



3 August 2018

NZX/ASX Market Release

The a2 Milk Company increases investment in Synlait Milk

The a2 Milk Company ("a2MC") is pleased to announce it will increase its shareholding in Synlait Milk Limited.

a2MC will acquire, through a subsidiary, an additional ~8.3% of the fully paid ordinary shares in Synlait from Mitsui & Co. at a price of NZ\$10.90 per share for total consideration of ~NZ\$161.8m. This represents a modest discount to the NZX one month volume weighted average price of NZ\$11.16.

The acquisition of shares follows a2MC's reaffirmation of its infant formula and other nutritional products supply agreement with Synlait in July 2018. This supply agreement will continue to be the cornerstone of the commercial relationship between the two parties.

Commenting on this increased shareholding in Synlait, a2MC Managing Director Jayne Hrdlicka said "This investment in Synlait is consistent with The a2 Milk Company's commitment to long-term supply arrangements with high quality partners such as Synlait Milk and Fonterra Co-operative Group."

a2MC has no plans to further increase its shareholding in Synlait.

For further information contact:

The a2 Milk Company Limited

Jayne Hrdlicka

Managing Director & CEO

+61 2 96977000

Disclosure of movement of 1% or more in substantial holding
or change in nature of relevant interest, or both

Sections 277 and 278, Financial Markets Conduct Act 2013

To NZX Limited
and
To Synlait Milk Limited (NZX: SML) ("**SML**")

Relevant event being disclosed: Movement of 1% or more in substantial holding

Date of relevant event: 13 April 2018 and 3 August 2018

Date this disclosure made: 3 August 2018

Date last disclosure made: 9 March 2017

Substantial product holder(s) giving disclosure

Full name(s): The a2 Milk Company (New Zealand) Limited ("**a2MC NZ**")¹

Summary of substantial holding

Class of quoted voting products: Ordinary shares in SML

Summary for a2MC NZ

For **this** disclosure,—

- (a) total number held in class: 31,174,646
- (b) total in class: 179,223,028
- (c) total percentage held in class: 17.394%

For **last** disclosure,—

- (a) total number held in class: 14,634,119
- (b) total in class: 179,149,619
- (c) total percentage held in class: 8.169%

Details of transactions and events giving rise to relevant event

Details of the transactions or other events requiring disclosure:

(1) On 13 April 2018, a2MC NZ settled an on-market purchase transaction for 1,700,000 fully paid ordinary shares in SML for aggregate consideration of \$15,322,950.

(2) On 3 August 2018, The a2 Milk Company Limited entered into an agreement with Mitsui & Co., Ltd ("**Mitsui**") and Mitsui & Co. (Australia) Limited ("**Mitsui Australia**") to

¹ Pursuant to section 284 of the Financial Markets Conduct Act 2013, a separate disclosure is not required for a2MC NZ's parent, The a2 Milk Company Limited.

acquire, through its wholly-owned subsidiary, a2MC NZ, 14,840,527 fully paid ordinary shares in SML for \$10.90 per share ("**Agreement**"). Settlement of the transaction is to occur on 10 August 2018.

Details after relevant event

Details for a2MC NZ

Nature of relevant interest(s): Power to acquire or control the acquisition of ordinary shares in SML, pursuant to the Agreement. A copy of the Agreement is attached to this disclosure in accordance with clause 139 of the Financial Markets Conduct Regulations 2014.

For that relevant interest,—

- (a) number held in class: 14,840,527
- (b) percentage held in class: 8.280%
- (c) current registered holder(s): Mitsui (8,832,626 ordinary shares)
Mitsui Australia (6,007,901 ordinary shares)
- (d) registered holder(s) once transfers are registered: JBWere (NZ) Nominees Limited

For a derivative relevant interest, also—

- (a) type of derivative: Not applicable
- (b) details of derivative: Not applicable
- (c) parties to the derivative: Not applicable
- (d) if the substantial product holder is not a party to the derivative, the nature of the relevant interest in the derivative: Not applicable

Nature of relevant interest(s): Beneficial owner of ordinary shares in SML.

For that relevant interest,—

- (a) number held in class: 16,334,119
- (b) percentage held in class: 9.114%
- (c) current registered holder(s): JBWere (NZ) Nominees Limited
- (d) registered holder(s) once transfers are registered: No change (JBWere (NZ) Nominees Limited)

For a derivative relevant interest, also—

- (a) type of derivative: Not applicable

- (b) details of derivative: Not applicable
- (c) parties to the derivative: Not applicable
- (d) if the substantial product holder is not a party to the derivative, the nature of the relevant interest in the derivative: Not applicable

Additional information

Address(es) of substantial product holder(s): Level 4, 182 Blues Point Road, McMahons Point, NSW 2060

Contact details: Jaron McVicar, jaron.mcvicar@a2milk.com, + 61 2 9697 7000

Nature of connection between substantial product holders: Not applicable

Name of any other person believed to have given, or believed to be required to give, a disclosure under the Financial Markets Conduct Act 2013 in relation to the financial products to which this disclosure relates: Mitsui & Co., Limited and Mitsui & Co. (Australia) Limited.

Certification

I, Jaron McVicar, certify that, to the best of my knowledge and belief, the information contained in this disclosure is correct and that I am duly authorised to make this disclosure by all persons for whom it is made.



PRIVATE AND CONFIDENTIAL

Mitsui & Co., Limited
1 Chome-1-3 Marunouchi, Chiyoda, Tokyo
100-0005
Japan

Mitsui & Co. (Australia) Ltd.
Level 15, 120 Collins Street,
Melbourne VIC 3000, Australia
Australia

ACQUISITION OF SHARES IN SYNLAIT MILK LIMITED

1. This letter agreement (**Agreement**) relates to a proposed transaction for The a2 Milk Company Limited (**a2MC**) to acquire, through its wholly-owned subsidiary, The a2 Milk Company (New Zealand) Limited (**a2MC NZ**), 14,840,527 fully paid ordinary shares in Synlait Milk Limited (**SML**) together with all rights attaching to them as at 28 July 2018 (**SML Shares**) held by Mitsui & Co., Ltd (**Mitsui**) and its wholly owned subsidiary, Mitsui & Co. (Australia) Limited (**Mitsui Australia**).
2. The date on which this Agreement has been signed by each of the parties is referred to as the **Agreement Date**.

Agreement for Sale and Purchase

3. By each signing where indicated below:
 - (a) Mitsui agrees to sell, and a2MC agrees to procure the purchase by a2MC NZ of, 8,832,626 SML Shares; and
 - (b) Mitsui Australia agrees to sell, and a2MC agrees to procure the purchase by a2MC NZ of, 6,007,901 SML Shares,at NZ\$10.90 per SML Share for an aggregate purchase price of NZ\$161,761,744.30 (the **Purchase Price**) (**Sale**).

Settlement

4. Settlement of the Sale (**Settlement**) will occur on the date that is five business days after the Agreement Date (the **Settlement Date**). Settlement shall be effected by an off-market share transfer as follows:
 - (a) prior to Settlement:
 - (i) a2MC NZ will provide Mitsui and Mitsui Australia's solicitors, Bell Gully, with an agreed form off-market share transfer form in respect of the SML Shares held by Mitsui and Mitsui Australia (respectively) duly executed on behalf of a2MC NZ (the **Share Transfer Forms**) to be held by Bell Gully on an escrow basis in accordance with paragraph (b) below; and

(ii) Mitsui and Mitsui Australia will duly execute the relevant Share Transfer Form as transferor of the relevant SML Shares to be held by Bell Gully on an escrow basis in accordance with paragraph (b) below;

(b) on the Settlement Date, provided:

(i) Bell Gully has given to a2MC NZ and its solicitors, Harmos Horton Lusk Limited, a written and irrevocable undertaking that immediately on receipt of the Purchase Price in immediately available cleared funds into Bell Gully's trust account (the details for which will be provided by Mitsui to a2MC in writing no later than 2 business days before the Settlement Date) (the **Solicitor's Bank Account**), it will provide a scanned copy of the Share Transfer Forms to, and irrevocably instruct and authorise, SML's share registry in writing (with a copy of that instruction/authority to Harmos Horton Lusk) to effect the transfers of the SML Shares to a2MC NZ in accordance with the Share Transfer Forms; and

(ii) SML's share registry has confirmed in writing to Bell Gully and Harmos Horton Lusk that it will, on receipt of instruction from Bell Gully, effect the transfers of the SML Shares to a2MC NZ pursuant to the Share Transfer Forms,

a2MC NZ will transfer the aggregate Purchase Price in immediately available cleared funds to the Solicitor's Bank Account and the Share Transfer Forms will be released from escrow to the control of SML's share registry.

5. Mitsui warrants that:

(a) it is the legal and beneficial owner of the SML Shares described in paragraph 3(a); and

(b) the SML Shares described in paragraph 3(a) will be transferred free of all encumbrances, security interests (as that term is defined in section 17 of the Personal Property Securities Act 1999) and other adverse interests of any nature.

6. Mitsui Australia warrants that:

(a) it is the legal and beneficial owner of the SML Shares described in paragraph 3(b); and

(b) the SML Shares described in paragraph 3(b) will be transferred free of all encumbrances, security interests (as that term is defined in section 17 of the Personal Property Securities Act 1999) and other adverse interests of any nature.

7. Mitsui and Mitsui Australia respectively agree to take all steps necessary to enable the transfer of clear and unencumbered title to the SML Shares held in their respective name to a2MC NZ by the share registry in accordance with paragraph 4.

8. a2MC NZ agrees to take all steps necessary to enable the transfer of the SML Shares from Mitsui and Mitsui Australia to a2MC NZ by the share registry in accordance with paragraph 4.

Disclosure

9. The parties acknowledge that, upon signature of all parties to this letter and delivery of a copy to the others, immediate disclosure of this Agreement is required by New

Zealand substantial product holder disclosure law through NZX and to Synlait Milk Limited.

Voting Rights Unaffected

10. Until Settlement, Mitsui and Mitsui Australia are free to exercise all voting rights attaching to their respective SML Shares as they see fit.

Escalation

11. In addition to the purchase price of NZ\$161,761,744.30, if a2MC or any of its subsidiaries acquires any shares in SML from a third party at a price that is greater than NZ\$10.90 per SML Share in accordance with one of the methods set out in rules 7(a) to (c) of the Takeovers Code or pursuant to a scheme of arrangement under Part 15 of the Companies Act 1993, where an intention to undertake that transaction is announced at any time before the release by SML to NZX of its half year results for the 6 months ended 31 January 2019 (expected to be in March 2019) (each transaction, a **Further Transaction**), then a2MC will procure that within 5 business days of completion of any such Further Transaction a2MC NZ pays to Mitsui (for itself and for Mitsui Australia, in the relevant proportions), by way of additional purchase price for the SML Shares, an amount equal to:

$$((A - \text{NZ\$}10.90) * 14,840,527) - B - C$$

where:

"A" is equal to the price per SML Share in New Zealand dollars under that Further Transaction;

"B" is the Purchase Price multiplied by 9% per annum for the period from the Settlement Date to the completion date of that Further Transaction; and

"C" is any amount previously paid to Mitsui under this paragraph 11 in respect of a prior Further Transaction.

If the application of the calculation above in respect of a Further Transaction results in a negative number, then no amount will be payable under this paragraph in respect of that Further Transaction.

12. The threshold price of NZ\$10.90 per SML Share set out in paragraph 11 above will be adjusted as appropriate for:

- (a) any subdivisions or consolidations of SML's share capital, any bonus issues, or any other similar corporate reorganisation actions by SML; or
- (b) any issue of ordinary shares by SML at a discount of 10% or greater on the volume weighted average price of SML's ordinary shares over the 5 trading days immediately prior to the announcement of the relevant issue pursuant to a pro-rata rights offer or an issue in which a2MC NZ participates,

in each case, that has occurred prior to the Further Transaction and which has impacted the value of a SML Share.

For any Further Transaction involving scrip consideration, the price per SML Share will include the mid point of the value ascribed to that scrip consideration in the independent adviser's report obtained by SML in connection with that Further Transaction (applied on a per SML Share basis).

13. a2MC and a2MC NZ will cease to have any obligations under paragraphs 11 and 12 if a third party becomes the holder or controller of more than 50% of the ordinary shares in a2MC.
14. Paragraphs 11 and 12 do not apply if:
 - (a) a third party has made a full or partial takeover offer under the Takeovers Code for shares in SML, or has given notice under rule 41 of the Takeovers Code of an intention to make an offer under the Takeovers Code; or
 - (b) a third party or SML has announced an intention to undertake a scheme of arrangement under Part 15 of the Companies Act 1993 in respect of shares in SML.

General

15. The parties acknowledge and agree that the aggregate purchase price for the SML Shares (taking into account paragraph 11 above) is the only amount payable to Mitsui and Mitsui Australia under this Agreement. The aggregate purchase price for the SML Shares shall be paid in full on the relevant date for payment prescribed by this Agreement. It is further acknowledged and agreed that a2MC and a2MC NZ shall not have any responsibility for any brokerage, commission or other fees incurred by Mitsui or Mitsui Australia and that Mitsui and Mitsui Australia shall not have any responsibility for any brokerage, commission or other fees incurred by a2MC or a2MC NZ.
16. This Agreement creates legally binding and enforceable obligations on the parties in accordance with its terms. This Agreement is the entire agreement between the parties in relation to the sale and purchase of the SML Shares and replaces all earlier negotiations and representations, whether oral or written, between the parties relating to the sale and purchase of the SML Shares.
17. Each party must do anything, including execute and deliver any documents as may reasonably be required by any other parties, to obtain the full benefit of this Agreement according to its true intent.
18. This Agreement may be signed in one or more counterparts and may be exchanged as PDF copies.
19. This Agreement is governed by the laws of New Zealand. The parties submit to the non-exclusive jurisdiction of the courts of New Zealand in respect of any dispute arising.
20. The parties agree that, for the purposes of the financial arrangements rules in the Income Tax Act 2007, the purchase price for the SML Shares (taking into account paragraph 11 above) is the lowest price the parties would have agreed for the sale and purchase of the SML Shares on the date of this Agreement, if payment had been required in full at the time the first right in the contracted property (being the SML Shares) was transferred.

Yours faithfully
The a2 Milk Company Limited



Carla Jayne Hrdlicka
3 August 2018

The terms of this Agreement are agreed and accepted by Mitsui & Co., Ltd:

MITSUI & CO. LTD.

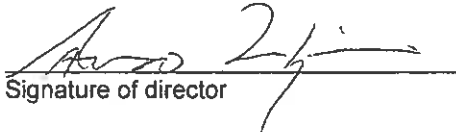
Signature of Authorised Signatory

M. YANAGIDA
GENERAL MANAGER
FOOD & BEVERAGE MATERIALS DIV.
FOOD BUSINESS UNIT

Name of Authorised Signatory

The terms of this Agreement are agreed and accepted by Mitsui & Co. (Australia) Ltd.

EXECUTED by MITSUI & CO.
(AUSTRALIA) LTD.:


Signature of director

NAOTO ISHIZAWA
Name


Signature of director/secretary

Noriyuki Inai
Name