



## SYNLAIT MILK LIMITED ANNOUNCEMENT

27 March 2014

### Synlait Milk posts \$12.1 million half year NPAT

Synlait Milk Chairman Graeme Milne today announced that Synlait Milk has posted a \$12.1 million net profit after tax for the first six months to 31 January 2014, an increase of \$5.3 million on the \$6.8 million for the same period in 2013.

“Revenue increased to \$284.9 million compared to \$176.4 million for the same period in 2013, due largely to sustained high international commodity prices.”

“Gross profit increased to \$40.0 million compared to \$32.8 million for the same period in 2013, due to strong earnings from our milk powder and cream products business. However, this was partially offset by lower than expected earnings from our infant formula and nutritional products business due to regulation changes in China and New Zealand’s precautionary recall of WPC80, as well as an expectation that our annual average foreign exchange rate will be higher than applied in the determination of the farm gate milk price.”

“This has resulted in the forecast FY2014 net profit after tax to be revised from a range of \$30.0 to \$35.0 million to a range of \$25.0 to \$30.0 million, but still ahead of the prospectus forecast of \$19.8 million,” says Mr Milne.

However, Synlait Milk Managing Director Dr John Penno said “overall we are pleased with the development of the business. Higher than forecast earnings and strategic positioning continues to reinforce the confidence we have in our future.”

“With a favourable product mix and an increasing amount of product sold into value-added applications we expect our milk powder and cream products business to outperform our initial public offer projections in FY2014.”

“Despite it being clear that we will not meet our infant formula and nutritional volume targets for this financial year, we remain confident of meeting our long term objectives.”

“During the first half of this financial year we have made good progress with our target first tier multinational customers. As a result we expect to be supplying infant formula ingredients and finished products to four of our six target customers in FY2015. This volume we expect will account for as much as 30% of our total production next season with the additional milk supply required to meet these requirements having already been secured.”

“To meet this customer demand, and with strong interest in milk supply from farmers, we have decided to expand the scope of some of our growth initiatives and bring forward some investment. Specifically, our second large scale infant formula and nutritional spray drier will now have 25% greater capacity than originally planned. The Board has also committed \$6.0 million of additional



expenditure to prepare the site for an eventual fourth large scale spray drier, and combined with the extra capacity will increase the estimated cost of the project from \$103.5 million to \$135.0 million,” said Dr Penno.

“Continuing to concentrate on operational targets and the execution of our growth initiative projects to support the development of the business is critical. We continue to invest in people, systems, and plant and equipment to build technical capability ahead of our market development.”

The three growth initiatives under development during the six month period, including the lactoferrin plant, drystore extension and blending and canning plant are on track for commissioning on, or close to, their planned dates.

**ENDS**

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