



16 August 2024  
NZX/ASX Market Release

## Settlement of various matters in dispute

The a2 Milk Company Limited (a2MC, the Company) is pleased to confirm that it has conditionally resolved the various disputes subject to arbitration with Synlait Milk Limited (Synlait), including the exclusivity dispute, pricing disputes, and various other disputes.

Key points which arise from the settlement of the disputes are:

- Synlait accepts the validity of a2MC's notice dated 15 September 2023 cancelling the exclusive manufacturing and supply rights enjoyed by Synlait in respect of stages 1 to 3 of a2MC's current infant milk formula (IMF) products (being a2 Platinum® and a2 至初®) for sale by a2MC in the markets of China, Australia and New Zealand. Synlait's manufacturing and supply exclusivity ceases from 1 January 2025.
- a2MC owns the intellectual property rights for the Product Specifications of the IMF products and is free from any restrictions or obligations under the Nutritional Products Manufacturing and Supply Agreement (NPMSA) to source any Products from any person including Synlait, third party suppliers or internally.
- Synlait's obligation to procure the supply of a minimum annual volume of product, and certain priority arrangements in favour of a2MC, will continue to apply.
- The cancellation relates only to the exclusivity arrangements. The NPMSA remains in place but may be terminated by either party on three years' notice (with a further one year transition period).
- The parties have agreed to resolve the various pricing and other disputes between them with a2MC to make a one-off payment to Synlait of NZ\$24.75 million. This payment largely comprises amounts that had been withheld in accordance with the terms of the NPMSA from payment pending resolution of matters in dispute. Pricing on certain existing products manufactured by Synlait will increase incrementally and Synlait will benefit from improved purchase order deposit payment terms.
- The parties have agreed that a2MC's US IMF products are to be supplied under the terms of the NPMSA, with a2MC contributing to certain Synlait development and FDA registration costs.
- Synlait continues to hold the Chinese regulatory State Administration for Market Regulation (SAMR) registration which is attached to Synlait's Dunsandel manufacturing facilities. The registration is for a2MC's Chinese labelled a2 至初® Infant Formula (stages one, two and three), and it is expected that Synlait will continue to manufacture those products destined for the China market for a2MC for the period of that registration (currently expiring September 2027).
- Synlait will make available to a2MC an additional slot at Dunsandel for a potential new China Label registered product – a2MC and Synlait will work together to develop the new product, prepare the SAMR registration dossier and seek registration from SAMR by December 2029.

The settlement is conditional on Synlait completing its equity raise and the refinancing of Synlait's existing banking facilities. a2MC has agreed to support and subscribe for shares under Synlait's equity raise, subject to finalisation of terms which will be set out in Synlait's forthcoming notice of meeting expected to be released this month. If the conditions to the settlement are satisfied, the arbitration to resolve the disputes will be discontinued. In the meantime, the arbitration hearing has been adjourned.

a2MC's decision to support Synlait's recapitalisation plan reflects the strategic importance to a2MC of the continued stability of production at Synlait's Dunsandel manufacturing site.

The settlement of the disputed matters does not impact the FY24 guidance a2MC has given. a2MC will announce its FY24 Results on Monday, 19 August 2024.

**Authorised for release by the Board of Directors**

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