

synlaitTM
making more from milk

DELIVERING

2017

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FY17 HIGHLIGHTS

DEBT DOWN

NET DEBT FY16

\$214m

NET DEBT FY17

\$83m

ADDITIONAL
CAPITAL RAISED

\$97.6m

SYNLAIT
ADDED TO
S&P/NZX
50 INDEX

PROFIT UP

NPAT FY16

\$34.4m

NPAT FY17

\$38.2m

NZDC ACQUIRED TO
DOUBLE CANNING CAPACITY

5 YEAR

NEW HOPE NUTRITIONALS
INFANT FORMULA SUPPLY
AGREEMENT IN PLACE

\$8.9m

IN PREMIUMS PAID
TO MILK SUPPLIERS

APPROVAL TO EXPORT
LACTOFERRIN TO THE U.S.

ASX DUAL LISTING COMPLETED

5

SIGNIFICANT
APPOINTMENTS
TO THE SENIOR
LEADERSHIP TEAM



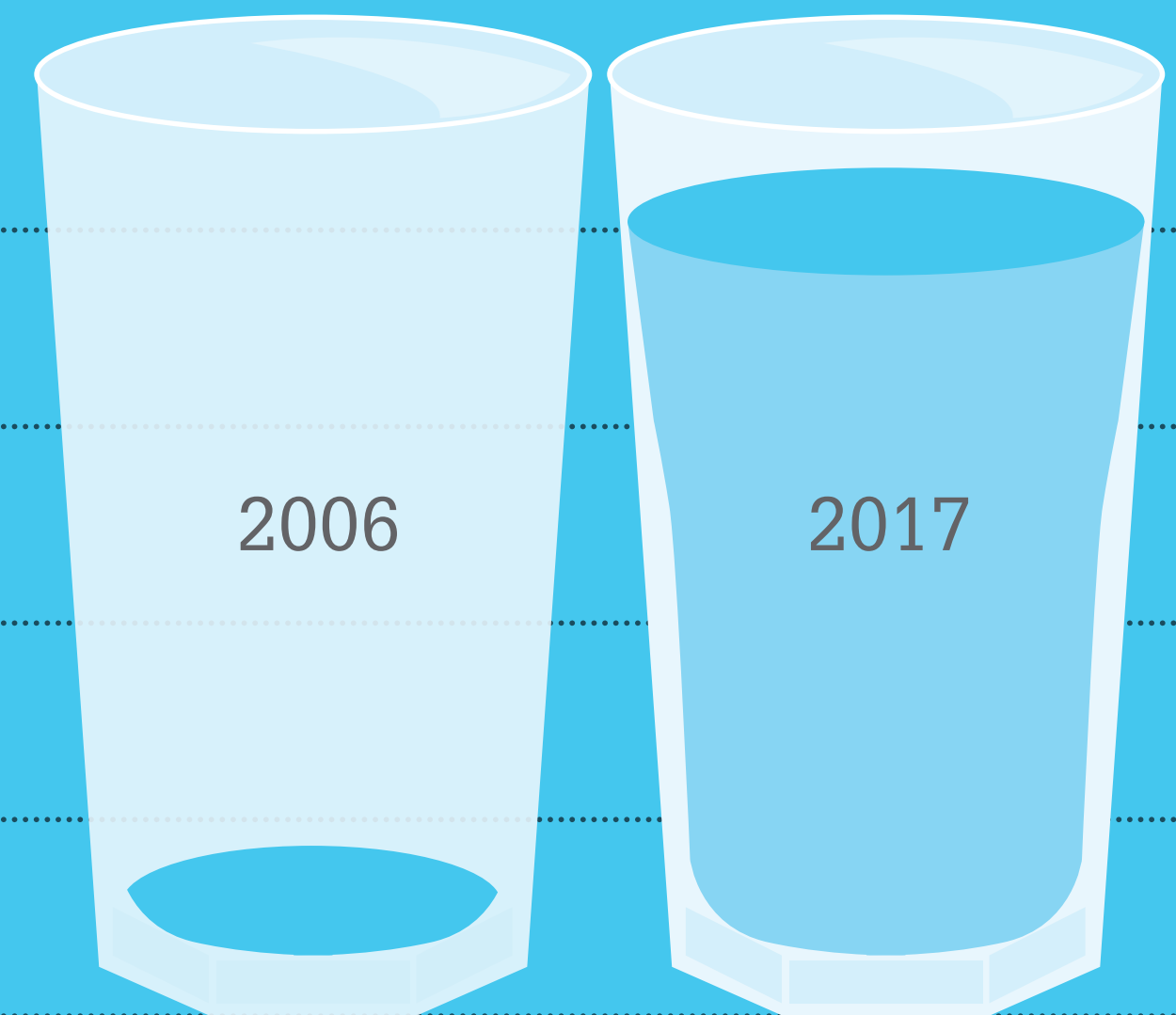
STRATEGIC UPDATE

2017

WE ARE A
GROWTH
COMPANY

SYNLAIT IS A B2B
MANUFACTURING
COMPANY FOCUSSED
ON MAKING THE MOST
FROM MILK.

OVER THE PAST 11 YEARS
WE HAVE GROWN FROM
START-UP TO ANNUAL
PRODUCTION VOLUMES OF
140,000 METRIC TONNES (MT)



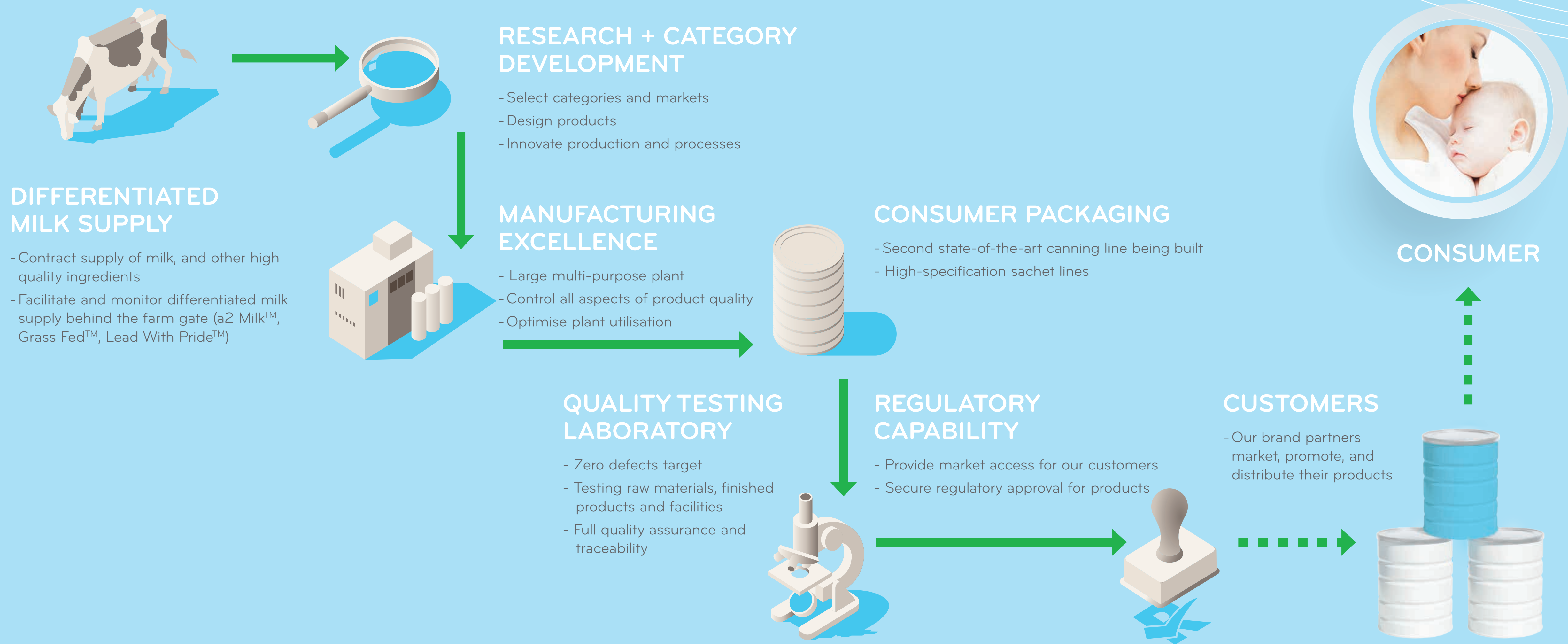


WE HAVE:

WE ARE:

- **Deepening partnerships** with leading brand owners.
 - **Strong support** from our **200 contracted milk suppliers**.
 - **High specification plant** with high utilisation.
 - **Rigorous quality control** and on-site testing.
-
- **Growing our well established infant formula business.**
New infant formula supply agreements with The a2 Milk Company, and New Hope Nutritionals.
 - **Expanding capacity.** New Wetmix investment to double infant base powder capacity. Auckland site under construction to double packaging capacity.
 - **Building innovation.** In depth involvement across product selection, design and development. Research and category development investment growing towards target of 1.5% of revenue.
 - **Evaluating new high margin categories to diversify regions, customers and products.** For example, the planned launch of Munchkin's Grass Fed™ infant formula into the U.S. will add market diversity.
 - **Sachet packaging:** Introduce new packaging options for customers through investing in three high specification, high speed, blending and sachet packaging lines built to infant formula standards.

SYNLAIT ADDS VALUE FROM FARM TO CONSUMER



COMPANY STRATEGIC TARGETS¹ DELIVERED



"A KEY ENABLER TO SUPPORT OUR FUTURE GROWTH AND MITIGATE SINGLE SITE RISK WILL BE AN INVESTMENT INTO A SECOND SITE."



- Purchased The New Zealand Dairy Company (NZDC) in May.
- Constructing our second state-of-the-art consumer packaging facility at this site in Auckland.



"SYNLAIT PLANS TO INVEST IN OUR PEOPLE, PROCESSES AND SYSTEMS, WITH A FOCUS ON CUSTOMER AND PRODUCT DEVELOPMENT, OPERATIONAL PLANNING AND ASSOCIATED PROCESS IMPROVEMENTS."



- Research and Category Development spending increased from \$2.25m to \$4.75m in FY17, and is growing to \$7m in FY18.
- Recruited high quality candidates for five new roles in the Senior Leadership Team.
- Dr Elizabeth Reid recruited as Category Group Manager, to continue planning our growth into the most profitable categories, products and customers. Strong experience in driving nutritional B2B categories; PhD in protein chemistry.

Note: (1) Comments in quotes are from Synlait's FY16 results presentation, page 29

CONSUMER PACKAGED STRATEGIC TARGETS¹ DELIVERED



"SYNLAIT WILL CONTINUE TO DEVELOP STRATEGIC PARTNERSHIPS WITH TARGETED CUSTOMERS FOR CANNED INFANT FORMULA."



- A new five year agreement with New Hope Nutritionals announced in August 2017, tripling current volumes.



"WORKING TO BOTH MAXIMIZE OPPORTUNITIES IN CHINA, AND DEVELOP NEW CUSTOMERS IN OTHER MARKETS."



- Application for registration of The a2 Milk Company's infant formula was accepted by the China Food and Drug Administration (CFDA) for review.

Note: (1) Comments in quotes are from Synlait's FY16 results presentation, page 29

POWDERS AND CREAM STRATEGIC TARGETS¹ DELIVERED



"SYNLAIT WILL CONTINUE TO FOCUS ON DIFFERENTIATED MILK STREAMS TO GROW AND DEFEND VALUE ADDED PRODUCT OPPORTUNITIES FOR INFANT FORMULA APPLICATIONS."



- Synlait and Munchkin continue to work through the FDA registration process required to launch Grass Fed™ infant formula in the U.S. The U.S. is the second largest infant formula market after China.



"STRONG FOCUS ON GROWING VOLUMES OF INFANT GRADE MILK POWDERS AND BASE POWDERS FOR EXISTING AND NEW CUSTOMERS."



- Infant formula volumes increased 15% to 24,564 MT, of which 18,776 MT was in canned format, and 5,788 MT was nutritional base powder. We also sold 22,500 MT of infant grade WMP and SMP for blending and packing into finished infant formula products.
- A second Wetmix kitchen is on track for commissioning at Synlait Dunsandel in November 2017, doubling infant base powder capacity from 40,000 MT to 80,000 MT per year.

Note: (1) Comments in quotes are from Synlait's FY16 results presentation, page 29

SPECIALTY INGREDIENTS STRATEGIC TARGETS¹ DELIVERED



"SYNLAIT WILL CONTINUE TO DEVELOP STRATEGIC PARTNERSHIPS WITH TARGETED CUSTOMERS FOR LACTOFERRIN."



- Green light (GRAS notice) received from the U.S. Food and Drug Administration to export Lactoferrin to the U.S. for use in infant and toddler formula. Assists the preparation of Munchkin's Grass Fed™ infant formula in the U.S.



"SYNLAIT WILL INVEST IN RESEARCH AND DEVELOPMENT TO CAPITALISE ON OPPORTUNITIES TO INCREASE UTILISATION OF OUR SPECIALTY INGREDIENTS CAPABILITY."



- Roger Schwarzenbach recruited to lead our innovation pipeline team, focused on new product development.

Note: (1) Comments in quotes are from Synlait's FY16 results presentation, page 29

REGISTERING BRANDS IN CHINA

INFANT FORMULA IS THE MOST REGULATED FOOD PRODUCT IN THE WORLD - IT IS THE ONLY FOOD PROVIDED TO SOME INFANTS IN THEIR FIRST MONTHS OF LIFE.

- Because the manufacturer controls quality, the manufacturer is registered alongside the product in most markets. Synlait registers the brands its B2B customers sell.
- The Chinese Food and Drug Administration (CFDA) will grant selected factories licences to manufacture up to three brands for the Chinese market.
- We recruited Ying Jin as our Regulatory and Science Affairs Director, China, to support market access and business development. Experienced in managing regulatory affairs for multi-national infant formula companies, Ying has a PhD in food safety and a medical degree.
- The application for CFDA registration of The a2 Milk Company's infant formula was submitted by Synlait in May 2017, and has been accepted for review.
 - Both companies are confident that Synlait's registration application will progress as expected.
- The expanded New Hope Nutritionals supply agreement will underpin applications to register New Hope Nutritionals infant formula brands.



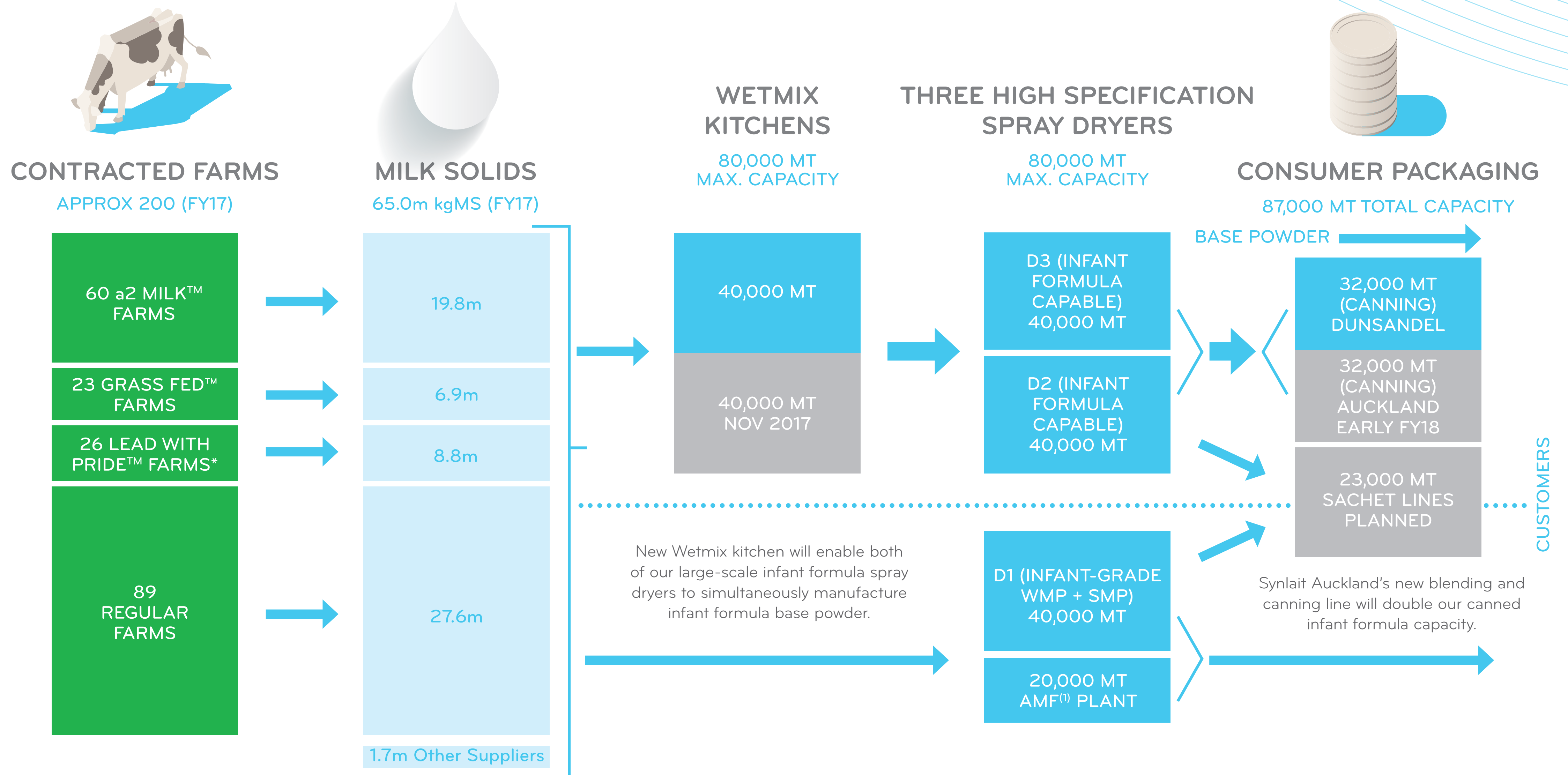
INCREASING OUR CAPACITY AND REDUCING RISK

GIVEN STRONG CURRENT AND EXPECTED CUSTOMER DEMAND, WE CHOSE TO ACQUIRE 100% OF THE SHARES IN THE NEW ZEALAND DAIRY COMPANY LIMITED (NZDC). NZDC WAS CONSTRUCTING AN INFANT FORMULA-CAPABLE BLENDING AND CONSUMER PACKAGING OPERATION IN AUCKLAND.

- The acquisition will enable us to supply more consumer packaged products to customers faster than a new development would have done.
- Having a second blending and consumer packaging site mitigates single site risk.
- With an additional manufacturing site in Auckland, Synlait's potential number of brands in China has expanded.
- We will be seeking both Ministry for Primary Industries and CNCA (Certification and Accreditation Administration of the People's Republic of China) registration for the new facility.
- In total, including acquisition, Synlait expects to spend \$52m in Auckland by the time the plant is commissioned early in FY18.



UNLOCKING INFANT FORMULA DRYER CAPACITY



IMPROVING A WORLD CLASS TEAM

- **Our team has grown** from 436 to 500 in FY17
- **Two additional shifts** in the consumer packaging facility
- **Technical roles** for the quality testing laboratory
- **New roles** to support Integrated Business Planning (IBP)
- **Lifting the experience profile of our people** in Projects, Technology and Finance.



ENHANCED SENIOR LEADERSHIP CAPABILITY

THE SENIOR LEADERSHIP TEAM (SLT) HAS EVOLVED TO MEET THE CHANGING NEEDS OF OUR BUSINESS:

● NEW ROLES ● EXPANDED ROLES



John Penno
MANAGING DIRECTOR
AND CEO (ELT)



Nigel Greenwood
CHIEF FINANCIAL
OFFICER (ELT)



● **Boyd Williams**
DIRECTOR, PEOPLE,
CULTURE AND
PERFORMANCE (ELT)



Chris France
DIRECTOR, STRATEGY AND
TRANSFORMATION (ELT)



Martijn Jager
DIRECTOR, SALES AND
BUSINESS DEVELOPMENT
(ELT)



Neil Betteridge
DIRECTOR,
OPERATIONS (ELT)



● **Antony Moess**
GENERAL MANAGER,
MANUFACTURING



● **Callam Weetman**
GENERAL MANAGER,
SALES



● **Daniel Burdett**
GENERAL MANAGER,
QUALITY



● **Matthew Foster**
GENERAL MANAGER,
STRATEGIC PROJECTS



● **Rob Stowell**
GENERAL MANAGER,
SUPPLY CHAIN



● **Roger Schwarzenbach**
GENERAL MANAGER,
INNOVATION AND
TECHNICAL SERVICES

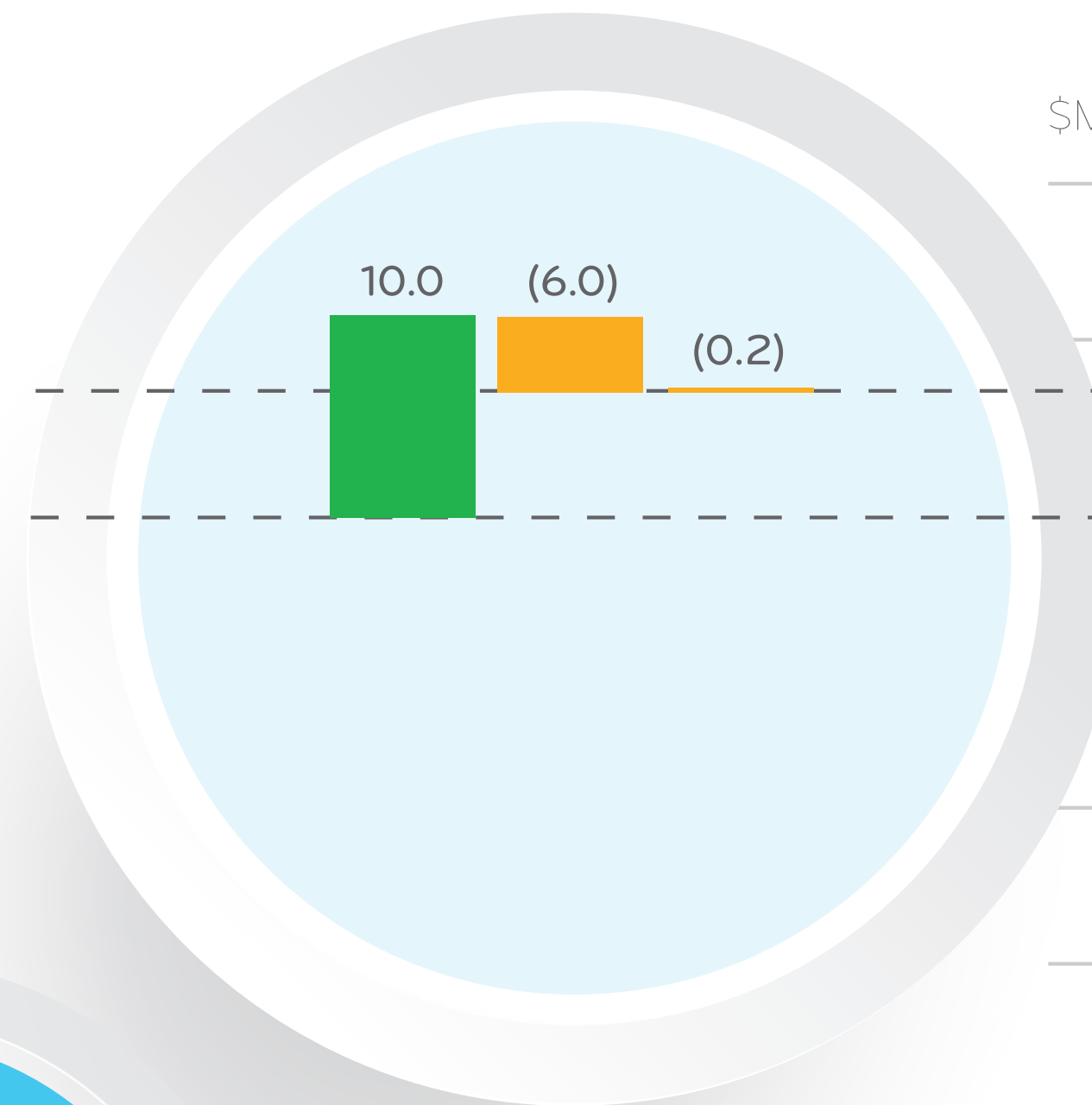
The background image is a composite of two scenes from a dairy processing plant. On the left, a conveyor belt moves rows of small, clear plastic bottles. On the right, a worker in a white protective suit and a headset with a microphone is operating a piece of machinery. A large, semi-transparent circular graphic is centered over the image, containing the text 'OUR FINANCIAL RESULTS' and 'FY17'.

OUR FINANCIAL RESULTS

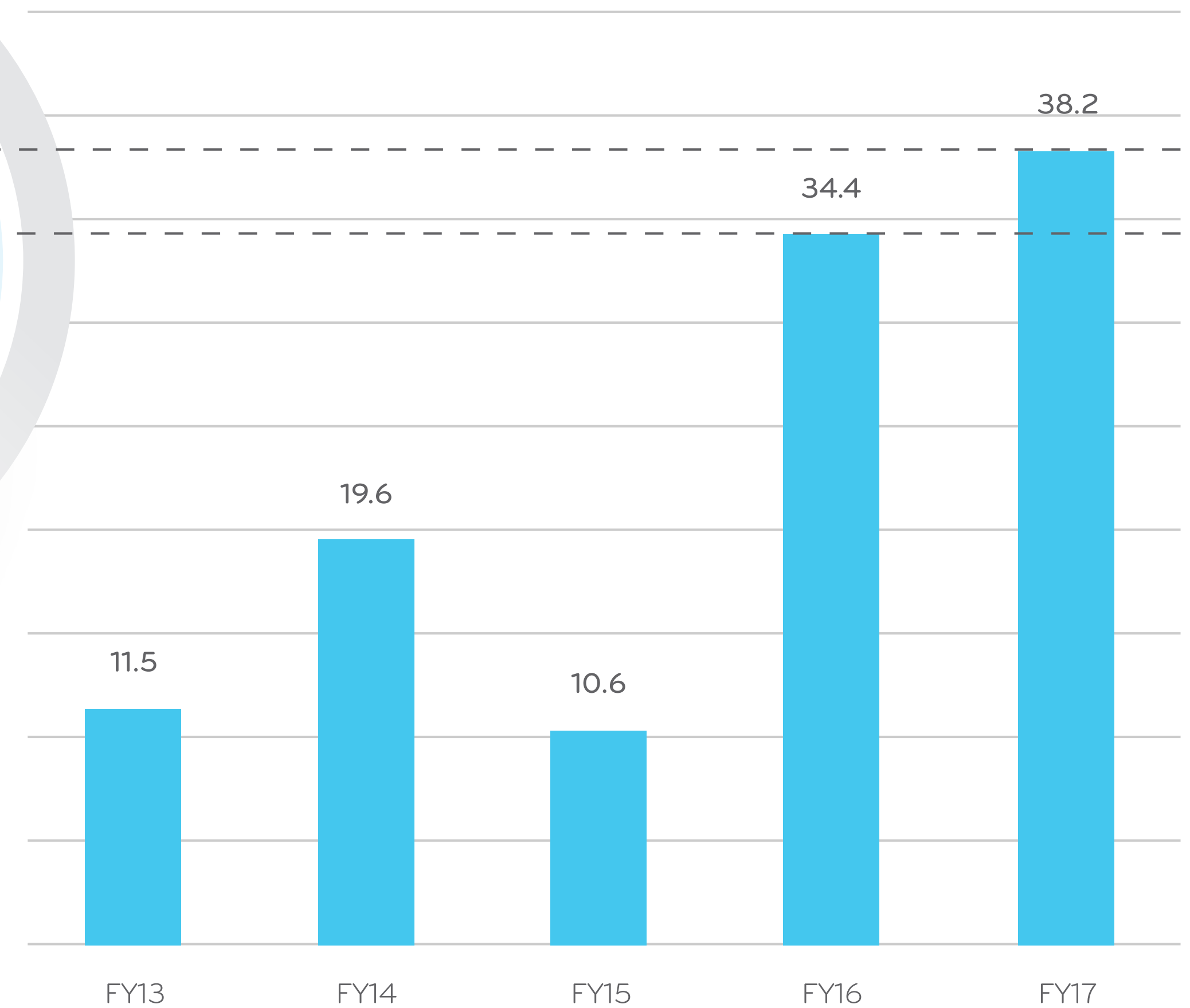
FY17

PROFIT GROWTH

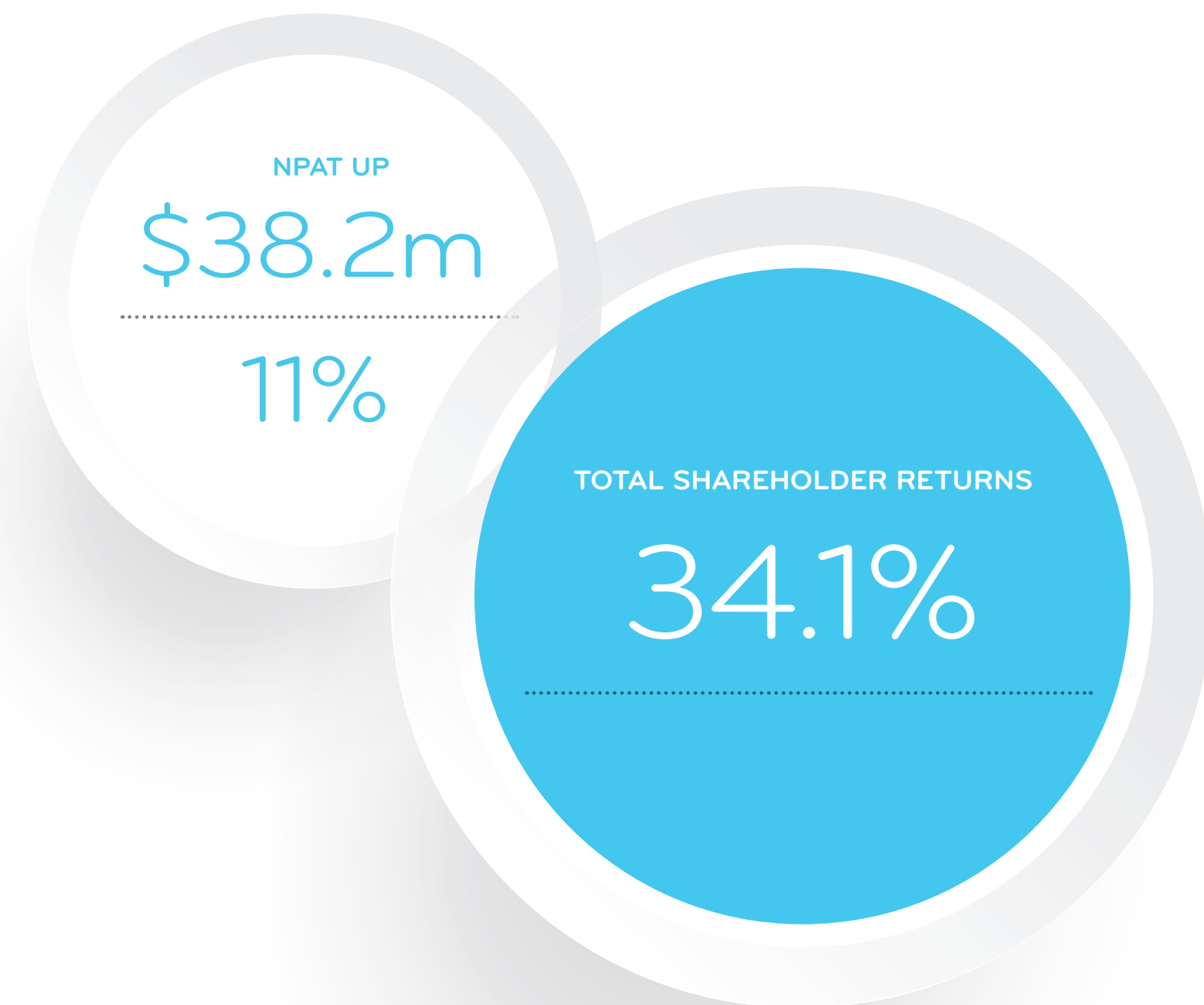
- **Net profit after tax** was \$38.2m, up from \$34.4m in FY16.
- **Increased infant sales** volumes drove gross profit growth of \$10.0m (before tax).
- **\$6.0m was reinvested** into business development and planning capabilities for future growth.



\$MILLIONS



FINANCIAL SUCCESS



EBIT INCREASED TO
\$65.8m
(FY16: \$61.1m)

NET DEBT DECREASED FROM
\$214m
TO \$83m

LEVERAGE FROM
2.6X DOWN TO 0.9X⁽¹⁾

GEARING DOWN FROM
46.8%
TO 18.0%⁽³⁾

ROCE OF 13.9% (FY16: 13.5%)⁽²⁾

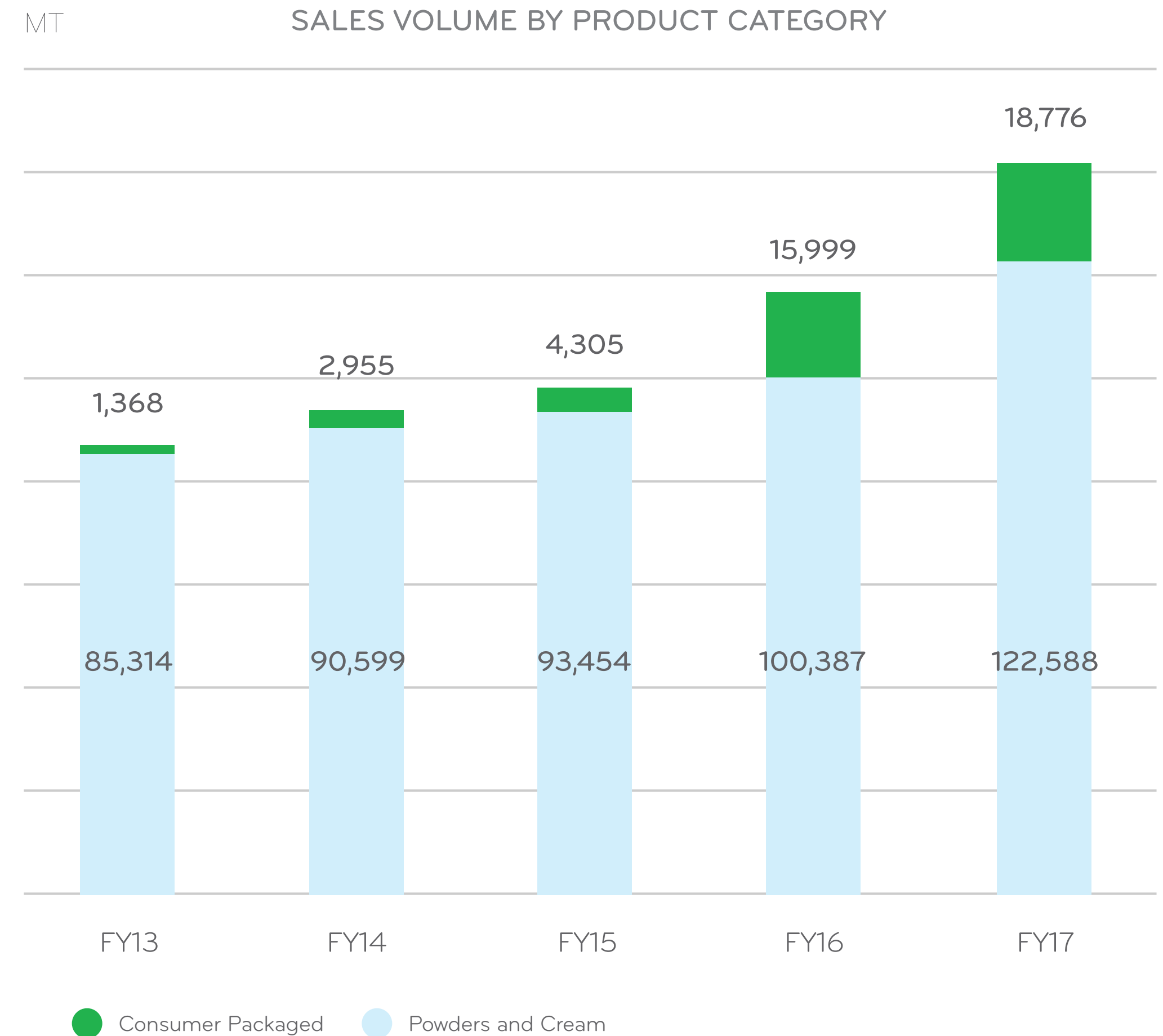
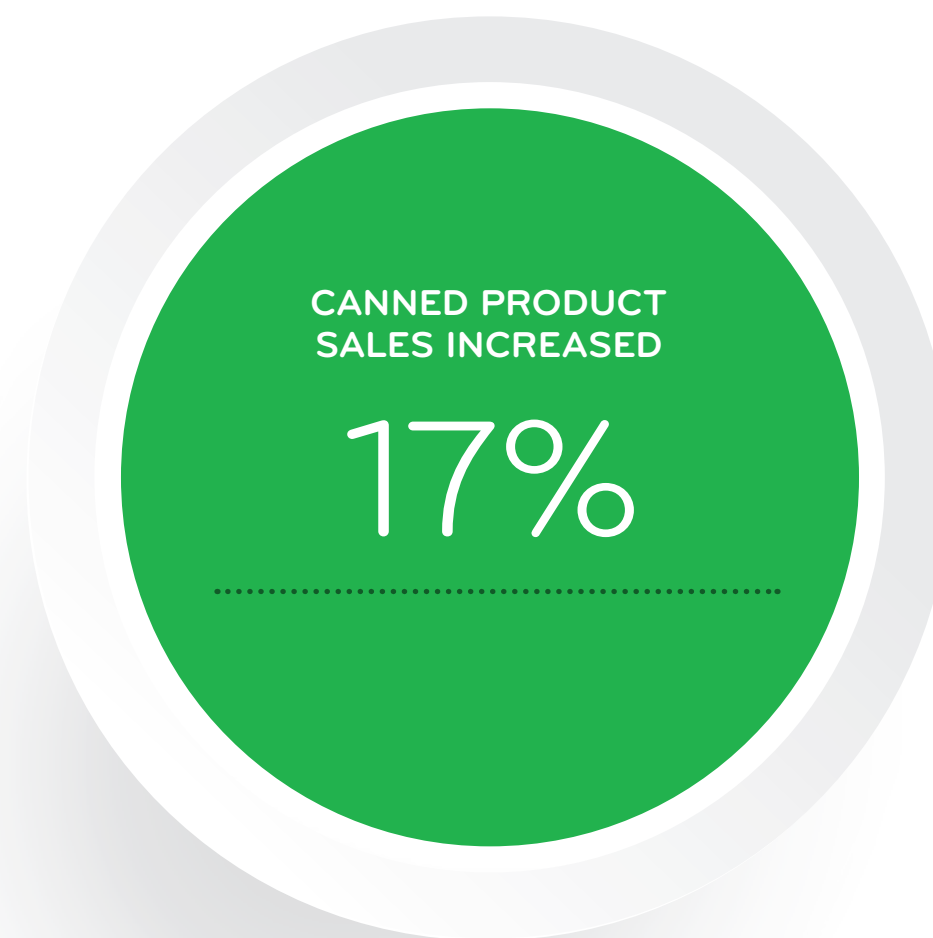
Notes: (1) Leverage = net debt / EBITDA;

(2) Return on capital employed (ROCE) is calculated by dividing earnings before interest and tax (EBIT) by the average capital employed (equity + net debt);

(3) Gearing = net debt / (net debt + equity), excluding derivatives. See our 2017 Annual Report for further details, available at: <http://www.synlait.com/investors/>

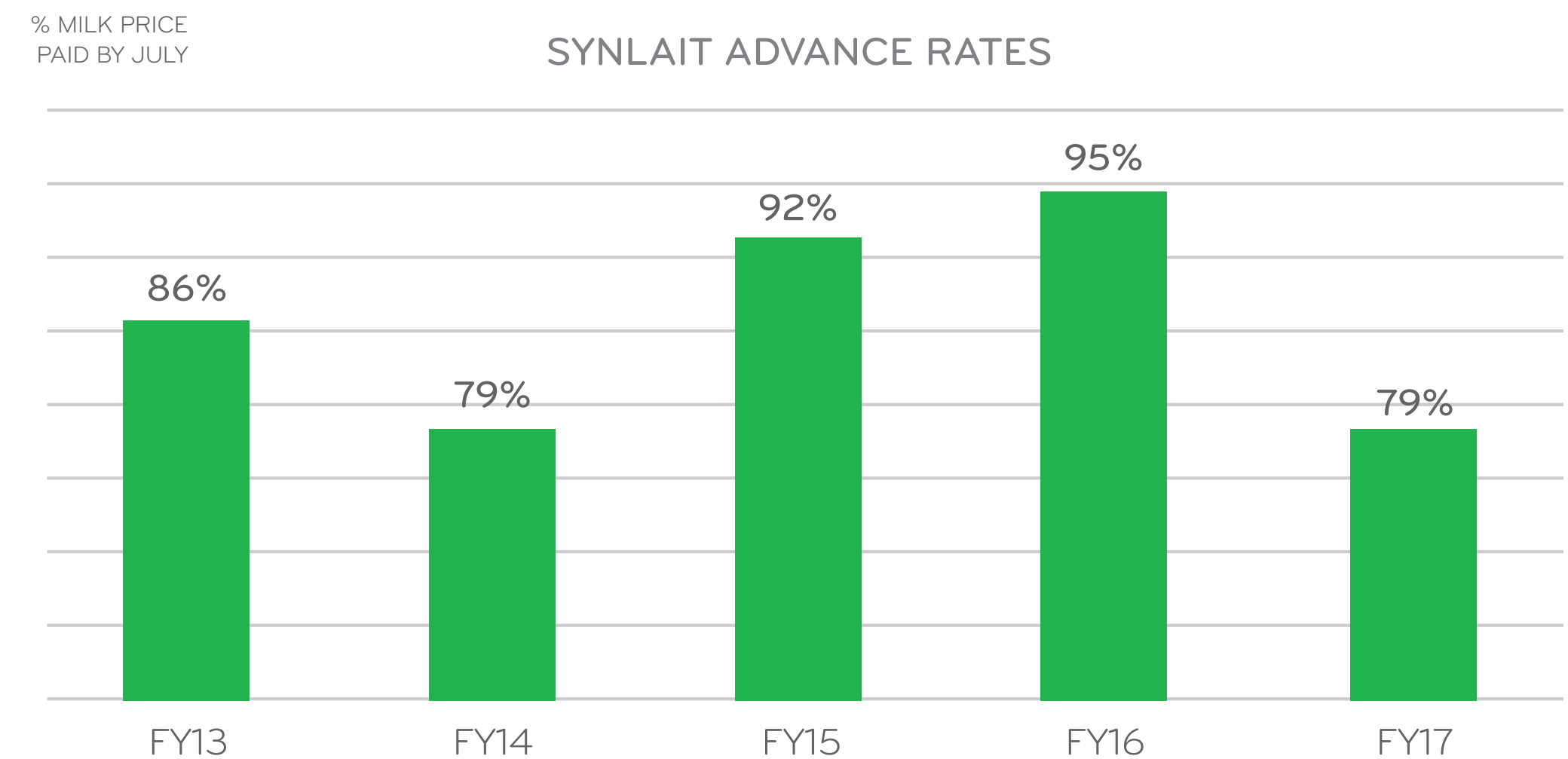
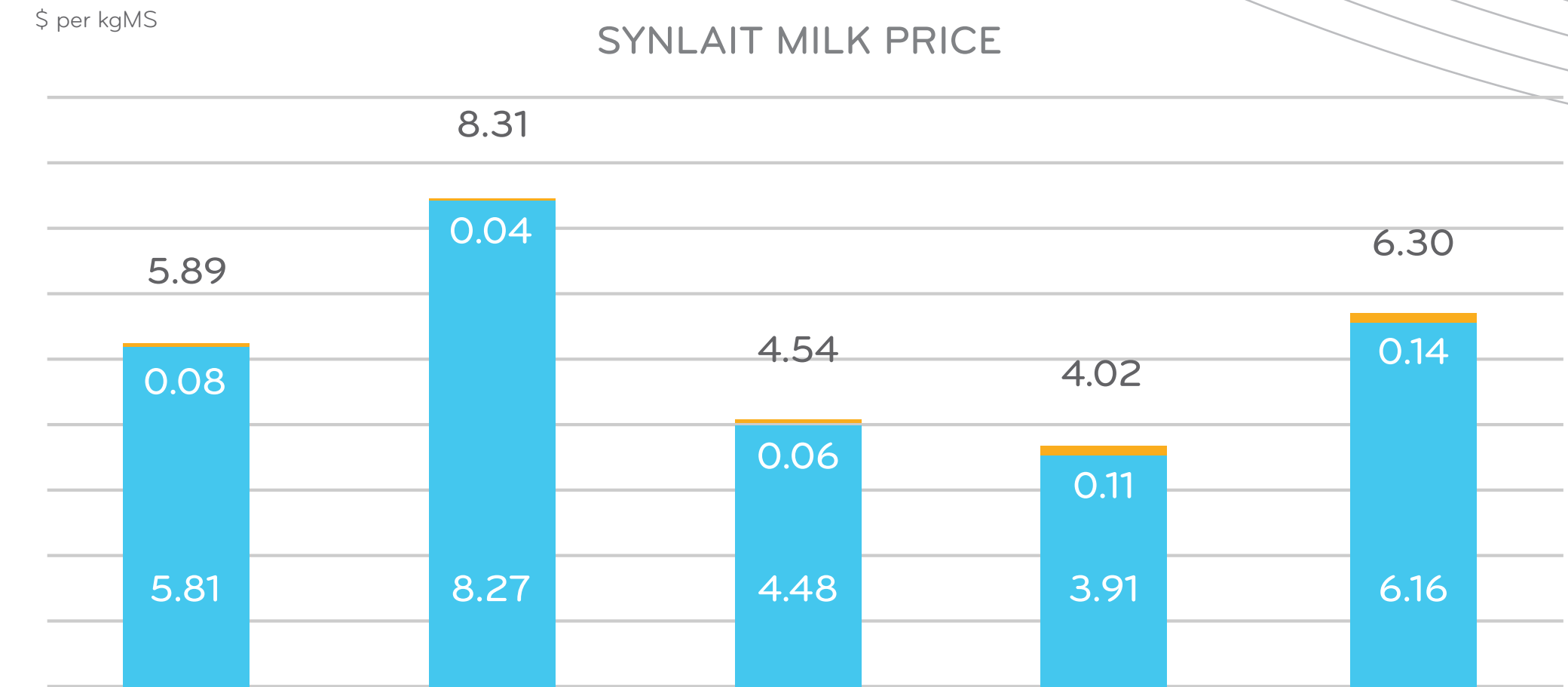
HIGHER VOLUMES DRIVE REVENUE GROWTH

- **Revenue at \$759.0m was up 39% on last year's \$546.9m**, driven by increased sales volumes and improved dairy commodity prices.
- **Total sales volume at 141,393 MT was 21% above last year's 116,402 MT**, due to increased milk supply and carry over stock from FY16 sold through.
- **Canned infant formula volumes increased 17% to 18,776 MT.**
- **11 MT of lactoferrin sold in FY17 (FY16: 10 MT)**. We also used 1.7 MT of lactoferrin internally in producing infant formula.



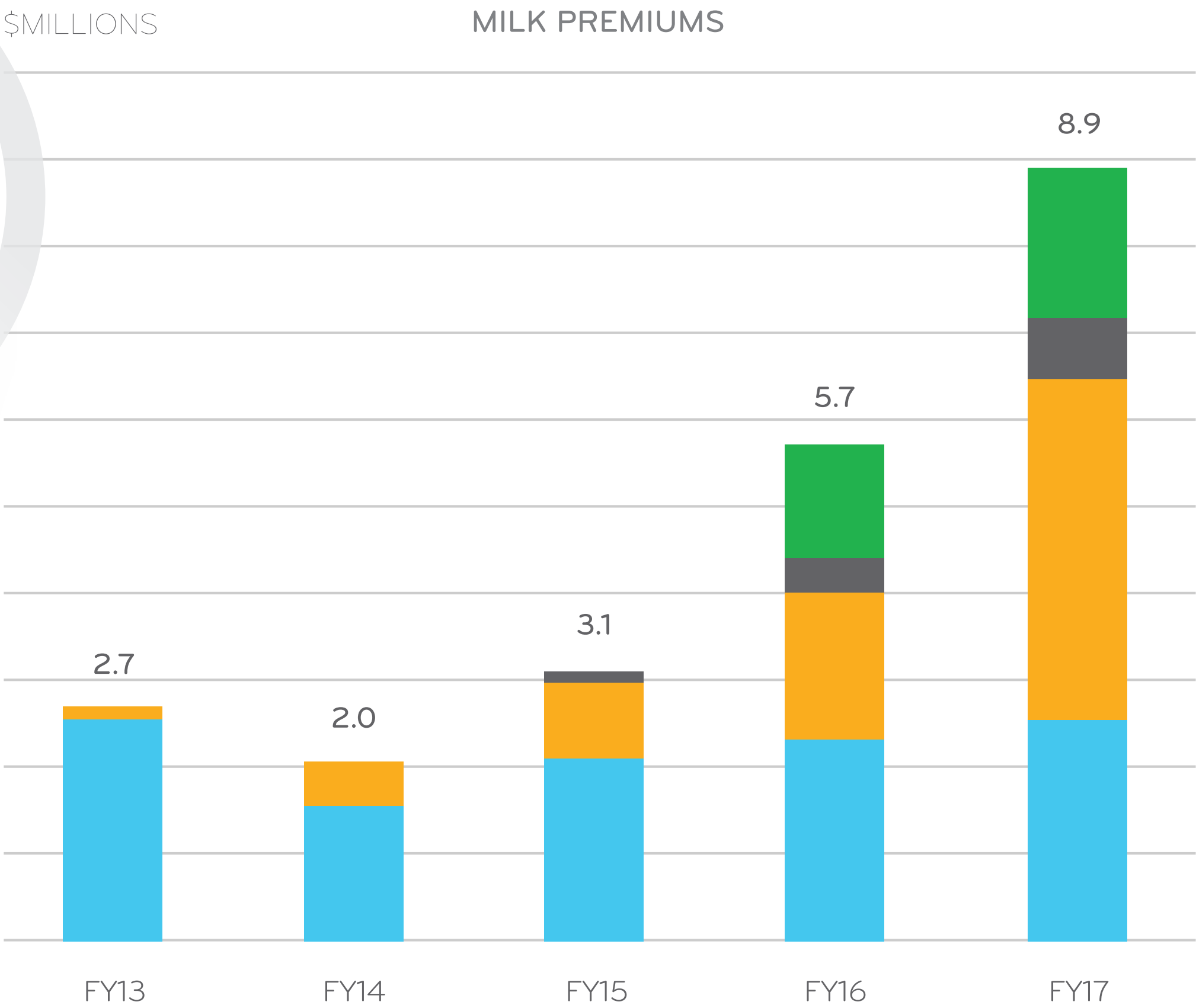
TOTAL MILK PRICE OF \$6.30 / kgMS

- **Total average milk price of \$6.30 per kilogram of milk solids (kgMS) including premiums for FY17.**
- Our final base milk price of \$6.16 per kgMS reflects the recovery in dairy commodity prices and increasing demand for milkfats emerging in the 2016 / 2017 milk season.
- **An additional \$0.14 per kgMS related to seasonal and value added premiums** was paid to milk suppliers.
- **Advance rates through the season were lower than FY16**, due to the rise in milk price, and are at a more normalised level. Advance rates in FY15 and FY16 were exceptionally high to support milk suppliers with a declining milk price environment at the time.
- The temporary, positive cash flow impact of paying proportionately lower advance rates in FY17 was \$61.9m



WE PAID MORE PREMIUMS TO FARMERS

- Milk premiums offered to suppliers reward differentiation behind the farm gate. **We paid \$8.9m in premiums in FY17** (FY16: \$6.0m).
- **Continued growth in Synlait's Lead With Pride™** programme, which certifies and rewards suppliers achieving dairy farming best practice.
- **Strong growth in The a2 Milk Company** premiums driven by an increase in contracted a2 milk™ suppliers.
- **Growth in the Grass Fed™** standard established for the Munchkin Inc. strategic partnership, with 23 farms supplying in FY17.



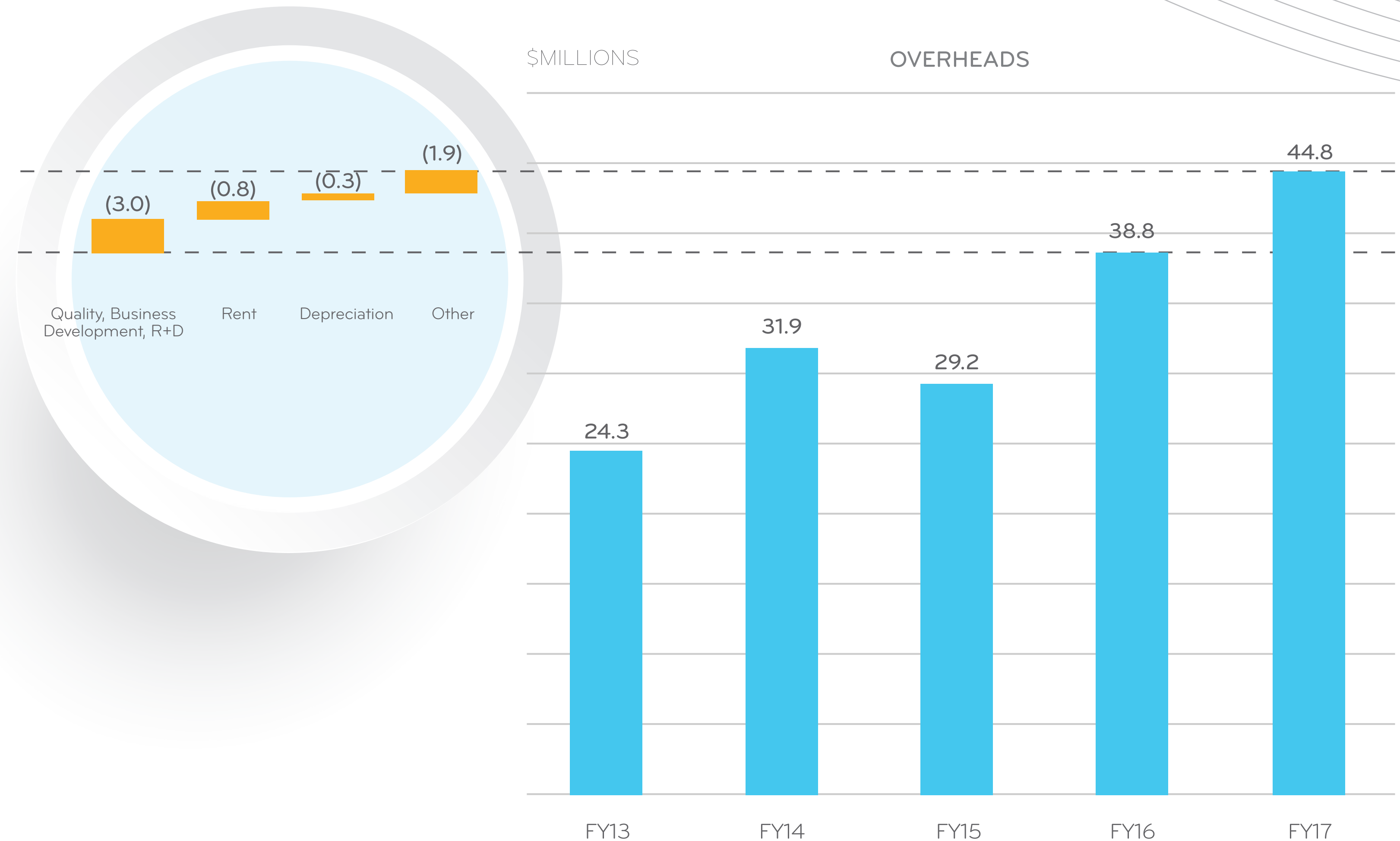
GROSS PROFIT PER MT MARGINALLY LOWER

- Continued growth in earnings driven by improved volumes. **Gross profit was up 10% to \$110.4m.**
- **Our overall gross profit per MT at \$781 was \$82 per MT down on last year.** This was due to higher growth in ingredient sales, which is dilutive to margin.
- In addition, 3,939 MT of carry over inventory was sold at net realisable value (no margin).
- Consumer packaged gross profit per MT improved, with higher utilisation at our Dunsandel blending and canning facility.



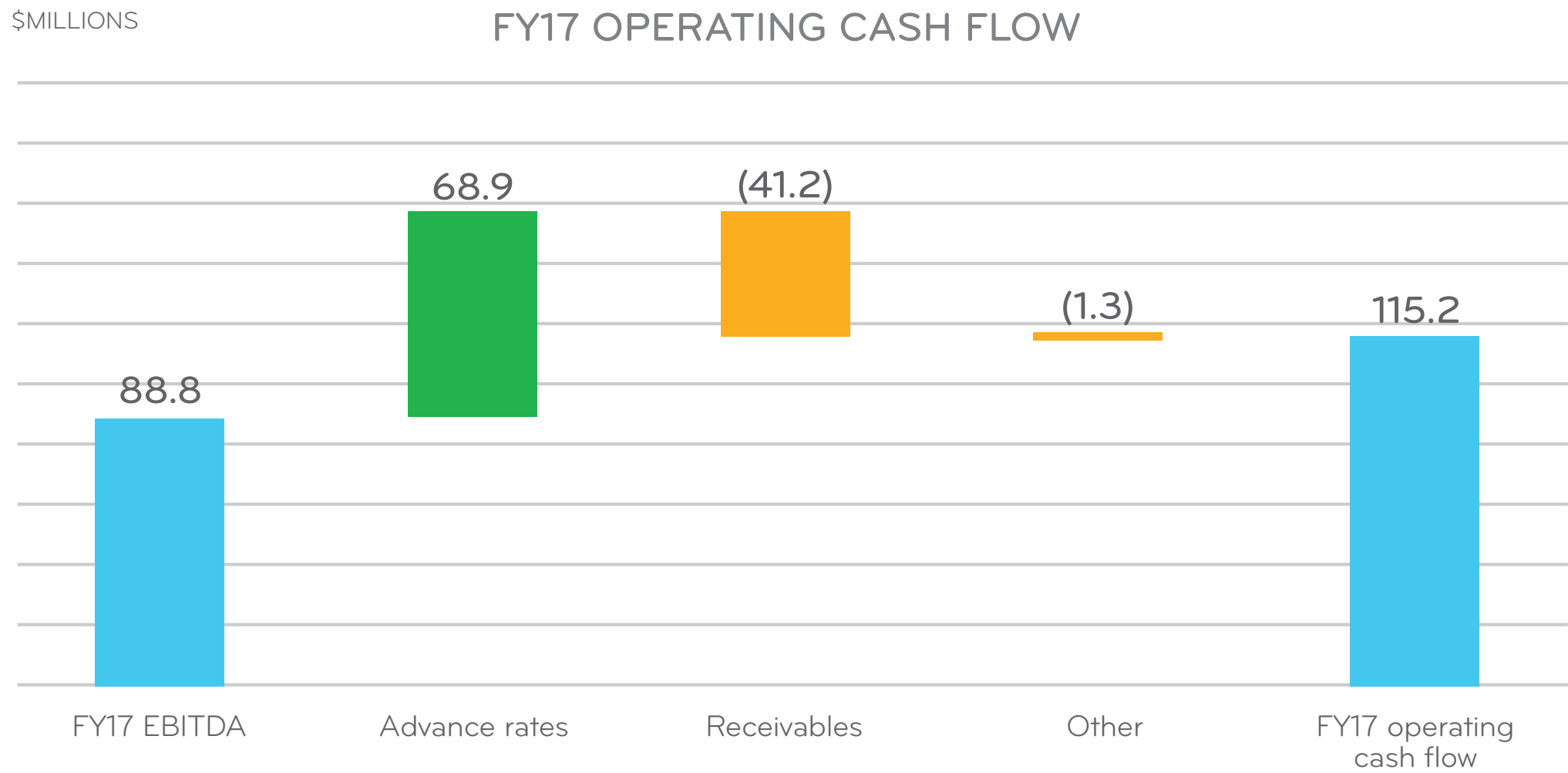
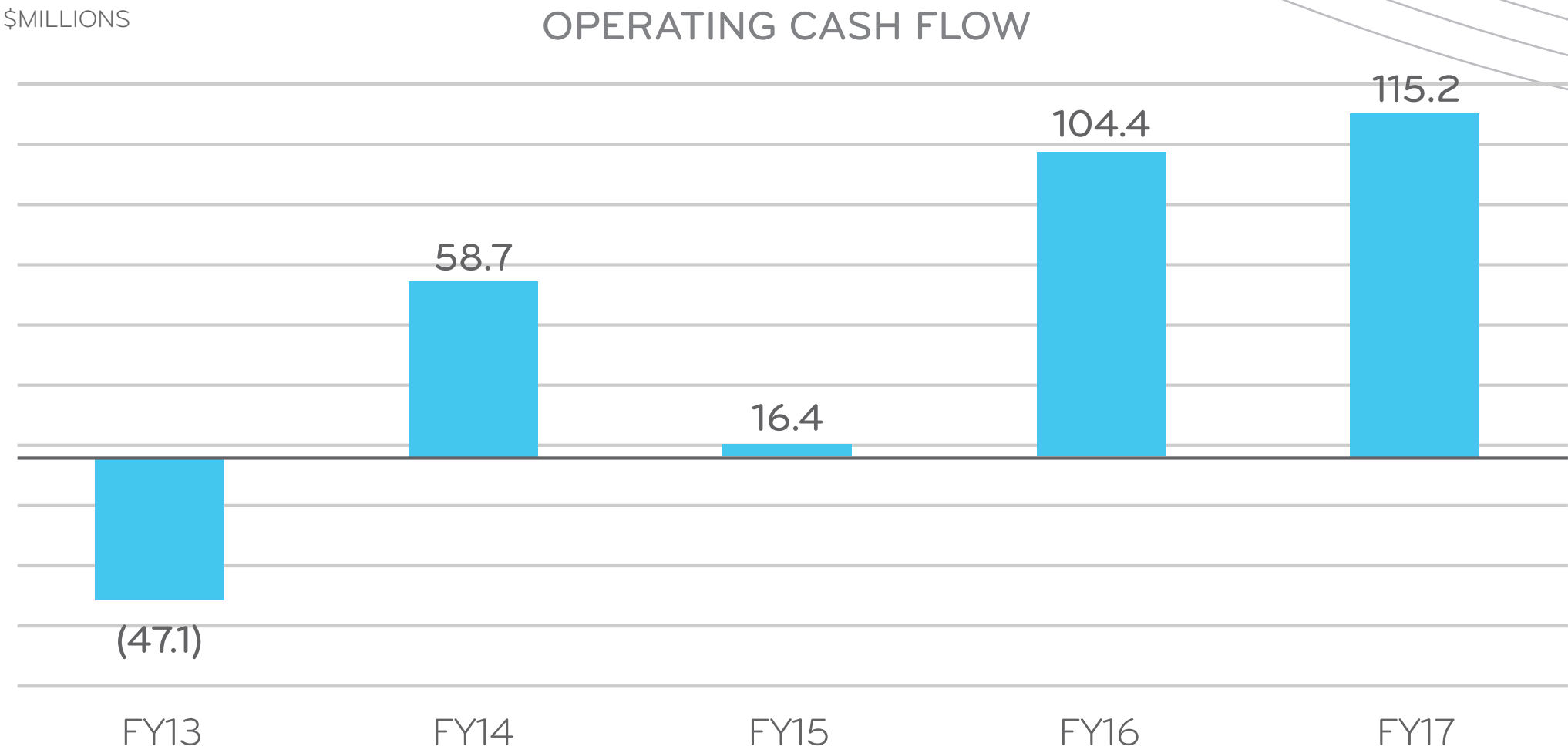
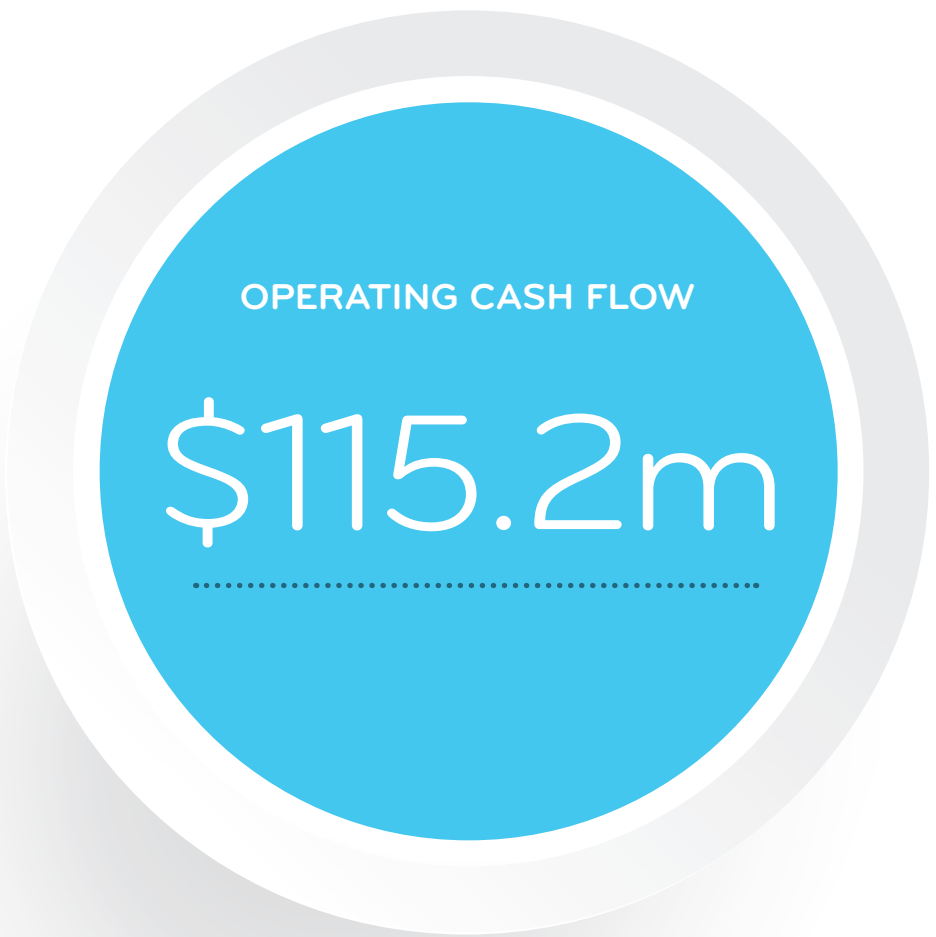
REINVESTING MARGIN INTO BUSINESS DEVELOPMENT

- **In total our overhead expenses** for FY17 at \$44.8m **were up \$6.0m** on FY16 (\$38.8m).
- **Our strong focus on quality, strategic initiatives and Research and Category Development comprised half of our increase in overheads.**
Our investments in employees was planned, as we noted in our FY16 full year and interim presentations.
- Partly due to increased infant volumes, Synlait has carried higher average inventory through FY17 compared with FY16. This has required additional warehousing space.



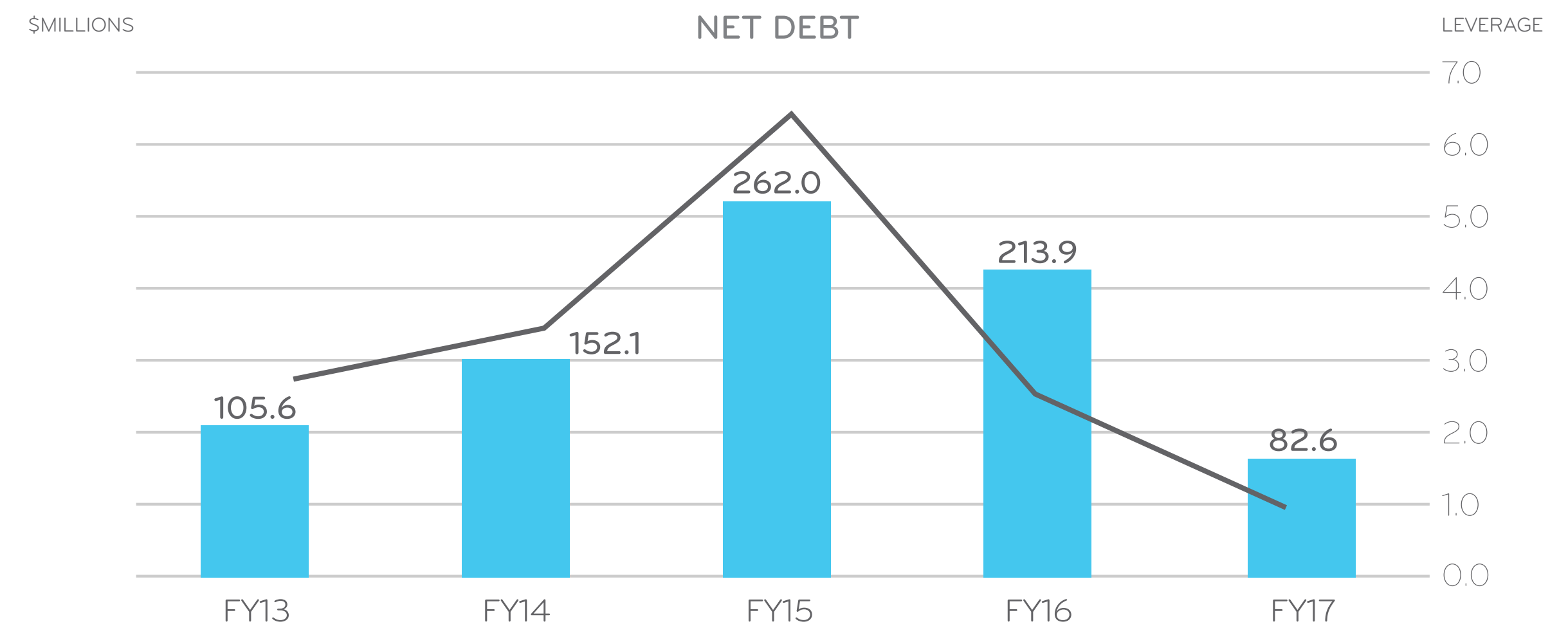
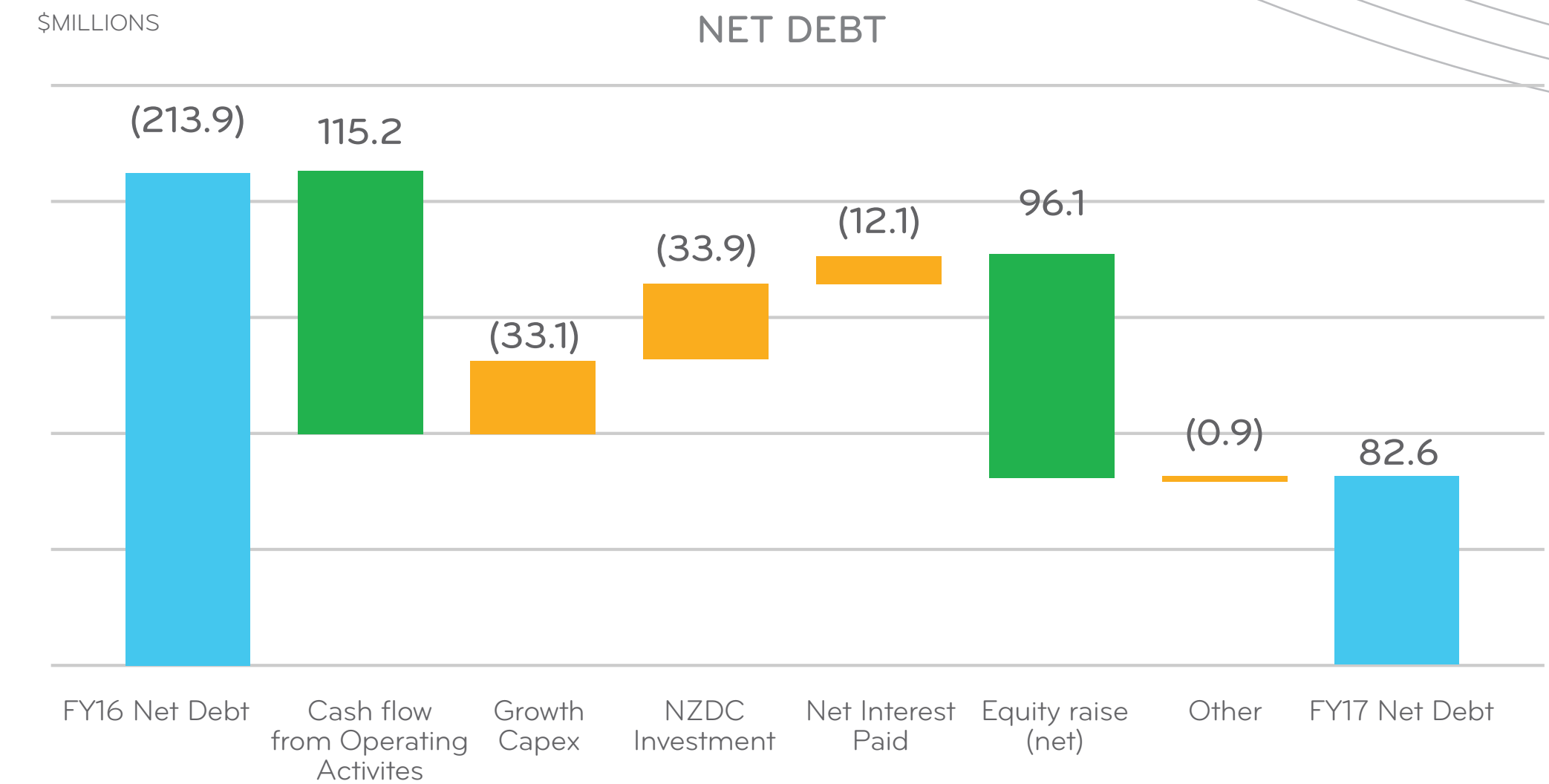
CONTINUED CASH FLOW GROWTH

- **Operating cash flow increased by \$10.8m from FY16, to \$115.2m in FY17.**
- **Operating cash flow was greater than EBITDA given rising milk prices, relative to the advance rates paid.**
- **An offsetting factor was an increase in receivables (up \$41.2m on FY16).**
This was driven equally by increased dairy commodity prices and increased sales volumes in the last two months of the financial year (phasing).



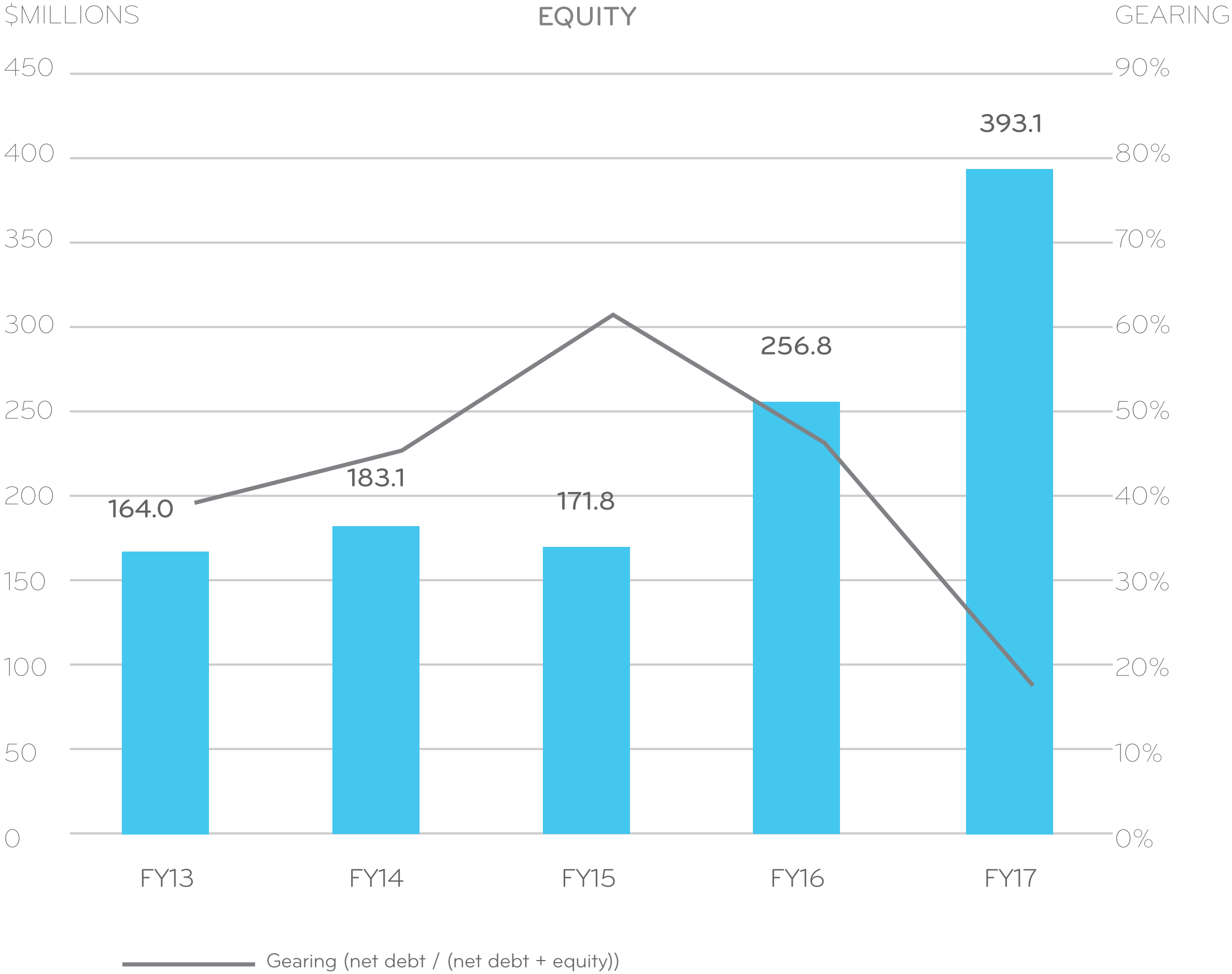
DEBT REDUCTION

- **Net debt has decreased from \$213.9m in FY16 to \$82.6m.**
- **The capital raise of \$97.6m** completed in October 2016 and strong **operating cash flows of \$115.2m** were the main drivers.
- These factors vastly outweighed the **investment in our Wetmix kitchen (\$33.1m)**, the **acquisition of NZDC (\$33.9m)** and **other capital expenditure of \$12.1m**.
- Synlait continued generating free cash flow in FY17, producing \$55.0m (being operating cash flow less investing cash flow). Our leverage ratio improved substantially, from 2.6x to 0.9x.



EQUITY INCREASED 53%

- **NPAT of \$38.2m and the capital raise** completed in October 2016 **generated a 53% increase in equity to \$393.1m.**
- Total shareholder return was 34%, with Synlait’s share price increasing from \$3.31 to \$4.44 during the year.
- **Gearing has improved again, from 47% down to 18%.**




A photograph of three men in business attire leaning over a table in a meeting. The image is overlaid with a blue and green color scheme and a large circular graphic. The text 'OUR EXPECTATIONS AND FUTURE' is centered within the circle.

OUR EXPECTATIONS AND FUTURE

GOING FORWARD

- We see considerable opportunities to solidify our current ingredient and infant formula positions and to enter new categories.
- To date our strategy has been exclusively business to business. In future, we may consider the establishment of branded positions, where
 - there is no conflict with our existing partner relationships; and
 - we feel we have significant consumer benefits.
- It is likely that to achieve this strategy we will also establish further manufacturing sites over time. Our current balance sheet and projected earnings are sufficient to fund our strategy.
- In summary our strategy is to continue to grow both top and bottom lines at pace.
- A more profitable, more diversified and lower risk business is the goal.



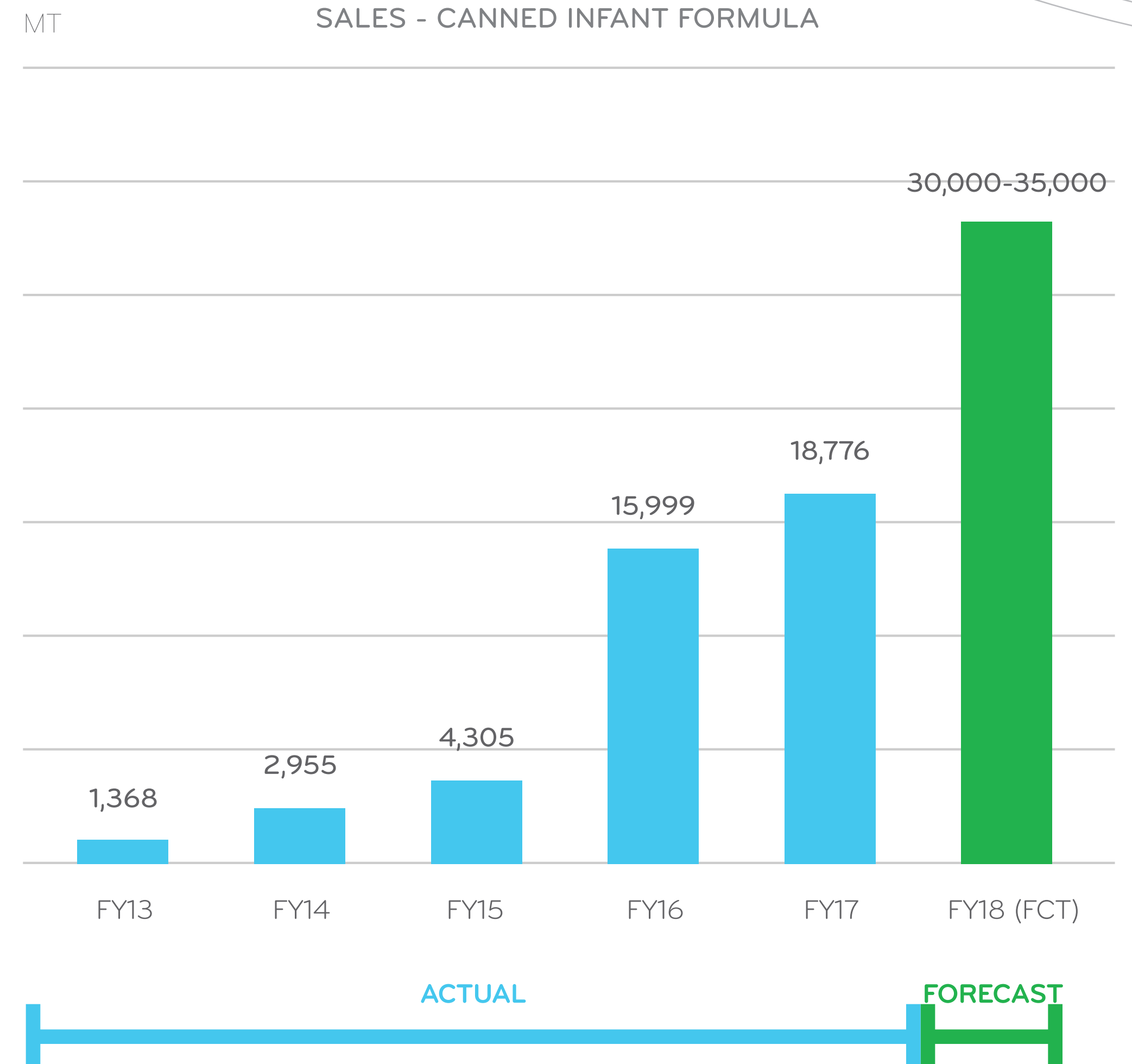
WE MAY ESTABLISH
FURTHER
MANUFACTURING
SITES OVER TIME



WE MAY
CONSIDER THE
ESTABLISHMENT
OF BRANDED
POSITIONS

EXPECTATIONS OF GROWTH

- **We expect Chinese infant formula demand to continue to grow, particularly with the relaxing of the one child policy.**
- The regulatory change targeting rationalisation of brands may boost demand in the second half of FY18, post registration.
- Registration of The a2 Milk Company's and New Hope Nutritional's infant formulas in China are expected to support demand growth.
- Investment in customer and market development (e.g. Munchkin Inc.) is also expected to support our sales growth.
- As a result, we expect demand to increase significantly for Synlait consumer packaged products.
- Increased infant formula sales drives margin growth.
- Increased volume from 18,776 MT to approximately 30,000 to 35,000 MT.
- 16,000 MT forecast for H1 FY18
- We will continue to grow our investment in business development and technical capability.

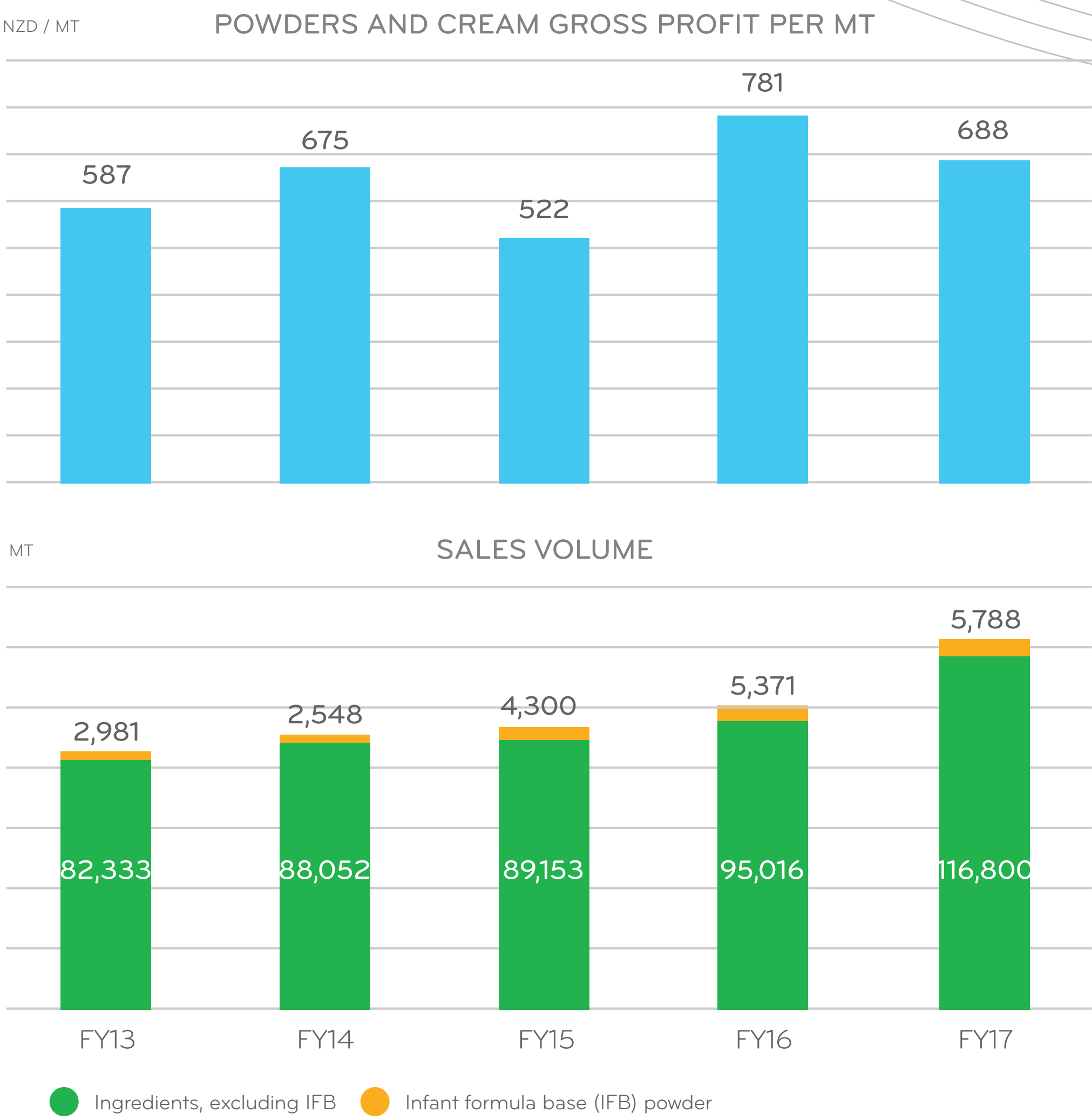




APPENDICES

GROSS PROFIT PER MT (POWDERS AND CREAM)

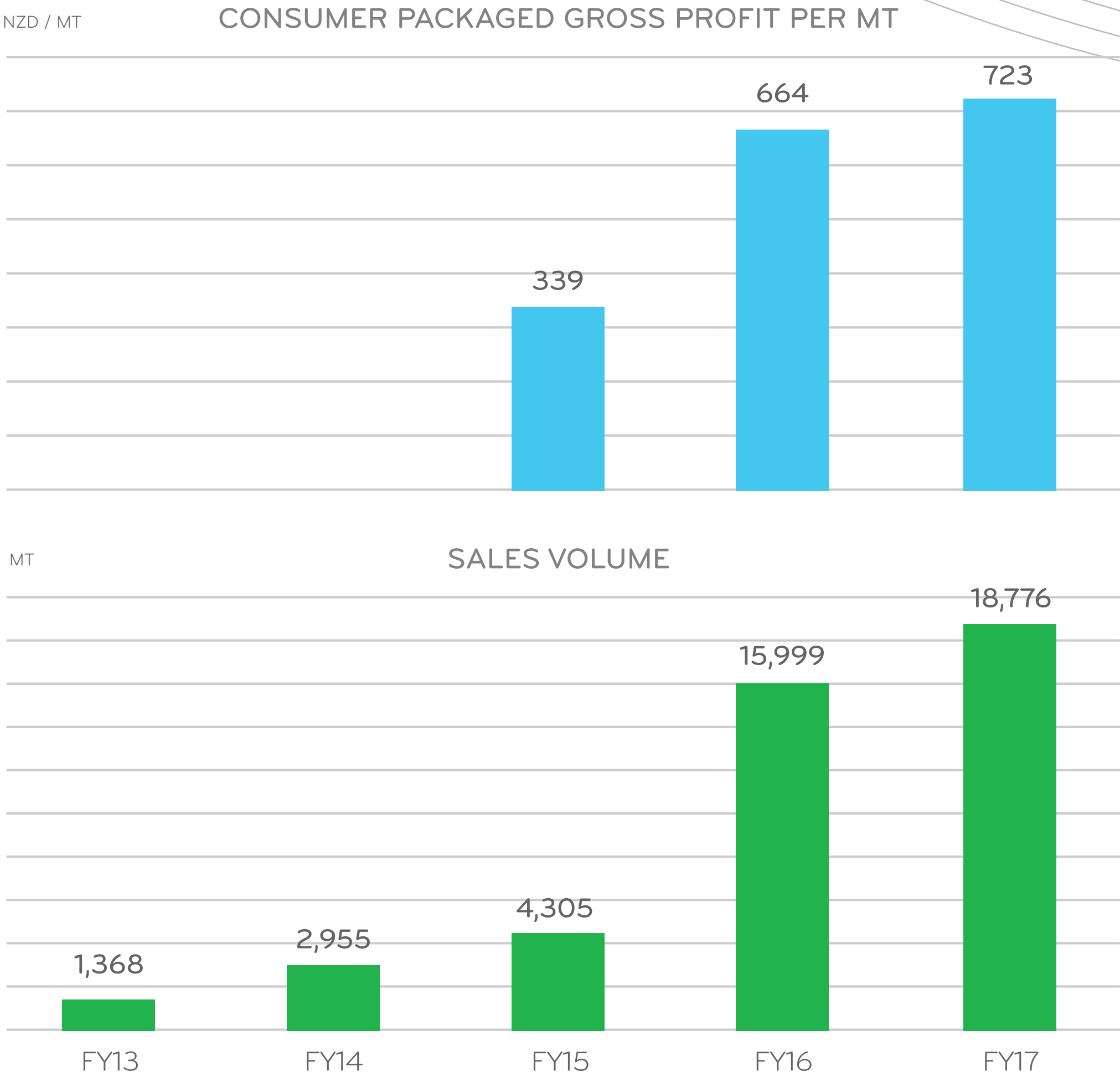
- Powders and cream include all dairy ingredient products and infant base powders. Gross profit in this group includes margin generated on infant formula powder transferred to our consumer packaging facility.
- Gross profit for powders and cream decreased \$93 per MT versus FY16. Growth in milk production on farm, and sell down of carry over inventory from FY16, has resulted in ingredient sales volumes growing faster than infant sales volumes. The sale of 3,939 MT of carry over inventory was at net realisable value. These factors diluted margin per MT this year.
- Tougher trading conditions for ingredient products also had an affect on margin.



Note: Gross profit per MT includes volumes of internal transfers to consumer packaging, whereas the sales volume graphic only includes external sales volumes.

GROSS PROFIT PER MT (CONSUMER PACKAGED)

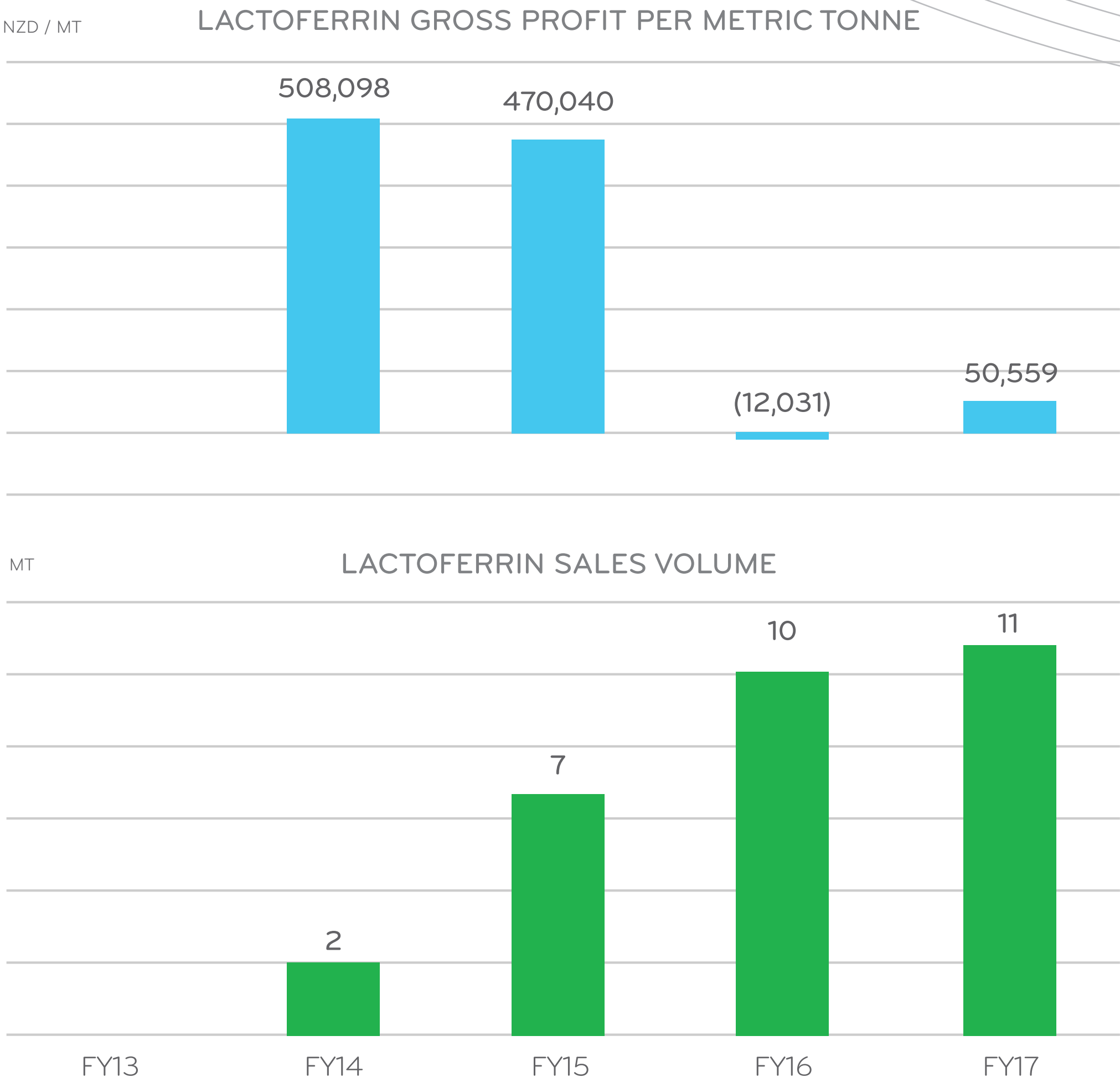
- Increased plant utilisation has improved operating efficiencies. This has caused **consumer packaged gross profit to improve by \$59 per MT.**
- **The commissioning of Synlait Auckland in early FY18 will double consumer packaging capacity.** The benefits of scale will be impacted to some extent by incremental fixed costs.



Note: Sales volumes charted above include canned infant formula previously packaged by a third party manufacturer prior to FY15.

GROSS PROFIT PER MT (LACTOFERRIN)

- A strong focus in FY17 on new opportunities in our high value specialty ingredient product range increased sales volumes from 16 MT to 29 MT.
- **Lactoferrin is the most important product in our specialty ingredients range. Sales volumes grew to 11 MT.**
- **Margin improved and stabilised for lactoferrin**, as there was higher utilisation of the specialty ingredients dryer. This reduced cost allocation to lactoferrin (production costs are largely fixed).
- In addition to external sales, Synlait used 1.7 MT of lactoferrin to produce infant formula. Internal usage is expected to increase to 4.5 MT in FY18 as our infant formula volumes increase.





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