



18 September 2023

NZX/ASX Market Release

a2MC provides notice of cancellation of Synlait's exclusive supply rights Supply Agreement otherwise continues

The a2 Milk Company Limited (a2MC, the Company) advises that after market hours on Friday, 15 September it provided Synlait Milk Limited (Synlait) with written notice 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. Stage 4 IMF and other a2MC products supplied by Synlait are not subject to exclusivity. Synlait has advised that it is considering the notice of cancellation, it reserves its rights, and it will respond formally in due course.

a2MC has given notice of cancellation of Synlait's exclusive manufacturing and supply rights due to Synlait's delivery in full and on time performance (DIFOT) during FY23 falling below the level required for Synlait to maintain such exclusive rights, including as referenced in a2MC's market announcement on 26 April 2023 and primarily in relation to English label IMF product.

The manufacturing and supply agreement between Synlait and a2MC (Supply Agreement) will remain in place notwithstanding removal of exclusivity and Synlait remains an important supplier of a2MC. a2MC considers that pricing terms and other key terms of the Supply Agreement between the parties will continue to apply. In particular, and as previously confirmed to the market:

- The Supply Agreement continues on a rolling term until either party gives three years' notice of termination to the other party; and
- a2MC considers that Synlait continues to be contractually bound to supply up to the same prescribed IMF volume per annum¹, including all stages of both a2MC's current English label product, *a2 Platinum*[®], and a2MC's new China label GB product, *a2 至初*[®] (which is being transitioned in the China market in 1H24, with the launch remaining on track).

Synlait is considering a2MC's cancellation notice. If Synlait disputes the notice, the matter will be resolved through good faith negotiations, followed by confidential binding arbitration as provided for under the dispute resolution provisions of the Supply Agreement. At this stage, a2MC expects that any such dispute resolution process may take some time to complete. In the meantime, a2MC has advised Synlait that it would agree to maintain Synlait's exclusivity until any dispute is resolved (assuming it is resolved by the end of 2024), and even once the matter is resolved, a2MC considers that a2MC will continue to have the right, but not the obligation, to fully source its current IMF products from Synlait.

¹ Synlait's volume commitment is equivalent to approximately 150% of a2MC FY23 sales volumes of the relevant products

Subject to the outcome of any dispute resolution process, removal of Synlait's exclusivity will provide a2MC with the option to produce *a2 Platinum*[®] (being the brand of a2MC's current English label product) at any facility in the future, including Mataura Valley Milk (MVM). MVM is a purpose-built dairy nutritional facility situated in New Zealand's South Island and of which the Company owns 75% in partnership with China Animal Husbandry Group (which owns 25%). Having regard to the dispute resolution process, product development cycles and the New Zealand dairy season, any positive impact of the removal of Synlait's exclusivity on MVM utilisation and profitability is not expected to have a material impact in FY24 or FY25. As previously announced, accelerating MVM's path to profitability by FY26 or earlier is a strategic priority.

Authorised for release by the Board of Directors

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