



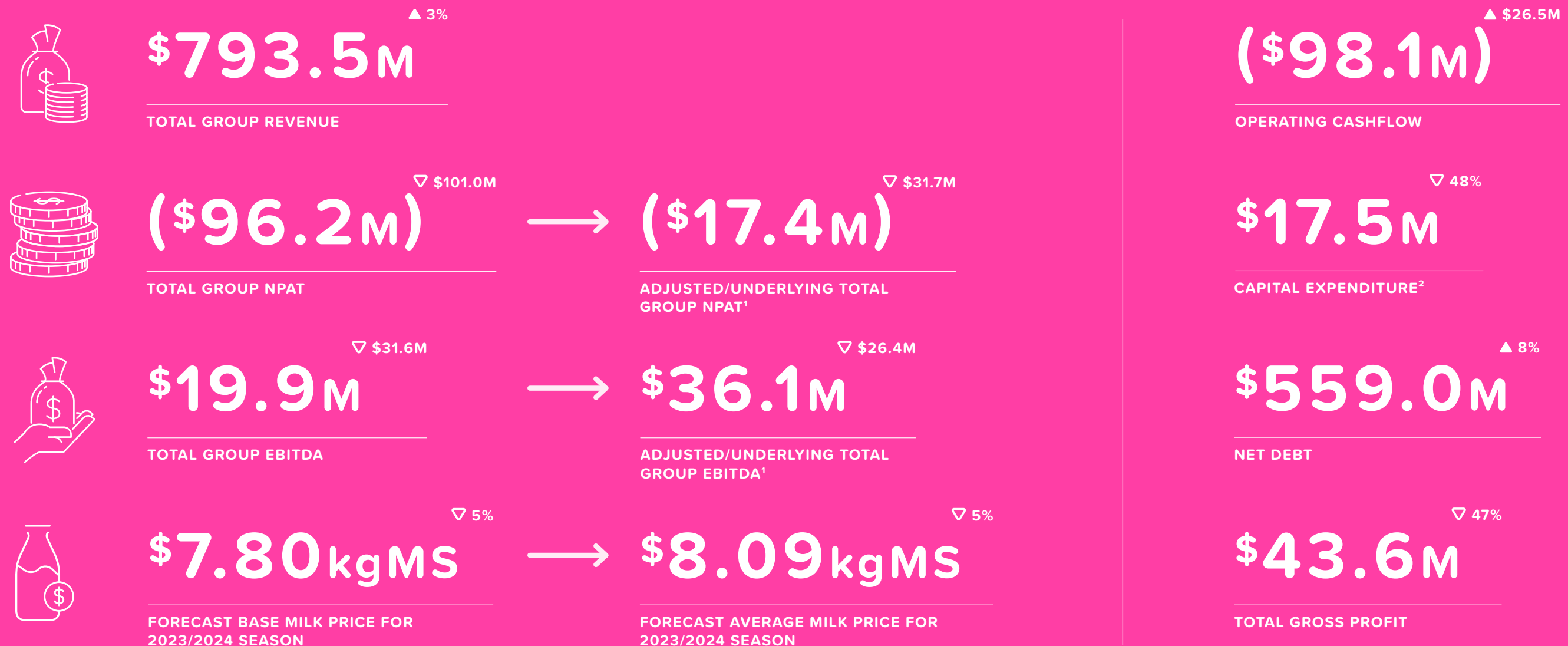
Synlait

**HALF YEAR 2024 RESULT
CHAIR AND CEO REVIEW**

For the six months ended 31 January 2024

KEY FINANCIAL METRICS

Half Year Adjusted NPAT (\$17.4) million, in line with guidance.



All comparisons are against HY23 (except for milk price which is against FY23) and include the results of Dairyworks which has been treated as a discontinued operation.

¹ Refer to the Investor Presentation for a reconciliation of adjusted NPAT and EBITDA.

² Based on cash outflow for investing activities.

MESSAGE FROM OUR CHAIR AND CEO



Paul McGilvary
Acting Chair

Tēnā koutou shareholders

It has been a challenging half-year for Synlait as we continue our reset of the company to better achieve our strategic objectives, while working to significantly reduce our elevated debt levels.

The delivery of our half-year results for the six months ended 31 January 2024 (HY24) brings together several reset initiatives, with the announcement of amendments to our banking facilities, the commencement of a strategic review of our North Island assets, and an increase in our forecast base milk price.

The balance sheet reset initiatives are underpinned by a letter of support from our largest shareholder, Bright Dairy. Bright Dairy's support, coupled with the banking amendments, offers Synlait additional stability, and confirms that our largest shareholder and our banking syndicate remains very supportive.

As well as establishing a clear deleveraging plan for our balance sheet, we have highlighted several forward-looking initiatives as part of our well-progressed business recovery plan to accelerate volume growth and further optimise our manufacturing, quality, and cost performance. Progress is further detailed in our Investor Presentation, released alongside this Chair and CEO Review. Examples include accelerating growth of the Foodservice UHT cream business through product innovation, and growing our distribution partnerships in China and South East Asia. We have also grown our Early Life and Adult Nutrition businesses. Additional drivers have been further improvements in asset stability, yield improvements, and continued enterprise resource management system efficiency improvements, now the system is fully embedded.

Financial performance remains under pressure

For the half year to 31 January 2024, Synlait reported a net loss of (\$96.2) million after tax. On an adjusted basis, it was (\$17.4) million.

The half-year result was impacted by a less favourable market environment for the Ingredients business, unfavourable FX, lower Advanced Nutrition volumes, and higher inventory write-downs, operational expenditure, and financing costs.

However, three non-cash items also significantly impacted the result. We recorded an impairment charge of \$50.3 million, driven by the underutilisation of our North Island manufacturing facilities. There was also a \$31.1 million adjustment recorded to write down the net assets of Dairyworks to fair value less costs of disposal to reflect the value of non-binding offers received. Finally, there was a change in the basis of inventory overhead

allocation methodology. The change was initially treated and forecasted as a policy change based on external accounting advice received; it was revised to be reflected as a change in estimate based on a technical interpretation of the accounting standards by our auditor, resulting in NPAT experiencing a non-cash adverse impact of \$8.4 million.

EBITDA was \$19.9 million (\$36.1 million on an adjusted basis). Net debt was \$559.0 million.

Synlait is facing several material uncertainties with regard to the timings and outcomes of deleveraging options which are currently progressing, and which are critical in ensuring Synlait will continue to meet financial obligations as they fall due.

These uncertainties are further detailed in note two of our half-year financial statements. We encourage shareholders to review this disclosure



Grant Watson
CEO

in detail. The Board remain fully committed to deleveraging Synlait's balance sheet in the second half of the year.

Announcing a North Island strategic review demonstrates we are working hard to aggressively reduce Synlait's debt levels and return the company to sustainable profitability. This continues to be the number one priority of the Board and Executive Leadership Team (ELT). Over the next six months, we are collectively focused on driving efficiency and improving productivity across Synlait.

The Board also updated its full year 2024 (FY24) guidance. Synlait now expects the FY24 EBITDA result to be significantly down on FY23 within the range of \$45 million to \$60 million, excluding a non-cash adjustment for the product costing method change of approximately \$17 million.

The FY24 EBITDA result is impacted by:

- Softening demand and/or margins across all business units.
- Adverse foreign exchange and product mix.

- Increased operating expenses e.g., legal costs, inventory management, and a range of other costs.

The FY24 EBITDA guidance excludes all current and future impairments relating to Synlait and Dairyworks.

A copy of the full guidance statement can be found on page 28 of the investor presentation.

Strengthened Executive Leadership Team structure and Corporate Governance

Post the balance date we made several changes to our Board and ELT to support Synlait's return to profitability.

We are pleased to announce that our search for a new Independent Director for the Board is complete with the appointment of George Adams in March 2024. George has outstanding commercial and governance experience with over 30 years of international business experience in the fast-moving consumer goods and telecommunications industries.

Tao Zhang, the Deputy Finance Director of Bright Dairy Holding Limited (Bright Dairy), replaced Liu Ruibing (Ryan) as one of Synlait's Bright Dairy Appointed Directors in February 2024. Tao's extensive finance experience and historical knowledge of Synlait from his previous work alongside Ryan are real strengths.

We have also reduced the ELT to increase business unit alignment, accelerate growth, and reduce costs. These changes have been well-received across Synlait.

Paul Mallard (Chief Operating Officer) now has responsibility for Synlait's end-to-end operations, including demand planning, manufacturing, quality, laboratory, and supply chain functions. Naiche Nogueira (Chief Revenue Officer) retains the Advanced Nutrition business and now has responsibility for the Ingredients business. Naiche is also responsible for the Innovation, New Product Development, Programme Management and Regulatory functions.

Supporting our farmer suppliers

Retention of our high-quality milk supply remains a critical priority. As Synlait's balance sheet has come under continued pressure, cessation notices from our farmer suppliers have increased compared to previous years. The cessation notice period is two years and Synlait expects that many of these farmer suppliers will opt to withdraw their ceases once we deleverage our balance sheet. Given the two-year notice period, our current financial performance is not impacted. We are confident, given the progression of the reset plan, that there is currently limited material risk to our future financial performance.

The Board remain committed to paying a competitive farmgate milk price and advance rate, and our On-Farm Excellence team has made significant efforts to ensure farmer suppliers understand what makes our milk supply offer extremely competitive. A special thank you to our farmer suppliers for their patience as we work to return Synlait to profitability.

Progress against our core capabilities

Advanced Nutrition

The synergies of merging the Innovation and Product Development teams under Naiche's new structure will become more evident over time, especially as we diversify beyond Infant Nutrition into the Early Life and Adult Nutrition categories, working across new customers and markets.

Our focus remains on delivering compelling value to our two cornerstone strategic customers, both in terms of increased efficiency and effectiveness, and diversified product offerings. We are already seeing successes with our teams manufacturing dairy/non-dairy hybrid nutrition products for South East Asia in various can and flexible packaging formats. We also have several trials and audits underway to produce infant formula base powder for a customer in this region.

We will continue to diversify our markets and categories in the lactoferrin business, including in new areas such as pharmaceuticals, to reduce Synlait's exposure to market price volatility and to match demand.

Foodservice

Our presence in China, via the Joyhana UHT cream product we produce for Sinodis (Savencia's China subsidiary), continues to meet our growth expectations. We are in the process of developing the second generation of Joyhana products to bring to market in December 2024.

Last month, we began production of UHT cream with a new customer, global food company Uhrenholt, under its private label brand. They aim to release this product in market across South East Asia in May 2024.

South East Asia continues to be a key market for Foodservice due to economic growth, urbanisation, and an expanded presence of our route-to-market partners.

Ingredients

The Ingredients business strategy is unchanged.. A key highlight was our recently announced five-year co-investment sustainability partnership with Nestlé. This enables both parties to decarbonise their supply chains, while simultaneously supporting

our farmer suppliers with on-farm investment in emissions reduction tools. This also opens additional commercial opportunities for Nestlé and Synlait to work together.

Operational performance

We continue to focus on asset stability and increasing utilisation.

To achieve this, we have progressed with implementing the Integrated Work Systems (IWS) framework. IWS introduces a series of systems, tools, and support activities to make our manufacturing activity safer, more reliable, and more efficient.

The Dunsandel Liquid facility passed the first phase of IWS in March 2024. Our North Island facilities are working to achieve the same recognition by the end of FY24. Dunsandel Liquids facility improved performance confirms that the IWS framework provides the improved stability we need to keep lifting asset stability and utilisation.

Closing comments

Synlait was founded as an entrepreneurial, innovative, disruptive, and sustainable company. This drove its success in its early years, however it has long faced significant strategic risk around a lack of customer and product diversification and in response the company has invested in capacity expansion and category diversification.

More recently we made the decision to refocus our strategy on areas where we have a clear competitive advantage to deliver diversified, high-value growth. It is important we do not lose our competitive advantage in the Advanced Nutrition and Foodservice businesses, and that they continue to be supported by a well-run Ingredients business enabled by our market-leading Lead With Pride™ programme, driving on-farm excellence. Having built a world-class and highly flexible asset base, we are well positioned ahead of emerging customer demand trends.

This report provides you with more clarity around our plans and progress to reset Synlait, deleverage our balance sheet, and return our company to

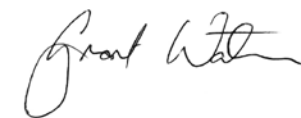
sustainable profitable growth across diversified channels, categories, and geographies.

Finally, thank you to all of our stakeholders, notably our shareholders, including Bright Dairy, our banking syndicate, and our farmer suppliers for their patience. But we especially want to thank our people, who are working incredibly hard to reset our company and build a profitable future for Synlait. Your energy, passion, and commitment to *Doing Milk Differently For A Healthier World* is a true asset, and it is greatly appreciated.

Nāku noa, nā



Paul McGilvary
Acting Chair



Grant Watson
CEO

