



30 January 2017

WCB ANNOUNCES RECOMMENDED \$8.85 PER SHARE CASH TAKEOVER OFFER FROM SAPUTO

Summary of Offer

Warrnambool Cheese and Butter Factory Company Holdings Limited ("WCB") refers to the attached letter from its major shareholder, Saputo Inc. ("Saputo"), dated 27 January (received on 28 January 2017).

Saputo has confirmed its intention to make an off-market takeover offer to acquire all of the ordinary shares in WCB in which it does not currently have a relevant interest at an offer price of A\$8.85 cash per WCB share ("Offer"). Saputo currently has a relevant interest in 88.02% of the WCB shares on issue. The Offer is proposed to be made by Saputo's wholly-owned subsidiary, Saputo Dairy Australia Pty Ltd.

The Offer is conditional only on Saputo reaching a relevant interest in at least 90% (by number) of WCB shares during or by the end of the Offer period. Saputo has already received Australian Foreign Investment Review Board approval in respect of the Offer.

Further details regarding the Offer will be set out in the Bidder's Statement which will be prepared by Saputo and dispatched to WCB shareholders shortly.

Background to Offer

Following an approach from Saputo some weeks ago, WCB adopted protocols to govern the relationship between Saputo and WCB, and to manage any actual or perceived conflicts of interest in respect of a possible takeover offer for the remaining shares in WCB by Saputo. WCB established an Independent Board Committee ("IBC") to oversee the application of those protocols.

The IBC comprises the three non-executive directors of WCB who are independent of Saputo, being Mr Neville Fielke (Chair of the IBC and Chair of WCB's Audit & Risk and Nominations & Remuneration Committees), Mr Terence Richardson and Mr Bruce Vallance.

The IBC appointed Grant Samuel as financial adviser and Clayton Utz as legal adviser to assist WCB and the IBC in relation to a potential takeover offer from Saputo.

The IBC with the assistance of its advisers has constructively engaged with Saputo regarding the terms of an offer which would be appropriate to put to shareholders. This process culminated in Saputo committing to make a takeover offer to acquire the shares in WCB in which it does not have a relevant interest on the terms set out in the Offer subject to the IBC determining to unanimously recommend the Offer on those terms.

Recommendation of the IBC

The IBC has carefully considered the Offer with the assistance of its advisers, and unanimously recommends that, in the absence of a superior proposal and subject to an independent expert concluding that the Offer is fair and reasonable, WCB shareholders accept the Offer.

The IBC has appointed Lonergan Edwards & Associates to prepare an independent expert's report to determine whether or not the Offer is fair and reasonable to WCB shareholders who are not associated with Saputo ("Independent Expert's Report").

The reasons for the IBC's recommendation include the following:

- the Offer represents a substantial premium to recent trading prices, including:
 - a 24.8% premium over the closing price of \$7.09 per WCB share on 27 January 2017, the last trading day prior to the announcement of the Offer; and
 - a 30.0% premium over the six month volume weighted average price of WCB shares up to and including 27 January 2017;
- there appears to be very little prospect of a superior proposal from another bidder given the composition of the WCB share register;
- the Offer will allow WCB shareholders to sell their holding for cash at a substantial premium to recent trading prices, free of brokerage; and
- given the lack of liquidity in WCB shares, it may continue to be difficult for WCB shareholders to sell their shares other than by accepting the Offer.

Next Steps

WCB shareholders are not required to take any action at this time.

It is expected that a Bidder's Statement prepared by Saputo will be lodged with ASX and ASIC this week. This document will contain further details regarding the Offer and should be read carefully.

Saputo has stated that it intends to request the IBC's consent to the early dispatch of its Bidder's Statement to WCB shareholders. The IBC will consider any such request once it has received a copy of the Bidder's Statement and had an opportunity to review it.

WCB will also send a Target's Statement to WCB shareholders in time for them to make an informed decision on the Offer. This will contain information material to the decision of WCB shareholders in respect of the Offer and enclose a copy of the Independent Expert's Report.

Recent Trading

Consistent with the statements already made by WCB in its announcement of its FY16 and 1H17 results, WCB has benefited from a raw milk cost that has been realigned with market conditions since 1 July 2016. This was reflected in part in the normalised 1H17 results in respect of the 3 months to 30 September 2016. For 2H17 results WCB expects to see improvement over normalised 1H17 results due to the realignment of raw milk cost for the full 6 months to 31 March 2017 and improved market conditions.

WCB is continuing to consider the impact of various factors on its expected FY17 results and will, to the extent required, provide further details in its Target's Statement.

As stated in WCB's announcement of its 1H17 results, investors should note that during the balance of FY17, WCB's performance may be subject to:

- (a) variations in milk prices that are retrospective from 1 July and cannot be accurately estimated as at today's date;
- (b) seasonal milk flow variations that result in less effective utilisation of plant;
- (c) variations in international commodity pricing; and
- (d) movements in foreign exchange rates between the US dollar and Australian dollar as WCB exports a significant amount of product.

WCB will make such further announcements as are required to keep WCB shareholders informed in accordance with its disclosure obligations in respect of the Offer.

About WCB

WCB produces, markets and distributes a wide array of quality dairy products including cheese, packaged milk, and dairy ingredients. These products are all made from Australian milk which has been sourced from our dedicated farmer partners in Victoria and South Australia. WCB is the fourth largest dairy processor in Australia and is the Dairy Division (Australia) of Saputo Inc. Our products are sold in several countries and under well-known brand names in Australia such as *Coon*, *Cracker Barrel**, *Mil Lel*, *Great Ocean Road*, *Warrnambool Heritage*, *Enprocal* and *Sungold*. Warrnambool Cheese and Butter Factory Company Holdings Limited is a publicly traded company and its shares are listed on the ASX under the symbol "WCB".

*Trademark used under licence.

For more information, please contact:

Paul Moloney
Company Secretary
+61 3 5565 3100



January 27, 2017

BY E-MAIL

The Independent Board Committee
Warrnambool Cheese and Butter Factory Company Holdings Limited

Attention: Paul Moloney, Company Secretary

RE: Intention to make a takeover offer for Warrnambool Cheese and Butter Factory Company Holdings Limited ("Warrnambool")

Dear Sirs:

Further to our recent discussions, I am writing to confirm that Saputo Inc. through its wholly owned Australian subsidiary, Saputo Dairy Australia Pty Ltd ("**Saputo**"), intends to make an off-market takeover offer for all of the Warrnambool shares on issue in which it does not already have a relevant interest (the "**Offer**").

1. Offer Price

The Offer will proceed by way of an all cash off-market takeover bid at \$8.85 per share, which we believe is a highly compelling proposition for Warrnambool shareholders.

- The Offer represents a substantial premium to Warrnambool's historical trading price range, being:
 - a 24.8% premium to Warrnambool's closing price of \$7.09 per share on 27 January 2017; and
 - a 30.0% premium to Warrnambool's six month volume weighted average share price to 27 January 2017.
- There is very limited trading in Warrnambool shares, meaning that this Offer is a rare opportunity and potential liquidity event for Warrnambool shareholders who wish to exit their investment; and

- This Offer from Saputo is the only offer currently available to Warrnambool shareholders, and given Saputo's relevant interest in Warrnambool, there are limited prospects of any competing proposal emerging.

2. Offer Condition

Saputo has already received Australian Foreign Investment Review Board approval ("FIRB Approval") in respect of the Offer.

The Offer is conditional only on Saputo acquiring a relevant interest in at least 90% (by number) of Warrnambool shares on issue during, or by the end of, the offer period.

While the Offer will not include any other conditions, Saputo's intention is to cause the delisting and/or privatization of Warrnambool, should the threshold number of remaining shareholders for delisting or privatization be met during the offer period. As such, whilst Saputo reserves all of its rights to waive this condition pursuant to the Corporations Act 2001 (Cth), if the threshold number of remaining shareholders for delisting or privatization is met during the offer period, Saputo's current intention would be to waive the 90% condition.

It is important that Warrnambool shareholders have a clear understanding of our intentions in making their decision on whether or not to accept the Offer. This includes understanding that Saputo intends to:

- (a) proceed to compulsory acquisition if it is entitled to do so; and
- (b) cause Warrnambool to delist if it is able to do so – whether that is a result of being in a position to proceed with the compulsory acquisition of any Warrnambool shares, or in accordance with the ASX guidance after the Offer period has ended.

3. Required Board Recommendation

Saputo is seeking the endorsement of the independent board committee of Warrnambool formed for the purposes of considering the terms and pricing of the Offer by way of a recommendation from the independent directors of Warrnambool that shareholders accept the Offer, in the absence of a superior proposal and subject to the independent expert concluding that the Offer is fair and reasonable.

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It is a pre-condition of the making of the Offer that each member of the Warrnambool independent board committee agrees to recommend on announcement of the Offer that Warrnambool shareholders accept the Offer in the absence of a superior proposal and subject to the independent expert concluding that the Offer is fair and reasonable. As such the Offer remains an incomplete proposal only until such time as that recommendation is given.

4. **Indicative Timetable**

Our preferred timing is to work towards announcement of a recommended offer by Monday 30 January 2017. Saputo anticipates that it would lodge its Bidder's Statement shortly after that announcement. At that time, Saputo also intends to seek your consent for an early dispatch of the Bidder's Statement, to allow Warrnambool shareholders the opportunity to more quickly consider and accept the Offer.

We look forward to progressing this Offer with you in a friendly and timely manner.

Yours very truly,

SAPUTO INC.

Per:



Louis-Philippe Carrière, FCPA, FCA
Chief Financial Officer