



7 January 2014

**The Manager
Company Announcements Office
ASX Limited**

Release of Target's Statement in respect of Murray Goulburn's Offer

Warrnambool Cheese and Butter Factory Company Holdings Limited (ASX: **WCB**) today releases its Target's Statement (**Target's Statement**) in response to the off market takeover bid by Murray Goulburn Co-operative Co. Ltd (**MG**) for all the shares in WCB (**MG Offer**) at \$9.50 cash per share in compliance with Item 14 of section 633(1) of the *Corporations Act 2001*(Cth).

The Target's Statement accompanies this announcement. It sets out the WCB Board's reasons for unanimously recommending that WCB shareholders **REJECT** the MG Offer and other information that is material to shareholders in their assessment of the MG Offer.

The Target's Statement has been served on MG and lodged with the Australian Securities and Investments Commission today.

The Target's Statement will be dispatched today to WCB shareholders who received MG's Bidder's Statement incorporating the MG Offer.

Yours faithfully

Paul Moloney
Company Secretary

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with this document, please contact your legal, financial, taxation or other professional adviser. If you have any questions about the offer or this document please call the WCB Information Line on 1300 880 732 (toll free for callers within Australia) or +61 1300 880 732 (for callers outside Australia) Monday to Friday between 9.00am and 5.30pm (AEDT).

Warrnambool Cheese and Butter Factory Company Holdings Limited



TARGET'S STATEMENT

YOUR DIRECTORS UNANIMOUSLY
RECOMMEND THAT YOU

REJECT

MURRAY GOULBURN'S OFFER

To REJECT Murray Goulburn's Offer DO NOTHING



FINANCIAL ADVISER



LEGAL ADVISER



Important notices

Target's Statement

This document is a Target's Statement dated 7 January 2014 and is issued by Warrnambool Cheese and Butter Factory Company Holdings Limited ACN 071 945 232 (**WCB**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement sets out the WCB Board's formal response to the offer made by Murray Goulburn Co-operative Co. Limited ABN 23 004 277 089 (**Murray Goulburn**) in its Bidder's Statement.

ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with ASIC and given to ASX on 7 January 2014. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

Murray Goulburn's information in this Target's Statement

Except where disclosed otherwise, the information in this Target's Statement in relation to Murray Goulburn and Murray Goulburn's business has been prepared by WCB using publicly available information including the Bidder's Statement. WCB and its Directors are unable to verify the accuracy or completeness of that information. Accordingly to the maximum extent permitted by law, WCB does not make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. WCB is not licensed to provide financial product advice in relation to WCB Shares or any other financial products. This Target's Statement should not be relied on as the sole basis for any investment decision in relation to WCB Shares or Murray Goulburn's Offer generally. Your Directors encourage you to obtain independent legal, financial, taxation or other professional advice before deciding whether to accept Murray Goulburn's Offer.

Forward looking statements

Some statements in this Target's Statement are in the nature of forward looking statements. You should be aware that these statements are predictions only and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to WCB as well as general economic conditions and conditions in the financial markets, exchange rates, interest rates and the regulatory environment, many of which are outside the control of WCB and its Directors. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of WCB, any of its officers or any person named in this Target's Statement with their consent or anyone involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. WCB has no obligation to disseminate any updates or revisions to any statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required to do so under Division 4 of Part 6.5 of the Corporations Act to update or correct this Target's Statement (i.e. for certain matters that are material from the point of view of a Shareholder) or under its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

Privacy statements

WCB has collected your information from the WCB share registry for the purpose of providing you with this Target's Statement. The type of information WCB has collected about you includes your name, contact details and information on your shareholding in WCB. The Corporations Act requires the name and address of Shareholders to be held in a public register.

Shareholder enquiries

WCB has established a Shareholder Information Line which Shareholders may call if they have any queries in relation to Murray Goulburn's Offer.

The telephone number for the Shareholder Information Line is:

- 1300 880 732 (toll free for calls made from within Australia); or
- +61 1300 880 732 (for calls made from outside Australia).

The Shareholder Information Line is available Monday to Friday between 9.00am and 5.30pm (AEDT).

Defined terms

Certain terms used in this Target's Statement have defined meanings as set out in Section 8 of this Target's Statement.

No internet site is part of this Target's Statement

No internet site is part of this Target's Statement. WCB (<http://www.wcbf.com.au/>) and Murray Goulburn (<http://www.mgc.com.au/>) maintain internet sites. Any references in this Target's Statement to these or other internet sites are textual references only and the information contained on the sites does not form part of this Target's Statement.

KEY DATES

Offer announced	18 October 2013 and amended on 28 November 2013
Date of Bidder's Statement	16 December 2013
Offer Period commences	23 December 2013
Date of Target's Statement	7 January 2014
Offer Period closes (unless Offer is extended or withdrawn)	7.00pm (Melbourne time) on 14 March 2014

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Chairman's letter

7 January 2014



Dear WCB Shareholder

REJECT Murray Goulburn's Offer for your Shares – ignore any documents sent to you by Murray Goulburn

You will have recently received documentation from Murray Goulburn for a highly conditional offer to acquire your WCB Shares. Murray Goulburn is offering \$9.50 cash for each WCB Share you hold (**Offer**).

This document is our Target's Statement which sets out the unanimous recommendations of your Directors to **REJECT** Murray Goulburn's Offer and the reasons for that recommendation.

Your Directors believe that there are three key reasons why you should REJECT Murray Goulburn's Offer.

1. Saputo's Offer as revised on 17 December 2013 is considered superior to Murray Goulburn's Offer based on an overall comparative assessment of value, certainty and timing.
2. Murray Goulburn's Offer is highly conditional and uncertain. In particular:
 - a) Murray Goulburn's Offer is subject to the granting of authorisation by the Australian Competition Tribunal (**Competition Tribunal**). The timing and outcome of the Competition Tribunal authorisation process are uncertain; and
 - b) Murray Goulburn's Offer is subject to it achieving a relevant interest in greater than 50% of WCB Shares – this minimum acceptance condition cannot be waived without its financiers' consent.

Unless these two key conditions are satisfied, any acceptances of Murray Goulburn's Offer will be void and Murray Goulburn will not pay the \$9.50 cash per Share it is offering you. Importantly these two key conditions cannot be unilaterally waived by Murray Goulburn.

3. The intentions of Murray Goulburn regarding the future of WCB's operations are unclear in a number of material respects. This creates uncertainties for a range of WCB stakeholders.

Section 1.3 of this Target's Statement sets out in more detail each of these reasons for your Directors' unanimous recommendation to **REJECT** Murray Goulburn's Offer. You should read these reasons carefully.

TO REJECT MURRAY GOULBURN'S OFFER, SIMPLY IGNORE ALL DOCUMENTATION SENT TO YOU BY MURRAY GOULBURN.

I urge you to read this Target's Statement in its entirety and carefully consider Murray Goulburn's Offer having regard to your own personal risk profile, investment strategy and tax position, and to seek independent legal, financial, taxation or other professional advice on the action (if any) that you should take in relation to Murray Goulburn's Offer.

Your Directors will continue to keep you updated on all material developments with respect to Murray Goulburn's Offer and any other competing offer. In the meantime, if you have any questions in relation to this Target's Statement or your shareholding in WCB, please call our Shareholder Information Line on 1300 880 732 (toll free for callers within Australia) or +61 1300 880 732 (callers outside Australia) Monday to Friday between 9.00am and 5.30pm AEDT. All company announcements are available on our website, <http://www.wcbf.com.au>.

Yours sincerely,

Terry Richardson
Chairman

What do your Directors recommend?

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU

REJECT MURRAY

GOULBURN'S OFFER

The reasons for this recommendation are set out in this Target's Statement.

**To REJECT MURRAY
GOULBURN'S OFFER
DO NOTHING**

Ignore all documents sent to you by Murray Goulburn.

If you have any questions, please call the WCB Shareholder Information Line on 1300 880 732 (toll free for callers within Australia) or +61 1300 880 732 (for callers outside Australia) Monday to Friday between 9.00am and 5.30pm (AEDT).

Why you should **REJECT** Murray Goulburn's Offer

- 1.** Saputo's Offer as revised on 17 December 2013 is considered superior to Murray Goulburn's Offer based on an overall comparative assessment of value, certainty and timing.

 - 2.** Murray Goulburn's Offer is highly conditional and uncertain.

 - 3.** The intentions of Murray Goulburn regarding the future of WCB's operations are unclear in a number of material respects, creating uncertainties for a range of WCB stakeholders.
-

Further details on each of these three reasons for **REJECTING** Murray Goulburn's Offer are set out in Section 1.3 of this Target's Statement.



Section 1

**Reasons why your Directors
unanimously recommend
that you REJECT Murray
Goulburn's Offer**

1. Reasons why your Directors unanimously recommend that you REJECT Murray Goulburn's Offer

1.1 Directors' recommendation

As at the date of this Target's Statement, the Directors of WCB are as follows.

Name	Position
Terry Richardson	Chairman, Non Executive Director
David Lord	Managing Director, CEO
Andrew Anderson	Non Executive Director
Kay Antony	Non Executive Director
Bruce Vallance	Non Executive Director
Michael Carroll	Independent Director
Neville Fielke	Independent Director
Raymond Smith	Independent Director
Robert Lane	Independent Director
John McLean	Associate Director
Bruce Morley	Associate Director

Brief profiles of each of your Directors are provided in Section 5.8 of this Target's Statement.

Your Directors unanimously recommend that you REJECT Murray Goulburn's Offer.

The reasons for your Directors' unanimous recommendation to **REJECT** Murray Goulburn's Offer are set out in Section 1.3 of this Target's Statement.

In evaluating Murray Goulburn's Offer, your Directors encourage you to:

- read the whole of this Target's Statement, together with the Bidder's Statement;
- ensure you understand the consequences of accepting Murray Goulburn's Offer, as noted in this Target's Statement and the Bidder's Statement;
- consider your alternatives as outlined in Section 3 of this Target's Statement;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- seek independent legal, financial, taxation or other professional advice if you are in any doubt as to what you should do in response to Murray Goulburn's Offer.

Your Directors will keep you informed of any material developments with respect to Murray Goulburn's Offer and any other competing offer or proposal.

1.2 Directors' intentions

Each of your Directors and Senior Executives has already accepted Saputo's Offer in respect of all WCB Shares held by him or her or which he or she otherwise controls. These WCB Shares represent approximately 1.95% of all WCB Shares on issue as at the date of this Target's Statement.

1.3 Reasons why you should REJECT Murray Goulburn's Offer

1. Saputo's Offer as revised on 17 December 2013 is considered superior to Murray Goulburn's Offer based on an overall comparative assessment of value, certainty and timing

Value

Murray Goulburn's Offer is \$9.50 cash per Share. Although this is \$0.50 (or 5.55%) higher than Saputo's base offer price of \$9.00 cash per Share, WCB Shareholders should note the following.

On 17 December 2013 Saputo announced further amendments to its offer and declared its offer last and final as to price.

Saputo's Offer now involves the following terms which taken together are referred to in this Target's Statement as the **Final Saputo Offer**:

- an unconditional offer of \$9.00 cash per Share payable within 5 Business Days of processing of acceptances by Saputo;
- Saputo will increase its offer consideration by \$0.20 cash per Share (\$9.00 to \$9.20) if Saputo acquires a relevant interest in greater than 50% of WCB Shares during its offer period;
- Saputo will increase its offer consideration by a further \$0.20 cash per Share (\$9.20 to \$9.40) if Saputo acquires a relevant interest in greater than 75% of WCB Shares during its offer period;
- Saputo will increase its offer consideration by a further \$0.20 cash per Share (\$9.40 to \$9.60) if Saputo acquires a relevant interest in greater than 90% of WCB Shares during its offer period;
- Saputo's offer period will end at 7.00pm (Melbourne time) on **10 January 2014**, unless extended further in accordance with the Corporations Act; and
- all acceptances dated and received by Saputo after 17 December 2013 will be paid within 5 Business Days of Saputo processing them.

Each of the three potential additional increases of \$0.20 cash per Share in Saputo's offer consideration will be available to all WCB Shareholders who accept the Final Saputo Offer regardless of when they accept including:

- those who have already accepted Saputo's Offer;
- those who accept the Final Saputo Offer before the 50%, 75% and 90% relevant interest thresholds are met; or
- those who accept the Final Saputo Offer after any of these relevant interest thresholds are met.

Saputo will pay the potential additional increases of \$0.20 cash per Share under its offer within 5 Business Days of it achieving the applicable relevant interest threshold.

Saputo has declared that the Final Saputo Offer is its **LAST** and **FINAL** offer and that there will be no further increases in its offer consideration (other than the potential additional increases described above). However Saputo has not declared as final the closing date of 10 January 2014 for its Offer Period. Accordingly Saputo may at its discretion further extend this closing date. In certain circumstances the closing date may be required by law to be extended.¹

Even if none of the three potential price increases of \$0.20 cash per Share described above become payable your Directors unanimously consider that the Final Saputo Offer is still superior to the Murray Goulburn Offer in terms of certainty and timing.

Certainty

The Final Saputo Offer has been unconditional since 25 November 2013 whereas Murray Goulburn's Offer remains subject to 8 Conditions. Therefore the Final Saputo Offer does not have any of the delays and execution uncertainties associated with the Murray Goulburn Offer.

Please refer to reason 2 below for an overview of the nature and effect of these Conditions and to Section 4.2 for a full analysis on the impact of those Conditions on the prospects of success of Murray Goulburn's Offer.

¹ There will be an automatic extension of the Saputo offer period if, within the last 7 days of that offer period, Saputo's offer consideration is increased because Saputo achieves any of the specified relevant interest thresholds that trigger an increase in its offer consideration or Saputo's voting power in WCB increases to more than 50%. If any of these events occur, Saputo's offer period is automatically extended so that it ends 14 days after the relevant event occurs.

1. Reasons why your Directors unanimously recommend that you REJECT Murray Goulburn's Offer

Timing

WCB Shareholders who accept the Final Saputo Offer will receive payment of \$9.00 cash per Share 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 within 5 Business Days of the applicable relevant interest threshold being achieved.

In contrast WCB Shareholders who accept Murray Goulburn's Offer will only receive payment from Murray Goulburn if all of its Conditions are satisfied or waived (noting that certain Conditions cannot be unilaterally waived by Murray Goulburn). If all of the Conditions to Murray Goulburn's Offer are ultimately satisfied or waived (as applicable) you will receive payment from Murray Goulburn by the earlier of:

- one month after the date of your acceptance of Murray Goulburn's Offer or, if the Offer is subject to a Condition when you accept the Offer, within one month after the contract arising from your acceptance of Murray Goulburn's Offer becomes unconditional; and
- 21 days after the end of the Offer Period.

2. Murray Goulburn's Offer is highly conditional and uncertain

Murray Goulburn's Offer is highly conditional, being subject to 8 Conditions.

Shareholders will only receive payment from Murray Goulburn if all 8 Conditions are satisfied or waived.

As at the date of this Target's Statement, Murray Goulburn has not satisfied or waived any of these Conditions.

Your Board believes that there is a material risk that a number of the Conditions may not be satisfied and therefore are likely to require waiver (to the extent possible) if Murray Goulburn's Offer is to proceed. Importantly there are two key Conditions that are central to Murray Goulburn's Offer:

- Murray Goulburn must receive authorisation from the Australian Competition Tribunal (**Competition Tribunal Condition**); and
- Murray Goulburn must receive acceptances of its Offer that give it a relevant interest of greater than 50% in WCB Shares (**50% Minimum Acceptance Condition**).

Murray Goulburn cannot waive these two Conditions without the consent of its financiers. Each of these key Conditions is discussed below. Please refer to Section 4.2 of this Target's Statement for an analysis of the nature of each of the 8 Conditions and their impact on the prospects of success of Murray Goulburn's Offer.

Unless all of Murray Goulburn's Offer Conditions are satisfied or waived (where capable of waiver) by Murray Goulburn before the end of the Offer Period, Murray Goulburn's Offer will lapse. In those circumstances any acceptances of Murray Goulburn's Offer will be void and no payment will be received from Murray Goulburn.

Furthermore WCB Shareholders who accept Murray Goulburn's Offer will lose the ability to deal with their WCB Shares including accepting any other potential higher competing offer, except in certain limited circumstances.

If you accept Murray Goulburn's Offer you will NOT be able to participate in the Final Saputo Offer.

Competition Tribunal Condition

Murray Goulburn's Offer is subject to no objection by the ACCC or the granting of authorisation by the Competition Tribunal.

Murray Goulburn has indicated that it will not be seeking the approval of the ACCC but instead has sought authorisation from the Competition Tribunal.

Murray Goulburn filed its authorisation application and supporting materials with the Competition Tribunal on 29 November 2013 (**Application**). At the Competition Tribunal's case management conference on 9 December 2013 WCB was granted leave to become a party to the Application. The Competition Tribunal maintained its previously set provisional date of 10 February 2014 for commencement of a public hearing of the Application with an estimated duration of not more than 5 days. The procedural timetable set by the Competition Tribunal at the case management conference is aimed at determining the Application by 28 February 2014, subject to the discretion of the Competition Tribunal to extend that time by up to a further 3 months. Accordingly the earliest date that the Competition Tribunal will determine the Application is 28 February 2014 and the latest date is 30 May 2014. Murray Goulburn has provided an undertaking to the ACCC that it will not make the proposed acquisition of WCB while the Application is being considered by the Competition Tribunal.

Your Directors consider that the outcome of the Competition Tribunal's assessment of the Application is uncertain. Murray Goulburn needs to be able to persuade the Competition Tribunal that the *net public benefit* of its acquisition of WCB outweighs the likely anti-competitive effects of the acquisition.

In this regard your Directors note the following matters.

- The likely anti-competitive effects of Murray Goulburn's proposed acquisition of WCB remain broadly similar to those identified by the ACCC in its 2010 *Statement of Issues* following Murray Goulburn's proposed takeover bid for WCB in 2010.
- Many of the public benefits asserted by Murray Goulburn in its Application are predicated on Murray Goulburn acquiring 100% control of WCB. For the reasons noted below, WCB considers that it is unlikely that Murray Goulburn will achieve 100% control of WCB. Accordingly WCB considers that there is uncertainty as to whether the full extent of the public benefits claimed by Murray Goulburn will materialise and therefore whether Murray Goulburn will be able to satisfy the *net public benefits* test.
- A large amount of substantive information in the Application surrounding asserted synergies is redacted. Requests by WCB for access to that redacted material were declined by Murray Goulburn. Consequently WCB is unable to assess whether these asserted synergies are achievable.
- Your Directors consider that the value of the asserted synergy benefits would be offset to some extent by Murray Goulburn's higher debt servicing costs as a result of the additional debt that Murray Goulburn is incurring to fund its Offer (see further the discussion below under the sub-heading *Funding*) and/or by payment of dividends by Murray Goulburn to existing holders of its non-voting preference shares and to intended external investors through Murray Goulburn's proposed capital restructure.

WCB Shareholders should also note that in the context of the possible *net public benefits* of the combination of Murray Goulburn and WCB, the Bidder's Statement does not disclose why any of Murray Goulburn, WCB or the dairy industry more broadly could not achieve the same or equivalent benefits under different industry structures, including the status quo or an alternative bidder achieving a majority or 100% control of WCB.

WCB has filed a submission with the Competition Tribunal providing its view on the questions on which the Competition Tribunal has invited submissions. A copy of WCB's submission, together with all other relevant documents relating to the Application, is available from the Competition Tribunal's website at www.competitiontribunal.gov.au.

50% Minimum Acceptance Condition

Even if Murray Goulburn receives Competition Tribunal authorisation, Murray Goulburn's Offer will only be able to proceed to completion if Murray Goulburn can satisfy the 50% Minimum Acceptance Condition. At present Murray Goulburn has a relevant interest in 17.66% of WCB Shares. Murray Goulburn has stated in its Bidder's Statement that it will not waive the 50% Minimum Acceptance Condition without the consent of its financiers.

As at the date of this Target's Statement, in addition to Murray Goulburn's holding of 17.66% of WCB Shares, there are another three key blocks of WCB Shares that are relevant in determining whether Murray Goulburn will achieve a relevant interest in greater than 50% of WCB Shares under its Offer:

- Bega has a relevant interest in 18.80% of WCB Shares;
- Saputo has a relevant interest in approximately 17.92% of WCB Shares; and
- Lion has a relevant interest in 9.99% of WCB Shares.

Collectively these three shareholders hold approximately 46.71% of WCB Shares.

Accordingly the satisfaction of Murray Goulburn's 50% Minimum Acceptance Condition may be difficult but is not precluded.

In contrast the Final Saputo Offer is not subject to any conditions. Accordingly if you accept the Final Saputo Offer and there is a *stalemate* (i.e. neither Saputo nor Murray Goulburn acquire a relevant interest in greater than 50% of WCB Shares), you will still receive the minimum base consideration of \$9.00 cash per WCB Share from Saputo.

1. Reasons why your Directors unanimously recommend that you REJECT Murray Goulburn's Offer

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

Saputo/Murray Goulburn ownership threshold	What you will receive if you accept the Final Saputo Offer	What you will receive if you accept the Murray Goulburn Offer
Less than 50%	\$9.00 cash per Share within 5 Business Days of your acceptance being processed	Nothing ²
More than 50% but less than 75%	\$9.20 cash per Share within 5 Business Days of your acceptance being processed 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	\$9.50 cash per Share no earlier than 28 February 2014 and potentially after 30 May 2014 OR Nothing if Murray Goulburn's application to the Competition Tribunal is unsuccessful and if all other Conditions are not satisfied or waived
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 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: Murray Goulburn's payment terms are broadly the earlier of 1 month after Murray Goulburn's Offer becomes unconditional and 21 days after the end of its Offer Period.

Murray Goulburn states³ 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 Murray Goulburn's own Offer is subject to a 50% Minimum Acceptance Condition that cannot be waived without the consent of its financiers. Therefore unless *Murray Goulburn* achieves a relevant interest of greater than 50% its own Offer is incapable of completing, meaning that Shareholders who accept Murray Goulburn's Offer would receive nothing.⁴ As noted above, the current composition of the WCB share register means that the satisfaction of Murray Goulburn'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%, Shareholders who accept the Final Saputo Offer are at least assured of receiving the base consideration of \$9.00 cash per Share.

² Even if Murray Goulburn's Application to the Competition Tribunal is successful. In that circumstance the only basis on which you would receive payment of \$9.50 cash from Murray Goulburn is if Murray Goulburn and its financiers waive their current Condition that Murray Goulburn achieve a relevant interest of greater than 50% in WCB and if all other conditions are satisfied or waived.

³ See press release by Murray Goulburn dated 16 December 2013 and Murray Goulburn's Second Supplementary Bidder's Statement dated 19 December 2013.

⁴ Assuming Murray Goulburn and its financiers do not waive their current requirement that Murray Goulburn achieve a relevant interest of greater than 50% in WCB Shares.

Your Directors consider that the certainty of receiving a minimum of \$9.00 cash per Share from Saputo within 5 Business Days of your acceptance being processed represents a superior proposal to the uncertainty of potentially receiving \$9.50 cash per Share from Murray Goulburn in at least eight weeks, noting that if the Competition Tribunal Condition and/or the 50% Minimum Acceptance Condition are not satisfied, any acceptances of Murray Goulburn's Offer will be void. In those circumstances, Shareholders who have accepted Murray Goulburn's Offer would receive nothing by way of payment from Murray Goulburn.

WCB Shareholders should also note the following timing consideration. Even if all of the following occur in line with Murray Goulburn's belief and expectations:

- the Competition Tribunal completes its assessment of Murray Goulburn's Application by 28 February 2014;
- the Competition Tribunal grants Murray Goulburn authorisation to proceed with its Offer;
- Murray Goulburn achieves a relevant interest of greater than 50% in WCB Shares;
- the remaining Conditions are waived or satisfied; and
- Saputo does not achieve a relevant interest of greater than 50% in WCB Shares so that the offer consideration under the Final Saputo Offer is limited to \$9.00,

there will be a time difference of at least eight weeks between when a WCB Shareholder who accepts the Murray Goulburn Offer now would receive payment of \$9.50 cash per Share from Murray Goulburn compared to when a WCB Shareholder who accepts the Final Saputo Offer now would receive payment of \$9.00 cash from Saputo. Accordingly WCB Shareholders should consider the time value of money as part of their overall comparison of the Final Saputo Offer and the Murray Goulburn Offer. The time value of money benefit also becomes greater to the extent that the Competition Tribunal delivers its decision later than 28 February 2014.

Funding

The amount of cash that Murray Goulburn would be required to pay WCB Shareholders under its Offer if it acquires between 50% and 100% of WCB Shares (excluding those WCB Shares already held by Murray Goulburn) would be between \$173 million and \$439 million. Murray Goulburn's Offer is not subject to a funding condition. Murray Goulburn states in its Bidder's Statement that it will be funding its Offer and associated transaction costs through a combination of a new debt facility and an existing debt facility. This would potentially increase Murray Goulburn's gearing to a maximum of approximately 57% (its gearing was at 43% as at June 2013). In section 5 of its Bidder's Statement Murray Goulburn states that:

Murray Goulburn has available to it to pay the cash consideration under the Offer, to refinance WCB's existing facilities to the extent required and to pay any related transaction costs:

- a newly executed \$350 million term loan facility provided by Australia and New Zealand Banking Group Limited, National Australia Bank Limited and Westpac Banking Corporation (**New Facility**); and
- its existing \$420 million syndicated term loan facility provided by Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited, Westpac Banking Corporation, BNP Paribas, The Bank of Tokyo-Mitsubishi UFJ Ltd, The Hongkong and Shanghai Banking Corporation Limited (Sydney Branch) and Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A (Rabobank), Australia Branch (**Existing Facility**),

collectively, **External Facilities**.

Significantly Murray Goulburn's ability to draw down on the New Facility is subject to the satisfaction of both the Competition Tribunal Condition and the 50% Minimum Acceptance Condition. Murray Goulburn cannot waive these two Conditions without the consent of the financiers under the New Facility. In this regard Murray Goulburn states that:⁵

If Murray Goulburn was to waive [the Competition Tribunal Condition and the 50% Minimum Acceptance Condition] without the consent of the financiers, it would not be able to draw down funds under the New Facility.

Further Murray Goulburn states that the availability of the External Facilities is subject to Murray Goulburn confirming that it continues to comply with certain financial covenants after draw down under the External Facilities.⁶ However Murray Goulburn has not provided any calculations to allow a determination of whether those covenants would be satisfied and the level of risk associated with continued satisfaction of those covenants.

⁵ See section 5.2(b) of the Bidder's Statement.

⁶ See section 5.2(b) of the Bidder's Statement.

1. Reasons why your Directors unanimously recommend that you REJECT Murray Goulburn's Offer

In addition Murray Goulburn has not disclosed how much of the \$420 million under the Existing Facility has been drawn down or otherwise committed for other purposes. Therefore your Directors are unable to determine how much *headroom* is available to Murray Goulburn under the Existing Facility to pay the maximum amount payable under the Offer and to repay WCB's external debt and transaction costs if Murray Goulburn is not able to draw down under the New Facility.

Your Directors are concerned by this lack of financial disclosure. The level of information in section 5 of the Bidder's Statement makes it difficult for WCB Shareholders (in particular WCB supplier shareholders) to assess to any meaningful degree what current and future financial risks might result from them accepting Murray Goulburn's Offer and/or supplying milk to Murray Goulburn in future. If Murray Goulburn succeeds in acquiring control of WCB and if you are a supplier who is considering selling your milk to Murray Goulburn in future, your Directors recommend that you take steps to satisfy yourself as to the financial position of Murray Goulburn at that future time, recognising that its leverage will have increased, that it is proposing a capital restructure and that all participants in the Australian dairy industry are subject to general and specific risks, including those identified by WCB in Section 5.7 of this Target's Statement. As an unlisted public company, Murray Goulburn is subject to periodic financial reporting obligations and its financial reports are publicly available through ASIC.

3. The intentions of Murray Goulburn regarding the future of WCB's operations are unclear in a number of material respects, creating uncertainties for a range of WCB stakeholders

WCB stakeholder uncertainties

Your Directors consider that the intentions of Murray Goulburn regarding the future of WCB's operations are unclear in a number of material respects. This in turn creates uncertainties for a range of WCB stakeholders.

In its Bidder's Statement Murray Goulburn provides a qualified statement of its current intentions noting that its final intentions are subject to the outcome of a strategic and financial review at the conclusion of its Offer Period. Although the WCB Board acknowledges Murray Goulburn's right to qualify its intentions in this manner, your Directors are also conscious that WCB is a business with a unique position in the local Warrnambool economy with a share register containing a significant representation of stakeholders in the business and the broader dairy industry. These stakeholders include milk suppliers, employees, the local Warrnambool community and the broader Australian dairy community.

Murray Goulburn asserts in its Bidder's Statement that if it succeeds in acquiring control of WCB, superior benefits will flow to Warrnambool and other rural communities, to the Australian dairy industry as a whole and to dairy farmer milk suppliers.⁷ Your Directors have reservations as to the nature and extent of these asserted public benefits. These are matters that will ultimately be determined as part of the Competition Tribunal's assessment of Murray Goulburn's authorisation Application.

Murray Goulburn states that it is likely that there will be some duplication across the corporate, management, marketing, logistics and head office functions of Murray Goulburn and WCB. Murray Goulburn proceeds to state that certain positions associated with those functions may become redundant and that some offices may be closed or scaled down.⁸ To the extent that those redundancies and offices closures occur in the Warrnambool region, this would have a negative impact on the local economy and community.

In contrast your Directors consider that Saputo's Offer provides more certainty regarding the future of WCB's operations including the continuing employment of current employees and Saputo being a strong competitor for milk supply in the Warrnambool region. Saputo's Offer will also ensure the preservation of WCB's heritage and identity. In particular as Saputo does not currently have any activities in Australia, Saputo has informed WCB that if it succeeds in acquiring control of WCB:

- the business of WCB will continue to be managed by the current senior management as a new division within Saputo;
- Saputo intends to retain and rely on the management and employees already in the business; and
- WCB, as a division within Saputo, will be able to provide expanded career and development opportunities for its employees, as a result of being part of a global organisation while maintaining strong Australian roots.

For further details please refer to section 3 of Part B of the Saputo Bidder's Statement and to Section 1 (Reason 6) of WCB's Target's Statement dated 12 November 2013 responding to Saputo's Offer.

⁷ See discussion in the Bidder's Statement under the headings *Why you should accept the Offer* and *Why the Offer makes sense*.

⁸ See section 6.2(e) of the Bidder's Statement.

Potential alliance between Murray Goulburn and Bega

The following paragraph appears in section 8.1 of Murray Goulburn's replacement Bidder's Statement (emphasis added).

*... Murray Goulburn reserves its right to consider a range of consolidation options in what remains a dynamic industry and market environment, **which could potentially include mergers with one or more industry participants, including Bega, which may involve a sale of Murray Goulburn's shares in WCB to Bega as part of a broader transaction**, but not under the Bega Offer of 1.5 Bega shares and \$2.00 cash for every WCB Share, which has been declared final.*

The ambiguity of this statement exacerbates the uncertainties of Murray Goulburn's Offer, the uncertainty of Murray Goulburn's intentions regarding the continuing ownership of its WCB Shares and the uncertainty of the continuity of WCB's operations under Murray Goulburn's control.

Position if Murray Goulburn acquires more than 50% but less than 90% of WCB

Murray Goulburn and WCB currently compete for the purchase of raw milk from Australian dairy farmers. It is conceivable, and indeed Murray Goulburn recognises, that at the conclusion of its Offer Period, Murray Goulburn could end up with a relevant interest in more than 50% but less than 90% of WCB Shares. This is potentially problematic in terms of how Murray Goulburn, as the then majority shareholder of WCB, would manage potential conflicts of interest having regard to the fact that Murray Goulburn would still remain a competitor of WCB, its then partly owned subsidiary.

In this regard, your Directors note references by Murray Goulburn in its Bidder's Statement to *any potential conflicts of interest being managed by both the directors of Murray Goulburn and the members of the WCB Board that are nominees of Murray Goulburn in accordance with their respective directors' duties under the Corporations Act and at general law.*⁹

This is a generic statement which lacks any meaningful and practical insight into how Murray Goulburn would manage these conflict issues, including regulating the flow of WCB's confidential information between Murray Goulburn's nominee directors and Murray Goulburn in circumstances where it does not own 100% of WCB.

Your Directors consider the lack of meaningful and practical disclosure on this point to be very relevant to WCB Shareholders, particularly those who are dairy farmer shareholders and who elect not to accept Murray Goulburn's Offer or the Final Saputo Offer and therefore remain WCB Shareholders and suppliers.

⁹ See section 6.3(a) of the Bidder's Statement.

1. Reasons why your Directors unanimously recommend that you REJECT Murray Goulburn's Offer

1.4 Possible reason to accept Murray Goulburn's Offer

You may prefer to accept Murray Goulburn's Offer on the basis that the \$9.50 cash per Share under that offer is the highest offer (except where Saputo obtains a relevant interest in greater than 90% of WCB, in which case Saputo's offer price would be \$9.60 cash per Share). Please refer to the table at page 10 of this Target's Statement for a comparison of the offer consideration under the Final Saputo Offer and the Murray Goulburn Offer under different ownership thresholds.

You may consider that the Competition Tribunal Condition and the 50% Minimum Acceptance Condition will be satisfied and that all other Conditions to Murray Goulburn's Offer will also be satisfied or waived so that Murray Goulburn will be contractually bound to pay you the \$9.50 cash per Share it is offering.

If you choose to accept Murray Goulburn's Offer, you should note that the Competition Tribunal Condition and the 50% Minimum Acceptance Condition are only likely to be satisfied some time between 28 February 2014 and 30 May 2014, by which time the unconditional Final Saputo Offer will have closed and will no longer be available for acceptance.¹⁰ Consequently if you accept Murray Goulburn's Offer but Murray Goulburn does not satisfy those two key Conditions (as well as its remaining Conditions), the unconditional Final Saputo Offer will have closed and you will have lost the opportunity to realise a significant takeover premium for your WCB Shares by accepting the Final Saputo Offer.

In these circumstances your alternatives will be:

- to sell your WCB Shares on market, noting that the composition of the WCB share register at that future time will most likely continue to contain large blocks of Shares held by a concentrated number of key shareholders (currently Saputo, Bega, Murray Goulburn and Lion). As a result the market price you will be able to achieve for your Shares will be uncertain and impacted by reduced liquidity in the market for WCB Shares; or
- to remain a WCB Shareholder.

Your Directors consider that although \$9.50 cash per Share under Murray Goulburn's Offer is higher than the base offer consideration of \$9.00 cash per Share under the Final Saputo Offer, this is outweighed by the uncertainties, timing and other execution risks of Murray Goulburn's Offer and that it is in the best interests of WCB Shareholders to reject Murray Goulburn's Offer. WCB Shareholders should consider their individual circumstances in determining whether or not to accept Murray Goulburn's Offer.

1.5 Permitted dividends

In its Bidder's Statement Murray Goulburn states (emphasis added):

The WCB Board has recently stated that they will not declare any dividends during the Saputo Offer period, and will no longer seek a tax ruling in relation to such dividends.

However, Murray Goulburn 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.

*Murray Goulburn requests that the WCB Board engage with Murray Goulburn to enable this value to be delivered to some WCB shareholders. **If the WCB Board unanimously recommends the Offer**, Murray Goulburn would be willing to match the dividend proposal initially proposed in connection with the Saputo Offer.*

For the reasons set out earlier your Directors unanimously recommend that you reject Murray Goulburn's Offer. Therefore your Directors are not presently minded to agree to the introduction of a permitted dividend structure as part of Murray Goulburn's Offer. In any event your Directors consider that the introduction of permitted dividends as an element to Murray Goulburn's Offer may be problematic where there are other competing bids and is likely to create confusion and uncertainty among WCB Shareholders.

The incorporation of dividends as part of Murray Goulburn's Offer, even if practicable, would not change the recommendation of your Directors to reject Murray Goulburn's Offer for the reasons outlined in Section 1.3.

¹⁰ The Final Saputo Offer closes on 10 January 2014 absent any extension of that offer period in accordance with the Corporations Act.



Section 2

Frequently asked questions

2. Frequently asked questions

This Section answers some questions you may have about Murray Goulburn's Offer. It is not intended to address all relevant issues for Shareholders. This Section should be read together with all other parts of this Target's Statement.

Question	Answer
Murray Goulburn's Offer	
What is Murray Goulburn offering for my WCB Shares?	Murray Goulburn is offering \$9.50 cash for every WCB Share you hold.
What choices do I have in response to Murray Goulburn's Offer?	<p>As a Shareholder you have the following four choices in respect of your WCB Shares:</p> <ul style="list-style-type: none"> • REJECT Murray Goulburn's Offer. • ACCEPT Saputo's Offer. This is the course of action unanimously recommended by your Directors, in the absence of a superior proposal. • Accept Murray Goulburn's Offer. • Sell your WCB Shares on ASX (unless you have previously accepted Murray Goulburn's Offer or Saputo's Offer and you have not validly withdrawn your acceptance). <p>There are implications for you in relation to each of these choices. Those implications are outlined in Section 3 of this Target's Statement.</p>
Will WCB remain listed on ASX?	<p>That depends on the outcome of Murray Goulburn's Offer.</p> <p>The ongoing listing of WCB on ASX will be subject to WCB continuing to satisfy the requirements under the ASX Listing Rules (including maintaining the required spread of shareholders). ASX may delist WCB if it no longer meets these requirements or on request from Murray Goulburn in these circumstances.</p>
What do your Directors recommend?	<p>Your Directors unanimously recommend that you REJECT Murray Goulburn's Offer.</p> <p>The reasons for your Directors' recommendation are set out in Section 1.3 of this Target's Statement. That Section also identifies important matters that are relevant to that recommendation and to which WCB Shareholders should have regard in determining whether or not to accept Murray Goulburn's Offer and the timing for any acceptance.</p> <p>If there is a change in this recommendation or any material developments in relation to Murray Goulburn's Offer, WCB will keep you fully informed.</p>
What have your Directors done with their own Shares?	Each Director who held or otherwise controlled WCB Shares has already ACCEPTED Saputo's Offer in relation to those WCB Shares.
How do I reject Murray Goulburn's Offer?	<p>To REJECT Murray Goulburn's Offer, you should do nothing.</p> <p>If you decide to do nothing, you should be aware of the rights of Murray Goulburn to compulsorily acquire your WCB Shares in certain circumstances. Refer to Section 4.6 of this Target's Statement for more information on compulsory acquisition.</p>

Question	Answer
<p>If I accept Murray Goulburn's Offer now, can I withdraw my acceptance later?</p>	<p>If you accept Murray Goulburn's Offer, you may only withdraw your acceptance if Murray Goulburn varies its Offer in a way that postpones the period Murray Goulburn is required to satisfy its obligations by more than one month and Murray Goulburn's Offer is still subject to one or more Conditions. This will occur if Murray Goulburn extends the Offer Period by more than one month while Murray Goulburn's Offer is still subject to any Condition.</p>
<p>Can I accept Murray Goulburn's Offer for only some of my WCB Shares?</p>	<p>No. Murray Goulburn's Offer is for <i>all</i> of your WCB Shares and you cannot accept Murray Goulburn's Offer for only some of your WCB Shares.</p>
<p>When do I have to make a decision?</p>	<p>If you wish to follow your Directors' recommendation to REJECT Murray Goulburn's Offer, you do not need to do anything. You should IGNORE all documents received from Murray Goulburn.</p> <p>If you wish to accept Murray Goulburn's Offer, you must do so before its scheduled closing date. Murray Goulburn has stated that its Offer remains open until 7.00pm (Melbourne time) on 14 March 2014. It is possible that Murray Goulburn may choose to extend the Offer Period in accordance with the Corporations Act. In addition the Offer Period may be extended automatically in certain circumstances. See Section 4.8 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.</p>
<p>What if I want to sell my WCB Shares on market?</p>	<p>During the Offer Period you may sell your WCB Shares on market for cash (less any brokerage that may be payable), unless you have already accepted Murray Goulburn's Offer or Saputo's Offer and have not validly withdrawn your acceptance. The closing price of WCB Shares on 3 January 2014, being the last practicable day before finalising this Target's Statement, was \$9.26. Before selling your WCB Shares on market, you should carefully consider the implications of this course of action, including the implications referred to in Section 3 of this Target's Statement.</p> <p>You should contact your broker for information on how to sell your WCB Shares on market and your tax adviser to determine the tax implications of such a sale.</p>
<p>Can I be forced to sell my WCB Shares?</p>	<p>You cannot be forced to sell your WCB Shares unless Murray Goulburn is legally allowed to proceed to compulsory acquisition of WCB Shares. This requires Murray Goulburn to acquire at least 90% of all WCB Shares (under Murray Goulburn's Offer or otherwise).</p> <p>If Murray Goulburn does compulsorily acquire the outstanding WCB Shares you will receive the same consideration for your WCB Shares that you would have received under Murray Goulburn's Offer but it will take longer for you to receive payment from Murray Goulburn for your Shares.</p> <p>For more information about compulsory acquisition refer to Section 4.6 of this Target's Statement.</p>

2. Frequently asked questions

Question	Answer
<p>Are there any taxation implications of accepting Murray Goulburn's Offer?</p>	<p>A general outline of the taxation implications for certain Australian resident WCB Shareholders of accepting Murray Goulburn's Offer is set out in Section 6 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances.</p> <p>You should also seek your own independent taxation advice as to the taxation implications applicable to your specific circumstances.</p>
<p>Will Murray Goulburn increase its Offer?</p>	<p>Murray Goulburn has not declared its Offer final. Accordingly Murray Goulburn could increase its Offer if it chooses to do so in its discretion.</p> <p>However WCB cannot speculate on whether Murray Goulburn will increase its Offer as this is a matter for Murray Goulburn.</p>
<p>What happens if Murray Goulburn increases its Offer?</p>	<p>If Murray Goulburn improves its Offer Consideration, all WCB Shareholders who accept Murray Goulburn's Offer will be entitled to the improved consideration (whether they accepted Murray Goulburn's Offer before or after the Offer Consideration is improved).</p>
<p>What happens if I accept Murray Goulburn's Offer and a superior offer is subsequently made by a third party for my WCB Shares?</p>	<p>If you accept Murray Goulburn's Offer, you are only able to withdraw your acceptance if Murray Goulburn varies its Offer in a way that postpones for more than one month the time by which Murray Goulburn must meet its obligations under its Offer, for example, by extending the Offer Period for more than one month while Murray Goulburn's Offer remains conditional.</p> <p>Accordingly if you accept Murray Goulburn's Offer, you may be unable to accept any other superior offer that may emerge. In this regard your Directors note that Saputo has declared its offer final as to price.</p>
<p>What happens if I do nothing?</p>	<p>You will remain a WCB Shareholder.</p> <p>If Murray Goulburn acquires 90% or more of WCB Shares and Murray Goulburn's Offer becomes unconditional, Murray Goulburn states that it intends to compulsorily acquire your WCB Shares. See Section 4.6 of this Target's Statement for more details.</p>
<p>Can Murray Goulburn extend the closing date of its Offer?</p>	<p>Yes. Murray Goulburn has stated that its Offer remains open until 7.00pm (Melbourne time) on 14 March 2014. It is possible that Murray Goulburn may choose to extend the Offer Period in accordance with the Corporations Act.</p> <p>In addition the Offer Period may be extended automatically in certain circumstances. See Section 4.8 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.</p>

Question	Answer
<p>When will I receive payment if I accept Murray Goulburn's Offer?</p>	<p>It is important to understand that even if you accept Murray Goulburn's Offer, you will not receive any payment unless all of the Conditions are satisfied or waived.</p> <p>The Competition Tribunal Condition and the 50% Minimum Acceptance Condition are only likely to be determined some time between 28 February 2014 and 30 May 2014.</p> <p>If Murray Goulburn's Offer becomes unconditional, you will receive payment for your Shares from Murray Goulburn by the earlier of:</p> <ul style="list-style-type: none"> • one month after the date of your acceptance of Murray Goulburn's Offer or, if Murray Goulburn's Offer is subject to a Condition when you accept Murray Goulburn's Offer, within one month after the contract arising from your acceptance of Murray Goulburn's Offer becomes unconditional; and • 21 days after the end of the Offer Period.
<p>Offer Conditions and their implications</p>	
<p>What are the conditions of Murray Goulburn's Offer?</p>	<p>Murray Goulburn's Offer is subject to a number of Conditions, including:</p> <ul style="list-style-type: none"> • the Competition Tribunal Condition; • the 50% Minimum Acceptance Condition; • no regulatory actions; • no material acquisitions, disposals or new commitments by WCB; • no WCB material adverse change; and • no WCB prescribed occurrences. <p>The Conditions are set out in full in section 9.7 of the Bidder's Statement.</p> <p>To receive payment for your Shares from Murray Goulburn, all of the Conditions (other than the No Prescribed Occurrences Condition) must be satisfied or waived by Murray Goulburn before its Offer Period ends. It is important to note that Murray Goulburn cannot waive the Competition Tribunal Condition or the 50% Minimum Acceptance Condition without the consent of its financiers. Please refer to Section 4.2 of this Target's Statement for a discussion of the Conditions and their implications.</p>
<p>Are there any risks of accepting Murray Goulburn's Offer while it is still conditional?</p>	<p>Yes. If you accept Murray Goulburn's Offer now while Murray Goulburn's Offer is subject to Conditions, there are significant consequences for you including that:</p> <ul style="list-style-type: none"> • you will give up your rights to sell your WCB Shares on ASX or to otherwise deal with them (for example, by accepting the Final Saputo Offer or any other offer from another bidder), subject to your right to withdraw your acceptance of Murray Goulburn's Offer in certain limited circumstances; and • you will relinquish control of your WCB Shares and the Rights attaching to them to Murray Goulburn with no guarantee of payment until Murray Goulburn's Offer becomes unconditional, subject to your right to withdraw your acceptance of Murray Goulburn's Offer in certain limited circumstances.
<p>What happens if I accept Murray Goulburn's Offer and the Conditions are not satisfied or waived?</p>	<p>If the Conditions are not satisfied and Murray Goulburn has not waived the Conditions (other than the No Prescribed Occurrences Condition) before the end of the Offer Period, Murray Goulburn's Offer will lapse and your acceptance of Murray Goulburn's Offer will be void and of no effect. This means that:</p> <ul style="list-style-type: none"> • you will <u>not</u> receive any payment for your Shares from Murray Goulburn; and • you will continue to own your WCB Shares and you will then be free to deal with them.

2. Frequently asked questions

Question	Answer
How will I know when Murray Goulburn's Offer is unconditional?	<p>Murray Goulburn is required to inform WCB, ASX and WCB Shareholders as soon as any Conditions are satisfied or waived.</p> <p>Notices from Murray Goulburn will be available on WCB's ASX company announcement platform.</p> <p>Murray Goulburn has set 7 March 2014 as the date on which it will give WCB and ASX a notice required by law on the status of the Offer Conditions. This date may be extended if the Offer Period is extended.</p>
Bega and Murray Goulburn's Offer	
What has Bega said about Murray Goulburn's Offer?	<p>Bega is a major Shareholder of WCB, having a relevant interest in approximately 18.80% of WCB Shares on issue as at the date of this Target's Statement.</p> <p>Bega made an offer of 1.5 Bega Shares and \$2 cash per WCB Share. Bega's Offer closed on 20 December 2013.</p> <p>As at the date of this Target's Statement it is unclear as to whether Bega intends to accept Murray Goulburn's Offer or the Final Saputo Offer.</p>
Saputo and Murray Goulburn's Offer	
What has Saputo said about Murray Goulburn's Offer?	<p>Saputo is a major Shareholder of WCB, having a relevant interest in approximately 17.92% of WCB Shares on issue as at the date of this Target's Statement. That relevant interest has been acquired as a result of acceptances Saputo has received to its competing offer for all WCB Shares.</p> <p>As at the date of this Target's Statement, Saputo has not made any public statement as to whether it intends to accept Murray Goulburn's Offer.</p>
Lion and Murray Goulburn's Offer	
What has Lion said about Murray Goulburn's Offer?	<p>On 29 October 2013, Lion became a major Shareholder of WCB, with a relevant interest in 9.99% of WCB Shares as at the date of this Target's Statement.</p> <p>Lion has not indicated that it has any intention to make a takeover bid for WCB Shares and has stated that it considers that its 9.99% stake in WCB is <i>a continuation and strengthening of the close relationship between Lion and WCB over many years.</i>¹¹</p> <p>As at the date of this Target's Statement, Lion has not made any public statement as to whether or not it intends to accept Murray Goulburn's Offer or the Final Saputo Offer.</p>

¹¹ See Lion's press release dated 29 October 2013.

Question	Answer
General	
<p>Why is there no independent expert's report in this Target's Statement?</p>	<p>An independent expert's report is only required to be included in a target's statement where the bidder's voting power in the target is 30% or more or if a director of the target company is a bidder or a director of the bidder company.</p> <p>This requirement does not apply to Murray Goulburn's Offer. In addition your Directors do not consider that an independent expert's report is otherwise necessary, as Murray Goulburn's Offer is all cash and they consider that the information in this Target's Statement together with:</p> <ul style="list-style-type: none"> • WCB's target's statements in response to Bega's Offer and Saputo's Offer respectively; • announcements made by WCB; and • other publicly available information and the Bidder's Statement, <p>are sufficient for WCB Shareholders to determine whether or not to accept Murray Goulburn's Offer.</p>
<p>What if I have further questions?</p>	<p>You should contact your legal, financial, taxation or other professional adviser. If you have any questions about Murray Goulburn's Offer or this document please call the WCB Information Line on 1300 880 732 (toll free for callers within Australia) or +61 1300 880 732 (for callers outside Australia) Monday to Friday between 9.00am and 5.30pm (AEDT).</p>



Section 3

Your choices as a WCB Shareholder

3. Your choices as a WCB Shareholder

You have the following four choices available to you in response to Murray Goulburn's Offer.

<p>1. REJECT Murray Goulburn's Offer</p>	<p>To REJECT Murray Goulburn's Offer you should DO NOTHING. This is the course of action unanimously recommended by your Directors.</p> <p>You are not required to take any action in relation to Murray Goulburn's Offer. In particular you should not complete or return the Acceptance Form that accompanied the Bidder's Statement nor should you respond to any documentation sent to you by Murray Goulburn or any other communication from Murray Goulburn (including telephone solicitation or canvassing by Murray Goulburn or its representatives).</p> <p>If you decide to do nothing, you should be aware of the rights of Murray Goulburn to compulsorily acquire your WCB Shares in certain circumstances. For information on compulsory acquisition, refer to Section 4.6 of this Target's Statement.</p>
<p>2. Accept Saputo's Offer</p>	<p>You may wish to ACCEPT Saputo's Offer. This is the course of action unanimously recommended by your Directors, in the absence of a superior proposal.</p>
<p>3. Accept Murray Goulburn's Offer</p>	<p>WCB Shareholders who accept Murray Goulburn's Offer:</p> <ul style="list-style-type: none"> • will not receive any payment for their Shares from Murray Goulburn unless and until each of the 8 Conditions of Murray Goulburn's Offer are satisfied or waived; • will not be able to withdraw their acceptance, meaning that they will give up their rights to sell their WCB Shares on ASX or to otherwise deal with them (for example, by accepting Saputo's Offer or any other offer from another bidder if one eventuates), except in certain limited circumstances. See Section 4.4 of this Target's Statement; and • may be liable to pay tax on the disposal of their WCB Shares which may have financial consequences for some WCB Shareholders. See Section 6 of this Target's Statement for further details of the tax consequences of Murray Goulburn's Offer. <p>WCB Shareholders who wish to accept Murray Goulburn's Offer should refer to the Bidder's Statement for how to do so.</p>
<p>4. Sell your WCB Shares on ASX</p>	<p>During the Offer Period you may sell your WCB Shares on market through the ASX for cash, provided you have not already accepted Murray Goulburn's Offer for those Shares.¹²</p> <p>The closing price of WCB Shares on 3 January 2014, being the last practicable day before finalising this Target's Statement was \$9.26. However the future market price you will receive from any on market sale of your Shares during the Offer Period is uncertain.</p> <p>If you sell your WCB Shares on market, you will receive the consideration for that sale of your Shares sooner than if you accept Murray Goulburn's Offer. In addition if you sell your WCB Shares on market:</p> <ul style="list-style-type: none"> • you will lose the ability to accept Murray Goulburn's Offer and to receive payment for those Shares from Murray Goulburn (as well as any possible subsequent increase in Murray Goulburn's Offer Consideration); • you will lose the ability to accept the Final Saputo Offer or any other offer from another bidder if one eventuates; • you may be liable for CGT on the sale; • you may incur a brokerage charge; and • you will lose the opportunity to receive future returns from WCB in relation to those WCB Shares. <p>You should contact your broker for information on how to sell your WCB Shares through the ASX and your tax adviser to determine your tax implications from such a sale.</p>

¹² Or, if you have accepted Murray Goulburn's Offer, provided you have validly withdrawn that acceptance. See Section 4.4 for details as to how to withdraw your acceptance of Murray Goulburn's Offer.



Section 4

Information about Murray Goulburn's Offer and other important issues

4. Information about Murray Goulburn's Offer and other important issues

4.1 Summary of Murray Goulburn's Offer

The Offer	Murray Goulburn is offering to acquire all of your WCB Shares. You may only accept Murray Goulburn's Offer for all of your WCB Shares.
Offer Consideration	Murray Goulburn is offering \$9.50 cash for every 1 WCB Share you hold.
Offer Conditions	Murray Goulburn's Offer is subject to 8 Conditions. See Section 4.2 of this Target's Statement for further details. Important: If you accept Murray Goulburn's Offer you will only receive payment from Murray Goulburn if all of the Conditions of Murray Goulburn's Offer are satisfied or waived, noting that Murray Goulburn cannot waive the Competition Tribunal Condition or the 50% Minimum Acceptance Condition without the consent of its financiers.
Murray Goulburn has not yet declared its Offer final	Murray Goulburn has not declared its Offer final. Accordingly it is open to Murray Goulburn to increase the Offer Consideration in response to any competing takeover or other similar proposal from a third party. If Murray Goulburn improves the Offer Consideration, the Corporations Act entitles any WCB Shareholder who has already accepted Murray Goulburn's Offer to receive the benefit of the improved Offer Consideration. Nevertheless there are still substantial risks of accepting Murray Goulburn's Offer while it remains conditional. See Section 4.2 of this Target's Statement.
Offer closing date	Murray Goulburn's Offer is scheduled to close at 7.00pm (Melbourne time) on 14 March 2014 unless Murray Goulburn's Offer is extended or withdrawn.

4. Information about Murray Goulburn's Offer and other important issues

4.2 Conditions of Murray Goulburn's Offer

Murray Goulburn's Offer is subject to 8 Conditions which are set out in full in section 9.7 of the Bidder's Statement.

Unless all of these Conditions are satisfied or waived (if capable of waiver) by Murray Goulburn before the end of the Offer Period,¹³ Murray Goulburn's Offer will lapse and any WCB Shareholders who have accepted Murray Goulburn's Offer will not receive payment from Murray Goulburn. Furthermore WCB Shareholders who accept Murray Goulburn's Offer will lose the ability to deal with their WCB Shares including accepting any competing offer, except in certain limited circumstances.

When considering how these Conditions might affect the prospects of success of Murray Goulburn's Offer, you should be aware of the following matters as more fully set out in the table below:

- some Conditions are wholly or partly out of WCB's control;
- there is no certainty as to whether the Conditions will be satisfied;
- some Conditions cannot be waived by Murray Goulburn without the consent of its financiers; and
- some Conditions require WCB to take (or refrain from taking) various actions, where satisfying those Conditions may not be in the interests of WCB Shareholders.

Condition (adopting the Condition numbering in clause 9.7 of the Bidder's Statement)*	Likely to be satisfied?
(a) Competition Tribunal Condition	<p>Unknown in terms of being satisfied and timing. This Condition is wholly outside WCB's control. Murray Goulburn states in its Bidder's Statement that it will not waive this Condition without its financiers' consent.</p> <p>See earlier commentary at Section 1.3 (Reason 2).</p>
(b) No regulatory action	<p>Unknown. This Condition is wholly outside WCB's control.</p>
(c) 50% Minimum Acceptance Condition	<p>Unknown but may be difficult for the reasons noted below. This Condition is wholly outside WCB's control. Murray Goulburn states in its Bidder's Statement that it will not waive this Condition without its financiers' consent.</p> <p>As at the date of this Target's Statement, in addition to Murray Goulburn's shareholding of 17.66% of WCB Shares, there are three other key blocks of WCB Shares that are relevant in determining whether Murray Goulburn will achieve a relevant interest in at least 50% of WCB Shares under its Offer:</p> <ul style="list-style-type: none"> • Bega has a relevant interest in 18.80% of WCB Shares; • Saputo has a relevant interest in approximately 17.92% of WCB Shares; and • Lion has a relevant interest in 9.99% of WCB Shares. <p>Collectively these three other Shareholders hold approximately 46.71% of WCB Shares.</p> <p>Accordingly the presence of Bega, Saputo and Lion holding a combined total of 46.71% of WCB Shares means that the satisfaction of this Condition is difficult but is not precluded.</p>

* This is a summary of Conditions only. The Conditions are set out in full in section 9.7 of the Bidder's Statement.

¹³ Or in the case of *No Prescribed Occurrence Condition*, by the end of three Business Days after the end of the Offer Period.

Condition (adopting the Condition numbering in clause 9.7 of the Bidder's Statement)*	Likely to be satisfied?
<p>(e) No WCB material adverse change</p>	<p>Unknown. Nothing has come to the attention of the Board which indicates that this Condition will not be satisfied. However unforeseen events may emerge during the Offer Period which are wholly or partially outside of WCB's control and which may lead to a breach of this Condition.</p>
<p>(f) No material acquisitions, disposals or commitments: WCB Group enters into any new material transactions (acquisitions, disposals or new commitments such as capital expenditure, subject to various exclusions that allow <i>ordinary course of business</i> transactions)</p>	<p>Potentially not. WCB is not currently aware of any matters that have arisen since Murray Goulburn's Offer was announced on 18 October 2013, or which are reasonably likely to arise during the Offer Period, which are likely to breach this Condition.</p> <p>Nevertheless given the overall extent to which this Condition restricts WCB's activities over a potentially lengthy period, noting that the Competition Tribunal Condition is only likely to be determined some time between 28 February 2014 and 30 May 2014, it is possible that by pursuing opportunities in the interests of WCB Shareholders this Condition could be breached in the future. There may also be other opportunities which WCB may wish to pursue during the Offer Period. WCB will make any decision to pursue such an opportunity, or take any other action, having regard to the best interests of WCB Shareholders, the fiduciary duties of WCB and its Directors and the applicable policies of the Takeovers Panel.</p>
<p>(g) Conduct of WCB's business: WCB not entering into any new contract of service, amending any existing contract of service, entering, amending or terminating any material contracts, implementing a scheme of arrangement, amending its constitution or passing as special resolution entering to new indebtedness other than in the ordinary course of business, or granting an encumbrance over its assets other than in the ordinary course of business.</p>	<p>Potentially not. WCB is not currently aware of any matters that have arisen since Murray Goulburn's Offer was announced on 18 October 2013, or which are reasonably likely to arise during the Offer Period, which are likely to breach this Condition.</p> <p>Nevertheless given the overall extent to which this Condition restricts WCB's activities over a potentially lengthy period, noting that the Competition Tribunal Condition is only likely to be determined some time between 28 February 2014 and 30 May 2014, it is possible that by pursuing opportunities in the interests of WCB Shareholders this Condition could be breached in the future. There may also be other opportunities which WCB may wish to pursue during the Offer Period. WCB will make any decision to pursue such an opportunity, or take any other action, having regard to the best interests of WCB Shareholders, the fiduciary duties of WCB and its Directors and the applicable policies of the Takeovers Panel.</p>

* This is a summary of Conditions only. The Conditions are set out in full in section 9.7 of the Bidder's Statement.

4. Information about Murray Goulburn's Offer and other important issues

4.3 Potential effect of Murray Goulburn's Offer on WCB's material contracts

WCB has identified a number of material contracts to which WCB or a related body corporate of WCB is a party that contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, Murray Goulburn's Offer.

A summary of the relevant provisions of these agreements is set out below. This information has been included in this Target's Statement because it may impact on the future prospects of WCB if Murray Goulburn obtains a relevant interest in more than 50% of WCB Shares. This may be relevant to WCB Shareholders who remain as minority Shareholders in WCB.

The relevant provisions are set out below.

(a) Cheese supply agreement between WCB Factory and National Foods Australia Pty Ltd

This agreement sets out the terms on which WCB Factory manufactures certain cheese products and supplies and sells those cheese products to National Foods Australia Pty Ltd.

Under this agreement if a change of control occurs in relation to a party without the consent of the other party, the other party may within 12 months from the change of control occurring elect to extend the agreement on the same terms and conditions for an additional five years or terminate the agreement on at least a further 12 months notice. A change of control of WCB would be triggered if Murray Goulburn becomes entitled to more than 50% of WCB Shares or votes cast at a meeting of WCB Directors.

(b) Supply agreement between WCB and Woolworths Ltd

This agreement sets out the terms under which WCB supplies and sells dairy products to Woolworths Ltd.

Under this agreement if a change of control occurs Woolworths Ltd may immediately terminate this agreement. A change of control would be triggered if Murray Goulburn obtains a relevant interest in more than 50% of WCB Shares.

(c) Agreement between WCB Factory and Kraft Foods Ltd

This agreement sets out the terms under which WCB Factory sells milk and butterfat to Kraft Foods Ltd and purchases milk from Kraft Foods Ltd milk suppliers. This agreement also governed the terms relating to the purchase by WCB Factory of the Mil Lel and Simpson sites from Kraft Foods Ltd.

Under this agreement if a third party acquires more than 25% of the voting rights attached to WCB Shares, Kraft Foods Ltd may terminate this agreement at any time.

4.4 Other risks of accepting Murray Goulburn's Offer

(a) You generally lose the ability to deal with your Shares

If you accept Murray Goulburn's Offer you are only able to withdraw your acceptance in the following limited circumstance: if Murray Goulburn varies the Offer in a way that postpones for more than one month the time by which Murray Goulburn must meet its obligations under the Offer. This will occur if Murray Goulburn extends the Offer Period by more than one month and Murray Goulburn's Offer is still subject to Conditions.

Accordingly if you accept Murray Goulburn's Offer now while it is conditional, some of the consequences include the following (subject to your right to withdraw your acceptance of Murray Goulburn's Offer in the limited circumstance described above):

- you will give up your rights to sell your WCB Shares on ASX or otherwise deal with them (for example, by accepting Saputo's Offer or any other offer from another bidder if one eventuates); and
- you will relinquish control of your WCB Shares and the Rights attaching to them to Murray Goulburn with no guarantee of payment until Murray Goulburn's Offer becomes unconditional.

The effect of acceptance of Murray Goulburn's Offer is set out in section 9.5 of the Bidder's Statement. WCB Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their WCB Shares and the representations and warranties which they give by accepting Murray Goulburn's Offer.

In particular WCB Shareholders should note that on Murray Goulburn's Offer, or any contract resulting from the acceptance of Murray Goulburn's Offer, becoming unconditional, Murray Goulburn will be entitled to attend meetings of WCB and vote on their behalf in respect of their WCB Shares to defeat resolutions relating to competing offers which may adversely affect the success of Murray Goulburn's Offer.

4.5 Consequences of Murray Goulburn acquiring less than 90% of WCB

If Murray Goulburn acquires more than 50% but less than 90% of the WCB Shares then, assuming all Conditions to Murray Goulburn's Offer are satisfied or waived, Murray Goulburn will acquire a majority shareholding in WCB.

In those circumstances WCB Shareholders who do not accept Murray Goulburn's Offer will become minority shareholders of WCB. This has a number of possible implications, including:

- Murray Goulburn will be in a position to cast the majority of votes at a general meeting of WCB. This will enable it to control the composition of WCB's Board of Directors¹⁴ and senior management and control the strategic direction of the businesses of WCB and its subsidiaries;
- the WCB Share price may fall immediately following the end of the Offer Period although this may be mitigated by the underlying attractiveness of WCB's business;
- the liquidity of WCB Shares may be lower than at present and there is a risk that WCB could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and/or liquidity; and
- if the number of WCB Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then Murray Goulburn may seek to have WCB removed from the official list of the ASX.

In addition if Murray Goulburn acquires 75% or more of the WCB Shares it will be able to pass a special resolution at a meeting of WCB Shareholders. This would enable Murray Goulburn, among other things, to pass amendments to WCB's constitution.

If Murray Goulburn's Offer lapses or if Murray Goulburn acquires less than 50% of WCB Shares, the trading price of WCB Shares may be higher or lower than the Offer Consideration. If you remain a WCB Shareholder in this circumstance, you will continue to enjoy the rewards and be subject to the risks of being a WCB Shareholder.

4.6 Compulsory acquisition

(a) Compulsory acquisition following Offer

Murray Goulburn states¹⁵ in its Bidder's Statement that if it becomes entitled to proceed to compulsorily acquire outstanding WCB Shares at the end of the Offer Period under Part 6A.1 of the Corporations Act, Murray Goulburn intends to do so.

Under Part 6A.1 of the Corporations Act, Murray Goulburn will be entitled to compulsorily acquire any WCB Shares in respect of which it has not received an acceptance of its Offer on the same terms as Murray Goulburn's Offer if, during or at the end of the Offer Period:

- Murray Goulburn and its Associates have a relevant interest in at least 90% (by number) of the WCB Shares; and
- Murray Goulburn and its Associates have acquired at least 75% (by number) of the WCB Shares that Murray Goulburn offered to acquire (excluding WCB Shares in which Murray Goulburn or its Associates had a relevant interest at the date of Murray Goulburn's Offer and also excluding any WCB Shares issued to an Associate of Murray Goulburn during the Offer Period).

If these thresholds are met, Murray Goulburn will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted Murray Goulburn's Offer.

(b) Future compulsory acquisition by Murray Goulburn

Even if Murray Goulburn does not satisfy the compulsory acquisition threshold referred to in Section 4.6(a) of this Target's Statement, it is possible that Murray Goulburn will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the WCB Shares. Murray Goulburn would then have rights to compulsorily acquire WCB Shares not owned by it within six months of becoming the holder of 90%. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

(c) Challenging compulsory acquisition

WCB Shareholders have statutory rights to challenge any compulsory acquisition. However a successful challenge will require the relevant WCB Shareholders to establish to the satisfaction of a court that the terms of Murray Goulburn's Offer do not represent *fair value* for the WCB Shares. If WCB Shares are compulsorily acquired, Shareholders who have their WCB Shares compulsorily acquired are not likely to receive payment from Murray Goulburn until at least one month after the compulsory acquisition notices are dispatched to them.

¹⁴ Subject to the constitutional requirement for four Supplier Directors on the WCB Board.

¹⁵ See section 6.2(b) of the Bidder's Statement.

4. Information about Murray Goulburn's Offer and other important issues

4.7 Risks of status quo

If the Offer Conditions are not satisfied or waived by the end of the Offer Period, Murray Goulburn's Offer will lapse and WCB will remain an independent ASX listed company.¹⁶

If the Offer Conditions are satisfied or waived by the end of the Offer Period but Murray Goulburn acquires less than 50% control of WCB, WCB will remain an independent ASX listed company.¹⁷

If WCB remains an independent ASX listed company but the Board fails to successfully execute the business improvement initiatives and other strategies it has underway to realise value for Shareholders (refer to Section 5 of this Target's Statement), Shareholders who do not accept Murray Goulburn's Offer or the Final Saputo Offer or who do not sell their Shares on market will have foregone the opportunity to realise value for their Shares.

4.8 Procedural aspects of Murray Goulburn's Offer

<p>Extension of Offer Period</p>	<p>Murray Goulburn may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to below) while Murray Goulburn's Offer is subject to Conditions.</p> <p>However if Murray Goulburn's Offer becomes unconditional Murray Goulburn may extend the Offer Period at any time before the end of the Offer Period.</p> <p>In addition there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:</p> <ul style="list-style-type: none"> • Murray Goulburn improves the Offer Consideration; or • Murray Goulburn's voting power in WCB increases to more than 50%. <p>If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.</p> <p>The maximum duration of the Offer Period is 12 months.</p>
<p>Notice of status of Conditions</p>	<p>Murray Goulburn has stated¹⁸ that it will give a Notice of Status of Conditions to the ASX and WCB on 7 March 2014.</p> <p>Murray Goulburn is required to set out in its Notice of Status of Conditions:</p> <ul style="list-style-type: none"> • whether Murray Goulburn's Offer is free of any or all of the Conditions; • whether, so far as Murray Goulburn knows, any of the Conditions have been satisfied; and • Murray Goulburn's voting power in WCB. <p>If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In those circumstances, Murray Goulburn is required, as soon as practicable after the extension, to give a notice to the ASX and WCB that states the new date for the giving of the Notice of Status of Conditions.</p> <p>If a Condition is satisfied during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Murray Goulburn must as soon as practicable give the ASX and WCB a notice that states that the particular Condition has been satisfied.</p> <p>As at the date of this Target's Statement Murray Goulburn had not given notice that any of the Conditions had been satisfied or waived.</p>
<p>Withdrawal of Offer</p>	<p>Murray Goulburn may withdraw its Offer with the written consent of ASIC and subject to the conditions (if any) specified in ASIC's consent.</p>

¹⁶ Assuming any other competing offer is not successful.

¹⁷ Assuming any other competing offer is not successful.

¹⁸ See section 9.10 of the Bidder's Statement.

Effect of acceptance	If you accept Murray Goulburn's Offer then, unless withdrawal rights are available (see below) and you exercise these rights, you will give up your right to sell your WCB Shares on market or to sell your Shares to Saputo or any other person that may make a takeover bid, or to otherwise deal with your Shares in any manner.
Limited ability to withdraw your acceptance	If you accept Murray Goulburn's Offer, you may only withdraw your acceptance of Murray Goulburn's Offer if Murray Goulburn varies its Offer in a way that postpones for more than one month the time when Murray Goulburn needs to meet its obligations under the Offer. This will occur if Murray Goulburn extends the Offer Period by more than one month and the Offer is still subject to Conditions.
Timing for receipt of payment if you accept	<p>Under the terms of its Offer, Murray Goulburn will not make payment for any WCB Shares accepted into the Offer until the Offer becomes unconditional.</p> <p>If Murray Goulburn's Offer becomes unconditional, you will receive payment from Murray Goulburn by the earlier of:</p> <ul style="list-style-type: none"> • one month after the date of your acceptance of Murray Goulburn's Offer or, if the Offer is subject to a Condition when you accept the Offer, within one month after the contract arising from your acceptance of Murray Goulburn's Offer becomes unconditional; and • 21 days after the end of the Offer Period. <p>Refer to section 9.6 of the Bidder's Statement for further details on when you will receive payment from Murray Goulburn.</p>
Effect of an improvement in Offer Consideration for Shareholders who have already accepted	If Murray Goulburn improves its Offer Consideration, all WCB Shareholders, whether or not they have accepted Murray Goulburn's Offer before that improvement, will be entitled to the benefit of that improved Offer Consideration.
Lapse of Murray Goulburn's Offer	Murray Goulburn's Offer will lapse if the Conditions are not satisfied or waived by the end of the Offer Period, in which case all contracts resulting from acceptance of Murray Goulburn's Offer and all acceptances that have not resulted in binding contracts are void. In that situation you will remain a WCB Shareholder and will be free to deal with your WCB Shares as you see fit.

4.9 Effect of Offer on WCB's employee incentive schemes

WCB operates a number of employee incentive schemes as part of its remuneration strategy for executives and employees. As these plans involve the acquisition of WCB Shares by employees, Murray Goulburn's Offer may trigger rights to allow employee securityholders to participate in the Offer in the same manner as other WCB Shareholders.

In summary Murray Goulburn's Offer will have the following consequences.

(a) Performance Rights Plan

The Performance Rights Plan and the Performance Rights Plan rules were approved by WCB Shareholders at the WCB Annual General Meeting held on 25 October 2012. In general terms the Performance Rights Plan was introduced to provide performance incentives for eligible employees, with the aim being to drive long term performance for all WCB Shareholders by fostering a culture of employee share ownership and retention of key employees. Performance rights granted under the Performance Rights Plan are subject to certain vesting conditions. For example the employee meeting certain performance hurdles prescribed by the Board. Performance rights vest on a 1:1 basis into WCB Shares and are granted to eligible employees for no consideration.

4. Information about Murray Goulburn's Offer and other important issues

As at the date of this Target's Statement the only holder of performance rights is Mr David Lord who holds 129,286 performance rights.¹⁹

Under the Performance Rights Plan rules, the Board has discretion to accelerate the vesting of performance rights on issue if a takeover bid is made for WCB Shares or any other corporate control event occurs.

The Board has exercised its discretion to accelerate the vesting of all of Mr Lord's performance rights, effective on and subject to either:

- the Murray Goulburn Offer becoming unconditional²⁰ and Murray Goulburn receiving a level of acceptances under its Offer that takes Murray Goulburn's relevant interest and voting power in WCB to more than 50.1%; or
- Saputo receiving a level of acceptances under its now unconditional offer that takes Saputo's relevant interest and voting power in WCB to more than 50.1%.

Therefore all of David Lord's performance rights will vest on an accelerated basis only in one of those alternative circumstances, in which case 129,286 new WCB Shares would be issued to David Lord.

Murray Goulburn's Offer extends to all new WCB Shares that are issued during the Offer Period due to the conversion of, or exercise of:

- the 68,627 performance rights that were already in existence and held by Mr Lord as at 18 October 2013, being the date Murray Goulburn's Offer was announced; and
- the further tranche of 60,659 performance rights recently granted to David Lord, for which Shareholder approval was received at WCB's 2013 Annual General Meeting.

Accordingly if Murray Goulburn's Offer becomes unconditional²¹ and Murray Goulburn receives a level of acceptances under its Offer that takes Murray Goulburn's relevant interest and voting power in WCB to more than 50.1%, David Lord will be issued with a further 129,286 new Shares due to the accelerated vesting of his performance rights. He may then participate in Murray Goulburn's Offer in the same manner as other WCB Shareholders in respect of those new 129,286 Shares, if he elects to do so.

(b) Employee Share Plan

The Employee Share Plan offers employees the opportunity to acquire WCB Shares up to the value of \$1,000 at the discretion of the Board without having to make any payment for the acquisition of those Shares.

As at the date of this Target's Statement a total of 111,231 WCB Shares have been issued under the Employee Share Plan.

WCB Shares issued under the Employee Share Plan may not be sold until the earlier of:

- three years after they are issued; or
- the cessation of employment of the relevant employee with the WCB Group.

Under the rules of the Employee Share Plan the Board has the discretion to free all WCB Shares issued under the Employee Share Plan from the three year restriction and to waive any vesting conditions applicable to any WCB Shares issued under the Employee Share Plan. The Board has exercised its discretion to do so and therefore any employees who hold WCB Shares issued under the Employee Share Plan that are subject to either transfer restrictions or vesting conditions may participate in Murray Goulburn's Offer and Saputo's Offer in the same manner as other WCB Shareholders.

¹⁹ This includes 60,659 performance rights, the grant of which was approved by WCB Shareholders at WCB's 2013 Annual General Meeting. These 60,659 performance rights have recently been granted to David Lord given that Bega's Offer closed on 20 December 2013 and did not result in Bega acquiring a majority of the WCB Shares on issue.

²⁰ Other than the No Prescribed Occurrences Condition.

²¹ Other than the No Prescribed Occurrences Condition.

4.10 Effect of Offer on WCB's Dividend Reinvestment Plan

Under the Dividend Reinvestment Plan WCB Shareholders may elect to receive new WCB Shares instead of receiving cash dividends or a combination of new WCB Shares and cash dividends. All new WCB Shares issued under the Dividend Reinvestment Plan are ordinary shares and rank equally in all respects with all existing WCB Shares. WCB Shares issued under the Dividend Reinvestment Plan can be sold at any time.

The WCB Board has declared a fully franked final dividend for FY13 of 11 cents per Share. The record date was 9 September 2013 and the payment date was 27 September 2013. The Dividend Reinvestment Plan applies to the FY13 final dividend and 723,338 new WCB Shares were issued on 27 September 2013 under the Dividend Reinvestment Plan.

The 723,338 new WCB Shares that were issued to Shareholders who have made an election under the Dividend Reinvestment Plan for the FY13 final dividend will be eligible to participate in Murray Goulburn's Offer in the same manner as other WCB Shareholders.



Section 5

Profile of WCB

5. Profile of WCB

5.1 Introduction

WCB is located at Allansford in south west Victoria, one of the best dairy regions in Australia. WCB was incorporated in 1888 and is Australia's oldest dairy processor. WCB has been producing dairy products for over 125 years.

WCB listed on ASX in 2004 and currently has approximately 3,900 shareholders.

WCB is Australia's fourth largest dairy processor with FY13 milk intake from over 570 milk suppliers of almost 900 million litres representing 10% of Australia's annual milk production.

WCB owns and operates the Allansford dairy production plant which is one of the largest and highest production capacity sites in Australia where milk collected from its milk suppliers is processed to produce high quality cheese, milk powder, whey protein concentrate, butter, cream and packaged milk.

WCB produces a total of over 130,000 tonnes of dairy products per year that are sold in Australia and to various customers from over 40 countries around the world.

WCB, in conjunction with its joint venture partner Royal FrieslandCampina of The Netherlands, produces Vivinal GOS at a newly constructed plant at Allansford. Vivinal GOS is a highly sophisticated functional ingredient used in infant formulations and supplied to global companies for Australian and international markets.

WCB has a strong regional presence in dairy processing in Australia which is reflected in the success it has achieved in attracting milk suppliers where today it has over 570 milk suppliers across some of the most productive dairy regions in Australia, providing almost 900 million litres of high quality milk each year.

WCB is one of the largest employers in south west Victoria, employing over 400 people across sites in Allansford, Mount Gambier (SA) and Port Melbourne.

WCB operates one of Australia's largest, most diverse and efficient dairy plants strategically located adjacent to one of Australia's best dairy supply regions. WCB's single site and diversity of operations enables WCB to optimise its product mix and operate one of the highest utilised dairy manufacturing plants in Australia. WCB continues to invest in value creating initiatives for the benefit of its Shareholders and suppliers.

5.2 Business activities

(a) Ingredient dairy products

Cheese (Bulk)

The majority of cheese produced at WCB is of a dry salted cheddar type. WCB produces a wide range of cheddar varieties with differing characteristics such as low fat cheddar, skim, gouda, romano and emmental and others are also produced.

The cheddar cheese manufactured at the Allansford site is sold in bulk 20 kilogram form to wholesale customers in Australia and on the international market and packaged into WCB's specialty cheese range at the Mil Lel site.

Approximately 40% of the cheese production is exported to such countries and regions as Japan, Korea, the Middle East, the US, Europe and South East Asia.

The cheese plant was refurbished and renewed as part of a major upgrade in 1993 and has since been further upgraded, including in 2005, to improve efficiency and increase capacity. It is highly computerised and one of Australia's most modern and largest cheese plants.

Skim Milk Powder

WCB produces low heat, medium heat and high heat skim milk powder.

Skim milk powder is used in recombined milk, bakery products, confectionery, infant formula and dairy desserts such as yoghurts and ice cream.

Almost all of the milk powder manufactured by WCB is sold on the international market.

The major markets to which milk powders are exported include the Middle East, Japan, China, Europe, South East Asia and South America.

Butter and Cream

WCB's butter plant produces a variety of products including salted butter, unsalted butter and butter blends with sugar, flour and oils for use in bakery products, biscuit making and confectionery.

5. Profile of WCB

Butter products are generally sold to wholesalers in Australia and also on the international market. The countries and regions to which butter products are exported include Japan, Korea, the Middle East, Russia, the US, South East Asia and Europe.

Cream products are either sold as fresh cream to local customers or frozen to the export market.

Whey Protein Concentrate

WCB's whey protein concentrate plant utilises sophisticated membrane technology to extract protein from whey which is generated from WCB's cheese manufacturing process.

The protein concentrate is then transformed into whey protein concentrate powder composed of 80% milk protein.

This powder is used in health products, sports drinks, nutritional health bars, as a binding ingredient in food processing and as a meal replacement or supplement.

Most of this product is exported, with major customers located in Japan, China and the US.

(b) Consumer products

Sungold milk

Sungold milk is the brand under which WCB sells packaged milk through various channels for consumption by retail consumers. *Sungold* milk comes from one of the cleanest and greenest regions of Australia and travels from the farm to the shelf in less than 24 hours. *Sungold* provides an extensive range of milk to suit all tastes and lifestyles.

Great Ocean Road products

WCB's brand of *Great Ocean Road* cheese and milk is available exclusively through Coles supermarkets. *Great Ocean Road* cheese is available in five block varieties (Vintage, Extra Tasty, Tasty, Light and Colby Cheddar) and two types of shredded cheese (Tasty and Light Cheddar). *Great Ocean Road* milk is available in full cream, low fat and no fat, as well as chocolate and iced coffee flavours.

Warrnambool Cheddars

WCB produces and packages its brand of cheese, simply named *Warrnambool Cheddars*. This includes an award winning black label vintage cheddar and a red label matured cheddar. While the bulk cheddar is made at Allansford, the flavour additions and packaging for this label are completed at the Mil Lel plant in South Australia. *Warrnambool Cheddars* can be found in select IGA stores, select Woolworths stores in regional Victoria, at *Thomas Dux* grocers and at *Cheese World* in Allansford, Victoria.

Enprocal

Enprocal is a specially formulated high energy, high protein supplement for people experiencing difficulties meeting their nutritional requirements or maintaining weight due to medical conditions, including conditions commonly found in the elderly. *Enprocal* is gluten free, easy to use and can be added to most foods and beverages.

(c) Milk supply and market share

The table below summarises WCB's milk supply and number of suppliers in the Australian dairy industry.

Year	Milk Intake (mlt)	No. of Suppliers
2001	648	580
2002	725	573
2003	640	570
2004	702	606
2005	757	584
2006	804	610
2007	805	572
2008	853	573
2009	928	495
2010	896	565
2011	879	556
2012	919	580
2013	890	570

(d) Exports

Exports comprised approximately 46% of FY13 sales by value, largely to Asian markets and the Middle East, plus sales to the United States, Europe and South America. WCB's largest export market is Japan, where it operates a sales and marketing joint venture with exclusive distribution rights for WCB products in the Japanese market.

WCB Japan (**WCBJ**) operations have recently been expanded to include distribution agreements for non competing products from select non Australian dairy manufacturers. This initiative has seen the development of business in new categories such as cheese powders from France and protein products from New Zealand.

Expanding the WCBJ range of products available for Japan complements and enhances the existing business by providing customers with a broader portfolio of product and positions WCBJ as a specialised supplier of dairy ingredients to the Japanese markets.

(e) Great Ocean Ingredients Joint Venture

WCB and Royal FrieslandCampina entered into a 50:50 joint venture in 2007 to form a new company named *Great Ocean Ingredients* to construct, at WCB's site at Allansford, a new \$75 million plant to produce galacto-oligosaccharides (**GOS**).

Royal FrieslandCampina ranked 4th on the Rabobank Top 20 list of world largest dairy companies.

Using innovative and patented technology drawn from the expertise of Royal FrieslandCampina/FrieslandCampina Domo, this venture uses WCB's whey ingredients to be processed into nutritional and functional ingredients, such as Vivinal GOS.

Vivinal GOS is a prebiotic ingredient containing galacto-oligosaccharides. It is used for its beneficial effects on health as well as for fibre enrichment. This ingredient, which plays an important role in the development of a healthy immune system, is used largely in infant formulation and also has application in other products.

(f) Manufacturing

Manufacturing operations occur at a factory site in Allansford, near Warrnambool in south west Victoria. The site, which covers approximately 17 hectares, comprises separate manufacturing facilities for cheese, milk powders, whey protein concentrate, butter, cream and packaged milk. WCB also operates a specialty cheese plant in Mil Lel, just north of Mt Gambier, in South Australia. Milk is collected from farms on a daily basis with a modern fleet of milk tankers. The milk received from suppliers and other sources is processed at the Allansford site.

5.3 WCB's strategic value at a glance

Location	WCB's location is adjacent to one of Australia's best dairy regions, which has moderate climate with reliable rainfall and relatively low cost of operations.
Asset quality	WCB's plant in Allansford is one of Australia's largest, most diverse and efficient dairy plants. WCB's on site laboratory is NATA accredited and its facilities use modern technology and comply with AQIS (Australian Quarantine Inspection Service) export requirements. Quality and food safety programs include ISO 22000:2005, Codex Alimentarius and WQA accreditation.
Efficiency	WCB's single site and diversity of operations enables WCB to optimise its product mix and operate one of the highest utilised dairy manufacturing plants in Australia.
Utilisation	WCB's plant in Allansford is one of Australia's highest utilised large scale dairy manufacturing plants in the country.

5. Profile of WCB

Innovation	WCB has a strong history of innovating (either stand alone or with partners). An example of this is the <i>Great Ocean Ingredients</i> joint venture which used innovative and patented technology drawn from the expertise of Royal FrieslandCampina/ FrieslandCampina Domo and WCB's whey ingredients in order to produce Vivinal GOS. Vivinal GOS is a prebiotic ingredient which plays an important role in the development of a healthy immune system.
Growth	WCB has grown milk volumes, product ranges and volume over an extended period, including since ASX listing in 2004.
Proven performer	WCB has successfully collected milk from high quality suppliers and processed it into an increasing array of valued and high quality dairy products for customers and consumers in Australia and overseas.

5.4 Business improvement initiatives

Consistent with WCB's strategy to build a portfolio of higher margin products and deliver more customer specific applications, WCB continues to invest in value creating initiatives for the benefit of its shareholders and suppliers.

Set out below is a summary of WCB's business improvement initiatives which the Board considers will underpin WCB's outlook for improved performance.

Short term	<p><i>Consolidate recent initiatives</i></p> <p>WCB is currently:</p> <ul style="list-style-type: none"> • increasing the percentage of total powder sales in premium specification or customer specific applications at improved margins; • extending customer specific formulation in cheddar and reduced fat cheese; • expanding the Mitsubishi Corporation exclusive premium powder supply agreement; and • rolling out growth plans for <i>Great Ocean Road</i> branded cheese and fresh milk supply in Coles supermarkets. <p><i>Lactoferrin market</i></p> <p>To take advantage of Asia's strong demand for infant formula, WCB and The Tatua Cooperative of New Zealand have entered into a technology and services agreement, under which Tatua will license WCB to use its intellectual property in relation to the extraction and processing of lactoferrin from milk. Lactoferrin is primarily used as a functional ingredient in premium infant formulations.</p> <p>WCB is currently constructing the lactoferrin plant at its Allansford site, with Tatua providing design and construction services to assist WCB in achieving optimal operating performance. Commissioning is expected around the end of the second quarter of FY14.</p> <p>Tatua will act as WCB's technology partner in manufacturing lactoferrin and assist WCB with sales and marketing activities.</p> <p>The key region is Asia and the key market is China. Lactoferrin is registered as a <i>novel ingredient</i> in China and is one of a small group of <i>value add</i> ingredients for infant formula in China.</p>
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Medium term***Long term cream cheese manufacturing agreement with Kraft***

WCB intends to:

- launch *Sungold* branded cream cheese into the export market through an exclusive long term manufacturing agreement with Kraft; and
- build volumes to fully utilise the 5,000 tonnes of available capacity.

WCB will supply cream and milk for Kraft to manufacture the cream cheese. The targeted markets are Japan, Middle East, China, Singapore and Malaysia.

Premium low fat cheese developed for Kraft

WCB's low fat cheese formulation has been launched under Kraft's *Livefree* brand. WCB owns the intellectual property to this cheese and manufactures it for Kraft. It is the lowest fat cheese on the market, with 80% less fat and a delicious cheddar flavour. Products are in the market now.

The unique characteristic of this product is that it maintains the taste and texture of a good quality cheddar.

Instantised WPC capability upgrade

WCB has undertaken a capability upgrade to enable the production of whey protein concentrate (**WPC**) in instantised form. WCB will transition current WPC volumes to the premium instantised form over time. Instantised WPC delivers greater application functionality for sports nutrition and infant formula customers. Supply to market is due to commence in FY14. Targeted markets include the US sports nutrition market, Chinese supplement powder market and expanding offering to Australian customers.

Long term***Higher margin commodities and customer specific applications***

As part of WCB's long term corporate strategy WCB intends to target an improved product mix to increase margins and reduce volatility relative to mainstream dairy commodities. Ingredients designed to customer specific applications are a central part of this strategy.

Expand the domestic retail business

Opportunities exist in the domestic market to expand WCB's consumer products offering and contribute to an improved product mix. The successful launch of the *Great Ocean Road* cheese brand underpinned a significant increase in speciality cheese revenues in FY13.

Proactive in industry opportunities

As part of WCB's long term corporate strategy WCB intends to maintain a constructive dialogue with industry players in search of value creating opportunities to collaborate, rationalise or consolidate existing activities.

Maintain lowest cost business status

As part of WCB's long term corporate strategy WCB intends to leverage its status as a lowest cost processor by maintaining high plant utilisation and efficiency supported by a continuous improvement operating culture.

Progressive milk procurement package

As part of WCB's long term corporate strategy WCB intends to deliver a creative milk procurement package to milk suppliers, and attract and retain sufficient suppliers to achieve optimum intake levels.

5. Profile of WCB

5.5 Strategic initiatives

Before Bega's Offer was announced, WCB was well advanced with a major strategic initiative involving the formation of a new joint venture. Negotiations for entry into binding joint venture documentation had progressed substantially. However the announcement of Bega's Offer created uncertainty in terms of the ability to continue those negotiations, as entry into the joint venture could potentially have breached one of Bega's Offer Conditions that prohibits WCB from, among other things, entering into new joint ventures. As a result of that uncertainty, negotiations with the prospective joint venture partner have now ceased.

5.6 Market outlook

WCB has experienced a strong resurgence in international pricing in the first half of FY14 and is contracting sales at average prices which are significantly higher than the FY13 average. In addition the substantial weakening of the Australian dollar in relation to the US dollar in recent months has provided a welcome margin lift across the export product group. The numerous business improvement projects and initiatives outlined above are contributing to an improving product mix, higher margins and less volatility relative to commodity products. These factors provide a positive outlook for the international markets over the first half of this financial year and for WCB's operations in general.

On 2 October 2013 WCB announced that it forecasts that its EBITDA for FY14 will be in the range of \$47.0 million to \$52.0 million (**FY14 Forecast**). See Section 6 of the Bega Target's Statement for further information in relation to the FY14 Forecast, including the underlying assumptions, sensitivities and risks associated with this forecast.

On 20 December 2013 WCB announced that its EBITDA for the 6 months to 31 December 2013 was expected to be an approximately 100% improvement on the prior corresponding 6 months to 31 December 2012 of \$29.3 million. WCB also confirmed that its overall earnings expectation for the full FY14 was in line with its FY14 Forecast.

5.7 Key risks faced by WCB

Set out below is a summary of the key risks that WCB Shareholders are exposed to as a result of their investment in WCB. The risks identified in this Section are not exhaustive, and no assurances or guarantees of future performance of, profitability of, or payment of dividends by WCB are given.

Company specific risks	
Milk price	Aggressive upward milk pricing behaviour by WCB's competitors may increase the cost of the raw material input.
Milk supply	<p>If there is a significant reduction in WCB's milk supply for processing it would have a significant adverse financial impact on WCB's production cost base.</p> <p>It is common practice in the dairy industry within the region of WCB's milk collection for there not to be written milk contracts.</p>
Factors influencing milk pricing	<p>The two main influences on returns from the global bulk dairy market are dairy commodity prices and the USD exchange rate as trade is usually conducted in US dollars. An increase in commodity prices and/or depreciation in the value of the AUD relative to the USD has a positive impact on milk prices. Conversely, a decrease in commodity prices and/or an appreciation in the AUD relative to the USD has a negative impact on milk prices.</p> <p>To a large extent the movement in milk prices relative to market conditions mitigates milk pricing risk.</p> <p>The manner in which milk pricing is determined by WCB generally results in the milk price reflecting global market conditions.</p>
Product pricing by competitors	The majority of domestic cheese and fresh milk market is heavily consolidated and aggressive pricing behaviour on product pricing by competitors seeking to gain market share may impact WCB adversely.

Company specific risks	
Timing of lactoferrin initiative	The new lactoferrin project is expected to commence sales in February 2014. Any delay in commissioning this project will impact adversely on FY14 results.
Domestic supermarket dominance	The Australian consumer goods market is dominated by two major supermarket chains. Discounting behaviour from these supermarket chains may affect WCB's margins for its sales of consumer products in Australia.
Reliance on major distributors	WCB relies on a number of distributors and relationships to procure the bulk of its sales. A loss of any of these contracts would result in the products previously supplied under those contracts becoming surplus as a consequence of the loss of the contract.
Exchange rate fluctuation	As noted above global dairy trade is predominantly in USD. WCB's returns from export dairy sales are directly influenced by the USD exchange rate. Approximately 46% of WCB's FY13 revenue (by value) related to exports. To manage fluctuation and uncertainty relating to the USD exchange rate WCB has implemented strategies to mitigate against longer term and short term currency exposure.
Sales prices	WCB is exposed to fluctuations in world economic conditions and international commodity prices, particularly for cheese, milk powder, whey protein concentrate and butter.
Business interruption	Like all businesses, WCB is dependent on the ongoing, efficient operations of its systems and infrastructure. Inherent risks include natural disasters, failure of critical machinery, power, gas, water supply and computer equipment and industrial action.
Loss of key personnel	WCB may be adversely affected by the loss of one or more of its key personnel in the short to medium term.
Environmental risks	<p>WCB, as with other dairy food processors, produces air, noise, odour and waste emissions in the course of production.</p> <p>WCB may be required to take action and incur significant expenses due to current and future environmental regulations in relation to its past, current and future conduct.</p> <p>In particular, as a result of a <i>clean up notice</i> issued by the Environmental Protection Authority (EPA) in early 2010, WCB and a third party may be liable for as yet unquantified clean up costs (if any) in relation to the disposal of waste water from WCB's manufacturing facility at Allansford from 1936 to 1991.</p>
Product risks	As with all dairy food processors, WCB is exposed to the risk of product contamination by such infections or pathogens as listeria, salmonella, e coli, bacillus cereus clostridium perfringens or e.sakazakii.

5. Profile of WCB

Industry specific risks	
Regulatory and free trade issues	The dairy food processing industry is regulated by government legislation and regulation. Any changes in legislation, regulation or codes of practice including the imposition of or increases in levies, taxes or other imposts may have an adverse effect on the profitability of WCB. As a substantial part of WCB's products are exported worldwide, the business is subject to risks common to other exporters such as international trade barriers and international trade regulation.
Disease	The areas from which WCB sources its milk supply are, and have been for some time, free of diseases that pose a risk to humans through the consumption of dairy products, such as anthrax, bovine tuberculosis and brucellosis.
Agricultural conditions	<p>The quantity and quality of WCB's milk production may be adversely affected by a prolonged period of lower than average rainfall.</p> <p>In recent years a number of areas in Australia have been affected by adverse climatic conditions and in some areas particularly where dairy and grain production has relied on surface water allocations. For example, in the Murray River and Darling River areas, milk production has suffered a significant decline having a negative impact on the dairy industry in those regions.</p>
Business risks	
Economic risks	As with other companies conducting business in Australia, the performance of WCB is affected by the general prevailing economic conditions. The global economic downturn resulted in a rapid and unexpected fall in dairy commodity prices in 2009.
Interest rates	Given that WCB partly funds its operations with debt, it has an exposure to changes in interest rates.
Investment risk	<p>The ability of WCB to pay dividends is dependent on its profitability and other factors.</p> <p>The price at which WCB Shares trade on ASX will fluctuate due to WCB specific factors such as profitability and dividends, and other general market factors, not directly related to the performance of WCB.</p>

5.8 Directors

(a) Terry Richardson (Chairman, Non Executive Director)

Mr Richardson was appointed as Chairman in August 2013 and has been a supplier non executive Director since 2007. Mr Richardson has been a dairy farmer in Australia and New Zealand for 35 years. He was formerly a director with Kiwi Co-operatives Dairies Ltd for seven years and an agribusiness consultant with Agriculture New Zealand.

(b) David Lord (Managing Director, CEO)

Mr Lord joined WCB in June 2010 and was previously the Managing Director and CEO of Parmalat Australia from 2002 until June 2009. His previous roles in Parmalat included COO and responsibility for running their Victorian Operation. In addition to his experience in dairy operations, Mr Lord has a broad understanding of fast moving consumer goods and branded dairy products. He has had previous senior management roles with Huttons, Players Group and QUF Industries (Pauls Limited).

(c) Andrew Anderson (Non Executive Director)

Mr Anderson has been a supplier non executive Director since 2009. Mr Anderson was formerly the Senior Lecturer in Accounting and Finance at Deakin University (Warrnambool) and is an accountant in practice operating his own business specialising in rural accounting and finance. He and his wife have operated Rossander Angus, an Angus cattle stud/breeding enterprise for 40 years, as well as a dairy farming operation for the past 11 years.

(d) Kay Antony (Non Executive Director)

Ms Antony has been a supplier non executive Director since 2010. She has been a dairy farmer for 16 years and a former director of Westvic Dairy.

(e) Bruce Vallance (Non Executive Director)

Mr Vallance has been a supplier non executive Director since 2009 and prior to this was an Associate Director from 2006. Mr Vallance has been a dairy farmer in Nirranda for 20 years with a background in broad acre and intensive animal enterprises. He is President of the Wannon branch of the UDV.

(f) Michael Carroll (Independent Director)

Mr Carroll has been a Director since 2009. Mr Carroll serves a range of agribusiness companies in a board and advisory capacity. Current directorships include Sunny Queen Pty Ltd, Queensland Sugar Limited, Select Harvests Ltd, Rural Finance Corporation, Geoffrey Gardiner Dairy Foundation Limited, Rural Funds Management and Rural Funds Farming. He has over 25 years experience in the food, agribusiness and finance sectors including 18 years at NAB Ltd.

(g) Neville Fielke (Independent Director)

Mr Fielke was appointed as a Director in August 2013. Mr Fielke has extensive experience in the Consumer, Food, Beverage, Leisure and Advisory sectors. He has held a number of senior executive positions in sales, marketing and strategy over 20 years to 2007 at H.J. Heinz group companies, Fosters Group Limited and Mars group companies, including seven years as CEO and Managing Director of H.J. Heinz Australia Ltd which extended to include Watties in New Zealand and H.J. Heinz in Japan during this period. Mr Fielke was also CEO and Managing Director of Racing Victoria Ltd from 2001-2003. Since 2007 Mr Fielke has been involved in corporate advisory as a director of Falcon Corporate Advisory Pty Ltd which specialises in merger and acquisition transactions and growth consulting through Growth Solutions Group Pty Ltd.

(h) Raymond Smith (Independent Director)

Mr Smith was appointed as a Director in May 2013. Mr Smith was Chief Financial Officer of Smorgon Steel Group Ltd for 11 years to 2007 and has significant corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raisings. Mr Smith is non executive Director of other ASX listed companies Transpacific Industries Group Ltd, Crowe Horwath Australasia Ltd and K&S Corporation Ltd and is also a trustee of the Melbourne & Olympic Parks Trust.

(i) Robert Lane (Independent Director)

Mr Lane was elected as a Director in October 2013. Mr Lane is the managing partner of business consultancy group SED Advisory. Mr Lane held a number of senior positions in finance and governance before joining SED Consulting in 2001, including being financial controller and company secretary at the Warrnambool Co-operative Society Ltd for seven years from 1993.

(j) John McLean (Associate Director)

Mr McLean has been an Associate Director since 2010. He was Executive Director from 2000 until his retirement in 2007. He was then reappointed in April 2009 until June 2010. He was an employee of WCB for over 50 years including 32 years in the role of Manager/Chief Executive Officer.

(k) Bruce Morley (Associate Director)

Mr Morley has been an Associate Director since 2010 and prior to this, was an independent non executive Director since 2000. Mr Morley was a former Executive Director of Sigma Company Limited (now Sigma Pharmaceuticals Limited).

5. Profile of WCB

5.9 Senior management

(a) Anthony Cook (General Manager – Milk Supply)

Mr Cook's responsibilities include milk supply and trading and field services. He joined WCB in 2000 after 12 years experience in various finance and advisory roles. Mr Cook held several senior finance positions after gaining experience domestically and internationally in audit and corporate advisory roles with a focus on the manufacturing sector.

(b) William Hannah (Chief Financial Officer)

Mr Hannah is responsible for the strategic direction and management of the financial, taxation and treasury functions and the provision of reliable business controls and financial risk management. He has been an employee since 1998. Mr Hannah has over 40 years of ASX listed company experience in senior financial, secretarial and commercial management positions.

(c) Bernard Kavanagh (General Manager – Corporate Development)

Mr Kavanagh is responsible for strategic planning, corporate development and for pursuing profitable growth opportunities. He has held senior management positions in a number of areas including finance, accounting, investor relations and growth. He has extensive experience in the dairy industry including with alliances and joint ventures both in Australia and overseas. He is currently a director of Great Ocean Ingredients Pty Ltd and Warrnambool Cheese and Butter Japan Company Limited. He commenced employment with WCB in 1978.

(d) Ross Martin (General Manager – ICT/PMO)

Mr Martin joined WCB in January 2013. His responsibilities include leading the Information Technology Team as well as Program Portfolio Management for key business projects. Mr Martin has over 36 years of dairy/beverage industry experience in diverse senior management roles with large ASX listed and multinational FMCG companies.

(e) Paul Moloney (Company Secretary)

Mr Moloney is responsible for advising the Board and WCB in corporate governance practices, management of the legal, risk and investor relations functions and for statutory, ASX and company compliance issues. Mr Moloney commenced employment with WCB in 2001 and prior to becoming Company Secretary had 20 years of domestic and international experience in a number of financial roles. He is currently Company Secretary for Great Ocean Ingredients Pty Ltd and is responsible for the secretarial duties of Warrnambool Cheese and Butter Japan Company Limited.

(f) Bill Slater (General Manager – Retail Dairy)

Mr Slater is responsible for management of sales, marketing and distribution of WCB's retail dairy products in the Australian domestic market and packaged consumer products internationally. He joined WCB in 2002 having gained 28 years experience in both domestic and international retail management. He has held several key management positions in enterprises involved in the sales and distribution of retail branded products.

(g) Richard Wallace (General Manager – Operations)

Mr Wallace's areas of responsibility include the management of WCB's production facilities and related services, along with milk transport. He joined WCB in 1996 and has 24 years experience in the dairy industry holding a number of key management positions within manufacturing. He is currently a director of Great Ocean Ingredients Pty Ltd and Dairy Innovation Australia Pty Ltd.

(h) John Williams (General Manager – Sales, Marketing & Innovations)

Mr Williams has 23 years experience in trading hard and soft commodities with a focus on agricultural products mainly to the Asian region. He is responsible for sales, marketing and distribution of WCB's bulk dairy products both internationally and domestically. He also oversees WCB's research and development program and warehousing and logistics. He is currently a director of Australia's dairy industry peak body, Australian Dairy Industry Council Inc. and Vice President of the Australian Dairy Products Federation. He has been an employee since 2000.



Section 6

Taxation consequences

6. Taxation consequences

6.1 Introduction

The information in this Section is a general summary of the Australian income tax (including CGT), GST and stamp duty consequences for WCB Shareholders who accept Murray Goulburn's Offer.

This information is relevant only to those WCB Shareholders who hold their WCB Shares on capital account. This information relates only to WCB Shares, and not to other rights held over WCB Shares.

Stamp duty and GST information is set out in Sections 6.4 and 6.5 of this Target's Statement respectively.

This Section does not consider the Australian income tax consequences for WCB Shareholders:

- who hold their WCB Shares as trading stock or as revenue assets;
- who acquired their WCB Shares through an employee share scheme;
- that may be subject to special tax rules, such as financial institutions, insurance companies, partnerships (except where expressly stated), tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- who are subject to the taxation of financial arrangements rules in relation to gains and losses on their WCB Shares.

The information in this Section is based on taxation law and practice in effect as at the date of this Target's Statement. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every WCB Shareholder.

WCB Shareholders should seek independent professional advice regarding the taxation consequences of accepting Murray Goulburn's Offer or otherwise disposing of their WCB Shares.

6.2 Tax consequences of disposal of WCB Shares by Australian residents

(a) General CGT considerations

Acceptance of Murray Goulburn's Offer will result in the disposal of WCB Shares by WCB Shareholders.

This disposal will constitute a CGT event for the WCB Shareholder. Where a WCB Shareholder accepts Murray Goulburn's Offer, the date of disposal for CGT purposes will be either:

- a) if at the time of acceptance Murray Goulburn's Offer is conditional, the time at which Murray Goulburn's Offer becomes unconditional;
- b) if at the time of acceptance Murray Goulburn's Offer is unconditional, the time at which the WCB Shareholder accepted Murray Goulburn's Offer; or
- c) if the WCB Shareholder does not accept Murray Goulburn's Offer and the WCB Shares are compulsorily acquired by Murray Goulburn, the time at which the WCB Shares are acquired.

If Murray Goulburn's Offer does not become unconditional, then no CGT event will occur.

The disposal of WCB Shares may result in a capital gain or capital loss for the WCB Shareholder.

A capital gain will arise if the WCB Shareholder's capital proceeds exceed the cost base of their WCB Shares. A capital loss will arise if the WCB Shareholder's capital proceeds are less than the reduced cost base of their WCB Shares.

Capital proceeds

The capital proceeds received by a WCB Shareholder who accepts Murray Goulburn's Offer (or has their WCB Shares otherwise acquired under Murray Goulburn's Offer) will be equal to the amount of cash received in respect of the disposal of the WCB Shares.

Cost base and reduced cost base

The cost base or reduced cost base of WCB Shares should include the money that a WCB Shareholder has paid or was required to pay to acquire its WCB Shares, plus certain other amounts associated with the acquisition of the WCB Shares and disposal to Murray Goulburn, such as brokerage or stamp duty. The cost base, but not the reduced cost base, of WCB Shares may also include indexation (refer below).

Net capital gain

Subject to the CGT reductions and exemptions discussed below, capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether the taxpayer has a net capital gain or loss for that period. Any net capital gain, after applying carried forward capital losses, is included in the taxpayer's assessable income. It is subject to income tax after deductions, including, subject to satisfying any applicable loss recoupment rules, deductions for any tax losses.

6. Taxation consequences

Capital losses

Capital losses may only be offset against capital gains realised in the same income year. A net capital loss for an income year can, subject to satisfaction of the loss recoupment rules, where applicable, be carried forward to be offset against capital gains in future income years.

(b) Circumstances in which capital gains may be reduced or disregarded

WCB Shareholders who accept Murray Goulburn's Offer may be able to reduce or disregard a portion of a capital gain in the circumstances set out below.

Pre-CGT Shareholders

If a Shareholder acquired (or is deemed to have acquired) their WCB Shares prior to 20 September 1985, any capital gain or capital loss from the disposal of those WCB Shares is disregarded

Indexation

If a WCB Shareholder acquired (or is deemed to have acquired) their WCB Shares at or before 11.45am on 21 September 1999, the cost base of their WCB Shares may be indexed for inflation, by reference to changes in the Consumer Price Index from the calendar quarter in which the WCB Shares were acquired (or deemed to be acquired) until the calendar quarter ended 30 September 1999. Indexation adjustments are taken into account only for the purposes of calculating a capital gain, not a capital loss.

A WCB Shareholder who is an individual, complying superannuation entity, a listed investment company or a trust and has held their WCB Shares for at least 12 months will have the option of applying either the indexation method or the CGT discount (refer below) to calculate the capital gain arising from the disposal of WCB Shares, but cannot apply both. A WCB Shareholder who is a company can apply the indexation method, but not the CGT discount method (refer below).

Whether any WCB Shareholder should use the indexation method or the CGT discount will depend on their particular circumstances. WCB Shareholders should consult their own tax advisers in relation to this matter.

CGT discount

WCB Shareholders who derive a capital gain as a result of accepting Murray Goulburn's Offer and do not choose to apply the indexation method referred to above may be eligible for the CGT discount.

Broadly the CGT discount can reduce an eligible taxpayer's capital gain if the taxpayer has held the relevant asset (in this case, WCB Shares) for at least 12 months prior to disposal. The CGT discount applies after an eligible taxpayer has applied capital losses against their capital gains for the income year.

The size and availability of the applicable CGT discount is determined by the legal status of the WCB Shareholder:

- individuals are subject to CGT on 50% of any capital gain;
- complying superannuation entities are subject to CGT on two thirds of any capital gain;
- companies (other than in a capacity as trustee) are not entitled to the CGT discount;
- trustees: where beneficiaries are presently entitled to the income of the trust, the net capital gain for the trust is determined with the benefit of the 50% CGT discount if the WCB Shares have been held for at least 12 months (refer above). On distribution by the trustee, the net capital gain would be grossed up to 100% in the hands of beneficiaries;
- beneficiaries of trusts that are individuals or complying superannuation entities should be entitled to the CGT discount (at 50% for individuals and 33 $\frac{1}{3}$ % for superannuation funds) in respect of the disposal of the WCB Shares by the trust. The beneficiaries will include the grossed up gain in their assessable income, which may be offset by any current year or carry forward losses of the beneficiary (subject to satisfying the relevant loss recoupment tests, where applicable) prior to the application of any CGT discount available;
- beneficiaries that are companies are not entitled to the CGT discount. They will include the grossed up capital gain in their assessable income, which may be offset by any current year or carry forward losses of the company, subject to satisfying the relevant loss recoupment tests; and
- where no beneficiaries are presently entitled to the net income of a trust that is a WCB Shareholder, the full amount of any capital gain in respect of the disposal of WCB Shares will be included in the assessable income of the trustee.

WCB Shareholders that are trusts should obtain specific tax advice as to whether they are entitled to obtain the benefit of the CGT discount and in relation to the tax consequences of distributions attributable to discounted capital gains.

6. Taxation consequences

6.3 Taxation consequences of disposal of WCB Shares by non residents

Sale of WCB Shares

Generally a WCB Shareholder who is not a resident for Australian income tax purposes and who holds their WCB Shares on capital account will not be subject to CGT on the disposal of their WCB Shares if broadly either of the following tests are satisfied:

- WCB is a company with its value not predominantly reflected in Australian real property; or
- the WCB Shareholder, together with its associates, holds less than 10% of the total WCB shares on issue.

Non resident WCB Shareholders who are subject to CGT on disposal of their WCB Shares will not be entitled to the CGT discount in relation to that portion of the capital gain which arises after 8 May 2012.

6.4 Stamp Duty

No Australian stamp duty should arise for the WCB Shareholders in respect of the disposal of their WCB Shares to Murray Goulburn.

6.5 GST

No GST should be payable by WCB Shareholders in respect of their acceptance of Murray Goulburn's Offer.

WCB Shareholders may be charged GST on third party costs (such as adviser fees) they incur and which relate to their participation in Murray Goulburn's Offer. WCB Shareholders may be entitled to input tax credits for such costs, but should seek independent advice in relation to their specific circumstances.



Section 7

Additional information

7. Additional information

7.1 Directors' interests and dealings in WCB Shares

(a) Interests in WCB securities

As at the date of this Target's Statement, your Directors do not have any relevant interests in WCB Shares as all Directors who held or otherwise had a relevant interest in WCB Shares have already accepted the Final Saputo Offer in respect of those WCB Shares.

David Lord has 129,286 performance rights.²²

(b) Dealings in WCB Shares

No Director has acquired or disposed of a relevant interest in any WCB Shares in the 4 months ending on the date immediately before the date of this Target's Statement except through participation in the WCB Dividend Reinvestment Plan in respect of the FY14 Final Dividend announced to ASX on 28 August 2013 and acceptances into Saputo's Offer.

(c) Intentions of your Directors in relation to Murray Goulburn's Offer

Each of your Directors who held or otherwise had a relevant interest in WCB Shares has already accepted Saputo's Offer in respect of those WCB Shares.

7.2 Interests and dealings in Murray Goulburn Shares

(a) Interests in Murray Goulburn Shares

As at the date of this Target's Statement, no Director has a relevant interest in any Murray Goulburn Shares.

(b) Dealings in Murray Goulburn Shares

No Director has acquired or disposed of a relevant interest in any Murray Goulburn Shares in the 4 months ending on the date immediately before the date of this Target's Statement.

7.3 Benefits and agreements

(a) Directorships

As at the date of this Target's Statement, no Director of WCB is a director of Murray Goulburn.

(b) Benefits in connection with retirement from office

As a result of Murray Goulburn's Offer no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of WCB.

(c) Agreements connected with or conditional on Murray Goulburn's Offer

There are no agreements made between any Director of WCB and any other person in connection with, or conditional on, the outcome of Murray Goulburn's Offer.

(d) Benefits from Murray Goulburn

None of the Directors has agreed to receive, or is entitled to receive, any benefit from Murray Goulburn which is conditional on, or is related to, Murray Goulburn's Offer.

(e) Material interests of Directors in contracts with Murray Goulburn

None of the Directors has any interest in any contract entered into by Murray Goulburn.

7.4 Material litigation

WCB does not believe that it is involved in any litigation or dispute which is material in the context of WCB and WCB Group taken as a whole.

7.5 Issued capital

As at the date of this Target's Statement, WCB's issued capital consists of 55,969,511 WCB Shares.

WCB also has 129,286 performance rights on issue.

²² This includes 60,659 performance rights, the grant of which was approved by WCB Shareholders at WCB's 2013 Annual General Meeting. These 60,659 performance rights have recently been granted to David Lord given that Bega's Offer closed on 20 December 2013 and did not result in Bega acquiring a majority of the WCB Shares on issue.

7.6 Substantial holders

As at the date of this Target's Statement, the following persons hold an interest in WCB Shares of more than 5% as disclosed in substantial holding notices provided to ASX:

Name	Number of WCB Shares	Percentage of WCB Shares
Murray Goulburn	9,886,899	17.66%
Bega	10,519,881	18.80%
Saputo	10,031,632	17.92% ²³
Lion	5,596,950	9.99%

7.7 ASX announcements

WCB is a *disclosing entity* under the Corporations Act and therefore has continuous disclosure obligations under that legislation and also under the ASX Listing Rules. WCB is required to immediately disclose to the market through ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of WCB's Shares.

WCB is in compliance with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. WCB's announcements are available free of charge from the ASX website at www.asx.com.au (ASX code: WCB).

7.8 Material change in financial position of WCB

There has been no material change to the financial position of WCB since the release of the WCB Trading Update announced to ASX on 2 October 2013. On that date WCB announced that it forecasts that its EBITDA for FY14 will be in the range of \$47.0 million to \$52.0 million (**FY14 Forecast**). See Section 6 of the Bega Target's Statement for further information in relation to the FY14 Forecast, including the underlying assumptions, sensitivities and risks associated with this forecast.

On 20 December 2013 WCB announced that its EBITDA for the 6 months to 31 December 2013 was expected to be an approximately 100% improvement on the prior corresponding 6 months to 31 December 2012 of \$29.3 million. WCB also confirmed that its overall earnings expectation for the full FY14 was in line with its FY14 Forecast.

7.9 Takeover response costs

Murray Goulburn's Offer, Saputo's Offer and Bega's Offer will result in WCB incurring expenses that would not otherwise have arisen in FY14. These include legal, financial and tax expenses from advisers engaged by WCB to assist in responding to Murray Goulburn's Offer, Saputo's Offer and Bega's Offer. The total cost of the takeover response depends on the outcome of the various offers for WCB and the required response activities, and on the complexity of the issues addressed in the response. Therefore it is difficult to estimate the likely total cost to WCB. However as at the date of this Target's Statement, the Directors estimate the total response costs to be approximately \$8.6 million.

7.10 Consents

CIMB Corporate Finance (Australia) Limited has consented to being named in this Target's Statement as the financial adviser to WCB and has not withdrawn that consent at the date of this Target's Statement.

Minter Ellison has consented to being named in this Target's Statement as the legal adviser to WCB and has not withdrawn that consent at the date of this Target's Statement.

Each person named in Section 7.10 of this Target's Statement as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- has not authorised or caused the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than a statement included in this Target's Statement with the consent of that person; and

²³ Subject to any exercise by 7:00pm on 3 January 2014 of withdrawal rights by any WCB Shareholders who had accepted Saputo's Offer on or before 17 December 2013. For further details of these withdrawal rights, see the undertakings given by Saputo to the Takeovers Panel as set out in Annexure A to the Takeovers Panel's media release of 17 December 2013.

7. Additional information

- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

7.11 Reliance on ASIC class orders

As permitted by ASIC Class Orders 01/1543 and 07/429, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Murray Goulburn with ASIC or given to ASX and trading data on ASX. In accordance with these class orders, the consent of Murray Goulburn or ASX (respectively) is not required for the inclusion of such statements or data in this Target's Statement. Any WCB Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Shareholder Information Line on 1300 880 732 (toll free for callers within Australia) or +61 1300 880 732 (callers outside Australia).

In addition, as permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

7.12 No other material information

This Target's Statement is required to include all the information that WCB Shareholders and their professional advisers would reasonably require to make an informed assessment whether or not to accept Murray Goulburn's Offer but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in the Target's Statement; and
- only if the information is known to any Director.

The Directors are of the opinion that the only information that WCB Shareholders and their professional advisers would reasonably require to make an informed assessment whether or not to accept Murray Goulburn's Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in releases by WCB and Murray Goulburn to ASX before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless expressly indicated otherwise in this Target's Statement). However the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing in any way any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of WCB Shares;
- the matters WCB Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers to WCB Shareholders;
- the nature of Murray Goulburn's Offer; and
- the time available to WCB to prepare this Target's Statement.

7.13 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors. All Directors voted in favour of that resolution.

Signed for and on behalf of WCB by:



Terry Richardson
Chairman

Date: 7 January 2014



Section 8

Glossary and interpretation

8. Glossary and interpretation

8.1 Glossary

ACCC	the Australian Competition and Consumer Commission
AEDT	Australian Eastern Daylight Time
Announcement Date	the date Murray Goulburn publicly announced its Offer, being 18 October 2013
ASIC	the Australian Securities and Investments Commission
Associate	has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act
ASX	ASX Limited ACN 008 624 691 or, where the context requires, a financial market operated by it
ASX Listing Rules	the listing rules of ASX
AUD	Australian dollars
Bega	Bega Cheese Limited ACN 008 358 503
Bega Bidder's Statement	the bidder's statement by Bega dated 27 September 2013 setting out the terms, conditions and other information in relation to Bega's Offer (being an amended bidder's statement that replaces the bidder's statement by Bega dated 12 September 2013), read in conjunction with Bega's second supplementary Bidder's Statement dated 11 October 2013, Bega's third supplementary bidder's statement dated 15 November 2013 and any other supplementary bidder's statements or offer variations
Bega Target's Statement	the target's statement by WCB dated 16 October 2013 responding to Bega's Offer, read in conjunction with WCB's supplementary target's statement dated 20 November 2013
Bega's Offer	the off market takeover bid by Bega for all WCB Shares other than those already held by Bega, as described in the Bega Bidder's Statement, which closed on 20 December 2013
Bega Shares	fully paid ordinary shares in the capital of Bega
Bidder's Statement	the bidder's statement by Murray Goulburn dated 16 December 2013 setting out the terms, Conditions and other information in relation to the Offer (being an amended bidder's statement that replaces the bidder's statement by Murray Goulburn dated 28 November 2013) read in conjunction with Murray Goulburn's first and second supplementary Bidder's Statements both dated 19 December 2013
Business Day	a day on which banks are open for business in Melbourne, excluding a Saturday, Sunday or public holiday

CCA	the <i>Competition and Consumer Act 2010</i> (Cth)
CGT	capital gains tax
Competition Tribunal	the Australian Competition Tribunal (as established under the <i>Trade Practices Act 1965</i> (Cth) and continuing under the CCA)
Competition Tribunal Condition	the Condition set out in section 9.7(a) of the Bidder's Statement, noting that of the two alternatives set out in that section Murray Goulburn has elected to seek authorisation from the Competition Tribunal
Conditions	the conditions of Murray Goulburn's Offer set out in section 9.7 of the Bidder's Statement
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Director	a director of WCB
EBITDA	earnings before interest, tax, depreciation and amortisation
Employee Share Plan	the WCB Employee Share Plan described in Section 4.9(b) of this Target's Statement
50% Minimum Acceptance Condition	the Condition set out in section 9.7(c) of the Bidder's Statement
Final Saputo Offer	Saputo's Offer as declared last and final as to price on 17 December 2013 (see further Section 1.3)
FY13	the financial year from 1 July 2012 to 30 June 2013
FY14	the financial year from 1 July 2013 to 30 June 2014
GST	goods and services tax
Lion	Lion-Dairy & Drinks Pty Ltd ACN 004 486 631
Murray Goulburn	Murray Goulburn Co-operative Co. Limited ACN 004 277 089
Murray Goulburn's Offer or Offer	the off market takeover bid by Murray Goulburn for all WCB Shares other than those already held by Murray Goulburn for \$9.50 cash for each WCB Share, as amended by the announcement to ASX on 28 November 2013 and as described in the Bidder's Statement
No Prescribed Occurrences Condition	the Condition set out in section 9.7(d) of the Bidder's Statement

8. Glossary and interpretation

Offer Consideration	the consideration offered by Murray Goulburn under its Offer. As at the date of this Target's Statement, the Offer Consideration is \$9.50 cash for each WCB Share
Offer Period	the period during which Murray Goulburn's Offer will remain open for acceptance in accordance with section 9.2 of the Bidder's Statement
Performance Rights	a right to subscribe for a Share (with an exercise price of nil) granted under the WCB Performance Rights Plan
Performance Rights Plan	the WCB Performance Rights Plan described in Section 4.9(a) of this Target's Statement
Related Body Corporate	has the meaning given to that term in the Corporations Act
relevant interest	has the meaning given in sections 608 and 609 of the Corporations Act
Rights	all accreditations, rights or benefits of whatever kind attaching or arising from Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights, whether conditional or otherwise, to receive them or rights to receive or subscribe for shares, notes, bonds, Performance Rights or other securities declared, paid or issued by WCB or any of its subsidiaries)
Saputo	Saputo Dairy Australia Pty Ltd ACN 166 135 486
Saputo's Bidder's Statement	the bidder's statement by Saputo dated 25 October 2013 setting out the terms, conditions and other information in relation to Saputo's Offer, read in conjunction with Saputo's supplementary bidder's statement dated 21 November 2013, Saputo's second supplementary bidder's statement dated 25 November 2013, Saputo's third supplementary bidder's statement dated 17 December 2013 and any other supplementary bidder's statements or offer variations
Saputo's Offer	the off market takeover bid by Saputo for all WCB Shares, as described in the Saputo Bidder's Statement and as varied by subsequent announcements by Saputo
Senior Executive	a member of the WCB executive team as set out in WCB's 2013 Annual Report
Target's Statement	this document
unconditional	that the Offer and any contracts resulting from acceptance of the Offer are no longer subject to fulfilment of any of the Conditions
USD	US dollars
WCB	Warrnambool Cheese and Butter Factory Company Holdings Limited ACN 071 945 232

WCB Board or Board	the board of directors of WCB
WCB Factory	The Warrnambool Cheese and Butter Factory Company Limited ACN 004 032 053
WCB Share or Share	a fully paid ordinary share in the capital of WCB
WCB Shareholder or Shareholder	a holder of WCB Shares

8.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- the singular includes the plural and vice versa and words importing one gender include other genders;
- terms defined in the Corporations Act as at the date of this Target's Statement have the meanings given to them in the *Corporations Act 2001* (Cth) at that date;
- a reference to dollars, A\$, AUD, \$ and cents is a reference to Australian currency;
- a reference to a statute of any parliament or any section, provision or schedule of a statute of any parliament includes a reference to any statutory amendment, variation or consolidation of the statute, section, provision or schedule and includes all statutory instruments issued under the statute, section, provision or schedule;
- a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a Section or Appendix is a reference to a section of or appendix to this Target's Statement and a reference to this Target's Statement includes any Appendix;
- a reference to a document or instrument includes the document or instrument as novated, altered, supplemented, or replaced from time to time;
- a reference to time is a reference to AEDT; and
- headings and bold type are used for reference only.

Corporate Directory

Directors

Terry Richardson (Chairman, Non Executive Director)
David Lord (Managing Director, CEO)
Andrew Anderson (Non Executive Director)
Kay Antony (Non Executive Director)
Bruce Vallance (Non Executive Director)
Michael Carroll (Independent Director)
Neville Fielke (Independent Director)
Ray Smith (Independent Director)
Robert Lane (Independent Director)
John McLean (Associate Director)
Bruce Morley (Associate Director)

Secretary

Paul Moloney

Share Registry

Link Market Services Limited
Level 1
333 Collins Street
Melbourne Victoria 3000

Legal Adviser

Minter Ellison Lawyers
Rialto Towers
Level 16
525 Collins Street
Melbourne Victoria 3000

Financial Adviser

CIMB Corporate Finance (Australia) Limited
Level 32
101 Collins Street
Melbourne Victoria 3000

Registered Office

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