



SYNLAIT MILK LIMITED

MEDIA RELEASE

22 September 2014

Synlait Milk posts \$19.6 million NPAT for FY2014

Synlait Milk has posted a \$19.6 million net profit after tax (NPAT) for the year ending 31 July 2014, an increase of 70% compared to the \$11.5 million NPAT for FY2013, and in line with its prospective financial information (PFI) forecast of \$19.7 million.

Revenue was \$600 million in FY2014, an increase of 43% compared to \$420 million for FY2013, and well ahead of the PFI forecast of \$524 million.

Synlait Milk Chairman Graeme Milne said he is pleased with the result and the continued growth of the business in its sixth year of operation.

“Our focus during the year has been to deliver on the promises we made to shareholders when we listed on the New Zealand Stock Exchange in 2013. Profitability was on target with our PFI, driven largely by a favourable product mix that enabled the business to make the most from the period of very high world market prices.

“However, achieving targeted premiums and gross margin for specialised ingredients when world market prices were high proved challenging. Along with the development of our nutritionals business being set back by regulatory change in the important Chinese market, it meant the profitability advantages over and above PFI we experienced in the first half of the year were largely eliminated.

“Over what has been a challenging year, the progress we have made with our key customers continues to give us confidence in our future. The ongoing execution of our growth initiatives to ensure the development of our infant formula and nutritionals business supports these customers is a key focus going forward,” said Mr Milne.

Synlait Milk’s growth initiatives, including a 22,500m² drystore expansion, lactoferrin extraction and purification plant and blending and consumer packaging plant were completed during the year.

Construction has begun on a new administration office and quality assurance laboratory, as well as a third large scale infant formula capable dryer, due to be completed in September 2015.

Continues...

Key Financial Operating Metrics for FY2014 Compared to FY2013 and FY2014 PFI Forecasts

| NZD (\$m) | 2014 <i>Actual</i> | 2013 <i>Actual</i> | Change % | 2014 <i>PFI Forecast</i> | Change % |
|------------------|-----------------------|-----------------------|-------------|-----------------------------|-------------|
| Revenue | 600.5 | 420.0 | 43.0% | 524.4 | 14.5% |
| Gross Margin | 77.1 | 65.1 | 18.4% | 76.4 | 0.9% |
| EBITDA | 43.8 | 38.5 | 13.8% | 44.0 | (0.4)% |
| EBIT | 32.4 | 28.3 | 14.6% | 32.1 | 1.1% |
| NPAT | 19.6 | 11.5 | 70.5% | 19.7 | (0.3)% |
| EPS ¹ | 13.40 | 10.21 | 31.2% | 13.4 | (0.3)% |
| TSR | 33% | n/a | n/a | n/a | n/a |

¹ EPS has been restated for FY13 share split

Synlait Milk's volume of milk grew to 49.9 million kilograms of milk solids (kgMS) in FY2014, lifting manufactured volumes to 96,492 metric tonnes (MT). This compares to a volume of milk of 46.8 million kgMS and manufactured volumes of 91,229 MT in FY2013.

Synlait Milk paid its milk suppliers a total average milk price of \$8.31 per kg MS.

Managing Director Dr John Penno said the focus for the coming financial year will be on the execution of the current growth initiatives, maximising volume growth of the infant formula and nutritionals business and ensuring operational targets are achieved.

"We continue to invest in people, systems, plant and equipment to build technical capability that supports our strategic development," said Dr Penno.

"Our customer and market development strategy is progressing faster than we planned. We now produce product for four of the world's leading multinational infant formula companies and are in discussions with each of them about increasing volumes, manufacturing higher value products and collaborating on research and development opportunities."

"China remains an important focus for us. The disruption caused during the year by the regulatory changes is easing and we are well positioned to take advantage of improved returns from increased sales in this market."

"It is our desire, as the manufacturing company, to develop a close association with our Chinese brand owners to reassure consumers that these brands are produced from a reliable, vertically integrated company that is prepared to stand behind the quality of the product. This approach has been signalled by Chinese officials as a future requirement for the export of retail-ready infant formula to China."

Continues...



“We are pleased to announce we have entered into a conditional agreement, subject to certain approvals, for a 25% shareholding in Sichuan New Hope Nutritional Foods Co., Ltd., the company responsible for the ownership, sale and distribution of the akara™ branded infant formula range in China. Through a small investment, the partnership will create an integrated supply chain for the manufacture, packaging, supply, distribution and sale of akara™ to consumers in China, ensuring transparency back from can to paddock,” said Dr Penno.

In FY2014 Synlait Milk achieved a pre-tax return on capital employed of 11.5%.

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

ENDS

For more information please contact:

Michael Wan
Marketing and Communications Manager
Synlait Milk
P: +64 27 288 8253
E: michael.wan@synlait.com
www.synlait.com

About Sichuan New Hope Nutritional Foods Co., Ltd. (New Hope Nutritional Foods)

New Hope Nutritional Foods is the registered owner of the akara™ infant formula brand in China.

New Hope Nutritional Foods is a subsidiary of New Hope Dairy Holdings Company.

New Hope Dairy Holdings Company is itself a subsidiary of New Hope Dairy, which is in turn a wholly-owned subsidiary of the New Hope Group.

New Hope Dairy commenced operations in 2002, and processes 800,000 MT of milk solids. In 2012, its annual revenue was RMB 4 billion. New Hope Dairy makes fresh milk, beverages, flavoured milk and yoghurts.

The broader New Hope Group is a large, diversified conglomerate with varied interests in the agri-business and dairy sectors, as well as real estate, chemicals, finance and investment. There are around 400 global entities in the NHG, and over 80,000 employees. NHG's 2012 revenues were more than RMB 90 billion.