

Networkers' Business Update

December 2014



Agenda

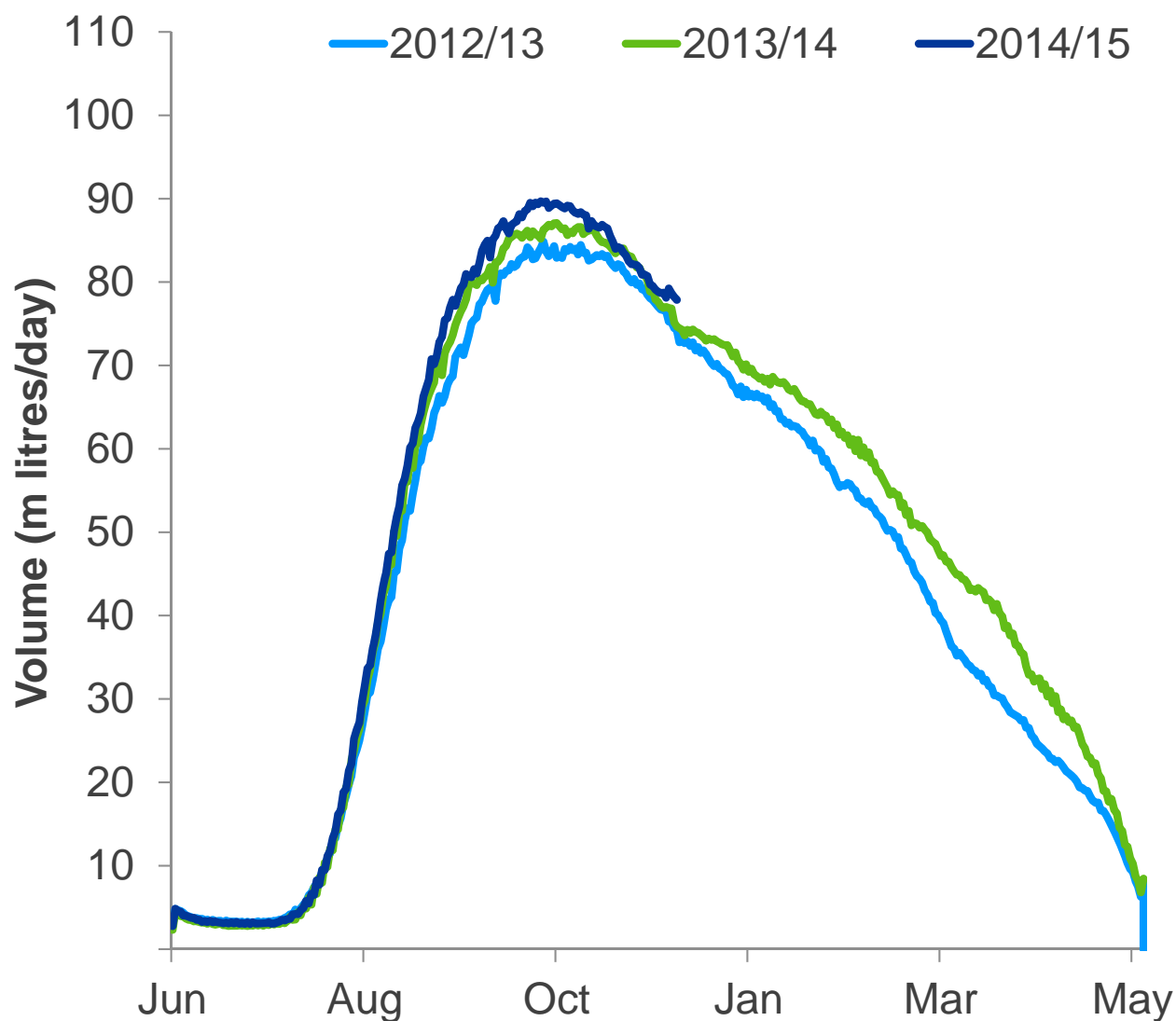
- Forecast Milk Price
- Global markets
- V3 Strategy
- Growing our share of New Zealand milk



Forecast Milk Price

Forecast Farmgate
Milk Price

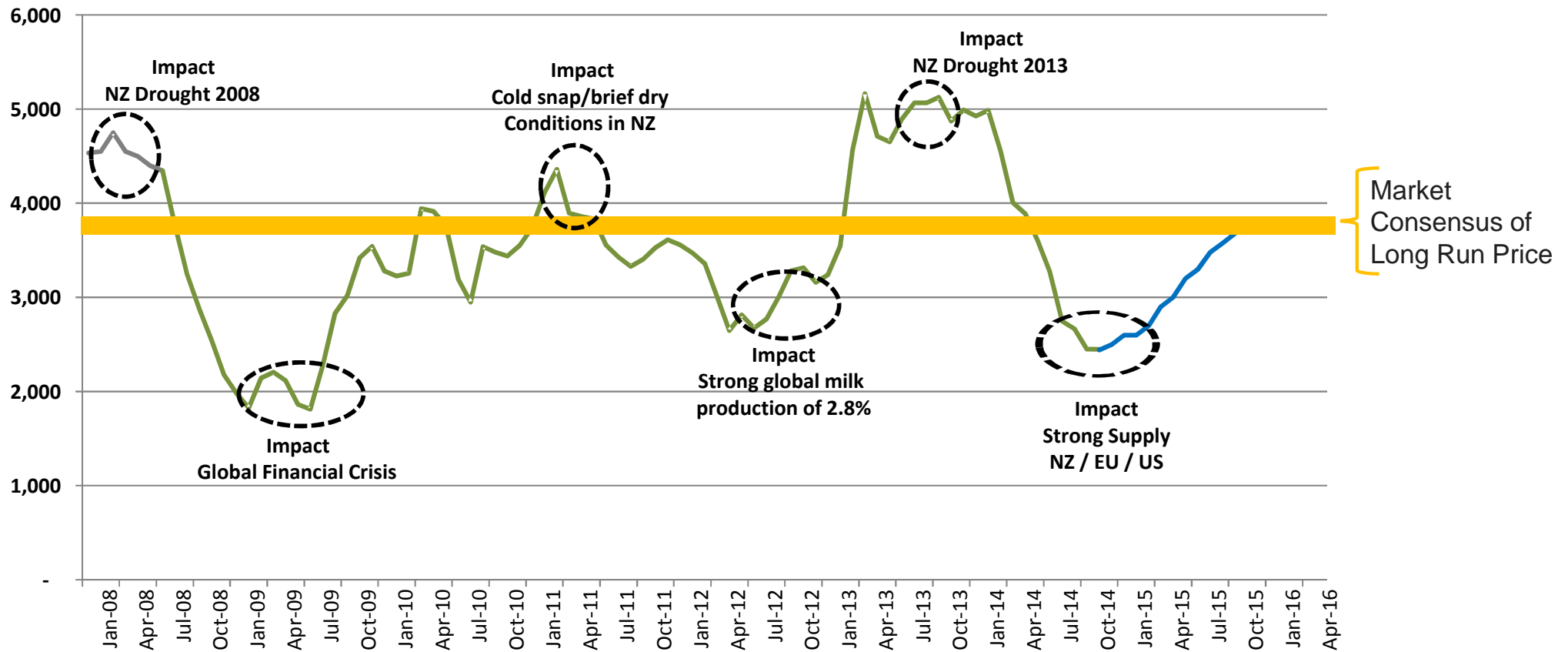
\$4.70
KGMS



Advance Rate schedule

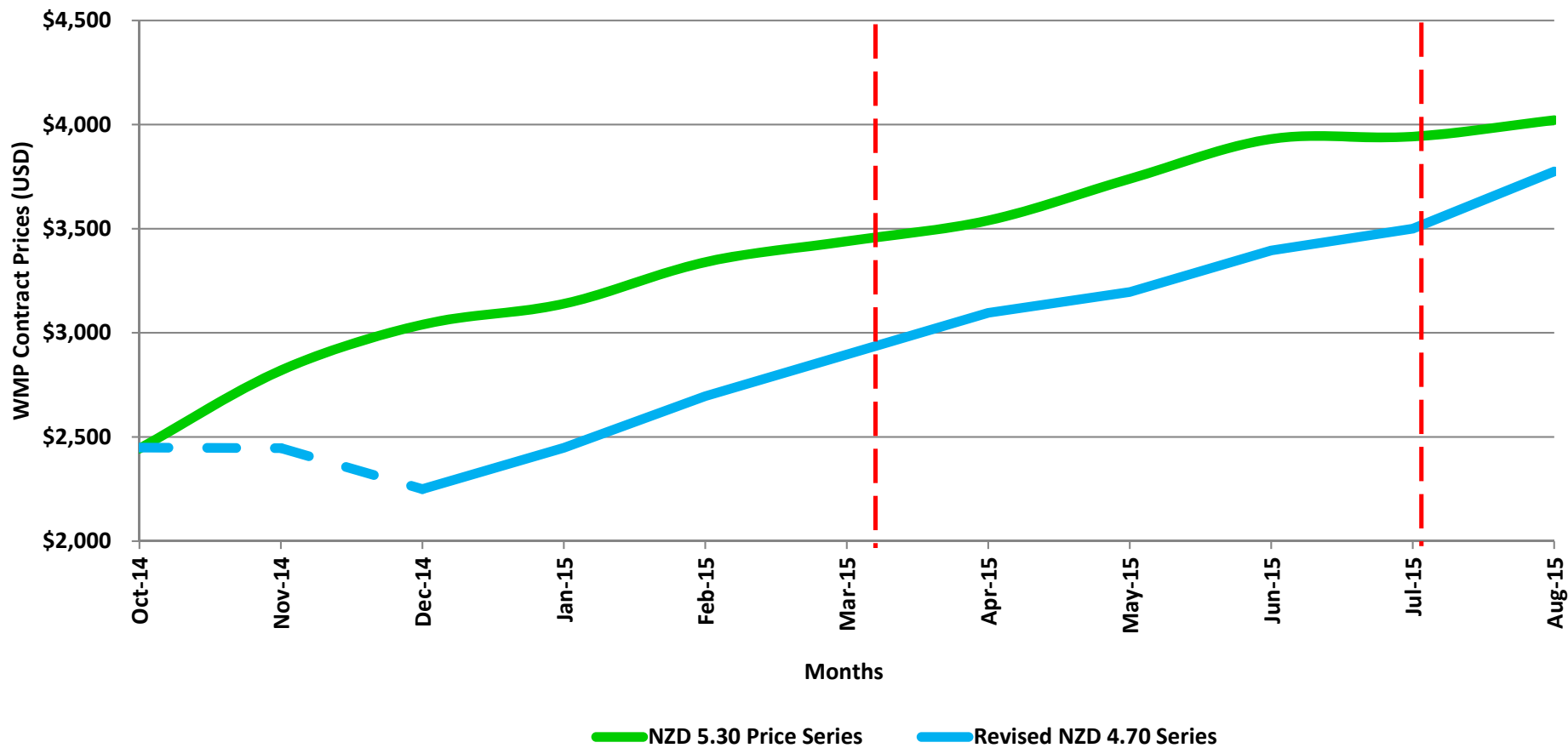
Month	Current Announced Advance Rate	Capacity Adjustment Payment	New Base Advance Rate	Monthly Payment rate
June Paid July	\$4.48	\$0.52	\$4.48	\$5.00
July Paid August	\$4.48	\$0.52	\$4.48	\$5.00
August Paid September	\$4.48	\$0.52	\$4.48	\$5.00
September Paid October	\$4.48	Peak Period	\$4.48	\$4.48
October Paid November	\$4.00		\$4.00	\$4.00
November Paid December	\$4.00		\$4.00	\$4.00
December Paid January	\$4.00		\$4.00	\$4.00
January Paid February	\$4.00	\$0.52	\$3.85	\$4.37
February Paid March	\$4.00	\$0.52	\$3.85	\$4.37
March Paid April	\$4.00	\$0.52	\$3.85	\$4.37
April Paid May	\$4.00	\$0.52	\$3.85	\$4.37
May Paid June	\$4.05	\$0.52	\$3.90	\$4.42
July Retro	\$4.30		\$3.95	
August Retro	\$4.60		\$4.35	
September Retro	\$4.90		\$4.40	
October Retro	\$5.05		\$4.45	
Total	\$5.30	\$0.25	\$4.70	

GDT WMP prices



	F10	F11	F12	F13	F14
Milk Price	\$6.10	\$7.60	\$6.08	\$5.84	\$8.40
WMP (Weighted Average USD Shipment)	\$2,905	\$3,606	\$3,362	\$3,397	\$4,827

Comparison of forecast WMP Prices between the September \$5.30 f/cast and December \$4.70 f/cast



Global supply remains strong

European Union

- Milk production up 5% in 2014
- Extra 5.7 billion litres
- Russian trade bans impacting exports
- Private Storage Aid extended until 28 Feb 2015

US

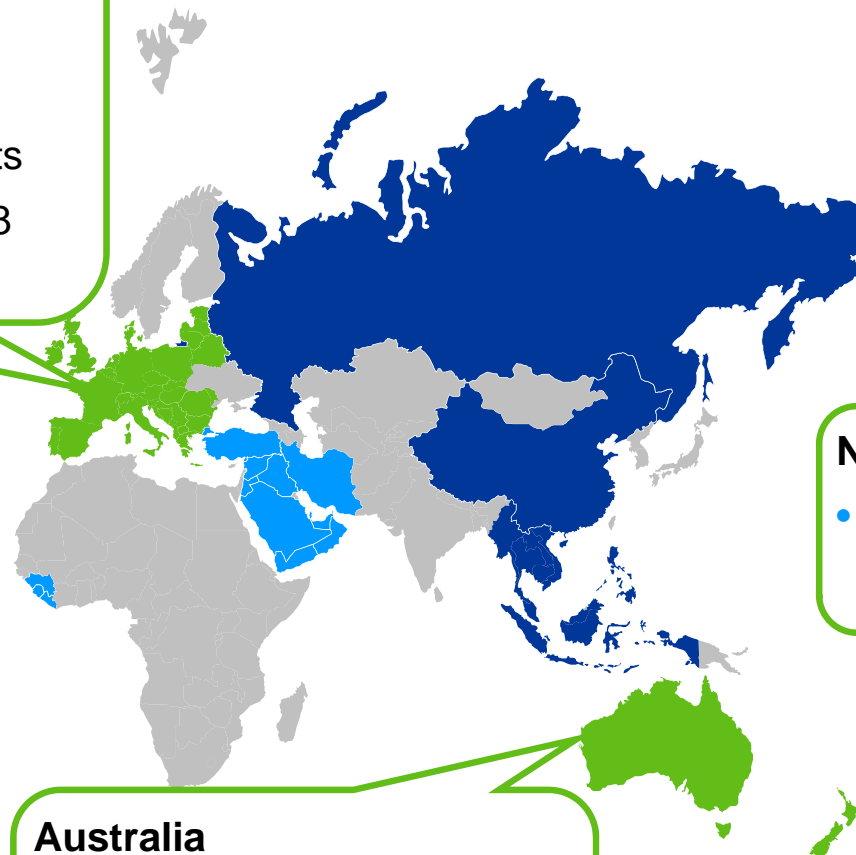
- Milk production up 2% in 2014
- Extra 1.2 billion litres
- Prices slowly converging with global market

Australia

- Milk production up 5% in 2014
- Extra 343 million litres

New Zealand

- Fonterra milk production up 3.9% season to date



Challenging global situation in key dairy regions

Russia (Demand)

- Trade ban continues in place for EU's largest dairy export market
- Unlikely to change in short term

Oil price

- Large dairy importers like Venezuela, Algeria and Iran, likely to feel pressures if oil price stays low.

China (Demand)

- Import growth slowed
- Imported milk powder inventory levels falling but still above normal levels

Ebola outbreak

Middle East extremist factions

South East Asia (Demand)

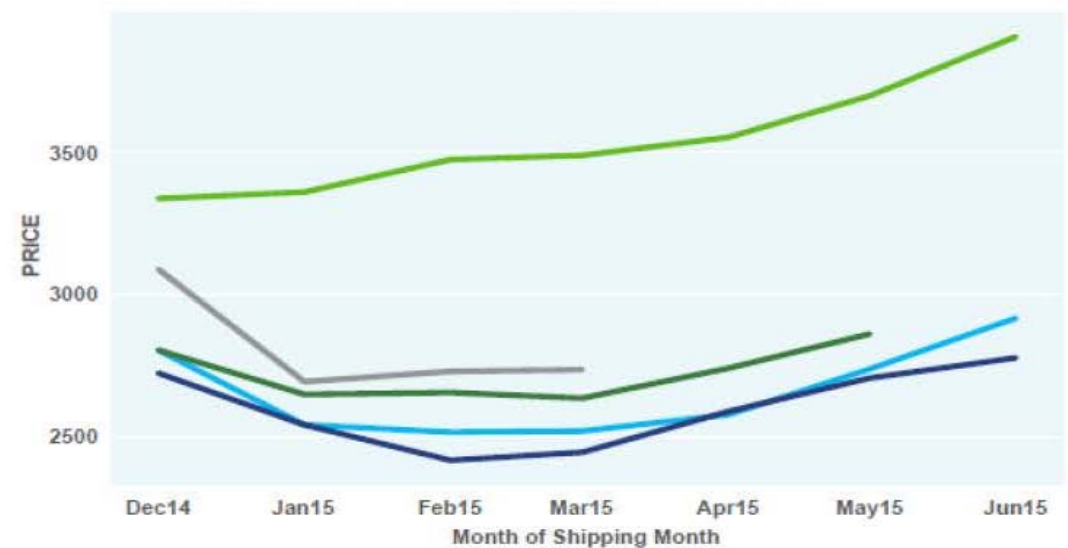
- Increasing competition from EU / US
- Currency weakening and inflationary pressure

Global prices – looking forward

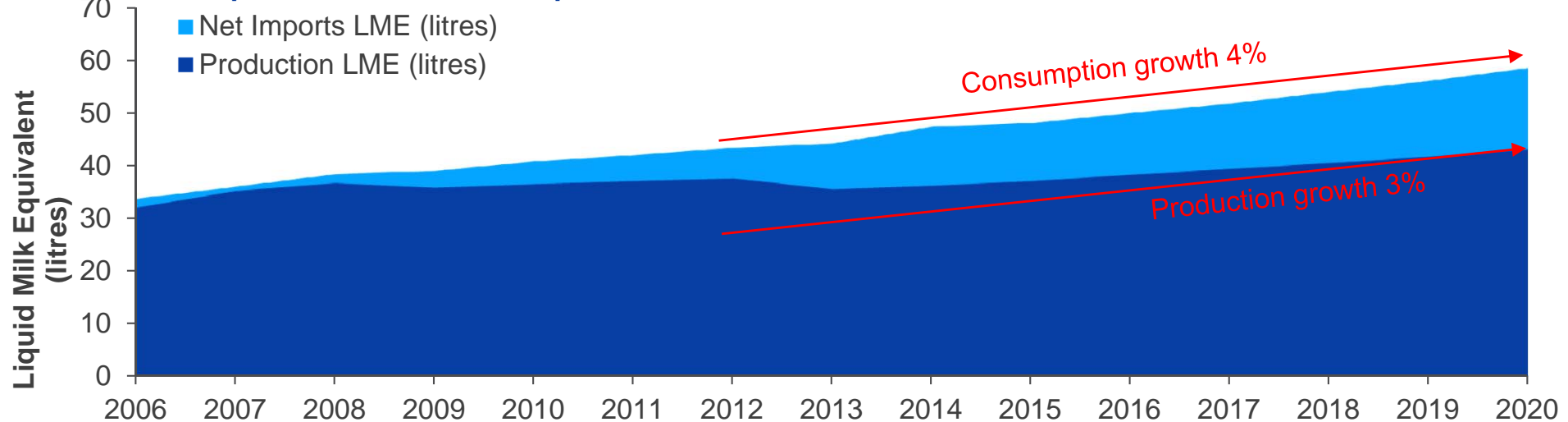
Weighted Average Auction Results



Weighted average price by future shipping month (RPP)



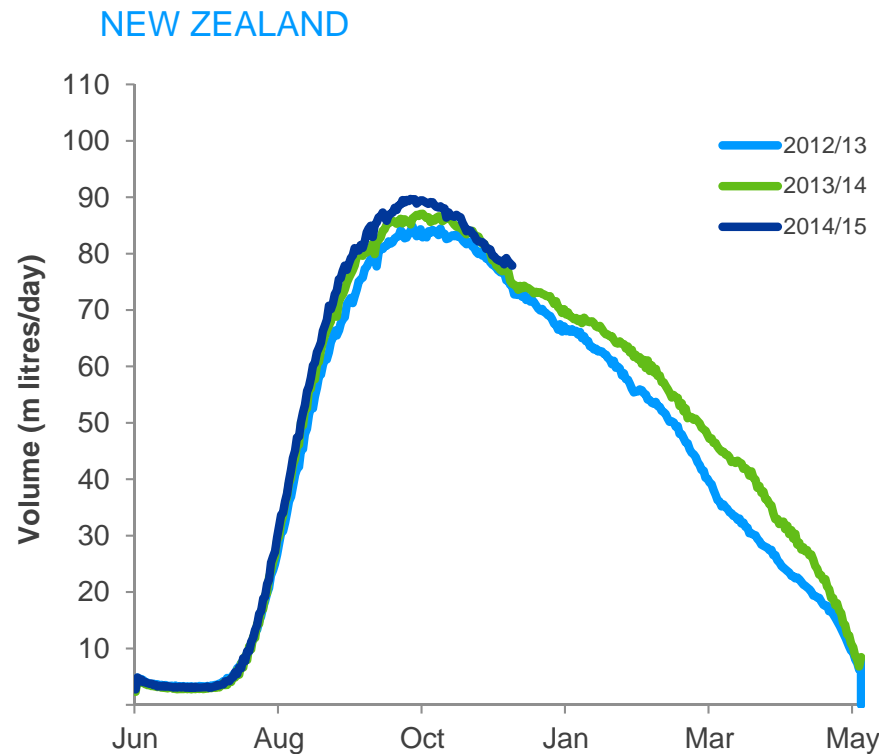
China production and consumption



Ingredients is a value-adding business

- 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

Milk curve...



- Steep, high volume milk curve
- Most efficient ingredients processor

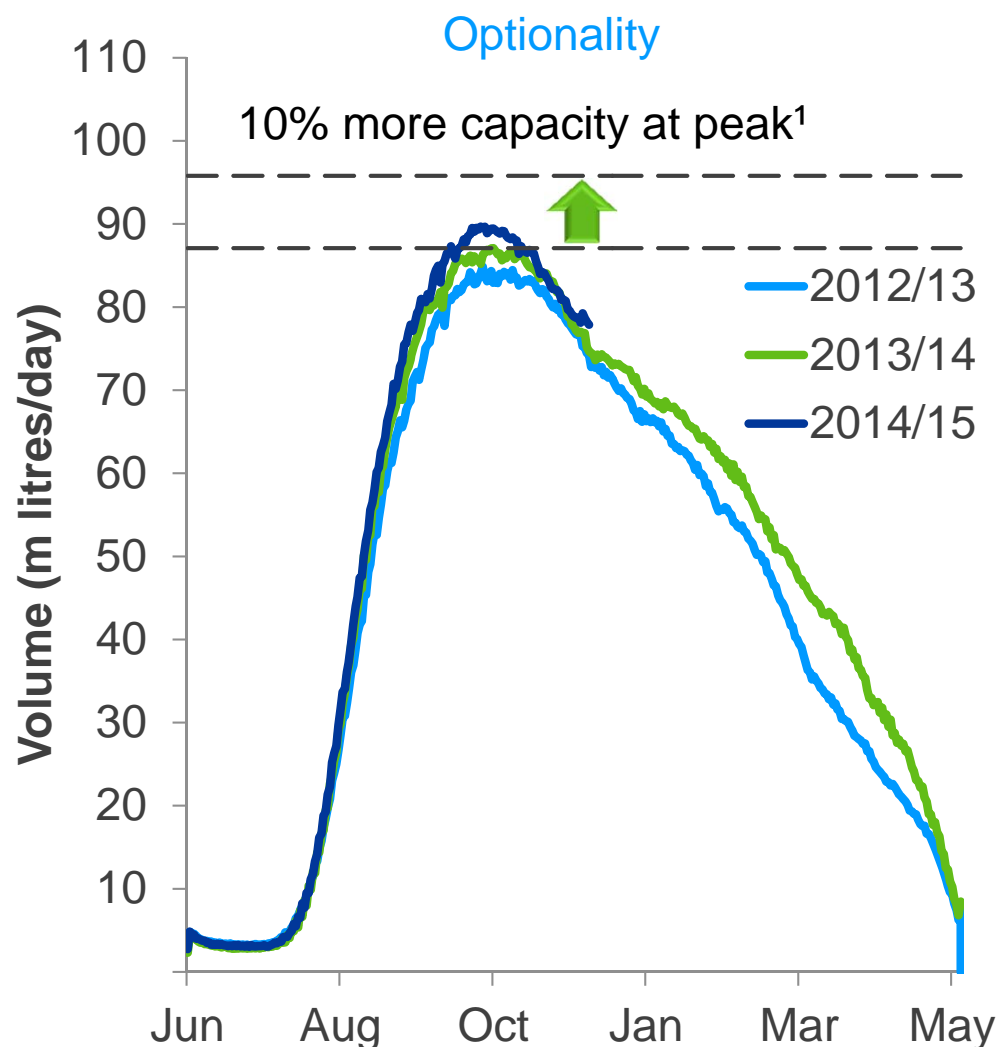
...delivering significant value

\$3.88 first 5 years

\$6.80 last 5 years

- Average payout has increased
- Driven by GDT sustained higher commodity prices
- Price achievement above GDT

Investing in additional capacity

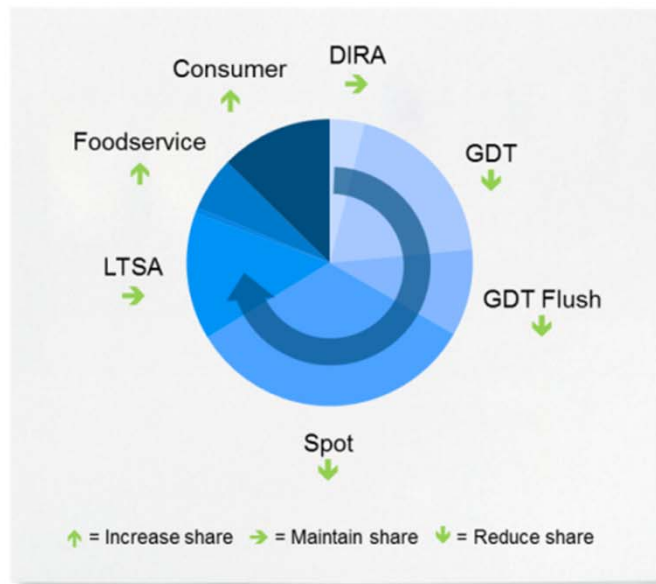


- \$755 million investment in Lichfield, Edendale and Pahiatua
- \$50 million on improving plant capacity

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

Consumer growth is our strategic priority



- 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. and maternal nutrition

Anchor™

Anlene™
EXPERT IN BONE NUTRITION

Anmum

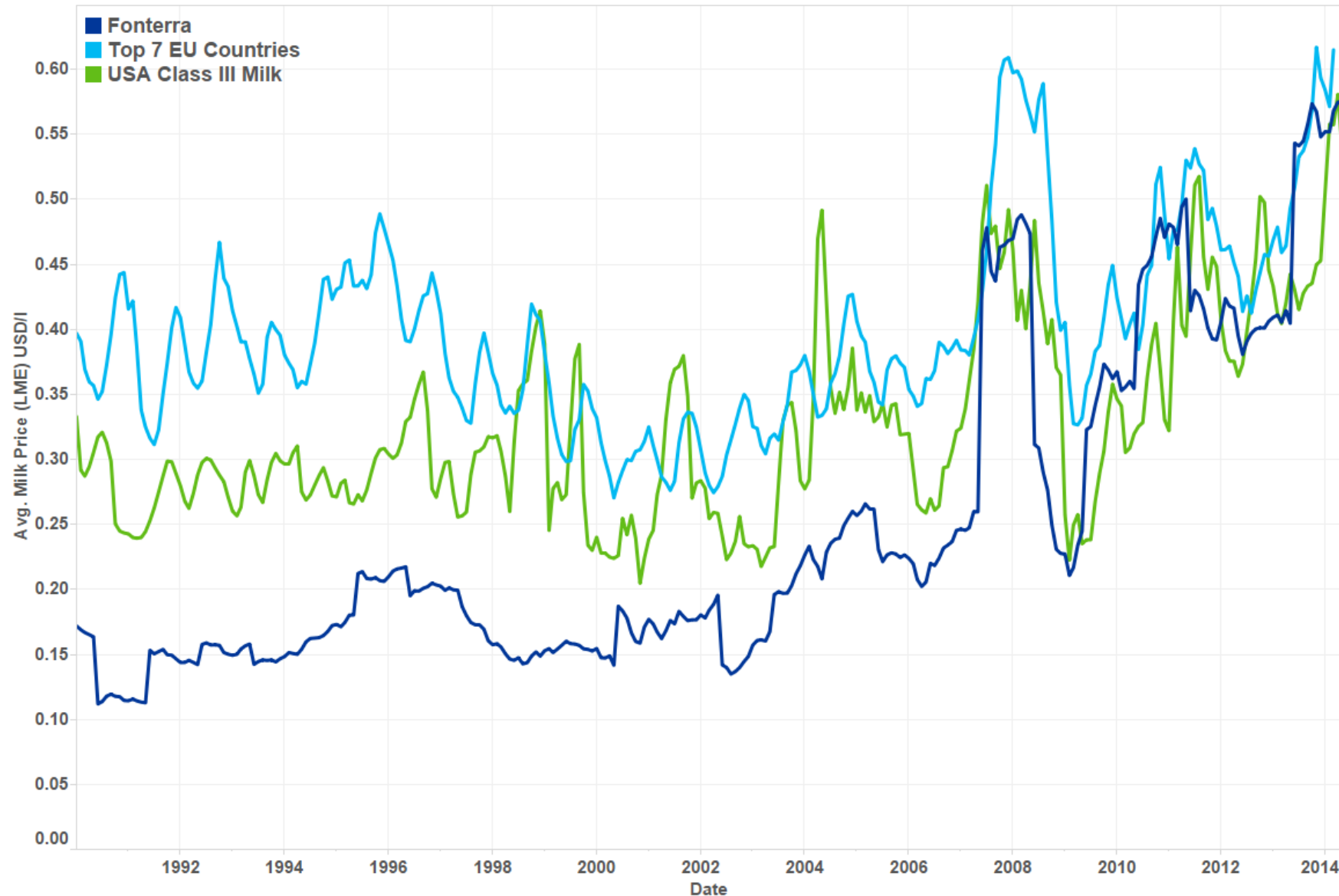
\$6.3b

Revenue from
Consumer and Foodservice
in the 2014 financial year



Convergence of pricing – NZ v EU and US

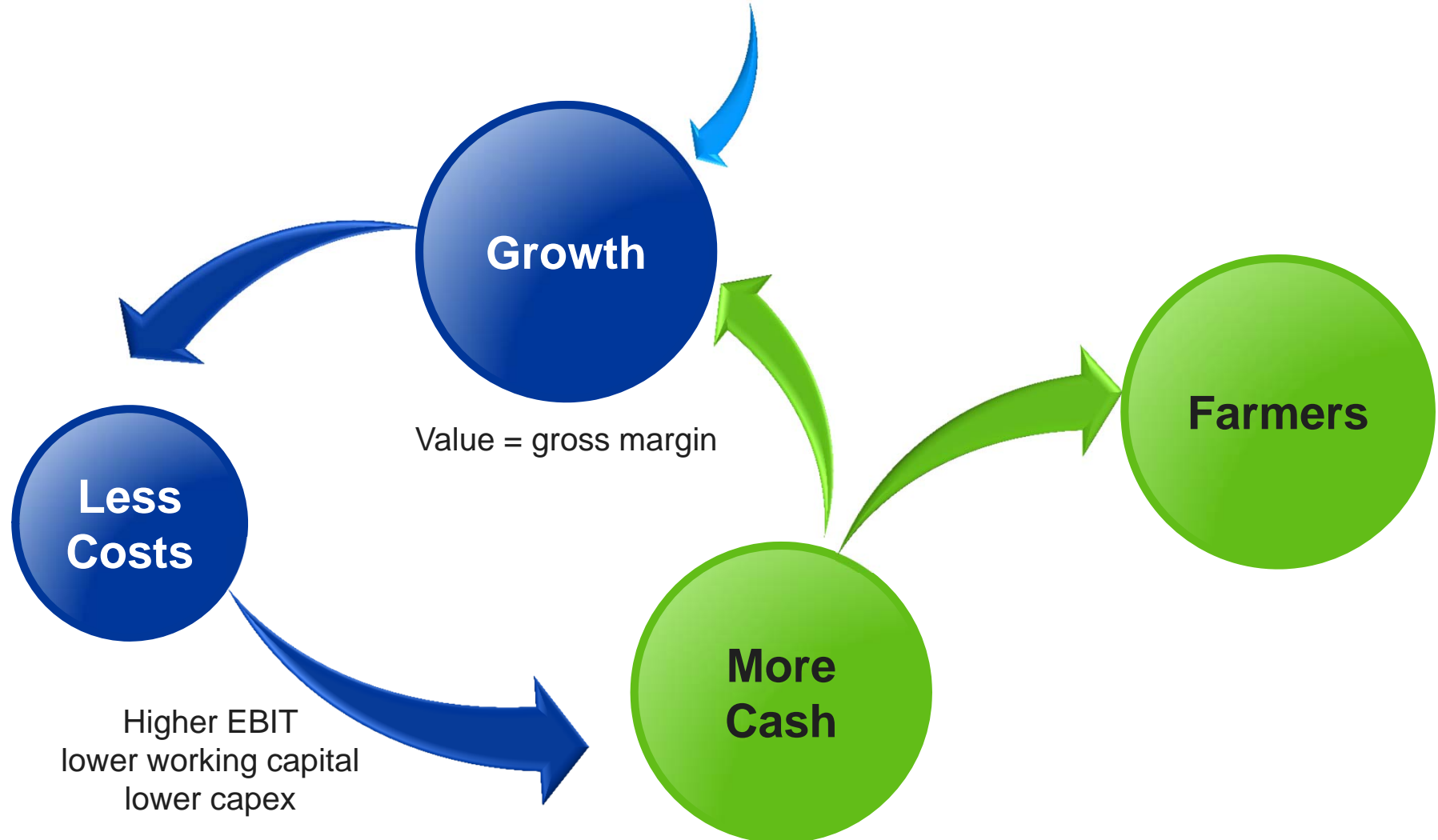
EU USA NZ Milk Price



Maximising Farmer Returns



Volume = Scale



**Forecast Farmgate
Milk Price**

\$4.70
KGMS

**Forecast
Dividend Range**

25-35
CENTS

**Forecast
Cash Payout**

\$4.95-\$5.05

Building a globally relevant Co-op

