



BEGA CHEESE
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15 November 2013

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

Dear Sir / Madam

Takeover bid by Bega Cheese Limited (ASX Code: BGA) for Warrnambool Cheese and Butter Factory Company Holdings Limited (ASX Code: WCB) – Increase in Offer Consideration, Third Supplementary Bidder’s Statement and freeing Offers from defeating conditions

We refer to:

1. the offers made by Bega Cheese Limited ABN 81 008 358 503 (Bega Cheese) under its off-market bid for the ordinary shares in Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15 071 945 232 (Offers); and
2. Bega Cheese’s ASX announcement dated 14 November 2013 regarding its intention to increase the Offer Consideration under the Offers and declare the Offers unconditional.

Bega Cheese encloses:

1. a notice given under section 650D(1) of the Corporations Act 2001 (Cth) (Act), varying the Offers to increase the Offer Consideration, which will be despatched to the Warrnambool Cheese & Butter Shareholders referred to in the notice;
2. by way of service pursuant to section 647(3)(b) of the Act, its Third Supplementary Bidder’s Statement dated 15 November 2013, which will be despatched to Warrnambool Cheese & Butter Shareholders together with the notice of variation referred to above; and
3. by way of service pursuant to section 650F(3)(a) of the Act, a notice given under section 650F(1) of the Act, declaring the Offers free from all defeating conditions.

Yours faithfully

Brett Kelly
Company Secretary

BEGA CHEESE LIMITED
ABN 81 008 358 503

NOTICE OF VARIATION – Increase in Offer Consideration

Off-market bid by Bega Cheese Limited ABN 81 008 358 503 (Bega Cheese) for Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15 071 945 232 (Warrnambool Cheese & Butter)

To: Australian Securities and Investments Commission (ASIC)

Warrnambool Cheese and Butter Factory Company Holdings Limited

Each Warrnambool Cheese & Butter Shareholder in accordance with section 650D(1)(c)(ii) of the *Corporations Act 2001 (Cth) (Act)* (as modified by ASIC Class Order [CO 13/521])

Bega Cheese gives notice under section 650D(1) of the Act that it varies the offers under its off-market takeover bid for all the ordinary shares in Warrnambool Cheese & Butter (**Offer**) made in its Replacement Bidder's Statement dated 27 September 2013 (as supplemented) (**Bidder's Statement**) by:

1. increasing the Offer Consideration to 1.5 Bega Cheese Shares plus \$2.00 cash for each of Your Accepted Warrnambool Cheese & Butter Shares; and
2. substituting "1.5" for "1.2":
 - (a) on the cover page of the Bidder's Statement;
 - (b) in Section 9.1.4(a) of the Bidder's Statement; and
 - (c) in all other places in the Bidder's Statement where the number "1.2" appears in the context of the describing the number of Bega Cheese Shares that Warrnambool Cheese & Butter Shareholders will receive for each of Your Accepted Warrnambool Cheese & Butter Shares.¹

The increased Offer Consideration will apply to all Warrnambool Cheese & Butter Shareholders who accept the Offer, including those Warrnambool Cheese & Butter Shareholders who have already accepted the Offer.

Unless the context requires otherwise, words defined in the Bidder's Statement have the same meaning when used in this notice.

A copy of this notice was lodged with ASIC on 15 November 2013. ASIC takes no responsibility for the contents of this notice.

This notice has been approved by a unanimous resolution passed by all the directors of Bega Cheese.

Dated: 15 November 2013

Signed for and on behalf of Bega Cheese Limited by:



Barry Irvin
Executive Chairman

¹ If you are an Ineligible Foreign Shareholder, you will receive cash and will not receive Bega Cheese Shares under the Offer. See Section 9.1.11 of the Bidder's Statement.

15 November 2013

THIRD SUPPLEMENTARY BIDDER'S STATEMENT INCREASE IN BEGA CHEESE'S OFFER CONSIDERATION

*This is the third supplementary bidder's statement (**Third Supplementary Bidder's Statement**) to the bidder's statement (**Original Bidder's Statement**) of Bega Cheese Limited ABN 81 008 358 503 (ASX:BGA) (**Bega Cheese**) dated 12 September 2013 given in connection with its takeover offer for all of the shares in Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15 071 945 232 (ASX:WCB) (**Warrnambool Cheese & Butter**). This Third Supplementary Bidder's Statement supplements, and must be read together with, Bega Cheese's first supplementary bidder's statement dated 27 September 2013, its replacement bidder's statement dated 27 September 2013 (**Bidder's Statement**) (which replaced the Original Bidder's Statement) and its second supplementary bidder's statement dated 11 October 2013. This Third Supplementary Bidder's Statement is dated 15 November 2013 and has been approved by a unanimous resolution passed by all of the directors of Bega Cheese. A copy of this Third Supplementary Bidder's Statement has been lodged with the Australian Securities and Investments Commission (**ASIC**). Neither ASIC nor any of its officers takes any responsibility for the contents of this Third Supplementary Bidder's Statement. Unless the context requires otherwise, terms defined in the Bidder's Statement have the same meaning in this Third Supplementary Bidder's Statement.*

BEGA CHEESE RAISES OFFER TO \$8.87¹

- Offer Consideration is now **1.5 Bega Cheese Shares and \$2.00 cash** which equates to \$8.87 per Warrnambool Cheese & Butter Share.²
- Bega Cheese's Offer is now **UNCONDITIONAL and if you ACCEPT** you will be paid your Offer Consideration of Bega Cheese Shares and Cash within 8 business days after your valid Acceptance Form is processed (or if your Acceptance Form was processed before the date of this Third Supplementary Bidder's Statement, within 8 business days of that date).
- Bega Cheese has demonstrated a strong milk price record in South West Victoria.
- Bega Cheese has demonstrated consistent financial performance and shareholder returns.
- Upon a Successful Merger, Bega Cheese will maintain healthy gearing of approximately 32%.
- Keep profits and benefits from the Combined Group in Australia and share in the synergies and upside.
- Both of Saputo's and Murray Goulburn's offers remain subject to conditions.
- Bega Cheese intends to preserve the Warrnambool Cheese & Butter name, operating sites and brands and has **NO INTENTION** to close the Warrnambool Cheese & Butter head office or the Allansford or Mil Lel sites.
- Bega Cheese has a proven history of growing and developing the workforces of, and investing in, the businesses it acquires.
- **This is Bega Cheese's FINAL OFFER and will not be increased.**

¹ Based on the closing price of \$4.58 of Bega Cheese Shares on 13 November 2013, the trading day immediately before the announcement of the increased Offer Consideration.

² See footnote 1.

As a result of Bega Cheese increasing its Offer Consideration and declaring its Offer free from the Offer Conditions, the following updated information is provided to Warrnambool Cheese & Butter Shareholders.

Increase in Offer Consideration

Bega Cheese has increased its Offer Consideration to 1.5 Bega Cheese Shares and \$2.00 cash for every 1 Warrnambool Cheese & Butter Share. The notice giving effect to this increase to the Offer Consideration is attached to this Third Supplementary Bidder's Statement. The increase will apply to all Warrnambool Cheese & Butter Shareholders who accept the Offer, including those who accepted prior to the increase.³

The increased Offer Consideration equates to \$8.87 per Warrnambool Cheese & Butter Share.⁴ This represents a premium of 96.7% to the \$4.51 closing price of Warrnambool Cheese & Butter Shares on 11 September 2013 (being the trading day immediately before the announcement of Bega Cheese's Offer).

Bega Cheese's Offer now UNCONDITIONAL

After receiving notification that ACCC will not object to Bega Cheese's acquisition of Warrnambool Cheese & Butter and obtaining Bega Cheese Shareholder approval to the changes to the Shareholding Limit provisions in its constitution, Bega Cheese has today freed its Offer from all other Offer Conditions. Accordingly, the Offer is now not subject to any defeating conditions and Warrnambool Cheese & Butter Shareholders who **ACCEPT** Bega Cheese's Offer will receive Bega Cheese Shares and cash.⁵ Bega Cheese's Offer is the **ONLY** offer for Warrnambool Cheese & Butter which is currently unconditional. Saputo's offer and the proposed offer to be made by Murray Goulburn remain subject to various conditions.

Share in future upside and keep profits in Australia

By accepting Bega Cheese's Offer, Warrnambool Cheese & Butter Shareholders will become shareholders in Bega Cheese⁶ and will be able to share in the future upside of 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.

³ If you are an Ineligible Foreign Shareholder, you will receive cash and will not receive Bega Cheese Shares under the Offer. See Section 9.1.11 of the Bidder's Statement.

⁴ See footnote 1.

⁵ See footnote 3.

⁶ Unless you are an Ineligible Foreign Shareholder. See footnote 3.

Bega Cheese intends to grow and invest in the Warrnambool Cheese & Butter business. It **DOES NOT** intend to significantly reduce the number of staff at Warrnambool Cheese & Butter's head office nor does it have any intention of closing the Warrnambool Cheese & Butter facility at Mil Lel or the Bega Cheese facility at Coburg.

Australian food companies have a unique strategic advantage and opportunity to take advantage of the demand for food in Asia. Saputo has indicated its intention to position Warrnambool Cheese & Butter as Saputo's platform to expand in the Asia-Pacific region. However, if you sell your Warrnambool Cheese & Butter Shares to Saputo (and the conditions to Saputo's offer are satisfied or waived) you do not have an opportunity to share in the upside of the potential business growth in Asia. Further, if Saputo becomes the owner of Warrnambool Cheese & Butter, the distributed profits from the Warrnambool Cheese & Butter business will be for the benefit of Saputo Inc., a Canadian-based company.

Bega Cheese has consistently argued that a Successful Merger of Warrnambool Cheese & Butter and Bega Cheese will create more value in the dairy supply chain through integration benefits, efficiencies, innovation and market reach. Importantly, creating more value in the supply chain will result in improved returns to dairy farmer suppliers.

Bega Cheese has a history and proven track record of leading manufacturing milk pay rate performance.

At the end of FY13, Bega Cheese commissioned two consultants who assessed Bega Cheese's milk price position. These assessments used publicly announced milk prices and included a variety of different supply curves. The conclusion of these assessments was that Bega Cheese was the leading payer for manufacturing milk in South West Victoria during FY13 across a large range of supplier patterns, when compared to the other major manufacturing milk companies in the region.⁷

When Warrnambool Cheese & Butter Shareholders consider the merits of the Bega Cheese Offer, the Bega Cheese Board believes that they should have regard to Bega Cheese's track record of milk pricing, consistently strong financial performance, business investment, employment opportunities and community engagement. The Bega Cheese Board believes that this track record points to the benefits, merits and opportunities that would be created through the combination of Bega Cheese, Warrnambool Cheese & Butter and Tatura Milk Industries.

Accelerated Payment Terms

If you validly accept Bega Cheese's Offer, you will be paid \$2.00 cash and issued 1.5 Bega Cheese Shares for each of Your Accepted Warrnambool Cheese & Butter Shares.⁸ Bega Cheese will provide you with your Offer Consideration within 8 business days after your valid Acceptance Form is processed (or if your Acceptance Form was processed before the date of this Third Supplementary Bidder's Statement, within 8 business days of that date). **The Bega Cheese Shares that are issued to you can be traded on ASX.**

⁷ Each of the consultants, being Kevin J Maher and Farmanco Pty Ltd, has given and has not, before lodgement of this Third Supplementary Bidder's Statement with ASIC, withdrawn its consent to the inclusion of this statement in the form and context in which it is included.

⁸ See footnote 3, and subject to the other Offer terms in Section 9.1 of the Bidder's Statement.

Bega Cheese has no intention of closing the Allansford head office or the Mil Lel facility

In Bega Cheese's Bidder's Statement, Bega Cheese clearly stated,

"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."

To be clear, Bega Cheese has **NO INTENTION** of significantly reducing the number of the head office staff or closing the Mil Lel facility. Bega Cheese intends to grow the Warrnambool Cheese & Butter business with the endeavour of improving returns to dairy farmer suppliers and shareholders. The Combined Group is expected to provide advancement opportunities for a number of employees 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 has a demonstrated history of creating value while expanding the workforces of businesses it acquires.

Bega Cheese is committed to expanding the Warrnambool Cheese & Butter business and improving its historically volatile financial performance. Bega Cheese intends to improve on historical profitability by implementing a clear and focussed strategy and investing in Warrnambool Cheese & Butter's facilities.

Potential for Capital Gains Tax Roll-Over Relief

Bega Cheese's Offer is the only offer that provides shares as consideration. This provides Warrnambool Cheese & Butter Shareholders with the potential for Capital Gains Tax rollover relief in relation to the Bega Cheese Shares component of the Offer Consideration, in the event Bega Cheese obtains a holding of at least 80% of the voting shares in Warrnambool Cheese & Butter as a result of the Offer.⁹

ACCC and Bega Cheese Shareholder Approvals

The Australian Competition & Consumer Commission has announced that it will not oppose Bega Cheese's acquisition of Warrnambool Cheese & Butter. Accordingly, this condition of Bega Cheese's Offer has been satisfied and, unlike Murray Goulburn's proposed bid, Bega Cheese's Offer is no longer subject to competition clearance.

On 22 October 2013, Bega Cheese shareholders voted overwhelmingly in favour of amending the Shareholding Limit provisions in Bega Cheese's constitution to enable the Offer for Warrnambool Cheese & Butter to proceed. Accordingly, this condition of Bega Cheese's Offer has been satisfied.

⁹ See Section 5 of the Bidder's Statement for further details.

Updates to information in Bidder's Statement

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

To reflect the increase in the Offer Consideration referred to in this Third Supplementary Bidder's Statement, the table in Section 4.3 of the Bidder's Statement (and the notes to that table) are replaced by Annexure A to this Third Supplementary Bidder's Statement.

Effect on Bega Cheese's earnings per share

To reflect the increase in the Offer Consideration referred to in this Third Supplementary Bidder's Statement, the table in Section 4.4 of the Bidder's Statement (and the notes to that table) are replaced by Annexure B to this Third Supplementary Bidder's Statement.

Pro forma financial information

To reflect the increase in the Offer Consideration referred to in this Third Supplementary Bidder's Statement, the pro forma balance sheets in Section 4.8 of the Bidder's Statement (and the notes to them) are replaced by the pro forma balance sheets and accompanying notes in Annexure C to this Third Supplementary Bidder's Statement.

Broker Handling Fees

Bega Cheese will pay a handling fee in respect of valid acceptances received from eligible retail Warrnambool Cheese & Butter Shareholders, on the terms set out in Annexure D to this Third Supplementary Bidder's Statement. These terms replace Section 8.7 of the Bidder's Statement.

We urge Warrnambool Cheese & Butter Shareholders to consider all of the information they have been provided by Bega Cheese and ACCEPT Bega Cheese's Offer

For your convenience, you will find enclosed a further copy of a personalised acceptance form in respect of Your Warrnambool Cheese & Butter Shares.

Your completed acceptance form (or, where your shares are held in CHESS, your valid instructions to enable the Offer to be accepted on your behalf) needs to be received by Link Market Services **no later than 7pm Melbourne time on 28 November 2013, unless the Offer is extended**. You do not need to re-lodge this form if you have already accepted the Offer.

If you have any questions about the Offer or require assistance with your acceptance, you should call the Bega Cheese Information Line on 1300 880 751.

Other information

Documents lodged with ASIC or ASX

This Third Supplementary Bidder's Statement includes, pursuant to ASIC Class Order [CO 13/521], statements which are made in, or based on statements made in, Warrnambool Cheese & Butter and Saputo documents lodged with ASIC or given to the ASX. In particular the information has been sourced from the ASX announcements listed below:

- Warrnambool Cheese & Butter's Target's Statement dated 16 October 2013 in response to Bega Cheese's Offer; and
- Saputo's Bidder's Statement dated 25 October 2013.

Bega Cheese will, on request during the Bid Period, provide within 2 business days, a copy of the documents referred to above (or the part of the document containing the statement) free of charge to any Warrnambool Cheese & Butter Shareholder (by contacting the Bega Cheese Information Line).

Signed for and on behalf of Bega Cheese Limited

A handwritten signature in black ink, appearing to read "B.A. Irvin", followed by a horizontal line and a comma.

Barry Irvin
Executive Chairman

ANNEXURE A

	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)
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	68,745,053	26,755,103	9,841,316
Total Bega Cheese Shares on issue following completion of the Offer^(a)	220,611,103	178,621,153	161,707,366
Bega Cheese Shares issued under the Offer as a percentage of total Bega Cheese Shares on issue following completion of the Offer	31%	15%	6%
Additional Bega Cheese debt required to fund the acquisition and transaction costs (\$ million)	Transaction costs \$4.0 Facility set up costs \$2.3 Cash consideration \$91.7 Total \$98.0	Transaction costs \$2.0 Facility set up costs \$2.0 Cash consideration \$35.7 Total \$39.7	Transaction costs \$1.2 Facility set up costs \$0.7 Cash consideration \$13.1 Total \$15.0
Total consideration paid to Warrnambool Cheese & Butter shareholders for shares not already held by Bega Cheese at date of Offer^(b)	\$406.5 million	\$158.2 million	\$58.2 million
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 assumes that all of the Warrnambool Cheese & Butter Performance Rights that have been approved are vested. Includes shares issued under the Warrnambool Cheese & Butter Dividend Reinvestment Plan in October 2013.

(b) Assumes Bega Share price of \$4.58 and implied Offer Consideration of \$8.87.

ANNEXURE B

	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	\$33,693,948	\$29,171,261	\$26,068,563
Total Bega Cheese Shares on issue following completion of the Offer	220,611,103	178,621,153	161,707,366
Earnings per Bega Cheese share on issue	15.3 cents	16.3 cents	16.1 cents

Note: (a) The above table assumes that all of the Warrnambool Cheese & Butter Performance Rights that have been approved are vested. Includes shares issued under the Warrnambool Cheese & Butter Dividend Reinvestment Plan in October 2013.

ANNEXURE C

SCENARIO 1 – 100% Ownership – The Pro Forma Balance Sheet is as follows:

\$'000	BGA Jun-13	WCB Jun-13	Aggregated Jun-13	100% Ownership Net Adjustments	100% Ownership 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	1,131	10,288
Goodwill	-	-	-	337,054	337,054
Intangible assets	1,580	1,628	3,208	-	3,208
Total Non-current Assets	259,657	120,790	380,447	299,157	679,604
TOTAL ASSETS	551,472	306,564	858,036	300,708	1,158,744
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	97,979	216,280
Provisions	2,198	524	2,722	-	2,722
Deferred tax liabilities	-	792	792	16,295	17,087
Total Non-Current Liabilities	112,498	9,317	121,815	114,274	236,089
TOTAL LIABILITIES	289,520	144,761	434,281	114,274	548,555
NET ASSETS	261,952	161,803	423,755	186,434	610,189
Equity					
Contributed equity	101,902	69,607	171,509	244,247	415,756
Reserves	25,585	9,507	35,092	(16,447)	18,645
Retained earnings	134,465	82,689	217,154	(41,366)	175,788
Equity attributable to the Owners	261,952	161,803	423,755	186,434	610,189
Non-controlling interests	-	-	-	-	-
TOTAL EQUITY	261,952	161,803	423,755	186,434	610,189

SCENARIO 1 – Notes to the Pro Forma Balance Sheet:

Deferred Tax Asset: The adjustment reflects the tax benefits arising from facility and establishment costs.

Goodwill: This adjustment of \$337 million represents the fair value of the consideration paid for all shares in Warrnambool Cheese & Butter of \$499 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 \$98 million needed to fund the cash component of the Offer and related facility establishment and transaction costs.

Deferred Tax Liability: The adjustment reflects the potential tax liability from the current investment in Warrnambool Cheese & Butter shares by Bega Cheese.

Contributed equity: Contributed equity has been adjusted by \$314 million to reflect the value of additional Bega Cheese Shares issued to Warrnambool Cheese & Butter Shareholders, being \$4.58 per Bega Cheese share at 13 November 2013, net of equity raising costs of \$1.0 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 \$2.6 million that will be expensed at the date of acquisition.

SCENARIO 2 – 50.1% Ownership – The Pro Forma Balance Sheet is as follows:

\$'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	648	9,805
Goodwill	-	-	-	169,494	169,494
Intangible assets	1,580	1,628	3,208	-	3,208
Total Non-current Assets	259,657	120,790	380,447	131,114	511,561
TOTAL ASSETS	551,472	306,564	858,036	132,425	990,461
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	39,646	157,947
Provisions	2,198	524	2,722	-	2,722
Deferred tax liabilities	-	792	792	16,295	17,087
Total Non-Current Liabilities	112,498	9,317	121,815	55,941	177,756
TOTAL LIABILITIES	289,520	144,761	434,281	55,941	490,222
NET ASSETS	261,952	161,803	423,755	76,484	500,239
Equity					
Contributed equity	101,902	69,607	171,509	52,430	223,939
Reserves	25,585	9,507	35,092	(16,447)	18,645
Retained earnings	134,465	82,689	217,154	(40,239)	176,915
Equity attributable to the Owners	261,952	161,803	423,755	(4,256)	419,499
Non-controlling interests	-	-	-	80,740	80,740
TOTAL EQUITY	261,952	161,803	423,755	76,484	500,239

SCENARIO 2 – Notes to the Pro Forma Balance Sheet:

Deferred Tax Asset: The adjustment reflects the tax benefits arising from facility and establishment costs.

Goodwill: This adjustment of \$169 million represents the fair value of the consideration paid for all shares in Warrnambool Cheese & Butter of \$250 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 \$40 million needed to fund the cash component of the Offer and related facility establishment and transaction costs.

Deferred Tax Liability: The adjustment reflects the potential tax liability from the current investment in Warrnambool Cheese & Butter shares by Bega Cheese.

Contributed equity: Contributed equity has been adjusted by \$122 million to reflect the value of additional Bega Cheese Shares issued to Warrnambool Cheese & Butter Shareholders, being \$4.58 per Bega Cheese share at 13 November 2013, net of equity raising costs of \$0.5 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 \$1.5 million that will be expensed at the date of acquisition.

SCENARIO 3 – 30% Ownership – The Pro Forma Balance Sheet is as follows:

\$'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	111,512	150,540
Investments	-	-	-
Property, plant & equipment	209,892	-	209,892
Deferred tax assets	9,157	345	9,502
Goodwill	-	-	-
Intangible assets	1,580	-	1,580
Total Non-current Assets	259,657	111,857	371,514
TOTAL ASSETS	551,472	112,346	663,818
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	15,061	125,361
Provisions	2,198	-	2,198
Deferred tax liabilities	-	16,295	16,295
Total Non-Current Liabilities	112,498	31,356	143,854
TOTAL LIABILITIES	289,520	31,356	320,876
NET ASSETS	261,952	80,990	342,942
Equity			
Contributed equity	101,902	44,772	146,674
Reserves	25,585	(6,940)	18,645
Retained earnings	134,465	43,158	177,623
Equity attributable to the Owners	261,952	80,990	342,942
Non-controlling interests	-	-	-
TOTAL EQUITY	261,952	80,990	342,942

SCENARIO 3 – Notes to the Pro Forma Balance Sheet:

Deferred Tax Asset: The adjustment reflects the tax benefits arising from facility and establishment costs.

Other financial assets: The increase recognises the additional cost of investment in Warrnambool Cheese & Butter by Bega Cheese of \$58 million and the revaluation of Bega Cheese's existing investment, being \$53 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.

Deferred Tax Liability: The adjustment reflects the potential tax liability from the current investment in Warrnambool Cheese & Butter shares by Bega Cheese.

Contributed equity: Contributed equity has been adjusted by \$45 million to reflect the value of additional Bega Cheese Shares issued to Warrnambool Cheese & Butter Shareholders, being \$4.58 per Bega Cheese share at 13 November 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 \$0.8 million.

ANNEXURE D

Subject to the terms below, Bega Cheese will pay a handling fee (**Handling Fee**) to any stockbroker who is admitted as a market participant under the ASX Operating Rules and a participant under the ASX Settlement Operating Rules (**Broker**) in respect to valid acceptances received on or after 14 November 2013 from Eligible Warrnambool Cheese & Butter Shareholders in connection with the Offer (**Acceptances**), where such Acceptances are from clients of the Broker and were procured by the Broker.

A Handling Fee will only be payable in respect of a formal Acceptance as set out below.

An **Eligible Warrnambool Cheese & Butter Shareholder** is one who is:

- not a Broker or an Associate of a Broker; and
- recorded on the register of Warrnambool Cheese & Butter Shareholders as holding at least 500 Warrnambool Cheese & Butter Shares as at the date of Acceptance.

The Handling Fee payable in respect of an Acceptance will be 0.75% of the value of the Offer Consideration to be provided as a result of that Acceptance subject to:

- the minimum Handling Fee payable in respect of any Acceptance being \$50 (excluding GST); and
- the maximum Handling Fee payable in respect of any Acceptance being \$750 (excluding GST).

The value of the Bega Cheese Share component of the Offer Consideration will be calculated based on the closing price of Bega Cheese Shares on the ASX on the last trading day of the Offer Period.

The Handling Fee will not be increased.

The Handling Fee is payable to Brokers only in respect of Acceptances which they procure from their clients. The Handling Fee is not payable to Warrnambool Cheese & Butter Shareholders and will not be paid in respect of Warrnambool Cheese & Butter Shares held by the Broker or an Associate of the Broker on its own account.

In claiming the Handling Fee in respect of an Acceptance, the relevant Broker will be taken to have represented to Bega Cheese that neither it nor one of its Associates is the accepting Warrnambool Cheese & Butter Shareholder and the Handling Fee will not be passed on or otherwise shared directly or indirectly with the accepting Warrnambool Cheese & Butter Shareholder.

The Handling Fee will only be payable to a Broker if it submits to Link Market Services Limited:

- a) a valid and duly completed claim form (**Claim Form**) which sets out:
 - i. the Broker's Participant Identification Number; and
 - ii. a representation that neither the Broker nor any of its Associates is the accepting Warrnambool Cheese & Butter Shareholder and that the Handling Fee will not be passed on or otherwise shared directly or indirectly with the accepting Warrnambool Cheese & Butter Shareholder; and
- b) a list of Acceptances (**Acceptance List**) which contains:
 - i. the registered name for each Warrnambool Cheese & Butter Shareholder to which the Claim Form relates;
 - ii. the Holder Identification Number or Securityholder Reference Number for each Eligible Warrnambool Cheese & Butter Shareholder to whom the Claim Form relates;
 - iii. the number of Warrnambool Cheese & Butter Shares in respect of which each Eligible Warrnambool Cheese & Butter Shareholder has accepted the Offer and the date of the relevant Acceptance(s); and
 - iv. if any Acceptance over an issuer sponsored holding was affected by an Acceptance Form, a copy of such form bearing the Broker's stamp.

by 5.00pm (Melbourne time) on the day that is five business days after the end of the Offer Period. The Broker must provide any additional evidence reasonably requested by Link Market Services or Bega Cheese to satisfy Bega Cheese that such Acceptance(s) meet the requirements for the payment of the Handling Fee.

Claim Forms and Acceptance Lists must be requested by email from the Link Market Services email address below. The Claim Form and Acceptance List must be submitted to Link Market Services in hard copy format and must also be emailed to the Link Market Services email address below.

Claim Forms and Acceptance Lists must be forwarded to:

Bega Cheese Limited
C/- Link Market Services Limited
Attention: Capital Markets
Locked Bag A14
Sydney South NSW 1235
By email: capitalmarkets@linkmarketservices.com.au

The Handling Fee will be payable in respect of any Acceptances received during the Offer Period on or after the date of this Third Supplementary Bidder's Statement.

No Handling Fee will be paid in respect of any Acceptance for which more than one Broker tenders a Claim Form.

Each Broker should submit only one Claim form, which covers all Acceptances in respect of which the Broker is claiming the Handling Fee.

For any Warrnambool Cheese & Butter Shareholder on the CHESS sub-register, where that Warrnambool Cheese & Butter directly requests Bega Cheese, and not the relevant Broker, to initiate acceptance of the Offer on their behalf, that Broker will not be entitled to receive the Handling Fee.

No Handling Fee is payable in respect of a CHESS Holding where an Acceptance Form has been sent to Link Market Services directly by Warrnambool Cheese & Butter Shareholder or through another agent.

No Handling Fees will be paid in respect of Acceptances that are not treated as valid by Bega Cheese or are validly withdrawn (if withdrawal rights exist).

Bega Cheese reserves the right to aggregate any Acceptances in determining the Handling Fee payable to any Broker if Bega Cheese reasonably believes that a party has structured holdings of Warrnambool Cheese & Butter to take advantage of the Handling Fees. Bega Cheese may in its absolute discretion determine any disputes regarding whether a Handling Fee is payable.

Subject to the terms set out above, it is intended that payment of the Handling Fee in respect of any Acceptances will be made by cheque by the later of:

- a) ten business days after the date of receipt of Link Market Services of Acceptance Forms (where applicable) bearing the Broker's stamp, the Broker's unqualified Claim Form and the Acceptance List (together with such additional material reasonably requested by Link Market Services or Bega Cheese); and
- b) twenty business days after the end of the Offer Period.

Bega Cheese reserves the right to amend the terms of the payment of the Handling Fees by notice on the ASX.

BEGA CHEESE LIMITED
ABN 81 008 358 503

NOTICE DECLARING OFFERS FREE FROM ALL DEFEATING CONDITIONS

Off-market bid by Bega Cheese Limited ABN 81 008 358 503 (Bega Cheese) for Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15 071 945 232 (Warrnambool Cheese & Butter)

Section 650F(1) of the *Corporations Act 2001 (Cth)* (Act)

To: **Warrnambool Cheese and Butter Factory Company Holdings Limited**
ASX Limited

For the purposes of section 650F(1) of the Act, Bega Cheese hereby gives notice declaring that:

1. each of its offers (**Offers**) under its off-market bid for the ordinary shares in Warrnambool Cheese & Butter contained in its Replacement Bidder's Statement dated 27 September 2013 (as supplemented) (**Bidder's Statement**), and each takeover contract formed by the acceptance of any of the Offers, is free from all of the Offer Conditions set out in Section 9.2 of the Bidder's Statement;
2. it waives any prior breach of any of the above Offer Conditions; and
3. its voting power in Warrnambool Cheese & Butter as at the time of giving this notice is 18.39%.

Dated: 15 November 2013

Signed for and on behalf of Bega Cheese Limited by:



Barry Irvin
Executive Chairman