



20 December 2013

WCB directors unanimously recommend WCB shareholders
REJECT
Murray Goulburn's Offer

Warrnambool Cheese and Butter Factory Company Holdings Limited (**WCB**) notes the announcement from Murray Goulburn Co-operative Co. Limited (**MG**) on 19 December 2013 that it will shortly be dispatching its replacement bidder's statement dated 16 December 2013 (**Replacement Bidder's Statement**) to WCB shareholders in relation to its takeover bid for all of the shares in WCB at \$9.50 cash per share (**MG Offer**).

WCB notes that MG has made extensive changes to the previous version of its bidder's statement lodged with ASX on 28 November 2013. These changes are shown in the mark up released by MG to ASX on 16 December 2013. The MG Offer will shortly be open for acceptance and is scheduled to close on 14 March 2014 (unless extended).

The Board of WCB, together with its advisers, has undertaken a detailed review of the MG Offer contained in the Replacement Bidder's Statement and MG's application for authorisation to the Australian Competition Tribunal (**Tribunal**). WCB Directors unanimously recommend that WCB shareholders **REJECT** the MG Offer for the following key reasons.

- The last and final offer announced by Saputo Dairy Australia Pty Ltd (**Saputo**) on 17 December 2013 (**Final Saputo Offer**) is considered superior to the MG Offer based on an overall comparative assessment of value, certainty and timing.
- The Final Saputo Offer is unconditional, meaning accepting shareholders will receive a minimum of \$9.00 cash per share irrespective of the level of acceptances into the Final Saputo Offer.
- Further, WCB shareholders may also receive:
 - 1) an additional \$0.20 cash per Share (\$9.00 to \$9.20) if Saputo achieves a relevant interest in WCB shares of greater than 50% during its offer period;
 - 2) an additional \$0.20 cash per Share (\$9.20 to \$9.40) if Saputo achieves a relevant interest in WCB shares of greater than 75% during its offer period; and
 - 3) an additional \$0.20 cash per Share (\$9.40 to \$9.60) if Saputo achieves a relevant interest in WCB shares of greater than 90% during its offer period.
- WCB shareholders who accept the Final Saputo Offer will receive payment from Saputo within 5 Business Days of Saputo processing their acceptance.
- If any of the potential additional price increases described above apply these will also be paid by Saputo within 5 Business Days of the applicable relevant interest threshold being achieved. These potential additional price increases will be payable to all shareholders who accept the Final Saputo Offer irrespective of when they accept it including those who have already accepted it.

- In contrast the MG Offer is presently highly conditional and uncertain. In particular, the MG Offer is subject to:
 - 1) the granting of authorisation by the Australian Competition Tribunal (**Tribunal**). The earliest date that the Tribunal will deliver its decision is 28 February 2014 but it may be as late as 30 May 2014. In either case the outcome of the Tribunal authorisation process is uncertain; and
 - 2) MG achieving a relevant interest in WCB of greater than 50%. This minimum acceptance condition cannot be waived by MG without the consent of its financiers.

Unless these two key conditions are satisfied, MG cannot pay the \$9.50 cash it is offering for your shares. Importantly these two key conditions cannot be unilaterally waived by MG.

To **REJECT** the MG Offer, WCB shareholders should simply do nothing. Ignore all documents sent to you by MG. **If you accept the MG Offer you will NOT be able to participate in the Final Saputo Offer.**

Commenting on the MG Offer, WCB Chairman Terry Richardson said:

“The WCB Board has spent considerable time evaluating the revised offers from MG and Saputo, noting that Saputo's offer is now final. Although MG's offer price of \$9.50 is \$0.50 higher than Saputo's offer price of \$9.00 (ignoring potential price increases at different Saputo ownership thresholds), MG's offer remains highly conditional and therefore carries significant risks and uncertainties for WCB shareholders. In particular if Tribunal authorisation is not received or if the 50% minimum acceptance condition is not satisfied, WCB shareholders will receive nothing for their WCB shares under MG's Offer. By comparison, the \$9.00 cash offered by Saputo under its unconditional offer is certain and will be paid within 5 business days. After carefully weighing up these competing offers, the WCB Board has concluded that the certainty of receiving a minimum of \$9.00 cash from Saputo within 5 business days represents a superior offer to the uncertainty of potentially receiving \$9.50 cash from MG in at least 10 weeks - or nothing if MG's offer conditions are not satisfied.”

Comparative table

The table below compares what WCB Shareholders will receive under the Final Saputo Offer and the MG Offer under different ownership thresholds.

Saputo/MG ownership threshold	What you will receive if you accept the Final Saputo Offer	What you will receive if you accept the MG Offer
Less than 50%	\$9.00 cash per Share within 5 Business Days of your acceptance being processed	Nothing ¹
More than 50% but less than 75%	\$9.20 cash per Share within 5 Business Days of your acceptance being processed	\$9.50 cash per Share no earlier than 28 February 2014 and potentially after 30 May 2014
	Note: this potential additional \$0.20 will be payable to all shareholders irrespective of when they accept the Final Saputo Offer including those who have already accepted it.	OR Nothing if MG's application to the Tribunal is unsuccessful and if all other conditions are not satisfied or waived.

¹ Even if MG's application to the Tribunal is successful. In that circumstance the only basis on which you would receive payment of \$9.50 cash from MG is if MG and its financiers waive their current condition that MG achieve a relevant interest of greater than 50% in WCB and if all other conditions are satisfied or waived.

Saputo/MG ownership threshold	What you will receive if you accept the Final Saputo Offer	What you will receive if you accept the MG Offer
More than 75% but less than 90%	\$9.40 cash per Share within 5 Business Days of your acceptance being processed Note: this potential additional \$0.20 will be payable to all shareholders (as above).	\$9.50 cash per Share no earlier than 28 February 2014 and potentially after 30 May 2014 OR Nothing (as above).
More than 90%	\$9.60 cash per Share within 5 Business Days of your acceptance being processed Note: this potential additional \$0.20 will be payable to all shareholders (as above). Note: This potential additional \$0.20 would require Murray Goulburn, Bega and Lion Dairy & Drinks to accept the Final Saputo Offer	\$9.50 cash per Share no earlier than 28 February 2014 and potentially after 30 May 2014 OR Nothing (as above)

Note: MG payment terms are broadly the earlier of 1 month after MG's offer becomes unconditional and 21 days after the end of its offer period.

MG has stated² that:

"..... there is a significant risk that Saputo will not achieve the 50%, 75% or 90% ownership level in WCB required to trigger an increase in total offer price to \$9.20, \$9.40 or \$9.60 cash per WCB share respectively This risk is heightened due to the presence of a number of industry participants on WCB's share register, who currently own approximately 46% of WCB in total".

This statement overlooks the fact that the MG Offer is subject to a 50% minimum acceptance condition that cannot be waived without the consent of its financiers. Therefore unless MG achieves a relevant interest of greater than 50% its offer is incapable of completing and WCB shareholders who accept the MG Offer would receive nothing.³ The current composition of the WCB share register means that the satisfaction of MG's 50% minimum acceptance condition may be difficult but is not precluded.

In contrast, even if Saputo does not achieve a relevant interest of greater than 50%, WCB shareholders who accept the Final Saputo Offer are at least assured of receiving a minimum of \$9.00 cash per Share.

MG has also stated that:

"MG still wishes to engage with the WCB Board to explore the potential for WCB to pay special dividends to WCB shareholders in order to deliver franking credit benefits to some shareholders."

² See MG press release dated 18 December 2013 and MG's Second Supplementary Bidder's Statement dated 19 December 2013.

³ Assuming MG and its financiers do not waive their current requirement that MG achieve a relevant interest of greater than 50% in WCB.

Your Directors consider that the introduction of permitted dividends as an element to the MG Offer where there is a competing bid will be problematic and is likely to reintroduce confusion and uncertainty among WCB Shareholders. In any event, the inclusion of dividends as part of the MG Offer, even if possible, would not change the recommendation of the WCB Directors to REJECT the MG Offer for the reasons outlined above.

Next steps

WCB shareholders will receive WCB's Target's Statement in response to the MG Offer around mid January 2014.⁴ This will contain detailed reasons for WCB Board's recommendation to reject to the MG Offer as well as other information relevant to WCB shareholders' assessment of the MG Offer.

Your Directors note that the MG Offer has not been declared final. Accordingly if there are any subsequent changes to the terms or conditions of the MG Offer or any other developments with respect to that offer the WCB Board will evaluate those developments and continue to keep you informed.

Final Saputo Offer

Your Directors unanimously recommend that WCB shareholders **ACCEPT** the Final Saputo Offer, in the absence of a superior proposal. The reasons for this unanimous recommendation are set out in WCB's Supplementary Target's Statement dated 20 December 2013.

For further details regarding this announcement please contact WCB's information line:

- 1300 880 732 (toll free) (for callers in Australia); and
- +61 1300 880 732 (for callers outside Australia).

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4

WCB has sought from ASIC a modification of section 633(1) of the *Corporations Act 2001* (Cth) in relation to the dispatch and lodgement of its Target's Statement given the upcoming Christmas and New Year holiday period. The modification if granted would extend the time within which WCB must dispatch its Target's Statement to WCB shareholders to on or about 14 January 2014 (being an extension of 7 days from the prescribed 15 days).