

Market Announcement

19 NOVEMBER 2015

Fonterra concludes DairiConcepts joint venture

Fonterra Co-operative Group Limited today announced it will sell its 50 per cent interest in DairiConcepts, the Co-operative's US joint venture with Dairy Farmers of America (DFA).

DFA will purchase Fonterra's 50 per cent interest on 31 December 2015 for a price of approximately NZD\$196 million.⁽¹⁾

The DairiConcepts partnership was established in 2000 when Fonterra contributed Key Ingredients its US dairy/cheese flavours business and DFA contributed a number of cheese and cheese-powder assets.

Fonterra CEO Theo Spierings said that the transaction did not impact the longstanding relationship with DFA. Fonterra and DFA were both founding members of the Global Dairy Platform and had a shared interest in promoting the growth in global dairy consumption and the further development of co-operative dairy farming. Fonterra had decided to exit the partnership as it was considered to be a non-core component of its strategy.

"We still value our relationship with DFA, however, as the DairiConcepts business is almost completely stand-alone operationally, we have agreed that it would be simpler for one of the partners to buy the other out."

"The US remains a key part of our global multi-hub strategy and this divestment does not prevent Fonterra from exploring new growth opportunities for this milk pool."

"A long-term supply agreement we have reached as part of the sale, means our US milk pool will continue to meet value add customer demand through our NZMP brand."

-ENDS-

(1) This number is subject to foreign exchange conversion adjustments and customary closing adjustments.

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