



SYNLAIT MILK LIMITED ANNOUNCEMENT

24 September 2013

Synlait Milk posts \$11.5 million NPAT for FY2013

Synlait Milk posted an \$11.5 million net profit after tax for the year ending 31 July 2013, an increase of \$7.1 million on FY2012 and ahead of its prospective financial information (“PFI”) forecast of \$10.8 million.

The Company had revenue of \$420 million in FY2013, an increase of 11.5% compared to \$377 for FY2012 driven largely by increased sales volumes.

Synlait Milk Managing Director Dr John Penno said the Company made positive steps forward in all areas of its business relative to FY2012.

“The financial results we achieved in FY2013 are in line with the PFI forecast and represent an improvement in financial performance compared to FY2012. Profit targets were achieved due to margin growth from increased sales across our value added products and despite revenue being slightly behind target due to lower than expected infant formula sales.

“We remain confident of meeting our long term objectives for our infant formula and nutritionals business despite missing volume targets in FY2013 primarily due to market disruption caused by Chinese regulatory changes at the end of the financial year. We are well positioned to take advantage of new regulations taking place in China that focus on quality standards, product pricing as well as a consolidation of brands.

“We are focused on our value added milk powder and nutritional powder business, and building a reputation for quality and technical excellence,” said Dr Penno.

Key Financial Operating Metrics For FY2013 Compared to FY2012 and FY2013 PFI Forecasts

NZD (\$m)	2013 <i>Actual</i>	2012 <i>Actual</i>	Change %	2013 <i>PFI Forecast</i>	Change %
Revenue	420.0	376.8	11.5%	426.4	(1.5)%
Gross Margin	65.1	46.0	41.5%	64.6	0.8%
EBITDA	38.5	22.1	74.2%	37.4	2.9%
EBIT	28.3	13.4	111.2%	27.5	2.9%
NPAT	11.5	4.4	161.4%	10.8	6.5%
EPS	19.74	8.59	129.8%	18.56	6.4%

The company’s milk volume grew to 46.8 million kg MS in FY2013 compared to 44 million kg MS in FY2012 lifting manufactured volumes to 91,229 metric tonnes in FY2013 compared to 81,398 metric tonnes in FY2012.



The Company paid its milk suppliers a total average milk price of \$5.89 per kg MS.

Dr Penno said the focus for Synlait Milk in FY2014 will be on continuing to achieve operational targets and on the execution of its growth initiative projects to support the development of its infant formula and nutritionals business. They include a lactoferrin plant, a blending and canning facility, product testing laboratory and extra warehousing.

“Each of these growth projects is specifically designed to enhance our value proposition and build volume with targeted infant formula and nutritional customers.

“Our customer and market development strategy is progressing to plan and over the last year we have signed supply agreements with a number of new infant formula and nutritional companies in China. We expect these relationships to develop along similar lines to the growth pattern we have enjoyed with Bright Dairy,” said Dr Penno.

In FY2013 the Company achieved a pre-tax return on capital employed of 13.1%.

In relation to its dividend policy, Synlait Milk confirmed that with its present focus firmly on growing the Company, no dividend will be payable for the financial year ending 31 July 2013, nor for period ending 31 July 2014. This is consistent with statements made in the Investment Statement and Prospectus at the time of listing.

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