



28 October 2016

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) – Annual General Meeting Presentation**

In accordance with Listing Rule 3.13.3, I attach a copy of the presentation, which will be delivered today at Murray Goulburn's 2016 Annual General Meeting.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Fiona Smith', on a light blue background.

**Fiona Smith**  
Company Secretary



# 66<sup>th</sup> Annual General Meeting

28 October 2016





## **Philip Tracy**

### **Chairman**

Chairman of the Remuneration and Nominations Committee  
and member of the Supplier Relations Committee



**David Mallinson**  
Chief Executive Officer (Interim)



## **Kenneth W. Jones**

### **Deputy Chairman**

Finance, Risk and Audit Committee, Supplier Relations  
Committee and Remuneration and Nominations Committee

# Board of Directors



**Natalie Akers**

Finance, Risk and Audit Committee  
and Supplier Relations Committee



**William T. Bodman**

Compliance Committee and  
Supplier Relations Committee



**Peter J.O. Hawkins**

Finance, Risk and Audit Committee  
(Chairman) and Remuneration and  
Nominations Committee



**Michael F. Ihlein**

Compliance Committee  
(Chairman), Finance, Risk and  
Audit Committee and Remuneration  
and Nominations Committee



**Graham N. Munzel**

Compliance Committee  
and Supplier Relations Committee



**John P. Pye**

Supplier Relations Committee  
(Chairman), Finance, Risk and Audit  
Committee and Remuneration and  
Nominations Committee



**Martin J. Van de Wouw**

Compliance Committee  
and Supplier Relations Committee

# Executive Leadership Team



**Alan Tilley**

Chief Financial Officer (Interim)



**Fiona Smith**

Chief Operating Officer  
(Company Secretary)



# Executive Leadership Team



**Chris Diaz**

Executive General Manager  
Operations and Supply Chain



**Bruce Linke**

Executive General Manager  
Procurement and Capital Projects



**Robert Poole**

Executive General Manager  
Supplier Relations



**Russell Abotomey**

Executive General Manager  
Dairy Foods and Ingredients





# Agenda



- Chairman's address
- Interim Chief Executive Officer's presentation
- Items of Business
- General questions

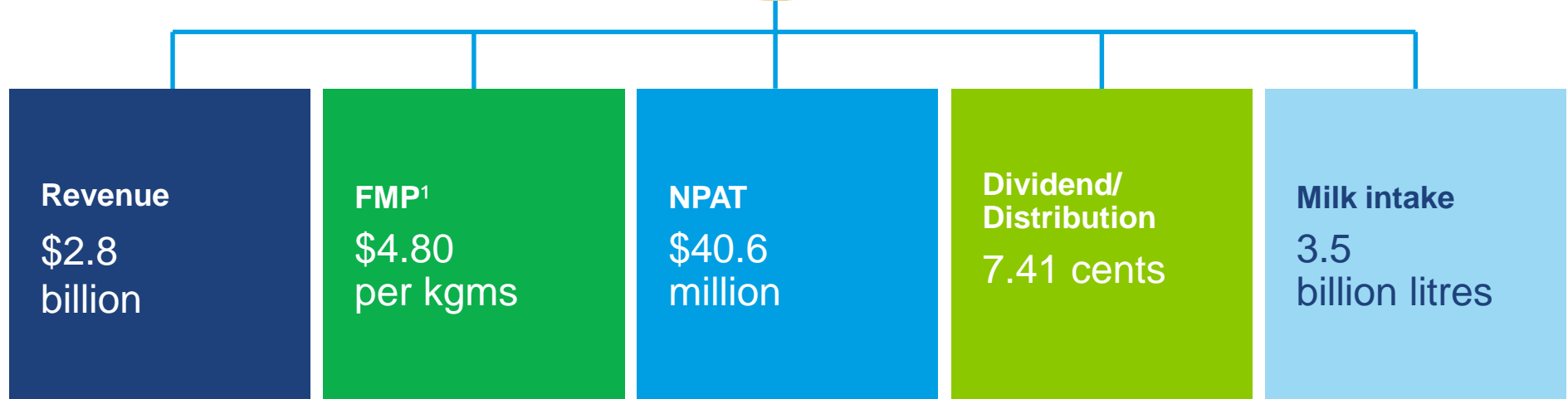


# FY16 trading environment



Commodity prices	<ul style="list-style-type: none"><li>• Commodity prices strengthened through to October 2015 before deteriorating sharply</li><li>• Downturn in commodity prices longest in 10 years</li><li>• Recent trade events indicate commodity prices have stabilised <u>but</u> remain below long term averages</li><li>• Surge in European supply ex-quota, slow-down in China demand and Chinese regulation change were key drivers</li></ul>
Russian trade ban	<ul style="list-style-type: none"><li>• Russian trade ban closed off Europe's largest dairy market</li><li>• Europe still working through excess inventories</li></ul>
Exchange rates	<ul style="list-style-type: none"><li>• Remains volatile</li></ul>

# FY16 results



<sup>1</sup>Available Southern Milk Region Farmgate Milk Price. For the purposes of the Profit Sharing Mechanism the Actual Weighted Average Southern Milk Region FMP \$4.76 per kilogram milk solids is used. The Actual Weighted Average Southern Milk Region FMP does not include the add-back of quality adjustments accrued from the supply of non-premium milk.





# Southern Milk Region step-ups and Milk Supply Support Package outcomes



## Milk Supply Support Package (MSSP) outcomes

- No supplier will contribute more to the MSSP than they received in FY16
- As previously announced, the MSSP contribution has been suspended from proceeds payable from 1 October 2016 to 30 June 2017
- The MSSP recoupment has been extended to 2022, approximately halving the annual impact on suppliers

## Southern Milk Region step-ups

- A \$0.13 per kgms (1c/L) step-up for all milk supply from 1 July 2016 to 30 June 2017
- A further \$0.13 per kgms (1c/L) step-up to all current and new suppliers as at 30 June 2017 for all milk supplied from 1 July 2016 to reward continuity of supply, paid as part of the June 2017 milk proceeds
- These two step-ups increase MG's forecast FY17 available FMP<sup>1</sup> to \$4.95 per kgms

<sup>1</sup>The Available Southern Milk Region FMP includes the add-back of quality adjustments accrued from the supply of non-premium milk.







# Milk price transparency



Approach to farmgate milk pricing varies across the world

## Australia

- Pays approximately 90% to 92% of FMP forecast as opening price
- Supports farm cashflow from season start
- Carries higher 'step-down' risk

## New Zealand

- Pays approximately 60% to 70% of FMP forecast as opening price
- Reduces farm cashflow through the season
- Carries lower 'step-down' risk

## Europe

- Monthly pricing
- Reduces farm forecasting ability
- Carries no risk of 'step-down'

Milk price review to be undertaken with input from suppliers





Board structure

# Board renewal



Board succession planning has been under consideration for some time

- Several Directors approaching maximum nine year tenure
- Chairman succession
- Special Director







# Supplier Director nominees



**Craig Dwyer**



**Lisa Dwyer**



**Harper Kilpatrick**



**Kelvin Jackson**





# Farewell



**Martin Van de Wouw**



**John Pye**

# In memoriam



**Max Jelbart**



**John Vardy**



Looking ahead



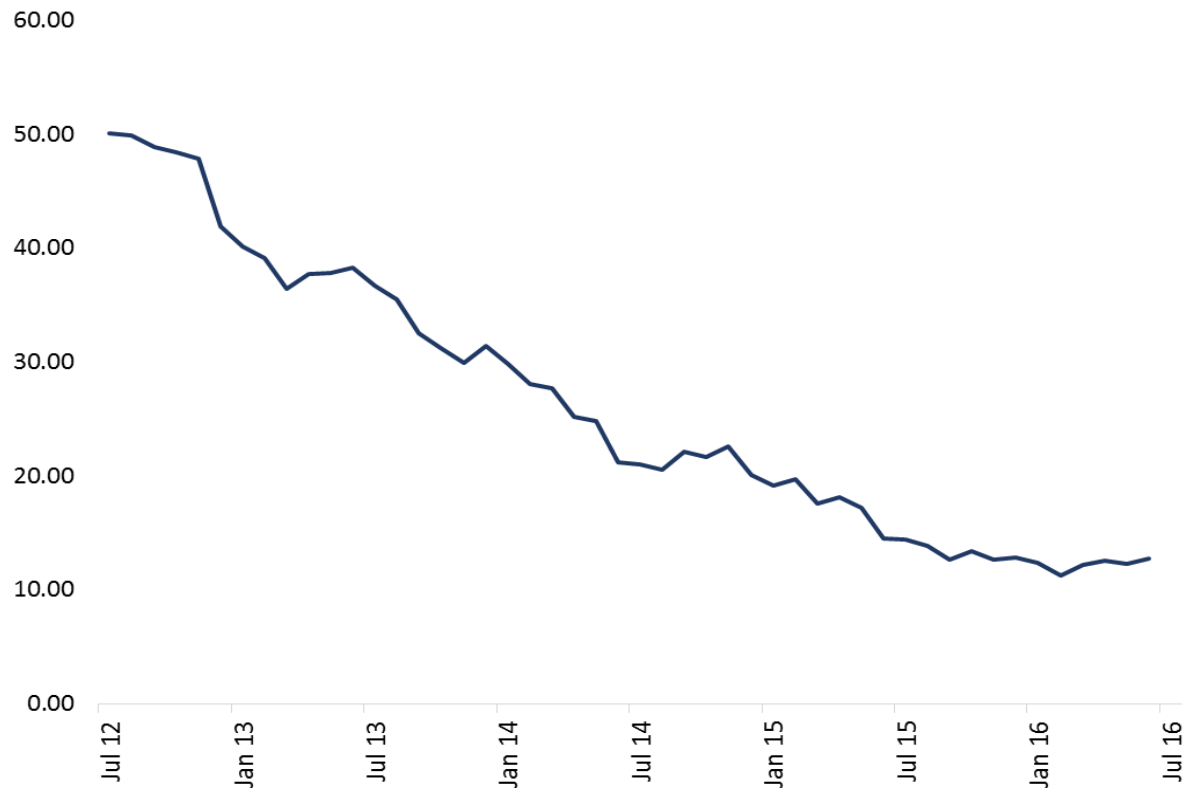
**David Mallinson**  
Chief Executive Officer (Interim)

# Focus on safety

## Our TRIFR reduced by 12% in FY16



Total Recordable Injury Frequency Rate (TRIFR) (FY12 to FY16)

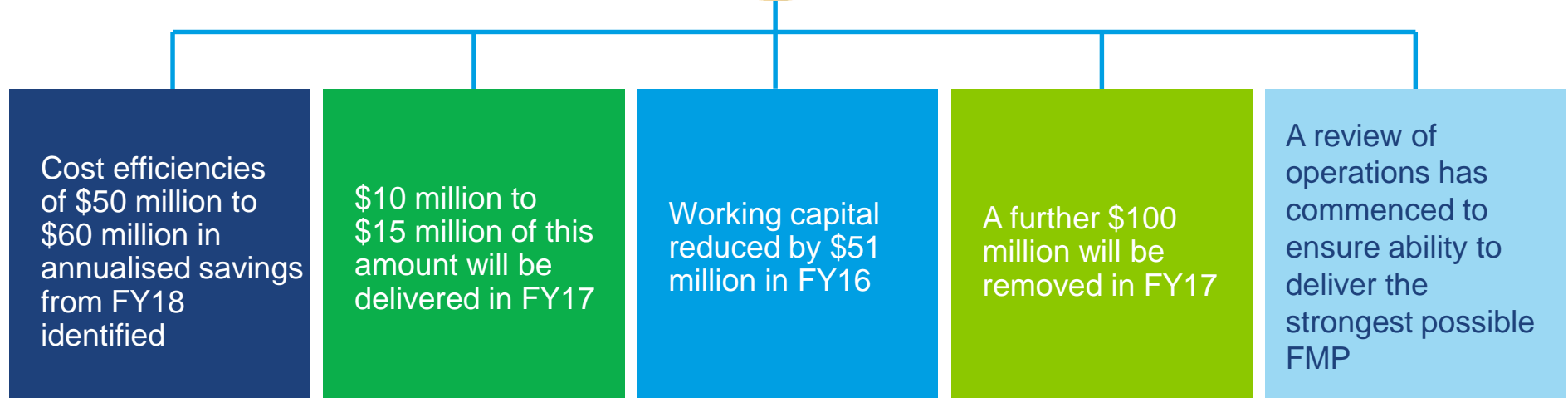
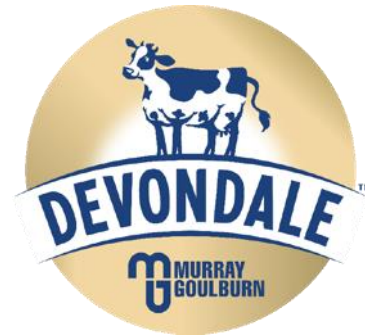


- Continue to focus on improving the safety standards within our business
- Committed to continued improvement across our business – further improvement to go
- **Goal Zero: Working safely is our first choice**



# Decisive actions to address market conditions

Management has taken action to release cash and reduce overheads





# Highlights of FY16



- Dairy Foods segment continued to perform strongly
- Revenue from Dairy Foods grew 17.2% from \$1.1 billion to \$1.3 billion
- China remains a focus for branded business, with sales now exceeding \$260 million





# Our Devondale brand is building scale



**\$580m in global sales**

**UHT milk**



**No. 1 market share**

**Daily milk**



**4Q market share up 125%**

**Butter blends**



**No. 2 market share**

**Instant milk**



**No. 1 market share**

**Block cheese**



**No. 2 market share**

**Flavoured and iced coffee**



**Award winning design  
Available in convenience stores**

Note: Market share and revenue data to 17 July 2016. All market share data is for Australian market, excluding private label product brands. Source: IRI MarketEdge

# Highlights of FY16



- Dairy Foods segment continued to perform strongly
- Revenue from Dairy Foods grew 17.2% from \$1.1 billion to \$1.3 billion
- China remains a focus for branded business, with sales now exceeding \$260 million
- Nutritionals business revenue growth of 50% providing some offset to the performance of Ingredients



# Capital projects



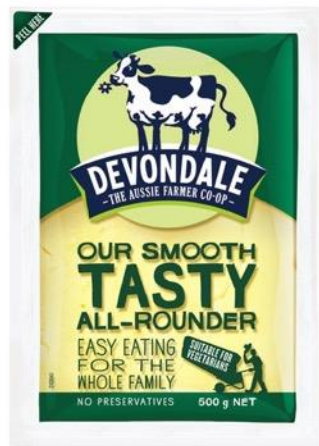
## Cobram consumer cheese plant to contribute to greater efficiencies

- Coles private label cheese contract underpins our \$91 million Cobram investment
- Key capital investment core to our strategy of innovation and operational excellence
- Highly efficient facility that is capable of producing world-leading, dairy food products meeting domestic and international needs
- Work is continuing on the commissioning phase and production of Coles volumes will commence in the new factory in December





# Promoting brand investment



# Devondale domestic retail performance



Key indicators show we are growing

The latest Aztec compilation of national scanned supermarket data shows:

## Past 12 months

- Dairy category grew at **1.9%**
- MG brands grew at nearly **10%**

## Latest quarter

- Dairy category grew at **4.4%**
- MG brands grew at **11.4%**





# Social media presence

This image is a composite screenshot showing the social media profiles of Devondale. On the left is the Facebook page for Devondale, which includes the company logo, a cover photo of cows in a field, and a post from October 25 about a master baker. On the right is the Twitter profile for Devondale MG (@DevondaleMG), showing the same logo, a bio, location, website, and a list of recent tweets, including one about sponsoring MasterChef Australia and another about a new supplier portal.

**Facebook Profile:**

- Page Name: Devondale
- Username: @Devondale
- Logo: Devondale - The Aussie Farmer Co-op
- Cover Photo: Cows in a green field
- Post: "A master baker always uses Devondale butter in his pastry." (October 25 at 9:45pm)
- Post Image: A man holding a large round pastry
- Buttons: Like, Message, Save
- Menu: Home, About, Photos, Likes, Dairy Dash, Videos, Posts
- Button: Create a Page

**Twitter Profile:**

- Profile Name: Devondale MG
- Username: @DevondaleMG
- Logo: Devondale Murray Goulburn
- Bio: Welcome to Devondale Murray Goulburn, Australia's largest dairy foods company. We're proudly a co-operative of Australian dairy farmers, established in 1950.
- Location: Australia
- Website: mgc.com.au
- Joined: August 2014
- Stats: 383 Tweets, 162 Following, 1,107 Followers, 50 Likes, 0 Moments
- Recent Tweets:
  - "Check out this great snapshot of Devondale's @MasterChefAU partnership. We're back on board as a sponsor in 2017." (10h)
  - "Devondale is a proud sponsor of MasterChef Australia" by on Vimeo, the home for high quality videos and the people who love them. (10h)
  - "In direct response to feedback from suppliers, we've launched a Marketing and Advertising portal on our website: mgc.com.au/supplier-infor..." (10h)



Thank you