FONTERRA SHAREHOLDERS' FUND

ANNUAL MEETING

MONDAY 12 DECEMBER 2016

JOHN SHEWAN

Chairman

FSF Management Company

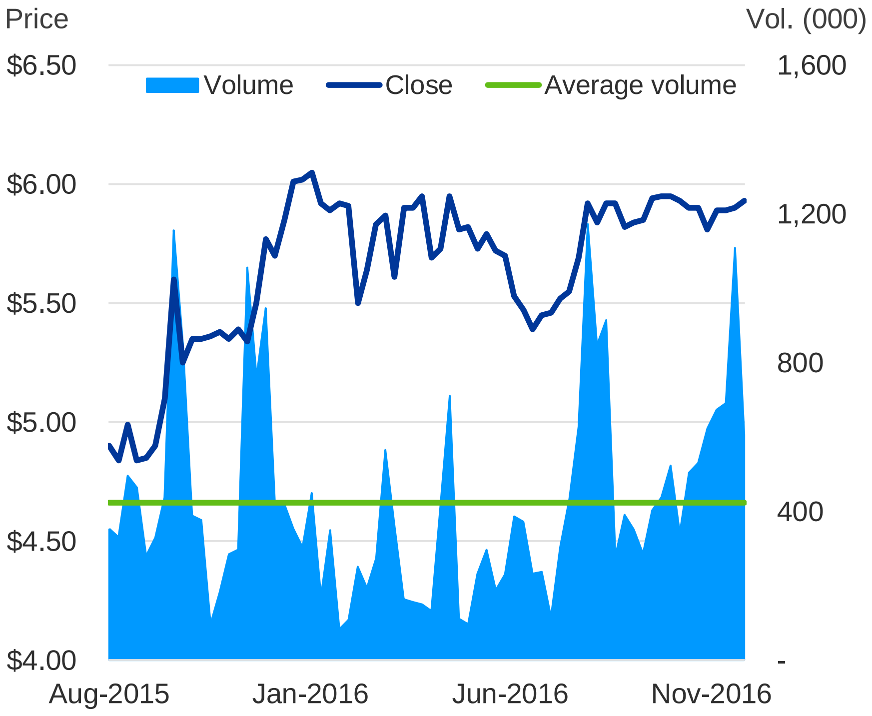
AGENDA

Welcome and introduction	John Shewan
Chairman’s address	John Shewan
Opening remarks from Fonterra Chairman	John Wilson
Fonterra CFO’s address	Lukas Paravicini
Questions	Lukas Paravicini
Resolution to re-elect retiring Director Kim Ellis *Address by Kim Ellis*	John Shewan
General business	John Shewan

KEY EVENTS IN THE YEAR

16 November 2015	Business update announced with increased earnings per share
23 March 2016	Interim results announcement
20 April 2016	Interim distribution of 20 cents per unit paid
16 May 2016	Business update confirmed solid nine-month performance
7 June 2016	Early final distribution of 10 cents per unit paid
17 June 2016	Senior leadership team and business unit structure announced
9 September 2016	Final distribution of 10 cents per unit paid
22 September 2016	Annual results announcement

UNIT PRICE PERFORMANCE



- Fonterra continued strong business performance in FY16
- Reflected in increasing FSF unit price
  - Over last 6 months[1] outperformed the NZX50 (+4% versus -2%)
- Full year distribution 40 cents per unit
  - Yield of 7.3%[2]
- Continued strong FSF liquidity
  - Average daily trading volume of 424,000 units

1. For the 6 months ending 30 November 2016
2. FY16 dividend over volume weighted average closing unit price ($5.50) across the year

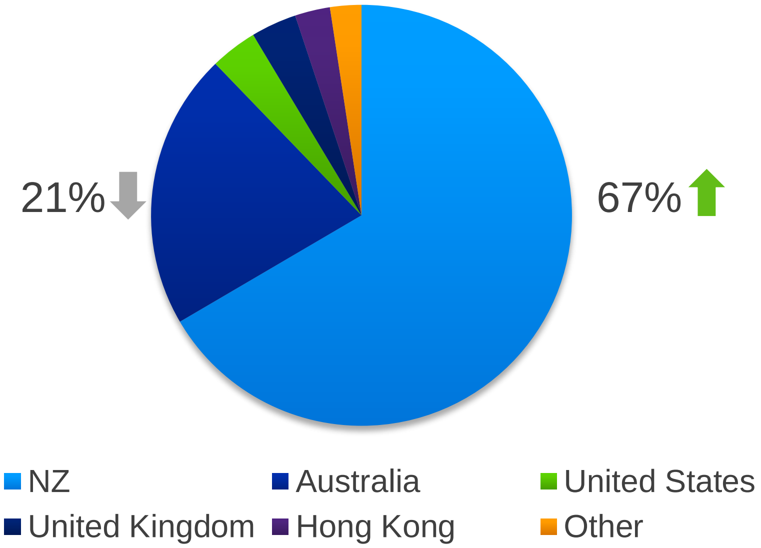
FUND KEY STATISTICS

Units on Issue[1]:	121 million ⬆
Fund Market Capitalisation[1]:	$719 million ⬆
Fonterra Market Capitalisation[1]:	$9.5 billion ⬆
Fund Size[1]:	7.6% of Fonterra shares on issue ⬆
12-month High/Low[1]:	$6.12 / $5.31
Liquidity[2]:	Top 5 ranking on the NZX50

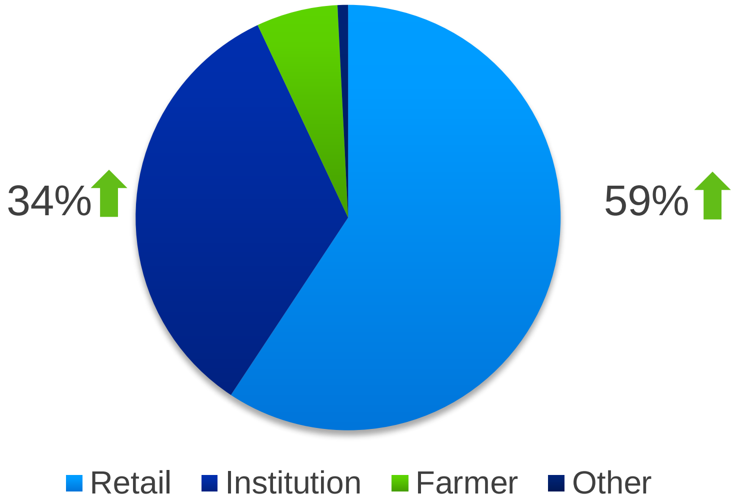
1. At 30 November 2016
2. Liquidity has been calculated as median daily value traded (12 months) / Average Daily New Zealand Free Float Market Cap (12 months) (Source: NZX) – at 6 December 2016.

UNIT REGISTER ANALYSIS

Holding by country



Holding by investor type



As at November 2016 – comparison to October 2015

INVESTOR RELATIONS INITIATIVES

- Introduced quarterly business updates - November 2015 and May 2016
- Monthly Global Dairy Update available on fonterra.com – Our Financials
- Targeted investor presentations in New Zealand (x2), Australia (x2), Europe, the United States and Asia
- Delivering a more focused approach to investor engagement
- Regular updates with New Zealand wealth managers and financial advisors

DIRECTOR CHANGES

Fonterra Co-operative Group

Independent director changes

- John Waller ONZM retired
- Scott St John appointed

Farmer director changes

- Malcolm Bailey and Ian Farrelly retire
- Donna Smit elected

FSF Management Company

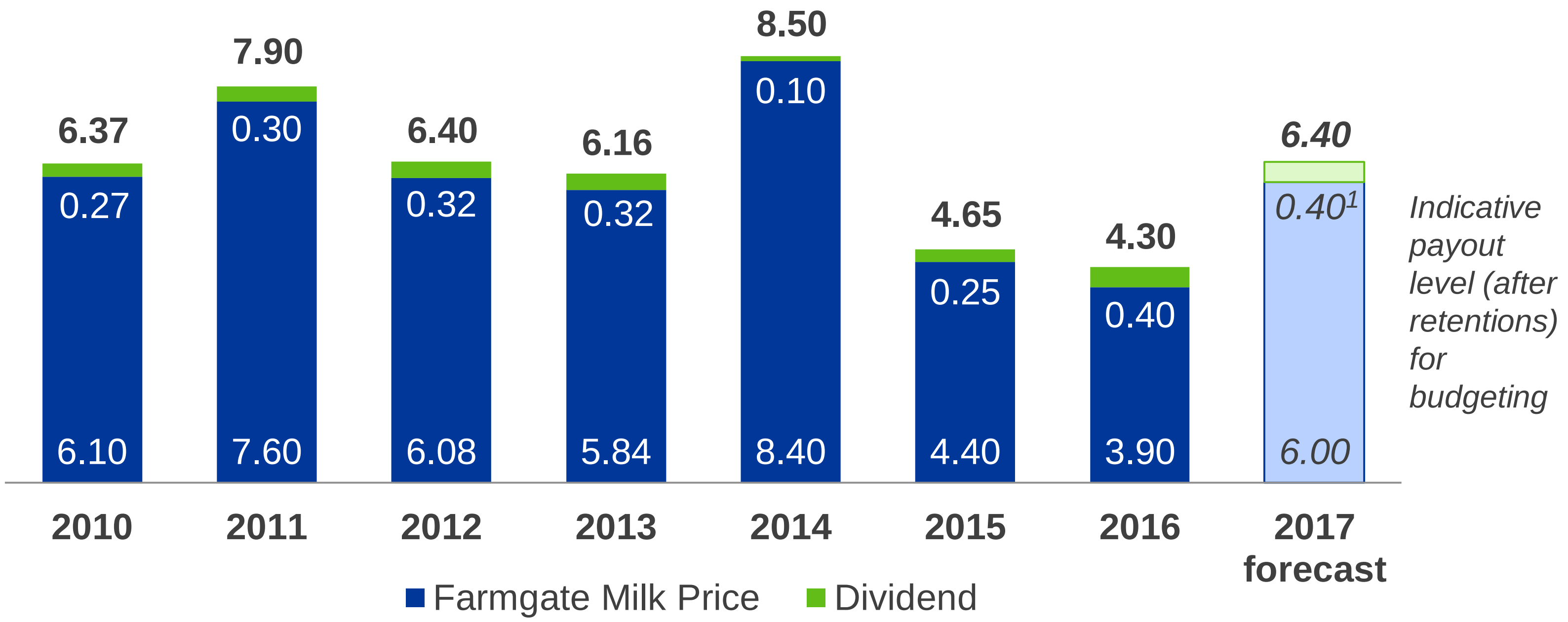
- Ian Farrelly retires
- Scott St John appointed
- With effect post annual meeting

YEAR IN REVIEW

John Wilson, Fonterra Chairman

Tough season for farmers

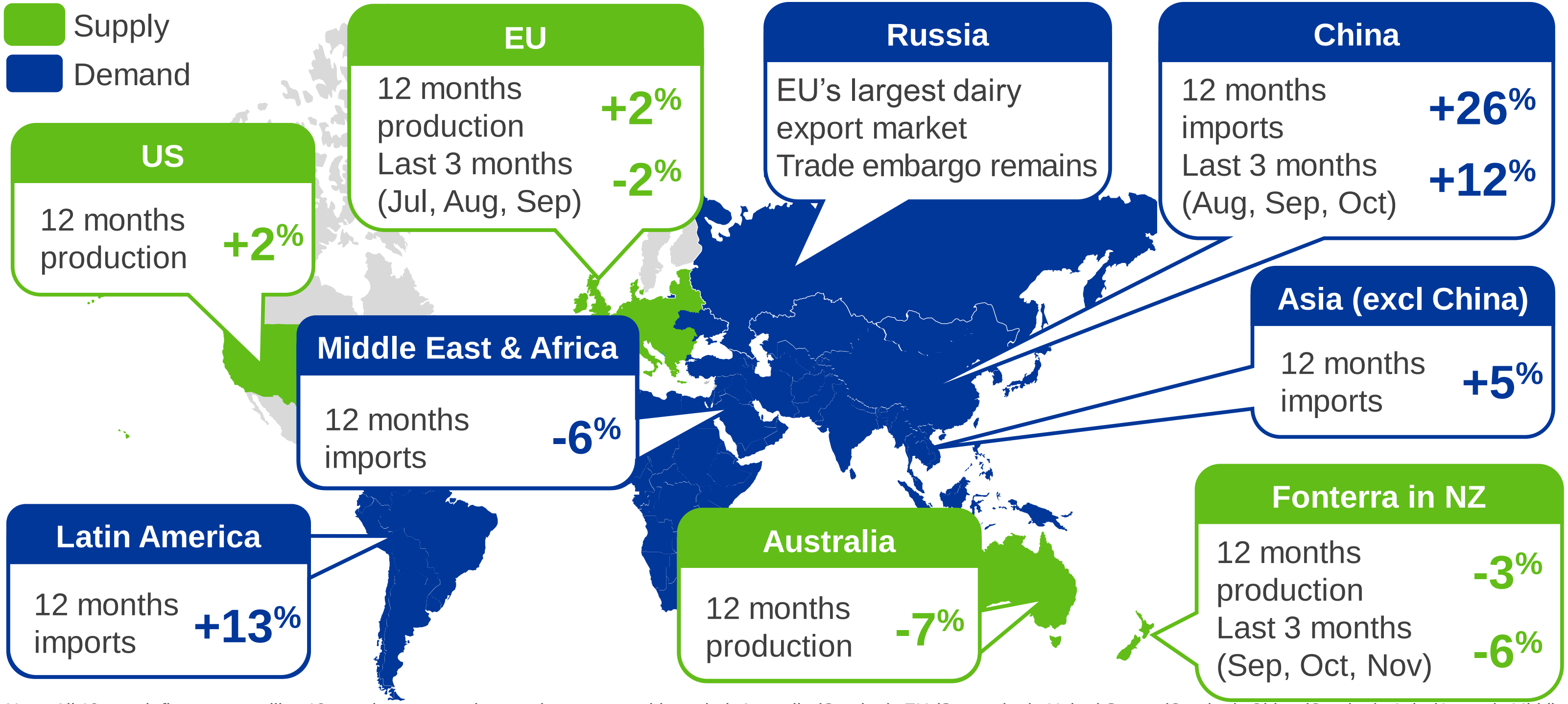
But solid earnings growth and strong Co-operative



1. For farm budgeting purposes a 40 cent dividend is assumed (based on FY17 EPS forecast 50-60 cents) – this is consistent 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

Global dairy update – supply driven rebalancing



Note: All 12 month figures are rolling 12 months compared to previous comparable period: Australia (October), EU (September), United States (October), China (October), Asia (August), Middle East & Africa (August), Latin America (August), New Zealand (Fonterra only) (November)
Source: Government milk production statistics; GTIS trade data; Fonterra analysis

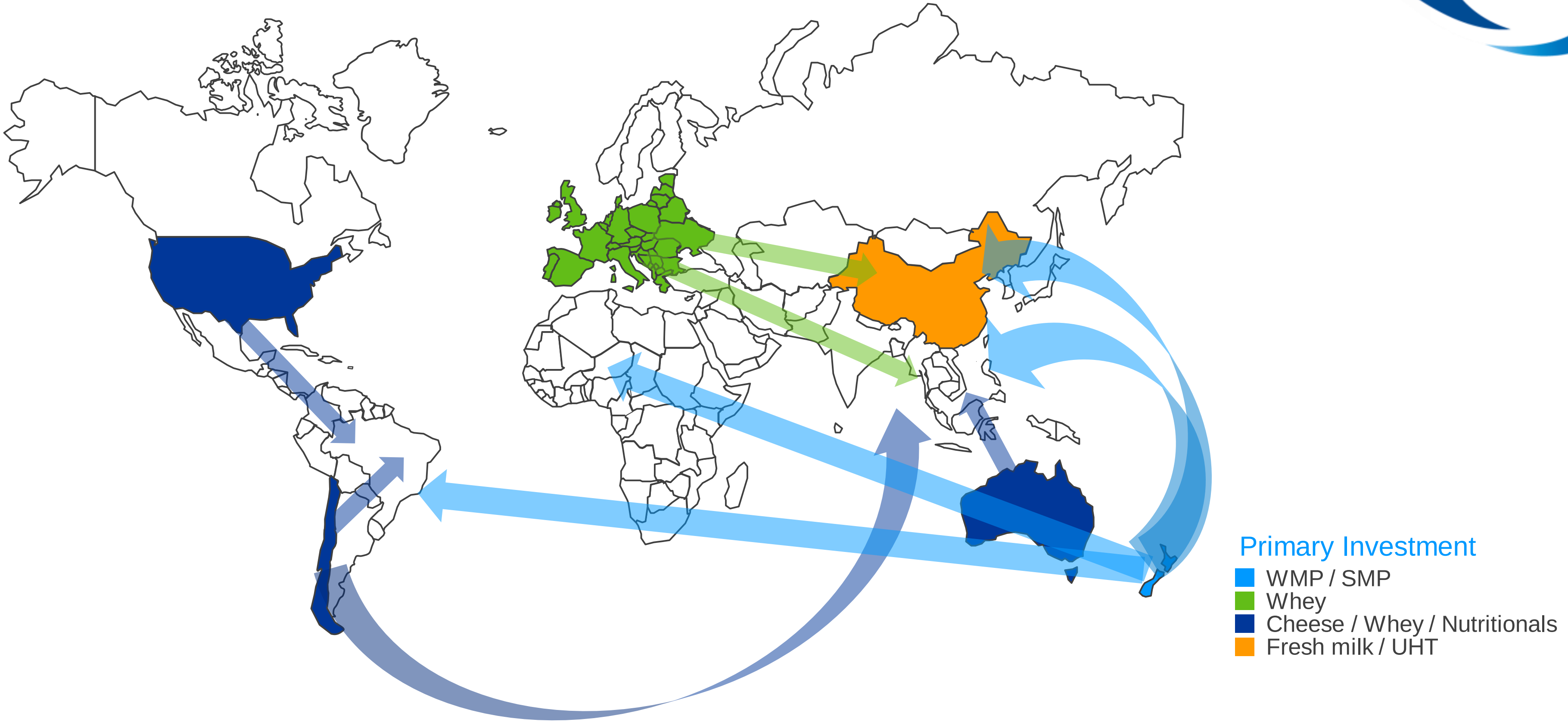
SCALE SUPPORTING EXPORT LEADERSHIP


安佳
Anchor
源自1886
卓冉
LiveUp
调制乳
多
蛋白质 50% 钙
新西兰品质
原产原装
净含量: 250毫升


安佳
Anchor
源自1886
卓冉
Natural Up
有机纯牛奶
超高温灭菌牛奶
新西兰品质
原产原装
净含量: 250毫升


安佳
Anchor
源自1886
儿童牛奶
原味
Imported·Kids Milk
3.6g
新西兰品质
New Zealand Quality
调制乳
净含量:190毫升×12

Other sources keep access secure, support growth and increase returns



Fonterra Research & Development Centres

Open Innovation

Disrupt

FINANCIAL PERFORMANCE

Lukas Paravicini, CFO

Global Context	• Future for dairy remains strong • Low global commodity prices • Unstable world
Value Creation	• Transforming our business leads to strong results • Strategy is working – more milk into higher value products • Paying off – higher earnings and a stronger Co-op
Trust	• Doing what we said we would do • Investing in our communities and our future • Very focused on future delivery

Continued strong business performance

VOLUME	REVENUE	NORMALISED EBIT
23.7B LME	$17.2B	$1,358M
↑ 4%	↓ 9%	↑ 39%

RETURN ON CAPITAL[1]	NET PROFIT AFTER TAX	ANNUAL DIVIDEND / YIELD[2]
12.4%	$834M	40CPS 7.3%
↑ Up from 8.9%	↑ 65%	↑ 60%

Ingredients

Volume (LME)[3]	↑	22.4B
Gross Margin	↑	14.3%
Normalised EBIT	↑	$1,204M
Return on Capital[1]	↑	13.4%

Consumer and Foodservice

Volume (LME)[3]	↑	4.9B
Gross Margin	↑	28.7%
Normalised EBIT	↑	$580M
Return on Capital[1]	↑	41.7%

China Farms

Volume (LME)[3]	↑	0.2B
Gross Margin	↑	(22.4%)
Normalised EBIT	↓	($59M)

1. *Return on Capital (ROC) excludes goodwill, brands and equity accounted investments; Group ROC including these items was 9.2% in FY16 (FY15: 6.9%)*
2. *FY16 dividend over volume weighted average closing FCG share price ($5.50) across the year; 3. Includes sales to other strategic platforms*

Transformation is unlocking value

- ✓ Owner's mindset
- ✓ Business-led
- ✓ Relentless execution

>4,000 *employees involved*

Initiatives[1]	**4,000** ↑	Capex[1]	**$944M** ↓
Free Cash Flow[1]	**$2.2B** ↑	Debt	**-$1.6B** ↓
Working Capital	**-10 days** ↓	Closing Inventory	**-21%** ↓

1. Actual figures shown – not movements

Note: Free Cash Flow is net operating cash flows less net investing cash flows; Debt is economic net interesting bearing debt

Value creation

Higher return on capital from gains on all business drivers

RETURN ON CAPITAL

12.4%

Up from 8.9%

GROSS MARGIN

21.1%

Up from 17.4%

CAPEX

$944M

38%

OPEX

$2,528M

8%

WORKING CAPITAL

77 DAYS

Down 10 days

NORMALISED EBIT

$1,358M

39%

DIVESTMENTS

$308M

Note: Return on Capital (ROC) excludes goodwill, brands and equity accounted investments; Group ROC including these items was 9.2% (2015: 6.9%)

Financial discipline

Strengthening balance sheet supports solid credit rating

GEARING[1]

44.3%

Down from 49.7%

NET DEBT[2]

$5.5B

23%

DEBT / EARNINGS[3]

2.8x

Down from 4.7x

FREE CASH FLOW

$2.2B

CREDIT RATING

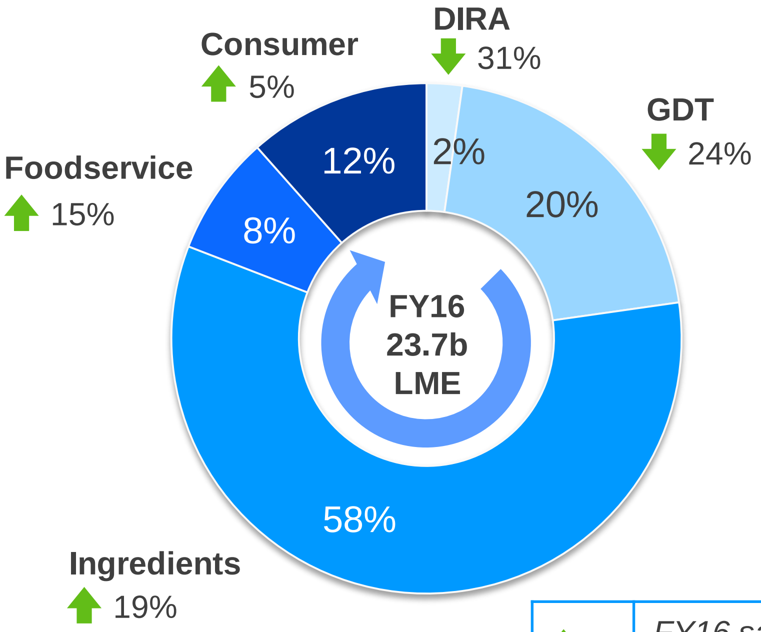
A	A-
STABLE	STABLE
Fitch	S&P

1. *Gearing ratio is economic net interest bearing debt divided by economic net interest bearing debt plus equity excluding cash flow hedge reserve*
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*

Delivering our strategy

Volume to higher Value at Velocity

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



- GDT volume lower
- Ingredients
  - Optionality improved mix
  - Ingredients solutions for customers adding value
  - Lower operating costs
  - Return on capital of 13.4%
- Consumer and Foodservice
  - Added 380m more LMEs
  - 1 billion added in 2 years
  - Return on capital of 41.7%

%	*FY16 sales volume growth over FY15*

Note: Return on Capital (ROC) excludes goodwill, brands and equity accounted investments

Source: Wheel shows percentage of total FY16 external sales (LME) by strategic platform; Growth rates include intercompany sales to other strategic platforms

China opportunity

Fonterra well positioned in every segment

1. **Optimise** NZ milk
2. **Build and grow** beyond our current consumer positions
3. **Deliver** on Foodservice potential
4. **Grow** our Anlene™ business
5. **Develop** leading positions in paed & maternal nutrition
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LME b	2013	TODAY	Fonterra Milk Source (%)
Ingredients (nzmp)			
China market	8b	6b	NZ 80, AU 10, EU 10
Fonterra	3.5b	3.5b	
Consumer & Foodservice (Anchor)			
China market	28b	30b	NZ 100
Fonterra	0.4b	1b	
Advanced Nutrition (Anlene, Anmum, Beingmate)			
China market	2b	3b	NZ 50, AU 50
Fonterra	0.02b	0.27b[1]	
Domestic Milk Pool (New Zealand Farm Source)			
China market	36b[2]		China 100
Fonterra	0.06b	0.23b	
Total Fonterra China	4b	5b	NZ 80, AU 8, EU 7, China 5

b LME Fonterra **b LME** China market[2]

NZ AU EU China

1. Today includes Beingmate sales of 0.25b LME
2. Based on external data and analysis

Source: Euromonitor; Fonterra analysis

Doing what we said we will in FY17

Strategic priority	Initiative	FY17 progress
1 **Optimise** NZ milk	Optimisation & Price Achievement	• Optimising for lower volumes
	Fonterra story	• Launched 'Trusted Goodness'
2 **Build and grow** beyond our current consumer positions 3 **Deliver** on Foodservice potential 4 **Grow** our Anlene™ business 5 **Develop** leading positions in paed & maternal nutrition	Accelerate growth in our 8 strategic and leadership markets	• Volumes and margins up on last year • Gross margin increased due to strategic pricing in anticipation of higher milk prices
	Brazil transformation	• New structure delivering but tough market
	Maximise Beingmate partnership	• Darnum JV operational • Anmum volumes up 78%
6 **Selectively invest** in milk pools	China Farms – Downstream Value	• Integrating China businesses
	Australian endgame	• Turnaround delivering
7 **Align** our business and organisation	Disrupt	• Two new start-ups established
	Velocity / Engagement	• Additional Velocity benefits identified

FY17 Q1 performance summary

VOLUME (LME)	REVENUE	GROSS MARGIN	OPEX	CAPEX
4.9B	$3.8B	21.9%	$621M	$116M
↑ 2.0%	↑ 5.9%	↓ FROM 22.6%	↓ 1.7%	↓ 55%

Ingredients

Volume	↑	4.5B
	UP 2%	
Gross Margin	↓	12%
	FROM 15%	

Consumer & Foodservice

Volume	↑	1.3B
	UP 11%	
Gross Margin	↑	31%
	FROM 28%	

China Farms

Volume	↑	0.1B
	UP 62%	
Gross Margin[1]	↓	-12%
	FROM -8%	

1. *Impacted by one-off sale of inventory below cost – gross margin excluding this impact was 4%*

Note: Volume is in billion LME; All changes are expressed relative to first quarter of FY16

QUESTIONS

FONTERRA SHAREHOLDERS' FUND

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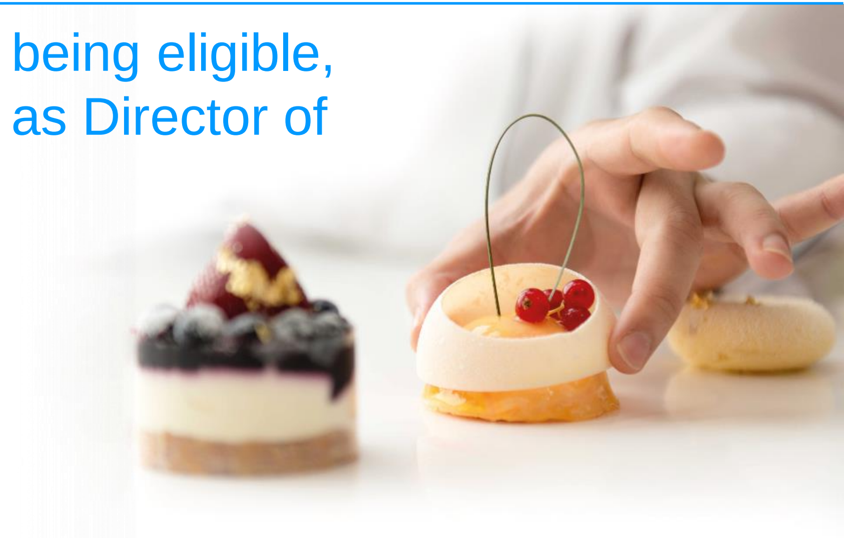
RESOLUTION 1

That Kim Ellis, who retires by rotation and, being eligible, offers himself for re-election, be re-elected as Director of the Manager of the Fund



KIM ELLIS

Director

FSF Management Company

VOTING

- In respect of each resolution, please tick the “for”, “against” or “abstain” box.
- Once you have completed your voting, please place your vote in a ballot box.
- Please raise your hand if you require a pen.
- Results will be announced to the NZX and ASX as soon as they are available.

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GENERAL BUSINESS

THANK YOU
MEETING CLOSED.