



Murray Goulburn (MG) sale to Saputo Dairy Australia Pty Ltd (Saputo)

Dear Suppliers

This morning we announced that we have entered into an agreement with Saputo for the sale of all of MG's operating assets and operating liabilities for approximately \$1,310 million¹.

Summary of key points

- Saputo to acquire all of the operating assets and operating liabilities of MG for approximately \$1,310 million
- Transaction includes MG milk supply commitments for Active MG Suppliers² totalling approximately \$114 million enabling:
 - A step up of \$0.28 per kilogram milk of butterfat and \$0.56 per kilogram of protein. This is equivalent to a step up of \$0.40 per kilogram of milk solids (kg MS) to \$5.60 per kg MS for the FY18 FMP³ and applies for milk supplied from 1 November 2017 (this will be paid monthly from the December milk cheque) and, on completion of the Transaction, for milk supplied from July to October 2017;
 - An additional \$0.40 per kg MS loyalty payment in FY18 for Active MG Suppliers.
- Active MG suppliers will also benefit from a series of commitments from Saputo ensuring milk collection and market pricing into the future
- Estimated net value per share/unit of \$1.10 to 1.15⁴ after working capital adjustment and other costs, representing a 76 – 84% premium to the undisturbed unit price⁵
- Estimated initial distribution of approximately \$0.75 per share/unit to be paid shortly after completion (expected to be in the first half of calendar 2018)
- MG to retain all assets and liabilities associated with the MG Unit Trust and any liability in relation to the current ACCC proceedings, ASIC investigation and unit holder class action (and any similar such actions). For this reason, MG will retain part of the proceeds of the Transaction until the conclusion of these matters. Further cash distributions will be made following such conclusion, or earlier if appropriate
- The Transaction is subject to approval by an ordinary resolution of MG's voting shareholders⁶ and other customary conditions including ACCC and FIRB approvals

Securing a sustainable future for MG's remaining loyal suppliers is of great importance to the Board. The Transaction has the full support of the Board, including Supplier Directors, who believe that the Saputo Transaction represents the best available outcome for our suppliers and our investors, providing real value for shareholders and rewarding our loyal suppliers through the milk supply commitments.

Saputo is one of the top ten dairy processors in the world and has demonstrated itself to be a credible and trusted partner for Australian dairy farmers through its investment in Warrnambool Cheese and Butter. Saputo is committed to its investment in Australia with a long-term perspective and to ensuring a sustainable dairy industry. This Transaction has the unanimous support of the MG Board.

¹ Subject to completion adjustments including for movements in the working capital in the business.

² An Active MG Supplier is a supplier who is supplying milk to MG as at the date of MG's 2017 Annual General Meeting, and at the completion of the Transaction and, if required, as at 15 August 2018.

³ All references to FMP refer to Available weighted average Farmgate Milk Price.

⁴ This amount takes account of the repayment of MG's bank debt and USPP Note program (including any make whole fees) at completion of the Transaction, transaction costs, outstanding tax or other liabilities and the expected costs of continuing to operate MG while the regulatory actions and class action continue. This does not include the payment of any amount which may ultimately arise as a result of the regulatory actions or class action, which would reduce proceeds available for distribution to shareholders and unitholders.

⁵ As at close on 21 August 2017, the day before MG announced in its business update that a number of confidential, non-binding and indicative proposals had been received from third parties.

⁶ For an ordinary resolution to be passed, it requires more than 50% of the votes cast to be in favour of the resolution.

Background to the Agreement

As you are aware, MG's Board commenced a Strategic Review in June to look at all aspects of MG's Strategy and corporate structure. The decision to commence the Review was driven by continuing operating challenges facing the business and the rapid and ongoing decline in milk supply.

In addition to the commercial review and business improvement program, the Strategic Review has considered:

- MG's capacity to successfully continue operating in its current form;
- Potential amendments to the capital structure, including the removal of the Profit Sharing Mechanism or collapsing the MG Unit Trust;
- Recapitalisation alternatives;
- Government support in the form of loans or grants; and
- Transactional proposals received from third parties including Saputo.

Additional process

The Transaction is subject to:

- Approval by an ordinary resolution of MG's voting shareholders at a MG shareholders' meeting. Although a vote is not required, the Board have agreed to seek the approval of a majority of shareholders;
- ACCC and FIRB approval; and
- Completion of other customary conditions as summarised in the ASX announcement included below.

The MG Board's intention is to distribute net proceeds to shareholders and unitholders as soon as practicable post the Transaction closing. As MG will retain all of the liabilities in relation to the regulatory actions and the class action, MG will also retain part of the proceeds to ensure that the MG Board is able to manage appropriately any potential exposure under these actions. This retention amount is not an indication by MG that it has any actual liability in respect of these actions, which MG is defending. Further details of the retentions and the value implication of the Transaction for MG shareholders and unitholders are set out in the ASX announcement below.

Next steps and timetable

MG shareholders do not need to take any action at the present time.

A Notice of Meeting and Explanatory Memorandum is expected to be released in early 2018. This documentation will contain information relating to the MG shareholder vote and the Independent Expert's report on whether the Transaction is in the best interests of MG shareholders; reasons for the Board's unanimous recommendation; and details of the shareholder meeting. The Transaction is currently expected to complete in the first half of 2018.

Further information

- Further detail of the agreement and alternatives extensively considered by the Board are provided in the ASX included below (also available at www.mgc.com.au/news).
- This will be discussed at today's AGM at 11am – which you can attend or join via webcast <https://edge.media-server.com/m6/p/5fk6d9kp>
- For those unable to attend, there will be an investor phone conference at 3pm today that you can join to hear questions from the investment community.
- The full speeches and presentation will be available on the MG website at 11am.
- The Board and a Saputo representative are anticipated to host Supplier meetings commencing in the second week of November to directly address the topic and respond to your questions.

Kind regards,



Ari Mervis
Chief Executive Officer

News release



27 October 2017

ASX Announcement

Murray Goulburn Co-operative Co Limited (“MG”) today announces that it has entered into a binding agreement with Saputo Dairy Australia Pty Ltd (“Saputo”)

Sale to Saputo of all of MG’s operating assets and operating liabilities for A\$1,310 million¹ (“Transaction”)

- Saputo to acquire all of the operating assets and operating liabilities of MG for approximately \$1,310 million
- Transaction includes MG milk supply commitments for Active MG Suppliers² totalling approximately \$114 million enabling:
 - A step up of \$0.40 per kilogram milk solids (kgMS) to \$5.60 per kgMS for the FY18 FMP³ for milk supplied from 1 November 2017 and, on completion of the Transaction, for milk supplied from July to October 2017; and
 - An additional \$0.40 per kgMS loyalty payment in FY18 for Active MG Suppliers
- Active MG suppliers will also benefit from a series of commitments from Saputo ensuring milk collection and market pricing into the future
- Estimated net value per share/unit of \$1.10 to 1.15⁴ after working capital adjustment and other costs, representing a 76– 84% premium to the undisturbed unit price⁵
- Estimated initial distribution of approximately \$0.75 per share/ unit to be paid shortly after completion (expected to be in the first half of calendar 2018)
- MG to retain all assets and liabilities associated with the MG Unit Trust and any liability in relation to the current ACCC proceedings, ASIC investigation and unit holder class action (and any similar such actions). For this reason MG will retain part of the proceeds of the Transaction until the conclusion of these matters. Further cash distributions will be made following such conclusion, or earlier if appropriate
- The Transaction is subject to approval by an ordinary resolution of MG’s voting shareholders⁶ and other customary conditions including ACCC and FIRB approvals

¹ Subject to completion adjustments including for movements in working capital in the business.

² An Active MG Supplier is a supplier who is supplying milk to MG as at the date of MG’s 2017 annual general meeting, as at the completion of the Transaction and, if required, as at 15 August 2018.

³ All references to FMP refer to Available weighted average farmgate milk price.

⁴ This amount takes account of the repayment of MG’s bank debt and USPP Note program (including any make whole fees) at completion of the Transaction, transaction costs, outstanding tax or other liabilities and the expected costs of continuing to operate MG while the regulatory actions and class action continue. This does not include the payment of any amount which may ultimately arise as a result of the regulatory actions or class action, which would reduce proceeds available for distribution to shareholders and unitholders.

⁵ As at close on 21 August 2017, the day before MG announced in its business update that a number of confidential, non-binding and indicative proposals had been received from third parties.

⁶ For an ordinary resolution to be passed, it requires more than 50% of the votes cast to be in favour of the resolution.

MG's Chairman John Spark said, "The Board believes that the Transaction represents the best available outcome for our suppliers and our investors. Saputo is one of the top ten dairy processors in the world and active in Australia through its ownership of Warrnambool Cheese & Butter (**WCB**). This transaction will crystallise real value for MG's equity, whilst rewarding our loyal suppliers through the milk supply commitments.

"MG has reached a position where, as an independent company, its debt was simply too high given the significant milk loss. Securing a sustainable future for MG's loyal suppliers is of paramount importance to the Board. We are pleased with the strong milk commitments secured as part of Saputo's offer to reward this loyalty. Saputo has demonstrated itself to be a credible and trusted partner for Australian dairy farmers through its investment in WCB. The Transaction has the unanimous support of the MG Board."

Conditions

The Transaction is subject to the following conditions:

- Approval by an ordinary resolution of MG's voting shareholders at a MG shareholders' meeting;
- ACCC and FIRB approval; and
- Completion of other customary conditions as summarised in the appendix to this announcement.

Next steps and timetable

A Notice of Meeting and Explanatory Memorandum is expected to be released in early 2018. This documentation will contain information relating to the MG shareholder vote and the Independent Expert's report on whether the Transaction is in the best interests of MG shareholders; reasons for the Board's unanimous recommendation (see below); and details of the shareholder meeting.

The Transaction is currently expected to complete in the first half of 2018.

MG's Directors unanimously recommend the Transaction

The Directors of MG unanimously recommend that shareholders vote in favour of the Transaction. Each Director intends to vote their MG shares in favour of the Transaction, in the absence of a superior proposal and subject to an Independent Expert concluding that the Transaction is in the best interests of MG shareholders.

Milk Supply Commitments

MG's Milk Supply commitments

The Transaction enables MG to announce today the following commitments in respect of milk supply to Active MG Suppliers:

- Forward step up: MG will step up the FY18 FMP by \$0.40 per kgMS to \$5.60 per kgMS for milk supplied from 1 November 2017. This will be paid monthly in accordance with MG's usual payment terms. MG intends to rely on the previously announced deviation from the profit sharing mechanism⁷;
- Backpay of \$0.40 per kgMS: Active MG Suppliers will also receive a \$0.40 per kgMS retrospective backpay amount in respect of all qualifying milk solids supplied between 1 July 2017 and 31 October 2017, reflecting the difference between MG's current FY18 FMP of \$5.20 per kgMS and \$5.60 per kgMS. This amount will be paid at, and is subject to, completion of the Transaction; and
- Loyalty payment: Active MG Suppliers will also receive a \$0.40 per kgMS loyalty payment for all milk supplied in FY18. This amount is subject to completion of the Transaction and will be paid at the later of completion and 15 August 2018.

⁷ MG announced a deviation to the profit sharing mechanism on 22 August 2017

Saputo's Milk Supply commitments

Under the terms of the Sale and Purchase Agreement, Saputo has made the following binding commitments in favour of Active MG Suppliers:

- Collection: Saputo has undertaken to collect milk from all Active MG Suppliers for 5 years from the FY19 season on terms no less favourable than MG's existing collection terms, and after this period will also continue to collect milk on reasonable terms;
- Future FMP commitment: For a minimum of 5 years from the FY19 season, Saputo undertakes to pay Active MG Suppliers a market competitive farmgate milk price. This will be the greater of the WCB farmgate milk price and the average of the farmgate milk price of the two largest milk processors in the Southern Milk Region or NSW milk region (as applicable) at the relevant time; and
- Representative body: On completion of the Transaction Saputo will establish a Supplier Relations and Pricing Policy Committee. This will comprise four Active MG Suppliers, two WCB supplier representatives and three Saputo representatives.

Status of Murray Goulburn post completion

MG will retain all of the assets and liabilities associated with the MG Unit Trust and with the current ACCC proceeding, ASIC investigation and unitholder class action (and any similar such actions). After conclusion of all of these actions, it is expected that MG will be wound up. Until that time, MG expects that it will only be managing these actions and will not be operating any other business.

As MG will retain all of the liabilities in relation to the regulatory actions and the class action, MG will also retain part of the Transaction proceeds to ensure that the MG Board is able to manage appropriately any potential exposure under these actions. This retention amount is not an indication by MG that it has any actual liability in respect of these actions, which MG is defending.

MG will distribute the balance of the Transaction proceeds, after the payment of any amount which may ultimately arise as a result of the regulatory actions or class action (plus any interest accrued) to shareholders and unitholders following the conclusion of these actions, or earlier if it is appropriate to do so.

As a result, MG intends to make an estimated initial distribution of the net Transaction proceeds of approximately \$0.75 per share and unit, to be paid shortly after completion. Further cash distributions to shareholders and unitholders are expected upon conclusion of the regulatory actions and class action, or earlier if appropriate. It is likely the class action would be set down for trial commencing within the next 1-2 years.

MG Unit Trust unitholders

Unitholders of the MG Unit Trust will be treated equivalently with MG shareholders in relation to the process for distribution of Transaction proceeds and on the winding up of MG. Each unit will receive the same initial distribution as each MG share following the completion of the Transaction and unitholders will receive any further distributions at the same time as MG shareholders.

As part of the winding up of MG, the MG Unit Trust will also be wound up, which is expected to include a delisting from the ASX from completion of the Transaction.

Other matters

A summary of the key terms of the Agreement is set out in the Appendix to this Announcement.

MG is being advised by Deutsche Bank and Herbert Smith Freehills.

- ENDS -

Investor teleconference:

A teleconference will be held for investors at 3.00pm (AEST) today. Details are as follows:

Date: Friday 27 October 2017 at 3.00pm

Conference ID: 4187729

Participant Dial in Numbers:

International: +61 2 8038 5271

Toll Free Dial-In Numbers:

Australia: 1800 148 258

Canada: 18668374489

Hong Kong: 800965808

New Zealand: 0800667018

Singapore: 8006162170

United Kingdom: 08000569662

United States: 18665862813

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About the MG Unit Trust

The MG Unit Trust (ASX:MGC) is a special purpose funding vehicle which provides its unitholders with an economic exposure to the business of Murray Goulburn Co-operative Co. Limited (Murray Goulburn). The Responsible Entity of the MG Unit Trust is MG Responsible Entity Limited, a wholly-owned subsidiary of Murray Goulburn.

Murray Goulburn Sale and Purchase Agreement Summary

Key term	Details
1. Parties	<ul style="list-style-type: none">• Murray Goulburn Co-operative Co. Limited (MG)• Saputo Dairy Australia Pty Ltd (Saputo)
2. Parent Guarantee	Saputo Inc. will provide MG with a guarantee in respect of Saputo's obligations to pay the Deposit and Purchase Price.
3. Assets and liabilities included in sale	<p>All the assets and liabilities of MG will be sold to Saputo other than specified excluded assets and liabilities.</p> <p>The key excluded assets and liabilities are:</p> <ul style="list-style-type: none">• Cash of MG group.• Debt facilities of MG (to be repaid on completion).• The MG unit trust arrangements.• The retained litigation (class action, ACCC litigation, ASIC investigation and any similar actions) and associated insurances.• Shares in various subsidiaries which relate to the MG Unit Trust or are dormant subsidiaries.• Income tax or GST liabilities and assets.• Transaction costs.
4. Conditions precedent	<p>Completion of the transaction is subject to the following conditions precedent:</p> <ol style="list-style-type: none">1. Saputo obtaining FIRB approval;2. Saputo obtaining ACCC approval;3. MG obtaining shareholder approval (by ordinary resolution);4. consents to transfer to Saputo the operating leases for the fresh milk plants in Victoria and NSW;5. warranty & indemnity insurance being obtained in respect of the warranties given in favour of Saputo under the agreement; and6. no order, decree or preliminary or final decision of an Australian court or Governmental Agency restraining or prohibiting the completion of the Transaction being in effect.
5. Termination rights	<p>Termination by either party</p> <p>Either party may terminate the SPA before Completion if:</p> <ul style="list-style-type: none">• any event occurs which prevents a condition precedent from being satisfied by 26 July 2018 (parties are required to first consult each other to find an alternative);• the parties agree that any of the conditions precedent cannot be satisfied; or

Key term

Details

- the MG Board publicly withdraws its support for the transaction or revises its recommendation to shareholders to vote in favour of the transaction or publicly support a competing proposal.

Termination by Saputo

Saputo may terminate the SPA if:

- MG or any subsidiary to be sold to Saputo becomes insolvent;
- MG breaches a fundamental MG warranty (warranties in relation to title to the assets and capacity);
- between signing and completion, MG allows something within its control to occur which results in a material breach of an MG warranty, and that breach has a material adverse effect; or
- there is a material unremedied breach of the agreement by MG.

Termination by MG

MG may terminate the SPA if:

- Saputo or Saputo Inc. becomes insolvent; or
- there is a material unremedied breach of the agreement by Saputo.

6. Purchase Price

The purchase price is \$1.31 billion, subject to certain working capital adjustments and a deduction for the milk price adjustments (being the step up and retention amounts referred to below which remain unpaid at completion of the transaction).

7. Milk supply commitments

Milk Collection

- Saputo must continue to collect milk from the farm of each Active MG Supplier for at least 5 years from FY19 on the existing MG collection terms (**Initial Collection Period**).
- After the Initial Collection Period, Saputo must use its reasonable endeavours to collect milk from the farms of Active MG Suppliers. Saputo can charge a reasonable cost-recovery amount for transport, handling and storage costs.

FY18 Milk Price

Southern Milk Region

- For milk supplied in FY18, the Active MG Suppliers will be paid an equivalent farmgate milk price (**FMP**) to the FMP paid by Warrnambool Cheese and Butter Factory (**WCB**) to its suppliers, subject to a minimum of \$5.60 per kgms (\$5.60 is the price paid by WCB at the date of signing).

NSW Milk Region

- For milk supplied in FY18, the Active MG Suppliers will be paid an increase in their FMP equivalent to the implied increase for suppliers in the Southern Milk Region.
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Key term**Details***Payment*

- MG will pay the increased prices set out above for milk supplied from 1 November 2017 – 30 June 2018 period.
- Saputo will pay the unpaid amounts in respect of the July 2017 – October 2017 period on completion of the transaction (and this amount will be deducted from the purchase price).

Milk supply retention bonus*Retention pool*

- A pool of \$60 million is available for MG to pay Active MG Suppliers a retention bonus as determined by MG in respect of milk supplied from 1 July 2017 to 30 June 2018.

Payment

- The retention bonus amounts will be paid on the later of completion of the transaction and 15 August 2018 (and the amount will be deducted from the purchase price).

Future FMP commitment

- For 5 years from and including FY19, Saputo must pay Active MG Suppliers a market competitive FMP.

Active MG Supplier means suppliers who supply milk to MG as at the date of MG's 2017 AGM and Completion Date.

8. MG board recommendation

The MG board must unanimously recommend the Saputo transaction unless:

- the independent expert concludes that the transaction is not in the best interests of MG shareholders and unit holders; or
- MG enters into an agreement to give effect to a superior proposal.

9. Pre-completion covenants

In the period between signing and completion, MG is required to conduct the business in the ordinary course and is subject to customary pre-completion covenants.

10. Exclusivity

MG is subject to a "no shop no talk" provision from signing until the earlier of termination of the SPA and 26 July 2018 (**Exclusivity Period**).

During the Exclusivity Period, MG cannot solicit competing proposals or engage in any discussions with, or provide any information to, a third party in connection with a competing proposal.

The no talk restriction is subject to an exception that allows MG to consider a competing proposal that the MG board considers, having regard to legal and financial advice, is (or is reasonably likely to become) more favourable to MG shareholders and unitholders than Saputo's terms, provided the competing proposal did not arise as a result of MG breaching the 'no shop' restriction.

If MG becomes aware of a competing proposal, it must provide full details of the competing proposal to Saputo.

Key term**Details**

MG must not enter into a binding agreement to give effect to a competing proposal (and the MG board must not publicly recommend a competing proposal) unless Saputo has been given full details of that proposal and a period of 5 business days to match the proposal.

11. Reimbursement fee

A reimbursement fee of \$13 million is payable by MG to Saputo if:

- during the Exclusivity Period, a majority of the MG Board recommends that shareholders vote in favour of, or otherwise publicly support or endorse a competing proposal which is announced during the Exclusivity Period;
- a competing proposal is announced during the Exclusivity Period and, within 12 months of the date of the announcement, the Competing Proposal is completed; or
- Saputo terminates the SPA as a result of:
 - MG or any subsidiary to be sold to Saputo becoming insolvent; or
 - MG breaching a fundamental MG warranty (warranties on title to the assets and capacity);
 - between signing and Completion, MG allowing something within its control to occur which results in a material breach of a MG warranty and that breach has a material adverse effect; or
 - there being a material unremedied breach of the agreement by MG.

12. Warranties

- Saputo gives MG customary warranties, such as power and capacity, funding and solvency warranties.
- MG gives Saputo customary warranties, including in relation to MG's business.