

FONTERRA SHAREHOLDERS' FUND

2014 ANNUAL MEETING





John Shewan

Chairman

FSF Management Company

Agenda

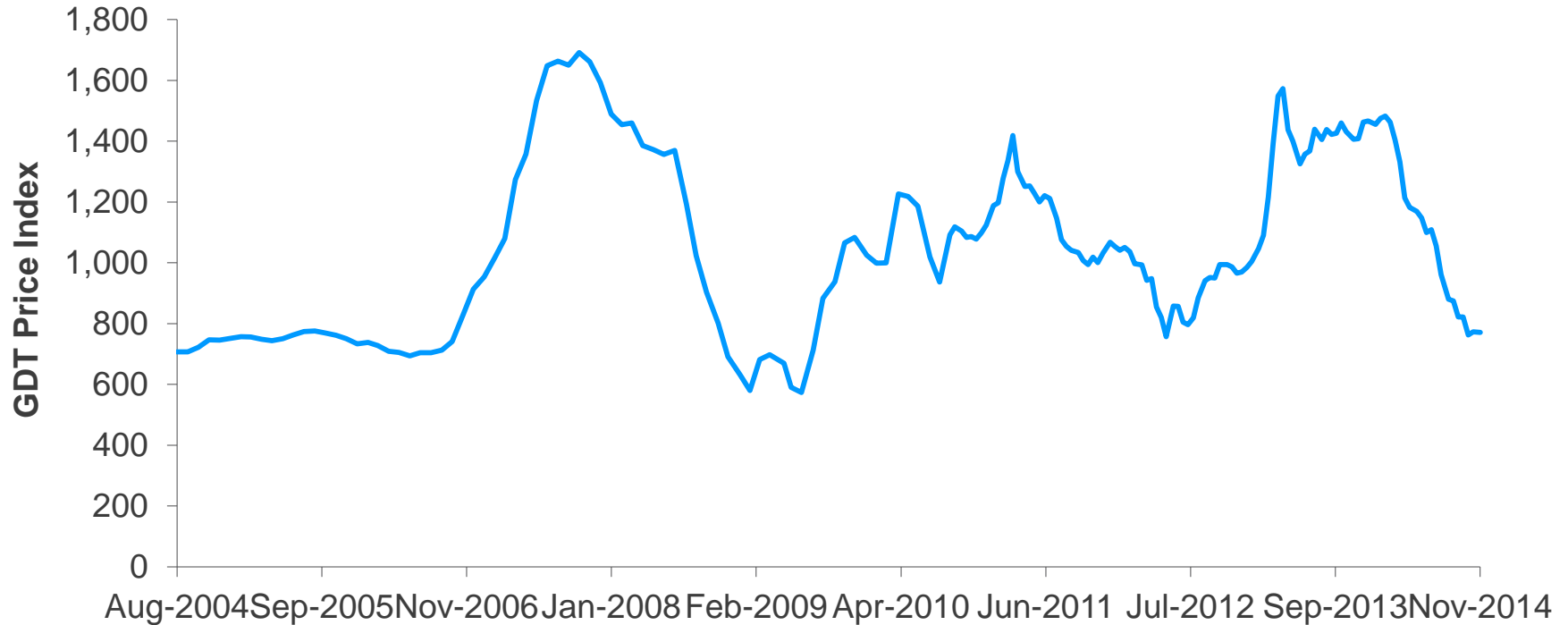
- Welcome and Introduction John Shewan
- Chairman's Address John Shewan
- Opening Remarks from Fonterra Chairman John Wilson
- Fonterra CEO's Address Theo Spierings
- Resolution to Elect Retiring Director Pip Dunphy
Address by Pip Dunphy
- General Business John Shewan



Key events in the second year

- 11 December 2013 Stream returns
- 4 March 2014 A-Ware Food Group European Partnership
- 17 April 2014 Interim distribution of 5 cents per unit paid
- 4 July 2014 Exclusive partnership with UK-based Dairy Crest
- 11 July 2014 Fonterra and Abbott strategic alliance in China
- 4 August 2014 Realignment of Latin American alliance
- 27 August 2014 Building a global relevant Co-op
- 20 October 2014 Final distribution of 5 cents per unit paid

Global Dairy Trade Price Index



China is a key part of Fonterra's strategy



China Farms



Key statistics

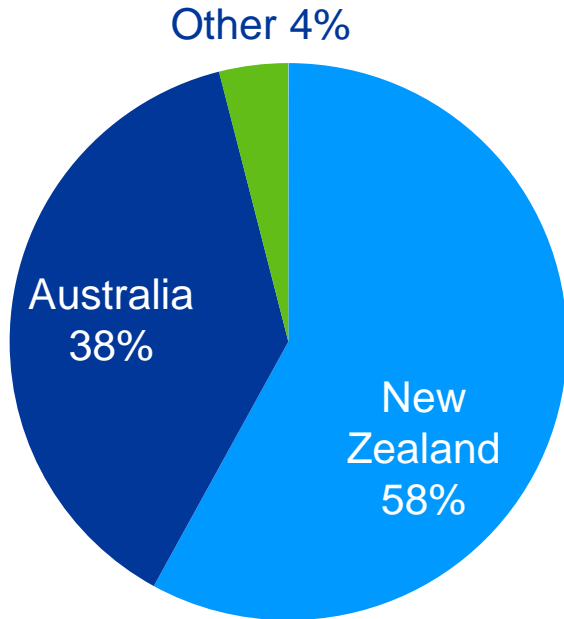
- Units on issue¹: 121 million
- Fund Market Capitalisation¹: \$742 million
- Fonterra Market Capitalisation¹: \$9 billion
- Fund Size¹: 7.5% of Fonterra shares on issue
- 12 month High/Low¹: \$6.70 / \$5.63
- Forecast yield¹: 4.9%
- Liquidity ranking on the NZX²: 7th

1. At 10 November 2014

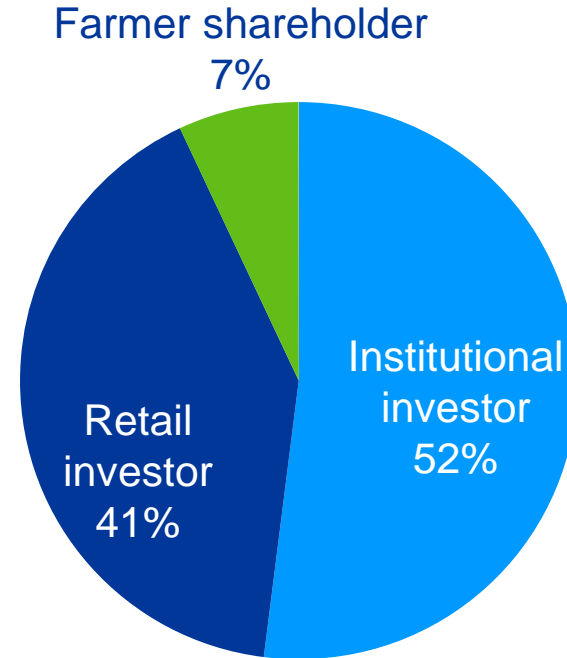
2. Liquidity has been calculated as median daily value traded (six months) / Average Daily New Zealand Free Float Market Cap (six months) (Source: NZX) – at 31 July 2014.

Unit register analysis

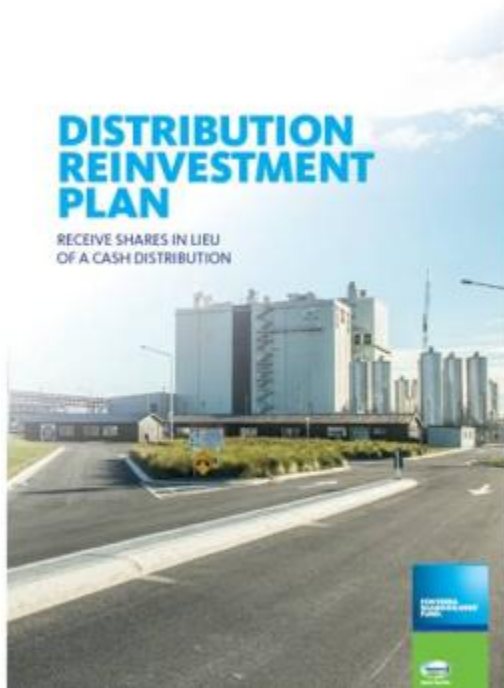
Holding by Country



Holding by Investor Type



Distribution Reinvestment Plan



- Fonterra announced a distribution reinvestment plan (DRP) in September
- DRP allows you to receive units in lieu of all or part of your cash distribution
- Easy way to accumulate units free of brokerage charges
- Opens December for the interim dividend in April 2015



FROM
THE
SOURCE

John Wilson

Chairman

Fonterra Co-op Group Limited

Key highlights

Farmgate
Milk Price

\$8.40
kgMS

Full Year Dividend

10CPS

Final
Cash Payout

\$8.50

Milk Solids
2013/14

1,584_M
kgMS

Milk Volume
at peak

87_{ML}

Revenue

\$22.3_B

Fonterra overview

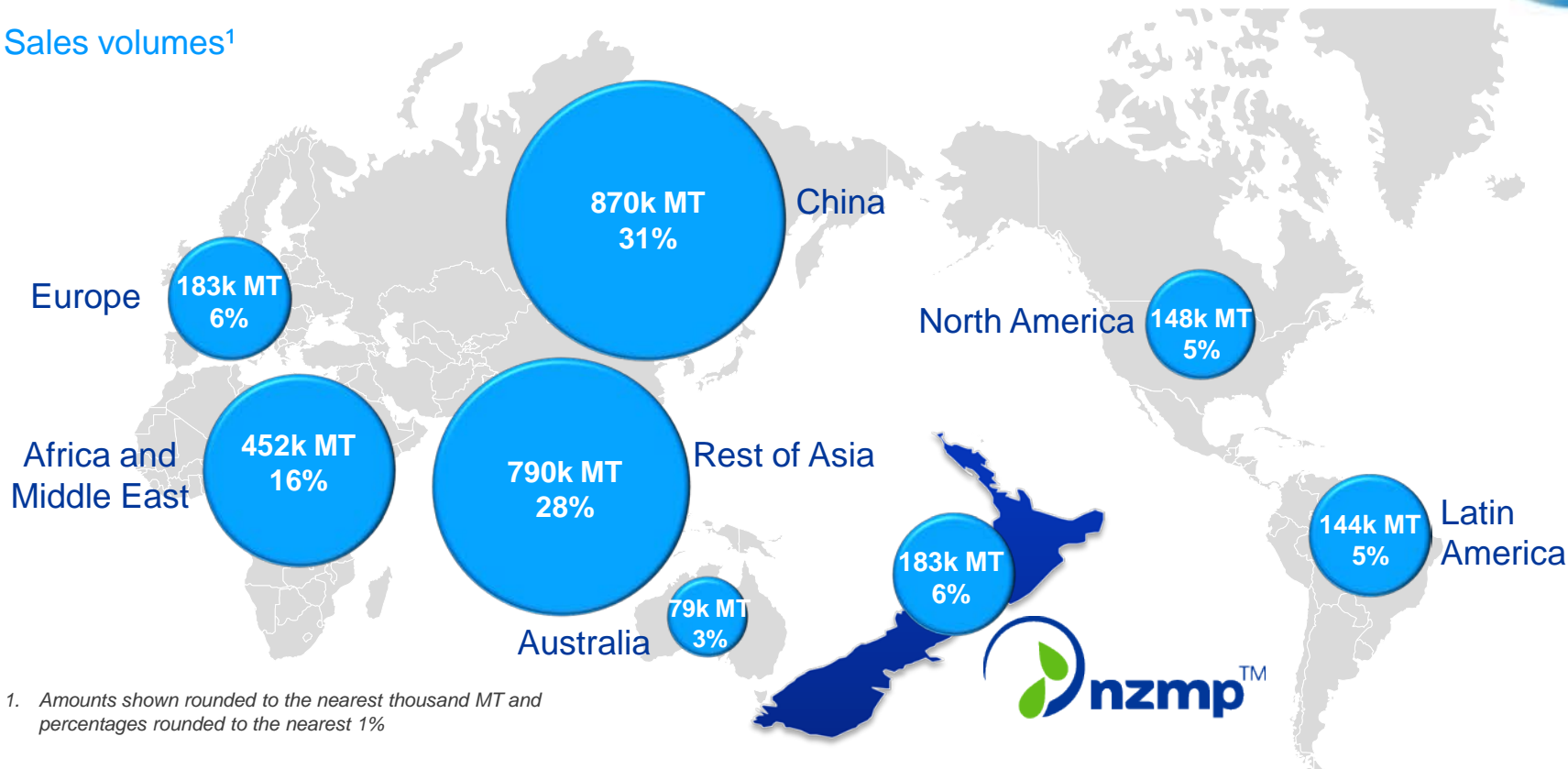
- Leading processor of dairy products
- Fully integrated dairy business (grass to glass)
- Consumer and foodservice operations in China, Asia, Middle East, Latin America, Oceania
- International Farming Ventures – China
- Access to global milk pools
 - Collects ~87% of New Zealand's milk
 - Processes approximately 21 billion litres of milk per year



Leading Global Ingredients and Operations business with total volume of 2.8 million MT



Sales volumes¹



1. Amounts shown rounded to the nearest thousand MT and percentages rounded to the nearest 1%

Growing branded consumer and foodservice businesses with total revenue of \$6.8 billion



Asia excl
Greater
China



Greater
China



Latin
America



Oceania



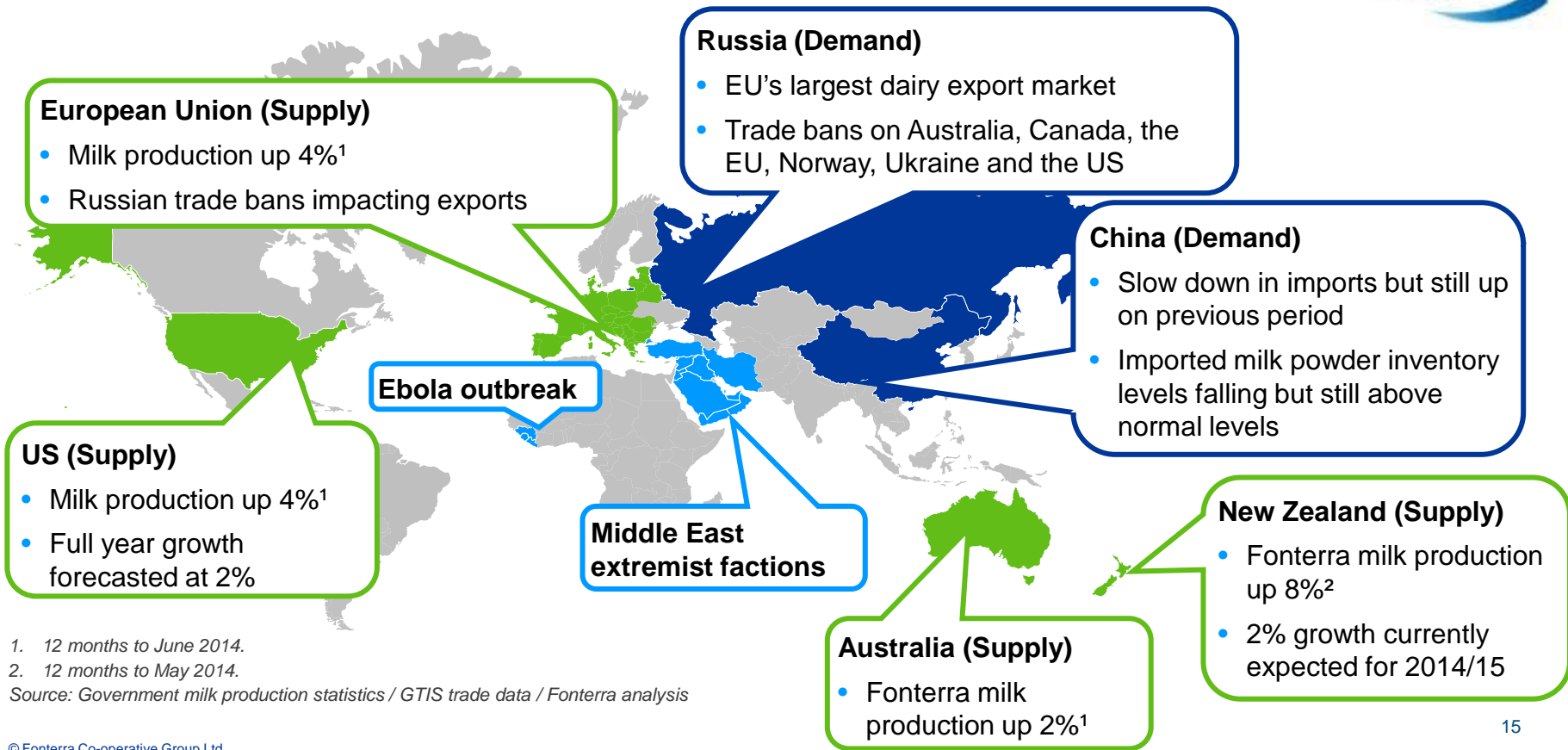
ANLENEXPERT IN BONE NUTRITION
Anlene

Annum

Anchor

	Revenue	Volume
Asia	\$2.3 bn	449k MT
Oceania	\$3.6 bn	832k MT
Latin America	\$1.2 bn	387k MT

Challenging global situation in key dairy regions



1. 12 months to June 2014.

2. 12 months to May 2014.

Source: Government milk production statistics / GTIS trade data / Fonterra analysis





FROM
THE
SOURCE

Theo Spierings

Chief Executive Officer
Fonterra Co-op Group Limited



Annual Result



TO
**THE
FUTURE**

Despite challenging year we stayed on strategy...



Total sales
volume

4M MT
0%

Total Group
revenue

\$22.3B
+19%

Normalised
EBIT

\$503M
-50%

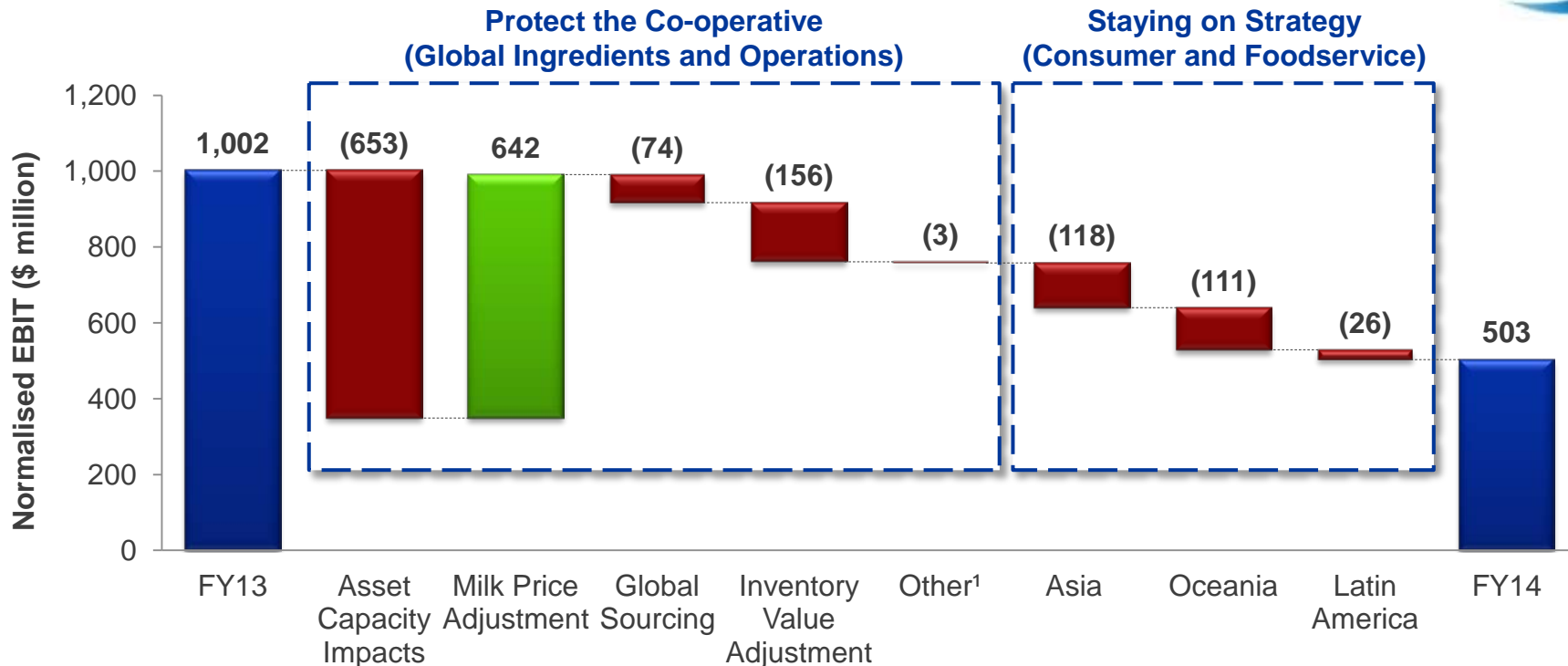
Net profit
after tax

\$179M
-76%

EPS

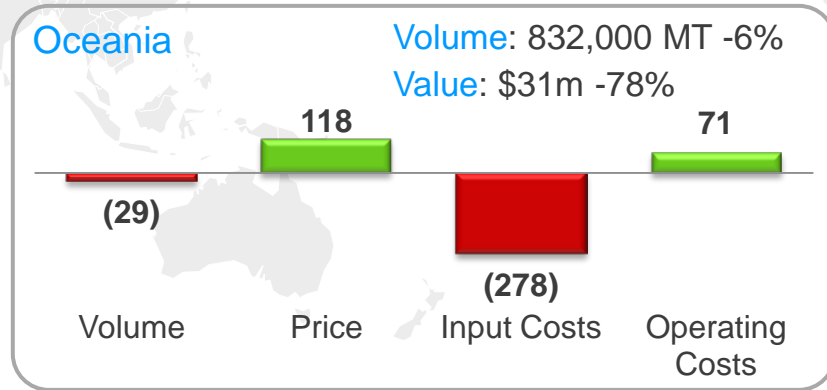
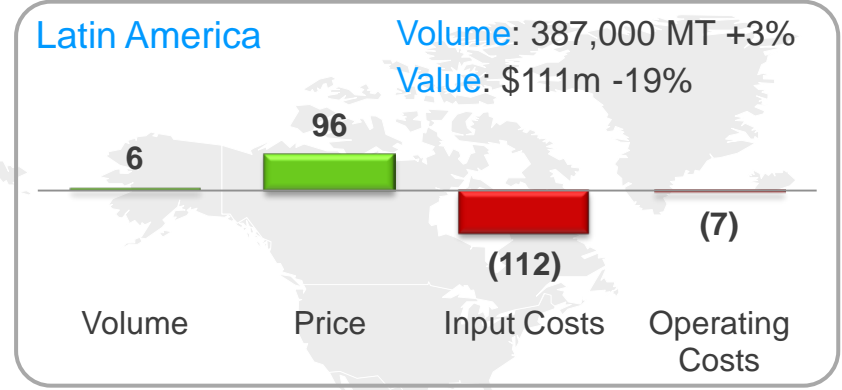
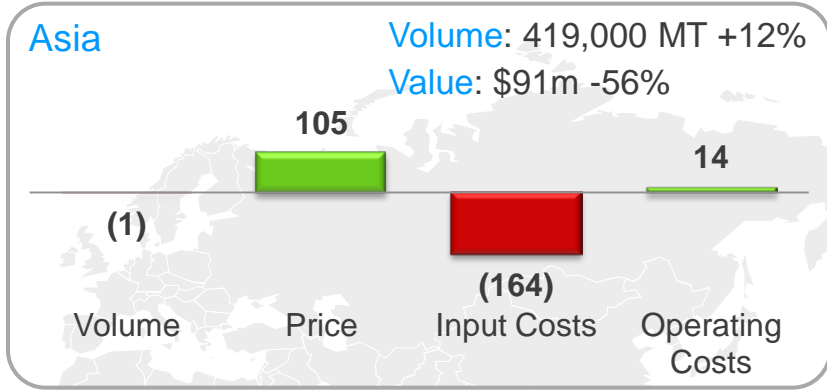
10CPS
-77%

Protecting the Co-operative and staying on strategy



1. Other includes intercompany eliminations.

Consumer and Foodservice



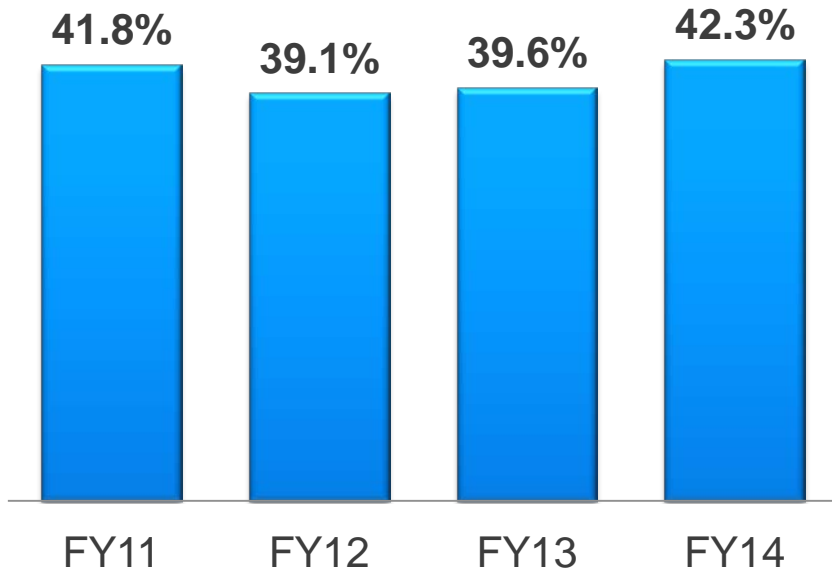
Controlling our costs

Key financials

NZD MILLION	YEAR ENDED 31 JULY 2014	YEAR ENDED 31 JULY 2013	CHANGE
Volume ('000 MT)	3,965	3,958	
Revenue	22,275	18,643	19%
Gross margin	2,462	3,032	(19%)
<i>Gross margin percentage</i>	11.1%	16.3%	
Operating expenses	(2,210)	(2,256)	(2%)
EBIT	503	937	(46%)
Normalised EBIT	503	1,002	(50%)
<i>Normalised EBIT percentage</i>	2.3%	5.4%	
Net profit after tax	179	736	(76%)
Earnings per share (cents per share)	10	44	(77%)
Cash Payout	\$8.50	\$6.16	38%
Milk collected 2013/14 season (million kgMS)	1,584	1,463	8%
Operating cash flows	1,367	997	37%
Investing cash flows	(1,009)	(868)	16%

Balance sheet strength

Economic debt to debt plus equity¹



- Higher gearing levels due to:
 - Lower earnings this period and FX translation movements
 - Higher working capital
 - Increased investment in growth – BEGA, Waitoa, A-Ware, China Farms

Strong Fundamentals

Credit Rating	Fitch	AA- (stable outlook)
	S&P	A (stable outlook)
Weighted Average Term to Maturity	As at 31 July 2014 (Drawn debt)	4.1 years ²

1. 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) and equity excludes the cashflow reserve.

2. If bank facilities are fully drawn upon then Weighted Average Term to Maturity is 3.6 years.

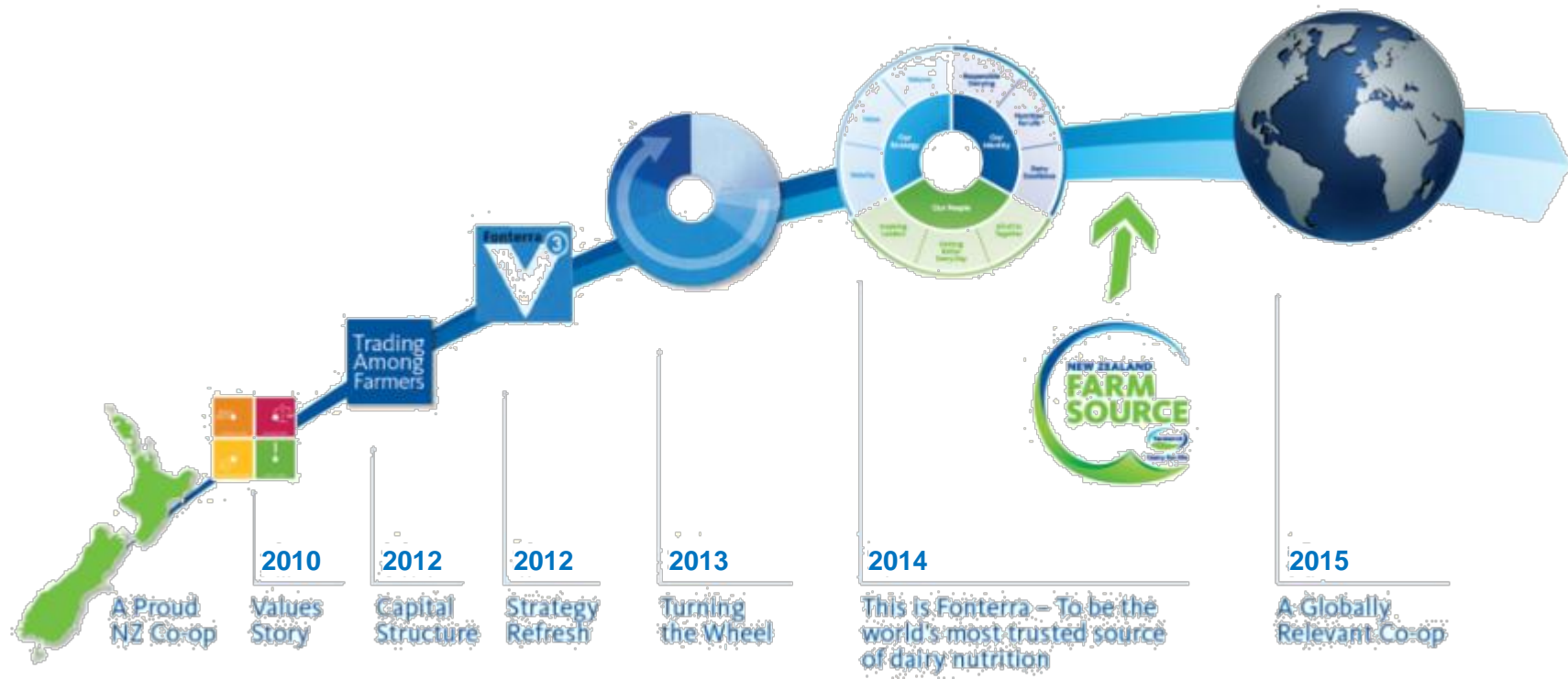


V3 Strategy



TO
**THE
FUTURE**

Our journey... building a globally relevant Co-op



Ambition:

To build a globally relevant Co-op which makes a difference in the lives of 2 billion people by 2025



30 Billion
Litres
5-6 Milk
Pools



\$35 Billion
Turnover



No. 1
Ingredients



No. 1 or 2
Consumer
Business

In Our 8 Strategic Markets



Top 3
Reputation



World
Class
Engagement

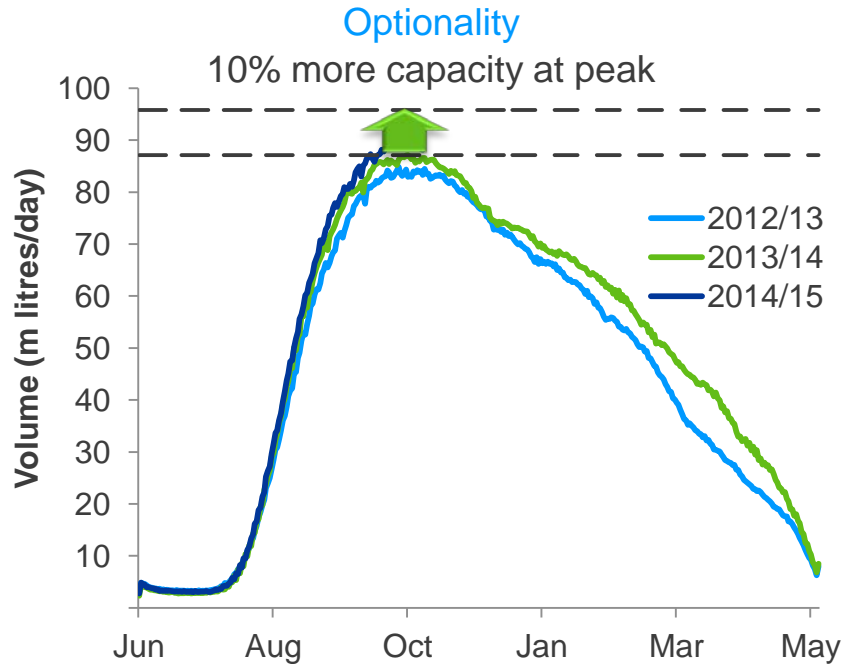


This is
globally
relevant

Strategic priorities



Investing in additional capacity

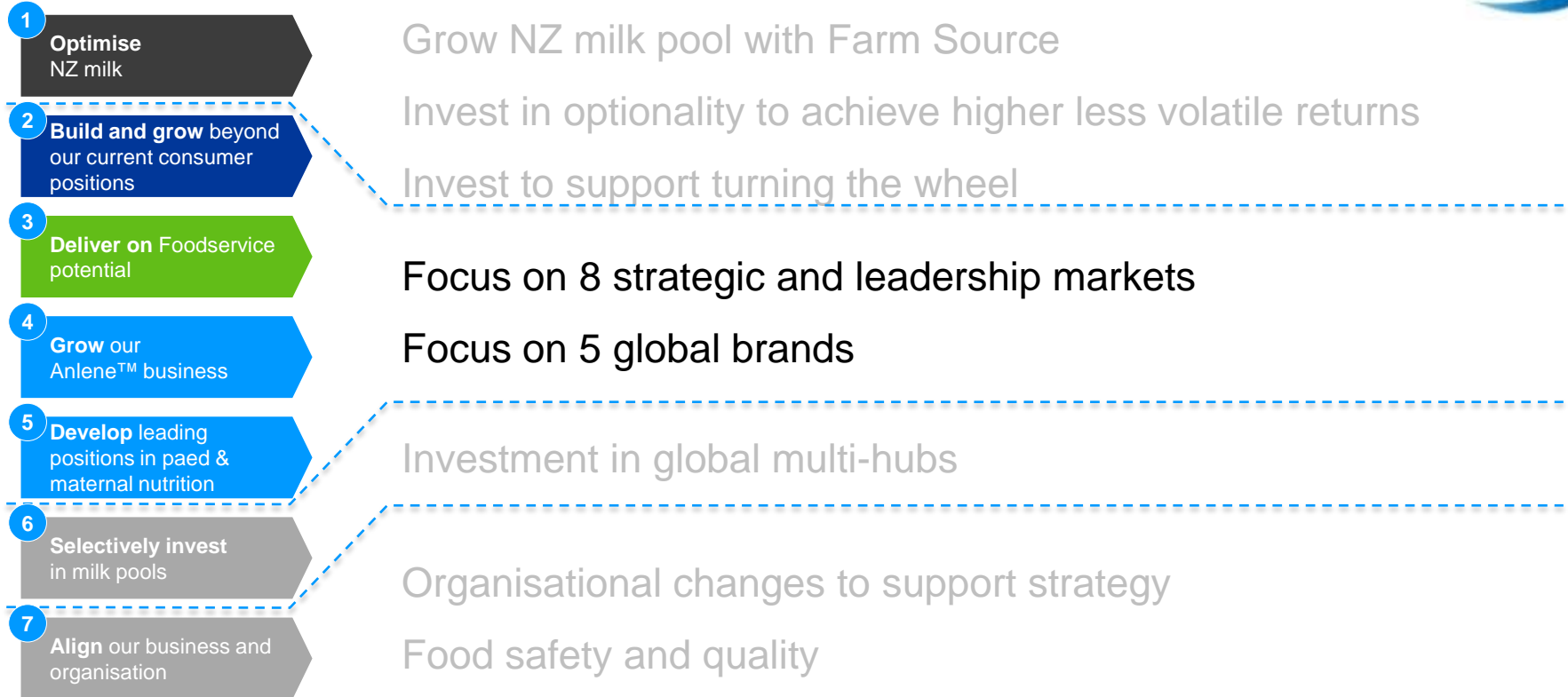


- \$755 million investment in Lichfield, Edendale and Pahiatua
- \$50 million on improving plant capacity

Consumer and Foodservice

- Waitoa UHT facility
 - First shipments of UHT sent to China
 - \$126 million investment to meet Asian demand
 - Will process >100 million litres a year
- Clandeboye
 - \$72 million investment
 - Will double capacity to produce individual quick frozen (IQF) grated mozzarella
- Eltham
 - \$32 million for slice-on-slice cheese
 - Expected completion in mid-2015
 - Used in Quick Service Restaurants
- Te Rapa
 - \$32 million investment for cream cheese – foodservice
 - Capacity to process additional 20,000 tonnes

Strategic priorities



Global brands aligned to benefit and technology platforms



Strategic Platforms

- 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

Global Brands



Benefit Platforms

Uncompromising Taste, Texture and Stability

- Natural Energy
- Growth and Development
- Mobility
- Cognition

Technology Platforms

- Dairy Farming Systems
- Dairy Nutrition
- Dairy Food Design
- Dairy Processing

Leadership	Strategic	Seeding	Cash
		B2B and B2C beach-heads	Self-funding expansion

China Strategy – “Waikato to Shanghai”



China plays a key role to Fonterra's strategy of Turning the Wheel

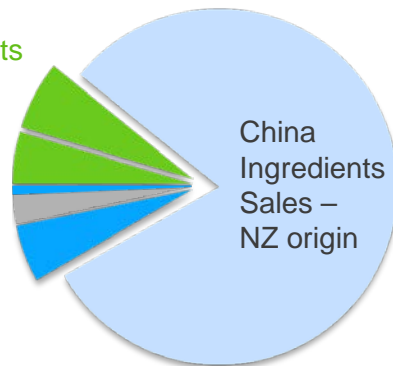


7 strategic paths

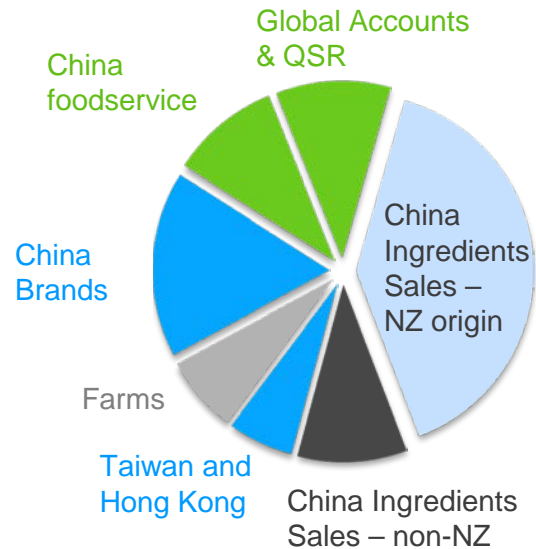
Turning the Wheel

- 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

Global Accounts & QSR
 China foodservice
 China Brands
 Farms
 Taiwan and Hong Kong

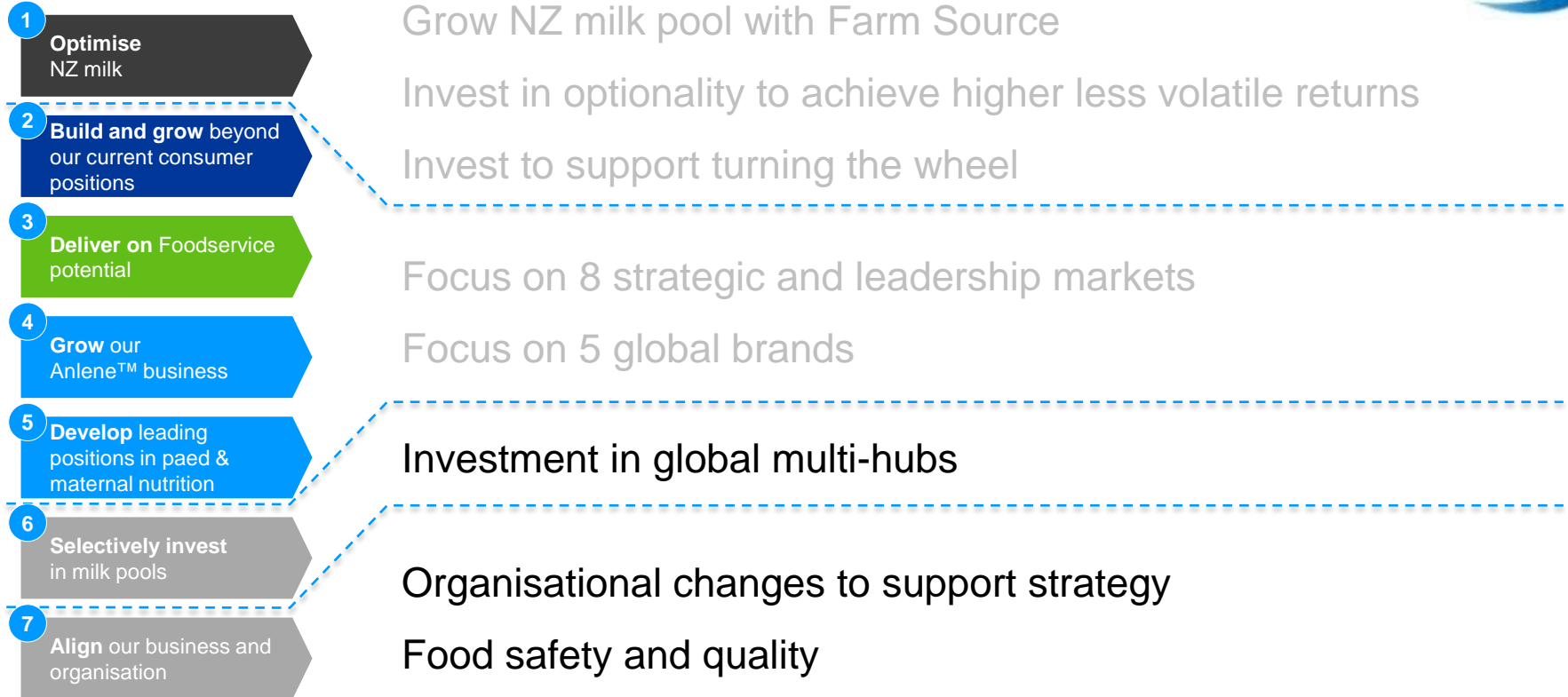


FY14 Volume
 4bn litres LME

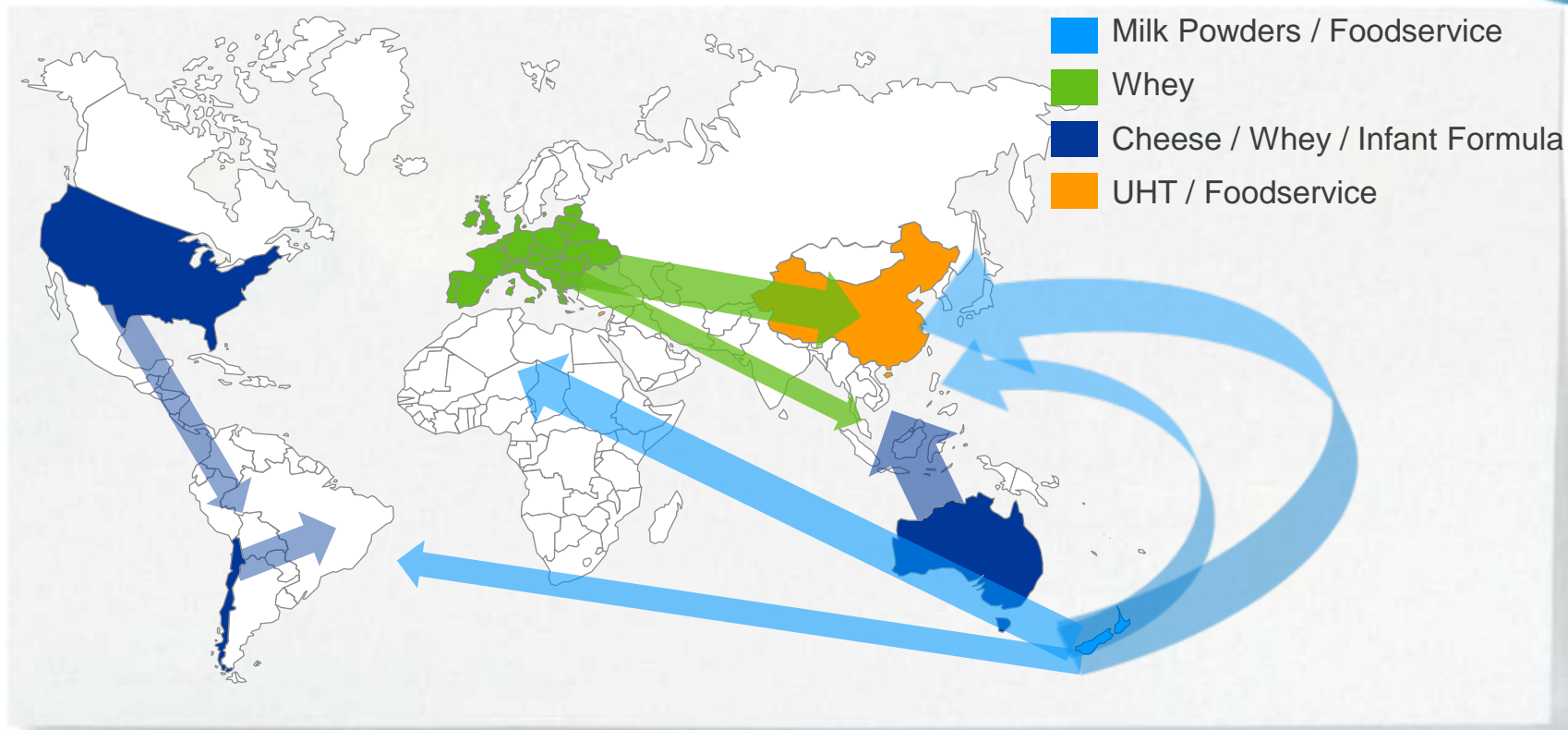


2020 Volume
 8bn litres LME

Strategic priorities



Global multi-hubs – 30b litres by 2025



Example of connecting via global multi-hubs

Europe:

- 30,000 MT Whey products from A-Ware



China:

- Global Fonterra and Beingmate potential partnership
- Partial Tender Offer for 20% of Beingmate
- Annum™ distribution agreement



Australia:

- 50,000 MT infant formula from Darnum

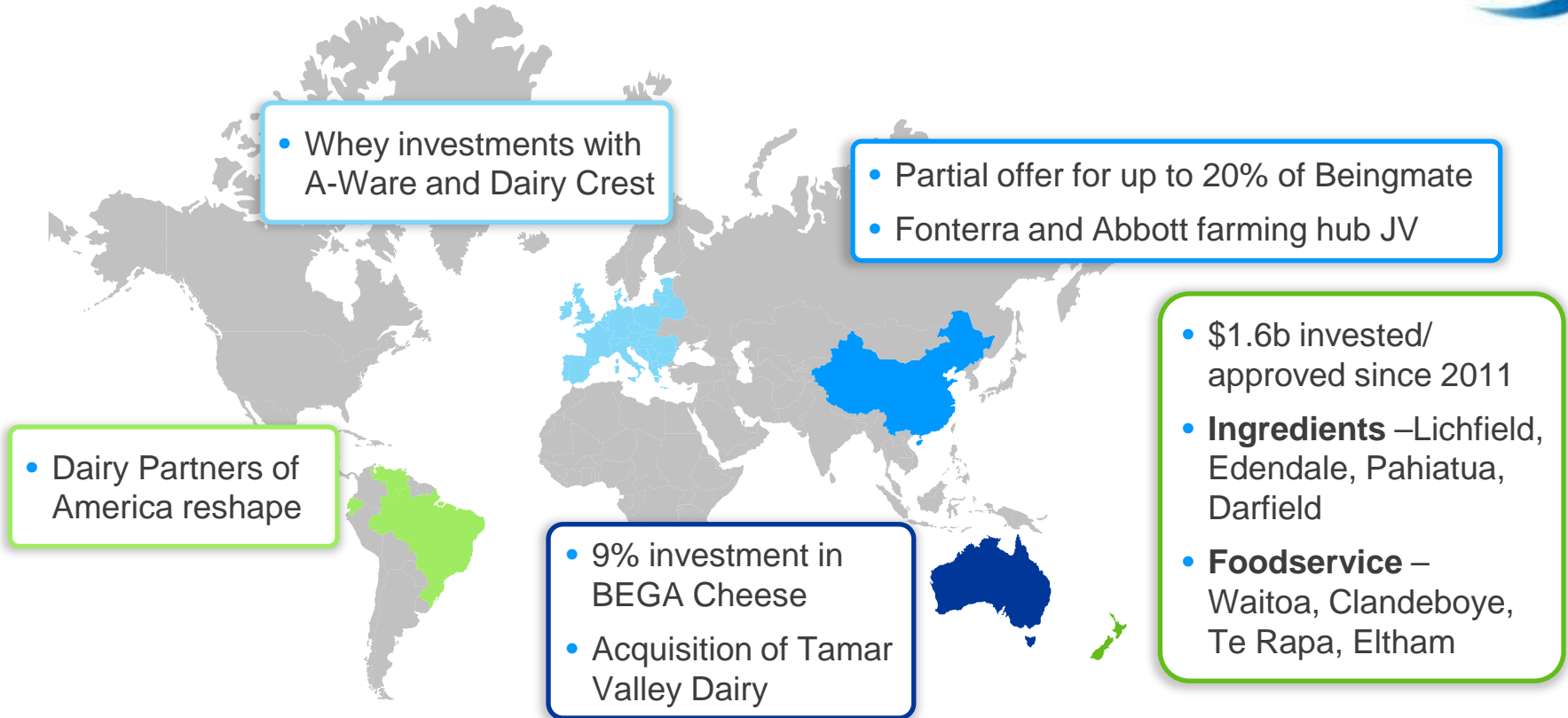


New Zealand:

- Increased capacity of over 8m litres per day
- Higher Annum™ infant formula volumes



Investments and acquisitions in 2014



Our food safety and quality roadmap



Our Co-operative ...

From

The world's largest
exporter of dairy



To

A Co-op that makes a difference in the lives of 2 billion
people by 2025





Questions



TO
**THE
FUTURE**

Resolution 1

To elect retiring director Pip Dunphy as a director of the
Manager of the Fund

Pip Dunphy

Director

FSF Management Company

Resolution 1

To elect retiring director Pip Dunphy as a director of the
Manager of the Fund

General Business

Thank you Meeting Closed.
