

JOHN MONAGHAN

Chairman

It starts here...

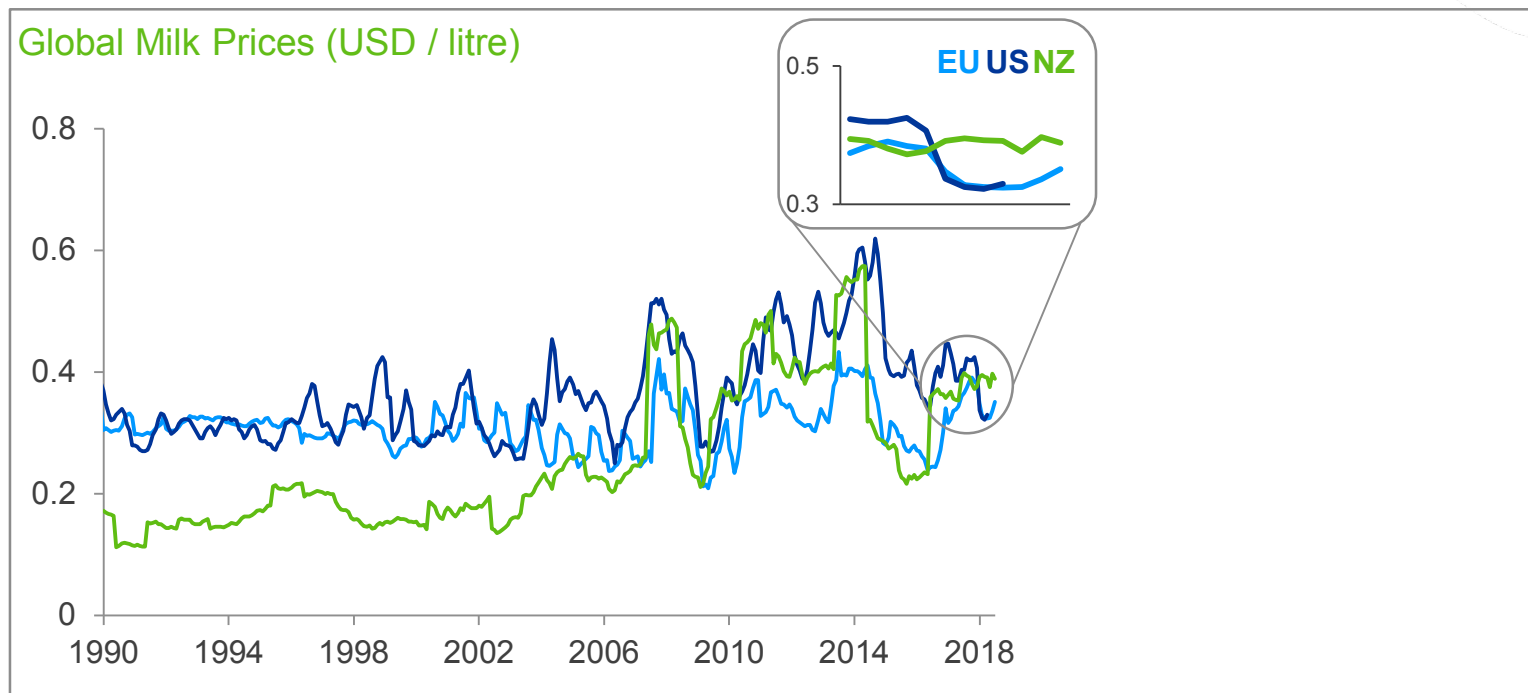
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Dairy for life



Globally competitive cash pay-out



Source: DairyNZ (NZ to May 2014); Fonterra announced payout (milk price and dividend) (NZ from June 2014); USDA; European Milk Market Observatory (Netherlands milk price). Prices are adjusted to a milk composition of 3.5% protein and 4.2% fat and for spot exchange rates.



98.4%

Fencing statistics

98.4 per cent of waterways on supplying farms in New Zealand are fenced to keep cows out of waterways.



On-farm emissions

19.9 million tonnes CO₂e emitted from supplying farms around the world.

Emissions intensity per kilogram¹

New Zealand	0.85
Australia	0.92
China	1.62

22%

22 per cent reduction in New Zealand somatic cell count since 2009, a key indicator of animal health.



Farmer training

More than 2,600 farmers in Sri Lanka received training.

50

New ambition for 50 water catchments in New Zealand.



4%

Riparian management plans

4 per cent of supplying farms in New Zealand have documented riparian management plans.

95%

95 per cent of supplying farms in New Zealand are participating in nutrient management reporting and benchmarking.





Legend

Farming entities that achieved grade free for at least the last ten seasons.

A M Flanagan
B L & Estate R J Mohring
B S & P J Strang
C & H Mabey
C J & K L Ladd
C M & K M O'Donoghue
C R & A K Spence
Est of M F Blake & M Blake
F A & R C M Smits Ltd
G B & J S Coulter
Golden Mile Farms Ltd
Inishbulfin Farm Ltd
JA & Estate of K Jolly
K & S MacKenzie Farms
Limited
K F Wallace
Kemira Farm Ltd
L J & L M Still
Lakeland Farms Ltd
M J & L M Van Tiel
Miroc Limited
Owango Farms Limited
P T & V M Youngman
R & P Woods Farms Ltd
R J & E F Madsen
R S & R D Gordon
Romill Partners
Rye Downs Ltd
Schorn Trust
Serendipity Trust
Takitimu Trust
Thomag Ltd
Willowbank Estate Ltd



Gold

Farming entities that achieved grade free for at least the last four seasons.

S M Trust
A & D Milne
A & G Martelli Family Trust
A & N Harvey Family Trust
A & L J Edward Trust
A H & A C Webster
A Holten & N Brown
A J & K L Murdoch
A J & K M West
A J Dodds & Sons Ltd
A K & M E Tyler
A M Flanagan
A P & C Knibbs
A R Mills
Abacus Dairy Ltd
Abbey Farm Partnership
Abbott Brothers
Abbott Trusts Partnership
ABH Trust
AGC Farms Ltd
Alhpaia Farms Ltd
Airlie Lodge (Walton) Ltd
Allison Family Farms Ltd
Alton Pastures Ltd
Amberhay Ltd
Ararata Holdings Ltd
Armer Farms (N) Ltd
Arnold Farming Ltd
Ashgrove Dairy Farms Ltd
Avon Downs Ltd
Awapuketia Farming Company Ltd
B & D Dodunski
B & E V Blake
B & J Kelly P/Ship
B & C & K A Keller
B D Mead
B J & P Brisco
B J Laing
B L & D J Haylock
B M & B C & J H Geddes
B N & P A Jones
B P & P N Kennedy
B R Dinnington Ltd
Barmac Dairies Ltd
Barneyco Trust Partnership
Barriball Farms Ltd
Beckhban Dairies Ltd
Bell Farm 2008 Ltd
Bellvue Enterprises Ltd
Bent River Farms
Bent River Farms
B J C & F M Henchman
B Kydz Contracting Ltd
B M A & S A Anderson
B Owen & Robyn Ruddell Partnership
B Ruthe Farms Ltd/LA Ruthe

BM & G Watson Ltd
Bogaard Farms NZ Ltd
Borrowdale Trust
Boswell Dairy Ltd
Bothwell Farms Ltd
Bremna Farms Ltd
Briley Farm Trust
Bullock Family Trust
Burnside Farms Ltd
Burton Trust
C & B Jensen Family Trust
C & D Padruitt Trust
C & M Tippet
C & R M Moir
C & B Farms Ltd
C & E D L Rogers
C F & M T Muller
C J & C J McKenzie Ltd
C J & K M A McLean
C W & J Redshaw
C W & M Y Matthews
Family Trust
C.D. Farms Ltd
Camaron Farms Ltd
Casey Coxhead Ltd
Caskie Farms
Chislehurst Farms Ltd
Claremont Trusts Partnership
Clinton & Pamela Smeath
Clutha Lea Ltd
CM Farming Ltd
Collahen Ltd
Collins Family Trust
Cotlands Ltd
Cowley Dairies Ltd
CPX Ltd
Cranieff Clifton Ltd
Creedsdale Pastures Ltd
Cross Dairies Ltd
D & D Alexander Trust
D & E Cole
D & I Edward Ltd
D & S Farms
D & A M A Mullan
D C & V F Frew
D Crofsky
D E & M E Hines
D J & P Brisco
D J Laing
D L & D J Haylock
D M & B C & J H Geddes
D N & P A Jones
D P & P N Kennedy
D R Dinnington Ltd
Darmac Dairies Ltd
Darneyco Trust Partnership
Darriball Farms Ltd
Deekhban Dairies Ltd
Bell Farm 2008 Ltd
Bellvue Enterprises Ltd
Bent River Farms
Bent River Farms
B J C & F M Henchman
B Kydz Contracting Ltd
B M A & S A Anderson
B Owen & Robyn Ruddell Partnership
B Ruthe Farms Ltd/LA Ruthe

Drumblade Farm Ltd
Drylands Trust
Drysdale Holdings Ltd
Dugald McKendry Family Trust
E F & J A Alcock
E J & S M Smeath
E L & D J Brook
Eichler Farms Ltd
England Trusts Partnership
Estate E A Bonner
Estate of Elizabeth Paretiuarangi Ormsby
Euro Land Ltd
Excel Dairying Ltd
F B Bonenkamp & J B Cunningham
F W G & J P Stanbridge
Fairview Trust
Falcon Farms Trust
Far South Farms Ltd
Fardale Dairies Ltd
Farmer Fred Ltd
Farming Tee Jay Ltd
Farview Farms Ltd
Fonterra - O'Brien Farm
Forest Hill Downs Ltd
Four Roads Farms Ltd
Fowler Family Prosperity Trust
Friska Farm Trust
G & C Came Ltd
G & M Gloy
G & A J M Fox
G & K T Lynch
G & S V M Weir
G A Knight
G B & D G Hodges Trust
G C & J M Knowles
G E & J Porteous
G E & V E Cooper
G E Sutherland Trust
G J Farms Ltd
G K & D J Landon Family Trust
G L & G F Bell
G P & C A Whiteman
G R & J R Saddleton
Gaim Farms Ltd
Gee 'N' Tee Ltd
Given Family Trust
Glen Eden Otago Ltd
Glen Oroua Dairies Ltd
Glenagarry (Dyke) Farming Co Ltd
Golden Key Trust
Graft Farms Ltd
GRC Farms Ltd
Gregory Farms Ltd
Gydeland Farm Ltd
H G & C K Meijer
Hall Family Farms Ltd
Haresfield Farms Ltd
Hayden and Korina Brown Partnership
Hayley Buckman Family Trust
Henderson Partnership Farm
Heyland Farms Ltd
Highlines Ltd
Hillcrest at Fairfax Ltd
Hillcrest Farms Ltd
Hillgrove Trust

Hines Family Trust
Hoogeween Farms Ltd
Howard Farm Ltd
Huntly Road Dairies Ltd
Hutton Farm Holdings Ltd
I Hampton & A Golvin
J J Sutherland Partnership
Interlaken Farms Ltd
J & J Anderson Family Trust Partnership
J & L M Van Burgsteden
J A J H Hine
J B & L M Suisted Ltd
J B & S M Dymhoven
J E & C T Brien
J E & D M Cooper
J H & H R Smyth
J L & H M Coatsworth
J L & K S Gwender Family Trust
J L & M A Cooke
J L Hooper & A L Robertson
J M & T M Van Hout
J M De Renzy
J P & M J Horgan
J R & A T M Hale
J W & A M Steeghs
J W Pricot
James Martelli
James Martelli
Janssen NZ Ltd
Jasas Trust
Jasko Farm Trust
Jayland Partnership
J C Beattie Trust
J D Q Ltd
Jersey Rock Farm Ltd
J J & A B Roskam Ltd
J M Cross & L A Hazelton
Johnson Farm Co. Ltd
K B & K R Whiteman
K B Olsen & R J Stephens
K J & H Chalmers Ltd
K J & B A Argyle
K J & M T Dwyer Trusts P/S
K R & S M Rooney
K W & D M Blackstock
K W & D R Lowe Family Trust
Kaimai Dairy Ltd
Kairua Pastures Ltd
Kaipara View Farming Ltd
Kalman Farms Trusts P/Ship
Kauri Falls Investments Ltd
Kerenui Ltd
Kevin Fleming Ltd
Kieran McElean Trust
King Steffert Family Trust
King's Junction Ltd
Knockinnon Farm Trust
Kwaybyre Farms Ltd
L J & M Pricot
L J Hodges
L G & J M Morris Ltd
Laing Dairy Ltd
Lawson Road Farm Ltd
Lesdale Friesians Ltd
Liljyn Dairies Ltd
Lockerbie Farms 2001 Ltd

Longacre Properties Ltd
Lord & Veltman Ltd
Ludell Ltd
Ludimac Dairying Ltd
Lutz Farming Company Ltd
Lynton Dairy Ltd
M & A Schrader Family Trust
M & C O'Grady Ltd
M & J Barker Trust
M & C J P Fisher
M E Hunt & Son Ltd
M G & A M Hurley
M G & P M Stevenson
Family Trusts P/Ship
M J & A S Taylor Family Trust
M J & S D Hooper
M J & H R Davies
M J & W P Van Veen
M J Diprose Ltd
M J McDowall
M J Murray & Estate of A B Murray
Maken Milk Ltd
Malandra Downs Ltd
Manuka Ridge Ltd
Mark A Mullan Trust
Marua Partnership
Mary Allen Farm Ltd
Matbridgen Ag Holdings Ltd
Matbridgen Family Trust
Maude Peak Farm Trust
Mayora Farms Ltd
Maylands Farms Ltd
McCollough Family 2008 Ltd
McFetridge Farms Ltd
McGee Partnership
McGowan-Weake Partnership
Mead Family Farm Ltd
Membury Oak Farm Ltd
Meyer Family Trust
Millstone Trust
Milkwell Ltd
Mitchells Milky Way Ltd
M J & K L Family Trust
Molehill Farm Ltd
Morrison Farms Ltd
MR & T J Frost Ltd
Mu Kau Ltd
Mudspring Farms Ltd
N A & K M Coll
N R & K L Gaskin
N R & L A Fox
NB & U Crosbie Ltd
Ngahape Valley Farm Ltd
Ngatunui Dairies Ltd
North Star Farming Ltd
NR Ensor Ltd
Oatawa Farms Ltd
Okapua Farming Company Ltd
O'Reilly Family Trust
Otria Farm Ltd
Otu Creek Farm Ltd
P & T & S Y Thompson
P A Hoogeween
P D & J Bish
P D & S S Sharpe
P G & D J Collins

P G & D M Dombroski
P H & W F Iorns
P H S & P C Byford
P J & M L Cotter
P L & R E Berryman
P R & V P Dawson
P V & P G Mullin Trust
Parkhill Farms Ltd
Perlow Dairies Ltd
Pharlee Trust
Phimister Farming Ltd
Piwakawa Farm Trust
P J Nelson Farming Ltd
Placement Services Ltd
Port Molyneux Dairies Ltd
Puketia Farming Enterprises Ltd
Punihio 606 Partnership
Quirke Family Trust
R & A Tait I/A Black Cow Dairies
R & K Houghton Family Trust
R & S Singh
R & A J L Hamilton
R A F & J R Clubb
R F & C L Lamsdaal Ltd
R J Troughton
R N Cornes
R T & E A Brown Ltd
R W & R R O'Brien
R W & W J Cudby Family Trust
R L Mathis Ltd
Rainbowcreek Farms Ltd
Reilly Farm Ltd
Rich Feet Ltd
River Heights Ltd
Riverside Farms (Taranaki) Ltd
Riverside Farms 2001 Ltd
Riverview Trust
RK & A Hines Ltd
RKW Partnership
Rodney G & S J Joblin
Rogers Farming Ltd
R V & H R Kikihia Farms Ltd
Rylands Farm Company Ltd
S & S Iorns
S A & J L England
S B & Y M Thompson
S England & P Walker
S G & B L Thirkell
S G McKenzie
S L & J P Vincent
S M Sheeh
Sabin & Co Ltd
Sean McElean Trust
Seven of Nine Ltd
Shabiet Ltd
Shawlink Ltd
Shenandoah Trust
Silvacreast Farms Ltd
Silverdene Farms (2000) Ltd
Sim Brothers Ltd
Sim Family Farms Ltd
Sisley Farms Ltd
Slatz Trust
Somerset Trust
Springpark Farms 2008 Ltd
Steffert Farms Ltd
Stephen Zink

Steven Bennett Family Trust
Stoneyburn Dairy Ltd
T & C Brown Ltd
T & K Rae Family Trust
T D & J A Rhind
T R D Reesby
Tamatea Farms Ltd
Tawa Land Company Ltd
Tayco Farm Ltd
Te Ngutu Land Holding Co Ltd
Te Repo Farms Ltd
Teaghlach Trust
Telesis Trust
The Adare Company Ltd
The D & A Roberts Family Trust
The Goble 2000 Trust
The Herevahine Trust
The Hyjinks Trust
The Red Cow Company Ltd
The Taiari Dairy Company Ltd
Trior Ltd
T Tully Lands Ltd
Trustees Kokako Station
Tuki-Tuki Awa Ltd
TW Langford Family Trust
Two Name Farming Ltd
Up At Ltd
V E & D M Grant
Vale Green Services Ltd
Van Rossum Ltd
VBI Ltd
Ventura Dairies Ltd
W & C Candy Trust
W B Scott Family Trust
W B Wouters
W Dreadon & K Barnett-Dreadon
W G & M D Orr
W J & J G Pile Family Trust
W R & Z W Kite
WA & H R Simpson Farming Ltd
Waicola Holdings Ltd
Waiau Dairies
Waiotu Farms Ltd
Waiparu Farm Ltd
Waiparu Holdings Ltd
Waipia Trust
Waituna Investments Ltd
Walters Holdings (2008) Ltd
Wards Schrader Trusts Partnership
Webber & Maxwell Partnership
Webber Farm Ltd
West Mains Farm Ltd
Westmeath Trust
Whakahora Farm Ltd
Whakanui Stud Ltd
Whenuakura Farm Ltd
Wichland Farms Ltd
Willcock Farms Ltd
Willowfields Ltd
Willowhaugh Enterprises Ltd
Windy Ridge (Fleming) Ltd
WP & A Moore
Wylam Dene Farms Ltd



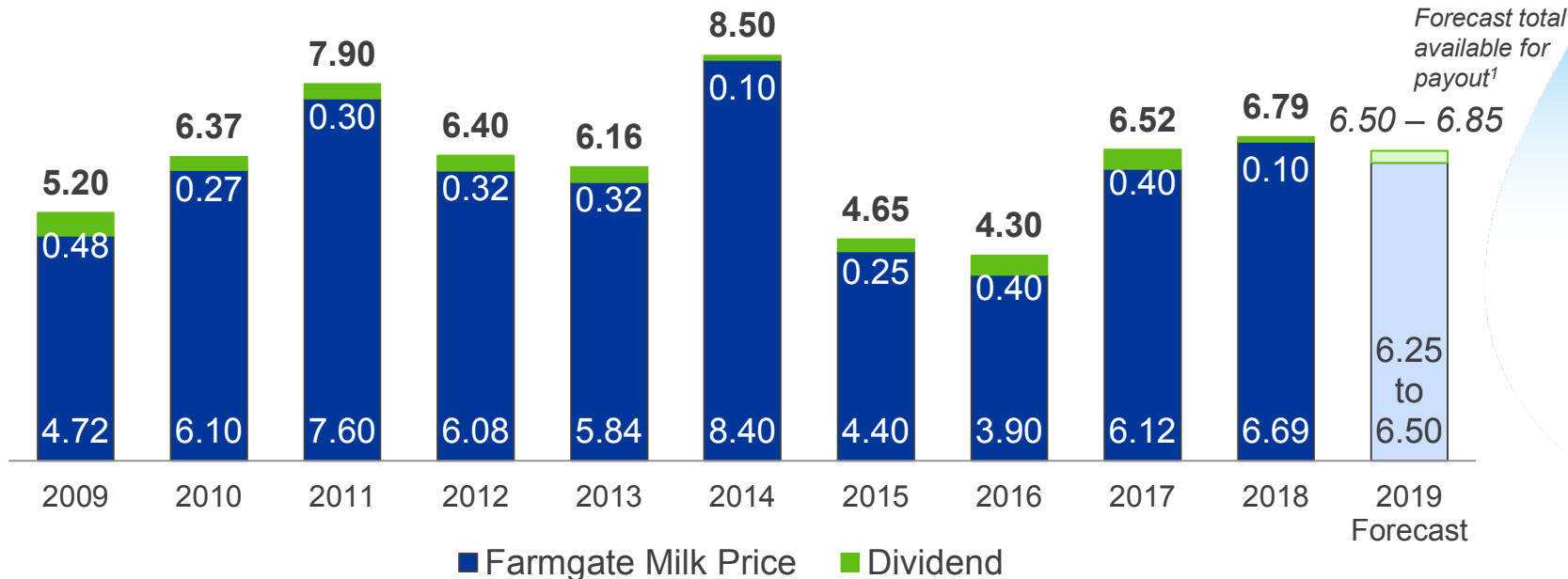
Achievement

Top 10 farming entities with the lowest somatic cell count.

1 G L & G F Bell
2 Le Emari Trust T/A Willowbridge Dairies
3 K J & H Chalmers Ltd
4 BG & SLA Butler Family Trust
5 M C & J P Fisher
6 J C & F M Henchman
7 Kydz Contracting Ltd
8 M A & S A Anderson
9 Owen & Robyn Ruddell Partnership
10 Ruthe Farms Ltd/LA Ruthe



Strong Farmgate Milk Price Range



1. Total available for pay-out = Forecast Farmgate Milk Price range of \$6.25 - \$6.50 + Forecast Earnings Per Share (EPS) of 25-35 cents. For farm budgeting purposes the likely dividend will be calculated in accordance with Fonterra policy of paying out 65-75 per cent of adjusted net profit after tax over time.

Note: Farmgate Milk Price: \$ per kgMS; Dividend: \$ per share



Portfolio Review Phases

1

IMMEDIATE ACTIONS IN FY18

- Debt reduction focus

2

STRATEGIC REVIEW OF PORTFOLIO

- Strategic alignment
- Value creation potential
- Agree where to exit / optimise / invest

3

DELIVERY OF STRATEGIC REVIEW ACTIONS

- Exit / optimise and reallocate capital
- Invest
- Reduce debt / return capital



MILES HURRELL

Chief Executive Officer

Disappointing earnings performance

Margin pressure, higher costs and one-offs



VOLUME	REVENUE	GROSS MARGIN ¹	OPEX ¹
22.2B LME	\$20.4B	\$3,152M	\$2,496M
↓ 3%	↑ 6%	↓ 3%	↑ 7%
NORMALISED EBIT ²	NORMALISED NPAT ²	NET PROFIT AFTER TAX	ANNUAL DIVIDEND
\$902M	\$382M	\$(196)M	10CPS
↓ 22%	↓ 51%, EPS ¹ 24c	↓ 126%, EPS (14)c	↓ 75% YIELD 1.7% ³

Ingredients

Volume (LME) ⁴	↓ 20.5B
Gross Margin (%) ¹	↓ 9.0%
Normalised EBIT	↓ \$879M
Return on Capital ⁶	↓ 8.3%

Consumer and Foodservice

Volume (LME) ⁴	↑ 5.6B
Gross Margin (%) ¹	↓ 23.6%
Normalised EBIT	↓ \$525M
Return on Capital ⁶	↓ 8.3%

China Farms

Volume (LME) ⁵	↓ 0.3B
Gross Margin (%) ¹	↓ 2.1%
Normalised EBIT	↓ \$(9)M

1. Reflect normalisation adjustments.

2. Attributable to equity holders.

3. FY18 divided over volume weighted average FCG price of \$5.84 across the year.

4. Includes inter-company sales.

5. Prior year volumes include 26m LME of milk powders not included this year.

6. Return on Capital (ROC) includes goodwill, brands and equity accounted investments. Excluding goodwill, brands and equity accounted investments ROC was 8.2% in Ingredients and 35.1% in Consumer and Foodservice.

Value creation not satisfactory

Requires improved performance and better use of capital

RETURN ON CAPITAL^{1,2}

6.3%

↓ Down from 8.3%

GROSS MARGIN²

15.4%

↓ Down from 16.9%

OPEX²

\$2,496M

↑ 7%

NORMALISED EBIT²

\$902M

↓ 22%

Return

CAPEX

\$861M

↑ 1%

WORKING CAPITAL

83 DAYS

↑ 8 days

NET DEBT³

\$6.2B

↑ Up 11%

Capital

1. Return on Capital (ROC) includes goodwill, brands and equity accounted investments. Excluding goodwill, brands and equity accounted investments ROC was 8.0% in FY18 and 11.1% in FY17.
2. Reflect normalisation adjustments.
3. Economic net interest-bearing debt.

Committed to reducing debt

A strong balance sheet provides options



GEARING¹

48.4%

↑ Up 4.1%

NET DEBT²

\$6.2B

↑ Up 11%

DEBT/EARNINGS³

4.5x

↑ Up from 3.5x

TOTAL EQUITY

\$6.3B

↓ 12%

CREDIT RATING

A^{STABLE}

Fitch

A⁻ STABLE

S&P

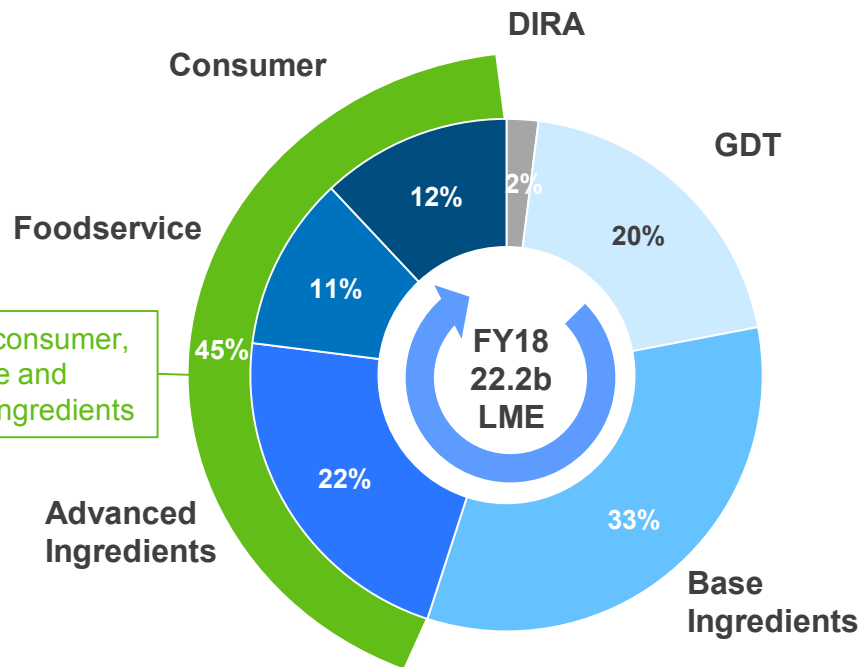
1. Gearing ratio is economic net interest-bearing debt divided by economic net interest-bearing debt plus total equity excluding hedge reserves.

2. Economic net interest-bearing debt.

3. Debt payback ratio is economic net interest-bearing debt divided by EBITDA. Both debt and EBITDA are adjusted for the impact of operating leases.

More volume to higher value

465 million more LMEs shifted to higher value



- Total volumes declined 3% due to lower collections
- More volume into higher value, up from 42% to 45%
- 334m¹ LMEs shifted to higher- margin Advanced Ingredients
- Added 131m¹ more LMEs

Note: Wheel shows category percentage of total FY18 external sales (LME)

1. Additional LME volumes include inter-company sales.

PLAN TO LIFT BUSINESS PERFORMANCE

1

TAKING STOCK OF BUSINESS

We have dropped our volume-based ambition

We are maximising New Zealand milk

2

GETTING THE BASICS RIGHT

We are living within our means

Reducing financial year-end debt by at least \$800m

Capital expenditure set at \$650m, down from \$861m

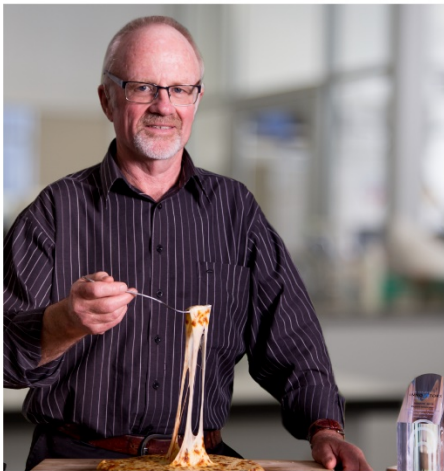
We are working to reduce our operational expenses back to FY17 levels over the next two years

3

ENSURING MORE REALISTIC FORECASTING

We are working to reduce subjectivity in our forecasting

Over time this will include increased use of technology



INGREDIENTS

Three new divisions established in FY18 to capture market growth



**PAEDIATRIC
INGREDIENTS**



**MEDICAL
NUTRITION**



**SPORTS AND
ACTIVE LIFESTYLES**

GLOBAL CONSUMER AND FOODSERVICE



Launched Red Cow in Sri Lanka

Anchor brand breaks even in China - two years ahead of seven year target

47 Anchor products now available in more than 13,000 stores across China



SUSTAINABILITY



Net zero
emissions
across our
manufacturing
sites by 2050

Converting
to co-fire wood
biomass at our
Brightwater site

Replacing
coal with
electricity at our
Stirling site

DUNCAN COULL

Chairman

Fonterra Shareholders' Council

Statement of Intentions

for year ending 31 July 2018



KPI	FY2018 Target	FY2018 Actual	
Available for Payout	\$6.95 - \$7.05	\$6.93	✗
Farmgate Milk Price	\$6.50	\$6.69	✓
Earnings Per Share	\$0.45 - \$0.55	\$0.24	✗
Consumer & Foodservice Volume	5.5 billion	5.2 billion	✗
Gearing Ratio	40 - 45%	48.4%	✗
Working Capital Days	76	83	✗
Return on Capital	14%	8%	✗
Milk Solids (Retain and Grow)	82.0%	81.8%	✗
Employee TRIFR	5.0	6.1	✗

Budget FY2019



	FY2018 Budget \$000	FY2018 Actual \$000	FY2019 Budget \$000
Total Operating Costs	2,435	2,388	2,385
Connection <i>(MyConnect, UYCP, Purpose Review, Councillor development, Shareholder engagement)</i>	602	555	670
Governance Development Programme	146	123	146
Guardianship <i>(Elections – Returning Officer & candidate meetings)</i>	0	0	250
Performance <i>(External analyst incl Value Review)</i>	55	98	175
Total	3,238	3,164	3,626

Resolution 6:

Approval of Shareholders' Council programme and budget



Under this item of business the Chairman of the Shareholders' Council will, in accordance with the requirements of the Company's Constitution:

- Report on the Council's view as to the Company's direction, performance and operations for the preceding season
- Report on the activities undertaken by the Council in the preceding season
- Present the Council's programme and budget for the current season
- Present the Milk Commissioner's Report
- Comment on other dairy industry matters

“To approve the Shareholders' Council's programme and budget for the current season.”