



5 November 2015

## **ASX Announcement**

### **WCB HALF YEAR RESULT**

Warrnambool Cheese and Butter Factory Company Holdings Limited (“WCB” or “the Company”) today announced a half year 2016 (HY16) net operating loss after tax of \$1.2 million, a decrease of \$18.1 million compared with the six months ended 30 September 2014 (HY15).

As reported previously, the Company has changed its financial year end to March 31. As such the effective WCB financial half year end reporting date has been changed to 30 September each year commencing 30 September 2015.

The decrease in profits is mainly due to declines in global international commodity prices and a high raw milk cost relative to market conditions. The depreciation in the Australian dollar only partially offset the effect of the above. Also the Company incurred after tax costs of \$3.2 million associated with the acquisition and integration of the everyday cheese business acquired from Lion-Dairy & Drinks Pty Ltd on 25 May 2015.

#### **Acquisition**

On 25 May 2015, WCB announced that it had acquired the everyday cheese business of Lion-Dairy & Drinks Pty Ltd, for a total cash consideration of \$137.5 million, subject to closing adjustments, which are yet to be finalised. The acquisition was financed by new bank term loan facilities. This transaction has allowed WCB to increase its presence in the consumer branded everyday cheese products segment in Australia.

#### **Outlook**

There has recently been some recovery in international dairy prices, which should result in improved returns over the remainder of FY16, though the cost of raw milk relative to market conditions remains high. The Australian dollar is currently well below the FY15 average but remains volatile.

Further to the above, investors should note that during the balance of FY16, the Company’s performance may be subject to:

- (a) variations in milk prices that are retrospective from 1 July and cannot be accurately estimated as at 30 September 2015;
- (b) seasonal milk flow variations that result in less effective utilisation of plant;
- (c) variations in international commodity pricing; and
- (d) movements in foreign exchange rates between the US dollar and Australian dollar as the Company exports a significant amount of product.

The company intends to continue to improve its efficiencies, while remaining committed to producing quality products, innovation and growth. WCB intends to accelerate its growth activities, invest in capital projects, increase manufacturing capacity, grow milk intake and create new opportunities.

**Dividend**

No interim dividend was declared for HY15 and the Board does not intend to declare any as the Directors have decided to retain cash to deleverage its balance sheet and for investment into the business for growth, investment and development.

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For more information, please contact:

Richard Wallace  
Senior VP & General Manager

03 5565 3100