

Market Announcement

16 JULY 2015

Fonterra shares first results of business review

Fonterra Co-operative Group Limited has provided a further update on its business review.

Chief Executive Theo Spierings said the Co-operative's leadership was developing initiatives to deliver value right across the organisation.

"The key aims of the review are to ensure that the Co-operative is best placed to successfully deliver its strategy, increase focus on generating cash flow, and implement specific, sustainable measures for enhancing efficiency.

"A simple example already identified by our supply chain team is a logistics solution that increases the utilisation of export containers leaving our distribution centres, saving up to \$5 million a year," said Mr Spierings.

The review includes measures to improve profitability at Fonterra's Australian business as well as a series of additional measures to remove barriers across the organisation to enable it to unlock more value.

Fonterra confirmed that it had completed consultation with its central procurement, finance, information services, human resources, strategy and legal teams. As a result, 523 roles will be disestablished at a one-off cost of \$12 - \$15 million. At that level the Co-operative expected on-going payroll savings of approximately \$55 – \$60 million per annum.

Mr Spierings said the news had been unsettling for the people affected but the Co-operative had to change if it was to remain strongly competitive in today's global dairy market.

"Reducing the number of roles in our business isn't about individual competency; it is about continually improving the way we deliver performance."

Fonterra said that the affected staff would begin to leave the Co-operative in September.

The Co-operative has also informed staff that on 5 August it will begin consultation on new business structures with its people in administration roles, sales – ingredients, consumer, marketing, research and development, communications, health and safety, food safety and quality, group resilience and risk, property, procurement and change management.

Further updates will be provided in due course.

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