



05 November 2012

## ASX Announcement

### Market Update

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As announced at the AGM presentation on 25 October 2012, Warrnambool Cheese and Butter Factory Holdings Limited (**WCB**) is experiencing soft trading conditions and a persisting strong \$AUD, both of which are expected to continue in the short term.

Following the completion of an internal analysis, WCB now expects that lower prices achieved in the market in the first half, and adverse currency movements, will impact operating margins by approximately \$20 million compared to the corresponding period last year.

In addition, it is now clear that due to competition amongst processors sourcing raw milk in the local market WCB will also incur higher than normal raw milk costs in the first half of FY2013. The milk cost to revenue ratio for the first half is forecast to be 67.0%, compared to 63.0% for the same period in FY2012. This will have an impact on operating margins for the half of approximately \$10 million.

As a result of these factors, WCB's after tax profit for the first half of FY2013 is forecast to be approximately \$20 million lower than the comparable first half net profit achieved in FY2012.

WCB confirms the outlook commentary made by the CEO at the full year results presentation and most recently at its AGM that WCB's business fundamentals remain strong, with revenues and earnings diversifying; its joint ventures are positioned well to continue to perform; it has balance sheet strength, low gearing and is well positioned for growth; and that numerous investment opportunities are under evaluation. Management has articulated a clear strategy for the business and is focused on executing that strategy to create value for all shareholders.

A further market and trading update will be given during the half year results presentations.

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Further information contact Warrnambool Cheese and Butter

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