



31 August 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) – 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 2015, for immediate release to the market.

Notwithstanding that unitholders of the MG Unit Trust will not receive any distributions in respect of financial year 2015 (as disclosed in the Product Disclosure Statement dated 29 May 2015), this information relating to Murray Goulburn is being released given that unitholders 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 in respect of financial year 2016 and subsequent years.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Fiona Smith', written over a light blue circular stamp.

Fiona Smith
Company Secretary

News release



31 August 2015

ASX Announcement

To assist shareholders and unitholders in their understanding of the Murray Goulburn Co-operative Co. Limited (MG) results for the full year ended 30 June 2015, financial and operating highlights are presented as statutory financial information unless otherwise stated.

MURRAY GOULBURN ANNOUNCES RESULTS FOR THE FULL YEAR ENDED 30 JUNE 2015

Murray Goulburn Co-operative Co. Limited (MG) today announced financial results for the year ended 30 June 2015.

FY15 statutory financial and operating highlights

- Revenue of \$2.87 billion, down 1.5 percent compared to FY14 reflecting product mix optimisation in the face of declining commodity prices
- Statutory Net Profit After Tax (NPAT) of \$21.2 million, marginally higher than the PDS forecast
- Farmgate Milk Price (FMP)¹ of \$6.02 per kilogram of milk solids (kgms), the third highest FMP paid to MG suppliers
- Strong growth in the strategic 'ready-to-consume' Dairy Foods business with revenues of \$1.13 billion, up 29 percent on the prior year
- Milk intake up 5.5 percent to 3.58 billion litres. MG now represents 38 percent of Australia's total milk supply
- \$500 million in new capital raised and strong operating cash flows, leading to a stronger balance sheet and conservative gearing
- \$126 million invested in strategic capital projects to support growth in the capacity and capability of ready-to-consume dairy foods
- Fully franked final dividend of nine cents per share declared for shareholders with respect to the FY15 year prior to implementation of the new capital structure, an increase on the unfranked eight cents per share dividend declared in FY14. As outlined in the PDS, unitholders will not be eligible for a distribution with respect to FY15

¹ Available Southern Milk Region Farmgate Milk Price

FY15 pro forma financial highlights

To assist shareholders and unitholders in their understanding of pro forma results against the PDS, the following financial highlights are presented on a pro forma basis to reflect the business as it is now structured, following the implementation of the capital structure, initial public offering (IPO) of the MG Unit Trust and the introduction of the Profit Sharing Mechanism (PSM), as though that structure was in effect for FY15.

- Revenue of \$2.87 billion, down 4.1 percent compared to the PDS forecast reflecting product mix optimisation in the face of declining commodity prices
- Distributable Milk Pool of \$1.47 billion, up 1.2 percent compared to the PDS forecast
- NPAT attributable to shareholders and unitholders of \$73.3 million, up 0.7 percent compared to the PDS forecast

Commenting on the result, MG Managing Director, Gary Helou, said:

“It has been a dynamic year for the Co-operative on multiple fronts. We completed implementation of the new capital structure which gives us access to \$500 million in new capital to invest as we continue the journey to build a world-leading premium dairy foods company.”

“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 cashflow and optimise our product mix. Together, these factors allowed MG to deliver a FMP² of \$6.02 per kgms – the third highest on record and the second successive year the FMP has been \$6.00 or more - further evidence that our growth and value creation strategy is on track to deliver profitable growth and insulation from the challenges of volatile global dairy commodity prices.

“MG's strategic drive is focused on building world-leading capabilities to deliver a portfolio of ready-to-consume dairy foods, nutritional products and brands produced in Australia in formats suitable for our growing domestic and international consumer base.

“MG's strategic shift towards these ready-to-consume dairy foods and value-added dairy products such as nutritionals is already buffering the business against external factors which we cannot control.

“In particular, MG's Dairy Foods segment enjoyed a stellar year, growing strongly both in the highly competitive Australian domestic market and in key target markets internationally. The segment delivered 29 percent revenue growth, an outstanding result.

“MG's Ingredients and Nutritionals segment was impacted by weaker global dairy commodity prices with revenue for the segment 18 percent lower compared to last year's record performance. However, this impact was partially offset by a strong performance in nutritional products, with MG partnering with global nutritional customers to design and develop specialised value-added nutritional products, which command a significant price premium compared to dairy ingredients. The growth in nutritionals was further assisted by the completion of the first phase of MG's strategic capital investment in nutritional capability and capacity at Koroit.

“MG has also made great progress to deliver previously announced capital investments. \$126 million was invested during the year to support MG's growing ready-to-consume dairy foods capacity and capabilities. The benefits of these investments are expected to begin to flow through in FY16.

² Available Southern Milk Region Farmgate Milk Price

“Our milk intake grew by 5.5 percent due to a combination of organic growth and new suppliers. Importantly, milk supply grew across most regions, with the exception of the western region, which was down due to unseasonal conditions.”

Business segments

Dairy Foods

The Dairy Foods segment manufactures and markets ready-to-consume dairy foods such as fresh milk, UHT milk, cheese, butter and cream in markets throughout Australia, China, South East Asia, the Middle East and the Pacific. Products marketed under this segment are predominantly household consumer and food service dairy products distributed primarily through large retail grocery chains and food service distributors.

Dairy Foods delivered another strong year of growth with revenue up 28.9 percent on FY14 to \$1.13 billion and pro forma segment contribution to profit up 2.2 percent compared to the PDS forecast of \$70.3 million.

In Australia, the Dairy Foods segment delivered revenue growth of 30.1 percent, despite very competitive trading conditions. The strong growth was underpinned by MG’s entry into the chilled milk category in July 2014 and excellent growth in the food service channel. In particular, the cheese category performed strongly, which was driven by organic growth and the acquisition of Caboolture, the market leading food service shredded cheese brand.

During the year, MG invested in a number of packaging and product formulation innovations to support ongoing growth. MG’s consumer cheese presence was expanded into the cooking and snacking categories with the launch of Liddells cheese range, Cobram cheese snacks and Il Migliore premium Italian cooking cheeses.

The growth in consumer and food service demand for Devondale dairy foods in international markets continued this year, with 20.9 percent growth in net sales revenue. Volumes grew despite the business experiencing strong competition and aggressive pricing on the back of the fall in global dairy commodity prices. MG also invested further in its flagship Devondale brand, expanded its export dairy foods product portfolio and established a presence in a number of new markets to support future growth.

In MG’s largest Dairy Foods export markets, China and Vietnam, new premium ‘metallic’ Devondale consumer packaging for UHT milk was launched and was well received, particularly in China where it is now helping to secure Devondale’s position among the top three imported milk brands.

Additionally, a range of new consumer and food service products were launched into key export markets including Devondale cream cheese, UHT cream and butter, significantly helping to expand our presence and broaden distribution.

Ingredients and Nutritionals

The Ingredients and Nutritionals segment manufactures and supplies bulk and customised dairy ingredients and nutritional powders, primarily engaged in business-to-business sales to the food manufacturing industry in the key markets of Asia, Australia and USA.

In contrast to the prior financial year, during which dairy commodities traded at record highs, in FY15 the Ingredients and Nutritionals segment faced a deteriorating trading environment, with global dairy commodity prices significantly lower.

As a result, revenue for the Ingredients and Nutritional segment was down 17.6 per cent to \$1.34 billion compared to the prior year and pro forma segment contribution to profit was down 61 percent to \$71.9 million.

The decline in revenue and segment contribution was driven by weaker global commodity prices, partially offset by a more favourable foreign exchange rate in the second half and growth in MG's value-added nutritionals business, which delivered 33.5 percent sales growth for the year.

Other

In addition to the Dairy Foods and Ingredients and Nutritionals segments, MG also operates a number of wholly-owned businesses and subsidiaries in its Other segment. The Other segment includes MG Trading retail stores, a commercial milk broking business, ProviCo and a number of joint ventures. The Tasmanian Dairy Products joint venture is also included in the Other segment.

The Other Segment contributed revenue of \$538.5 million for the year, down 2.6 percent versus the prior period and pro forma segment contribution to profit of \$13.1 million, a 27 percent increase over last year. Growth in pro forma segment contribution to profit was driven primarily by a continued focus on cost management across MG's network of trading stores and improved margins in commercial milk sales.

Balance sheet

At year end, gearing, on a net debt to equity basis was 48.3 percent with net debt at \$634.9 million. Operating cash flow was stronger at \$104.3 million positive cash flow, partially offset by higher capital investments, consistent with MG's growth and value creation strategy.

After the effect of the \$500 million capital structure and IPO, net debt is reduced to \$156.9 million and gearing to 11.9 percent, demonstrating MG's balance sheet strength and capacity to fund its growth strategy amid financial markets volatility.

Dividend

The Board has declared a fully franked final dividend of nine cents per share, a 12.5 percent increase over last year. When combining the dividend with the FMP³, total payments to an eligible, shared-up supplier are on average \$6.11⁴ per kgms. As advised in the PDS, unitholders will not be eligible for a distribution with respect to FY15. If declared, the distribution to unitholders with respect to the first half of FY16 is expected to be paid in March 2016.

Outlook

MG continues to believe in the solid long-term growth prospects and fundamentals of the dairy industry. MG is confident that a global supply response is starting to emerge as a result of the low dairy commodity price environment.

Since issuing the PDS in May 2015, dairy commodity prices have continued to decline. This has been in contrast to MG and market commentators' expectations that they would begin to increase in the 1HFY16, before recovering significantly in the 2HFY16. Despite this, in recent months, MG has benefited from a more favourable exchange rate than forecast in the PDS and this, combined with initiatives we are taking to mitigate the impact of lower commodity prices, supports our view that the FY16 Available Southern Milk Region FMP of \$6.05 per kgms and NPAT attributable to shareholders

³ Available Southern Milk Region Farmgate Milk Price

⁴ Southern Milk Region supplier

and unitholders of \$86 million can be achieved, provided dairy commodity prices strengthen during the balance of FY16.

Meeting the FY16 forecast remains subject to certain assumptions including a material strengthening of commodity prices during the balance of FY16, foreign exchange and other risk factors as outlined in the PDS. If these factors do not materialise, MG's FY16 Available Southern Milk Region FMP is more likely to be in the range of \$5.60 - \$5.90 per kgms and NPAT attributable to shareholders and unitholders between \$66 million and \$79 million. Subject to Board declaration, this would result in dividends / distributions to shareholders and unitholders in relation to FY16 of between 11.9 and 14.4 cents per share/unit applying the proposed 100 percent payout ratio.

MG will continue to monitor the situation closely and will update the market as soon as circumstances materially change. In the meantime, MG remains focused on executing its growth and value creation strategy to shift its product mix away from the volatility of commodity products to ready-to-consumer dairy foods.

Ends

Results webcast

A webcast of the financial results for the year ended 30 June 2015 will be held at 11am today. Webcast details are as follows:

Date **Monday 31 August 2015**

Time **11.00am**

To register: <http://edge.media-server.com/m/p/bmrzh4jy>

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. 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, food service and ingredients channels domestically and around the world, particularly in Asia, with its flagship Devondale, Liddells and Murray Goulburn Ingredients brands.