

MEDIA RELEASE



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FONTERRA PROVIDES GUIDANCE ON 2014, LIFTS 2014 CASH PAYOUT FORECAST

Fonterra Co-operative Group Limited today provided guidance to the market on an increase to its Forecast Farmgate Milk Price for the 2014 season, and the likely impact on earnings for the current financial year.

Chairman John Wilson said the Co-operative announced today that it has increased its Forecast Farmgate Milk Price for the 2014 season by 50 cents to \$8.30 per kgMS. The increase – along with an estimated dividend of 32 cents per share - amounts to a Forecast Cash Payout for 2014 of \$8.62.

“The record Forecast Farmgate Milk Price reflected continuing strong international prices for dairy, particularly Whole Milk Powder driven by robust demand from Asia, especially China. We are still facing high levels of volatility around the world.”

Chief Executive Theo Spierings said the business, however, also faces headwinds, especially in the first half of the current financial year when we expect earnings will be significantly lower than the strong performance in the first half of 2013.

“The higher cost of goods will make it more difficult to drive earnings growth in our consumer and foodservice businesses in the first half of this financial year. We also expect to see a negative impact on our product mix returns during the first half of the current year as milk powder prices significantly outpace the relative prices of cheese and casein.

“Prospects for the second half look more positive for our consumer businesses, but remain uncertain for NZ Milk Products.

“Our estimated dividend of 32 cents per share for 2014 currently remains unchanged. Fonterra can draw upon its balance sheet and cash flow performance to support the estimated dividend.

“It is difficult to predict when extreme price volatility on product mix will reverse, but expectations are that the impact is likely to be short-term.

“We continue to have confidence in our Volume and Value strategy in our key markets. Looking ahead, prospects for the dairy industry and for Fonterra look positive and our growth ambitions remain unchanged,” said Mr Spierings.

Fonterra will announce its 2013 Annual Results tomorrow morning.

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