27 April 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) – Trading and FY16 Outlook Update

In accordance with the Listing Rules, I attach a copy of a news release providing a trading and FY16 outlook update in relation to Murray Goulburn, for immediate release to the market.

This information is being released given that unitholders of the MG Unit Trust have an economic exposure to Murray Goulburn. In particular, unitholders have the opportunity to earn returns based on the performance of Murray Goulburn and are entitled to receive distributions equivalent to any dividend paid to Murray Goulburn's shareholders.

Yours faithfully

Fiona Smith
Company Secretary

MG Responsible Entity Limited as responsible entity of MG Unit Trust
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News release

27 April 2016 **ASX Announcement**

Trading update and revised outlook

- **Revised FY16 Available Southern Milk Region FMP of between \$4.75 to \$5.00[1] per kgms**
- **Expected NPAT of between \$39 million to \$42 million with a fully franked dividend to shares and distribution to units of between 7.1 cents to 7.8 cents for the full year (inclusive of the interim dividend/distribution of 3.5 cents per share/unit)**
- **Introduction of a Milk Supply Support Package to protect MG's milk supply in the long term by providing a milk support payment so that suppliers receive payments during FY16 equivalent to an FMP of \$5.47 per kgms**
- **The Milk Supply Support Package and its cash funding cost is to be recovered by MG from suppliers' milk payments for up to three years (from FY17 to FY19) and will not affect the operation of the Profit Sharing Mechanism**

MG Responsible Entity Limited, as the responsible entity of the MG Unit Trust, provides the following trading and FY16 outlook update in relation to Murray Goulburn Co-operative Co. Limited (MG).

With April 2016 now substantially complete, MG has reviewed the expected performance of the business for the balance of FY16. This review has concluded that the FY16 outlook of an Available Southern Milk Region Farmgate Milk Price (FY16 FMP) of \$5.60[2] per kilogram milk solids (kgms) provided on 29 February 2016 is no longer achievable.

As advised by MG at its FY16 half year results, the achievement of this FY16 FMP was based on a number of factors including there being no unfavourable changes to the AUD:USD exchange rate and the continued strong performance of international ready-to-consume dairy food product sales to partially offset the underperformance of the Ingredients and Nutritionals segment as a result of the very low commodity prices.

As these factors have not eventuated, MG now expects its FY16 Distributable Milk Pool (DMP) to be approximately \$170 million to \$220 million lower than previously forecast, resulting in an FY16 FMP of between \$4.75 to \$5.00[3] per kgms, which will include a reduction in the actual milk price paid to suppliers for the balance of FY16.

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[1] For the purposes of the Profit Sharing Mechanism the Actual Weighted Average Southern Milk Region FMP of \$4.71 to \$4.96 per kilogram milk solids is used as 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.
[2] For the purposes of the Profit Sharing Mechanism the Actual Weighted Average Southern Milk Region FMP of \$5.56 per kilogram milk solids is used as 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.
[3] For the purposes of the Profit Sharing Mechanism the Actual Weighted Average Southern Milk Region FMP of \$4.71 to \$4.96 per kilogram milk solids is used as 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.

Applying the Profit Sharing Mechanism (PSM) to the revised FY16 FMP, MG expects to achieve net profit after tax (NPAT) attributable to shareholders and unitholders of between $39 million to $42 million resulting in a fully franked dividend/distribution to shares/units of between 7.1 cents to 7.8 cents per share/unit for the full year (inclusive of the interim dividend/distribution of 3.5 cents per share/unit).

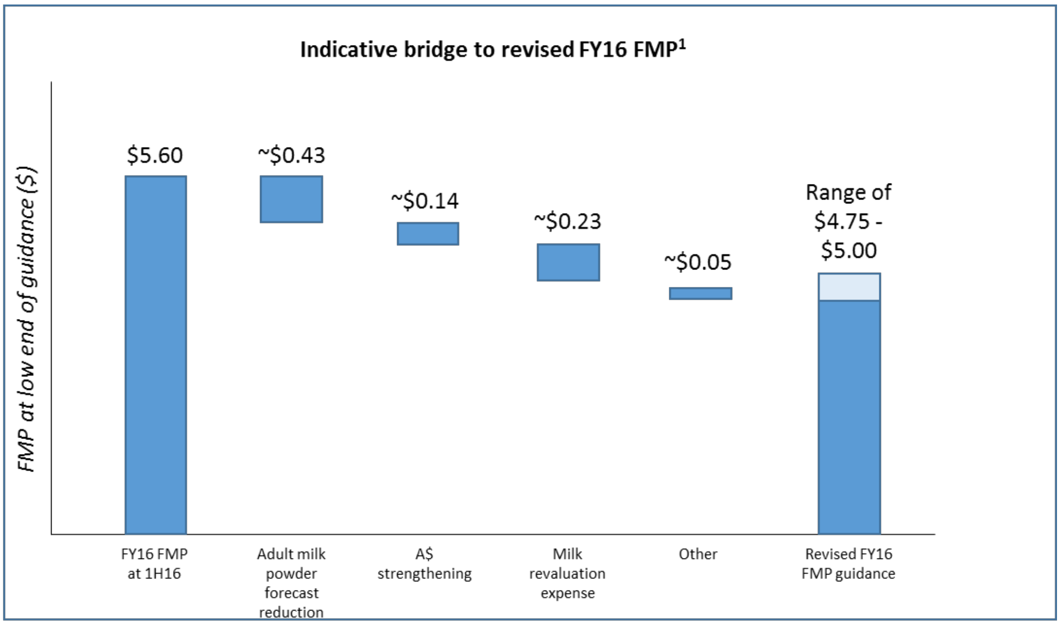
The Board is very disappointed that MG could not ultimately generate milk prices for FY16 either as disclosed in the Product Disclosure Statement published in May 2015, or as revised and notified to suppliers and investors on 29 February 2016. The Board remains committed to its strategy of shifting MG's product mix from commodity products to higher margin, value-added and ready-to-consume dairy foods and will continue to focus on transforming MG into a first choice dairy foods company. After careful review, the Board realises that greater focus is required to support the execution of this transformation, and will be implementing a series of changes within the business to support the continued transformation.

MG is aware that its suppliers will be particularly impacted by the lower FY16 FMP, in the face of difficult dairy farming conditions across much of MG's Southern Milk Pool Region. The Board is also today announcing a Milk Supply Support Package, which will assist suppliers through this transition and ensure that unitholders are kept whole for the support. The package supports supplier cash flows for the balance of this financial year. The financial support and its cash funding cost will be recovered by MG from suppliers' milk payments for up to three years (during FY17 to FY19). This Milk Supply Support Package is explained below and will not affect the application of the PSM.

Primary drivers leading to a revised outlook

The chart below summarises the primary drivers of MG's revised FY16 FMP being:

- greater than 10 percent unfavourable movement in the AUD:USD exchange rate compared to the rate previously assumed, impacting the FY16 DMP by approximately $32 million;
- lower than expected Adult Milk Powder sales in China, impacting FY16 DMP by $60 million to $100 million (described in more detail below); and
- milk revaluation expense on inventory as a result of this lower than expected FY16 FMP, impacting FY16 DMP by $40 million to $54 million.



Note 1: Indicative bridge shows impact at low end of guidance, ie a loss of $220m DMP. Per MG's Profit Sharing Mechanism (PSM), a reduction in DMP is shared between Milk Payments, tax and NPAT. For the purposes of this illustrative bridge, reduction in tax and NPAT are included in Other.

A$ strengthening: Greater than 10 percent unfavourable movement in the AUD:USD exchange rate to the rate previously assumed has affected the FMP. The volatility in the AUD:USD rate throughout March resulted in the lapsing and cancellation of some hedging instruments, exposing MG to higher AUD:USD rates. The Australian dollar has stabilised at levels higher than anticipated, while new hedging instruments have been put in place. The Board confirms the hedging approach used was within group policy.

Milk inventory revaluation: The reduction in FY16 FMP due to lower than expected Adult Milk Powder forecast sales, has also negatively impacted the DMP. Using the expected FY16 FMP range, this will generate an expense of approximately $40 million to $54 million. Inventory has increased as a result of increased production undertaken to support expected sales, some of which have not occurred, with this inventory now carried at lower prices reflecting the revised FY16 FMP. This available inventory should add value to the FY17 DMP as it is sold and potentially realises greater margin.

Adult Milk Powder forecast revision

A key driver of MG's FY16 FMP revision, based on recent trading results, is a reduction in the sell through rate expected for Adult Milk Powder sales to China for 4Q16. This change reduces the DMP by approximately $60 million to $100 million. Based on the very strong performance of Adult Milk Powder sales in 1H16, MG had expected ongoing growth of sales of this product category into the emerging China market in the second half.

Volume expectations now reduced for 4Q16

Adult Milk Powder volumes for the 6 months to 31 December 2015 were approximately triple those in the prior corresponding period, and had exceeded the total volume for the full 2015 financial year. Importantly, Adult Milk Powder sales in-country (i.e. not cross-border) had grown from a negligible base in 1H15 to a little under 20 percent of total Adult Milk Powder sales in 1H16. As a result of this increased demand, management significantly increased its forecasts for the sale of Adult Milk Powder in 2H16 and increased production to match the forecast sales. In addition, actions were taken to develop the MG's in-country distribution in China. These actions gave management confidence that the forecast sales for 2H16 would be achievable.

In 2H16, initial falls in Adult Milk Powder demand from Chinese consumers were forecast by MG due to Chinese New Year celebrations in February. While volume recovered in March, early results for April showed a slowing in sales growth against forecast sales. As a result of this slowing growth rate and the resulting impact on revenue, a revised sales forecast has been undertaken for 4Q16 which has significantly reduced expectations for the remainder of the financial year.

Sustaining the market for the future

Along with reduced volume expectations, MG notes that pricing for Adult Milk Powder in China has also begun to move down towards a more sustainable long term price. Whilst this is an important development for the sustainability of this market into the future, falling prices have also had an impact on FY16 profit expectations, albeit a smaller impact relative to revised volume expectations.

In recent months, management has been preparing to move greater volumes of Adult Milk Powder through traditional distribution networks (i.e. not cross-border). The recent interruption of the sale of MG's Adult Milk Powders on account of changing Chinese regulations, while not a material impact to MG's business, has reinforced efforts to effect an orderly transition of distribution to achieve a better balance between traditional distribution and cross-border distribution. This transition is occurring, although at a slower pace than was assumed as part of the 2H16 forecast sales.

MG continues to believe in the strong growth potential for MG's Adult Milk Powders in China, and believes this product category will continue to add substantial value to the DMP for the benefit of suppliers and investors alike.

Milk Supply Support Package

Protecting MG's milk supply is of significant importance to the future profitability and growth of MG. The Board is aware of the difficult conditions many of MG's loyal suppliers currently face, particularly as the effect of El Nino persists across much of MG's Southern Milk Pool Region.

In light of MG's revised FY16 FMP forecast and the adverse impact this will have on suppliers in this challenging environment, the Board has also announced a Milk Supply Support Package which is designed to:

- protect MG's milk supply in the long-term;
- support suppliers' cash flows in the near term as difficult dairy conditions persist by not requiring suppliers to incur a full reduction in the opening price for the remainder of FY16 to offset the higher farmgate milk price that has already been paid so far this year;
- prudently manage MG's capital and balance sheet, and avoid permanent indebtedness arising from any support package (as well as ensuring that the financial cost of support is recovered over time from suppliers);
- ensure that MG's strategy and growth investment program is not impacted; and
- ensure that the support package does not distort the operation of the PSM to the disadvantage of unitholders and shareholders.

Today, MG has announced a reduction in the Available Southern Milk Region FMP opening price of $0.13 per kgms to $5.47 per kgms for the remainder of FY16. This action will recover approximately $30 million of the reduction in DMP for FY16 and represents approximately 15 percent of the anticipated milk payments for the balance of the financial year.

With the Milk Supply Support Package, MG has committed to provide a milk support payment above the actual FY16 FMP, such that suppliers will receive the cash equivalent of $5.47 per kgms in FY16. This will result in additional group borrowings at the end of FY16 of approximately $95 million to $165 million. MG confirms that it has headroom within its existing funding arrangements, and this initiative is not expected to impact MG's planned capital investments. Against the increase in group borrowings, MG will recognise an equivalent asset on its balance sheet, classified as an Other Receivable, that will be amortised down over three years as the Milk Supply Support Package and its cash funding cost is recovered from suppliers.

To recover the Milk Supply Support Package and its cash funding cost, MG will deduct a fixed amount from future milk payments over the next three financial years. These deductions will include the cost to MG of additional interest incurred through funding the package (so that MG's interest costs are recovered from suppliers). Application of the PSM in future years will apply to the DMP before amortisation of the Other Receivable.

The Board also advises that they will work with management to limit the impact to suppliers over the repayment period, by setting company performance goals that focus on generating additional value to the DMP above full year budgets to match the financial impost. These will be reflected in the Short Term Incentive Plan.

End of trading halt

MG Responsible Entity Limited, as the responsible entity of the MG Unit Trust, expects that ASX trading in the MG Unit Trust's units will recommence at the commencement of normal trading today.

ENDS

Trading and FY16 outlook update webcast

A webcast regarding the trading update and revised outlook will be held at 10.00am (AEST) today. Webcast details are as follows:

Date	**Wednesday 27 April 2016**
Time	**10.00am**
To register:	http://edge.media-server.com/m/p/9uprrxkz

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About the MG Unit Trust

The MG Unit Trust is a special purpose funding vehicle which provides its unitholders with an economic exposure to the business of Murray Goulburn Co-operative Co. Limited (**Murray Goulburn**). The MG Unit Trust invests in notes and convertible preference shares issued by Murray Goulburn. The Responsible Entity of the MG Unit Trust is MG Responsible Entity Limited, a wholly-owned subsidiary of Murray Goulburn. Unitholders are entitled to receive distributions equivalent to any dividends paid to the ordinary shareholders of Murray Goulburn. Dividends paid on ordinary shares will be determined by Murray Goulburn in accordance with the Profit Sharing Mechanism described in Section 6 of the Product Disclosure Statement dated 29 May 2015. Units do not confer a direct interest in Murray Goulburn.

Murray Goulburn is Australia's largest dairy foods company and one of Australia's largest food and beverage companies with annual turnover of approximately $2.9 billion. Through its co-operative structure, Murray Goulburn has more than 2,500 supplier shareholders. Murray Goulburn manufactures and markets a full range of dairy and nutritional products such as cheese, milk powder, butter and fat, drinking milk and liquid milk products, nutritionals and value-added products, such as infant formula. Murray Goulburn supplies the grocery, foodservice and ingredients channels domestically and around the world, particularly in Asia, with its flagship Devondale, Liddells and Murray Goulburn Ingredients brands.