

# Facts at a glance

## FY17 half year results



Murray Goulburn Co-operative Co. Limited (MG) has announced financial results for the half year ended 31 December 2016.

<b>Farmgate milk price</b>	<ul style="list-style-type: none"> <li>• We are maintaining our forecast Full Year Available Weighted Average Southern Milk Region Farmgate Milk Price (FMP) of \$4.95<sup>1</sup> per kilogram of milk solids (kgms), based on Southern Milk Region milk intake of approximately 190 million kgms</li> <li>• As a result of changed supplier milk flows, the current Available Weighted Average Southern Milk Region FMP has risen from \$4.86 per kgms to \$4.92 per kgms</li> <li>• The remaining potential step-up is therefore 3 cents per kgms</li> </ul>
<b>Financial performance</b>	<ul style="list-style-type: none"> <li>• 1.6 billion litres of milk received in the first half of the financial year, down 20.6% compared to half year FY16</li> <li>• \$1.2 billion of revenue, down 14.8% compared to half year FY16</li> <li>• Net loss after tax attributable to shareholders/unitholders of (\$31.9) million. This includes the half year impact of the deviation announced in October 2016 to improve the milk price, which related to an impairment of Milk Supply Support Package (MSSP) and debt funded step ups.</li> <li>• Normalised net profit after tax<sup>2</sup> of \$9.4 million, excluding one-off items after tax of \$41.3 million, compared with \$10.0 million in half year FY16</li> <li>• Net debt of \$677 million with gearing of 37.8%</li> <li>• Fully franked half year dividend/distribution of 1.7 cents per share/unit</li> </ul>
<b>Operational performance</b>	<ul style="list-style-type: none"> <li>• Cost efficiency programs on track</li> <li>• Refinance of \$265 million syndicated facility completed in December 2016</li> <li>• New consumer cheese plant in commercial production</li> <li>• Half year FY17 peak inventory down 15% vs half year FY16</li> </ul>

## Outlook

This forecast is subject to there being no further material deterioration in milk intake, dairy commodity prices and AUD:USD exchange rate remaining broadly in-line with current spot as well as no adverse change in trading conditions or regulatory environments in key markets.

A number of factors give MG confidence for the outlook beyond this financial year. Improved seasonal conditions, current commodity pricing and the realisation of planned cost initiatives indicate improved milk prices for suppliers. In addition, any production growth has the potential to provide further manufacturing efficiency gains.

Significant advances have been made on a business review of our assets and distribution network, which if progressed may deliver further efficiencies and value in the future. We will continue to provide updates on review outcomes, as appropriate.

<sup>1</sup> Including \$50 million in debt funded step ups as announced on 27 October 2016.

<sup>2</sup> Normalised NPAT excludes one off costs related to MSSP impairment and milk pool support (as announced 27 October 2016). NPAT at the half year includes inventory holding adjustments of \$15.2 million in 1H16 and \$7.4 million in 1H17. See note 3 in MG's interim financial report for the half year ended 31 December 2016 for further detail.

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### **Update on Board priorities**

#### **Commencement of Chief Executive Officer**

Ari Mervis' commencement as Chief Executive Officer represents a pleasing conclusion to a rigorous recruitment process. One of our largest ever stakeholder roadshow schedules commences in the coming weeks at which Ari Mervis, Directors and members of the Executive Leadership Team will have an opportunity to reassure our diverse stakeholders about the company's stability.

#### **Board structure and composition review**

At the AGM, a commitment was made to review the structure and composition of the Board. This is an important task and we need to get it right to enable MG to offer the most appropriate governance outcome. Further details of this review will be provided during our upcoming stakeholder roadshow.

Following Ari's commencement, a number of suppliers have queried the status of a replacement Chairman, following confirmation of Philip Tracy's intention to stand down from the Board. Similar to the review of Board structure and composition, the Board is conducting a thorough process to find a replacement.

As part of this process, all outcomes are being considered including the option of appointing a non-supplier Chair. This process is well advanced and the Board considers it one of the highest priorities.

#### **Farmgate milk pricing mechanism review**

Feedback from suppliers has been clear and consistent on the topic of farmgate milk pricing transparency. Our work to review the best approach is ongoing so that we can ensure MG sends the right market signals, in a timely manner, while also balancing farmers' business management needs.

Consistent with comments at the AGM, this review will require input from suppliers and consultation on this topic will commence in the coming weeks. This will involve surveys across our supplier base.

To access further documents related to today's announcement visit:  
[www.mgc.com.au/news](http://www.mgc.com.au/news)