

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 "DMN29" now produced and shown to David Michael Noonan at the time of signing his statement on 28 November 2013.

**Annexure DMN29  
WBC director recommendation**

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Filed on behalf of Murray Goulburn Co-Operative Co Limited  
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25 October 2013

## **WCB Board unanimously recommends revised \$8.00 cash per share takeover offer from Saputo**

Warrnambool Cheese and Butter Factory Company Holdings Limited (ASX: WCB) (**WCB**) announces that it received late Thursday afternoon an increased all cash off-market takeover offer from Saputo Inc. (TSX: SAP) (**Saputo**) to acquire all of the shares of WCB for \$8.00 cash per share (**Revised Saputo Offer**).

**After consideration of the Revised Saputo Offer and the offer announced by Murray Goulburn on 18 October, the WCB Board unanimously recommends WCB shareholders accept the Revised Saputo Offer, in the absence of a superior proposal.**

### **Highlights of the Revised Saputo Offer for WCB shareholders:**

- Recommended Offer of \$8.00 cash per WCB share, valuing WCB at \$448.8 million on a fully diluted basis
- The Revised Saputo Offer gives WCB the discretion to pay two fully franked special dividends of up to \$1.31 per share in aggregate. Any special dividends would be deducted from the Offer price of \$8.00 cash per share payable by Saputo
  - If Saputo obtains an interest in at least 50.1% of WCB shares, WCB may pay an initial special dividend of up to \$0.46 per share
  - If Saputo obtains an interest in at least 90% of WCB shares, WCB may pay a subsequent special dividend of \$0.85 per share
- Some WCB shareholders may also derive additional value above \$8.00 from the franking credits attached to those special dividends. The benefit of the franking credits, valued at up to \$0.56 per share for some WCB shareholders if both special dividends are paid. Importantly, the value of franking credits varies depending on the tax position of individual WCB shareholders
- Saputo has made assurances about supporting WCB suppliers. It has also indicated it will retain employees and WCB's corporate identity and brands. Saputo has the strategic intent and financial capacity to invest further in WCB

### **Headline offer price – \$8.00 cash per share**

The Revised Saputo Offer is attractive on a number of financial metrics, and in particular is materially superior to the price offered by Murray Goulburn as announced on 18 October. The Revised Saputo Offer price values WCB at \$448.8 million and represents a:

- 77.4% 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 Bega's offer; and
- 6.7% premium to the \$7.50 cash per share proposal announced by Murray Goulburn on 18 October 2013.

**WCB's directors unanimously support the Revised Saputo Offer and recommend that WCB shareholders accept the Offer, in the absence of a superior proposal. Subject to that same qualification, each WCB director and executive<sup>1</sup> intends to accept the Revised Saputo Offer for all WCB shares they hold or otherwise control.**

CEO and Managing Director of WCB, David Lord, said:

*"The Board continues to focus on maximising value for shareholders, so we carefully considered the proposal from Murray Goulburn including seeking further information on their proposal. However, subsequent to those discussions, we received the Revised Saputo Offer which we consider superior both in terms of price and conditionality to the alternatives"*

Chairman of WCB, Terry Richardson, said:

*"The Board carefully considered both the Murray Goulburn proposal and Saputo's Revised Offer before coming to its decision to recommend the Revised Saputo Offer in the absence of a superior proposal. In addition to the attractive price offered to shareholders, the WCB Board takes comfort in Saputo's assurances to suppliers and employees, as well as its intentions to invest in WCB's assets and pay a leading competitive milk price"*

#### **Offer conditions**

The Revised Saputo Offer remains conditional on, among other things:

- approval by or statement of no objection from Australia's Foreign Investment Review Board;
- Saputo having a relevant interest in greater than 50% of the WCB shares by the close of the 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.

The full agreed terms and conditions of the Offer remain the same as set out in WCB's ASX announcement on 8 October 2013 other than in relation to the revised price.

The Bid Implementation Deed has been amended to reflect the Revised Saputo Offer and to otherwise reaffirm WCB's support and recommendation of that Offer, in the absence of a superior proposal.

#### **Bega's offer and Murray Goulburn's proposal**

In light of the above your directors:

- continue to unanimously recommend your reject Bega's offer; and
- unanimously recommend you reject Murray Goulburn's proposal.

#### **Timing**

Saputo has informed WCB that it intends to lodge its Bidder's Statement containing detailed information relevant to the Offer on the 25 October 2013.

#### **Information on Saputo**

Saputo is one of the top ten dairy processors in the world, the largest in Canada, the third largest in Argentina and among the top three cheese producers in the United States. Saputo is listed on the Toronto Stock Exchange under the symbol SAP, with a market capitalisation of approximately C\$9.6 billion. Saputo produces, markets, and distributes a wide array of dairy products of the utmost quality, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients. Saputo's products are sold in more

<sup>1</sup> The members of the executive team as set out in WCB's 2013 Annual Report

than 40 countries under well-known brand names such as Saputo, Alexis de Portneuf, Armstrong, Baxter, Dairyland, Dragone, DuVillage 1860, Friendship, Frigo Cheese Heads, Great Midwest, King's Choice, Kingsey, La Paulina, Milk2Go, Neilson, Nutrilait, Ricrem, Salemville, Stella and Treasure Cave. Saputo employs approximately 12,000 people and operates 53 manufacturing facilities. Saputo generates consolidated annual revenues of approximately C\$8.6 billion.<sup>2</sup>

#### Advisers

WCB is being advised in relation to the Offer by CIMB as its corporate adviser and Minter Ellison as its legal adviser.

#### CONTACTS

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<sup>2</sup> Represents **Saputo's** pro forma consolidated revenues for the year ended 31 March 2013 had the acquisition on 3 January 2013 of Morningstar Foods, LLC taken place on 1 April 2012.