



23 October 2018

Market Announcements Office
Australian Securities Exchange

ELECTRONIC LODGEMENT

Dear Sir or Madam

Murray Goulburn Co-operative Co. Limited (Murray Goulburn) – Chairman AGM Address

In accordance with the Listing Rules, attached is a copy of the address to be delivered by the Chairman at Murray Goulburn's 2018 Annual General Meeting today.

A handwritten signature in black ink, appearing to read 'Richa Puri', with a stylized flourish at the end.

Richa Puri
Company Secretary



Tuesday, 23 October 2018

2018 Annual General Meeting

Chairman's Address

Introduction

As you all know, the sale of MG's business and operations to Saputo Dairy Australia successfully completed on 1 May 2018.

Following completion of the Asset Sale to Saputo, MG used part of the sale proceeds to repay its debt facilities and also to pay an initial distribution of \$0.80 per Share/Unit to Shareholders and Unitholders on 15 May 2018.

MG also finalised the working capital completion adjustment to the Asset Sale proceeds with Saputo on 4 September 2018 (which occurred after the time MG announced its FY18 Full Year Results on 24 August 2018). As previously announced, the working capital adjustment was \$16.7 million lower than the estimated gain on sale of \$35.9 million reported in the Full Year Results. The adjustment will be recognised in the Interim Financial Results for 31 December 2018.

As part of the Asset Sale, MG agreed to retain liabilities associated with the 'Retained Litigation'. MG has retained the balance of the Asset Sale proceeds to meet any potential exposure under the Retained Litigation, associated costs of the Retained Litigation proceedings and operational costs of MG, including future winding-up costs.

Since completion of the Asset Sale, the role of MG is to manage the Retained Litigation and otherwise meet its corporate and reporting obligations, including the disclosure and reporting obligations associated with the MG Unit Trust being listed on the ASX. MG currently has five directors on its Board and a reduced number of staff to manage its ongoing business requirements.

Financial Results

The Full Year Results (released on 24 August) is the last financial report for MG incorporating operational and trading activities which have now been discontinued. The financial report includes ten months of these 'Discontinued Trading Operations' up to 30 April 2018.

The results of the Discontinued Trading Operations are of historical interest only and therefore I do not propose to devote time to discussing these Discontinued Trading Operations results.

In addition, the financial report includes twelve months of the 'Continuing Operations'.

The Continuing Operations reported upon reflect the full 12 months of what remains with MG following the Asset Sale to Saputo, not just the two months since the date of the Asset Sale. In addition, the May and June 2018 period of the Continuing Operations section incorporates activities related to the closing down of the corporate processes related to divested operations, and activities related to the setting up of corporate processes for the non-trading ongoing entity. For this reason little can be read into the results for Continuing Operations.

MG will continue to keep the market informed of its financial position through the release of half-year and full-year financial reports.

Retained Litigation

The Retained Litigation includes a proceeding by the Australian Competition and Consumer Commission (known as the ACCC proceeding) and two class action proceedings instituted by different lead plaintiffs (known as the Webster class action and the Endeavour River class action).

The Retained Litigation arises from substantially the same series of events that led to the downgrade announcement made by MG on 27 April 2016 and whether MG and/or MG Responsible Entity engaged in any wrongful conduct in respect of those events.

No doubt you will be interested to hear of the status of these proceedings, and I will turn first to the ACCC matter.

ACCC proceeding

- On 28 April 2017, the ACCC commenced legal proceedings against MG and two former officers (being former Managing Director, Mr Helou and former Chief Financial Officer, Mr Hingle) in the Federal Court of Australia.
- The proceedings relate to potential breaches of the Competition and Consumer Act.
- The ACCC is not seeking a pecuniary penalty against MG, and MG filed a defence to the proceeding in September last year.
- This ACCC proceeding is ongoing – and MG and the ACCC are seeking to progress a resolution of the proceeding. Court orders have been made in relation to this process.
- The original trial date was 17 September 2018, but this was vacated by agreement between the parties due to ongoing confidential settlement discussions. MG attended a mediation with the ACCC (and other parties) on 6 June 2018 and that mediation is **ongoing**. Any settlement, if reached, would be subject to Federal Court approval.
- Separately, the ACCC has settled its claim against the former Chief Financial Officer (Mr Hingle), and that claim has been dismissed with no adjudication on the merits by order of the Court on 10 August 2018.

Webster & Endeavour River Class Actions

I will now move to the two class action proceedings.

- The **first unitholder class action** is the Webster class action – brought by the lead plaintiff Mr Webster on 17 May 2016 against MG, the MG Responsible Entity and a number of former directors.
- The statement of claim alleges, amongst other things, contraventions of the Corporations Act through allegedly misleading or deceptive statements made in a Product Disclosure Statement issued in May 2015 and in subsequent market announcements.
- MG and MG Responsible Entity filed a defence to the proceeding in December 2017.
- The Webster class action is ongoing and a trial date has been set for February 2020 with an estimated trial time of 4 weeks.
- The **second unitholder class action** was commenced on 20 August 2018 on behalf of the applicant – Endeavour River Pty Ltd – by law firm Slater and Gordon.
- The Endeavour River class action is funded by the litigation funder – IMF Bentham. The allegations in the class action, whilst pleaded differently to the Webster class action, also arise from substantially the same series of events (which I referred to earlier).
- This matter is in the early stages and no trial date has yet been set, although it is likely that the Court will make orders for the two matters to be case managed together (and have a common trial date).
- The next case management hearing for both class action proceedings is later this week on 26 October 2018, at which we expect the Court to make orders dealing with how the two matters will be managed together.

MG will continue to keep the market informed of any material developments in the Retained Litigation proceedings.

Ongoing operations

You will recall that in March this year, the Board of MG Responsible Entity announced its intention for MG Unit Trust to delist from the ASX. A delisting of the MG Unit Trust requires the approval of its Unitholders at a general meeting, and it was initially proposed that a resolution to approve the delisting would be presented to Unitholders in conjunction with this Annual General Meeting.

A resolution to delist the MG Unit Trust from the ASX is not being presented to Unitholders today, as the Board was of the view that it would not have the requisite support of Unitholders for a delisting to be approved by an ordinary resolution at this time.

It should be noted that while MG Unit Trust remains listed on the ASX, MG continues to incur costs associated with an ASX listing, including ASX and registry fees, and compliance, resourcing and advisory costs as MG Responsible Entity needs to continue to comply with the ASX Listing Rules. Insurance premium costs for MG and MG Responsible Entity, both present and future, are also significantly higher while MG Unit Trust remains listed on ASX.

The Board will continue to review on a periodic basis whether it may have the requisite support of Unitholders to approve the delisting from the ASX.

Further capital returns and future wind-up of MG

Following the completion of the working capital adjustment on 4 September 2018, MG confirmed that the estimated net value per share/unit remained at \$1.25 to \$1.30. This estimated range, which remains unchanged today, includes the value of the initial distribution of \$0.80 per share/unit paid on 15 May 2018.

As previously stated, this range is an estimate only and does not take into account payment of any amounts in connection with the Retained Litigation (including legal costs) which will reduce proceeds available for distribution to Shareholders and Unitholders. The amount (if any) that will ultimately be available for distribution will also be subject to MG's investment income, ongoing operational costs such as insurance premiums and the eventual winding up costs. Further work over the next few months needs to be undertaken to better understand these costs, including understanding the impact of the tightened insurance market on premiums. The range will also be affected by the Retained Litigation timetable which could change over time.

Directors and management are of course working hard to ensure that these costs are closely monitored.

In the meantime, MG continues to invest the retained amount from the Asset Sale proceeds in a prudent and conservative manner. MG intends to make subsequent distributions of the balance of the Asset Sale proceeds (if any) following the conclusion of the Retained Litigation, or earlier, if deemed appropriate by the Board. The Board does not consider it appropriate at this point to make a further distribution given the issuance of the second Unitholder class action and the uncertainty around costs and timeline as I mentioned above. The question of a further distribution will be assessed by the Board on a periodic basis.

As I just mentioned, the timing of the conclusion of the Retained Litigation and eventual winding up of MG is uncertain. The ACCC proceeding remains the subject of confidential mediation discussions. The Webster class action has been set down for trial in February 2020, which is some fifteen months away, and the Endeavour River class action is in early stages.



The Board appreciates that Shareholders and Unitholders are naturally keen for a timely conclusion of the Retained Litigation. However, we will only resolve the Retained Litigation if it is in the interests of MG, Shareholders and Unitholders. Your Board and the MG management team will continue to work diligently to keep ongoing operational costs as low as possible during this process.

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I would like to take this opportunity to thank my fellow Board members and the MG management team for their continued support to the company and their ongoing commitment to achieving a final resolution of the Retained Litigation and at the same time ensuring that the company continues to meet its corporate and financial obligations.