



SYNLAIT MILK FULL YEAR INVESTOR PRESENTATION

For the 12 months
ended 31 July 2021

Synlait

Doing Milk Differently For A Healthier World

TODAY'S RESULT

Key takeaways

- FY21 proved to be very challenging for Synlait.
 - After nine straight years of solid profitability we are disappointed to post our largest ever financial loss.
 - Today's NPAT result is \$(28.5) million, a \$102.8 million reduction on the prior year.
 - The shape of our business changed dramatically in December following The a2 Milk Company's large forecast volume reduction, which meant inventory levels and demand outlook had to be reset.
 - During the last quarter of FY21, the Board and Management team built a clear and accurate picture of Synlait's current performance in the context of changes over the past five years, and has begun to execute a plan to rebuild:
- ① We have reviewed and remain confident in our strategy. However, execution clearly needs to improve.
 - ② We have aligned structure to strategy, appointed a CEO, and are proposing Governance changes to shareholders.
 - ③ We have reset our banking arrangements.
 - ④ We are making changes to release cash from inventory and improve working capital management.
 - ⑤ We have built a plan to return to robust profitability.

TODAY'S ANNOUNCEMENTS: CEO & GOVERNANCE CHANGES

Graeme Milne ONZM
Chair

A staff member plants out seedlings at our Whakapuāwai nursery at Synlait Dunsandel.

GRANT WATSON APPOINTED AS CEO

- The Board has appointed Grant Watson as CEO.
- Grant is currently CEO of dairy company, Miraka.
- Prior to Miraka, he spent 10 years at Fonterra where he held several senior roles including, Director of Global Foodservice, Acting Director of Sales Fonterra Brands New Zealand, Managing Director of Tip Top and Director of Route and Foodservice Fonterra Brands New Zealand.
- Prior to Fonterra, Grant built his executive career at McDonalds New Zealand to become Chief Operating Officer.
- He has also held several governance and directorship roles for private and publicly listed companies.
- Grant will join the Synlait team in January 2022.
- Grant will be joined by Robert Stowell who has been appointed CFO after acting in the role for the last five months.

"Grant has a track record of materially transforming and accelerating businesses by setting clear strategies, surrounding himself with diverse and talented people, and relentlessly driving execution to deliver strong sustainable results."

"Prior to Miraka, Grant led the significant growth of Fonterra's Global Foodservice business and has overseen the successful commercialisation of numerous value-added dairy products. This is a key part of Synlait's strategy going forward and we look forward to benefiting from his skills and experience."

Graeme Milne
Synlait Chair



PROPOSED GOVERNANCE CHANGES

To be voted on by shareholders

- As previously signalled, Graeme Milne stated his intention to retire by rotation at Synlait's Annual Meeting in December. However, considering Synlait's recent challenges the Board is keen to maintain Graeme's knowledge given his 17 years with Synlait. When Grant starts as CEO, Graeme will retire as Chair and be appointed as a Board Advisor for one year.
- John Penno will be appointed Chair when Graeme retires. As John is a Board Appointed Director the Board will seek ratification from shareholders at the Annual Meeting in December via a change to Synlait's constitution. The constitution will be amended to remove the requirement for the Chair to be an Independent Director. This will be a temporary measure as the Board is aware it is best practice to have an Independent Chair.
- When Graeme retires in 2022 the Board will appoint Paul McGilvary as an Independent Director. Paul has extensive dairy sector experience. He is currently Deputy Chair of AsureQuality, Chair of BVAQ Australia, and a Non-Executive Director of Waikato Milking Systems. Paul previously held several executive roles including, CEO of Tatua Co-operative Dairy Company Limited, CEO of HortResearch, and Managing Director, Fonterra (Europe). Paul's appointment will be ratified by shareholders at the 2022 Annual Meeting.

Synlait's Annual Meeting will be held on Wednesday 1 December 2021.

Further details will be included in the Notice of Meeting.

Proposed 2022 Board Structure



Dr John Penno
Board Appointed Chair



Simon Roberson
Independent Director



Sam Knowles
Independent Director



Paul McGilvary
Independent Director



Min Ben
Bright Dairy
Appointed Director



Qikai Lu
Bright Dairy
Appointed Director



Sihang Yang
Bright Dairy
Appointed Director



Hon Ruth Richardson
Bright Dairy
Appointed Director

FINANCIAL PERFORMANCE

Robert Stowell
Chief Financial Officer

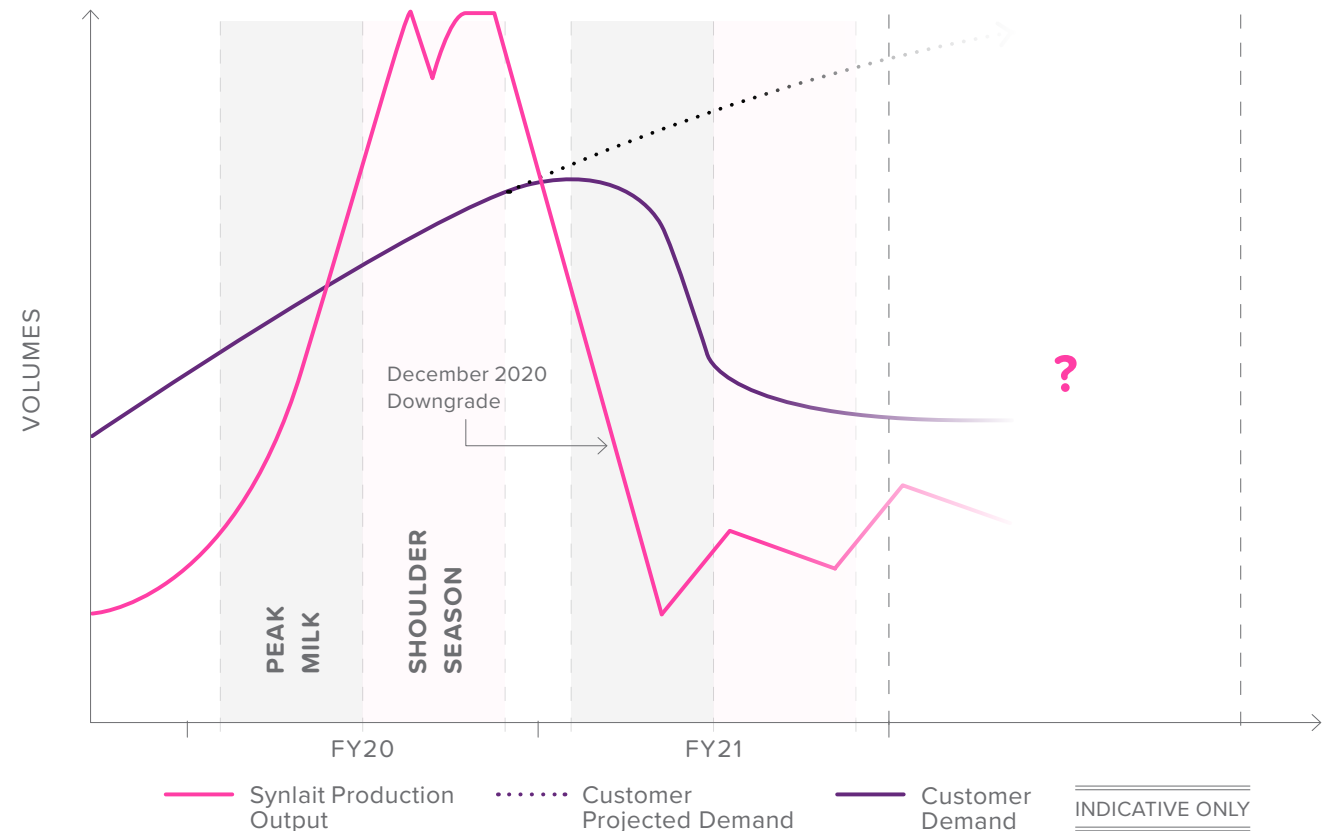
We celebrated the opening of our rail siding in May with Lyttelton Port Company, KiwiRail, our staff, and contractors involved in the project.



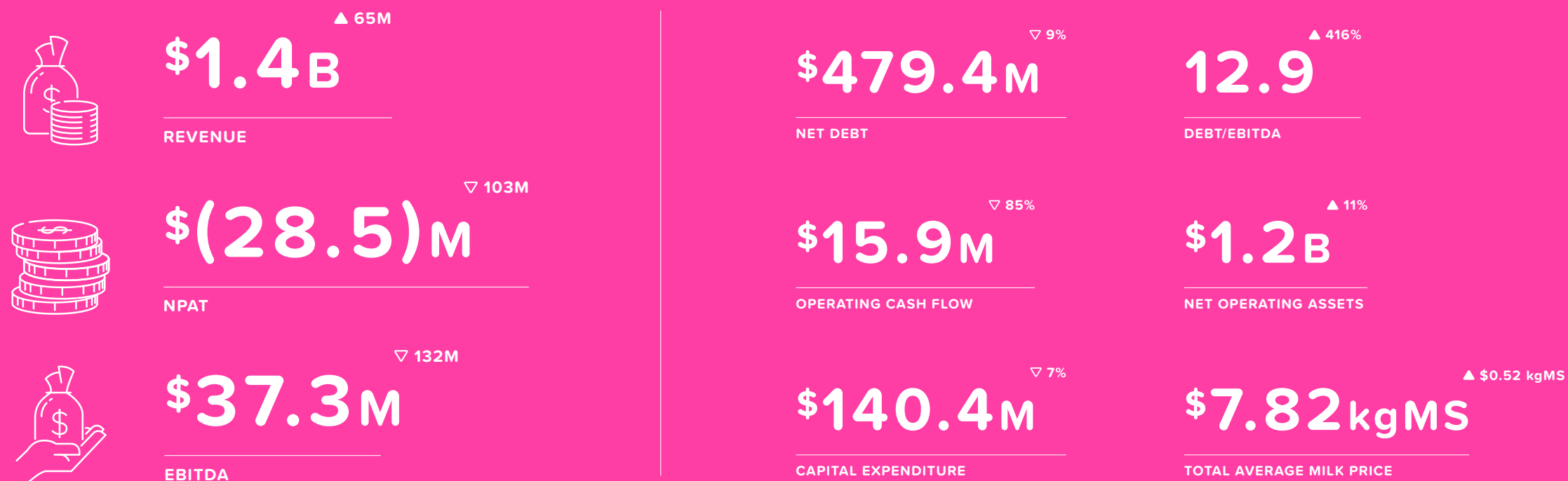
RESULTS OVERVIEW

- FY21 proved to be very challenging for Synlait.
- After nine years of profitability, it is very disappointing to post the company's largest ever loss.
- COVID-19 hit Synlait late and hit the company hard. The effect on Synlait and The a2 Milk Company can best be described by the supply chain concept 'The Bull-Whip Effect'.
- There were however longer term underperformance factors that impacted the result.
- Actions taken in Q4 of FY21 to turn Synlait around will strengthen the fundamentals of our business and set it up for success.
- Today's result is within the guidance range provided in May of an NPAT loss of \$20M to \$30M.

What Happened To Synlait In FY21: 'The Bull-Whip Effect'



KEY FINANCIAL METRICS



*Comparisons in this presentation are for the year ended 31 July 2020 unless stated otherwise. Prior period comparatives have been restated for an immaterial prior period adjustment.

WHAT HAPPENED TO SYNLAIT'S FY21 NPAT RESULT?

Infant formula (consumer-packaged and base powders)

Consumer-packaged infant formula declined due to The a2 Milk Company's reduced demand volume. Material rebalancing of base powder production resulted in lower overhead recoveries.

Lactoferrin

Sales volumes increased, but prices softened to deliver less absolute gross margin than the prior year.

Ingredients

Revenue and volumes increased as milk was diverted to ingredient production after the sudden reduction of infant base powders. Sales pricing performance was lower than prior years due to a mix of

external and internal factors such as butter prices versus AMF, sales phasing, mix and pricing.

Liquids

Milk and cream volumes were down on FY20 due to the positive impact COVID-19 lockdowns had on consumer demand in the prior year. The rising milk price also impacted profits.

Consumer Foods

Positive impact due to a full year of Dairyworks (FY20: 4 months), but below expectation due to Talbot Forest Cheese, butter margins and inventory write-downs.

Other

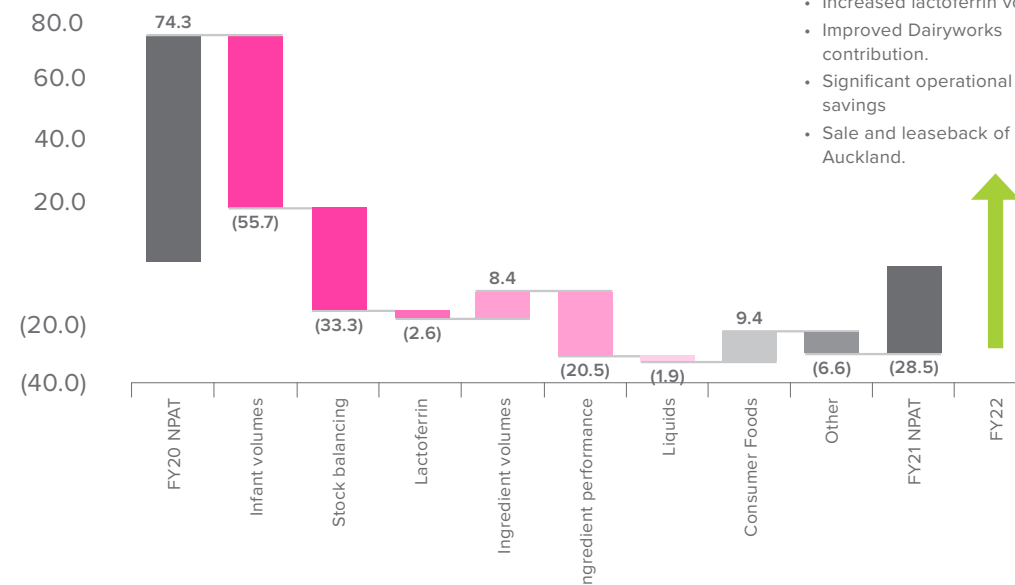
Largely SG&A costs which increased due to Dairyworks inclusion.

Synlait's FY21 NPAT Performance

We expect to return to robust profitability in FY22 due to:

- Improved ingredients margin performance.
- Increased ingredient volumes – inventory sell-down.
- Increased infant base powder production.
- Increased lactoferrin volumes.
- Improved Dairyworks contribution.
- Significant operational cost savings
- Sale and leaseback of Synlait Auckland.

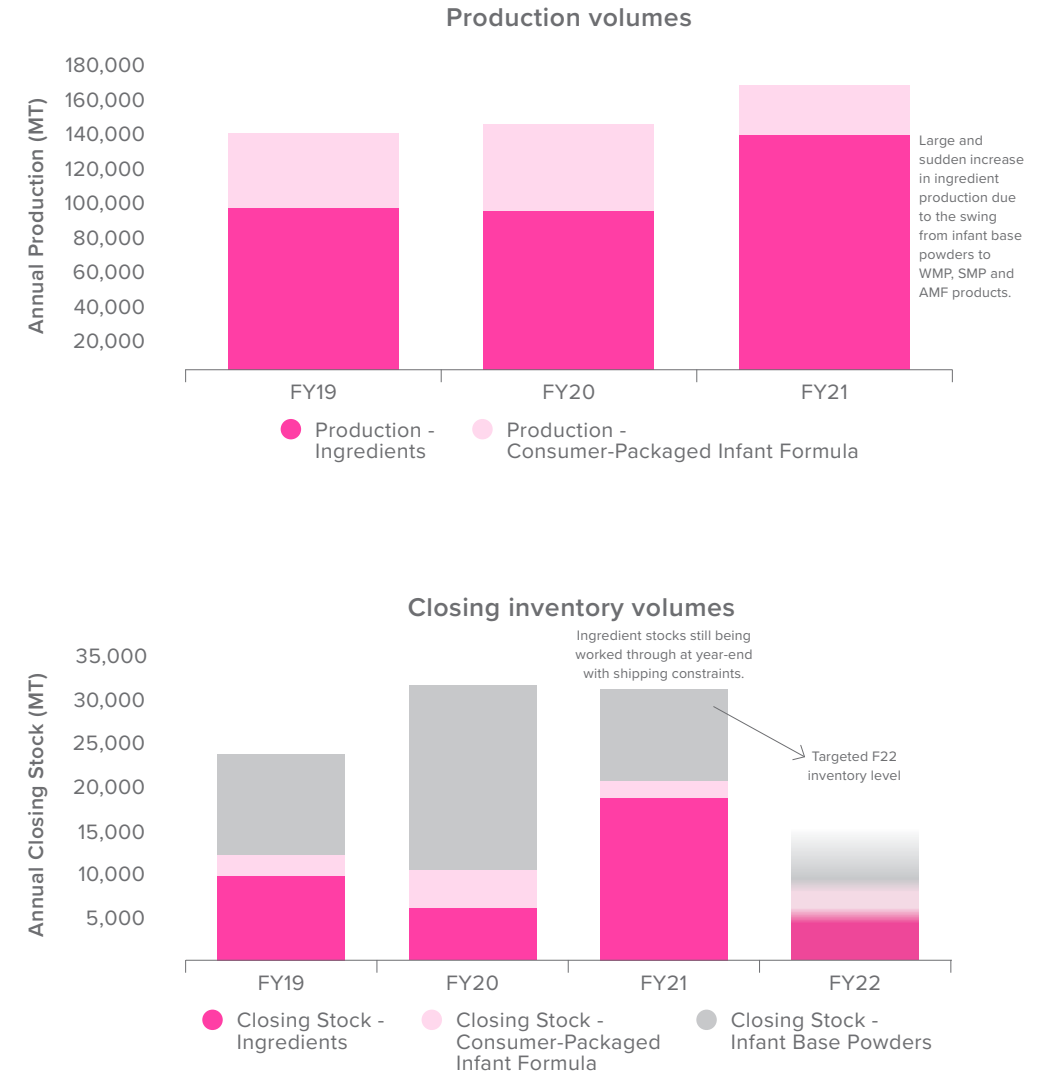
\$ millions



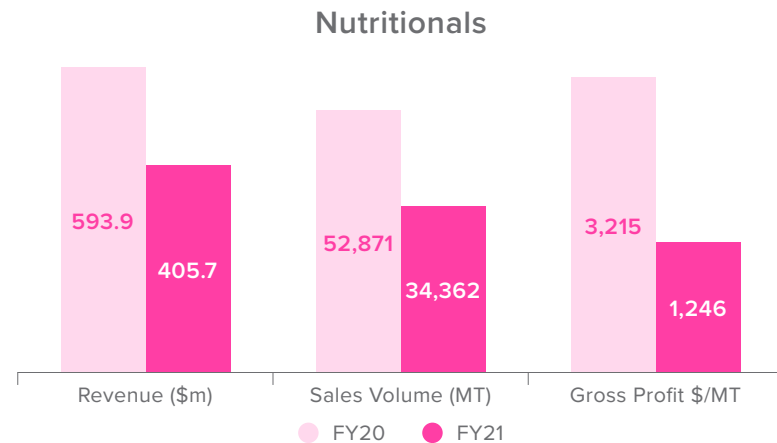
PRODUCTION AND INVENTORY VOLUMES

- Production of consumer-packaged infant formula reduced in FY21, reversing trends of prior years.
- In response, infant base powder production for internal use was significantly down and milk flows directed to WMP, SMP and AMF products.
- This resulted in the manufacturing of a high volume of unplanned ingredient products without the support of developed sales channels. This, combined with global shipping constraints, left the closing inventory balance for ingredients at historically high levels.
- Our closing finished goods inventories of ingredients and nutritionals amounted to 30,931 MT. For FY22 we expect this to be approximately 15,000 MT.

Stabilisation of consumer-package infant formula demand, global shipping and good inventory management in FY22 should see inventory levels return to lower levels.

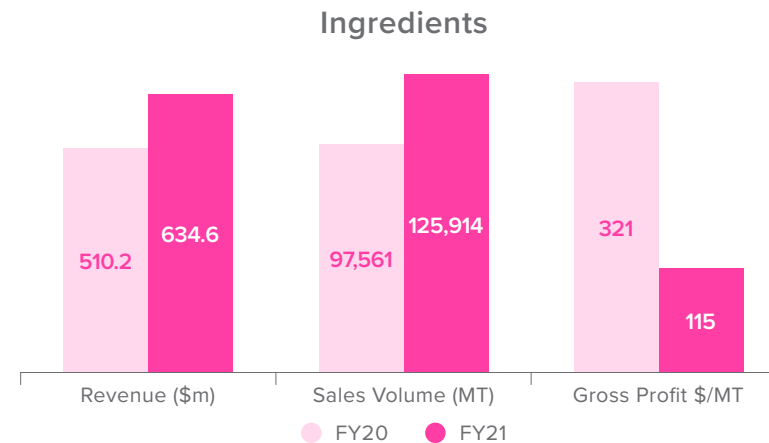


BUSINESS UNIT PERFORMANCE



Nutritionals include consumer-packaged infant formula, including base powders and lactoferrin.

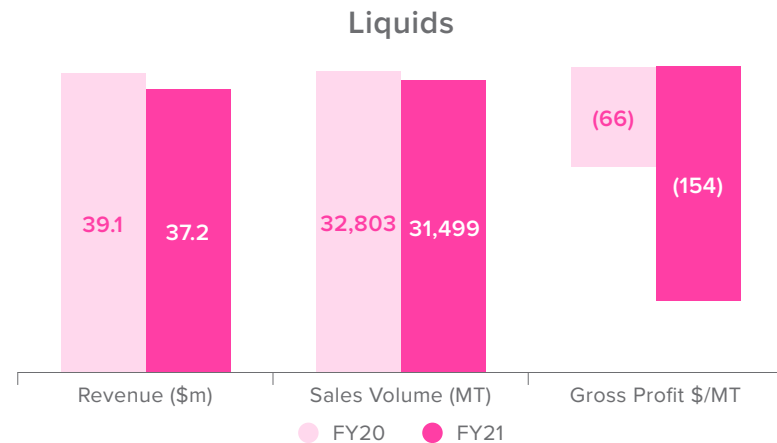
- Consumer-packaged infant revenue reduced mainly due to demand volume reduction.
- Material rebalancing of base powder production resulted in lower overhead recoveries impacting gross profit per MT.
- Lactoferrin sales increased 10% to 33MT as production increased contributing more absolute gross margin. Revenues and gross profit per MT decreased, due to some softening in pricing.



Ingredients include whole milk powder, skim milk powder, anhydrous milk fat, and butter milk powder.

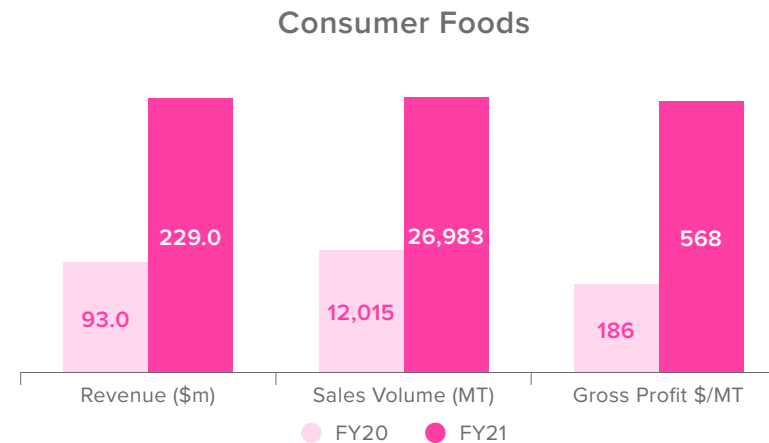
- Ingredient's revenue and volumes increased as milk was diverted to ingredient production after the sudden reduction of infant base powder production.
- Ingredients revenue performance lower than prior years due to external and internal factors, including butter, FX and sales phasing mix and pricing.
- Gross profit per MT reduced by \$206 from previous year.

BUSINESS UNIT PERFORMANCE



Liquids include fresh milk and cream sales and will include UHT product once commercial sales are realised.

- Liquid milk and cream revenue reduced slightly due to pantry stocking in the prior year as a result of COVID-19.
- Gross profit per MT decreased due to the small reduction in volumes manufactured and increased fixed costs on UHT line now commissioned.
- Improvements expected in gross profit per MT as further initiatives in the Liquids business are executed in FY22/FY23.



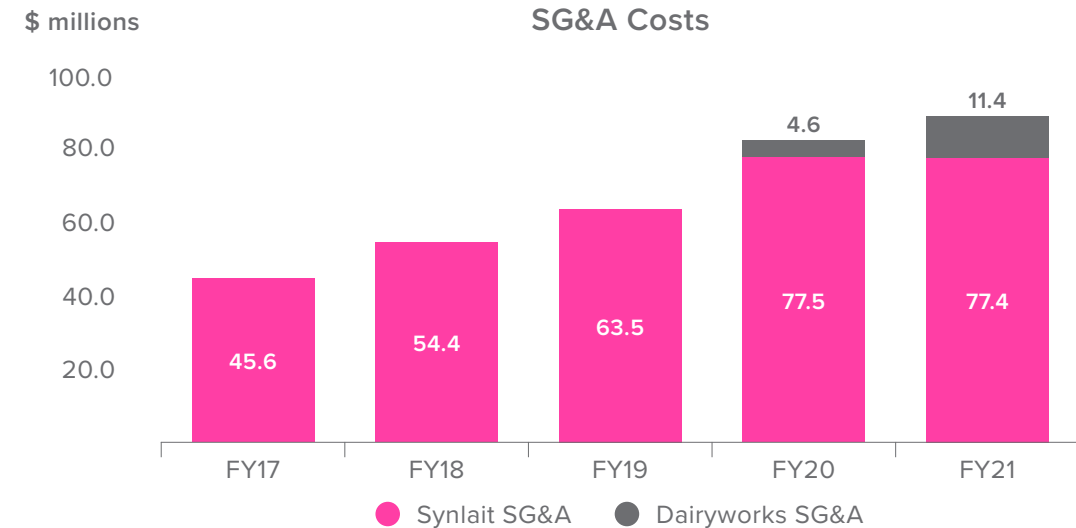
Consumer Foods include Dairyworks and Talbot Forest Cheese.

- First full year of Dairyworks' contribution (FY20: 4 months).
- Consumer and Foodservice sales volumes and margins in line with expectations.
- Overall performance down due to profit drag caused by Talbot Forest Cheese (whey stream losses and low utilisation), butter competition, and one-off write-downs of inventory balances.
- While FY21 earnings were disappointing, a strong bounce back is anticipated in FY22/FY23 as Dairyworks continue to grow and these issues are resolved.

OPERATING COSTS (SG&A)

- As previously indicated operating costs have stabilised. The increased costs were driven by the full year inclusion of Dairyworks (FY21: 12 months vs FY20: 4 months).
- Savings across depreciation, distribution, consultancy, travel, entertainment were offset by increased IT spend and employee costs.
- Operating cost saving initiatives presented at HY21 on the organisational reset, production efficiencies and discretionary spend delivered \$9.3M of the \$10.8M targeted.
- Value chain cost saving initiatives for yield and waste, Dry Store 4 and the Rail Siding, delivered a part year benefit of \$3.0M. The Rail Siding and Dry Store 4 project remains on track to provide benefits of approx. \$8.0M annually going forward.
- A full review of how costs are allocated across business areas and associated reporting will be undertaken in FY22. This will give more insight and clarity on performance moving forward.

Guidance for FY22 S&GA is that we will remain in line with prior year spend. Almost all the organisational restructure savings of approximately \$7M are expected to hit above the gross margin line.



CASH FLOW AND CAPITAL SPEND

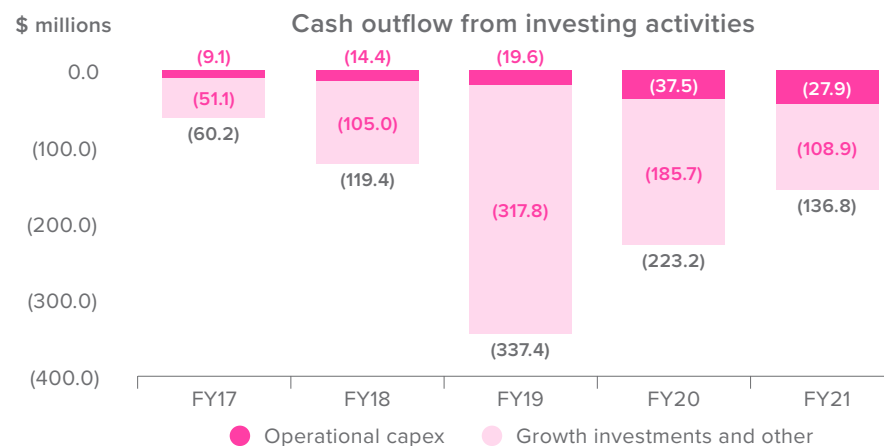
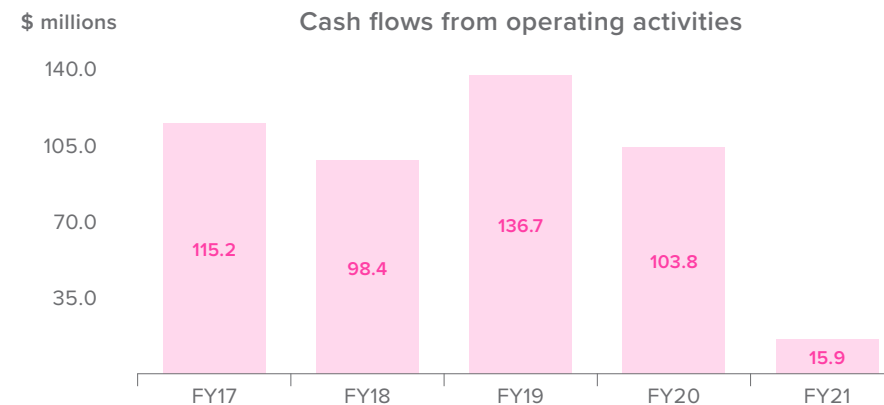
Operating

- Historically operating cashflows average > \$100M per annum.
- Operating cash flows decreased by \$87.9M to \$15.9M. This was driven by two key factors:
 - Reduced consumer-packaged infant formula volumes.
 - Year-end ingredients inventories exceeded target levels by approximately 13,000MT.

We expect operating cash flows to bounce back very strongly in FY22.

Investing

- Synlait's capital spend is winding down after a period of high investment.
- Investment spend reduced \$86.4M to \$136.8M following the completion of the Dairyworks and Talbot Forest Cheese acquisitions in FY20.
- FY21 investment cashflows include:
 - Modifications to Synlait Pokeno for our new multinational customer: \$33.5M
 - Farms purchase: \$26.1M.
 - Dry Store 4 and Rail Siding: \$20.8M
 - New ERP system: \$19.2M
 - Other growth initiatives: \$9.3M
 - Maintenance capex: \$27.9M



NET DEBT AND BANK REFINANCING

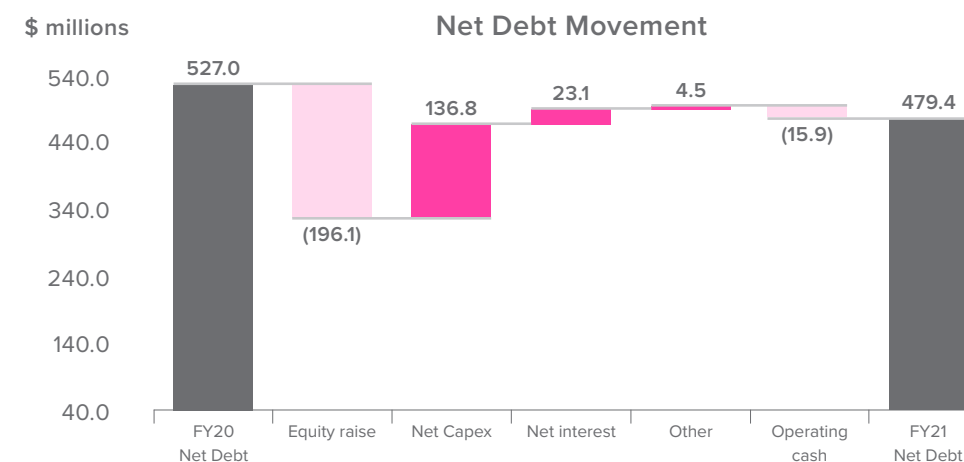
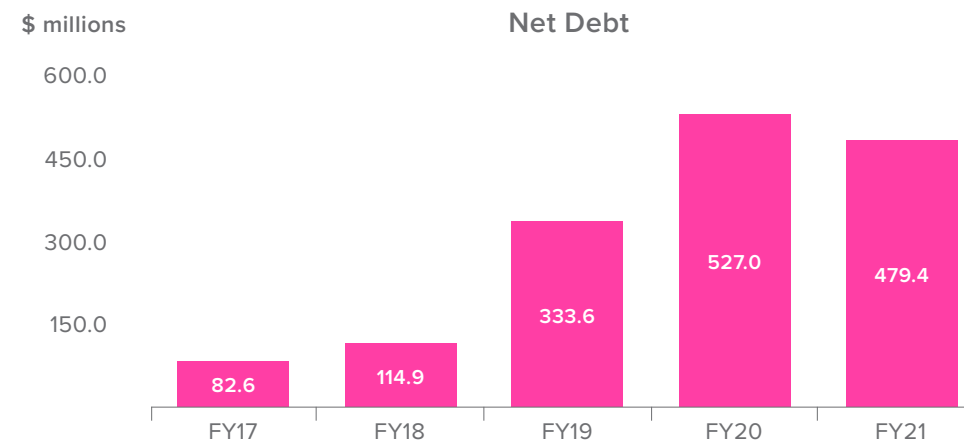
Net debt

- Net debt (excluding lease liabilities) decreased to \$479.4M.
- Net proceeds of \$196.1M from November 2020 equity raise used to pay down debt and fund capital projects.
- \$30.0M proceeds from the sale and leaseback of Synlait Auckland's land and building will also be used to reduce debt in FY22.

Our new Total Debt/EBITDA covenant limit is 4.5x for FY22. We expect to be well below 4.0x in FY22. We expect the balance sheet to return to normal metrics within two years.

New bank refinancing

- New terms to refinance Synlait's maturing syndicated banking facilities were agreed in July 2021 after bank waivers were received in May 2021.
- Synlait secured an extended working capital facility of \$250M (increased up to \$330M from September 2021 to February 2022), and revolving credit facilities of \$200M.
- Working capital facilities will renew on 1 October 2022 and revolving credit facilities extended for 2 years to 1 October 2023.
- Financial covenants have been renegotiated (see appendix).
- Renegotiated facilities give Synlait a sound and secure platform to build from and provide increased certainty. Synlait has a positive and constructive relationship with its banks. We thank them for their ongoing support.



STRATEGY & OPERATIONAL PERFORMANCE UPDATE

John Penno
Chief Executive Officer

Our Made With Better Milk Whole Milk Powder.

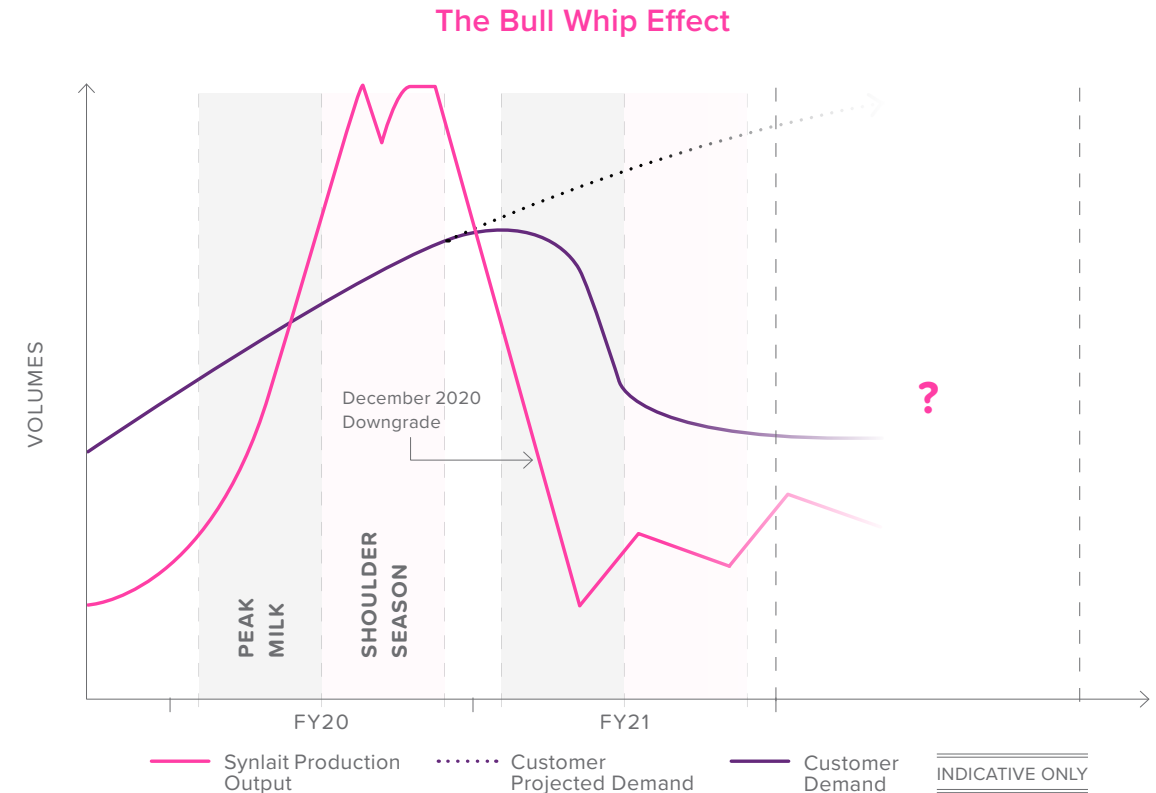
OUR STRATEGY REMAINS FIT FOR PURPOSE AND HAS MATURED INTO FOUR KEY PARTS



- **Ingredients** – an efficient and focused business that manufactures high-quality whole and skim milk powder and milk fat products from a differentiated milk supply for leading multinationals and large Chinese customers.
- **Nutritionals** – offers a whole of supply chain solution for large-scale, world-class, multinational brand owners of infant, children, and adult formulated nutritional powders. This business also manufactures specialised nutritional ingredients such as base powders for others to blend and package, and lactoferrin as a high value ingredient.
- **Liquids** – a growing business focused on product development and innovation to manufacture high-specification, long-life consumer-packaged beverages, foodservice cream products, and ready to feed infant formula.
- **Consumer Foods** – a manufacturer of consumer fresh milk, cheese, butter, and yogurt products in the New Zealand and Australia domestic markets under our own and/or private label brands.

LEARNINGS FROM THE YEAR THAT'S BEEN

- Synlait typically produces 45% to 50% of its infant base powder during the shoulder season as milk quality is high and manufacturing capacity is available.
- These nutritional powder inventories are held to produce fully finished consumer-packaged infant formula volumes as customer demand formalises in future months.
- In the shoulder season of FY20, Synlait produced infant base powder inventories on a forward demand forecast that assumed ongoing growth of infant nutrition demand into FY21. We therefore came into FY21 with large volumes of nutritional powders on hand (40% of forward demand) with the expectation that demand would grow.
- The a2 Milk Company's reduced demand forecast in December 2020 was significant and sudden. In FY21 it resulted in an eventual 35% decline of nutritional sales volumes, and a 67% decline in nutritional powders production as we reset inventory levels to a new demand outlook – and with it a very large reduction in fixed cost recoveries were carried through our P&L.
- Our current FY22 forecast for consumer-packaged infant formula volumes is conservative. It will result in a further reduction of nutritional powder stocks in FY22. However, manufactured volumes will increase roughly 30% to 40% relative to FY21 bringing greater fixed cost recoveries.



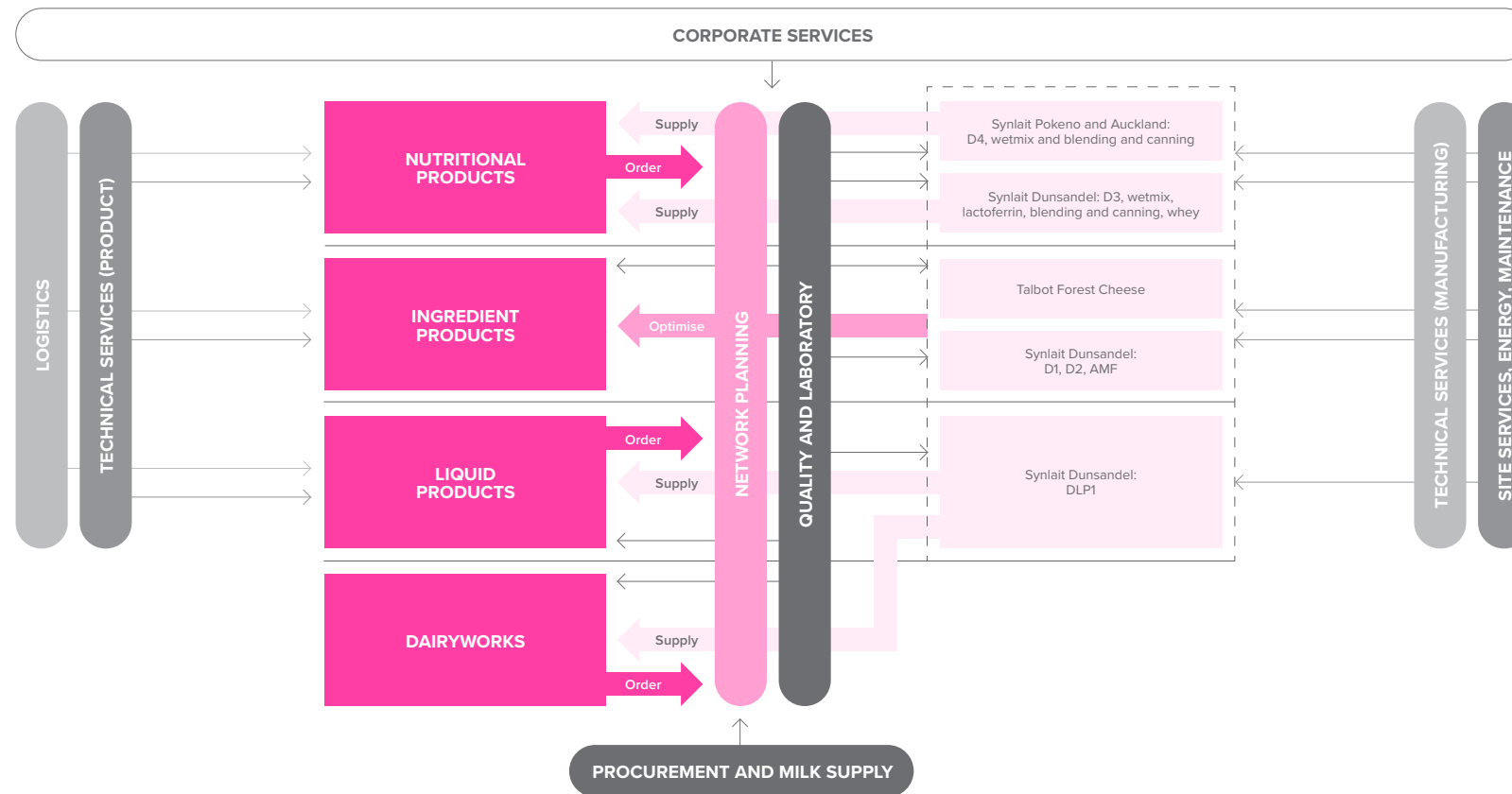
LEARNINGS FROM THE LAST FIVE YEARS

During the final quarter of FY21, Board and management completed a comprehensive review of Synlait to ensure we had a robust understanding of the company's underperformance.

What became clear is that while the sudden and unexpected downturn in The a2 Milk Company's consumer-packaged infant formula demand explained much of our FY21 underperformance, it also revealed other inefficiencies within the business that had been developing over a longer period of time.











- ① **New business areas had been slower to develop than planned**
While major capital facilities had been built to budget, and operational costs remained within forecast, inadequate focus and investment in business development meant new opportunities were slow to develop.
- ② **Cost structures had been allowed to grow at a faster rate than earnings**
Some of this was due to new facilities, locations and business areas being developed, but closer analysis highlighted that general costs had grown unnecessarily in well-established parts of Synlait.
- ③ **The use of capital has become suboptimal:**
 - Large capital projects were completed delivering capacity well ahead of demand coming onboard. Further, this capacity was held in reserve for high value opportunities rather than utilising it earlier on lower value products while a pipeline of high value opportunities was developed.
 - Maintenance CAPEX was too high and smaller capital projects had failed to deliver expected outcomes.
 - While COVID-19 was a factor, other issues such as sales phasing, overly onerous contractual arrangements, raw material management, and unnecessarily high inventory levels consumed significant amounts of working capital.

THE PATH TO RECOVERY: ALIGNING STRUCTURE TO STRATEGY AND RESETTING HOW WE OPERATE



- Leadership and resourcing now aligned around key business units: Nutritionals, Ingredients, Liquids and Consumer Foods.
- Manufacturing facilities and teams organised horizontally by business unit which are led by Synlait's end customers.
- Matrix reporting within each business unit.
- Network planning, quality and laboratory, and corporate services run across Synlait.
- Dairyworks remains standalone but could be integrated into the structure overtime.

THE PATH TO RECOVERY: SYNLAIT'S NEW ORGANISATIONAL STRUCTURE

 Grant Watson*** Chief Executive Officer		 Suzan Horst Quality, Regulatory and Laboratory Services	 Nigel Macdonald** Director, Operations	 Robert Stowell* Chief Financial Officer	 Boyd Williams Director, People and Culture	 Deborah Marris Director, Legal, Risk and Governance	 Chris France Director, Strategy and Business Transformation
 Martijn Jager Director, Sales and Business Development		NUTRITIONAL PRODUCTS			→ Business teams with P&L responsibility		
	Sales and Business Development	Quality Management	Synlait Dunsandel: D3, wetmix, lactoferrin, whey and blending and canning Synlait Pokero Synlait Auckland	Dedicated Finance Manager			
		INGREDIENT PRODUCTS			→ Business teams with P&L responsibility		
	Sales and Business Development	Quality Management	Synlait Dunsandel: D1, D2 and AMF Talbot Forest Cheese	Dedicated Finance Manager			
 Hamish Reid Director Sustainability, Brand & Liquid Products		LIQUID PRODUCTS			→ Business teams with P&L responsibility		
	Marketing and Business Development	Quality Management	Synlait Dunsandel: DLP1	Dedicated Finance Manager			
 Tim Carter Dairyworks Chief Executive Officer		DAIRYWORKS					
	Marketing, Sales and Business Development	Operations		Chief Financial Officer			

- Headcount reduced by 15%.
- FY22 savings of approximately \$6 to \$8 million.
- Annual savings of approximately \$10 to \$12 million.
- Savings are in addition to those identified at HY21.
- With the focus on increased sales and reduced cost and capital expenditure in FY22, we expect a reversal of some significant one-off costs we faced in FY21 as well.

* Robert has been appointed CFO after acting in the role for the last five months.

** Nigel will join Synlait in November subject to completing MIQ requirements.

*** Grant will join Synlait in January 2022.

BUSINESS UPDATE INGREDIENTS

FY21 performance

- Ingredients business under performed relative to expectations.
- Execution of sales pricing and phasing was disappointing.
- Product mix was at times uncompetitive relative to the New Zealand milk price because of Synlait's reliance on AMF where returns lagged behind butter. This happens on a cyclical basis and has since unwound.
- Launched Made With Better Milk in April, this value-add premium ingredients offering brings together Synlait's on-farm (Lead With Pride™), off-farm, and corporate sustainability practices. The inaugural customer is a prominent consumer brand owner in Asia, the customer pipeline is promising.

FY22 focus

- Separating out the Ingredients business will enable a renewed focus on facility utilisation, manufacturing efficiencies and supply chain management, and generate a cost structure more on par with Synlait's competitors.
- Sales strategies will be prioritised and be an optimum blend of long-term relationships with multinational customers, delivering premium pricing for high specification products, and a sufficient spot business to optimise product mix as market pricing fluctuates.



BUSINESS UPDATE NUTRITIONALS

The a2 Milk Company

- The a2 Milk Company partnership remains Synlait's most important, and is expected to continue to be for some years.
- Business development opportunities remain a focus for both companies.
- We are planning conservative manufactured volumes of consumer-packaged infant formula for FY22 and beyond, relative to FY21.
- Renewing our SAMR licence for Chinese labelled a2 Platinum® Infant Formula is the highest priority project within Synlait.

SAMR renewal process remains on track

Now

Accelerated shelf-life study programme in progress and tracking well.

November to December 2021

Completion of the full accelerated shelf-life programme and hard copy dossier submission to SAMR.

January to March 2022

SAMR technical centre review of dossier.

March to April 2022

Onsite audit.

August 2022

Approval.



BUSINESS UPDATE

NUTRITIONALS

Synlait Pokeno's new multinational customer

- Synlait signed a third-party manufacturing agreement with an established, global category leader in the Asia Pacific region, for spray-dried and consumer-packaged nutritional powder products in November 2020.
- In the first full year of production (FY24), these high value plant-based products are expected to increase Synlait's nutritional consumer-packaged volumes by 35% to 40%.
- Synlait anticipate that volumes, markets and products associated with this agreement will grow over time.
- Additional CAPEX and resourcing was needed to optimise network efficiency and customer requirements. Approximately \$85 million will be invested in the processing and packaging customisation needed to support this customer at Synlait Pokeno and Auckland.
- The sachet filling line being installed will expand Synlait's nutritional consumer-packaging capability from cans to sachet and enables bag-box type formats, which are in demand in specific markets.
- Commercial production remains on track to start in late 2022.

Project timeline remains on track

November 2020
Agreement signed.

December 2021
Main build at Synlait Pokeno completed.

January to June 2022
Packaging build completed. Trials finished.

July 2022 to October 2022
Product stability testing.

Late 2022
Commercial production commences.
Ongoing product portfolio development.

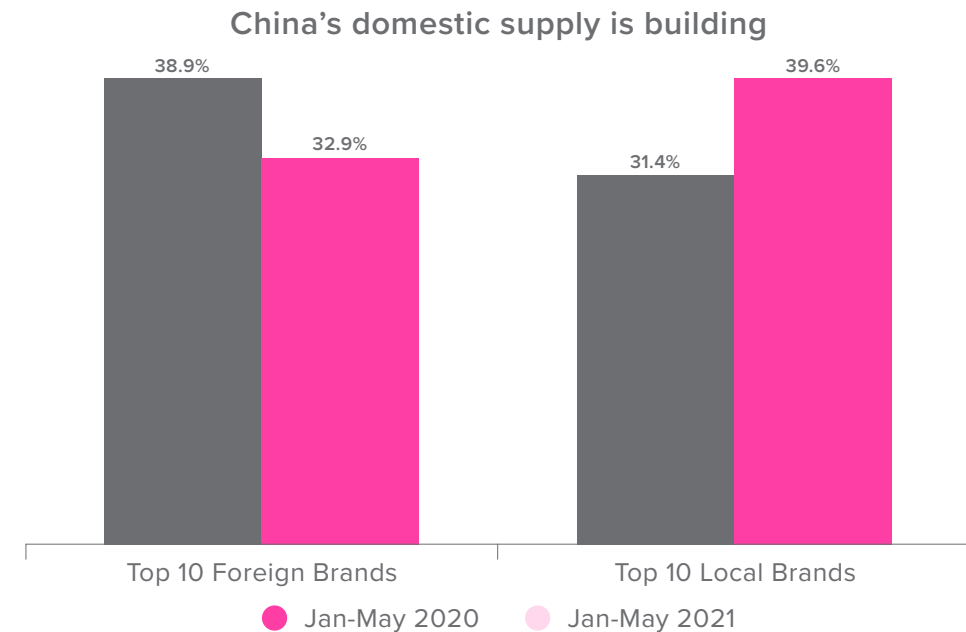


BUSINESS UPDATE

NUTRITIONALS

FY22 focus

- Leverage capability, assets and customer relationships to grow nutrition business in various segments. Focus is on developing and maintaining strong relationships with large multinational and Chinese customers.
- Synlait anticipates that this business will grow to high levels of utilisation over the next three years. This will be driven by:
 - Some recovery in The a2 Milk Company's consumer-packaged infant formula volumes;
 - New volumes from Synlait Pokeno's multinational customer once commercial production commences;
 - The rebuild of Synlait's infant base powder business, as new demand emerges from large Chinese manufacturers as their market share growth exceeds their own manufacturing capacity; and
 - Synlait's global lactoferrin business.



Source: Nielsen.

Note: Sales Channels: Offline Stores (Mother & Baby Stores + Supermarkets).

BUSINESS UPDATE

LIQUIDS

FY22 focus

- Focus is on developing and nurturing this new high-value, future-focused product suite ultimately aimed at the maturing China market and Australia and New Zealand.
- Strategy based on a strongly held view that in time China will move away from powdered products to fresh or long-life milk products packaged at the source and shipped to market ready for distribution and sale.
- Taking the same approach as with the Lactoferrin business, investment has already been made in:
 - Synlait Dunsandel's Liquids Facility; and
 - Synlait's Research and Development Team based at Massey University in Palmerston North. This team is well established and has developed high performing products in the formulated creams, ambient drinking yogurt, and ready-to-feed infant formula categories – all fast growing, or high potential opportunities, in affluent regions of China.

FY22 product pipeline

Synlait Swappa Bottle

- First consumer food product under Synlait's own brand to launch next month.
- This is a 1.5 litre reusable, stainless steel bottle of homogenised milk exclusively sourced from Synlait's highest performing farms.
- To be initially launched in South Island New World, with plans to widen distribution over time.

Foodservice UHT whipping cream

- To launch internationally in FY22, with meaningful revenues expected from FY23 onwards.

Ambient drinking yoghurt

- Commercialisation for China entered trial stage, targeting FY23 launch.
- Further leverages functionality that Synlait Dunsandel's Liquids Facility was built for.



BUSINESS UPDATE

CONSUMER FOODS

Dairyworks: Moving from Cheese to Dairy

FY21 performance

- Divestment of Deep South brand and associated ice cream operations enabled continued progression of strategy to move from cheese to dairy. This has been successful with:
 - Dairyworks Protein Yoghurt & Muesli launched in New Zealand, sales 106% ahead of forecast.
 - Flavoured Butters launched in Australia, sales 132% ahead of forecast.
- Dairyworks has been part of Synlait for ~18 months. Its FY21 EBITDA contribution was lower than anticipated at \$10.3 million. This was due to:
 - Talbot Forest Cheese profit drag;
 - Butter margins squeezed due to a new entrant in the market; and
 - A one-off write-down of inventory balances.
- While FY21 earnings were disappointing, strong bounce back is anticipated in FY22/FY23 as Dairyworks continues to grow and these issues are resolved.

FY22 focus

- Dairyworks' ambition is to become the second biggest player in New Zealand's consumer dairy food category. In time this position will be used, along with Synlait's wider capability, to develop our own branded consumer dairy foods export business.
- In FY22 top line growth to be delivered across three key areas: exports to China and Australia, expansion of New Zealand Foodservice business, and continued product innovation.
- Operational efficiency and cost control will remain a focus with the roll out of lean manufacturing across all sites in FY22.
- Over the next two years an investment will be made by Synlait to standardise cheese milk for delivery to Talbot Forest Cheese. Whey and lactose will be removed from milk to reduce yield losses, enabling cheese manufacturing to reach commercial levels again from start of FY24.



OUTLOOK

John Penno
Chief Executive Officer

We will launch our first consumer foods product under our own brand – Synlait Swappa Bottle – next month.



FULL YEAR 2022 (FY22) GUIDANCE STATEMENT

Synlait expects its Net Profit After Tax result to return to robust profitability in FY22 based on:

- A return to normal trading conditions and tighter management of its Ingredient business;
- Improved infant base powder volumes;
- A growing contribution from its Liquids and Consumer Foods business units; and
- Targeted and significant cost savings from Synlait, Dairyworks and Talbot Forest Cheese.

FY22 will also include a one-off gain on sale of approximately \$17 million from the sale and leaseback of the land and building at Synlait Auckland.

Synlait's performance will build into FY23 as its new multinational customer at Synlait Pokeno ramps up, and its Liquids and Consumer Foods businesses continue to grow.

Planned reductions in inventory at Synlait and Dairyworks will generate operating cashflows in excess of earnings. These strong cashflows will enable Synlait to complete its capital expenditure programme and reduce debt to comfortable levels over the next two years.

By the end of FY23, the recovery plan will have seen Synlait return to similar levels of profitability, operating cash flows, and debt ratios as the years leading into FY21.

WE REMAIN CONFIDENT IN SYNLAIT'S IMMEDIATE OUTLOOK

Takeaways from today

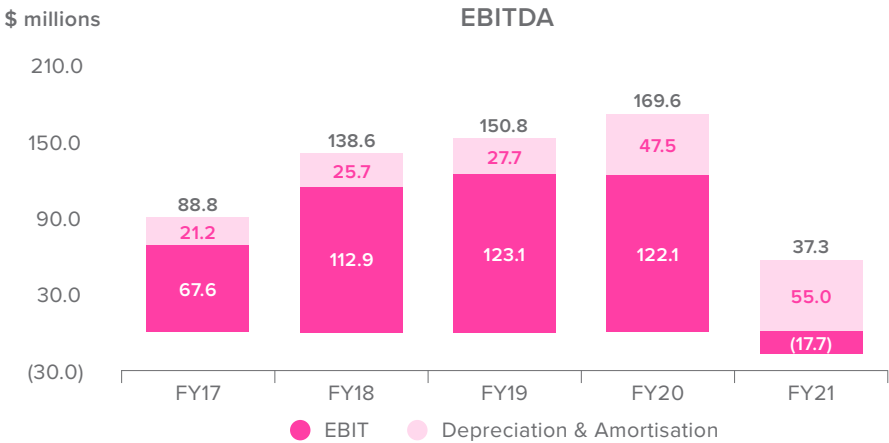
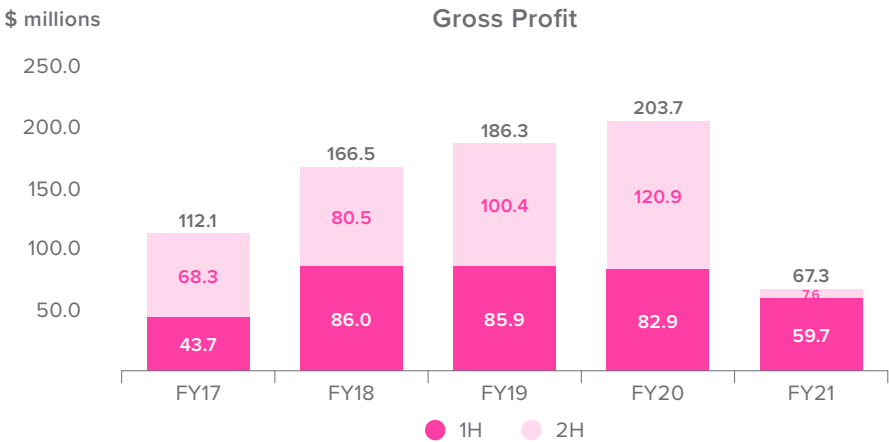
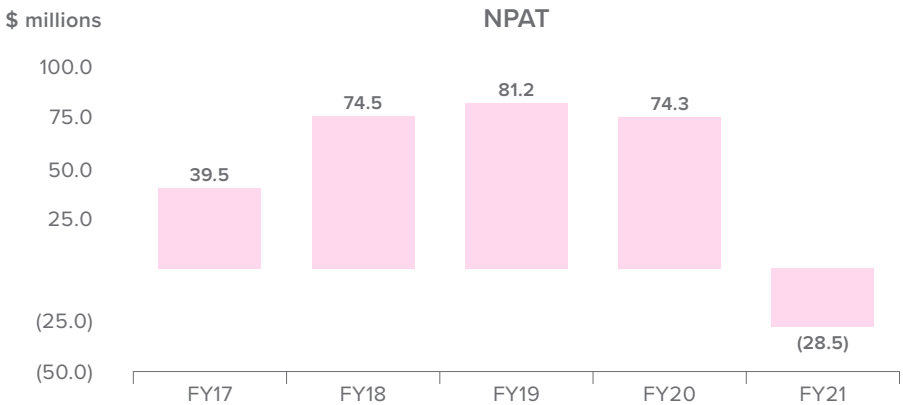
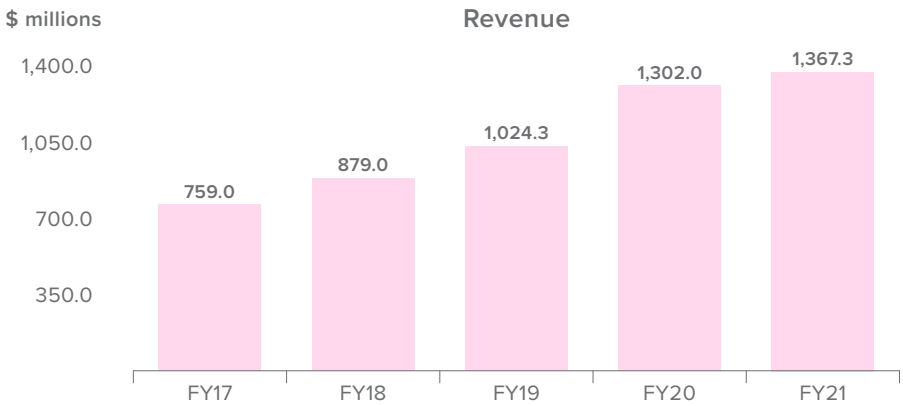
- ① We have reviewed and remain confident in our strategy, which has matured into four key parts. However, execution clearly needs to improve.
- ② We have reset the organisation, appointed a CEO, and are making proposed Governance changes.
- ③ We have reset our banking arrangements.
- ④ We are making changes to release cash from inventory and improve working capital management.
- ⑤ We have built a plan to return to robust profitability.

APPENDICES

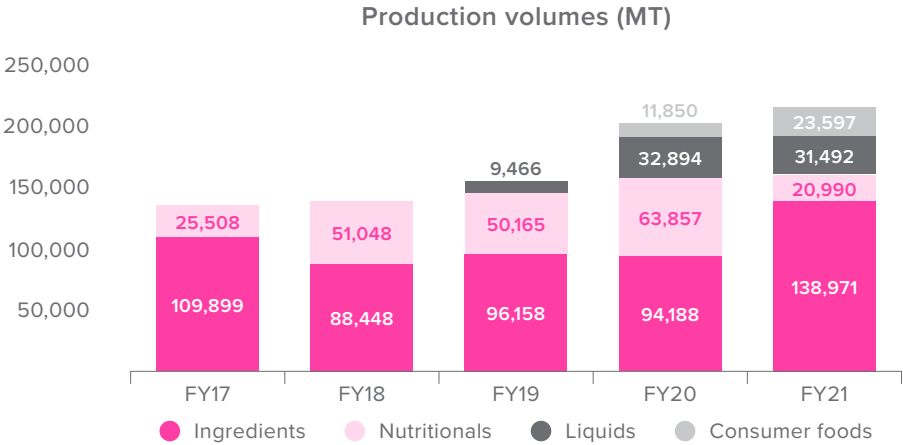
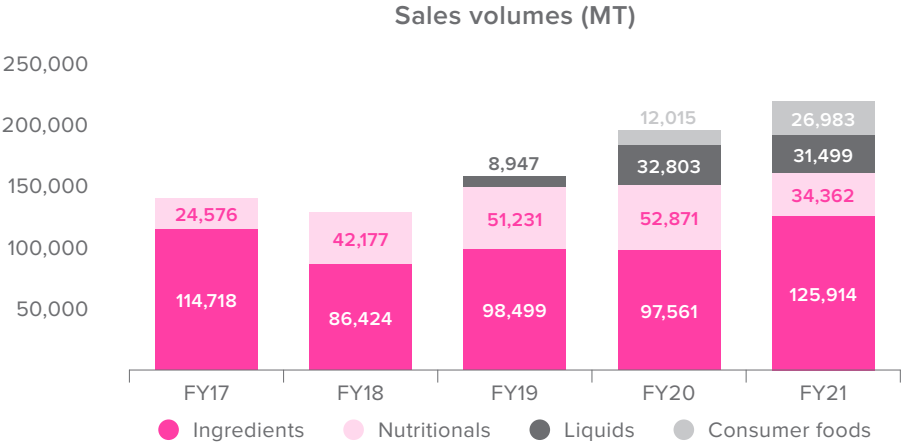
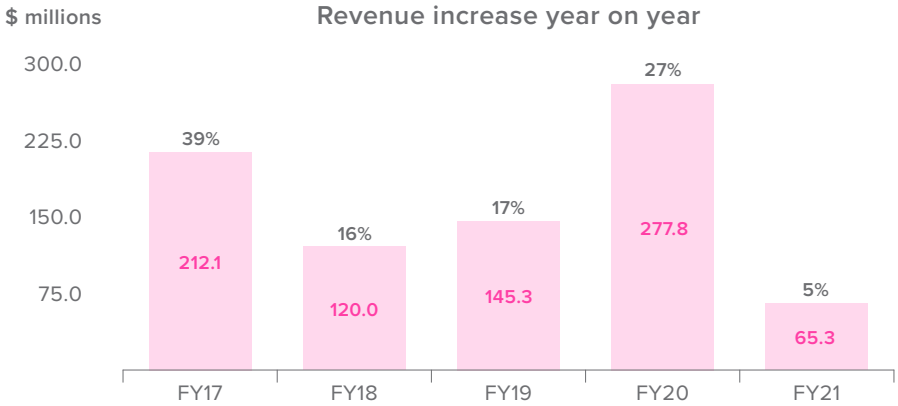


Last summer Dairyworks launched a range of truly differentiated high protein yoghurts in a convenient on-the-go single format.

KEY FINANCIAL METRICS

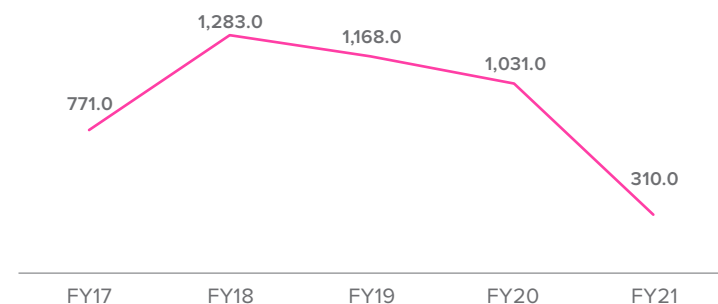


KEY FINANCIAL METRICS

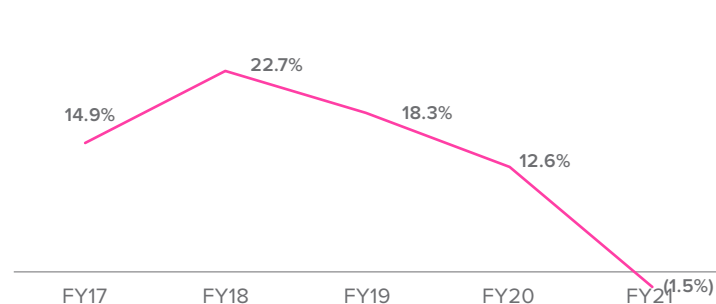


KEY FINANCIAL METRICS

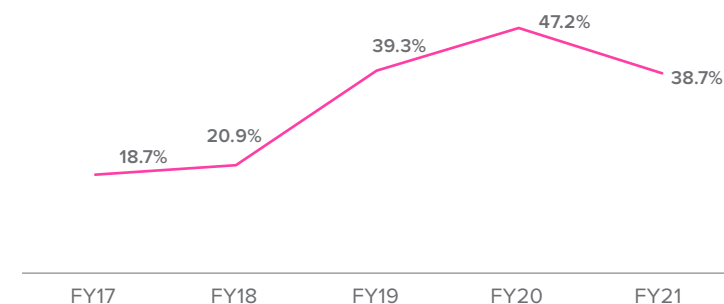
Gross profit per MT*



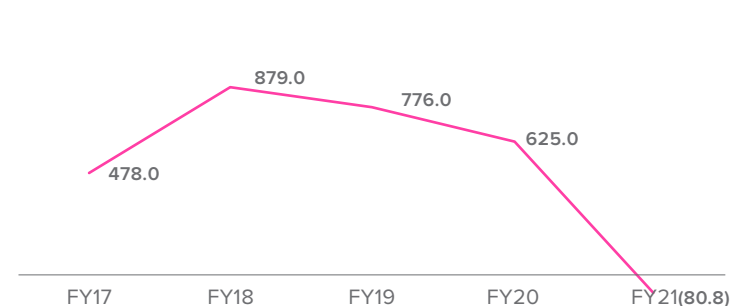
Return on capital employed %



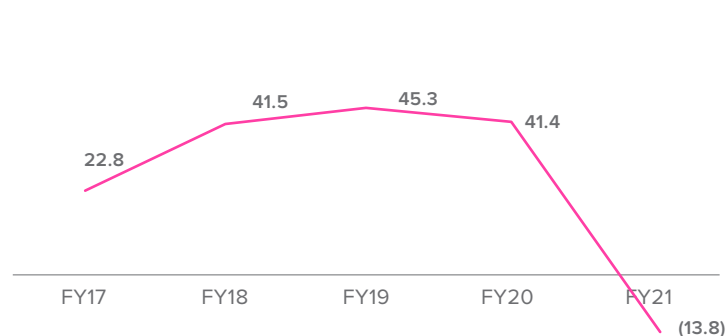
Debt/debt + equity



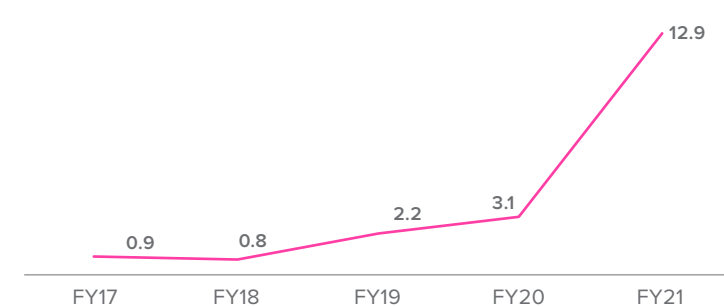
EBIT per MT



Basic earnings per share (cents NZD)

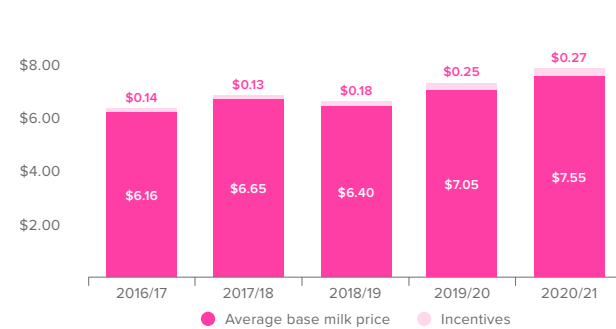


Net debt/EBITDA



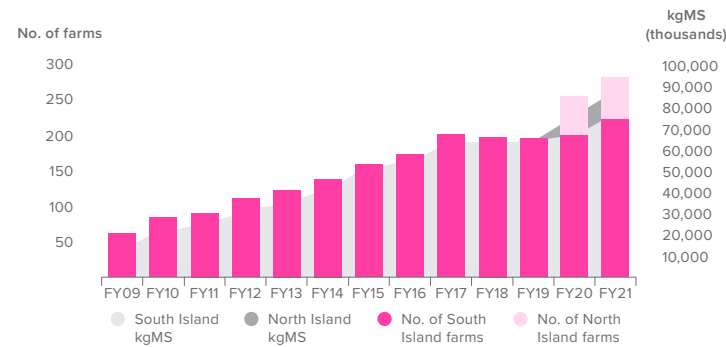
*Excludes gross profit not attributable to business units.

MILK PRICE



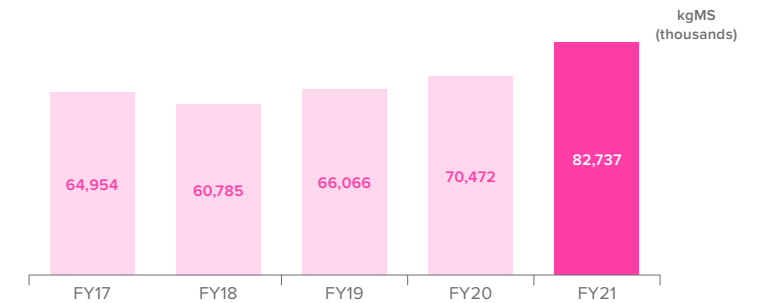
- Total average milk payment of \$7.82 per kgMS.
- Average base milk price for 2020/21 season is \$7.55.
- Average incentive payment paid per kgMS for the season was 27 cents (FY20: 25 cents) made up of incentives and winter milk payments.
- Forecast base milk price for the 2021/22 season opened at \$8.00 per kgMS.

MILK POOL



- North Island farmer suppliers responsible for 13% of total milk supply or 59 farms.
- North Island milk pool grew with an additional 1.3 million kgMS or 4 farms. Total farms 59.
- South Island milk pool grew during the 2020/21 season, with an additional 8.9 million kgMS or 21 farms. Total farms 222.
- Lead With Pride™ programme growing with 178 farms certified (FY20: 151 farms).

NET MILK COLLECTED



GROSS PROFIT PERFORMANCE BY CATEGORY

	FY17	FY18	FY19	FY20	FY21
Sales Volume (MT)					
Nutritionals	26,121	42,177	51,231	52,871	34,362
Ingredients	114,718	86,424	98,499	97,561	125,914
Liquids	-	-	8,947	32,803	31,499
Consumer Foods	-	-	-	12,015	26,983
Subtotal	140,839	128,601	158,677	195,250	218,758
Gross Profit (\$M)					
Nutritionals	70.3	120.0	151.5	170.0	42.8
Ingredients	38.3	45.0	36.8	31.3	14.5
Liquids	-	-	(3.0)	(2.2)	(4.9)
Consumer Foods	-	-	-	2.2	15.3
Subtotal	108.6	165.0	185.3	201.3	67.7
GP/MT (\$)					
Nutritionals	2,691	2,846	2,957	3,215	1,246
Ingredients	334	521	374	321	115
Liquids	-	-	(339)	(66)	(154)
Consumer Foods	-	-	-	186	568
Subtotal	771	1,283	1,168	1,031	310

Sales not attributable to business units are not included in the above table.

BANKING FACILITIES, COVENANTS AND BOND ISSUE

Synlait currently has four syndicated bank facilities in place with ANZ and BNZ:

1. Working capital facility (multi-currency) – facility limit of \$250 million and reviewed annually, with a temporary increase to \$330 million in September 2021, stepping down over several months back to \$250 million in February 2022.
2. Revolving credit facility (Facility A) – facility limit of \$100 million maturing 1 October 2023
3. Revolving credit facility (Facility B) – facility limit of \$50 million maturing on 1 October 2023
4. Revolving credit facility (Facility C) – facility limit of \$50 million maturing on 1 October 2023

Bond issue

- \$180 million of five-year unsecured subordinated fixed rate bonds listed on the NZX Debt Market in December 2019

Synlait has key financial covenants in place with its banking syndicate for FY22. These are:

1. Interest cover ratio – EBITDA to interest expense of no less than 3.0x
2. Minimum shareholders funds – no less than \$600 million
3. Working capital ratio – inventory and debtors to working capital facility outstanding of no less than 1.5x
4. Leverage ratio – total debt to EBITDA is no greater than 4.5x
5. Senior leverage ratio – total debt excluding Subordinate Bond to EBITDA is no greater than 3.0x

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