24 August 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) – Financial results news release

In accordance with the Listing Rules, I attach a copy of a news release in relation to Murray Goulburn's financial results for the full year ended 30 June 2016, 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

24 August 2016 **ASX Announcement**

Murray Goulburn Announces Results for the Full Year Ended 30 June 2016

Murray Goulburn Co-operative Co. Limited (MG) today announced financial results for the full year ended 30 June 2016 (FY16).

- Revenue of $2.8 billion, down 3.3 percent compared to FY15
- Net Profit After Tax (NPAT) attributable to shareholders and unitholders of $40.6 million
- Farmgate Milk Price (FMP)[1] of $4.80 per kilogram milk solids (kgms) impacted by lower commodity price environment and increased costs
- Continued strong growth in Dairy Foods segment with revenue of $1.3 billion, up 17.2 percent on FY15
- 3.5 billion litres of milk received, down 2.5 percent compared to FY15
- Suppliers supported with $183 million Milk Supply Support Package
- Closing net debt of $480 million with gearing of 29.0 percent
- Successful execution of strategic projects with new consumer cheese cut and wrap facility completed (commissioning underway) and successful implementation of SAP
- Fully franked dividend/distribution of 7.41 cents for the full year including a fully franked final dividend/distribution of 3.91 cents per share/unit

Consolidated statement of profit and loss *($ million)*	**FY16**	**FY15**	***Change %***
Revenue	2,777.6	2,871.9	*(3.3%)*
EBIT	81.0	51.5	*57.2%*
Profit before tax	57.5	23.0	*150.4%*
NPAT – consolidated	39.8	21.2	*87.6%*
NPAT – attributable to shareholders and unitholders	**40.6**	**25.2**	***61.2%***
Full year dividend / distribution (cents)	7.4	n/a	*n/a*
Net debt	480	635	*(24.3%)*
Gearing	*29.0%*	*48.3%*	*(39.9%)*

[1]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.

Review of financial highlights

Commenting on the result, MG's interim Chief Executive Officer, David Mallinson, said:

"FY16 has been a challenging year for our co-operative. We faced an environment comprised of very challenging macro settings, including sustained low commodity prices, a volatile Australian dollar, changes in Chinese regulations, and difficult seasonal conditions across many of our key regions.

"This has placed our suppliers and Australian dairy farmers generally in a very difficult environment. The Board, MG's management team, and I personally have also acknowledged to all our key stakeholders that MG's FMP downgrade so late in the year added to the challenge of FY16. Today we reported a final FMP for FY16 of $4.80 per kgms – in line with our April revised earnings guidance.

"At the time of our revised earnings guidance in April, MG made the decision to support our suppliers for the remainder of the financial year through a Milk Supply Support Package (MSSP). At the close of the year, this support totalled $183 million, net of $7 million of early repayments. This delivered an average cash price for milk to our suppliers of $5.53 per kgms, after two consecutive years of FMP above $6.00 per kgms. The MSSP is larger than originally anticipated predominantly on account of incentives payable as a result of stronger than forecast milk receipts in May and June.

"The Board's intention with the MSSP was to support suppliers' cash flow in the final months of the financial year, recognising the lateness of the change in milk price. The decision to recoup over three years was a recognition of a need to spread the financial burden for suppliers, minimising the financial impact in any one year.

"Board and management remain focused on mitigating the impact of the MSSP and today we are pleased to announce we have identified a program of cost efficiencies to deliver an additional $50 million to $60 million per annum during FY18 with $10 million to $15 million of this amount to be delivered in FY17.

"MG's Dairy Foods business continued to deliver consistent growth in very challenging conditions, in particular the performance of the Devondale brand which continues to grow and now has annual sales of $580 million (up 45 percent from FY15) - a substantial brand platform to continue to build and add value to our business.

"Our Ingredients business continued to be heavily impacted by global commodity prices, which were offset to a degree by excellent growth by our Nutritionals business. MG remains a premium producer of these two product streams and our customers increasingly value our 100 percent Australian product.

"Finally, MG's balance sheet, and in particular, its net debt position, ended FY16 in a strong position. Net debt at closing was $480 million, with gearing at 29.0 percent. We have made early progress in sustainably reducing working capital, removing $51 million predominantly from receivables in FY16 with a target to remove a further $100 million to $110 million from working capital in FY17. Our capital projects will be tailored, particularly our planned dairy beverages investment, to ensure capital is deployed only if appropriate returns are achievable. MG's net debt of $480 million is a prudent level for the current environment, whilst giving MG the balance sheet strength to progress important investment for the future."

Business segments

Dairy Foods:

MG's Dairy Foods segment continues to perform strongly, delivering another year of double-digit revenue growth. Revenue from the segment grew 17.2 percent from $1.1 billion to $1.3 billion in FY16 with Dairy Foods the principal contributor to group profit, generating segment contribution of $164.5 million. This reflects the robust premiums this segment can deliver above commodity prices in the current environment.

In domestic markets, MG achieved growth despite challenging domestic conditions, with growth led by good results from recent product innovation including our Devondale branded milkshakes, 8 Bar iced coffee products, and our consumer offerings across butter/spreads, cheese and milk powders.

Sales for Dairy Foods international reached $221 million in FY16, up 67 percent from $132 million in FY15 despite strong competitive pricing in China in UHT from global exporters of dairy products as a result of increased volumes from EU production. China continues to grow in importance for MG products with sales across all consumer products and channels, including food service, reaching $267 million. This includes management estimates of cross border sales into China of $126 million.

As a direct result of this combined growth, MG can report that total sales of branded Devondale products reached $580 million in FY16 – up 45 percent from FY15 – a strong endorsement of our strategy to move into higher value added products.

Ingredients and nutritionals

MG's Ingredients business is highly exposed to commodity prices, and therefore was heavily impacted by the very low commodity price environment of FY16. Segment revenue of $1,093 million reduced 18.5 percent from the prior year. MG's ingredients sales fell 26 percent, driven by reductions across global commodity prices. MG's Nutritionals business provided some offset to the performance of Ingredients, with revenue growing 50 percent in the year, driven by strong demand from B2B customers for Australian sourced nutritional products.

Trading stores and other activities

MG generated $448 million of revenue through its Trading Stores network and other activities including milk broking. MG Trading grew revenue 7.3 percent from $246 million to $265 million.

Investment for the future

MG is committed to investing across three key dairy growth categories: consumer cheese, nutritional powders and dairy beverages. In light of the global environment for dairy products, MG will continue to test investment cases to ensure capital is deployed appropriately and investments generate acceptable returns.

Construction of MG's new state of the art **consumer cheese cut and wrap facility** is now complete with the 12 week commissioning phase commenced. This investment will deliver a step change in MG's capability in this segment, whilst delivering substantial cost benefits of approximately $10 million per annum above operating margins. The plant will be highly utilised once operational, including the new Coles supply contract, which will commence in January 2017. Final budget is expected to be $91 million, compared with $86 million as announced at half year results in February 2016. The increased budget includes some additional spend in relation to the Coles contract.

Good progress was made in FY16 on MG's planned **nutritionals investment**. An offtake agreement was secured with Indonesia's Kalbe, a large pharmaceutical and nutritional player in that market. MG also signed a framework agreement for an alliance with global nutritional leader Mead Johnson, and both parties continue to work towards a final supply agreement. Work has continued on the regulatory and planning aspects of this important investment, and MG remains confident construction will commence in FY17.

Our proposed **dairy beverages investment** will ensure we remain a low-cost manufacturer of high quality UHT and other dairy beverages. However, FY16 saw a global over supply develop in fluid milk products, in particular, UHT products, and as a result, pricing in MG's key export markets for UHT reached very low levels. As a consequence, financial returns for a greenfields dairy beverages project are currently below an acceptable level return and we have made the decision to delay this investment whilst we continue to monitor export dairy beverage markets. MG has identified opportunities to modernise our existing UHT manufacturing footprint, which will further reduce our cost base and modestly increase our capacity. We are currently reviewing the optimal approach to this brownfields investment, and will be in a position to report on our findings in the coming months.

Balance sheet and debt position

At year end, MG had closing debt of $507 million, and net debt after cash of $480 million. On this basis MG's gearing level (MG's primary credit metric) at year end was 29.0 percent, down from 48.3 percent in FY15. This result was primarily driven by the proceeds received from the listing of the MG Unit Trust in July 2015, and early efforts to sustainably reduce working capital.

Considering the current environment for the dairy sector, the Board and management consider these levels of gearing to be appropriate to ensure the continued strength of MG. Considerable focus will continue in FY17 to ensure MG's balance sheet remains strong and with prudent levels of debt.

Supplier returns and dividends/distributions

As a co-operative, MG distributes 100 percent of its after tax profit between suppliers for their milk supply in the form of milk payments, and to investors in the form of dividends/distributions. Regulating this balance is MG's Profit Sharing Mechanism, which seeks to align suppliers' and investors' interests by linking the amount of profit declared by the co-operative to our FMP result[2].

Under the Profit Sharing Mechanism, MG's declared FY16 NPAT is $40.6 million, 100 percent of which is distributable as a dividend/distribution with suppliers representing approximately two thirds of the value and unitholders the remaining third. The Board has declared a fully franked final dividend/distribution of 3.91 cents per share/unit, taking total dividends/distributions for FY16 to 7.41 cents per share/unit. The dividend/distribution is to be paid on 29 September 2016 with Dividend/Distribution Reinvestment Plans applicable.

When combining the dividend with FY16 FMP and MSSP, total payments to an eligible, shared-up supplier are on average $5.604 per kgms.

Decisive actions to address market conditions

In light of MG's decision to revise FMP and earnings in April 2016, the Board and management committed to generating better efficiencies from the business across all areas of operations. Today MG has announced a series of decisive actions to address prevailing market conditions.

MG has announced intentions to **sustainably reduce working capital** by approximately $150 million to $160 million, $51 million of which was achieved by the end of FY16, through lowering MG's receivables with the remaining $100 million to $110 million reduction in FY17 related to inventory.

An **organisational review of MG's overheads** has now been conducted, and plans for implementation are currently being finalised. This work has identified cost efficiencies from restructure of between $50-60 million on an annualised basis, primarily from reduced headcount (predominantly positions associated with head office), procurement benefits, and systems improvement. MG expects to deliver $10 million to $15 million of these savings in FY17, net of costs.

As described above, MG has revisited our **capital projects initiatives**, and tailored plans to better suit prevailing market conditions. Changes to our planned dairy beverages investment will see a reduction in capital spend for growth, and protect the business from underwhelming investment returns.

Southern Milk Region to include Tasmanian supply in FY17

For the purposes of the Profit Sharing Mechanism Deed, the Board has determined that milk sourced from suppliers in Tasmania will be included in the definition of the Southern Milk Region from 1 July 2016. The Tasmanian dairy region is expected to add approximately 15 million kilograms of milk solids to the FY17 budget.

Outlook

MG continues to face a challenging macro environment for the year ahead with global markets in over supply and a higher than expected Australian dollar. Commodity prices have shown some upward momentum in August, with recent Global Dairy Trade results showing recovery across most commodities. This recovery comes at a time before peak production in Australia and New Zealand, and only a sustained recovery through those peaks will add meaningfully to milk price returns.

The cost efficiency initiative announced today is expected to add a net $10 million to $15 million to the FY17 Distributable Milk Pool. The initiatives around sustainable working capital reduction and efforts to tailor planned capital investments will ensure MG's balance sheet remains prudent for the current challenging environment and counter some interest cost.

To date MG has sustained net milk intake losses of approximately 240 million litres. Milk intake for July was down in line with the broader Australian industry, further impacted by difficult on-farm conditions. MG has clear plans to manage manufacturing costs in line with milk intake to best insulate FMP. Impacts from retirements from the

[2] Section 6 of the MG Unit Trust Product Disclosure Statement dated 29 May 2015 (PDS) describes the Profit Sharing Mechanism in detail. The PDS can be accessed at http://www.mgc.com.au/investor-centre/unitholders/capital-structure-key-documents/

dairy industry and farm productivity remain the key risks to MG's milk intake, and MG will provide a further update on intake at its Annual General Meeting in late October.

ENDS

Results webcast

A webcast of the financial results for the full year ended 30 June 2016 will be held at 11.00am (AEST) today. Webcast details are as follows:

Date: Wednesday 24 August 2016

Time: 11.00am

To register: http://edge.media-server.com/m/p/6vxx5r2b

The presentation will also be archived on the MG website www.mgc.com.au for viewing after the webcast.

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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 $2.8 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.