



Murray Goulburn Co-operative Co. Limited

B Class Preference Shares - Buy-back Offer Document



HERBERT
SMITH
FREEHILLS

B Class Preference Shares Buy-back Offer Document

This is an important document and requires your immediate attention.

You should read the whole of this document carefully, before deciding to participate in the Buy-back Offer. If you are in doubt as to the action you should take, you should contact your financial, taxation or other professional adviser.

Murray Goulburn Co-operative Co. Limited

ABN 23 004 277 089



Key dates

Date	Event
27 November 2014	Record Date B Class Preference Shares held by B Class Preference Shareholders with a registered address in Australia at 5:00pm (AEST) on this day are eligible to be sold in the Buy-back Offer
1 December 2014	Offer Opening Date Buy-back Offer opens and Buy-back Offer documents are mailed to Eligible Shareholders
12 January 2015	Offer Closing Date Buy-back Offer closes – Acceptance Forms must be returned and received by 5:00pm (AEDT)
13 January 2015	Results announcement Announcement of Buy-back results and determination of the final number of B Class Preference Shares to be bought back
28 January 2015	Buy-back Date Murray Goulburn enters into the Buy-back Agreements and buys back B Class Preference Shares from Eligible Shareholders who have returned valid Acceptance Forms
28 January 2015	Settlement date Proceeds will be transferred to registered bank accounts (if advised) or cheques mailed to participating Eligible Shareholders



How to participate

Step 1 Read the whole of this Offer Document carefully, before deciding whether to participate in the Buy-back Offer.

Step 2 Decide whether you wish to sell some or all of your B Class Preference Shares through the Buy-back Offer. If you are in doubt as to the action you should take, you should contact your financial, taxation or other professional adviser.

Step 3 If you decide to sell some or all of your B Class Preference Shares through the Buy-back Offer, complete the enclosed Acceptance Form and return it so that it is received before 5:00pm (AEDT) on 12 January 2015.



Dear B Class Preference Shareholder,

Voluntary buy-back of B Class Preference Shares

On behalf of the Board of Murray Goulburn, I am pleased to invite you to consider participating in a buy-back of B Class Preference Shares (the **Buy-back**).

As you are aware, ordinary shareholders approved the conduct of voluntary selective buy-backs of B and C Class Preference Shares at the Annual General Meeting on 27 November 2014.

This booklet contains important information about the Buy-back to assist your decision whether or not to participate and I encourage you to read the booklet carefully. The decision to participate in the Buy-back is entirely voluntary.

The Buy-back will open on Monday 1 December 2014 and close on Monday 12 January 2015.

If you wish to participate in the Buy-back, your participating B Class Preference Shares will be bought back on or about Wednesday 28 January 2015. You will receive \$1.25 per B Class Preference Share. Payment will be made into the bank account you have nominated to receive dividends or sent to you by cheque on or about 28 January 2015.

In addition, Murray Goulburn is considering undertaking a capital restructure (**Capital Restructure**) involving the creation of a unit trust that would list units on the Australian Securities Exchange pursuant to an initial public offering (**IPO**). If the proposed Capital Restructure proceeds then the Board intends to offer B Class Preference Shareholders who participate in the Buy-back the right to receive a priority allocation of units issued in connection with the Capital Restructure.

Action required by you

If, after reading this booklet, you have any questions on how the Buy-back operates or how you can participate, please call Computershare Investor Services Pty Limited on 1300 477 596 (within Australia) or +61 3 9415 4293 (outside Australia).

If you do not wish to participate in the Buy-back you do not need to take any action.

If you wish to participate, please ensure your Acceptance Form is received no later than 5:00pm on Monday, 12 January 2015.

On behalf of the Board, thank you for supporting Murray Goulburn.

Yours sincerely

Philip Tracy
Chairman



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Disclaimer

Not financial product advice

This document does not provide financial product advice and has been prepared without taking into account your particular objectives, financial situation or needs. You should consider obtaining independent advice before making any financial decisions.

1 Background information on the Buy-back

1.1 Reasons for the Buy-back of B Class Preference Shares

The principal reasons for undertaking the proposed Buy-back of the B Class Preference Shares are set out below:

(a) *Simplifies Murray Goulburn's share structure prior to the proposed Capital Restructure*

Until recently Murray Goulburn had five classes of shares – voting Ordinary Shares, non-voting Ordinary Shares and A, B and C Class Preference Shares. A Class Preference Shares were cancelled pursuant to a selective capital reduction approved on 6 June 2014. Buying back the B Class Preference Shares will further simplify the current share structure and, if the Capital Restructure proceeds, increase its attractiveness to external investors.

(b) *Reduces on-going costs associated with B Class Preference Shares*

B Class Preference Shares have traditionally paid a dividend rate of five per cent. The cost of maintaining B Class Preference Shares is increased by the small number of shares on issue and the small average shareholding. Historically, these costs have exceeded the costs of alternative sources of funding (including cash and external debt) and have adversely affected Murray Goulburn's ability to pay a higher milk price.

(c) *Provides an opportunity for B Class Preference Shareholders to realise the value of their shares*

The Buy-back provides B Class Preference Shareholders with the opportunity to realise the value of their preference shares. This is appropriate given:

- the base dividend rate on B Class Preference Shares is likely to be reduced going forward (see section 1.2 for further details); and
- some preference shareholders may not want to participate in the Capital Restructure in the manner proposed (see section 1.7 for further details).



1.2 Description of B Class Preference Shares

As at the date of this document, Murray Goulburn has 11,901,627 B Class Preference Shares on issue with an average holding of 18,254.

B Class Preference Shares are held by former suppliers of milk to Murray Goulburn who:

- ceased supplying Murray Goulburn to supply another company;
- held less than 10,000 Ordinary Shares in Murray Goulburn at the time their supply ceased; or
- had supplied Murray Goulburn for less than 10 years.

The following is a summary of the key rights attaching to B Class Preference Shares:

- a right to receive notices of general meetings and reports and the right to attend and be heard (but not to vote) at general meetings;
- a right to receive an annual dividend at a rate determined by the Board;
- a right to a pro rata share of any 'surplus' determined as being available for dividend in accordance with the Constitution; and
- a right to have \$1 per share repaid upon any liquidation of Murray Goulburn.

In addition, if a B Class Preference Shareholder resumes supplying milk to Murray Goulburn the Board may convert their B Class Preference Shares into Ordinary Shares.

In respect of each financial year since 2004 (other than 2009) the Board has determined the base dividend rate on B Class Preference Shares to be five per cent. In financial year 2009, the base dividend rate was determined to be two per cent.

It is unlikely that a base dividend rate of five per cent will be maintained going forward, particularly if the proposed Capital Restructure is not implemented, given the need to fund Murray Goulburn's capital expenditure program. This decline could be offset if a surplus is determined to be available for dividend in accordance with the Constitution.

B Class Preference Shareholders' dividend rights rank equally with C Class Preference Shareholders' dividend rights and in preference to Ordinary Shareholders' dividend rights.

1.3 Determining the Buy-back Price

In determining the Buy-back Price of \$1.25 per B Class Preference Share the Board took into account the above rights. The Board also took into account that A Class Preference Shareholders received \$1.25 per share in connection with the selective capital reduction approved on 6 June 2014.

B Class Preference Shares are identical to the former A Class Preference Shares except that A Class Preference Shareholders were entitled to a guaranteed base dividend rate of eight per cent, whereas B Class Shareholders are only entitled to a discretionary base dividend.

1.4 The source of funds and financial effect of the Buy-back

The maximum cost of the Buy-back of all B Class Preference Shares (i.e., if all B Class Preference Shareholders accept the Buy-back Offer) would be \$14,877,033.75.

Murray Goulburn intends to fund the Buy-back using existing cash reserves or existing financing facilities or a combination of both.

The financial impact of the Buy-back will comprise a slight decrease in dividend payments and a slight increase in interest costs. The net financial impact will depend on the acceptance rates of B Class Preference Shareholders but will not be material.



As required by the Corporations Act, Murray Goulburn will only proceed with the Buy-back if it is satisfied, at the time of the Buy-back, that the Buy-back will not materially prejudice Murray Goulburn's ability to pay its creditors.

1.5 No effect on the control of Murray Goulburn

B Class Preference Shares do not have any voting rights. If implemented, the Buy-back will not have any impact on the control of Murray Goulburn.

1.6 No directors' interests

None of the Directors hold, or have any interest in, B Class Preference Shares. Accordingly, no Directors will participate in the Buy-back Offer.

1.7 Proposed treatment of B Class Preference Shares under the proposed Capital Restructure

If you choose not to participate in the Buy-back, your B Class Preference Shares will remain on issue on their current terms.

You will only be able to sell your B Class Preference Shares through a Murray Goulburn-facilitated process under which approved transfers are made at \$1 per share. Under this current process, all transfers are subject to approval of the Murray Goulburn Board, which the Board can withhold in its absolute discretion.

The Capital Restructure is subject to various regulatory, Board and shareholder approvals and its structure is continuing to evolve. If it proceeds, it is proposed that all remaining B Class Preference Shares (i.e., B Class Preference Shares that have not been sold in connection with the Buy-back) be converted into non-voting Ordinary Shares according to the following ratio:

$$\frac{\text{Buy-back Price}}{\text{IPO price of a unit}} \times \text{B Class Preference Shares} = \text{non-voting Ordinary Shares}$$

For example, if the IPO price of a unit is \$2.50¹ then a B Class Preference Shareholder with 100,000 shares would receive:

$$\frac{\$1.25}{\$2.50} \times 100,000, \text{ that is } 50,000 \text{ non-voting Ordinary Shares}$$

The conversion of B Class Preference Shares into non-voting Ordinary Shares will require both the approval of Ordinary Shareholders and B Class Preferences Shareholders at the time the proposed Capital Restructure is considered at an Extraordinary General Meeting. The Board currently anticipates that this meeting will be held in the first half of 2015. Full details of the proposed conversion will be made available prior to approval being sought.

¹ Example only – not indicative of future IPO price. IPO price to be determined at time of IPO taking into account the final structure of the Capital Restructure, investor sentiment and prevailing market conditions. The final IPO price may differ materially from this example.



2 Terms of the Buy-back Offer

Murray Goulburn is seeking to buy back B Class Preference Shares held by Eligible Shareholders on the following terms.

Buy-back size	Murray Goulburn is seeking to buy back all of the B Class Preference Shares held by Eligible Shareholders. The maximum number of B Class Preference Shares that may be bought back is 11,901,627. However, the final size of the Buy-back will depend on the level of acceptances by Eligible Shareholders.
Buy-back Price	The Buy-back Price is \$1.25 per B Class Preference Share.
Participation	Participation in the Buy-back Offer is entirely voluntary for all Eligible Shareholders.
Eligible Shareholders	You are eligible to participate in the Buy-back if you have B Class Preference Shares registered in your name on the Record Date (5:00pm AEDT on 27 November 2014) and you have a registered address in Australia.
B Class Preference Shares not participating	<p>B Class Preference Shares that are not bought back through the Buy-back will remain on issue on their current terms.</p> <p>See section 1.7 above for discussion of the potential effect of the proposed Capital Restructure and on remaining B Class Preference Shares.</p>
Minimum holding	<p>Eligible Shareholders that hold 1,000 or less B Class Preference Shares, may only sell all of their B Class Preference Shares.</p> <p>Eligible Shareholders that hold more than 1,000 B Class Preference Shares, may sell all or some of their B Class Preference Shares but cannot sell down below 1,000 B Class Preference Shares unless they sell all of their B Class Preference Shares.</p>
Timing	<p>The Buy-back will be open from 1 December 2014 until 12 January 2015.</p> <p>Signed Acceptance Forms received after 5:00pm (AEDT) on 12 January 2015 will not be accepted.</p>

Murray Goulburn may, at its absolute discretion, choose not to proceed with the Buy-back and not buy back any B Class Preference Shares.

3 Terms of acceptance

If you accept the Buy-back Offer, you:

- agree that Murray Goulburn will buy back from you and you will sell to Murray Goulburn on the Buy-back Date the Buy-back Shares for the Buy-back Price;
- warrant to Murray Goulburn at the time of acceptance and on the Buy-back Date that you are the registered holder of the Buy-back Shares and that those Buy-back Shares are free from any encumbrances, liens, charges, mortgages, and other adverse interests (other than any security interest in favour of Murray Goulburn (if applicable));
- agree that Murray Goulburn may apply any proceeds payable to you as a result of the buy back of your Buy-back Shares to offset and repay any unpaid amounts owed by you to Murray Goulburn and pay any surplus proceeds to you;
- authorise Murray Goulburn (and its officers and agents) to correct any error in or omission from your Acceptance Form and to complete the Acceptance Form by inserting any missing details;



- acknowledge that Murray Goulburn may determine that your Acceptance Form is valid in accordance with the terms and conditions in the Offer Documents, even if it is incomplete, contains errors or is otherwise defective; and
- irrevocably appoint any director or officer or duly authorised attorney of Murray Goulburn (each an **Attorney**) as your true and lawful attorney to execute a transfer to Murray Goulburn in registrable form of the Buy-back Shares (or such other document by which title to the Buy-back Shares may be vested in Murray Goulburn) and to give any necessary direction to any other person or take any other action which may be required to facilitate the transfer to Murray Goulburn of the Buy-back Shares, and agree that in exercising this power of attorney Murray Goulburn or any Attorney shall be entitled to act in the interests of Murray Goulburn (or a nominee) as the buyer of the Buy-back Shares.

If Murray Goulburn has a security interest over your B Class Preference Shares and you wish to accept the Buy-back Offer, Murray Goulburn agrees to release the security over your Buy-back Shares and you will be eligible to participate in the Buy-back Offer on the condition that any proceeds you receive from your Buy-back Shares are first applied in satisfaction of any amounts owing to Murray Goulburn. By accepting the Buy-back Offer, you instruct Murray Goulburn to apply the proceeds to repay any outstanding amounts and pay any surplus proceeds to you.

4 Key questions

Enquiries

If you have any questions in relation to the Buy-back Offer or the content of this booklet, please call Computershare Investor Services Pty Limited on 1300 477 596 (within Australia) or +61 3 9415 4293 (outside Australia) or consult your financial, taxation or other professional adviser.

What is the Buy-back?

The Buy-back is an offer by Murray Goulburn inviting Eligible Shareholders to sell all or some of their B Class Preference Shares to Murray Goulburn for \$1.25 per share.

What will happen to the B Class Preference Shares bought back?

Any B Class Preference Shares that are bought back will be cancelled, resulting in the number of B Class Preference Shares on issue being reduced by the number of B Class Preference Shares bought back. Participating shareholders will have no further rights in respect of B Class Preference Shares that are cancelled.

Do I have to participate in the Buy-back?

No, participation is entirely voluntary for Eligible Shareholders.

Why is Murray Goulburn implementing this Buy-back?

The Buy-back is being undertaken to simplify Murray Goulburn's share structure prior to the Capital Restructure, to reduce on-going costs associated with B Class Preference Shares, and to provide an opportunity for B Class Preference Shareholders to realise the value of their shares.

What are my options under the Buy-back Offer?

You can either:

Sell some or all of your B Class Preference Shares, by accepting the Buy-back Offer. Details of how to accept the Buy-back Offer are set out in the Acceptance Form.

OR

Do nothing. You do not have to participate in the Buy-back if you do not wish to sell your B Class Preference Shares. If you do nothing, the number of B Class Preference Shares you hold will not change as a result of the Buy-back.

What price will Murray Goulburn pay to buy back my B Class Preference Shares?

Murray Goulburn is offering a fixed price of \$1.25 per B Class Preference Share.

How do I accept the Buy-back Offer?	<p>To accept the Buy-back Offer, you need to complete the Acceptance Form accompanying this booklet.</p> <p>Completed Acceptance Forms must be received before 5:00pm (AEDT) on 12 January 2015.</p> <p>Acceptance Forms once received are irrevocable.</p>
What if I hold my B Class Preference Shares jointly with another person?	<p>If you hold your B Class Preference Shares jointly with another person (for example, your spouse) you must complete and return the Acceptance Form in accordance with instructions for joint holdings in the Acceptance Form.</p>
What if the B Class Preference Shares are held by a company or by a trustee of a trust?	<p>If the B Class Preference Shares are held by a company or by a trustee (whether individual or corporate) of a trust you must complete and return the Acceptance Form in accordance with the applicable instructions in the Acceptance Form.</p>
Can I accept the Buy-back Offer for part of my holding of B Class Preference Shares?	<p>If you hold 1,000 or less B Class Preference Shares, you may only sell all of your B Class Preference Shares in connection with the Buy-back.</p> <p>If you hold more than 1,000 B Class Preference Shares, you can sell all or some of your B Class Preference Shares but if you elect to sell some of your B Class Preference Shares you cannot sell down below 1,000 B Class Preference Shares unless you sell all of your B Class Preference Shares.</p>
What will happen to my B Class Preference Shares if I do not accept the Buy-back Offer?	<p>If you choose not to participate in the Buy-back, your B Class Preference Shares will remain on issue on their current terms.</p> <p>Murray Goulburn proposes to undertake a Capital Restructure. If the Capital Restructure occurs then it is proposed that all remaining B Class Preference Shares will be converted into non-voting Ordinary Shares. The conversion will require the approval of both the Ordinary Shareholders and B Class Preferences Shareholders at the time the proposed Capital Restructure is considered at an Extraordinary General Meeting.</p>
Can I transfer my rights to participate in the Buy-back Offer?	<p>No. Your rights to participate in the Buy-back are personal and not transferable.</p>
Can Ordinary Shares be sold in the Buy-back?	<p>No, this is a selective buy-back and only relates to B Class Preference Shares.</p>
How long will the Buy-back Offer be open?	<p>The Buy-back will be open from 1 December 2014 until 12 January 2015.</p> <p>Acceptance Forms received after 5:00pm (AEDT) on 12 January 2015 will not be accepted.</p> <p>Murray Goulburn may withdraw the Buy-back Offer by sending you a withdrawal notice, but generally not within one month of the date of the Buy-back Offer.</p>
If I accept the Buy-back Offer and return the Acceptance Form before the Offer Closing Date, how will I know if my B Class Preference Shares have been successfully bought back?	<p>No later than 28 January 2015, Murray Goulburn will send all Eligible Shareholders who have accepted the Buy-back Offer a statement notifying them that their Buy-back Shares have been bought back and cancelled and the total price paid for them.</p>
How will I receive payment for B Class Preference Shares bought back?	<p>Payment for your Buy-back Shares will be made either via direct credit to bank account you have nominated to receive dividends or sent via cheque to your registered address by regular post.</p>
Can I participate if I am resident outside Australia?	<p>No. This Buy-back Offer is only available to residents of Australia.</p>



5 Tax implications

Murray Goulburn has obtained an opinion from EY in relation to the tax treatment of the Buy-back. You may obtain a copy of the opinion by contacting the Company Secretary on (03) 9040 5000. The following general summary only applies to you if you hold your shares on capital account (which will generally be the case if you have held your shares on a long-term basis).

You should seek your own independent taxation advice in relation to the effect of the Buy-back. \$0.25 of the \$1.25 per share to be paid to you if you accept the Buy-back Offer will be regarded as an unfranked dividend for income tax purposes and must be included in your assessable income.

In addition, the Buy-back of the B Class Preference Shares will constitute a disposal for capital gains tax purposes. You will make a capital gain if you acquired the B Class Preference Shares on or after 20 September 1985, and the cost base for those shares is less than \$1.00. On this basis, it is unlikely that you will make a capital gain in relation to the Buy-back of your B Class Preference Shares.

As noted above, Murray Goulburn may apply the proceeds of the Buy-back against any amounts that you owe to Murray Goulburn. However, you will still be liable for the tax payable on the unfranked dividend (\$0.25 per share) that forms part of the Buy-back Price even if you do not receive this amount on the basis it is used to satisfy the outstanding amounts that you owe Murray Goulburn.

6 Other information

If you have any questions in relation to the Buy-back Offer after reading this Offer Document please call Computershare Investor Services Pty Limited on 1300 477 596 (within Australia) or +61 3 9415 4293 (outside Australia) or consult your financial, taxation or other professional adviser.

7 Definitions

Acceptance Form means the acceptance form, which is enclosed with this booklet, which is required to be returned in order to participate in and accept the Buy-back Offer

B Class Preference Shareholders means the holder of B Class Preference Shares

B Class Preference Shares mean B class non-cumulative preference shares in the capital of Murray Goulburn

Buy-back means the buy-back and cancellation of B Class Preference Shares in accordance with the Corporations Act 2001 (Cth)

Buy-back Agreement means the agreement between you and Murray Goulburn in relation to the Buy-back

Buy-back Date means the date Murray Goulburn enters into the Buy-back Agreement and executes the transfer form to buy-back the B Class Preference Shares from the Eligible Shareholders who have returned a valid Acceptance Form

Buy-back Offer means the offer by Murray Goulburn to buy back B Class Preference Shares from Eligible Shareholders as set out in the Offer Document

Buy-back Price means the fixed price of \$1.25 per B Class Preference Share which Murray Goulburn will pay to Eligible Shareholders who accept the Buy-back Offer

Buy-back Shares means the B Class Preference Shares for which Eligible Shareholders have accepted the Buy-back Offer



Capital Restructure means the proposed capital restructure involving the creation of a unit trust that would list units on the Australian Securities Exchange pursuant to an initial public offering

C Class Preference Shareholders means the holders of C Class Preference Shares

C Class Preference Shares mean the C class non-cumulative preference shares in the capital of Murray Goulburn

Eligible Shareholder means a holder of a B Class Preference Share recorded in the register of members of Murray Goulburn at the Record Date

IPO means initial public offering

Murray Goulburn mean Murray Goulburn Co-operative Co. Limited ABN 23 004 277 089

Offer Closing Date means 12 January 2015, unless Murray Goulburn announces a later date (in which case it is the later date)

Offer Opening Date means 1 December 2014

Offer Document means this booklet and Acceptance Form

Ordinary Shareholders means the holders of Ordinary Shares

Ordinary Shares means the ordinary shares in the capital of Murray Goulburn

Record Date means 27 November 2014, being the date of determination of B Class Preference Shareholders entitled to participate in the Buy-back Offer

