RISING TO THE OPPORTUNITY

Synlait Milk Limited Market Announcements September 2016

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OUR PROGRESS

WELL ESTABLISHED AFTER TEN YEARS

Demonstrated value added strategy based on differentiated milk streams

- Synlait is a B2B manufacturing company focussed on making more from milk.

- Over the past 10 years we have grown from start up to annual production volumes of 125,000MT.

- Synlait listed in July 2013 and raised $75m to support funding major capital expansion programme resulting in a market capitalisation of $320m.

- $550m revenue (FY16) generated from:
  - Ingredient milk powders and cream
  - Infant formula base powders and canned infant formula
  - Specialty ingredients

- Partnering with leading global infant formula companies and disruptive new entrants.

IPO GROWTH CAPEX PROGRAMME

ROCE improved to 13.5% at the conclusion of the growth programme

- Investments announced at IPO totalling $174.0m now completed are:
  - Dryer three
  - Consumer Packaging Facility
  - Lactoferrin recovery facility
  - Drystore
  - Administration building & Quality Testing Laboratory

- The scope of projects increased by $47.1m from those announced at IPO. Had scope not been increased, key plant would already be hitting or exceeding capacity.

- All investments meeting, or exceeding, original expectations with the exception of lactoferrin.

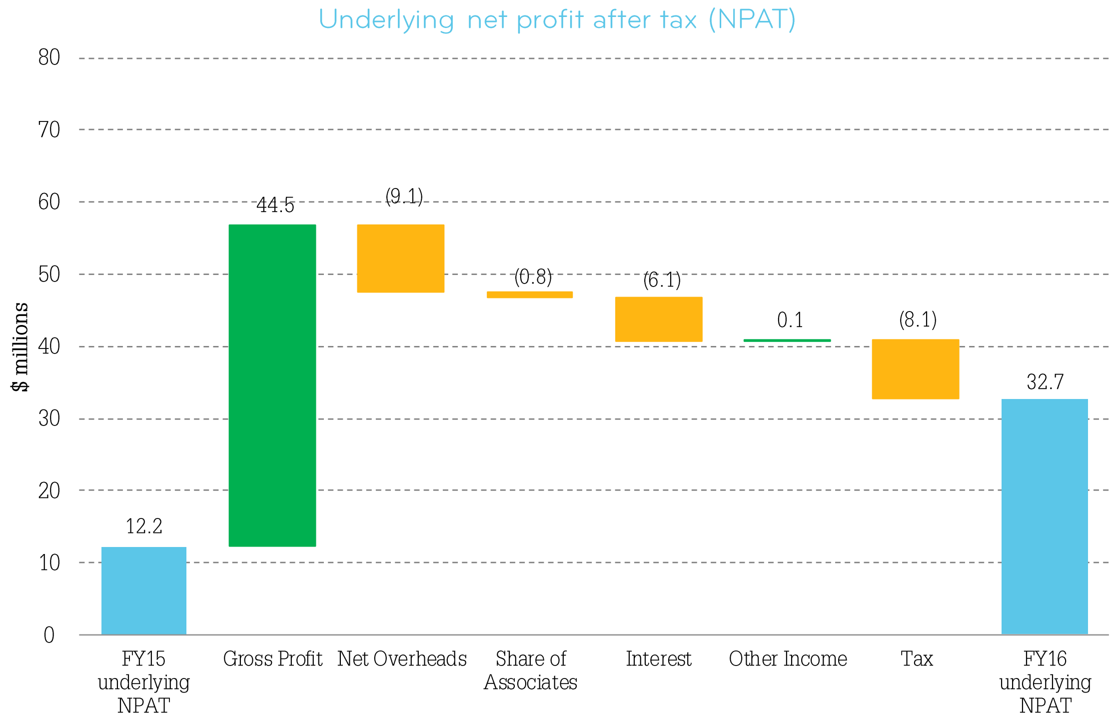
- Achieved TSR of 65% since IPO to date (annualised CAGR of 17%). Market capitalisation now $530m.

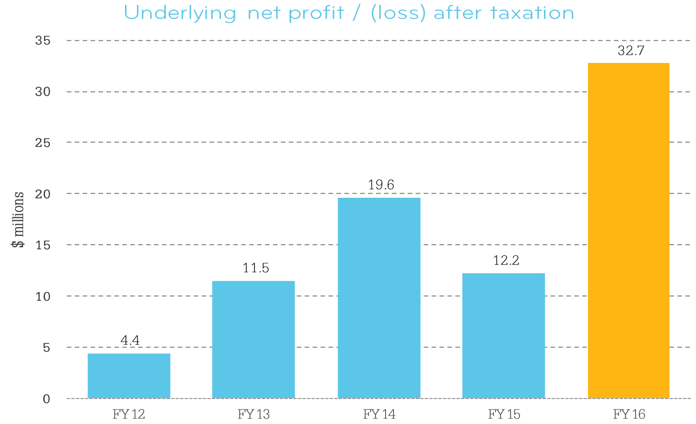
- We are now embarking on our next stage of growth seeking to raise approximately $98m to support funding a $300m capital expansion programme over the next three years.

OUR FY16 FINANCIAL RESULTS

OVERVIEW

- Our value added strategy has enabled Synlait to make more from milk and continue our growth.
- Underlying earnings after taxation for FY16 improved $20.5m on prior year, to $32.7m.
- Growth in underlying earnings is driven by an increase in canned infant formula volumes and growth and scale provided by the commissioning of the third spray dryer.
- Since IPO in July 2013, underlying earnings have increased by 184%.





SALES

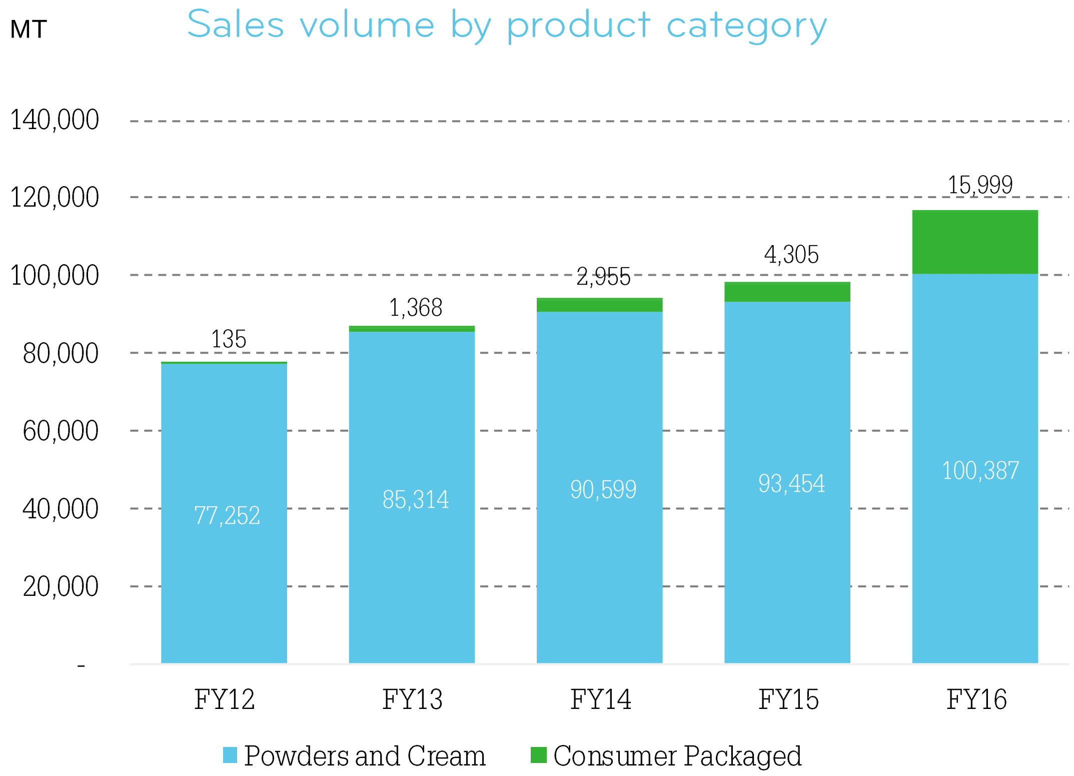
- Capital projects funded by the 2013 IPO are now complete, allowing the business to concurrently focus on external growth opportunities, customer development and major internal system and process improvements.

- Since IPO, volumes have grown with the commissioning of the third spray dryer in FY16 supported by increased milk supply. Total sales volume in FY16 was 116,402 MT (FY15: 97,803 MT).

- Product mix has continued to improve with strong growth in canned infant formula volumes subsequent to the commissioning of the consumer packaging facility in FY15.

- Canned infant formula volumes have increased to 16,000 metric tonne (MT) from 4,300 MT last year driven by strong demand from The a2 Milk Company™.

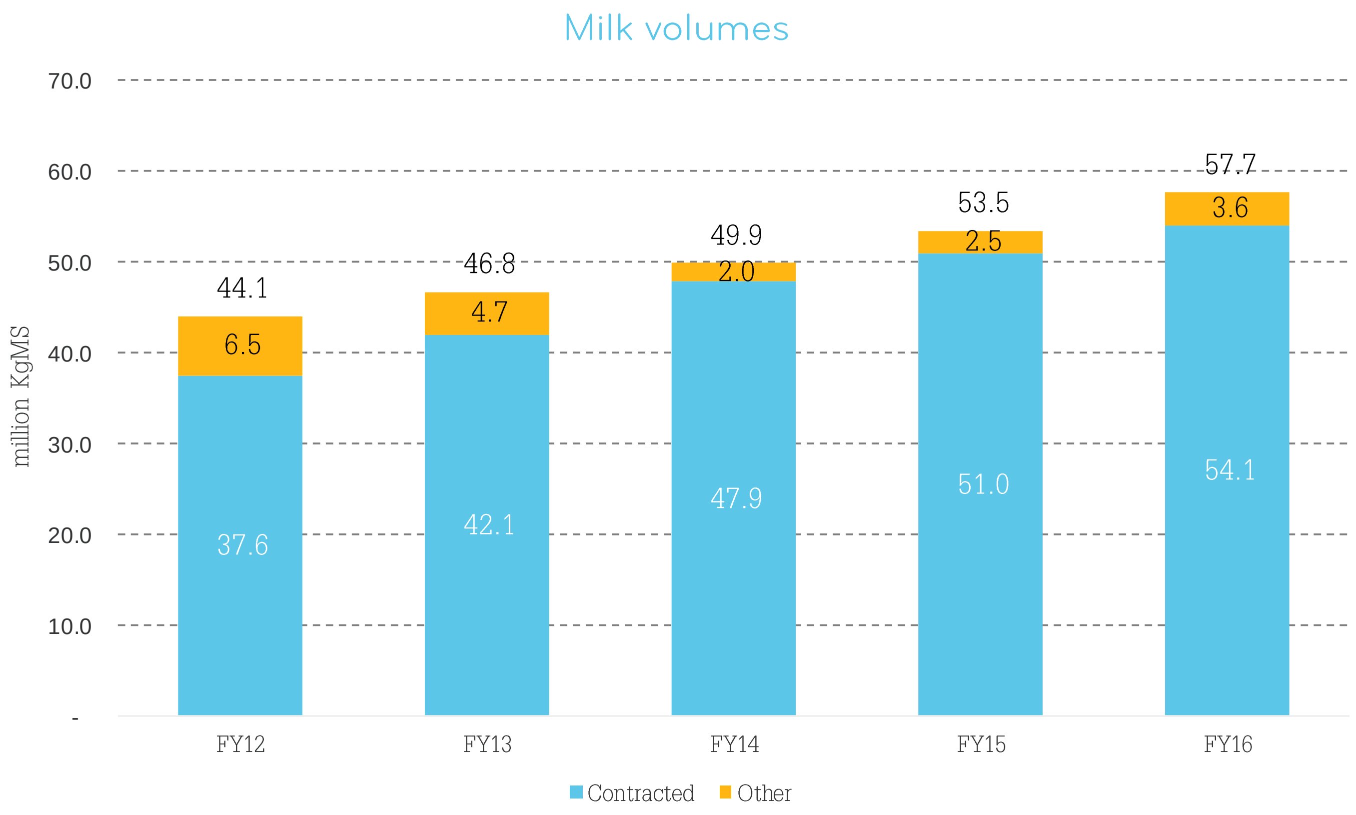
- Synlait has also continued to invest in sourcing new customers, including Munchkin Inc.



Sales volumes above excludes specialty ingredients volumes not shown separately on the graph. In FY16 these were 16MT (FY15: 44MT).

MILK SUPPLY

- Overall milk supply up 7.8% on prior year to 57.7m kgMS.
- Growth has been enabled by the completion of a third spray dryer, increasing capacity and allowing milk flows to increase.
- FY16 is the last year of entitlement to Dairy Industry Restructuring Act (DIRA) milk, which has been fully replaced by contracted milk supply.
- Contracted milk suppliers have increased from 161 in FY15 to 173 in FY16, with 200 milk suppliers contracted for FY17 to supply an estimated 62.0m kgMS.



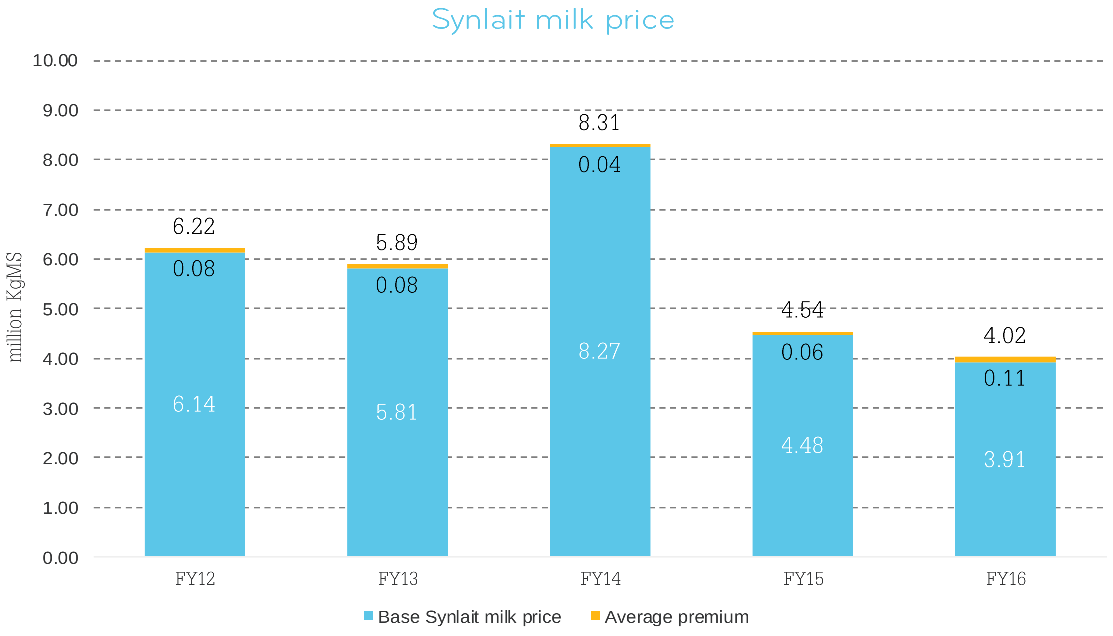
ANNUAL MILK PRICE

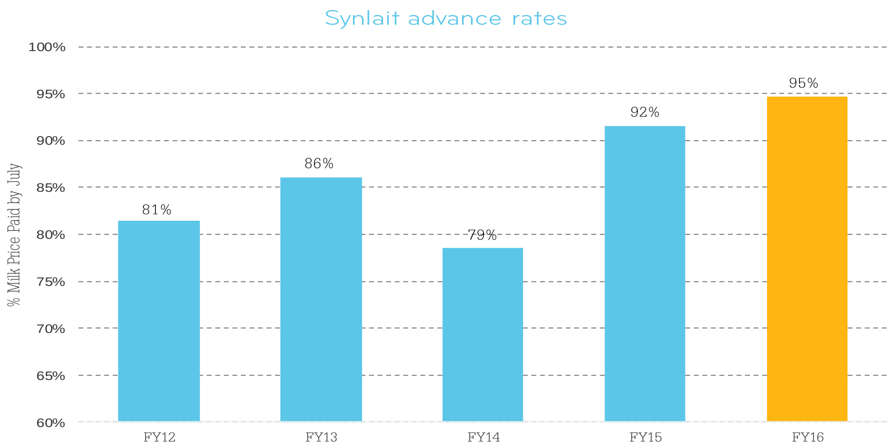
- Total average milk price of $4.02 kgMS including premiums in FY16.

- Our final base milk price of $3.91 kgMS is reflective of the decline in dairy commodity prices during the 2015/2016 milk season.

- An additional $0.11 kgMS related to seasonal and value added premiums paid to milk suppliers.

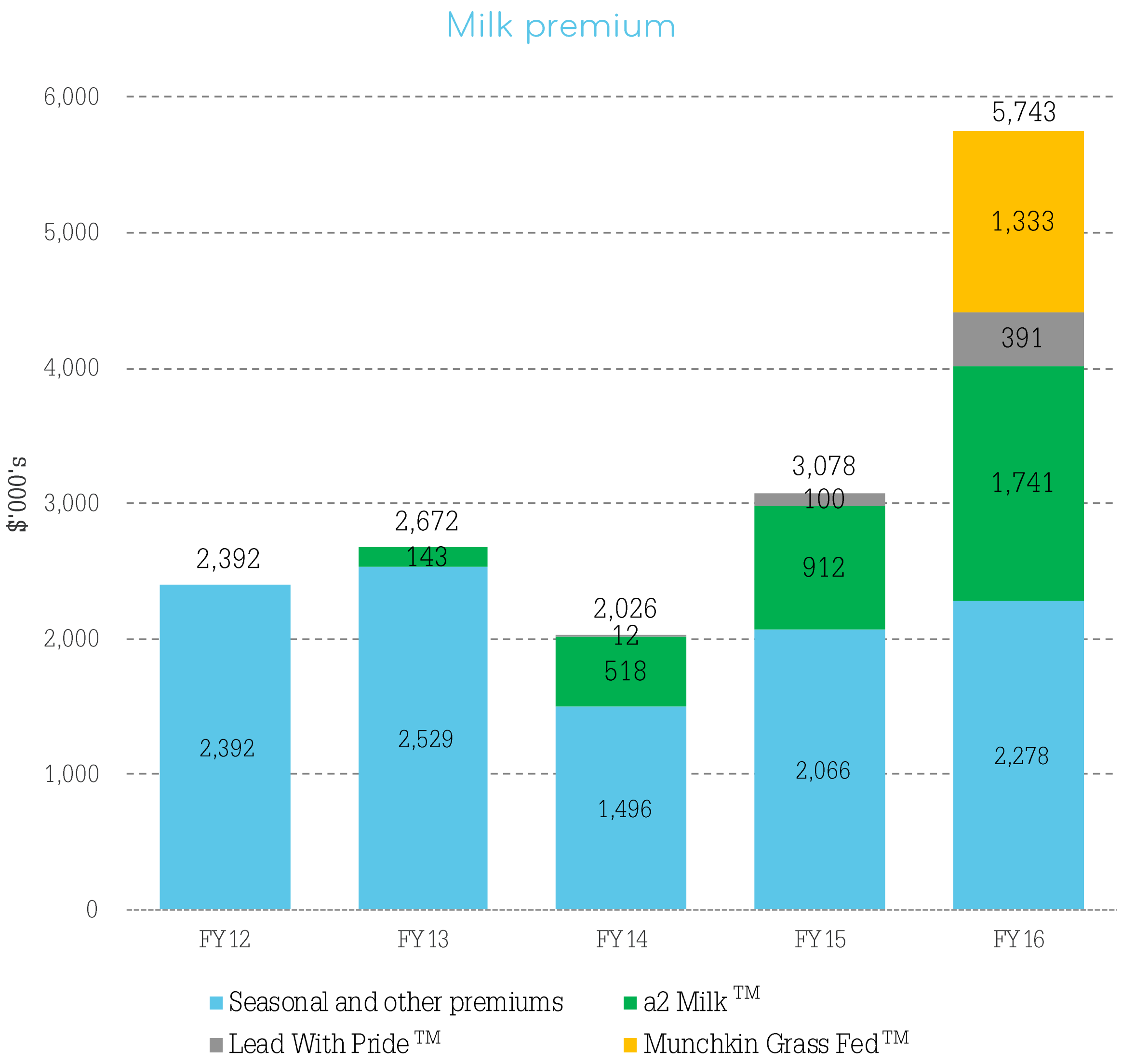
- We increased support to milk suppliers through higher advance rates during the winter off-season.





MILK PREMIUMS

- Milk premiums offered to suppliers support differentiation behind the farm gate.
- $5.7m additional premiums paid in FY16.
- Continued growth in Lead with Pride™ programme, which certifies and rewards suppliers achieving dairy farming best practice. This now has scale to create differentiated products and is a focus for business development.
- Strong growth in The a2 Milk Company™ premiums driven by an increase in contracted a2 milk suppliers from 17 in FY15 to 35 in FY16.
- Introduction of the Grass Fed standard, established for Munchkin Inc by Synlait, through strategic partnership in late FY15 to supply Munchkin Grass Fed™ infant formula.

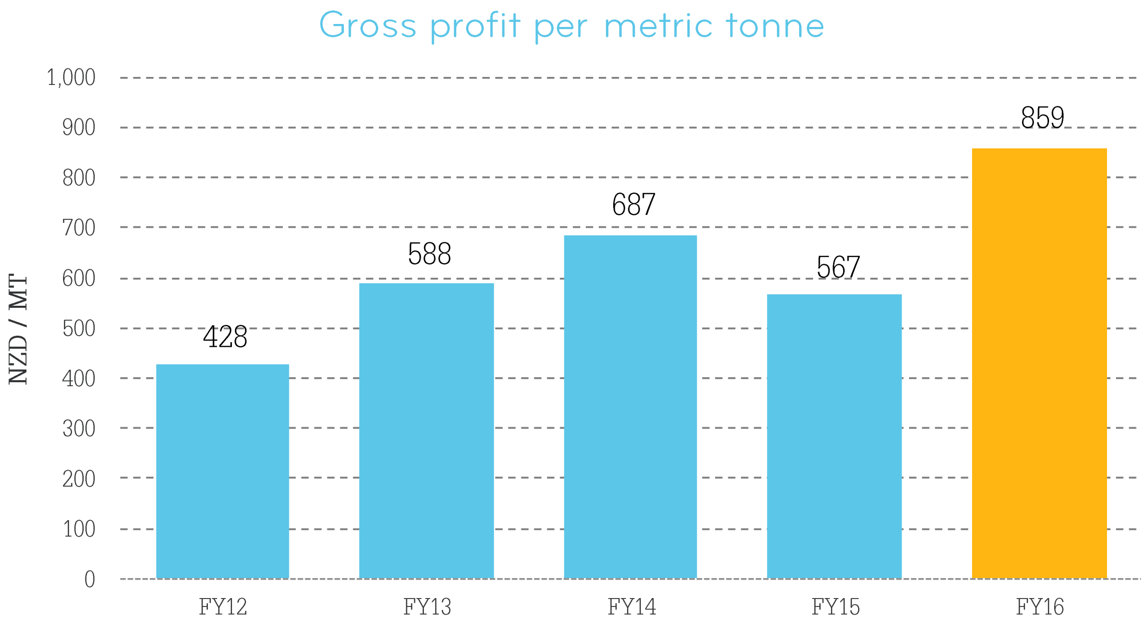


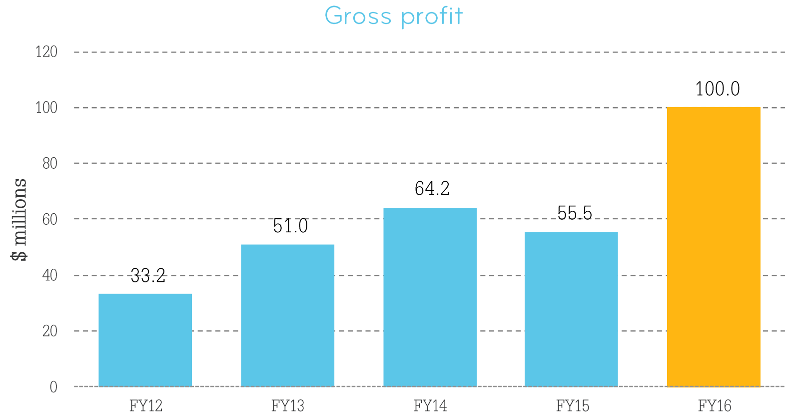
GROSS PROFIT PER METRIC TONNE

- Continued growth in underlying earnings driven by improved margins. Gross profit per MT increased to $859/MT from $567/MT last year.

- Improvement driven by a favourable change in product mix, with sales growth in the higher margin canned infant formula products.

- Also positively impacted by improved plant overhead recoveries through increased production in both our dryers and consumer packaging operations.

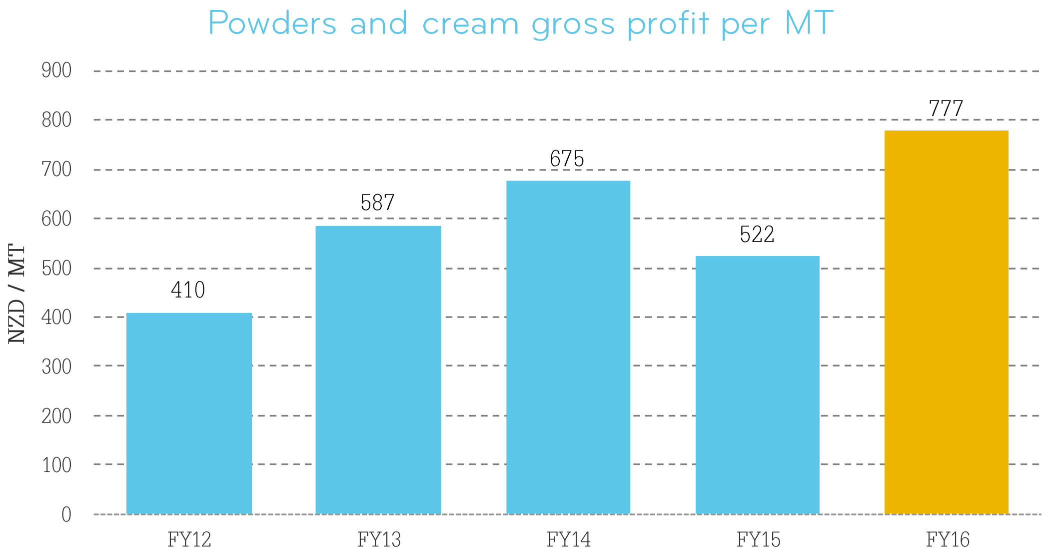


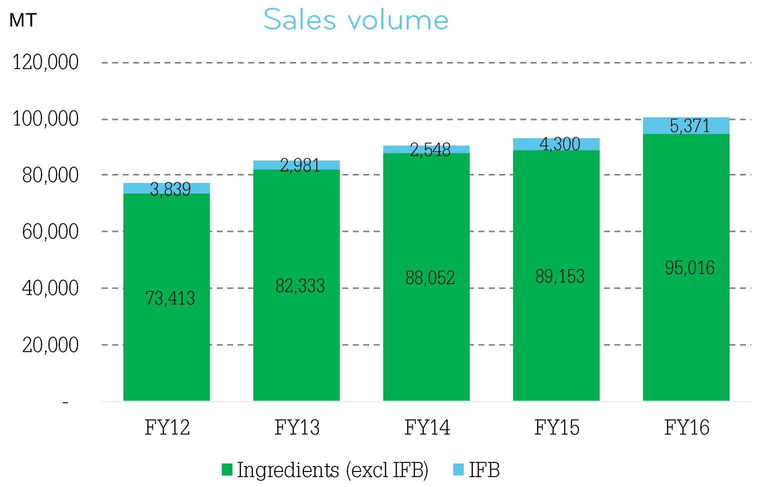


Gross Profit per MT, for all periods, has been restated to include export freight costs, which are recovered from customers and to align with current year classifications of expenditure.

POWDERS AND CREAM GROSS PROFIT / MT

- Powders and cream include all dairy ingredient products and infant base powders. This includes margins attributable to infant base powders packaged and sold as canned infant formula.
- Improved gross profit per MT due to increased infant formula volumes, which has improved product mix. This is inclusive of the margin generated on infant formula powder subsequently transferred to our consumer packaging facility.
- FY14 benefited from product mix upside not repeated in FY15, while FY15 was impacted by paying a milk price slightly above market price for milk.
- To support expected growth in infant formula volumes, $33.4m is being invested in a new wet mix kitchen in FY17, which will double infant formula capacity to 80,000 MT per annum.

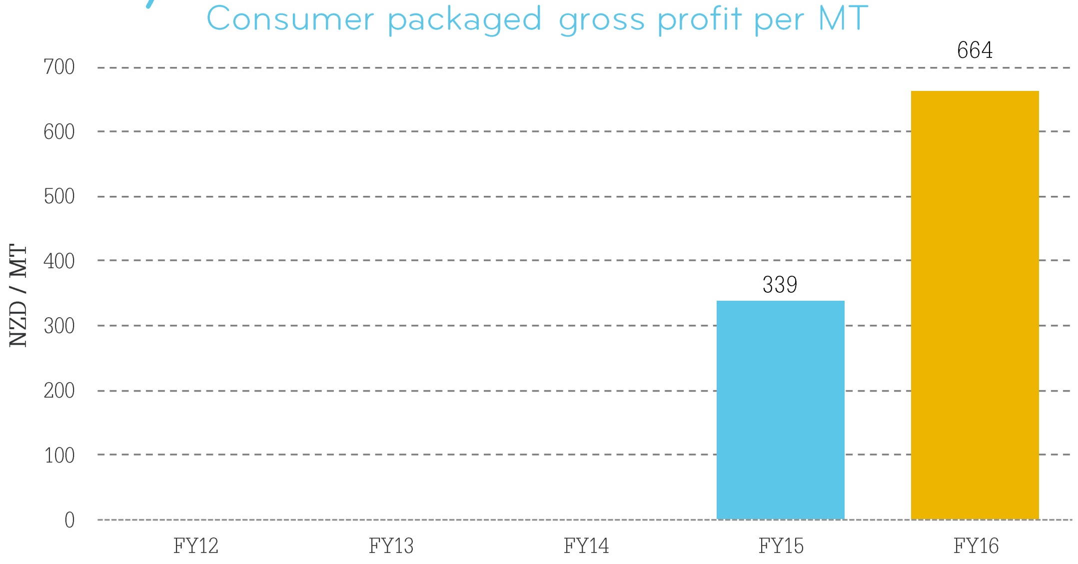


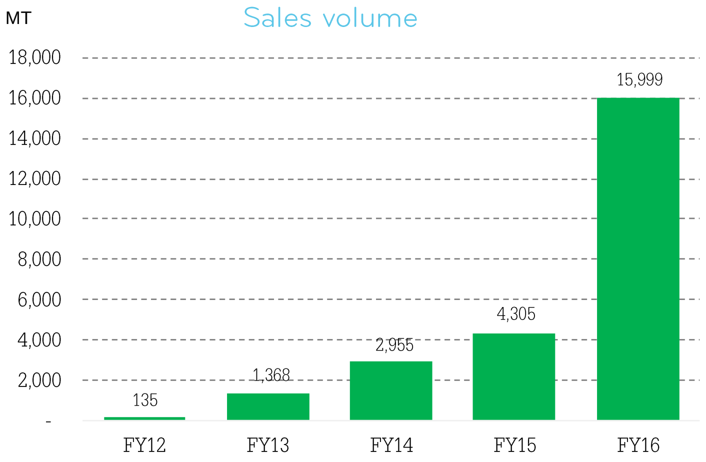


Gross Profit per MT includes volumes of internal transfers to consumer packaging whereas the sales volume graphic only includes external sales volumes

CONSUMER PACKAGED GROSS PROFIT / MT (CANNED INFANT FORMULA)

- Margin attributable to this category is calculated based on a toll manufacturer methodology with transfer revenue based on market pricing.
- Margin only attributed to this category from FY15 following commissioning of the consumer packaging facility in July 2014.
- Margin improving in FY16 due to efficiencies through increased volumes.
- Future volume increases will improve efficiencies to support continuing margin growth for this product group.
- Sustainability of product group supported by execution of long term agreement with a2 Milk™ in August 2016 for a minimum of five years.

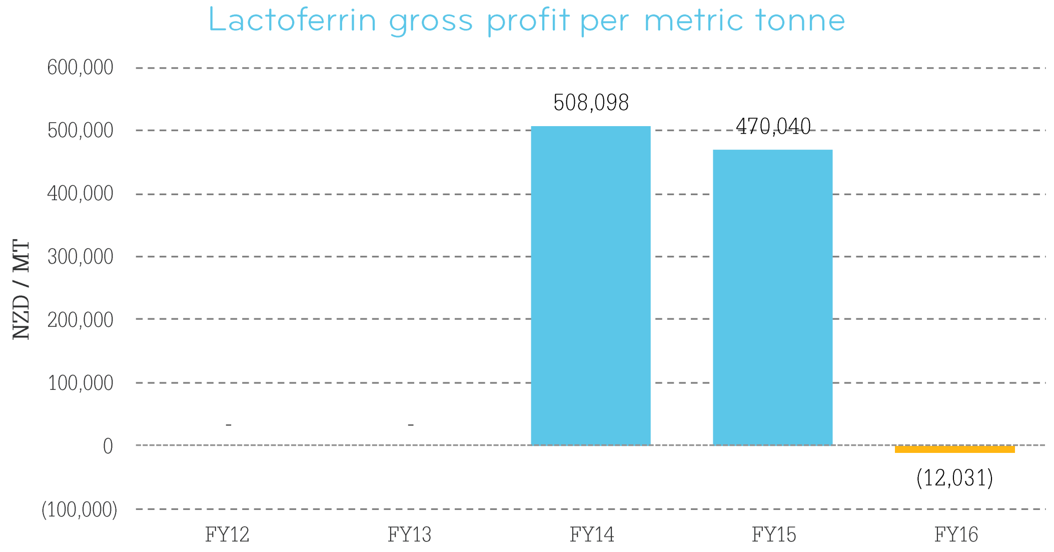


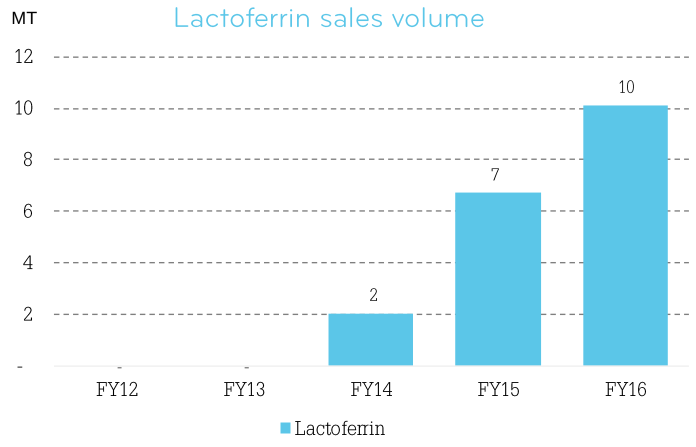


Sales volumes above includes canned infant formula previously packaged by a third party manufacturer prior to FY15.

SPECIALTY INGREDIENTS GROSS PROFIT / MT (LACTOFERRIN)

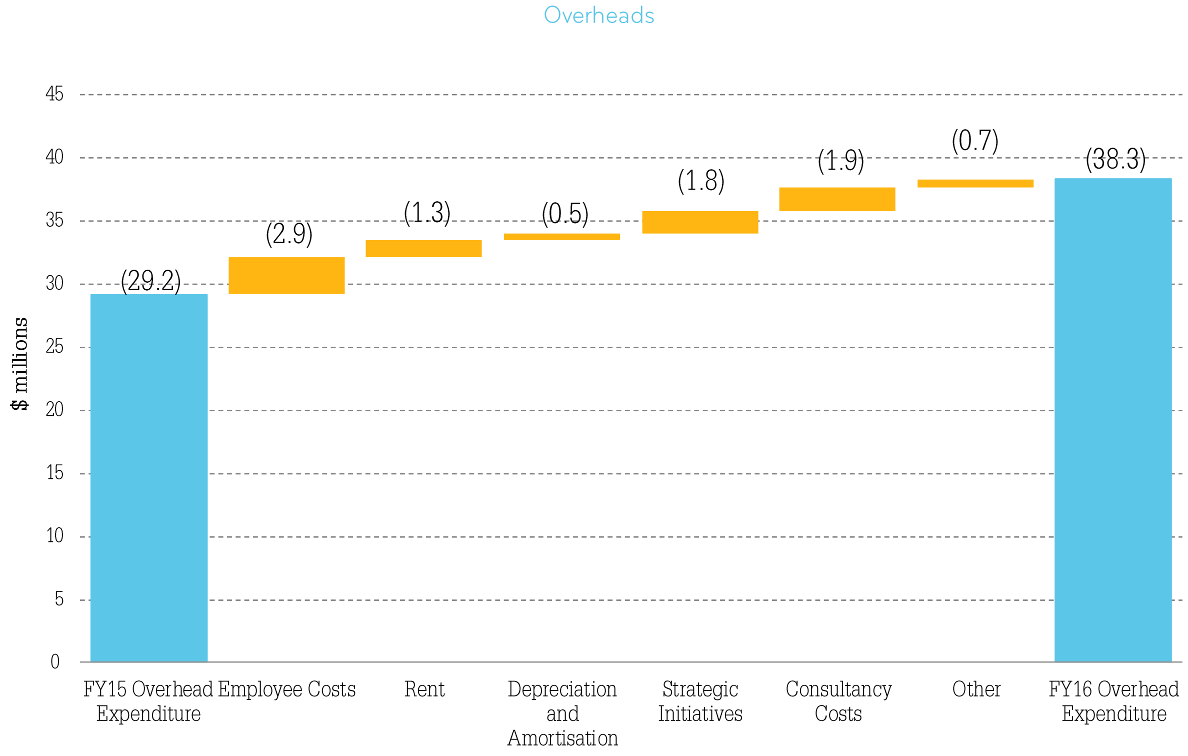
- Lactoferrin is the most important product in our specialty ingredients product range.
- This is a high value product group with a large proportion of cost being fixed overheads.
- FY16 saw weak lactoferrin market pricing. Significant costs were allocated to lactoferrin due to low lactoferrin production and limited production of other specialty ingredients in our specialty dryer.
- Strong focus in FY17 on growing lactoferrin sales and new specialty ingredient opportunities to utilise spare specialty dryer capacity.

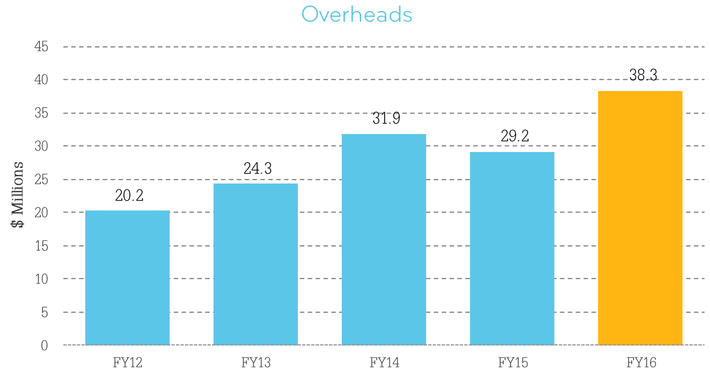




OVERHEADS

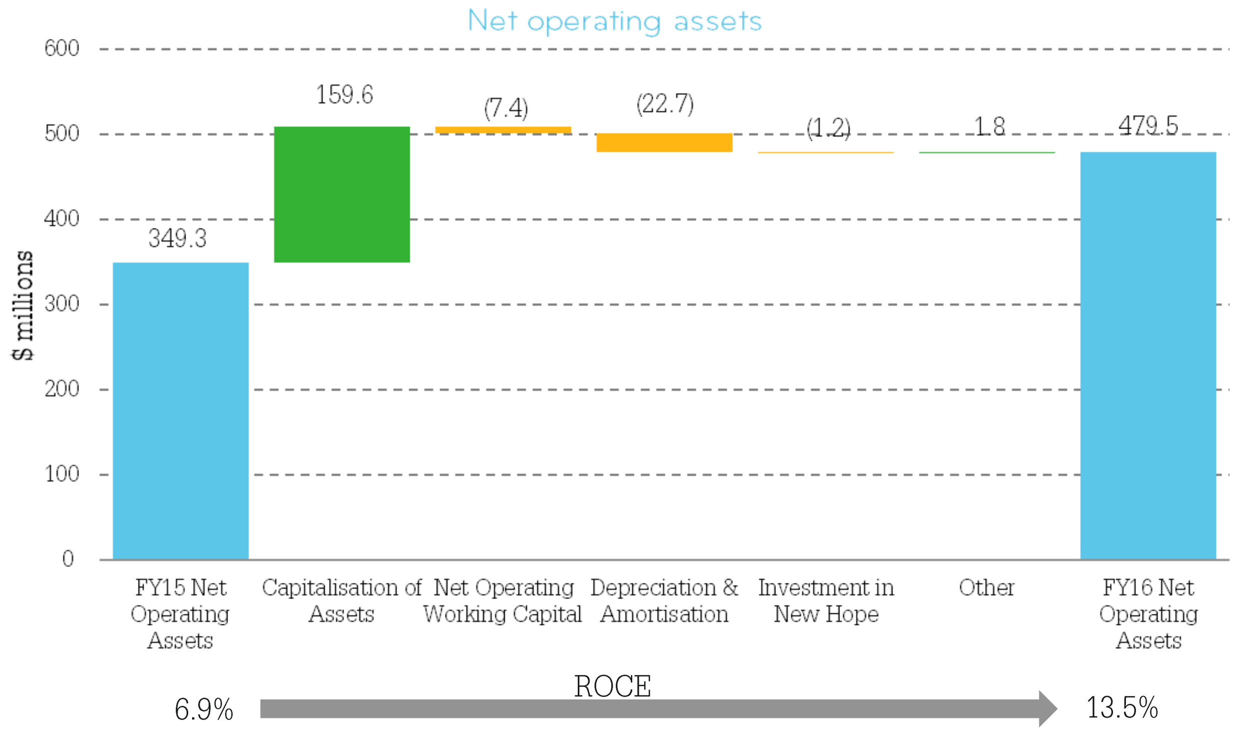
- FY16 overheads increased by $9.1m compared to prior year.
- Synlait is reinvesting strongly in people, systems and processes with a focus on customer development, operational planning and associated process development. This has increased employee and consultancy costs with spend expected to continue in FY17.
- High peak inventory levels in FY16 resulted in increased external warehousing costs while the commissioning of the new administration facility has increased depreciation.

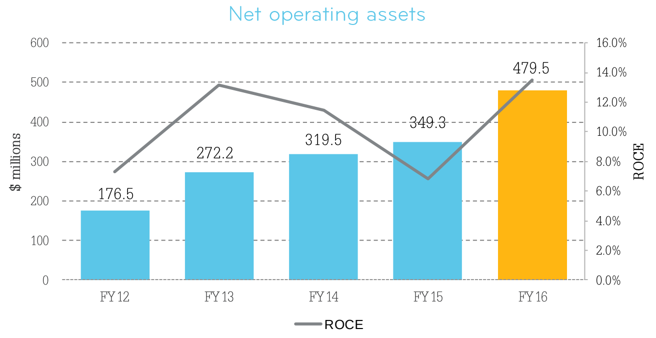




NET OPERATING ASSETS

- The commissioning and capitalisation of our third spray dryer in September 2015 has been the major driver in the increase of Net Operating Assets in FY16.
- Reduction in net operating working capital of $7.4m driven by the continued expansion of our receivables assignment programmes ($33.0m) offset by higher advance rates to milk suppliers.
- ROCE has improved to 13.5% in FY16 as a result of strong earnings growth.

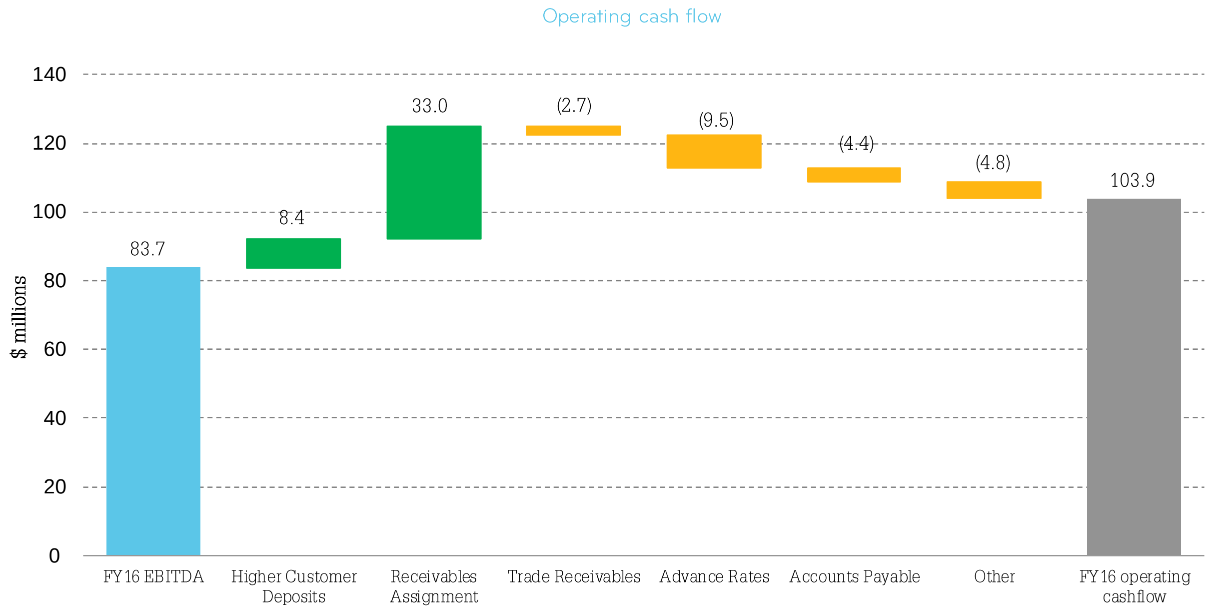


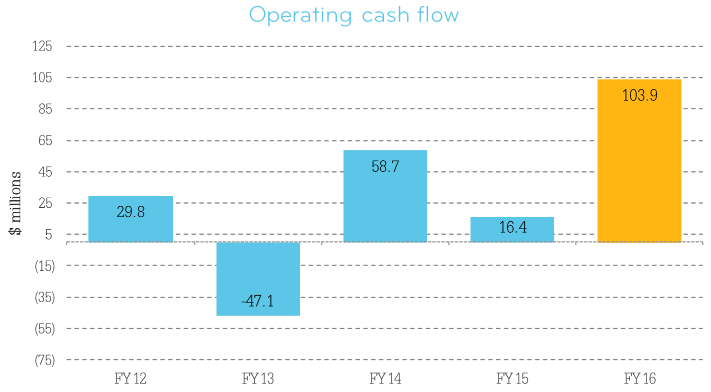


ROCE is calculated by dividing EBIT by the average capital employed at the start and end of the financial year.

OPERATING CASH FLOW

- Operating cash flow was greater than EBITDA following the expansion of the receivables assignment programme and higher customer deposits.
- This has enabled our continued support of milk supplier farmers through the payment of higher advance rates through the season.
- Growth in EBITDA to $83.7m (FY15: $40.9m) is the most important driver of our improved cash flow over FY15.



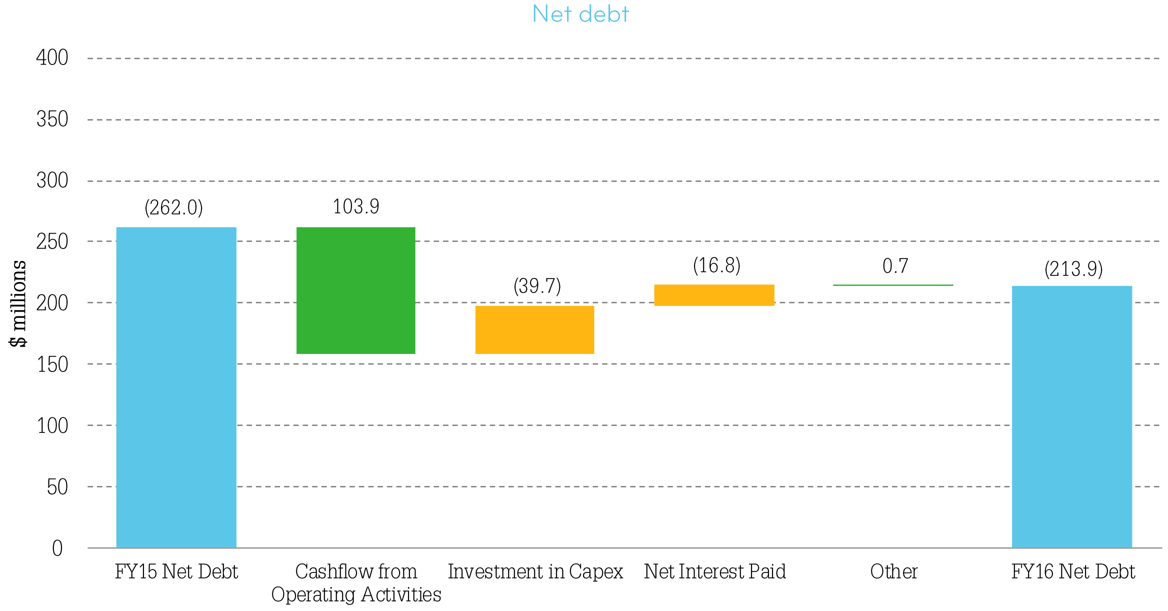


NET DEBT

- Net debt peaked in FY15 as construction of the third spray dryer neared completion ahead of achieving any earnings.

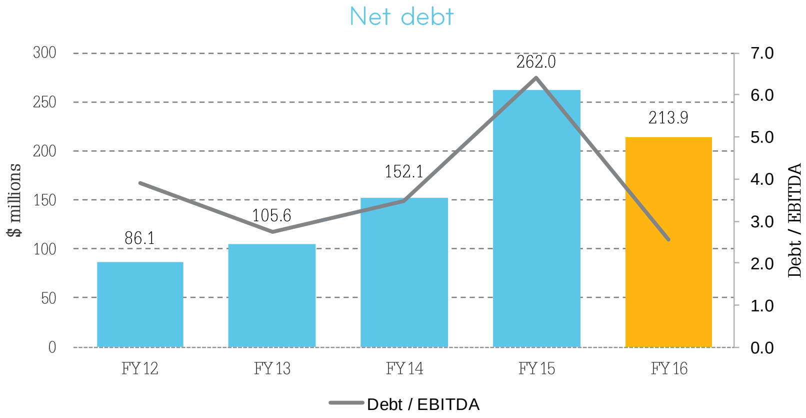
- Operating cash flows for FY16 at $103.9m have enabled capex to be self funded and surplus cash applied to debt reduction.

- As a result net debt has reduced to $213.9m and leverage improved to 2.6x EBITDA compared to 6.4x in FY15.



Debt / EBITDA

6.4x → 2.6x

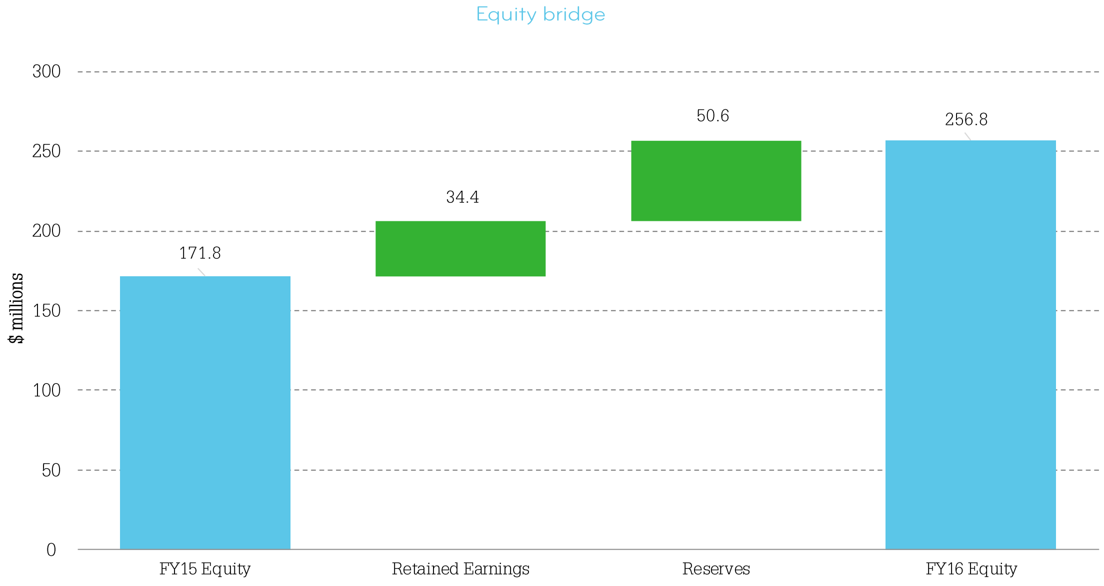


EQUITY

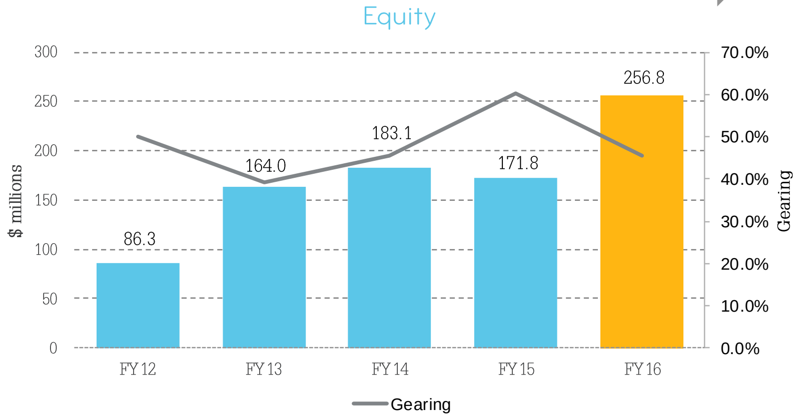
- Strong earnings of $34.4m has driven equity growth.

- Also impacted by the mark to market valuation adjustment associated with our derivatives held at year end.

- Significant improvement in Net Debt to Net Debt + Equity down to 45%.



Gearing
60.4% → 45.4%



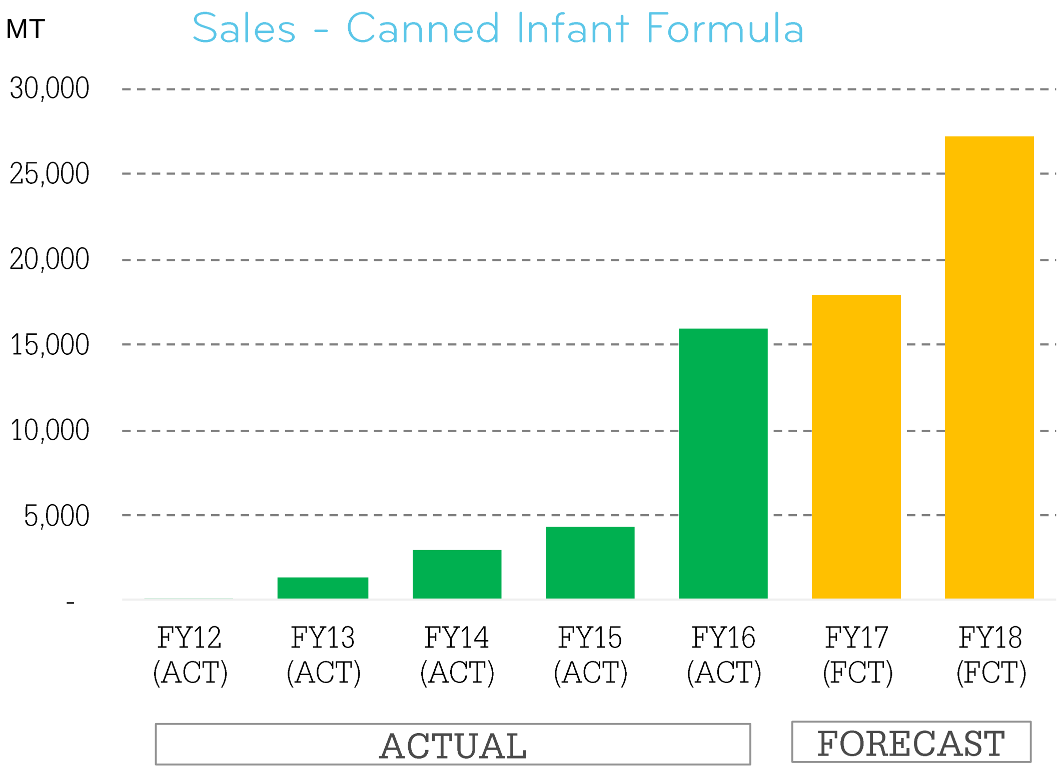
OUR EXPECTATIONS

PROPOSED CHINESE REGULATIONS

- Manufacturers of infant formula for export to China must register their recipes with Chinese Authorities by 1 January 2018; current rules apply until then (though some labelling and e-trade requirements now apply).
- Up to 9 recipes can be registered (stages 1, 2 & 3) under a maximum of 3 brands, for an initial 5 year period.
- Each recipe must have distinct differences backed by scientific evidence and be made on premises with R&D and accredited testing facilities – all of which must meet the required Chinese quality standards.
- Synlait is well positioned for the new regulations – having a fully accredited laboratory, R&D function, technical capability for recipe development, quality standards and distinct brands for customers.
- Synlait is currently working through our strategy with its infant formula customers exporting into China. This includes The a2 Milk Company™, Munchkin Inc and several other customers.
- While Synlait will not be able to register and supply all brands of canned infant formula we currently manufacture, we expect the volumes we supply to the three selected brands will grow commensurately, and we also intend to work with the other brands through third party arrangements where possible.

FY17/FY18 EXPECTATIONS

- Proposed Chinese regulations likely to moderate canned infant formula growth in FY17 as disruption works through industry wide supply chains but normalise in the longer term.
- Investment in customer and market development (e.g. Munchkin Inc) will also support volume growth to reduce reliance upon the China market.
- Canned infant formula volumes therefore expected to grow by 2,000MT in FY17 and another 10,000MT in FY18 based on current estimates of customer demand. Growth of base infant powders is expected to be flat in FY17 with growth of 4,000MT into FY18.
- Incremental investment in the order of $5m to $6m into customer, market and product development opportunities as well as our focus on improving our internal business processes will continue into FY17 which will largely offset our anticipated margin growth.
- The above investment will support our growth strategy as set out on slide 26.
- As a result our profit expectations for FY17 show only modest growth with meaningful improvements expected in FY18.



OUR FUTURE

INTRODUCTION

- Synlait has completed a review of its growth plans that is expected to result in a spend of approximately $300m over the next three years.
- This includes investment in additional capacity for:
  - Infant formula manufacturing capability (including a new wet mix kitchen)
  - Consumer packaging capability (including an alternative packaging format)
  - Infrastructural requirements (including warehousing)
  - Value added cream manufacturing capability
  - Additional spray drying capacity, Dryer 4
- Synlait is seeking to raise approximately $98m of new equity through an accelerated pro-rata entitlement offer to be completed by mid-October 2016.
- The proceeds will initially be used to repay bank debt and to support the future capital expenditure programme noted above.
- Synlait has also started the process to dual list on the ASX and expects to commence trading on the ASX in 2016.

OUR GROWTH STRATEGY

- Synlait is, and will remain to be, a growth company focused on making more from milk.
- Powders and Cream
  - Synlait will continue to focus on differentiated milk streams to grow and defend value added product opportunities for infant formula applications.
  - Strong focus on growing volumes of infant grade milk powders and base powders for existing and new customers.
  - Synlait is reviewing its cream strategy with a view to introduce new product streams as an alternative to commoditised AMF.
- Consumer Packaged
  - Synlait will continue to develop strategic partnerships with targeted customers for canned infant formula.
  - Working to both maximize opportunities in China, and develop new customers in other markets.
  - Synlait will meet customer demand through capability (both capacity for existing products and new capability for alternative packaging formats).
- Specialty Ingredients
  - Synlait will continue to develop strategic partnerships with targeted customers for Lactoferrin.
  - Synlait will invest in research and development to capitalise on opportunities to increase utilization of our specialty ingredients capability.
- A key enabler to support our future growth and mitigate single site risk will be an investment into a second site. An initial investment in identifying and acquiring appropriate land is expected in the next 12 months, however, it may be some years before our second site is commissioned and manufacturing product.
- Synlait plans to invest in our people, processes and systems, with a focus on customer and product development, operational planning and associated process improvements.

EXECUTION OF STRATEGY

- Total Shareholder Return (TSR) of 65% achieved from IPO to date.

- Completion of a $250m expansion programme that has seen Return on Capital Employed improve to 13.5%, and growth exceed original expectations, all within three years of IPO.

- Our capability now includes:
  - Three spray dryers capable of manufacturing 120,000MT of milk powders (inclusive of 40,000MT of infant base powders) per annum.
  - AMF plant capable of manufacturing 20,000MT of AMF per annum.
  - Consumer packaging facility capable of packaging 30,000MT of canned infant formula per annum.
  - Lactoferrin plant capable of manufacturing 20MT of high-grade dried lactoferrin powder per annum.
  - World class laboratory facility enabling Synlait to conduct 90% of its product and environmental testing on site.

EXECUTION OF STRATEGY

- Exceptional People
  - Built a strong team now in excess of 400 on our Dunsandel site.
- Grown Supplier Base
  - Grown a strong milk supplier base of 200 farmers with over a half supplying differentiated milk in challenging industry conditions.
- Meaningful Customer Partnerships
  - Partnered with four of the five leading multinational infant companies as well as supported disruptors grow to leaders.
- Value Added Product
  - Manufactured from our word class facility that is believed to be the single largest infant formula site globally.
- Evolving Systems and Processes
  - Continuous improvement in our systems and processes to keep pace with our growth and development.
- Executing Growth Opportunities
  - Commercialisation of potentially game changing opportunities, including infant formula manufactured from differentiated milk streams and lactoferrin.
- Infant Formula Market Opportunities
  - Have undertaken the appropriate investments to be well positioned to meet the current and expected future requirements for the China infant formula market.
  - Increasing focus on non-China market opportunities.

NEW GROWTH CAPEX PLAN

ROCE forecast to improve to circa 16% in FY20, following the conclusion of the new growth plan

	$'m *	Timing of spend *	Comment
Wet Mix Kitchen 2	34	FY17	Double infant capacity to 80,000MT p.a.
Cream Manufacturing	30	FY18	Manufacturing capability to support value added cream strategy
Dryer four	130	FY19	New 10.5MT/hr dryer to meet demand growth
Other Projects	10	FY17-18	Includes differentiated milk stream processing
Total Powders & Cream	**204**	**FY17-FY19**	
Consumer Packaging Facility 2	35	FY18	Double canning capacity to circa 60,000MT p.a.
New Consumer Packaging Options	9	FY19	Sachet Line
Total Consumer Packaging	**44**	**FY18-19**	
Infrastructure	**57**	**FY17-19**	Includes 30,000m2 drystore, admin facilities & initial second site investment
Total	**305**	**FY17-19**	

* Excepting investment in the new wet mix kitchen, the timing and quantum of investment will be driven by customer demand and is therefore subject to change.

FUNDING AND ENTITLEMENT OFFER

FUNDING

- Synlait is targeting a shadow BBB credit rating and leverage below 3x during the growth capex period and below 2.5x long term.
- Synlait currently has term debt facilities of $175m, reducing by $30m each August, maturing 1 August 2020.
- Synlait also has working capital facilities totalling $170m maturing 22 August 2017 which are renewed annually.
- These facilities, in conjunction with the accelerated rights entitlement offer and forecast cash flows fully fund the planned capital expenditure programme and enable the targeted shadow BBB credit rating to be maintained.

ASX DUAL LISTING

- The Board has approved Synlait to pursue an ASX Foreign Exempt Listing
- Synlait expects to commence trading on the ASX during 2016
- Increasing interest from Australian investors makes the ASX listing a logical move
- More Australian investors will help broaden and diversify Synlait's shareholder base

APPENDICES

APPENDIX 1

IPO GROWTH CAPEX PROGRAMME

Dryer 3

- Actual spend $132.1m* (IPO budget $103.5m).
- Increased capacity to 8.5MT/hr of infant powder from 5-6MT/hr.
- Commissioned on time in September 2015, within revised budget for larger dryer of $135m. First full year of production will be FY17.

Consumer Packaging Facility

- Actual spend $29.8m* (IPO budget $27.5m).
- Increased capacity to 30,000MT p.a. from 17,500MT p.a..
- Volumes growing faster than expected and originally planned capacity would nearly have been exceeded in FY16 (16,000 MT).

Lactoferrin recovery facility

- Actual spend $21.4m* (IPO budget $15.1m).
- Scope change to enable a higher quality product to be manufactured.
- Management encountered some post commissioning challenges now all resolved. Not yet meeting financial expectations primarily as market pricing for lactoferrin has softened.
- This plant continues to be a focus for Management and provides the basis for our specialty ingredient strategy with little further capital investment.

* Actual spend excludes capitalised interest and internal labour costs to ensure a fair comparison against original budget.

IPO GROWTH CAPEX PROGRAMME

Drystore

- Actual spend $17.1m* (IPO budget $19.5m).
- Accelerated programme to build one 22,500m^2 drystore ahead of original plans to build two 10,000m^2 drystores over time. Saving $2.5m.
- Commissioned on time and ahead of budget and operating at capacity.

Administration building & Quality Testing Laboratory

- Actual spend $20.7m* (IPO budget $8.4m).
- Increased size of admin building and scope of lab to accommodate increased staffing levels and capability.
- Lab now fully commissioned and administration facility nearing capacity.
- Expect to undertake over 90% of all on site tests by November 2016.

Ammix butter plant

- Actual spend $0.0m (IPO budget $15.0m).
- Investment deferred as Management focussed on accelerating our infant business.
- Work on our cream strategy underway to determine best value proposition for our cream.
- Expect future investment in late FY17 with benefits generated from FY18 onwards.

* Actual spend excludes capitalised interest and internal labour costs to ensure a fair comparison against original budget.

APPENDIX 2

APPENDIX

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THANK YOU

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