



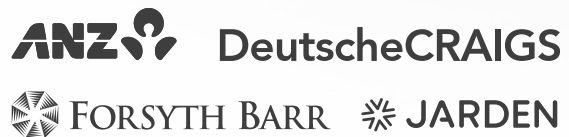
# INDICATIVE TERM SHEET

**INDICATIVE TERMS SHEET FOR AN OFFER OF UP TO \$150 MILLION PLUS UP TO \$50 MILLION OF OVERSUBSCRIPTIONS (AT SYNLAIT'S DISCRETION) OF UNSECURED, SUBORDINATED FIXED RATE BONDS**

The indicative terms sheet ("Terms Sheet") should be read together with the product disclosure statement ("PDS") dated 29 November 2019 for the offer of unsecured, subordinated fixed rate bonds ("Bonds") by Synlait Milk Limited (the "Offer"). The PDS is available at [www.synlait.com/bondoffer](http://www.synlait.com/bondoffer) and can also be obtained from the Joint Lead Managers or your usual financial adviser. Investors must obtain and read a copy of the PDS before they apply for Bonds.

Capitalised terms used but not defined in the Terms Sheet have the meaning given to them in the PDS.

## JOINT LEAD MANAGERS



## CO-MANAGER



<b>Issuer</b>	Synlait Milk Limited (the “Issuer” or “Synlait”)
<b>Instrument</b>	Unsecured, subordinated fixed rate bonds
<b>Offer amount</b>	Up to \$150 million plus up to \$50 million in oversubscriptions at Synlait’s discretion.
<b>Maturity Date</b>	Tuesday, 17 December 2024
<b>Purpose of the Offer</b>	The net proceeds of the Offer will be used to repay a portion of the Synlait Guaranteeing Group’s bank debt. The Offer will also provide diversification of funding sources to support Synlait’s growth strategy.
<b>No Public Pool</b>	There is no public pool for the Bonds.  All Bonds, 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 conducted by the Joint Lead Managers.
<b>Ranking of the Bonds</b>	The Bonds will be unsecured and on liquidation of the Issuer will rank: <ul style="list-style-type: none"> <li>• behind Synlait’s senior bank debt, other secured borrowed money and other claims preferred by law;</li> <li>• equally with all unsecured and unsubordinated financial indebtedness of Synlait; and</li> <li>• 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.</li> </ul>
<b>Guarantee</b>	The Bonds will be guaranteed by Synlait Milk Finance Limited and the guarantors under the Bank Facility Agreement. The only Guarantors as at the Issue Date of the Bonds 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 are wholly-owned subsidiaries of the Issuer.  The obligations of the Guarantors under the Guarantee will be unsecured and subordinated to the extent that, in the event of a liquidation, Synlait’s senior bank debt, other secured borrowed money and other claims preferred by law will be entitled to be paid in priority to Bondholders receiving payment under the Guarantee.  More information about the terms of the Guarantee under the Master Trust Deed is set out in section 5.3 of the PDS (Guarantees).
<b>Interest Rate</b>	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.  The Issue Margin will be determined by Synlait in conjunction with the Joint Lead Managers following a bookbuild.
<b>Indicative Issue Margin and Minimum Interest Rate</b>	The indicative Issue Margin is 2.50% - to 2.70% per annum and the Minimum Interest Rate will be 3.70% per annum.
<b>Swap Rate</b>	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 Issuer in conjunction with the Arrangers, 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).

<b>Interest Payment Dates</b>	Interest is scheduled to be paid quarterly in arrear in equal payments on 17 March, 17 June, 17 September and 17 December in each year (or if that scheduled day is not a Business Day, the next Business Day) up to and including the Maturity Date, subject as described under "Interest Deferral" below.
<b>Interest Deferral</b>	<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 Interest Payment Date. In broad terms, the Interest Deferral Conditions prevent interest from being paid if:</p> <ul style="list-style-type: none"> <li>• Synlait is not solvent or would not be solvent after making the payment; or</li> <li>• An event of default or breach (including breach of any covenant or undertaking) or cancellation of more than \$35 million of commitments following event of review has occurred under an agreement made with or for the benefit of a Senior Creditor or would occur after making the payment.</li> </ul> <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 repaid 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 deferred interest will also accrue interest at the Interest Rate compounding on each following Interest Payment Date until paid.</p>
<b>Dividend Stopper</b>	Synlait will not be able to pay any dividend or make any other distributions on or with respect to Ordinary Shares 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 or deferred interest.
<b>Redemption Amount</b>	Principal Amount plus any accrued but unpaid interest, including deferred interest.
<b>Change of Control Event</b>	<p>The occurrence of one or more of the following:</p> <ul style="list-style-type: none"> <li>• 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 is, or becomes, unconditional and all regulatory approvals have been obtained; and/or</li> <li>• 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.</li> </ul> <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"> <li>• the Redemption Amount; or</li> <li>• the volume weighted average ex-interest price of the Bonds for the 20 Business Days preceding the date on which the Change of Control Event occurs plus accrued interest.</li> </ul> <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>
<b>Tax Event</b>	<p>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:</p> <ul style="list-style-type: none"> <li>• any interest payable on the Bonds, including interest which has been deferred, is not, or will not be, fully deductible for the purposes of New Zealand income tax; or</li> <li>• Synlait would be, or is likely to be, exposed to any other adverse tax consequences in relation to the Bonds.</li> </ul> <p>If a Tax Event occurs, Synlait may elect to Redeem all (but not some only) of the Bonds at the Redemption Amount. 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>

<b>Events of Default</b>	<p>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 due and payable at the Redemption Amount if one of the following events occurs:</p> <ul style="list-style-type: none"> <li>• a failure by Synlait to make a payment in respect of the Bonds, including on Redemption, when due, and that breach is not fully remedied within 10 Business Days;</li> <li>• a failure by Synlait to comply with the Dividend Stopper restriction;</li> <li>• a failure by Synlait or any Guarantor to comply in a material respect with any material obligation under the Trust Deed;</li> <li>• Synlait or any Guarantor makes a material misrepresentation under the Trust Deed;</li> <li>• indebtedness in respect of borrowed money of more than \$35 million is not paid when due, or is called up as a result of a default or a commitment for such indebtedness is cancelled; or</li> <li>• one or more insolvency events occurs.</li> </ul> <p>A failure to pay interest that has been deferred because an Interest Deferral Condition exists on the relevant Interest Payment Date is not an Event of Default.</p>
<b>Listing</b>	<p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of the PDS have been duly complied with. However, the Bonds have not been approved for trading and NZX accepts no responsibility for any statement in the PDS or this Terms Sheet. NZX is a licensed market operator, and the NZX Debt Market is a licensed market, under the Financial Markets Conduct Act 2013. Synlait has been designated as a "Non-Standard" (NS) issuer by NZX because Bright Dairy Holdings Limited, its cornerstone shareholder, has the right to appoint four Directors to the Board.</p> <p>NZX Debt Market ticker code SML010 has been reserved for the Bonds.</p>
<b>Issue Price</b>	\$1.00 per Bond, being the Principal Amount of each Bond.
<b>Minimum Application Amount</b>	\$5,000 per Bond, and multiples of \$1,000 thereafter
<b>Record Date</b>	5.00pm on the tenth calendar day before the due date for payment (or if that day is not a Business Day, the preceding Business Day).
<b>ISIN</b>	NZSMLDT001C4
<b>Brokerage</b>	0.75% brokerage plus 0.50% on firm allocations paid by Synlait.
<b>Governing Law</b>	New Zealand
<b>Arrangers</b>	ANZ Bank New Zealand Limited ("ANZ") and Jarden Securities Limited ("Jarden")
<b>Joint Lead Managers</b>	ANZ, Deutsche Craigs Limited, Forsyth Barr Limited and Jarden
<b>Co Manager</b>	Hobson Wealth Partners Limited
<b>Registrar and Paying Agent</b>	Computershare Investor Services Limited
<b>Bond Supervisor</b>	The New Zealand Guardian Trust Company Limited
<b>Documentation</b>	<p>The terms of the offer of the Bonds are set out in the PDS.</p> <p>Other terms of the Bonds are set out in:</p> <ul style="list-style-type: none"> <li>• the Master Trust Deed; and</li> <li>• the Series Supplement.</li> </ul> <p>You should read each of these documents. Copies may be obtained from the Offer Register at <a href="http://www.companies.govt.nz/disclose">www.companies.govt.nz/disclose</a>, offer number OFR12776.</p> <p>Copies are also available at <a href="http://www.synlait.com/bondoffer">www.synlait.com/bondoffer</a>.</p>

## IMPORTANT DATES

<b>PDS lodged</b>	29 November 2019
<b>Rate Set Date</b>	6 December 2019
<b>Opening Date</b>	9 December 2019
<b>Closing Date</b>	13 December 2019
<b>Issue / Allotment Date</b>	17 December 2019
<b>Expected date of initial quotation and trading on the NZX Debt Market</b>	18 December 2019
<b>Maturity Date</b>	17 December 2024

The dates set out in this Terms Sheet are indicative only and subject to change. Synlait may vary the timetable in its absolute discretion and without notice. Changes will be advised by way of announcement through NZX.

Synlait reserves the right to cancel the Offer.

## SELLING RESTRICTIONS

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.

Any product disclosure statement, circular, advertisement or other offering material in respect of the Bonds (including this Terms Sheet) 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).

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.