EXTRAORDINARY GENERAL MEETING

Chairman's Address

Friday, 8 May 2015

Good morning ladies and gentlemen and welcome to this important day for our Co-operative.

My name is Philip Tracy and I will chair today's meeting.

As it is now 11.00am and a quorum is present I will formally declare this Extraordinary General Meeting of Murray Goulburn Co-operative Co Limited open.

Before we start today's proceedings, I need to draw your attention to the disclaimer we are required to show on this occasion and remind you that they are important in relation to what we are going to talk about today.

Let me begin by introducing your Board and Executive Leadership Team.

On the stage with me is our Managing Director, Gary Helou and our Deputy Chairman, Ken Jones. In the audience we have Natalie Akers, Bill Bodman, Mike Ihlein, Max Jelbart, Duncan Morris, Graham Munzel, John Pye, and Martin Van De Wouw. Peter Hawkins, unfortunately due to a prior commitment, is unable to join us today and sends his apologies.

Returning to the stage, we also have with us here our Chief Financial Officer, Brad Hingle, and our Company Secretary and General Counsel, Fiona Smith.

In the audience we have the members of our Executive Leadership Team, who will be available to meet with you for some light refreshments after the meeting.

In addition, we have representatives from PricewaterhouseCoopers, our external auditor, and representatives from the independent expert, Deloitte, in the audience today. We also have a number of representatives from our advisors, banks, business partners and employees. A special welcome to all our past chairmen and former directors. Welcome everyone, and thank you to all shareholders who have travelled to join us today.

Today's meeting has been convened to consider the items of business as outlined in the Notice of Meeting dated 7 April 2015 and I will move to address each of these shortly.

Before I get to the formal part of the meeting, I would like to take a few minutes to reflect on the journey towards today's historic meeting, before inviting Gary to address the meeting.

I often think at times like this, it's important to consult history as a means to assess and judge decisions for today. In the case of Murray Goulburn when you look back and reflect on our history, I think what strikes you is just how innovative and courageous many of the big decisions of the past have been and what's more, just how key they have been in establishing a strong foundation for MG to grow and prosper over the years.

In the 1960's and 70's for example, the visionary Board and Management of the day led the charge through mergers and amalgamations to create the Murray Goulburn we know today. In the 1980's, the co-op established large scale manufacturing facilities to supply domestic and international customers.

In the 90's investments were made in Northern Victoria to create the largest cheese processing facility in the southern hemisphere.

Who can forget the foresight that led to the purchase of nine hectares of vacant land at Laverton, to build a state of the art warehousing facility, which is also the site of the Devondale Dairy Beverages Centre today.

Then, as is the case today, MG has forged a reputation as a company that makes decisions and investments to pursue growth and opportunity, to deliver higher farmgate milk prices.

Today, we are presented with a similar milestone decision for the Co-op. At stake is our ambition to be a world class dairy foods business.

The capital structure the Board is recommending is a vital step towards ensuring Murray Goulburn has the strong foundation and stable capital base it needs to pursue the next generation of growth opportunities and deliver a sustainable increase in the farmgate milk price for suppliers.

Over the past 18 months we have held five rounds of supplier meetings to discuss and hear direct feedback from suppliers on the capital structure. These meetings were invaluable and have led to a number of aspects of the capital structure being further developed or refined.

I cannot thank you all enough for the time and consideration you have given to making sure what we have today is the right capital structure for MG.

While I don't intend to go through a line by line review of that journey, I would like to touch on where we have arrived and the key elements of the structure.

Looking first at the Capital Structure itself.

As mentioned earlier, it has been designed to meet the specific needs of MG, the most important of which was to ensure that suppliers retain 100 per cent farmer control of the co-op and the existing limit on any person owning more than 0.5 percent of the MG share capital, remains firmly in place.

The Board believes the co-op structure is at the heart of MG's success and we are not proposing any change to active farmer control of MG.

In addition, we believe the capital structure will deliver a number of other real benefits including:

- Reducing our reliance on debt funding to give MG a more stable funding base.
- Providing suppliers with an observable market price for their MG shares.
- Strengthening farmer balance sheets by facilitating the recognition of the value of MG Shares as an asset on suppliers' balance sheets.
- Ensuring MG can sensibly and sustainably fund its growth and value creation strategy to deliver a sustainably higher farmgate milk price.
- Ensuring MG not only remains competitive with other processors, both domestically and internationally, but transforms to become a first choice dairy foods company.

The capital structure will also preserve many existing supplier benefits, for example, suppliers will not be forced to share up from day one and take on debt.

The share standard will remain as it is today. Importantly new entrants will be able to join MG on the same terms as today, being the acquisition of 500 shares, although after the capital structure this will be at the market price for shares.

Maximising the farmgate milk price has been a critical consideration throughout the development of the capital structure proposal and remains MG's primary goal.

To deliver alignment between supplier and unitholders interests, MG has developed a unique 'farmgate milk price and profit sharing mechanism' to govern the allocation of the milk pool between milk payments, income tax and dividends on shares and distributions on units.

In general terms it will work like this. When the farmgate milk price is relatively high, MG will allocate a higher proportion of the Milk Pool to net profit after tax which will then be available for dividends to shareholders and distributions to unitholders. When the FMP is relatively low the opposite will occur.

It's a simple model, but we think an effective one, designed to ensure that external investors are as focussed on higher farmgate milk prices as I know we all are.

As many of you will be aware – late last week, Murray Goulburn released the prospectus for the Supplier Share Offer (SSO) under which suppliers who do not hold sufficient MG shares to meet their Share Standard, have the opportunity to buy MG shares for between $1.00 and $1.24 per share, subject to various conditions.

This document has been sent to shareholders and is available on our website for shareholders reference. We also have copies available today at the registration desk.

As part of releasing this prospectus, MG also disclosed financial forecasts through to financial year 2016, including the forecast 2015/16 weighted-average available farmgate milk price of $6.05 per kilogram milk solids.

In relation to this forecast, there are couple of things I need to highlight.

Firstly, the forecast assumes that shareholders vote in favour of the capital structure and it is implemented as planned. Secondly, as is always the case, the forecast is subject to changes in external factors such as global dairy prices and the Australian dollar. Thirdly, as previously communicated, in the future MG will pay a higher dividend in higher milk price years.

With that in mind, the Board will finalise the opening price and also the NSW-Sydney price at the usual time in late June and formally advise suppliers at that time.

If ultimately achieved, the forecast would represent three consecutive years in a row that MG suppliers have received a farmgate milk price of $6 per kilogram milk solids or more.

I make this point, because I think it demonstrates clearly that MG's growth and value creation strategy is delivering higher returns to MG suppliers.

Make no mistake - it is MG's carefully considered and prudently executed strategy that has underpinned MG's $6 farmgate price this year and is the driving factor behind the forecast milk price for next year.

Regarding the capital raising aspect, the Board has been mindful of the need to consider and accommodate interest to invest in MG from key stakeholders, including suppliers, MG staff and members of dairying communities. As a result, we are proposing a number of offers.

The Supplier Share Offer or SSO as it is known is designed to give eligible existing and new suppliers the opportunity to acquire additional shares up to, or part way to, their share standard at a discount to the expected IPO price.

The Supplier Priority Offer will be open to all eligible suppliers regardless of whether they qualified for, or participated in, the SSO.

Under the Supplier Priority Offer eligible Suppliers will be entitled to purchase Shares at the Initial Public Offering price up to a maximum ownership limit of 1.6 million shares.

Under what we have termed the Friends of Murray Goulburn offer, the Board intends to make a priority allocation of Units as part of the IPO available to 'Friends of Murray Goulburn' at the IPO Price, including current employees, eligible current and former Suppliers and local residents of Murray Goulburn's dairy regions.

Lastly, the Board also intends to offer $1,000 worth of Units to eligible employees of Murray Goulburn, as we see this as an important opportunity to align the interests of MG staff with suppliers.

Turning briefly now to the Independent Expert's Report. While an Independent Expert's Report in respect of the capital structure was not required to meet any statutory obligations, the Board felt that it was important to commission one for the benefit of all MG shareholders.

Importantly the report has concluded that the capital structure is in the best interests of MG's ordinary shareholders as a whole.

Notwithstanding this opinion, as is normal practice, the report considers both advantages and disadvantages of the capital structure and while I don't propose to go over these in detail, I would like to comment on two disadvantages called out in the Independent Expert's report.

Firstly to the statement that total payments to Ordinary Shareholders in the short to medium term may be lower. I think it's important that we all have a clear understanding of the economics underpinning this statement. When any business raises money to invest in projects, particularly large-scale projects with a lead-time, it is normal to expect that returns will be impacted for the period between the funds being drawn down and the day the investments start to deliver a return.

The Board has anticipated this and is not concerned by it.

The report also calls out that shareholders who remain below the share standard after the capital structure is implemented, may not be better off. The Board is well aware of this affect and in response I believe we have done what we can to give suppliers the opportunity to share-up at a discount to the expected IPO price.

In addition to the capital structure, the Board is also today seeking shareholder approval to make changes to the Constitution relating to the Capital Structure.

Although none of these changes are essential to the Capital Structure, they will allow it to be implemented and administered in an efficient manner.

And, immediately following this meeting, the Board will also convene separate meetings for the B and C Class Preference Shareholders who need to separately approve the proposed variation to their class rights.

Finally, before I invite Gary to take you through how we intend to invest the funds raised through the capital structure, I want to spend a moment on Item 6 in the Notice of Meeting, regarding the increase in aggregate fees paid to non-executive Directors.

I know this will be of interest to many of you. The increase is being proposed following the Board commissioning EY to undertake a review which highlighted the current fee pool is well below the median position for ASX comparator group companies.

It is therefore proposed to increase the Fee Pool by $700,000 from $1.3 million to $2 million to bring Murray Goulburn's fee structure in line with the median position of the comparator group. The proposed increase will ensure that Murray Goulburn is able to pay competitive fees aligned to the market and attract and retain high calibre directors, including Special Directors. It will also adequately compensate non-executive Directors for the added responsibilities and duties that they will be required to perform as directors of the Responsible Entity of the Unit Trust.

And with that, I will now invite Gary to address the meeting before I return to the formal items of business for today's meeting.

Thank you and please now welcome our Managing Director Mr Gary Helou to talk about the investments we are planning to make.

The Managing Director delivers his speech.

The Chairman then conducted the business of the meeting

Ladies and gentleman this concludes the formal items of business for the meeting.

I now formally declare the meeting closed.

Thank you all for attending.