

SADA UPDATE

Thursday 29 March 2018

Saputo-Murray Goulburn: ACCC decision

On Tuesday, President John Hunt, together with Andrew and representatives from Australian Dairy Farmers and UDV met with the ACCC to discuss the Saputo acquisition of Murray Goulburn. We left the meeting impressed with the level of knowledge and commitment of the staff for the dairy industry. The ACCC has now provided us with a letter they hope to send to Murray Goulburn and Saputo suppliers in Western Victoria and SE South Australia. We have replicated the letter below for your information. Please let Andrew or John know if you would like more information.

Dear Madam / Sir

I write to let you know that the Australian Competition and Consumer Commission (ACCC) expects to announce its final decision on Saputo's proposal to acquire Murray Goulburn's assets on **Wednesday 4 April 2018**.

We previously proposed to announce our decision on Thursday 29 March 2018. We have extended our review by a small number of days as we are still in discussions with Saputo over important aspects of their proposal to 'divest' (sell) Murray Goulburn's Koroit plant; and considering further feedback from market participants.

The decision on 4 April will be whether to accept an undertaking from Saputo to divest Koroit, allowing the wider transaction to go ahead. Saputo would then need to nominate a buyer for approval by the ACCC at a later date.

We have chosen 4 April as the revised decision date so that Murray Goulburn shareholders will know the outcome of the ACCC's review process before the company's proposed extraordinary general meeting on 5 April. We are aiming to make our announcement before 10am on the 4th.

Background

On 1 March 2018 the ACCC announced it was concerned that, if Saputo owned both its Allansford plant and Murray Goulburn's Koroit plant nearby, there would be substantially less competition to buy milk from farmers in south west Victoria and south east South Australia. The ACCC is concerned this would lead to lower farmgate milk prices compared to the future without the proposed acquisition.

The ACCC has no concerns with Saputo acquiring the rest of Murray Goulburn's assets, just its Koroit plant.

You can find more information about the ACCC's concerns about Saputo owning the Koroit plant on the ACCC's public register at www.accc.gov.au/mergersregister.

Saputo's proposal to divest Koroit

On 5 March 2018 Saputo and Murray Goulburn announced they had entered discussions with the ACCC about divesting Koroit. Saputo presented the ACCC with a draft undertaking under which Saputo would divest the Koroit plant to a buyer to be approved by the ACCC. The draft undertaking details such things as:

- exactly what plant, other assets and contracts Saputo proposes to transfer and what staffing the operation needs and
 - proposed arrangements for managing the operation before sale; and for its milk supply.
- We are considering the terms of Saputo's proposal closely, to ensure that the Koroit plant is likely to operate competitively and be viable in the long term.

We have been consulting stakeholders on the undertaking, particularly potential buyers of the plant and selected farmers, large and small.

Murray Goulburn has confirmed Saputo divesting Koroit does not have any impacts on the terms of Murray Goulburn's asset sale to Saputo, including the consideration Murray Goulburn will receive from Saputo and Saputo's previously announced milk supply commitments.^[1]

You can view a draft of the proposed undertaking, as at 15 March 2018, and Saputo's explanatory summary, via www.accc.gov.au/mergersregister

Timing of our review

We understand that many farmers, dairy-industry employees and other people with an interest in the industry's future want a decision from the ACCC on this transaction as soon as possible, so they have some near-term certainty after a number of difficult years. The ACCC also wishes to make a decision as soon as possible.

As stated above, we have extended our review by a small number of days because we are considering further feedback from market participants and are still in discussions with Saputo over important aspects of their proposal.

We will announce our decision through our public register, media release and, in due course, email and letter. In the past, Murray Goulburn has also announced developments in the ACCC's review through the ASX, supplier letters and its website.

In the meantime, if you have any questions, please contact mergers@acc.gov.au, John Rouw on (03) 9290 1402 or Ana Grujic on (03) 9290 1825.

Yours faithfully

John Rouw

Assistant Director | Merger and Authorisation Review
Australian Competition & Consumer Commission

^[1] <http://www.mgc.com.au/media/51286/supplier-letter-update-on-saputo-transaction-final-003--6-march-2018.pdf>