Synlait

FULL YEAR RESULTS INVESTOR PRESENTATION

For the 12 months ended
31 July 2023

KEY TAKEAWAYS FROM TODAY

FY 23

Extremely challenging financial year, with a poor financial result delivered.

- Joyhana (UHT cream) launched, commercial sales underway.
- State Administration for Market Regulation (SAMR) re-registration achieved.
- *TRIFR reduced >30% since Synlait Safe launch in November 2022.
- ELT renewal.

STRATEGY REFRESH COMPLETED

Creation of a more focused Synlait.

* TRIFR is Total Recordable Injury Frequency Rate, reduced to 10.6 at the end of FY 23.

FINANCIAL PERFORMANCE

Robert Stowell
Chief Financial Officer

Align Farms Ltd – Emilius, Carew, Canterbury.

RESULTS AT A GLANCE

TOTAL GROUP REVENUE	$1.60B	▽ 3%
TOTAL GROUP NPAT	($4.3M)	▽ $42.8M
ADJUSTED TOTAL GROUP NPAT[1]	$2.5M	▽ $33.8M
TOTAL GROUP EBITDA	$90.7M	▽ $40.9M
ADJUSTED TOTAL GROUP EBITDA[1]	$95.6M	▽ $27.4M
TOTAL BASE MILK PRICE	$8.22kgMS	▽ 12%
TOTAL AVERAGE MILK PRICE	$8.49kgMS	▽ 11%
TOTAL GROUP GROSS PROFIT	$144.0M	▽ $2.8M
OPERATING CASHFLOW	$39.0M	▽ 83%
CAPITAL EXPENDITURE	$65.1M	▽ 32%
NET DEBT	$413.5M	▲ 21%

All comparisons are to FY 22 and include the results of Dairyworks which has been treated as a discontinued operation.

[1] Refer to slide 5 for a reconciliation of adjusted NPAT and EBITDA.

SYNLAIT'S FY 23 RESULT

Decreased Advanced Nutrition margin, significant ERP implementation costs, high inflationary pressures, and increased interest costs significantly impacted financial performance in FY 23.

Ingredients

- Overall margin ($2.9m) unfavourable to FY 22.
- Volume impact: ($10.3m) adverse. Sales volumes 23,625 MT (18%) lower due to FY 22 benefiting from high carry over of ingredients from FY 21 and 38% higher Advanced Nutrition base powder production displacing ingredient production and sales.
- Margin impact: $7.4m favourable driven by SMP/AMF lead bucket performance, offset by a more normal level of FX performance and higher manufacturing overheads.

Advanced Nutrition

- Overall margin ($16.8m) adverse to FY 22.
- Volume impact: ($3.4m) adverse. Volumes 1,535 MT (5%) lower than FY 22 because of reductions and deferrals in demand and SAMR re-registration delays.
- Margin impact: ($13.4m) adverse. Driven by timing impact of lag pricing mechanisms, a more normal level of FX performance compared to FY 22, and significantly higher overhead costs. Impact was offset by higher base powder manufacture and continued strong lactoferrin pricing.

Consumer (Beverages & Cream and Dairyworks)

- Overall margin $7.6m favourable to FY 22, of which $4.3m related to Beverages & Cream and $3.3m related to Dairyworks.
- Volume impact: ($1.0m) adverse as Dairyworks sold less butter.
- Margin impact: $8.6m favourable as beverages benefited from pricing lag and lower overhead costs. Dairyworks benefited from the closure of the Temuka plant and first full year of new cool store operations.

Milk trading and other

- $11.1m favourable to FY 22 due to raw milk and cream sales to enable alignment of product mix to SMP/AMF lead bucket, impact of Synlait Farms, Foodservice and other eliminations.

SG&A expenses

- $21.0m increase in adjusted SG&A costs with drivers being employee costs, consultancy & legal, travel, and general inflation.

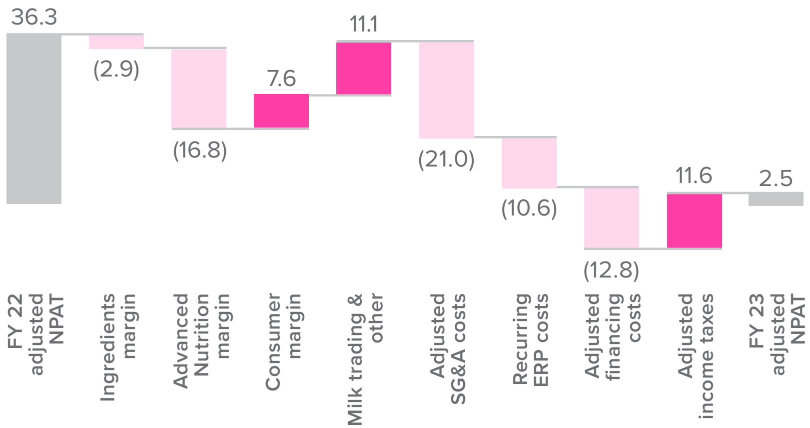
Recurring ERP costs

- Annual recurring ERP costs (including depreciation) were $10.6m.

Financing costs

- $12.8m increase in adjusted financing costs due primarily to rising interest rates.

Adjusted NPAT bridge ($ millions)



Reconciliation of reported to adjusted NPAT and EBITDA ($ millions)

	FY 23	FY 22[2]
Reported NPAT	(4.3)	38.5
Items affecting comparability[1]:		
ERP implementation costs	6.8	3.3
Contract dispute and transaction costs	1.9	-
Gain on sale of New Zealand Units (NZUs)	(1.8)	-
Gain on sale and lease back	-	(11.9)
Interest costs attributable to ERP implementation	4.5	-
Impairment of Temuka cheese plant (Dairyworks)	-	12.2
Legal settlement (Dairyworks)	(2.0)	-
Tax impact of above items	(2.6)	(5.8)
Total NPAT adjustment	6.8	(2.2)
Adjusted NPAT	2.5	36.3
Total EBITDA adjustment	4.9	(8.6)
Reported EBITDA	90.7	131.6
Adjusted EBITDA	95.6	123.0

1 These items have been excluded as they do not reflect future operating expenses or revenue and will be inconsistent in amounts and frequency making it difficult to contribute to a meaningful evaluation of our operating performance.

2 FY 22 adjusted NPAT has been restated to include ERP implementation costs for consistency with FY 23 adjustments This has resulted in FY 22 adjusted NPAT increasing to $36.3m from $34.0m.

REVENUE AND SALES VOLUMES

Total revenue attributable to business units was down 8% ($117m) driven by lower ingredient sales volumes (down 18%) due to higher FY 21 carry-over inventory in FY 22, lower Global Dairy Trade (GDT) prices, and higher production of Advanced Nutrition base powders which displaced production of ingredient powders.

Ingredients

Revenue down 20% (FY 23: $661m, FY 22: $826m) driven by:

- Reduction in sales volumes of 18% (FY 23: 108,856 MT, FY 22: 132,481 MT) due to FY 22 benefiting from high carry over inventory (~10,000 MT) from FY 21 as a result of COVID-19 related delays.
- Increased Advanced Nutrition base powder production displacing production of ingredient powders, operational stability challenges, and higher milk sales at our Pokeno site to accommodate the processing upgrade project.
- Sales volumes mainly comprised of SMP/AMF (FY 23: 81% vs. FY 22: 61%) which was the lead bucket for most of the year. This significantly outperformed WMP and reduced the impact of lower sales volumes.
- Steadily declining GDT prices over the year due to reducing Chinese demand.

Advanced Nutrition

Revenue up 6% (FY 23: $440m, FY 22: $416m) driven by:

- Overall sales volumes lower by 5% (1,535 MT) due to a combination of reduced and deferred demand.
- Updated pricing which reflects recent significant increases in raw materials and packaging prices.
- Lactoferrin pricing remained strong in the period, however external sales were down 7 MT (FY 23: 30 MT, FY 22: 37 MT) as we consumed product into base powder production.

Consumer

Sales revenue increase of 6% (FY 23: $329m, FY 22: $309m) driven by:

- Impact of lag pricing and higher cheese prices passed through to customers compared to FY 22.
- Offset by 5% lower sales volumes (FY 23: 56,999 MT, FY 22: 59,786 MT) due to lower butter sales.

Foodservice

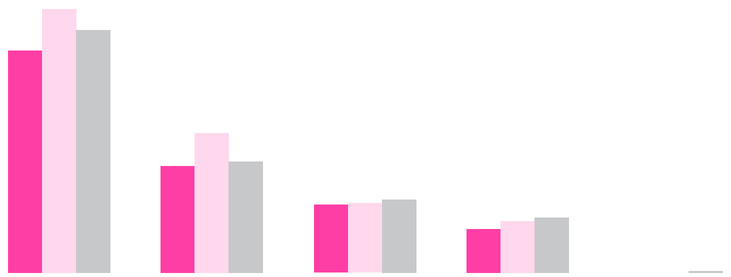
First sales of 757 MT ($4m) made in China for the JOYHANA branded UHT cream. Market feedback is positive with significant potential for higher sales volumes moving into FY 24.

Other amounts not allocated to core business units

Sales of raw milk and cream increased significantly on prior year (FY 23: $141m, FY 22: $91m)

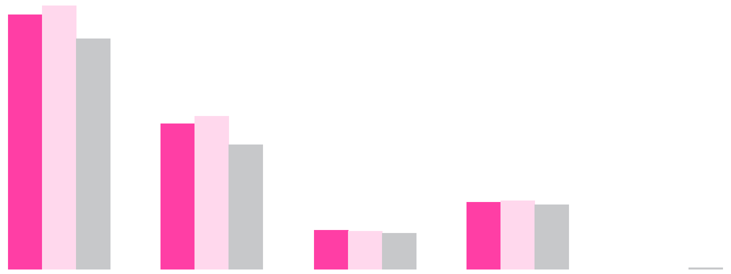
- This is due to maximising the SMP/AMF bucket over WMP and production of infant base powder being pushed into the high milk flow months due to raw material shortages and operational stability challenges in the first half of the year.

Sales revenue ($ millions)



	Total*	Ingredients	Advanced Nutrition	Consumer**	Foodservice
FY 21	1,307	635	406	266	-
FY 22	1,551	826	416	309	-
FY 23	1,434	661	440	329	4

Sales volume (MT)



	Total*	Ingredients	Advanced Nutrition	Consumer**	Foodservice
FY 21	218,759	125,914	34,362	58,483	-
FY 22	225,773	132,481	33,506	59,786	-
FY 23	198,583	108,856	31,971	56,999	757

* Excludes amounts not attributable to business units.

** Dairyworks sales revenues were $283m (FY 22: $264m), with sales volumes of 24,781 MT (FY 22: 27,814 MT).

PRODUCTION AND CLOSING INVENTORY VOLUMES

Production volumes decreased 2% (3,804 MT) primarily due to reductions in ingredient volumes because of higher Advanced Nutrition base powder production, partially offset by higher production of UHT whipping cream and milk products. Closing finished goods and work-in-process inventories were up 31% due mainly to a build in Advanced Nutrition base powders.

Ingredients

Production volumes down 12% (FY 23: 108,010 MT, FY 22: 122,330 MT) driven by:

- Advanced Nutrition base powder production up 38% displacing ingredients production.
- Reduction in milk processed of 4% (FY 23: 76.0m kgMS, FY 22: 78.9m kgMS) due to optimisation of the SMP/AMF lead bucket.
- After record-high ingredient inventory levels at H1 23 due to ERP implementation issues, closing inventory finished down 35% year on year (FY 23: 5,531 MT, FY 22: 8,457 MT).

Advanced Nutrition

Production volumes up 26% (FY 23: 39,159 MT, FY 22: 31,016 MT) driven by:

- Base powder production up 38% driven by timing of new SAMR registration and to enable maximisation of FY 24 milk processing in peak milk months.
- Lactoferrin production consistent with prior year.

The higher production and demand reductions in H2 have resulted in higher closing inventory, up 82% (FY 23: 17,349 MT, FY 22: 9,519 MT).

Consumer

Production volumes consistent with prior year (FY 23: 53,753 MT, FY 22: 52,894 MT):

- Small increase in volume due to commencement of contract manufacture of ready-to-drink (RTD) milk beverages.
- Dairyworks volumes were largely consistent compared to the prior year (FY 23: 21,195 MT, FY 22: 21,274 MT).

Foodservice

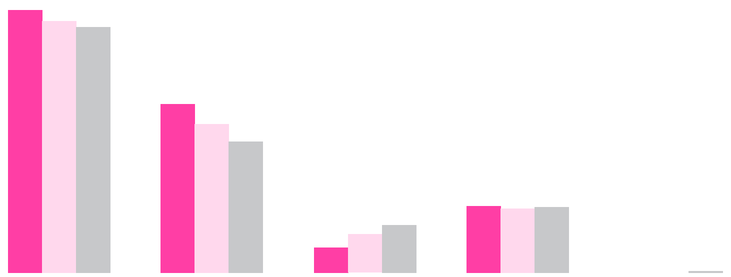
1,514 MT of UHT whipping cream produced for China market, with 773 MT on hand on 31 July 2023.

Raw materials inventory

While closing volumes decreased only slightly at 3% (FY 23: 17,240 MT, FY 22: 17,738 MT), total value was up $20.2m (FY 23: $116.0m, FY 22: $95.8m) due to a change in inventory mix to accommodate higher Advanced Nutrition production and new products launching in early FY 24. Also impacted by:

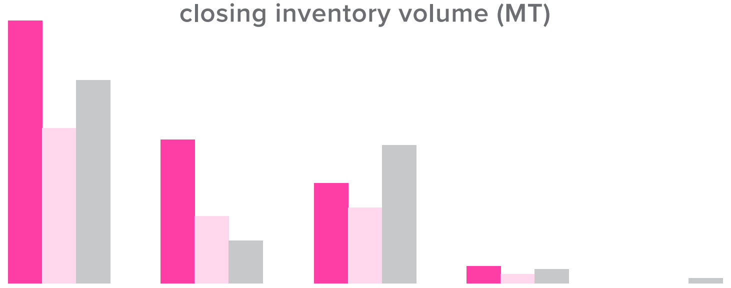
- Higher costs driven by high inflation.
- Higher balance of bulk cheeses at Dairyworks due to earlier phasing of maturation cheese replenishment.

Production volume (MT)



	Total*	Ingredients	Advanced Nutrition	Consumer**	Foodservice
FY 21	215,049	138,971	20,990	55,088	-
FY 22	206,240	122,330	31,016	52,894	-
FY 23	202,436	108,010	39,159	53,753	1,514

Finished goods and work-in-process closing inventory volume (MT)



	Total*	Ingredients	Advanced Nutrition	Consumer**	Foodservice
FY 21	32,836	18,101	12,515	2,220	-
FY 22	19,399	8,457	9,519	1,423	-
FY 23	25,499	5,531	17,349	1,846	773

* Excludes amounts not attributable to business units.

** Dairyworks production volume was 21,195 MT (FY 22: 21,274 MT), with closing finished goods and work-in-process inventory of 1,382 MT (FY 22: 995 MT).

GROSS MARGIN PERFORMANCE

Group gross profit was largely consistent with the prior year (FY 23: $144.0m, FY 22: $146.8m). Overall performance fell short of expectations due to lower than forecast Advanced Nutrition margin and significant cost pressures due to operational stability challenges and inflation.

Ingredients

5% decrease in gross profit performance (FY 23: $54.6m, FY 22: $57.5m) driven by:

- Reduction in sales volumes due to 38% higher Advanced Nutrition base powder production displacing ingredient powders production.
- Gross margin on a per MT basis increased 16% (FY 23: $501/MT, FY 22: $434/MT). This is due to excellent alignment to the SMP/AMF lead bucket which prevailed for most of the year.

Advanced Nutrition

Decrease in gross margin of 23% (FY 23: $57.0m, FY 22: $73.8m) driven by:

- Lower sales volumes of infant formula, the impact of which was offset by higher production of infant base powders driving higher recoveries of overheads.
- Gross margin per MT decreased 19% (FY 23: $1,782/MT, FY 22: $2,203/MT). This is due to:
  - Lag pricing mechanisms which are unfavourable in periods of high inflation.
  - Higher write-downs of inventories and other financial impacts due to operational stability challenges which cannot be passed onto the customers.

Consumer

Gross profit increase of $7.6m (FY 23: $29.0m, FY 22: $21.3m) driven by:

- Benefit from large pricing lag and lower manufacturing overhead costs.
- No further sales of high-cost cheeses manufactured at Temuka, the closure of which reduced operational costs. Dairyworks cool store commissioned in FY 22 also contributed to savings in storage and handling costs.

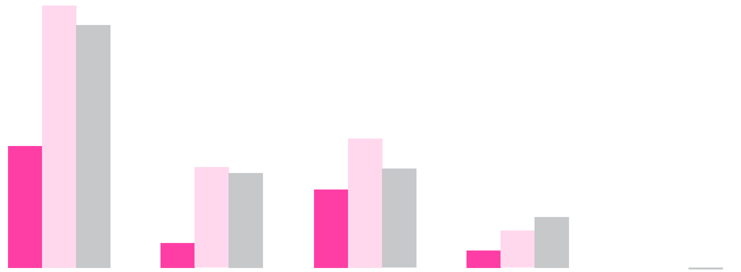
Foodservice

Gross profit loss of ($0.2m) as initial sales made into China. Margin attainment is expected to improve as volumes increase. Current year margin has been impacted by write-offs during initial product runs.

Other margin

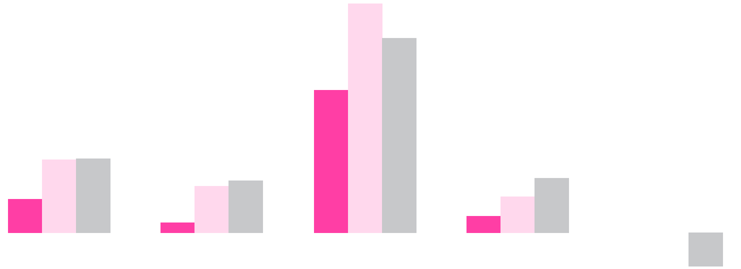
$3.7m difference between Group gross profit of $144.0m and business unit gross profit of $140.4m relates primarily to the impact of raw milk and cream sales, Synlait farms, and other recoveries.

Gross profit ($ millions)



	Total*	Ingredients	Advanced Nutrition**	Consumer***	Foodservice
FY 21	70.0	14.5	45.0	10.5	-
FY 22	152.6	57.5	73.8	21.3	-
FY 23	140.4	54.6	57.0	29.0	(0.2)

Gross profit ($/MT)



	Total*	Ingredients	Advanced Nutrition**	Consumer***	Foodservice
FY 21	320	115	1,310	179	-
FY 22	676	434	2,203	357	-
FY 23	707	501	1,782	508	(313)

* Excludes amounts not attributable to business units
** Restated to exclude costs relating to raw milk and cream sales
*** Dairyworks FY 23 gross profit was $26.1m (FY 22: $22.8m) and gross profit per MT was $1,053/MT (FY 22: $818/MT)

SG&A & MANUFACTURING COSTS

Increase driven by higher people costs, ERP and other costs, and general cost pressures due to high inflation. In summary, SG&A and manufacturing costs have increased $37.0m and $34.7m, respectively compared to FY 22.

SG&A and ERP costs

Increases compared to FY 22 include:

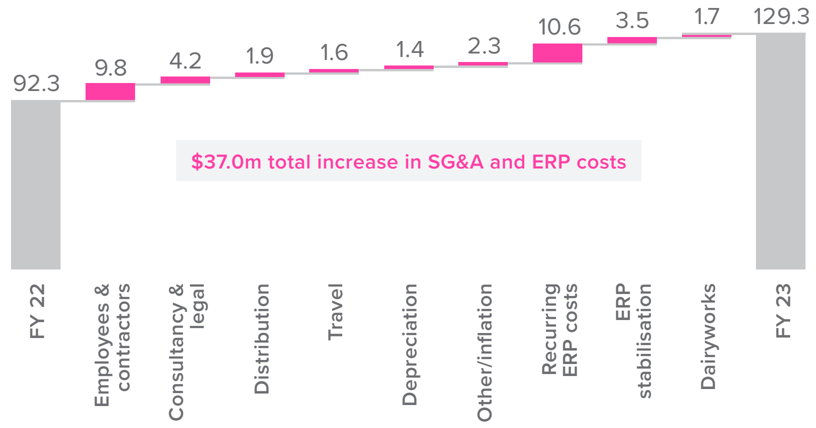
- Employee costs up $9.8m due to inflationary wage increases, additional FTEs to support anticipated demand increases and ERP implementation, ELT renewal, less capitalised labour, and higher rates of illness (COVID-19) covered by overtime and temporary staff.
- Consultancy and legal up $4.2m due to a significant contract dispute, capital structure review and bank refinancing, and divestment of Dairyworks.
- Distribution costs up $1.9m, driven by high demurrage costs due to ERP disruption in H1 23.
- Travel up $1.6m as our sales teams returned to key and developing markets after COVID-19 and as we commissioned our Pokeno site in preparation for the launch of new Advanced Nutrition products.
- Depreciation up $1.4m due to new Auckland warehouse and equipment leases.
- Increase in other of $2.3m is due to impact of inflation and immaterial line-item reclassifications.
- Recurring ERP costs of $10.6m include depreciation ($6.1m) and ongoing service/support costs ($4.5m).
- Additional ERP cost ($3.5m) incurred during stabilisation phases.
- Dairyworks up $1.7m due to across-the-board impact of inflation on wages and operational costs.

Manufacturing costs

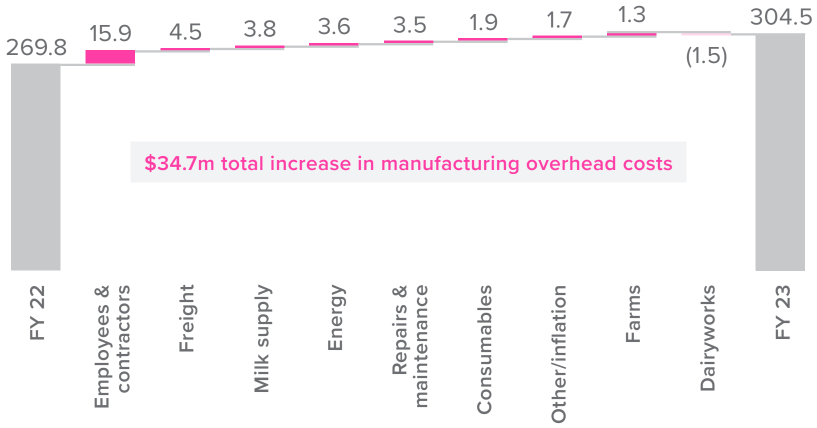
Increases compared to FY 22 include:

- Employee costs (including independent contractors) up $15.9m, driven by:
  - Significant increase in staff in anticipation of higher Advanced Nutrition demand and to mitigate impacts of ERP challenges.
  - Establishment of contingent workforce to mitigate risk of downtime due to staff shortages.
  - Impacts of higher-than-normal wage increases due to inflation, higher overtime due to a tight labour market, and less capitalised labour as major capital projects wound up.
- Freight up $4.5m due to higher fuel costs and shipping rates.
- Milk supply costs up $3.8m due to higher milk transport costs and incentives.
- Energy costs up $3.6m due to higher energy prices.
- Repairs and maintenance up $3.5m due to plant outages, higher preventative maintenance and inflation.
- Consumables up $1.9m due to increased testing requirements and inflation.
- Farms up $1.3m due to first full year of operations.
- Dairyworks savings of $1.5m reflect idling of Temuka cheese plant and first full year of cool store operations.

SG&A and ERP cost movement ($ millions)



Manufacturing cost movement ($ millions)



CASH FLOW AND NET DEBT

Net debt ended 21% ($71.6m) higher than FY 22 due to lower operating cash flows, significantly higher interest costs, and Advanced Nutrition base powder build.

Operating cash flows

Operating cash flows decreased by $193.9m (FY 23: $39.0m, FY 22: $232.9m) driven by:

- Significant increases in employee and other operating costs due to high inflation and significant costs due to ERP and operational stability challenges.
- $70m increase in inventory levels due to higher Advanced Nutrition base powder manufacture and higher raw materials balances due to higher landed costs and change in product mix.
- Less sales of carryover inventory compared to FY 22 – a year where revenues benefited from higher-than-normal inventory levels at the end of FY 21.

Capital expenditure

CAPEX down 32% (FY 23: $65.1m, FY 22: $96.3m) driven by:

- Substantial completion of Pokeno processing upgrade project which has enabled commencement of production for new portfolio of Advanced Nutrition products.
- Completion of our ERP implementation and SAMR registration projects.
- Capital spend has wound down and is expected to comprise substantially of routine maintenance capital expenditure moving forward, with an expectation of less than $30m of spend in FY 24.

Financing costs

Higher interest costs adversely impacted net debt by $44.0m. This is up by $17.9m on FY 22 due to:

- Significant increases in interest rates (impact of $12.6m). The effective interest rate in FY 23 was 5.5% (FY 22: 3.3%).
- Higher debt load during the first nine months of the year due to ERP challenges. Total interest attributed to this was $4.5m.

Financing cash flows and net debt

- Net debt up $71.6m or 21% (FY 23: $413.5m, FY 22: $341.9m) because of lower operating cash flows, higher interest costs, and Advanced Nutrition base powder build.
- Synlait anticipates that net debt will reduce significantly in FY 24 as Dairyworks is sold and operating cash flows improve.

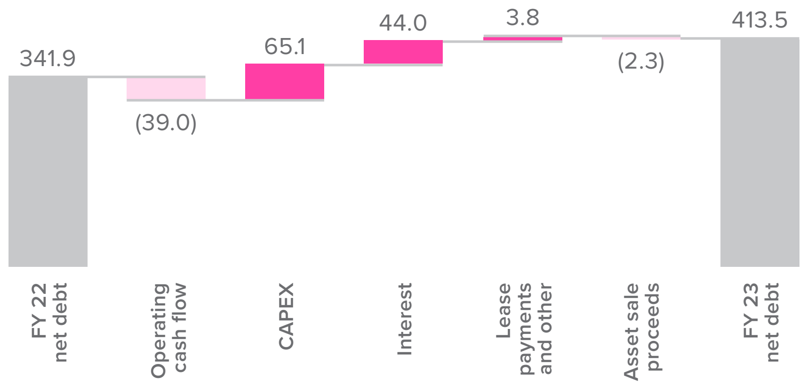
Balance sheet and leverage

Balance sheet metrics have deteriorated in FY 23. The net debt to EBITDA ratio is 4.6x (normalised 4.3x). Synlait is targeting a net debt to EBITDA ratio of below 3.5x in FY 24 through the divestment of Dairyworks and improved profitability.

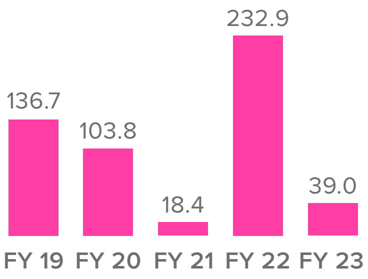
Banking facilities

See next slide for further info on banking facilities.

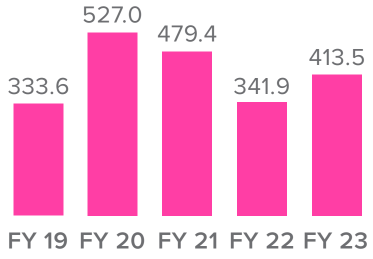
Net debt movement ($ millions)



Net cash from operating activities ($ millions)



Net debt ($ millions)



DEBT FACILITIES AND BANKING COVENANTS

Synlait is pleased to announce it has successfully refinanced its debt facilities, introducing four new banks into the banking syndicate. The new syndicate, led by ANZ Bank, provides increased service offerings and capacity at a very reasonable cost.

Synlait's revised syndicated bank facilities are with ANZ Bank, Bank of China, China Construction Bank, HSBC and Rabobank. The secured facilities are summarised as follows:

1. Working capital facility of $240m, maturing 1 October 2024, together with a $10m on-demand bilateral facility. This facility is a seasonal facility where the facility limit changes at several times during the term of the facility.
2. Revolving credit facilities of $230m. These facilities also step down over time with maturity dates between 31 July 2024 and 1 October 2025.

In addition, the Group is required to make a prepayment of at least $130m by no later than 31 March 2024.

Synlait also has borrowings through retail bonds:

Synlait currently has $180m of five-year unsecured subordinated fixed rate bonds which were listed on the NZX Debt Market in December 2019, and mature on 17 December 2024.

Synlait has key financial covenants in place with its banking syndicate. Covenants for the recently executed facilities agreement are:

1. Total shareholder funds of no less than NZD $600m at all times.
2. Working capital ratio of no less than 1.5x at all times.
3. Interest coverage ratio of no less than 2.25x for the 31 July 2024 reporting date, increasing to 3.0x for the 31 July 2025 reporting date.
4. Leverage ratio of no greater than 3.5x for the 31 July 2024 reporting date, decreasing to no greater than 3.25x on and from the 31 July 2025 reporting date.
5. Senior leverage ratio of no greater than 2.25x for 31 July 2024.

Synlait capital structure requirements:

Synlait has completed a comprehensive review of its capital structure. The refinance of bank debt was the first step in execution of its capital strategy. Synlait is likely to refinance the subordinated bond in part or wholly with senior bank debt, however will continue to explore options before a final decision is made.

To ensure successful refinance of the bond in December 2024, Synlait is working towards deleveraging by divesting Dairyworks, managing working capital efficiently, increasing profitability and reducing capital expenditure.

BUSINESS UPDATE

Grant Watson
Chief Executive Officer

Mt Hutt Dairies, Mt Hutt, Canterbury.

ADVANCED NUTRITION

Leadership

- Naiche Nogueira started as Director of Advanced Nutrition in January 2023.

Strategy

- Five-year Advanced Nutrition strategy refresh completed. Team structure streamlined and aligned to strategic priorities.
- Category focus on early life and adult nutrition (includes infant formula, paediatric or adult nutrition products) and advanced ingredients (e.g., lactoferrin products).
- Focused on B2B relationships where Synlait can provide formulated powers in bulk or consumer-ready format or formulated beverages with key focused partners The a2 Milk Company, and strategic Chinese and Southeast Asia local partners.

Business development

- Synlait now has its plant-based capability fully ratified, allowing it to produce non-dairy and dairy/non-dairy hybrid nutrition products.
- Related new product development work initiated and aligned to strategic priorities.

Achievements

State Administration for Market Regulation (SAMR) achieved

- Synlait achieved re-registration of The a2 Milk Company's Chinese labelled 至初® Infant Formula (stages one, two and three) in June 2023. Re-registration allows Synlait to manufacture and export this product for China until September 2027.

USA market access

- All three Synlait manufacturing sites (Dunsandel, Pokeno and Auckland) were audited by the US Food and Drug Administration and received positive outcomes.

Synlait and The a2 Milk Company Nutritional Powders Manufacturing and Supply Agreement (NPMSA) update

Synlait has received notice from The a2 Milk Company purporting to cancel the exclusivity arrangements under the NPMSA for the a2 Platinum® and other nutritional products. Synlait reminds investors that:

- Synlait disputes that The a2 Milk Company has the right to cancel the exclusivity arrangements.
- The purported cancellation relates only to the exclusivity arrangements. The NPMSA remains in place but may be terminated by either party on three years' notice.
- The a2 Milk Company has confirmed to Synlait that it will in practice maintain exclusivity with Synlait until such time as the matter is resolved (assuming that both parties will seek to progress the dispute process promptly in good faith, and the dispute process is completed by the end of 2024). The dispute resolution process involves a 20-business day period of good faith negotiation between Synlait and The a2 Milk Company followed by arbitration (if not resolved).
- Synlait continues to hold the Chinese regulatory State Administration for Market Regulation (SAMR) licence which is attached to Synlait's Dunsandel manufacturing facilities. The licence is for The a2 Milk Company's Chinese labelled 至初® Infant Formula (stages one, two and three). The company expects to manufacture those products for The a2 Milk Company for goods destined for the China market for the period of that licence (currently expiring September 2027).

FOODSERVICE

Leadership

- Abby Ye started as President of China & Director of Foodservice in March 2023.

Strategy

- Five-year Foodservice strategy created.
- Initial focus on functional UHT cream sold to B2B customers who use it in finished products for out-of-home consumption at bakeries, cafes, beverage chains, etc. Butter and cream cheese identified as potential long-term opportunities.
- China's cream market represents significant potential for Synlait. The total cream market exceeded 250,000 MT in 2022, and New Zealand is the leading country for cream exports, with ~58% market share.
- Targeted geographies expanded to include Singapore as the hub of Southeast Asia with big OEMs (central kitchens).

Business development

- FY 24 will see Synlait keep expanding Joyhana within China, focusing on bakery/pastry and beverage chains, and access selected Southeast Asia markets in H2 24.

Achievements

Launch of JOYHANA partnership between Synlait and SAVENCIA Group

- Commercial sales commenced in FY 23, and volumes will continue to ramp into FY 24.
- Market feedback is positive. Joyhana UHT Whipping Cream won the 'New Product Innovation Award' at May's prestigious China International Bakery Exhibition. Building on this interest, Joyhana will launch a co-branding event with a famous Chinese bakery chain in October, Joyhana X CANA 迦南.
- SAVENCIA Group and Synlait partnership is very complimentary. SAVENCIA Group is responsible for distribution, branding and marketing and Synlait is responsible for high-performance product development and manufacturing.

Synlait and Massey University celebrated five years of partnership

- Synlait and Massey University Palmerston North celebrated five years of partnership and collaboration on cutting-edge research.
- Innovations have included the commissioning of the UHT pilot plant, commercialising JOYHANA and several consumer beverages, and filing an Advanced Nutrition patent.

INGREDIENTS

Strategy

- Five-year Ingredients strategy refresh completed. Focus on driving strong sales disciplines, while leaning out cost base.

Business development

- Exporting to a diversified range of markets (approximately 50 countries), with low China concentration.
- Focus on generating high-value, multi-year contracts for differentiated specifications.
- Driving sustainability initiatives with global customers that leverage Lead With Pride™ and supports best practice developments on-farm.
- Tightening premiums and lead bucket (optimum product mix) disciplines to maximise returns and sales timing to the milk curve to minimise risk.

Achievements

- Strong gross margin per MT achieved (up 16%) due to excellent alignment to the SMP/AMF lead bucket, which lasted for most of FY 23 and was supported by strong sales disciplines.
- Record low year-end stock, working capital and debtors, supported by a strong operational focus.
- Despite the supply chain being disrupted in HY 23, strong momentum was generated in H2 23, with 100% of contracted volumes shipped.
- Record Ingredients were invoiced in May at 19,143 MT.

CONSUMER (DAIRYWORKS)

Strategy

- Dairyworks has recently focused on its core cheese category, exiting yoghurt and spreadable butter. The strategic growth focus is on diversification of geography and channels, not categories.
- Synlait enabled Dairyworks to build its growth aspirations over a short period. Dairyworks needs to transition to a greater global reach, which requires an owner who will help unlock further export markets while growing its core New Zealand and Australia markets. A new owner will also provide access to capital to enable additional productivity and efficiency gains.

Divestment update

- Synlait announced its intention to divest Dairyworks and its Temuka cheese assets in June 2023.
- Synlait is actively engaging with several parties and will provide a further update in due course.
- The proceeds will be used to pay down debt.

Business development

- Significant pipeline of opportunities in Australia and South East Asia due to lower cost of milk in New Zealand. Higher Australian milk prices creates an opportunity to unlock sustainable long-term growth with existing customers (i.e., Woolworths Australia) and new customers nearing the execution stage.
- Well placed to address consumers' cost of living focus with brands across all stages of the value spectrum, i.e., the single occasion grate (100g grated cheese) makes grated cheese accessible at a low price point and in a single serving size to match consumer demands.

Achievements

- Manufacturer market share in key natural cheese segment increased to ~70% (FY 22: ~64%).
- Foodservice channel growth continued, revenue up 23%, achieved in a tough market where consumers spend cautiously.
- Commitment made to two key future capital projects to enable greater labour efficiencies, health and safety improvements, and quality at the processing facility. Capital improvements to be commissioned during the Christmas shutdown period.

ON-FARM EXCELLENCE AND SUSTAINABILITY

Leadership

- Charles Fergusson started as Director of On-Farm Excellence and Business Sustainability in February 2023.

Strategy

- On-Farm Excellence five-year strategy developed. Examples of ambitions include 80% Farms on premiums, 10% supplier waiting list, and less than 1% annual ceases by FY 28.
- Sustainability strategy review underway. Includes review of progress to date and alignment with business unit strategy refresh to ensure it remains fit for purpose for all stakeholders.

Synlait Farmer Leadership Team

- Team established in November 2022. Key step in ensuring Synlait and its farmers work closely together to improve outcomes.
- Eight farmers are a conduit between Synlait and its farmer supplier base, providing feedback and direction on Synlait's strategic choices and prioritisation of tactics.

Milk price

- Area Managers working with Farmer Suppliers following recent decreases to ensure minimal cash outlays on-farm in connection with supplying Synlait.

Synlait Farms (Dunsandel)

- Continued investment in on-farm infrastructure and teams. Ambition to become Lead with Pride™ certified and a centre of excellence.

Industry engagement

- Commitment to tree planting via Whakapuāwai, an environmental programme connecting people, farmers, and the community through native tree planting, continues – on track to plant 60,000 trees in the 2023 calendar year.
- Founding shareholder of AgriZero NZ, a partnership and investment fund between agribusiness and Government, to accelerate agricultural emissions reductions by 30% by 2030.

Sustainability

- Further 19 Farmer Suppliers became Lead With Pride™ certified (FY 22: 191, FY 23: 210).
- Transitioned Boiler Two at Synlait Dunsandel to biomass (wood pellets) as a fuel source, enabling a significant emissions reduction step change in FY 24 as Synlait aim to reduce site emissions by 40%.
- B Corp™ recertification on-track for December. The company's constitution must now include a B Corp™ purpose statement and stakeholder clause. At the December Annual Meeting, the Board will request shareholder support to endorse this constitutional change.

STRATEGY AND OUTLOOK UPDATE

Grant Watson
Chief Executive Officer

Reddecliffe Farm, Beautiful Valley, Canterbury.

STRATEGY REFRESH
CREATION OF A MORE FOCUSED SYNLAIT

- Board and Executive Leadership Team completed strategy refresh.
- Refreshed strategy leverages Synlait’s world-class capabilities and asset base to partner to produce high-value Advanced Nutrition and Foodservice B2B products, supported by a disciplined and well-run Ingredients business.
- Strategy and capital structure refresh, including an asset review, announced in June 2023 and intended divestment of Dairyworks and surplus Temuka cheese assets.
- Strategy aligned to structure with Executive Leadership Team renewal now complete and culture, capability and execution lifting.

SYNLAIT STRATEGY FY 24 – FY 28

Our Purpose – *Doing Milk Differently For A Healthier World*

AMBITION
TO FY 28

- Farmer Net Promoter Score Top Quartile
- Customer Net Promoter Score Top Quartile
- Staff Engagement Top Quartile
- IWS Level 2
- Return on Capital 15%
- B Corp™ Score of 105

RIGHT TO PLAY
OUR STRONG FOUNDATIONS

- Food Safety and Quality
- Highly Utilised, Efficient Plants
- Advanced Nutrition and Foodservice Know-How
- Integrated Value Chain
- Regulatory Know-How
- Sustainability Credentials

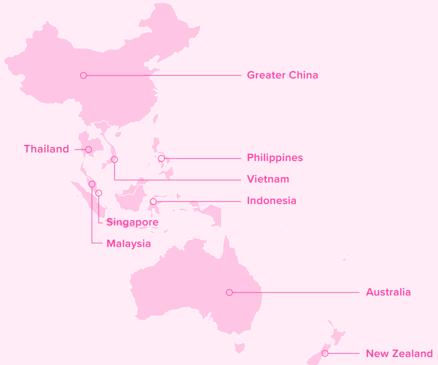
CHANNELS
OUR BUSINESS TYPES

- Advanced Nutrition
- Foodservice
- Ingredients

CATEGORIES
OUR PRODUCTS

- Infant Nutrition
- Adult Nutrition
- Advanced Ingredients
- Foodservice Cream
- AMF and Butter*
- Cream Cheese*
- Commodity Powders

GEOGRAPHIES
OUR GROWTH MARKETS



RIGHT TO WIN
OUR COMPETITIVE ADVANTAGE MODELS

FARMER SUPPLIERS

CUSTOMERS

KEY ENABLERS
OF EXECUTION

- On-Farm Excellence
- Best In Class Customer Engagement
- Disciplined Product Innovation
- High Performance Culture
- Systems, Tools and Processes
- World Class Manufacturing and Supply Chain

* TBC, further opportunities being explored.

STRATEGY REFRESH

SUMMARY OF KEY CHANGES

RIGHT TO PLAY is Synlait's core capabilities; some might refer to this as our tickets to the game.

FROM

- Food Safety and Quality
- Regulatory
- Nutritionals Know-How
- Surety of Supply
- Efficient Manufacturing
- Sustainability Credentials

TO

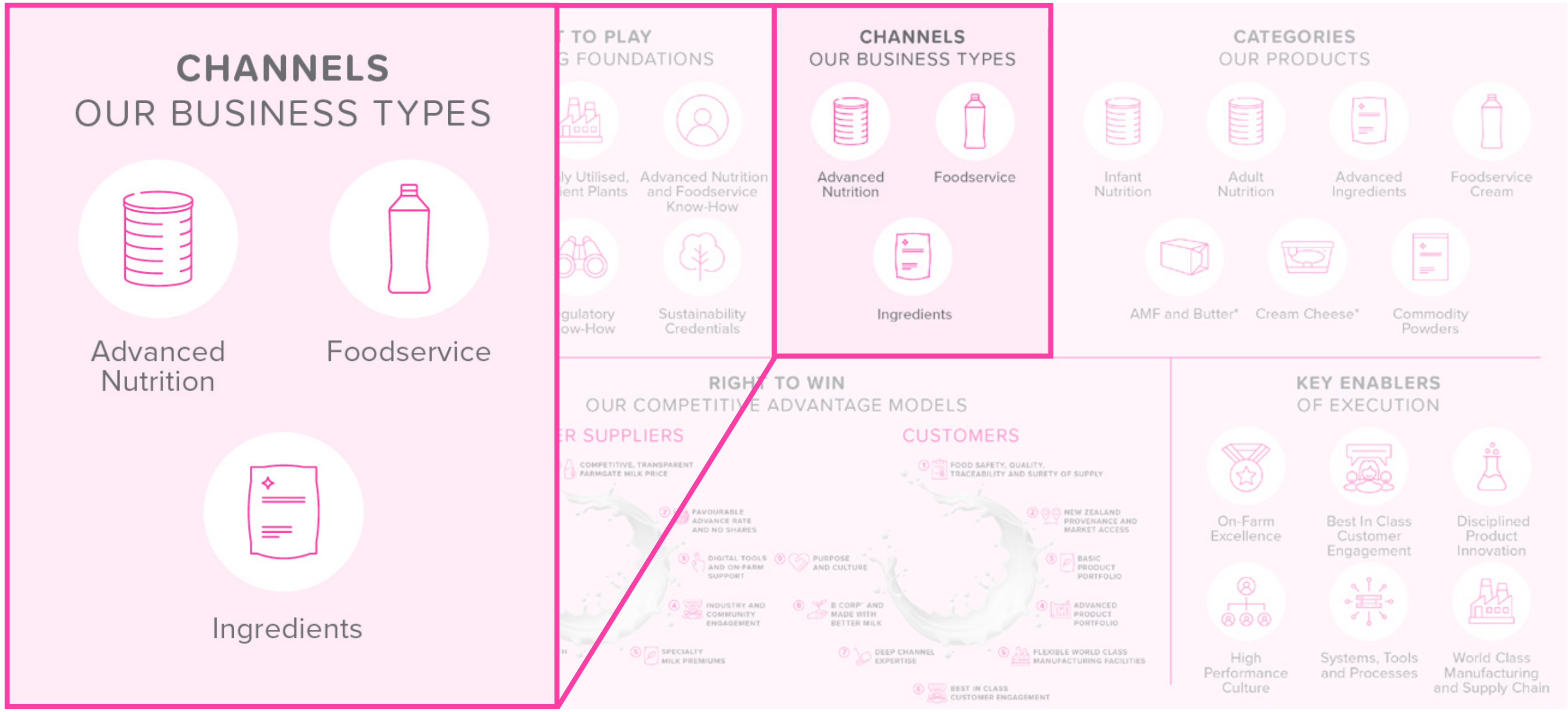
STRATEGY REFRESH
SUMMARY OF KEY CHANGES

CHANNELS (or business units) are the areas Synlait is focusing its efforts.

FROM

- Consumer
- Foodservice
- Manufacturing

TO



STRATEGY REFRESH
SUMMARY OF KEY CHANGES

CATEGORIES are the products Synlait manufactures within its business units.

FROM

- Milk Powder
- Beverages and Cream
- AMF and Butter
- Cheese
- Infant and Adult Nutrition
- Lactoferrin

TO

CATEGORIES
OUR PRODUCTS

- Infant Nutrition
- Adult Nutrition
- Advanced Ingredients
- Foodservice Cream
- AMF and Butter*
- Cream Cheese*
- Commodity Powders

* TBC, further opportunities being explored.

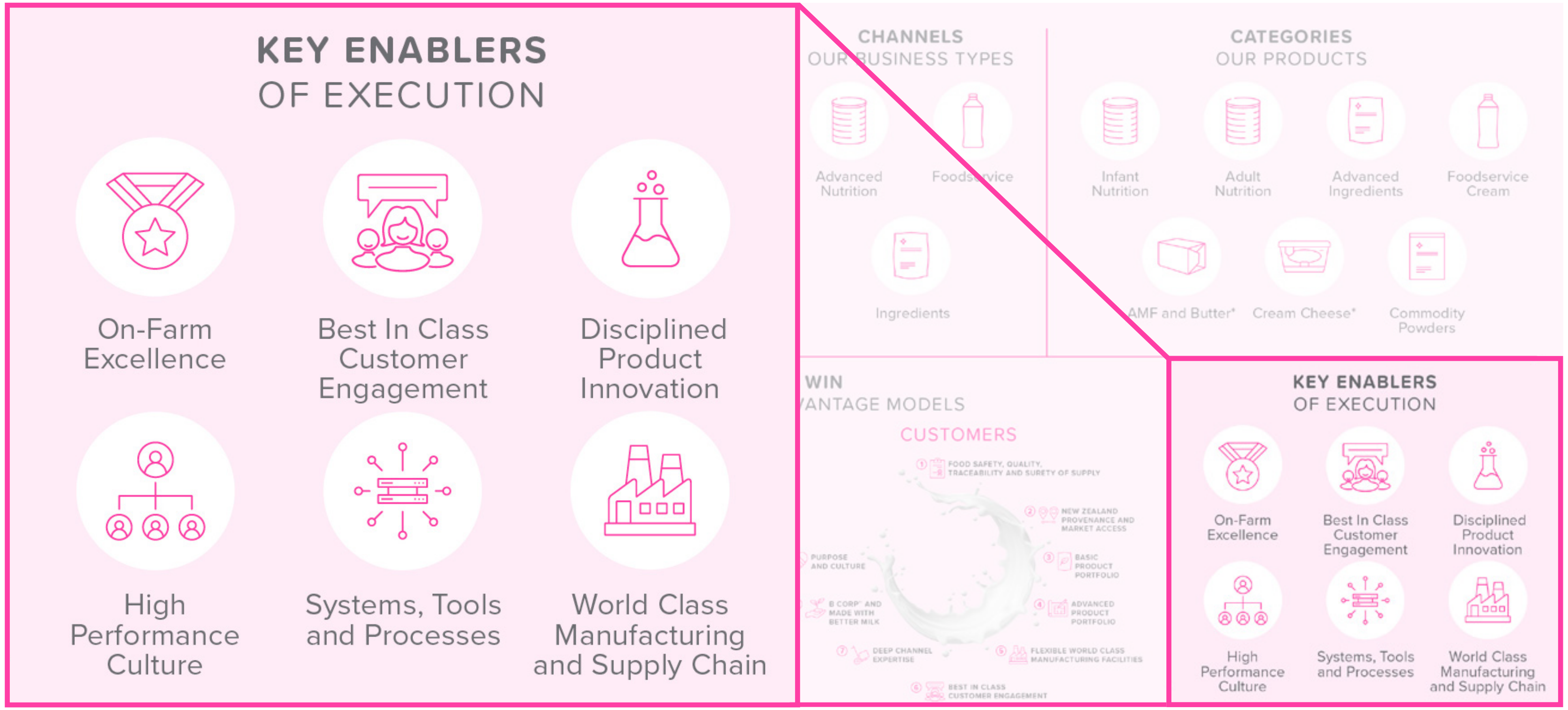
STRATEGY REFRESH
SUMMARY OF KEY CHANGES

KEY ENABLERS are focus areas across Synlait to ensure we execute with excellence.

FROM

- On-Farm Excellence
- Customer Engagement
- Disciplined New Product Development and New Technology Development
- Employer of Choice
- Systems, Tools and Processes
- Manufacturing and Supply Chain

TO



SYNLAIT STRATEGY FY 24 – FY 28

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- Farmer Net Promoter Score Top Quartile
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OUR BUSINESS TYPES

- Advanced Nutrition
- Foodservice
- Ingredients

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OUR PRODUCTS

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- Disciplined Product Innovation
- High Performance Culture
- Systems, Tools and Processes
- World Class Manufacturing and Supply Chain

* TBC, further opportunities being explored.

RENEWED EXECUTIVE LEADERSHIP TEAM

LIFTING SYNLAIT'S CULTURE, CAPABILITY AND EXECUTION

Grant Watson
Chief Executive Officer

Rob Stowell
Chief Financial Officer

Paul Mallard
Chief Operating Officer
Joined January 2023

Naiche Nogueira
Director of Advanced Nutrition
Joined January 2023

Abby Ye
President China and Director of Foodservice
Joined March 2023

Adam Maxwell
Director of Ingredients

Tim Carter
CEO Dairyworks and Director of Consumer

Charles Fergusson
Director of On-Farm Excellence and Business Sustainability
Joined February 2023

Glenn Laing
Director of Manufacturing
Promoted August 2023

Dr. Suzan Horst
Director of Quality, Regulatory and Laboratory

Cathy Gamlen
Director of People and Culture
Joined August 2023

SYNLAIT'S FULL YEAR 2024 OUTLOOK

FY 23 was highly challenging for Synlait with material reductions in customer demand, CO_2 shortages, extreme weather events, the COVID-19 pandemic, inflationary impacts, ongoing investments in new product workstreams (i.e., UHT cream and Advanced Nutrition customer growth), and the launch and stabilisation of the company's new enterprise resource planning (ERP) system.

Looking ahead to the 2024 financial year, Synlait could still face challenging China market dynamics, softening global conditions more generally, and continued inflationary pressures across its cost base, which could impact future customer demand and the company's overall profitability. Synlait does, however, expect Advanced Nutrition volumes to continue to grow at the Pokeno site in FY 24, and the company's overall EBITDA performance is also expected to improve in FY 24, compared to FY 23.

The a2 Milk Company's purported cancellation of the exclusivity arrangements under the Nutritional Powders Manufacturing and Supply Agreement (NPMSA) for the a2 Platinum® and other nutritional products is not expected to impact Synlait's FY 24 results. Synlait disputes that The a2 Milk Company has the right to cancel the exclusivity arrangements.

While Synlait is confident in its strategy to right-size its cost base to current activities and its near-term Advanced Nutrition and Foodservice growth opportunities, the uncertainty of broader macroeconomic factors means the company will not provide guidance at this time.

Synlait is committed to its refreshed strategy to create a more focused company and remains largely on track to meet its five-year (FY 28) strategic ambitions.

NEXT STEPS

Institutional Investor Site Tour at Synlait Pokeno

- Management will host an institutional investor site tour at Synlait Pokeno on Monday 30 October 2023.
- The agenda includes:
  - Synlait Pokeno site tour.
  - Presentation from CEO Grant Watson on Synlait's strategy.
  - Q&A with Grant Watson and key members of Synlait's Executive Leadership team.
- If you would like to attend, email: **investors@synlait.com**

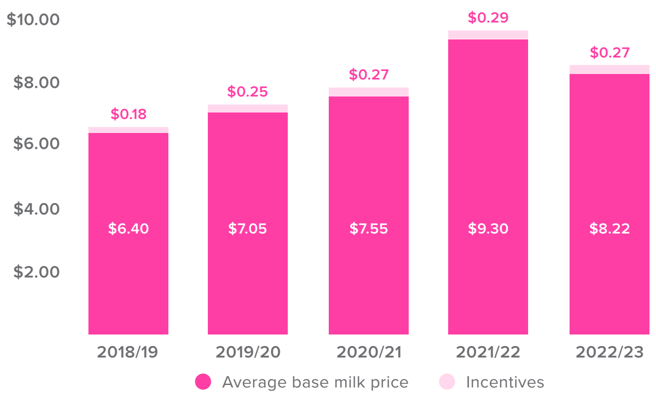
Annual Meeting at Synlait Dunsandel

- Synlait's Annual Meeting is on Friday 1 December 2023, at 1.00pm.
- The Annual Meeting will be held in person at Synlait Dunsandel (and followed by a site tour) and online.
- The Notice of Meeting, released in early November 2023, will include further information.

APPENDIX

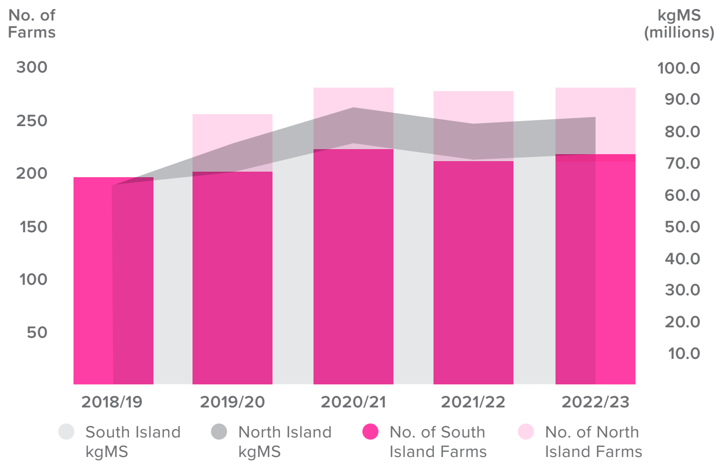
Drewe and Tamara Finlay's Farm – Taupiri, Waikato.

MILK PRICE



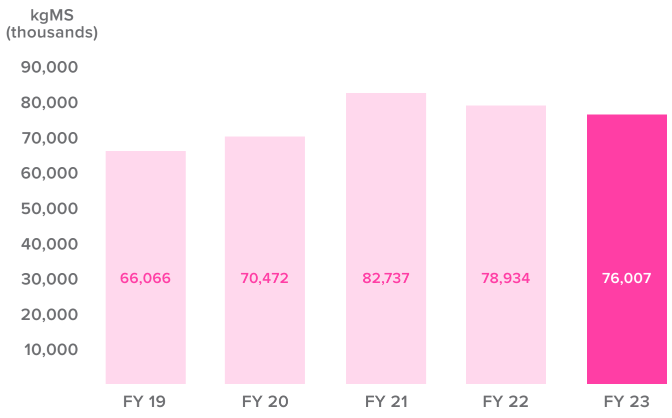
- Total average milk payment of $8.49 per kgMS.
- Average base milk price for 2022/23 season is $8.22 per kgMS.
- Average incentive payment paid per kgMS for the season was 27 cents per kgMS (2021/22: 29 cents per kgMS) made up of incentives and winter milk payments.
- Forecast base milk price for the 2023/24 season is at $7.00 per kgMS.

MILK POOL



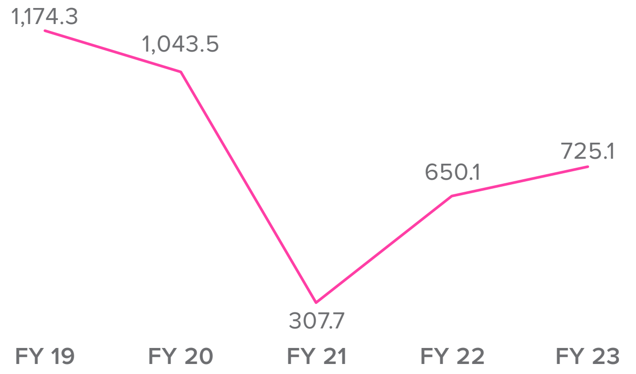
- North Island farmer suppliers responsible for 13% of total milk supply or 63 farms.
- South Island milk pool grew by 1.6 million kgMS in the 2022/23 season due to eight additional farms, partially offset by (1.5%) lower production on average per farm due to unfavourable climate conditions and high on-farm cost inflation. 2021/22: 212 South Island farms, 2022/23: 220 South Island farms. South Island supply pool has decreased to 215 farms for the 2023/24 season.
- North Island milk pool contracted by (0.5) million kgMS, due to two farms leaving the pool and (1.0%) lower production on average per farm. Total farms 65. 2021/22: 65 North Island farms, 2022/23: 63 North Island farms. North Island supply pool has decreased to 59 farms for the 2023/24 season.
- Lead With Pride™ certified farms grew to 210 in 22/23 (21/22: 191 farms).

RAW MILK PROCESSED

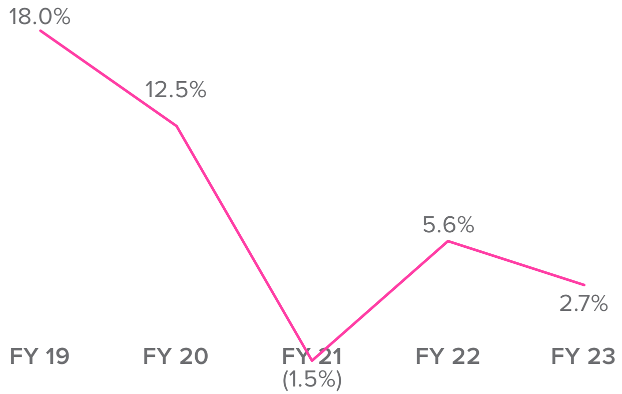


KEY FINANCIAL METRICS

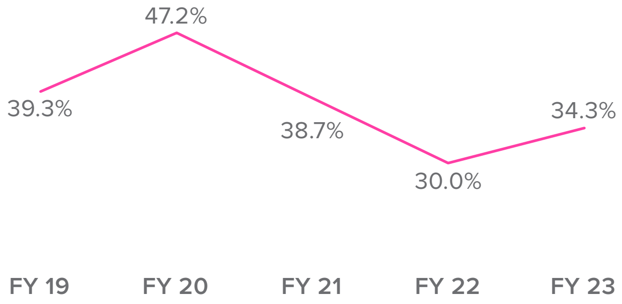
Gross profit per MT ($)*



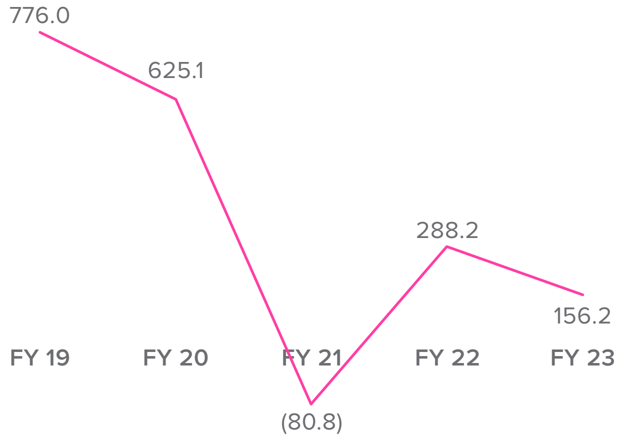
Return on capital employed



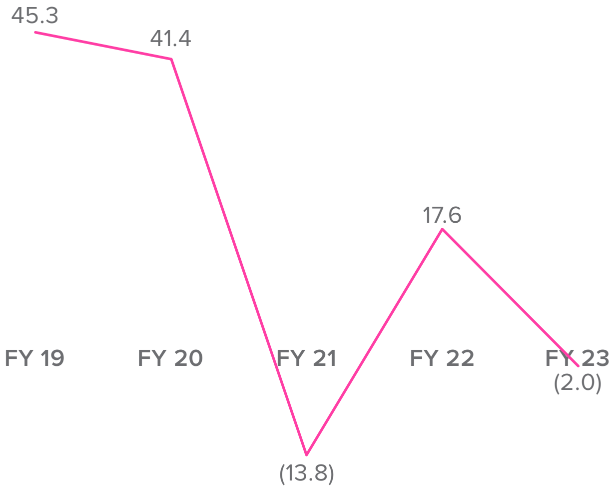
Debt/(debt + equity)



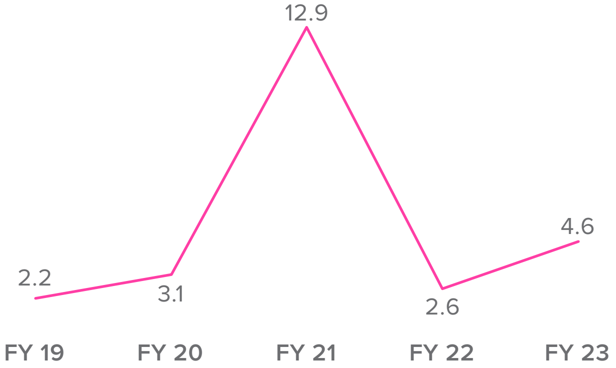
EBIT per MT ($)



Basic earnings per share (cents NZD)



Net debt/EBITDA



* Includes gross profit not attributable to business units (comprised primarily of margin on raw milk and cream sales, income from dairy derivatives, and farms contribution).

GROSS PROFIT PERFORMANCE BY CATEGORY

	FY 19	FY 20	FY 21	FY 22	FY 23
Sales Volume (MT)					
Ingredients	98,499	97,561	125,914	132,481	**108,856**
Advanced Nutrition	51,231	52,871	34,362	33,506	**31,971**
Consumer	8,947	44,818	58,483	59,786	**56,999**
Foodservice	-	-	-	-	**757**
Subtotal	**158,677**	**195,250**	**218,759**	**225,773**	**198,583**
Gross Profit ($M)					
Ingredients	36.8	31.3	14.5	57.5	**54.6**
Advanced Nutrition	152.4	172.8	45.0	73.8	**57.0**
Consumer	(3.0)	-	10.5	21.3	**29.0**
Foodservice	-	-	-	-	**(0.2)**
Subtotal	**186.2**	**204.1**	**70.0**	**152.6**	**140.4**
Gross Profit ($/MT)					
Ingredients	374	321	115	434	**501**
Advanced Nutrition	2,975	3,268	1,310	2,203	**1,782**
Consumer	(339)	0.5	179	357	**508**
Foodservice	-	-	-	-	**(313)**
Subtotal	**1,174**	**1,045**	**320**	**676**	**707**
Revenue ($M)					
Ingredients	481	510	635	826	**661**
Advanced Nutrition	498	594	406	416	**440**
Consumer	10	132	266	309	**329**
Foodservice	-	-	-	-	**4**
Subtotal	**989**	**1,236**	**1,307**	**1,551**	**1,434**

Note: Amounts not attributable to business units are not included in the above table. Advanced Nutrition margins have been restated to exclude milk supply costs attributable to raw milk and cream sales.

SUMMARISED FIVE YEAR INCOME STATEMENT

	FY 19	FY 20	FY 21	FY 22	FY 23
Revenue	1,024,305	1,302,025	1,367,349	1,660,601	1,603,580
Cost of sales	(837,976)	(1,098,292)	(1,300,042)	(1,513,827)	(1,459,588)
Gross profit	**186,329**	**203,733**	**67,307**	**146,774**	**143,992**
Other income	898	404	3,870	22,777	16,333
Share of loss from associates	(580)	33	(33)	-	-
Sales and distribution expenses	(26,836)	(32,318)	(36,791)	(39,423)	(48,316)
Administrative and operating expenses	(36,680)	(49,809)	(52,018)	(49,534)	(74,195)
Impairment of Temuka cheese plant assets	-	-	-	(12,231)	-
ERP implementation costs	-	-	-	(3,295)	(6,794)
Earnings before net finance costs and income tax	**123,131**	**122,043**	**(17,665)**	**65,068**	**31,020**
Finance expenses	(8,819)	(19,777)	(20,488)	(18,730)	(32,786)
Finance income	1,232	134	44	170	281
Loss on derecognition of financial assets	(1,842)	(1,747)	(1,045)	(2,427)	(5,771)
Net finance costs	**(9,429)**	**(21,390)**	**(21,489)**	**(20,987)**	**(38,276)**
(Loss)/profit before income tax	**113,702**	**100,653**	**(39,154)**	**44,081**	**(7,256)**
Income tax benefit/(expense)	(32,454)	(26,344)	10,703	(5,558)	2,964
Net (loss)/profit after tax for the year	**81,248**	**74,309**	**(28,451)**	**38,523**	**(4,292)**

DISCLAIMER

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