



## Fact sheet

### FY17 full year results

#### Summary of key points

<b>Farmgate milk price</b>	<ul style="list-style-type: none"> <li>• Southern Milk Region Farmgate Milk Price<sup>1</sup> of \$4.95/kg MS, including \$0.35/kg MS of balance sheet support</li> <li>• 2.7 billion litres of milk received, down 21.8% compared to FY16</li> <li>• Increase in the 2016/17 season Southern Milk Region FMP of 4c/kg fat and 8 c/kg protein on all Qualifying Milk Solids that are of Premium or Acceptable quality. This is equivalent to \$0.06 per kilogram of milk solids (kg MS). In accordance with the 2016/17 Standard Milk Payment Terms, the step-up will be paid as back pay to current suppliers on the payment date and will be paid with August milk proceeds which are expected to be paid on 15 September 2017.</li> </ul>
<b>Financial performance</b>	<ul style="list-style-type: none"> <li>• Revenue of \$2.5 billion, down 10.3% compared to FY16</li> <li>• Net loss after tax of \$370.8 million, after Milk Supply Support Package (MSSP) de-recognition, footprint rationalisation and other one-off costs announced on 2 May 2017</li> <li>• Underlying net profit after tax (NPAT<sup>2</sup>) of \$34.7 million</li> <li>• Year-end net debt of \$445 million, 7.5% below FY16</li> <li>• As previously announced, the Board has suspended dividend payments and hence no final dividend has been declared</li> </ul>
<b>Operational performance</b>	<ul style="list-style-type: none"> <li>• Strategic review commenced</li> <li>• New management structure in place</li> <li>• Significant progress on key initiatives including footprint, consumer cheese, cost out and MSSP de-recognition</li> </ul>

#### Outlook

##### Milk intake

Following further milk losses after the recent payment of all FY17 growth incentives, we now expect total FY18 milk intake to be approximately 2 billion litres. MG however confirms that it is maintaining an FY18 opening Southern Milk Region FMP of \$5.20/kg MS.

##### Profit Sharing Mechanism

The Board of Directors has agreed that MG has the ability to deviate if necessary from the Profit Sharing Mechanism to the extent required to pay an FY18 FMP of at least \$5.20/kg MS, by providing access to up to \$100 million. As required by the Profit Sharing Mechanism Deed, an independent expert's opinion has been obtained concluding that this deviation, if required, is in the overall interests of supplier shareholders and unitholders.

<sup>1</sup> All references to FMP refer to Available weighted average Southern Milk Region Farmgate Milk Price which includes the add-back of quality adjustments accrued from the supply of non-premium milk.

<sup>2</sup> Underlying NPAT excludes deviations from the Profit Sharing Mechanism. See note 3 in MG's financial report for the year ended 30 June 2017 for further detail

## Farmgate milk price

A final FMP above \$5.20/kg MS remains under review and is subject to various factors including favourable movements in exchange rates<sup>3</sup> and dairy commodity prices over the balance of the financial year, as well as retaining appropriate levels of milk intake.

## Initiatives undertaken to offset the impact of lower milk intake

MG has undertaken a number of important initiatives to mitigate the impact of a difficult year:

- implementing the manufacturing footprint review,
- removing the contentious MSSP,
- delivering on previously announced cost out initiatives,
- new management team,
- comprehensive strategic review covering all aspects of MG's strategy and corporate structure, including the Profit Sharing Mechanism and capital structure.

## Strategic review and business improvement program will support higher FMP

The Board of Directors and management remain focused on restoring the strength of MG. A comprehensive commercial review and a business improvement program have commenced, and many elements have recently been accelerated. These initiatives include further cost reduction and efficiency improvements, as well as margin improvement initiatives including deleting unprofitable product lines and enhancing distribution channels. A company-wide freeze on discretionary expenditure has also been implemented.

Since announcing the strategic review in June 2017, MG and its advisor Deutsche Bank AG, have received a number of confidential unsolicited indicative proposals from third parties. These proposals have ranged from concepts around certain non-core assets to larger proposals including whole of company transactions.

The Board has requested Deutsche Bank to seek more detailed proposals from these and other relevant parties so as to enable MG to assess the merits of such proposals. MG will consider any such proposals having regard to the overall interests of MG's business and its suppliers, shareholders, and unitholders including:

- the ability to pay a higher FMP on a sustainable basis;
- value implications for shareholders and unitholders;
- the ability for MG to access capital as required into the future; and
- the impact on co-operative principles.

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<sup>3</sup> MG is assuming an average AUD:USD exchange rate of 77 cents throughout FY18.