



Market Announcement

27 FEBRUARY 2020

Fonterra reaffirms forecast Farmgate Milk Price and earnings guidance, and revises milk collections

Fonterra Co-operative has reaffirmed its forecast Farmgate Milk Price range at \$7.00-7.60 per kgMS and its forecast full-year underlying earnings guidance of 15-25 cents per share. It has also revised its forecast milk collections for the 2020 season down from 1,530 million kgMS to 1,515 million kgMS.

Fonterra CEO Miles Hurrell says the Co-operative remains confident in its forecast Farmgate Milk Price range and it is also maintaining its underlying earnings guidance of 15-25 cents per share despite current market conditions as a result of coronavirus.

“The momentum we saw in the first three months of the financial year has continued, and as we approach the interim results our underlying earnings are tracking well. However, given the potential significant risks that could arise from coronavirus in the second half, we are taking a prudent approach and maintaining our full-year forecast earnings range.

“The current situation is very fluid and uncertain. However, we have already contracted a high percentage of our 2020 financial year’s milk supply and this is helping us manage the impact of coronavirus.

“Our Greater China team are working hard to keep our operations running as smoothly as possible. Without them this would not have been possible and I want to thank them for their efforts.

“There has been a slow-down in processing of containers at ports and we are managing the flow of our product into China carefully to avoid congestion. Currently, our product is continuing to be cleared by customs and quarantine officials.

“In China, people continue to face movement restrictions due to the outbreak. This means many restaurants and food outlets are closed, which is having a major impact on the operations of our Foodservice customers. Our sales teams are working with these customers to help them where they can.

“We will provide a further update on the impact of coronavirus on our business when we announce our interim result on 18 March.”

Commenting on the Co-op’s milk collections forecast, Mr Hurrell says they are due to be down because of the weather conditions across several parts of New Zealand.

“We have recently seen a reduction in milk collections and our farmers are facing ongoing challenging weather. We’ll continue to work with them to ensure that if they need extra support that they are able to access it.”

Under the DIRA Industry Restructuring Act (DIRA) Fonterra is required to update its forecast Farmgate Milk Price as soon as practicable after 1 March 2020. The DIRA Milk Price remains unchanged at \$7.30 per kgMS.

Note: Over the course of the 2020 financial year Fonterra expects there to be one-off adjustments as it implements strategy and continues its asset portfolio review. The announced forecast earnings range will continue to reflect just the underlying performance of the business. The Co-op will provide details of the overall impact of all one-offs as part of its full-year financial statements and will also provide an update as part of its Interim Results.

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