

News release



24 June 2015

MURRAY GOULBURN SETS OPENING PRICE FOR 2015/16 AND RE-CONFIRMS FULL YEAR FORECAST

- **FY16 opening price set at \$5.60 kg/MS, and re-confirmation of full year FY16 forecast Farmgate Milk Price (FMP) of \$6.05 kg/MS**
- **Re-confirmation of FY15 forecast NPAT of at least \$20.1 million**

Murray Goulburn Co-operative Co. Limited (MG) has today announced an opening 2015/16 season price for the Southern Milk Region of \$5.60 per kilogram milk solids and re-confirmed the forecast Full Year 2015/16 Available Weighted Average Southern Milk Region Farmgate Milk Price (FMP) of \$6.05¹ per kilogram milk solids – consistent with its prospectus forecast. This is the second highest opening price for MG despite a volatile international dairy commodity market.

The full year FMP forecast represents an increase on the 2014/15 forecast closing price and if achieved will result in MG suppliers receiving total farmgate returns in excess of \$6.00 per kilogram milk solids for the third consecutive year – a new record for MG. The forecast full year FMP remains subject to changes in external factors such as global dairy commodity prices and prevailing exchange rates. It assumes an average Australian dollar of \$US0.76 during the FY16 financial year and certain assumptions regarding commodity prices and other risk factors detailed in the MG Prospectus².

In addition to the FMP, MG has also forecast a dividend to be paid to MG shareholders in relation to financial year 2016 of between 15.5 and 18.1 cents per share depending on the outcome of the capital raising. This amount is substantially higher than the dividend historically paid to MG's shareholders. Subject to franking credits being available, the dividend is expected to be fully franked.

Commenting on the opening price MG's Managing Director, Gary Helou, said, "For the past three years MG has been executing a growth and value creation strategy. This has seen us shift MG's product mix away from commodity products to less volatile premium quality ready to consume dairy foods. Combined with our continuing focus on reducing cost in the business and driving efficiencies, the execution of this strategy has supported MG's ability to pay a strong FMP."

"With the capital restructure nearing completion, we are well on track for the funding to be in place to build world-leading manufacturing capacity and capability in the key growth categories of dairy beverages, consumer cheese and nutritional powders to advance the next phase of our strategy. These capital projects, once operational, will produce value-added, dairy foods which will help to further enhance the value of MG's milk pool.

"While commodity dairy markets remain subdued and exchange rates unpredictable, we are confident that demand growth for dairy foods will remain strong over the medium to long term. Many Asian countries are not

¹ For the purposes of the Profit Sharing Mechanism the Actual Weighted Average Southern Milk Region FMP is used which is forecast to be \$6.01 per kilogram milk solids. The Actual Weighted Average Southern Milk Region FMP does not include the add-back of quality adjustments accrued from the supply of non-premium milk.

² The forecast Full Year 2015/16 Available Weighted Average Southern Milk Region FMP is based on the assumptions and subject to the risk factors set out in the Murray Goulburn Prospectus lodged with Australian Securities and Investments Commission (ASIC) on 29 April 2015, including an average valuation of the Australian dollar of US\$0.76 for the duration of the 2015/16 financial year and certain assumptions regarding commodity spot prices.

self-sufficient in dairy and will need to import dairy foods to meet growing consumer demand for premium quality, ready to consume, dairy food products.

“MG is well-placed to capitalise on these trends as we have an established reputation as a trusted and reliable source of premium dairy foods. Combined with our close geographic proximity to the growth dairy markets of Asia, this places us in good stead to grow revenue and value and continue delivering sustainably higher farmgate returns to shareholders,” Mr Helou said.

In coming days, MG shareholders will be mailed further advice regarding the Milk Payment Terms and Conditions for the 2015/16 season.

Traditionally participants in the dairy industry, including MG, commence the new financial year with an ‘opening price’ to give farmer-suppliers an indication of how the dairy market is trading at the commencement of the new season. This opening price is subsequently reviewed as the year progresses and where possible ‘stepped-up’ as trading conditions allow, leading to a final FMP announcement towards the end of the financial year. As the FMP steps up, farmer-suppliers are back-paid the differential between the ‘opening price’ and the new FMP price.

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About Devondale Murray Goulburn (Murray Goulburn Co-operative Co. Limited - ABN 23 004 277 089):

Devondale Murray Goulburn is Australia’s largest dairy foods company. In 2013/14 the company received approximately 3.4 billion litres or 37 percent of Australia’s milk and generated sales revenue in excess of \$2.9 billion. Devondale Murray Goulburn was formed in 1950 and remains 100 percent dairy farmer controlled, with more than 2,500 farmer/shareholders and more than 2,400 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 ready to consume dairy foods, nutritional products and dairy ingredients.