



Market Announcement

13 May 2019

FONTERRA CONFIRMS SALE OF TIP TOP TO FRONERI

New Zealand's iconic ice cream company has a new owner, after global ice cream company Froneri today purchased Tip Top from Fonterra for \$380 million.

Fonterra CEO Miles Hurrell confirmed the sale, saying it was a bittersweet moment for Fonterra.

"Since we took ownership of Tip Top in 2001, a lot of work has gone into ensuring it remained New Zealand's leading ice cream company. Over that time, we've had strong support from New Zealanders, and I want to recognise and thank them for that.

"Tip Top has always listened to consumers and cared about their changing tastes, as well as their long-time favourites. An average of 340 serves of Tip Top are enjoyed every minute of every day.

"This came through in both the number and quality of bids we received. It's a fantastic brand and as a result, we've secured a good price for our farmers and unit holders.

"One of the big attractions for Froneri is the fact that Tip Top and Kāpiti ice cream both use fresh milk and cream, from New Zealand grass-fed cows. We've signed an agreement with the new owners to supply milk which ensures that Fonterra farmers will continue to be part of the Tip Top story.

"We will also retain full global ownership of the Kāpiti brand and will be licencing its use for ice cream to Froneri. This means our popular Kāpiti cheese isn't going anywhere.

"I get the strong connection New Zealanders have with Tip Top. It will be important for them to see that it's in good hands.

"It's been a privilege being the guardians of Tip Top, but it's time to hand the baton to new owners. The well-loved brand needs continuing investment and focused ownership to be sustainable for generations to come. It's not something we're in a position to do right now."

Throughout its 80-year history, Tip Top has been owned by several international brands and today's announcement is the next chapter.

Froneri is the third largest ice cream manufacturer in the world, selling a staple of well-known ice cream brands in 20 countries. Froneri brings leadership and global expertise in ice cream, reach into new ice cream markets, and new consumer products.

Froneri CEO Ibrahim Najafi says the Tip Top name and its operations, including the Auckland based factory site at Mount Wellington will be maintained.

"We have always admired Tip Top as New Zealand's favourite and most trusted ice cream brand. The acquisition enhances our scale and supports our vision to build the world's best ice cream company."

The agreed settlement date is 31 May 2019. While there will be a transition period over a number of months, it will be very much business as usual, and Tip Top employees will transfer across to become part of Froneri.

Fonterra expects there to be a number of one-off transactions and adjustments over the course of the financial year (some positive and some negative). The sale of Tip Top for \$380 million represents a gain of around \$100 million[#] above book value, which would have a positive six cents per share impact on earnings.

As Fonterra has other one-off transactions that are underway but not yet completed, such as the potential sale of DFE Pharma, it is too early to assess the overall impact of the Co-op's divestment programme on its FY19 earnings*.

** As previously stated, the announced forecast earnings will continue to reflect only the underlying performance of the business. Fonterra will advise any one-off impacts of a transaction on its FY19 earnings when that transaction is announced, and will provide details of the overall impact of its divestment programme on FY19 earnings as part of its full-year financial statements*

This figure is subject to final audit and the closing of the FY19 books.

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For further information contact:

Graeme McMillan
Fonterra Communications
24-hour media line
Phone: +64 21 507 072
