



SYNLAIT MILK LIMITED

ANNOUNCEMENT

31 March 2016

NUTRITIONAL SALES UNDERPIN HALF YEAR UNDERLYING PROFIT OF \$12.3 MILLION

Synlait has reported an underlying net profit after tax (NPAT) of \$12.3 million for the first half of the 2016 financial year (HY16).

In contrast to \$0.4 million in HY15, this improved performance is primarily the result of increased nutritional sales in canned infant formula.

“We’re glad to deliver a solid result for the first half of FY16. Our significant investment in customer and product development, people, plant and operating systems in recent years is beginning to transform our earnings,” said Chairman Graeme Milne.

“Our core strategy is to partner with leaders in the infant formula and adult nutrition industries. These half year results demonstrate the early success of this strategy and we’re pleased with our pace of execution,” said Mr Milne.

Nutritional product sales for the period were 7,498 MT, a 155% increase on HY15’s 2,946 MT, and accounted for 16% of total sales volumes in HY16.

“The result we’re expecting is an almost fourfold increase in canned infant formula sales in FY16, compared to FY15. Concurrently, by the end of FY16, we will have strengthened our balance sheet by restructuring our working capital requirements and repaying debt.”

“This position provides a base for potential further capital expansion,” said Mr Milne.

Managing Director and CEO John Penno highlights the success of Synlait’s partnership with nutritional customer The a2 Milk Company™.

“As the sole manufacturer of their fast growing a2 Platinum® range of infant formula, it’s a good example of a strong customer relationship providing a positive return to our bottom line,” said Mr Penno.

“We continue to work closely with The a2 Milk Company™ to support their growth and expect this partnership will grow deeper over time. At the same time, we are equally committed to developing all of our customer partnerships.”

This includes a partnership with US-based Munchkin Inc. to produce Grass Fed™ infant formula expected to be launched in Australia and New Zealand in May this year.

“We have manufactured the first trial batches of Grass Fed™ for clinical studies in the US, a necessary step in getting this product approved by regulatory authorities for sale in the US.”



Special Milk programmes like a2 Milk™ and Grass Fed™ aren't possible without the support of milk suppliers, said Mr Penno.

“More than 50% of our suppliers will receive a premium payment in FY16, primarily for creating value on their farm through our Lead With Pride™ and Special Milk programmes. This will be worth approximately \$6 million in premium payments in FY16.”

“The impact of prolonged low dairy commodity pricing however continues to hit home for our suppliers. We remain committed to supporting them where we can and for the second year running we're advancing a higher proportion of our final milk price than would be normal,” said Mr Penno.

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