

IN THE AUSTRALIAN COMPETITION TRIBUNAL

of 2013

MURRAY GOULBURN CO-OPERATIVE CO LIMITED

**RE: PROPOSED ACQUISITION OF WARRNAMBOOL CHEESE
AND BUTTER FACTORY COMPANY HOLDINGS LIMITED**

Certificate identifying annexure

This is the annexure marked "DMN46" now produced and shown to David Michael Noonan at the time of signing his statement on 28 November 2013.

**Annexure DMN46
WCB supplementary target's statement**

Filed on behalf of Murray Goulburn Co-Operative Co Limited
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20 November 2013

**The Manager
Company Announcements Office
ASX Limited**

WCB's Supplementary Target's Statement in relation to Final Bega Offer

Warrnambool Cheese and Butter Factory Company Holdings Limited (ASX: WCB) (**WCB**) attaches in accordance with section 647(3)(b) of the Corporations Act 2001 (Cth), a copy of its Supplementary Target's Statement in relation to the final Bega Cheese Limited off-market takeover offer.

Yours faithfully

Paul Moloney
Company Secretary

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Warrnambool Cheese and Butter Factory Company Holdings Limited



SUPPLEMENTARY TARGET'S STATEMENT

In Response to the Final Bega Offer

YOUR DIRECTORS MAINTAIN THEIR UNANIMOUS

RECOMMENDATION THAT YOU

REJECT

THE (NOW FINAL) BEGA OFFER

TO REJECT the Final Bega Offer DO NOTHING

This Supplementary Target's Statement supplements and is to be read together with the Target's Statement issued by Warrnambool Cheese and Butter Factory Company Holdings Limited ACN 071 945 232 dated 16 October 2013 in response to the unsolicited off market takeover bid made by Bega Cheese Limited ACN 008 358 503.

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).

Financial Adviser



Legal Adviser



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Supplementary Target's Statement

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Important notices

Bega's Offer announced	12 September 2013
Date of Bega's Bidder's Statement	27 September 2013
Bega's Offer Period commenced	2 October 2013
Date of Target's Statement in response to Bega's Offer	16 October 2013
Date Final Bega Offer announced	14 November 2013
Date of Third Supplementary Bidder's Statement	15 November 2013
Date of this Supplementary Target's Statement	20 November 2013
Bega's Offer Period closes (unless Offer is extended or withdrawn)	28 November 2013

Supplementary Target's Statement

This document is a supplementary target's statement (**Supplementary Target's Statement**) issued by Warrnambool Cheese and Butter Factory Company Holdings Limited ACN 071 945 232 (**WCB**) in response to the offer made by Bega Cheese Limited ACN 008 358 503 (**Bega**) in its Bidder's Statement dated 27 September 2013, as varied by the Notice of Variation of Takeover Offer from Bega dated 15 November 2013.

This Supplementary Target's Statement supplements the Target's Statement dated 16 October 2013. This Supplementary Target's Statement is to be read together with the Target's Statement.

ASIC and ASX disclaimer

A copy of this Supplementary Target's Statement was lodged with ASIC and given to ASX on 20 November 2013. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Supplementary Target's Statement.

Shareholder enquiries

WCB has established a Shareholder Information Line which Shareholders may call if they have any queries in relation to Bega'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

Unless the context requires otherwise defined terms in the Target's Statement have the same meaning in this Supplementary Target's Statement. This Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

1. Final Bega Offer

On 14 November 2013 Bega announced that:

- it has revised the Offer Consideration under Bega's Offer to 1.5 Bega Shares and \$2.00 cash per WCB Share (formerly 1.2 Bega Shares and \$2.00 cash per WCB Share);
- Bega intends to declare its revised Offer unconditional; and
- the revised Offer is Bega's **final offer and will not be further increased**.

(collectively, **Final Bega Offer**). On 15 November 2013 Bega issued its Third Supplementary Bidder's Statement giving effect to the terms of the Final Bega Offer.

You should note that neither Murray Goulburn nor Saputo have declared their respective offers final.

2. Your Directors' unanimous recommendation and intentions

Your Directors continue to believe that the terms of the Final Bega Offer are materially inadequate and do not reflect fair value for your WCB Shares. Accordingly, your Directors maintain their unanimous recommendation that you **REJECT** the Final Bega Offer and **DO NOTHING** in relation to any documents received from Bega.

Each of your Directors and Senior Executives intends to **REJECT** the Final Bega 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 Supplementary Target's Statement.

The reasons for your Directors' unanimous recommendation to **REJECT** the Final Bega Offer are set out in Section 3 below.

Your Directors note that Bega has been contacting WCB Shareholders seeking to persuade as many of them as possible to accept the Bega Final Offer. Your Directors strongly encourage you to ignore these communications.

3. Reasons for your Directors' unanimous recommendation

1. The Revised Saputo Offer announced to ASX on 15 November 2013 is superior to Bega's Offer

On 15 November 2013 WCB announced to ASX that it had received an increased offer from Saputo to acquire all of the Shares of WCB for \$9.00 cash per Share (**Revised Saputo Offer**).

Your Directors unanimously recommend that WCB Shareholders accept the Revised Saputo Offer, in the absence of a superior proposal. Subject to that same qualification, each of your Directors and Senior Executives intends to accept the Revised Saputo Offer for all WCB Shares they hold or otherwise control.

If you accept the Final Bega Offer you will NOT be able to participate in the Revised Saputo Offer.

Your Directors consider that the offer consideration of \$9.00 cash per Share under the Revised Saputo Offer provides greater certainty of value than the Final Bega Offer.

The implied value of the Final Bega Offer is \$8.87 per Share based on the \$4.58 closing price of Bega Shares as at 13 November 2013, being the last trading day before the announcement of the Final Bega Offer. The implied value of the Final Bega Offer is \$9.01 per Share based on the \$4.67 closing price of Bega Shares as at 19 November 2013, being the last trading day before the date of this Supplementary Target's Statement.

Your Directors consider that the current market price of Bega Shares is not an appropriate reference point for measuring the implied value of the Final Bega Offer. This is because, as previously noted, the price of Bega Shares is being affected by a number of external factors with the result that your Directors do not believe that the current price of Bega Shares is reflective of Bega's current underlying or intrinsic value.

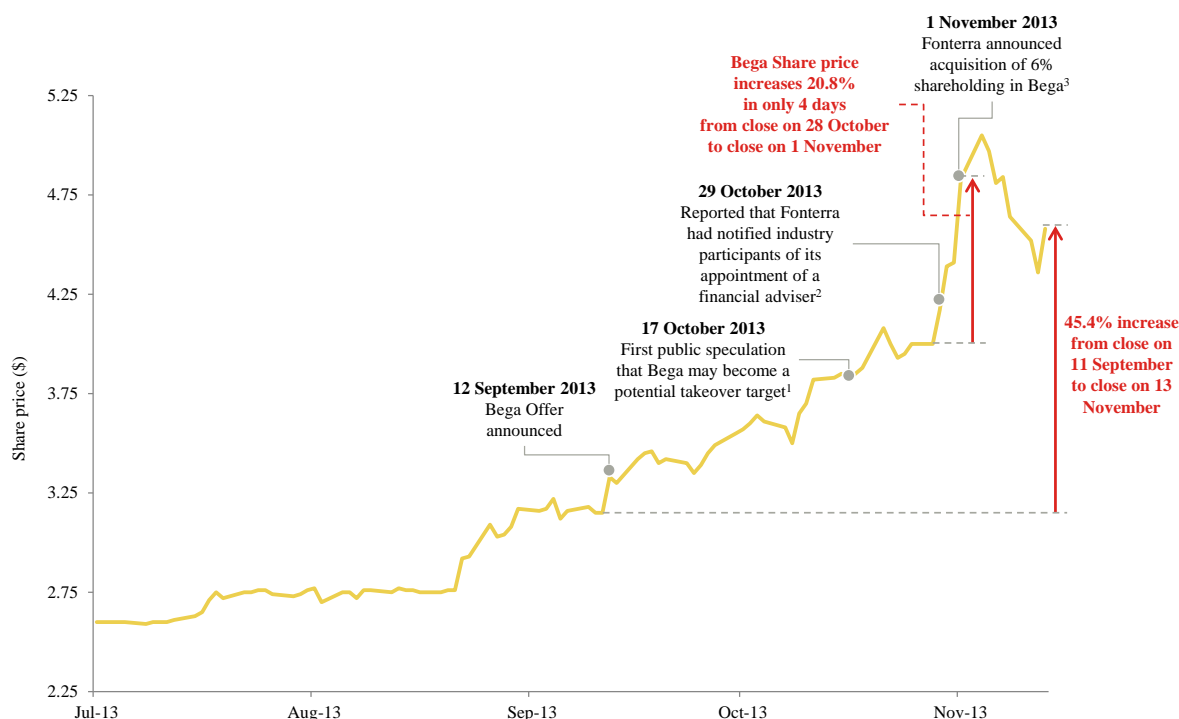
Your Directors consider that when assessing the implied value of Bega's Offer, the value of Bega Shares should be determined on the basis of underlying value which excludes any premium for a takeover or speculation of a takeover. Since the date of the Target's Statement there has been public speculation that Bega may itself become a potential takeover target.¹ **Your Directors consider that the current Bega Share price includes a premium to reflect the buying activity of Fonterra and speculation of a potential takeover bid for Bega.**

Furthermore, since Bega currently holds approximately 18.42% of WCB Shares on issue, the increase in the market price of Bega Shares is also partly attributable to the substantial increase in the market price of WCB Shares. Since the announcement of Bega's Offer on 12 September 2013, the price of Bega Shares has increased by 45.4% to \$4.58 as at the close of trading on 13 November 2013, being the last trading day before the announcement of the Final Bega Offer.

¹

See, for example, *New bidder for Warrnambool trumps Saputo with \$405 million approach*, Reuters, 17 October 2013 (written by Lincoln Feast and Jackie Range), as well as *Bega mulls increased Warrnambool bid*, The Australian Financial Review, 20 October 2013 (written by Julie-anne Sprague and Tim Binsted).

Bega Share price performance – 1 July 2013 to 13 November 2013



Source: IRESS, company announcement, press

Notes:

- See, for example, *New bidder for Warrnambool trumps Saputo with \$405 million approach*, Reuters, 17 October 2013 (written by Lincoln Feast and Jackie Range), as well as *Bega mulls increased Warrnambool bid*, The Australian Financial Review, 20 October 2013 (written by Julie-anne Sprague and Tim Binsted).
- It was reported that Fonterra had notified industry participants that it had appointed a financial adviser to assist it *during the course of the current corporate activity in the dairy sector*. See *Fonterra set to get involved*, The Australian Financial Review, 29 October 2013 (edited by Sarah Thompson, Anthony Macdonald and Gretchen Friemann), as well as *Fonterra hires Everett to advise on Oz dairy*, Business Spectator, 29 October 2013 (written by Brett Cole).
- See Fonterra's media release dated 1 November 2013.

The maximum number of Bega Shares which would be required to be issued to WCB Shareholders under the Final Bega Offer is approximately 68.7 million.² This represents an increase of approximately 45% in Bega's current issued share capital and is almost equivalent to the total volume of Bega Shares traded since listing on ASX in August 2011 (to the close of trading on 11 September 2013). As there is no capacity for WCB Shareholders to elect to receive 100% cash for their WCB Shares under Bega's Offer, there is a risk that some WCB Shareholders who accept Bega's Offer will not hold their Bega Shares in the long term. Those former WCB Shareholders may instead seek to realise the cash value of their Bega Shares by selling them on market. If there is a large number of former WCB Shareholders who seek to sell their Bega Shares within a short period after Bega's Offer closes, this will place downward pressure on the market price of Bega Shares.

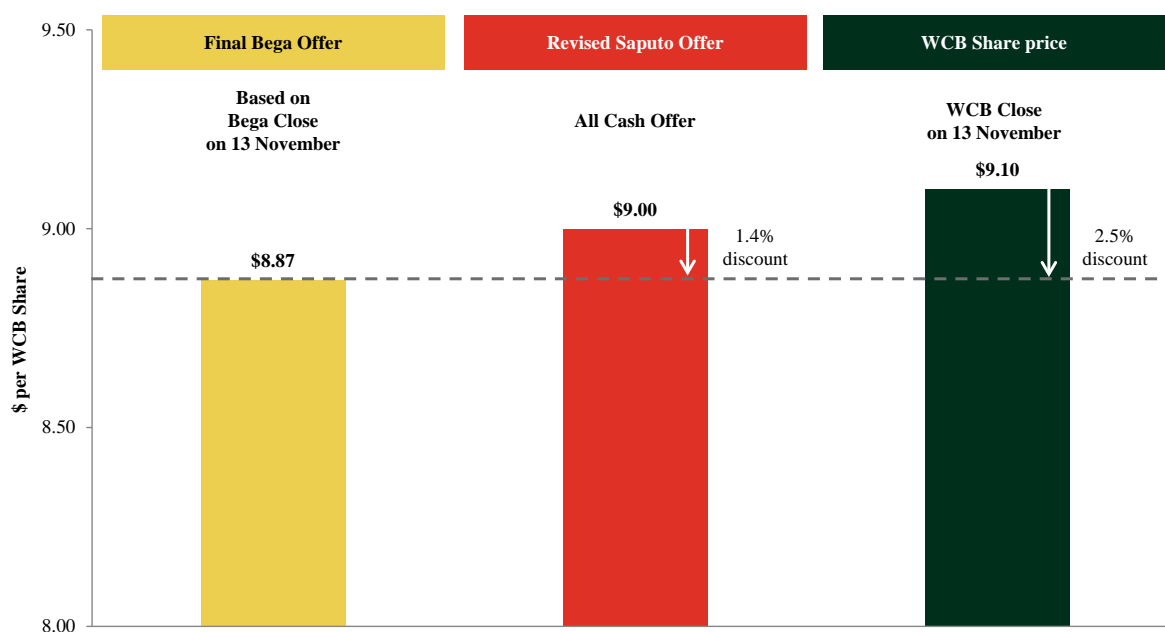
Accordingly, the value of Bega Shares is uncertain, subject to market volatility and there is no guarantee that the price of Bega Shares will continue to trade at current levels.

²

Based on Final Bega Offer of 1.5 Bega Shares and \$2.00 cash per WCB Share, 56.0 million WCB Shares on issue, 68,627 Performance Rights held by WCB management and 10.3 million WCB Shares currently held by Bega. In section 7.2 of its Bidder's Statement, Bega states that the maximum number of Bega Shares which would be required to be issued to WCB Shareholders under its Offer is approximately 54.4 million, which was based on its Offer of 1.2 Bega Shares and \$2.00 cash per WCB Share, and total WCB Shares on issue excluding those issued on 27 September 2013 under WCB's Dividend Reinvestment Plan.

In addition, even assuming an implied value for the Final Bega Offer of \$8.87 per Share, your Directors note that this is:

- **less than** the \$9.00 per share all cash consideration under the Revised Saputo Offer before taking into account the potential additional value to certain shareholders of the franking credits associated with any special dividends; and
- **less than** the closing price of WCB Shares as at 13 November 2013 of \$9.10.



2. The Final Bega Offer does not reflect the value of WCB's franking credit balance

The Final Bega Offer does not reflect the substantial value to Bega of WCB's franking credit balance.

In contrast the Revised Saputo Offer gives WCB the discretion to pay two fully franked special dividends of up to \$1.31 per Share in aggregate. If both special dividends are paid under the Saputo Offer, those WCB Shareholders who can capture the full benefit of the franking credits associated with the special dividends would receive an additional benefit under the Saputo Offer valued at \$0.56 per Share.

It is important to note that the value of franking credits varies depending on the tax position and tax residency of individual WCB Shareholders.

Your Directors also note that Bega did not seek to engage with the WCB Board or its advisers prior to the announcement of the Final Bega Offer to discuss the possibility of allowing WCB to declare any special dividends and pass on the full benefit of the franking credits associated with these dividends.

3. Scrip for scrip roll over relief is uncertain under the Final Bega Offer

In order for WCB Shareholders to benefit from scrip for scrip roll over relief from Capital Gains Tax, Bega must own at least 80% of the voting shares in WCB at the conclusion of the Final Bega Offer. There is no guarantee that Bega will achieve this level of acceptance because:

- the Final Bega Offer has no minimum acceptance condition; and
- Murray Goulburn, a key WCB Shareholder, has a 17.3% shareholding and it is unclear whether or not it will accept the Final Bega Offer; and
- Lion has a 9.99% shareholding and it is unclear whether or not it will accept the Final Bega Offer.

Accordingly it is uncertain whether scrip for scrip roll over relief from Capital Gains Tax will be available to WCB Shareholders.

If scrip for scrip roll over relief is not available, this may result in a potential further Capital Gains Tax liability in relation to the scrip component of the Offer Consideration for WCB Shareholders who accept the Final Bega Offer.

4. No withdrawal rights

Your Directors urge you to exercise caution in relation to the Final Bega Offer. WCB Shareholders should note that the Final Bega Offer is now unconditional. If you accept the Final Bega Offer you will give up your rights to sell your WCB Shares on ASX or otherwise deal with them (for example, by accepting the Revised Saputo Offer, the Revised Murray Goulburn Proposal or any other offer from a competing bidder if one eventuates).

You should note that neither Murray Goulburn nor Saputo have declared their respective offers final.

The effect of acceptance of the Final Bega Offer is set out in section 9.1.20 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 Final Bega Offer.

5. Date of Supplementary Target's Statement

This Supplementary Target's Statement is dated 20 November 2013, which is the date on which it was lodged with ASIC.

6. Consents

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

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

7. Approval of Supplementary Target's Statement

This Supplementary 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: 20 November 2013

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