



ASX ANNOUNCEMENT

BEGA CHEESE SALE OF WCB SHARES

Bega Cheese Limited (Bega Cheese) announced today its intention to sell its 18.8% shareholding in Warrnambool Cheese & Butter Factory Company Holdings Limited (WCB) to Saputo Dairy Australia Pty Ltd (Saputo).

Bega Cheese will realise a substantial profit on the sale of its WCB shares. Depending on Saputo's relevant interest at the close of their offer, Bega Cheese will receive between \$94.7m to \$101.0m, delivering it a profit before tax and costs of between \$61.8m and \$68.2m.

The sale to Saputo ends Bega's strategic relationship with WCB which commenced in 2010 when Bega Cheese supported WCB's \$37m capital raising through a placement and underwriting. The proceeds of that raising were used to reduce WCB's significant debt and were the catalyst for a rerating of WCB. Since then Bega Cheese continued to build its shareholding through WCB's dividend reinvestment plan and on-market share purchases. Bega's total investment in WCB was \$32.9m.

Bega Cheese is disappointed it could not realise its vision to combine WCB and Bega Cheese. It was Bega Cheese's strong preference for WCB to remain Australian owned and operated, either through acceptance of Bega Cheese's bid or Murray Goulburn's bid. The Bega Cheese Board is conscious of the significant value of the WCB shareholding and its obligation to its shareholders to continue to make sensible investment and capital management decisions.

In the end, this is a better financial outcome for Bega Cheese and its shareholders than a successful takeover at the current bid value. Accordingly, the risk in continuing to hold its WCB shareholding until the Australian Competition Tribunal's decision regarding Murray Goulburn's takeover offer or until a fourth bidder emerged was too great.

Bega Cheese Executive Chairman Barry Irvin said "Bega Cheese's investment in Warrnambool Cheese & Butter has been a resounding success for both companies, enabling WCB to pay down debt in a time of need and positioning the company for the future. Bega Cheese's initial investment in WCB and subsequent takeover offer for the company has created significant value for both companies' shareholders. Bega Cheese's takeover offer was the catalyst for a process which has highlighted the value of the Australian dairy industry, a rerating of Bega Cheese's share price and a substantial profit for Bega Cheese".

Mr Irvin concluded by saying “We wish Saputo well with their investment and look forward to working with them for the betterment of the Australian Dairy Industry. The objective of our takeover offer for Warrnambool Cheese and Butter was always focussed on improving returns for our shareholders and our dairy farmer suppliers. While our bid was not successful our focus remains the same. The significant profit realised by the sale of our WCB holding will add to our capacity to pursue a number of strategic business opportunities which will ensure Bega Cheese’s reputation for being a leader in manufacturing milk payrates and delivering stable and growing returns to shareholders.”

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For further information please contact

Barry Irvin
Executive Chairman
Bega Cheese Limited

ABN 81 008 358 503

www.begacheese.com.au

02 6491 7720

David Williams
Kidder Williams

0414 383 593