Media Release

22 November 2013

MURRAY GOULBURN AGM

Resolutions and Shareholders briefed on the Capital Structure Review outcomes

Murray Goulburn Co-operative Co. Limited (MG) held its Annual General Meeting (AGM) in Melbourne today, with shareholders voting in favour of the three items of business presented, including the election of a new director for the western region – Duncan Morris and the appointment of a new auditor – PricewaterhouseCoopers.

Items of business

Following the retirement of Don Howard from the Board after 16 years of service, Duncan Morris has been elected to the Board, representing the Western Region. Mr Morris is an accountant and dairy farmer from Cobden and has spent the majority of his accounting career primarily advising dairy farmers. Existing western region directors, John Pye and Martin Van de Wouw were both successfully re-elected to the Board for further three year terms.

At the meeting Chairman Philip Tracy paid tribute to retiring director Don Howard, "During his time on the Board, Don has overseen significant change at MG and in our industry. He has been a passionate advocate for change within MG and has made an enormous contribution to the co-operative."

"With the addition of Duncan, the MG Board continues to be well balanced, comprising dedicated Directors with broad operational, business and dairy expertise that will represent the interests of MG supplier/shareholders to deliver the best possible farmgate returns."

MG shareholders also voted at the meeting in favour of the appointment of a new auditor, PricewaterhouseCoopers. This follows a formal audit tender and rigorous review process during the year which recommended the appointment of PricewaterhouseCoopers as MG auditor.

Mr Tracy thanked Managing Director Gary Helou, the management team and all employees across MG for their hard work and dedication throughout the year. He also thanked the Directors for their continuing support throughout 2012/13.

Capital structure review

Shareholders at today's AGM were also briefed on the outcomes of the capital structure review which has been conducted over the past nine months, with a range of alternatives being considered including increasing bank debt, off balance sheet funding, retention of profits, raising additional equity from farmer shareholders, and/or raising equity from external investors.

Shareholders were advised that the Board intends to develop and is likely to recommend to members of the co-operative the adoption of an enhanced capital structure that maintains 100% farmer control, but allows external investment in MG.

The establishment of an ASX-listed unit trust, similar to the one successfully implemented by New Zealand dairy co-operative, Fonterra, was considered logical and appropriate given the balance it provided in meeting the capital needs for growth while maintaining supplier focus and control.

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Managing Director, Gary Helou told the meeting that MG had undertaken the comprehensive review of its capital structure in light of the significant growth opportunities emerging, particularly as a result of rising demand in export markets.

"In pursuing growth for MG, our core objective is to significantly increase underlying farmgate returns. We believe increasing the underlying farmgate returns[1] by $1 per kilogram of milk solids by FY17 will deliver the level of return MG supplier/shareholders require to have confidence to invest in their farm businesses and grow milk production.

"In addition to enhancing our capital structure through access to mainstream capital markets, a Trading Among Farmers type platform, similar to that recently implemented by Fonterra, will also provide a clear and observable market value for MG dairy farmer-held shares. This will mean that equity in MG can be practically applied to strengthen individual farm balance sheets and in doing so increase investment in individual farm businesses. This also means there will be potential for value creation in line with public market values, and from realisations of existing individual shareholdings," said Mr Helou.

MG Chairman Phil Tracy said the model being considered followed a thorough review of the capital options available to MG to pursue international growth opportunities and was considered the most balanced way forward.

"The co-operative structure is at the heart of our success and we want to reassure all supplier shareholders that we are not proposing any change to it. What we likely to recommend is a funding model that maintains 100% farmer control, but allows external investors to invest into MG. Such a model would put MG in a strong position to pursue the growth opportunities we have available to meet our objective of lifting farmgate returns."

"Over the past nine months we have carefully reviewed and considered a wide range options and we now believe that the model being considered is a logical and prudent next step. We believe this is a conservative approach to raising capital and this structure would be expected to have a significant and direct positive impact for the co-op and its supplier/shareholders," Mr Tracy said.

Next steps in the capital structure review

MG will be visiting all supplier regions in late November, December and January to consult directly with supplier/shareholders on the proposed capital restructure, what it means for them and why the Board is recommending the model.

In addition, there are also a number of steps MG will take into account next year before it can proceed to implementation. These include:

- Undertaking a detailed development of the proposed capital restructure in the coming months, including engagement with the various regulators that will be required to approve the restructure; and
- Following the first round of consultation meetings with supplier/shareholders in December/January, MG will hold a further round of supplier meetings in March 2014 to discuss, in full, the final proposed structure, followed by an Extraordinary General Meeting in May for shareholders to vote on the model.

Supplier/shareholders will be kept up to date with each stage of the process.

[1] In order to measure an increase in underlying milk price, rather than use the available milk price paid to suppliers each year, an implied milk price is used which is based on forecasted available milk price from FY12 plus the value of annual dividends. The available milk price targets are normalised for the movements in dairy commodity prices, foreign exchange and impacts of inflation as well as other one off items such as opening inventory.

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Advisers to Murray Goulburn

Joint lead advisers to MG are Lazard and Macquarie, with Herbert Smith Freehills acting as legal adviser.

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About Murray Goulburn

Murray Goulburn (MG) is Australia's largest dairy food company. Each year it receives and processes approximately three billion litres or one third of Australia's milk. MG was formed in 1950 and remains 100% dairy farmer controlled, with over 2,400 Farmer-Shareholders and more than 2,000 employees. MG is Australia's largest dairy food exporter to the major markets of Asia, the Middle East and North Africa, and the Americas. MG produces a range of ingredient and nutritional products, supplies the food service industries globally and its flagship Devondale brand is sold globally.

Ends

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