CREATING VALUE

Synlait Milk Interim Results 2015

DISCLAIMER

This interim results presentation dated 30 March 2015 provides additional comment on the media release and our interim report for the six months ended 31 January 2015 of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that release and interim report.

FY 15 – INVESTING FOR GROWTH

- FY 15 is a year where Synlait is investing heavily to build capacity to meet our future demand growth. It is a year of building momentum.

- Late in FY 14 we commissioned our new lactoferrin plant and blending & canning plant. In FY 15 we are focused on bringing both these new plants into production and generating forecasted returns.

- At the same time we are completing the build of our third dryer, an infant formula capable dryer which is on budget and scheduled to be commissioned in mid September 2015.

- In addition we are also completing the build of our new administration and laboratory facility which are expected to be completed by September 2015.

- We continue to invest through building our human resource capability to meet the future demands of our growing business.

- We are also making significant advances in growing our sales volumes with our multinational customers as well as key regional market customers.

RESULTS OVERVIEW

Sales volume

43,000 MT ↓ 2%

Revenue

$197.5 million ↓ 31%

Gross profit per MT*

$623 ↓ 24%

EBITDA

$12.3 million ↓ 50%

Reported net loss after tax

$(6.4) million ↓ 153%

Underlying net profit after tax

$0.4 million ↓ 97%

*compared to full year FY2014
MT = Metric tonne

FY 15 PERFORMANCE TO BE REFLECTED IN TWO HALVES

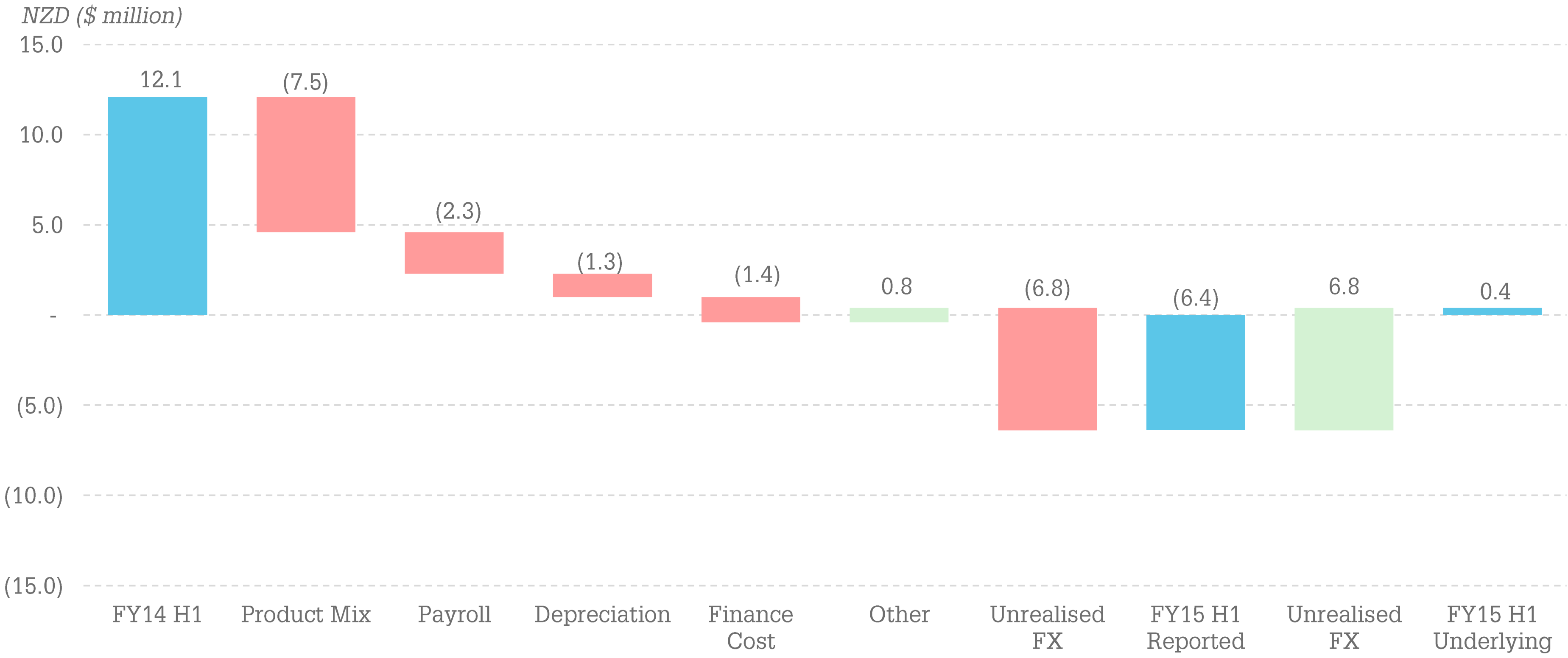
NZD ($million)	2015 H1 *Actual*	2014 H1 *Actual*	Change *$million*	Change *%*
Revenue	197.5	284.9	(87.4)	(30.7)%
Gross profit	26.6	40.0	(13.4)	(33.5)%
EBITDA	12.3	24.7	(12.3)	(50.0)%
EBIT	5.1	19.3	(14.2)	(73.4)%
Net (Loss) / Profit after tax	(6.4)	12.1	(18.5)	(153.1)%
Unrealised foreign exchange losses (after tax)	6.8	-	6.8	-
Underlying NPAT	0.4	12.1	(11.7)	(96.5)%
EPS (cents)	(4.39)	8.27	(12.67)	(153.1)%
Underlying EPS (cents)	0.29	8.27	(7.99)	(96.5)%
Total shareholder return (TSR)	(3.5)%	42.7%	-	(46.2)%

UNDERLYING EARNINGS

NZD ($ '000)	2015 H1 *Actual*	2014 H1 *Actual*	Change *%*
(Loss) / Profit for the period	(6,431)	12,108	(153.1)%
Unrealised foreign exchange losses	9,514	-	-
Tax credit on underlying adjustments	(2,664)	-	-
Underlying net profit after tax	419	12,108	(96.5)%
Underlying net profit per share (cents)	0.29	8.27	(96.5)%

- Unrealised FX gains/losses not reflective of underlying performance.
- $6.5 million unrealised loss on Mitsui inventory financing facility, driven by rapid decline in USD rate. This loss unwinds into a natural hedge when the inventory is invoiced to the customer in USD.
- $3.1 million unrealised loss on derivative revaluation not eligible for hedge accounting. The impact of these derivatives unwinds by the end of March and will be reflected in the full year average USD rate.

REPORTED AND UNDERLYING PROFIT BRIDGE

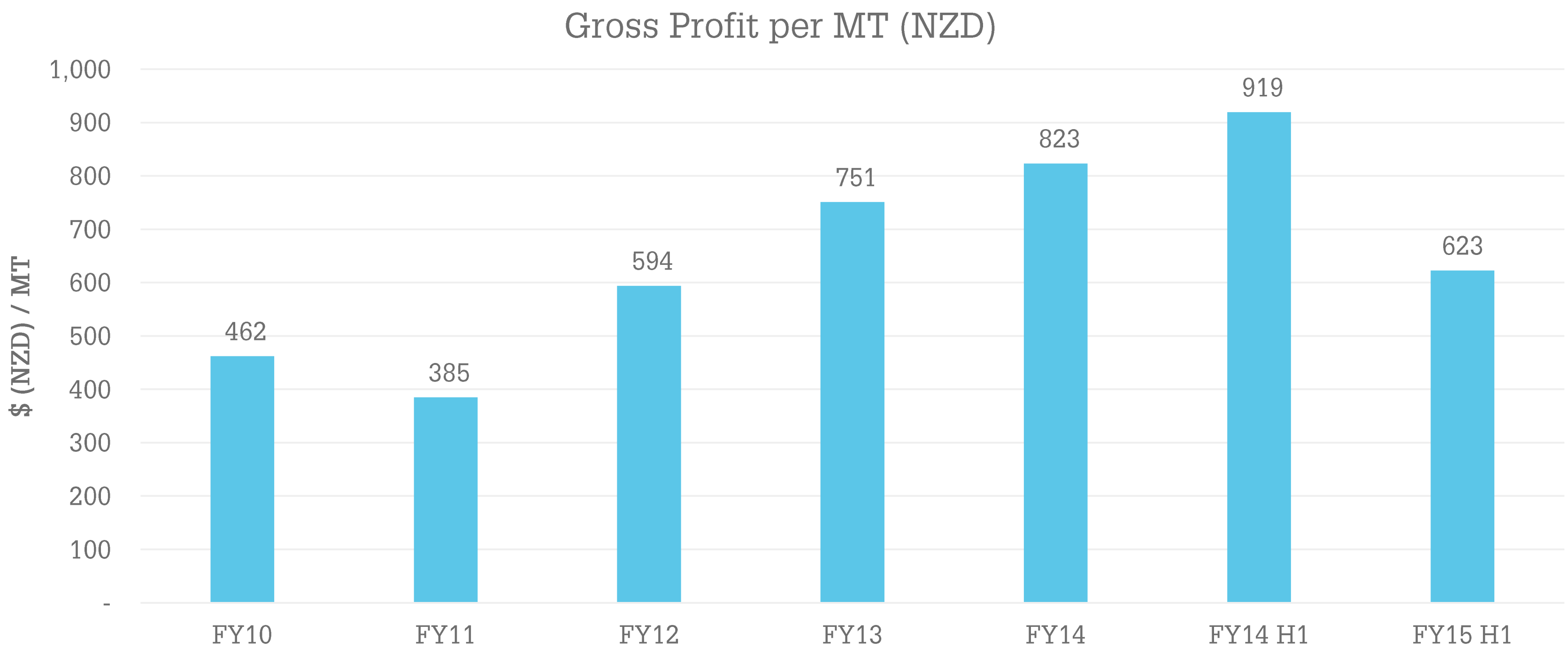


GROSS PROFIT PER MT PERFORMANCE

- Gross profit at $623 per MT well down on last half year at $919 per MT.
- Underlying gross profit per MT on our core ingredients business ahead of FY 14.
- Two key issues impacting the comparative performance between periods –

1. The FY14 half year included the one off product mix benefit which added $239 per MT.
2. Infant nutritional sales volumes are similar in each half at just over 3,000 MT and the mix between infant bulk and infant canned is also similar, however the gross profit per MT in the first half of FY 14 was $550 higher.
    - This being primarily due to sales of much of the product being held at net realisable values as we had discounted ageing base powder manufacture in FY14 in a higher commodity price environment. Therefore little gross profit was made on the sales of these products.
    - Across total sales volumes infant bulk and canned products contributed $45 per MT more to the first half in FY 14, compared to the first half in FY 15.

GROSS PROFIT GROWTH KEY TO SUCCESS



– Gross profit per MT expected to improve in second half as higher margin products are delivered.

BLENDING AND CANNING FACILITY

- We are forecasting to manufacture and deliver in excess of 5,000 MT of fully finished infant formula in FY 15, with just under 1,200 MT delivered in the first half.

- Year one performance on this plant will exceed our business case expectations by over 800 MT.

- FY 16 volumes expected to well exceed business case volumes.

- This facility will be operating at near full capacity, on one shift, for the balance of this financial year to meet contracted customer demand.

- In process of sourcing staff for a second shift to meet growth in customer demand for FY 16.

LACTOFERRIN FACILITY

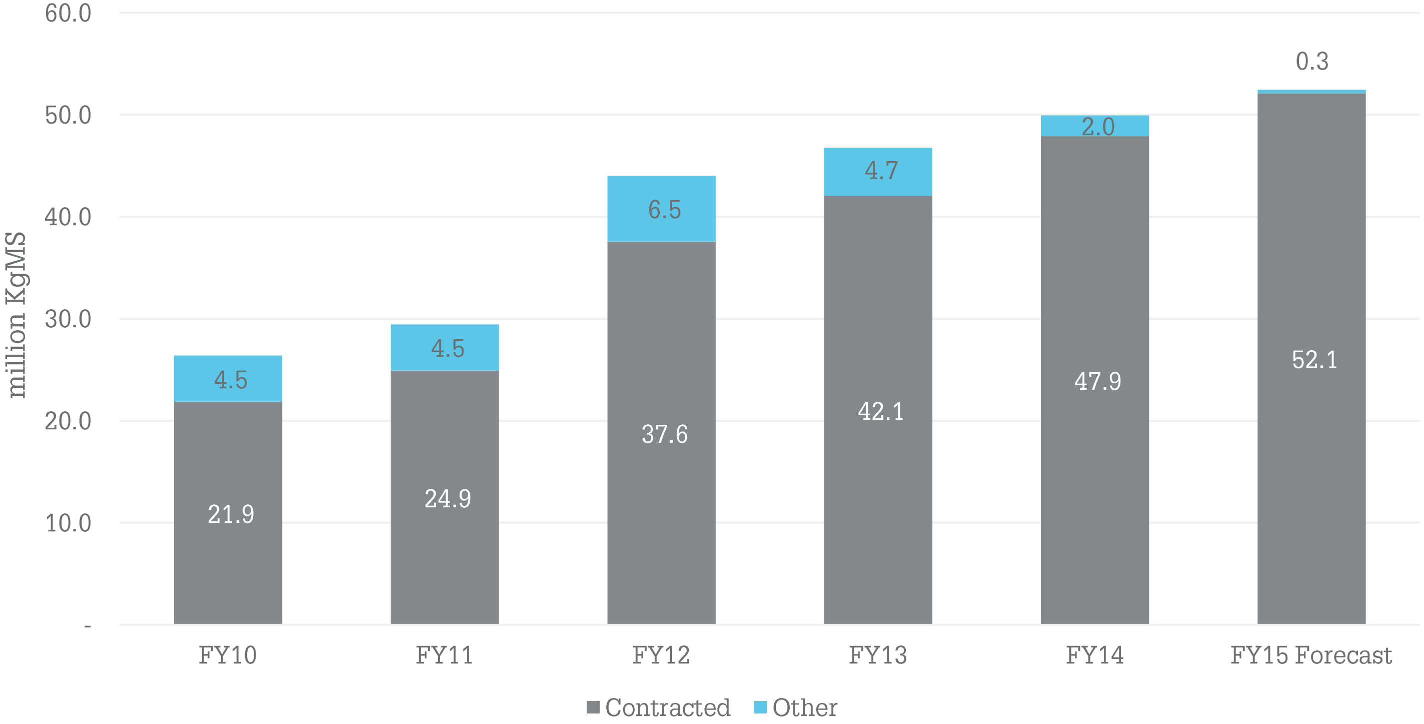
- Lactoferrin production and sales are behind expectations in the first half.
- While we have contracted 7.5 MT of sales, only 1 MT was delivered in the first half due to a number of technical issues, which we are now satisfied have been effectively worked through and resolved.
- As a result we now expect to manufacture and sell lower volumes than we had originally anticipated for the full year.
- However, there will be significant extra volumes sold in the second half at very strong margins.
- The market for lactoferrin is softening as a consequence of additional international production capacity being brought on and we have reduced our forecast sales pricing as a result.
- Nevertheless we still expect that we will exceed our business case sales volumes and pricing in our first full year of operation.

MILK SUPPLY AND PRODUCTION UP

	2015 H1 *Actual*	2014 H1 *Actual*	Change %
Sales Volumes (MT)			
Ingredients	39,635	40,505	(2.1)%
Nutritionals	3,067	3,005	2.1%
Total	42,702	43,510	(1.9)%
Production Volumes (MT)			
Ingredients	61,617	56,254	9.5%
Nutritionals	3,022	4,726	(36.1)%
Total	64,639	60,980	6.0%
Milk Procurement (millions KgMS)			
Contracted	33.6	30.6	9.8%
Other Supply [1]	(0.1)	0.8	(113.9)%
Total	33.5	31.4	6.7%

[1] *net of sales*

MILK VOLUMES



– Forecast 2015 milk volumes expected to be in line with budget, high volumes in first half being offset by declining volumes in second half of FY15.

BALANCE SHEET AND CASHFLOW

- New Mitsui USD inventory financing facility ($73.0 million) and additional project loan drawdowns ($65.0 million) have increased gearing by 17% to 63% at the half year.

- FY15 season started with a $7.00 kgMS milk price and initial advance rates of $4.50 kgMS.

- Even though forecast milk price since reduced a much higher proportion of the forecast milk price has already been paid to suppliers (92%) than last season (73%), which has reduced operating cashflow by $61.8 million.

- Property, plant and equipment (PPE) increased $102.0 million through capital investment, in line with management expectations, over last 12 months.

- Reduction is shareholders funds primarily impacted by the unrealised foreign exchange losses included in reported earnings ($6.85m) and the fair value adjustments on our derivative instruments ($14.8m)[1]

1. The fair value adjustment of $14.8m relates to the mark to market impact of hedged derivatives as at reporting date.

BALANCE SHEET AND CASHFLOW

NZD ($'000)	2015 H1 Actual	2014 H1 Actual	Change
Net Working Capital [i]	(29,307)	7,870	(37,177)
Fixed Assets (PPE)	342,691	240,838	101,853
Net Debt	278,037	151,999	126,038
Shareholders Funds	162,215	176,522	(14,307)
Gearing	63.2%	46.3%	16.9%
ROCE	1.3%	6.5%	(5.2)%
Operating Cash Flows	(62,582)	(8,043)	(54,539)
Capital Expenditure (PPE)	49,566	35,375	14,191

[i] Net Working Capital is current assets, less current liabilities after excluding derivatives

GROWTH INITIATIVE PROJECTS

Project *NZD ($ million)*	Commission Date	Opening Balance	2014 H2 Additions	2015 H1 Additions	Total Spend	% of Forecast Total
Lactoferrin plant	Apr 2014	12.2	9.8	0.1	22.1	100%
22,500m² Drystore	Apr 2014	11.4	5.9	0.1	17.4	100%
Blending and Consumer Packaging facility	Jul 2014	10.0	19.2	2.2	31.4	100%
Dryer Three (D3)	Aug 2015	1.5	19.9	37.8	59.2	44%
Admin and Lab	Jul 2015 (Admin) Sep 2015 (Lab)	0.1	1.0	5.8	6.9	33%
Total Growth Projects		35.2	55.8	46.0	137.0	

- To date we have spent 44% of the $135.0 million forecast total for Dryer Three and 33% of the $21.0 million forecast total for the Quality Testing Laboratory and Administration Building.
- Additional $3.6 million maintenance capital expenditure in the first half brings total capex spend to $49.6m for the period.

CAPITAL STRUCTURE STRATEGY

- Working capital can be volatile and unpredictable due to:
  - commodity market pricing
  - significant seasonal movements in receivables and inventory
  - changing relationship between movements in milk price and related advance rates paid to farmers
- Implementing Board approved Capital Structure Strategy:
  - Focused on achieving and maintaining a shadow BBB credit rated structure
  - Improving debt maturity profile
  - Reviewing sources of debt capital
  - Basis for determining appropriate funding of future investments

FY 15/16 OUTLOOK - INDUSTRY

- International commodity prices expected to remain weak and fragile
- Uncertain NZD:USD direction over next 12 months with significant variation in market forecasts
- Production increases in Europe expected to continue as quotas come off
- Demand from China and Russia continues to be constrained
- Low oil price is reducing the buying power of oil exporting economies
- Demand is building for consumer packaged infant formula and we expect to almost double manufactured volumes in FY16

FY 2015 OUTLOOK - SYNLAIT

- Continued focus on building our tier 1 multinational customer relationships to maximize utilisation of investments to deliver strong financial performance over time.

- Completing build of Dryer 3, new administration, laboratory and technical development centre on time and within budget.

- On track to achieve contracted milk supply growth to exceed previously forecast FY 16 volume targets.

- We have sold comparatively less ingredients product (approx. 3,500 MT), as a percentage of production, in the first half compared to last years first half, which will benefit second half results

- While the second half will deliver increased sales of infant bulk and canned products as well as lactoferrin, the total year sales volumes associated with these products is now expected to be below initial expectations.

- Revised full year forecast to a NPAT range of $10.0 million to $15.0 million.