

13 October 2016



Update on cost reduction initiatives

Dear Suppliers

At the opening of the 2016/17 season, I confirmed that MG would be making some difficult yet necessary decisions in order to generate between \$50 million and \$60 million of cost savings on an annualised basis.

We are determined to deliver a stronger farmgate milk price to our suppliers and I would like to provide you with an update on the progress of some of these initiatives which are intended to assist with the ongoing challenges presented by a competitive and unpredictable global dairy market.

Goods and services cost savings

We plan to deliver significant savings by lowering the cost of our key inputs such as packaging, energy, repairs and maintenance and other services. We are working with our vendors to review the arrangements currently in place. We are appreciative of the strong support shown by many of our vendors to date.

Reducing workforce costs

The recent review of our cost base saw us focus on the size of our workforce. As part of this, we have almost completed the reduction in employee numbers by approximately 200 roles, predominately associated with head office as well as MG Trading.

Financial benefits of head office relocation

With our lease at Freshwater Place due to expire in May 2017, we have conducted an extensive review to determine the most appropriate and cost effective location for MG's head office. We can now announce that we will occupy an office space at Collins Square in Docklands from March 2017.

Importantly, our negotiations have resulted in a very competitive agreement in MG's favour delivering a cost saving of approximately 15 per cent per annum on our current lease agreement. Importantly, the savings achieved by relocating will ultimately flow through to the farmgate milk price and dividends.

Further updates on cost reduction initiatives will be provided at the Annual General Meeting on 28 October.

As always, we thank you for your ongoing support and patience.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'D. Mallinson', with a long horizontal stroke extending to the right.

David Mallinson
Chief Executive Officer (Interim)