



SYNLAIT MILK LIMITED
ANNOUNCEMENT

NZX: SML
ASX: SM1

5 APRIL 2018

SYNLAIT TO DOUBLE LACTOFERRIN CAPACITY FOLLOWING NEW SUPPLY AGREEMENT

Synlait Milk (NZX: SML; ASX: SM1) has secured a multiyear lactoferrin supply agreement¹ that will underwrite an investment of approximately \$18 million to double lactoferrin manufacturing capacity at Synlait Dunsandel.

“Lactoferrin is a high value, specialty ingredient used in a range of nutritional food products around the world. This agreement is a major step forward for our growing lactoferrin business and delivers to our strategic commitments,” says John Penno, Managing Director and CEO.

Lactoferrin is an iron-binding protein recognised for its anti-bacterial and anti-inflammatory properties. As a naturally occurring milk protein, it is commonly used in infant formula products throughout the world.

“We’re deliberately building our lactoferrin business with stable, long-term growth in mind. This agreement is a major step forward in this direction and continues to build our credibility as a producer of specialty dairy nutrition ingredients to world-leading nutritional companies,” says Mr Penno.

“Our investment decision to double our lactoferrin manufacturing capacity is underpinned by three factors: a strengthening global market for lactoferrin, growing internal demand for our own infant formula manufacture and a secure portfolio of reputable lactoferrin customers,” adds Mr Penno.

¹ A commercial condition of the agreement is customer anonymity.



Synlait observed in their FY18 interim results that a demand and supply imbalance is driving global strengthening of lactoferrin prices and demand is notably driven from increasing use of lactoferrin in infant formula, particularly in China.

The expansion to Synlait's lactoferrin facility is expected to be completed by October 2018.

“As a specialty ingredient, lactoferrin commands a much higher price per metric tonne than many other dairy-based ingredients. This is because of its unique functional properties, as well as the complexity of production processes,” says Dr Elizabeth Reid, Group Category Manager.

Dr Reid adds Synlait's unique production processes, experience making lactoferrin and access to a range of laboratory and technical expertise makes them one of the few producers in the world offering reliable access to significant quantities of infant nutrition-grade lactoferrin.

“It's a coveted position we've worked towards since we started producing lactoferrin in 2014. Our growing customer base use lactoferrin in a range of products from health supplements to infant formula,” says Dr Reid.

In April 2017 Synlait became the second company in the world to receive a GRAS (Generally Recognised As Safe) notice from the U.S. Food and Drug Administration (FDA) to export its lactoferrin to the United States for use in infant formula and toddler formula.

ENDS

For more information about Synlait, visit www.synlait.com or contact:

Dan Walraven
Communications Manager, Synlait Milk
P: +64 27 836 7532
E: daniel.walraven@synlait.com