



Dairy for life

Fonterra

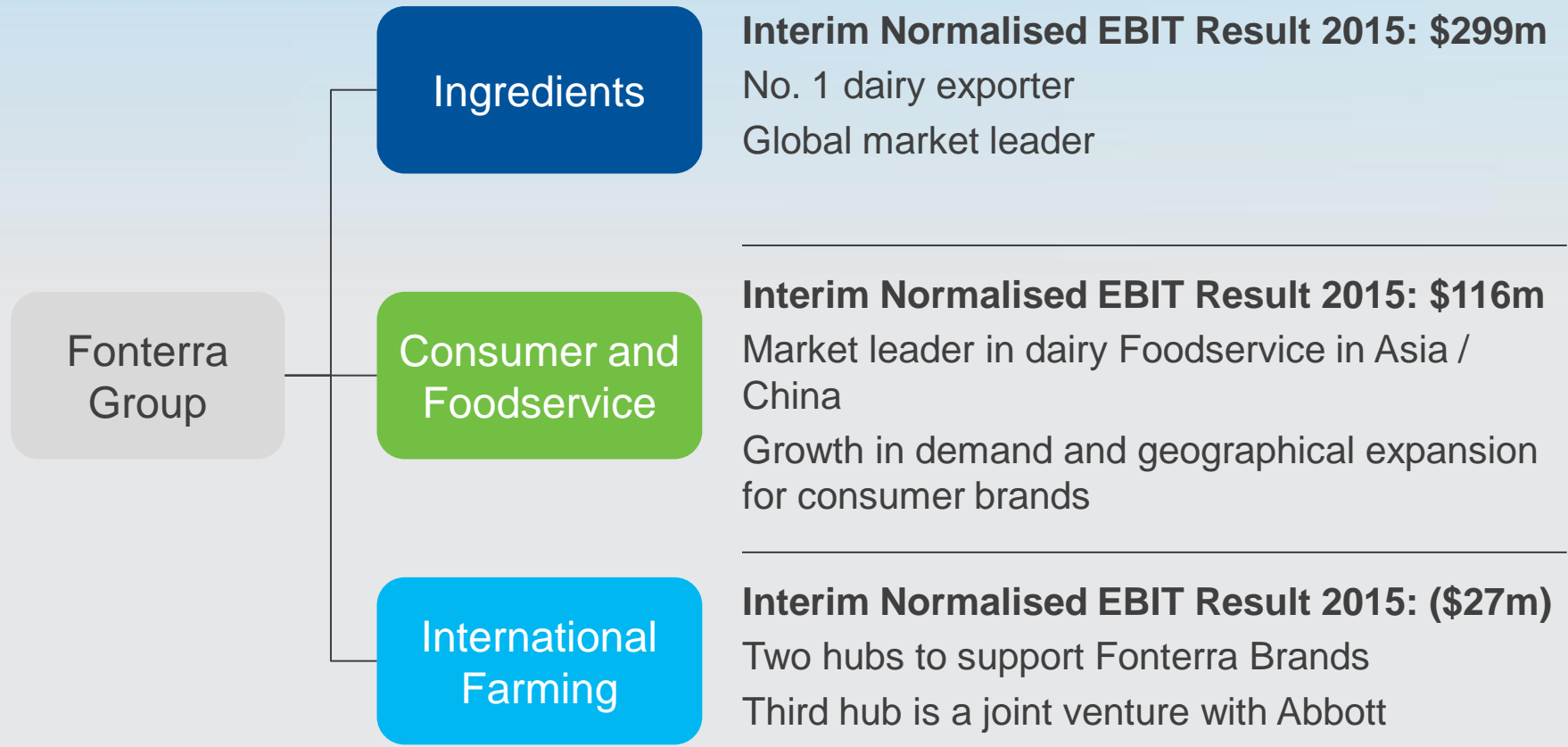
Macquarie Conference Australia
Lukas Paravicini - CFO

May 2015

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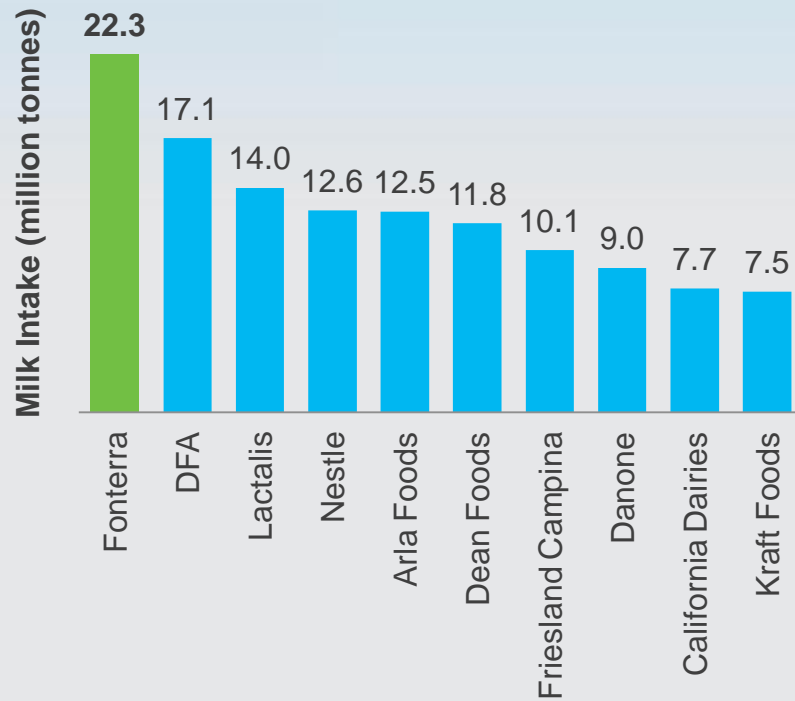


Group overview

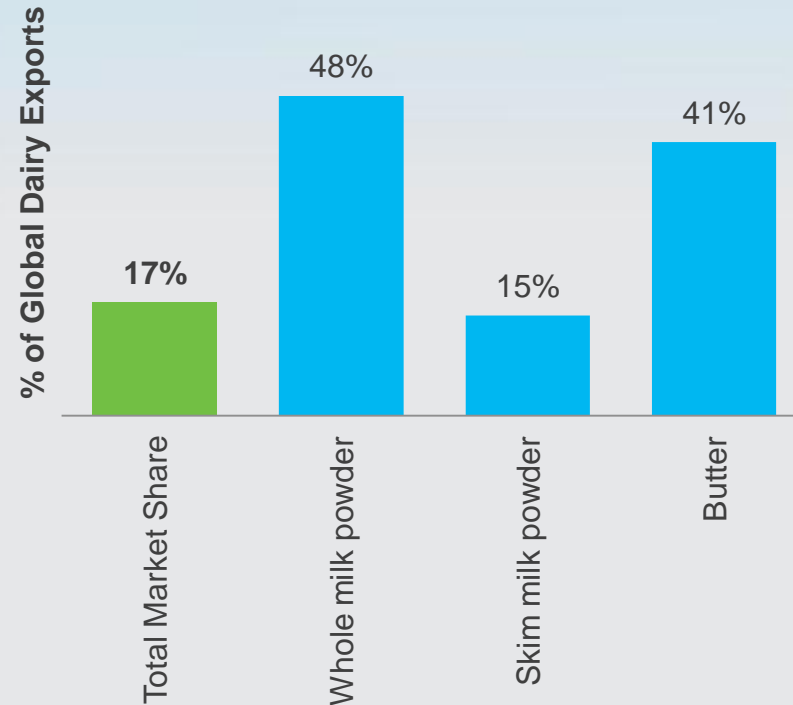


Global Ingredients - scale and leadership

The World's Largest Milk Processor¹



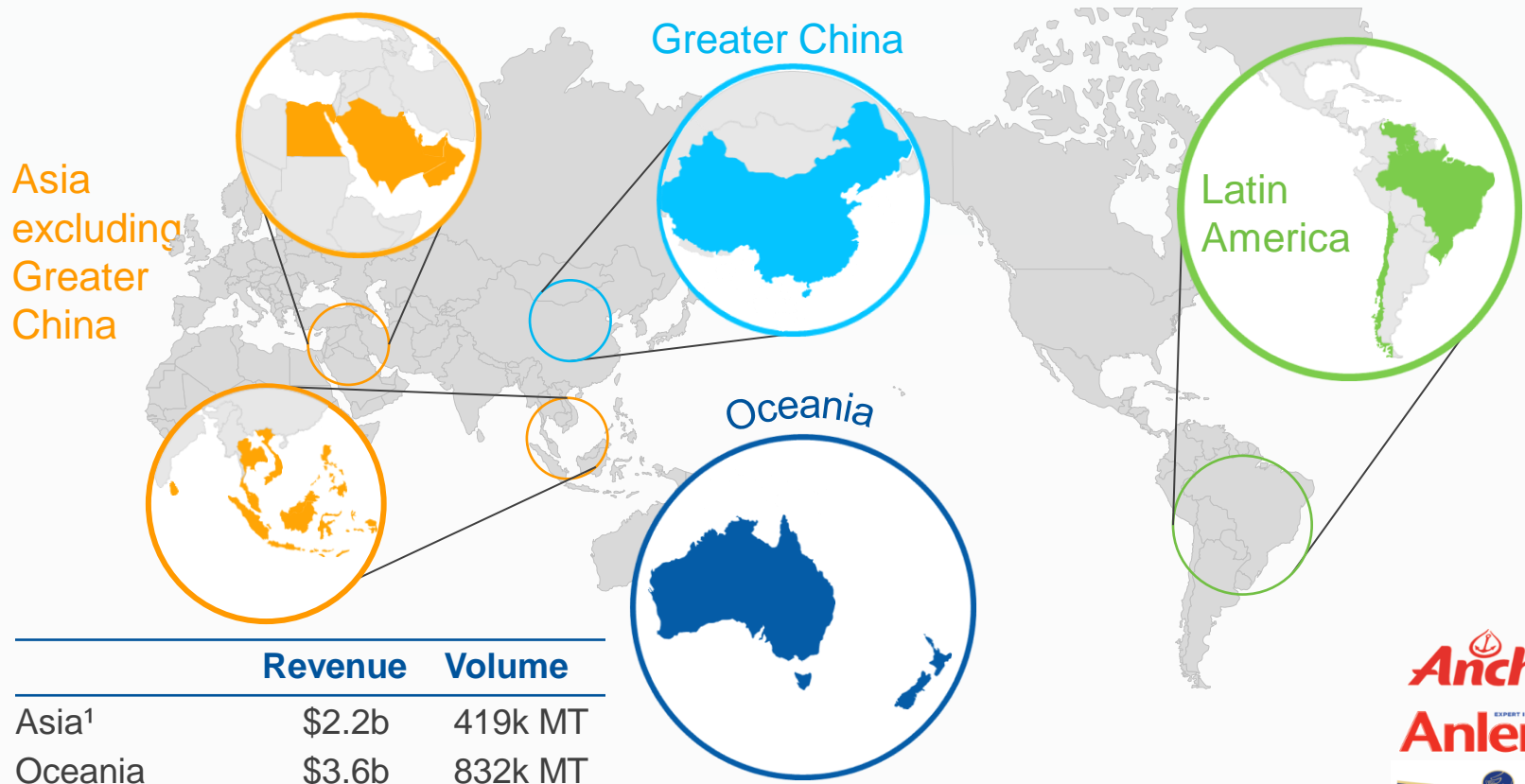
The World's largest Dairy Exporter²



1. Source: PM Food & Dairy Consulting, 2013.

2. Source: Fonterra, Global Trade Information Services. Note: Excludes intra-European trade, information for 2013/2014 season.

Strong Foodservice and Consumer businesses



1. Asia comprises Fonterra's consumer and foodservice businesses in Asia, Africa, the Middle East and Greater China.

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

1

Global Multi-Hub Strategy

2

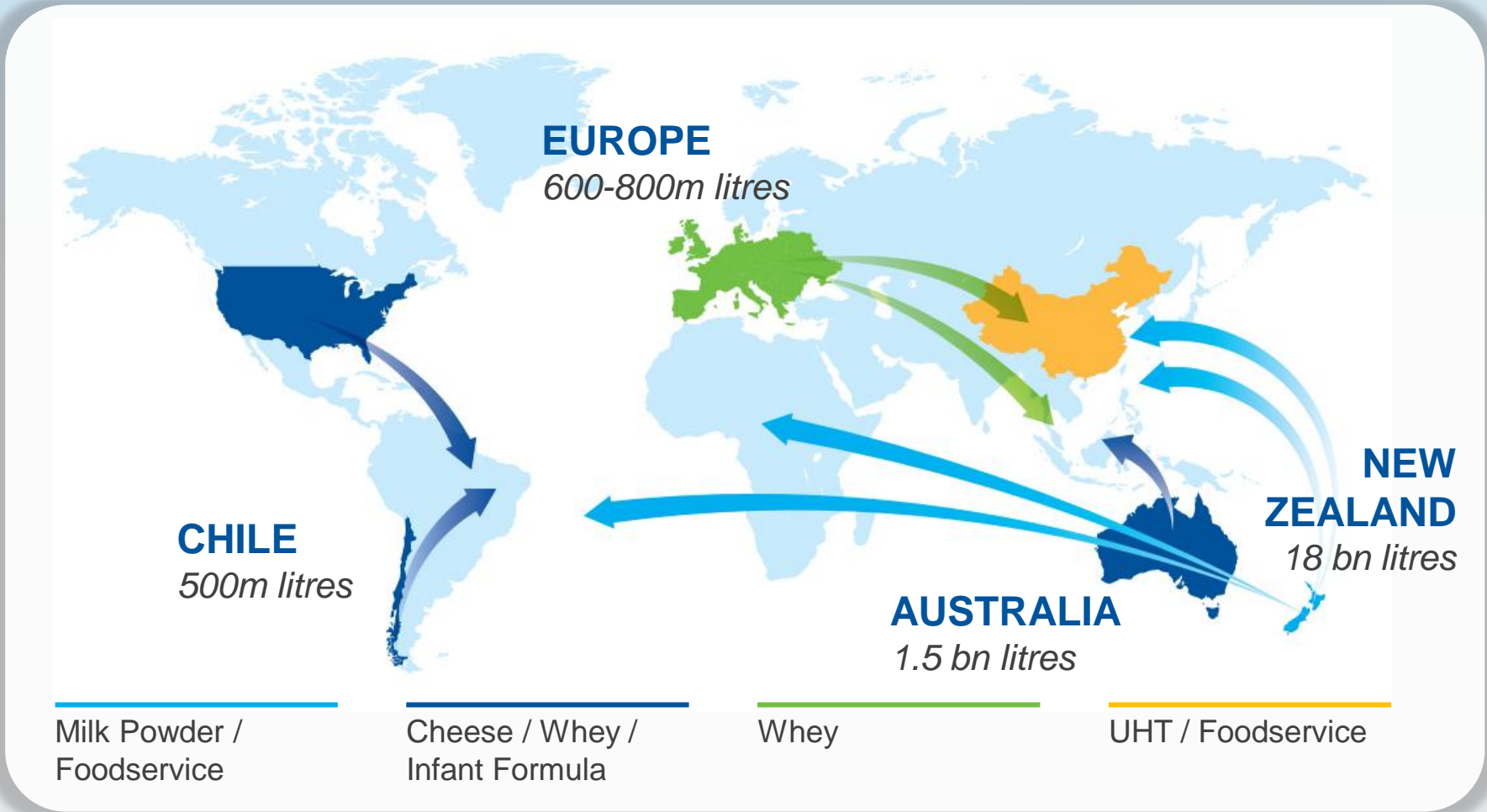
8 Leadership and Strategic Markets

3

Velocity



Global multi-hub locations



Europe:

- A-ware JV – whey plant commissioned
- Dairy Crest alliance for distribution of specialty ingredients underway



Australia:

- Grow infant formula and cheese footprint
- Fonterra and Beingmate JV to acquire Darnum



China:

- Purchase of 18.8% of Beingmate complete
- Abbott – antitrust approval received from Chinese government



New Zealand:

- Increasing processing capacity and optionality to meet global demand

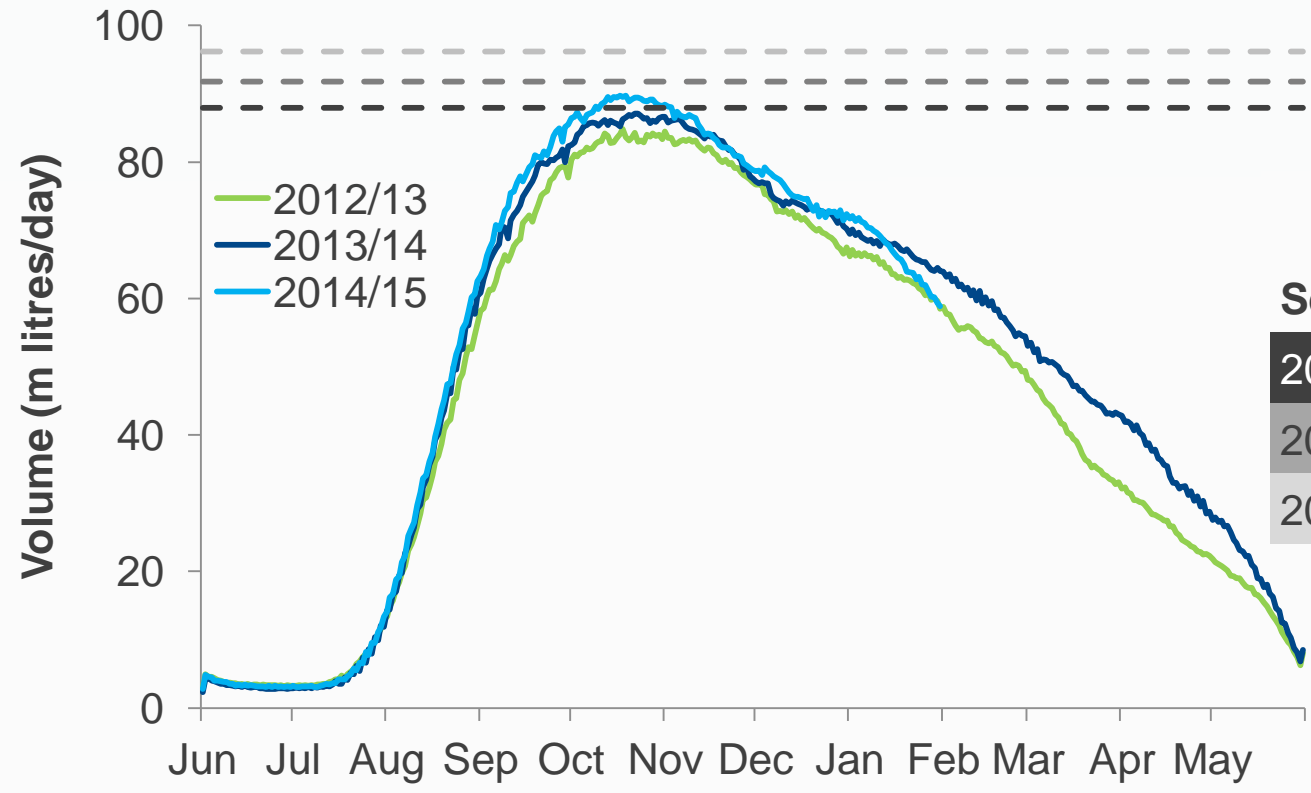


Multi-hub strategy in action

New Zealand – driving optionality



New Zealand Milk Curve and Processing Capacity



↑
Peak day processing capacity

Season	Increase ¹
2016/17*	10%
2015/16	5%
2014/15	2%

1. Relative to 2013/14 season.
* Forecast

New Zealand – driving optionality



PAHIATUA

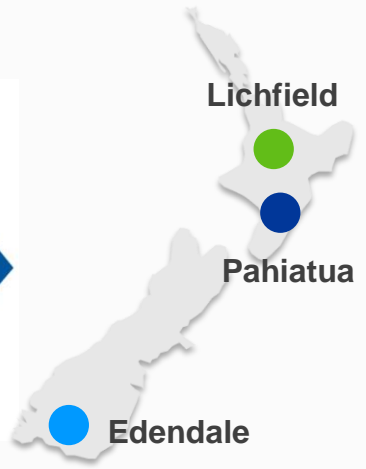
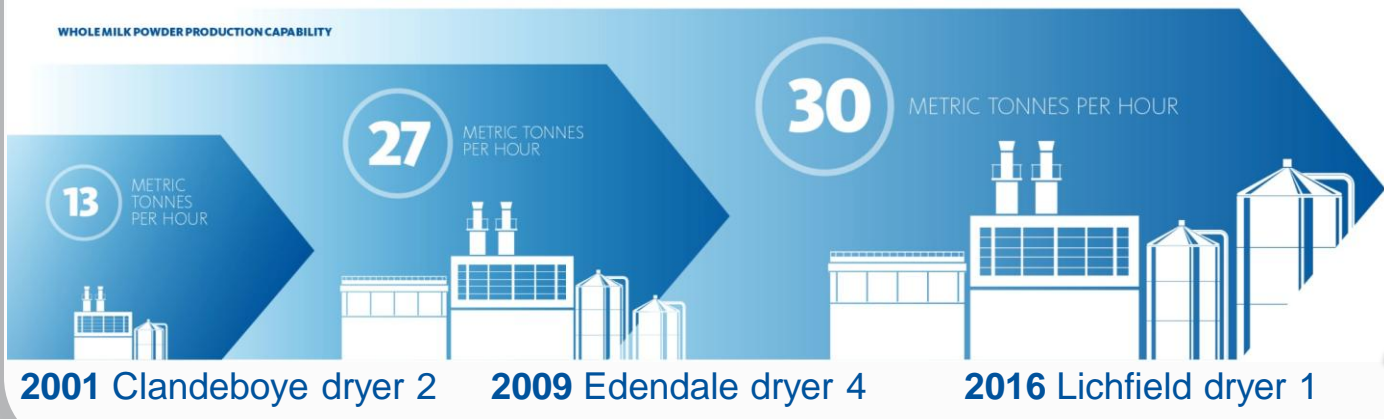
- WMP dryer
- \$235m investment
- Daily capacity up 2.4m L
- Completion: Aug 2015

EDENDALE

- AMF, MPC and reverse osmosis plants
- \$167m investment
- Daily capacity by 1.4m L
- Completion: Aug 2015

LICHFIELD

- WMP dryer
- \$390m investment
- Daily capacity up 4.4m L
- Completion: Aug 2016



China - Beingmate investment



BEINGMATE



- Fonterra has acquired 18.8% of Beingmate at 18 RMB per share
- Post the Partial Tender Offer the Beingmate stock price increased to 19-21 RMB
- Fonterra nominated Board members to Beingmate:
 - Johan Priem
(President Greater China)
 - Christina Zhu
(Vice President Ingredients Greater China)
 - Subject to shareholders' approval on 11 May

China - Beingmate investment



- Beingmate has significant growth potential
- Leveraging Beingmate's extensive distribution and sales network
 - 30 branches across China
 - 80,000 retail outlets
 - 20,000 maternal service consultants
- Optimising Australian Potential
 - Beingmate will source 30,000MT of infant formula per annum over time
- Links China to valuable European milk pools
 - Partnership provides a platform to grow Fonterra's whey specialty ingredient exports from Europe



Europe – A-ware strategic partnership



WHEY PLANT IN NETHERLANDS

- Can process liquid whey into
 - 5,000 MT of whey protein and
 - 25,000MT of lactose per year
- Used in high-value paediatric, maternal and sports nutrition products



PROGRESS

March 2013	October 2014	December 2014	April 2015
Agreement with A-ware signed	Commissioning started	First production	Produced 4,000 MT of product

Australia – driving Ingredients performance



Performance impacted by product mix

- ↓ Lower high-value infant formula sales
- ↑ SMP sales at record low prices
- ↓ Fire at Stanhope impacted cheese

Improving Performance



A\$50m EBIT opportunity



Strategic priorities

1

Global multi-hub Strategy

2

8 Leadership and Strategic Markets

3

Velocity



Global brands aligned to key markets

STRATEGIC PLATFORMS GLOBAL BRANDS STRATEGIC AND LEADERSHIP MARKETS

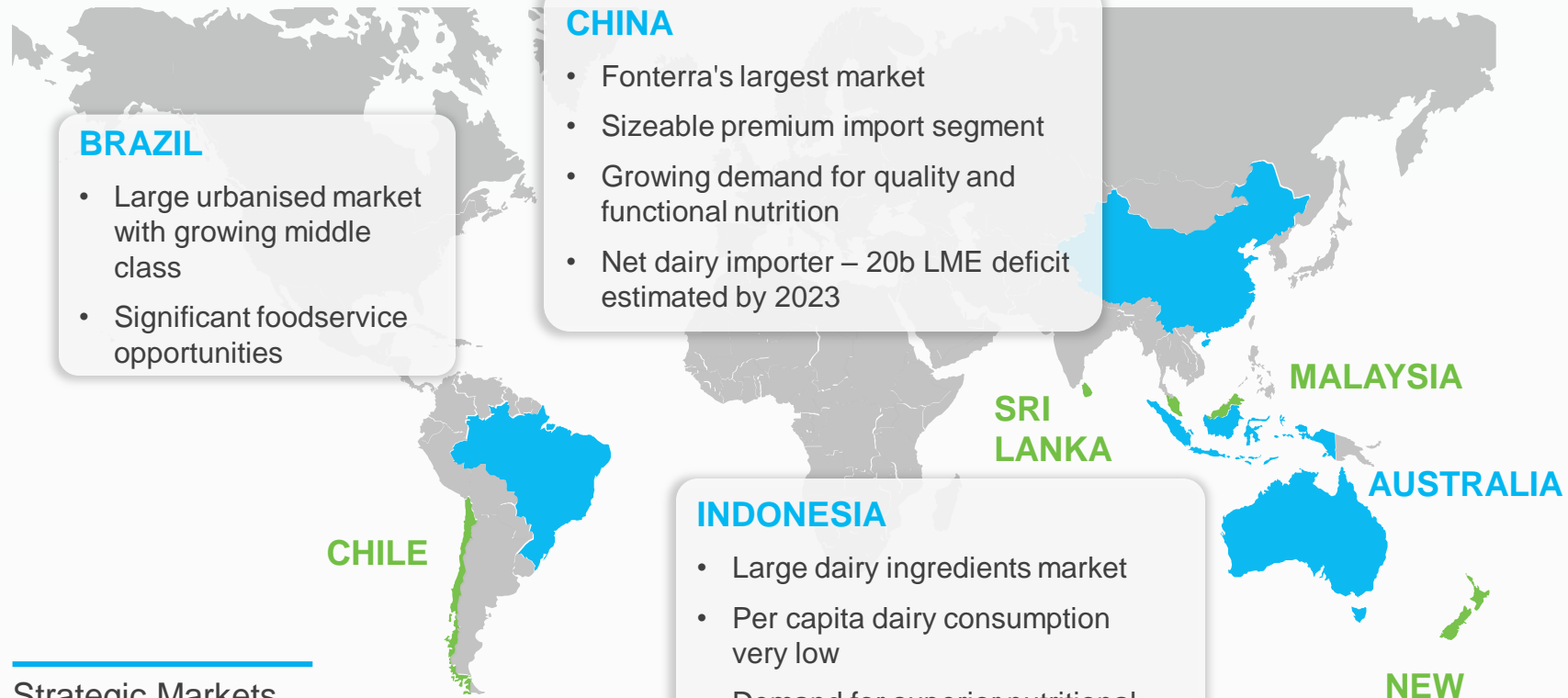


- 1 **Optimise** NZ milk
- 2 **Build and grow** beyond our current consumer positions
- 3 **Deliver** on Foodservice potential
- 4 **Grow** our Anlene™ business
- 5 **Develop** leading positions in paed & maternal nutrition
- 6 **Selectively invest** in milk pools



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

Eight key markets



BRAZIL

- Large urbanised market with growing middle class
- Significant foodservice opportunities

CHINA

- Fonterra's largest market
- Sizeable premium import segment
- Growing demand for quality and functional nutrition
- Net dairy importer – 20b LME deficit estimated by 2023

CHILE

INDONESIA

- Large dairy ingredients market
- Per capita dairy consumption very low
- Demand for superior nutritional foods

SRI LANKA

MALAYSIA

AUSTRALIA

NEW ZEALAND

Strategic Markets

Leadership Markets

Significant opportunity in our Australia Consumer business



RETAILERS



- Building strategic relationships
- Ranked #1 supplier to Coles (#33 LY)
- New private label contract with Woolworths

BRANDS AND FOODSERVICE MARKET SHARE

Progressing

- Chilled spreads 22%
- Cheese 22%
- Yoghurt 17%

IMPROVING MARGIN

Underway

- Improve contribution from yoghurts and dairy desserts
- Drive product innovation

LOWER OPERATING COSTS¹



- 21% lower over two years
- Saving of \$35 million

1. First half 2013 operating costs compared to first half 2015.

Strategic priorities

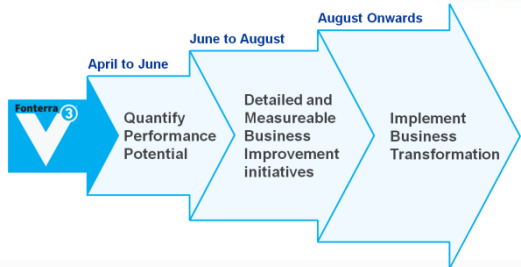
1 Global multi-hub Strategy

2 8 Leadership and Strategic Markets

3 Velocity



Priorities: driving performance



Principles of the Business Transformation

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

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