

Fonterra Investor Day

DECEMBER 2017

FONTERRA
DAIRY FOR LIFE





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Welcome – Simon Till

Director Capital Markets



Investor Day purpose

“Improve understanding of Fonterra’s ambition and growth strategy”

- 1** *We have an aspirational ambition and a strategy to achieve it*
 - *\$35 billion revenue from 30 billion LME by 2025*
 - *Demand-led strategy*
 - *Optimising New Zealand milk with support from global milk pools*

- 2** *Role of our Global Consumer and Foodservice business in this strategy*
 - *Key drivers of performance*
 - *Accelerating V3 strategy*

- 3** *The importance of innovation*



FY18 Investor Day – Agenda

Session	Presenter	Objectives	Time
Welcome	Simon Till	<ul style="list-style-type: none"> • Overview of the day 	8:30-8:45
Business Update	Theo Spierings Paul Washer Simon Till	<ul style="list-style-type: none"> • Regular quarterly update • Video and Q&A 	8:45-9:30
Ambition & Strategy	Theo Spierings	<ul style="list-style-type: none"> • Demand-led strategy supporting growth of C&FS • Strong V3 Co-op, Innovative Co-op and Sustainable Co-op 	9:30-10:15
		<i>Morning Tea</i>	10:15-10:45
Innovative Co-op	Judith Swales	<ul style="list-style-type: none"> • Showcase what we are doing to transform culture and capabilities 	10:45-11:30
GCFS Overview	Lukas Paravicini	<ul style="list-style-type: none"> • Overview of business • Our ambition for C&FS 	11:30-12:00
Acceleration	Christina Zhu	<ul style="list-style-type: none"> • Greater China overview • Acceleration in China 	12:00-12:30
		<i>Lunch</i>	12:30-1:30
Global Foodservice	Grant Watson	<ul style="list-style-type: none"> • Overview of Foodservice and growth drivers 	1:30-2:00
Consumer	Andy Dasgupta	<ul style="list-style-type: none"> • Affordable Nutrition 	2:00-2:30
GCFS Close	Lukas Paravicini	<ul style="list-style-type: none"> • Recap on ambition for C&FS 	2:30-2:50
Q&A/Close	Lukas Paravicini Paul Washer Simon Till	<ul style="list-style-type: none"> • Q&A and Closing 	2:50-3:30



Fonterra – key investment attributes

Strong industry fundamentals

Co-operative with secure global access to quality milk

Scale and world-class ingredients business

Focused high-value consumer and foodservice businesses

A strategy that's delivering diversified and increased returns

Financial strength and discipline

Unique co-operative structure supports strong credit profile, including effective subordination

Highly experienced board and management team



PERFORMANCE REVIEW

Business Update

DECEMBER 2017
FONTERRA CO-OPERATIVE GROUP LIMITED

OUR CO-OPERATIVE
OUR POTENTIAL
OUR PERFORMANCE



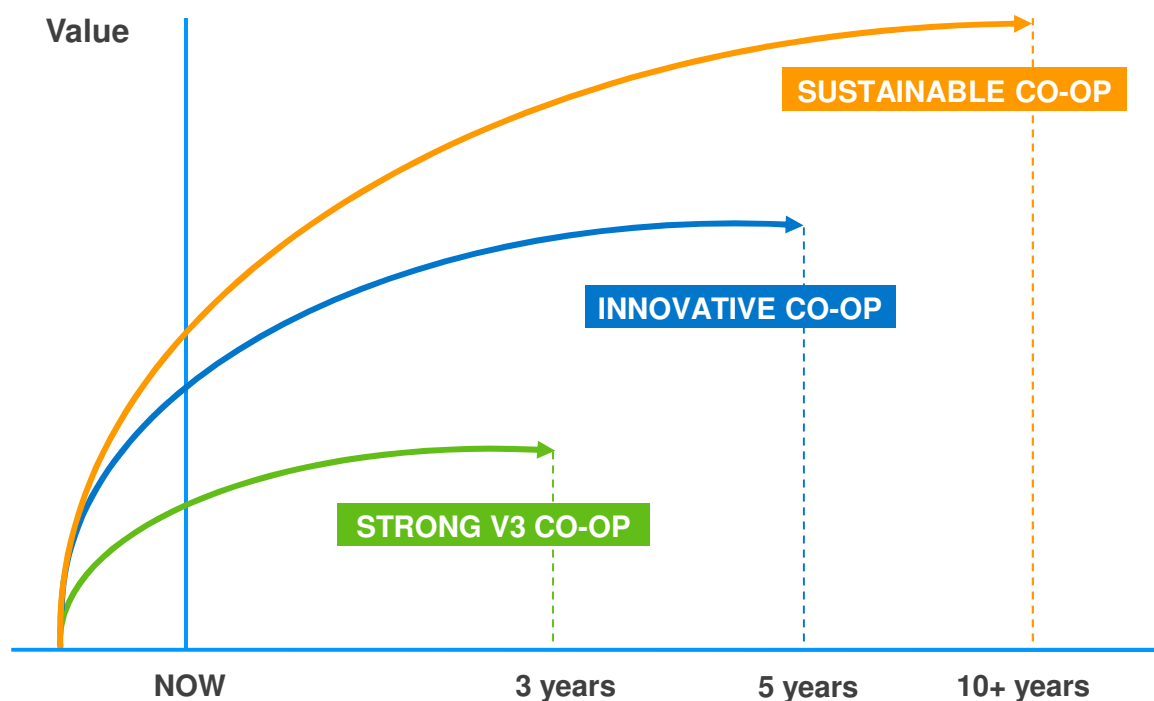
Fonterra Ambition and Strategy

Theo Spierings

CEO

To achieve our ambition we will need to deliver beyond V3

Three strategic horizons



Creation of sustainable value for all stakeholders

Investment in technology and people for the future

Demand-led optimisation of New Zealand milk, supported by milk pools

Competitive advantage of **Cost Leadership through Scale Efficiency**

Ambition

OUR 2025 AMBITION

Make a difference in the lives of 2 billion people by 2025

GROW AT HIGHER VALUE  30 Billion LITRES 5-6 Milk Pools	\$35 BILLION TURNOVER	MARKET LEADERSHIP NO.1 INGREDIENTS	No.1 or 2 Consumer business In our Strategic Markets <small>Supported by Foodservice</small>	TRUST TOP 3 REPUTATION In our Strategic markets	WORLD CLASS Engagement 
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THIS IS FONTERRA

With our purpose, story and values at the heart, our 'this is Fonterra framework' brings together our people, identity and strategy commitments to guide us 'to be the world's most trusted source of dairy nutrition'.

OUR STRATEGY

The V3 strategy is growing volume to higher value at velocity. It is delivered through our seven strategic paths:

- OPTIMISE**
New Zealand milk
- BUILD AND GROW**
beyond our current consumer positions
- DELIVER**
on Foodservice potential
- GROW**
our Active Living business
- DEVELOP**
leading positions in paediatric and maternal nutrition
- SELECTIVELY INVEST**
in milk pools
- ALIGN**
our business and organisation

Value Creation
NOPAT
ROC
Maximum Sustainable Milk Price

OUR IDENTITY

Creating long term shared value our farmers, our communities and the environment

Top 3 Reputation
'RepZ' Score

Making trusted dairy nutrition accessible to the world
 Leadership in food safety, quality and dairy ingenuity
 Championing the health of farms, waterways and communities



To be The World's Most Trusted Source of Dairy Nutrition

OUR PEOPLE

All of us together, farmers and employees, part of one team. Delivering our potential.

World Class Engagement
OHI Q12
Farmer engagement

Caring for our people, farmers and customers
 Trusted, open and engaging leaders
 Growing our people, continuously improving, investing for the future

OUR VALUES

Our Values are our guide and underpin how we do business

 CO-OPERATIVE SPIRIT	 DO WHAT'S RIGHT	 CHALLENGE BOUNDARIES	 MAKE IT HAPPEN
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Clear financial goals

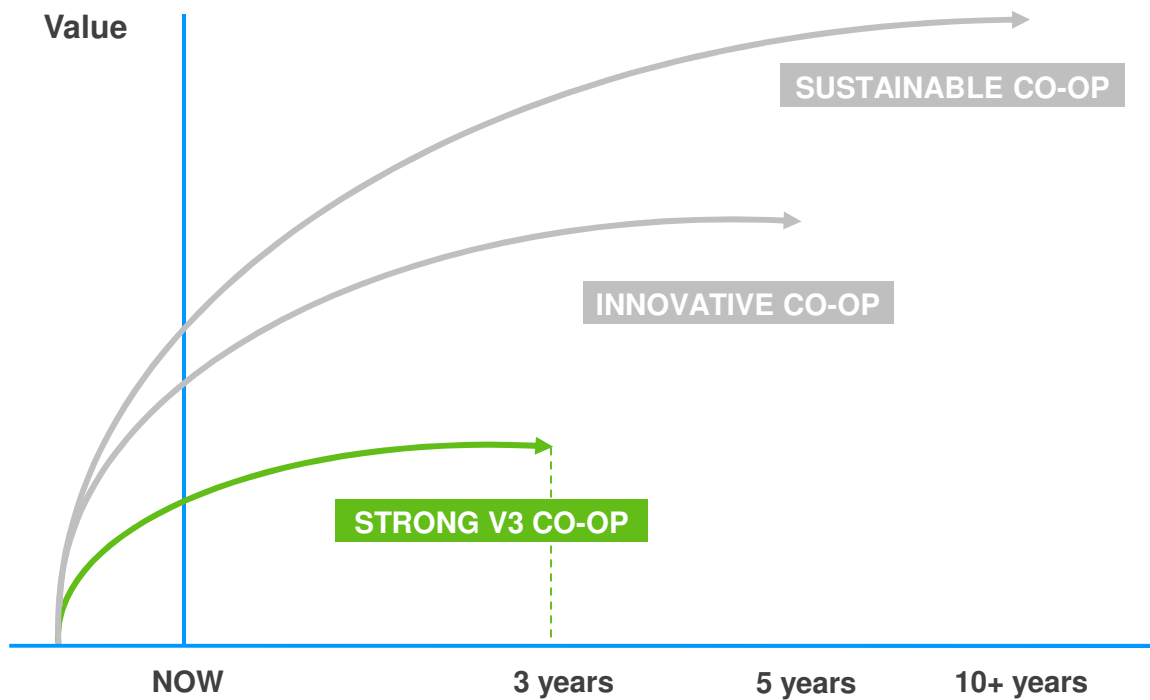
	2025 Ambition	Key Drivers
Revenue	\$1.2 / LME	<ul style="list-style-type: none"> Revenue growth in Consumer and Foodservice Sales shift to Advanced Ingredients
Gross Margin	20%+	<ul style="list-style-type: none"> Driven by mix shift to Consumer and Foodservice
Normalised EBIT	50-100% uplift	<ul style="list-style-type: none"> Uplift from \$1b base level (2015) Grow contribution from Consumer and Foodservice
Return on Capital ¹	11-13%	<ul style="list-style-type: none"> Target range
Gearing ²	40-45%	<ul style="list-style-type: none"> Maintain “A” band credit rating

1. Return on Capital (ROC) excludes goodwill, brands and equity accounted investments.

2. Fonterra's target is to maintain its strong investment grade credit rating and debt payback and cash flow coverage metrics that support this.



Delivering on our V3 strategy

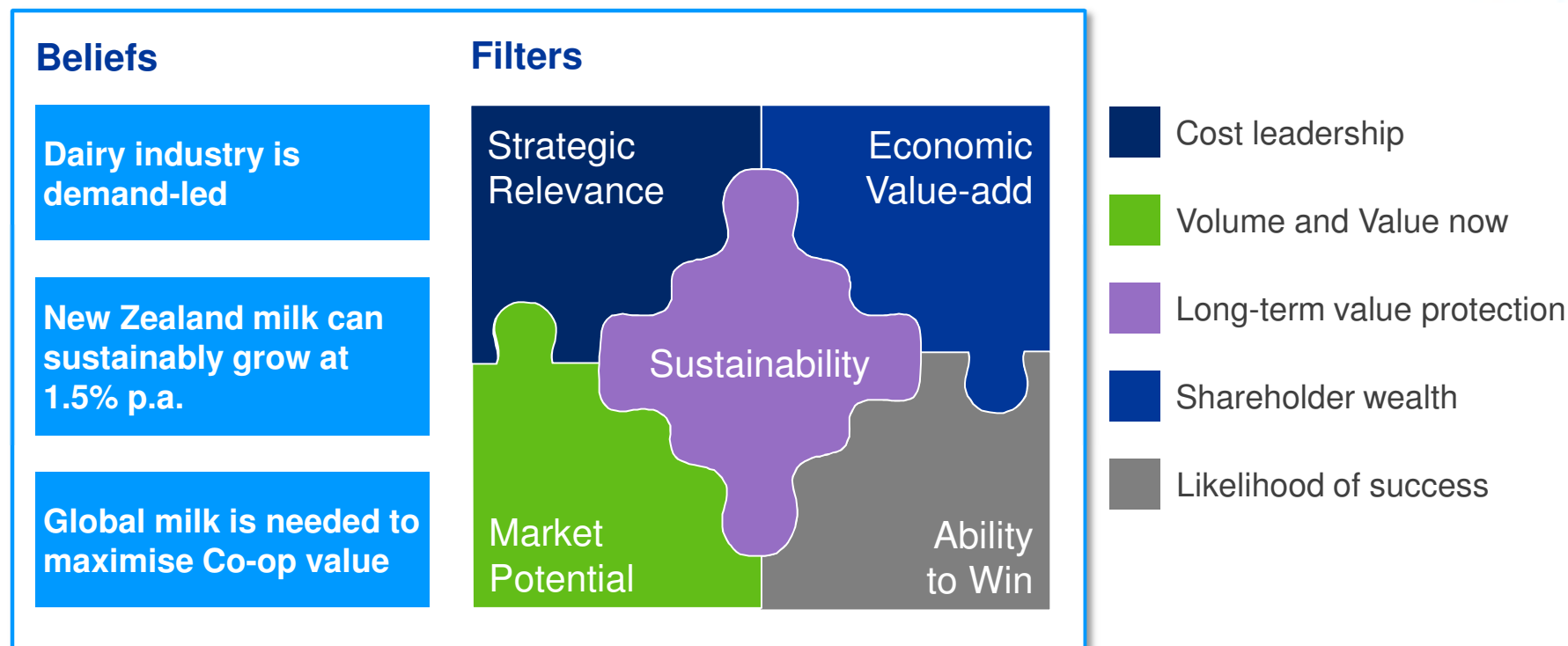


Creation of sustainable value for all stakeholders

Investment in technology and people for the future

Demand-led optimisation of New Zealand milk, supported by milk pools

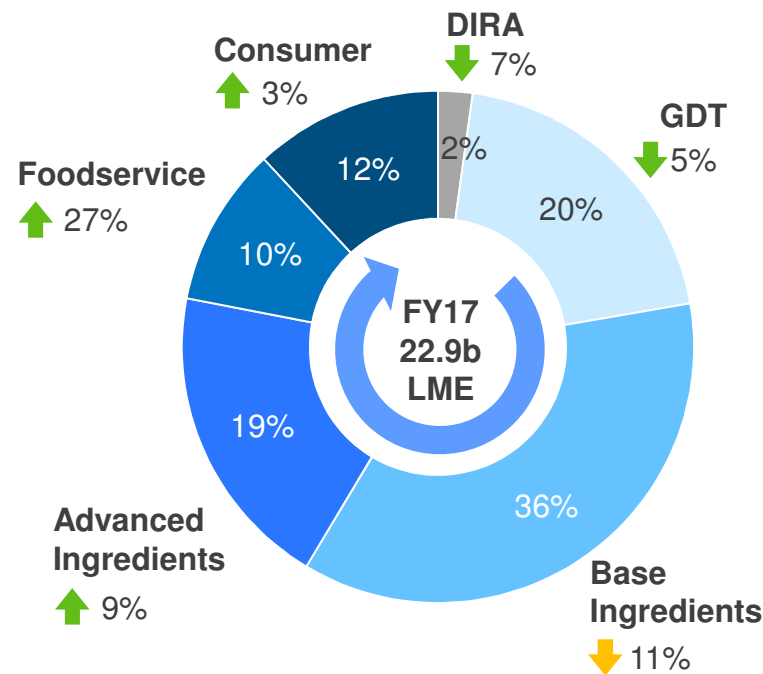
Our strategic choices are anchored by our beliefs and assessed through commercial filters



More volume to higher value

1 billion LMEs shifted to Consumer, Foodservice and Advanced Ingredients

- 1 **Optimise**
NZ milk
- 2 **Build and grow**
beyond our current consumer positions
- 3 **Deliver**
on Foodservice potential
- 4 **Grow**
our active living business
- 5 **Develop**
leading positions in paediatric & maternal nutrition
- 6 **Selectively invest**
in milk pools
- 7 **Align**
our business and organisation



- **GDT**
 - Volumes aligned with lower production
- **Ingredients**
 - Lower New Zealand milk collections and record low closing inventory
 - 473m LMEs shifted to higher margin Advanced Ingredients
- **Consumer and Foodservice**
 - Added 576m LMEs
 - Normalised EBIT up 6%

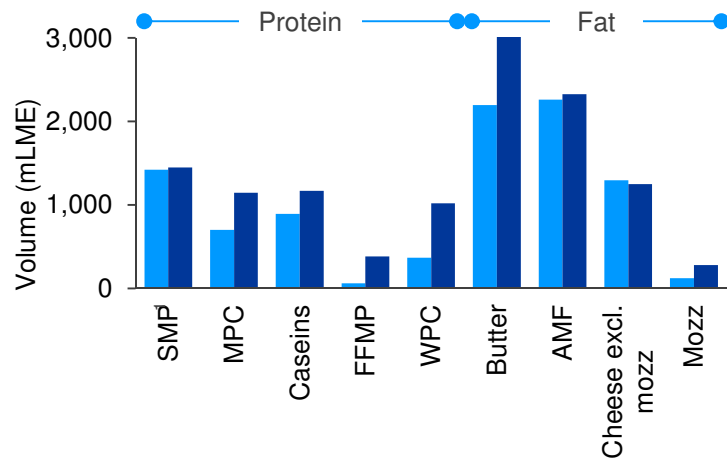
↑% FY17 sales volume growth over FY16

Note: Wheel shows percentage of total FY17 external sales (LME); Consumer, Foodservice and Ingredients growth rates include intercompany sales.

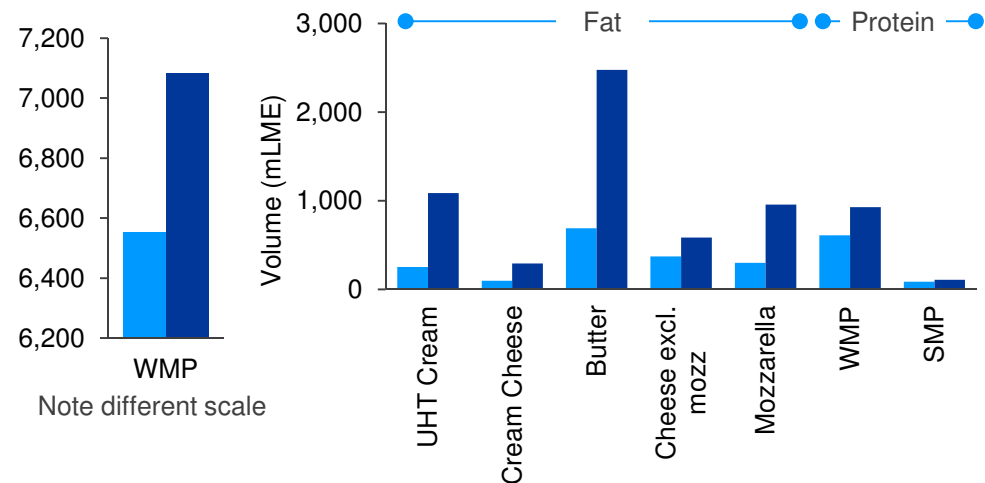
Unconstrained demand will surpass Fonterra's New Zealand supply



NZMP



GCFS



Note different scale

■ FY14-16 Average supply

■ FY22 Unconstrained Demand

NZMP demand CAGR ~5% driven by category initiatives

GCFS 16% demand CAGR for cream products

GCFS 14% demand CAGR for mozzarella

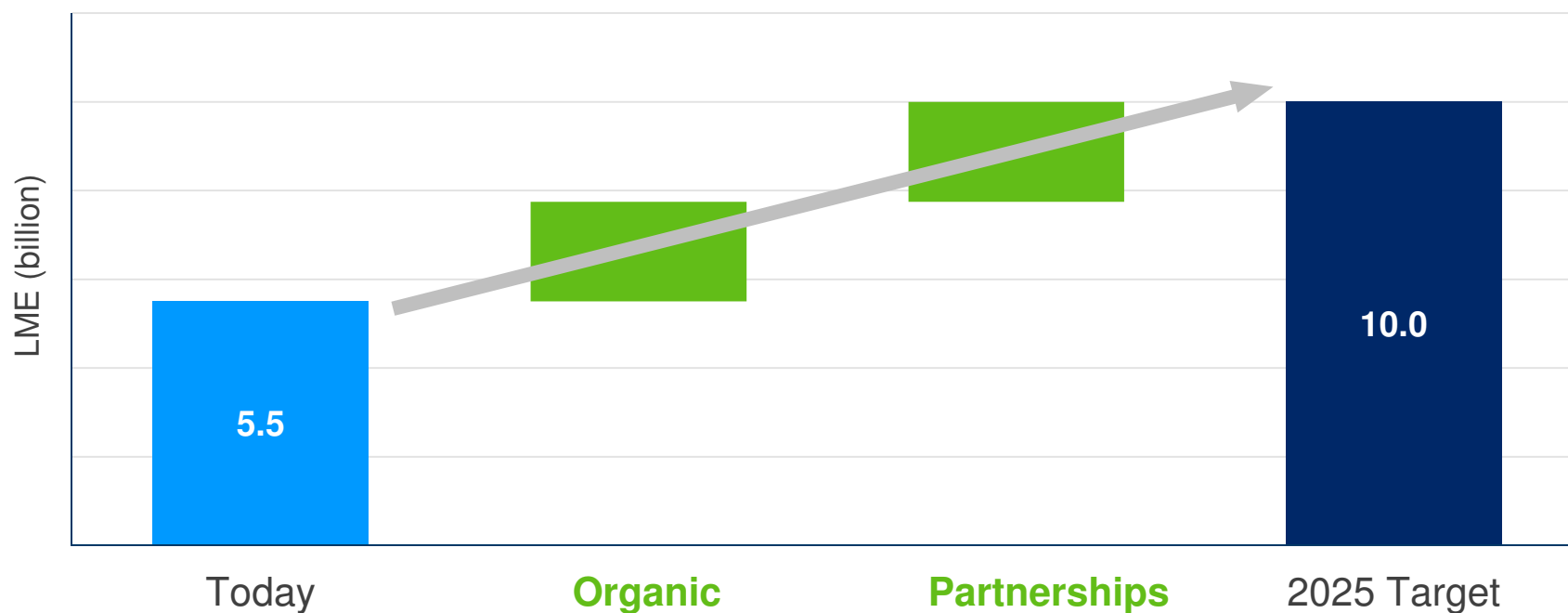
2022 unconstrained demand ~26bn LME ~35bn LME in 2025

1. SMP FY14-16 is ~20% infant grade growing to ~30% in FY22 unconstrained demand (as referenced above).

Source: Business Unit unconstrained demand forecasts, Fonterra in-house data for historical supply volumes

Note: Demand growth in New Zealand milk pool plus Heerenveen

Consumer and Foodservice ambition will require organic and inorganic growth

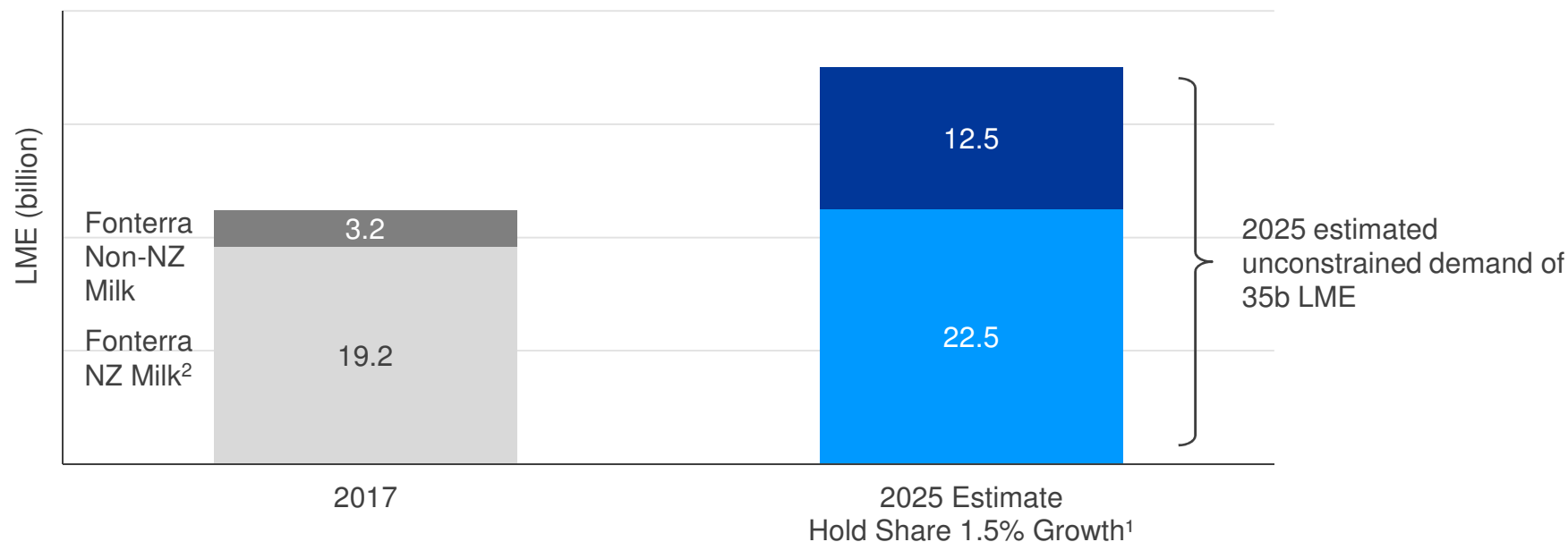


Capturing projected demand will require additional non-New Zealand milk

We estimate ~22.5b LME of this supply will originate from New Zealand



Fonterra Milk Sources



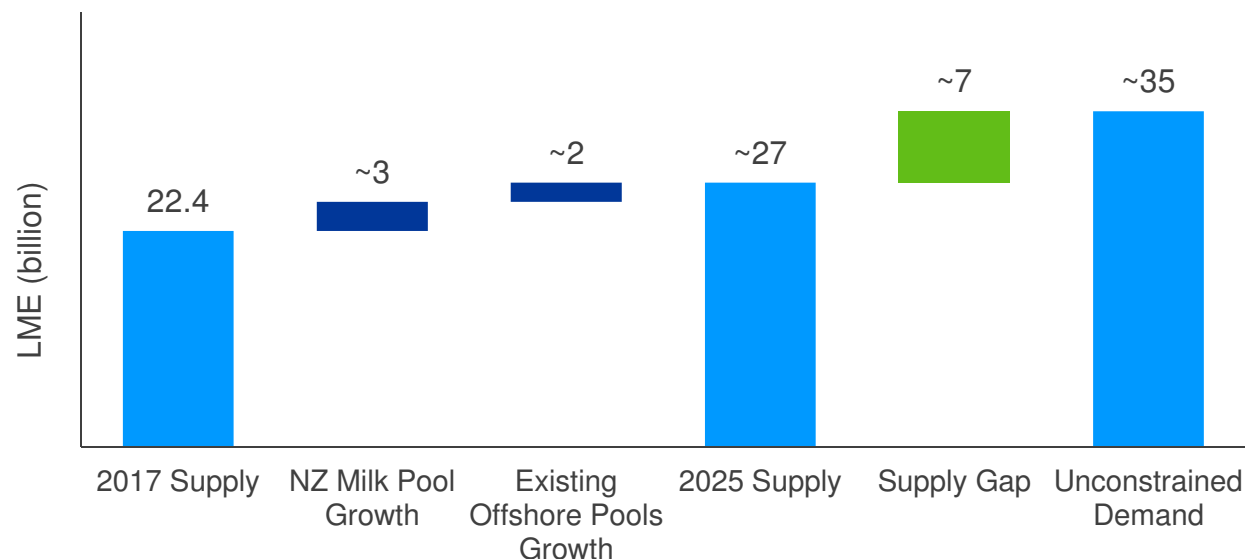
1. Assumed underlying New Zealand milk growth at 1.5% CAGR.

2. Equates to the total Fonterra NZ milk collected in the 2016/17 season of 17.1 million litres. An LME is a standard measure of the amount of milk (in litres) allocated to each product based on the amount of fat and protein in the product relative to the amount of fat and protein in standardised raw milk

Demand-led optimisation of New Zealand milk, supported by global milk pools



Fonterra Milk Sources



- Prioritise New Zealand milk to the highest value
- Future demand exceeds New Zealand-sourced supply
- Capturing additional demand requires offshore milk sources
- Optimise Ingredients business
- Accelerate milk into higher-value Consumer & Foodservice

Milk pool strategic rationale

Primary investment



Milk Powders /
Foodservice

Whey

Cheese / Whey /
Nutritionals

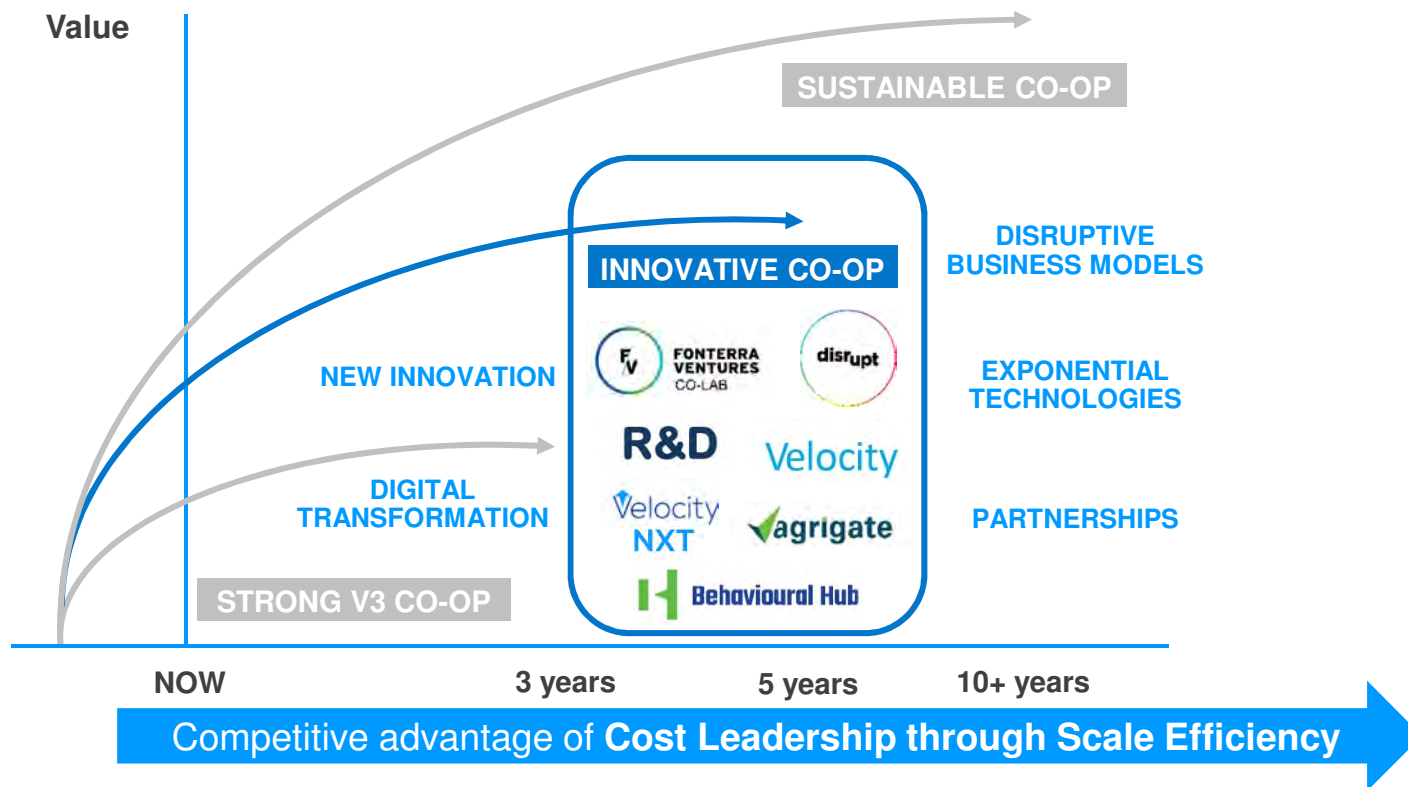
UHT

Complementing our New Zealand milk pool

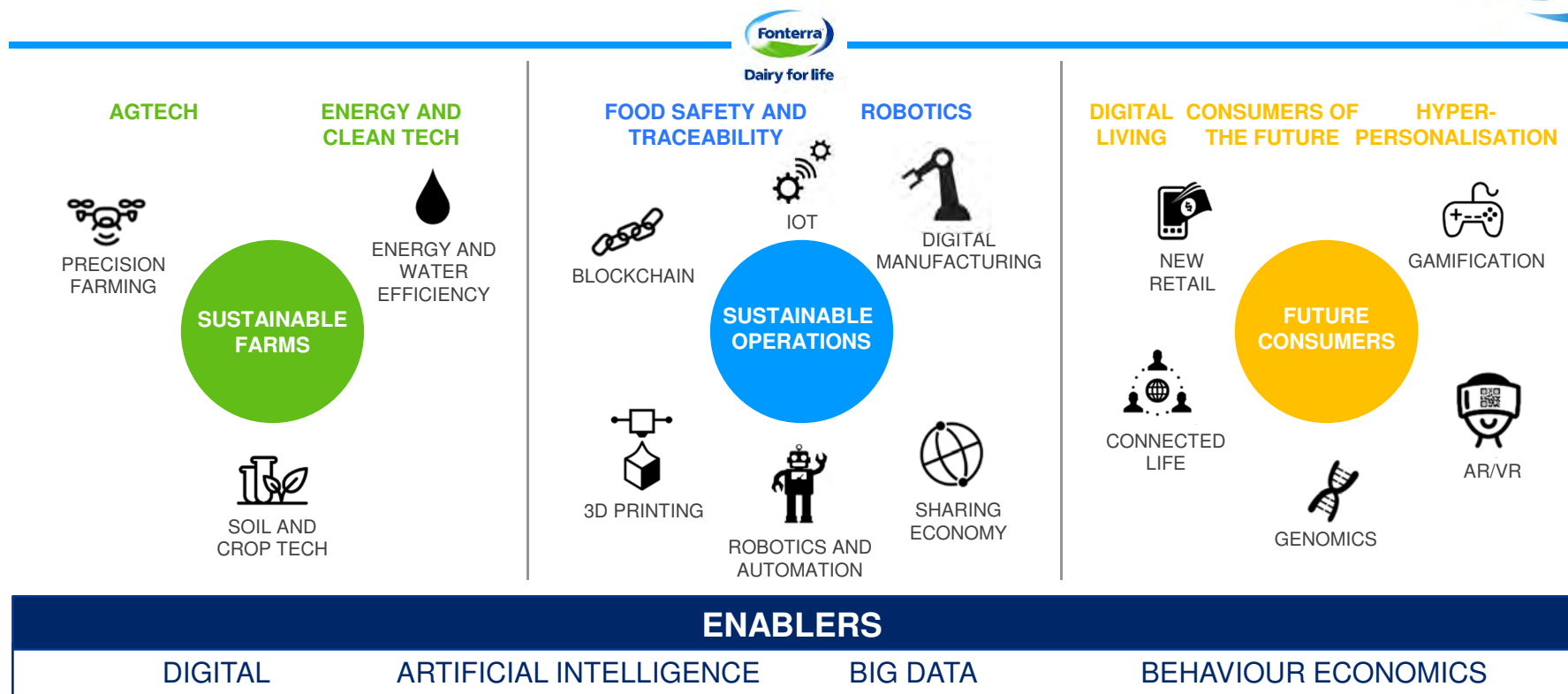
- Enable growth of ingredients business to support customer demand (All)
- Secure access for our New Zealand milk exports (China)
- De-risk supply for ingredients customers (Australia and Europe)
- Optimise our ingredients manufacturing footprint (Europe and US)
- Enable our development of higher margin consumer brands and foodservice opportunities (Chile, China and Australia)



We will also accelerate growth through innovation

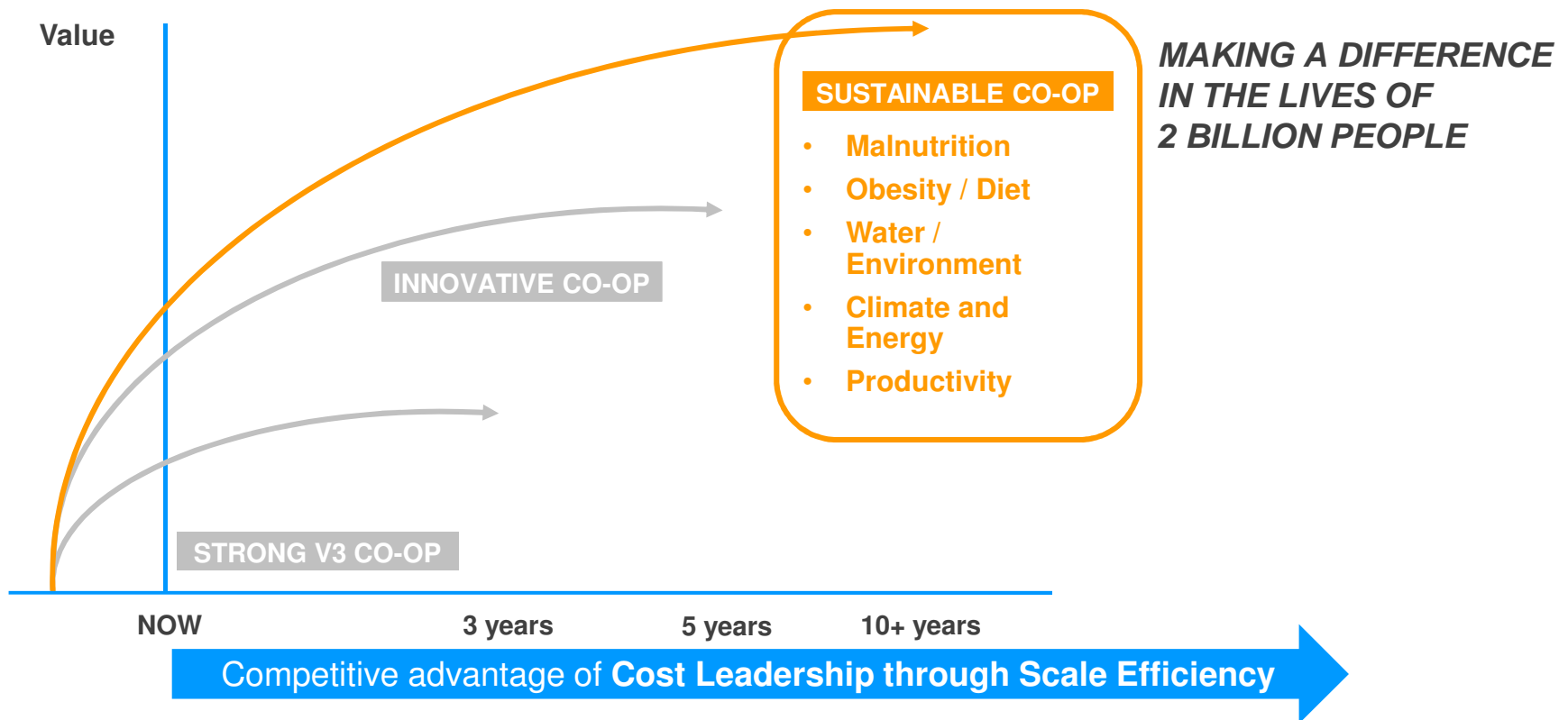


We are embracing tomorrow's innovation in what we do today

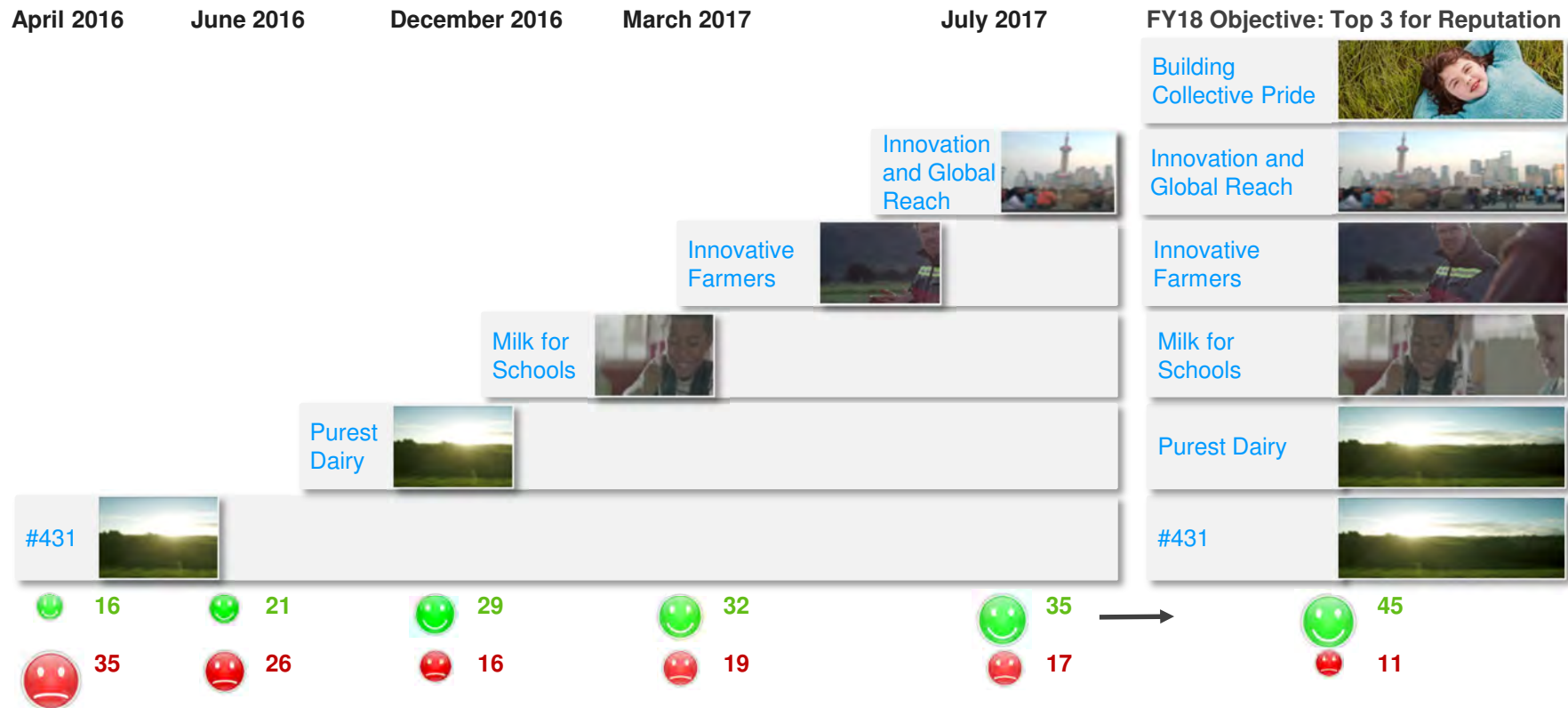




And are on our way to becoming a Sustainable Co-op



The Co-op has positively shifted its reputation and changed the minds of 1.5m New Zealanders



Fonterra presents a strong investment opportunity



- Demand-led optimisation of New Zealand milk, supported by global milk pools
- Existing position provides foundation for growth strategy
 - Lowest cost production and vertically integrated milk pools
 - Strong foundation in global-scale ingredients business
 - End-to-end supply chain – providing quality and traceability
- Focused growth strategy built on
 - Targeted consumer markets for growth investment
 - Strong foodservice value proposition
 - Leverage our dairy know-how into higher-value products

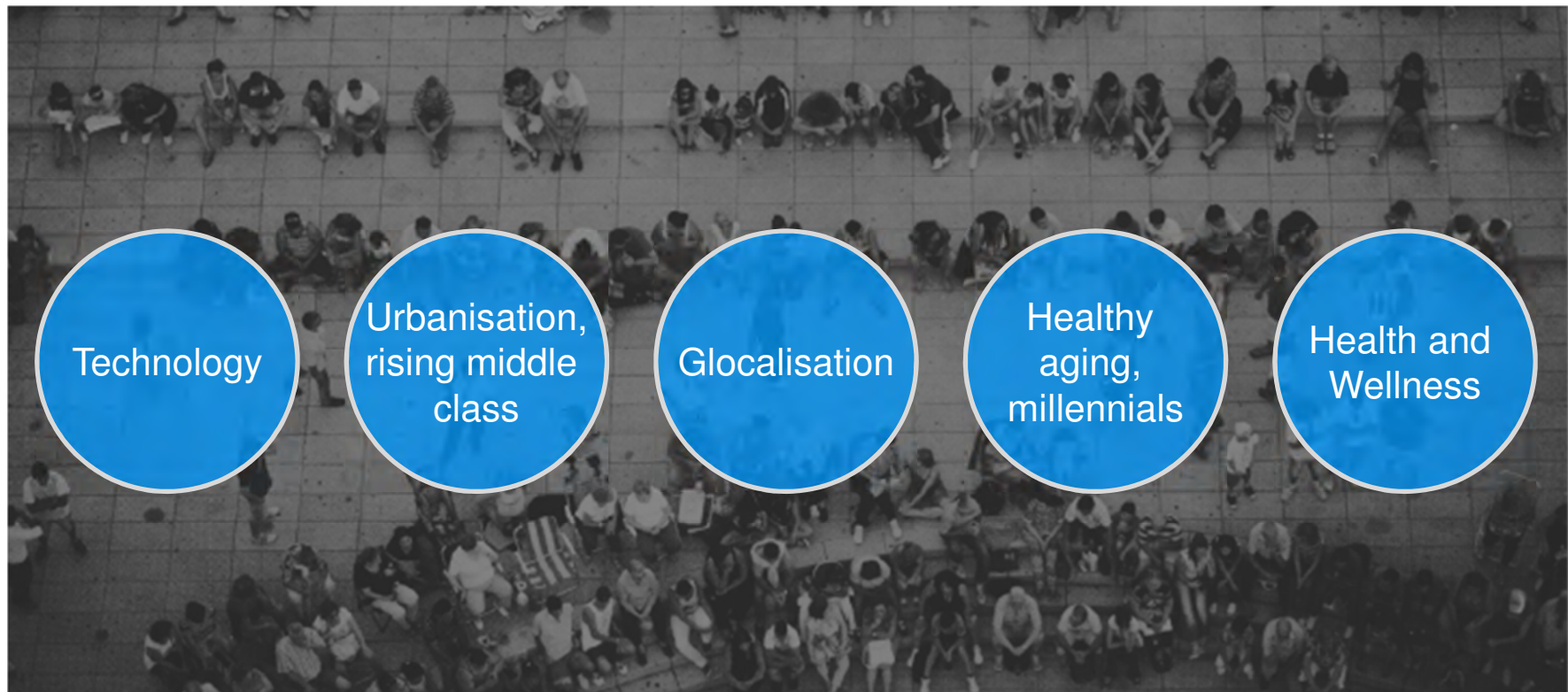


Innovative Co-op

Judith Swales

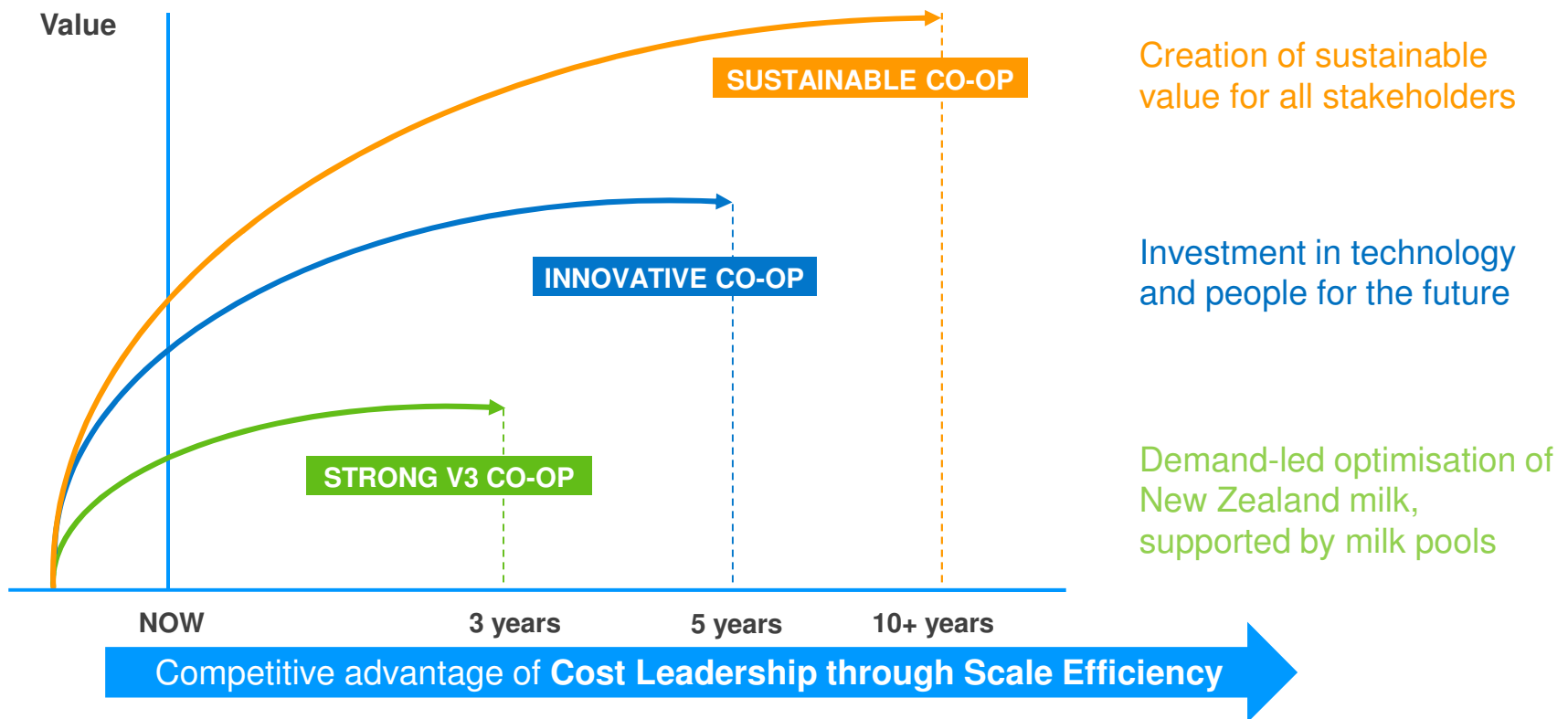
COO Velocity and Innovation

Substantial magnitude of change





Building the foundations for our future success











Velocity and Innovation: creating future Fonterra

OUR 2025 AMBITION

Make a difference in the lives of 2 billion people by 2025

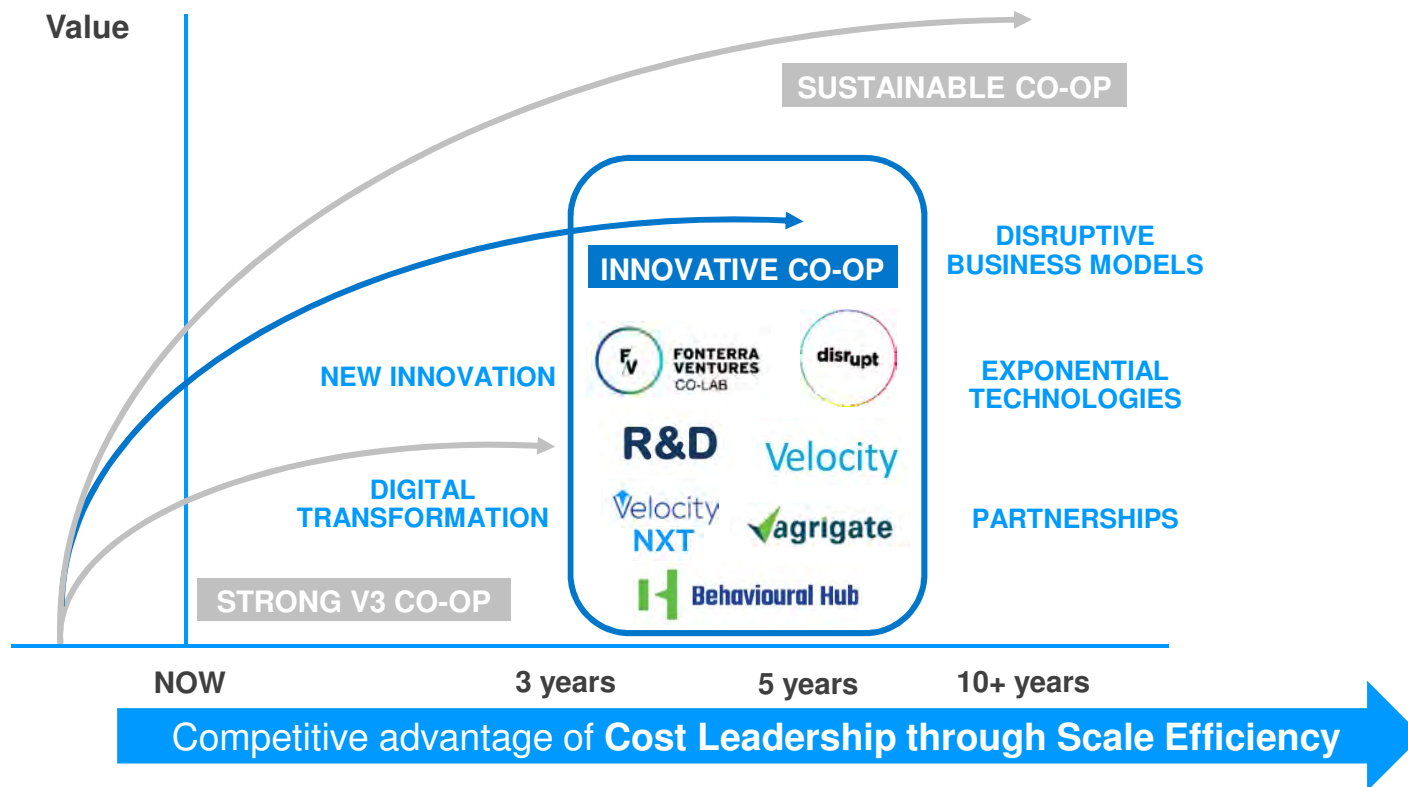
GROW AT HIGHER VALUE		MARKET LEADERSHIP		TRUST	
	30 Billion LITRES 5-6 Milk Pools	\$35 BILLION TURNOVER	NO.1 INGREDIENTS	No.1 or 2 Consumer business In our Strategic Markets Supported by Foodservice	TOP 3 REPUTATION In our Strategic markets
					WORLD CLASS Engagement 

WHAT WE DO

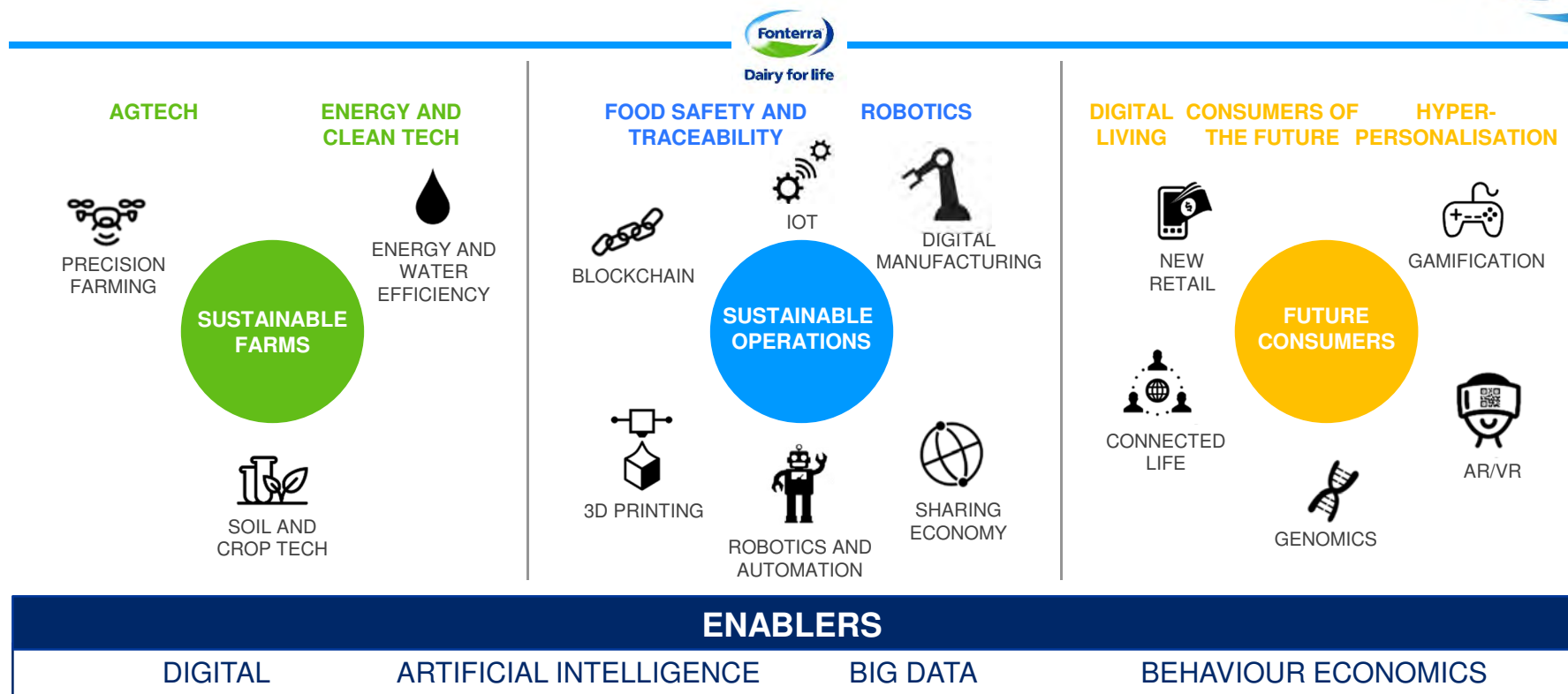
1 We build future revenue streams	 	3 We enable delivery through a central performance engine		5 We support the core business through injecting specialised expertise	R&D Science and Technology 
2 We create innovative customer experiences through technology		4 We build future capability			



Our innovation journey is well underway



We are embracing tomorrow's innovation in what we do today



Velocity and Innovation integral in delivering FY18 strategic priorities



1 Optimise NZ milk

- Protect market share of New Zealand milk
- Deliver sustainable value creation in NZMP

2 Build and grow beyond our current consumer positions

- Deliver Everyday Nutrition focused growth path
- Target positions in Affordable Nutrition

3 Deliver on Foodservice potential

- Deliver double-digit Foodservice diversified growth

4 Grow our active living business

- Revitalise the Anlene brand (Healthy Living)
- Build an Active Living portfolio

5 Develop leading positions in paediatric & maternal nutrition

- Deliver China and Beingmate partnership at full potential

6 Selectively invest in milk pools

- Develop cheese / whey supply options
- Grow Australian milk pool share

7 Align our business and organisation

- Invest to deliver future-oriented capabilities

BUILD AND GROW BEYOND CURRENT CONSUMER POSITIONS

disrupt

00:00:15

**OUR PEOPLE
CREATING OUR FUTURE**

1300+
FONTERRA
EMPLOYEES
Engaged in
programme

4
VENTURES
Invested in

\$70m
REVENUE
FY18 target

\$8.5m
REVENUE
Delivered in the
first 9 months

CASE STUDY 1

NEW DIRECT-TO-CUSTOMER BUSINESS MODEL IN CHINA



Anchor 安佳 **online** 在线
惊喜价格 稳定供应
全程冷链 一箱送



CASE STUDY 2

NEW DIRECT-TO-CONSUMER
BUSINESS MODEL IN SRI LANKA

Reach the Unreacheable
to reach **4 million**
new consumers





Behavioural Hub

Amplifying Fonterra's
ability to understand and influence

Behaviour: our next generation competitive advantage



There is a gap

Globally **85%** of grocery NPD fails in the first year (Nielsen)



Leveraging the facts

Emerging brain science has proven that over **80%** of all decision making is driven subconsciously



Who

The largest, most powerful company's in the world are now investing heavily to leverage the new understanding of what really drives us all

'Why are Uber, Airbnb, Google , and Amazon hiring behavioural specialists... ultimately, human insights leveraging the hidden side of our brain will shape machine learning software and algorithms.'

The New York Times

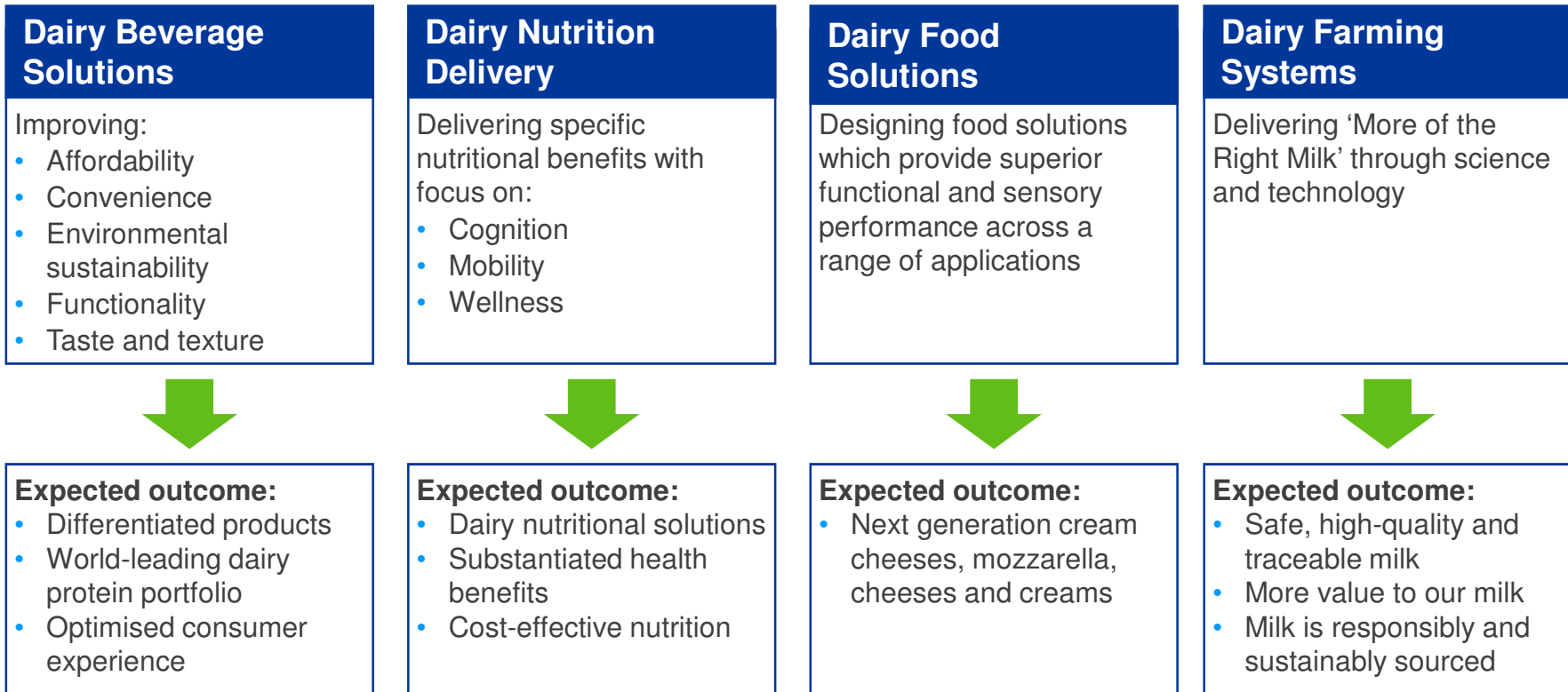


We're building a strong R&D network





R&D focused on four platforms



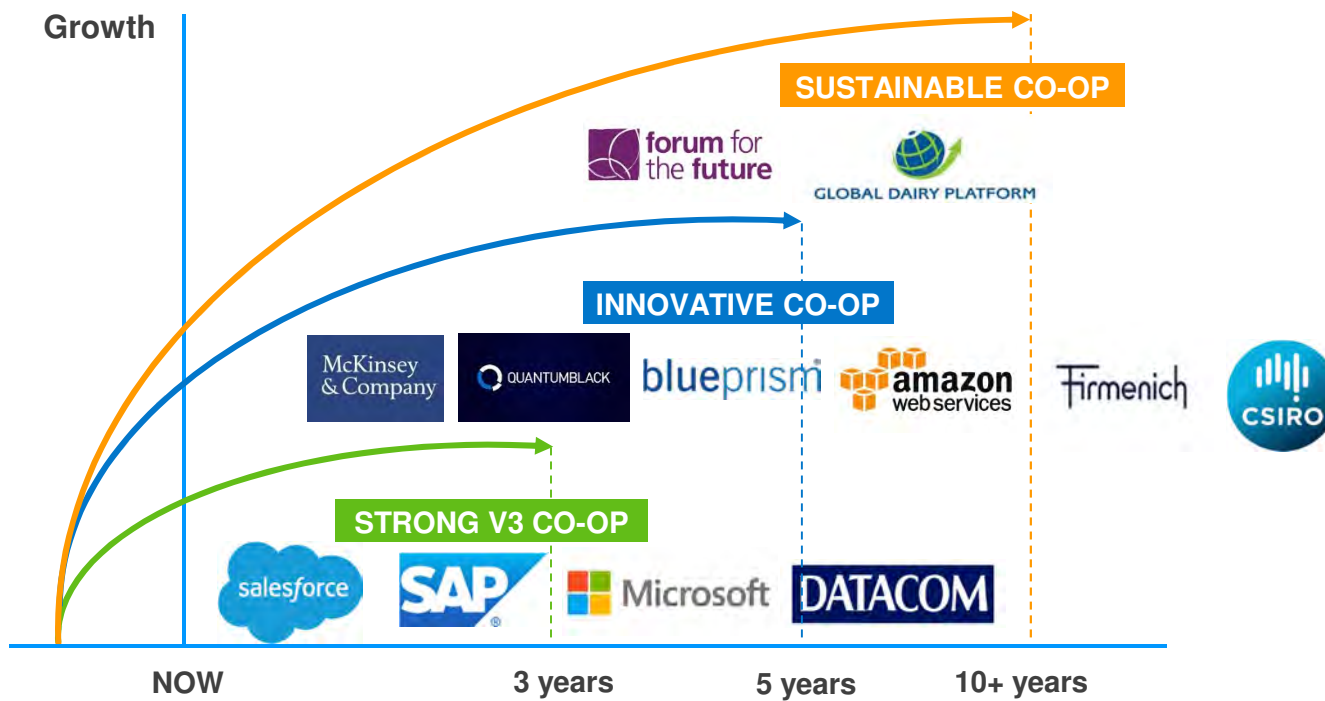
DELIVERING FUTURE CAPABILITY

Transforming
to an agile
Co-op to better
and more quickly
meet our
customers'
needs

PROJECT
HUB
project based
working will
become the
new norm



We're building an ecosystem of partners





Global Consumer and Foodservice(GCFS) Business Overview Lukas Paravicini COO Global Consumer and Foodservice

Our ambition for Global Consumer and Foodservice



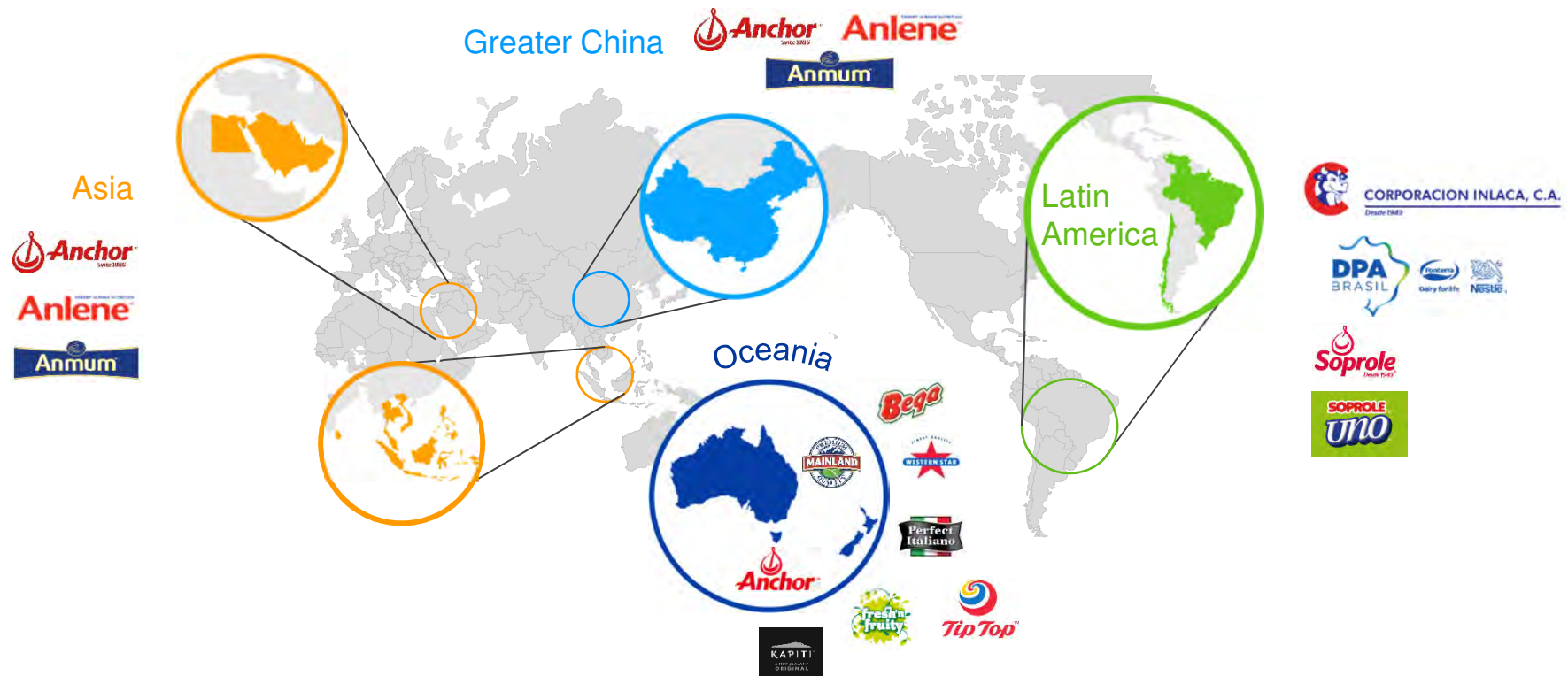
<p>Ambition: To be a relevant dairy player with Fonterra's Consumer and Foodservice brands, delivering annually +400m LMEs with an upskilled team</p>	<p>No. 1 or 2 by Market Share Consumer & FS Business <i>In our 8 strategic & leadership markets</i></p> 	 <p>Most loved brand(s) <i>In our 8 strategic & leadership markets</i></p>
 <p>10 Billion LMEs NZD 15 Billion Turnover <i>2025</i></p>	 <p>Global Benchmark on Consumer Engagement</p>	 <p>Leading dairy innovation</p>





Global Consumer and Foodservice brands

Combination of strategic growth, seeding and cash markets



Our brands are getting global recognition

48 Awards in 18 months



6
CANNES LIONS



11
SPIKES ASIA AWARDS



8
TANGRAMS AWARDS
& 1 AMES



7
LONDON INTERNATIONAL
AWARDS



2
CLIO AWARDS



10
AXIS AWARDS

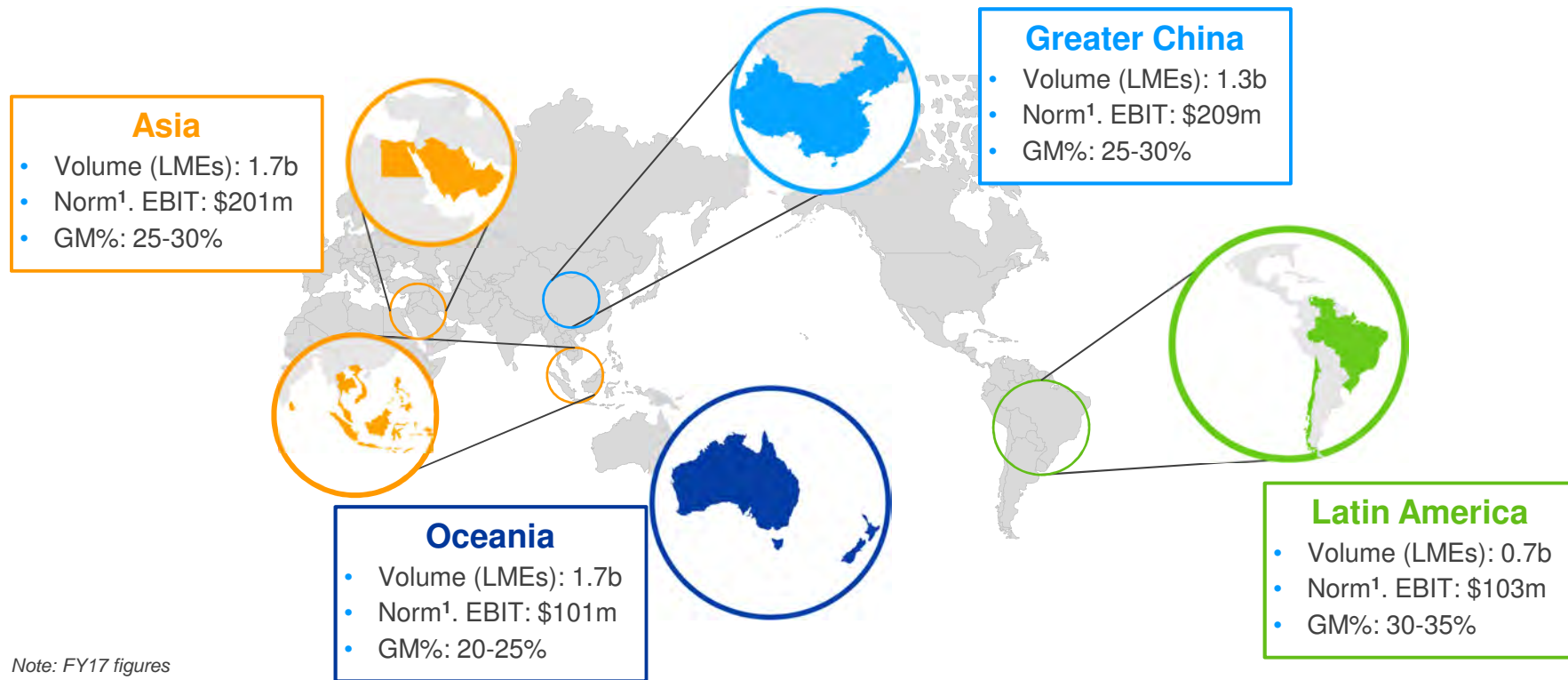


2
NZDM AWARDS



2
BEST AWARDS

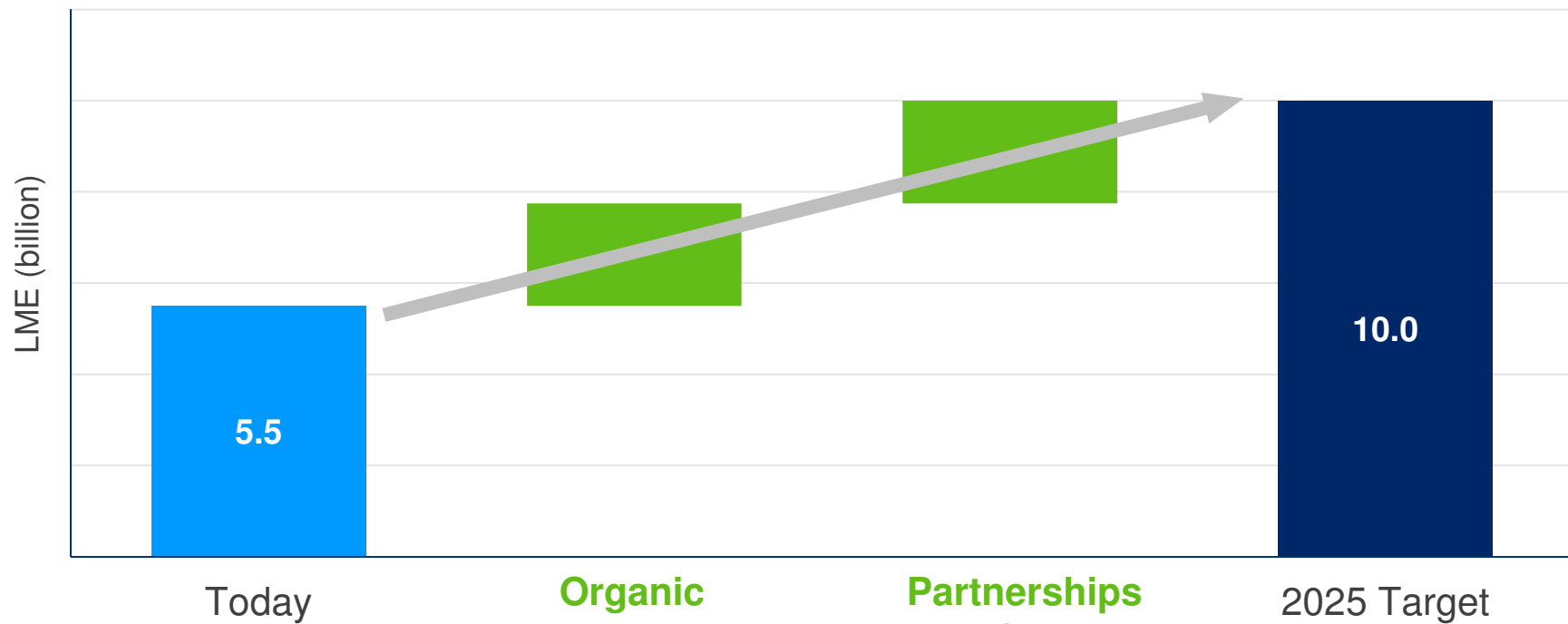
GCFS is a highly attractive business today



Note: FY17 figures

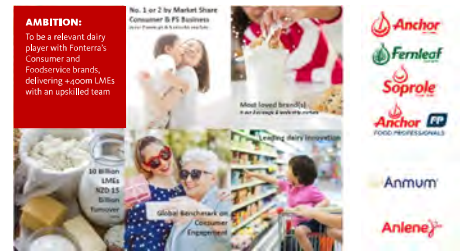
1. Refers to normalised EBIT

Growth will be delivered organically and through partnerships





Achieving our ambition



2 WHAT

- Accelerate, Diversify Foodservice
- Culinary @ Home
- Healthy Living
- Affordable Nutrition

3 HOW

Five Must Win Battles

1. Innovation
2. Revenue Growth Management
3. Perfect Store
4. Cost Leadership
5. Digital



> \$1b innovation pipeline

1 Winning with Taste to Delight Consumers

60:40 Sensory Win on ALL key products



2 Portfolio Optimisation and Rationalisation

Formulation Simplification
Agile process balancing three principles (taste, nutrition, regulatory)

Agile Network
Leverage R&D / LAC networks

Make Choice
80% portfolio on 3 Must Win Battles (MWB)



3 Shaping the Future Consumer-led Pipeline

Set up Innovative Approach

- Ideation + crowdsourcing communities



- Robust screening best ideas to shape our MWB platforms with fast evolving consumer aspirations!



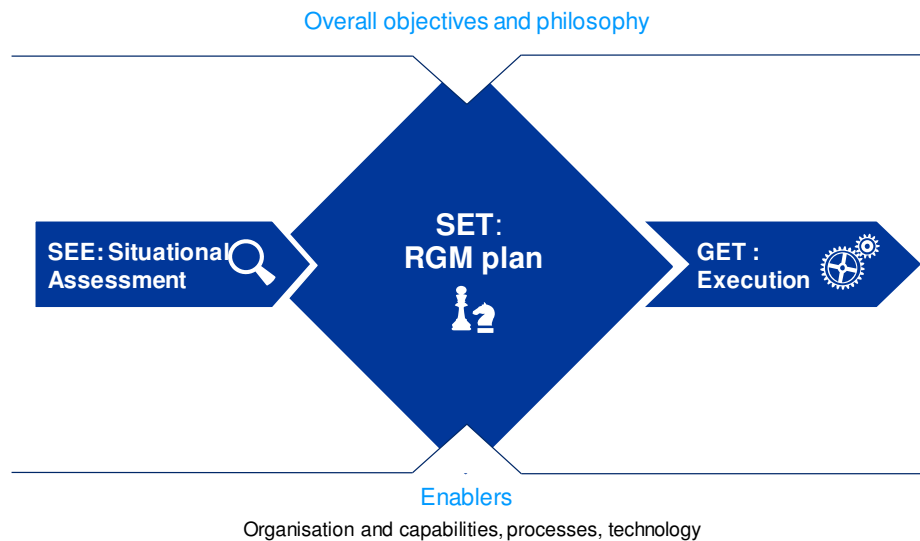
Ambient Yoghurt Life style Protein Healthy Living

A solid and consumer relevant pipeline : > incremental \$ 1b innovation pipeline

Global Revenue Growth Management – focussing on systematic value pricing



Fonterra Global RGM Programme



PACK-PRICE
CHANNEL STRATEGY

EFFECTIVE
PROMOTIONS

TRADE INVESTMENT
MANAGEMENT

Creating the Perfect Store

Priorities:

- MCL Compliance
- Promotional Compliance



Brand Strategies	RGM ¹ Insights
Shopper Insights	Channel Strategies

01 Product Must Carry List	02 Price Pricing Strategy*
80% compliance Must Carry List (M1 (H) - G) Covered stores	03 Placement Home Site Planogram
04 Promotion Promotion Strategy*	05 POSM (Display) Secondary Display
Min Share of shelf = Market Share (Value)	# of promotions planned vs actual
	# of displays planned vs actual

Note: All Pricing, promotion and distribution decisions are at the sole discretion of the retailer. RSP = Recommended Shelf Price
1. Revenue Growth Management.

Significant conversion cost potential

World Class End to End Supply Chain
The Right Service at the Right Cost

Integrated Factory Management

Conversion Cost



Absolute Material Loss



Failure Cost



Current Leadership Focus

- Making losses visible, continuously measuring and undertaking focussed intervention
- Leaders on the floor coaching
- Creating ownership at equipment level
- Line structure reorganisation driving accountability

Four key areas of growth beyond today's trajectory

1. China Accelerate
2. Global Foodservice
3. Affordable Nutrition
4. Partnerships





Acceleration

Christina Zhu

President Greater China

China at a glance



Economy

- World's **second largest economy** and **top receiver** of foreign direct investment
- Drivers changing from export and investment to **personal consumption**
- **Single-digit GDP growth** is the "new normal"
- Forward focus on **quality, innovation, and open trade and investment**

Government/regulatory

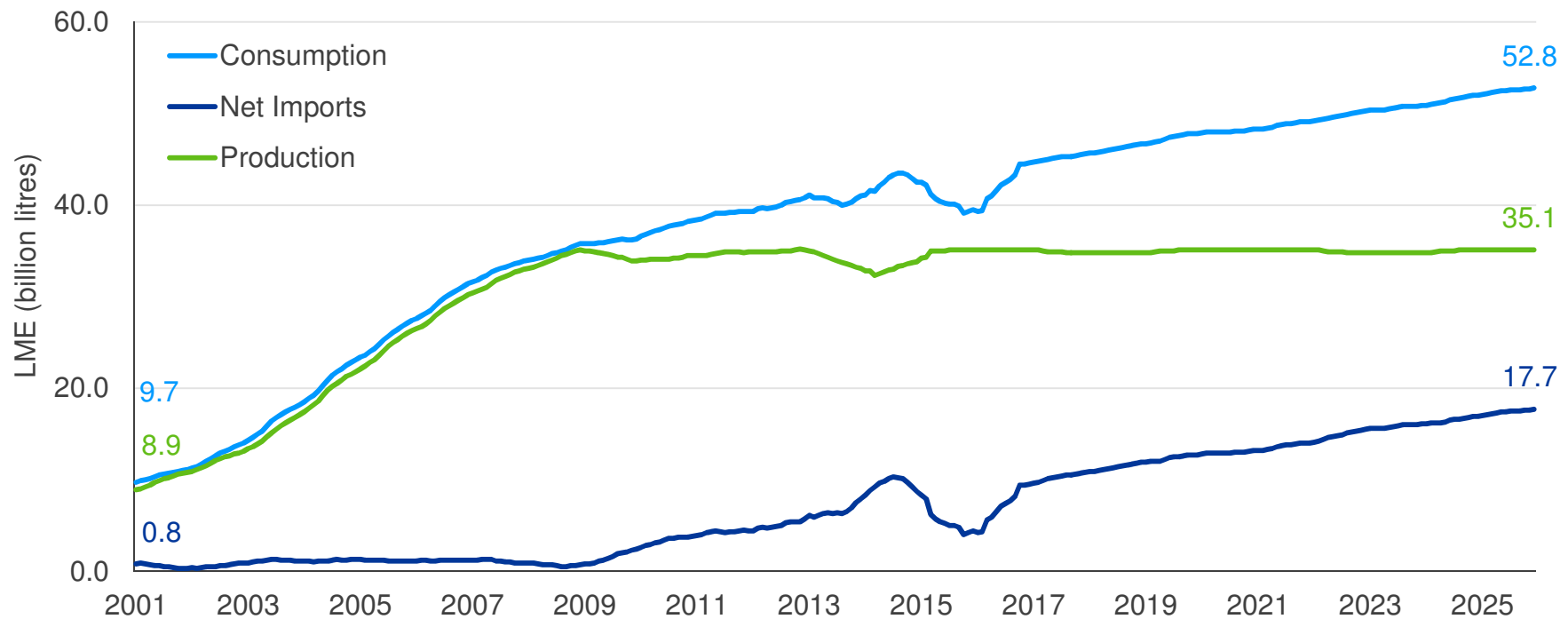
- **Stable governance and leadership** under President Xi Jinping and the Communist Party of China
- Strong **openness and engagement** – AIIB and One Belt, One Road
- Strong continued regulatory emphasis on **food safety and quality**
- **Special New Zealand-China trade relationship** as FTA upgrade talks continue

Consumer trends

- **Demographic changes:** continued urbanisation and population aging, relaxation of the one-child policy
- **Steady household income growth**
 - 'Trading-up'
 - Focus on **food safety and health**
- **Increasing brand loyalty**
- **World's most dynamic digital economy**

Chinese dairy demand is growing faster than local supply

China equilibrium model



Source: Fonterra GDI / Combined Forecast Model

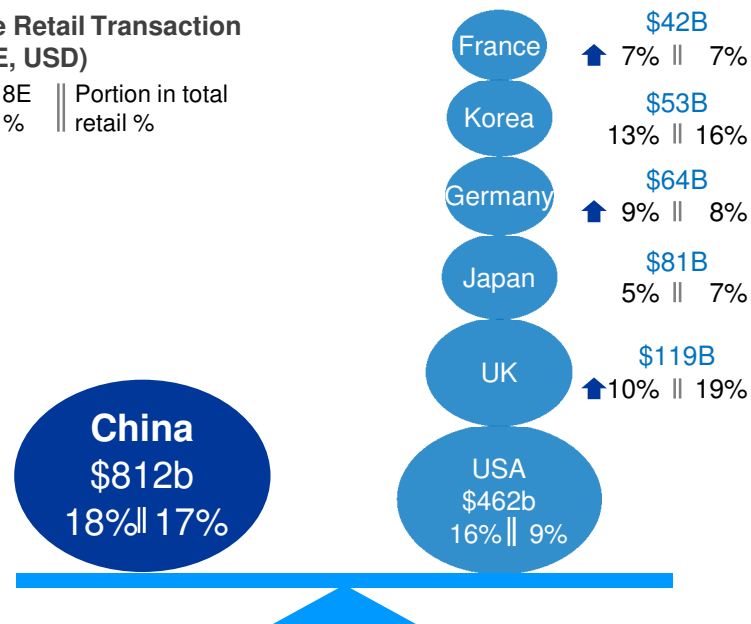
China is world's largest e-commerce market, with growth in fresh and packaged food still to come



China's e-commerce market equals total of top 6 from the rest of the world

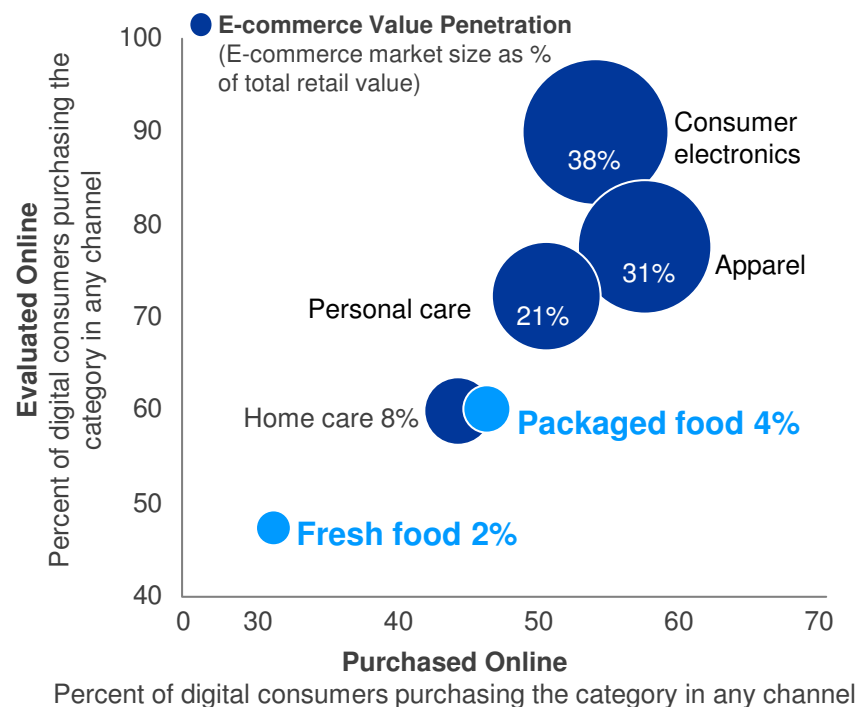
Online Retail Transaction (2017E, USD)

2016-18E CAGR % || Portion in total retail %



Source: McKinsey iConsumer China 2017, Euromonitor, team analysis

2017 Online penetration rate by category in China

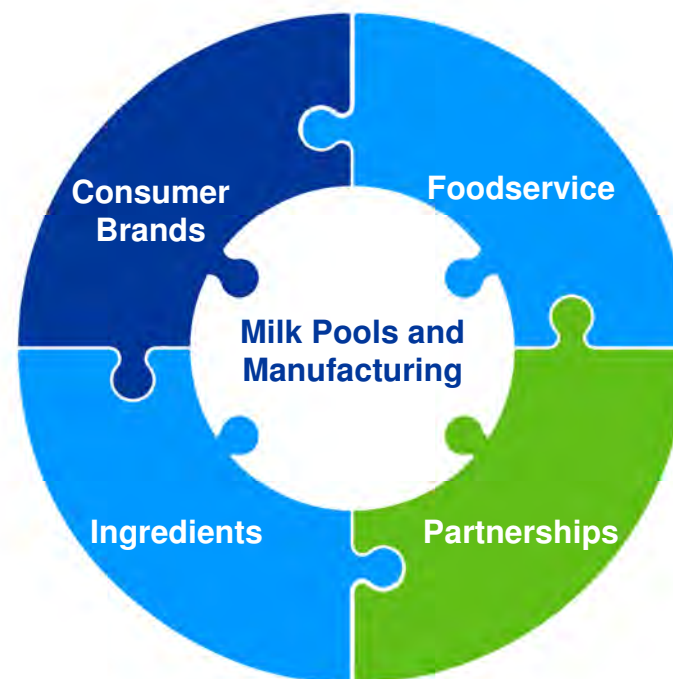


Percent of digital consumers purchasing the category in any channel

We have a right to win with our unique integrated business model



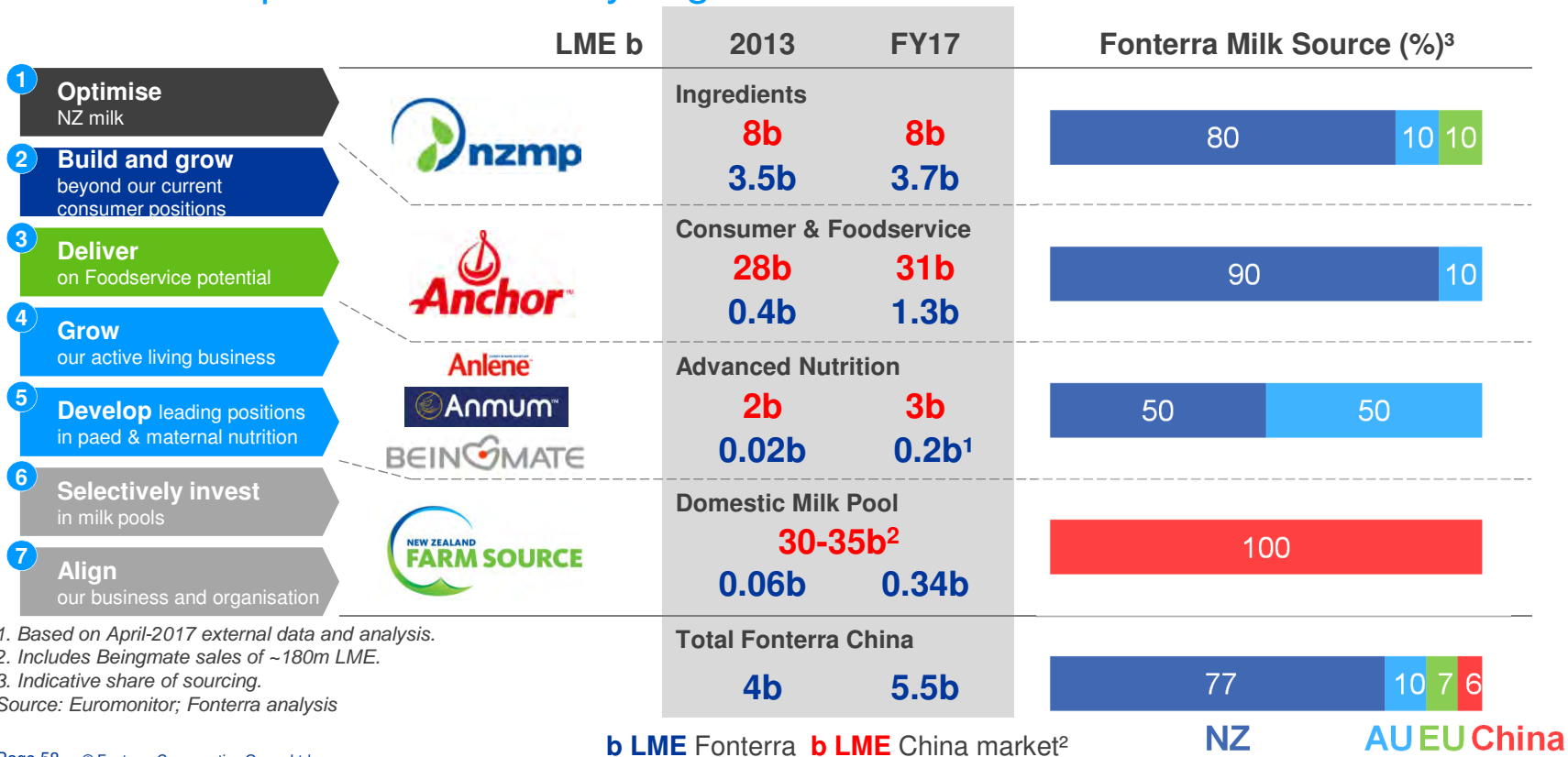
- No other multinational dairy company in China has the same mix of businesses
- Gives us a unique strategic advantage – integrated supply chains are important to Chinese consumers and offer value to potential digital partners
- Multiple milk pools – downstream value from China Farms





China opportunity

Fonterra well positioned in every segment



1. Based on April-2017 external data and analysis.

2. Includes Beingmate sales of ~180m LME.

3. Indicative share of sourcing.

Source: Euromonitor; Fonterra analysis



Consumer brands in Greater China

- Three strong brands: **Anchor**, **Anlene** and **Annum**
- Anchor is our leading import brand by market share
- 2017 Double 11 sales up more than 67% y.o.y., surpassing RMB 100 million across all platforms
- Wide geographic reach via a strong team and distribution channels
- Strategic e-commerce partnerships

Volume growth led by Anchor penetration, e-commerce and portfolio expansion





Anchor 三只松鼠 Anlene 安力能 Annum 安慕斯

Fonterra brands online sales to RMB 100M +67% vs.LY

Anchor exceeded the **whole day sales value** of D11 LY in JD.com by **10 AM**

D11 full-day sales of Anchor Culinary at home exceeded **the sales of entire October**

Anchor POP store in JD ranked **No.1** in imported foods stores

Anchor honored **TOP 10** unprecedentedly on Nov.11 in JD stand-alone Foods&Beverage category

During double 11 shopping festival Anchor awarded **NO.3** in dairy category of JD supermarket **No.1** in imported dairy category

Annum honored **TOP 10** SKU in JD IMF category

2017.11.11 00:10:46 京东超市

< 返回菜单

食品饮料销售额品牌排行榜

今日0-24点销售排名。
11.11最终排名以官方战报为准。

- 三只松鼠 (Three Squirrels)
- 良品铺子
- 蒙牛 (MENGNIU)
- 百草味
- 福临门
- 伊利
- 趣多多
- 竹叶青
- 五化鱼
- 安佳 (Anchor)

去购物 >



Foodservice in Greater China

- #1 in the market through the Anchor Food Professionals brand
- Key product categories: **butter, UHT cream, mozzarella** and **cream cheese**
- Key focus channels: bakery, beverage and casual dining
- Strong distribution, with a forward focus on tier 2, 3 and 4 cities
- Route-to-market transformation sparking further volume growth, value and direct customer ownership
- Fonterra Application Centres in Shanghai, Beijing, Guangzhou and Chengdu

Accelerated volume growth through Route-to-market transformation

Over **50%** of pizzas in China are topped with our cheese

Over **50%** of leading bakery chains choose our products



Experienced and innovative chef teams



Professional service teams



World-class dairy application experts and advanced technology

Why Acceleration



1

China is a “winner-take-all” market, requiring players to rapidly scale with sustainable margins



2

Chinese consumers are increasingly brand loyal, prefer to trade up, and adapt to “new” quickly



3

As a result, “cards can re-shuffle quickly” in the market



4

The emerging era of “New Retail” is characterised by omni-channel, instant fulfillment, and focus on fresh food



5

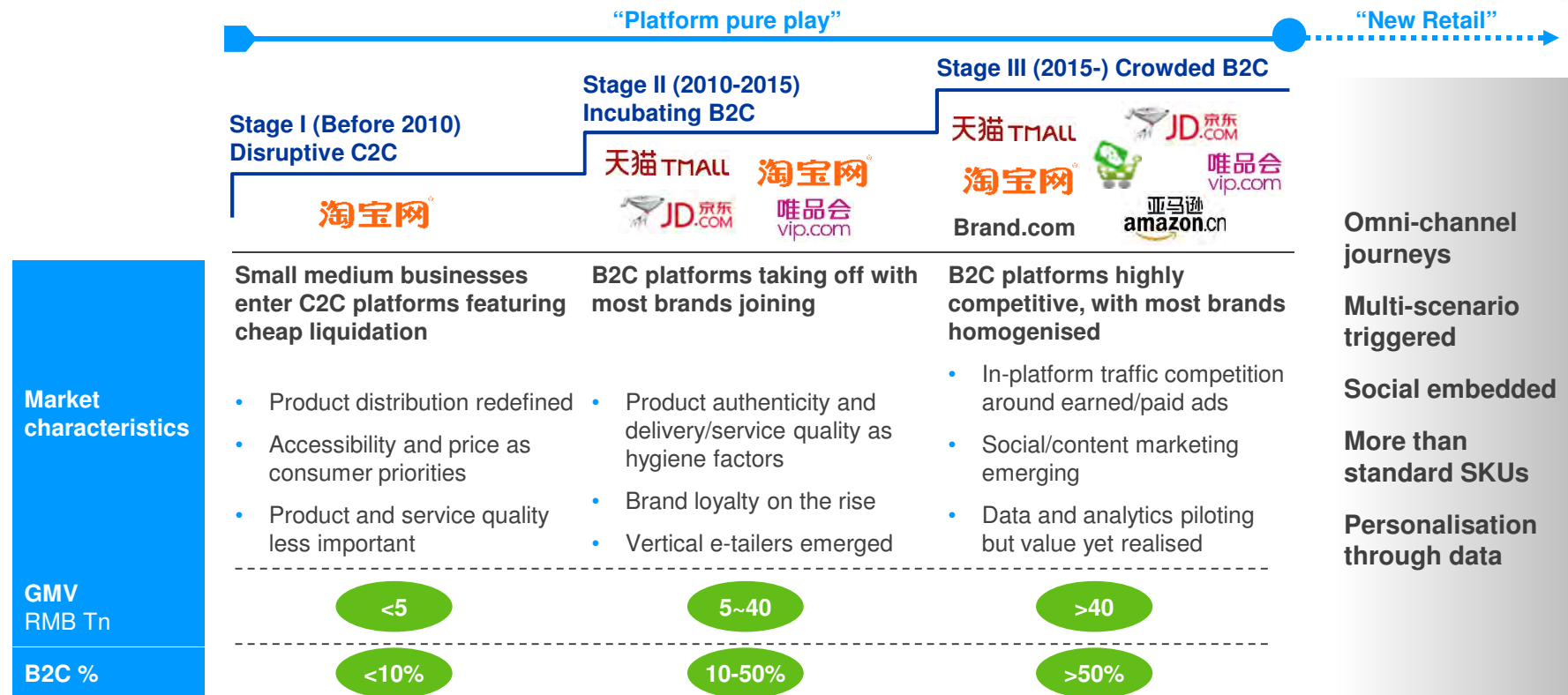
We are the only MNC¹ uniquely positioned to create a full end-to-end value chain across consumer and foodservice

Focus on speed and agility to defend and grow market leadership

1. Multinational Corporation



The journey to New Retail



Consumer: build scale with sustainable margin in key products and channels



Key Products

- Build scale through hero products:
 - Anchor import UHT portfolio (milk, skim, powder, ambient yoghurt)
 - Cross-border maternal
 - Culinary @ home
 - Fresh milk

Key Channels

- Deliver integrated consumer experiences via:
 - New retail and omnichannel
 - E-commerce partnerships

Sustainable Growth

- Invest for long-term growth without gross margin compromise
- Leverage local and offshore milk supply



Foodservice: deepen reach to defend and strengthen market leadership



Route-to-Market

- Optimise sales model with differentiated propositions for targeted customer segments
- Enhance distributor management playbook

Dairy Conversion

- Geographic expansion, with focus on improving coverage of third and fourth tier cities
- Expand category leadership from current bakery focus to beverage and casual dining

Product Portfolio

- Leverage local and offshore milk supply
- Local demand-driven products, e.g. AEC lighter tasting cream





Foodservice

Grant Watson

Director Global Foodservice

Anchor Food Professionals is the high performance foodservice business of Fonterra



>50% of food \$ are spent out-of-home

\$1 in every \$6 is dairy-intensive globally

Cinemas and Theaters



Bakeries



Airports



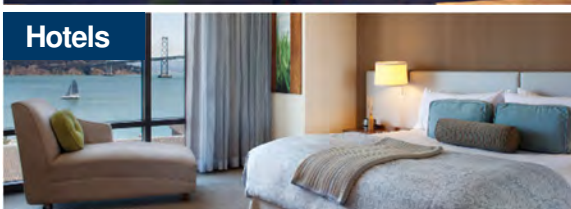
Cafes



Restaurants



Hotels



In 2021, global foodservice is predicted to be worth US\$3 trillion



Global Foodservice channel-led strategy

1. ASPIRATION

We have clear growth aspirations

- NZ\$5bn** Revenue
- 5bn LME** 1 million MT
- 17%** Fonterra's global milk pool

2. RIGHT TO PLAY

We are uniquely positioned to deliver on our growth aspirations

- Fit for purpose products**
- Unique New Zealand taste and provenance**
- Full dairy range and brand heritage**
- Chef network and application kitchens**
- World-leading technology platforms**

3. CHANNEL FOCUS

We focus on three specific types of food service businesses

- ASIAN BAKERY**
- ITALIAN KITCHEN**
- BEVERAGE HOUSE**
- QSR**

4. CATEGORY FOCUS

Our innovation focuses on six hero products made for our customers' most important applications

- Bakery Butter**
- Cream Cheese**
- Whipping Creams**
- Culinary Creams**
- Mozzarella**
- Beverage Cream**

5. MARKET FOCUS

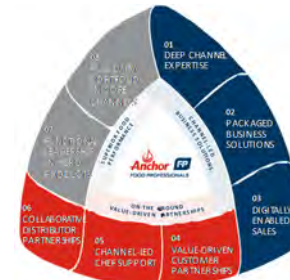
We focus on 20 markets led by China, Indonesia, Australia and Global Accounts with expansion into USA and Brazil



Note: Aspiration refers to 2025.

6. RIGHT TO WIN

We will drive a step-change in accelerated growth and sustainable competitive advantage



7. ENABLERS

We are investing in new capability to enable the Channel-led System

- Accelerate markets**
 - Build channel teams
 - Drive improved sales capability
 - Leverage Anchor FP brand
- Turbo-charge categories**
 - Create responsive manufacturing platforms
 - Improve ex-NZ supply chain
 - Extend hero product leadership
- Strategic framework**
 - Optimise pricing for full potential growth
 - Optimise sales channels within Fonterra
 - Optimise operating model



FY17 Channel Summary

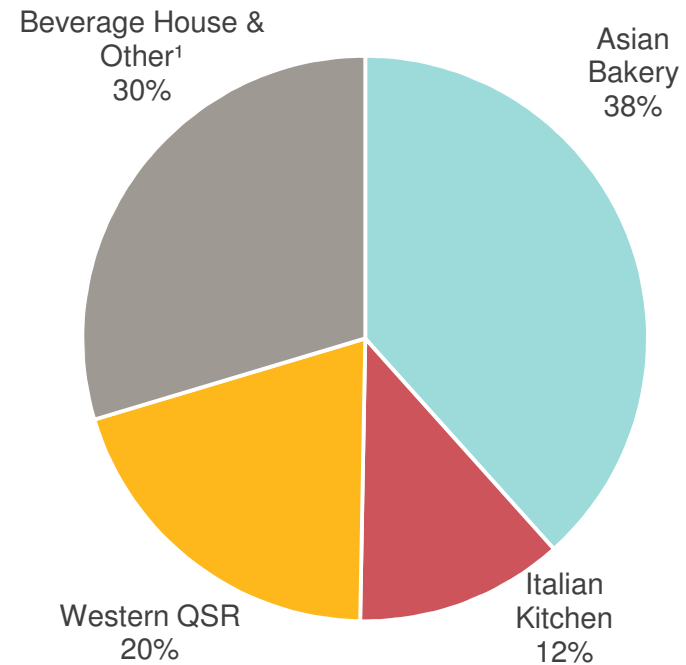
Actual Volume (MT)

ASIAN BAKERY VOLUME IS UP DUE TO UHT WHIPPING CREAM AND BULK BUTTER SALES

ITALIAN KITCHEN VOLUME IS UP MOSTLY AS A RESULT OF BLOCK MOZZARELLA SALES

WESTERN QSR GROWTH IS DUE TO IQF MOZZARELLA SALES

BEVERAGE HOUSE IS A NEW CHANNEL FOCUSED ON DAIRY IN CHINA'S TEA HOUSES

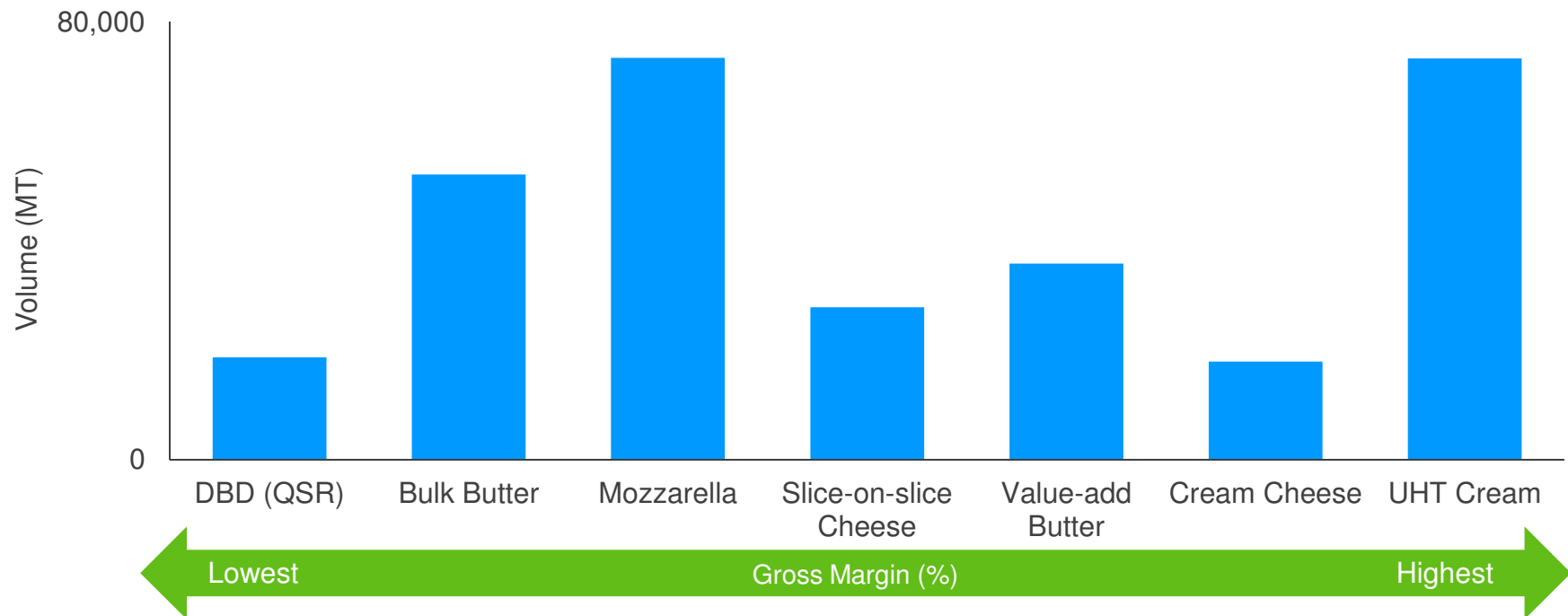


1. Beverage House and Other comprises restaurants, airlines, hotels and catering institutions.



FY17 Category Summary

Actual Volume (MT)



1. DBD = Dairy Beverage Desserts.

Note: Other Products account for a further 101,000 MTs

Deliver double-digit diversified growth

ACCELERATING OUR MOMENTUM

ANCHOR FOOD PROFESSIONALS

1 Winning in China

1. Develop Anchor Online
2. Leverage China Farms (White Gold)
3. Accelerate channel-led momentum



2 Diversified Growth

1. Accelerate Americas
2. Scale-up Brazil entry
3. Double Soprole by 2021



3 Must win battles

1. Revenue Growth Management (RGM): Best-in-class RGM capabilities
2. Low-cost operator: Best-in-class global and local distribution operating models
3. Digital: End-to-end sales digital ecosystem
4. Supply: Supply to meet accelerated demand
5. Innovation: Broaden hero product portfolio





Consumer

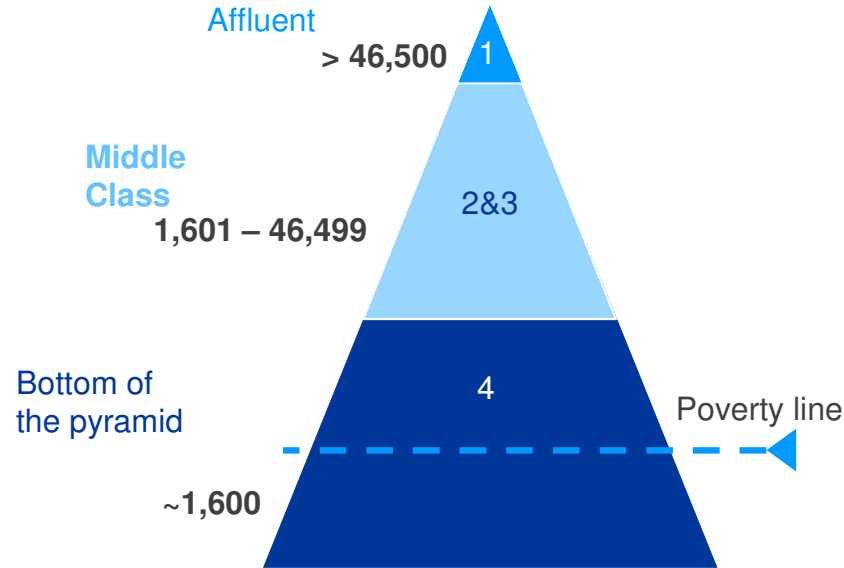
Andy Dasgupta

Director Global Consumer Brands

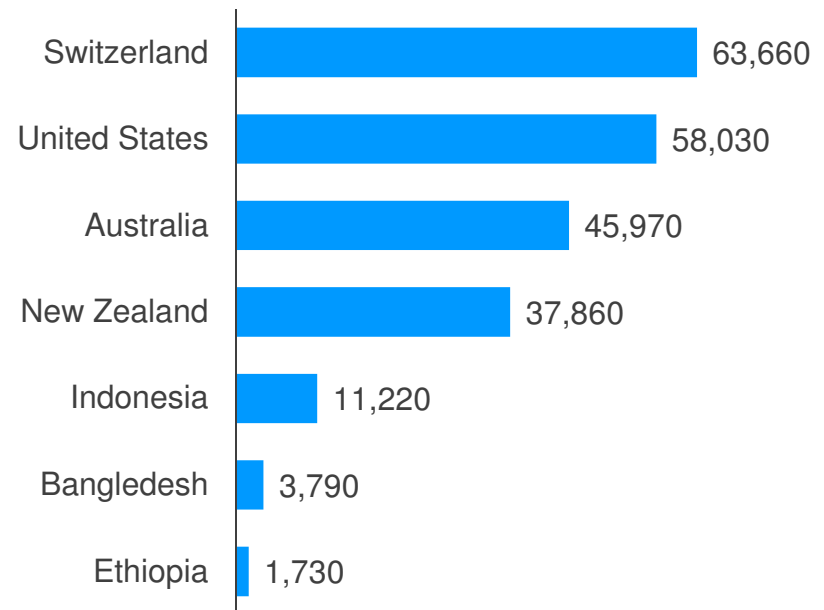


Affordable Nutrition will focus on those below and just above the poverty line

Annual income per capita (\$PPP)¹



Gross national income per capita (\$PPP)²



1. Purchasing power parity (PPP) reflects the cost of a basket of goods across currencies.

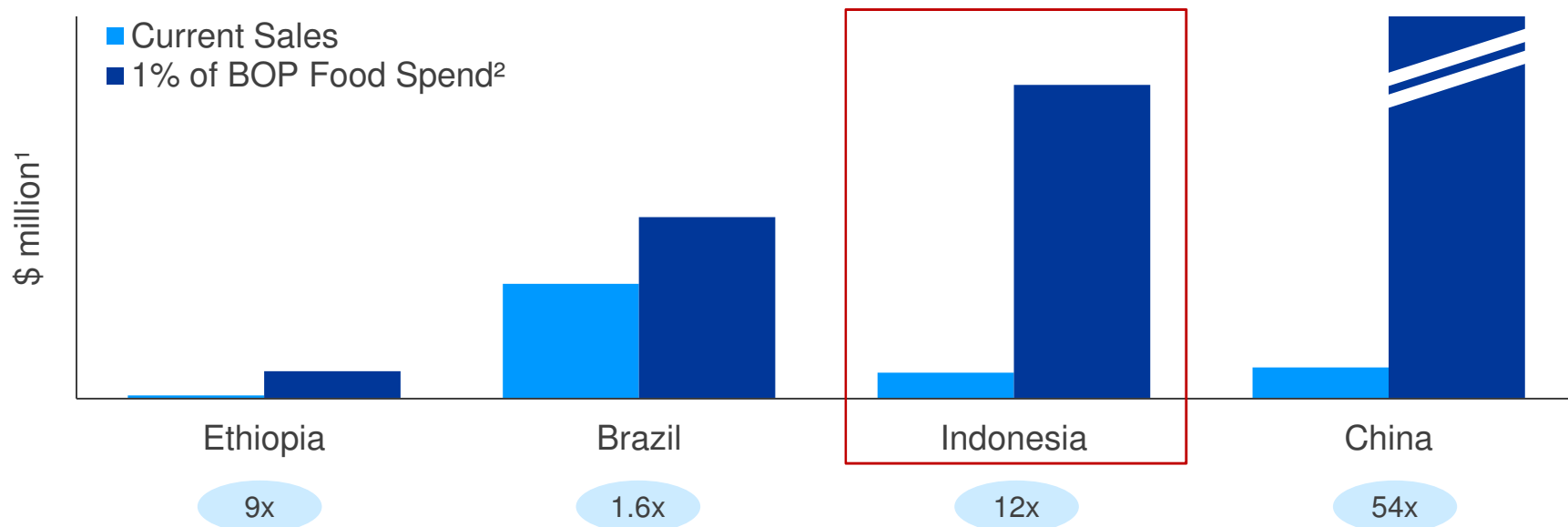
2. In US dollars.

Source: The World Bank website, "GNI per capita, PPP" 2016

1% of Affordable Nutrition spend is greater than current Fonterra sales in many markets



Current sales vs. 1% of BOP food spend²



1. Assuming 1NZD=0.7USD.

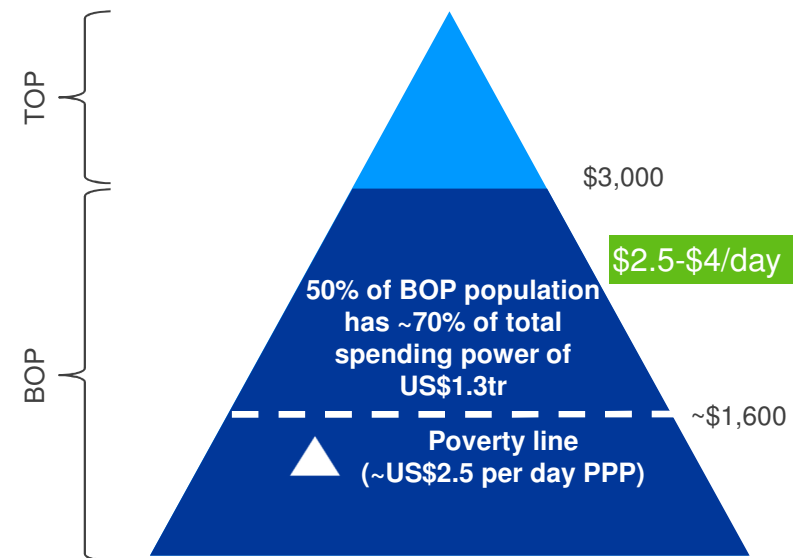
2. Assuming average food spend per capita per day of \$1.7 PPP USD in Balance of Payments (BOP).

Source: MGI Cityscope; World resources institute

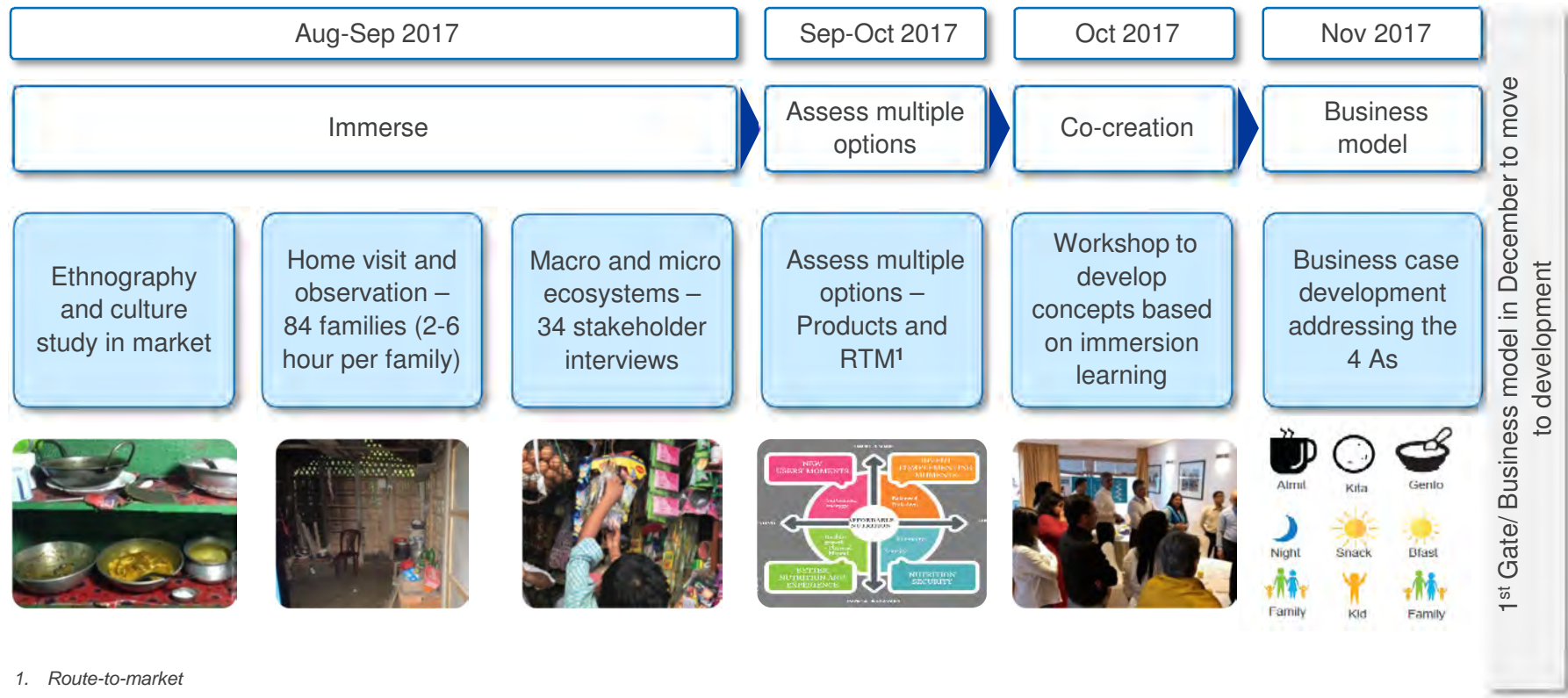
What is Affordable Nutrition?

Definition	Create a scale & profitable business through making trusted dairy-based nutrition accessible & affordable everyday to a nutritionally deficient BOP population
Key Pillars	
Appeal	Ensure attractiveness of aspirational proposition and meet consumer's nutrition needs that allow us to compete vs other players in daily purchase basket
Affordability	Fit into their daily purchase basket - \$2.5-\$4 per day Ensure magic Price point – US\$0.03-0.05 Right pack size and format Drive continuous cost reduction
Accessibility	Ensure distribution that caters to small drop sizes at higher frequency in small locations. Ensure scale of business
Awareness	Build visibility of brand proposition through relevant touch points – e.g. outdoor, digital (mobile), street play

Annual income per household



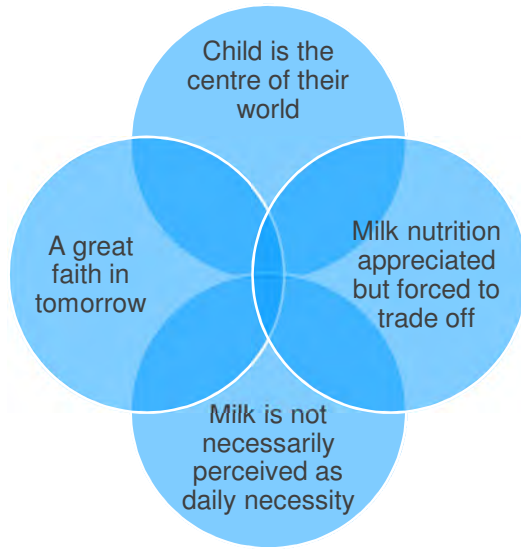
Journey to date



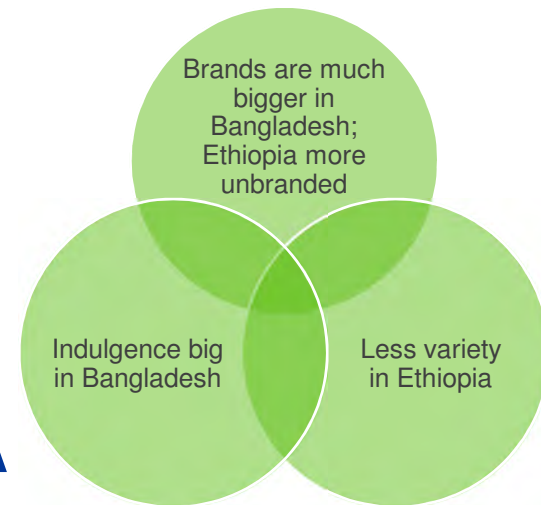
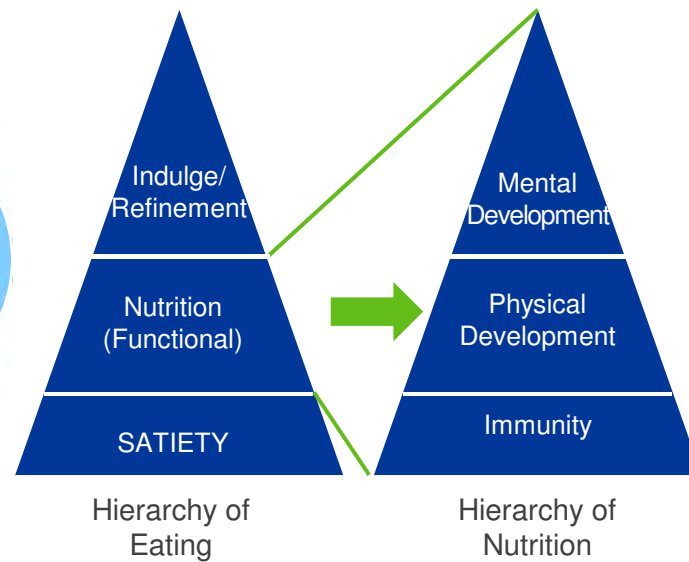
1. Route-to-market

From Appeal to Affordability, Accessibility and Awareness

Many commonalities exist



Some differences





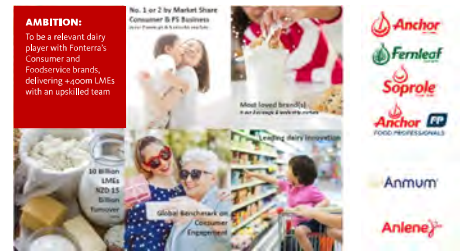
Global Consumer and Foodservice Summary

Lukas Paravicini

COO Global Consumer and Foodservice



Achieving our ambition



2 WHAT

- Accelerate, Diversify Foodservice
- Culinary @ Home
- Healthy Living
- Affordable Nutrition

3 HOW

Five Must Win Battles

1. Innovation
2. Revenue Growth Management
3. Perfect Store
4. Cost Leadership
5. Digital





Q&A and Close



Fonterra – key investment attributes

Strong industry fundamentals

Co-operative with secure global access to quality milk

Scale and world-class ingredients business

Focussed high-value consumer and foodservice businesses

A strategy that's delivering diversified and increased returns

Financial strength and discipline

Unique Co-operative structure supports strong credit profile, including effective subordination

Highly experienced board and management team