



## Market Announcement

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18 November 2022

### Fonterra announces divestment of Chile business

Fonterra is pleased to announce the divestment of its Chilean Soprole business. The divestment comprises a number of transactions that result in aggregate consideration of 591.07 billion Chilean Pesos (approximately NZD1.055 billion).

Fonterra CEO, Miles Hurrell, says that the divestment process for the Soprole business formally commenced in April 2022, following the launch of Fonterra's strategy to 2030.

"A key pillar of our strategy is to focus on New Zealand milk. Soprole is a very good business but does not rely on New Zealand milk or expertise. We are now at the end of the divestment process and have agreed to sell Soprole to Gloria Foods - JORB S.A. (Gloria Foods)."

Gloria Foods is a consumer dairy market leader in Peru, with operations in Bolivia, Puerto Rico, Argentina, Colombia and Uruguay. Fonterra and Gloria Foods have a long-standing commercial relationship in South America.

The divestment comprises the sale of shares in a Fonterra owned holding company. Proceeds received by Fonterra at completion from the sale of shares will be subject to relevant adjustments including capital gains tax, working capital and net debt adjustments at closing, foreign exchange hedging costs, and other transaction related costs. The aggregate consideration also includes the receipt by Fonterra, prior to completion, of dividends from Soprole and intercompany debt owing to Fonterra, which will be repaid at completion.

The divestment is subject to a number of conditions. The material conditions are receipt of regulatory approvals (including from the competition authority in Chile) and commencement of an irrevocable public tender offer process in Chile for the outstanding shares in Soprole not already owned by Fonterra. Satisfaction of conditions is expected to take approximately six months.

Mr Hurrell says that Fonterra has a long history in Chile and is pleased to have reached agreement with Gloria Foods, which also has a proud dairy history in South America. Fonterra is delighted to pass on the Soprole business to a committed new owner with a strong regional focus on growth. Soprole's success over many years and its market-leading position across a number of dairy categories in Chile, has been built on the dedicated focus of Soprole's management team and staff, and the support of its supplying farmers.

Fonterra remains committed to targeting a significant capital return to our shareholders and unitholders. The Fonterra Board intends to make a final decision on the amount and timing of any capital return once the sale agreement is unconditional, cash proceeds are received in New Zealand and having regard to other relevant factors including Fonterra's debt and earnings outlook at such time.

Fonterra's previously announced FY23 earnings guidance will continue to reflect only the underlying performance of the Soprole business during the pre-completion period. Fonterra will provide an update on the overall impact of its divestment programme as part of its FY23 financial reporting.

*Note: Assumed CLP to NZD foreign exchange rate of 560.*

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**For further information contact:**

Fonterra Communications  
24-hour media line  
Phone: +64 21 507 072

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