



26 October 2015

Market Announcements Office  
Australian Securities Exchange  
Level 4  
North Tower, Rialto  
525 Collins Street  
Melbourne VIC 3000

## **ELECTRONIC LODGEMENT**

Dear Sir or Madam

### **Murray Goulburn Co-operative Co. Limited (Murray Goulburn) – Chairman's and Managing Director's Annual General Meeting Addresses**

In accordance with Listing Rule 3.13.3, I attach a copy of the addresses to be delivered by the Chairman and Managing Director at Murray Goulburn's 2015 Annual General Meeting today.

An archived version of the webcast of the Annual General Meeting will be available for viewing at Murray Goulburn's website [www.mgc.com.au](http://www.mgc.com.au) or at <http://edge.media-server.com/m/p/56sy5dh8> later today.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Fiona Smith'.

**Fiona Smith**  
Company Secretary



26 October 2015

**2015 Annual General Meeting  
Chairman's and Managing Director's Addresses**

**Philip Tracy - Address to the AGM**

Good morning ladies and gentlemen and welcome to the 65th annual general meeting for Murray Goulburn.

My name is Philip Tracy and I will chair today's meeting. As it is now 11am and a quorum is present I will formally declare the 2015 Annual 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 which we are required to show and is on the screen now.

To begin, I would like to firstly introduce 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, Peter Hawkins, Mike Ihlein, Max Jelbart, Duncan Morris, Graham Munzel, John Pye and Martin Van De Wouw.

Returning to the stage, we also have with us here our Chief Financial Officer, Brad Hingle and our Executive General Manager Corporate Development and Reputation, Fiona Smith, who is also our Company Secretary. In the audience we have the members of our Executive Leadership Team, who will be available to meet with you for light refreshments after the meeting.

In addition, we have Lisa Harker from PricewaterhouseCoopers, our external auditor. We also have a number of representatives from our banks, business partners and our employees. A special welcome to all our past chairmen and former directors. Welcome everyone, including unitholders who are joining us for the first time and shareholders, who have travelled to join us today.

The meeting will commence with my address followed by a presentation from our Managing Director, Gary Helou. We will then move to the items of business and finish with general questions.

The minutes of the previous annual general meeting of members of Murray Goulburn held on 26 November 2014 and the general meeting of members held on 8 May 2015 were approved by the Board and signed by myself as Chair in accordance with the Corporations Act. The original minutes are tabled and there are copies available for inspection should any member wish to see them.

Turning now to our company and its performance in financial year 2015 and it was certainly an historic year for everyone connected with the co-operative. After 65 years as a co-op, in 2015, MG entered a new era and invited external investors to invest in the MG Unit Trust and share in our future success.

The successful implementation of MG's new capital structure, with the listing of the MG Unit Trust on the Australian Securities Exchange (ASX) in early July, was the culmination of a two year journey to give MG the strong and stable balance sheet it needs, to pursue growth and deliver sustainably higher farmgate returns in the years ahead.

MG now has on its balance sheet \$500 million in new capital to invest in key projects to deliver world leading manufacturing and supply chain capabilities and to help the business meet demand from domestic and international customers and consumers, for premium dairy foods.

Raising \$500 million in the midst of significant market volatility was no small feat. As suppliers will be aware, global events have weighed heavily on financial markets across the world over the past six months and our capital raising was not immune from this. In this environment, we were very pleased that the IPO was fully subscribed, albeit at the low end of the indicative price range at \$2.10. We believe the strength of demand for units in the MG Unit Trust is testament to the quality of our business.

And while the co-op will clearly benefit from the injection of \$500 million in new capital in the years ahead, the successful completion of the capital structure has also delivered a package of benefits to MG supplier-shareholders including:

- the recognition of the value of MG shares by financial institutions and as a result, the potential for suppliers to access new capital to grow; and
- the ability to trade shares at the available market price for units versus the previous \$1.00 nominal value of MG shares.

The capital structure also provided the opportunity for supplier-shareholders to accelerate the process of sharing-up to their Share Standard and as a result more than 80 percent of suppliers now meet or exceed their Share Standard. And, shareholders now have access to the private Murray Goulburn share market, the Shareholder Trading Platform, which enables shareholders to trade shares held above their Share Standard at the market price.

When the capital structure was put to the vote at the EGM in May earlier this year, it was overwhelmingly endorsed with 92 percent of votes cast in favour of it. By any measure, that is an outstanding show of support. On behalf of the Board, I want to extend my thanks to each of you and all MG supplier-shareholders. Throughout the journey to develop the capital structure, your input, feedback and commitment to the process was outstanding.

While the capital structure was certainly a big focus throughout the year, delivering a strong operating and financial performance continued to be a central focus for MG management and staff.

As always, the safety of our employees and contractors is paramount and once again MG's efforts and investment to improve its safety performance have been rewarded with MG's Total Recordable Injury Frequency Rate (TRIFR) reduced by a further 33.8 percent to 14.5 per million hours worked. When you consider that three years ago, MG's TRIFR was just over 50, I think it's fair to say, the team is making significant progress on safety. These efforts will continue until MG reaches its goal of zero injuries.

In reflecting on the financial performance of the business, it was another year of extremes. After finishing last financial year with a record high farmgate milk price (FMP), we began 2014/15 with commodity prices trending down as international markets began what was to become a sharp and sustained decline, initiated by slowing demand in China. This was further exacerbated when Russia placed a ban on dairy trade with the EU, USA and Australia. Add to this an Australian dollar that remained stubbornly high in the first half of the year, before moderating in the second half...and you have a challenging combination of trading conditions.

If ever there was a year when MG's strategic shift away from volatile dairy commodities to ready-to-consume dairy foods was to be tested, this was surely it!

As you know, over the past three years, Gary and the team have been executing a growth and value creation strategy. This has seen MG shift its product mix away from commodity products to less volatile premium quality ready-to-consume dairy foods. This strategic focus, combined with ongoing efforts to reduce cost in the business and drive efficiencies, is minimising the impact from the volatility of global dairy commodity markets and has supported our ability to deliver a final price of \$6.02 per kgms, the third highest MG farmgate price on record.

The Board also declared a fully franked final dividend of nine cents per ordinary share held as at 27 April 2015. When combined with the final milk price of \$6.02, total payments to an eligible, shared-up supplier were on average \$6.11 per kgms.

Revenue was \$2.87 billion, a 1.5 percent decrease compared to the prior financial year, a solid result achieved, as we all know, in the face of declining commodity prices.

Net profit after tax was \$21.2 million, down from \$29.3 million in the previous year, but within our targeted range of \$20 million to \$30 million.

Pleasingly, MG's milk intake continued to grow strongly and was up by more than five percent to almost 3.6 billion litres. MG's share of Australia's milk pool is now 37 percent, up from 36 percent a year ago, with milk supply growing across all regions, except western Victoria/South Australia, which was down slightly due to seasonal conditions.

Overall it was a strong performance in a challenging year and on behalf of the Board and MG's suppliers, I would like to acknowledge and thank Gary and the team behind MG for delivering on the considerable agenda set for 2014/15.

Looking now at the current seasonal outlook and firstly at dairy commodity prices. Several recent GDT sales events, have seen dairy commodity prices recover from their historic lows and we do expect this upward trend to continue as we progress through the remainder of the financial year. Gary will speak in more detail with regards to the forecast for FY16 and dairy commodity prices in a moment.

For many of us, foremost on our minds at present are the dry conditions being experienced across the regions, as a result of the El Nino weather pattern. While the dry conditions are a concern, the experts are predicting that El Nino will peak around the end of this year before weakening rapidly into autumn 2016, which is good news for us all.

Fortunately, the strength of farmgate prices over the past couple of years means that most are well placed to manage through this dry period and importantly, are taking advantage of the opportunity to manage their herds, with older and less productive cows attracting good prices at the market. With the exception of irrigated water, farm input costs generally have not risen significantly over the course of the year and from all reports feed and fodder remains in good supply.

Improving the security of irrigation water is critical for suppliers in northern Victoria and southern NSW, particularly for those who do not have water allocations. For Victorian suppliers with a water allocation, around 85 percent of that allocation is expected to be released for the season, giving those suppliers a basis from which to plan ahead. For those without permanent water allocation rights, it's a different matter entirely.

Which brings me to supplier initiatives and the support MG can provide to assist suppliers. Beginning with water, as you will be aware, MG has recently written to suppliers in northern Victoria and southern NSW to advise that the company has secured access to a large parcel of high reliability water, which will be sub-leased to suppliers in those regions. Already we are seeing strong interest in the offer and we will continue to look for further opportunities to secure high reliability water on behalf of our MG suppliers.

Via MG's Next Generation package, the company also provides medium and short term finance to assist with cash flow management and business sustainability including, among other things, water purchases. Suppliers interested in the Next Generation package should contact their field service officer for further details.

In recent times, there has also been discussion about milk recruitment and I thought it was an opportune time to make a couple of comments in relation to this. MG continues to attract new suppliers. We had a couple of months in the middle of the year where our factories were operating at full capacity and as we said at that time, we were certainly continuing to talk to potential new suppliers,

with the aim of bringing them into the co-operative as soon as we could. MG needs more milk and we remain focussed on growing milk supply.

To that end, the productivity and growth incentives remain in place and are designed to encourage and reward existing suppliers who grow production of premium quality milk.

I would now like to spend a few moments updating you on Board developments.

During the year, the election process for Gippsland Region Directors was conducted. All three existing Directors from Gippsland – Bill Bodman, Max Jelbart and I – were successfully nominated by the Gippsland region shareholders to stand for re-election at today's meeting. Shareholders will be asked to vote when we come to the formal business of the meeting a little later.

Last year at the AGM, I advised shareholders that the Board was considering the introduction of a voluntary system by which candidates standing for director election can be assessed on their capabilities, experience and qualifications for directorship.

After seeking feedback from suppliers, a Candidate Assessment Panel (CAP) was introduced for the Gippsland Region Director Elections in 2015.

For the Gippsland elections this year all candidates were invited to take part in a voluntary assessment process and all elected to participate in this process. The CAP assessed each candidate by way of a structured interview. Following the interview, feedback was provided to each candidate, including the outcome of their assessment. The assessment outcomes were also relied on by the Board in deciding which candidates to recommend for election by supplier-shareholders. Having now had first-hand experience of the CAP process, the Board's view is that it is beneficial and should continue.

In relation to my previous comments regarding the search for a third Special Director, we continue to make progress and I hope to be in a position to announce an appointment in the near future.

Finally, a few comments on supplier communications. As you are aware, the MG Unit Trust is listed on the ASX and as a result MG is required to make public announcements and disclosures at prescribed times and in all instances to ensure existing and potential investors have equal and timely access to information about the performance of the business and any other material matters.

Since listing, MG has a significantly widened base of stakeholders it needs to engage with, both here in Australia and internationally. As such Gary and the team are now required to dedicate time to meeting with unitholders, potential new institutional and retail investors, as well as supplier-shareholders. In light of this, we plan to alter the format of supplier meetings going forward. Beginning in 2016, the twice yearly meetings will now be hosted by local directors, with Gary and other key management attending supplier meetings on rotation, rather than attending all meetings across the regions – a commitment that has previously required Gary to be on the road for up to three weeks.

In lieu of this change, the MG team will also ensure supplier-shareholders have improved access to webcasting and Q&A forums, so that supplier-shareholders can continue to hear from and engage with Gary on a range of topics and areas of interest.

Thank you and please now welcome our Managing Director, Gary Helou, to talk about trading conditions and business performance.

## **Gary Helou - Address to the AGM**

Thank you Chairman.

2015 was a dynamic year for the co-operative on multiple fronts. We faced difficult external factors with falling commodity prices throughout the year and a strong Australian dollar in the first half of the year, but managed those levers within our control to contain costs, support cash flow and optimise our product mix.

Together, these factors allowed MG to deliver the third highest farmgate milk price (FMP) on record of \$6.02<sup>1</sup> per kgms, the second successive year of \$6.00+ per kgms FMP.

FY15 statutory net profit after tax (NPAT) of \$21.2 million compared to \$29.3 million in FY14, which was marginally higher than the Product Disclosure Statement (PDS) forecast.

Importantly, the FY15 results show that MG's business has been successfully repositioned as a stable dairy foods business in the face of volatile commodity prices.

It was a strong year of growth on many fronts. MG's milk intake was up 5.5 percent to 3.58 billion litres versus industry growth of around 2.6 percent. Revenue was \$2.87 billion, 1.5 percent lower than FY14 despite a decline in commodity prices of circa 30 percent. Significantly, MG delivered strong growth in the strategic ready-to-consume Dairy Foods segment, with revenue of \$1.13 billion, a 28.9 percent increase on FY14.

And I know Phil spoke about this earlier, but strategically it was a milestone year for MG with the capital structure implemented, giving the business balance sheet strength to support MG's growth strategy.

During the year, \$126 million was invested in strategic capital projects. \$38 million was invested in the first phase of the nutritionals production investment. \$14 million was invested to complete the small format cup and bottle filling line at Edith Creek. Already this investment is supporting new product development with 8Bar coffee and new Devondale Milk Shakes rolling out in retailers across the country as we speak. The \$74 million cheese investment is progressing well and on track for completion in 2016.

In other product and brand developments, we acquired Caboolture, the market leading food service shredded cheese brand and launched a new cooking cheese range in late May - Il Migliore.

During the year, MG's product innovation and brand excellence was acknowledged through prestigious awards. Devondale 250g Salted Butter crowned Australia's Champion Butter at the 2015 Australian Grand Dairy Awards. Devondale Cream won the Best Dairy Packaging Innovation award at the 2015 World Dairy Innovation Awards for its new 'easy pour and seal' lid and Devondale Colby Cheese 1kg won the best tasting semi-hard cheese at the National Dairy Awards.

Looking now at the key capital projects outlined in the PDS. The \$260 million to \$300 million nutritionals investment, which will involve the construction of a new facility at Koroit to expand production capacity in the nutritionals category by 63,000 metric tonnes per annum, is expected to commence within the next 12 months, assuming sufficient off-take commitments from global customers are agreed. Discussions are progressing well and we hope to be in a position to provide a further update in due course.

We are still planning to commence the \$165 million to \$190 million dairy beverages investment in 2016. This investment will create a highly automated UHT dairy beverages production and packaging capability to cater for growing Asian demand and evolving domestic and international consumer preferences. The investment will significantly upgrade Murray Goulburn's production capacity and flexibility.

<sup>1</sup> Available Southern Milk Region Farmgate Milk Price

And finally, phase one of the cheese investment has commenced and is expected to be completed in 2016. The cheese investment involves further development of Murray Goulburn's world-class cut and wrap consumer cheese processing facility at Cobram.

As we move forward, MG remains focussed on its vision to become the 'first choice dairy foods company' for farmers, customers and consumers and our two important focal points – operational excellence and innovation to drive improved performance and build value for the benefit of our stakeholders.

To support our ambition to be a 'first choice dairy foods company', MG is focussed on executing a growth and value creation strategy to increase our weighting towards higher value-add ready-to-consume dairy foods and away from the volatility of bulk commodity markets and prices. We believe delivery of a \$6.02 per kgms available FMP in FY15, despite challenging trading conditions, is evidence of a good strategy at work.

As a result of the strategic shift away from the volatility of bulk commodity markets and prices, today MG's business has less reliance on dairy commodities and ingredients and is seeing continued growth in Dairy Foods and Nutritionals production volumes and revenue.

Turning now to outlook. MG continues to believe in the solid long-term growth prospects and fundamentals of the dairy industry. We are confident that a global supply response is emerging as a result of the low dairy commodity price environment and starting to have an impact on prices. We believe dairy commodity prices have bottomed and will trend higher over the financial year. Since August prices have risen by around 60 percent.

Based on this we believe the FY16 PDS forecast of a \$6.05 per kgms Available Southern Milk Region FMP can be achieved, provided dairy commodity prices continue to materially strengthen during the balance of FY16. Meeting the FY16 forecast is subject to foreign exchange and other risk factors as outlined in the PDS.

If MG's expectations do not materialise, it is likely that:

- the FY16 Available Southern Milk Region FMP would be in the range of \$5.60 to \$5.90 per kgms;
- the FY16 NPAT attributable to shareholders and unitholders would be in the range of \$66 million to \$79 million; and
- subject to Board declaration, this would result in dividends and distributions to shareholders and unitholders in relation to FY16 of between 11.9 to 14.4 cents per share / unit, applying the proposed 100 percent payout ratio.

And with that I will now hand back to the Chairman for today's business proceedings.

Thank you.