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Synlait & The a2 Milk Company settle disputes

Synlait Milk Limited (Synlait) and The a2 Milk Company have conditionally agreed to resolve all disputes subject to arbitration, including those regarding exclusivity, pricing, and other issues.

Synlait CEO Grant Watson commented: “Settling these disputes is another positive step forward in our business recovery plan. With the disputes behind us, we are pleased to be able to confirm to our shareholders The a2 Milk Company’s support for our upcoming equity raise. This marks genuine progress for Synlait – we are delivering on the turnaround actions needed to reset our performance and better position the company for the future.”

A summary of the settlement is set out on the next page. However, notably:

- Synlait has agreed that the exclusivity it has under the Nutritional Powders Manufacturing and Supply Agreement (NPMSA) for a2 Platinum® and other nutritional products will cease to apply from 1 January 2025; however, Synlait expects to continue to produce all products under the NPMSA in the short term.
- Synlait will continue to hold the Chinese regulatory State Administration for Market Regulation (SAMR) registration (currently expiring September 2027), attached to its Dunsandel facility, after settlement takes effect. The registration is for The a2 Milk Company’s Chinese labelled 至初® Infant Formula (stages one, two and three). Despite the exclusive supply arrangements ending, Synlait expects that The a2 Milk Company’s China label products will continue to be produced at Synlait’s Dunsandel facility unless The a2 Milk Company can obtain its own SAMR registration to manufacture those products.
- Synlait will make available to The a2 Milk Company an additional SAMR registration slot at Dunsandel for a potential new China label registered product – The a2 Milk Company and Synlait will work together to develop the new product, prepare the SAMR registration dossier and seek registration from SAMR by December 2029.
- As part of the settlement, The a2 Milk Company will make a one-off payment to Synlait in the order of \$24.75 million. That payment includes amounts that had largely been withheld in accordance with the terms of the NPMSA from payment pending resolution of matters in dispute. Although Synlait is receiving a payment and pricing on certain existing products manufactured for The a2 Milk Company will increase incrementally, the wider settlement arrangements mean that, when taken as a whole, the overall profitability of the products produced for The a2 Milk Company is expected to be moderately impacted due to additional costs and adjustments to manufacturing standards. Despite this, new business opportunities exist with The a2 Milk Company, in relation to potential long term US IMF market access and the development of an additional China label product subject to US Food and Drug Administration and SAMR approval respectively.

Settlement conditional on completion of Synlait’s deleveraging plan – major shareholders indicate support

The settlement is conditional on Synlait completing an equity raise and a refinancing of its existing banking facilities. Synlait is working to finalise the terms of the equity raise and the bank refinancing. Shareholders will have the opportunity to vote on these matters at a Special Shareholders’ Meeting.

Further information will be set out in the notice of meeting, which is expected to be released this month.

Provided the settlement conditions are satisfied, the arbitration to resolve the disputes will end. In the meantime, the arbitration hearing for exclusivity and other matters has been adjourned.



The a2 Milk Company has agreed to support and subscribe to an equity raise. As previously indicated, Bright Dairy fully supports Synlait raising equity capital, subject to terms being finalised, and all necessary approvals being received.

The a2 Milk Company Settlement Deed – Key Terms	
Settlement payment from The a2 Milk Company to Synlait	• A one-off settlement payment from The a2 Milk Company to Synlait in the order of \$24.75 million will be made. • The payment includes amounts that had been withheld in accordance with the terms of the NPMSA from payment pending resolution of matters in dispute.
Exclusivity disputes	• The parties have agreed that The a2 Milk Company's cancellation of its exclusivity obligation under the NPMSA by notice on 15 September 2023 is valid but that exclusivity will not end until 1 January 2025. • The parties have agreed that Synlait's commitments in the NPMSA to procure the supply of a minimum annual volume of product, and certain priority arrangements in favour of The a2 Milk Company, shall continue after the end of exclusivity on 1 January 2025. • Synlait will make available to The a2 Milk Company an additional slot at Dunsandel for a potential new China Label registered product – The a2 Milk Company and Synlait will work together to develop the new product, prepare the SAMR registration dossier and seek registration from SAMR by December 2029. The parties have agreed that: • The a2 Milk Company owns the intellectual property rights for the product specifications of all finished products currently manufactured under the NPMSA; and • The a2 Milk Company is free to manufacture, and/or procure the manufacture of the products utilising the product specifications.
Pricing disputes	• The parties have agreed to resolve the various pricing disputes between them as to the application of the controllable and non-controllable costs provisions in the NPMSA.
New products dispute	• The parties have agreed that the infant milk formula products developed for the United States market are products supplied under the NPMSA, with The a2 Milk Company contributing to certain Synlait development costs and US Food Drug and Administration registration costs.
Operational matters	• The parties have agreed that, going forward, Synlait will provide The a2 Milk Company with enhanced access to Synlait's site, people and information relevant to Synlait's supply to The a2 Milk Company in addition to adjustments to manufacturing standards.

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