

Market Announcement

18 AUGUST 2016

FONTERRA CONFIRMS FURTHER DIVIDEND PAYMENT

Fonterra Co-operative Group Limited has today confirmed it will pay a further 10 cents per share of its previously announced 2015/16 forecast dividend of 40 cents per share. The Co-operative had already brought forward an earlier dividend payment during the last financial year in an effort to deliver as much cash as quickly as possible to its farmers.

Fonterra Chairman John Wilson said the Co-operative's intention was to always declare a further dividend in August, subject to financial performance supporting the forecast earnings per share range of 45 to 55 cents.

"We are seeing early signs of the expected recovery in dairy prices but we know conditions on farm are challenging. It's pleasing to see the business continue its strong performance by delivering on strategy. The relative strength of our balance sheet has enabled us to support farmers during a time where there is great pressure on our farming families.

"There is no change to our forecast earnings range or our forecast total dividend of 40 cents per share for the 2016 financial year. We will confirm our end of season Farmgate Milk Price and total payout as part of our Annual Results announcement on 22 September."

Chief Executive Theo Spierings said the business is continually transforming the way it works to deliver its strategy and stay ahead of the competition.

"We have confidence in the long-term fundamentals of dairy and we remain focused on securing the best possible returns for our farmers by converting their milk into high-value products for consumers around the world," said Mr Spierings.

Fonterra Shareholders' Fund unit holders will receive a distribution payment of 10 cents per unit.

The record date for the early payment of the dividend and distribution is 1 September, and the payment date is 9 September. The Co-operative and Fonterra Shareholders' Fund will continue to offer dividend and distribution reinvestment plans, the strike price at which shares/units are issued incorporating a discount of 2.5 per cent. Eligible shareholders and unit holders who want to participate for this dividend and distribution need to submit a notice of participation by 2 September 2016.

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