

INVESTOR UPDATE

DECEMBER
2015

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Inside the farm gate

John Penno
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER



Our purpose has always been to make more from milk and the recently completed \$250 million growth initiatives programme has reinforced our position and capability as a global innovator with one of the largest and highest specification infant formula production sites globally.

NUTRITIONAL SALES AS A KPI

It was great to see and talk with many of you at our Annual Meeting on Tuesday 8 December. The Board and I appreciate you taking the time to attend and we hope you left with a better understanding of our business and where we are heading.

We clearly positioned ourselves as a growth company in our 2013 initial public offering (IPO). Our purpose has always been to make more from milk and the recently completed \$250 million growth initiatives programme has reinforced our position and capability as a global innovator with one of the largest and highest specification infant formula production sites globally.

We're poised for growth in earnings as a result of this and our effort in building strong supplier and customer relationships throughout FY15.

Our focus in FY16 is efficiently and effectively using the assets that you – our shareholders – have paid for. We are concentrating on improving our financial performance by driving growth in value added products, primarily nutritional and infant formula volumes. We expect to increase our production of canned finished products fourfold over FY14 volumes.

The question for you as a shareholder is how to measure both our progress against this focus but also against our overall goal of making more from milk. The answer is simpler than you might think – just focus on our nutritional sales.

Everything we've put in place as a business will directly impact this key performance indicator (KPI). The benefit of Special Milk programmes, such as The a2 Milk Company™ and Munchkin's Grass Fed™, on our bottom line will be evident in nutritional sales. The return on investment of our third large scale dryer and our state of the art blending and consumer packaging plant will clearly show in the volume of nutritional sales.

Margin improvement due to scale efficiencies and growth in consumer packaged infant formula will be reflected in nutritional sales, as well as developments and innovations in our nutraceutical category with products such as Synlait Lactoferrin.

It is still very early in the season. We are only four months into the new financial year. Our net profit after tax (NPAT) for FY16 will reflect our growth related to increased sales volumes of nutritional products. Exactly where our NPAT lands is uncertain at this stage, but it is likely to exceed our last initial guidance issued in September 2015. We are continuing to track well. We will provide a further update on our FY16 forecast on 31 March 2016 when we release our FY16 Interim Results.

Lastly, I hope you enjoy this Investor Update. It is intended to keep you informed of developments at Synlait in-between our full year and half year results. Our aim is to release this twice a year around June and December and I welcome you to provide any feedback to feedback@synlait.com.

Have a safe and enjoyable Christmas and restful holiday season. I look forward to keeping in touch in 2016.

Regards,

John Penno

2015 ANNUAL MEETING WELL RECEIVED

We held our third Annual Meeting of Shareholders on Tuesday 8 December. It was the first time we've hosted an Annual Meeting at our Dunsandel site and the opportunity to tour the site following it was enjoyed by many.

The Annual Meeting focused on our performance in FY15 John Penno provided an update on our outlook for FY16 and highlighted the focus on developing nutritional and infant formula products with key customers.

Our Interim Results for FY16 will be released in March 2016 and we signalled that this half year result will feature a significant benefit in terms of gross margin gained through increased nutritional sales in consumer packaged infant formula.



Shareholders looking at robotic packaging in drystore.

DAIRY PRICES AND COMPANY PROFITABILITY

A common misconception is that there is a link between international dairy prices and our profitability as a business.

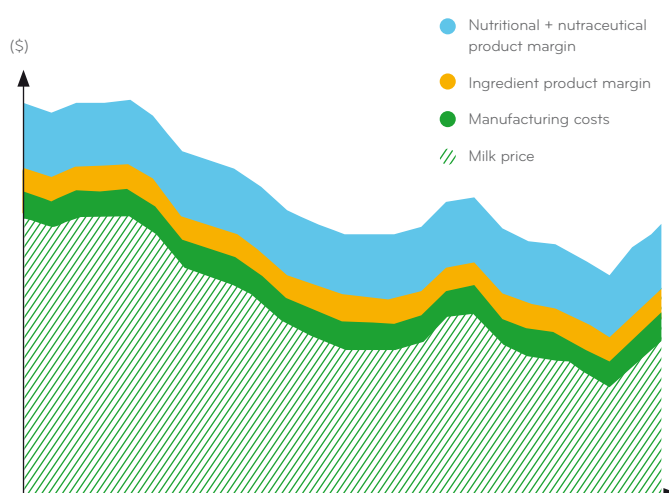
Our value proposition is driven by margin achieved over international dairy pricing and through growth in our higher margin nutritional products.

Value added creates a margin above and beyond the commodity price for the raw ingredient – milk – which is determined by international dairy prices. Milk is our primary cost of production.

This graph demonstrates how our gross margins are unaffected by changes in milk price.

When the milk prices are high, our revenue is higher however our gross margin is unaffected. When the milk price is low, revenue is also lower however our gross margin is still unaffected.

The more value we can add to our product portfolio by manufacturing more valuable products for our customers, the more margin we can generate over the commodity price.



NOTE: This graph is intended as an illustration only and does not reflect any actual sales or forecast figures.

SYNLAIT CUSTOMERS

Our aim is to work closely with leaders and innovative new companies in the infant formula industry to manufacture finished infant formula, infant grade nutritional powders, ingredient milk powders and nutraceutical products.

We are targeting our infant grade nutritional powders to multinational customers and are enjoying strong volume growth in finished infant formula products with our innovative customers, both of whom we work very closely with. This customer strategy is laying the foundation for the expected growth in nutritional sales and profit in FY16.

Our leading infant formula customer is The a2 Milk Company™. The volume of packaged infant formula they are purchasing from us in FY16, along with further growth this financial year, will contribute significantly to total FY16 nutritional sales volumes. Their a2 Platinum® range of infant formula products are manufactured exclusively by us and we're regularly in touch with The a2 Milk Company™ to continue strengthening our strategic relationship.

Our commitment to U.S. based Munchkin Inc. to produce Grass Fed™ infant formula was announced in July 2015 and the first Grass Fed™ milk was successfully processed in late November 2015. Manufactured from milk exclusively produced from pasture-fed cows, Grass Fed™ is the latest Special Milk programme offered to our suppliers and is a direct response to consumer awareness of nutritional benefits from this type of milk.



INSIDE THE FARM GATE

We're continuing to grow our milk supplier base both in the number of suppliers as well as the proportion of differentiated milk our suppliers produce.

Differentiating milk inside the farm gate is how our suppliers create value for our products on farm. Our Special Milk programmes like a2 Milk™ and Grass Fed™ are good examples of this, as is our dairy farming best practice certification programme Lead With Pride™.

At this time of year suppliers are busy finishing mating and coming out of their busiest period. Their focus is starting to turn to planning for the 2016/17 dairy season and it's no coincidence our attention with suppliers at the moment is set on making sure we have enough total milk (including Special Milks) to meet our production targets in that season.

The commissioning of D3 in September 2015 has increased our total production capacity from 90,000 MT to 140,000 MT per annum. Along with the additional demand for nutritional products from our customers, we launched a campaign to attract more milk suppliers in Canterbury to meet these needs.

Called MILK. THE. OPPORTUNITY., it highlights why supplying Synlait is a smart choice. We have had a great response so far and are interested in talking to any dairy farmer in the region currently considering their milk supply in the 2016/17 season. More information can be found at www.synlait.com.



FEEDBACK & COMMENTS:

Synlait Milk Limited, 1028 Heselton Rd
RD13, Rakaia 7783, New Zealand
P+ 64 3 373 3000, www.synlait.com

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