WELCOME

FY14 Annual Report.
Released 22.09.2014

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.
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

Market Weighted Average Pricing

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

Gross Profit per MT (NZD)

<table>
<thead>
<tr>
<th>Year</th>
<th>$NZD/MT</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>462</td>
</tr>
<tr>
<td>FY2011</td>
<td>385</td>
</tr>
<tr>
<td>FY2012</td>
<td>594</td>
</tr>
<tr>
<td>FY2013</td>
<td>751</td>
</tr>
<tr>
<td>FY2014</td>
<td>824</td>
</tr>
</tbody>
</table>

© Synlait 2014
CUSTOMER AND MARKET DEVELOPMENT STRATEGY

Breakdown of Sales Strategy

70% Multinationals
25% Regional Market Leaders
5% Unique Positioned Companies
MILK Supply

<table>
<thead>
<tr>
<th>Year</th>
<th>Contracted</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>21.9</td>
<td>4.5</td>
</tr>
<tr>
<td>FY11</td>
<td>24.9</td>
<td>4.5</td>
</tr>
<tr>
<td>FY12</td>
<td>37.6</td>
<td>6.5</td>
</tr>
<tr>
<td>FY13</td>
<td>42.1</td>
<td>4.7</td>
</tr>
<tr>
<td>FY14</td>
<td>47.9</td>
<td>2.0</td>
</tr>
</tbody>
</table>
22,500M² DRYSTORE
LACTOFERRIN EXTRACTION AND PURIFICATION 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.
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\textsuperscript{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.

\textsuperscript{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

<table>
<thead>
<tr>
<th></th>
<th>2014 Actual</th>
<th>2013 Actual</th>
<th>Change %</th>
<th>2014 PFI Forecast</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Working Capital</td>
<td>(10,094)</td>
<td>(7,527)</td>
<td>34.1%</td>
<td>(28,912)</td>
<td>(65.1)%</td>
</tr>
<tr>
<td>Fixed Assets (PPE)</td>
<td>298,186</td>
<td>210,790</td>
<td>41.5%</td>
<td>281,117</td>
<td>6.1%</td>
</tr>
<tr>
<td>Net Debt</td>
<td>152,096</td>
<td>105,555</td>
<td>44.1%</td>
<td>87,241</td>
<td>74.3%</td>
</tr>
<tr>
<td>Shareholders Funds</td>
<td>183,130</td>
<td>164,038</td>
<td>11.6%</td>
<td>185,203</td>
<td>(1.1)%</td>
</tr>
<tr>
<td>Gearing</td>
<td>45.4%</td>
<td>39.2%</td>
<td>15.9%</td>
<td>32.0%</td>
<td>41.7%</td>
</tr>
<tr>
<td>ROCE(^1)</td>
<td>11.5%</td>
<td>13.1%</td>
<td>(12.5)%</td>
<td>12.6%</td>
<td>(9.1)%</td>
</tr>
<tr>
<td>Operating Cash Flows</td>
<td>58,675</td>
<td>(47,095)</td>
<td>(224.6)%</td>
<td>72,800</td>
<td>(19.4)%</td>
</tr>
<tr>
<td>Capital Expenditure (PPE)</td>
<td>95,876</td>
<td>6,437</td>
<td>1,389.5%</td>
<td>68,713</td>
<td>39.5%</td>
</tr>
</tbody>
</table>

\(^1\) 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

<table>
<thead>
<tr>
<th></th>
<th>Forecast / Actual</th>
<th>PFI</th>
<th>Variance to PFI</th>
<th>Commissioned</th>
</tr>
</thead>
<tbody>
<tr>
<td>22,500m² Drystore&lt;sup&gt;1&lt;/sup&gt;</td>
<td>17.0</td>
<td>19.5</td>
<td>(2.5)</td>
<td>April 2014</td>
</tr>
<tr>
<td>Lactoferrin Extraction and Purification Facility</td>
<td>21.9</td>
<td>15.1</td>
<td>6.8</td>
<td>April 2014</td>
</tr>
<tr>
<td>Blending and Consumer Packaging</td>
<td>29.2</td>
<td>27.5</td>
<td>1.7</td>
<td>July 2014</td>
</tr>
<tr>
<td>Quality Testing Laboratory and Administration Building</td>
<td>21.0</td>
<td>8.4</td>
<td>12.6</td>
<td>Scheduled June 2015</td>
</tr>
<tr>
<td>Dryer 3</td>
<td>135.0</td>
<td>103.5</td>
<td>31.5</td>
<td>Scheduled September 2015</td>
</tr>
<tr>
<td>Ammix Butter Plant</td>
<td>15.0</td>
<td>15.0</td>
<td>-</td>
<td>Build deferred to FY2016</td>
</tr>
<tr>
<td></td>
<td>239.1</td>
<td>189.0</td>
<td>50.1</td>
<td></td>
</tr>
</tbody>
</table>

<sup>1</sup> 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