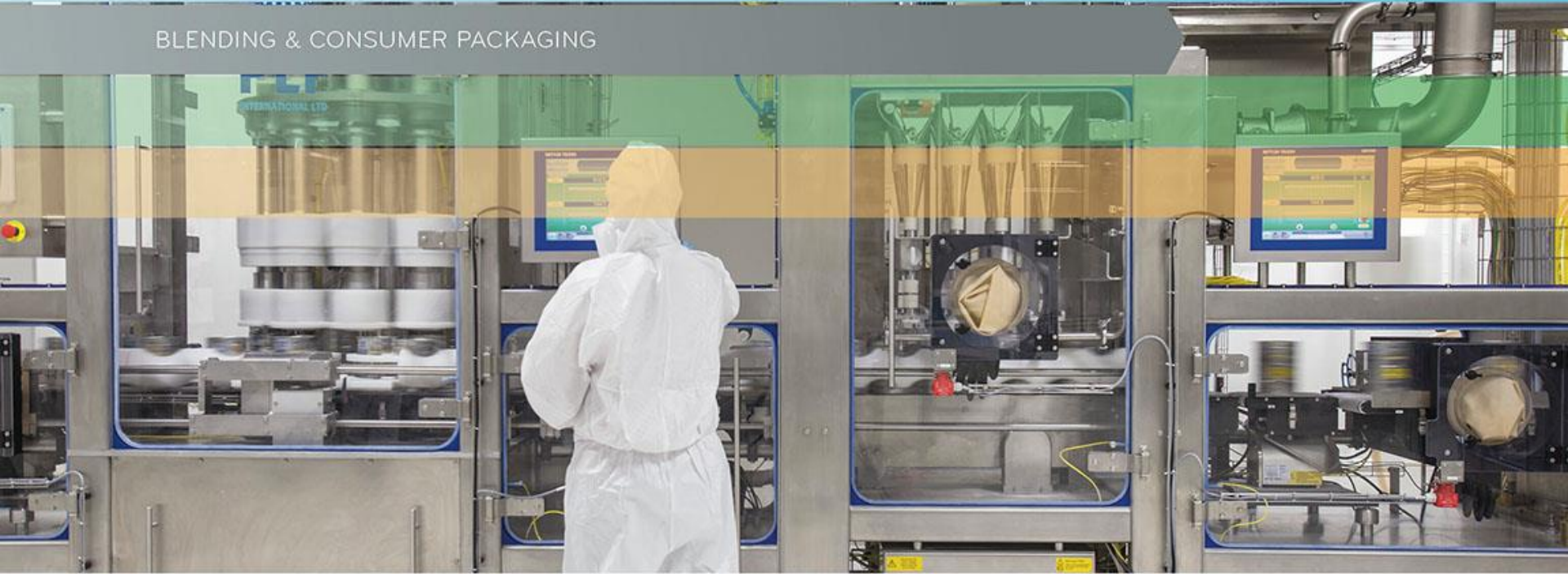


BUILDING



MO...

BLENDING & CONSUMER PACKAGING



Our state-of-the-art blending and consumer packaging facility has world class operating efficiency and quality standards. Our customers now have a complete product supply solution with total integrity, from raw milk sourcing through to retail packaging.

COMPLETED JULY 2014.



MOMEN...

LACTOFERRIN EXTRACTION & PURIFICATION FACILITY

We're one of only two manufacturers world-wide with the capability to produce lactoferrin as a spray-dried powder. Our process is designed to protect its bio-activity and increase its solubility, something our infant formula, health food and pharmaceutical customers demand.

COMPLETED APRIL 2014.



MOMENTUM

22,500M² DRYSTORE

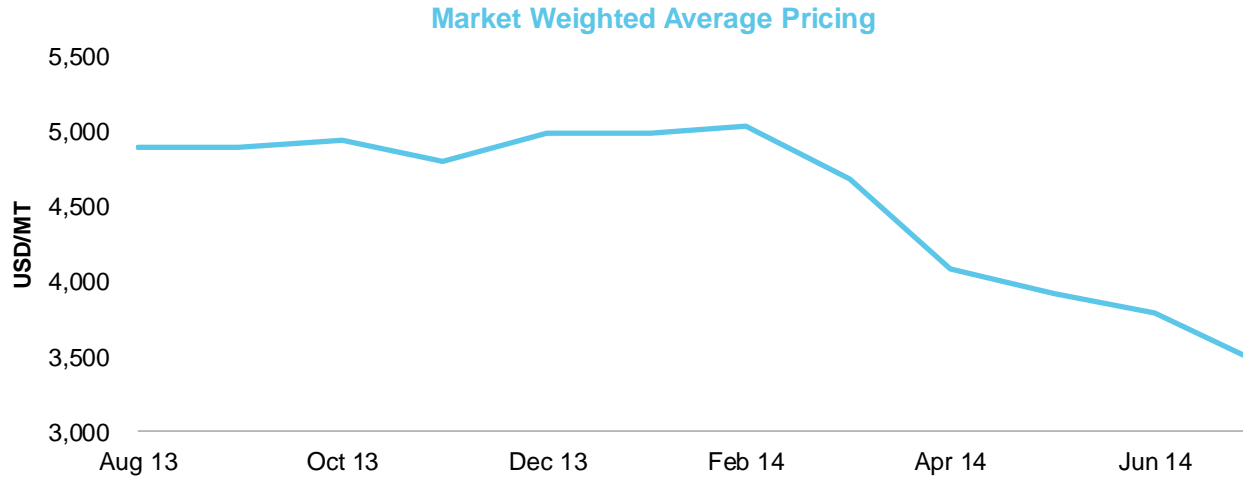
Our new 22,500m² drystore enables all inwards goods and finished product to be stored at our Dunsandel site. Now with product manufacture, packaging, and containerisation for export all on one site our customers can have complete confidence in the integrity of their product.

COMPLETED APRIL 2014.

DISCLAIMER

This annual results presentation dated 22 September 2014 provides additional comment on the media release and our 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.

MARKET OVERVIEW



Source: Global Dairy Trade™

- High volatility in commodity prices.
- Product mix differentials throughout year.
- Infant formula market dominated by changes in China regulation.

KEY MESSAGES

Operating

- FY2014 delivered on prospectus forecast.
- Achieved significant improvement in financial performance over FY2013.
- There were a number of significant issues that impacted on our FY2014 result.

Growth

- Our focus in FY2015 will continue to be on the execution of our growth initiative projects, particularly dryer 3.
- Increasing sales volumes with tier 1 customers.
- Increase growth in infant formula and nutritional sales.

RESULTS OVERVIEW

- Revenue up 43.0% to \$600.5 million.
- Gross profit up 18.4% to \$77.1 million.
- Gross profit per MT up 9.7% to \$823/MT.
- EBITDA up 13.8% to \$43.8 million.
- Net profit after tax up 70.5% to \$19.6 million.
- Shareholders funds up 11.6% to \$183.1 million.
- Return of capital employed down 1.6 percentage points to 11.5%.
- Total shareholders return for the year of 33%.

GROWTH IN VOLUMES AND MARGINS IMPROVE PROFITABILITY

Key Financial Operating Metrics for FY 2014 Compared to FY 2013 and FY 2014 PFI Forecasts

NZD (\$m)	2014 <i>Actual</i>	2013 <i>Actual</i>	Change %	2014 <i>PFI Forecast</i>	Change %
Revenue	600.5	420.0	43.0%	524.4	14.5%
Gross Margin	77.1	65.1	18.4%	76.4	0.9%
EBITDA	43.8	38.5	13.8%	44.0	(0.4)%
EBIT	32.4	28.3	14.6%	32.1	1.1%
NPAT	19.6	11.5	70.5%	19.7	(0.3)%
EPS ¹	13.40	10.21	31.2%	13.4	(0.3)%
TSR	33%	n/a	n/a	n/a	n/a

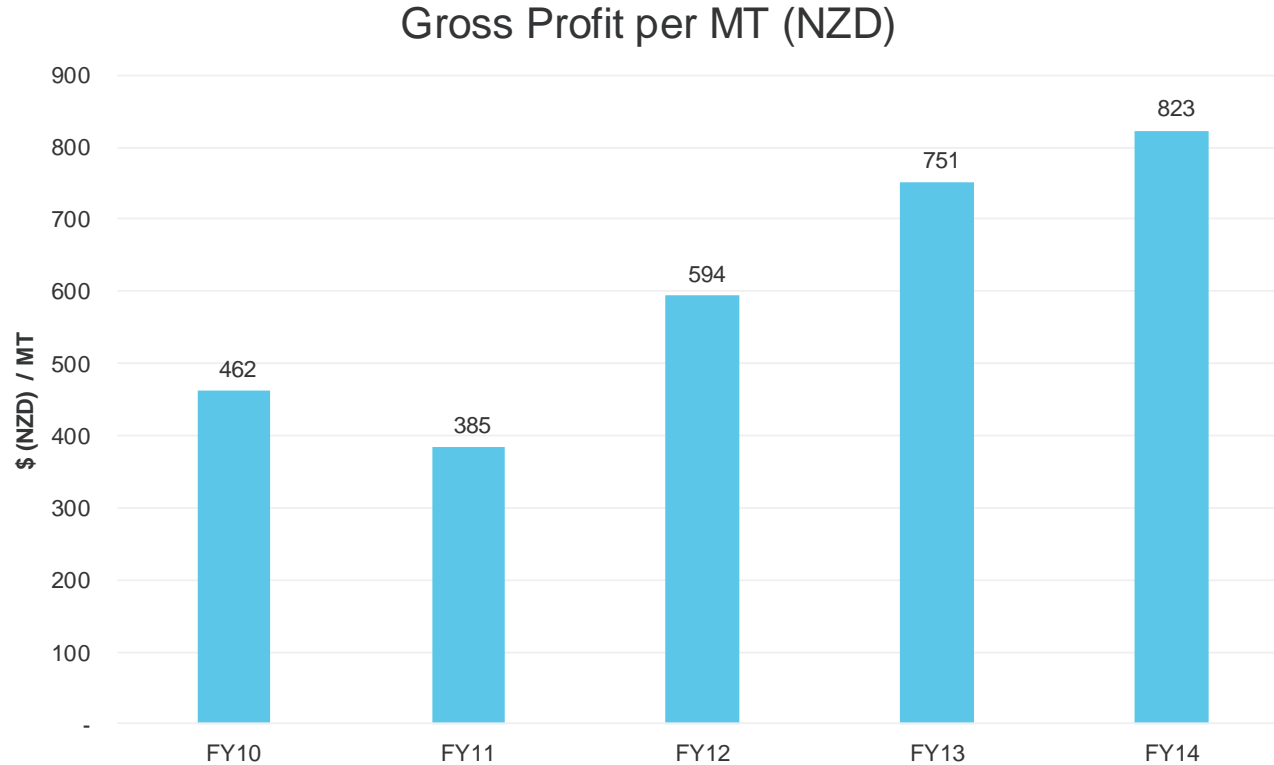
¹ EPS has been restated for FY13 share split

SIGNIFICANT IMPACTS ON FY2014 MARGIN¹

- While FY2014 margin at \$77.1m was in line with PFI forecast, there were a number of significant impacts.
- Included 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
 - Estimated foreign exchange impact \$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

MARGIN GROWTH KEY TO SUCCESS



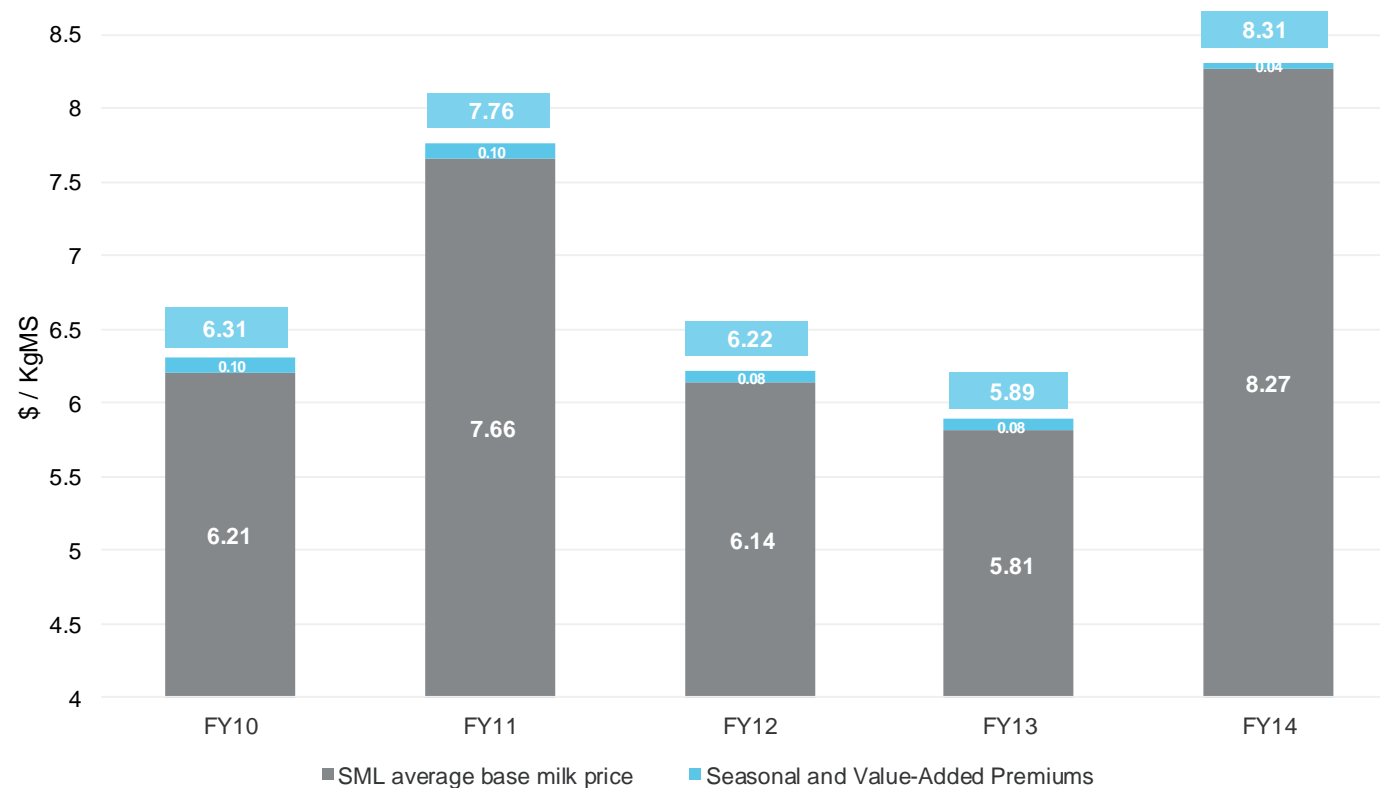
SALES VOLUMES AND PRODUCTION UP ON FY2013

	2014 <i>Actual</i>	2013 <i>Actual</i>	Change %	2014 <i>PFI Forecast</i>	Change %
Sales Volumes (MT)					
Ingredients	87,248	81,085	7.6%	80,435	8.5%
Nutritionals	6,396	5,661	13.0%	11,465	(44.2)%
Total	93,644	86,746	8.0%	91,899	1.9%
Production Volumes (MT)					
Ingredients	89,276	81,148	10.0%	79,262	12.6%
Nutritionals	7,216	10,081	(28.4)%	11,684	(38.2)%
Total	96,492	91,229	5.8%	90,946	6.1%
Milk Procurement (millions KgMS)					
Contracted	47.9	42.1	13.8%	46.4	3.2%
Other Supply	2.0	4.7	(56.7)%	-	-
Total	49.9	46.8	6.8%	46.4	7.6%

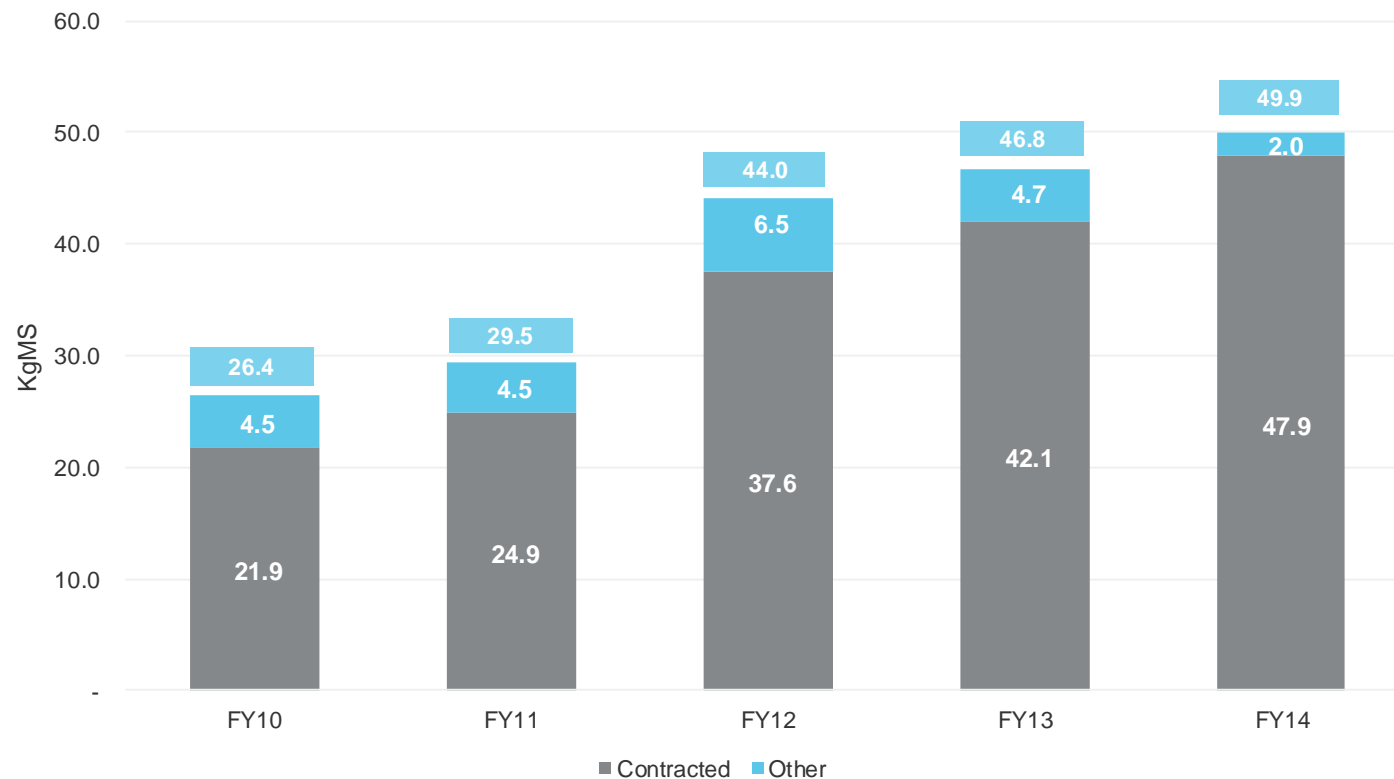
MILK VOLUMES AND PRICE

- Overall milk supply up 6.8% to 49.9 million kgMS on last year and up 7.6% on FY2014 prospectus forecast.
- Increased contracted milk supply by 13.8% year on year to 47.9 million KgMS.
- Contract suppliers average base milk price of \$8.27 KgMS, plus additional \$0.04 KgMS related to seasonal and added value premiums - resulting in a total average milk price of \$8.31 KgMS.

ANNUAL MILK PRICE



MILK VOLUMES

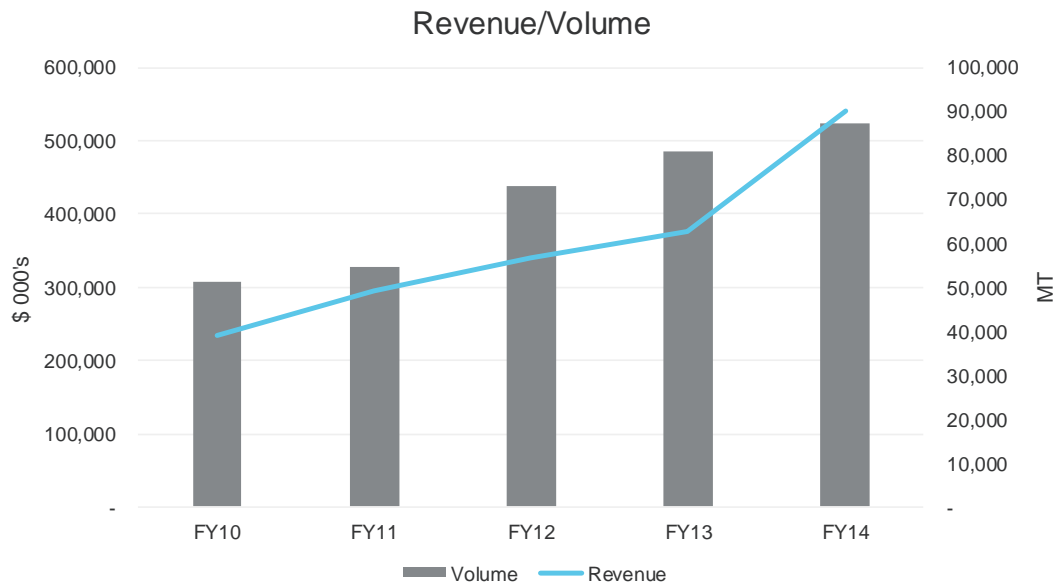


CONTINUED GROWTH IN INGREDIENTS BUSINESS

- Increased volume processed driven by increased milk supply.
- High commodity prices driving significant increase in revenue.
- Improved quality of customers (four tier 1 customers).
- Product premiums more challenging to achieve in high commodity price market.
- Benefits from product mix impacted by estimated sales phasing and foreign exchange outcomes.

INGREDIENT CATEGORY

	2014 <i>Actual</i>	2013 <i>Actual</i>	Change %	2014 <i>PFI Forecast</i>	Change %
Revenue (\$000)	540,725	376,523	43.6%	437,120	23.7%
Volume	87,248	81,085	7.6%	80,435	8.5%

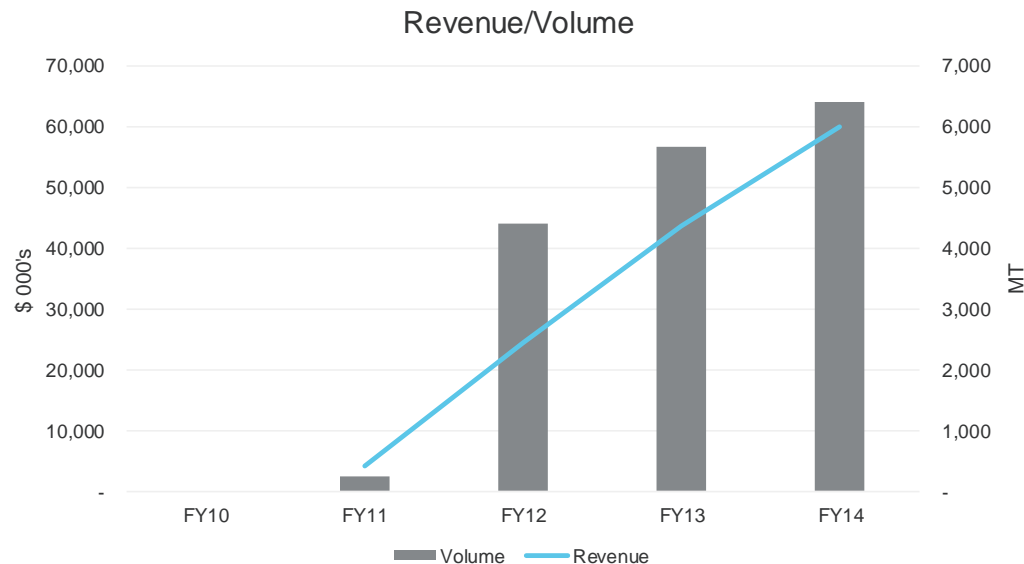


INFANT AND NUTRITIONALS – CHALLENGING YEAR

- Revenue and sales volumes up on FY2013, but below PFI forecast.
- Impacted primarily by change in Chinese regulations.
- Strong relationship with three infant formula branded products – Pure Canterbury™, akara™ and a2 Plantinum™.
- First production and sales (2MT) of lactoferrin.
- Financial impacts associated with inventory provisioning and write offs.

INFANT AND NUTRITIONALS CATEGORY

	2014 <i>Actual</i>	2013 <i>Actual</i>	Change %	2014 <i>PFI Forecast</i>	Change %
Revenue (\$000)	59,793	43,487	37.5%	87,327	(31.5)%
Volume	6,396	5,661	13.0%	11,465	(44.2)%



CAPITAL PROJECTS IMPACT BALANCE SHEET

- Growth in fixed assets driven by growth initiative projects.
- Net debt increased due to funding associated with growth projects, resulting in increased gearing percentage.
- Growth of shareholder funds in line with expectations.
- Small decline in ROCE as investment in growth projects impacts capital employed.
- Significant improvement in operating cash flows as signaled last year.

BALANCE SHEET AND CASH FLOWS

	2014 <i>Actual</i>	2013 <i>Actual</i>	Change %	2014 <i>PFI Forecast</i>	Change %
Net 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 ²	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 cashflow items that will unwind in FY2014



OUR GROWTH

STRATEGIC GROWTH INITIATIVES

- Total spend on six growth initiative projects increased to \$239m from \$189m.
- Driven by larger dryer 3, increased scope of lactoferrin plant and increased investment in administration and laboratory building.
- Commissioned lactoferrin plant, new 22,500m² warehouse and blending & consumer packaging plant during the year.
- Commenced build of new dryer 3 in FY2014, with completion due September 2015.
- Commenced build of administration and laboratory building in August 2014 with completion due June 2015.
- Deferred build of butter plant to FY2016.

GROWTH INITIATIVE PROJECTS

\$m	Forecast / Actual	PII	Var to PFI	
Dry Store 3 ¹	17.0	19.5	(2.5)	Commissioned April 2014
Lactoferrin Facility	21.9	15.1	6.8	Commissioned April 2014
Blending & Canning Facility	29.2	27.5	1.7	Commissioned July 2014
Administration & Laboratory Building	21.0	8.4	12.6	Scheduled Commission June 2015
Dryer 3	135.0	103.5	31.5	Scheduled Commission September 2015
Butter plant	15.0	15.0	-	Build deferred to FY2016
	239.1	189.0	50.1	

¹ Includes the Blending & Canning and Dryer 3 dry stores

FY 2015 OUTLOOK - INDUSTRY

- Strong global milk growth driving declining prices – particularly Europe.
- Considerable uncertainty of China and Russia demand.
- Regulatory changes stabilising in China.
- Synlait registration of blending & consumer packaging facility.

FY 2015 OUTLOOK - SYNLAIT

- Increased milk powder business committed to infant formula and nutritional market approaching 50% of total business.
- 45% of business committed to four tier 1 customers.
- Forecasting 15MT of lactoferrin sales at prices in excess of US\$500,000 per MT.
- Overall expect a small increase in total volumes sold.
- Focus on executing build of dryer 3 and new administration and laboratory building.
- Announcing small investment in New Hope Nutritionals (25%) – akara™ brand.
- Benefit of increased infant formula and nutritional sales largely balanced by increased operating and funding costs.

THANK YOU

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