BUILDING MOMENTUM

Synlait Milk Limited Annual Meeting of Shareholders

2 December 2014

WELCOME

FY14 Annual Report.

Released 22.09.2014

Digital Edition.

synlait.com/investors

AGENDA

- Welcome and Introductions.
- Chairman's Message.
- Managing Director's Message.
- Chief Financial Officer's Message.
- Formal Resolutions.
  - Auditor Remuneration.
  - Election of Director (Bill Roest).
  - Directors' Remuneration (increase).
  - Director Remuneration (review period).
- Other Business.
- Close.

CHAIRMAN'S

MESSAGE

BOARD OF DIRECTORS

KEY MESSAGES

Operating

- FY2014 delivered on prospectus forecast.
- Significant improvement in financial performance over FY2013.
- A number of significant issues impacted on our FY2014 result.

Growth

- On-going FY2015 focus is to deliver on the execution of our growth initiatives, particularly Dryer 3.
- Increasing sales volumes with targeted customers.
- Increase growth in infant formula and nutritional sales.

Outlook

- Benefit of increased infant formula and nutritional sales largely balanced by increased operating and funding costs.

OPERATING EXPLANATION

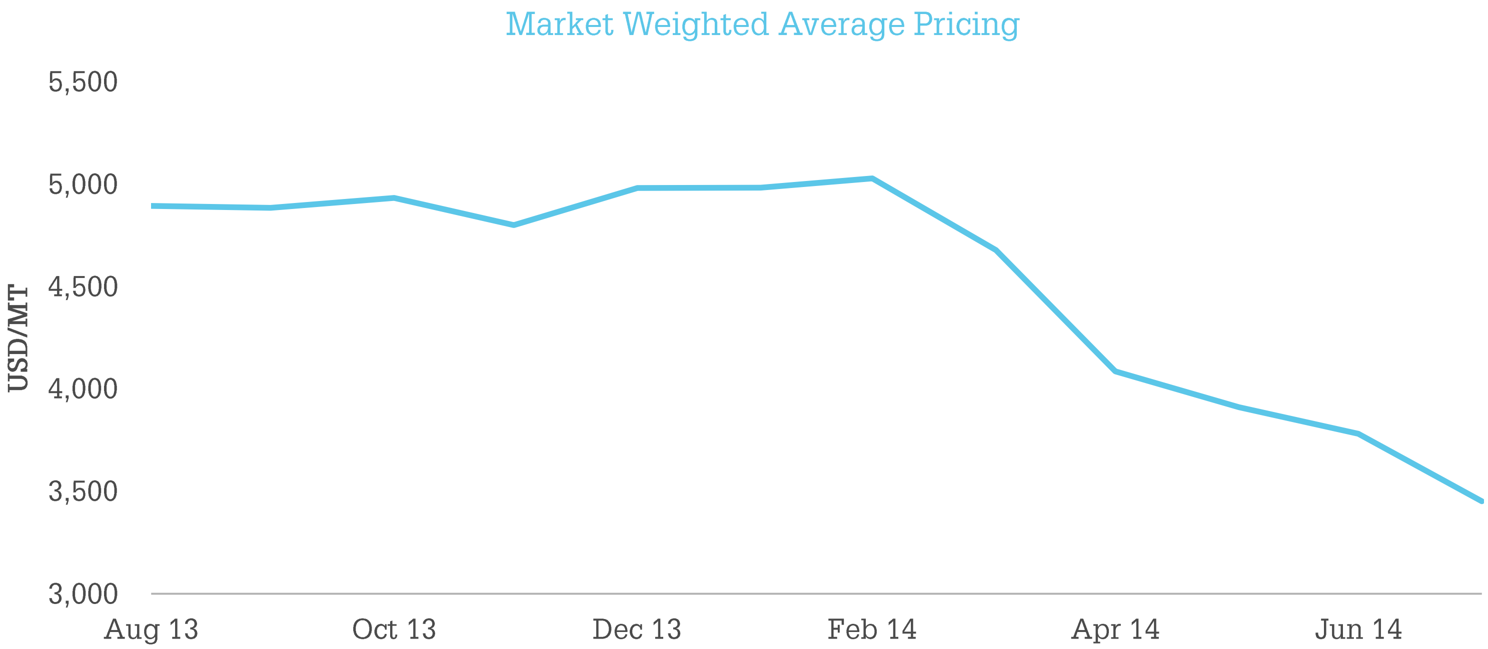
Positives

- World market prices for our major products stayed firm for the first seven months of FY2014 and firmer than other dairy based products.

Negatives

- Market uncertainties in China due to changing regulations impacted on infant formula sales.
- Some customers were forced to delay and in some cases cancel orders, which also lead to significant stock write-downs.

MARKET OVERVIEW

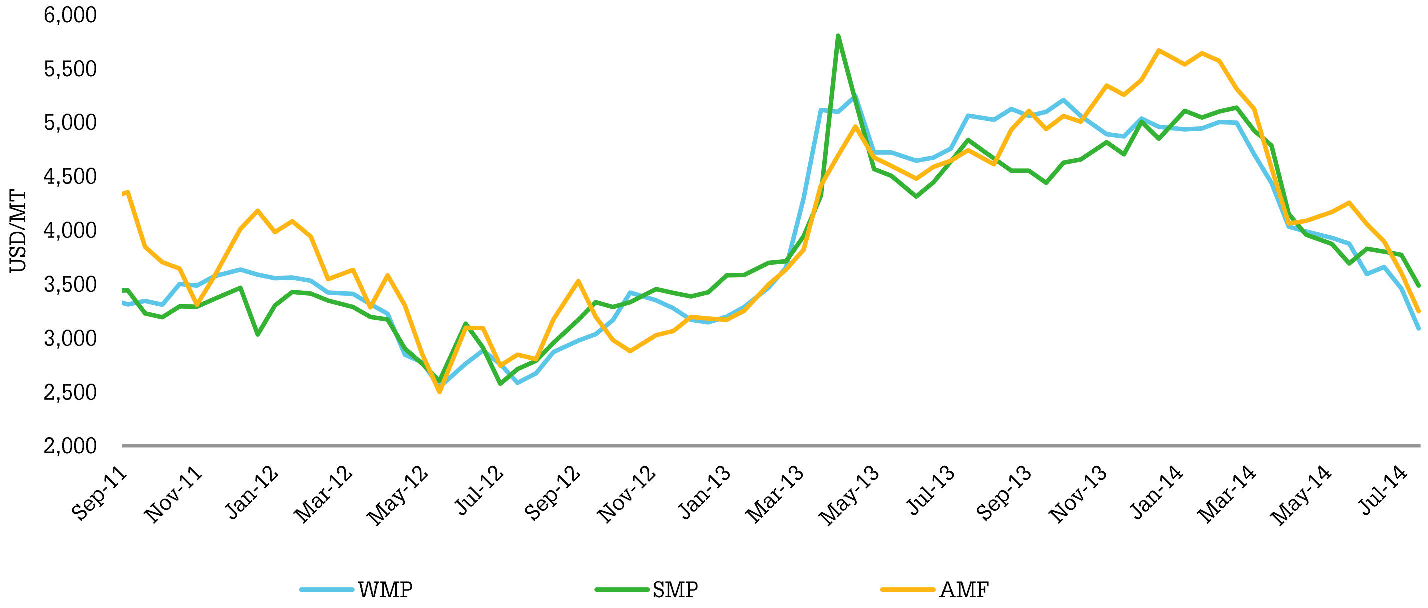


Source: Global Dairy Trade™

MARKET OVERVIEW

- High volatility in commodity prices.
- Increasing production from the European Union and United States of America has put downward pressure on prices.
- Russian import ban on European Union imports increasing global powder supply.
- China reduced purchasing due to overstocking last year.

MARKET OVERVIEW



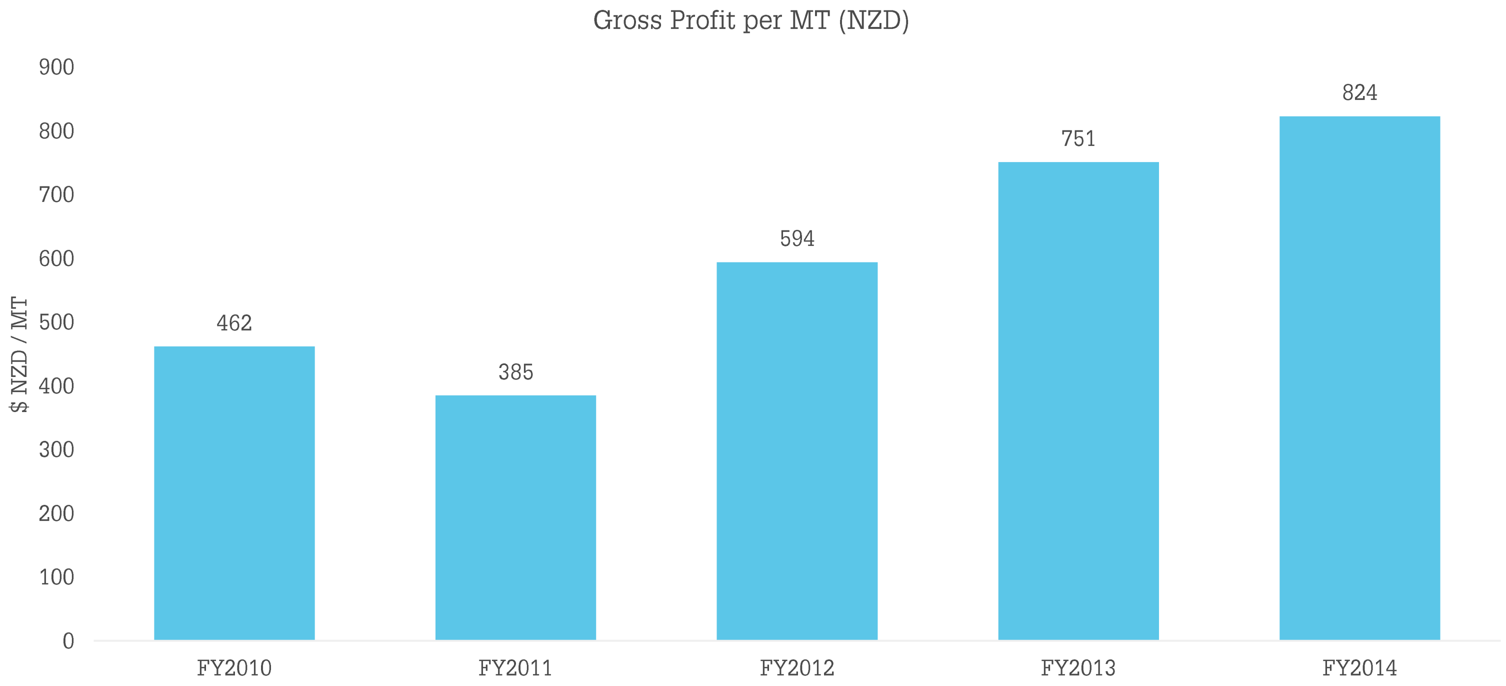
FUTURE FOCUS

- Continuing focus on growing business with targeted customers.
- Development of China and other Asian market opportunities in nutritionals.
- Targeted spray dried lactoferrin sales of at least 15 MT.
- Execution of growth initiatives:
  - Dryer 3
  - Quality Testing Laboratory and Administration building.
- Procurement of milk supply to support Dryer 3.
- Several future development opportunities under consideration.

MANAGING DIRECTOR'S

MESSAGE

MARGIN GROWTH KEY TO SUCCESS



CUSTOMER AND MARKET DEVELOPMENT STRATEGY

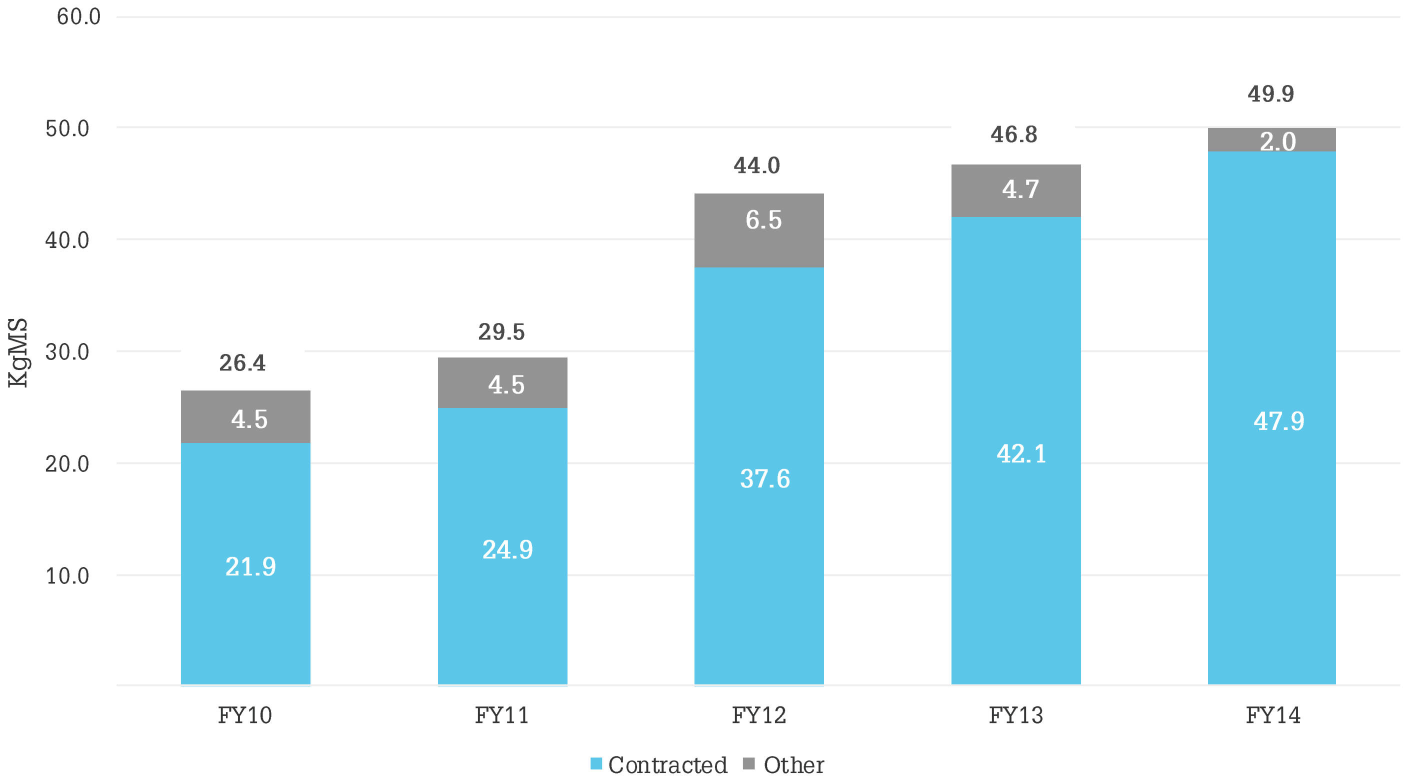
Breakdown of Sales Strategy

70% Multinationals

25% Regional Market Leaders

5% Unique Positioned Companies

MILK SUPPLY



60.0
50.0
40.0
30.0
20.0
10.0
KgMS
26.4
4.5
21.9
29.5
4.5
24.9
44.0
6.5
37.6
46.8
4.7
42.1
49.9
2.0
47.9
FY10
FY11
FY12
FY13
FY14
Contracted
Other

22,500M^2 DRYSTORE

LACTOFERRIN EXTRACTION AND PURFICATION FACILITY

BLENDING AND CONSUMER PACKAGING FACILITY

FY2015 INDUSTRY OUTLOOK

- Strong global milk growth driving declining prices (particularly Europe).
- Considerable uncertainty of China and Russia demand (low milk price).
- Regulatory changes stabilising in China.
- Significant investment in new production within New Zealand over next five years.
- Merger and acquisition activity in New Zealand by overseas companies to sure up supply chain options to meet China regulatory requirements.

FY2015 SYNLAIT MILK OUTLOOK

- Increase milk powder business committed to infant formula and nutritional market approaching 50% of total business.
- 45% of sales committed to four multinationals.
- Completion of growth initiatives:
  - Dryer 3.
  - Quality Testing Laboratory and Administration Building.
- The small investment (25%) in New Hope Nutritional's akara™ brand is expected to be completed in December 2014.
- Registration achieved to export retail-ready product from blending & consumer packaging facility to China.


PURE CANTERBURY
NEW ZEALAND
PURE CANTERBURY
培儿贝瑞
Growing-up Formula
幼儿配方奶粉
OPO
3


akara
Premium Infant Formula
Purimilcare
OPO,Lactoferrin,
Nucleotides,
DHA,ARA
For Babies
From 0-6 Months
1
Net:900g


a2
PLATINUM
PREMIUM INFANT FORMULA
GENTLE ON
A2
BETA-CASEIN
PROTEIN
TINY TUMMIES
1
FORMULATED
TO HELP SUPPORT

CHIEF FINANCIAL OFFICER

MESSAGE

RESULTS OVERVIEW

Revenue
$600.5 million ↑ 43.0%

Gross Profit
$77.1 million ↑ 18.4%

Gross Profit per MT
$823 ↑ 9.7%

EBITDA
$43.8 million ↑ 13.8%

Net Profit After Tax
$19.6 million ↑ 70.5%

Shareholders Funds
$183.1 million ↑ 11.6%

Return of Capital Employed
11.5% ↑ 1.6%

Total Shareholder Return
33%

SIGNIFICANT IMPACTS ON FY2014 MARGIN[1]

- While FY2014 margin at $77.1m was in line with PFI forecast, there were a number of significant impacts.
  - Including a one off product mix benefit estimated to be $24.5m.

- However there have been some challenging issues:
  - Anticipated margin on infant formula sales not achieved $8.3m.
  - Stock provisions and write off on infant formula inventories $7.5m.
  - Product sales phasing estimated costs $6.5m.
  - Foreign exchange impact $2.0m (previously estimated at $4.1m).
  - Overall still reflecting net margin growth for the year.

1: Impacts due to product phasing and foreign exchange costs are management estimates, which will be verified following the release of the Fonterra Milk Price Statement.

BALANCE SHEET AND CASH FLOWS

	2014 Actual	2013 Actual	Change %	2014 PFI Forecast	Change %
New Working Capital	(10,094)	(7,527)	34.1%	(28,912)	(65.1)%
Fixed Assets (PPE)	298,186	210,780	41.5%	281,117	6.1%
Net Debt	152,096	105,555	44.1%	87,241	74.3%
Shareholders Funds	183,130	164,038	11.6%	185,203	(1.1)%
Gearing	45.4%	39.2%	15.9%	32.0%	41.7%
ROCE[1]	11.5%	13.1%	(12.5)%	12.6%	(9.1)%
Operating Cash Flows	58,675	(47,095)	(224.6)%	72,800	(19.4)%
Capital Expenditure (PPE)	95,876	6,437	1,389.5%	68,713	39.5%

[1] *ROCE calculated after adjusting down FY2013 capital employed for the impact of $34.6m of one off cash flow items that will unwind in FY2014.*

STRATEGIC GROWTH INITIATIVES

$m	Forecast / Actual	PFI	Variance to PFI	Commissioned
22,500m2 Drystore[1]	17.0	19.5	(2.5)	April 2014
Lactoferrin Extraction and Purification Facility	21.9	15.1	6.8	April 2014
Blending and Consumer Packaging	29.2	27.5	1.7	July 2014
Quality Testing Laboratory and Administration Building	21.0	8.4	12.6	Scheduled June 2015
Dryer 3	135.0	103.5	31.5	Scheduled September 2015
Ammix Butter Plant	15.0	15.0	-	Build deferred to FY2016
	239.1	189.0	50.1	

[1] *Includes the Blending and Consumer Packaging and Dryer 3 drystore.*

BANK COVENANTS AND WORKING CAPITAL FINANCING

Bank Covenants

- Replaced TTA/TSF covenant with Minimum Shareholder Funds covenant.
- Renegotiated Working Capital Ratio covenant.
- Interest Cover Rate covenant remained unchanged.

BANK COVENANTS AND WORKING CAPITAL FINANCING

Working Capital Financing

- Extended EAA with Mitsui to July 2017, with two significant benefits:
  1. Lower fixed fee for export documentation services
  2. Introduction of Inventory Financing at lower financing cost
- Implementing Receivables Assignment process (factoring) for Tier 1 customer receivables – two significant benefits:
  1. Lower cost of financing
  2. Off balance sheet treatment

FORMAL RESOLUTIONS

FORMAL RESOLUTIONS

Auditor's Remuneration

- Resolution 1:

  To consider and, if thought fit, pass the following as an ordinary resolution:

  "That the Board be authorised to determine the auditor's fees and expenses for the 2015 financial year."

FORMAL RESOLUTIONS

Election of Director

- Resolution 2:

  To consider and, if thought fit, pass the following as an ordinary resolution:

  "That Bill Roest be re-elected as a Director."

FORMAL RESOLUTIONS

Directors’ Remuneration

– Resolution 3:

To consider and, if thought fit, pass the following as an ordinary resolutions:

“That the annual fee for the Chairman of the Board be $108,000”;

“That the annual fees of $66,000 be paid to each of the two Committee Chairs”;

“The annual fees for all other Directors be $60,000”; and

“That the above increases apply from 1 April 2015.”

FORMAL RESOLUTIONS

Directors' Remuneration Policy Review Period

- Resolution 4:

  To consider and, if thought fit, pass the following as an ordinary resolution:

  "That the Directors' Remuneration Review Policy be changed to an annual review of Director Fees from 1 April 2015 onwards."

ANY OTHER BUSINESS

THANK YOU

Media or investor queries can be directed to:

Daniel Walraven
Communications Advisor
Synlait Milk Limited
P: +64 3 373 3069
E: daniel.walraven@synlait.com
www.synlait.com