

THE
TRUE
VALUE
OF OUR
MILK

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Synlait Milk Limited Annual Report 2013

DISCLAIMER

This annual results presentation dated 24 September 2013 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 future outlook on market conditions, earnings and activities given in that release and annual report.

KEY MESSAGES

Operating

- FY2013 delivered on prospectus forecast
- Achieved significant improvement in financial performance over FY2012
- We expect to achieve FY2014 prospectus forecast

Growth

- Our focus in FY2014 will be on the execution of growth initiative projects
- Market development progressing to plan

RESULTS OVERVIEW

- Revenue up 11.5% to \$420 million
- Gross Profit up 39.6% to \$65.1 million
- Gross profit per MT up 26.4% to \$751
- EBITDA up 74.0% to \$38.5 million
- Net profit after tax up 161% to \$11.5 million
- Shareholders funds up 90% to \$164 million
- Adjusted¹ return of capital employed up 79.5% to 13.1%

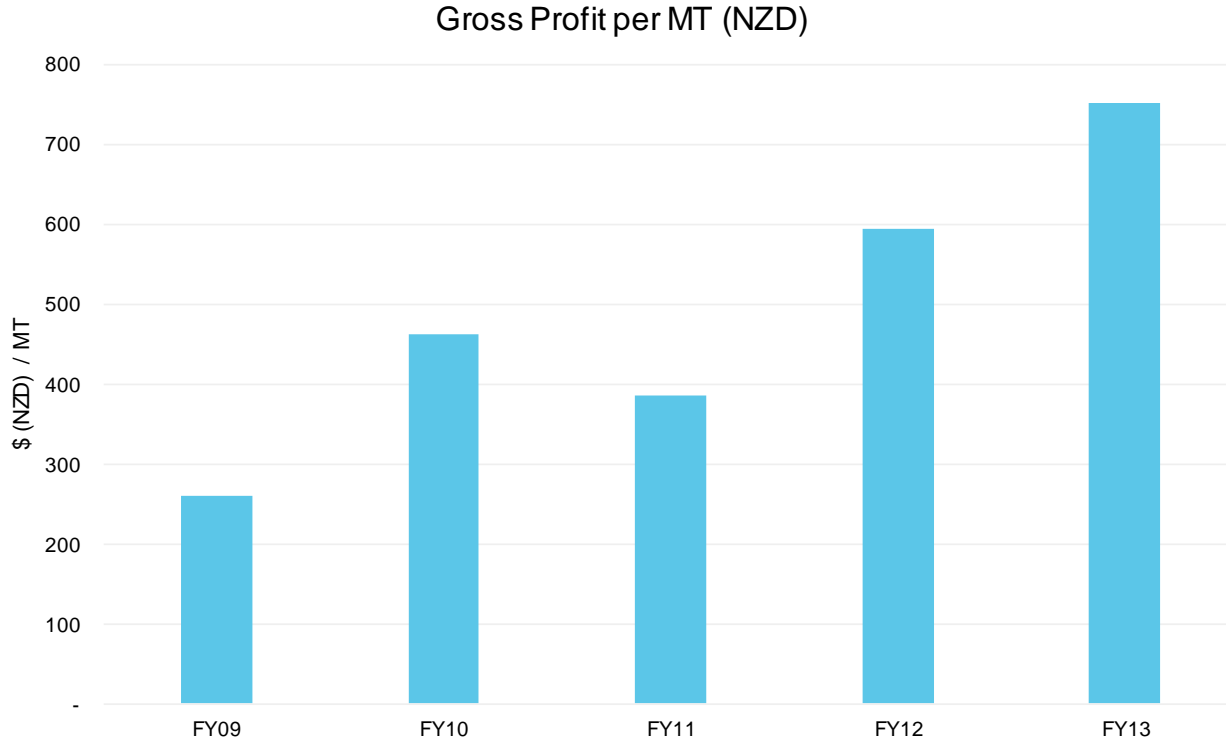
¹ Closing net debt of \$106 million reduced by one off items totalling \$34.6 million, that will unwind in FY2014.

GROWTH IN VOLUMES AND MARGINS IMPROVE PROFITABILITY

Key Financial Operating Metric's for FY 2013 Compared to FY 2012 and FY 2013 PFI Forecasts

| <i>NZD (\$m)</i> | 2013 <i>Actual</i> | 2012 <i>Actual</i> | Change % | 2013 <i>PFI Forecast</i> | Change % |
|------------------|------------------------------|------------------------------|--------------------|------------------------------------|--------------------|
| Revenue | 420.0 | 376.8 | 11.5% | 426.4 | (1.5)% |
| Gross Margin | 65.1 | 46.0 | 41.5% | 64.6 | 0.8% |
| EBITDA | 38.5 | 22.1 | 74.2% | 37.4 | 2.9% |
| EBIT | 28.3 | 13.4 | 111.2% | 27.5 | 2.9% |
| NPAT | 11.5 | 4.4 | 161.4% | 10.8 | 6.5% |
| EPS | 19.74 | 8.59 | 129.8% | 18.56 | 6.4% |

MARGIN GROWTH KEY TO SUCCESS



IMPROVEMENT ACROSS ALL KEY METRICS

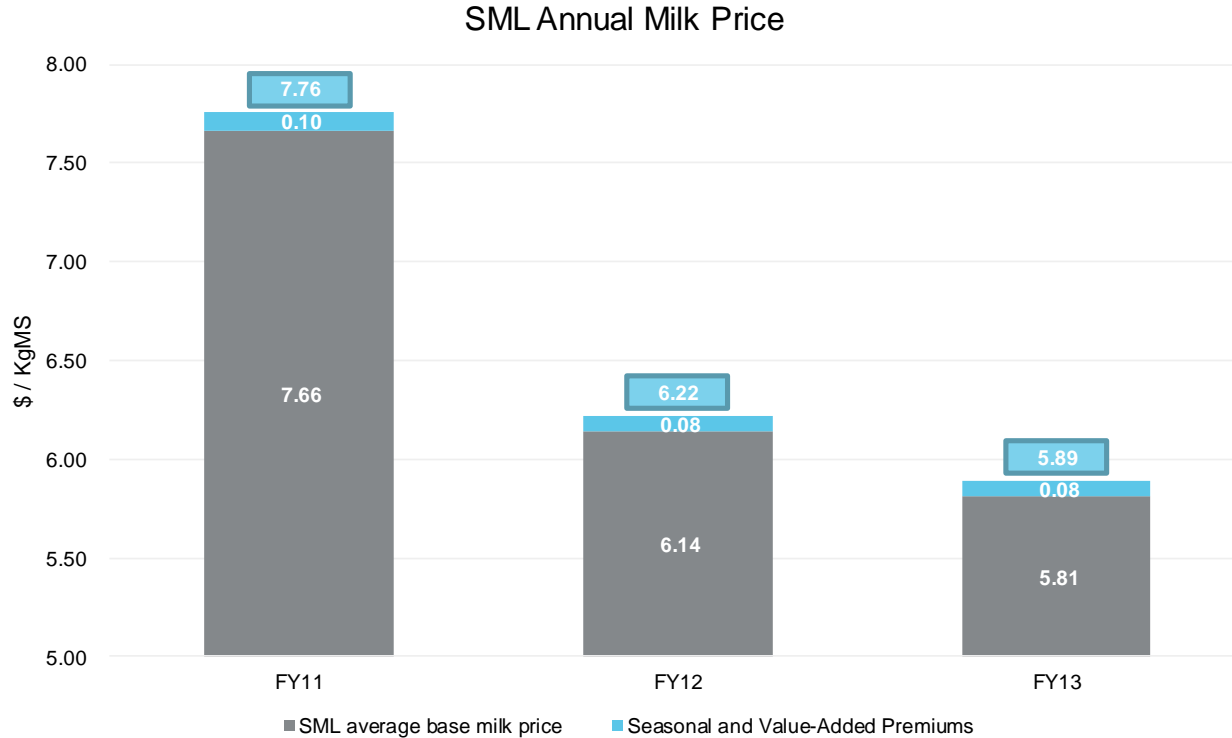
Improvement across all key metrics

| | 2013 <i>Actual</i> | 2012 <i>Actual</i> | Change % | 2013 <i>PFI Forecast</i> | Change % |
|--------------------------------|------------------------------|------------------------------|--------------------|------------------------------------|--------------------|
| Sales Volumes (MT) | | | | | |
| Ingredients | 81,085 | 73,003 | 11.1% | 80,902 | 0.2% |
| Nutritionals | 5,661 | 4,412 | 28.3% | 6,888 | (17.8)% |
| Total | 86,746 | 77,415 | 12.1% | 87,790 | (1.2)% |
| Production Volumes (MT) | | | | | |
| Ingredients | 81,148 | 76,661 | 5.9% | 80,856 | 0.4% |
| Nutritionals | 10,081 | 4,737 | 112.8% | 10,772 | (6.4)% |
| Total | 91,229 | 81,398 | 12.1% | 91,628 | (0.4)% |
| Milk Procurement (KgMS) | | | | | |
| Contracted | 42,076 | 37,573 | 12.0% | 42,032 | 0.1% |
| Other Supply | 4,692 | 6,453 | (27.3)% | 4,617 | 1.6% |
| Total | 46,768 | 44,026 | 6.2% | 46,649 | 0.3% |

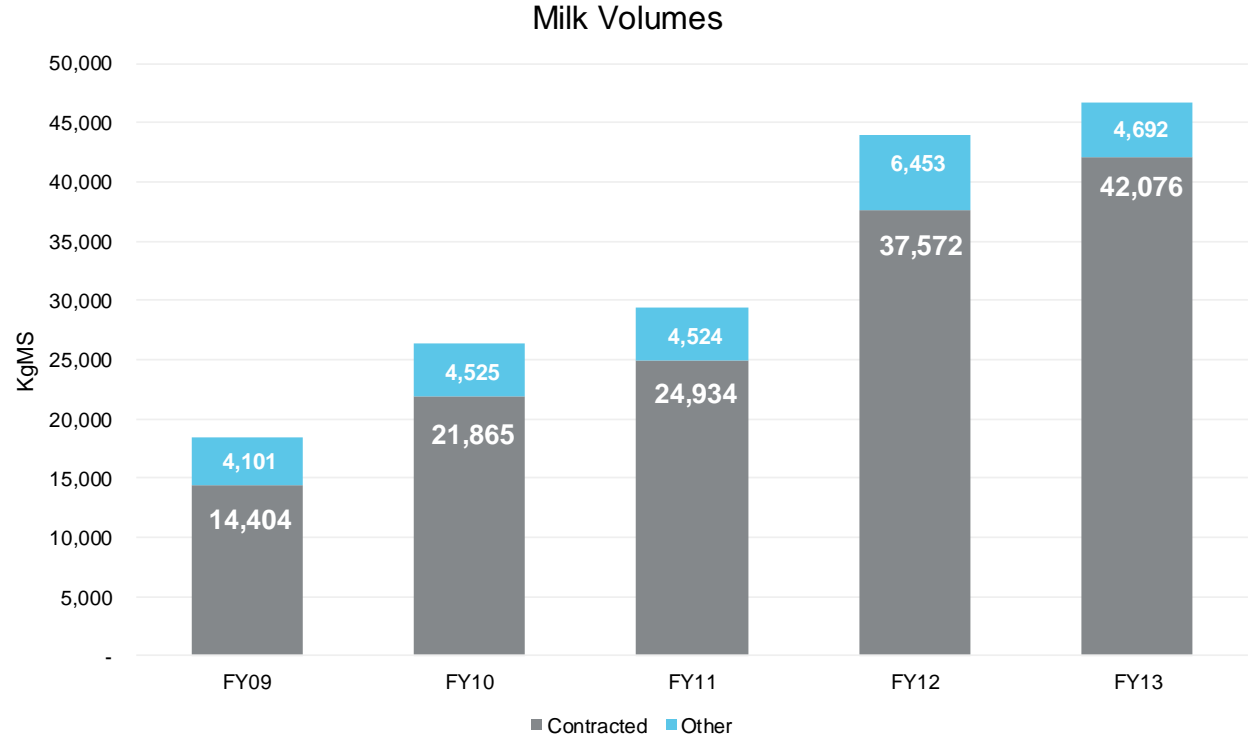
MILK VOLUMES AND PRICE

- Overall milk supply up 6.2% to 46,768 kg MS on last year and in line with prospectus forecast
- Increased contracted milk supply by 12% to 42,076 kg MS
- Contract suppliers average base milk price of \$5.81 kg MS, plus additional \$0.08 kg MS related to seasonal and added value premiums.

SML ANNUAL MILK PRICE



MILK VOLUMES



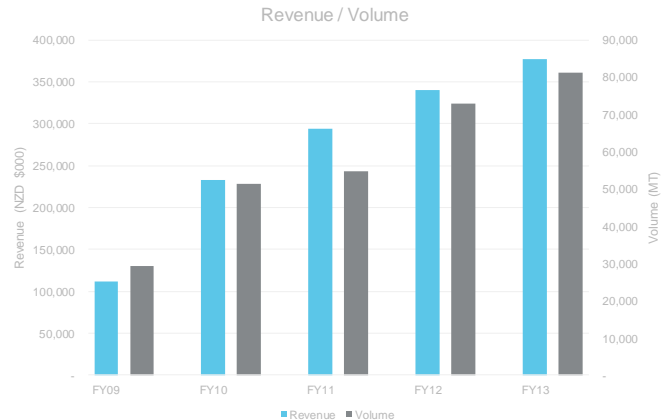
DELIVERING ON OUR STRATEGY - INGREDIENTS

- Increased volume processed driven by milk supply
- Continuing to achieve increased value added volume
- Strong margin growth
- Improved quality of customers
- Maximising product mix for value
- Margins eroded in FY 2013 by strong butter pricing (approx. impact of \$50 per MT)

INGREDIENT CATEGORY

Revenue & Volume (Ingredients)

| | 2013 <i>Actual</i> | 2012 <i>Actual</i> | Change % | 2013 <i>PFI Forecast</i> | Change % |
|------------------------|------------------------------|------------------------------|--------------------|------------------------------------|--------------------|
| Revenue (\$000) | 376,523 | 340,655 | 10.5% | 373,512 | 0.8% |
| Volume | 81,085 | 73,003 | 11.1% | 80,902 | 0.2% |
| Value Add % | 52% | 38% | 36.8% | 52% | - |



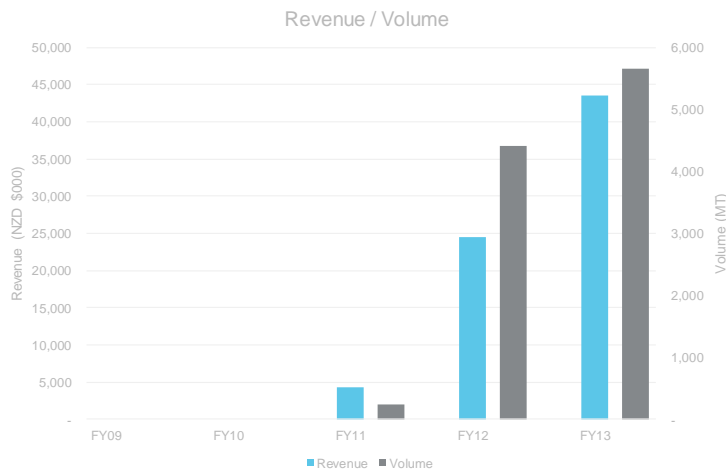
DELIVERING ON OUR STRATEGY – INFANT AND NUTRITIONALS

- First full year production on D2 for infant nutritionals
- Achieved sales of 5,661 MT.
- Building relationships with key Chinese customers
- Sales of Bright's Pure Canterbury brand continues to grow
- Announcement of proposed new Chinese regulations in May/June impacted on sales orders and deliveries late in the year
- Well positioned for current Chinese regulatory changes focusing on quality, in-market consolidation and price

INFANT AND NUTRITIONALS CATEGORY

Revenue & Volume (Nutritionals)

| | 2013 <i>Actual</i> | 2012 <i>Actual</i> | Change % | 2013 <i>PFI Forecast</i> | Change % |
|------------------------|------------------------------|------------------------------|--------------------|------------------------------------|--------------------|
| Revenue (\$000) | 43,487 | 24,462 | 77.8% | 52,914 | (17.8)% |
| Volume | 5,661 | 4,412 | 28.3% | 6,888 | (17.8)% |



CAPITAL RAISE AND REFINANCING

- Successful completion of IPO on 23 July raising \$68.9 million at initial share price of \$2.20 per share and market cap of \$322m
- Bright Dairy diluted to 39.12%
- Friesland Campina took a 7.5% interest
- Completed refinance of Bank facilities to assist with funding of growth initiatives.
- Gearing improved to 39.2% from 55.4% in FY2012
- Closing share price on 31 July \$2.61 providing TSR of 18.6% and market cap of \$382 million

BALANCE SHEET AND CASH FLOWS

Balance Sheet + Cashflow

| | 2013 <i>Actual</i> | 2012 <i>Actual</i> | Change % | 2013 <i>PFI Forecast</i> | Change % |
|----------------------|------------------------------|------------------------------|--------------------|------------------------------------|--------------------|
| Net Working Capital | (7,527) | (51,402) | (85.4)% | (17,914) | (58.0)% |
| Fixed Assets | 210,780 | 214,099 | (1.6)% | 217,954 | (3.3)% |
| Net Debt | 105,555 | 107,063 | (1.4)% | 109,183 | (3.3)% |
| Shareholders Funds | 164,038 | 86,291 | 90.1% | 164,991 | (0.6)% |
| Gearing | 39.2% | 55.4% | (29.3)% | 39.8% | (1.7)% |
| ROCE ¹ | 13.1% | 7.3% | 79.5% | 12.8% | 2.3% |
| Operating Cash Flows | (13,788) | 29,820 | (146.2)% | (8,263) | 66.9% |
| Capital Expenditure | 6,592 | 35,991 | (81.7)% | 11,214 | (41.2)% |

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

STRATEGIC GROWTH INITIATIVES

- Six growth initiative projects outlined in prospectus totalling in excess of \$180 million spend over 3 years.
- Build of lactoferrin plant underway and to be commissioned in January 2014.
- Decided to complete build of all warehouse capacity of an additional 22,500 m², which includes warehouse for third dryer. Due to be commission end March 2014.
- Blending and canning facility expected to be commissioned ahead of schedule in June 2014.
- largest project is build of third dryer due to be commissioned in August 2015 to expand capacity and grow our infant nutritional volumes.

GROWTH INITIATIVE PROJECTS

| | Start Date | Commission Date | PFI Commission Date | Total Capex (\$m) | Comment |
|------------------------------|-------------------|------------------------|----------------------------|--------------------------|---|
| Blending & Canning | Aug-13 | Jun-14 | Aug-14 | 27.5 | On track to commission ahead of schedule |
| Warehouse | Aug-13 | Mar-14 | Jan-14 | 16.9 | Building all warehouse space now, including Dryer 3 Warehouse |
| Lactoferrin | May-13 | Jan-14 | Jan-14 | 15.1 | On track |
| Quality Lab & Administration | Mar-14 | Aug-14 | Mar-14 | 8.4 | Combining new Laboratory and Administration into one building |
| Dryer 3 | Apr-14 | Aug-15 | Aug-15 | 103.5 | Planning and resource consents on track |
| Butter | Aug-14 | May-15 | May-15 | 15.0 | Initial planning |
| Total | | | | 186.4 | |

FY 2014 OUTLOOK

- First half sales of infant nutritionals likely to be affected by announcement of new Chinese regulations and NZ food safety issues.
- However still expect to achieve forecast sales of 10,000 MT of infant nutritionals this year.
- Now forecasting to take a significant allocation of DIRA milk this season.
- Focus is on successful execution of growth initiative projects.
- Maintain guidance to be in line with prospectus forecast results.