

Media Release



28 November 2013

ASX ANNOUNCEMENT

MURRAY GOULBURN ANNOUNCES INCREASED ALL CASH TAKEOVER OFFER FOR WARRNAMBOOL CHEESE AND BUTTER OF \$9.50 CASH PER SHARE

Murray Goulburn Co-operative Co. Limited (MG) announced today a revised proposal to acquire all the issued shares in Warrnambool Cheese and Butter Factory Company Holdings Limited (WCB) via an off-market takeover offer for \$9.50 cash per share (the Revised Offer).

MG's Revised Offer represents compelling value for WCB shareholders, delivers them a demonstrably superior value outcome relative to all other competing proposals, and is simple and straightforward.

MG notes that Saputo Inc. (Saputo) has removed the dividend component of their offer and included additional 'contingent' consideration and that the WCB Board has stated that they will not declare a dividend during the Saputo offer period. MG still wishes to explore the potential of WCB paying special dividends under its Revised Offer in order to deliver franking credit benefits to some shareholders. MG requests the WCB Board engage to enable this value to be delivered to some shareholders.

The Revised Offer is a further endorsement of MG's commitment to acquiring WCB, and delivers an Australian owned and operated company with the scale, capacity, strength and momentum to capture global growth opportunities. We urge WCB shareholders to seriously consider the benefits of MG's Revised Offer – this is an important decision that will have significant ramifications for the future of the Australian dairy industry as a whole. As key stakeholders within this industry we encourage WCB shareholders to take a long-term view when considering the future of your company and the outlook for the Australian dairy industry.

In comparison to the other offers for WCB, MG's revised offer:

- Is the only offer that will ensure that the benefits of a combination will be delivered back to suppliers shareholders via increased farm gate returns
- Is the only offer that will result in a globally relevant and 100% farmer-controlled dairy co-operative
- Is the only offer that allows existing WCB suppliers who are also shareholders to become supplier shareholders of a new, enlarged and efficient co-operative
- Allows farmers and their communities to directly share in the benefits captured from future global growth opportunities

MG's Revised Offer also provides the opportunity for WCB suppliers to join the enlarged co-operative, become shareholders in a globally competitive dairy food company, and to participate directly in the benefits of the co-operative structure, including being able to participate in the review of future changes to MG's capital structure, as recently announced at MG's Annual General Meeting.

MG expects that the WCB Board will engage expeditiously with MG to deliver a positive recommendation for MG's Revised Offer, which is \$2.01 above the top end of the Independent Expert's assessed value range for WCB shares.



Highlights of MG's Revised Offer for WCB shareholders

- \$9.50 cash per WCB share, valuing the company at \$533 million¹, which represents:
 - 111% premium over the closing price of \$4.51 per WCB share on ASX on 11 September 2013, the last trading day prior to the announcement of the offer by Bega Cheese Limited (Bega);
 - 6% premium to Saputo's revised \$9.00 cash per share offer announced to ASX on 25 November 2013 (before any increase in offer consideration if Saputo achieves a relevant interest in WCB shares of greater than 50%); and
 - 6% premium to the implied value of Bega's offer, based on the closing price of Bega shares on ASX on 27 November 2013.
- Fully funded with MG having secured debt facilities from its existing financiers National Australia Bank Limited (NAB), Australia and New Zealand Banking Group Limited (ANZ) and Westpac Banking Corporation (WBC).
- MG is seeking to engage with the WCB Board in order to explore the possibility of paying special dividends to WCB shareholders as part of the Revised Offer (in a similar manner to Saputo's original proposal), in order to deliver franking credit benefits to some shareholders.

MG Managing Director, Gary Helou, said: "MG remains firmly committed to acquiring WCB. A combined MG and WCB will create one of the largest Australian owned food and beverage businesses and a globally competitive dairy foods company 100% controlled by dairy farmers."

"MG is itself entering an exciting phase of growth and has identified a series of strategic capital investments that will target a \$1.00 per kilogram of milk solids lift in underlying farm gate milk prices over a five year period from FY12 to FY17. MG will deliver these benefits to supplier shareholders including those WCB suppliers who join the co-operative regardless of the outcome of the WCB bids. This further highlights MG's commitment as a co-operative to maximise returns for supplier shareholders including those new suppliers who join the co-operative."

Offer conditions

MG's Revised Offer remains conditional on all conditions as set out in MG's announcement on 13 November 2013, including:

- no objection by the ACCC or granting of authorisation by the Australian Competition Tribunal in relation to the proposed transaction;
- MG having a relevant interest in greater than 50% of WCB by close of the Revised Offer;
- no material new acquisitions, disposals or other commitments by WCB beyond certain financial thresholds; and
- no material adverse change or prescribed occurrence events occurring with respect to WCB.

¹ Based on 56,098,797 WCB shares outstanding (after the issue of new shares under WCB's existing performance rights plan, which are assumed to vest if MG's Revised Offer is to become unconditional).



Funding

MG has committed financing facilities available from its existing lenders to fund the Revised Offer. As previously announced, MG has secured \$350 million of new facilities from NAB, ANZ and WBC in order to finance the transaction and assume WCB's facilities to the extent required.

MG's Board and management believe that MG's level of leverage, post a successful transaction, is appropriate for a farmer-controlled co-operative structure in its current phase of significant growth and investment. The support of the financiers for these facilities reinforces MG's view that the rationale and financial metrics implied by the offer are attractive.

Timing

MG expects to dispatch its Bidder's Statement containing detailed information relevant to the Revised Offer to all WCB shareholders by early December 2013. MG also expects to lodge its application to the Australian Competition Tribunal before the end of November.

Advisers

Lazard is acting as financial adviser to MG and Herbert Smith Freehills is acting as legal adviser.

-ENDS-

Contacts

For further information in relation to the Revised Offer, refer to the contact details below:

MG and WCB Shareholders

Toll Free: 1800 679 874 / (03) 9415 4172

Media

Murray Goulburn

Lynn Semjaniv: 0481 004 797

Nicole Devlin: 0499 084 642

Hintons

Angus Urquhart: 0402 575 684

A copy of this release is available at www.mgc.com.au

About Murray Goulburn

Murray Goulburn is Australia's largest dairy food company. Each year it receives and manufactures approximately 3.2 billion litres or one third of Australia's milk and generates sales revenue in excess of \$2.4 billion. Murray Goulburn was formed in 1950 and remains 100% dairy farmer controlled, with over 2,400 farmer-shareholders and more than 2000 employees. Murray Goulburn is also Australia's largest dairy food exporter to the major markets of Asia, the Middle East and North Africa, and the Americas. Murray Goulburn produces a range of ingredient and nutritional products, supplies the food service industries globally and its flagship Devondale brand is sold nationally.