



24 June 2015

Opening Price Circular 2015/16: Southern Milk Region Murray Goulburn Co-operative Co. Limited (MG)

Key points:

- MG announces an average available opening price for the Southern Milk Region of \$5.60 per kilogram milk solids. This is the second highest opening price for MG despite a volatile international dairy commodity market.
- MG forecasts a Full Year 2015/16 Available Weighted Average Southern Milk Region Farmgate Milk Price (FMP) of \$6.05¹ per kilogram milk solids. This forecast remains subject to changes in external factors such as global dairy commodity prices and prevailing exchange rates.
- MG's opening price and forecasts reflects key factors including the ongoing execution of MG's growth and value creation strategy which has supported MG's shift away from commodity products to less volatile premium quality ready to consume dairy foods. Combined with MG's continuing focus on reducing cost in the business and driving efficiencies, the execution of this strategy is continuing to support MG's ability to pay a strong FMP.
- In addition to the FMP, MG has also forecast a dividend to be paid to MG shareholders in relation to financial year 2015/16 of between 15.5 and 18.1 cents per share depending on the outcome of the capital raising.
- Updated milk supply Terms and Conditions are available on our website. They will be emailed to suppliers and are available via Field Services. They will be mailed to new suppliers. The Terms and Conditions are similar to last year but have been updated to reflect matters such as the new capital structure and share standards.

Please ensure you consider important forms for completion as part of the opening of the new financial year.

- Firstly, if you are an overshared supplier you can choose to suspend your share offtake and receive this payment as cash instead of shares – please complete the form if you wish to take up this option (due 31 July 2015).
- If you are part of the offtake scheme you can choose to increase your level of offtake from the base \$0.09 per kilogram milk solids (equivalent to 0.65 cents per litre) to \$0.13 per kilogram milk solids (equivalent to approximately 1 cent per litre) or \$0.27 per kilogram milk solids (equivalent to approximately 2 cents per litre). Please refer to the share offtake Q and A for more detail.
- If you wish to change your selection for the Flat Milk Incentive (FMI) please complete the FMI form.

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.

Dear Supplier/Shareholder

Please find outlined below details of Murray Goulburn Co-operative Co. Limited's (MG) opening 2015/16 Southern Milk Region price commencing 1 July 2015. The average available opening price is \$5.60 per kilogram milk solids. This is the second highest opening price for MG despite a volatile international dairy commodity market.

Our Full Year 2015/16 Available Weighted Average Southern Milk Region Farmgate Milk Price (FMP) is \$6.05² per kilogram milk solids. 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 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 Prospectus³.

In addition to the FMP, MG has also forecast a dividend to be paid to MG shareholders in relation to financial year 2015/16 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.

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 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.

2014/15 Forecast

Our current forecast average available price of \$6.00 per kilogram milk solids remains unchanged. We are very proud of our efforts to deliver \$6.00 against a backdrop of difficult trading conditions for dairy ingredients.

² 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.

³ The forecast Full Year 2015/16 Available Weighted Average Southern Milk Region Farmgate Milk Price (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.

Murray Goulburn Co-operative Co. Limited
ABN 23 004 277 089

Freshwater Place, Level 15, 2 Southbank Boulevard,
Southbank VIC 3006
T: +61 3 9040 5000 F: +61 3 9040 5100
GPO Box 4307 Melbourne 3001



2014/15 Dividend Payments

The dividend on ordinary shares for 2014/15 will be considered by the Board following the finalisation of the 2014/15 financial statements with any declared dividend to be paid in September. This is the last time that the Board will consider the declaration of a dividend under the "old" MG capital structure with dividends paid on ordinary shares held by shareholders on 27 April 2015. Shares acquired as part of the Supplier Share Offer or Supplier Priority Offer (SPO) will not be included in the consideration of the 2014/15 dividend allocation.

Thank you for your continued support of MG and I wish you all the best for the year ahead.

Yours sincerely

A handwritten signature in black ink, appearing to read "Gary Helou".

Gary Helou
Managing Director

Appendix 1 Milk Payment Terms and Conditions

It is important that you carefully read this letter in conjunction with the *MG Supplier Handbook: Southern Milk Region* which is available on email, via our website or in hard copy via field services.

Month	Butterfat kg MS	Protein kg MS
July	\$3.88	\$8.55
August	\$3.51	\$7.74
September	\$3.39	\$7.47
October	\$3.39	\$7.47
November	\$3.39	\$7.47
December	\$3.39	\$7.47
January	\$3.59	\$7.90
February	\$3.69	\$8.14
March	\$3.73	\$8.22
April	\$3.88	\$8.55
May	\$3.96	\$8.71
June	\$4.03	\$8.88

With respect to the above table you should note the following:

- Note 1:** The opening monthly milk prices are based on the supply of milk that qualifies as “**Premium**”. Adjustments will apply for milk quality as explained in the *MG Supplier Handbook*.
- Note 2:** In addition to the opening monthly milk prices detailed above, the Productivity Incentive (PI), Growth Incentive (GI) and Flat Milk Incentive (FMI) are available as detailed in the Information Pack – *MG Supplier Handbook*.
- Note 3:** Suppliers are reminded to consider whether to apply the Flat Milk Incentive (FMI) for the 2015/16 year. Suppliers wishing to change their FMI election need to request a FMI Election form from their Field Officer. Suppliers not wishing to change their FMI election from the 2014/15 year do not need to do anything. FMI Election forms need to be returned to MG by 31 August 2015.