

Market Announcement

2 JULY 2015

FONTERRA UPDATES PROGRESS OF ITS BUSINESS REVIEW

Fonterra Co-operative Group Limited today provided an update on the business review it announced in March this year.

Fonterra Chief Executive Theo Spierings said the purpose of the review is to ensure that Fonterra is best placed to respond to a rapidly changing global environment.

The initial phases had looked at the entire business in detail and had identified potential areas, including significant initiatives in procurement, business operations and working capital, where the Co-operative can unlock increased value for its owners.

The Co-operative's leadership is now building these opportunities into defined plans that will drive further improvement across the business, allow Fonterra to fund its growth strategy and deliver stronger results.

"We have the right strategy and the long term future of dairy is sound, however the world is changing and global dairy markets are increasingly volatile. To keep ahead of the game, we need to be more agile, reduce costs and generate value," he said.

As part of the review, Fonterra has begun consulting staff on proposals to streamline its business structures. The consultation is being conducted globally starting with the Co-operative's procurement, finance, information services, human resources, strategy and legal functions. Other parts of the business will follow in the coming months.

Fonterra will provide an update on the impact to its business structures following completion of consultation, which is expected later in July.

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For further information contact:

Abhy Maharaj
Director Equity Markets
Phone: +64 21 879 458

Or
Dan Wrigley
Communications Manager
Phone + 64 21 820 679