



05 June 2012

**ASX Announcement**

---

**WCB FY2012 Profit Guidance**

---

WCB indicated in its half year results statement that its full year outlook was generally in line with the previous year. FY2011 NPAT was \$18.5 million.

Due to a number of external factors, including commodity markets, impacting operations in the second half, WCB is now of the view that full year NPAT could be between 20% and 30% below the previous year.

The principal reason for this material decline is the prices received for internationally traded dairy products. Market prices for volume products have declined during the second half with Skim Milk Powder prices as an example falling by 22% since January 2012 (*GDT contract prices January v June 2012*).

As a response to this softening price trend buyers are increasingly adopting short term contract positions to take advantage of lower spot prices. This will result in WCB holding higher than anticipated end of year inventories. WCB believes that there will be continued price weakness in Q1 of FY2013 and as a consequence it expects adverse net realisable value adjustments to closing inventories, which will have a consequential impact on profitability for FY2012.

The current weakness in international markets has been caused by an increased supply of products. Dairy Australia forecasts global milk production to increase by almost 3% in calendar year 2012 due to favourable seasonal conditions across major exporting nations. Despite the increased volume of products, underlying demand remains strong and products are clearing at reduced prices.

While this anticipated change in WCB's performance is disappointing, the impact on NPAT has been, and is expected to continue to be, mitigated by WCB's strategy to pursue a more specialised higher value product mix and to diversify its revenue streams into higher domestic sales and consumer products.

WCB maintains its optimistic outlook in relation to the long term global demand for dairy products and continues to review its options for expansion utilising its low gearing position and strong balance sheet.

---

Further information contact Warrnambool Cheese and Butter

David Lord Chief Executive Officer (03) 5565 3102

For personal use only