

Market Announcement

5 May 2016

FONTERRA AUSTRALIA REVISES MILK PRICE AND OFFERS SUPPORT LOAN

Fonterra Co-operative Group Limited announces that Fonterra Australia has today revised its farmgate milk price from AUD5.60 per kgMS to AUD5.00 per kgMS for the current season.

The price change better reflects the reality of the supply and demand imbalance that is affecting global dairy commodity prices, compounded by the recent strength of the Australian dollar.

Fonterra Australia is also offering its suppliers an interest-bearing support loan of up to 60c per kgMS that is linked to a supply commitment and is repayable from FY18.

Fonterra currently expects that the revised milk price will reduce the cost of goods sold for Fonterra Australia by around AUD 48 million but this will be subject to a number of factors including final milk volumes for the year. This will contribute to the reduction of operating losses in our Australian Ingredients business this financial year.

Fonterra's current earnings guidance range of NZ\$0.45 – 0.55 per share reflects a range of possible impacts through to the end of the financial year including the completion of announced business sales in Australia. As a result, Fonterra is maintaining its current guidance range and will continue to take a responsible approach.

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