



2017 AGM Q&A Summary

Key questions related to the announcement of the Saputo transaction on 27 October 2017

(includes some additional content provided in response to subsequent questions from Suppliers)

1. Murray Goulburn (MG) is still one of Australia's largest dairy processors - why have we gone down the path of seeking a sale to Saputo?

In early June 2017 MG initiated a strategic review to address the underperformance of the business. This review looked at all aspects of MG's strategy and corporate structure. The Board's view was that MG had reached a position where, as an independent company, its debt was simply too high given the significant milk loss. As a consequence of announcing the strategic review the Board received various confidential unsolicited inbound proposals. These proposals ranged from discrete asset sales, to equity injections and whole of business transactions. All proposals were considered on their respective merits, taking into account the interests of all stakeholders. The Federal and Victorian governments were also consulted and updated on developments related to the strategic review and MG's market position, as well as the possible consequences of our financial situation.

The Board believes that the transaction with Saputo represents the best available outcome for our suppliers and our investors, and will crystallise real value for MG's equity, whilst rewarding our loyal suppliers through milk supply commitments. The transaction has the unanimous support of the Board. 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, the reasons for the Board's unanimous recommendation and details of the shareholder meeting.

2. Why didn't we know more about the reality of MG's financial position?

It was clear from MG's full year FY17 financial results announced in August that our financial performance was below expectations and also that our ability to pay a competitive farmgate milk price this season continued to be challenged by milk loss and lack of capital flexibility. Our full year FY17 farmgate milk price (FMP) of \$4.95 per kilogram milk solids (kgMS) included \$0.35 per kgMS of balance sheet support and we reported a net loss after tax of \$370.8 million, after de-recognition of the Milk Supply Support Package, footprint rationalisation and other one-off costs. During the opening weeks of the new season we lost a further 500 million litres of milk which presented a further challenge to our manufacturing efficiency and prospects of being able to provide a higher farmgate milk price.

3. Is MG viable if this deal doesn't go through?

The Board has unanimously recommended the Saputo transaction as the best path forward for MG. The transaction represents the best outcome for our suppliers and all of our shareholders and unitholders compared to other options considered under the strategic review.

4. What are the benefits of the proposed transaction for MG suppliers?

- A step up of \$0.40 per kgMS to \$5.60 per kgMS for the FY18 FMP for milk supplied from 1 November 2017 and, on completion of the transaction, for milk supplied from 1 July to 31 October 2017.
- An additional \$0.40 per kgMS loyalty payment will be payable in FY19 for Active MG Suppliers, subject to completion of the transaction.

- Estimated net value per share/unit of \$1.10 to \$1.15 after working capital adjustment and other costs, but before any payment which may ultimately arise as a result of the regulatory actions and class action liabilities that will be retained by MG, representing a 76-84% premium to the undistributed unit price.
- Estimated initial distribution of approximately \$0.75 per share/unit to be paid shortly after completion (expected to be in the first half of the 2018 calendar year).
- Saputo will undertake to collect milk from all active MG suppliers for a minimum of 5 years from FY 2019 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.
- For a minimum of 5 years from the FY19 season, Saputo undertakes to pay Active MG Suppliers a market competitive FMP. This will be the greater of the Warrnambool Cheese & Butter (WCB) FMP and the average of the FMP of the two largest milk processors in the Southern Milk Region or NSW milk region (as applicable) at the relevant time.
- Saputo will establish a supplier relations and pricing policy committee. This will comprise four representatives who are active MG suppliers, two WCB supplier representatives and three Saputo representatives.

5. How do we know this was the best deal available?

The Board together with its advisors comprehensively examined the offers received and in its view the Saputo transaction was the best option for all stakeholders and the future of the business, having regard to value, certainty, timeliness of execution and suitability as an ongoing partner to MG suppliers. Saputo is one of the top ten dairy processors in the world and has demonstrated itself as a credible and trusted partner for Australian dairy farmers through its investment in WCB. Suppliers will have time to consider the Saputo transaction and to ask questions at supplier meetings. While the Board's recommendation is unanimous, it will be suppliers who determine the future of MG by voting. An independent expert's report will also be provided to shareholders. The Board's view is that the transaction will crystallise real value for MG's equity, whilst rewarding our loyal suppliers through the milk supply commitments.

6. Is the Board able to disclose details of other proposals that were submitted?

A large number of expressions of interest were received following the announcement of MG's strategic review in early June. Interested parties were provided with an opportunity to make full proposals and all were considered on a range of criteria. Details of proposals received from and negotiations with third parties are confidential. We cannot disclose these. It was the Board's unanimous view that the transaction with Saputo offered the best outcome for MG's shareholders and unitholders.

7. What is the process/timetable for this proposed transaction to be approved?

Shareholders will have ample time to consider the transaction and to ask questions at MG supplier meetings which will run from 8 -16 November 2017. Saputo's Chairman and CEO, Lino Saputo Jr., will join the majority of these meetings along with other Saputo executives. A Notice of Meeting and Explanatory Memorandum will be sent to shareholders in due course in advance of an Extraordinary General Meeting. Shareholders are currently expected to vote on the Saputo transaction in March/April 2018. Regulatory approvals will also be required by the Australian Competition and Consumer Commission (ACCC) and the Foreign Investment Review Board (FIRB). We expect that Saputo will commence seeking these approvals as a matter of priority. The transaction is currently expected to be finalised in the first half of the 2018 calendar year.

8. What will happen if the proposed transaction is not supported by a majority of MG shareholders or it fails to be approved by the ACCC or FIRB?

The proposed transaction with Saputo is a matter for the ACCC and FIRB to determine and it is not appropriate for MG to comment on the approval process. Saputo will be working with the ACCC, with our support, to obtain the required approvals. Regulatory approval is a key condition for the completion of the transaction and the transaction will not proceed without the required approvals. A Notice of Meeting and Explanatory Memorandum will be sent to shareholders in due course and will set out considerations with respect to the vote, including potential implications should the transaction not proceed.

9. What will happen if a higher competing offer is subsequently made for MG?

MG is subject to a “no shop no talk” provision from signing of the Sale Agreement until the earlier of termination and 26 July 2018 (the 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 no talk’ restriction. If MG becomes aware of a competing proposal, it must provide full details of the competing proposal to Saputo. 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.

10. Why do you need to keep millions of dollars of our money and not distribute it to shareholders as part of the transaction?

MG will retain liabilities associated with the current ACCC proceeding, ASIC investigation and unitholder class action (and any similar such actions). MG will continue until the conclusion of all of these actions, after which it is expected that MG will be wound up. During this period, MG expects that it will only be managing these actions and not operating any other business. MG will distribute the balance of the retention amount (plus any interest accrued) to shareholders and unitholders upon the conclusion of these actions, or earlier if it is appropriate to do so. Accordingly, the Board’s current intention is to distribute the net proceeds from the transaction to shareholders and unitholders in tranches.

11. What is the expected total cost of the outstanding legal and regulatory issues?

MG will retain part of the transaction proceeds to ensure that the MG Board is able to manage appropriately any potential exposure under these actions. The retention amount is not an indication by MG that it has any actual liability in respect of these actions or that such liability is reflected by the total retention amount. Any remaining funds will be distributed to MG shareholders and unitholders once these actions are concluded.

12. What will happen to MG suppliers’ existing supply contracts with MG and how do suppliers move to Saputo?

Saputo will take over responsibility for all MG’s existing contracts with suppliers on completion of the transaction, which is expected in the first half of 2018. Once each contract ends, suppliers will need to enter new contracts with Saputo.

13. Saputo has guaranteed a competitive milk price for 5 years. What benchmark are they using and what happens after this period of time?

For a minimum of 5 years from the FY19 season, Saputo undertakes to pay Active MG Suppliers a market competitive FMP. This will be the greater of the WCB farmgate milk price and the average of the FMP of the two largest milk processors in the Southern Milk Region or NSW Milk Region (as applicable) at the relevant time. Beyond the 5 years, Saputo will renegotiate new farmgate milk prices with suppliers.

14. Why doesn’t Saputo’s proposal involve an acquisition of MG’s shares?

Given MG’s ongoing potential liabilities arising from the current ACCC proceeding, the ASIC investigation and unitholder class action, potential bidders were reluctant to acquire MG’s shares which would have required them to assume responsibility for these liabilities. Accordingly potential bidders preferred an asset sale. We believe the structure of this transaction provides a realistic opportunity for a sale to proceed and offers more certainty to our suppliers.

15. Why doesn’t the 90% voting threshold apply for the Saputo deal?

The 90% threshold is required for an acquisition of MG’s shares. As the Saputo transaction relates to the sale of company assets, there is no requirement for a shareholder vote. However, given the importance of the transaction the Board is committed to giving shareholders their say and has decided that the sale must be approved by a majority (50.1%) of MG’s shareholders and this is as

a condition of the transaction. A majority of MG's current voting shareholders will still determine the future of MG.

16. Why weren't suppliers told about the Saputo deal before it was reported by the media?

Discussions and negotiations with Saputo and all parties involved in the strategic review were confidential. As a publicly-listed company MG is governed by Australian Securities Exchange (ASX) requirements and required to disclose material information immediately. The transaction was signed between MG and Saputo on the morning of the AGM and we immediately announced it to the ASX in compliance with our obligations. The media received the information direct from the ASX announcement.

17. What will happen to the MG name and other associated brands?

Under the proposed transaction, Saputo will acquire Murray Goulburn, Devondale and all associated brands as part of this transaction. The decision to use those brands is a matter for Saputo.

18. Was the creation of the MG Unit Trust the cause of MG's current problems?

The past decisions on both corporate structure and strategy matters were made at the time in the best interests of shareholders and were supported by extensive consideration and due diligence. The approval for the MG Unit Trust listing in May 2015 was supported by 92% of the shareholders that voted and raised approximately \$440 million that was invested into MG. The current Board and management cannot undo the past. We have to look at MG's present circumstances and future options – that is our responsibility.

19. What will happen to the MG Unit Trust?

There will be no change to the status of the MG Unit Trust until completion of the transaction and payment of the initial expected \$0.75 per share/unit. Following this, it is possible that the MG Unit Trust will be delisted, but no decision has been made at this time. MG will keep all stakeholders appropriately informed should any final decisions be made.

20. Will MG vacate its head office at Freshwater Place if the proposed transaction goes ahead?

This will be a matter for Saputo following completion of the transaction. For the time being, MG will continue to operate out of Freshwater Place.

21. Is the Saputo transaction dependent on MG retaining the current level of milk intake?

Completion of the transaction is not dependent on further supplier or milk loss.

22. Will new or returning suppliers be eligible for the step-up and loyalty bonus?

Only MG suppliers at the date of the AGM and who are still supplying at completion of the transaction will be entitled to the loyalty payment and the step-up regarding the period from July to October, together with the ongoing milk price and collection commitments offered by Saputo. MG may choose to make the step up for November onwards available to all suppliers, in its discretion.

23. Will MG still provide share offtake?

This will be considered further by the Board in due course.