

BUILDING A GLOBALLY RELEVANT CO-OPERATIVE

27 AUGUST 2014

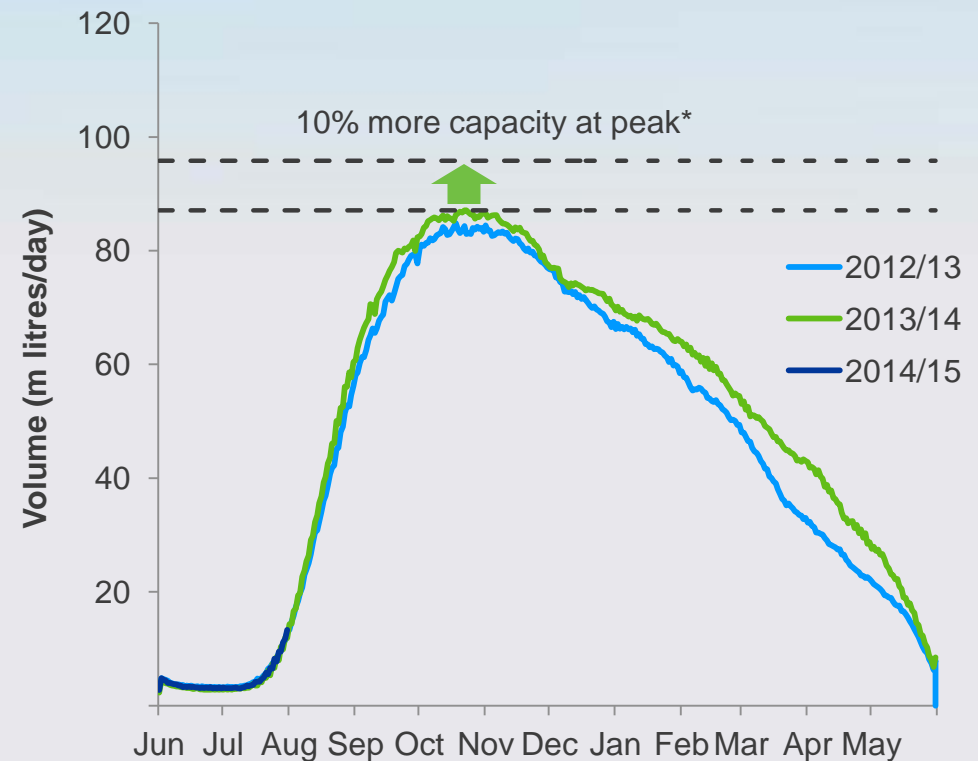


THREE MAJOR ANNOUNCEMENTS TODAY

- Forecast Farmgate Milk Price
- Investment in NZ processing capacity and optionality
- Global partnership with Beingmate

INVESTMENT IN NZ PROCESSING CAPACITY AND OPTIONALITY

- More processing options over the peak
- Additional 8.2m litres per day*
 - Lichfield – 4.4m litres per day
 - Edendale – 1.4m litres per day
 - Pahiatua – 2.4m litres per day
- Investing \$50m on improving plant efficiency



Source: Fonterra Co-operative Group Limited

* Coming on stream FY16/17

BUILDING ON OUR COMMITMENT TO...

- Invest in globally integrated supply chains – from grass to glass
- Grow volumes of high value infant formula product from NZ
- Be part of China's dairy industry and contributing to its development

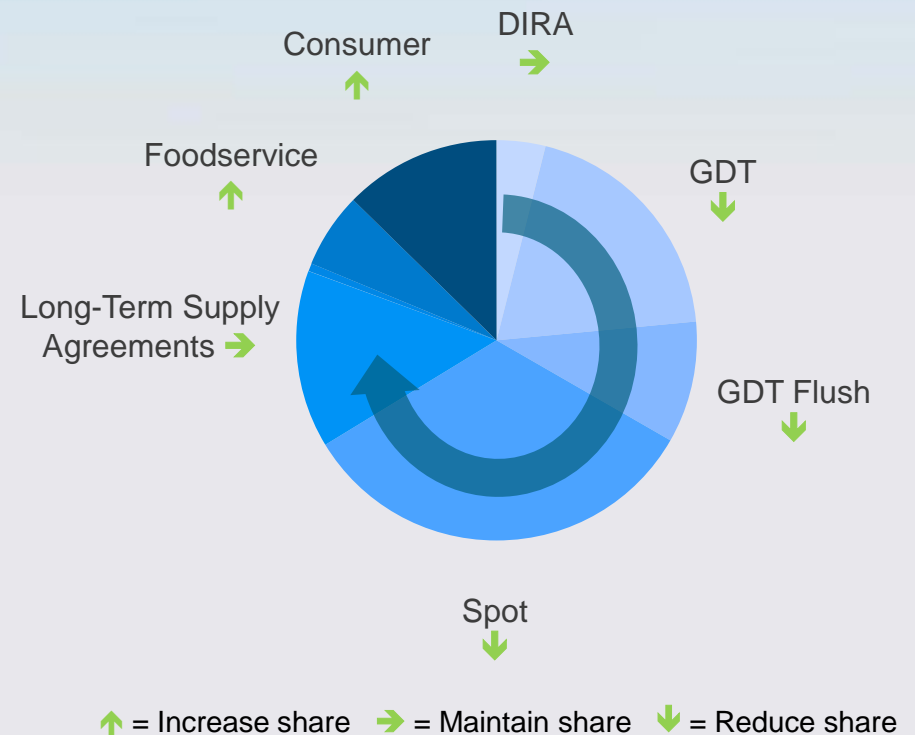
INTEGRATED SUPPLY CHAIN



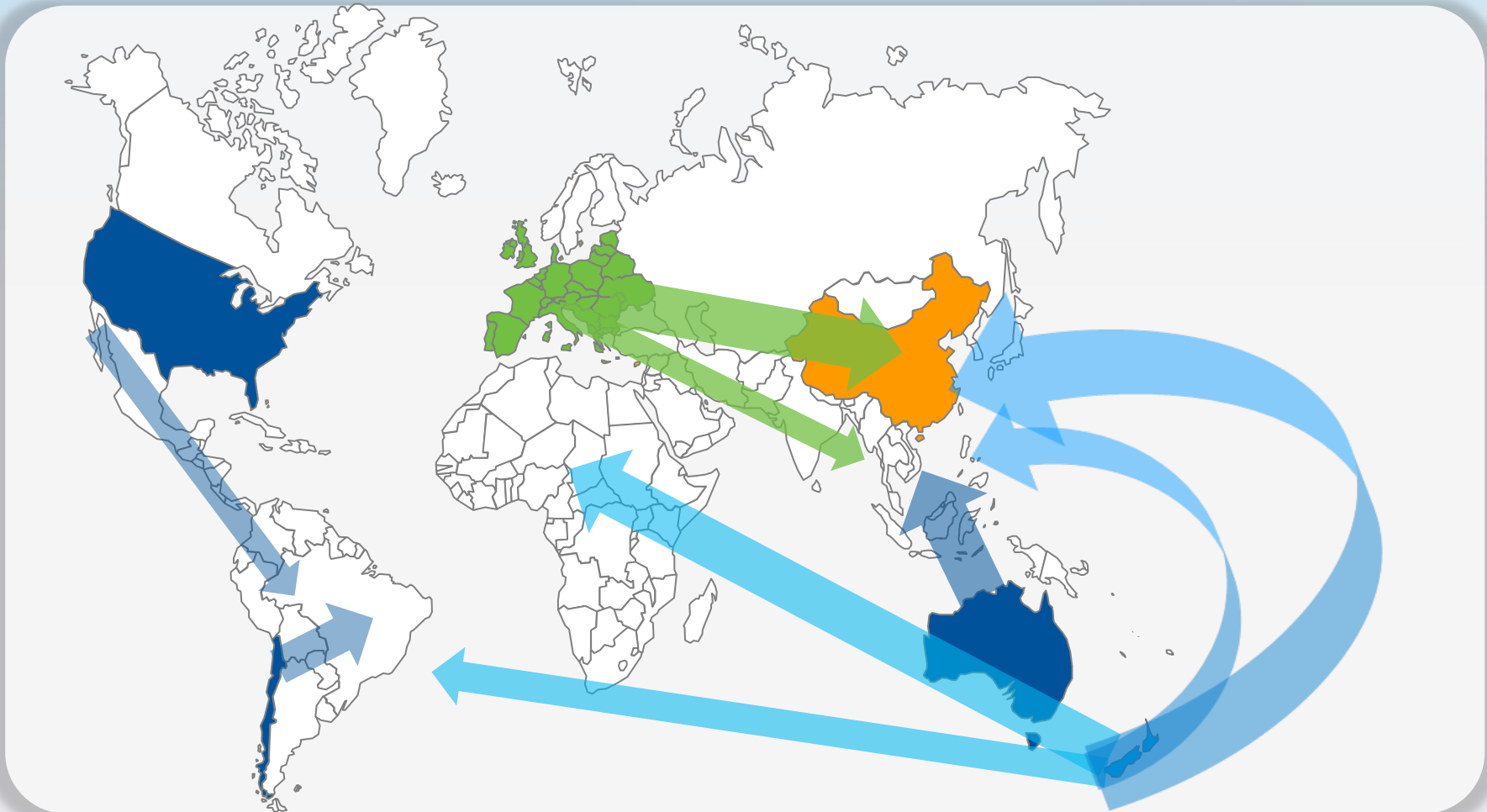
ALIGNED WITH FONTERRA'S STRATEGY

- 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

TURNING THE WHEEL



ALIGNED WITH STRATEGY – MULTI-HUBS





CHINA – NO 1 STRATEGIC MARKET

- One of the world's largest markets for dairy products
- Fonterra's business in China is already significant with annual revenue of \$5.5 billion



CHINA'S DEMAND FOR INFANT FORMULA EXPECTED TO DOUBLE IN 5 YEARS

CHINA INFANT FORMULA MARKET POTENTIAL

\$18bn today

\$33bn by 2017



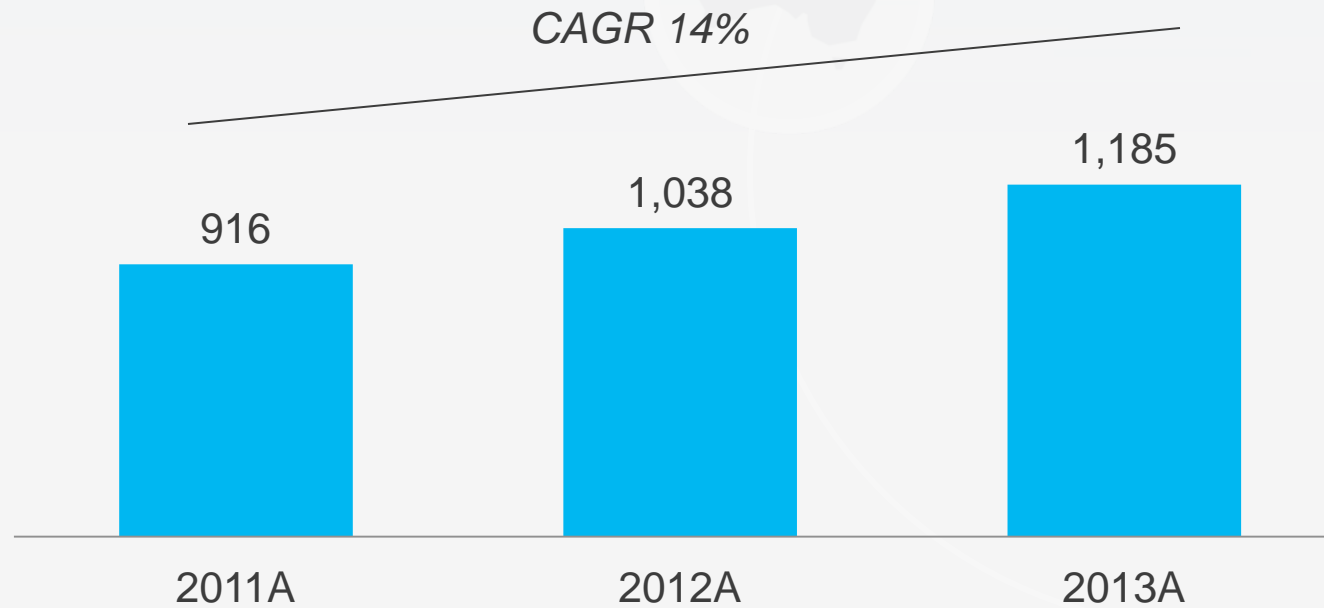
BEINGMATE: STRONG FIT IN PREMIUM CATEGORY

- Market share of 10%
- Extensive distribution network
 - 30 branches across China
 - 80,000 retail outlets
 - 20,000 maternal service consultants
- 7,000 employees
- 6 state-of-the-art plants and logistics centres



BEINGMATE – A HIGH QUALITY BUSINESS

Revenue* (\$ million)

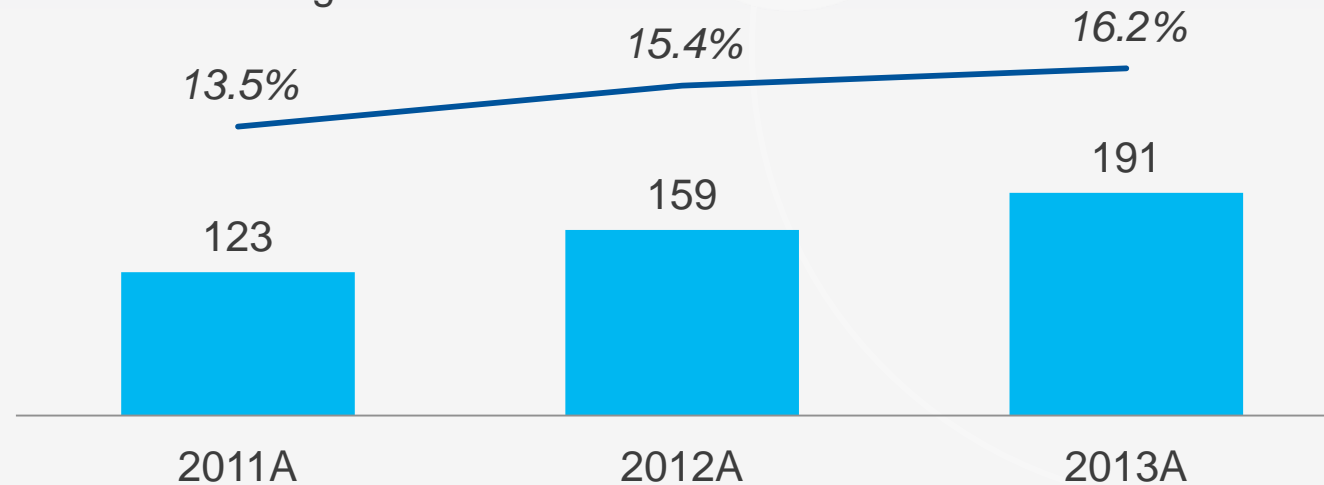


*Converted at spot rate of 5.16

BEINGMATE – GOOD LEVEL OF PROFITABILITY

EBITDA* (\$ million)

— EBITDA Margin



*Converted at spot rate of 5.16

FONTERRA AND BEINGMATE PARTNERSHIP

- New JV to acquire Fonterra's Darnum plant in Australia
- Distribution agreement of Fonterra's Annum™ brand
- Partial tender offer from Fonterra to buy up to 20% stake in Beingmate



FONTERRA INVESTMENT

\$615m*

* Including proceeds from JV in Australia

DRIVING ANMUM GROWTH IN CHINA

- Access to Beingmate's extensive distribution and sales network
- Fully integrated supply chain from NZ to Chinese consumers
- Forecast annual sales growth expected to exceed \$100m per annum by 2018
- Fonterra earns royalty fee from licensing of Annum™ brand
- Execution risk lower than stand-alone strategy by Fonterra



KEY TRANSACTION PARAMETERS

Partial Tender Offer:	RMB18 per share
Financing:	Additional debt – strong balance sheet
Offer size:	Up to 20% of Beingmate
Board Representation:	Fonterra to appoint 2 out of 9 directors
Closing subject to regulatory approvals	



BEINGMATE ACCRETIVE TO FONTERRA'S MODEL

Organic Growth:

Above Fonterra's 5-6% target

EPS:

First full year

Higher volume and value growth



OPTIMISING AUSTRALIAN POTENTIAL

- Fonterra and Beingmate establish JV to purchase Darnum in Australia
- Darnum can produce 50,000 MT of infant formula per annum
- Fonterra retains day-to-day operations of the plant



LINKING CHINA TO VALUABLE EUROPEAN MILK POOLS

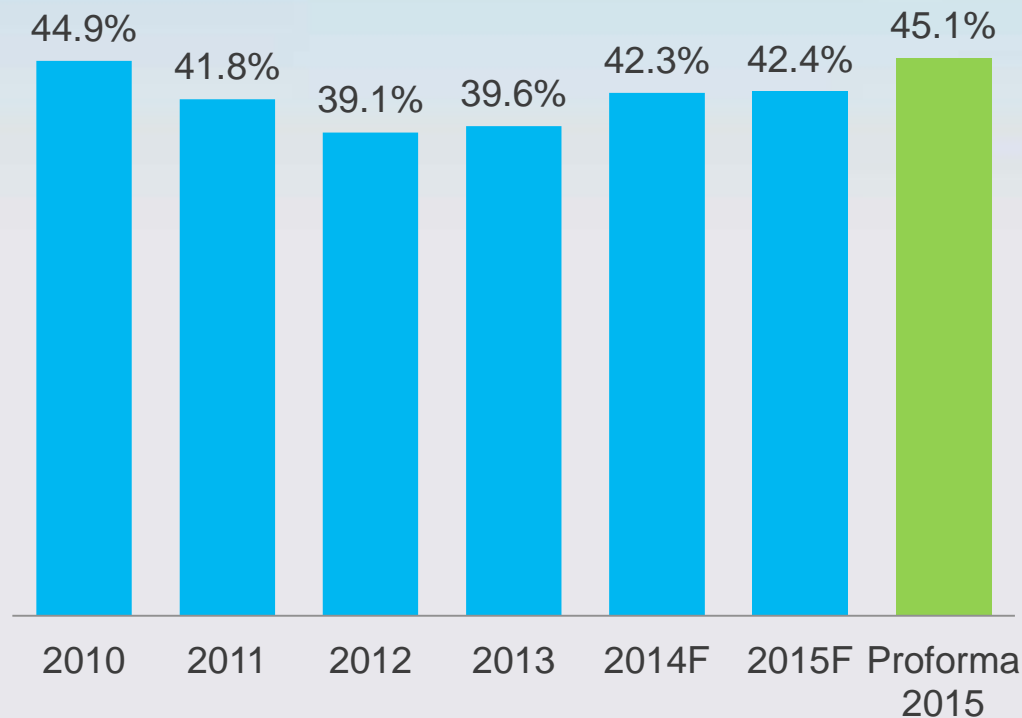


- The Fonterra and Beingmate partnership provides larger platform to grow our whey specialty ingredients volumes from Europe
 - JV with A-Ware in Netherlands: building new plant in Heerenveen, Netherlands
 - Alliance with Dairy Crest in the UK
- Potential to extend to other specialty ingredients such as Lactoferrin and DR10



BALANCE SHEET STRENGTH MAINTAINED

Gearing Ratio*



- Pro-forma 2015 forecast gearing to increase by 2.7% to 45.1%
 - Includes Beingmate partnership
 - Forecast includes additional capex

* Gearing is measured in terms of economic net interest bearing debt over economic net interest bearing debt plus equity (reflecting the effect of debt hedging in place at balance date).

INCREASING NEW ZEALAND CAPACITY AND OPTIONALITY

- Total capacity increases by 8.2m litres per day
- New Lichfield milk powder drier and distribution centre
 - 4.4m litres per day
- Three new plants at Edendale
 - 1.4m litres per day
- \$200m drier at Pahiatua underway
 - 2.4m litres per day

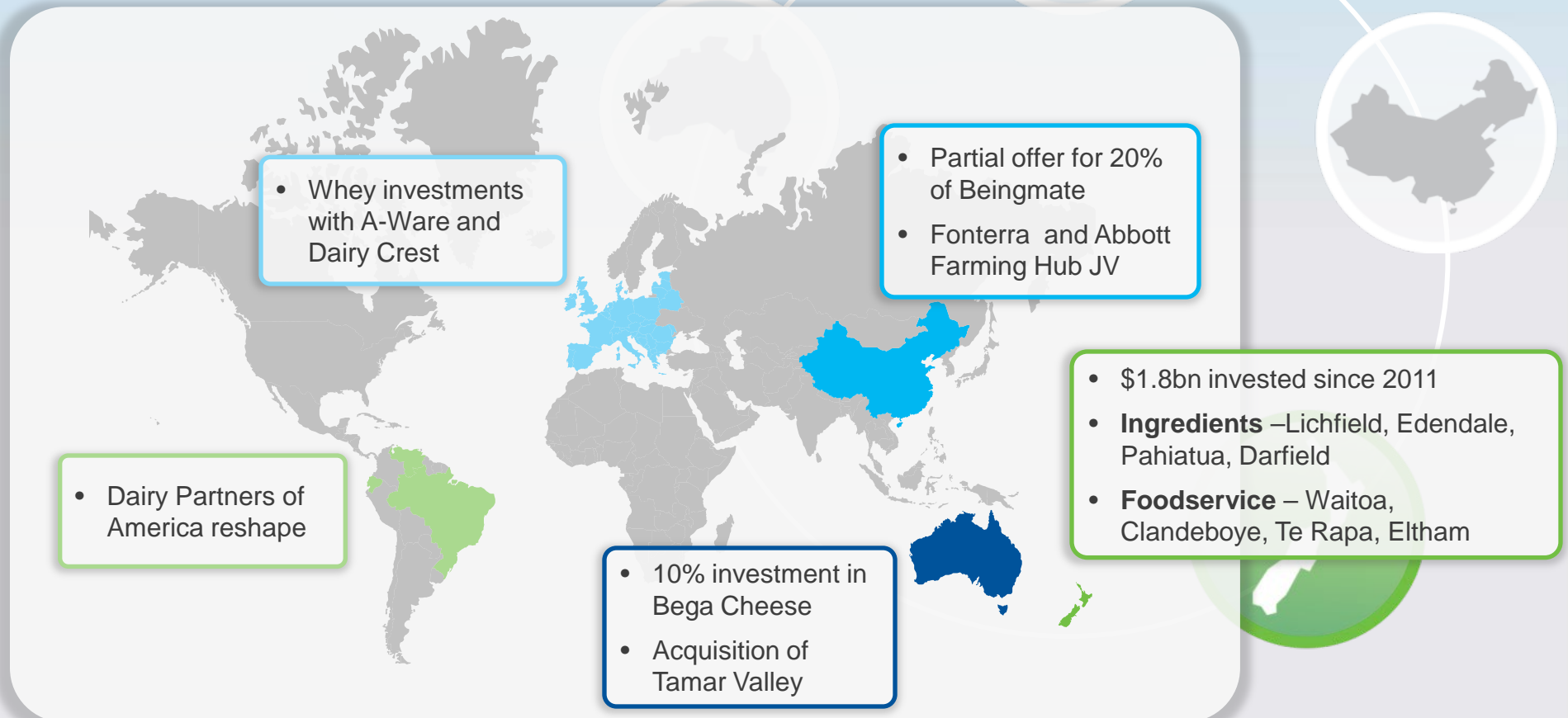


MAXIMISING SHAREHOLDER RETURN

- Turning more NZ milk into higher value products
- Optimising use of Co-op's global assets
- Investing in optionality of NZ assets to improve returns
- Building fully integrated global supply chain
- Financing from solid balance sheet position – strong gearing maintained



INVESTMENTS DRIVING STRATEGY IN ACTION



SUMMARY

