



24 July 2017

Business update

Dear Suppliers

I would like to provide you with an update on some developments regarding your co-operative.

Milk intake and FMP range

There have been numerous requests from suppliers for information regarding Murray Goulburn's expected milk intake for the 2017/18 season. At this stage, MG's total milk intake is expected to be approximately 2.3 billion litres for the period, prior to any significant upside or downside seasonal impact. The reduction in milk intake has not impacted the opening average available Southern Milk Region farmgate milk price (**FMP**) of \$5.20/kilogram milk solids (**kg MS**).

The impact of the reduction in milk intake has been offset by various cost and business improvements compared to budget. While maintaining the forecast FY18 FMP range of \$5.20-\$5.50/kg MS, if the recent strengthening of the Australian dollar was to continue over the full financial year, this could create some uncertainty in relation to the achievability of \$5.50/ kg MS. We will continue to consider all avenues to maximise the available FMP.

We will provide a further business update at the time of our FY17 full year results announcement on 22 August 2017, or earlier as required.

Sale of Kiewa Country brand and equipment

We are pleased to announce that MG has entered into agreements to sell the Kiewa Country brand and certain associated assets to a local business that is expected to recommence local manufacture in the future. The terms and commercial consideration of the transaction are confidential.

Strategic review

The comprehensive strategic review announced on 6 June 2017 continues to progress and MG has appointed Deutsche Bank AG as financial adviser to MG on this important initiative.

As you are aware, a number of initiatives to restore MG's competitiveness are underway. The cost savings from these initiatives will start to be realised in the current year and increasingly into the future so I am grateful to those suppliers who, like me, see a strong future ahead for MG.

Thank you for your ongoing support and for continuing to supply MG.

Yours faithfully,

Ari Mervis
Chief Executive Officer