



3 April 2023

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

COLES TO ACQUIRE TWO AUTOMATED MILK PROCESSING FACILITIES FROM SAPUTO DAIRY AUSTRALIA

Please find attached for immediate release to the market.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Daniella Pereira".

Daniella Pereira
Company Secretary



ASX Release

3 April 2023

COLES TO ACQUIRE TWO AUTOMATED MILK PROCESSING FACILITIES FROM SAPUTO DAIRY AUSTRALIA

Key highlights:

- **Coles has agreed to acquire two milk processing facilities from Saputo Dairy Australia for approximately \$105 million**
- **The acquisition will improve security of milk supply, consolidate Coles' milk production, and has capacity to facilitate growth through further product innovation**
- **The acquisition will be funded from Coles' existing debt facilities and is subject to ACCC approval and other customary closing conditions**

Coles Group Limited (Coles, ASX: COL) today announces that it has entered into a binding agreement to acquire two automated milk processing facilities from Saputo Dairy Australia (SDA) for consideration of approximately \$105 million.

Each facility has the capacity to process around 225 million litres a year and they are predominantly used today to process Coles Own Brand 2L and 3L milk. The processing facilities are located in Laverton North (VIC) and Erskine Park (NSW) close to Coles' distribution centres.

Coles' CEO Steven Cain said "These facilities are state-of-the-art, delivering exceptional production efficiency and quality through highly automated processes.

"Whilst improving security of our milk supply and our supply chain resilience in the dairy sector, these facilities also have sufficient capacity to facilitate further growth opportunities through new product innovation.

"The acquisition will build on the strong relationships we have developed with our dairy farmers since launching our direct sourcing model in 2019. Around 90 dairy farmers supply milk direct to Coles, allowing these farmers to invest for the future and ensuring the long-term sustainability of their farms.

"These processing facilities will complement our existing investments in our Own and Exclusive brand portfolio and manufacturing capabilities in areas such as convenience meals and meat."

SDA site-based employees at both facilities will be offered employment contracts with Coles.

Coles and SDA will also enter into customary transitional services arrangements to ensure a smooth handover to Coles.

Coles will continue its direct sourcing model and relationships with existing dairy farmers, with no expected impact on current arrangements.

Other examples of Coles bringing manufacturing in-house include:

- the construction in 2015 of a highly automated retail-ready meat and poultry manufacturing facility in Erskine Park (NSW) to secure supply and improve shelf-life of meat products.
- the acquisition in 2020 of the Jewel Fine Foods (now Chef Fresh) ready-made meals facility in Mascot (NSW) to expand the convenience meals range available to Coles' customers. Additional automation has subsequently been added to this site.

To further its commitment to the dairy industry, in March, Coles announced a \$3 million investment through the Coles Sustainable Dairy Development Group. Dairy farmers can apply for grants of up to \$50,000 per year with funding to be used on projects which enhance the sustainability of farms.

This grant funding builds on \$2.2 million already provided through the Coles Sustainable Dairy Development Group for projects including heat stress research and foot-and-mouth disease guidance, as well as a roll-out of defibrillators on farms.

The acquisition will be funded from Coles' existing debt facilities and is expected to exceed our investment return hurdles within three years.

The acquisition of these sites is subject to Australian Competition and Consumer Commission (ACCC) approval and other customary closing conditions and is expected to be completed in 1H FY24.

Macquarie Capital is acting as financial adviser and Norton Rose Fulbright as legal adviser to Coles.

This announcement was authorised to be given to the ASX by the Board.

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