



22 November 2013

Dear Supplier/Shareholder

Re: 63rd Annual General Meeting

Murray Goulburn's (MG) 63rd Annual General Meeting concluded a short time ago and given that the majority of supplier/shareholders were unable to attend, we want to take this opportunity to share with you the outcomes of the resolutions presented, as well as provide an update on the capital structure review.

Firstly, shareholders voted in favour of all items of business presented, including:

Item 2: Election of Directors – Western Region

Directors John Pye and Martin Van de Wouw were re-elected and Duncan Morris was elected as a Director at today's meeting for a term of three years.

Item 3: Appointment of Auditor

Shareholders at the meeting approved the appointment of PricewaterhouseCoopers as the new auditor. This follows a formal tender process which was undertaken by the Board during the year.

Director retirement

At the meeting, Chairman Philip Tracy also paid tribute to retiring director Don Howard, who leaves the Board after 16 years of service, saying that Don had been a passionate advocate for MG and had made an enormous contribution during his time on the Board.

Capital structure review - background

You may recall in early September, that we wrote to all supplier/shareholders to advise that we had commenced a funding review to fully investigate the most effective and efficient capital structure for MG going forward.

Over the past 12 months we have talked on many occasions about the need to invest in the capacity and capability of our existing plant operations to support MG's plans to capitalise on the growth opportunities that lay before us, primarily in international markets.

In pursuing growth for MG, our core objective is to significantly increase underlying farmgate returns. We believe increasing the underlying farmgate returns¹ by \$1 per kilogram milk solids by FY17 will deliver the level of return MG supplier/shareholders require to have confidence to invest in their farm businesses and grow milk production.

In order to substantially grow MG's domestic and export business, we have identified the need to invest in improved capability and capacity to ensure we can deliver the products our customers and consumers demand, particularly in infant nutrition, cheese and liquid milk.

¹ In order to measure an increase in underlying milk price, rather than use the available milk price paid to suppliers each year, an implied milk price is used which is based on forecasted available milk price from FY12 plus the value of annual dividends. The available milk price targets are normalised for the movements in dairy commodity prices, foreign exchange and impacts of inflation as well as other one off items such as opening inventory.

Given major opportunities in the business and the capital needed to fund these, over the past nine months we have undertaken a comprehensive review of the funding options available to MG, including:

- increasing bank debt;
- the sale and leaseback of assets;
- retention of profits;
- raising additional equity from farmer shareholders; and/or
- raising capital from external investors.

Outcomes of the review

Now that we have completed the funding review process, we can update you on the capital structure we are likely to recommend for MG into the future.

Firstly and most importantly, **we want to make it very clear that we are not proposing any change to our co-operative structure and farmer control.** We believe the co-operative structure is at the heart of our success and we want to reassure all supplier/shareholders that we are not proposing any change to it.

We are considering a funding model that maintains 100% farmer control, but allows external investors to invest into MG - a model similar to the one recently implemented by New Zealand's national dairy co-operative, Fonterra.

Fonterra has implemented a structure known as Trading Among Farmers and the Fonterra Shareholders' Fund, which is dual listed on the New Zealand and Australian stock exchanges. The Fund is a non-voting unit trust, which enables external investors to invest in Fonterra in return for a dividend and the potential for capital growth.

We believe this is a more effective and efficient capital structure for MG to pursue because it diversifies MG's funding mix away from traditional bank debt, which has historically been the co-operative's primary source of funding. This structure also provides a market value for MG shareholder equity, while still maintaining 100% farmer-control.

To that end, we have appointed advisers to develop an MG tailored structure.

Objectives of a new MG model

The key objectives of the model being developed are to:

- retain the co-operative structure and 100% Australian dairy farmer control of MG;
- underpin our goal of an increase in farm-gate returns¹ of \$1 per kg of milk solids (more than 7 cents per litre) by full year 2017;
- provide MG supplier/shareholders with an observable market price for their MG shares, consequently strengthening farm balance sheets; and
- provide access to additional sources of capital to meet the co-operative's investment plans and deliver improved returns.

Process of engagement

In December and January, we will be visiting all supplier regions to consult directly on the capital structure we are considering and why we believe it is the right way forward for MG. We understand this is a significant step to take and want to provide all supplier/shareholders with the opportunity to learn more about the key aspects of the capital restructure.

In addition, there are also a number of steps we need to take into next year before we can proceed to implementation. These include:

- Undertaking a detailed development of the proposed capital restructure in the coming months, including engagement with the various regulators who will be required to approve the restructure;
- Following the first round of consultation meetings with supplier/shareholders in December/January, MG will hold a further round of supplier meetings in March 2014 to discuss, in full, the final proposed structure;
- Depending on the feedback received from supplier/shareholders, MG will plan to hold an Extraordinary General Meeting in May 2014 to provide shareholders with the opportunity to vote on the proposed capital restructure; and
- Subject to our consultation process and shareholder approval, MG will implement the proposed structure by a target date of 1 July 2014. These changes would coincide with an offer to external investors to acquire units in a listed unit trust that would pay a dividend equivalent to dividends paid to supplier/shareholders. The unit trust would be expected to be listed on the Australian Stock Exchange (ASX) by 1 July 2014.

Following the proposed capital restructure, MG will be in a strong position to pursue the growth opportunities we have available to meet our objective of lifting farm-gate returns by \$1 per kilogram milk solids by FY17, whilst enhancing the balance sheets of supplier/shareholders and reducing debt in the business. We believe that suppliers would also be better placed to grow their own businesses through the enhanced value that external lenders are likely to attribute to MG shares and the potential value creation from realisations of existing shares.

Impact of MG's proposed acquisition of Warrnambool Cheese and Butter on the capital structure review

As you are no doubt aware, MG has announced its intention to acquire all of the issued shares in Warrnambool Cheese and Butter Factory Holdings Limited (WCB) via an off-market takeover offer for \$9.00 cash per share. As advised at the time of announcing our offer for WCB, MG intends to fund this acquisition with financing facilities available from our existing lenders – NAB, ANZ and Westpac.

We believe that the level of leverage, post a successful transaction, is appropriate for a farmer owned co-operative structure in its current phase of significant growth and investment. The support of our financiers for the offer reinforces MG's view that the rationale and financial metrics implied by the offer are appropriate.

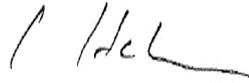
Recent media reports suggesting that Murray Goulburn's plans to seek an external capital raising facility to fund its bid for WCB are incorrect. The WCB bid, which is comfortably funded from Murray Goulburn's existing banking syndicate, and the proposed new capital structure are separate. Today's announcement by MG on the outcomes of the funding review and proposed new capital structure are the beginning of a lengthy and exhaustive consultation process with you. To that end, as mentioned earlier in this letter, we will hold workshops in each of the regions to clarify available details and respond to your questions on the proposed new structure. The dates, venues and times of these workshops will be communicated to you shortly.

We look forward to updating you further on the progress of the proposed changes to MG's capital structure during the consultation process in the coming weeks and then in full during a round of supplier roadshows towards the end of the first quarter of next year.

Yours sincerely

Handwritten signature of Phil Tracy in cursive script.

Phil Tracy
Chairman

Handwritten signature of Gary Helou in cursive script.

Gary Helou
Managing Director