	-	234,081
Total Current Assets	291,815	185,774	477,589	1,551	479,140
Non-Current Assets					
Investment properties	-	10,138	10,138	-	10,138
Other financial assets	39,028	5	39,033	(39,028)	5
Investments	-	23,705	23,705	-	23,705
Property, plant & equipment	209,892	85,314	295,206	-	295,206
Deferred tax assets	9,157	-	9,157	(961)	8,196
Goodwill	-	-	-	145,207	145,207
Intangible assets	1,580	1,628	3,208	-	3,208
Total Non-current Assets	259,657	120,790	380,447	105,218	485,665
TOTAL ASSETS	551,472	306,564	858,036	106,769	964,805
Current Liabilities					
Trade and other payables	144,940	52,638	197,578	-	197,578
Borrowings	601	71,278	71,879	-	71,879
Current tax liabilities	1,397	1,546	2,943	-	2,943
Provisions	22,893	5,845	28,738	-	28,738
Derivative financial instruments	7,191	4,137	11,328	-	11,328
Total Current Liabilities	177,022	135,444	312,466	-	312,466
Non-Current Liabilities					
Trade and other payables	-	-	-	-	-
Borrowings	110,300	8,001	118,301	95,777	214,078
Provisions	2,198	524	2,722	-	2,722
Deferred tax liabilities	-	792	792	-	792
Total Non-Current Liabilities	112,498	9,317	121,815	95,777	217,592
TOTAL LIABILITIES	289,520	144,761	434,281	95,777	530,058
NET ASSETS	261,952	161,803	423,755	10,992	434,747
Equity					
Contributed equity	101,902	69,607	171,509	100,947	272,456
Reserves	25,585	9,507	35,092	(16,447)	18,645
Retained earnings	134,465	82,689	217,154	(73,508)	143,646
Equity attributable to the Owners	261,952	161,803	423,755	10,992	434,747
Non-controlling interests	-	-	-	-	-
TOTAL EQUITY	261,952	161,803	423,755	10,992	434,747

Source: Bega Cheese and Warrnambool Cheese & Butter FY13 Financial Statements and management adjustments.

4. OUTCOME OF THE OFFER (CONTINUED)

SCENARIO 1 - 100% ownership

Notes to the Pro Forma Profit & Loss

Overview: The aggregation reflects the combined profit & loss of Bega Cheese and Warrnambool Cheese & Butter for the year end 30 June 2013 and the following pro forma adjustments.

Revenue: Intercompany sales and purchases between Bega Cheese and Warrnambool Cheese & Butter estimated at \$18 million have been eliminated, which has no effect on profit after tax. The dividend paid by Warrnambool Cheese & Butter to Bega Cheese of \$1 million during the year ended 30 June 2013 has been eliminated.

EBITDA: EBITDA increased by inclusion of synergies of \$7.5 million (refer Section 4.5 for further details as to synergies). EBITDA reduced by the elimination of the dividend paid by Warrnambool Cheese & Butter to Bega Cheese during the year ended 30 June 2013.

Net interest expense: The increase in interest is due to the estimated annual impact of interest arising from additional funding for the transaction.

Tax expense: Tax expense is based on the tax effect of all adjustments, excluding the dividend adjustment which is assumed to be franked.

Notes to the Pro Forma Balance Sheet

Overview: The aggregation reflects the combined balance sheets of Bega Cheese and Warrnambool Cheese & Butter as at 30 June 2013 and the following pro forma adjustments.

Trade and other receivables: Reflects the capitalisation of a portion of the facility establishment fees.

Other financial assets: The cost of the investment in Warrnambool Cheese & Butter in Bega Cheese's accounts has been eliminated as it is replaced by the inclusion of the assets and liabilities from the balance sheet of Warrnambool Cheese & Butter in the consolidated accounts of the Combined Group.

Deferred tax assets: The adjustment to deferred tax reflects an increase in the potential tax liability from the current investment by Bega Cheese in Warrnambool Cheese & Butter Shares, offset by deferred tax benefits arising from facility establishment and transaction costs.

Goodwill: This adjustment of \$145 million represents the fair value of the consideration paid for all shares in Warrnambool Cheese & Butter of \$307 million less the fair value of the net amounts of the identifiable assets acquired and the liabilities assumed on the date of acquisition, being \$162 million.

For the purposes of preparing the Pro Forma Balance Sheet it has been assumed that the fair value of Warrnambool Cheese & Butter's assets and liabilities is as set out in the results reported for the year ended 30 June 2013. In finalising the actual calculation of goodwill it will be necessary to take into account the latest Bega Cheese Share Price and to undertake a review of the actual fair value of Warrnambool Cheese & Butter's assets and liabilities as at the relevant date Bega Cheese is in a position to assume control for consolidation purposes.

Borrowings: This adjusts for the additional borrowings of \$96 million needed to fund the cash component of the Offer and related facility establishment and transaction costs.

Contributed equity: Contributed equity has been adjusted by \$171 million to reflect the value of additional Bega Cheese Shares issued to Warrnambool Cheese & Butter Shareholders, being \$3.15 per Bega Cheese share at 11 September 2013, net of equity raising costs of \$0.7 million. Contributed equity has also been adjusted by \$70 million to eliminate the value of contributed equity in Warrnambool Cheese & Butter at the date of acquisition.

Reserves: The adjustment reflects:

- reversing out the reserves of Warrnambool Cheese & Butter, consistent with Consolidation Principles; and
- elimination of the fair value reserve that Bega Cheese held at 30 June 2013 relating to shares held in Warrnambool Cheese & Butter.

Retained earnings: The adjustment reflects:

- reversing out the retained earnings of Warrnambool Cheese & Butter at the date of acquisition, consistent with the Consolidation Principles;
- recognition of the profit net of tax on shares already held by Bega Cheese in Warrnambool Cheese & Butter before the date of acquisition; and
- the proportion of the facility establishment and transaction costs related to the merger net of tax of \$2 million that will be expensed at the date of acquisition.

SCENARIO 2 - The Pro Forma Profit & Loss and Pro Forma Balance Sheet are as follows:

\$'000	BGA	WCB	Aggregated	50.1% Ownership	
	FY13	FY13	FY13	Net Adjustments	FY13 Pro forma Combined Group
Revenue	1,010,086	495,851	1,505,937	(19,047)	1,486,890
EBITDA	64,269	25,386	89,655	2,751	92,406
Depreciation and amortisation	(20,785)	(11,798)	(32,583)	-	(32,583)
EBIT	43,484	13,588	57,072	2,751	59,823
Net interest expense	(8,135)	(3,997)	(12,132)	(2,330)	(14,462)
Profit before tax	35,349	9,591	44,940	421	45,361
Tax expense	(9,904)	(2,101)	(12,005)	(426)	(12,431)
Profit for the period	25,445	7,490	32,935	(5)	32,930
Non controlling interests	-	-	-	-	3,738
Profit attributable to equity holders	25,445	7,490	32,935	(5)	29,192

\$'000	BGA	WCB	Aggregated	50.1% Ownership	
	Jun-13	Jun-13	Jun-13	Net Adjustments	Jun-13 Pro forma Combined Group
Current Assets					
Cash and cash equivalents	24,235	3,794	28,029	-	28,029
Trade and other receivables	102,830	111,176	214,006	1,311	215,317
Other financial assets	1,473	-	1,473	-	1,473
Inventories	163,277	70,804	234,081	-	234,081
Total Current Assets	291,815	185,774	477,589	1,311	478,900
Non-Current Assets					
Investment properties	-	10,138	10,138	-	10,138
Other financial assets	39,028	5	39,033	(39,028)	5
Investments	-	23,705	23,705	-	23,705
Property, plant & equipment	209,892	85,314	295,206	-	295,206
Deferred tax assets	9,157	-	9,157	(1,284)	7,873
Goodwill	-	-	-	66,407	66,407
Intangible assets	1,580	1,628	3,208	-	3,208
Total Non-current Assets	259,657	120,790	380,447	26,095	406,542
TOTAL ASSETS	551,472	306,564	858,036	27,406	885,442
Current Liabilities					
Trade and other payables	144,940	52,638	197,578	-	197,578
Borrowings	601	71,278	71,879	-	71,879
Current tax liabilities	1,397	1,546	2,943	-	2,943
Provisions	22,893	5,845	28,738	-	28,738
Derivative financial instruments	7,191	4,137	11,328	-	11,328
Total Current Liabilities	177,022	135,444	312,466	-	312,466
Non-Current Liabilities					
Trade and other payables	-	-	-	-	-
Borrowings	110,300	8,001	118,301	38,936	157,237
Provisions	2,198	524	2,722	-	2,722
Deferred tax liabilities	-	792	792	-	792
Total Non-Current Liabilities	112,498	9,317	121,815	38,936	160,751
TOTAL LIABILITIES	289,520	144,761	434,281	38,936	473,217
NET ASSETS	261,952	161,803	423,755	(11,530)	412,225
Equity					
Contributed equity	101,902	69,607	171,509	(3,070)	168,439
Reserves	25,585	9,507	35,092	(16,447)	18,645
Retained earnings	134,465	82,689	217,154	(72,753)	144,401
Equity attributable to the Owners	261,952	161,803	423,755	(92,270)	331,485
Non-controlling interests	-	-	-	80,740	80,740
TOTAL EQUITY	261,952	161,803	423,755	(11,530)	412,225

Source: Bega Cheese and Warrnambool Cheese & Butter FY13 Financial Statements and management adjustments.

4. OUTCOME OF THE OFFER (CONTINUED)

SCENARIO 2 - 50.1% ownership

Notes to the Pro Forma Profit & Loss

Overview: The aggregation reflects the combined profit & loss of Bega Cheese and Warrnambool Cheese & Butter for the year end 30 June 2013 and the following pro forma adjustments.

Revenue: Intercompany sales and purchases between Bega Cheese and Warrnambool Cheese & Butter estimated at \$18 million have been eliminated, which has no effect on profit after tax. The dividend paid by Warrnambool Cheese & Butter to Bega Cheese of \$1 million during the year ended 30 June 2013 has been eliminated.

EBITDA: EBITDA increased by inclusion of synergies of \$3.75 million (refer Section 4.5 for further details as to synergies). EBITDA reduced by the elimination of the dividend paid by Warrnambool Cheese & Butter to Bega Cheese during the year ended 30 June 2013.

Net interest expense: The increase in interest is due to the estimated annual impact of interest arising from additional funding for the transaction.

Tax expense: Tax expense is based on the tax effect of all adjustments, excluding the dividend adjustment which is assumed to be franked.

Non-controlling interests: Under Consolidation Principles, profit or loss is attributed to the owners of the parent and to the non-controlling interests. In the Pro Forma Profit and Loss, the non-controlling interest represents the share of profit attributed to shareholders in Warrnambool Cheese & Butter after the acquisition date that are not Bega Cheese, which is 49.9%.

Notes to the Pro Forma Balance Sheet

Overview: The aggregation reflects the combined balance sheets of Bega Cheese and Warrnambool Cheese & Butter as at 30 June 2013 and the following pro forma adjustments.

Trade and other receivables: Reflects the capitalisation of a portion of the facility establishment fees.

Other financial assets: The cost of the investment in Warrnambool Cheese & Butter in Bega Cheese's books has been eliminated as it is effectively replaced by the inclusion of the assets and liabilities from the balance sheet of Warrnambool Cheese & Butter in the consolidated accounts.

Deferred tax assets: The adjustment to deferred tax reflects an increase in the potential tax liability from the current investment by Bega Cheese in Warrnambool Cheese & Butter Shares, offset by deferred tax benefits arising from facility establishment and transaction costs.

Goodwill: This adjustment of \$66 million represents the fair value of the consideration paid for 50.1% of the shares in Warrnambool Cheese & Butter of \$147 million less the fair value of the net amounts of the identifiable assets acquired and the liabilities assumed on the date of acquisition, being \$81 million.

For the purposes of preparing the Pro Forma Balance Sheet it has been assumed that the fair value of Warrnambool Cheese & Butter's assets and liabilities is as set out in the results reported for the year ended 30 June 2013. In finalising the actual calculation of goodwill it will be necessary to take into account the latest Bega Cheese Share Price and to undertake a review of the actual fair value of Warrnambool Cheese & Butter's assets and liabilities as at the relevant date Bega Cheese is in a position to assume control for consolidation purposes.

Borrowings: This adjusts for the additional borrowings of \$39 million needed to fund the cash component of the Offer and related facility establishment and transaction costs.

Contributed equity: Contributed equity has been adjusted by \$67 million to reflect the value of additional Bega Cheese Shares issued to Warrnambool Cheese & Butter Shareholders, being \$3.15 per Bega Cheese share at 11 September 2013, net of equity raising costs of \$0.4 million. Contributed equity has also been adjusted by \$70 million to eliminate the value of contributed equity in Warrnambool Cheese & Butter at the date of acquisition.

Reserves: The adjustment reflects:

- reversing out the reserves of Warrnambool Cheese & Butter, consistent with the Consolidation Principles; and
- elimination of the fair value reserve that Bega Cheese held at 30 June 2013 relating to shares held in Warrnambool Cheese & Butter.

Retained earnings: The adjustment reflects:

- reversing out the retained earnings of Warrnambool Cheese & Butter at the date of acquisition, consistent with the Consolidation Principles;
- recognition of the profit net of tax on shares already held by Bega Cheese in Warrnambool Cheese & Butter before the date of acquisition; and
- the proportion of the facility establishment and transaction costs related to the merger net of tax of \$1 million that will be expensed at the date of acquisition.

Non-controlling interests: Under Consolidation Principles, non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. In the pro formas, this equals 49.9% of the net assets of Warrnambool Cheese & Butter as at 30 June 2013, being \$81 million.

SCENARIO 3 - The Pro Forma Profit & Loss and Pro Forma Balance Sheet are as follows:

\$'000	BGA	30% Ownership	
	FY13	Net Adjustments	FY13 Pro forma Combined Group
Revenue	1,010,086	(999)	1,009,087
EBITDA	64,269	1,248	65,517
Depreciation and amortisation	(20,785)	-	(20,785)
EBIT	43,484	1,248	44,732
Net interest expense	(8,135)	(887)	(9,022)
Profit before tax	35,349	361	35,710
Tax expense	(9,904)	266	(9,638)
Profit for the period	25,445	627	26,072
Non controlling interests	-	-	-
Profit attributable to equity holders	25,445	627	26,072

\$'000	BGA	30% Ownership	
	Jun-13	Net Adjustments	Jun-13 Pro forma Combined Group
Current Assets			
Cash and cash equivalents	24,235	-	24,235
Trade and other receivables	102,830	489	103,319
Other financial assets	1,473	-	1,473
Inventories	163,277	-	163,277
Total Current Assets	291,815	489	292,304
Non-Current Assets			
Investment properties	-	-	-
Other financial assets	39,028	44,178	83,206
Investments	-	-	-
Property, plant & equipment	209,892	-	209,892
Deferred tax assets	9,157	(1,523)	7,634
Goodwill	-	-	-
Intangible assets	1,580	-	1,580
Total Non-current Assets	259,657	42,655	302,312
TOTAL ASSETS	551,472	43,144	594,616
Current Liabilities			
Trade and other payables	144,940	-	144,940
Borrowings	601	-	601
Current tax liabilities	1,397	-	1,397
Provisions	22,893	-	22,893
Derivative financial instruments	7,191	-	7,191
Total Current Liabilities	177,022	-	177,022
Non-Current Liabilities			
Trade and other payables	-	-	-
Borrowings	110,300	14,952	125,252
Provisions	2,198	-	2,198
Deferred tax liabilities	-	-	-
Total Non-Current Liabilities	112,498	14,952	127,450
TOTAL LIABILITIES	289,520	14,952	304,472
NET ASSETS	261,952	28,192	290,144
Equity			
Contributed equity	101,902	24,638	126,540
Reserves	25,585	(6,940)	18,645
Retained earnings	134,465	10,494	144,959
Equity attributable to the Owners	261,952	28,192	290,144
Non-controlling interests	-	-	-
TOTAL EQUITY	261,952	28,192	290,144

Source: Bega Cheese and Warrnambool Cheese & Butter FY13 Financial Statements and management adjustments.

4. OUTCOME OF THE OFFER (CONTINUED)

SCENARIO 3 - 30% ownership

Notes to the Pro Forma Profit & Loss

Overview: The Bega Cheese Pro Forma Profit & Loss for the year ending 30 June 2013 has been adjusted to reflect the equity method of accounting and the following pro forma adjustments:

Revenue: The dividend paid by Warrnambool Cheese & Butter to Bega Cheese of \$1 million during the year ended 30 June 2013 has been eliminated.

EBITDA: EBITDA increased to reflect the inclusion of a 30% share in Warrnambool Cheese & Butter's profit after tax, being \$2 million. EBITDA decreased to reflect the elimination of the dividend paid by Warrnambool Cheese & Butter to Bega Cheese during the year ended 30 June 2013.

Net interest expense: The increase in interest is due to the estimated annual impact of interest arising from additional funding for the transaction.

Tax expense: No additional tax expense has been allowed for:

- the share of Warrnambool Cheese & Butter's profit result as it is brought into the consolidation post tax; and
- the dividend adjustment, which is assumed to be franked.

Notes to the Pro Forma Balance Sheet

Overview: The Bega Cheese Pro Forma Balance Sheet as at 30 June 2013 has been adjusted to reflect the equity method of accounting and the following pro forma adjustments:

Trade and other receivables: Reflects the capitalisation of a portion of the facility establishment fees.

Other financial assets: The increase recognises the additional cost of investment in Warrnambool Cheese & Butter by Bega Cheese of \$38 million and the revaluation of Bega Cheese's existing investment, being \$6 million.

Borrowings: This adjusts for the additional borrowings of \$15 million needed to fund the cash component of the Offer and related facility establishment and transaction costs.

Contributed equity: Contributed equity has been adjusted by \$25 million to reflect the value of additional Bega Cheese Shares issued to Warrnambool Cheese & Butter Shareholders, being \$3.15 per Bega Cheese share at 11 September 2013, net of equity raising costs of \$0.3 million.

Reserves: The adjustment reflects elimination of the fair value reserve that Bega Cheese held at 30 June 2013 relating to shares held in Warrnambool Cheese & Butter.

Retained earnings: The adjustment reflects:

- recognition of the profit net of tax on shares already held by Bega Cheese in Warrnambool Cheese & Butter before the date of acquisition; and
- the proportion of the facility establishment and transaction costs related to the merger net of tax of \$0.7 million.

4. OUTCOME OF THE OFFER (CONTINUED)

4.10 Disclaimer

The financial information presented in this Section 4, in relation to Warrnambool Cheese & Butter has been prepared by Bega Cheese using publicly available information that has not been independently verified. Bega Cheese has specifically relied on the information in the ASX announcement by Warrnambool Cheese & Butter dated 28 August 2013, including Appendix 4E Preliminary Final Report for the year ended 30 June 2013 to prepare the financial information in relation to Warrnambool Cheese & Butter contained in this Bidder's Statement. Accordingly, Bega Cheese does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. It is expected that Warrnambool Cheese & Butter will release financial information in its Target's Statement that will be sent to Warrnambool Cheese & Butter Shareholders and made publicly available. The financial information regarding Bega Cheese, Warrnambool Cheese & Butter and the Combined Group in this Bidder's Statement should not be regarded as comprehensive.

5. AUSTRALIAN TAXATION CONSIDERATIONS

5.1 Introduction

This Section provides a general summary of the Australian tax consequences for Warrnambool Cheese & Butter Shareholders who accept the Offer and dispose of their Warrnambool Cheese & Butter Shares in accordance with the Offer.

The summary is based upon Australian taxation law and administrative practice in effect at the date of this Bidder's Statement. It does not anticipate changes in the taxation law after this time nor take into account the taxation laws of countries other than Australia. Overseas Warrnambool Cheese & Butter Shareholders should consider the tax consequences of the Offer under the laws of their countries of residence as well as under Australian law.

This summary is not intended to be an authoritative or comprehensive analysis of the taxation laws of Australia and does not consider any specific facts or circumstances that may apply to particular Warrnambool Cheese & Butter Shareholders and does not purport to be a complete analysis of all the potential Australian income tax consequences that may arise on accepting the Offer.

Warrnambool Cheese & Butter Shareholders are advised to consult their own tax advisers regarding Australian tax consequences from accepting the Offer in light of their personal circumstances.

The Australian tax consequences of the disposal of Warrnambool Cheese & Butter Shares to Bega Cheese will depend on a number of factors. This summary only addresses those Warrnambool Cheese & Butter Shareholders that:

- are residents of Australia for Australian tax purposes;
- hold their Warrnambool Cheese & Butter Shares on capital account and not as revenue assets or trading stock for Australian tax purposes;
- are not employees of Warrnambool Cheese & Butter for Australian tax purposes;
- are not 'life insurance companies';
- are not 'temporary residents' for Australian tax purposes; and
- are not 'significant stakeholders' or 'common stakeholders'.

Prima facie, a capital gains tax liability will arise for those Warrnambool Cheese & Butter Shareholders who own Warrnambool Cheese & Butter Shares acquired after 19 September 1985 (refer to comments in Section 5.2 below) but partial capital gains tax roll-over relief may arise where certain conditions are satisfied (refer to Section 5.3 below). In particular, partial roll-over relief may arise if Bega Cheese and members of Bega Cheese's wholly-owned group obtain a holding of at least 80% of the voting shares in Warrnambool Cheese & Butter as a result of the Offer.

Bega Cheese will seek a class ruling from the Australian Taxation Office (ATO) to confirm the capital gains tax consequences for Warrnambool Cheese & Butter Shareholders who accept the Offer. The class ruling, when issued, will be available to view on the ATO website at www.ato.gov.au and, following acceptance of the Offer, on the Bega Cheese website at www.begacheese.com.au.

5.2 Disposal of Warrnambool Cheese & Butter Shares held on capital account

Outlined below are the general tax (CGT) consequences for Australian resident shareholders who hold their Warrnambool Cheese & Butter Shares on capital account.

(a) Shares acquired before 20 September 1985

No capital gains tax (CGT) implications should arise on the disposal of Warrnambool Cheese & Butter Shares that were acquired, or deemed to have been acquired, before 20 September 1985. In summary, the treatment of Warrnambool Cheese & Butter Shares acquired before 20 September 1985 will be as follows:

5. AUSTRALIAN TAXATION CONSIDERATIONS (CONTINUED)

- no capital gain will arise on disposal of these shares; and
- Bega Cheese Shares received will be a post-CGT asset which will be subject to CGT on any future disposal.

The date of acquisition of Bega Cheese Shares will be the date the Warrnambool Cheese & Butter Shareholder accepts the Offer. Alternatively, if the Warrnambool Cheese & Butter Shares are compulsorily acquired, the date of acquisition will be the date at which the Warrnambool Cheese & Butter Shareholder receives compensation in respect of the compulsory acquired Warrnambool Cheese & Butter Shares.

(b) Shares acquired after 20 September 1985

If Warrnambool Cheese & Butter Shares were acquired on or after 20 September 1985, their disposal will generally have CGT implications. The disposal of such Warrnambool Cheese & Butter Shares pursuant to acceptance of the Offer will constitute a CGT event for CGT purposes. The CGT implications of disposing of the Warrnambool Cheese & Butter Shares will depend on a number of factors including:

- the date when the Warrnambool Cheese & Butter Shares were acquired;
- the status of the Warrnambool Cheese & Butter Shareholder; that is, whether the Warrnambool Cheese & Butter shareholder is an individual, trust, superannuation fund or company;
- the length of time for which the Warrnambool Cheese & Butter Shareholder has held the Warrnambool Cheese & Butter Shares; and
- whether or not the Warrnambool Cheese & Butter Shareholder is entitled to scrip-for-scrip rollover relief – see Section 5.3.

If Warrnambool Cheese & Butter Shares were acquired on or after 20 September 1985, a capital gain or loss will arise being the difference between:

- the value of the capital proceeds (the cash consideration received plus the value of the Bega Cheese Shares received); and
- the cost base of the Warrnambool Cheese & Butter Shares (which would generally include the amount paid to acquire the relevant Warrnambool Cheese & Butter Shares plus any incidental costs of acquisition such as brokerage fees and stamp duty). If Warrnambool Cheese & Butter Shareholders have received a return of capital while holding Warrnambool Cheese & Butter Shares, the cost base of those Warrnambool Cheese & Butter Shares should be appropriately adjusted.

A Warrnambool Cheese & Butter Shareholder will make a capital gain if the capital proceeds from the disposal of their Warrnambool Cheese & Butter Shares to Bega Cheese exceeds the cost base of those Warrnambool Cheese & Butter Shares, or a capital loss if the value of the capital proceeds is less than the cost base.

The value of the Bega Cheese Shares will be their market value on the date when the contract for their disposal is entered into (being the date the Warrnambool Cheese & Butter Shareholder accepts the Offer).

(i) Shares acquired after 20 September 1985 but before 11.45 am on 21 September 1999

If the Warrnambool Cheese & Butter Shares were acquired before 11.45 am (legal time in the Australian Capital Territory or “ACT time”) on 21 September 1999, for the purpose of calculating a capital gain (but not a capital loss), the cost base of the shares can be indexed for inflation to 30 September 1999.

Alternatively, provided the Warrnambool Cheese & Butter Shares were held for at least one year, and the Warrnambool Cheese & Butter Shareholder does not choose to apply this indexation, the discount capital gain provisions set out below may apply. This means that:

- for an individual or trust, only one-half of the capital gain (without any allowance for indexation for inflation in the cost base of the shares) will be taxable;

- for complying superannuation funds, only two-thirds of the capital gain (without any allowance for indexation for inflation in the cost base of the Warrnambool Cheese & Butter Shares) will be taxable; or
- in respect of the trustee of a trust, the discount capital gains provisions may also apply to a distribution of the capital gain to beneficiaries in the trust (other than beneficiaries that are companies).

Note that the discount capital gain provisions do not apply to shareholders and trust beneficiaries that are companies.

The 'choice' to apply indexation rather than the discount capital gain provisions must be made by the Warrnambool Cheese & Butter Shareholder on or before the day they lodge their income tax return for the income year in which the disposal occurs.

A capital loss may be used to offset capital gains derived in the same or subsequent years of income (subject to satisfying certain conditions) but cannot be offset against ordinary income nor carried back for offset against net capital gains arising in earlier income years.

If a Warrnambool Cheese & Butter Shareholder chooses to use the discount capital gain method, any available capital loss will be applied to reduce the realised nominal gain before discounting the resulting net amount by either the 50% or 33 1/3% discount (as applicable) to calculate the capital gain that is assessable. Alternatively, if the indexation option is chosen, capital losses are applied after calculating the capital gain using the indexed cost base.

(ii) Shares acquired after 11.45 am on 21 September 1999

Warrnambool Cheese & Butter Shareholders that acquire Warrnambool Cheese & Butter Shares after 11.45 am (ACT time) on 21 September 1999 are not entitled to choose indexation of the cost base when calculating any capital gain on disposal.

For individuals, trusts or complying superannuation funds that have held Warrnambool Cheese & Butter Shares for 12 months or longer at the time the Offer is accepted, the discount capital gain provisions described above will automatically apply in calculating any capital gain on disposal.

As explained above, any available capital loss will be applied to reduce the realised nominal gain before discounting the resulting net amount by the 50% or 33 1/3% discount (as applicable) to calculate the discounted capital gain that is assessable.

For Warrnambool Cheese & Butter Shareholders that have held their Warrnambool Cheese & Butter Shares for less than 12 months or are another category of shareholder (for example, a company), the discount capital gain method is not available. A capital gain on the Warrnambool Cheese & Butter Shares, being any excess of the value of the capital proceeds over the unindexed cost base of the shares, will be assessable in full.

5.3 Roll-over relief for scrip portion – new Bega Cheese Shares

(a) Capital Gain partially disregarded

Scrip-for-scrip roll-over relief enables a shareholder to choose to disregard a capital gain that the shareholder would have made from exchanging shares in one company for shares in another company (for example, as part of a takeover or merger), but only to the extent that the shareholder receives replacement shares (and not to the extent that they receive cash for the disposal of the shares).

Whether scrip-for-scrip roll-over relief is available in a particular case will depend on whether the relevant arrangement satisfies certain requirements and also whether the particular shareholder satisfies certain requirements. In particular, roll-over relief will only be available if Bega Cheese and members of Bega Cheese's wholly-owned group obtain a holding of at least 80% of the voting shares in Warrnambool Cheese & Butter as a result of the Offer.

A Warrnambool Cheese & Butter Shareholder may, to the extent that Bega Cheese Shares are received in consideration for the disposal of its Warrnambool Cheese & Butter Shares to Bega Cheese, be entitled to scrip-for-scrip roll-over relief if the following conditions are satisfied:

5. AUSTRALIAN TAXATION CONSIDERATIONS (CONTINUED)

- (i) the Warrnambool Cheese & Butter Shares are exchanged for replacement shares in Bega Cheese under the terms of the Offer and that exchange is considered to be in consequence of a “single arrangement”;
- (ii) the Warrnambool Cheese & Butter Shareholder would otherwise make a capital gain on the disposal of its Warrnambool Cheese & Butter Shares to Bega Cheese;
- (iii) all of the owners of voting shares in Warrnambool Cheese & Butter can participate in the Offer and participation in the Offer is on substantially the same terms for all of the owners of interests of a particular type in Warrnambool Cheese & Butter;
- (iv) Bega Cheese and members of Bega Cheese’s wholly-owned group obtain a holding of at least 80% of the voting shares in Warrnambool Cheese & Butter as a result of the Offer; and
- (v) the Warrnambool Cheese & Butter Shareholder chooses to obtain the roll-over.

Bega Cheese will seek a class ruling from the ATO to confirm whether scrip-for-scrip roll-over relief is available to Australian resident Warrnambool Cheese & Butter Shareholders who dispose of their Warrnambool Cheese & Butter Shares to Bega Cheese under the Offer. Bega Cheese expects that the ATO’s ruling will confirm that, if certain requirements as noted above are satisfied, Australian resident Warrnambool Cheese & Butter Shareholders should be able to choose to disregard any capital gain that arises as a result of their disposing of their Warrnambool Cheese & Butter Shares to Bega Cheese under the Offer to the extent that the capital gain is attributable to Warrnambool Cheese & Butter Shares for which they receive new Bega Cheese Shares. Any capital gain that is attributable to cash received should be taxable.

A Warrnambool Cheese & Butter Shareholder does not need to document its choice to claim the scrip-for-scrip roll-over relief for Australian tax purposes, other than to complete its income tax return in a manner that is consistent with that choice.

(b) New Bega Cheese Shares received

The cost base of the new Bega Cheese Shares received by Warrnambool Cheese & Butter Shareholders as consideration for the transfer of Warrnambool Cheese & Butter Shares to Bega Cheese is worked out by attributing, on a reasonable basis, the cost base of the original Warrnambool Cheese & Butter Shares that were exchanged for new Bega Cheese Shares under the Offer.

The cost base of the new Bega Cheese Shares is determined under the following formula:

$$= \text{Cost base of Warrnambool Cheese \& Butter Shares at time of event} \quad \times \quad \frac{\text{Market value of new Bega Cheese Shares received}}{\text{Market value of new Bega Cheese Shares plus cash consideration}}$$

(c) Capital gain from cash consideration

Where a Warrnambool Cheese & Butter Shareholder chooses scrip-for-scrip roll-over, any capital gain that would arise to the Warrnambool Cheese & Butter Shareholder that is attributable to the receipt of cash consideration cannot be disregarded.

The capital gain or loss from the cash component of the consideration received arising from the disposal of Warrnambool Cheese & Butter Shares to Bega Cheese is determined by attributing to the cash consideration a reasonably attributable portion of the cost base of the original Warrnambool Cheese & Butter Shares for which the cash consideration is received.

The portion of the cost base of the Warrnambool Cheese & Butter Shares that is reasonably attributable to the cash component can be calculated as follows:

$$= \text{Cost base of Warrnambool Cheese \& Butter Shares at time of event} \quad \times \quad \frac{\text{Cash consideration}}{\text{Market value of new Bega Cheese Shares plus cash consideration}}$$

5.4 No scrip-for-scrip roll-over relief

Where a capital gain is not disregarded (that is, a Warrnambool Cheese & Butter Shareholder does not qualify for scrip-for-scrip roll-over relief or chooses not to apply the scrip-for-scrip roll-over relief to a capital gain, or when a capital gain is made on any cash consideration received), the following treatment applies:

(a) Capital gain

If a Warrnambool Cheese & Butter Shareholder is an individual, trust or complying superannuation fund, and the Warrnambool Cheese & Butter Shares have been held for at least one year, the discount capital gain provisions apply. As a result:

- A. If the Warrnambool Cheese & Butter Shareholder is an individual or trust, any capital gain made in relation to the Offer is reduced by 50%; or
- B. If the Warrnambool Cheese & Butter Shareholder is a trustee of a complying superannuation fund, any capital gain made in relation to the Offer is reduced by 33 1/3%.

The discount capital gain provisions do not apply to shareholders and trust beneficiaries that are companies.

If a Warrnambool Cheese & Butter Shareholder makes a discount capital gain, any of its available capital losses must be applied to reduce the gross capital gain (that is, the capital gain before the discount) before either the 50% or 33 1/3% discount (as applicable) is applied.

(b) Capital loss

If a shareholder makes a capital loss, this may be offset against any capital gain made in the same or subsequent years but cannot be offset against ordinary income nor carried back to be offset against capital gains arising in earlier income years.

(c) New Bega Cheese Shares received

The cost base of the new Bega Cheese Shares received by the Warrnambool Cheese & Butter Shareholder should include the market value of the part of the Warrnambool Cheese & Butter Shares for which it receives new Bega Cheese Shares (and not cash) under the Offer. The part of the market value of the Warrnambool Cheese & Butter Shares exchanged that is reasonably attributable to the new Bega Cheese Shares can be calculated as follows:

$$= \text{Market value of Warrnambool Cheese \& Butter Shares transferred} \times \frac{\text{Market value of new Bega Cheese Shares}}{\text{Market value of new Bega Cheese Shares plus cash consideration}}$$

5.5 GST

The disposal of the Warrnambool Cheese & Butter Shares to Bega Cheese will not be a taxable supply for GST purposes. Any Warrnambool Cheese & Butter Shareholders who are registered or required to be registered for GST may need to consider the availability of input tax credits on any costs they incur (such as legal and adviser costs) in respect of advice sought relating to the disposal.

5.6 Stamp duty

Warrnambool Cheese & Butter Shareholders who accept the Offer will not be required to pay stamp duty (if any) on the disposal of their Warrnambool Cheese & Butter Shares under the Offer or the acquisition of Bega Cheese Shares under the Offer or on a subsequent disposal of Bega Cheese Shares.

6. RISK FACTORS

6.1 Overview

Warrnambool Cheese & Butter Shareholders are currently exposed to various risks arising from their shareholding in Warrnambool Cheese & Butter. If the Offer becomes unconditional, Warrnambool Cheese & Butter Shareholders who accept the Offer (other than Ineligible Foreign Shareholders) will become Bega Cheese Shareholders. The value of Bega Cheese Shares will depend on a number of factors including the future financial performance of Bega Cheese as well as more general risks associated with an investment in a listed company.

This Section outlines risks that may affect the future operating and financial performance of the current business of the Bega Cheese Group. **Many of these risks are common to dairy manufacturing businesses and are therefore also applicable to the current Warrnambool Cheese & Butter business.**

This Section 6 also addresses other risks relevant to the value of Bega Cheese Shares as well as risks relating to the Offer and the achievement of operational synergies within the Combined Group.

In deciding whether or not to accept the Offer, you should carefully consider these risks as well as the other information contained in this Bidder's Statement, information in Warrnambool Cheese & Butter's Target Statement and other publicly available information. It should be noted that the risks outlined in this Section 6 have been identified on a general basis and do not take account of individual circumstances, financial situations or investment objectives. The Bega Cheese Group has implemented systems and controls to mitigate and manage many of the risks relating to its business. However, there is no certainty that these systems and controls will completely protect the Bega Cheese Group from these risks. There are also a number of risks that are outside of the Bega Cheese Group's control.

Additional risks not currently known to Bega Cheese may also arise and materially affect Bega Cheese and the Combined Group. In particular, Bega Cheese is not in a position to identify all of the risks that may affect Warrnambool Cheese & Butter and, consequently, the Combined Group. Accordingly, the information set out in this Section does not purport to be a complete list of all of the risks affecting Bega Cheese or the Combined Group.

6.2 Risk factors relevant to Bega Cheese Group Business

The following risks currently affect the business of the Bega Cheese Group and many of these risks are common to dairy manufacturing businesses and are therefore also applicable to the current Warrnambool Cheese & Butter business and will continue to apply to the Combined Group.

(a) Milk supply and pricing

The Bega Cheese Group relies on ongoing milk supply from its Farmer Suppliers. In turn, the Farmer Suppliers need suitable climatic conditions in order to produce pastures and source grain and hay/fibre to feed their dairy herds. Farmer Suppliers are not under long term supply contracts, and milk prices are usually set and communicated to Farmer Suppliers on an annual basis.

Farmer Suppliers are free to supply alternative buyers if they so wish. The price paid to Farmer Suppliers for their milk is a key factor in being able to attract and retain supply. Milk prices paid are a function of the returns that the Bega Cheese Group can achieve for its dairy products. If the Bega Cheese Group cannot achieve a return that enables it to be competitive there is the potential to lose some supply of milk from its Farmer Suppliers.

(b) International dairy commodity prices and foreign exchange risk

Dairy commodity prices fluctuate in accordance with global supply and demand. The market prices of core products of the Bega Cheese Group such as cheddar cheese, cream cheese, milk powders and butter are all affected by the global commodities market. To some extent, even those products not exported but traded within the domestic market are similarly affected. There is a risk that a decline in commodity prices may reduce the prices at which the Bega Cheese Group is able to sell its products, thereby adversely impacting Bega Cheese Group earnings unless input prices for raw materials, including milk, can be adjusted to reflect this change.

Where dairy commodities are sold into export markets the predominant currency is the US dollar. Fluctuations in the Australian dollar as compared to foreign currencies have the potential to impact the revenue and returns of the Bega Cheese Group.

(c) Reliance on major customers and exports

The Bega Cheese Group has a number of significant customer relationships. While these major customer relationships represent a strength, the loss of a major customer or a significant reduction in terms or volume, could result in significant, adverse financial consequences, as it is likely to take some time to replace a major customer.

Approximately 30% of the Bega Cheese Group's sales are exports, into various markets. Any imposition of trade barriers or regulations in these markets that restrict world trade may impact the Bega Cheese Group's business.

(d) Commercial and operational risk

The Bega Cheese Group is subject to general commercial and operational risks including changes to market competition and events that interrupt production. Such events could adversely affect Bega Cheese Group's financial performance. Like many businesses, the Bega Cheese Group depends on the ongoing and efficient operation of its business systems, good employee relations, infrastructure and supply chain. The Bega Cheese Group faces inherent risks including failure of machinery, energy supplies, computer equipment, industrial action and natural disasters. The Bega Cheese Group maintains appropriate insurance policies in respect of most insurable risks in accordance with normal commercial practice.

(e) Product risk

As with all dairy food processors, the Bega Cheese Group is exposed to the risk of product contamination and product recalls. The Bega Cheese Group manages this risk by:

- testing and monitoring milk intake and other products on a sample basis continually during and on completion of the production process;
- quality review procedures during manufacturing;
- external audit of operations systems by NSW Food Authority, Dairy Food Safety Victoria, Australian Quarantine and Inspection Service and some customers;
- Bega Cheese auditing of external product suppliers for quality and traceability; and
- maintaining insurance cover against any third party claim where appropriate and cost effective to do so.

(f) Key personnel

The Bega Cheese Group's success depends to a significant extent on its key personnel, in particular the senior management team. These individuals have extensive experience in and knowledge of the Australian dairy industry and the Bega Cheese Group's business. Changes that adversely affect the Bega Cheese Group's ability to retain key personnel or an inability to recruit or retain suitable replacement or additional personnel could materially impact Bega Cheese Group's business, operational performance and financial results.

(g) Environmental risk

The Bega Cheese Group generates air, noise, odour and waste emissions in the course of its activities. These emissions are regulated by statute, licences and agreements that the Bega Cheese Group has to comply with. The Bega Cheese Group is also a major energy user and is subject to legislation that requires it to review and seek to reduce its intensity of energy usage.

While the Bega Cheese Group has implemented initiatives and strategies to address waste management and emission issues, it may be required to take further action. Further expense will be incurred in the future to meet commitments to minimise the adverse impact on the environment or comply with future requirements from environmental authorities and to changes to environmental regulations. There is a risk that production events could breach environmental/discharge licences.

6. RISK FACTORS (CONTINUED)

(h) Interest paying debt

The Bega Cheese Group's ability to service its existing and new debt, and refinance debt, will depend on the future financial performance of the Bega Cheese Group as well as factors outside of Bega Cheese's control, such as interest rates and general economic conditions. While Bega Cheese has no reason to expect that it will not be able to renew its facilities as and when this is required, there is a risk of non-renewal or that the terms and conditions of renewal may be less favourable than they are currently.

(i) Credit risk

The Bega Cheese Group conducts business with its domestic and international customers on normal commercial terms. These terms include trade credit for varying periods from payment up front to settlement up to 90 days after dispatch of goods.

The Bega Cheese Group has policies and procedures in place to manage credit risk, including risk assessments and/or credit checks on its customers. For some trade receivables, the Bega Cheese Group may also obtain security in the form of letters of credit. In addition, the Bega Cheese Group obtains insurance over export debtors and Australian customers where appropriate and cost effective to do so.

(j) Regulatory risk

The Bega Cheese Group is required to comply with a range of laws and regulations, including laws and regulations specific to the dairy industry, competition, environmental, occupational health and safety, customs and tariff and taxation laws. Future changes to laws and regulations or accounting standards which apply to the Bega Cheese Group could materially adversely affect the Bega Cheese Group's future financial performance.

(k) General economic conditions

The operating and financial performance of the Bega Cheese Group is influenced by a variety of general domestic and world economic and business conditions, inflation, interest rates, exchange rates, access to debt and equity capital markets, and government fiscal, monetary and regulatory policies. A prolonged deterioration in any number of the above factors may have a material adverse effect on the financial performance, financial position, cash flows, distributions and growth prospects of the Bega Cheese Group and the market price of Bega Cheese Shares.

6.3 Other risks relating to the value of Bega Cheese Shares

In addition to the business risks outlined Section 6.2, the following additional risks relate to the ownership and value of Bega Cheese Shares.

(a) Background as a co-operative business

Bega Cheese has a long history as a successful supplier co-operative business. Although Bega Cheese became an ASX Listed company on 16 August 2011, the Bega Cheese Constitution includes a number of features reflecting Bega Cheese's co-operative background, namely the requirement that the Bega Cheese Board will comprise at least four Supplier Directors (out of a maximum of eight) and maximum limits on individual shareholdings. There are currently six Supplier Directors on the Bega Cheese Board, including the Executive Chairman.

The Supplier Directors have not been classified as independent within the terms of the ASX Corporate Governance Principles and Recommendations. Accordingly, Bega Cheese does not comply with ASX Corporate Governance Recommendation 2.1, which provides that a majority of directors should be independent directors, or ASX Corporate Governance Recommendation 2.2, which provides that the chairperson of the board of directors should be an independent director.

The Bega Cheese Constitution sets a maximum Shareholding Limit. As at the date of this Bidder's Statement, the Shareholding Limit is 10% until 16 August 2016. If the Bega Cheese Shareholders approve the continuation of the Shareholding Limit, it will be 15% from 17 August 2016 until 16 August 2021, at which time it will cease to apply. These maximum percentages will potentially change if Bega Cheese Shareholders pass the special resolution to adopt the

Shareholding Limit Constitutional Amendments at the 2013 annual general meeting of Bega Cheese. If this special resolution is passed, then the Bega Cheese Constitution will be amended such that the Shareholding Limit will be automatically increased to accommodate any person who would, together with their Associates, hold more than the then current Shareholding Limit as a result of an issue to that person of shares by Bega Cheese under the Offer or any other off-market takeover bid undertaken by Bega Cheese, a compulsory acquisition or buy-out following an off-market takeover bid or a Court approved scheme of arrangement, that may be undertaken in the future (**Exempt Transactions**). Please refer to Section 1.16 for a summary of the current Shareholding Limit provisions and the modified Shareholding Limit provisions if the Shareholding Limit Constitutional Amendments are adopted.

The purpose of the Shareholding Limit is to provide shareholding stability for Bega Cheese for a minimum period following its Listing on ASX and ensure that a controlling interest can only be acquired with the approval of a special resolution (75% vote) of Bega Cheese Shareholders prior to the Shareholding Limit ceasing to apply, or pursuant to an Exempt Transaction. However, the existence of the Shareholding Limit is unusual for a Listed company and may adversely affect the value ascribed to Bega Cheese Shares. If a person acquires Bega Cheese Shares in excess of the Shareholding Limit, the right to vote and receive dividends in respect of the excess shares will be suspended and the Board may require the excess shares to be sold.

(b) Issue of Bega Cheese Shares as consideration

Warrnambool Cheese & Butter Shareholders are being offered consideration under the Offer that consists of a specified number of Bega Cheese Shares, rather than a number of Bega Cheese Shares with a specified market value. As a result, the market price of the Bega Cheese Shares component of the Offer Consideration will fluctuate.

There is an ongoing risk, which exists generally for listed shares and other securities, that the price of Bega Cheese Shares issued to you (and therefore the value of the non-cash component of the Offer Consideration received by accepting Warrnambool Cheese & Butter Shareholders) may fall in the future.

(c) No guarantee of dividends

There is no guarantee that dividends will be paid on Bega Cheese Shares in the future as this is a matter that depends on the financial performance of Bega Cheese Group.

(d) Stock market risks

The price at which Bega Cheese shares may trade on ASX may vary depending on the financial performance of Bega Cheese and various external factors. The market price of Bega Cheese Shares will be affected by often unpredictable factors influencing the stock markets generally. These factors include movements in international share markets, interest rates, domestic and international economic conditions, domestic and international political stability, investor sentiment, and the demand for equities generally.

6.4 Risks relating to the Offer

The following risks relate to or may arise from the Offer.

(a) Uncertainty regarding the level of integration that may be achievable

The extent to which synergy benefits and cost savings are realisable depends upon a range of factors including the level of acceptances received under the Offer. Bega Cheese has not included a minimum acceptance condition in the Offer and therefore it is possible that it will not achieve a level of shareholding in Warrnambool Cheese & Butter that will enable Bega Cheese to exert the necessary influence or control over Warrnambool Cheese & Butter to implement operational synergies. Further, if Bega Cheese is not able to acquire 100% of Warrnambool Cheese & Butter, its ability to implement operational synergies will be subject to legal considerations, including the provisions of competition laws, the Corporations Act, and ASX Listing Rules applicable to related party transactions and the fiduciary and statutory duties of the Warrnambool Cheese & Butter directors.

6. RISK FACTORS (CONTINUED)

There is also a risk that the synergies expected to arise from the combination of Bega Cheese and Warrnambool Cheese & Butter may fail to materialise or take longer than expected to materialise. Bega Cheese may also incur greater than anticipated implementation costs during the integration of the businesses of Bega Cheese and Warrnambool Cheese & Butter. This may affect the future earnings performance of the Bega Cheese Group and therefore the value of Bega Cheese Shares.

(b) ACCC risk

The Offer is subject to a condition that the ACCC has consented, or has stated that it will not object, to Bega Cheese's acquisition of Warrnambool Cheese & Butter under section 50 of the Competition and Consumer Act 2010 (Cth). Bega Cheese has sought the non-binding, preliminary view of ACCC. While ACCC's preliminary view is that the proposed acquisition of Warrnambool Cheese & Butter does not appear to raise competition concerns, the ACCC intends to conduct an informal review of the proposed acquisition. Bega Cheese will provide information to ACCC to assist ACCC to undertake that review.

(c) Funding for the cash component of the Offer Consideration

The cash component of the Offer Consideration will be funded Bega Cheese drawing under the Phase 1 Facility and Phase 2 Facility pursuant to the Facility Agreement with its primary existing bankers, Westpac and Rabobank, as described in Section 7.1.

The obligation on Westpac and Rabobank to advance funds under the Phase 1 Facility and Phase 2 Facility is, however, subject to certain conditions precedent being met, including those which are set out in Section 7.1(c). These conditions are in addition to, and broader than, the Offer Conditions. If the conditions precedent to the availability and drawdown of funds under the Phase 1 Facility and Phase 2 Facility are not met, there is a risk that Bega Cheese will not be able to fund the cash component of the Offer Consideration.

However, subject to the satisfaction (or waiver, with the consent of Westpac and Rabobank) of the Offer Conditions, Bega Cheese is not aware of any reason why the conditions precedent to availability and drawdown of funds under the Phase 1 Facility and Phase 2 Facility will not be satisfied in time to allow Bega Cheese to draw down the funds required to pay the cash component of the Offer Consideration as and when required by the terms of the Offer and applicable law.

(d) Bega Cheese shareholder approval risk

The Offer is subject to a condition that the Bega Cheese Constitution be modified by the adoption of the Shareholding Limit Constitutional Amendments by special resolution of the Bega Cheese Shareholders. This special resolution is to be considered at the 2013 annual general meeting of Bega Cheese. Each Bega Cheese Director who is entitled to vote on the special resolution to adopt the Shareholding Limit Constitutional Amendments has undertaken to vote in favour of those amendments. As at the date of this Bidder's Statement, Bega Cheese Directors hold or control in aggregate 7.6% of the total Bega Cheese Shares on issue. Notwithstanding this, there is a risk that the special resolution to adopt Shareholding Limit Constitutional Amendments may not be approved by the requisite majority of Bega Cheese Shareholders, in which case, the Offer may not be completed.

(e) Increase in borrowings

Upon a Successful Merger, it is estimated that the Combined Group will have net debt of approximately \$258 million. This represents an adjusted net debt to EBITDA ratio of 2.7 times for the Combined Group based on the Pro Forma Balance Sheet detailed in Section 4.8, compared with 1.3 times for Bega Cheese on a standalone basis. While Warrnambool Cheese & Butter has announced that it anticipates improved financial performance in FY14, the higher leverage of the Combined Group may potentially:

- restrict the ability of the Combined Group to borrow in the future; and
- increase the sensitivity of the Combined Group's earnings to movements in interest rates.

(f) Triggering change of control provisions

Warrnambool Cheese & Butter may be a party to contracts containing provisions that are activated by a change of control of Warrnambool Cheese & Butter. If that is the case and the level of acceptances of the Offer results in a change of control of Warrnambool Cheese & Butter, those provisions may be activated in a way that results in adverse consequences for Warrnambool Cheese & Butter and the Combined Group. While Bega Cheese has no knowledge of any such contractual provisions, based on industry practice, it is possible that the contracts relating to Warrnambool Cheese & Butter's bank borrowing facilities may include provisions that enable the bank to require the borrowings to be repaid or renegotiated if there is a change of control. The Offer Condition referred to in Section 9.2.6 may also be breached in these types of circumstances.

(g) Minority shareholding in Warrnambool Cheese & Butter

If you do not accept the Offer and the Offer becomes unconditional without Bega Cheese holding at least 90% of Warrnambool Cheese & Butter Shares, Bega Cheese will not be entitled to compulsorily acquire the remaining Warrnambool Cheese & Butter Shares and as such, you will be part of a diminished, minority shareholding in Warrnambool Cheese & Butter. In such case, the liquidity of Your Warrnambool Cheese & Butter Shares may be materially reduced.

7. SOURCES OF CONSIDERATION

7.1 Cash consideration

The cash consideration payable under the Offer will be satisfied by payment in Australian dollars.

Based on the number of Warrnambool Cheese & Butter Shares on issue as at the date of this Bidder's Statement, and:

- assuming that there are 68,627 Warrnambool Cheese & Butter Performance Rights on issue as at the date of this Bidder's Statement and all of them vest and are exercised into Warrnambool Cheese & Butter Shares prior to the end of the Offer Period;
- assuming no Warrnambool Cheese & Butter Shares are issued pursuant to the Warrnambool Cheese & Butter Dividend Reinvestment Plan or Warrnambool Cheese & Butter Share Plans prior to the end of the Offer Period; and
- based on the fact that Bega Cheese already has a Relevant Interest in 18% of Warrnambool Cheese & Butter Shares as at the date of this Bidder's Statement,

then the maximum amount of cash consideration that would be payable by Bega Cheese under the Offer if acceptances are received for all Warrnambool Cheese & Butter Shares in which Bega Cheese does not already have a Relevant Interest, is approximately \$90.6 million, not including transaction costs.

Bega Cheese will fund the cash consideration payable under the Offer by drawing under the Facility Agreement.

(a) Facility Agreement

Bega Cheese will fund the cash consideration payable under the Offer by drawing under a syndicated facilities agreement (**Facility Agreement**) provided by its primary existing bankers, namely Westpac Banking Corporation (**Westpac**) and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Australia Branch) (**Rabobank**) (Westpac and Rabobank being referred to collectively as the **Banks**).

As at 31 March 2013, the Westpac Group employed approximately 36,000 people (full time equivalent basis) in Australia, New Zealand and around the world, and had global assets of A\$677.5 billion³⁵.

The Netherlands-based Rabobank is among the world's 30 largest financial institutions (based on Tier 1 Capital)³⁶.

Prior to Bega Cheese making the Offer, Bega Cheese and the Banks executed a deed the effect of which is to provide for the amendment of the Facility Agreement so that it provides for:

- up to an additional \$100 million in financial accommodation for Bega Cheese to fund the acquisition of Warrnambool Cheese & Butter Shares pursuant to the Offer and any associated transaction costs; and
- a standby facility (as described below) of up to \$80 million to refinance existing Warrnambool Cheese & Butter debt, if required.

The additional \$100 million of financial accommodation for the Offer Consideration is to be made available in two sub-facilities:

- an initial facility agreement including a Facility of \$50 million which is available to fund the acquisition of Warrnambool Cheese & Butter Shares (including transaction costs) until Bega Cheese holds 50% of the total Warrnambool Cheese & Butter Shares on issue (**Phase 1 Facility**); and
- a subsequent facility (**Phase 2 Facility**) which includes:
 - o a facility of \$50 million which is available to fund the acquisition of Warrnambool Cheese & Butter Shares (including transaction costs) once Bega Cheese has acquired more than 50% of the total Warrnambool Cheese & Butter Shares on issue; and

³⁵ Westpac website: <http://www.westpac.com.au/about-westpac/westpac-group/company-overview/about-us/>

³⁶ Rabobank website: <http://www.rabobank.com.au/About-Rabobank/Our-story/Pages/Our-story.aspx>

- o a facility of up to \$80 million (**Standby Facility**) if, in certain circumstances, Warrnambool Cheese & Butter's existing primary bank debt is required to be refinanced (**Existing Warrnambool Cheese & Butter Facility**) .

Each of Westpac and Rabobank will fund 50% of the Phase 1 Facility, subject to the Banks' rights to syndicate further their obligations under the Facility Agreement.

Each of Westpac and Rabobank will fund 50% of the Phase 2 Facility insofar as it relates to funding the Offer Consideration, subject to the Banks' rights to syndicate further their obligations under the Facility Agreement.

Westpac has committed to underwrite 100% of the funding in respect of the Standby Facility, subject to rights to allow sub-underwriters to take up parts of such commitment.

(b) Availability

Phase 1 Facility

The Phase 1 Facility will be available for drawdown from the date the conditions precedent to the availability of the Phase 1 Facility (as outlined below) are satisfied (**Phase 1 Effective Date**) until the earliest to occur of:

- (a) 31 March 2014;
- (b) the date on which the Phase 1 Facility limit is cancelled in full or permanently reduced in accordance with the Facility Agreement (for example, by Bega Cheese);
- (c) the date on which the Phase 1 Facility matures, is cancelled in full (for example, by Bega Cheese or as a result of an event of default) or on which all monies owing under the Facility Agreement become due and payable; and
- (d) the first date upon which Bega Cheese holds an interest in at least 50% of the Warrnambool Cheese & Butter Shares on issue,

(Phase 1 Facility Availability Period).

Following the Phase 2 Effective Date (as defined below), the Phase 1 Facility will continue to be available for drawing up to its \$50 million limit to fund the Offer Consideration and transaction costs associated with the Offer, notwithstanding paragraph (d) above.

Phase 2 Facility

The Phase 2 Facility will be available for drawdown from the date of the conditions precedent to the availability of the Phase 2 Facility (as outlined below) are satisfied (**Phase 2 Effective Date**) until the earliest to occur of:

- (a) 31 March 2014;
- (b) the date on which the Phase 2 Facility limit is cancelled in full or permanently reduced in accordance with the Facility Agreement (for example, by Bega Cheese); and
- (c) the date on which the Phase 2 Facility matures, is cancelled in full (for example, by Bega Cheese or as a result of an event of default) or on which all monies owing under the Facility Agreement become due and payable,

(Phase 2 Facility Availability Period).

(c) Conditions precedent and certain funds

The material conditions precedent to the availability of funds under the Phase 1 Facility include that:

- (a) certificates are given by Bega Cheese and Tatura Milk Industries that all necessary corporate approvals have been obtained and remain in effect, and certifying the solvency of Bega Cheese and Tatura Milk Industries;
- (b) the Offer has been made in accordance with this Bidder's Statement and in accordance with all laws and regulations;

7. SOURCES OF CONSIDERATION (CONTINUED)

- (c) Bega Cheese provides evidence that this Bidder's Statement was lodged with ASX on or about the date this Bidder's Statement was sent to the holders of Warrnambool Cheese & Butter Shares; and
- (d) each Offer Condition has been satisfied or waived with the Banks' consent, including that there has been no Warrnambool Cheese & Butter Material Adverse Change such as to cause the Offer Condition described in Section 9.2.5 of this Bidder's Statement to permit the withdrawal or suspension of the Offer.

The material conditions precedent to the availability of funds under the Phase 2 Facility include that:

- (a) the Phase 1 Effective Date has occurred;
- (b) certificates are given by Bega Cheese and Tatura Milk Industries that all necessary corporate approvals have been obtained and remain in effect, and certifying the solvency of Bega Cheese and Tatura Milk Industries;
- (c) Bega Cheese provides security over its Warrnambool Cheese & Butter Shares to the Banks;
- (d) there has been no Warrnambool Cheese & Butter Material Adverse Change such as to cause the Offer Condition described in Section 9.2.5 of this Bidder's Statement to permit the withdrawal or suspension of the Offer; and
- (e) either:
 - (i) Bega Cheese has acquired a relevant interest in at least 50% of the Warrnambool Cheese & Butter Shares on issue; or
 - (ii) the Existing Warrnambool Cheese & Butter Facility has either been:
 - (A) voluntarily cancelled by Warrnambool Cheese & Butter; or
 - (B) cancelled or declared due and payable ahead of its stated maturity by reason of a prepayment event or a default arising under the Existing Warrnambool Cheese & Butter Facility solely as a consequence of Bega Cheese acquiring control of Warrnambool Cheese & Butter.

In addition, each drawdown under the Phase 1 Facility and Phase 2 Facility is subject to certain conditions precedent customary for a facility of this nature, including that there are no subsisting breaches of representations and warranties contained in, or defaults under, the Facility Agreement.

During the Phase 1 Facility Availability Period, and during the Phase 2 Facility Availability Period, in each case relating to drawdowns to fund cash consideration under the Offer, there are more limited circumstances in which the Banks may rely on breaches of representations and warranties, or defaults, as grounds for refusing to make advances in response to drawdown requests.

Subject to satisfaction (or waiver, with the Banks' consent) of the Offer Conditions, Bega Cheese is not aware of any reason why the conditions precedent to availability and drawdown of funds under the Phase 1 Facility and Phase 2 Facility will not be satisfied in time to allow the proceeds to be able to be drawn down to fund the cash consideration of the Offer as and when required by the Offer and applicable law, and the refinance of the Existing Warrnambool Cheese & Butter Facility (should that be required).

(d) Undertakings and covenants

In the Facility Agreement, Bega Cheese and Tatura Milk Industries give a number of standard undertakings, including restrictions regarding the creation of security interests over their assets, use of proceeds provided under the Facility Agreement, disposals of assets (other than certain permitted disposals), the incurring of financial indebtedness (other than certain permitted indebtedness) and meeting certain financial covenants. Such undertakings and covenants are generally already binding on Bega Cheese and Tatura Milk Industries, as they were contained within the Facility Agreement prior to its amendment for the inclusion of the Phase 1 Facility and Phase 2 Facility.

If Bega Cheese obtains ownership of 100% of the Warrnambool Cheese & Butter Shares, then Bega Cheese will be obliged to procure Warrnambool Cheese & Butter's compliance with these undertakings and covenants.

In addition, there are some undertakings specific to Bega Cheese's making of the Offer, including that Bega Cheese may not, without the consent of the Banks:

- (a) waive any Offer Condition;
- (b) amend this Bidder's Statement or the Offer in a manner other than to:
 - (i) increase the non-cash consideration payable under the Offer; or
 - (ii) extend the Offer Period until a date which is no later than 21 days before the end of the Phase 1 Availability Period; or
- (c) from the Second Effective Date, to the extent it is able to do so, permit Warrnambool Cheese & Butter to incur new debt outside the course of ordinary trading or grant security interests (other than certain permitted security interests).

(e) Representations and warranties

In the Facility Agreement, Bega Cheese and Tatura Milk Industries give a number of representations and warranties which Bega Cheese considers are customary for facilities of this nature, including as to corporate status, compliance with law, ownership of their assets, the nature and extent of their debt and the accuracy of information provided by them to the Banks. Such representations and warranties are already binding on Bega Cheese and Tatura Milk Industries, as they were contained within the Facility Agreement prior to its amendment for the inclusion of the Phase 1 Facility and Phase 2 Facility.

If Bega Cheese obtains ownership of 100% of the Warrnambool Cheese & Butter Shares, then Bega Cheese will be obliged to give, and procure Warrnambool Cheese & Butter to give, the same representations and warranties concerning Warrnambool Cheese & Butter.

(f) Events of default and review events

The Facility Agreement contains various triggers of the Banks' rights under "event of default" provisions which Bega Cheese considers customary for facilities of this nature. Such events include failure to pay amounts due under the Facility Agreement, other breaches of the Facility Agreement (including the representations and warranties contained in it), insolvency events, defaults under other debt arrangements (subject to certain thresholds) and cessation of business. Such events of default are already binding on Bega Cheese and Tatura Milk Industries, as they were contained within the Facility Agreement prior to its amendment for the inclusion of the Phase 1 Facility and Phase 2 Facility.

In addition, there are certain "review events" which, if triggered, require a period of good faith negotiation between Bega Cheese and the Banks and which, if not resolved, may lead to the Banks' cancelling the Facility Agreement. These include:

- (a) following the Phase 2 Effective Date:
 - (i) a change in control of Warrnambool Cheese & Butter (except under the Offer);
 - (ii) an insolvency event in respect of Warrnambool Cheese & Butter;
 - (iii) Warrnambool Cheese & Butter's debt being accelerated but not refinanced in a manner satisfactory to the Banks; and
 - (iv) a dilution or reduction of 15% or more in the market capitalisation of Warrnambool Cheese & Butter during any 14 day period.

7. SOURCES OF CONSIDERATION (CONTINUED)

(g) Guarantee and security

Each of Bega Cheese and Tatura Milk Industries has provided the Banks with first ranking security over its assets to secure their obligations under the Facility Agreement. Tatura Milk Industries has guaranteed the obligations of Bega Cheese under the Facility Agreement.

If Bega Cheese obtains ownership of 100% of the Warrnambool Cheese & Butter Shares, then in due course Bega Cheese will be obliged to procure that Warrnambool Cheese & Butter also becomes a guarantor under the Facility Agreement and provides first ranking security over its assets (following the obtaining of any necessary financial assistance approvals).

7.2 Bega Cheese Shares consideration

The maximum number of Bega Cheese Shares which would be required to be issued under the Offer if acceptances are received in respect of all the Warrnambool Cheese & Butter Shares (assuming the matters referred to in Section 7.1 above) is approximately 54.4 million Bega Cheese Shares.

Subject to the Bega Cheese Shareholders adopting the Shareholding Limit Constitutional Amendments and the fulfilment or waiver of the other Offer Conditions, there is no restriction on the ability of Bega Cheese to issue the maximum number of Bega Cheese Shares it may be required to issue or provide under the Offer.

If the Shareholding Limit Constitutional Amendments are not adopted by Bega Cheese Shareholders by the end of the Offer Period (unless this Offer Condition is waived by Bega Cheese), the Offer will lapse, Your Warrnambool Cheese & Butter Shares will not be acquired by Bega Cheese and you will not be paid or issued the Offer Consideration.

Please refer to Section 1.16 for a summary of the current Shareholding Limit provisions and the modified provisions if the Shareholding Limit Constitutional Amendments are adopted by Bega Cheese Shareholders.

7.3 Provision of consideration

On the basis of the arrangements described in this Section, Bega Cheese is of the opinion that it has reasonable basis for holding the view, and holds the view, that Bega Cheese will be able to provide the consideration offered under the Offer.

8. OTHER MATERIAL INFORMATION

8.1 Warrnambool Cheese & Butter Performance Rights

At Warrnambool Cheese & Butter's 2012 annual general meeting, Warrnambool Cheese & Butter approved the establishment of the Warrnambool Cheese & Butter Executive Performance Rights Plan, under which Warrnambool Cheese & Butter Performance Rights may be issued to eligible employees, and the issue of up to 68,627 Warrnambool Cheese & Butter Performance Rights to Mr David J Lord.

A Warrnambool Cheese & Butter Performance Right may be exercised at any time during the relevant exercise period subject to the satisfaction or waiver of any exercise conditions. If, during the exercise period applicable to the Warrnambool Cheese & Butter Performance Rights issued to Mr David J Lord, a takeover is made for Warrnambool Cheese & Butter, the Warrnambool Cheese & Butter Board may determine in its discretion to bring forward the vesting date of, and waive or vary any conditions in relation to, his Warrnambool Cheese & Butter Performance Rights.

8.2 Bega Cheese is a disclosing entity

Due to the fact that Bega Cheese is offering Bega Cheese Shares as consideration for the acquisition of Warrnambool Cheese & Butter Shares under the Offer, the Corporations Act requires that this Bidder's Statement must include all information that would be required for a prospectus for an offer of Bega Cheese Shares under sections 710 to 713 of the Corporations Act.

Bega Cheese does not need to issue a prospectus for the Offer of the Bega Cheese Shares as the Offer is occurring under a takeover bid.

Bega Cheese is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all disclosing entities, Bega Cheese is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of Bega Cheese Shares subject to certain limited exceptions.

Bega Cheese Shares have been quoted on the official list of ASX during the three months prior to the date of this Bidder's Statement. For these reasons, Bega Cheese is only required to disclose information in this Bidder's Statement that would be required under sections 711 and 713 of the Corporations Act.

In general terms, where Bega Cheese Shares are continuously quoted securities, the Bidder's Statement is only required to contain information in relation to the effect of the Offer on Bega Cheese and the rights and liabilities attaching to the Bega Cheese Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of Bega Cheese unless such information has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and it is information:

- a) that investors and their professional advisers would reasonably require for the purposes of making an informed assessment of such matters; and
- b) relating to the rights and liabilities attaching to the Bega Cheese Shares.

Having made such enquiries as are reasonable, Bega Cheese believes that there is no information which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules or this Bidder's Statement that Warrnambool Cheese & Butter Shareholders and their professional advisers would reasonably require for the purpose of making an informed assessment of:

- a) the assets and liabilities, financial position and performance, profits and losses and prospects of Bega Cheese; and
- b) the rights and liabilities attaching to the Bega Cheese Shares.

8. OTHER MATERIAL INFORMATION (CONTINUED)

Information that is already in the public domain has not been reported in this Bidder's Statement, other than that which is considered necessary to make this Bidder's Statement complete.

Bega Cheese, as a disclosing entity under the Corporations Act, states that:

- a) it is subject to regular reporting and disclosure obligations;
- b) copies of documents lodged with ASIC in relation to Bega Cheese (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- c) it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
 - i. the annual financial report most recently lodged by Bega Cheese with ASIC, being the annual report for FY13;
 - ii. any half year financial report lodged with ASIC by Bega Cheese after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Bidder's Statement with ASIC; and
 - iii. any continuous disclosure notices given by Bega Cheese after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Bidder's Statement with ASIC.

Requests for free copies of these documents may be made by contacting the Bega Cheese Information Line on 1300 880 751 (within Australia) or +61 1300 880 751 (outside Australia) between 8.30am and 5.30pm (Melbourne time), Monday to Friday.

Copies of all documents lodged with ASIC in relation to Bega Cheese can be inspected at the registered office of Bega Cheese during normal office hours.

A list of announcements made by Bega Cheese between 30 June 2012 and the date of this Bidder's Statement appears in the Annexure to this Bidder's Statement.

Copies of these announcements are available from ASX at www.asx.com.au.

8.3 Rights attaching to Bega Cheese Shares

Details regarding rights attaching to Bega Cheese Shares are provided in Section 1.16.

8.4 Interests and fees of experts, advisers and other named persons

Other than as set out below or elsewhere in this Bidder's Statement, no:

- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity, in connection with the preparation or distribution of this Bidder's Statement;
- promoter of Bega Cheese; or
- Australian Financial Service licensee involved in the Offer,

holds at the time of lodgement of the Bidder's Statement with ASIC, or has held in the two years before lodgement of the Bidder's Statement with ASIC, an interest in:

- the formation or promotion of Bega Cheese;
- property acquired or proposed to be acquired by Bega Cheese, in connection with its formation or promotion, or in connection with the offer of Bega Cheese Shares under the Offer; or
- the offer of Bega Cheese Shares under the Offer,

and no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of Bega Cheese or the Offer.

- (a) Kidder Williams has acted as corporate adviser to Bega Cheese in relation to the Offer. Bega Cheese has paid, or agreed to pay, up to approximately \$2.0 million (ex GST) for these services, as at the date of this Bidder's Statement. Further amounts may be paid to Kidder Williams in accordance with its agreed retainer.
- (b) Addisons has acted as legal adviser to Bega Cheese in relation to the Offer. Bega Cheese has paid, or agreed to pay, approximately \$350,000 (ex GST) for these services, as at the date of this Bidder's Statement. Further amounts may be paid to Addisons in accordance with its normal time based charge-out rates.
- (c) PricewaterhouseCoopers Securities Ltd has provided accounting advice and other related services to Bega Cheese in relation to the Offer. Fees billed by PricewaterhouseCoopers Securities Ltd to Bega Cheese for services relating to the Offer total \$100,000 (ex GST).
- (d) Peter Radford & Co has provided certain taxation services to Bega Cheese in relation to the disclosures in this Bidder's Statement on the Australian income tax implications arising for Australian resident investors who accept the Offer. Bega Cheese has paid, or agreed to pay, approximately \$20,000 (ex GST) for these services, as at the date of this Bidder's Statement. Further amounts may be paid to Peter Radford & Co in accordance with its normal time based charge-out rates.

8.5 Interests and benefits of Bega Cheese's directors

Other than as disclosed in this Bidder's Statement (including in Sections 1.9, 1.10 and 1.12), no Bega Cheese Director or proposed Bega Cheese Director holds, at the time of lodgement of the Bidder's Statement with ASIC, or has held in the two years before lodgement of the Bidder's Statement with ASIC, an interest in:

- the formation or promotion of Bega Cheese;
- property acquired or proposed to be acquired by Bega Cheese in connection with its formation or promotion, or in connection with the offer of Bega Cheese Shares under the Offer; or
- offer of Bega Cheese Shares under the Offer.

Other than as disclosed in this Bidder's Statement (including in Sections 1.7, 1.9, 1.10 and 1.12), no amount (whether in cash, shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any Bega Cheese Director:

- to induce a person to become, or qualify as a Bega Cheese Director; or
- for services provided by a Bega Cheese Director in connection with the formation or promotion of Bega Cheese or the offer of Bega Cheese Shares under the Offer.

8.6 Expenses of the Offer

The total costs of the Offer to be borne by Bega Cheese are estimated at approximately \$5.0 million. This includes debt establishment costs, legal, corporate advisory, accounting, tax, share registry, ASIC and other professional fees.

8.7 Broker commission

Bega Cheese may offer to pay a commission to brokers who solicit acceptances of the Offer from their clients. Any commission payments will be paid only in respect of parcels of Warrnambool Cheese & Butter Shares held by retail Warrnambool Cheese & Butter Shareholders who accept the Offer.

If such arrangements are put in place, commission payments will not exceed 0.50% of the value of the consideration payable for parcels of Warrnambool Cheese & Butter Shares held by retail Warrnambool Cheese & Butter Shareholders who accept the Offer, and will be subject to minimum payments of \$50 and maximum payments of \$750 for each acceptance.

8. OTHER MATERIAL INFORMATION (CONTINUED)

If a commission is offered, it will be payable to brokers only and subject to the condition that no part of the fee will be able to be passed on, or paid, to Warrnambool Cheese & Butter Shareholders.

If and when Bega Cheese decides to offer such a commission to any broker, it will make an announcement to the ASX.

It is Bega Cheese's intention that, if and when an offer of commission has been made to any broker by Bega Cheese, the commission arrangement will remain in place for the balance of the Offer Period and the amount of the commission offered will not be increased during the Offer Period.

8.8 Social security and superannuation implications of the Offer

Acceptance of the Offer may have implications under your superannuation or pension arrangements or on your social security entitlements. If in any doubt, Warrnambool Cheese & Butter Shareholders should seek specialist advice before accepting the Offer.

8.9 ASIC modification

(a) Specific relief

Bega Cheese has been granted a modification to the Corporations Act by ASIC, the effect of which is to enable it to include as a condition of the Offer that, before the end of the Bid Period, Bega Cheese adopts the Shareholding Limit Constitutional Amendments.

It is a condition of such modification that this Bidder's Statement says that each Bega Cheese Director who is entitled to vote on the Shareholding Limit Constitutional Amendments has undertaken to vote in favour of the amendments. See Section 8.13.

Bega Cheese has also been granted a modification to the Corporations Act by ASIC to permit the Offer, to the extent necessary, to extend to any Warrnambool Cheese & Butter Shares issued under the Warrnambool Cheese & Butter Dividend Reinvestment Plan between the Register Date and the end of the Offer Period.

(b) Class Orders

ASIC has published various 'Class Order' instruments providing for modifications and exemptions that apply generally to all persons, including Bega Cheese, in relation to the operation of Chapter 6 of the Corporations Act. Bega Cheese has relied on some of these instruments, including as specified elsewhere in this Bidder's Statement.

8.10 Ineligible Foreign Shareholders

If you are an Ineligible Foreign Shareholder and you accept the Offer, you will not receive any Bega Cheese Shares. Instead, you will receive in respect of Your Accepted Warrnambool Cheese & Butter Shares a cash amount calculated under Section 9.1.11.

8.11 Potential for waiver of Offer Conditions

The Offer is subject to a number of conditions set out in Section 9.2. Under the terms of the Offer and the Corporations Act, any or all of those Offer Conditions may be waived by Bega Cheese.

If an event occurs which results (or would result) in the non-fulfilment of an Offer Condition, Bega Cheese might not make a decision as to whether it will either rely on that occurrence, or instead waive the Offer Condition in respect of that occurrence, until the date for giving notice as to the status of the conditions of the Offer under section 630(3) of the *Corporations Act* (being [Date]) (see Section 9.1.17). If Bega Cheese decides that it will waive an Offer Condition it will announce that decision to ASX in accordance with section 650F of the Corporations Act.

If any of the Offer Conditions are not fulfilled, and Bega Cheese decides to rely on that non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant Warrnambool Cheese & Butter Shares will be returned to the holder.

8.12 No objection by ACCC

The Offer is conditional on the ACCC consenting, or stating that it does not object, to the acquisition of Warrnambool Cheese & Butter under section 50 of the *Competition and Consumer Act 2010* (Cth) (see Section 9.2.1).

Bega Cheese has sought the non-binding preliminary view of the ACCC. While the ACCC's preliminary view is that the proposed acquisition of Warrnambool Cheese & Butter does not appear to raise competition concerns, the ACCC intends to conduct an informal review of the proposed acquisition. Bega Cheese may provide information to the ACCC to assist the ACCC undertake that review.

8.13 Approval of Shareholding Limit Constitutional Amendments

The Offer is also conditional on Bega Cheese Shareholders adopting, by special resolution, the Shareholding Limit Constitutional Amendments (see Section 9.2.2). The Shareholding Limit Constitutional Amendments are required to enable Bega Cheese to issue to all Warrnambool Cheese & Butter Shareholders who accept the Offer, their full entitlement of Bega Cheese Shares under the Offer in consideration for that acceptance.

This special resolution will be considered at Bega Cheese's 2013 annual general meeting.

Each Bega Cheese Director who is entitled to vote on the special resolution to adopt the Shareholding Limit Constitutional Amendments has undertaken to vote in favour of the amendments.

8.14 Status of other Offer Conditions

At the date of this Bidder's Statement, Bega Cheese is not aware of any events which would result in a breach or inability to satisfy the other Offer Conditions.

8.14A Undertakings in relation to equal access and no break fees Offer Conditions

Bega Cheese undertakes to Warrnambool Cheese & Butter that it will not rely on the Offer Condition set out in Section 9.2.12 in the circumstances where:

- (a) Warrnambool Cheese & Butter receives a request for non-public information of Warrnambool Cheese & Butter in connection with a third party formulating, developing or finalising, or assisting in the formulation, development or finalisation of a competing proposal (**Competing Proposal**); and
- (b) the Warrnambool Cheese & Butter Board, acting in good faith, determines (after having taken written advice from its external financial and legal advisers) that:
 - (i) the Competing Proposal is or may reasonably be expected to lead to a superior proposal having regard to the steps which the Warrnambool Cheese & Butter Board proposes to take;
 - (ii) failing to provide any non-public information to a third party would be likely to constitute a breach of the Warrnambool Cheese & Butter Board's fiduciary or statutory duties; and
 - (iii) the provision of the same non-public information to Bega Cheese, being a competitor of Warrnambool Cheese & Butter's business, would expose Warrnambool Cheese & Butter to competitive detriment if the Competing Proposal succeeds or if neither the Competing Proposal nor Bega Cheese's bid succeeds.

Bega Cheese also undertakes to Warrnambool Cheese & Butter that it will not make an application to the Takeovers Panel (**Panel**) that Warrnambool Cheese & Butter has engaged in frustrating action by entering into an arrangement that involves the payment of a break fee or other amount referred to in Section 9.2.13, provided that the arrangement is consistent with the Panel's guidance as enunciated in its *Guidance Note 7 – Lock-up devices*.

8.15 Withholding of consideration

Bega Cheese is not currently aware of any amounts that are or would be treated as Withholding Amounts under Section 9.1.8(e). However, it is possible that Bega Cheese may become aware of an obligation in this regard after the date of this Bidder's Statement.

For example, under section 255 of the *Income Tax Assessment Act 1936* (Cth), the ATO may notify Bega Cheese that

8. OTHER MATERIAL INFORMATION (CONTINUED)

all or part of the consideration otherwise payable under the Offer to Warrnambool Cheese & Butter Shareholders who are non-residents of Australia is to be retained by Bega Cheese, or paid to the ATO, instead of being paid to the relevant Warrnambool Cheese & Butter Shareholders. Similarly, under section 260-5 of Schedule 1 to the *Taxation Administration Act* 1953 (Cth), the ATO may require Bega Cheese to pay to the ATO all or part of the consideration otherwise payable under the Offer to Warrnambool Cheese & Butter Shareholders who owe tax-related debts to the Australian Government.

8.16 Consents

Kidder Williams has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to be named in this Bidder's Statement as corporate adviser to Bega Cheese in the form and context in which it is named.

Addisons has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to be named in this Bidder's Statement as legal adviser to Bega Cheese in the form and context in which it is named.

PricewaterhouseCoopers Securities Ltd has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn its consent to be named in this Bidder's Statement as accounting adviser to Bega Cheese in the form and context in which it is named.

Peter Radford & Co has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to be named in this Bidder's Statement as taxation adviser to Bega Cheese in the form and context in which it has been named, and the inclusion in this Bidder's Statement of the information in Section 5.

Link Market Services has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to be named in this Bidder's Statement as share registry to Bega Cheese in the form and context in which it is named.

PricewaterhouseCoopers has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to be named in this Bidder's Statement as auditor of Bega Cheese in the form and context in which it has been named.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Australia Branch) ABN 70 003 914 665 has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to be named in this Bidder's Statement as a primary existing banker of Bega Cheese and provider of the facilities under the Facility Agreement in the form and context in which it has been named.

Westpac Banking Corporation ABN 33 007 457 141 has given and has not, before lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to be named in this Bidder's Statement as a primary existing banker of Bega Cheese and provider of the facilities under the Facility Agreement in the form and context in which it has been named.

Each person named in this Section 8.16 as having given its consent to the inclusion of a statement or being named in this Bidder's Statement:

- does not make, or purport to make, any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based, other than a statement included in this Bidder's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement which has been included in this Bidder's Statement with the consent of that party.

This Bidder's Statement also includes or is accompanied by statements which are made in or based on statements made in documents lodged with ASIC or on the company announcements platform of ASX. Under the terms of ASIC Class Order [CO 13/521], the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement.

Bega Cheese will, on request during the Bid Period, provide within 2 business days, a copy of the documents (or relevant part of the document containing the statement) of third parties which have been lodged with ASIC or ASX and which are referred to in this Bidder's Statement without the consent of those third parties but in accordance with ASIC Class Order [CO 13/521] free of charge to any Warrnambool Cheese & Butter Shareholder. Section 2.11 sets a list of such documents. If you would like to receive a copy of any of these documents, please contact the Bega Cheese Information Line on 1300 880 751 (or +61 1300 880 751 for international callers).

In addition, as permitted by ASIC Class Order [CO 07/429], this Bidder's Statement contains trading data sourced from S&P Capital IQ without its consent.

8.17 No other material information

Except as set out in this Bidder's Statement, there is no other information that is material to the making of the decision by a holder of Warrnambool Cheese & Butter Shares whether or not to accept the Offer, which is known to Bega Cheese and has not previously been disclosed to Warrnambool Cheese & Butter Shareholders.

8.18 Date for determining holders of Warrnambool Cheese & Butter Shares

For the purposes of section 633(2) of the Corporations Act, the date for determining the persons to whom information is to be sent under items 6 and 12 of section 633(1) of the Corporations Act is 7:00 pm (Melbourne time) on the Register Date.

8.19 Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is thirteen months after the date of this Bidder's Statement.

9. OFFER TERMS

9.1 BEGA CHEESE'S OFFER

9.1.1 Offer

Bega Cheese offers to acquire all of Your Warrnambool Cheese & Butter Shares on the terms and conditions of this Offer. You may accept this Offer for some or all of Your Warrnambool Cheese & Butter Shares.

9.1.2 Date of Offer

This Offer is dated [Date].

9.1.3 Shares subject to the Offer

This Offer relates to all Warrnambool Cheese & Butter Shares:

- (a) which exist or will exist on the Register Date; and
- (b) that are issued between the Register Date and the end of the Offer Period under the Warrnambool Cheese & Butter Dividend Reinvestment Plan (pursuant to the modification granted by ASIC, as described in Section 8.9(a) of this Bidder's Statement); and
- (c) that are issued or come into existence during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of the rights attached to, other Warrnambool Cheese & Butter securities (including the Warrnambool Cheese & Butter Performance Rights) which exist or will exist on the Register Date.

9.1.4 Consideration

- (a) Subject to Sections 9.1.4(b), 9.1.4(c), 9.1.8(e), 9.1.10, 9.1.11, 9.1.12 and 9.1.13, the consideration offered by Bega Cheese for the acquisition of each of Your Accepted Warrnambool Cheese & Butter Shares is 1.2 Bega Cheese Shares plus \$2.00 cash.
- (b) If you are an Ineligible Foreign Shareholder then, despite any other provision of this Offer, you will not receive Bega Cheese Shares under this Offer. Instead, if you accept this Offer, subject to Sections 9.1.8(e), 9.1.10, 9.1.12 and 9.1.13, you will be paid a cash amount determined in accordance with Section 9.1.11.
- (c) If the number of Your Accepted Warrnambool Cheese & Butter Shares is such that your entitlement under Section 9.1.4(a) to Bega Cheese Shares is not a whole number, then Bega Cheese will round up or down to the nearest whole number and issue you that whole number of Bega Cheese Shares (with fractional entitlements equal to or greater than 0.5 being rounded up and fractional entitlements less than 0.5 being rounded down).

If Bega Cheese reasonably believes that any parcel of Warrnambool Cheese & Butter Shares has been created or manipulated to take advantage of rounding up, then any applicable fractional entitlement will be rounded down to the nearest whole number or aggregated.

9.1.5 Offer Period

- (a) Unless this Offer is withdrawn in accordance with the Corporations Act, this Offer will remain open for acceptance during the period commencing on the date of this Offer, being [date], and ending at 7.00pm (Melbourne time) on [date] or, if the Offer Period is extended pursuant to the Corporations Act, at the end of the extended period.
- (b) Bega Cheese reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last seven days of the Offer Period the Offer is varied to improve the consideration offered, the Offer Period will be automatically extended so that it ends fourteen days after the variation.

9.1.6 Who may accept this Offer

- (a) During the Offer Period:
 - (i) any person who holds a parcel of Warrnambool Cheese & Butter Shares may accept (if they have not already accepted an offer in the form of the Offer) as if an offer on terms identical with the Offer has been made to them;
 - (ii) any person who holds one or more parcels of Warrnambool Cheese & Butter Shares as trustee or nominee, or otherwise on account of another person, may accept as if a separate and distinct offer had been made in relation to:
 - (A) each of those parcels; and
 - (B) any parcel they hold in their own right;
 - (iii) any person who is issued Warrnambool Cheese & Butter Shares during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of the rights attached to, their Warrnambool Cheese & Butter securities (including Warrnambool Cheese & Butter Performance Rights) may accept this Offer in respect of those Warrnambool Cheese & Butter Shares; and
 - (iv) any person who is issued Warrnambool Cheese & Butter Shares during the period from the Register Date to the end of the Offer Period under the Warrnambool Cheese & Butter Dividend Reinvestment Plan may accept this Offer in respect of those Warrnambool Cheese & Butter Shares.
- (b) A person is taken to hold Warrnambool Cheese & Butter Shares if the person is, or has a right to be, registered as the holder of, or is otherwise able to give good title to, those Warrnambool Cheese & Butter Shares.
- (c) A person is taken to hold Warrnambool Cheese & Butter Shares on trust for, as nominee for, or on account of, another person if they:
 - (i) are registered, or entitled to be registered, as the holder of particular Warrnambool Cheese & Butter Shares; and
 - (ii) hold their interest in the Warrnambool Cheese & Butter Shares on trust for, as nominee for, or on account of, that other person.
- (d) In the case of a person who may accept under Section 9.1.6(a)(ii) as if a separate and distinct offer on the same terms and conditions as the Offer, has been made to that person for a distinct parcel of Warrnambool Cheese & Butter Shares within a holding, an acceptance of that offer is ineffective unless:
 - (i) the person gives Bega Cheese a notice stating that the Warrnambool Cheese & Butter Shares consist of a separate and distinct parcel; and
 - (ii) the acceptance specifies the number of Warrnambool Cheese & Butter Shares in the parcel.
- (e) A notice under Section 9.1.6(d) must be made:
 - (i) if it relates to Warrnambool Cheese & Butter Shares entered on an ASX Settlement subregister, in an electronic form approved under the ASX Settlement Operating Rules for the purposes of Part 6.8 of the Corporations Act; or
 - (ii) otherwise, in writing.
- (f) A person may, at the one time, accept for two or more parcels under this Section 9.1.6 as if there had been a single offer for a separate parcel consisting of those distinct parcels.

9. OFFER TERMS (CONTINUED)

9.1.7 How to accept this Offer

- (a) You may accept this Offer at any time during the Offer Period. You may accept this Offer in respect of all or any lesser number of Your Warrnambool Cheese & Butter Shares. If you wish to accept this Offer in respect of some (but not all) of Your Warrnambool Cheese & Butter Shares, you must specify the number of Warrnambool Cheese & Butter Shares you wish to sell under this Offer. If you do not specify when you accept, you will be taken to have accepted this Offer in respect of all of Your Warrnambool Cheese & Butter Shares.
- (b) The acceptance procedure will depend on whether Your Warrnambool Cheese & Butter Shares are held in a CHESS Holding or an Issuer Sponsored Holding. If Your Warrnambool Cheese & Butter Shares are in an Issuer Sponsored Holding, you will have been sent a personalised Acceptance Form which will show a SRN beginning with "I". If they are in a CHESS Holding, you will have been sent a personalised Acceptance Form showing a HIN beginning with "X". Your Acceptance Form (sent to you with the Offer) will also have specific details of your holding printed on it. The personalised Acceptance Form sent to you will be the acceptance form to use in relation to Your Warrnambool Cheese & Butter Shares.

- (i) **If you hold Your Warrnambool Cheese & Butter Shares in a CHESS Holding**, you must comply with the ASX Settlement Operating Rules.

If you hold Your Warrnambool Cheese & Butter Shares in a CHESS Holding, to accept this Offer you must:

- (A) instruct your Controlling Participant (usually your broker) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules in sufficient time for the Offer to be accepted before the end of the Offer Period; or
- (B) complete and sign the Acceptance Form (in accordance with the instructions on it) and send it (together with all other documents required by the instructions on the Acceptance Form or the terms of this Offer) to Bega Cheese at the address indicated in Section 9.1.7(b)(v) below and also indicated on the Acceptance Form so that your acceptance is received before the end of the Offer Period, in which case, you will have authorised Bega Cheese to instruct your Controlling Participant (usually your broker) to initiate acceptance of this Offer on your behalf.

- (ii) **If you are a broker or a Settlement Participant**, to accept this Offer you must initiate acceptance of this Offer in accordance with the requirements of the ASX Settlement Operating Rules in sufficient time for this Offer to be accepted before the end of the Offer Period.

- (iii) **If you hold Your Warrnambool Cheese & Butter Shares in an Issuer Sponsored Holding**, to accept this Offer you must:

- (A) complete and sign the Acceptance Form in accordance with the instructions on it; and
- (B) lodge the Acceptance Form by returning it to the address as indicated in Section 9.1.7(b)(v) below and also indicated on the Acceptance Form (together with all other documents required by the instructions on the Acceptance Form or the terms of this Offer) so that your acceptance is received before the end of the Offer Period.

- (iv) **If Your Warrnambool Cheese & Butter Shares are in different holdings**, your acceptance of this Offer will require action under Sections 9.1.7(b)(i) to (iii) in relation to the separate portions of Your Warrnambool Cheese & Butter Shares.

- (v) The address for completed Acceptance Forms is as follows.

Bega Cheese Limited
C/- Link Market Services Limited
Locked Bag A 14
Sydney South NSW 1235

If you are a Warrnambool Cheese & Butter Shareholder within Australia a reply paid envelope is enclosed for your convenience. The transmission of your Acceptance Form and other documents is at your own risk.

- (c) The Acceptance Form which accompanies the Offer forms part of the Offer. Subject to Section 9.1.7(f), the requirements on the Acceptance Form must be observed in accepting this Offer.
- (d) When accepting this Offer, you should also forward to Bega Cheese (at the address indicated in Section 9.1.7(b)(v) and indicated on the Acceptance Form) for inspection:
 - (i) if the Acceptance Form is executed by an attorney, a certified copy of the power of attorney; and
 - (ii) if the Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased Warrnambool Cheese & Butter Shareholder, a certified copy of the relevant grant of probate or letters of administration.
- (e) If the Acceptance Form is signed under power of attorney, the attorney will be taken to have declared that the attorney has no notice of revocation of the power and is empowered to delegate powers under the power of attorney (including as contemplated by Section 9.1.20(b)(x)).
- (f) Acceptance of the Offer will not be complete until the completed Acceptance Form has been received at the address set out in Section 9.1.7(b)(v) above and the requirements of this Section 9.1.7 and of the Acceptance Form have been met, provided that:
 - (i) Bega Cheese may in its sole discretion and without notice to you waive any or all of those requirements at any time;
 - (ii) where such requirements have been complied with in respect of some but not all of Your Accepted Warrnambool Cheese & Butter Shares, Bega Cheese may, in its sole discretion, deem your acceptance of the Offer complete in respect of those Warrnambool Cheese & Butter Shares for which the requirements have been complied with but not in respect of the remainder; and
 - (iii) Bega Cheese will provide the consideration to you in accordance with Section 9.1.8, in respect of any part of an acceptance determined by Bega Cheese to be valid.

9.1.8 Payment and issue of Offer Consideration

- (a) The cash consideration payable by Bega Cheese under the contract resulting from your acceptance of the Offer will be paid to you by cheque in Australian currency. Cheques will be sent to you at your risk to the address on Bega Cheese's copy of the register of Warrnambool Cheese & Butter Shareholders, by pre-paid ordinary mail or, if you have an overseas address, by pre-paid airmail.
- (b) The obligation of Bega Cheese to issue any Bega Cheese Shares to which you are entitled under the Offer will be satisfied by Bega Cheese:
 - (i) entering your name on the register of Bega Cheese Shares maintained by Bega Cheese as the holder of such Bega Cheese Shares; and
 - (ii) despatching or procuring the despatch to you of a holding statement for such Bega Cheese Shares by pre-paid ordinary mail or, in the case of addresses outside Australia, by pre-paid airmail, to your address as shown on Bega Cheese's copy of the register of Warrnambool Cheese & Butter Shareholders. If Your Accepted Warrnambool Cheese & Butter Shares are held in a joint name, the holding certificate will be issued in the name of the joint holders and forwarded to the address that appears first in Bega Cheese's copy of the register of Warrnambool Cheese & Butter Shareholders.
- (c) Subject to Section 9.1.9 and the Corporations Act, if you accept this Offer and the Offer Conditions are fulfilled or waived, Bega Cheese will provide to you the Offer Consideration that you are entitled to under the terms of this Offer on or before the earlier of:

9. OFFER TERMS (CONTINUED)

- (i) one month after the date this Offer is validly accepted by you or, if this Offer is subject to an Offer Condition when accepted, within one month after this Offer or the contract resulting from your acceptance of this Offer becomes unconditional; and
 - (ii) twenty one days after the end of the Offer Period.
- (d) Under no circumstances will interest be paid on the consideration payable under this Offer, regardless of any delay in paying the consideration or any extension of the Offer.
- (e) If any amount (**Withholding Amount**) is required, under Australian law, to be withheld from the Offer Consideration that you are entitled to under this Offer and provided to a public authority, the provision of the Withholding Amount to the relevant public authority by Bega Cheese will constitute full discharge of Bega Cheese's obligation to provide the Offer Consideration to you to the extent of that Withholding Amount.

9.1.9 Where additional documents are required

- (a) Where the Acceptance Form or any subsequent request from Bega Cheese requires additional documents to be given with your acceptance (such as a certified copy of any power of attorney, grant of probate or letters of administration, or any other document requested by Bega Cheese to give better effect to your acceptance):
- (i) if the documents are given with your acceptance, Bega Cheese will provide the Offer Consideration in accordance with the timeframe set out in Section 9.1.8(c);
 - (ii) if the documents are given after acceptance and before the end of the Offer Period and this Offer is subject to an Offer Condition at the time that Bega Cheese is given the documents, Bega Cheese will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (A) one month after the contract resulting from your acceptance of this Offer becomes unconditional; and
 - (B) twenty one days after the end of the Offer Period; or
 - (iii) if the documents are given after acceptance and before the end of the Offer Period and this Offer is unconditional at the time that Bega Cheese is given the documents, Bega Cheese will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (A) one month after Bega Cheese is given the documents; and
 - (B) twenty one days after the end of the Offer Period; or
 - (iv) if the documents are given after the end of the Offer Period and this Offer is unconditional, Bega Cheese will provide the Offer Consideration within twenty one days after the documents are given. However if at the time Bega Cheese is given the documents, the contract resulting from your acceptance of this Offer is still subject to the Offer Condition referred to in Section 9.2.3, Bega Cheese will provide the Offer Consideration within twenty one days after that contract becomes, or is declared, unconditional.
- (b) If you do not provide Bega Cheese with the required additional documents within one month after the end of the Offer Period, Bega Cheese may, in its sole discretion, rescind the contract resulting from your acceptance of this Offer.

9.1.10 Where Bega Cheese is entitled to any Rights

- (a) If Bega Cheese becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to provide all documents necessary to vest those Rights in Bega Cheese, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to Bega Cheese, or if you have received the benefit of those Rights, Bega Cheese may deduct from the Offer Consideration otherwise due to you the amount (or value, as reasonably assessed by Bega Cheese) of those Rights, in accordance with Section 9.1.10(b).

- (b) If:
- (i) you have (or any previous holder of Your Accepted Warrnambool Cheese & Butter Shares has) received the benefit of any Rights (whether in respect of non-cash benefits or otherwise); or
 - (ii) you are (or any previous holder of Your Accepted Warrnambool Cheese & Butter Shares is) entitled to receive the benefit of any Rights under the terms that provide for or otherwise apply to those Rights (for example, if the Right is to receive a dividend, if you are (or any previous holder of Your Accepted Warrnambool Cheese & Butter Shares is) the registered holder of the Warrnambool Cheese & Butter Share at the specified time for determining those entitled to the dividend);

then:

- (iii) in the case of Rights to non-cash benefits, Bega Cheese may deduct the value (as reasonably assessed by Bega Cheese) of such Rights from any Offer Consideration otherwise payable to you; or
- (iv) in the case of Rights to cash benefits, Bega Cheese may deduct the amount of such Rights from any Offer Consideration otherwise payable to you.

If Bega Cheese does not, or cannot, make such a deduction, you must pay such value or amount to Bega Cheese.

9.1.11 Payments to Ineligible Foreign Shareholders

- (a) If you are an Ineligible Foreign Shareholder, you will not be entitled to receive Bega Cheese Shares as part of the Offer Consideration for Your Accepted Warrnambool Cheese & Butter Shares as a result of accepting this Offer, and Bega Cheese will:
- (i) arrange for the issue to a nominee approved by ASIC (**Nominee**) of the number of Bega Cheese Shares to which you and other Ineligible Foreign Shareholders would have been entitled but for this Section 9.1.11(a) and the equivalent provision in each other offer under this Offer on or before the date by which the Offer Consideration would otherwise have been paid pursuant to this Offer;
 - (ii) cause the Bega Cheese Shares so issued to be offered for sale by the Nominee on ASX as soon as practicable and otherwise in the manner, at the price and on such other terms and conditions as are determined by the Nominee; and
 - (iii) cause the Nominee to pay to you the amount ascertained in accordance with the following formula:

$$P \times \frac{N}{T}$$

where:

“P” is the total amount which is received by the Nominee from the sale of all Bega Cheese Shares under this Section 9.1.11(a) and the equivalent provision in each other offer under this Offer, less all brokerage, sale expenses and any costs of appointing the Nominee;

“N” is the number of Bega Cheese Shares which would, but for this Section 9.1.11(a), otherwise have been issued to you under this Offer; and

“T” is the total number of Bega Cheese Shares issued to the Nominee under this Section 9.1.11(a) and the equivalent provision in each other offer under this Offer.

- (b) You will receive the amount ascertained under Section 9.1.11(a)(iii) in Australian currency or, if this is unlawful, in the currency of the jurisdiction of your residence (as shown in Bega Cheese’s copy of the register of Warrnambool Cheese & Butter Shareholders or on the Acceptance Form) at the exchange rate available to the Nominee at the time.

9. OFFER TERMS (CONTINUED)

- (c) Payment of the amount ascertained under Section 9.1.11(a)(iii) will be made together with the cash component of the Offer Consideration payable to you under this Offer, by cheque posted to you at your risk by pre-paid ordinary mail (or in the case of overseas shareholders, by pre-paid airmail) at the address shown in Bega Cheese's copy of the register of Warrnambool Cheese & Butter Shareholders or on your Acceptance Form.
- (d) Under no circumstances will interest be paid on the amount ascertained under Section 9.1.11(a)(iii), regardless of any delay in remitting these proceeds to you.
- (e) Notwithstanding anything else contained in this document, Bega Cheese is under no obligation to spend any money, or undertake any action, in order to satisfy itself that a person is not an Ineligible Foreign Shareholder and is therefore eligible to receive Bega Cheese Shares under this Offer.

9.1.12 Clearances for offshore residents

If, at the time of acceptance of this Offer, any consent, authority or clearance is required for you to receive any consideration under this Offer including, but not limited to consent, authority or clearance of:

- (a) the Minister for Foreign Affairs (whether under the Charter of the United Nations Act 1945 (Cth), the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth) or any other regulations made thereunder, or otherwise);
- (b) the Reserve Bank of Australia (whether under the Banking (Foreign Exchange) Regulations 1959 (Cth) or otherwise);
- (c) the Australian Taxation Office; or
- (d) any other person as required by any other Australian law, statute, regulation, rule or other document enforceable under any statute, regulation, rule or subordinate legislation that would make it unlawful for Bega Cheese to provide any Offer Consideration for your acceptance of this Offer,

then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive (and you will not be entitled to receive) any consideration under this Offer unless and until all such consents, authorities or clearances have been obtained by Bega Cheese, to the extent possible. However, Bega Cheese is under no obligation to seek or obtain, including within any timeframe, any such consent, authority or clearance.

9.1.13 Offer Conditions

- (a) This Offer and the contract that results from acceptance of this Offer are subject to fulfilment of the Offer Conditions set out in Section 9.2.
- (b) Each of the Offer Conditions set out in each paragraph and subparagraph of Section 9.2:
 - (i) constitutes and will be construed as a separate, several and distinct condition;
 - (ii) is a condition subsequent; and
 - (iii) until the expiration of the Offer Period (or in the case of the Offer Condition referred to in Section 9.2.3, until three business days after the end of the Offer Period) will be for the benefit of Bega Cheese alone and may be relied upon only by Bega Cheese.

9.1.14 Effect of breach or non-fulfilment of Offer Conditions

- (a) None of the Offer Conditions prevents a contract to sell Your Accepted Warrnambool Cheese & Butter Shares resulting from acceptance of this Offer, but:
 - (i) breach of any of the Offer Conditions entitles Bega Cheese to rescind that contract; and
 - (ii) non-fulfilment of any of the Offer Conditions at the end of the Offer Period will have the consequences set out in Section 9.1.14(b).
- (b) Your acceptance, or the contract resulting from your acceptance, of this Offer is void if:
 - (i) as at the end of the Offer Period, any of the Offer Conditions is not fulfilled; and
 - (ii) Bega Cheese has not declared this Offer and any contract resulting from the acceptance of it free of that Offer Condition in accordance with Section 9.1.16.

9.1.15 Reasonable endeavours in relation to Offer Conditions

Bega Cheese will:

- (a) use its reasonable endeavours to procure that the Offer Condition in Sections 9.2.1 and 9.2.2 are satisfied; and
- (b) not do or omit to do anything for the purpose of causing a breach of any such Offer Condition.

9.1.16 Bega Cheese may decide this Offer is free from all or any of the Offer Conditions

Bega Cheese may at any time at its sole discretion, but in compliance with the Corporations Act, declare the Offer free from all or any of the Offer Conditions by notice in writing to Warrnambool Cheese & Butter:

- (a) in the case of the Offer Condition referred to in Section 9.2.3 – not later than three business days after the end of the Offer Period; and
- (b) in the case of any other Offer Condition – not later than seven days before the end of the Offer Period.

9.1.17 Notice on the status of Offer Conditions

The date for giving a notice on the status of the Offer Conditions as required by section 630(1) of the Corporations Act is [date], subject to variation in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

9.1.18 Official quotation of Bega Cheese Shares

This Offer and the contract that results from acceptance of this Offer are subject to the further condition that:

- (a) an application is made for admission to official quotation by ASX of the Bega Cheese Shares to be issued under this Offer within seven days after the start of the Bid Period; and
- (b) permission for admission to official quotation by ASX of the Bega Cheese Shares to be issued under this Offer is granted no later than seven days after the end of the Bid Period.

This condition is not a defeating condition for the purposes of the Corporations Act, and is not of the same nature as the conditions set out in Section 9.2. The Offer cannot be freed of this condition, and consequently no statement made by Bega Cheese can be taken to be a waiver of this condition. If this condition is not fulfilled, all contracts resulting from the acceptance of the Offer will be void.

9.1.19 Improved Offer Consideration

If Bega Cheese improves the Offer Consideration, the Corporations Act contains conditions to ensure that any Warrnambool Cheese & Butter Shareholder who has already accepted the Offer receives the benefit of the improved Offer Consideration.

9.1.20 Effect of acceptance

- (a) Except as permitted otherwise by applicable law, once you have accepted this Offer in accordance with Section 9.1.7, you will be unable to revoke or withdraw your acceptance, or otherwise dispose of Your Accepted Warrnambool Cheese & Butter Shares, and the contract resulting from your acceptance will be binding on you.
- (b) By accepting this Offer in accordance with Section 9.1.7, you will have:
 - (i) irrevocably accepted this Offer in respect of Your Accepted Warrnambool Cheese & Butter Shares;
 - (ii) agreed to the terms and conditions of this Offer and, subject to this Offer being declared free from the Offer Conditions or the Offer Conditions being fulfilled or waived, agreed to transfer to Bega Cheese (or consented to the transfer in accordance with the ASX Settlement Operating Rules) Your Accepted Warrnambool Cheese & Butter Shares;

9. OFFER TERMS (CONTINUED)

- (iii) irrevocably authorised Bega Cheese and each of its officers and agents to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary:
 - (A) to make the Acceptance Form an effective acceptance of this Offer; and/or
 - (B) to enable registration of the transfer to Bega Cheese of Your Accepted Warrnambool Cheese & Butter Shares;
- (iv) if any of Your Accepted Warrnambool Cheese & Butter Shares are in a CHESS Holding, irrevocably authorised Bega Cheese and each of its officers and agents to:
 - (A) instruct your Controlling Participant to give effect to your acceptance of the Offer for those Warrnambool Cheese & Butter Shares under Rule 14.14 of the ASX Settlement Operating Rules; and
 - (B) give to your Controlling Participant on your behalf any other instructions in relation to those Warrnambool Cheese & Butter Shares which are contemplated by the sponsorship agreement between you and your Controlling Participant and are necessary or appropriate to facilitate your acceptance of the Offer;
- (v) irrevocably authorised and directed Warrnambool Cheese & Butter to pay to Bega Cheese or to account to Bega Cheese for all Rights in respect of Your Accepted Warrnambool Cheese & Butter Shares (subject to any such Rights received by Bega Cheese being accounted for by Bega Cheese to you if this Offer is withdrawn or the contract formed by your acceptance of this Offer is rendered void);
- (vi) represented and warranted to Bega Cheese, as a fundamental condition of the contract resulting from your acceptance of this Offer, that at the time of your acceptance of this Offer and at the time of transfer of Your Accepted Warrnambool Cheese & Butter Shares to Bega Cheese:
 - (A) all of Your Accepted Warrnambool Cheese & Butter Shares are fully paid up;
 - (B) Bega Cheese will acquire good title to and beneficial ownership of all of Your Accepted Warrnambool Cheese & Butter Shares free from all mortgages, charges, liens, Encumbrances (whether legal or equitable), security interests, adverse interests of any nature and restrictions on transfer of any kind; and
 - (C) you have full power, capacity and authority to accept the Offer and to sell Your Accepted Warrnambool Cheese & Butter Shares (including the legal and beneficial ownership in those Warrnambool Cheese & Butter Shares);
- (vii) represented and warranted to, and agreed with Bega Cheese, that Your Accepted Warrnambool Cheese & Butter Shares will be purchased by Bega Cheese with all Rights and that you will execute all such instruments as Bega Cheese may require for the purpose of vesting in it any such Rights;
- (viii) represented and warranted to Bega Cheese that, unless you have notified Bega Cheese in accordance with Section 9.1.6(d), Your Accepted Warrnambool Cheese & Butter Shares do not consist of separate parcels of Warrnambool Cheese & Butter Shares;
- (ix) agreed to indemnify Bega Cheese and each of its officers and agents fully in respect of any claim, demand, action, suit or proceeding made or brought against any of them and any loss, cost, expense, damage or liability whatsoever suffered or incurred by any of them as a result of them not receiving your HIN or SRN or in consequence of the transfer of Your Accepted Warrnambool Cheese & Butter Shares being registered by Warrnambool Cheese & Butter without production of your HIN or SRN;
- (x) if and when this Offer or any contract resulting from your acceptance of this Offer becomes unconditional (even though Bega Cheese has not yet provided the Offer Consideration due to you) and with effect from such date until registration of a transfer of Your Accepted Warrnambool Cheese & Butter Shares to Bega Cheese, irrevocably appointed Bega Cheese and each director, and any nominee, of Bega Cheese severally as your agent and attorney to:

- (A) exercise all your powers and rights in relation to Your Accepted Warrnambool Cheese & Butter Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in respect of Your Accepted Warrnambool Cheese & Butter Shares at all general and class meetings of Warrnambool Cheese & Butter or appoint a proxy or proxies to attend and vote in the manner directed by Bega Cheese on your behalf in respect of Your Accepted Warrnambool Cheese & Butter Shares at any such meeting and to request Warrnambool Cheese & Butter to register, in the name of Bega Cheese or its nominee, Your Accepted Warrnambool Cheese & Butter Shares, as appropriate, with full power of substitution;
- (B) execute all forms, notices, documents (including a document appointing a director of Bega Cheese as a proxy for any of Your Accepted Warrnambool Cheese & Butter Shares) and resolutions relating to Your Accepted Warrnambool Cheese & Butter Shares and generally to exercise all powers and rights which you have as the registered holder of Your Accepted Warrnambool Cheese & Butter Shares; and
- (C) direct Warrnambool Cheese & Butter to pay to Bega Cheese or to account to Bega Cheese for all Rights attaching to Your Accepted Warrnambool Cheese & Butter Shares, subject however to any such Rights received by Bega Cheese being accounted for by Bega Cheese to you, in the event that the Offer is withdrawn or the contract formed by your acceptance of this Offer is rendered void;
- (xi) agreed that the appointment in Section 9.1.20(b)(x) is being given for valuable consideration to secure the interest acquired in Your Accepted Warrnambool Cheese & Butter Shares and is irrevocable;
- (xii) agreed that in exercising the powers conferred by the power of attorney in Section 9.1.20(b)(x), Bega Cheese or its nominee is entitled to act in the interest of Bega Cheese as the beneficial owner and intended registered holder of Your Accepted Warrnambool Cheese & Butter Shares in respect of which you have accepted this Offer;
- (xiii) agreed to do all such acts, matters and things that Bega Cheese may require to give effect to the matters the subject of this Section 9.1.20 (including the execution of a written form of proxy to the same effect as Section 9.1.20(b)(x) which complies in all respects with the requirements of the constitution of Warrnambool Cheese & Butter) if requested by Bega Cheese;
- (xiv) if and when this Offer or any contract resulting from your acceptance of this Offer becomes unconditional (even though Bega Cheese has not yet provided the Offer Consideration due to you), agreed not to exercise any voting rights attached to Your Accepted Warrnambool Cheese & Butter Shares at any general or class meeting of Warrnambool Cheese & Butter or to exercise or purport to exercise any of the powers conferred on Bega Cheese, its directors or its nominee in Section 9.1.20(b)(x);
- (xv) irrevocably authorised Bega Cheese and each of its officers and agents to notify Warrnambool Cheese & Butter on your behalf that your address for the purpose of serving notices upon you in respect of Your Accepted Warrnambool Cheese & Butter Shares is the address as specified by Bega Cheese in the notification and that all such notices are to be marked care of Bega Cheese and to have directed Warrnambool Cheese & Butter to serve all correspondence, payments or notifications in respect of any Rights and other communications and documents whatsoever in respect of those Warrnambool Cheese & Butter Shares to Bega Cheese at that address;
- (xvi) if and when this Offer or any contract resulting from your acceptance of this Offer becomes unconditional (even though Bega Cheese has not yet provided the Offer Consideration due to you), and any of Your Accepted Warrnambool Cheese & Butter Shares are in a CHESS Holding, irrevocably authorised Bega Cheese and each of its officers and agents to cause a message to be transmitted to ASX Settlement in accordance with Rule 14.17.1 of the ASX Settlement Operating Rules, and otherwise do all things necessary so as to transfer Your Accepted Warrnambool Cheese & Butter Shares to Bega Cheese's Takeover Transferee Holding;

9. OFFER TERMS (CONTINUED)

- (xvii) unless you are an Ineligible Foreign Shareholder, agreed to accept the Bega Cheese Shares issued to you under this Offer on the terms of the Bega Cheese Constitution, agreed that you will be bound by the Bega Cheese Constitution, agreed to become a member of Bega Cheese, and irrevocably authorised Bega Cheese to place your name on its register of members in respect of those Bega Cheese Shares; and
- (xviii) if you are an Ineligible Foreign Shareholder, irrevocably authorised Bega Cheese to issue to the account of the Nominee of that number of Bega Cheese Shares corresponding to your entitlement under this Offer, to be dealt with in accordance with Section 9.1.11.

9.1.21 Notices and other communications

Subject to the Corporations Act, a notice or other communication given by Bega Cheese to you in connection with this Offer shall be deemed to be duly given if it is in writing and:

- (a) is delivered at your address as recorded on the register of Warrnambool Cheese & Butter Shareholders Bega Cheese's copy of or the address shown in the Acceptance Form; or
- (b) is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

9.1.22 Return of documents

If:

- (a) this Offer is withdrawn after your Acceptance Form has been sent to Bega Cheese, but before it has been received; or
- (b) for any other reason Bega Cheese does not acquire the Warrnambool Cheese & Butter Shares to which your Acceptance Form relates,

you may request Bega Cheese by notice in writing to despatch (at your risk) your Acceptance Form together with all other documents forwarded by you, to such address as you nominate. Where such address is inside Australia, the documents will be despatched by pre-paid ordinary post. Where such address is outside Australia, the documents will be despatched by pre-paid airmail.

9.1.23 Foreign laws

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of this Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer.

9.1.24 Withdrawal of Offer

- (a) Bega Cheese may withdraw this Offer at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent.
- (b) Subject to any conditions imposed by ASIC on its consent, where Bega Cheese withdraws this Offer:
 - (i) this Offer, if not previously accepted, automatically becomes incapable of acceptance; and
 - (ii) any contract resulting from an acceptance of this Offer before the withdrawal is automatically void.

9.1.25 Variation

Bega Cheese may vary this Offer in accordance with the Corporations Act.

9.1.26 Costs and expenses

All costs and expenses of the preparation, despatch and circulation of this Bidder's Statement and this Offer and all stamp duty payable in respect of a transfer of Warrnambool Cheese & Butter Shares in respect of which Offers

are accepted, will be paid by Bega Cheese. If you hold Your Accepted Warrnambool Cheese & Butter Shares through a bank, broker or nominee which charges transaction fees or service charges in connection with your acceptance of this Offer, you are responsible for (and Bega Cheese will not pay) those fees or charges.

9.1.27 Governing law and jurisdiction

This Offer and any contract resulting from acceptance of it are governed by the law in force in New South Wales, Australia. In relation to these and related non-contractual matters, each party irrevocably submits to the non-exclusive jurisdiction of the courts with jurisdiction in New South Wales, Australia, and waives any right to object to the venue on any ground.

9.2 OFFER CONDITIONS

The Offer and any contract resulting from acceptance of the Offer are subject to fulfilment, or waiver by Bega Cheese, of the following conditions:

9.2.1 ACCC

Before the end of the Offer Period, the ACCC has consented, or has stated that it will not object, to Bega Cheese's acquisition of Warrnambool Cheese & Butter under section 50 of the *Competition and Consumer Act 2010* (Cth).

9.2.2 Bega Cheese shareholder approval

Before the end of the Offer Period, the shareholders of Bega Cheese have adopted, by special resolution, the Shareholding Limit Constitutional Amendments.

9.2.3 No Prescribed Occurrences during Bid Period

Between the date on which this Bidder's Statement is given to Warrnambool Cheese & Butter and the end of the Offer Period (each inclusive), no Prescribed Occurrence occurs.

9.2.4 No regulatory actions

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) no preliminary or final decision, order or decree issued by a Government Agency is in effect;
- (b) no action or investigation is announced, commenced or threatened by any Government Agency; and
- (c) no application is made to any Government Agency (other than by Bega Cheese or any of its Associates), (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act in consequence of or in connection with the Offer) which:
- (d) restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially adversely impacts upon (or is reasonably likely to restrain, prohibit or impede or materially adversely impact upon) the making or completion of the Offer, the acquisition of any Warrnambool Cheese & Butter Shares, or the issue of any Bega Cheese Shares, under the Offer, the completion of any of the transactions contemplated by this Bidder's Statement or the Offer, or the rights of Bega Cheese in respect of Warrnambool Cheese & Butter or any Warrnambool Cheese & Butter Shares; or
- (e) requires (or is reasonably likely to require) the divestiture by Bega Cheese of any Warrnambool Cheese & Butter Shares, or any material assets of the Warrnambool Cheese & Butter Group or the Bega Cheese Group.

9.2.5 No Warrnambool Cheese & Butter Material Adverse Change

Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following occurs:

- (a) an act, omission, event, change, condition, matter or thing occurs, or it is announced that it will occur; or

9. OFFER TERMS (CONTINUED)

- (b) information concerning any act, omission, event, change, condition, matter or thing becomes known to Bega Cheese (whether or not the information also becomes public),

which, individually, or when aggregated with all other such acts, omissions, events, changes, conditions, matters or things of a like kind arising from the same or substantially similar facts or circumstances, has resulted in, or is reasonably likely to result in, a Warrnambool Cheese & Butter Material Adverse Change.

However, this condition does not apply to:

- (a) any matter which was fairly disclosed in writing to Bega Cheese or in a public filing with ASX before the Announcement Date;
- (b) any event or matter which affects the dairy industry generally and which impacts on the Warrnambool Cheese & Butter Group and its competitors in a similar manner;
- (c) any change in general economic, financial, currency exchange, securities or commodities market conditions; or
- (d) any change in accounting policy required by law.

9.2.6 No persons entitled to exercise rights under certain agreements or instruments

Between the Announcement Date and the end of the Offer Period (each inclusive), no person, as a result (directly or indirectly) of the acquisition or proposed acquisition of Warrnambool Cheese & Butter Shares by Bega Cheese, is or becomes entitled to exercise, exercises or validly states an intention to exercise, a right under a provision of any material agreement or material instrument to which a member of the Warrnambool Cheese & Butter Group is a party and which results, or is reasonably likely to result in:

- (a) moneys borrowed by any member of the Warrnambool Cheese & Butter Group which is greater than \$10 million (in aggregate with all such agreements or instruments), being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or instrument;
- (b) any such agreement or instrument being terminated or modified or not renewed or any action being taken or arising under it (including the acceleration of the performance of obligations) which, in aggregate with all such agreements or instruments, is material in the context of the Warrnambool Cheese & Butter Group as a whole;
- (c) the interest of a member of the Warrnambool Cheese & Butter Group in any joint venture or corporation (including in Great Ocean Ingredients and Warrnambool Cheese & Butter Japan), or any arrangements relating to such interest, being terminated, modified or required to be transferred, redeemed or disposed of; or
- (d) a member of the Warrnambool Cheese & Butter Group being required to acquire a third party's interest in a joint venture or corporation referred to in subparagraph (c) above.

9.2.7 No material acquisitions, disposals or new commitments

Between the Announcement Date and the end of the Offer Period (each inclusive), (other than as disclosed in writing to Bega Cheese or in a public filing with ASX before the Announcement Date) no member of the Warrnambool Cheese & Butter Group:

- (a) **(no material acquisitions)** acquires, offers to acquire, agrees to acquire or announces an intention to acquire, one or more shares, companies, businesses, properties or assets (or an interest in one or more shares, companies, businesses, properties or assets), other than in the ordinary course of business, the total consideration for which, or the value of which, in aggregate exceeds \$5 million;
- (b) **(no material disposals)** disposes of, offers to dispose of, agrees to dispose of or announces an intention to dispose of, one or more shares, companies, businesses, properties or assets (or an interest in one or more

shares, companies, businesses, properties or assets), other than in the ordinary course of business, for an amount, or in respect of which the book value (as recorded in Warrnambool Cheese & Butter's statement of financial position as at 30 June 2013) is, in aggregate, greater than \$5 million; or

- (c) **(no material commitments)** enters into, offers to enter into, or announces an intention to enter into, any agreement, lease, joint venture, partnership, management agreement, arrangement or commitment which would require expenditure other than in the ordinary course of business, or the foregoing of revenue, by any member(s) of the Warrnambool Cheese & Butter Group of an amount or value which, in aggregate, exceeds \$5 million (in respect of each separate agreement, lease, joint venture, partnership, management agreement, arrangement or commitment).

9.2.8 No litigation on foot or pending

Between the Announcement Date and the end of the Offer Period (each inclusive) no claim, litigation, arbitration proceedings, prosecution or other legal proceedings against any member of the Warrnambool Cheese & Butter Group is commenced, threatened to be commenced, announced or made known to Bega Cheese (whether or not becoming public) or Warrnambool Cheese & Butter, which involves a claim of more than \$2 million or, when aggregated with such other claims, exceeds \$5 million, other than where such claim, litigation or proceedings has been disclosed in a public filing with ASX before the Announcement Date and there has been no material adverse change from the position as described in such disclosure.

9.2.9 No distributions

Between the Announcement Date and the end of the Offer Period (each inclusive), Warrnambool Cheese & Butter does not declare, determine as payable or pay a distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie), other than the Warrnambool Cheese & Butter FY13 Final Dividend.

9.2.10 Conduct of Warrnambool Cheese & Butter's business

Between the Announcement Date and the end of the Offer Period (each inclusive), no member of the Warrnambool Cheese & Butter Group:

- (a) **(no entry into new contract of service)** enters, or agrees to enter, into any contract of service in relation to the appointment of a director or senior manager;
- (b) **(no change in existing contract of service)** varies, or agrees to vary, any existing contract of service with any director or senior manager, including making or agreeing to make any substantial change in the basis or amount of remuneration of any director or senior manager (except as required by law). This condition does not apply to the vesting of any Warrnambool Cheese & Butter Performance Rights that are in existence as at the Announcement Date or the issue of Warrnambool Cheese & Butter Shares pursuant to the exercise of any Warrnambool Cheese & Butter Performance Rights;
- (c) **(no Material Contracts)** enter into, amends, terminates, or waives or otherwise forgoes rights under, any Material Contract;
- (d) **(no scheme of arrangement)** implements or agrees to implement any scheme or arrangement or compromise (including one for a reconstruction or amalgamation of any members of the Warrnambool Cheese & Butter Group), or any analogous procedure, scheme or arrangement in any jurisdiction;
- (e) **(no special resolution)** makes any changes to its constitution or passes any special resolution;
- (f) **(no new indebtedness)** other than in the ordinary course of business:
 - (i) borrows any money or incurs new financial indebtedness (or agrees to do so); or
 - (ii) enters into any guarantee or indemnity on behalf of, or provides security for the obligations of, any person or (agrees to do so); or
- (g) **(no new Encumbrances)** other than in the ordinary course of business, grants or agrees to grant, any Encumbrances over any of its assets.

9. OFFER TERMS (CONTINUED)

9.2.11 Warrnambool Cheese & Butter Performance Rights

Between the Announcement Date and the end of the Offer Period (each inclusive), no Warrnambool Cheese & Butter Performance Rights are granted or issued.

9.2.12 Equal access

Subject to the undertaking referred to in Section 8.14A, B between the Announcement Date and the end of the Offer Period (each inclusive), Warrnambool Cheese & Butter promptly, and in any event within two Business Days, provides to Bega Cheese a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to any member of the Warrnambool Cheese & Butter Group, or their respective assets, liabilities or operations, that has been provided by any member of the Warrnambool Cheese & Butter Group or any of their directors, officers, advisers, agents or representatives to any person other than in the ordinary course of business, including for the purposes of soliciting, encouraging or facilitating any proposal with respect to any possible, proposed or actual:

- (a) takeover bid for, or scheme of arrangement in respect of, Warrnambool Cheese & Butter;
- (b) acquisition of all, or a material part, of the assets and operations of the Warrnambool Cheese & Butter Group; or
- (c) transaction having a similar economic effect.

9.2.13 No break fees

Subject to the undertaking referred to in Section 8.14A, B between the Announcement Date and the end of the Offer Period (each inclusive), no member of the Warrnambool Cheese & Butter Group agrees (whether conditionally or unconditionally) to make any payment by way of break fee, inducement fee, cost reimbursement or otherwise, to any person or forego any amount to which it would otherwise be entitled, in connection with a proposal by that person or any of its Associates to undertake:

- (a) a takeover bid for, or scheme of arrangement in respect of, Warrnambool Cheese & Butter;
- (b) an acquisition of all, or a material part, of the assets and operations of the Warrnambool Cheese & Butter Group; or
- (c) any transaction having a similar economic effect.

This condition does not apply to a payment by way of remuneration for professional services or to directors of Warrnambool Cheese & Butter for the discharge of their duties in connection with the Offer.

9.2.14 No market material adverse change

Between the Announcement Date and the end of the Offer Period (each inclusive), the S&P/ASX All Ordinaries Index does not close below 4,500 for three consecutive trading days.

10. GLOSSARY

Body text in this Bidder's Statement and in the Acceptance Form, unless the context otherwise appears:

\$, A\$ and AUD	Australian dollars
ACCC	Australian Competition & Consumer Commission
Acceptance Form	the form of acceptance and transfer which accompanies and forms part of the Offer
AIFRS	Australian International Financial Reporting Standards
Announcement Date	the date the Offer was announced, being 12 September 2013
ASIC	Australian Securities & Investments Commission
Associate	has the meaning given in section 12 of the Corporations Act
ASX	ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it
ASX Listing Rules	the official listing rules of ASX, as amended from time to time
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532
ASX Settlement Operating Rules	the settlement rules of ASX Settlement, as amended from time to time
ATO	Australian Taxation Office
Bega Cheese or BGA	Bega Cheese Limited ABN 81 008 358 503
Bega Cheese Board	the board of directors of Bega Cheese
Bega Cheese Constitution	the constitution of Bega Cheese, as in force from time to time
Bega Cheese Director	a director of Bega Cheese
Bega Cheese Group	Bega Cheese and Tatura Milk Industries
Bega Cheese Share	a fully paid ordinary share in the capital of Bega Cheese
Bega Cheese Shareholder	a holder of Bega Cheese Shares
Bega Cheese's Takeover Transferee Holding	the holding of Warrnambool Cheese & Butter Shares on the CHESS subregister of Bega Cheese established for the purposes of the Offer
Bid Period	the period that starts when the Bidder's Statement was given to Warrnambool Cheese & Butter and ends at the end of the Offer Period
Bidder's Statement	this bidder's statement
Capitol Chilled Foods	Capitol Chilled Foods (Australia) Pty. Limited ABN 14 074 590 757
CGT	capital gains tax
CHESS	the Clearing House Electronic Subregister System, which provides for electronic share transfer in Australia
CHESS Holding	a holding of Warrnambool Cheese & Butter Shares on the CHESS subregister of Warrnambool Cheese & Butter
Closing Date	[time] pm (Melbourne time) on [day], [date], unless extended or withdrawn
Combined Group	Bega Cheese and its subsidiaries, including the Warrnambool Cheese & Butter Group, following the successful acquisition by Bega Cheese of <u>all</u> of the Warrnambool Cheese & Butter Shares
Controlling Participant	the "controlling participant" for shares in a CHESS Holding under the ASX Settlement Operating Rules

10. GLOSSARY (CONTINUED)

Corporations Act	the <i>Corporations Act</i> 2001 (Cth)
Dairy Farmers Pty Ltd	Dairy Farmers Pty Ltd ABN 65 010 308 068 a wholly owned subsidiary of Lion-Dairy & Drinks Pty Ltd ABN 65 004 486 631
EBITDA	earnings before net interest, tax, depreciation and amortisation
Encumbrance	<p>(a) a PPS Security Interest;</p> <p>(b) any other mortgage, charge, pledge or lien;</p> <p>(c) an easement, restrictive covenant, caveat or similar restriction over property;</p> <p>(d) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property (including a right to set off or withhold payment of a deposit or other money);</p> <p>(e) a right of any person to purchase, occupy or use an asset (including under an option, agreement to purchase, licence, lease or hire purchase);</p> <p>(f) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or</p> <p>(g) an agreement to create anything referred to above or to allow any of them to exist.</p>
Facility Agreement	has the meaning given to it by Section 7.1(a)
Farmer Supplier	a person who actively supplies milk to Bega Cheese or any of its related bodies corporate, including a person who supplies milk in partnership with others or as a sharefarmer
FMCG	fast moving consumer goods
Fonterra	Fonterra Brands (Australia) Pty Limited ABN 80 095 181 669, a subsidiary of the New Zealand based Fonterra Group Co-op Ltd
Friesland or Royal FrieslandCampina	Royal FrieslandCampina N.V.
FY	financial year ended 30 June of any year (eg. FY13 means the financial year to 30 June 2013)
Government Agency	any government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, office, instrumentality, tribunal, agency, delegate, organisation or entity, or any minister of the crown
Great Ocean Ingredients	Great Ocean Ingredients Pty Ltd ABN 50 124 185 566
GST	has the same meaning as in <i>A New Tax System (Goods and Services Tax) Act</i> 1999 (Cth)
HIN or Holder Identification Number	the number that starts with an "X", allocated by your Controlling Participant, to identify a Warrnambool Cheese & Butter Shareholder with a CHESS Holding
Implied Offer Price	for each Warrnambool Cheese & Butter Share is \$5.78, which is calculated based on the Bega Cheese Share price of \$3.15 as at the close of trading on ASX on 11 September 2013 (being the trading day immediately before the Announcement Date) plus \$2.00 (being the cash component of the Offer Consideration)

Ineligible Foreign Shareholder	a Warrnambool Cheese & Butter Shareholder whose address as shown on the register of Warrnambool Cheese & Butter Shareholders is in a jurisdiction other than Australia, its external territories or New Zealand, unless Bega Cheese is satisfied that it is not precluded from lawfully issuing Bega Cheese Shares to that Warrnambool Cheese & Butter Shareholder either unconditionally or after compliance with conditions that Bega Cheese regards as acceptable and not unduly onerous
Ingredia	Ingredia S.A.
Issuer Sponsored Holding	a holding of Warrnambool Cheese & Butter Shares on Warrnambool Cheese & Butter's issuer sponsored subregister
Lion Dairy	Lion-Dairy & Drinks Pty Ltd ABN 65 004 486 631
Listed	admitted to the official list of ASX, and Listing has a corresponding meaning
Material Contract	any agreement, arrangement or understanding to which any member of the Warrnambool Cheese & Butter Group is a party that is material to the business or operation of any member of the Warrnambool Cheese & Butter Group
Mead Johnson	Mead Johnson Nutrition (Australia) Pty Ltd ABN 83 123 039 921
Mondelez Foods (Kraft)	Mondelez Foods (Australia) Limited ABN 15 004 125 071
Nominee	has the meaning given to it by Section 9.1.11(a)(i)
NPAT	net profit after tax
Offer	the offer by Bega Cheese to acquire Warrnambool Cheese & Butter Shares on the terms set out in Section 9 (and for the avoidance of doubt includes each other offer made by Bega Cheese to Warrnambool Cheese & Butter Shareholders in the form of that offer), including, in each case, as varied in accordance with the Corporations Act
Offer Condition	each condition set out in Section 9.2
Offer Consideration	the consideration under the Offer, determined in accordance with Section 9.1.4
Offer Period	the period commencing on [date] and ending on the Closing Date
p.a.	per annum
PPSA	the <i>Personal Property Securities Act 2009</i> (Cth)
PPS Security Interest	a security interest that is subject to the PPSA
Prescribed Occurrence	any of the following events: (a) Warrnambool Cheese & Butter converts all or any of its shares into a larger or smaller number of shares; (b) Warrnambool Cheese & Butter or a subsidiary of Warrnambool Cheese & Butter resolves to reduce its capital in any way; (c) Warrnambool Cheese & Butter or a subsidiary of Warrnambool Cheese & Butter: (i) enters into a buy-back agreement; or (ii) resolves to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act; (d) Warrnambool Cheese & Butter or a subsidiary of Warrnambool Cheese & Butter issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option, other than an issue of shares:

10. GLOSSARY (CONTINUED)

Prescribed Occurrence cont.	<ul style="list-style-type: none"> (i) pursuant to the vesting and exercise of any Warrnambool Cheese & Butter Performance Rights in existence as at the Announcement Date; or (ii) in respect of the Warrnambool Cheese & Butter FY13 Final Dividend under the Warrnambool Cheese & Butter Dividend Reinvestment Plan; (e) Warrnambool Cheese & Butter or a subsidiary of Warrnambool Cheese & Butter issues, or agrees to issue, convertible notes; (f) Warrnambool Cheese & Butter or a subsidiary of Warrnambool Cheese & Butter disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; (g) Warrnambool Cheese & Butter or a subsidiary of Warrnambool Cheese & Butter grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property; (h) Warrnambool Cheese & Butter or a subsidiary of Warrnambool Cheese & Butter resolves to be wound up; (i) a liquidator or provisional liquidator of Warrnambool Cheese & Butter or of a subsidiary of Warrnambool Cheese & Butter is appointed; (j) a court makes an order for the winding-up of Warrnambool Cheese & Butter or of a subsidiary of Warrnambool Cheese & Butter; (k) an administrator of Warrnambool Cheese & Butter or of a subsidiary of Warrnambool Cheese & Butter is appointed under section 436A, 436B or 436C of the Corporations Act; (l) Warrnambool Cheese & Butter or a subsidiary of Warrnambool Cheese & Butter executes a deed of company arrangement; or (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Warrnambool Cheese & Butter or of a subsidiary of Warrnambool Cheese & Butter
Register Date	the date set by Bega Cheese under section 633(2) of the Corporations Act, being 7.00 pm (Melbourne time) on 12 September 2013
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act
Rights	all accretions and rights attaching to or arising from Warrnambool Cheese & Butter Shares, directly or indirectly, at or after the Announcement Date (including dividends and all rights to receive them, bonuses or other shares of its profits or assets, as well as rights to receive or subscribe for shares, notes, bonds, options or other securities and all other distributions or entitlements declared, paid, made or issued by Warrnambool Cheese & Butter or any of its subsidiaries), other than the Warrnambool Cheese & Butter FY13 Final Dividend (and the benefit of any franking credits attaching to the Warrnambool Cheese & Butter FY13 Final Dividend)
Settlement Participant	a “settlement participant” under the ASX Settlement Operating Rules
Share Registry or Link Market Services	Link Market Services Limited ABN 54 083 214 537
Shareholding Limit	the maximum shareholding limit permitted under the Bega Cheese Constitution as described in Section 1.16
Shareholding Limit Constitutional Amendments	the proposed amendments to the Bega Cheese Constitution set out in Bega Cheese’s 2013 notice of annual general meeting and accompanying materials, which are summarised in Section 1.16

SRN or Securityholder Reference Number	the number that starts with an "I", allocated by Warrnambool Cheese & Butter to identify a Warrnambool Cheese & Butter Shareholder with an Issuer Sponsored Holding
Successful Merger	the successful acquisition by Bega Cheese of <u>all</u> of the Warrnambool Cheese & Butter Shares
Supplier Director	in relation to Bega Cheese, a director of Bega Cheese who is, or is the representative of a body corporate that is, a Farmer Supplier
Syndicated Facilities	the syndicated facilities provided under the Facility Agreement
Target's Statement	the target's statement prepared by Warrnambool Cheese & Butter in relation to the Offer
Tatura Milk Industries	Tatura Milk Industries Limited ABN 66 006 603 970
US	United States of America
Voting Power	has the meaning given in section 610 of the Corporations Act
VWAP or Volume Weighted Average Price	the volume weighted average price
Warrnambool Cheese & Butter or WCB	Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15 071 945 232
Warrnambool Cheese & Butter Board	the board of directors of Warrnambool Cheese & Butter
Warrnambool Cheese & Butter Dividend Reinvestment Plan	Warrnambool Cheese & Butter's dividend reinvestment plan announced by Warrnambool Cheese & Butter before the Register Date
Warrnambool Cheese & Butter Employee Share Plan	Warrnambool Cheese & Butter's employee share plan described in an announcement by Warrnambool Cheese & Butter to ASX on 12 November 2004
Warrnambool Cheese & Butter Executive Performance Rights Plan	Warrnambool Cheese & Butter's executive performance rights plan which was approved by Warrnambool Cheese & Butter Shareholders at the annual general meeting of Warrnambool Cheese & Butter on 25 October 2012
Warrnambool Cheese & Butter FY13 Final Dividend	Warrnambool Cheese & Butter's final dividend of 11 cents per share for FY13, as announced by Warrnambool Cheese & Butter in its Appendix 4E Preliminary final report for FY13 given to ASX on 28 August 2013
Warrnambool Cheese & Butter Group	Warrnambool Cheese & Butter and each of its subsidiaries
Warrnambool Cheese & Butter Japan	Warrnambool Cheese & Butter Japan Company Limited
Warrnambool Cheese & Butter Material Adverse Change	means a reduction in the: (a) consolidated net assets of the Warrnambool Cheese & Butter Group by at least \$10 million; or (b) future recurring profit before income tax of the Warrnambool Cheese & Butter Group by at least \$5 million per year
Warrnambool Cheese & Butter Performance Right	performance rights issued to eligible employees under the Warrnambool Cheese & Butter Executive Performance Rights Plan, being rights to acquire Warrnambool Cheese & Butter Shares for nil consideration

10. GLOSSARY (CONTINUED)

Warrnambool Cheese & Butter Share	a fully paid ordinary share in the capital of Warrnambool Cheese & Butter, and all Rights attaching to that share
Warrnambool Cheese & Butter Share Plans	the Warrnambool Cheese & Butter Employee Share Plan and the Warrnambool Cheese & Butter Supplier Share Plan
Warrnambool Cheese & Butter Shareholder	a holder of Warrnambool Cheese & Butter Shares
Warrnambool Cheese & Butter Supplier Share Plan	Warrnambool Cheese & Butter's supplier share plan described in an announcement by Warrnambool Cheese & Butter to ASX on 15 November 2004
Withholding Amount	has the meaning given to it by Section 9.1.8(e)
Your Accepted Warrnambool Cheese & Butter Shares	<p>(a) if you specify in your Acceptance Form that you wish to accept this Offer in respect of a specified number of Your Warrnambool Cheese & Butter Shares only – that specified number of Warrnambool Cheese & Butter Shares; or</p> <p>(b) otherwise – all of Your Warrnambool Cheese & Butter Shares (even if the number pre-printed on your Acceptance Form as the total number of Your Warrnambool Cheese & Butter Shares is not correct)</p>
Your Warrnambool Cheese & Butter Shares	<p>the Warrnambool Cheese & Butter Shares:</p> <p>(a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Warrnambool Cheese & Butter:</p> <p>(i) on the Register Date; or</p> <p>(ii) between the Register Date and the end of the Offer Period as a result of the issue of Warrnambool Cheese & Butter Shares under the Warrnambool Cheese & Butter Dividend Reinvestment Plan, or as a result of the conversion of, or exercise of rights attached to, other Warrnambool Cheese & Butter securities which exist on the Register Date; or</p> <p>(b) to which you are otherwise able to give good title at the time you accept this Offer during the Offer Period.</p>

(a) Other than as defined above, words and phrases have the same meaning (if any) given to them in the Corporations Act.

(b) Words importing a gender include any gender.

(c) Words importing the singular include the plural and vice versa.

(d) An expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.

(e) A reference to a Section, Annexure, Appendix or schedule is a reference to a section of or an annexure, appendix or schedule to this Bidder's Statement as relevant.

(f) A reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute.

(g) Headings and boldings are for convenience only and do not affect the interpretation of this Bidder's Statement.

- (h) The words “include”, “including”, “for example” or “such as” are not used as, nor are they to be interpreted as, words of limitation, and, when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.
- (i) A reference to “you” is to a person to whom the Offer is (or is deemed to be) made.
- (j) A reference to time is a reference to time in Melbourne, Victoria.

11. APPROVAL OF THE BIDDER'S STATEMENT

The copy of this Bidder's Statement to be lodged with ASIC has been approved by a unanimous resolution duly passed at a meeting of the directors of Bega Cheese on ~~12-26~~ September 2013.

Signed for and on behalf of Bega Cheese Limited in accordance with section 351 of the Corporations Act.



Barry Irvin

Executive Chairman

~~12-27~~ September 2013

ANNEXURE

Bega Cheese Limited ASX announcements since 30 June 2012

Date	Name of Announcement
05/09/2013	Change in substantial holding
22/08/2013	FY13 Results Presentation
22/08/2013	Preliminary Final Report
15/08/2013	FY13 Results Conference Details
16/07/2013	Nutritional Powder Packing Facility
03/05/2013	Notification of Change in Shareholdings
14/03/2013	Change in substantial holding for Warrnambool Cheese & Butter
21/02/2013	Bega Cheese Half Year 2013 Results Highlights
21/02/2013	Media Release - 1H FY13 Results
21/02/2013	Half Yearly Report and Accounts
15/02/2013	2013 Half Year Result Conference Call
05/02/2013	Market Update
30/11/2012	Change of Half Year Balance Date
27/11/2012	Notification of Change in Shareholdings
15/11/2012	Bega Cheese - Fonterra Product Supply Agreement
31/10/2012	Results of 2012 Annual General Meeting
31/10/2012	CEO Speech - 2012 Annual General Meeting
31/10/2012	Chairman Speech - 2012 Annual General Meeting
31/10/2012	2012 Annual General Meeting Presentation
29/10/2012	AGM Live Stream
10/10/2012	Notice of Annual General Meeting/Proxy Form
26/09/2012	Change of Director's Interest Notice
04/09/2012	2012 Annual General Meeting Date
24/08/2012	Media Release - Bega Cheese FY12 Results
24/08/2012	Results Presentation 2011-2012
24/08/2012	Preliminary Final Report and Annual Report
21/08/2012	Appendix 3B
16/08/2012	FY12 Results Meeting – 24 August 2012

Source: ASX Announcements



TMI milk receival area.

*Other images supplied by the following publications:
P 15 & 28, Warrnambool Cheese & Butter Factory – The Warrnambool Standard
P15. Mil Lel Factory – The Stock Journal*



Bega Cheese Limited
ABN 81 008 358 503



Need help?

Contact Bega Cheese Information Line
Phone 1300 880 751 (from within Australia)
Phone +61 1300 880 751 (from outside Australia)

A Your name

SAMPLE NAME 1
SAMPLE NAME 2
<SAMPLE A/C>
SAMPLE ADDRESS 1
SAMPLE ADDRESS 2

Your holding

Holder Identification Number: X12345678910
Warrnambool Cheese and Butter Factory
Company Holdings Limited Shares held
as at 7:00pm (Melbourne time),
12 September 2013 (Register Date) 99,999,999
If your holding has changed between Register Date and time of
acceptance, then write your current holding here.
**This is an important document. If you are in doubt as to
how to complete this form, please consult your financial
or other professional adviser immediately.**

Controlling Participant's Name *Broker's Name and telephone printed here*

Advisor Name:	Contact Number:
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Transfer and Acceptance Form – CHES Holding

This is a personalised form for the sole use of the holder and holding recorded above.

This form relates to an offer ("Offer") by Bega Cheese Limited ("Bega Cheese"), to acquire all your ordinary shares in Warrnambool Cheese and Butter Factory Company Holdings Limited ("Warrnambool Cheese & Butter") pursuant to a Bidder's Statement dated 12 27 September 2013 and any replacements or supplements ("Bidder's Statement"). Terms defined in the Bidder's Statement but not in this form have the same meaning as in the Bidder's Statement unless the context requires otherwise.

B You must give your instructions to your controlling participant to accept the Offer

You may accept the Offer in respect of either **ALL** of Your Warrnambool Cheese & Butter Shares, or the number of Your Warrnambool Cheese & Butter Shares nominated by you below.

Offer Consideration – For each Warrnambool Cheese & Butter Share accepted into the takeover you are offered 1.2 Bega Cheese Shares and \$2.00 cash (subject to Section 9.1.4(c) and the Offer terms and conditions in Section 9 of the Bidder's Statement).

If you are an Ineligible Foreign Shareholder, you will not receive Bega Cheese Shares under the Offer. Instead, your Offer Consideration will be the cash amount determined in accordance with Section 9.1.11(a)(iii) of the Bidder's Statement plus the cash component of the Offer Consideration.

<input type="checkbox"/> I/We accept the Offer for all my/our Warrnambool Cheese & Butter Shares	OR	<input type="checkbox"/> I/We accept the Offer for the number of my/our Warrnambool Cheese & Butter Shares nominated in this box: <input type="text"/>
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If you do not mark either of the boxes above (or your election is unclear), you will be deemed to have accepted the Offer for **ALL** Your Warrnambool Cheese & Butter Shares. To accept the Offer you may either:

- directly instruct your Controlling Participant to accept the Offer on your behalf; or
- sign and return this Acceptance Form to the address shown overleaf so Bega Cheese can contact your Controlling Participant on your behalf and relay your instructions.

If your Controlling Participant acts on your instruction CHES will send you a confirmation notice.

C Contact details – Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours <input type="text"/>	Contact Name (PRINT) <input type="text"/>
---	--

D You must sign this form for your instructions in this Acceptance Form to be executed

I/We, the person(s) named above, accept the Offer in respect of my/our Warrnambool Cheese & Butter Shares specified above, or if not specified (or my/our election is unclear), in respect of all my/our Warrnambool Cheese & Butter Shares, and hereby agree to transfer to Bega Cheese those Warrnambool Cheese & Butter Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement.

Shareholder 1 (Individual) <input type="text"/>	Shareholder 2 (Individual) <input type="text"/>	Shareholder 3 (Individual) <input type="text"/>
--	--	--

Sole Director & Sole Company Secretary Secretary/Director (delete one) Director

Bega Cheese reserves the right to make amendments to this form as set out in the Offer terms.

Please refer overleaf for further important instructions

REGISTRY USE ONLY



HIN



Broker PID



Holding

WCBT TKO002



Further Important Instructions

Your Warrnambool Cheese & Butter Shares are in a CHESS Holding, you do not need to complete and return this Acceptance Form to the registry to accept the Offer. You can instead contact your Controlling Participant and instruct them to accept the Offer on your behalf in sufficient time before the end of the Offer Period to enable your Controlling Participant to give effect to your acceptance of the Offer on CHESS during business hours. If you decide to use this Acceptance Form to authorise us to contact your Controlling Participant on your behalf, follow the instructions below. You should allow Link Market Services Limited ("Link") sufficient time for the delivery of the Acceptance Form to your Controlling Participant on your behalf. Neither Bega Cheese, nor Link will be responsible for any delays incurred by this process.

Please refer to the Bidder's Statement dated **12 27** September 2013 which accompanies this Acceptance Form. Terms are defined in the Bidder's Statement and have the same meaning in this Acceptance Form.

Completion instructions

- A**
- **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name or address can only be processed by your Controlling Participant.
 - **Please note** that any scrip consideration issued to you will be issued in the name(s) as they appear on the Warrnambool Cheese & Butter register.
- D**
- **Please sign this Acceptance Form** in the places for signature(s) out on the front page and in accordance with the following instructions:
 - **Joint Shareholders:** If Your Warrnambool Cheese & Butter Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
 - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate or letters of administration accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

If you sign and return this Acceptance Form or if you instruct your Controlling Participant to accept the Offer on your behalf, you warrant to Bega Cheese at the time of your acceptance and at the time the transfer of Your Warrnambool Cheese & Butter Shares (to which your acceptance relates) is registered, that all of those Warrnambool Cheese & Butter Shares are and will be fully paid, you have full legal and beneficial ownership of those Warrnambool Cheese & Butter Shares and that Bega Cheese will acquire them free from all mortgages, charges, liens, Encumbrances (whether legal or equitable), security interest, adverse interests of any nature and restrictions on transfer of any kind.

Information you supply on this Acceptance Form will be used by Bega Cheese and Link for the primary purpose of processing your acceptance of the Offer and to provide you with the consideration payable under the Offer. This information may be disclosed to Bega Cheese's related bodies corporate, professional advisers, securities brokers, printing and mailing providers and other third parties in connection with the Offer. If you fail to supply this information, your acceptance may not be processed and you may not receive the consideration payable. You have rights to obtain access to the personal information which you have supplied. Please see Link's privacy policy on its website www.linkmarketservices.com.au.

Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

Mailing Address

Link Market Services Limited
Warrnambool Cheese and Butter Factory
Company Holdings Limited Takeover
Locked Bag A14
SYDNEY SOUTH NSW 1235

or

Hand Delivery

Link Market Services Limited
Warrnambool Cheese and Butter Factory
Company Holdings Limited Takeover
1A Homebush Bay Drive
RHODES NSW 2138

- A reply paid envelope is enclosed for use within Australia.

Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (Melbourne time) on the last day of the Offer Period.

If you have any questions about the terms of the Offer or how to accept, please call the Bega Cheese Information Line on the following numbers:

**within Australia: 1300 880 751
outside Australia: +61 1300 880 751**



Bega Cheese Limited
ABN 81 008 358 503



Need help?

Contact Bega Cheese Information Line
Phone 1300 880 751 (from within Australia)
Phone +61 1300 880 751 (from outside Australia)

A Your name

SAMPLE NAME 1
SAMPLE NAME 2
<SAMPLE A/C>
SAMPLE ADDRESS 1
SAMPLE ADDRESS 2

Your holding

Securityholder Reference Number: 112345678910
Warrnambool Cheese and Butter Factory
Company Holdings Limited Shares held
as at 7:00pm (Melbourne time),
12 September 2013 (Register Date) 99,999,9999
If your holding has changed between Register Date and time of
acceptance, then write your current holding here. Your acceptance
will be granted over your updated holding.

**This is an important document. If you are in doubt as to
how to complete this form, please consult your financial
or other professional adviser immediately.**

Transfer and Acceptance Form – Issuer Sponsored Holding

This is a personalised form for the sole use of the holder and holding recorded above.

This form relates to an offer ("Offer") by Bega Cheese Limited ("Bega Cheese"), to acquire all your ordinary shares in Warrnambool Cheese and Butter Factory Company Holdings Limited ("Warrnambool Cheese & Butter") pursuant to a Bidder's Statement dated 42 27 September 2013 and any replacements or supplements ("Bidder's Statement"). Terms defined in the Bidder's Statement but not in this form have the same meaning as in the Bidder's Statement unless the context requires otherwise.

B You must give your instructions to accept the Offer

You may accept the Offer in respect of either **ALL** of Your Warrnambool Cheese & Butter Shares, or the number of Your Warrnambool Cheese & Butter Shares nominated by you below. Your form must be received by the Closing Date.

Offer Consideration – For each Warrnambool Cheese & Butter Share accepted into the takeover you are offered 1.2 Bega Cheese Shares and \$2.00 cash (subject to Section 9.1.4(c) and the Offer terms and conditions in Section 9 of the Bidder's Statement).

If you are an Ineligible Foreign Shareholder, you will not receive Bega Cheese Shares under the Offer. Instead, your Offer Consideration will be the cash amount determined in accordance with Section 9.1.11(a)(iii) of the Bidder's Statement plus the cash component of the Offer Consideration.

I/We accept the Offer for all my/our Warrnambool Cheese & Butter Shares **OR** I/We accept the Offer for the number of my/our Warrnambool Cheese & Butter Shares nominated in this box:

If you do not mark either of the boxes above (or your election is unclear), you will be deemed to have accepted the Offer for **ALL** Your Warrnambool Cheese & Butter Shares.

C Contact details – Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours Contact Name (PRINT)

D You must sign this form for your instructions in this Acceptance Form to be executed

I/We, the person(s) named above, accept the Offer in respect of my/our Warrnambool Cheese & Butter Shares specified above, or if not specified (or my/our election is unclear), in respect of all my/our Warrnambool Cheese & Butter Shares, and hereby agree to transfer to Bega Cheese those Warrnambool Cheese & Butter Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement.

Shareholder 1 (Individual) Shareholder 2 (Individual) Shareholder 3 (Individual)
Sole Director & Sole Company Secretary Secretary/Director (delete one) Director

Bega Cheese reserves the right to make amendments to this form as set out in the Offer terms.

Please refer overleaf for further important instructions

REGISTRY USE ONLY



SRN



Holding

WCBT TKO001



Further Important Instructions

Your Warrnambool Cheese & Butter Shares are in an Issuer Sponsored Holding. To accept the Offer, you must complete and return this Acceptance Form in accordance with the instructions below.

Please refer to the Bidder's Statement dated [42 27](#) September 2013 which accompanies this Acceptance Form. Terms are defined in the Bidder's Statement and have the same meaning in this Acceptance Form.

Completion instructions

- A**
- **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name can only be processed by the Warrnambool Cheese & Butter registry.
 - **Please note** that any scrip consideration issued to you will be issued in the name(s) as they appear on the Warrnambool Cheese & Butter register.
- D**
- **Please sign this Acceptance Form** in the places for signature(s) out on the front page and in accordance with the following instructions:
 - **Joint Shareholders:** If Your Warrnambool Cheese & Butter Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
 - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate or letters of administration accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

If you sign and return this Acceptance Form, you warrant to Bega Cheese at the time of your acceptance and at the time the transfer of Your Warrnambool Cheese & Butter Shares (to which your acceptance relates) is registered, that all of those Warrnambool Cheese & Butter Shares are and will be fully paid, you have full legal and beneficial ownership of those Warrnambool Cheese & Butter Shares and that Bega Cheese will acquire them free from all mortgages, charges, liens, Encumbrances (whether legal or equitable), security interest, adverse interests of any nature and restrictions on transfer of any kind.

Information you supply on this Acceptance Form will be used by Bega Cheese and Link Market Services Limited ("Link") for the primary purpose of processing your acceptance of the Offer and to provide you with the consideration payable under the Offer. This information may be disclosed to Bega Cheese's related bodies corporate, professional advisers, securities brokers, printing and mailing providers and other third parties in connection with the Offer. If you fail to supply this information, your acceptance may not be processed and you may not receive the consideration payable. You have rights to obtain access to the personal information which you have supplied. Please see Link's privacy policy on its website www.linkmarketservices.com.au.

Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

Mailing Address

Link Market Services Limited
Warrnambool Cheese and Butter Factory
Company Holdings Limited Takeover
Locked Bag A14
SYDNEY SOUTH NSW 1235

or

Hand Delivery

Link Market Services Limited
Warrnambool Cheese and Butter Factory
Company Holdings Limited Takeover
1A Homebush Bay Drive
RHODES NSW 2138

- A reply paid envelope is enclosed for use within Australia.

Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (Melbourne time) on the last day of the Offer Period.

If you have any questions about the terms of the Offer or how to accept, please call the Bega Cheese Information Line on the following numbers:

**within Australia: 1300 880 751
outside Australia: +61 1300 880 751**

Directors

Barry Irvin, AM

Max Roberts

Richard Parbery, FCPA

Richard Platts, Adv Dip Agr, GAICD

Peter Margin, BS (Hons), MBA

Joy Linton, BComm, Grad Dip AFI, GAICD

Richard Cross, BAgSci (Hons), GAICD

Jeff Odgers, BBus (Ag Mgt)

Chief Executive Officer

Aidan Coleman, BA, BBS, GAICD

Company Secretaries

Brett Kelly, B.Comm, FCA, GAICD

Colin Griffin, BA in Accounting, CA

Registered Address

23-45 Ridge Street

Bega NSW 2550

Share Registry

Link Market Services Limited

Locked Bag A14

Sydney NSW 1235

Corporate Adviser

Kidder Williams Limited

Level 48

120 Collins Street

Melbourne, Victoria 3000

Legal Adviser

Addisons

Level 12

60 Carrington Street

Sydney, NSW 2000

Auditor

PricewaterhouseCoopers

Darling Park Tower 2

201 Sussex Street

Sydney NSW 1171



Bega
SINCE
1899