



11 July 2016

ASX ANNOUNCEMENT

Warrnambool Cheese and Butter Factory Company Holdings Limited Chairman's AGM speech

Introduction

Fiscal 2016 has represented a tough 12 months for Warrnambool Cheese and Butter Factory Company Holdings Limited (WCB) and the dairy industry as a whole. The fiscal 2016 results are based on the twelve month period ending 31 March 2016 versus the nine months ending 31 March 2015.

Financial Performance

The following are financial highlights and key performance measures for fiscal 2016:

- Revenue of \$653.1 million up \$198.9 million or 43.8%
- Net operating profit after tax \$4.2 million, a decrease of \$30.1 million or 87.8%
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) decreased by \$32.3 million or 56.6% to \$24.8 million

The decrease in profits was due to a decline in global international dairy prices and a high raw milk cost relative to market returns.

Acquisition

On May 25, 2015 WCB completed the acquisition of the everyday cheese business of Lion-Dairy & Drinks Pty Ltd. The business is now fully integrated and has allowed WCB to increase its presence in the consumer branded everyday cheese products segment in Australia and reduce its exposure to international market fluctuations.

Outlook

The company intends to continue to improve its efficiencies while remaining committed to producing quality products innovation and growth and will aim to maximise its operational flexibility to mitigate fluctuations in market conditions. The company also intends to accelerate its growth activities invest in capital projects increase manufacturing capacity grow milk intake and create new opportunities.

As for the marketplace at the end of May, we had highlighted for fiscal 2017 that international dairy prices were expected to remain weak with global milk production remaining high and a limited change in demand. Raw milk cost is expected to align more closely with market conditions for the 2016-17 milk season.

In line with our expectations the price paid to our suppliers was reduced by 14% on the 1 July. Dairy prices remain weak with no change in demand. The Australian dollar remains volatile.

Rights Issue

The Company recently undertook a rights issue with the objective of raising \$142 million. The rights issue was strongly supported and the shortfall was 0.3%. Approximately \$141.6 million was raised and the Company issued 20,980,827 new shares. There are no material changes in the top 20 shareholders, and they continue to represent 99.38% of the stock. About 30% of shareholders participated in the rights issue.

The proceeds, net of costs, were used to pay down debt strengthening the balance sheet and providing greater financial flexibility to invest in strategic capital investment initiatives such as expansion of our cheese plant capacity.