synlait™
making more from milk

THE FORMULA

FY15 ANNUAL RESULTS PRESENTATION

22 SEPTEMBER 2015

WE'VE TRANSFORMED OUR BUSINESS TO CREATE AN INTEGRATED SUPPLY CHAIN SOLUTION WITH UNCOMPROMISED QUALITY AT EVERY STEP. FROM ELITE FARMING TO STATE OF THE ART PROCESSING AND PACKAGING AT SOURCE – IT'S AN UNBROKEN CHAIN THAT WE CONTROL FROM START TO FINISH. WE CALL IT THE FORMULA.

DISCLAIMER

This presentation, dated 22 September 2015, provides additional comment on our media release and annual report of the same date.

As such, it should be read in conjunction with, and subject to, the explanations and views of our future outlook on market conditions, earnings and activities given in that release and annual report.

POISED FOR GROWTH IN EARNINGS

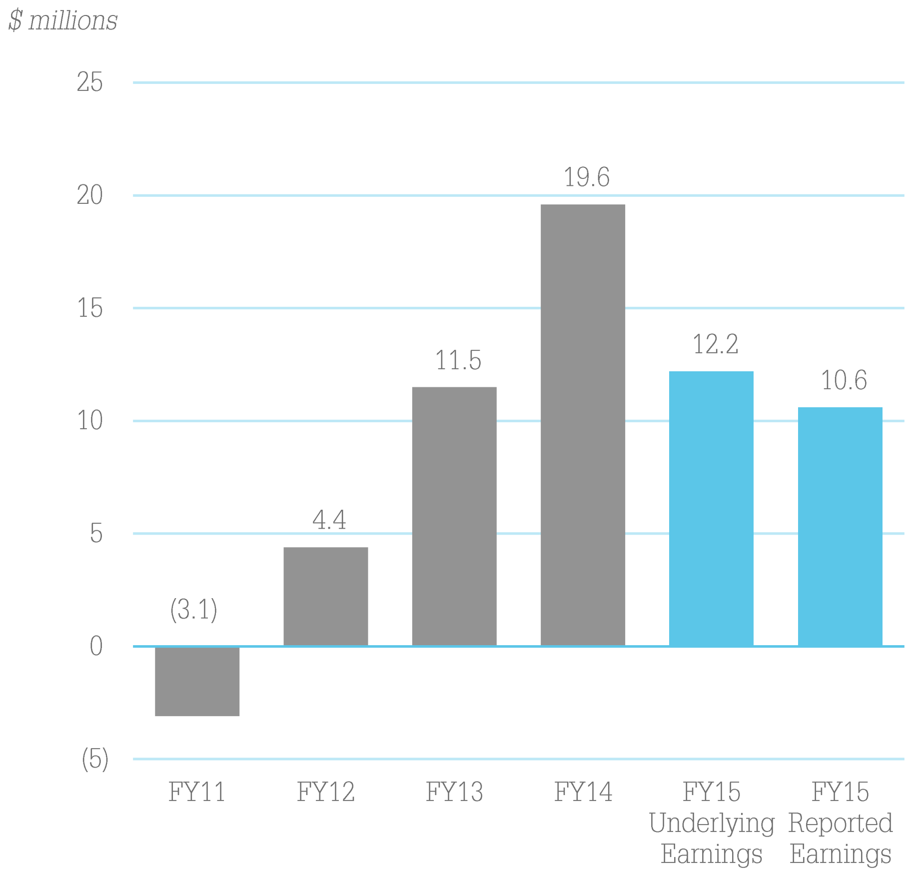
- Underlying earnings of $12.2m, in line with market guidance, however down on last years $19.6m
- Prior year had significant product mix benefits leading to a one-off before tax upside of $24.1m
- Significant improvement of our performance in ingredient and nutritional product lines
- Focus on completing $250.0m programme of growth initiative projects
- Built strong supplier and customer relationships to deliver future earnings growth
- Next two years focused on improving operational excellence, executing against our value added strategy, reducing debt and improving our returns on capital

FINANCIAL REVIEW

OVERVIEW

- Underlying earnings[1] after taxation $12.2 m, down 38%
- Favourable one off product mix benefit in FY14 of $24.1m
- Improved gross profit contribution for both ingredient (up $9.8 m) and nutritional (up $17.8 m) product ranges. Nutritional volumes up 3,207 MT (57%).
- Lactoferrin sales volumes at 7 MT, lower than our original expectation of 15 MT
- Variations in milk price impacts between years, gross margin impact $(9.5 m)
- Growth in balance sheet position (debt), but in line with expectations associated with capital projects and growth strategy

Net Profit / (loss) after taxation



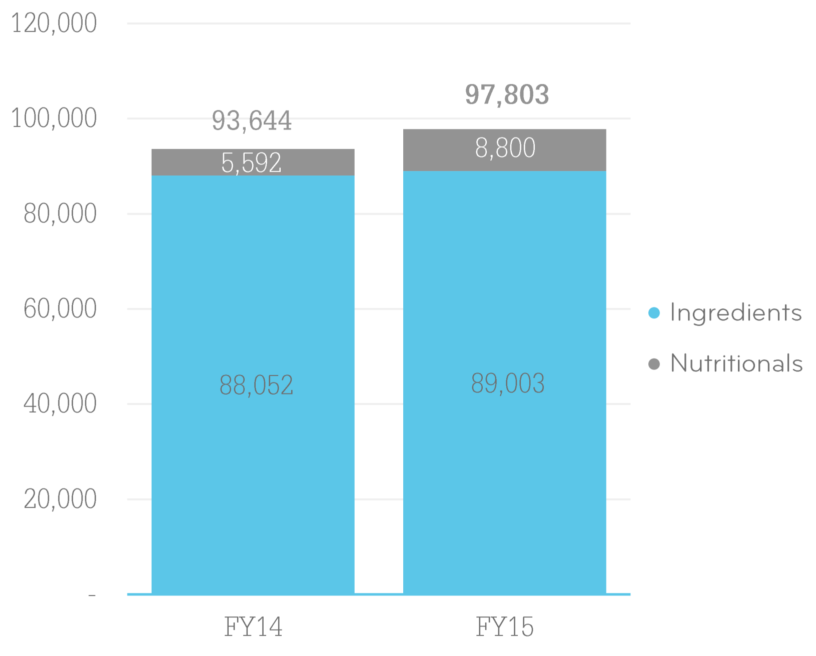
[1] Underlying earnings excludes unrealised foreign exchange losses

SALES

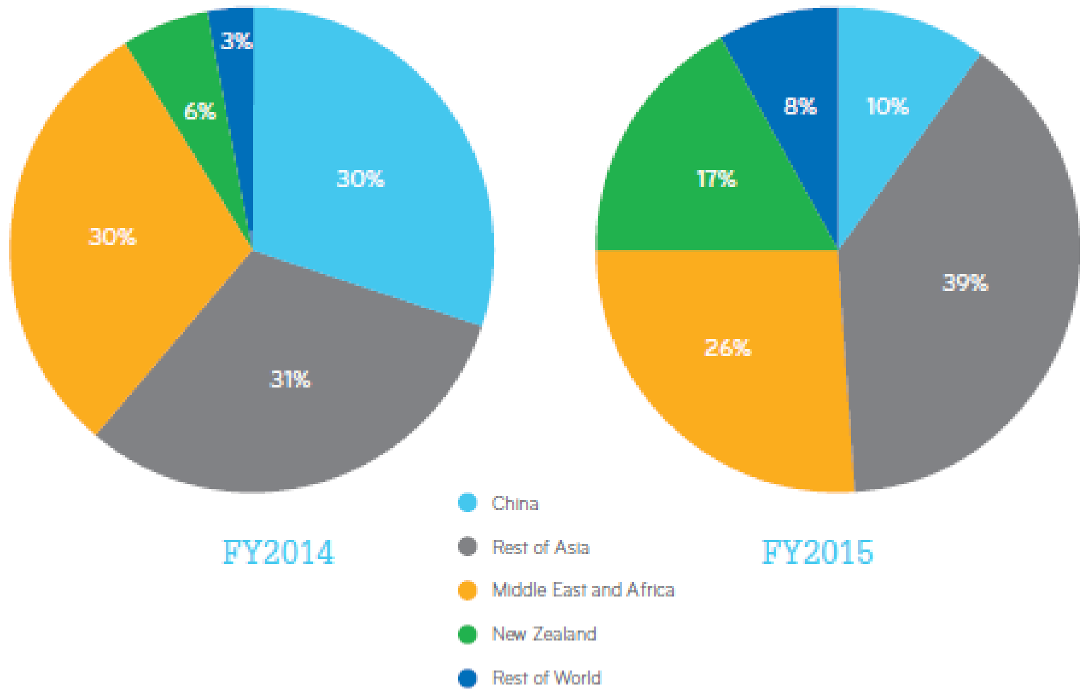
INCREASING PRODUCT AND GEOGRAPHICAL DIVERSIFICATION

- More focus on streaming milk to nutritional products, sales up 57%
- Lower reliance on China, more balanced geographical diversification

Sales volume by product category



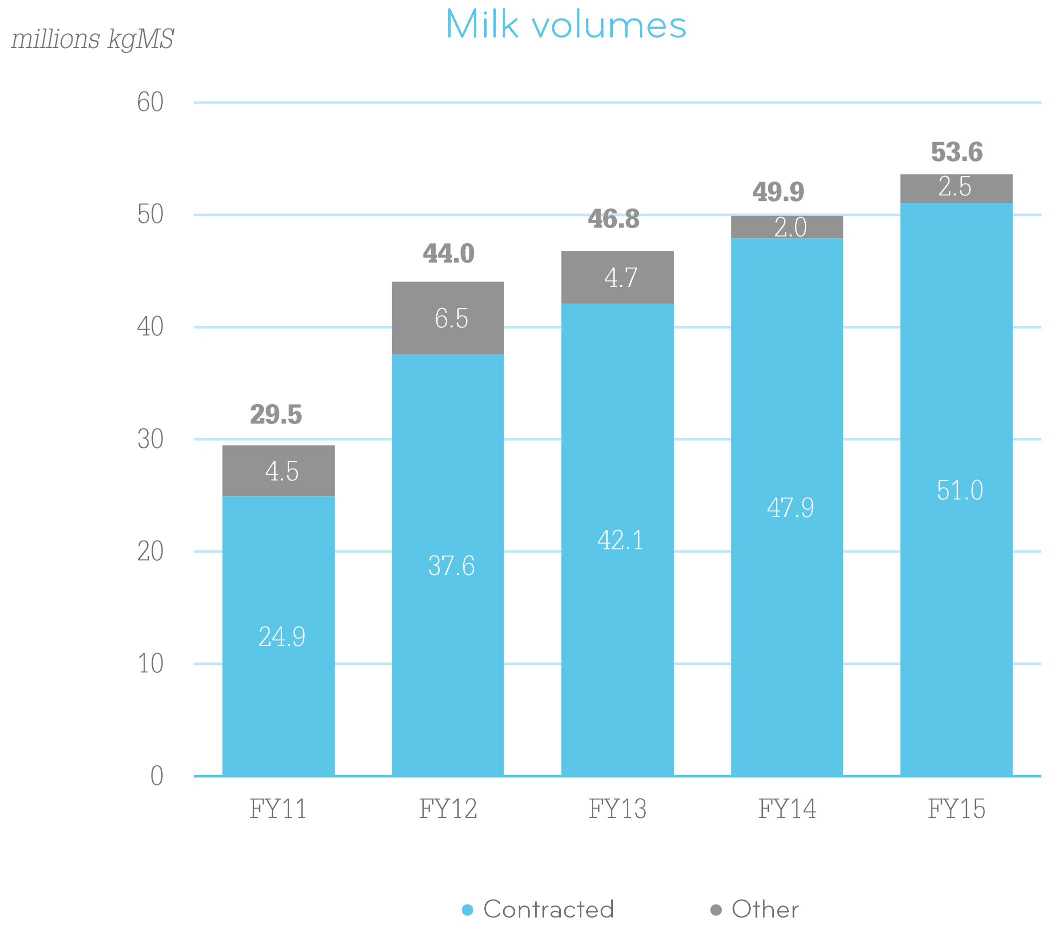
Sales revenue by geographic region



MILK SUPPLY

6.6% YEAR ON YEAR INCREASE IN CONTRACTED SUPPLY VOLUMES

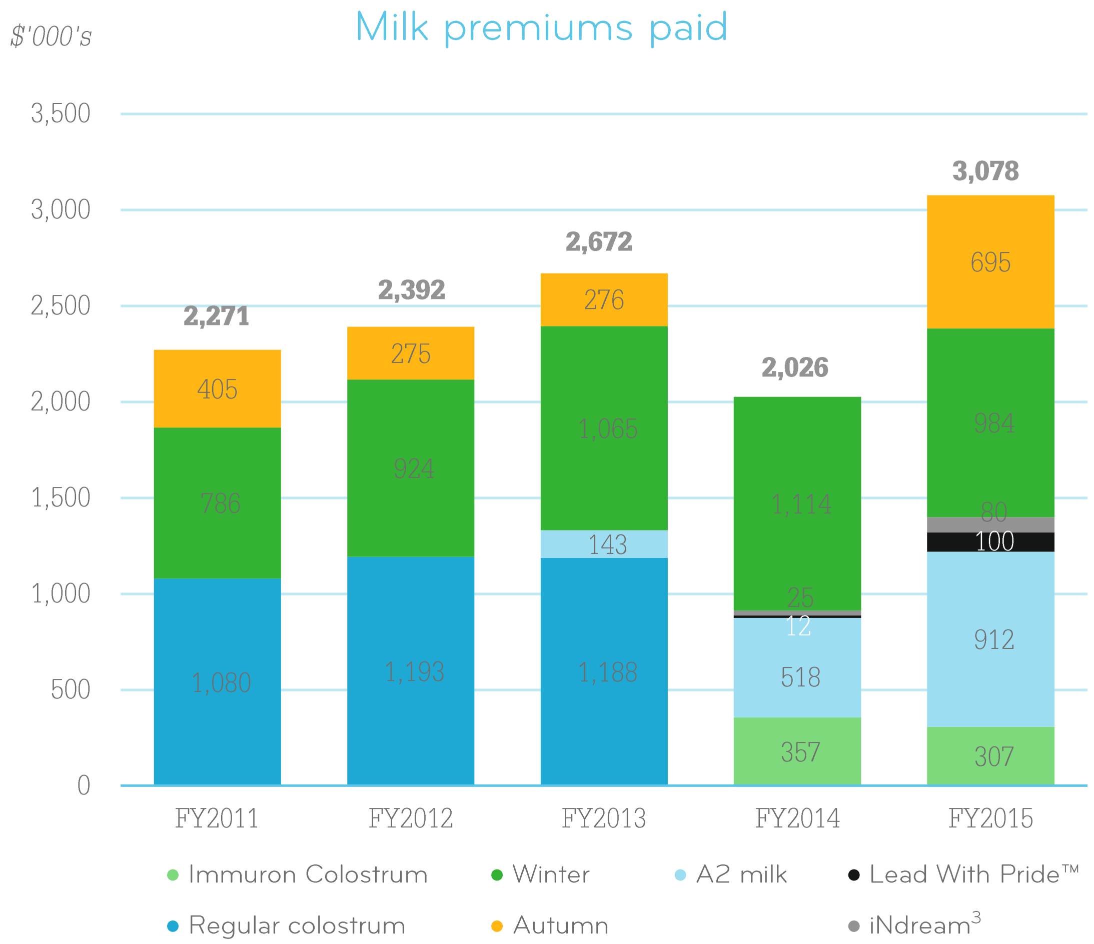
- Overall milk supply up 7.4% to 53.6 million kgMS on last year
- Increased contracted milk supply by 6.6% year on year to 51.0 million kgMS
  - Replaced milk supply from Waimate region with farms closer to Dunsandel site
  - Reduced average distance to site from 62km to 45km
- 2 dryer operation operating at near capacity



VALUE INSIDE THE FARM GATE

DIVERSITY OF PREMIUMS[1] CREATES VALUE FOR MILK SUPPLIERS

- Milk premiums offered to our suppliers link back to customer opportunities
- Movement away from regular colostrum to Immuron Colostrum supply
- Year on year growth in certified Lead with Pride™ farms and iNdream[3] milk
- Strong growth from The a2 Milk Company™
- Grass Fed premiums start in FY16
- Autumn and Winter premiums offered to encourage milk supply through these periods
- $3.1 million additional milk premiums paid in FY15 (above base milk price payment of $4.48/kgMS)



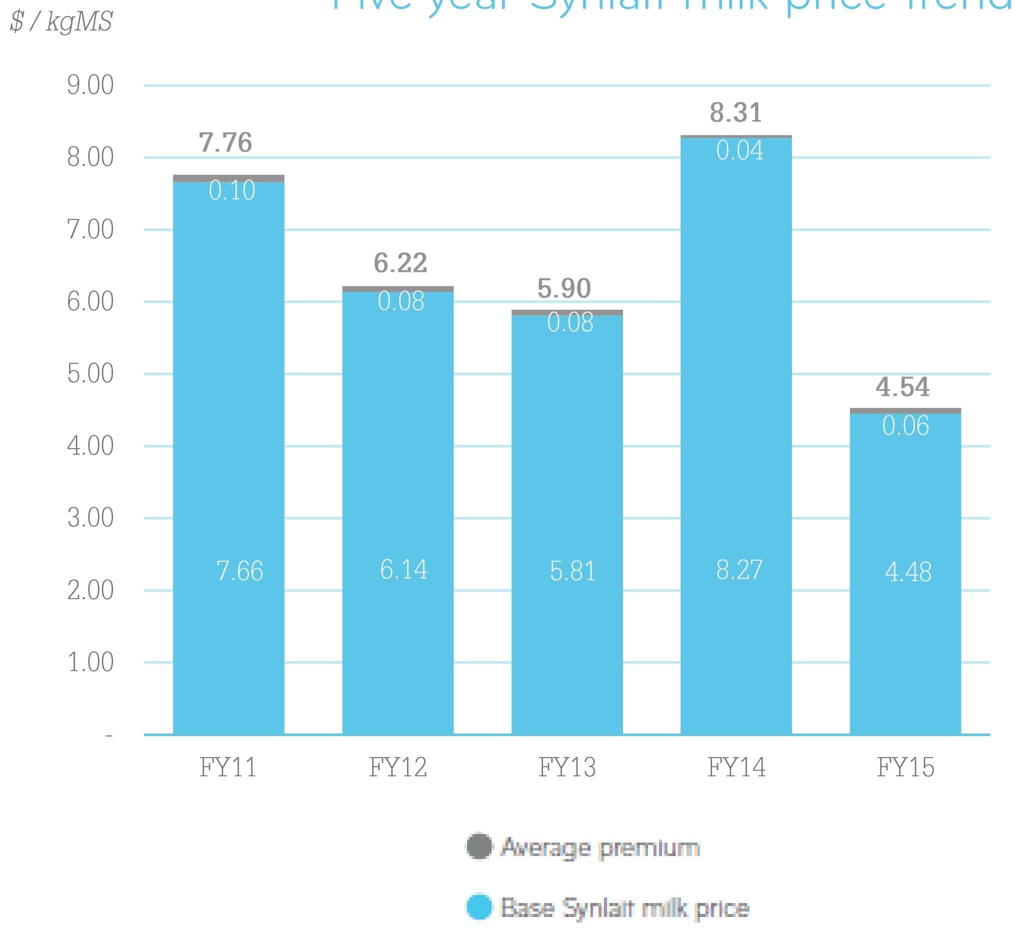
1 Immuron colostrum is a specialist HyperImmune product used in pharmaceutical applications (replacing premium offered up to FY13 for regular colostrum supply). Lead With Pride™ premiums paid for milk supplied under this Synlait farm certification scheme. iNdream[3] premiums paid for milk supply from night milking herds (linked to melatonin levels in source milk). A2 milk premium for suppliers with segregated herds enabling milk supply for a2 milk company™ production. Grass Fed premiums offered from FY16 for milk supply from grass fed herds enabling supply for Munchkin Inc. production.

ANNUAL MILK PRICE

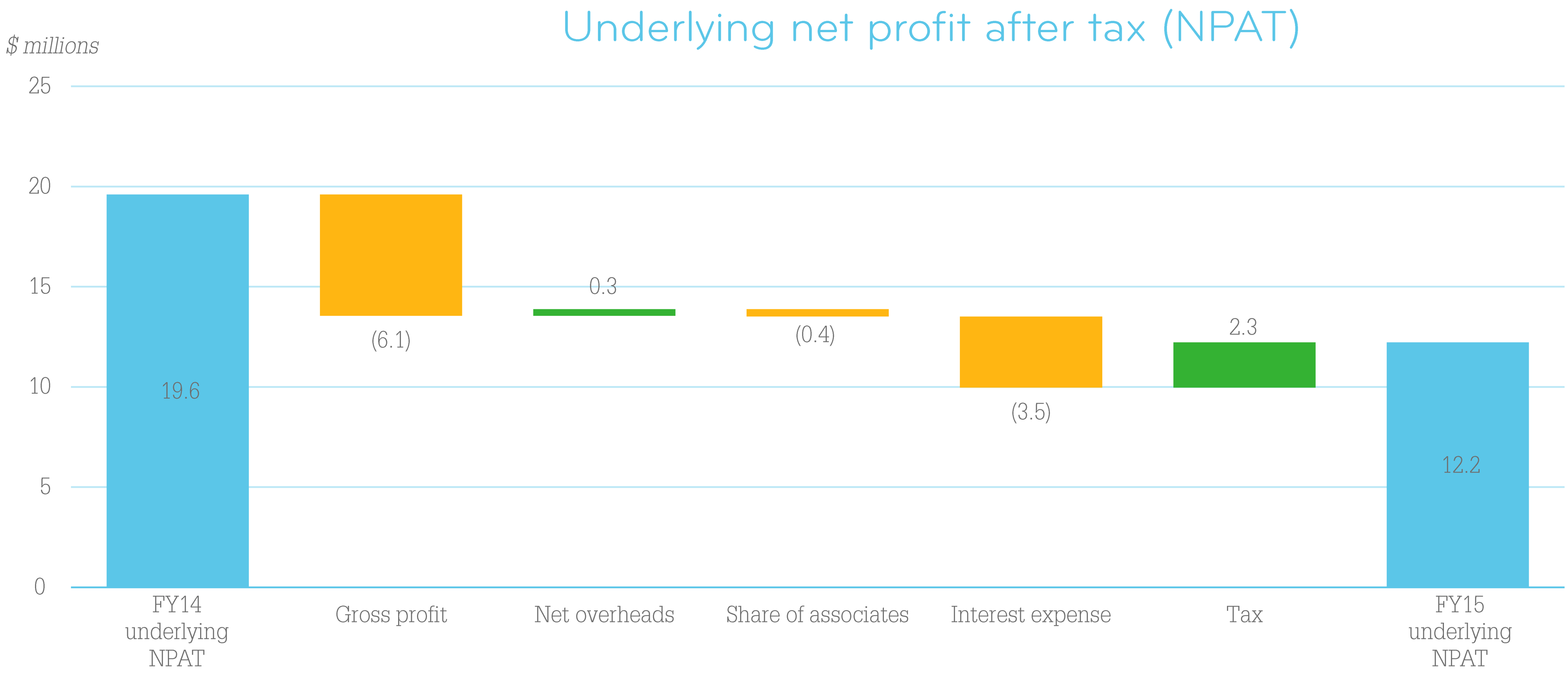
8 CENT PREMIUM TO ESTIMATED FGMP

- Final base milk price of $4.48 kgMS, reflective of low commodity prices
- Estimated to be $0.08 / kgMS higher than last announced industry farm gate milk price (FGMP)
- Plus additional $0.06 kgMS related to seasonal and value added premiums
- This results in a total average milk price of $4.54 kgMS in FY15

Five year Synlait milk price trend



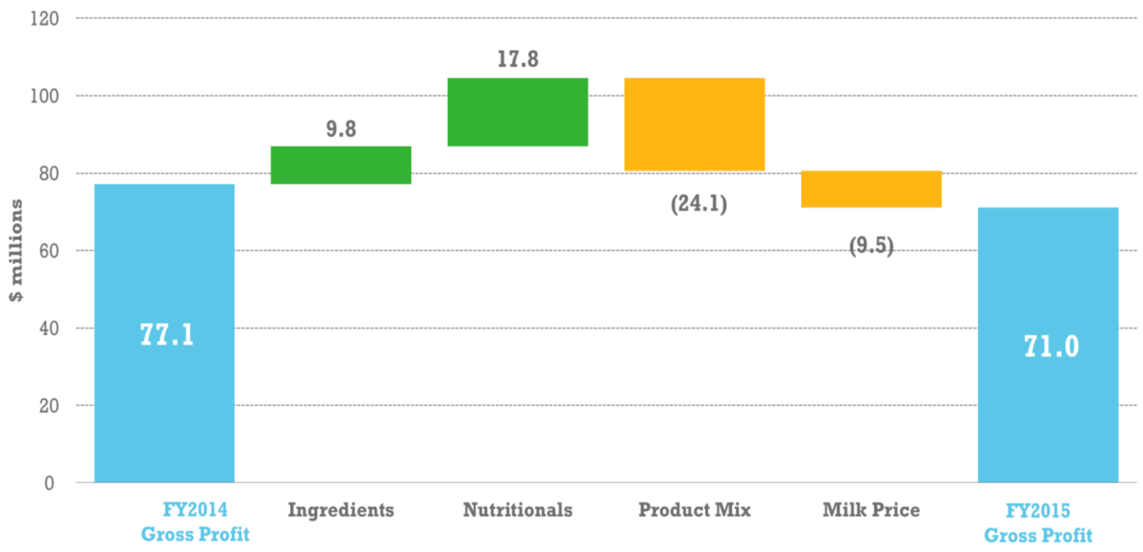
PROFITABILITY



GROSS PROFIT

STRONG PERFORMANCE IN NUTRITIONALS

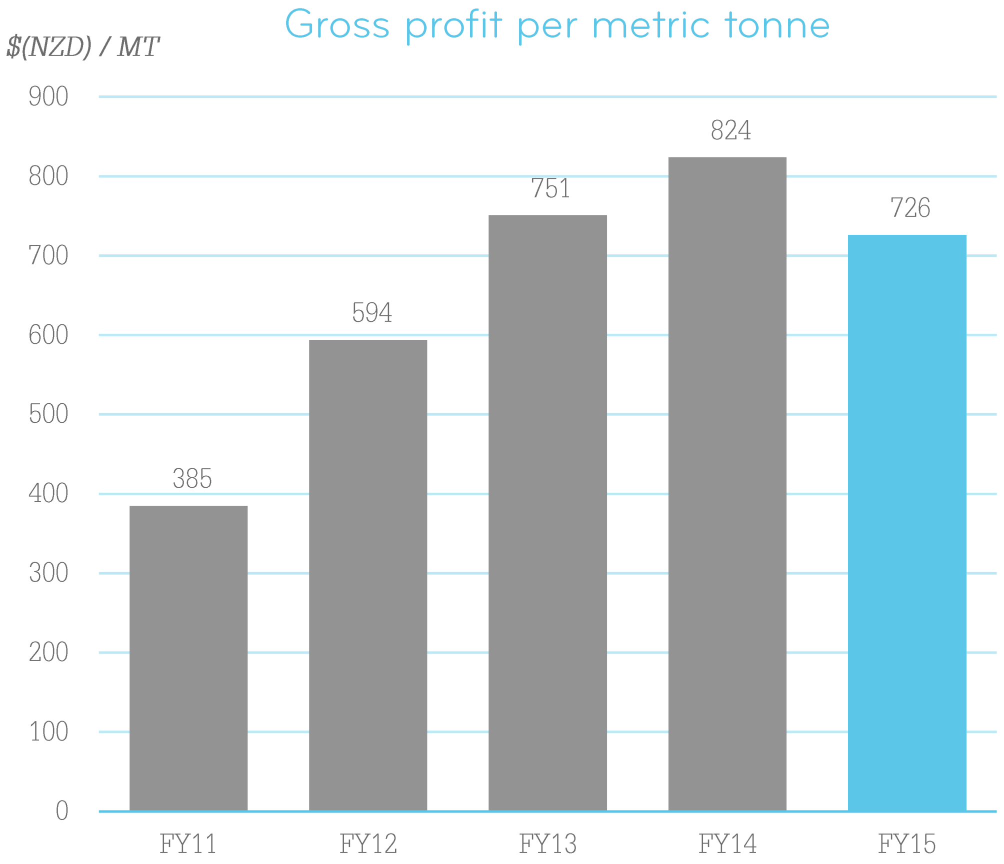
- Ingredients gross profit up on sales volumes (951 MT), price premiums ($60 / MT) and estimated favourable performance against notional producer metrics. Offset by marginally higher manufacturing costs
- Nutritionals gross margin up on sales volume (3,207 MT), manufacturing cost efficiencies on consumer packaging and lower provisioning
- Product mix benefit of $24.1 million enjoyed in FY14 not re-occurring
- Milk price impacts of $9.5 million results from base milk price payment differentials to FGMP



1 FY15 milk price premium estimated vs latest in market FGMP at time of Synlait announcement

GROSS PROFIT / METRIC TONNE

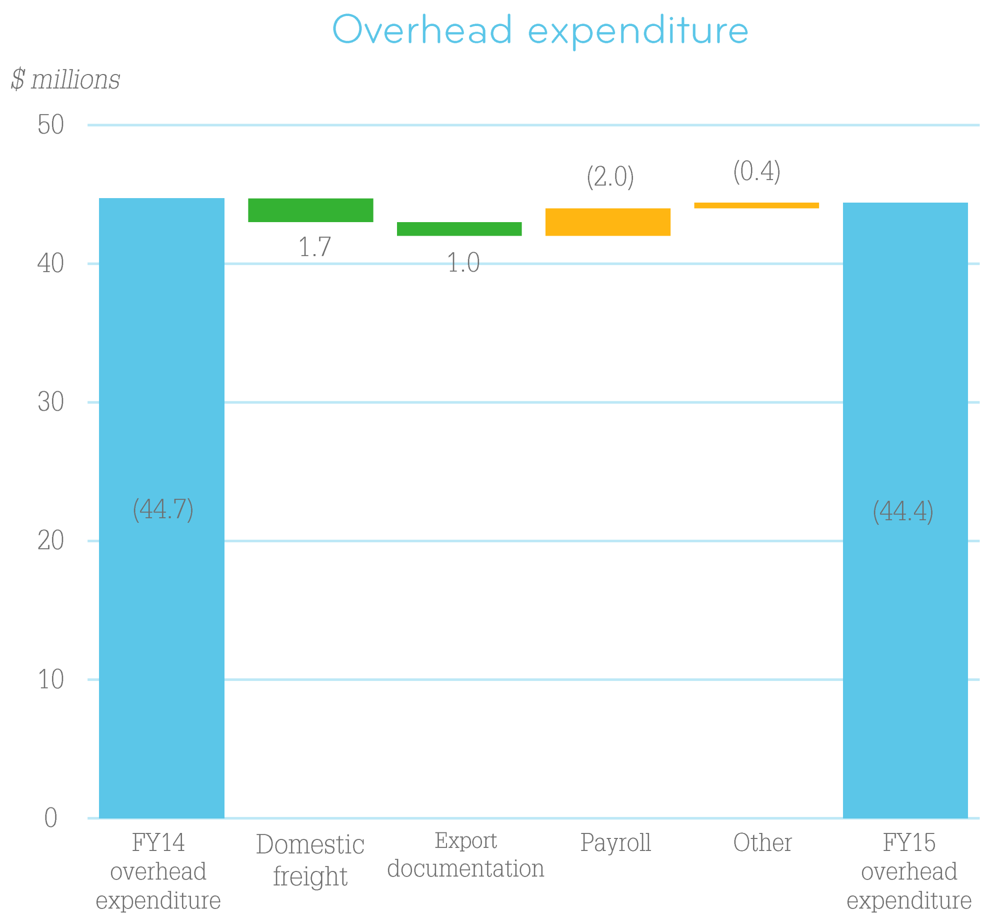
- FY14 included one off product mix benefit not repeated in FY15 (benefit $257/MT)
- FY15 performance impacted by:
  - Lactoferrin sales 8 MT below expectations, this would have added a further $41 / MT to gross profit
  - $0.08 / kgMS milk price premium above estimated industry FGMP of $4.40 / kgMS, equivalent to $36 / MT in gross profit



OVERHEADS

SLIGHT REDUCTION DUE TO STRONG COST MANAGEMENT

- Domestic freight savings of $1.7m resulting from new fully integrated warehouse
- Savings of $1.0m in export documentation fees
- Largely offset by higher payroll costs of $(2.0)m to support expanding business growth into the future and other growth related costs $(0.4)m



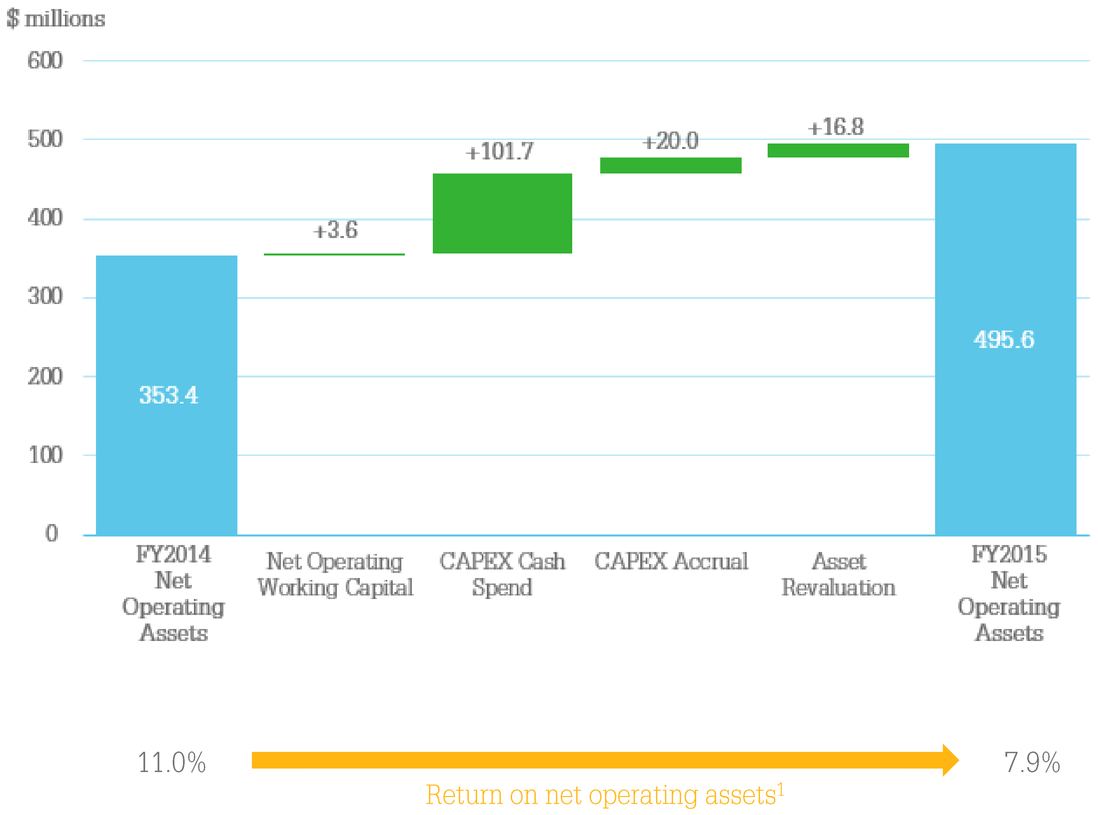
EARNINGS FROM ASSOCIATES

- 25% shareholding investment in New Hope Nutritionals
- Owner and distributer of Akara and Akarola infant formula brands in China
- Initial losses expected as brand presence is established in China ($0.4m share of loss to date)
- Exclusive manufacturing and supply agreement generates nutritional gross profit upsides

NET OPERATING ASSETS

RETURN ON OPERATING ASSETS HAS IMPROVED SLIGHTLY

- Increase in net operating assets driven by capital spend and asset revaluation
- Other movements largely related to CAPEX accrual (primarily retentions on build of dryer three, quality testing laboratory and administration building)
- Asset revaluation at end of FY15 in accordance with accounting policy
- Minimal increase in net operating working capital year on year

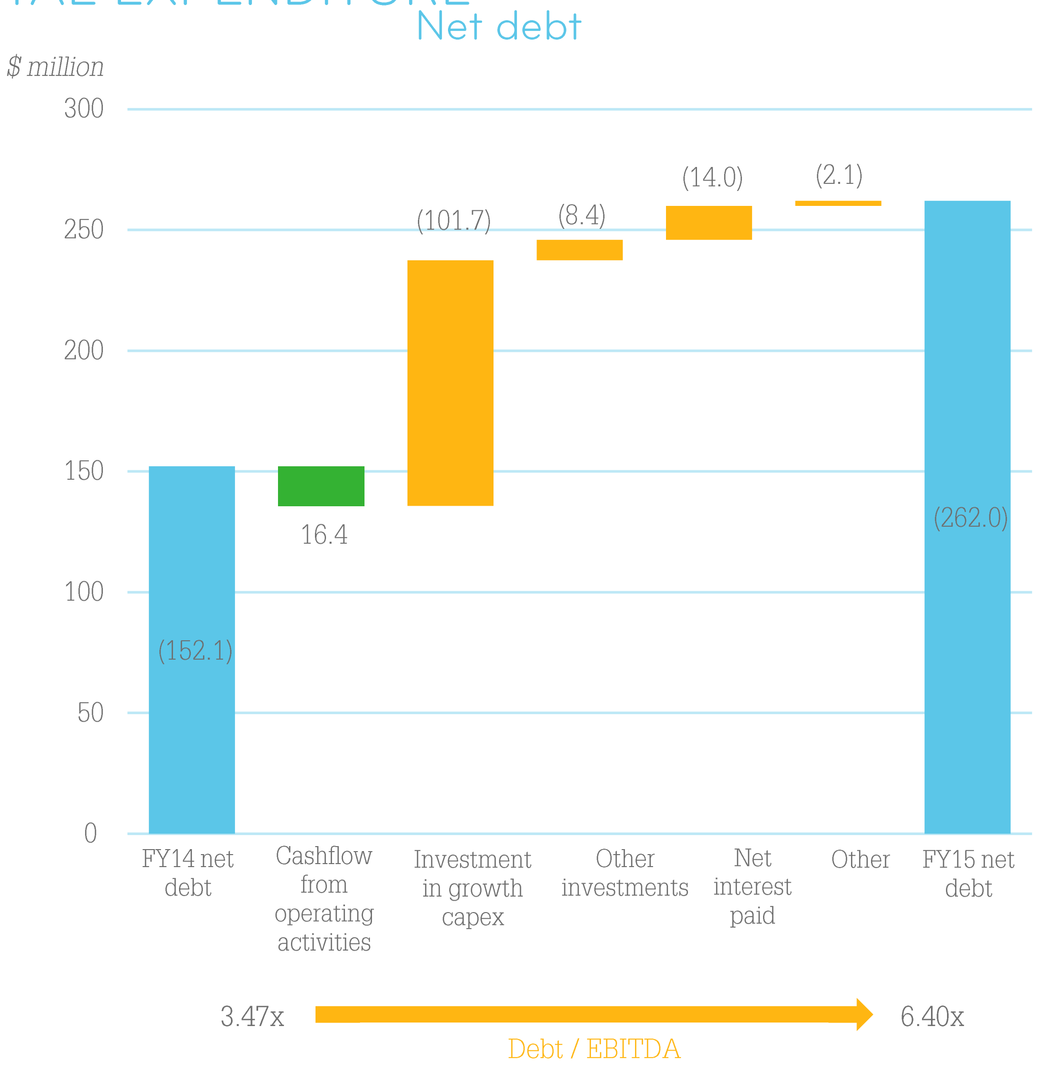


1 Return on Net Operating Assets ratio excludes capital work in progress

NET DEBT

INCREASING DEBT TO FUND EXPANSION CAPITAL EXPENDITURE

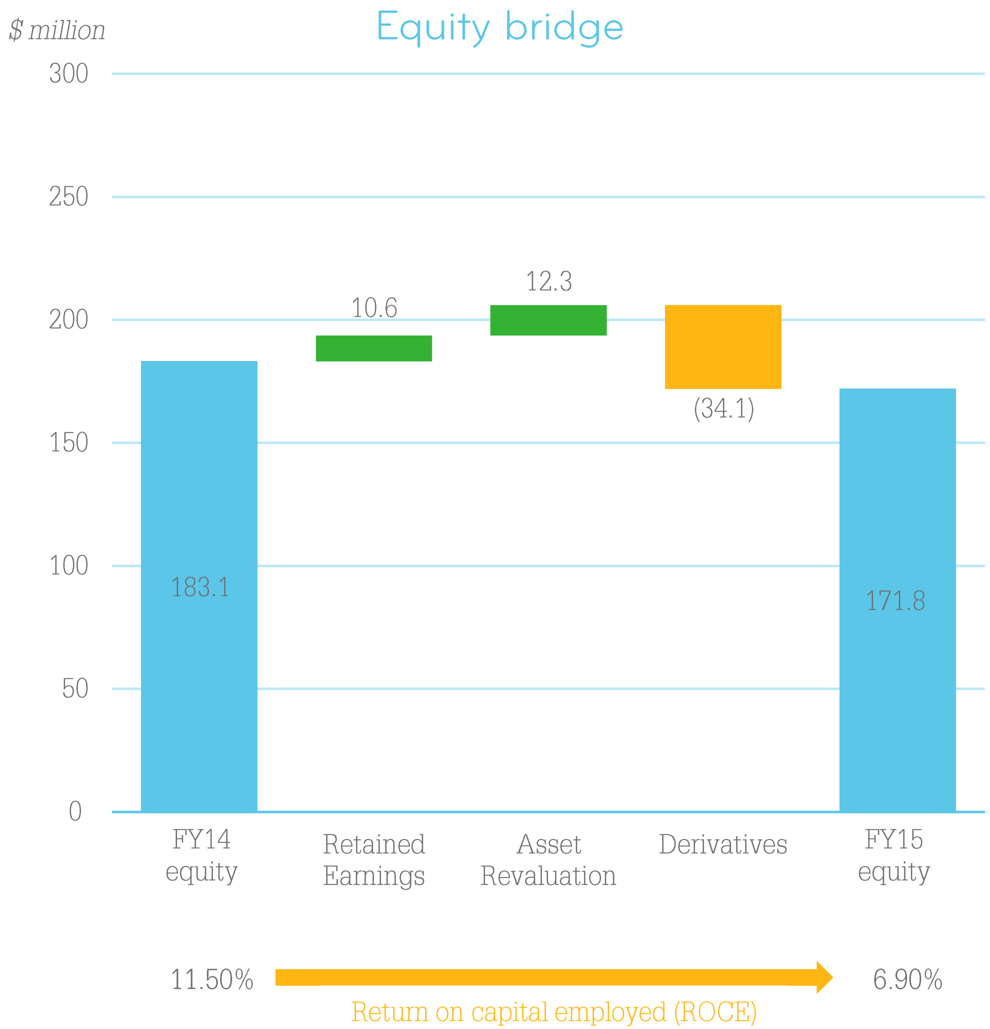
- Cashflow from operating activities strained due to higher than usual advance payments to farmers
- Investment in dryer three, quality testing laboratory and administration building
- Other investments include plant upgrades and New Hope Nutritionals investment. Plant upgrade includes investment in dryer one to align nutritional standards
- Net interest expense up $3.5m predominantly due to commissioning of blending and consumer packaging facility, lactoferrin plant and additional drystore in FY14
- Debt/EBITDA increased due to significant investments, in particular related to dryer three. EBITDA benefits to flow in future periods



EQUITY

MARK TO MARKET REVALUATION OF DERIVATIVES IMPACTS $34.1 MILLION

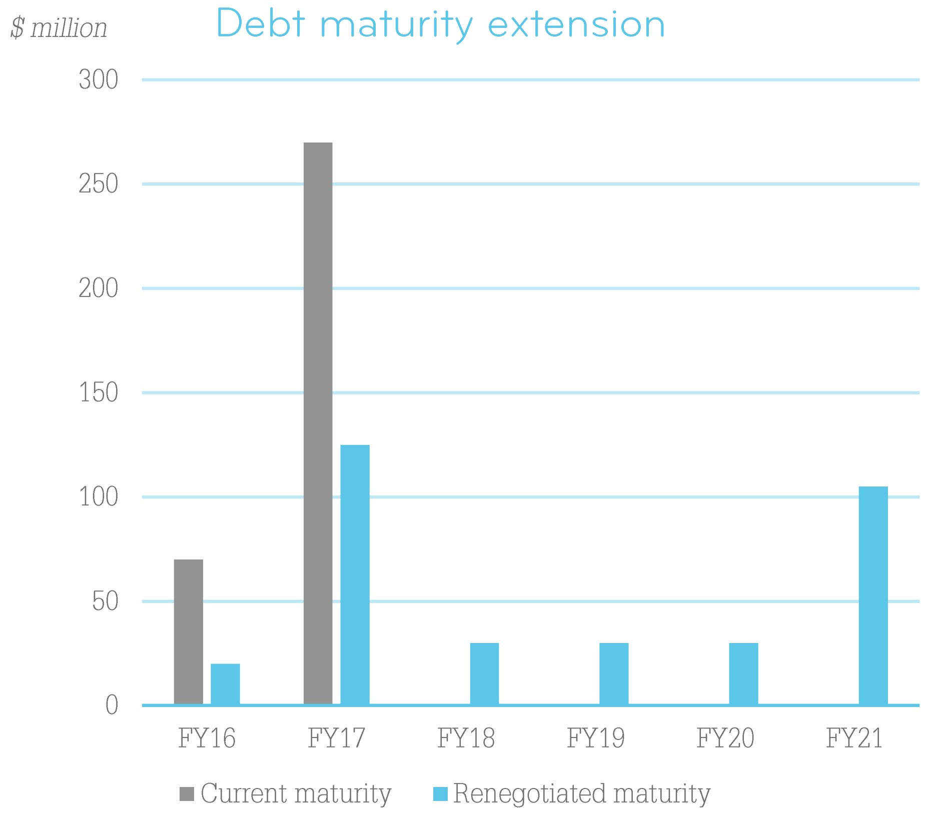
- Retained earnings movement from FY15
- Asset revaluation of $16.8m results in after tax equity impact of $12.3m
- Of the derivative $34.1m impacts:
    - $29.3m relates to foreign exchange year end mark to market adjustments and are hedged against future cash receipts. These will play out in the annual average exchange rate in those periods
    - The remaining balance relates to interest rate swaps mark to market adjustments
- Impact of declining foreign exchange and interest rates on derivative instruments held at year end creates significant mark to market adjustment



BANK FACILITY UPDATE

MATURITY PROFILE SIGNIFICANTLY IMPROVED

- Completed renegotiation of Bank Facilities Agreement with syndicate which resulted in the following outcomes:
    - Decrease in Working Capital facility requirements - set at $35 million for FY16. Lower due to benefits of Mitsui & Co (NZ) Ltd. financing facilities and transferring prior spend on capital expenditure to new revolver facility
    - New five year revolver facility implemented and set at $245 million for FY16. Replaces existing revolver facility due to expire 1 August 2016 and dryer three loan due to expire 31 July 2017
- Provides committed long term debt bank facilities
- Net debt/EBITDA (leverage) ratio covenant introduced
- Debt maturing in FY17 primarily relates to the Mitsui trade and inventory financing facilities. These will either be renewed and extended for a further 2 years or replaced with bank working capital financing
- Improves debt average maturity profile from 1.4 years to 3.3 years



STRATEGIC UPDATE

INCREASING OUR FOCUS

- Strategy to partner with leaders in the infant formula industry, differentiating our products to create meaningful value for our customers and end consumers in:
  - Finished infant formula
  - Ingredient milk powders
  - Infant base powders
  - Synlait Lactoferrin
- Sales volumes to multinationals have grown by 59% in the last year to 41,979 MT and now represent 43% of our total powder sales volumes
- Sales of infant grade milk powders, nutritional base powders and consumer packaged infant formula grew by 54% in the last year to 43,000 MT

INVESTMENT IN CAPABILITY

- Commissioned lactoferrin plant in April 2014. Following some initial challenges secured cornerstone customer
- Commissioned drystore in April 2014 that enables full containerisation of finished products for export
- Commissioned blending and consumer packaging facility in July 2014. Production volumes already ahead of business case forecasts
- Dryer three due for commissioning in late September 2015, within budget, increasing total production capacity from 90,000 MT to 140,000 MT per annum
- Product testing laboratory and new product development centre due to be completed in October 2015

- With these developments we will have established one of the largest and highest specification infant formula production sites globally

SOPHISTICATED MILK SUPPLY

- Secured 173 contracted milk suppliers for FY16, delivering a forecast 57.1m kgMS. Up 6.1m kgMS on FY15
- Partnership with The a2 Milk Company™ continues to develop:
  - Exclusive manufacturer of a2 Platinum® infant formula and instant whole milk powder
  - Sourced from herds that only produce A2 type beta-casein protein and paid a premium
- This model is behind our recently announced partnership with Munchkin Inc:
  - Munchkin is a leading brand of infant feeding equipment in the U.S.
  - Extending product range into new Grass Fed infant formula
  - Developed Grass Fed standard and secured 25 farmers to supply this milk
- Lead With Pride™ building momentum
  - 16 farms are certified and at least a further 12 farms expect to certify by year end
- In FY16 over 50% of our milk supply will attract a premium over base milk price

BUILDING A GREAT TEAM

- More than doubled our staff over the last two years
- This period of building capability to support our growth initiatives is coming to a close with the teams focused on increasing performance
- We have enjoyed a step change in productivity as the team moved into the new office complex at our Dunsandel site

SIMPLIFYING AND IMPROVING OUR BUSINESS

- The last two years focused on building our customer base, manufacturing capacity and the capability of our team
- The next two years will be focused on achieving operational excellence and building infant formula volumes with our brand partners
- Product rationalisation has enabled us to simplify production on our spray dryers, while building product customisation into the blending process, allowing increased throughput on spray dryers at higher yields

FY16 OUTLOOK

ACCELERATING OUR FINANCIAL PERFORMANCE

- Business now geared up to achieve our strategy
- Total sales volumes set to grow from 97,800 MT in FY15 to an estimated 122,500 MT in FY16
- Experiencing strong growth in our infant formula business. While expecting only some growth in our base powder business, we expect a threefold increase in our consumed packaged products in FY16
- Expect lactoferrin sales to almost double, however at significantly lower market pricing
- Overhead costs expected to increase with growth in business however we expect to continue to build efficiencies
- Based on increased sales volumes from dryer three and consumer packaged products we expect profit will be in advance of anything achieved to date

SUPPLEMENTARY INFORMATION

UNDERLYING EARNING RECONCILIATION

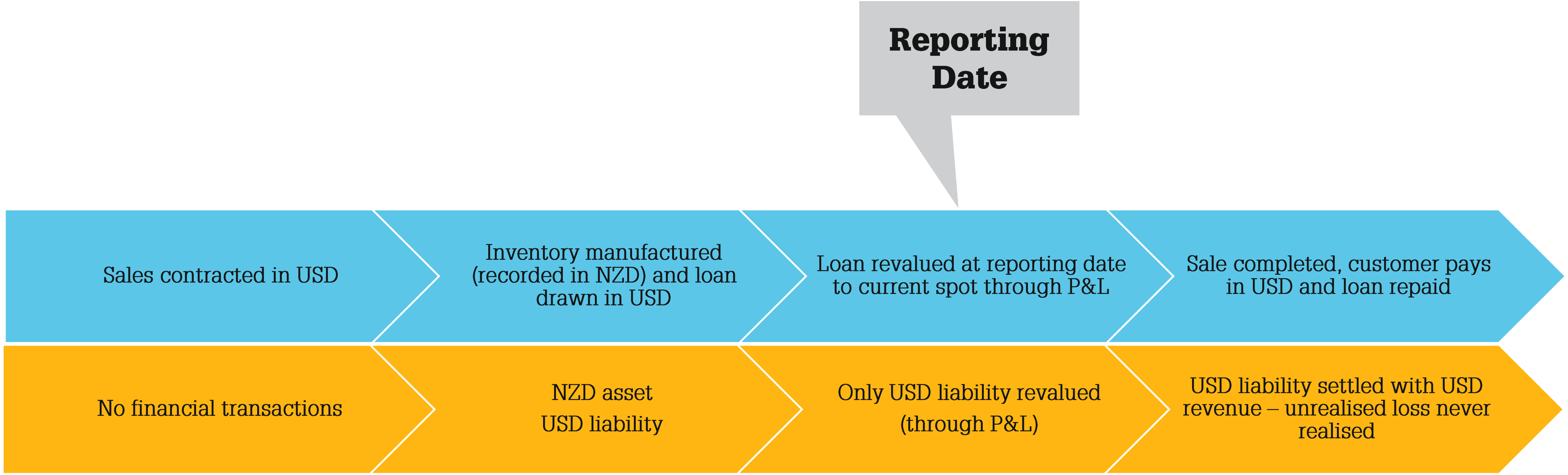
$ million	12 months to July 2014	12 months to July 2015
Reported NPAT	19.6	10.6
Unrealised FX losses	-	2.3
Tax effect of FX losses	-	(0.7)
Underlying NPAT	19.6	12.2
Underlying EPS (cents)	13.40	8.35

Underlying Net Profit after tax reflects the underlying performance of the business for the relevant period after excluding from Net Profit after tax unrealised foreign exchange gains or losses arising from the revaluation of USD denominated inventory financing arrangements that do not qualify for hedge accounting.

FX HEDGING

- The management of foreign exchange (FX) is one of our key risks and is therefore subject to a very robust Board approved policy
- The primary measure of our performance in the management of this policy is the comparison between our annual average USD:NZD exchange rate compared to the annual average exchange rate achieved by Fonterra and applied in the determination of the farm gate milk price (effectively considered to be the market price for milk)
- This is the primary measure of our exchange rate performance and can impact on our ability to pay a fair market price for milk
- To mitigate the risk of adverse movements in the foreign exchange rate, we enter into forward exchange contracts (some with optionality) to provide certainty and reduce risk
- In an environment of volatility in the currency, the certainty created by the application of our hedging policy will result in opportunity costs or benefits (that the contracted rate is higher or lower than the rate achievable compared to not hedging at all and transacting at spot rates)
- The forward exchange contracts we enter into must be marked to market as at a reporting date and any unrealised gains or losses taken to other reserves in equity
- These gains (or losses as is the case as at 31 July 2015) are realised in future periods and form part of the annual average FX rate for those periods. That is because they relate to future revenues and associated cashflows

UNREALISED FX LOSSES
(INVENTORY FINANCING)



THANK YOU

Visit our Investor Centre at www.synlait.com for more information.

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