

Synlait



PRODUCT DISCLOSURE STATEMENT

**OFFER OF UNSECURED SUBORDINATED FIXED
RATE BONDS BY SYNLAIT MILK LIMITED
29 NOVEMBER 2019**

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.companies.govt.nz/disclose, offer number (OFR12776).

Synlait Milk Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

JOINT LEAD MANAGERS

ANZ  **DeutscheCRAIGS**
 **FORSYTH BARR**  **JARDEN**

CO-MANAGER

**H O B S O N
W E A L T H**

1. KEY INFORMATION SUMMARY

1.1 WHAT IS THIS?

This is an offer (the **Offer**) of unsecured subordinated fixed rate five year bonds (the **Bonds**). The Bonds are debt securities issued by Synlait Milk Limited (**Synlait**). You give Synlait money, and in return Synlait promises to pay you interest and repay the money at the end of the term. If Synlait runs into financial trouble, you might lose some or all of the money you invested.

1.2 ABOUT SYNLAIT

Synlait is a dairy manufacturer with a focus on supplying high value fully finished infant formulas and dairy ingredients to leading milk-based health and nutrition companies internationally. Synlait

has recently entered into the Everyday Dairy category, supplying fresh milk and cream to Foodstuffs South Island Limited as well as manufacturing both bulk and speciality cheeses. Synlait's purpose is: 'Doing milk differently for a healthier world'. Synlait is listed on the NZX and the ASX with its shares trading under the tickers SML and SM1 respectively. As at 28 November 2019 Synlait has an NZX market capitalisation of approximately \$1.7 billion.

1.3 PURPOSE OF THIS OFFER

The net proceeds of this Offer will be advanced to Synlait Milk Finance Limited and used by it to repay and cancel a portion of the Synlait Guaranteeing Group's existing bank debt. The Offer will also provide diversification of funding sources to support Synlait's growth strategy.

See section 4 of this PDS (*Purpose of the Offer*) for more information.

1.4 KEY TERMS OF THE OFFER

Issuer	Synlait Milk Limited
Description of the Bonds	Unsecured, subordinated fixed rate bonds See section 5.2 of this PDS (<i>Ranking</i>) for more information on the extent of subordination of the Bonds
Term	5 years, maturing on 17 December 2024
Offer amount	Up to \$150 million (with the ability to accept oversubscriptions of up to \$50 million at Synlait's discretion)
Interest Rate	The Bonds will pay a fixed rate of interest from the Issue Date to but excluding the Maturity Date, subject as described under <i>Deferral of Interest</i> below The Interest Rate will be set at the sum of the Swap Rate plus the Issue Margin, but in any case will be no less than the Minimum Interest Rate, and will be announced via the NZX on or about the Rate Set Date See section 2 of this PDS (<i>Key Dates</i>) and section 3.1 (<i>Terms of the Offer</i>)
Issue Margin	The Issue Margin will be determined by Synlait in conjunction with the Joint Lead Managers following the Bookbuild, and announced via NZX on or about the Rate Set Date
Interest payments	Quarterly in arrear on 17 March, 17 June, 17 September and 17 December each year (or if that scheduled day is not a Business Day, the next Business Day), with the First Interest Payment Date being 17 March 2020, subject as described under <i>Deferral of Interest</i> below
Deferral of interest	The payment of interest on an Interest Payment Date (other than a date on which the Bonds are repaid) is subject to no Interest Deferral Condition existing on the relevant Interest Payment Date See section 5.5 of this PDS (<i>Interest deferral</i>)
Dividend Stopper	The payment of certain amounts by Synlait to shareholders (e.g., dividends) and creditors that rank behind the Bonds (if any) is restricted if interest is not paid on the Bonds when scheduled See section 5.6 of this PDS (<i>Dividend stopper</i>)

Early Redemption	<p>The Bonds will be Redeemed by Synlait prior to the Maturity Date:</p> <ul style="list-style-type: none"> • at Synlait's election if a Tax Event occurs; • at the option of an individual Bondholder after a Change of Control Event; • at Synlait's election if fewer than 50 million Bonds will be outstanding as a result of Redemption elections made by Bondholders after a Change of Control Event; or • following an Event of Default, at the option of the Supervisor, who must exercise that option if directed by a Special Resolution of Bondholders <p>However, no Redemption as a result of a Tax Event or a Change of Control Event is permitted if an Interest Deferral Condition exists or would exist if the Redemption was made.</p> <p>See section 5 of this PDS (<i>Key features of the Bonds</i>)</p>
Opening Date	9 December 2019
Closing Date	13 December 2019 at 5.00pm
Minimum application amount	\$5,000 and multiples of \$1,000 thereafter
Further payments, fees or charges	<p>Taxes may be deducted from interest payments on the Bonds. See section 7 of this PDS (<i>Tax</i>)</p> <p>You are not required to pay brokerage or any other fees or charges to Synlait to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds</p>

1.5 WHO IS RESPONSIBLE FOR PAYING YOU?

Synlait is responsible for paying interest on the Bonds and for the repayment of the Bonds.

The Bonds will be guaranteed by Synlait Milk Finance Limited and the guarantors under the Bank Facility Agreement (the **Guarantors**).

As at the Issue Date, the Guarantors will be Synlait Milk Finance Limited, The New Zealand Dairy Company Limited, Eighty Nine Richard Pearse Drive Limited and Synlait Foods (Talbot Forest) Limited. The only other subsidiary of Synlait is Synlait Business Consulting (Shanghai) Limited and it will not be a Guarantor on the Issue Date. Any subsidiary of Synlait that becomes, or is required to become, a guarantor under the Bank Facility Agreement before the Maturity Date is also required to become a Guarantor. A Guarantor may be released if it has ceased to be, and is no longer required to be, a guarantor under the Bank Facility Agreement and no Event of Default has occurred or is continuing without waiver.

See section 5.3 of this PDS (*Guarantees*) for more information.

1.6 HOW YOU CAN GET YOUR MONEY OUT EARLY

Bonds may be Redeemed prior to the Maturity Date in the limited circumstances set out below:

- you may elect that Synlait Redeems all of your Bonds if a Change of Control Event takes place before the Maturity Date;
- Synlait may elect to Redeem all of your Bonds early:
 - if fewer than 50 million Bonds will be outstanding as a result of Redemption elections made by Bondholders after a Change of Control Event; or
 - on the occurrence of a Tax Event,

(however, no Redemption as a result of a Tax Event or a Change of Control Event is permitted if an Interest Deferral Condition exists or would exist if the Redemption was made); and

- the Supervisor may elect (and must elect if directed by a Special Resolution of Bondholders) to Redeem all of your Bonds early on the occurrence of an Event of Default which is continuing.

See section 5 of this PDS (*Key features of the Bonds*) for more information.

Synlait intends to quote these Bonds on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Bonds, the price you get will vary depending on factors such as the financial condition of Synlait and movements in the market interest rates. You may receive less than the full amount that you paid for them.

1.7 HOW THE BONDS RANK FOR REPAYMENT

The Bonds are referred to as subordinated bonds because they are subordinated to amounts owing to Senior Creditors in a liquidation. However, the Bonds are not subordinated to other indebtedness. In a liquidation of Synlait, your claim for payment of your Bonds will rank:

- behind indebtedness owing under the Bank Facility Agreement, other secured borrowed money (including any senior secured bonds that may be issued by Synlait in the future) and other claims preferred by law. Synlait and the Guarantors may, without the consent of Bondholders or the Supervisor, incur further indebtedness, including to the Bank Facility Lenders (as at the date of this PDS, ANZ Bank New Zealand Limited and Bank of New Zealand), from time to time which ranks in priority to the Bonds;

1.7 HOW THE BONDS RANK FOR REPAYMENT (Continued)

- equally with other Bondholders and with all unsecured and unsubordinated financial indebtedness of Synlait (e.g., any other bonds ranking equally with the Bonds that may be issued by Synlait in the future); and
- ahead of claims of holders of ordinary shares in Synlait and holders of securities and other financial products and financial indebtedness that rank after the Bonds (including any bonds ranking behind the Bonds that may be issued by Synlait in the future).

The Guarantee will be unsecured and subordinated to the extent that, in a liquidation of the Issuing Group, Senior Creditors will be entitled to be paid in priority to Bondholders receiving payment under the Guarantee.

Further important information on the ranking of the Bonds on a liquidation of Synlait can be found in section 5 of this PDS (*Key features of the Bonds*).

1.8 NO SECURITY

The Bonds are not secured against any asset of Synlait.

The obligations of the Guarantors under the Guarantee are not secured against any asset of the Guarantors.

1.9 KEY RISKS AFFECTING THIS INVESTMENT

Investments in debt securities have risks. A key risk is that Synlait does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of this PDS (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Bonds should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the Offer is fair. Synlait considers that the most significant risk factors are:

- **Customer Concentration Risk:** The a2 Milk Company Limited (**The a2 Milk Company**) is Synlait's most significant customer and contributor to financial performance. Synlait's operations and financial performance would therefore be adversely impacted if The a2 Milk Company reduces order quantities from Synlait, or an event occurs which adversely affects The a2 Milk Company.
- **China Market Access Risk:** Synlait understands that a significant proportion of both its infant nutrition and ingredient sales are ultimately consumed in China. If Synlait's products were no longer able to be sent into China, either directly or indirectly (e.g., via Synlait customers or through Daigou channels), this could have a significant adverse effect on Synlait's financial performance.
- **Category Concentration Risk:** Consumer-packaged infant formula represented over 40% of Synlait's revenue in FY2019. Synlait also produces a range of specialised and infant-grade ingredients which are used in infant formula production. A material and continuing drop in demand for Synlait's products could have a significant adverse effect on Synlait's financial performance.

- **Implementation of Diversification and Growth:** Synlait has invested in major projects in order to diversify its product categories, customers and geographic destinations into which it delivers its products. There is a risk that Synlait may not be able to drive profitability from major capital investments (either as quickly as forecast or at all), which could have a significant adverse impact on Synlait's financial performance.
- **Product Safety Risk:** There is a risk that Synlait's products could become, or were perceived to become, unsafe for consumption due to contamination. This could cause consumers of Synlait's products to become unwell, result in product recall or result in adverse publicity about Synlait and its products. This could have an adverse impact on Synlait's reputation and existing licences, and therefore Synlait's operations and financial performance.
- **Site and Plant Concentration Risk:** Synlait's main infant powder manufacturing facility is located at Dunsandel. Any event that resulted in significant damage or destruction to the Dunsandel facility, which meant that plant and/or facility was unable to operate, could have an adverse impact on Synlait's operational and financial position.
- **Lactoferrin Pricing Risk:** The sale of lactoferrin (a high value, specialty ingredient used in a range of nutritional food products (including infant formula) produced by Synlait) contributed materially to Synlait's FY2019 gross profit. Lactoferrin sale prices are volatile, and are currently high, although Synlait expects prices to fall with increased supply coming into the market. Material and long-term changes in lactoferrin prices could have a significant adverse impact on Synlait's financial performance.
- **Milk Supply Risk:** Synlait's milk supply comes from approximately 250 farmers, located in the Canterbury and Waikato regions in New Zealand. If Synlait is not able to obtain milk, due to its farmer suppliers deciding to supply other milk processors in New Zealand, or an event occurring which affects dairy herds in those regions (or throughout New Zealand), Synlait's operations and financial performance could be adversely impacted.

This summary does not cover all of the risks of investing in the Bonds. You should also read section 6 of this PDS (*Risks of investing*) and section 5 of this PDS (*Key features of the Bonds*).

1.10 NO CREDIT RATING

Synlait's creditworthiness has not been assessed by an approved rating agency. This means that Synlait has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

1.11 WHERE YOU CAN FIND OTHER MARKET INFORMATION ABOUT SYNLAIT

The Offer is being made under a short-form disclosure process that Synlait is permitted to use because the Bonds rank in priority to existing quoted financial products of Synlait. The existing quoted financial products are ordinary shares in Synlait, which are traded on the NZX Main Board and the ASX. Synlait is subject to a disclosure obligation that requires it to notify certain material information to the NZX for the purpose of that information being made available to participants in the market. Synlait's NZX issuer page, which includes information made available under the relevant disclosure obligation referred to above, can be found at www.nzx.com/companies/SML.

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LETTER FROM THE CHAIR

Dear Investor,

On behalf of the Synlait Board of Directors (Board), I am pleased to offer you the opportunity to invest in the unsecured subordinated fixed rate five year bonds (Bonds) which will be issued by Synlait Milk Limited.

From its roots as a Dunsandel dairy farming company, over the past 11 years Synlait has grown from a start-up to a company now generating in excess of \$1 billion of annual revenue. Synlait operates from two milk powder manufacturing locations in New Zealand, producing a range of nutritional and every day dairy milk products for its global customers.

The announcement in Synlait's full year 2019 financial result (FY2019) that revenue had exceeded \$1 billion for the first time was driven by its sustained investments to support growth. Synlait is now focussing on delivering returns on the projects it has invested in during FY2019, which included finishing construction of its second infant-capable manufacturing facility in Pokeno, doubling capacity of the lactoferrin facility and commissioning of the advanced liquid dairy packaging facility in Dunsandel, and the acquisition of Talbot Forest Cheese.

To date in FY2020 Synlait has announced a \$32 million investment to build a fourth drystore at Dunsandel, and the acquisition of Dairyworks Limited for approximately \$112 million. The acquisition of Dairyworks remains subject to Overseas Investment Office approval, with the purchase to be funded from capacity available under our Bank Facility Agreement. Once completed, Dairyworks will provide Synlait with a meaningful move towards the delivery of its Everyday Dairy strategy, with approximately 230 additional

people joining Synlait in its purpose of: *Doing milk differently for a healthier world.*

Synlait has developed a track record of delivering returns on capital by investing in a differentiated value chain to meet customer needs. The Board believes that now is an appropriate time to issue Bonds, which will be used to repay a portion of our existing bank debt, provide diversification of funding and capital structure flexibility, whilst providing an interest-bearing investment option to investors wishing to invest in Synlait. Synlait is seeking to raise \$150 million of Bonds under the offer with the ability to accept an additional \$50 million of oversubscriptions.

There are risks associated with this offer of Bonds that may affect your returns and repayment of your investment. An overview of the key risks affecting this investment is set out in section 6 (*Risks of Investing*) of this product disclosure statement (PDS). You should carefully read this PDS and consider if the credit risk of these Bonds is suitable for you before deciding whether to invest in the Bonds.

I encourage you to seek financial, investment or other advice from a qualified professional adviser as you consider this offer.

On behalf of the Board, I welcome your involvement in this offer and your support of Synlait. For more information, please visit Synlait's website www.synlait.com/bondoffer.

Kind regards,

Graeme Milne ONZM
Chair

2. KEY DATES AND OFFER PROCESS

2.1 KEY DATES

Lodgement Date	29 November 2019
Announcement of Minimum Interest Rate and indicative Issue Margin	29 November 2019
Rate Set Date	6 December 2019
Opening Date	9 December 2019
Closing Date	13 December 2019 at 5.00pm
Issue Date	17 December 2019
Expected date of initial quotation and trading of the Bonds on the NZX Debt Market	18 December 2019
Interest Payment Dates	17 March, 17 June, 17 September and 17 December in each year ¹
First Interest Payment Date	17 March 2020
Maturity Date	17 December 2024 ²

Notes to table:

1. If any scheduled Interest Payment Date is not a Business Day, payment will be made on the next Business Day subject to there being no Interest Deferral Condition existing on the Interest Payment Date applicable to that payment.
2. Unless Redeemed before the Maturity Date as permitted under the Trust Deed. See section 5 of this PDS (*Key features of the Bonds*).

The timetable is indicative only and subject to change. Synlait may, in its absolute discretion and without notice, determine to vary the timetable (including by deferring the Rate Set Date, opening or closing the Offer early and extending the Closing Date). Changes will be advised by way of announcement through NZX.

If the Closing Date is extended, the Issue Date, the expected date of initial quotation and trading of the Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may also be extended.

3. TERMS OF THE OFFER

3.1 TERMS OF THE OFFER

Issuer	Synlait Milk Limited
Description of the Bonds	Unsecured, subordinated fixed rate bonds
Offer amount	Up to \$150 million (with the ability to accept oversubscriptions of up to \$50 million at Synlait's discretion). The final Offer amount will be determined by Synlait in conjunction with the Joint Lead Managers and announced via NZX on or about 6 December 2019
Issue price	\$1.00 per Bond, being the Principal Amount of each Bond
Maturity date	Tuesday, 17 December 2024 (five year term)
Who may apply under the Offer	All of the Bonds offered under the Offer (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, Co-Manager, NZX Firms and other approved financial intermediaries invited to participate in the Bookbuild There will be no public pool for the Bonds
Ranking	On a liquidation of Synlait, the Bonds will rank: <ul style="list-style-type: none"> • behind indebtedness owing under the Bank Facility Agreement, other secured borrowed money and other claims preferred by law; • equally with other Bondholders and with all unsecured and unsubordinated financial indebtedness of Synlait; and • ahead of claims of holders of ordinary shares in Synlait and holders of securities and other financial products and financial indebtedness that rank after the Bonds <p>Further important information on the ranking of the Bonds on a liquidation of Synlait can be found in section 5 of this PDS (<i>Key features of the Bonds</i>)</p>
Guarantee	The Bonds will be guaranteed by the Guarantors See section 5.3 of this PDS (<i>Guarantees</i>) for more information on the terms of the Guarantee
Interest Rate	The Bonds will pay a fixed rate of interest from the Issue Date to but excluding the Maturity Date, subject as described under "Interest Deferral" below The Interest Rate will be set at the sum of the Swap Rate plus the Issue Margin, but in any case will be no less than the Minimum Interest Rate, and will be announced via the NZX on or about the Rate Set Date
Issue Margin	The Issue Margin will be determined by Synlait in conjunction with the Joint Lead Managers following the Bookbuild, and announced via NZX on or about the Rate Set Date
Indicative Issue Margin and Minimum Interest Rate	The indicative Issue Margin and Minimum Interest Rate will be determined by Synlait in conjunction with the Joint Lead Managers and announced via the NZX on the Lodgement Date
Interest Payment Dates	Quarterly in arrear on 17 March, 17 June, 17 September and 17 December each year (or if that scheduled day is not a Business Day, the next Business Day), with the First Interest Payment Date being 17 March 2020, subject as described under "Interest Deferral" below

<p>Interest payments and entitlement</p>	<p>Payments of interest on Interest Payment Dates will be of equal quarterly amounts. Any interest on the Bonds payable on a date which is not an Interest Payment Date, will be calculated based on an actual/actual day count convention basis as follows:</p> $\text{Amount of your interest payment} = \frac{A}{B} \times \frac{\text{Interest Rate}}{4} \times C$ <p>where:</p> <p>A = the actual number of days elapsed since the last Interest Payment Date (or, if there has been no Interest Payment Date, since the Issue Date)</p> <p>B = the actual number of days in the period from the last Interest Payment Date (or, if there has been no Interest Payment Date, the Issue Date) to (and including) the next Interest Payment Date</p> <p>C = the Principal Amount of Bonds you hold</p> <p>On Interest Payment Dates interest will be paid to the person registered as the Bondholder as at the record date immediately preceding the relevant Interest Payment Date</p> <p>The record date for interest payments is 5.00pm on the date that is 10 calendar days before the relevant scheduled Interest Payment Date. If the record date falls on a day which is not a Business Day, the record date will be the immediately preceding Business Day</p>
<p>Interest Deferral</p>	<p>The payment of interest on an Interest Payment Date (other than a date on which the Bonds are repaid) is subject to no Interest Deferral Condition existing on the relevant Interest Payment Date. In broad terms, the Interest Deferral Conditions prevent interest from being paid if:</p> <ul style="list-style-type: none"> • Synlait is not solvent or would not be solvent after making the payment; or • an event of default, cancellation of more than \$35 million of commitments following event of review or breach has occurred under an agreement made with or for the benefit of a Senior Creditor (e.g., a breach of a financial covenant under the Bank Facility Agreement) or would occur after making the payment <p>The payment of interest on a date on which the Bonds are Redeemed is not subject to any Interest Deferral Condition, and all accrued interest (including previously deferred interest) must be paid if Bonds are Redeemed on any such repayment date regardless of whether an Interest Deferral Condition exists. However, Redemption as a result of a Tax Event or a Change of Control Event is not permitted if an Interest Deferral Condition exists or would exist if the Redemption was made.</p> <p>Any interest that is not paid because an Interest Deferral Condition exists remains outstanding and will itself earn interest at the Interest Rate</p> <p>See section 5.5 of this PDS (<i>Interest deferral</i>)</p>
<p>Dividend Stopper</p>	<p>Synlait will not be able to pay any dividend or make any other distributions (including any capital reorganisation or restructure which results in a reduction in the number of Ordinary Shares on issue (including an acquisition by Synlait of its Ordinary Shares)) on or with respect to its existing quoted or other securities or indebtedness ranking subordinate to the Bonds, or provide any financial assistance for the acquisition of certain Synlait Guaranteeing Group securities, if and for so long as there is any unpaid deferred interest</p>
<p>Early redemption</p>	<p>The Bonds will be Redeemed prior to the Maturity Date:</p> <ul style="list-style-type: none"> • at Synlait's election if a Tax Event occurs; • at the option of individual Bondholders if a Change of Control Event occurs; • at Synlait's election if fewer than 50 million Bonds will be outstanding as a result of Redemption elections made by Bondholders after a Change of Control Event; or • at the option of the Supervisor (who must exercise such option if directed by a Special Resolution of Bondholders) following an Event of Default <p>However, no Redemption as a result of a Tax Event or a Change of Control Event is permitted if an Interest Deferral Condition exists or would exist if the Redemption was made</p> <p>See section 5 of this PDS (<i>Key features of the Bonds</i>)</p>

Tax Event	<p>If a Tax Event occurs, Synlait may elect to Redeem all (but not some only) of the Bonds at the Redemption Amount</p> <p>However, no Redemption as a result of a Tax Event is permitted if an Interest Deferral Condition exists or would exist if the Redemption was made</p> <p>See section 5.8 of this PDS (<i>Tax Event</i>)</p>
Change of Control Event	<p>If a Change of Control Event occurs, then Bondholders have the right to elect that Synlait must Redeem all of their Bonds at the greater of:</p> <ul style="list-style-type: none"> • the Redemption Amount; or • the volume weighted average price (excluding interest) of the Bonds for the 20 Business Days preceding the date on which the Change of Control Event occurs plus accrued interest. <p>Synlait may elect to Redeem all Bonds early if fewer than 50 million Bonds will be outstanding as a result of Redemption elections made by Bondholders after a Change of Control Event.</p> <p>However, no Redemption as a result of a Change of Control Event is permitted if an Interest Deferral Condition exists or would exist if the Redemption was made</p> <p>See section 5.7 of this PDS (<i>Change of Control Event</i>)</p>
Events of Default	<p>If an Event of Default occurs and is continuing the Supervisor may in its discretion, and must upon being directed to do so by a Special Resolution of Bondholders, declare the Bonds to be immediately due and payable</p> <p>The Events of Default are set out in clause 14 of the Master Trust Deed and clause 9 of the Series Supplement and are summarised in section 5 of this PDS (<i>Key features of the Bonds</i>)</p>
Opening Date	9 December 2019
Closing Date	13 December 2019 at 5.00pm
Minimum application amount	\$5,000 and multiples of \$1,000 thereafter
How to apply	Application instructions are set out in section 11 of this PDS (<i>How to apply</i>)
No underwriting	The Offer is not underwritten
Brokerage	<p>Synlait will pay brokerage to market participants in respect of the Offer</p> <p>You are not required to pay brokerage or any other fees or charges to Synlait to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds, or for the transfer of the Bonds</p>
Transfer restrictions	Synlait may decline to register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000
Further payments, fees or charges	Taxes may be deducted from interest payments on the Bonds. See section 7 of this PDS (<i>Tax</i>)
Quotation	<p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this PDS have been duly complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the Financial Markets Conduct Act 2013</p> <p>NZX Debt Market ticker code SML010 has been reserved for the Bonds</p>

<p>Selling Restrictions</p>	<p>The Bonds are being offered only in New Zealand. Synlait has not taken and will not take any action which would permit a public offering of Bonds, or possession or distribution of any offering material in respect of the Bonds, in any country or jurisdiction where action for that purpose is required (other than New Zealand). The Bonds may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered</p> <p>Any product disclosure statement, circular, advertisement or other offering material in respect of the Bonds (including this PDS) may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed)</p> <p>By subscribing for or otherwise acquiring any Bonds, each Bondholder agrees to indemnify, among others, Synlait, the Supervisor, the Arrangers, the Joint Lead Managers and the Co-Manager and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of an investor breaching the selling restrictions referred to in this section</p>
<p>Governing law</p>	<p>New Zealand</p>

3.2 OTHER DOCUMENTS

The terms of the Bonds, and other key terms of the Offer, are set out in the Master Trust Deed, as supplemented by the Series Supplement.

You should read these documents. Copies may be obtained from the Offer Register at www.companies.govt.nz/disclose (OFR12776).

4. PURPOSE OF THE OFFER

The net proceeds of the Offer will be advanced to Synlait Milk Finance Limited and used by it to repay a portion of the amount drawn under the Bank Facility Agreement as follows:

- the first \$120 million of the net proceeds will be applied to repay 'Revolving Credit Facility A' under the Bank Facility Agreement and pay any associated accrued and unpaid interest, with all amounts repaid to be available for redrawing;
- the next \$60 million of the net proceeds will be applied to repay 'Revolving Credit Facility D' under the Bank Facility Agreement and pay any associated accrued and unpaid interest, with all amounts repaid to be cancelled and unavailable for redrawing; and
- the remainder of the net proceeds will be applied to repay any Revolving Credit Facility selected by Synlait, with all amounts repaid to be available for redrawing.

The Offer will also provide diversification of funding sources to support Synlait's growth strategy.

The use of proceeds of the Offer will not change, irrespective of the total amount that is raised.

The Offer is not underwritten.

5. KEY FEATURES OF THE BONDS

A number of key features of the Bonds are described in section 3 of this PDS (*Terms of the Offer*). The other key features of the Bonds are described in the following paragraphs of this section 5.

5.1 THE SUPERVISOR

The Supervisor is appointed to act as supervisor and trustee for the Bondholders on the terms contained in the Trust Deed.

You can only enforce your rights under the Bonds through the Supervisor (although you can enforce your rights under the Bonds against Synlait directly if the Supervisor is obliged to enforce, but has failed to do so).

5.2 RANKING

(a) RANKING ON LIQUIDATION

On a liquidation of the Issuing Group the Bonds will rank as unsecured obligations of Synlait.

Amounts owing under the Bank Facility Agreement, other secured borrowed money and other claims preferred by law will rank in a liquidation in priority to amounts owing under the Bonds and will also have the benefit of security over or recourse to assets of the Issuing Group (which the Bonds do not have).

The ranking of the Bonds on a liquidation of the Issuing Group is summarised in the following diagram.

DIAGRAM SHOWING RANKING OF THE BONDS ON LIQUIDATION OF THE ISSUING GROUP

Ranking	Ranking on liquidation of the Issuing Group	Type of liability / equity	Amount ¹
Higher Ranking / Earlier Priority ↑	Liabilities that rank in priority to the Bonds	Liabilities preferred by law (e.g., Inland Revenue) ²	\$36.4 million
		Bank Facility Agreement borrowings ³	\$150.1 million
		Other borrowings secured over assets of the Issuing Group ⁴	\$38.6 million
↓	Liabilities that rank equally with the Bonds (including the Bonds)	Bonds ⁵	\$200 million
		Other unsubordinated liabilities (e.g. trade and general creditors ⁶ , among others)	\$230.5 million
Lower Ranking / Later Priority ↓	Liabilities that rank below the Bonds	Subordinated liabilities	Nil
	Equity ⁷	Shares, reserves and retained earnings	\$492.4 million

Notes to diagram:

- Amounts shown above are indicative based on the financial position of the Issuing Group as at 31 July 2019, being Synlait's most recent balance date, adjusted for the issue of the Bonds. They are subject to rounding adjustments.
- Liabilities that rank in priority to the Bonds on liquidation include certain employee entitlements for unpaid salaries and wages, holiday pay and bonuses and PAYE deductions and amounts owing to Inland Revenue. There are typically other preferred claims which arise when a company is liquidated which are not possible to foresee and cannot therefore be quantified.
- This amount reflects the application of the net proceeds of the Offer to repay borrowings under the Bank Facility Agreement. For the avoidance of doubt, this does not include any amounts that will be borrowed to fund the purchase price payable for the acquisition of all of the shares in Dairyworks Limited announced on 25 October 2019 (the purchase price is approximately \$112 million). Synlait expects to fund the payment of that purchase price from borrowings under the Bank Facility Agreement upon completion of the transaction in FY2020.
- This amount reflects the mark-to-market value of the Issuing Group's commodity, foreign exchange and interest rate derivatives as at 31 July 2019. Such amounts are secured under the security arrangements applicable to the Bank Facility Agreement.
- This table assumes \$200 million of Bonds are issued under the Offer. If less than \$200 million of Bonds are issued under the Offer, less Bank Facility Agreement debt would be repaid, and accordingly the liabilities that rank in priority to the Bonds will be greater than what is shown, and the amount of the Bonds would decrease.
- In some circumstances trade and general creditors may have the benefit of security interests (e.g., a purchase money security interest for goods provided in the course of business) or a preference at law and, to the extent of those security interests or that preference, will be entitled to be paid ahead of Bonds in the event of a liquidation. Although Bonds are not subordinated to trade and general creditors, in a liquidation scenario where Senior Creditors do not recover all amounts owing to them under the security interests held for their benefit, Senior Creditors, the Bonds and trade and general creditors may rank equally. In that event, trade and general creditors' recovery may be greater than the Bonds' recovery because the Bonds are subordinated to the Senior Creditors being paid in full.
- The amount of equity stated in the diagram includes an amount in relation to Synlait's existing quoted financial products (i.e. Synlait's ordinary shares which are quoted on the NZX Main Board).

(b) FURTHER BORROWING AND SECURITY

After the issue of the Bonds, Synlait may (without the consent of Bondholders) borrow money or otherwise incur liabilities from time to time that:

- rank equally with the Bonds on a liquidation of Synlait. This may include, for example, further borrowings that are subordinated to the claims of Senior Creditors such as the Bank Facility Lenders; or
- rank in priority to the Bonds on a liquidation of Synlait. This may include, for example, further debt under the Bank Facility Agreement, other secured borrowed money or liabilities preferred by law.

The financial covenants and other terms described in the following sections limit the ability of Synlait to:

- borrow money that ranks equally with, or in priority to, the Bonds; or
- grant security.

(i) RESTRICTIONS ON BORROWING

The terms of the Bonds do not limit the ability of Synlait to borrow further money. However, certain terms in the Bank Facility Agreement do currently limit the ability of Synlait to borrow (Bondholders do not have the benefit of these, and they may be amended or waived by the Bank Facility Lenders at any time). These terms are:

- **Senior Debt Leverage ratio:** on each balance date, the ratio of Synlait Guaranteeing Group's senior debt (which excludes any debt attributable to the Bonds) to EBITDA for the Synlait Guaranteeing Group for the financial year ending on that balance date must not exceed 3.00:1.00. (As at 31 July 2019: 0.90:1.00)¹
- **Total Debt Leverage ratio:** on each balance date, the ratio of Synlait Guaranteeing Group's total debt (which includes any debt attributable to the Bonds) to EBITDA for the Synlait Guaranteeing Group for the financial year ending on that balance date must not exceed 4.00:1.00. (As at 31 July 2019: 2.19:1.00)¹

- **Working capital ratio:** at all times the ratio of:
 - the value of inventory (excluding consumables and packaging) and debtors of the Synlait Guaranteeing Group (excluding an allowance for doubtful debts and debts past 90 days due); to
 - the aggregate of the amount outstanding under the Seasonal WC Facility under the Bank Facility Agreement less cash held with a Bank Facility Lender,must at all times exceed 1.50:1.00. (As at 31 July 2019: 2.69:1.00)
- **Interest Cover Ratio:** on each quarterly reporting date Synlait Guaranteeing Group's EBITDA to interest expense (which includes interest equivalents for certain financial instruments but excludes interest attributable to the Bonds) must be not less than 3.00:1.00. (As at 31 July 2019: 16.14:1.00)
- **Shareholders' Funds:** at all times shareholders' funds (being total tangible assets less total liabilities calculated in accordance with NZ GAAP, in each case for the Synlait Guaranteeing Group and excluding the effect of any mark to market revaluation of foreign exchange derivatives) must exceed \$295,500,000. (As at 31 July 2019: approximately \$497,800,000)

Although these are not direct restrictions on incurring further indebtedness, Synlait would not be able to incur additional indebtedness if the additional debt would result in a breach of the leverage ratio, the working capital ratio or the minimum level of shareholders' funds or if the additional interest payments would result in a breach of the interest cover ratio.

1. Calculated as if the Offer had been completed as at 31 July 2019 and \$200 million of Bonds were issued under the Offer, with net proceeds of \$196 million being received by Synlait, which were advanced to Synlait Milk Finance Limited and used to repay the Bank Facility Agreement as described in section 4 of this PDS (Purpose of the Offer).

(b) FURTHER BORROWING AND SECURITY *(continued)*

A breach of any of the above financial covenants, including where breach would occur if accrued and unpaid interest on the Bonds was paid, would give rise to an Interest Deferral Condition for the Bonds.

This summary of Bank Facility Agreement terms paraphrases the covenants described, including the defined terms used within them. The term EBITDA is not an NZ GAAP measure but has a specific meaning in the Bank Facility Agreement based upon net profit for the Synlait Guaranteeing Group for the relevant period calculated in accordance with NZ GAAP but adding back specified items (including unrealised losses on foreign exchange or interest rate hedging instruments, operating lease costs and cash dividends from unconsolidated entities) and excluding other items (including tax, interest expense, extraordinary items, losses or gains on sale or revaluation, unrealised gains on foreign exchange or interest rate hedging instruments, amortisation of goodwill, depreciation on fixed assets and certain leased items and option expense).

Synlait has also established a receivables purchase facility with each of ANZ Bank New Zealand Limited and Bank of New Zealand. Under those facilities Synlait is able to sell to a participating bank invoices issued to certain major Synlait customers and those sales do not constitute debt of Synlait. The receivables purchase facility provides for a maximum aggregate face value of invoices subject to the facility at any one time of approximately \$165 million. The amount sold by Synlait to the participating banks under the facility varies throughout the year based upon customer orders. The receivables purchase facility reduces the Synlait Guaranteeing Group's need to make drawings under the Bank Facility Agreement for working capital purposes. However, the facility is uncommitted so at any time each participating bank may give notice, with immediate effect, that it will no longer purchase receivables of one or more debtors. If that were to occur Synlait expects that it would need to increase the size of the Bank Facility Agreement or put in place other funding arrangements to provide further funding for working capital purposes. Any additional borrowings under the Bank Facility Agreement will rank in priority to the Bonds in a liquidation of Synlait and would be secured against Synlait assets.

(ii) RESTRICTIONS ON GRANTING SECURITY

The Facility Agreement contains terms that limit the ability of Synlait to grant security (although these are not terms of the Bonds so Bondholders do not have the benefit of these, and they may be amended or waived by the Synlait Guaranteeing Group's banking syndicate). These are undertakings from the Synlait Guaranteeing Group that it will not grant or allow security over its assets, except in certain permitted instances, including security which the Synlait Guaranteeing Group's banks agree to.

5.3 GUARANTEES

The Bonds will be guaranteed by the Guarantors under the Trust Deed.

Under the Trust Deed, each Guarantor will jointly and severally guarantee to the Supervisor the payment of all amounts owed to Bondholders in respect of the Bonds.

There are no limits on the amount for which any Guarantor may be liable under the Guarantee and there are no conditions to the Guarantee. The obligations of the Guarantors under the Trust Deed will be unsecured and subordinated to the extent that, in a liquidation of the Issuing Group, Senior Creditors will be entitled to be paid in priority to Bondholders receiving payment under the Guarantee. Any demand made under the Guarantee is likely to constitute an event of default under the Bank Facility Agreement (entitling the Bank Facility Lenders to exercise their rights under security interests that secure that facility) and result in the amounts outstanding under the Bank Facility Agreement being paid in full ahead of any payment being made under the Guarantee to the extent that amounts due under the Bank Facility Agreement are able to be recovered from the assets subject to those security interests.

As at the Issue Date the Guarantors will be Synlait Milk Finance Limited, The New Zealand Dairy Company Limited, Eighty Nine Richard Pearse Drive Limited and Synlait Foods (Talbot Forest) Limited, each of which is a member of the Issuing Group. The only other member of the Issuing Group is Synlait Business Consulting (Shanghai) Limited and it will not be a Guarantor on the Issue Date. Any other subsidiary of Synlait that becomes, or is required to become, a guarantor under the Bank Facility Agreement before the Maturity Date is also required to become a Guarantor. A Guarantor may be released if it has ceased to be and is no longer required to be a guarantor under the Bank Facility Agreement and no Event of Default has occurred or is continuing without waiver. Under the Bank Facility Agreement, any new subsidiary of the Synlait Guaranteeing Group, other than a subsidiary which is a permitted joint venture contemplated by the Bank Facility Agreement, must become a guarantor under the Bank Facility Agreement (and therefore will become a Guarantor of the Bonds).

This summary does not cover all details of the Guarantee. For full details of the Guarantee see clauses 10 and 11 of the Master Trust Deed.

5.4 EVENTS OF DEFAULT

The Events of Default are contained in the Trust Deed. They include:

- a failure by Synlait to make a payment, including of principal or interest (to the extent payment of interest has not been deferred as described in section 5.5 below) due in respect of the Bonds, including on Redemption, when due, and that breach is not fully remedied within 10 Business Days
- a failure by Synlait to comply with the restriction on dividends, distributions, capital reductions and the provision of financial assistance where interest has been deferred
- failure by Synlait or any Guarantor to comply in a material respect with any obligation under the Trust Deed which is not remedied and which has or is likely to have a material adverse effect on the Synlait Guaranteeing Group's ability to repay the Bonds in accordance with the Trust Deed

5.4 EVENTS OF DEFAULT (Continued)

- any representation or statement made or deemed made by Synlait or any Guarantor in the Trust Deed is or proves to have been incorrect or misleading in any material respect when made where the circumstances rendering the representation or statement incorrect are not remedied and such circumstances have or are likely to have a material adverse effect on the Synlait Guaranteeing Group's ability to repay the Bonds in accordance with the Trust Deed
- Indebtedness in respect of borrowed money of more than \$35 million is not paid when due, or is called up as a result of an event of default or event of review or a commitment for such indebtedness is cancelled as a result of an event of default or event of review
- insolvency events that affect Synlait or a Guarantor.

This summary does not cover all of the Events of Default. For full details of the Events of Default see clause 14 of the Master Trust Deed and clause 9 of the Series Supplement.

If an Event of Default occurs and is continuing, the Supervisor may in its discretion, and must upon being directed to do so by a Special Resolution of Bondholders, declare the Principal Amount and any accrued interest on the Bonds due and payable. If this occurs, Synlait will need to repay Bondholders the Principal Amount of the Bonds and any outstanding interest due on the Bonds. If the repayment date is not an Interest Payment Date, outstanding interest will be calculated based on an actual/actual day count convention basis as follows:

$$\text{Amount of your interest payment} = \frac{A}{B} \times \frac{\text{Interest Rate}}{4} \times C$$

where:

A = the actual number of days elapsed since the last Interest Payment Date (or, if there has been no Interest Payment Date, since the Issue Date)

B = the actual number of days in the period from the last Interest Payment Date (or, if there has been no Interest Payment Date, the Issue Date) to (and including) the next Interest Payment Date

C = the Principal Amount of Bonds you hold

Any Event of Default is likely to constitute an event of default under the Bank Facility Agreement (entitling the Bank Facility Lenders to exercise their rights under security interests that secure that facility) and result in the amounts outstanding under the Bank Facility Agreement being paid in full ahead of any payment being made in respect of the Bonds.

5.5 INTEREST DEFERRAL

The payment of interest on the Bonds on an Interest Payment Date (other than a date on which the Bonds are Redeemed) is subject to no Interest Deferral Condition existing on the relevant Interest Payment Date. An Interest Deferral Condition exists on an Interest Payment Date if:

- Synlait would not satisfy the solvency test (as defined in section 4 of the Companies Act 1993) immediately after making the payment; or
- in an agreement made with or for the benefit of a Senior Creditor:

- Synlait has breached a covenant or undertaking and the breach has not been waived or remedied to the satisfaction of the Senior Creditor;
- an event of default (however described) has occurred and has not been waived or remedied to the satisfaction of a Senior Creditor or a cancellation notice has been issued by a Senior Creditor in respect of more than \$35 million of commitments as a result of an event of review (in each case, however described); or
- a breach of covenant or undertaking or event of default would occur if accrued but unpaid interest on the Bonds was paid on the Interest Payment Date

Examples of covenants or undertakings that the Synlait Guaranteeing Group has provided to a Senior Creditor are set out in section 5.2(b)(i) of this PDS (*Restrictions on borrowing*). Examples of events of review are those provided for in the Bank Facility Agreement. These are quite specific to Synlait's business and include minimum levels of milk solids to be received, a change of control of any member of the Synlait Guaranteeing Group, delisting of Synlait from NZX, breach by the Synlait Guaranteeing Group of requirements in relation to its milk supply contracts (including minimum contracted milk volumes, not permitting any security interests over milk supplied to it and ensuring at least 80% of contracted milk supply is for a period of not less than two years), change in Synlait's constitution, Synlait's agreement with The a2 Milk Company being terminated or not renewed and material delay in certain capital expenditure projects. If any of these were to occur and not be resolved with the Bank Facility Lenders during a 30 day review period, the Bank Facility Lenders may cancel any facility and require repayment. If the Synlait Guaranteeing Group fails to repay any cancelled facility the security interests securing the Bank Facility Agreement will be able to be enforced. Cancellation of more than \$35 million of commitments following an event of review under the Bank Facility Agreement that results in an Interest Deferral Condition will also result in an Event of Default occurring under the Bonds.

The payment of interest on the Maturity Date (or an earlier Redemption date if the Bonds are Redeemed prior to the Maturity Date) is not subject to any Interest Deferral Condition, and all accrued interest (including previously deferred interest) must be paid if Bonds are Redeemed on any such repayment date regardless of whether an Interest Deferral Condition exists. However, Redemption as a result of a Tax Event or a Change of Control Event is not permitted, and interest and previously deferred interest will not be paid, if an Interest Deferral Condition exists or would exist if the Redemption was made.

Any interest that is not paid because an Interest Deferral Condition exists remains outstanding and will itself earn interest at the Interest Rate.

For the avoidance of doubt, no Event of Default arises if interest on the Bonds is not paid because an Interest Deferral Condition exists on an Interest Payment Date (other than the Maturity Date or earlier Redemption date (if applicable)). See section 5.4 of this PDS (*Events of Default*) for a description of the Events of Default.

5.6 DIVIDEND STOPPER

Synlait will not be able to pay any dividend or make any other distributions (including any capital reorganisation or restructure which results in a reduction in the number of Ordinary Shares on issue (including an acquisition by Synlait of its Ordinary Shares)) on or with respect to its existing quoted or other securities or indebtedness ranking subordinate to the Bonds, or provide any financial assistance for the acquisition of certain Synlait Guaranteeing Group securities, if and for so long as there is any unpaid deferred interest.

5.7 CHANGE OF CONTROL EVENT

Bondholders may choose to Redeem their Bonds before the Maturity Date if a Change of Control Event occurs, after Synlait provides notice of the Change of Control Event as described below. A Change of Control Event will occur if:

- an offer is made to acquire all or some of Synlait's securities which would result in the offeror (including its associates) holding or controlling more than 50% of the voting rights in Synlait, and the offer has been accepted by the requisite number of holders of voting rights in Synlait, become unconditional and all regulatory approvals in respect of the offer have been obtained; and/or
- any circumstance or event arises which results in a person (together with its associates) holding or controlling more than 50% of the voting rights in Synlait.

Bondholders will be provided with notice of the Change of Control Event and will have a period of no less than 10 Business Days from the date of the notice to make an election. If a Bondholder elects to Redeem their Bonds, Synlait must Redeem the relevant Bonds on the date specified in the notice (which must not be more than 30 Business Days after the date of the notice (or if later, 30 Business Days after the date on which all notices and announcements (as applicable) are completed)) for the greater of:

- the Redemption Amount; and
- the arithmetic average of the daily volume weighted average price of the Bonds (excluding interest) on NZX Debt Market on each Business Day during the period of 20 consecutive Business Days immediately preceding (but not including) the date of the Change of Control Event, plus accrued interest or if, in the opinion of the Board, any exceptional or unusual circumstances have artificially affected that volume weighted average price and an independent adviser accepts an engagement to determine the market value of the Bonds, or if no sales occurred during that period, the price shall be the market value of the Bonds as determined by an independent adviser.

Synlait may elect to Redeem all Bonds if fewer than 50 million Bonds will be outstanding as a result of Redemption elections made by Bondholders. In that case Bonds would be redeemed on the same date and for the same amount as Bonds that are Redeemed as a result of Bondholder election.

However, no Redemption as a result of a Change of Control Event, whether at Bondholder or Synlait election, is permitted if an Interest Deferral Condition exists or would exist if the Redemption was made.

It is possible that a change of control of Synlait could result in both a Change of Control Event and an Interest Deferral Condition (if more than \$35 million of commitments were cancelled as a result of an event of review following the change of control). If that were to occur, Synlait would be restricted from Redeeming the Bonds as a result of the Change of Control Event. However, the cancellation of more than \$35 million of commitments would result in an Event of Default under the Bonds. The Supervisor could then in its discretion (and must upon being directed to do so by a Special Resolution of Bondholders) declare the Principal Amount and any accrued interest on the Bonds due and payable. If this were to occur, Synlait would need to repay Bondholders the Principal Amount of the Bonds and any outstanding interest due on the Bonds. The amount that Bondholders would receive might be different from the amount they would have received as a result of the Change of Control Event as described above. Any Event of Default is also likely to constitute an event of default under the Bank Facility Agreement (entitling the Bank Facility Lenders to exercise their rights under security interests that secure that facility) and result in the amounts outstanding under the Bank Facility Agreement being paid in full ahead of any payment being made in respect of the Bonds.

If a Change of Control Event occurs but Synlait fails to give a Change of Control Event Notice, the Supervisor may initiate proceedings against Synlait to obtain an order for specific performance of that notice.

For full details of the definition of and requirements for a Change of Control Event, see clause 6 of the Series Supplement.

5.8 TAX EVENT

Synlait may choose to Redeem all (but not some only) of the Bonds for the Redemption Amount if a Tax Event occurs. In summary, a Tax Event will occur if there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which:

- any interest payable on the Bonds, including any interest that has been deferred, is not, or will not be, fully deductible for the purposes of New Zealand income tax; or
- Synlait would be, or is likely to be, exposed to any other adverse tax consequences in relation to the Bonds.

If Synlait chooses to Redeem the Bonds in these circumstances, it will announce the Redemption via NZX together with the date set for Redemption (which must be at least 30 calendar days and not more than 60 calendar days after such announcement). Before making an election to Redeem the Bonds, Synlait must provide to the Supervisor a certificate signed by two Directors stating that a Tax Event has occurred (including a description thereof and any reasonable supporting information or opinions requested by the Supervisor) and is continuing as at the date of the certificate. However, no such Redemption is permitted if an Interest Deferral Condition exists or would exist if the Redemption was made.

For full details of the definition of and requirements for Tax Events, see clause 6 of the Series Supplement.

5.9 OTHER RELEVANT INFORMATION ABOUT THE TRUST DEED

The Trust Deed also contains a number of standard terms, including relating to:

- The role of the Supervisor, and the powers and duties of the Supervisor. The Supervisor will not be responsible for monitoring the application by Synlait of the money paid by the subscribers of the Bonds.
- The process for replacement of the Supervisor.
- The right of the Supervisor to be indemnified.
- The payment of fees, expenses and other amounts owing to the Supervisor (including that amounts owing to the Supervisor are, on a default, paid from the proceeds of enforcement before payments to Bondholders).
- Holding meetings of Bondholders.
- Providing notices to Bondholders (which may be by way of NZX announcement).
- The process for Bondholders to sell or transfer their Bonds (including that such sales and transfers are subject to the terms of the Trust Deed and applicable laws, in particular that transfers that would result in the transferee holding Bonds with a total Principal Amount of less than \$5,000, or in an amount that is not a multiple of \$1,000, will not be allowed).
- The process for amending the Trust Deed. To summarise, the Trust Deed can be amended:
 - with the consent of the Supervisor; or
 - by the Financial Markets Authority under section 109 of the Financial Markets Conduct Act 2013; or
 - under section 22(7) or 37(6) of the Financial Markets Supervisors Act 2011 or any other enactment.

The Supervisor must only consent to an amendment if:

- the amendment is approved by a Special Resolution of the Bondholders (or each class of Bondholders that is or may be adversely affected by the amendment); or
- the Supervisor is satisfied that the amendment does not have a material adverse effect on the Bondholders.

You should read the Trust Deed for further information.

6. RISKS OF INVESTING

6.1 INTRODUCTION

This section describes the following potential key risk factors:

- general risks associated with an investment in the Bonds; and
- specific risks relating to Synlait's creditworthiness.

The selection of risks has been based on an assessment of a combination of the probability of a risk occurring and the impact of the risk if it did occur. This assessment is based on the knowledge of the Directors as at the date of this PDS. There is no guarantee or assurance that the importance of different risks will not change or that no other risks may emerge over time.

Where practicable, Synlait will seek to implement risk mitigation strategies to minimise the exposure to some of the risks outlined in the following table, although there can be no assurance that such arrangements will fully protect Synlait from such risks.

You should carefully consider these risks (together with the other information in this PDS and available on the Offer Register) before deciding to invest in the Bonds. This summary does not cover all of the risks of investing in the Bonds.

The statement of risks in this section does not take account of the personal circumstances, financial position or investment requirements of any particular person. It is important, therefore, that before making any investment decision, you give consideration to the suitability of an investment in the Bonds in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

6.2 RISKS

GENERAL RISKS: an investment in the Bonds is subject to the following general risks

Credit Risk on Synlait

If Synlait becomes insolvent, there may be a shortfall of funds to pay all amounts ranking ahead of and equally with the Bonds. If this occurs, you will not receive a full return (and may not receive any return) of the Principal Amount and/or any interest due and unpaid at that time.

See section 5.2 of this PDS (*Ranking*) for more information on the ranking of the Bonds in the event of a liquidation of the Issuing Group.

<p>Secondary Market Risk</p>	<p>The risk that, if you wish to sell your Bonds before maturity:</p> <ul style="list-style-type: none"> • you may be unable to find a buyer; or • the price at which you are able to sell them is less than the amount you paid for them. <p>These outcomes may arise because of factors related to Synlait's creditworthiness, or because of other factors. These other factors may include the following:</p> <ul style="list-style-type: none"> • The fact that a trading market for the Bonds never develops, or if it develops is not very liquid. Although permission is expected to be granted to quote the Bonds on the NZX Debt Market, this does not guarantee any trading market in the Bonds. • The level, direction and volatility of market interest rates. For example, if market interest rates go up, the market value of the Bonds would typically be expected to go down and vice versa. • The fact that Bondholders seeking to sell relatively small or relatively large amounts of Bonds may not be able to do so at prices comparable to those available to other Bondholders.
<p>SPECIFIC RISKS RELATING TO SYNLAIT'S CREDITWORTHINESS: Synlait considers that the main circumstances which significantly increase, either individually or in combination, the risk that Synlait may default on its payment obligations under the Bonds are as follows.</p>	
<p>Customer Concentration Risk</p>	<p>Synlait's current business, while having a range of products, customers and geographic destinations, derives a large portion of earnings from one product category, one market and one customer, that being infant formula supplied to The a2 Milk Company Limited (The a2 Milk Company) which is predominantly consumed in the Chinese market.</p> <p>The a2 Milk Company is Synlait's most significant customer and contributor to financial performance. Synlait's three largest customers (including The a2 Milk Company) represented approximately 66% of total revenue in FY2019. However, other than The a2 Milk Company, no one customer has represented more than 17% of Synlait's consolidated revenue in any one year in the past three financial years.</p> <p>The supply contract to which Synlait and The a2 Milk Company are party to provides for exclusive supply of certain infant nutrition products by Synlait for The a2 Milk Company's Australian, New Zealand and Chinese market requirements up to a specified quantity in each year. However, that contract does not require The a2 Milk Company to purchase a minimum quantity of product from Synlait (so long as the relevant exclusivity arrangements are observed). Synlait has recently entered into an amendment agreement to that supply contract which provides for (among other things) Synlait to be the exclusive provider of an increased volume of the relevant infant formula products compared to the current contract. The term of the supply contract has been extended by two years, effectively providing a minimum term to 31 July 2025.</p> <p>If The a2 Milk Company reduces its order quantities under the supply contract, or an event occurs which adversely affects The a2 Milk Company, including its ability to meet its obligations under that contract, it could have an adverse effect on Synlait's operations and financial performance (including Synlait's ability to make payments on the Bonds). Investors should review and monitor information publicly released by The a2 Milk Company as part of consideration of an investment in Bonds.</p> <p>Synlait seeks to manage the risk of its exposure to The a2 Milk Company and its other key customers by:</p> <ul style="list-style-type: none"> • maintaining its close relationship and alignment of interests (it is also relevant to note that The a2 Milk Company held approximately 17.4% of Synlait Ordinary Shares as at 31 July 2019); • continuing to execute its strategy to diversify its product categories, customers and the geographic destinations into which it delivers its products. Recent evidence of this includes investment in the "Everyday Dairy" category through: <ul style="list-style-type: none"> • construction and commissioning of an advanced dairy liquids facility, underpinned by a ten-year supply contract with Foodstuffs South Island; • the acquisition of Talbot Forest Cheese (completed in August 2019); and • the acquisition of Dairyworks Limited² (announced on 25 October 2019), one of New Zealand's largest companies in the "Everyday Dairy" category. <p>See also "<i>China Market Access Risk</i>" and "<i>Category Concentration Risk</i>".</p>

2. The acquisition is expected to settle in 2020 subject to receipt of Overseas Investment Office approval.

China Market
Access Risk

Synlait's manufacturing operations are based solely in New Zealand. Whilst only approximately 9% of sales revenue in FY2019 was derived from products exported directly to China, Synlait understands that a significant proportion of both its infant nutritional and ingredient sales are ultimately consumed in China.

Synlait is therefore reliant on market access for its products sent into China. Disruption of access to this key market for any reason, including:

- geopolitical tensions;
- changing food safety regulations;
- a focus in China on enhancing domestic production (an example of which is the Chinese National Development and Reform Commission policy released in June 2019 proposing to increase domestic infant formula production to meet rising demand);
- changes in export or brand regulations; or
- limitations on foreign entities doing business in China,

could have a significant adverse effect on Synlait's financial performance (including Synlait's ability to make payments on the Bonds).

Synlait has the registrations it requires for the products it currently exports to China. These registrations require periodic renewal and Synlait has a process in place to monitor and plan for renewals. Synlait is assisting key customers with brand registration in China, which includes assessment of Synlait's facilities, the product recipes and a need for registration of Synlait manufacturing sites. The Dunsandel facility is registered with New Zealand and Chinese authorities for infant formula production, the Auckland blending and canning facility is currently seeking registration for infant formula production with Chinese authorities, and Synlait intends to seek infant formula registration with New Zealand and Chinese authorities for its Pokeno facility when the facility is commissioned to manufacture infant formula products. The registration process with Chinese authorities can be time consuming and Synlait has no direct ability to control the timing and process for these proposed registrations. An event that resulted in the removal of, or inability to renew, the Dunsandel facility's registration (with renewal required in 2022) would result in a material impact to Synlait's ability to meet its obligations under the Bonds.

There is no current proposal that Synlait is aware of that would result in changing New Zealand regulations which would affect the export of Synlait's products to China. However, there is no guarantee that such change will not occur in the future or that the export of Synlait's products to China will remain possible.

Synlait manages this market access risk in multiple ways, including:

- proactive monitoring of the regulatory environment for trends, changes and areas of risk, including through maintaining strong relationships with government agencies, regulatory and industry networks;
- regularly discussing market and regulatory dynamics with Bright Dairy, our 39% China based major shareholder, and its three China based Directors;
- continuing to diversify its customer, product and market offerings to mitigate the impact of any single market or product category disruption; and
- ensuring operational level controls are in place, verified and continuously improved to maintain all current site registrations.

If Synlait's products were no longer able to be sent into China, either directly or indirectly (e.g., via Synlait customers or through Daigou channels), this could have a significant adverse effect on Synlait's financial performance.

See also "*Customer Concentration Risk*" and "*Category Concentration Risk*".

Category Concentration Risk

The infant nutrition category, and specifically consumer-packaged infant formula products, are the greatest contributor to Synlait's overall profitability. Sales of consumer-packaged infant formula products represented over 40% of Synlait's revenue in FY2019. Synlait also produces a range of specialised and infant-grade ingredients which are used in infant formula production, either by Synlait or its customers. Synlait's financial performance is therefore directly linked to the demand for, and Synlait's ability to supply, infant formula products and ingredients. A material and continuing drop in demand for any reason, including:

- changes in ultimate consumer preferences (e.g., to plant based products or an increase in breast-feeding rates);
- changes in regulation (e.g. the World Health Organisation code or Codex Alimentarius Food Standards); and
- changes in other factors affecting birth rates in Synlait's major markets,

could have a significant adverse effect on Synlait's financial performance (including Synlait's ability to make payments on the Bonds).

The circumstances noted above are outside of Synlait's control, but are possibilities that could occur during the term of the Bonds.

Synlait manages this risk through:

- its strategy to diversify product categories;
- a well resourced and capable in-house regulatory and Government affairs team and membership and representation within key industry groups such as the Infant Nutrition Council (ANZ) and China Nutritional Health Food Association (CNHFA); and
- in-house innovation and technical capability which allows Synlait to be responsive to changes in the dynamic markets it operates in, including infant formula. The team of approximately 50 staff focusses on new product development, new technology and process development, sales support and operations support.

See also "*Customer Concentration Risk*" and "*China Market Access Risk*".

Implementation Of Diversification And Growth Strategy

One of the ways Synlait addresses the concentration risks set out above is to seek to diversify product categories, customers and the geographies into which it delivers its products. Synlait has eight strategic pathways, five of which are aimed at growth. The growth strategies are designed to capture value, optimise milk supply and diversify the business.

Synlait is nearing completion of a capital investment cycle which has seen it commit approximately \$470 million on growth projects including the expansion of Synlait's lactoferrin facility (\$18.9 million), construction of the infant-capable manufacturing facility at Pokeno (\$280 million, including the value of the land acquired), the liquid dairy packaging facility at Dunsandel (\$134 million) and the acquisition of Talbot Forest Cheese (\$37.8 million). Although the construction or acquisition phase of these projects is largely complete, Synlait is still integrating these into its wider business. Synlait has also recently announced the acquisition of all of the shares in Dairyworks Limited for approximately \$112 million (which is subject to receipt of Overseas Investment Office Approval). Synlait expects to have other capital expenditure projects that it is committed to from time to time which are at various stages of implementation.

Whilst these projects will help address the concentration and operational risks faced by the business, there are risks associated with this growth and its implementation, including the potential inability to maintain product quality and controls, execution risk and cost control (including funding costs).

In particular, there is a risk that Synlait is not able to drive profitability from major capital investments (either as quickly as forecast or at all). This could have a significant impact on Synlait's financial performance (including Synlait's ability to meet its obligations under the Bonds).

Synlait has customer contracts, governance structures, processes, and capability to manage this risk, including:

- ensuring wherever possible that large capital expenditure projects are supported by new or refreshed customer commitments;
- a dedicated Project Management Office function to drive consistency and build capability across the project lifecycle, including thorough business case development;
- active monitoring of all projects through an executive-level governance group; and
- an experienced Board which maintains oversight of the origination and execution of new projects.

<p>Product Safety Risk</p>	<p>Synlait's core business is the manufacture and sale of dairy products. There is a risk that Synlait's products could become, or be perceived to become, unsafe for consumption due to contamination. This could cause consumers of Synlait's products to become unwell, result in a product recall or result in adverse publicity about Synlait's products or its customers' products.</p> <p>Any food safety incident could have a significant, and long-term, adverse impact on Synlait's reputation as a manufacturer and supplier of dairy products. Such an event could also impact adversely on Synlait's existing licences and registrations. If Synlait or any of its customer's reputations are adversely impacted, or Synlait loses any of its licences or registrations, its financial performance could be adversely impacted (including Synlait's ability to make payments on the Bonds).</p> <p>Synlait considers the likelihood of a food safety incident to be low. Synlait is not aware of any defect affecting the safety of any product it has sold and Synlait maintains a strict testing regime that exceeds all legal requirements in New Zealand and its export markets. However, Synlait cannot guarantee that a material food safety event will not occur in the future.</p> <p>Synlait manages this risk through its comprehensive food safety and quality management system, which includes:</p> <ul style="list-style-type: none"> • strict operational controls throughout Synlait's value chain; • operation of a dedicated chemistry laboratory, a microbiology laboratory, and in-process laboratories inside each dryer and in the liquid dairy facility which are ISO 17025 certified and AINZ accredited. These labs undertake thorough testing programmes, including raw milk, ingredients, finished product and across Synlait's processing environment; • training for all staff commensurate to their position; • regular internal and external audits to verify controls and drive a focus on continuous improvement. <p>The Synlait Food Safety Management system is regularly audited by New Zealand's Ministry for Primary Industries, main customers and various independent auditing and certification bodies. Synlait holds a valid FSSC22000 and China Dairy HACCP certification, these are internationally recognised Food Safety certificates.</p> <p>Synlait also holds some product recall insurance and seeks to limit its liability to its customers for any product quality or product safety event wherever possible.</p>
<p>Site And Plant Concentration Risk</p>	<p>All of Synlait's infant formula base powder and ingredient products were produced at the Dunsandel facility in FY2019. Dunsandel has total capacity for approximately 85,000 tonnes of infant formula base powders, 70,000 tonnes of ingredient products (whole milk powder, skim milk powder and anhydrous milk fat), 34 tonnes of lactoferrin, and 110 million litres of liquid dairy products.</p> <p>Any event that resulted in significant damage or destruction to the Dunsandel facility, which meant that facility was unable to operate, could have an adverse impact on Synlait's operational and financial position (including Synlait's ability to make payments on the Bonds). Synlait's key customers may also decide to terminate or reduce their relationships with Synlait in the event of a long-term disruption, which could further affect Synlait's financial performance.</p> <p>Such events could include:</p> <ul style="list-style-type: none"> • catastrophic equipment or infrastructure failure, including infrastructure outside Synlait's control such as the roading network Synlait uses for collection of milk; • failure of information technology or operating technology systems that control Synlait's processing facilities (including by reason of an unauthorised event or malicious cyber attack); • unforeseen breakdowns; • interruption of electricity or coal supply; • industrial action; or • fire, earthquake or other natural disasters. <p>Synlait employs multiple operational risk strategies to manage this risk including:</p> <ul style="list-style-type: none"> • maintenance strategies and processes, including investment in an enterprise asset management system, preventative maintenance programmes, critical spare provisions and operator-led defect monitoring; • fire, gas and chemical detection and response systems; and

<p>Site And Plant Concentration Risk (Continued)</p>	<ul style="list-style-type: none"> business continuity and disaster recovery plans and to help mitigate the impact of disruptive events, with a focus on effective restoration of key processes and systems. <p>In addition, Synlait holds material damage and business interruption insurance across all sites to mitigate this risk. Insurance coverage does not provide complete protection against all potential hazards incidental to Synlait due to uninsurable risks (for example, political risk and regulatory risk), policy exclusions, excesses and other limitations. Synlait may also decide not to insure certain assets, or against certain risks.</p> <p>While not able to provide full contingency, particularly related to infant formula production, the recent commissioning of the Pokeno facility (current capacity of 45,000 tonnes of infant formula), and acquisitions of Talbot Forest Cheese and Dairyworks Limited³ provide further mitigation for the impact of a significant event at the Dunsandel facility. The land on which the facility at Pokeno is located also subject to litigation. In November 2018, the High Court removed covenants over the land which would have hindered development of the land. Subsequent to commencement of construction of the Pokeno facility, the Court of Appeal overturned the High Court decision. Synlait has been granted leave to appeal to the Supreme Court (hearing scheduled for April 2020). Synlait has received legal advice regarding the most likely outcomes of this dispute. Taking into account that advice, Synlait considers it unlikely that an adverse decision at the Supreme Court or subsequent proceedings would result in a materially negative impact on Synlait's ability to continue to operate in the same manner at the Pokeno site.</p>
<p>Lactoferrin Pricing Risk</p>	<p>The price per tonne for lactoferrin (a high value, speciality ingredient product produced by Synlait) has increased materially over the past three financial years, and is subject to volatile price movements.</p> <p>Synlait's gross profit per metric tonne for lactoferrin in FY2019 was \$646,099, up from \$285,757 in FY2018. Lactoferrin sales contributed \$13.3 million to Synlait's gross profit in FY2019, up from \$4.4 million in FY2018.</p> <p>Whilst the favourable pricing environment experienced in FY2019 has continued into early FY2020, Synlait does not expect pricing will be sustained at the current elevated levels as additional supply is expected to enter the market.</p> <p>Any material and sustained decrease in the sale price for lactoferrin could have a significant adverse financial impact on Synlait's financial performance.</p> <p>Synlait has fixed price contracts for approximately half of its lactoferrin supply. However, Synlait has no ability to influence changes in lactoferrin pricing or supply of lactoferrin to the market and therefore is unable to predict the timing, duration and scale of any future movement in lactoferrin pricing, and its impact on Synlait.</p>
<p>Milk Supply Risk</p>	<p>Synlait is primarily involved in the manufacture and sale of dairy products, which are predominantly produced from cow's milk. Synlait's milk supply comes from approximately 250 farmers located in the Canterbury and Waikato regions of New Zealand, the majority being located in Canterbury. The majority of Synlait's milk supply contracts provide for a notice period for termination by the farmer supplier of at least 24 months.</p> <p>Synlait must continue to pay a competitive base milk price and premiums for differentiated milk supply over time in order to attract and retain farmer suppliers. As at the date of this PDS Synlait has a waiting list of farmers who wish to supply their milk to Synlait. However, that may change in the future as farmer suppliers may be solicited by other milk processors who are able to offer an overall more attractive supply arrangement than Synlait. Any constraint in milk supply could have an impact on Synlait's financial performance (including Synlait's ability to make payments on the Bonds).</p> <p>Any event that affected dairy herds in New Zealand, or specifically affected dairy herds in the Canterbury and/or Waikato regions of New Zealand, could significantly impact Synlait's financial performance (including Synlait's ability to make payments on the Bonds). Such events could include disease (e.g., foot and mouth disease), contaminated stock feed or deliberate acts of bioterrorism. In these circumstances, Synlait could be affected more adversely than other dairy processors due to the specific geographic locations of Synlait's farmer suppliers.</p> <p>Synlait considers the likelihood of an event which would adversely affect New Zealand dairy herds to be low. New Zealand is isolated from other countries and has strict biosecurity regulations and processes in place. New Zealand has never had an outbreak of foot and mouth disease and is officially recognised as being free of that disease. Synlait maintains quality controls to identify and quarantine any contaminated products.</p>

3. Expected to settle in 2020 subject to receipt of Overseas Investment Office approval.

7. TAX

RESIDENT WITHHOLDING TAX

If you are tax resident in New Zealand or otherwise receive payments of interest on the Bonds that are subject to the resident withholding tax rules, resident withholding tax will be deducted from interest paid or credited to you at the relevant rate, unless you produce to the Securities Registrar evidence you are exempt from resident withholding tax on or before the record date for the relevant payment date.

APPROVED ISSUER LEVY

If interest on your Bonds is subject to the non-resident withholding tax rules, Synlait will pay approved issuer levy (AIL) on interest paid to you and deduct the AIL from the interest payment. Synlait may apply the zero-percent rate of AIL (rather than the standard AIL rate of 2%) where it is able to do so.

INDEMNITY

If, in respect of any of your Bonds, the Securities Registrar or Synlait becomes liable to account for withholding taxes, or make any payment of, or on account of, tax payable by you, then the Securities Registrar and Synlait shall be indemnified by you in respect of such liability.

GENERAL

There may be other tax consequences from acquiring or disposing of the Bonds including income tax consequences. If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences in light of your specific circumstances.

Taxes may affect your returns. The preceding information does not constitute taxation advice to any Bondholder, is general in nature and limited to consideration of New Zealand taxation impacts as at the date of this PDS.

8. WHO IS INVOLVED?

	Name	Role
Issuer	Synlait Milk Limited	Issuer of the Bonds
Supervisor	The New Zealand Guardian Trust Company Limited	Holds certain covenants on trust for the benefit of the Bondholders, including the right to enforce Synlait's obligations under the Bonds
Arrangers	ANZ Bank New Zealand Limited and Jarden Securities Limited	Provides advice and assistance to Synlait in arranging the Offer, and assists with quotation of the Bonds
Joint Lead Managers	ANZ New Zealand Limited, Jarden Securities Limited, Deutsche Craigs Limited and Forsyth Barr Limited	Assists with the Bookbuild and with the marketing and distribution of the Offer. Except as described above, the Arrangers and Joint Lead Managers are not otherwise involved in the Offer None of the Arrangers, the Joint Lead Managers and their respective directors, employees, agents and advisers have independently verified the content of this PDS This PDS does not constitute a recommendation by the Arrangers, any Joint Lead Manager, or any of their respective directors, officers, employees, agents or advisers to purchase any Bonds
Co-Manager	Hobson Wealth Partners Limited	Assists with the marketing and distribution of the Offer
Securities Registrar	Computershare Investor Services Limited	Maintains the Bond Register
Solicitors to Synlait	Bell Gully	Provides legal advice to Synlait in respect of the Offer
Solicitors to Supervisor	Chapman Tripp	Provides legal advice to the Supervisor in respect of the Offer

9. HOW TO COMPLAIN

Complaints about the Bonds can be directed to:

Synlait Milk Limited at

1028 Heselton Road,
RD13,
Rakaia 7783

Phone: +64 3 373 3000

Attention: Chief Financial Officer

If for any reason Synlait is unable to resolve your complaint, please contact:

The Supervisor at

Level 14, 191 Queen Street
Auckland 1010

Phone: +64 9 909 5100

Attention: Relationship Manager

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by submitting a complaint form on FSCL's website (www.fscl.org.nz), emailing complaints@fscl.org.nz, calling FSCL on 0800 347 257, or writing to FSCL at PO Box 5967, Wellington 6145. The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may also be made to the Financial Markets Authority through their website www.fma.govt.nz.

10. WHERE YOU CAN FIND MORE INFORMATION

10.1 OFFER REGISTER

Further information relating to Synlait and the Bonds is available on the Offer Register.

The information contained on that register includes a copy of the Trust Deed and other material information.

The Offer Register can be accessed at www.companies.govt.nz/disclose, offer number (OFR12776). A copy of the information on the Offer Register is available on request to the Registrar of Financial Service Providers (email: registrar@fspr.govt.nz).

10.2 COMPANIES OFFICE

Further information relating to Synlait is also available on the public register at the Companies Office of the Ministry of Business, Innovation and Employment. This information can be accessed free of charge on the Companies Office website at www.companies.govt.nz/companies.

10.3 NZX AND ASX DISCLOSURES

As Synlait is listed, it makes half-yearly and annual announcements to NZX and ASX and such other announcements to comply with the continuous disclosure rules of the Listing Rules and ASX Listing Rules (including as modified by any waivers, rulings or exemptions applicable to Synlait) from time to time.

You can obtain information provided to NZX by Synlait in accordance with the Listing Rules free of charge by searching under Synlait's stock code "SML" on the NZX website (www.nzx.com). You can also obtain information provided to ASX by Synlait in accordance with the ASX Listing Rules free of charge by searching under Synlait's stock code "SM1" on the ASX website (www.asx.com.au).

Synlait has been designated as a "Non-Standard" (NS) issuer by NZX because Bright Dairy and Food Co Limited (which holds its shares in Synlait through its wholly-owned subsidiary, Bright Dairy Holdings Limited) has the right to appoint four Directors to the Board.

11. HOW TO APPLY

All of the Bonds offered under the Offer (including any oversubscriptions) have been reserved for subscription by clients of the Joint Lead Managers, Co-Manager, NZX Firms and other approved financial intermediaries invited to participate in the Bookbuild.

There is no public pool for the Bonds.

This means that you can only apply for Bonds through a NZX Firm or approved financial intermediary who has obtained an allocation. You can find an NZX Firm by visiting www.nzx.com/services/market-participants/find-a-participant.

The NZX Firm or financial intermediary will:

- provide you with a copy of this PDS (if you have not already received a copy);
- explain what you need to do to apply for Bonds; and
- explain what payments need to be made by you, and by when.

Your financial adviser will be able to advise you as to what arrangements will need to be put in place for you to trade the Bonds, including obtaining a Common Shareholder Number (CSN), an Authorisation Code (FIN) and opening an account with an NZX Firm as well as the costs and timeframes for putting such arrangements in place.

12. CONTACT INFORMATION

ISSUER

Synlait Milk Limited

1028 Heselton Road,
RD13,
Rakaia 7783
Phone: +64 3 373 3000

NEW ZEALAND LEGAL ADVISERS

Bell Gully

Level 21
Vero Centre
48 Shortland Street
Auckland 1010

Level 21
ANZ Centre
171 Featherston Street
Wellington 6140
Phone: +64 (9) 916 8800

SUPERVISOR

The New Zealand Guardian Trust Company Limited

Level 14,
191 Queen Street
Auckland 1010
Phone: +64 9 909 5100

SECURITIES REGISTRAR & PAYING AGENT

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
Phone: +64 (9) 488 8700

ARRANGERS AND JOINT LEAD MANAGERS

ANZ Bank New Zealand Limited

Level 10, ANZ Centre
171 Featherston Street
Wellington 6011
Phone: 0800 269 476

Jarden Securities Limited

Level 39, ANZ Centre
23-29 Albert Street
Auckland 1010
Phone: 0800 005 678

OTHER JOINT LEAD MANAGERS

Deutsche Craigs Limited

Level 36 Vero Centre
48 Shortland Street
Auckland 1010
Phone: 0800 226 263

Forsyth Barr Limited

Level 23 Lumley Centre
88 Shortland Street
Auckland 1010
Phone: 0800 367 227

CO-MANAGER

Hobson Wealth Partners Limited

Level 4, Australis Nathan Buildings
37 Galway Street, Britomart
Auckland 1010
Phone: +64 9 363 8700

13. GLOSSARY

\$ or NZ\$	New Zealand dollars
Arrangers	ANZ Bank New Zealand Limited and Jarden Securities Limited
ASX	ASX Limited, or the financial market operated by ASX Limited, as the context requires, also known as the Australian Securities Exchange
ASX Listing Rules	The listing rules of ASX, as amended from time to time
Bank Facility Agreement	<p>The Synlait Guaranteeing Group's senior loan facilities comprising:</p> <ul style="list-style-type: none"> the Loan Facilities Agreement dated 26 June 2013 as amended and restated from time to time, including by agreement dated 29 August 2019, made between Synlait Milk Finance Limited (as Borrower), the Issuer and the other Guarantors named therein, ANZ Bank New Zealand Limited (as Facility Agent and Security Agent) and ANZ Bank New Zealand Limited and Bank of New Zealand (as Lenders); and any additional or successor bank facility or advance of borrowed money that is secured under the security trust deed dated 18 July 2007 between the Issuer and ANZ Bank New Zealand Limited (as Security Agent), as amended and restated from time to time, and any successor security trust deed or similar replacement agreement or which has the benefit of another security interest. <p>Assuming net proceeds of at least \$180 million are raised under the Offer, following application of those proceeds to repay a portion of bank drawings and the cancellation of some existing facilities, the senior loan facilities under the Bank Facility Agreement will be:</p> <ul style="list-style-type: none"> Seasonal WC Facility with a limit of \$250 million; and Revolving Credit Facilities with an aggregate limit of \$250 million.
Bank Facility Lenders	The lenders for the time being under the Bank Facility Agreement and/or any facility agent or security trustee acting on their behalf and any other person entitled to the benefit of the Bank Facility Agreement or the security trust deed dated 18 July 2007 between Synlait and ANZ Bank New Zealand Limited (as Security Agent), as amended and restated from time to time, and any successor security trust deed or similar replacement agreement. As at the date of this PDS the Bank Facility Lenders are ANZ Bank New Zealand Limited and Bank of New Zealand
Board	Synlait's Board of Directors
Bondholder or you	A person whose name is entered in the Bond Register as a holder of a Bond
Bonds	The bonds constituted and issued pursuant to the Trust Deed and offered pursuant to this PDS
Bond Register	The register in respect of the Bonds maintained by the Securities Registrar
Bookbuild	The bookbuild process to determine the Issue Margin, expected to be conducted by the Joint Lead Managers on the Rate Set Date
Business Day	A day on which the NZX Debt Market is open for trading
Change of Control Event	<p>The occurrence of one or more of the following:</p> <ul style="list-style-type: none"> an offer is made to acquire all or some of Synlait's securities which would result in the offeror (including associates of the offeror) holding or controlling more than 50% of the voting rights of Synlait and: <ul style="list-style-type: none"> the offer has been accepted by the requisite number of holders of voting rights and has become unconditional; and all regulatory approvals in respect of the offer have been obtained; or any circumstance or event arises which results in a person (together with its associates) holding or controlling more than 50% of the voting rights of Synlait.
Closing Date	Friday, 13 December 2019 at 5.00pm

Daigou channel	An e-commerce channel allowing Chinese buyers to acquire products from overseas vendors who may obtain them from outside China
Director	A director of Synlait
Event of Default	Each event set out in clause 14 of the Master Trust Deed and clause 9 of the Series Supplement, which are summarised in section 5 of this PDS (<i>Key features of the Bonds</i>)
First Interest Payment Date	Tuesday, 17 March 2020
FY	The financial year ended or ending 31 July of that year
Guarantee	The guarantee provided by the Guarantors
Guarantors	As at the Issue Date, Synlait Milk Finance Limited, The New Zealand Dairy Company Limited, Eighty Nine Richard Pearse Drive Limited and Synlait Foods (Talbot Forest) Limited
Inland Revenue	The New Zealand Inland Revenue Department
Interest Payment Dates	Quarterly in arrear on 17 March, 17 June, 17 September and 17 December each year (or if that day is not a Business Day, the next Business Day), with the First Interest Payment Date being 17 March 2020 Interest payments are subject to the Interest Deferral Condition
Interest Deferral Condition	In respect of the payment of interest on an Interest Payment Date, if: <ul style="list-style-type: none"> • Synlait would not satisfy the solvency test (as defined in section 4 of the Companies Act) immediately following the payment of accrued but unpaid interest on that Interest Payment Date; or • in an agreement made with or for the benefit of a Senior Creditor: <ul style="list-style-type: none"> • Synlait has breached a covenant or undertaking and the breach has not been waived or remedied to the satisfaction of the Senior Creditor; • an event of default (however described) has occurred and has not been waived or remedied to the satisfaction of a Senior Creditor or a cancellation notice has been issued by a Senior Creditor in respect of more than \$35 million of commitments as a result of an event of review (in each case, however described); or • a breach of covenant or undertaking or event of default would occur if accrued but unpaid interest on the Bonds was paid on the Interest Payment Date
Interest Rate	The rate of interest per annum payable on the Principal Amount of the Bonds as announced by Synlait through NZX on the Rate Set Date
Issue Date	Tuesday, 17 December 2019
Issue Margin	The margin determined by Synlait in conjunction with the Joint Lead Managers following the Bookbuild, as announced via NZX on the Rate Set Date
Issuing Group	Synlait and all of its subsidiaries (as defined in section 6 of the Financial Markets Conduct Act 2013)
Joint Lead Managers	ANZ Bank New Zealand Limited, Jarden Securities Limited, Deutsche Craigs Limited and Forsyth Barr Limited
Listing Rules	The listing rules applying to the NZX Debt Market, as amended from time to time
Lodgement Date	Friday, 29 November 2019
Master Trust Deed	The Master Trust Deed dated 28 November 2019 between Synlait, the Guarantors and the Supervisor pursuant to which certain bonds, including the Bonds, may be issued (as amended or supplemented from time to time), a copy of which is available on the Offer Register
Maturity Date	Tuesday, 17 December 2024
Minimum Interest Rate	The minimum interest rate announced by Synlait on the Lodgement Date
NZX	NZX Limited
NZX Debt Market	The debt security market operated by NZX

NZX Firm	Any company, firm, organisation or corporation designated or approved as a Primary Market Participant (as defined in the NZX Participant Rules made by NZX from time to time) from time to time by NZX
NZX Main Board	The main board equity security market operated by NZX
Offer	The offer of Bonds made by Synlait under this PDS
Offer Register	The online offer register maintained by the Companies Office and the Registrar of Financial Service Providers known as "Disclose" and accessible online at www.companies.govt.nz/disclose offer number (OFR12776)
Opening Date	Monday, 9 December 2019
PDS	This product disclosure statement
Principal Amount	\$1.00 per Bond
Rate Set Date	Friday, 6 December 2019
Redemption	The redemption of your Bonds by Synlait, and Redeem , Redeemed and Redeeming have corresponding meanings
Redemption Amount	The Principal Amount of the Bonds plus any accrued but unpaid interest, including deferred interest
Securities Registrar	Computershare Investor Services Limited
Senior Creditor	A creditor of Synlait whose claim in a liquidation would rank ahead of Bondholders being: <ul style="list-style-type: none"> the Bank Facility Lenders in respect of all amounts due in relation to the Bank Facility Agreement; creditors in respect of other secured borrowed money (to the extent that such borrowed money is repaid from proceeds of enforcement of the relevant security); and all other creditors whose claims in a liquidation are preferred by law
Series Supplement	The Series Supplement dated 28 November 2019 between Synlait and the Supervisor setting the terms and conditions of the Bonds (as amended or supplemented from time to time), a copy of which is available on the Offer Register
Special Resolution	A resolution passed with the support of Bondholders holding not less than 75% of the aggregate Principal Amount of Bonds held by those persons voting
Supervisor	The New Zealand Guardian Trust Company Limited or such other supervisor as may hold office as supervisor under the Trust Deed from time to time
Swap Rate	The mid-market swap rate for an interest rate swap of a term matching the period from the Issue Date to the Maturity Date, as calculated by the Arrangers in consultation with Synlait, according to market convention, with reference to Bloomberg page 'ICNZ4' (or any successor page) on the Rate Set Date and expressed on a quarterly basis (rounded to 2 decimal places, if necessary, with 0.005 being rounded up)
Synlait	Synlait Milk Limited
Synlait Guaranteeing Group	Synlait and each Guarantor (but, for the avoidance of doubt, not including Synlait Business Consulting (Shanghai) Limited)
Tax Event	A Tax Event will occur if Synlait (having taken appropriate legal or tax advice) determines that there has been, or there will be, a change in, or amendment to, the laws, rulings or directives of New Zealand or of any authority or agency in New Zealand having power to tax or administer tax (or in the application or official interpretation of such laws, rulings or directives) that applies, or is to apply, after the Issue Date of the Bonds, as a result of which: <ul style="list-style-type: none"> any interest incurred on the Bonds, including Deferred Interest, is not, or will not be, fully deductible for the purposes of New Zealand income tax; or Synlait would be, or is likely to be, exposed to any other adverse tax consequence in relation to any Bonds
Trust Deed	The Master Trust Deed, and, where the context requires, includes the Series Supplement



Synlait