

Media release



27 August 2014

Record year for MG - 2013/14 Financial Year Results

Full year results for the financial year ended 30 June 2014:

- Significant improvement in group safety performance
- Record sales revenue of \$2.917 billion, up 22%
- Record farmgate milk price of \$6.81 per kg/MS, up 37%
- Milk intake up 8% to 3.4 billion litres, versus Australian milk production of 0.4%*
- MG's share of Australia's milk pool now 37%, up from 33%
- Net profit after tax was \$29.3 million
- \$59 million increase in equity, including a gain of \$36 million from the sale of WCB shares
- A final dividend of 8% on ordinary shares

Australia's largest dairy foods company Murray Goulburn Co-operative Co. Limited (MG), today released its 2013/14 results to supplier/shareholders including the announcement of record high sales revenue, farmgate milk price and milk supply growth.

MG's record revenues of \$2.917 billion, were 22% up on the previous year. Growth was delivered from across all MG's major divisions, particularly in exports which recorded 30% growth year-on-year to \$1.5 billion. Particularly strong growth was delivered in the strategic segments of Nutritional Powders, up 19%, and 77% growth in international Consumer and Food-Service dairy foods. Exports accounted for over 51% of MG's revenue.

Net profit after tax was \$29.3 million, slightly down from \$34.9 million in the previous year. MG's balance sheet was further strengthened with total equity increasing by \$59 million during the year, including \$36 million gain from the sale of its stake in Warrnambool Cheese and Butter (WCB), which was recognised directly in equity.

MG's final weighted-average available farmgate milk price paid to its supplier/shareholders was up 37% on the previous year at \$6.81 per kilogram of milk solids (approximately 51 cents per litre). Total payments to suppliers/shareholders[#] for the year were more than \$1.7 billion, representing 61% of total sales, compared to 50% of sales last year. When combining the final milk price of \$6.81 with the dividend of eight cents per share, the total return to suppliers/shareholders was on average \$6.90 per kilogram of milk solids.

MG increased its milk intake in 2013/14 by 8% to 3.4 billion litres of milk in contrast to total Australian milk production which remained stagnant at 0.4%*. MG's share of Australia's milk pool now represents 37% of Australia's milk supply, up from 33% last year.

Commenting on the results, MG's Managing Director Gary Helou said: "International dairy food prices were at very high levels during the 2013/14 year, underpinned by the strong demand from Asia and the

Middle East. Our focus on the value growth segments of Nutritional Powders and international Consumer and Food-Service dairy food exports, combined with the robust growth in MG's milk supply helped MG deliver an exceptionally strong year."

"We've seen another year of significant progress in our group safety performance. MG's most important asset is its people and our top priority must always be to keep our people safe," he said.

"We will also continue our focus on delivering further efficiency and productivity gains across our business units during this year. At the same time we are pushing forward with the value added growth components of our strategy, which are starting to gather momentum, with the two daily pasteurised milk plants coming on line plus an additional \$127 million capital expenditure approved last year to bolster MG's capabilities and market connectivity in our Consumer Cheese, Dairy Beverages and Nutritionals expansion," said Mr Helou.

Outlook

Long term underlying dairy foods demand from Asia remains strong with a net reliability on imports to satisfy the ongoing growth in per capita consumption. However, international dairy prices have declined significantly from last year's historic highs mainly due to production growth in exporting countries, namely New Zealand and the European Union, and the compounding impact of high inventories in China and the recent Russian trade ban on EU, US and Australian dairy imports. Given global demand growth we anticipate some recovery in international commodity pricing but it is difficult to predict the timing and strength of this change.

MG is carefully monitoring the impact of the Russian trade ban, particularly the impact on trade flows from the EU to other export destinations.

Given the current market conditions MG is revising its full year forecast for the Southern Milk Region to \$6.00 per kilogram of milk solids (i.e. the current farmgate price). This is down from a range of \$6.15 to \$6.30 per kilogram of milk solids. In this market it is unlikely that MG can provide for any step ups in 2014/15 pricing unless there is a significant improvement in markets.

MG will seek to mitigate downside risk via factors within MG's control, such as cost reductions within the business and product mix optimisation.

Over the next few weeks we will continue to assess the impact of the Russian trade ban and further assess China's re-entry in the market and provide regular updates to suppliers as required.

-ENDS-

For further information about our financial results please visit www.mgc.com.au.

MG's Annual Report will be available in October and the Annual General Meeting will be held at the Melbourne Showgrounds on Thursday, 27 November 2014.

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About Devondale Murray Goulburn (MG):

Devondale Murray Goulburn is Australia's largest dairy food company. In 2013/14 the company received and processed approximately 3.4 billion litres or 37% of Australia's milk and generated sales revenue in excess of \$2.9 billion. Devondale Murray Goulburn was formed in 1950 and remains 100% dairy farmer controlled, with

more than 2,500 farmer-shareholders and more than 2,000 employees. Devondale Murray Goulburn is also Australia's largest dairy food exporter to the major markets of Asia, the Middle East and North Africa, and the Americas. Devondale Murray Goulburn produces a range of ingredient and nutritional products, supplies the food service industries globally and its flagship Devondale brand is sold nationally.

* Dairy Australia

Includes Tasmanian Dairy Products suppliers

