



PRESS RELEASE

TATUA FINANCIAL RESULTS FOR THE YEAR ENDED 31 JULY 2016

The Board of Directors of The Tatua Co-operative Dairy Company met on 28 September 2016 to consider the financial results and decide on the final payout to its 113 Suppliers for the 2015/16 season.

Tatua achieved Group operating revenue of \$281.2 million and earnings before tax of \$99.7 million in 2015/16. This equates to earnings of \$6.41 per kilogram of milksolids prior to retentions and taxation.

The Board has decided that payout for the 2015/16 season will be NZ\$ 6.30 per kilogram of milksolids cash to the Tatua's Supplying Shareholders and, in addition, the Board has declared a pre-tax retention of 11 cents per kilogram of milksolids to ensure that Tatua retains the financial strength necessary to support its strategy of growing its Specialised Added Value business.

Tatua's gearing ratio (of debt divided by debt plus equity) decreased to 35.7% from 36.6% at the end of the previous year.

The New Zealand Dollar has slowly appreciated through the year and the Company's foreign exchange hedging policies have achieved an overall conversion rate of 0.7135 to the US Dollar, a strong performance and in line with Tatua's benchmark.

Milk from our Supplying Shareholders was 15.6 million kilograms of milksolids, compared to 15.7 million kilograms of milksolids supplied in 2014/15. Our Supplying Shareholders' milk quality has continued to be outstanding, with average somatic cell counts remaining at historically low levels and 99.7% of milk collected being graded "finest".

In line with Tatua's Vision to build a future in specialised dairy, we continue to focus on implementing Tatua's four strategic themes, to: -

1. grow earnings premium over the New Zealand Milk Price;
2. make our business more sustainable;
3. work as "One Team" through a common purpose, vision and values; and
4. attract, develop and retain great people.

The 2015/16 year has been a challenging year, with global milk supply rising in the face of generally lacklustre demand. Benchmark milk powder prices declined for most of the year.

Tatua was able to achieve a strong result in the face of the ongoing weak market due to its product mix of caseinate, WPC and AMF remaining preferred throughout the year, and increased margins on its specialised added value businesses as a result of the low New Zealand milk price.

Recent upturns in prices on the Global Dairy Trade auction are positive, but global milk supply can respond quickly to higher prices and the demand picture is mixed. Until this changes, further upward price movements for dairy commodities may be limited.

Tatua's strong, ongoing focus on growing its specialised added value business remains our greatest hedge against market volatility.

The Company continues to focus on all aspects of sustainability; environmental, financial and social. Our Company is made up of 113 supplying farms, comprising 86 farming families and 370 employees and their respective families. Long-term confidence and stability for our farming families, staff and our customers is paramount, to allow Tatua to continue its strategy of adding value to our Shareholders' milk.

Please contact either of us if you have questions or would like further comment on our results.

Kind regards,



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