

Media release



15 April 2015

MG announces EGM to vote on new Capital Structure

Murray Goulburn Co-operative Co. Limited (MG) has today issued the Notice of Meeting for an Extraordinary General Meeting (EGM) to vote on a new capital structure. The EGM will be held in Melbourne on Friday, 8 May 2015.

MG Chairman Philip Tracy said, “After more than 12 months of consultation and discussion with our suppliers, we have arrived at a historic moment. At stake is our ambition for MG to be a world-class dairy foods business for generations to come. The recommended capital structure will ensure suppliers retain 100 per cent control of MG while providing the strong foundations and stable capital base required to pursue growth opportunities and deliver a sustainable increase in the Farmgate Milk Price (FMP) for suppliers.”

“The recommended capital structure will allow MG to seek approximately \$500 million of capital to support its growth and value creation strategy to deliver sustainably higher FMP and future earnings through investment in higher value-add products, improving operational efficiencies and innovation capabilities,” Mr Tracy said.

Under the proposal, which remains subject to shareholder approval, the majority of new capital will be raised through the Initial Public Offering (IPO) of a Unit Trust which will be listed on ASX. Unitholders will have an economic exposure to Murray Goulburn’s business but will not have voting rights in relation to Murray Goulburn or its operations.

The IPO will include a Friends of MG Offer of Units. The Friends of MG offer will provide for a priority allocation of Units for existing and former suppliers, MG employees and local residents in our dairy regions who would like to invest in the MG Unit Trust at the IPO offer price.

The remainder of the capital would be raised through offers of shares made to MG suppliers called the Supplier Share Offer and Supplier Priority Offer.

MG Managing Director Gary Helou said the implementation of the proposed new capital structure would represent a milestone achievement and its creation testament to the enduring strength of MG and its long history of leading the Australian dairy industry to deliver sustainably higher farmgate returns for suppliers.

“Together with our more than 2500 suppliers we have worked tirelessly to develop a capital structure that strikes the right balance between suppliers and external investors to maximise returns. Central to the structure is a profit sharing mechanism which governs the relationship between FMP and the dividends and distributions paid to investors. This mechanism retains FMP as the primary measure of success of MG and aligns the interests of external investors and suppliers through increased dividends as the FMP increases.

“If approved by MG shareholders, the new capital structure will give MG the opportunity to pursue its growth and value creation strategy and at the same time retain 100 percent supplier control of MG.

“We will use the capital raised to invest in world leading manufacturing and supply chain capabilities to improve efficiencies and increase market reach in key growth categories including consumer cheese, dairy beverages and nutritional powders. These initiatives will underpin higher returns to suppliers over the longer term as we capitalise on growing demand for value-added dairy food products in Australia and Asia.

“A further feature of the recommended structure is that MG shares will have a market value for the first time. This is good news for our suppliers as lenders will recognise the value of their MG shares, thereby strengthening supplier balance sheets,” Mr Helou said.

The recommended structure has been reviewed by an independent expert, Deloitte Corporate Finance Pty Limited. The independent expert has concluded that the proposed capital structure is in the best interests of ordinary shareholders as a whole.

A fifth round of supplier meetings discussing the capital structure will be held in late April and early May prior to the EGM. If approved, all elements of the new capital structure are expected to be implemented by July 2015.

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About Devondale Murray Goulburn (Murray Goulburn Co-operative Co. Limited - ABN 23 004 277 089):

Devondale Murray Goulburn is Australia’s largest dairy foods company. In 2013/14 the company received approximately 3.4 billion litres or 37% of Australia’s milk and generated sales revenue in excess of \$2.9 billion. Devondale Murray Goulburn was formed in 1950 and remains 100% dairy farmer controlled, with more than 2,500 farmer/shareholders and more than 2,400 employees. Devondale Murray Goulburn is also Australia’s largest dairy food exporter to the major markets of Asia, the Middle East and North Africa, and the Americas. Devondale Murray Goulburn produces a range of ingredient and nutritional products, supplies the food service industries globally and its flagship Devondale brand is sold nationally.

Important notice

This media release refers to a potential MG capital restructure. The capital restructure being considered by MG remains subject to MG shareholder consultation and approval. Further details of the recommended capital restructure are specified in the Notice of Meeting and Capital Structure Booklet, copies of which are available at www.mgc.com.au. The Notice of Meeting and Capital Structure Booklet will be sent to MG shareholders.

If any securities are offered as a consequence of the capital restructure, such offers will be made in a prospectus (for any offer of shares) issued by MG and a product disclosure statement (for any offer of units) issued by the responsible entity of the proposed unit trust, in each case prepared in accordance with the Corporations Act. Anyone who wants to apply for securities will need to complete the application form that will be in or will accompany such offer documents. If an offer of securities is made, the offer documents will be available from their issuer. Anyone who is considering acquiring any securities referred to above should consider the relevant lodged offer document before deciding whether to invest in securities.

This media release is for information purposes only and is not financial product or investment advice or a recommendation to acquire securities of Murray Goulburn or securities in the proposed unit trust referred to in the media release and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor.