



26 September 2019

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 2019 Annual General Meeting today.

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

**Joseph Phillipos**  
Company Secretary



**Thursday 26 September 2019**

**2019 Annual General Meeting**

**Chairman's Address**

**Introduction**

Following the completion of the sale of business operations to Saputo Dairy Australia in May 2018, MG's primary focus has been on the management of the Retained Litigation.

In addition, MG manages its ongoing corporate and reporting obligations and the investment of retained funds pending their ultimate distribution to Shareholders and Unitholders.

When I use the term Retained Litigation, I am covering three matters, which are, a proceeding by the Australian Competition and Consumer Commission (which I refer to as the ACCC proceeding), and, two class action proceedings instituted by different lead plaintiffs (which I refer to as the Webster class action and the Endeavour River class action).

Ongoing corporate and reporting obligations include the corporate and reporting obligations of the MG Co-Operative Company Ltd, the corporate, disclosure and reporting obligations of the MG Unit Trust arising from it being listed on the ASX, and, the compliance obligations relating to the Australian Financial Services Licence held by MG Responsible Entity Limited.

Our retained funds are invested conservatively in investment grade term deposits with five banks.

Over the past year MG has reduced to less than three Full Time Equivalents, the staff managing MG's ongoing business requirements which include the meeting of the corporate and reporting obligations I have referred to.

I now turn to the Financial Results.

**Financial Results**

MG's Full Year Results for the 30 June 2019 Financial Year (released on 20 August 2019) reflect its reduced activity during the year.

The overall \$24.4 million loss for the 2019 Financial Year comprises a \$7.4 million loss on Continuing Operations and a \$17.0 million loss on Discontinued Operations.

The loss on Continuing Operations is due to the recognition of an \$8.2 million charge for the shortfall of insurance recoveries from one insurer in respect of the Endeavour River class action settlement.

The loss on Discontinued Operations is due to the recognition during the 2019 Financial Year of the \$16.8 million charge for working capital completion adjustments in relation to the Asset sale to Saputo. As reported at the 2018 Annual General Meeting, this working capital adjustment was finalised in September 2018, resulting in this being a 2019 Financial Year transaction.

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

## **Retained Litigation**

As I mentioned earlier, my use of the term Retained Litigation comprises the ACCC proceeding, the Endeavour River class action and the Webster class action.

During the year, substantial progress has been made in this regard.

Firstly, the ACCC proceeding was resolved. In November 2018 the Australian Competition and Consumer Commission, MG and MGRE settled the ACCC proceeding. In December 2018 the Federal Court approved the settlement. The overall result was a pecuniary penalty of \$200,000 on the former Chief Executive Officer, Mr Helou, and no penalty against MG. MG was ordered to contribute \$200,000 towards the ACCC's legal costs of the proceeding.

Secondly, the Endeavour River class action has been settled, with that settlement still subject to court approval. A hearing for this court approval has been set down for 16 October 2019. The proposed settlement contemplates MG paying \$42 million inclusive of interest and costs, of which approximately 80% will be recovered under MG's insurances. MG will contribute approximately 20% of the settlement amount, but will seek to recover this amount from an insurer third party.

The Board of MG and MGRE determined that the agreement to settle was a commercial decision in the best interests of MG Shareholders and Unitholders of the MG Unit Trust.

Turning to the Webster class action, this matter is ongoing. A trial date has been set for February 2020.

A court ordered mediation is due to occur in respect of the Webster class action on 25 October 2019.

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

Apart from these Retained Litigation matters, MG is monitoring the civil proceedings that the Australian Securities and Investments Commission has commenced against former managing director, Mr Helou and former chief financial officer, Mr Hingle.

While MG is not a party to these proceedings, it monitors them for any impact it might have on the Webster class action proceeding, including on the Court timetable.

## **Delisting**

Delisting of the MG Unit Trust requires the approval of Unitholders.

You will recall that your Board and the Board of MGRE had advised that they would consider whether there were cost savings in de-listing the MG Unit Trust from the ASX. The major potential cost saving anticipated was on insurance premiums. Initial indications from the insurance market had been that there could be significant savings on annual insurance program costs and final run off insurance costs if the MG Unit Trust were to be de-listed.

However, following an extensive insurance premiums campaign during the quarter ending 31 March 2019, MG was able to successfully place an insurance program on terms where the cost of the insurance was not significantly higher despite MG Unit Trust remaining listed. Therefore, in April this year the Board of MGRE determined that it would not convene a meeting of Unitholders to seek approval for the proposed delisting of the MG Unit Trust at that time.

As announced to the ASX in April, the MGRE Board will continue to consider this issue.

## **Further capital returns and future wind-up of MG**

The key objective of the Board of the company is to resolve the Retained Litigation and thereafter return surplus funds to Shareholders and Unitholders. The Board is keenly aware of the desire of our Shareholders and Unitholders to have surplus funds returned to them.

As stated in the Directors' report in the 2019 Financial Report, upon conclusion of the Retained Litigation it is anticipated that the Group will be wound up and a distribution of the balance of the funds will be made to Shareholders and Unitholders. The certainty and amount of another interim or a final distribution is not clear due to the existing status of the Retained Litigation.

The amount 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. It will also be affected by the Retained Litigation timetable which could change over time.

Whilst the Board does not consider it appropriate at this point to make a further distribution, the Board intends to review this position after the outcome of the Endeavour River settlement which is subject to a Court Hearing on 16<sup>th</sup> October 2019 and receipt of the judgement in that hearing.

In the meantime, MG continues to invest the retained amount from the Asset Sale proceeds in a prudent and conservative manner.

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 in the interests of MG, Shareholders and Unitholders.

## **Closing Remarks**

In conclusion, it is useful to reflect on the last 16 months since the sale of the company's business assets to Saputo took place as recommended unanimously by the Board.

Since then, trading conditions in the Dairy sector have become more difficult for the industry and suppliers in general.

It is sobering to consider how Murray Goulburn would have fared with its debt levels and financial constraints had it continued to trade in the present environment.

And as I have stated earlier, following the sale of the business operations to Saputo, MG's primary focus remains the management of the Retained Litigation and investment of funds retained pending final distribution to stakeholders. In relation to Retained Litigation, the Board notes the significant progress made during the year on resolving the ACCC proceeding and settling, subject to court approval, the Endeavour River class action.

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.