



The Manager
Company Announcements Office
ASX Limited

7 January 2014

Dear Sir/Madam

Takeover bid by Murray Goulburn Co-operative Co. Limited for Warrnambool Cheese and Butter Factory Company Holdings Limited

Third Supplementary Bidder's Statement

We attach, by way of service pursuant to paragraph 647(3)(b) of the *Corporations Act 2001* (Cth), a copy of Murray Goulburn Co-operative Co. Limited's Third Supplementary Bidder's Statement dated 7 January 2014, which relates to its off-market takeover bid for all of the ordinary shares in Warrnambool Cheese and Butter Factory Company Holdings Limited.

Yours faithfully

Fiona Smith
Company Secretary/General Counsel

Murray Goulburn Co-operative Co. Limited

ABN 23 004 277 089

Third Supplementary Bidder's Statement

1 Introduction

This document is a supplementary bidder's statement by Murray Goulburn Co-operative Co. Limited ABN 23 004 277 089 (**Murray Goulburn**) in relation to its off-market takeover bid for all the ordinary shares in Warrnambool Cheese and Butter Factory Company Holdings Limited ABN 15 071 945 232 (**WCB**).

This document supplements, and should be read together with, Murray Goulburn's replacement bidder's statement dated 16 December 2013 (**Bidder's Statement**), and the two previous supplementary bidder's statements each lodged with ASIC on 19 December 2013.

2 Media release

Murray Goulburn has today issued a media release concerning the application to the Australian Competition Tribunal and other aspects of its takeover bid. A copy is attached.

3 Other notices

Unless the context otherwise requires, terms defined in the Bidder's Statement have the same meaning as in this document. A copy of this document has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

This document has been approved by a resolution of the directors of Murray Goulburn Co-operative Co. Limited.

Date: 7 January 2014

Signed on behalf of Murray Goulburn Co-operative Co. Limited



Philip Tracy
Chairman

Media Release



7 January 2014

UPDATE ON MURRAY GOULBURN'S AUTHORISATION APPLICATION IN THE AUSTRALIAN COMPETITION TRIBUNAL

Executive Summary

- Murray Goulburn's bid for WCB of \$9.50 per share is the highest bid¹.
- Murray Goulburn considers that it has a compelling case to obtain authorisation from the Australian Competition Tribunal for its acquisition of WCB to proceed.
- The Tribunal is focused on making its decision by the end of February.
- Murray Goulburn urges WCB shareholders to wait for the outcome of the Tribunal process to properly assess the competing takeover bids for WCB.

This release provides further updated information in relation to Murray Goulburn's application for merger authorisation with the Australian Competition Tribunal (**Tribunal**) in connection with its offer (**Offer**) to acquire all the issued shares in Warrnambool Cheese and Butter Factory Company Holdings Limited (**WCB**).

Murray Goulburn's offer price of \$9.50 per WCB share is the highest priced offer for WCB shares.²

Murray Goulburn Managing Director, Gary Helou, said:

"We urge WCB shareholders to not rush their decision to sell their WCB shares. WCB shareholders should wait until the merger authorisation application process has been determined so that Murray Goulburn's Offer can be considered on its merits. Murray Goulburn remains committed to acquiring WCB, and believes the combination of WCB and Murray Goulburn will deliver an Australian owned and operated globally competitive dairy company."

Murray Goulburn believes it has a compelling case to obtain authorisation from the Tribunal

Due to the overlap between Murray Goulburn's and WCB's businesses and because they operate in similar geographic regions, Murray Goulburn has applied to the Australian Competition Tribunal (**Tribunal**) for authorisation to allow the acquisition to proceed.

Authorisation will be granted if the Tribunal is satisfied that the proposed acquisition would be likely to result in such a benefit to the public that the acquisition should be allowed to proceed. This involves a balancing of the public benefits the acquisition is likely to create against any detriments, including anticompetitive detriments (the net public benefit test). Murray Goulburn considers that it has a compelling case to obtain authorisation from the Tribunal.

Murray Goulburn's submissions in relation to public benefits

Murray Goulburn's application to the Tribunal sets out details of public benefits it expects from the proposed acquisition, as summarised below.

¹ Disregarding any potential increase in Saputo's offer if it achieves 90% acceptances.

² Disregarding any potential increase in Saputo's offer if it achieves 90% acceptances.



- 1 **International competitiveness of Australia's dairy industry:** Murray Goulburn expects that combining with WCB will significantly enhance its international competitiveness. The enhanced scale and efficiency from the proposed acquisition will establish Murray Goulburn as a significant Australian export company, enhancing its reputation as a reliable exporter of Australian dairy products. Murray Goulburn will also have greater ability to diversify its production, which will assist in optimising its product mix and managing dairy commodity price volatility. This creates benefits for Murray Goulburn, which flow through to the Australian dairy industry.
- 2 **Substantial increase to milk pool and efficiencies:** the proposed acquisition of WCB potentially provides Murray Goulburn with access to WCB's approximate 800ML of milk supply, which would provide consequent scale efficiencies and lift Murray Goulburn's status on global markets for dairy product.
- 3 **Securing substantial synergies and efficiency gains:** these are expected in such areas as:
 - **Transport and logistics efficiencies:** both in terms of milk collection from the farm to the factory as well as delivery and warehousing of products from factory to customers;
 - **Optimisation of production at various plants:** Murray Goulburn expects that optimisation benefits will arise from bringing together the WCB plants with Murray Goulburn's existing facilities. This will allow for more efficient plant utilisation and operational efficiencies across the expanded suite of facilities;
 - **Sharing management and services:** allowing for the removal of duplication and consequential savings;
 - **Further roll-out of Murray Goulburn's 'Operation Excellence' program:** building on the substantial costs savings in its current operations from this program, Murray Goulburn expects that this program will secure similar efficiencies in the WCB operated plants.
- 4 **Likely flow-on benefits to farmers and rural communities:** Murray Goulburn has identified a number of flow-on benefits in returns to farmers and multiplier effects in rural communities:
 - Due to Murray Goulburn's co-operative structure, and approach to setting its farmgate milk price, any benefits achieved by Murray Goulburn as a result of the merger with WCB will be delivered to its farmer suppliers.
 - Any increase in milk price paid by Murray Goulburn to its suppliers will likely be spent by those suppliers in the regional areas where they operate, providing a benefit to the economies of those regions.
 - Higher farmgate milk prices, and a more internationally competitive Murray Goulburn, are likely to substantially improve dairy farmer confidence, and encourage Australian dairy farmers to increase their production of raw milk.
 - In addition, the opportunities for increased production of raw milk (stimulated by higher prices for raw milk) and higher production of exports and increased production of higher margin products may result in a significant increase in dairy farming and dairy processing economic activity. To the extent this is achieved, there will also be a multiplier effect that will have flow-on effects in both employment and income, particularly within Victoria and South Australia.
- 5 **No substantial detriments:** Murray Goulburn does not consider that its proposed acquisition of WCB will generate any meaningful lessening of competition in the market for the acquisition of raw milk or other detriments.



The market for the acquisition of raw milk from farmers is the market in which substantive competition concerns have previously been raised by the ACCC. The ACCC previously considered this to be a localised regional market in the south west region of Victoria and central and south east regions of South Australia. Murray Goulburn considers this is an incorrect definition of the relevant market.

Murray Goulburn has submitted evidence to the Tribunal to support its submission that any anticompetitive detriments are not large. In summary, Murray Goulburn submits that this is shown by the following.

- The relevant market is for raw milk in a geographic region that includes all of Victoria, parts of South Australia and the Riverina area of New South Wales, and not the localised regions previously identified. The proposed acquisition by Murray Goulburn will result in additional market concentration by combining two acquirers of raw milk. However, any concerns that this increase in market concentration will result in a substantial detriment are allayed by key features of the market and the co-operative principles under which Murray Goulburn operates and the fact that Murray Goulburn has the same milk pricing structure across all of South Eastern Australia.
- Specifically, Murray Goulburn submits that the evidence shows that there are a large number of alternative raw milk buyers that will remain active in the market, a number of whom have excess processing capacity. Farmers are able to shift their raw milk sales to alternative buyers. In addition to dairy companies that process milk, other entities broker raw milk to other dairy processors and Murray Goulburn and WCB are not the 'next best' substitutes for most raw milk suppliers, with Fonterra presenting as a closer substitute.
- Murray Goulburn's co-operative structure has a protective influence on the price offered by Murray Goulburn to raw milk suppliers. In light of the stated goals of the co-operative and explicit provisions to align management incentives with those of the suppliers of raw milk, Murray Goulburn has an incentive to increase the price it pays for raw milk relative to an investor owned firm.

Authorisation process progress and expected timing

Murray Goulburn lodged its authorisation application in November 2013.

In December, the Tribunal set a timetable that contemplates a five day hearing will be held from 10 February 2014. The Tribunal is focused on determining the application **by the end of February** (though it remains a matter for the Tribunal to decide whether that period will ultimately need to be extended).

The application made by Murray Goulburn and documents lodged by other parties, including WCB, are available on the Tribunal's website, www.competitiontribunal.gov.au

WCB board and special dividends

As previously advised, not only is Murray Goulburn's \$9.50 offer price the highest bid for WCB³, but Murray Goulburn also believes that additional value could be delivered to some WCB shareholders through WCB paying a special dividend or dividends to release franking credits to shareholders.

Despite this, and WCB's previous proposal to pay special dividends in connection with the Saputo offer, the WCB board has not sought to engage with Murray Goulburn in relation to this matter. This is a matter of considerable disappointment to Murray Goulburn.

³ Disregarding any potential increase in Saputo's offer if it achieves 90% acceptances.



Other formal notification

Murray Goulburn is entitled to acquire WCB shares on market, up to an ownership level of 19.9% at prices up to \$9.50 cash per WCB share, and reserves the right to do so without further notice. On market purchases will not be made at a price higher than \$9.50 cash per WCB share and this does not constitute a variation to the offer price for WCB shares under Murray Goulburn's offer.

Advisers

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

-ENDS-

Contacts

For further information, refer to the contact details below:

MG and WCB Shareholders

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Media

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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.