

synlaitTM
making more from milk

STRATEGIC UPDATE

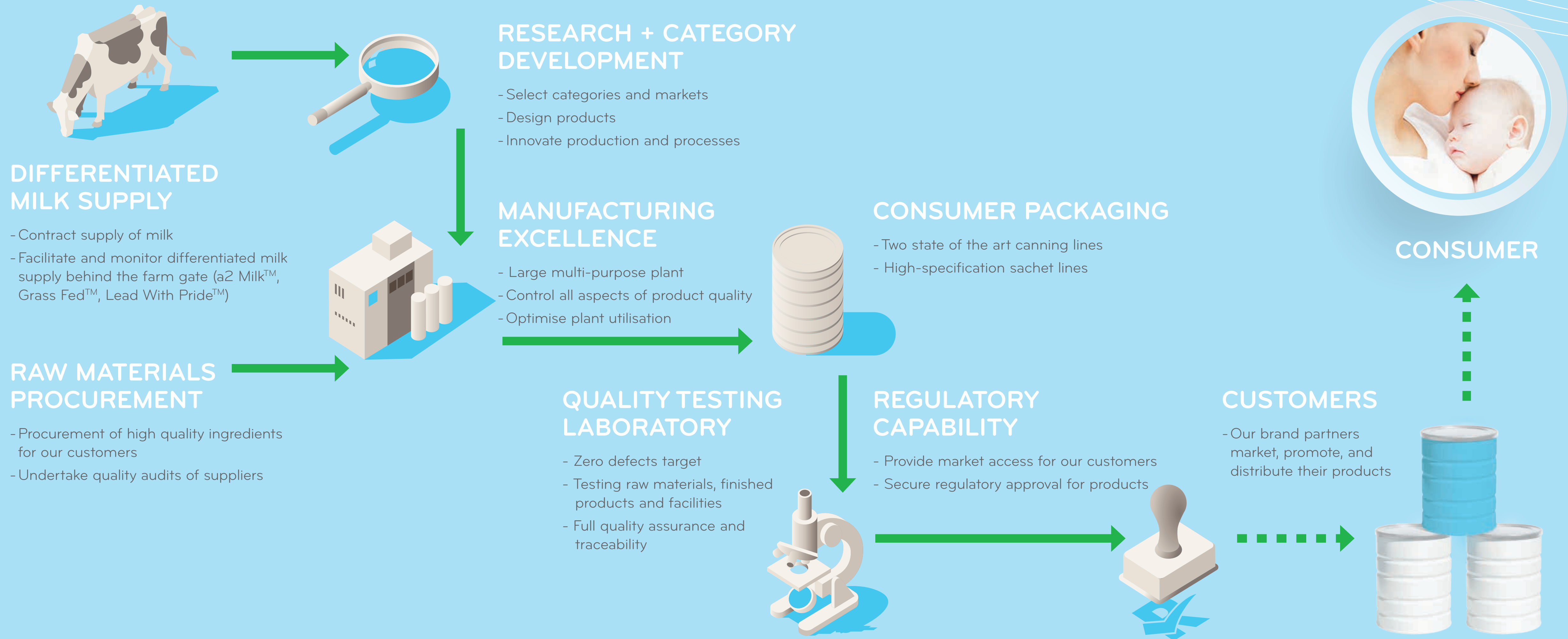
20 DECEMBER 2017



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SYNLAIT ADDS VALUE FROM FARM TO CONSUMER



OUR CATEGORIES

DELIVERED IN CONSUMER, FOODSERVICE AND INGREDIENTS PACKAGING

	INGREDIENTS	INFANT NUTRITION	EVERYDAY DAIRY	ADULT NUTRITION
	Build Sales - People, Technical	Blending + Consumer Packaging II	New initiatives	Product Development
	Tailor Product To Customer Need	Wetmix II		Market Research
		RTD Infant Formula	Cream opportunities	RTD Blended Dairy Beverage
Diversify Markets - Categories, Customers, Geography				
Deliver Higher Value Products				
Adapt To A Changing World Demographic				
Focus On B2B, But Move Closer To Customers And Consumers				
Build Supply Chain Integrity				

Strong contributor to strategic goal Weak contributor to strategic goal

STRATEGIC DIVERSIFICATION

- Significant success in **transitioning dairy commodity products into higher value** infant formula (Gross Profit \$781/MT in FY18 from \$231/MT in FY09)
- Our **strategy is to continue to grow** our core business and diversify into new products, markets and customers
- Our research shows that **fresh dairy products are high returning products** – not as profitable as infant formula but significantly better than ingredient products
- **The New Zealand domestic fresh milk market is ripe for innovation**
- We have **negotiated a contract with Foodstuffs South Island** to exclusively supply their private label milk, as a first step in this market
- This ten year contract, together with an initial volume of export long shelf life cream, will **underpin the development of an advanced fresh dairy packaging facility** at Dunsandel. This facility will have capacity for us to produce significant volumes of other liquid dairy products (RTD infant formula, RTD life stage products)
- As our canned infant formula volumes grow, **we have surplus milk** which we will direct into the liquid facility



FOODSTUFFS SOUTH ISLAND CONTRACT

- **Exclusive supply of private label fresh milk and cream** (Value and Pams) from early 2019
- **Distributed in retail channels** (PAK'n SAVE, New World, Four Square and On The Spot)
- **Ten year agreement** with demand to underpin capital investment

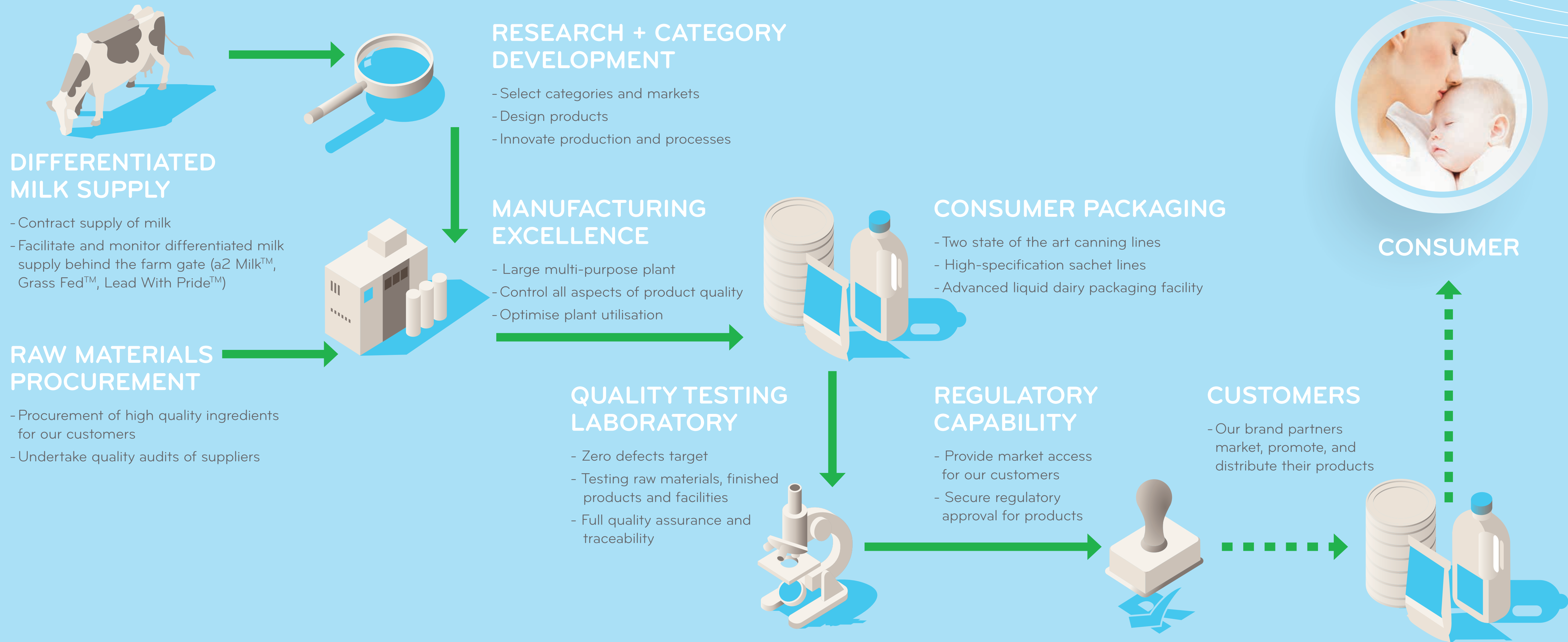


CAPITAL INVESTMENT

- **\$125m modern and sophisticated advanced liquid dairy packaging facility** to be constructed at our Dunsandel site
- **Investment to be funded** through debt facilities
- **Annual capacity of 110 million litres** of which one third will be initially utilised for Foodstuffs South Island products
- **Synlait's current milk supply adequate** to meet the volumes of the contract
- **Capable of manufacturing** a range of traditional and new products
- **New product development** to be supported from our new R+D centre in Palmerston North
- **Long life cream export category** also **presents attractive opportunities which we intend to pursue**



LIQUID MILKS LEVERAGE THE SAME INTEGRATED VALUE CHAIN



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