SYNLAIT MILK LIMITED

ANNOUNCEMENT

30 March 2015

Synlait releases Interim Report for 2015 financial year

Synlait Milk has posted a $6.4 million net loss after tax for the first six months to 31 January in the 2015 financial year (FY15).

This result includes after tax unrealised foreign exchange losses of $6.8 million.

The underlying after tax financial performance of $0.4 million for the period was lower than expected and primarily due to delays in the shipment of infant formula and nutraceutical products.

A one-off, after tax product mix benefit of $7.5 million in the first half of FY14, combined with increased depreciation and interest costs from the commissioning of three growth initiatives projects in the second half of FY14, are the primary reasons for a $11.7 million variation between the underlying FY15 interim result of $0.4 million and the FY14 interim result of $12.1 million net profit after tax.

“We are expecting a much stronger performance in the second half of FY15, associated with increased sales of our higher margin infant and nutraceutical products,” said Chairman Graeme Milne.

Despite an expectation that current market volatility will continue, Synlait is confident that sufficient committed contracts are in place to achieve a forecast net profit after tax result of $10 - $15 million for FY15.

Production challenges have occurred in the first year of commercially producing lactoferrin, a high-value bioactive protein. As a consequence, there is an increasing risk that the sales target of 15 metric tonnes (MT) may not be achieved in FY15.

“This is very much a year of two halves. The timing of when we can recognise our forecast results for FY15 has shifted more than we were expecting from the first half to the second half of the year,” said Mr Milne.

Managing Director John Penno said that although the previous 18 months have been challenging for the dairy industry, investing in nutritional capacity and capability is what will create value for the business in the long term.

“We are acutely aware of the decline in commodity prices and the impact this is having on our suppliers. We have an increased ability to respond well to these pressures, which means in some situations we can offer financial incentives to help ease these impacts on our suppliers,” said Mr Penno.

“This is a transition year for us. Our immediate focus is on building strong customer relationships that will benefit from our investment in a first-class manufacturing site.”

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“Our Dunsandel site is world leading. We’re attracting some of the best staff and once we’ve completed our remaining growth initiatives, we will have made significant progress towards our added-value strategy.”

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