



SYNLAIT MILK LIMITED ANNOUNCEMENT

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ASX: SM1

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SYNLAIT PARTNERS WITH FOODSTUFFS SOUTH ISLAND TO SUPPLY FRESH MILK AND CREAM

Synlait Milk (NZX: SML; ASX: SM1) is partnering with Foodstuffs South Island Limited to become the Cooperative's exclusive supplier of its private label fresh milk and cream from early 2019.

Synlait intends to invest approximately \$125 million in an advanced liquid dairy packaging facility to supply Foodstuffs South Island.

The investment establishes a platform for Synlait to pursue a range of dairy-based products for domestic and export markets in the future.

“Combined, the partnership with Foodstuffs South Island and investment in a new facility is a further and significant step towards our goal of being a more diversified and balanced business,” says John Penno, Managing Director and CEO.

“We believe this opens up a new category - everyday dairy - and has the potential to both leverage our current position and explore new customers and markets.”

“This category represents the dairy products people consume every day. Our long-term success in this category will be based on our ability to win customers in the New Zealand market first and today we're taking a foundational step towards that.”

Synlait's partnership with Foodstuffs South Island is strategic for both parties.

“We are very proud of our Canterbury dairy farmers and the way they farm. We are excited about making our farmers' fresh milk available to everyone in the South Island, in partnership with Foodstuffs,” says Mr Penno.



Fresh milk and cream from Synlait will be packaged in Value and Pams branded products, which are available across New World, PAK'nSAVE, Four Square and On The Spot stores.

“The partnership allows the Cooperative to provide high quality fresh milk and cream to our customers. The partnership allows us to give our customers surety around milk supply with an innovative New Zealand-based milk supplier,” says Steve Anderson, CEO Foodstuffs South Island.

“In time, we are looking forward to collaborating with Synlait to create a range of new and innovative dairy-based products that our customers will enjoy.”

Synlait’s research and development centre in Palmerston North, which is a collaboration with Massey University and FoodPilot, will provide the technical new product development expertise needed to establish, validate and deliver these capabilities at Synlait.

The expected \$125 million investment in an advanced liquid dairy packaging facility is aimed at delivering a state-of-the-art liquid blending and packaging platform. It will allow Synlait to produce fresh milk and cream for domestic use and the ability to pursue a range of dairy-based extended and long-life consumer products in future.

“This will be one of the most sophisticated fresh milk and cream processing facilities in New Zealand.”

“By leveraging what we have learnt about milk quality and blending dairy products in our infant formula business, we will deliver a great facility at Synlait Dunsandel,” says Mr Penno.

“Our everyday dairy category offers many B2B and B2C opportunities in the established and growing export milk and cream market.”

With a minimum annual capacity of 110 million litres, the facility will be capable of producing:

- High-specification pasteurised milk and cream for domestic use
- Extended shelf life (ESL) dairy products
- Long-life milk and cream for export
- Ready to drink (RTD) liquid infant formula and toddlers milks
- Other blended dairy-based beverage products



Mr Penno says Synlait has proven experience from establishing and rapidly growing a successful infant formula business.

“We’ve demonstrated that we can introduce new capability, manufacture world-class product, build a profitable business around it and provide a long-term strategy for sustainable returns. This will be no different.”

ENDS

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