



Market Announcement

22 January 2018

FONTERRA RESPONDS TO BEINGMATE'S FORECAST EARNINGS DOWNGRADE

Last night, Beingmate Baby & Child Food Co Ltd (Beingmate) issued a forecast earnings downgrade for its financial year ended 31 December 2017, revising the previously announced forecast loss of RMB 350 million – RMB 500 million to a forecast loss of RMB 800 million – RMB 1 billion (NZ\$171 – NZ\$214 million).

As an investor in Beingmate (18.8 per cent shareholding), we are extremely disappointed by this announcement and the on-going performance of the company. We are seeking more information on the forecast downgrade in addition to receiving Beingmate's full year financial statements. We will consider the financial implications on our investment for the purposes of our upcoming interim financial results.

We are also aware that as part of this announcement, four Beingmate directors, including the two directors designated by Fonterra, have expressed reservations relating to some aspects of Beingmate's financial management and reporting practices.

We have total confidence in the judgement of our designated directors (Johan Priem and Christina Zhu) and that their actions are in the best interests of Beingmate and all of its shareholders. We are concerned about the reservations they have expressed and are seeking clarification on the matters of concern.

Despite Beingmate's recent performance, the strategic rationale for our broader partnership with Beingmate still stands. We are disappointed that Beingmate is not maximising the opportunity created by the early registration of its 51 formulations under the new registration rules. The Chinese market is growing rapidly and within five years, forecast demand for infant and baby dairy products will be more than the total for other global markets, so the potential remains.

China is one of Fonterra's largest global markets, accounting for NZ\$3.4 billion of our sales revenue and a normalised earnings contribution of greater than NZ\$200 million in FY17. Our business in China has been enabled by our integrated strategy, comprising of Ingredients, Consumer and Foodservice, our China farms and our Beingmate partnership.

ENDS

For further information contact:

Campbell Hodgetts
Fonterra Communications
Phone: +64 27 563 4985

24-hour media line
Phone: +64 21 507 072

About Fonterra

We're a global dairy nutrition company owned by more than 10,000 farmers and their families. We've built our expertise on the legacy of the thousands of farmers who've made New Zealand a world leader in dairy. With a

can-do attitude and a collaborative spirit, we're a world leading dairy exporter. Our 22,000 people share the goodness of dairy nutrition with the world through our innovative consumer, foodservice and ingredient solutions brands, and our farming and processing operations across four continents.

If you no longer wish to receive media releases from Fonterra, please [click here to opt out](#).