

FONTERRA SHAREHOLDERS' FUND

ANNUAL MEETING
FRIDAY 27 NOVEMBER 2015
COMMENCING AT 10AM



FONTERRA
SHAREHOLDERS'
FUND.



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

Questions

Theo Spierings

Resolution to elect retiring Director John Shewan

Pip Dunphy

Address by John Shewan

General business

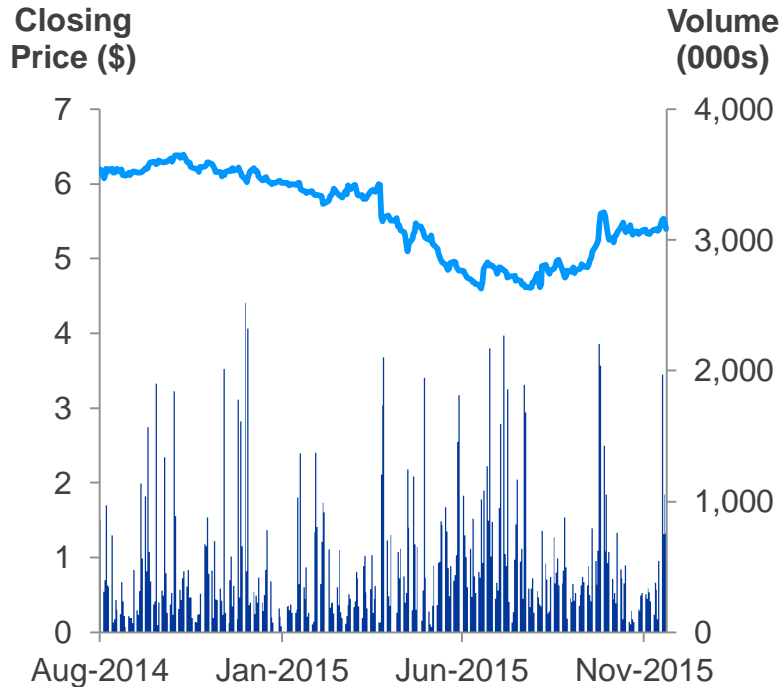
John Shewan



KEY EVENTS IN THE YEAR

| | |
|-------------------|--|
| 1 December 2014 | Distribution Reinvestment Plan introduced |
| 16 March 2015 | Beingmate Partial Tender Offer completed |
| 25 March 2015 | Interim Results announcement |
| 20 April 2015 | Interim Distribution of 10 cents per unit paid |
| 24 April 2015 | Appointment of Jacqueline Chow as Chief Operating Officer Velocity |
| 17 July 2015 | First results of business transformation |
| 1 August 2015 | Fonterra Co-op Support Loan announced |
| 24 September 2015 | Annual Results announcement – forecast EPS range of 40 – 50 cents |
| 20 October 2015 | Final Distribution of 15 cents per unit paid |
| 16 November 2015 | Forecast EPS range increased to 45 – 55 cents |

UNIT PRICE PERFORMANCE



- 12-month price performance disappointing
- Fonterra's performance back on track
 - Ingredients
 - ROC of 9%
 - Consumer and foodservice
 - ROC of 25%
 - Group ROC of 9%
- Business transformation delivering
- FY16 EPS of 45 to 55 cents

FUND KEY STATISTICS



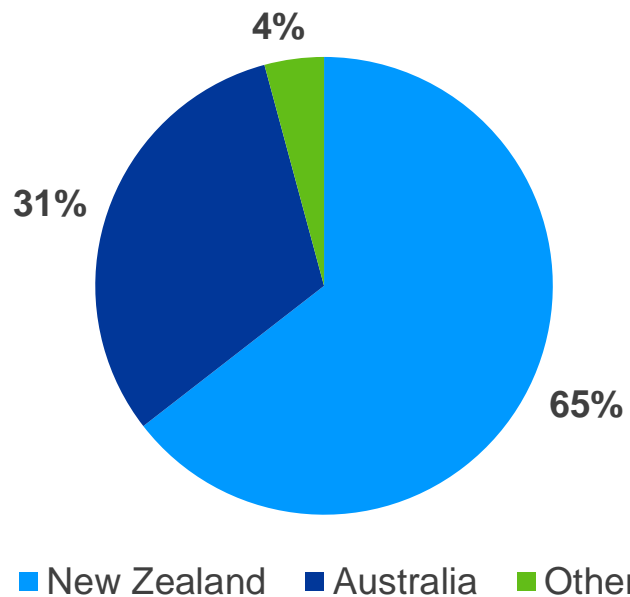
| | |
|---|--------------------------------|
| Units on Issue ¹ : | 97 million |
| Fund Market Capitalisation ¹ : | \$525 million |
| Fonterra Market Capitalisation ¹ : | \$8.7 billion |
| Fund Size ¹ : | 6% of Fonterra shares on issue |
| 12-month High/Low ¹ : | \$6.22 / \$4.60 |
| Liquidity Ranking on the NZX ² : | 1st |

1. At 23 November 2015

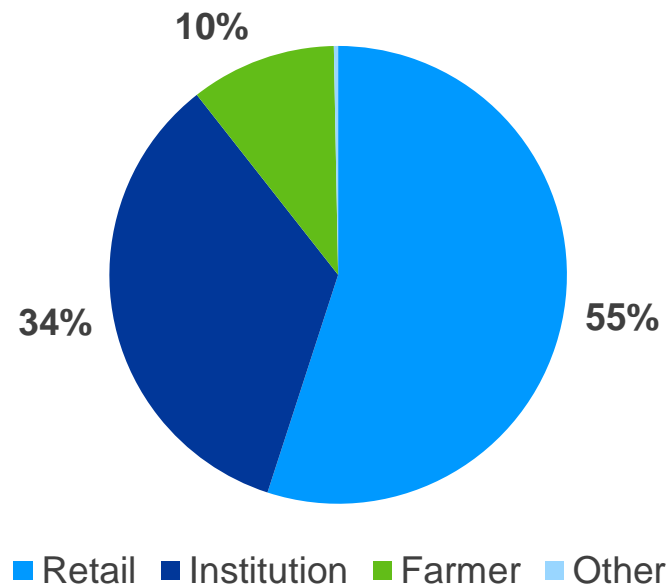
2. Liquidity has been calculated as median daily value traded (12 months) / Average Daily New Zealand Free Float Market Cap (12 months) (Source: NZX) – at 31 October 2015.

UNIT REGISTER ANALYSIS

Holding by Country



Holding by Investor Type



As at November 2015.

INVESTOR RELATIONS INITIATIVES

- Investor roadshows in New Zealand (x2), Australia (x2), Europe and the United States
- Investor conferences – Macquarie and UBS
- Presented to wealth managers and financial advisors
- Refreshed the ‘Investor Centre’ website on fonterra.com - Our Financials
- Monthly Global Dairy Update available on fonterra.com - Our Financials



DIRECTORS

Fonterra Co-operative Group

- Sir Ralph Norris retires
- Clinton Dines appointed
 - Independent Director
- Ashley Waugh appointed
 - Elected Director

FSF Management Company

- Sir Ralph Norris retires
- Ian Farrelly appointed
- With effect post annual meeting



The logo features the word "Fonterra" in a blue sans-serif font above a stylized green leaf icon. Below the leaf is the phrase "Dairy for life" in a smaller, blue sans-serif font. The entire logo is set against a white circular background with a blue and green border.

FONTERRA
DAIRY FOR LIFE

JOHN WILSON

CHAIRMAN

FONTERRA CO-OPERATIVE GROUP LIMITED

THREE YEARS ON FROM TAF LAUNCH

\$18 b business
85% share of milk
Stable shareholder base

\$2.1 b in capacity expansion
China investments and
partnerships

Supporting healthier
children, environment and
communities



CHALLENGING YEAR GLOBALLY

Economic and geopolitical issues

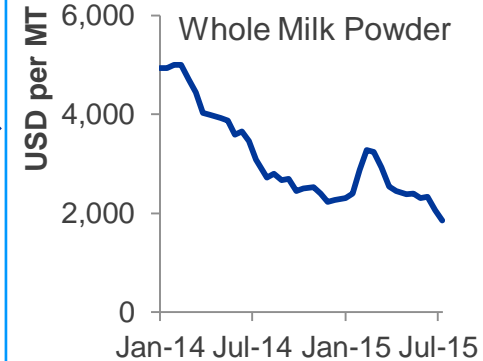
- China Slowdown
- Eurozone
- Oil and mineral prices
- Russian embargo
- ISIS Middle East



Dairy supply/demand imbalance



Fall in dairy prices



LIFE ON THE FARM

- **Very tight financial conditions – stressful for families**
- **Losses in region of \$1 kgMS – or \$140,000 + per average farm**
- **Fonterra Co-operative Support developed for 2015/16 – 76% take up**



THREE PRIORITIES

A scenic landscape featuring a large, dense green tree in the center-left. In the foreground, a herd of black and white cows is grazing on a lush green field. The background shows rolling green hills and distant mountains under a bright blue sky with scattered white clouds.

- Higher returns and sustainable payout
- Greater Co-op unity
- Strengthened Governance and Representation

REVISED 2015/16 FORECAST

- Forecast 2015/16 total available for pay-out to be increased:
 - A forecast Farmgate Milk Price of \$4.60 per kgMS
 - A strong forecast EPS performance of 45-55 cps
 - Up from 40-50 cps forecast at end of 2014/15 financial year
- At this stage of the season, based on the Dividend Policy, management would recommend at the end of the financial year an annual dividend of 35-40 cps, which would be subject to Board approval
- Forecast cash payout = \$4.95 - \$5.00



GOVERNANCE AND REPRESENTATION TIMELINE

| January | February | March | April-May | May-June |
|---------------------|--|--|--|--------------------------------|
| Information booklet | Farmer meetings Consultation with farmers | Farmer feedback Recommendation for consultation | Farmer meetings Consultation with farmers | Special meeting farmer vote |



FUNDAMENTALS FOR DAIRY REMAIN STRONG



STRONGER TOGETHER

From our
Co-operative
30,000 strong

Our Ambition

Making a difference in the
lives of 2 billion people



Dairy for life

A promise we keep from
our farms to your home



The logo features the word "Fonterra" in a blue sans-serif font above a green stylized leaf graphic, with "Dairy for life" in a smaller blue font below. The entire logo is set within a circular white area with a blue border, which is part of a larger graphic of a milk splash.

FONTERRA
DAIRY FOR LIFE

THEO SPIERINGS

CEO
FONTERRA CO-OPERATIVE GROUP LIMITED

TURBULENT YEAR – STRONG RESPONSE



GLOBAL DYNAMICS:

- Middle East turmoil
- Russian embargoes
- Ebola outbreaks
- Oil and mineral price slumps
- China downturn
- Supply demand imbalance/low prices
- Terror in Europe

OUR RESPONSE:

- Stay on strategy – gain momentum
- Move volume to higher value
- Maximise gross margin
- Strong cost focus
- Maximise cash
- Invest for the future
- Financial discipline

STRONG REBOUND IN PROFITABILITY 2015



VOLUME¹

4.3M MT

↑ 9%

REVENUE²

\$18.8BN

↓ 15%

NORMALISED EBIT

\$974M

↑ 94%

NET PROFIT AFTER TAX

\$506M

↑ 183%

DIVIDEND PER SHARE

25 CPS

↑ 150%

RETURN ON CAPITAL³

8.9%

Ingredients

Volume ↓ 3.0m MT

Normalised EBIT⁴ ↑ \$973m

Return on Capital³ 9.3%

Consumer and Foodservice

Volume⁵ ↑ 1.7m MT

Normalised EBIT ↑ \$408m

Return on Capital³ 25.5%

International Farming

Volume ↑ 0.2m MT

Normalised EBIT ↓ (\$44m)

1. Total volume, excluding DPA consolidation (324,650 MT), is up 0.3%

2. Total revenue, excluding DPA consolidation, is down 21%.

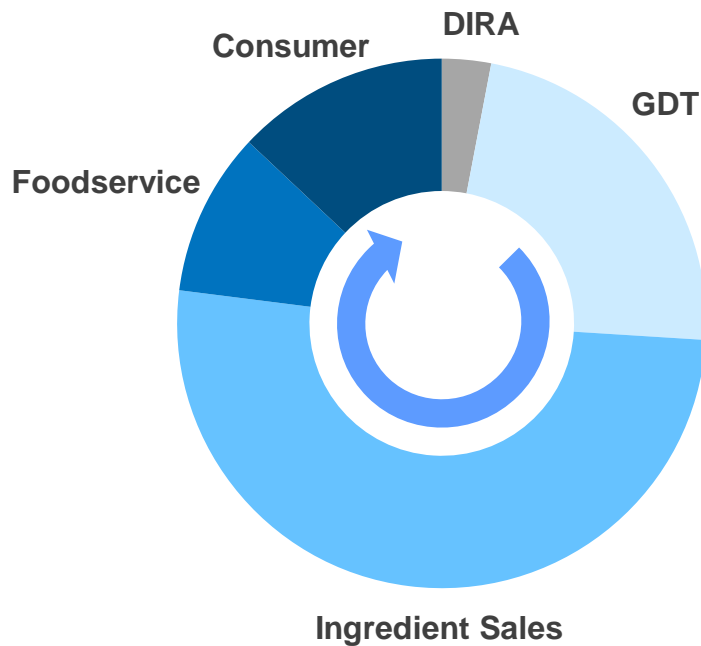
3. Return on Capital (ROC) excludes goodwill, brands and equity accounted investments. Group ROC including goodwill, brands and equity accounted investments was 6.9%.

4. Ingredients excludes unallocated costs

5. Consumer and Foodservice volume, excluding DPA consolidation (324,650 MT), is up 3%

STRATEGY DELIVERING – SHIFTING VOLUME TO HIGHER VALUE

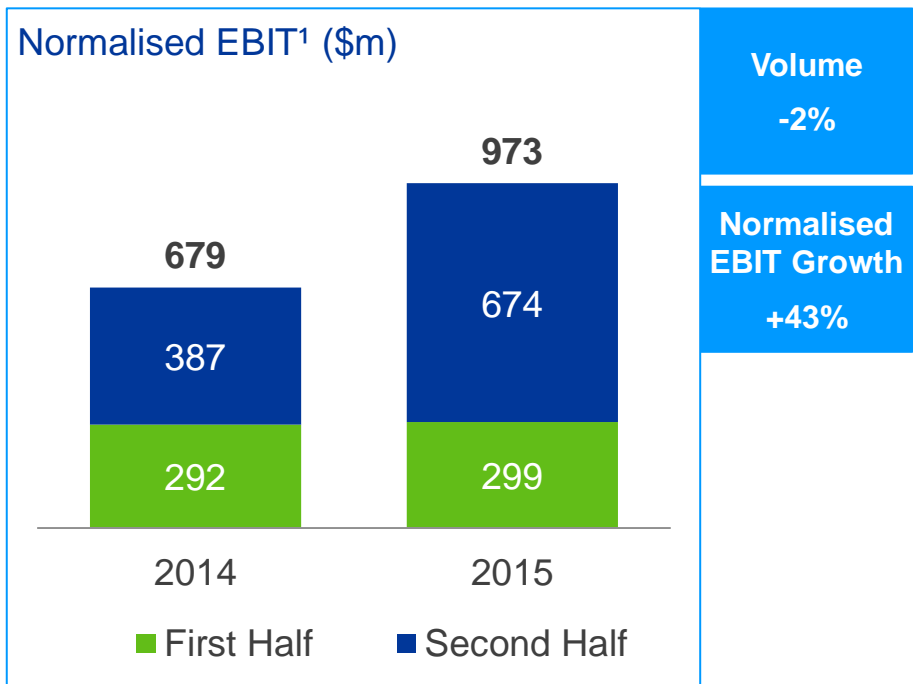
- 1 **Optimise**
NZ milk
- 2 **Build and grow**
beyond our current
consumer positions
- 3 **Deliver**
on Foodservice potential
- 4 **Grow**
our Anlene™ business
- 5 **Develop** leading positions in
paed & maternal nutrition
- 6 **Selectively invest**
in milk pools
- 7 **Align**
our business and organisation



- Volume off GDT and increased sales through bilateral customer agreements
- Increasing volume through value-add consumer and foodservice

INGREDIENTS

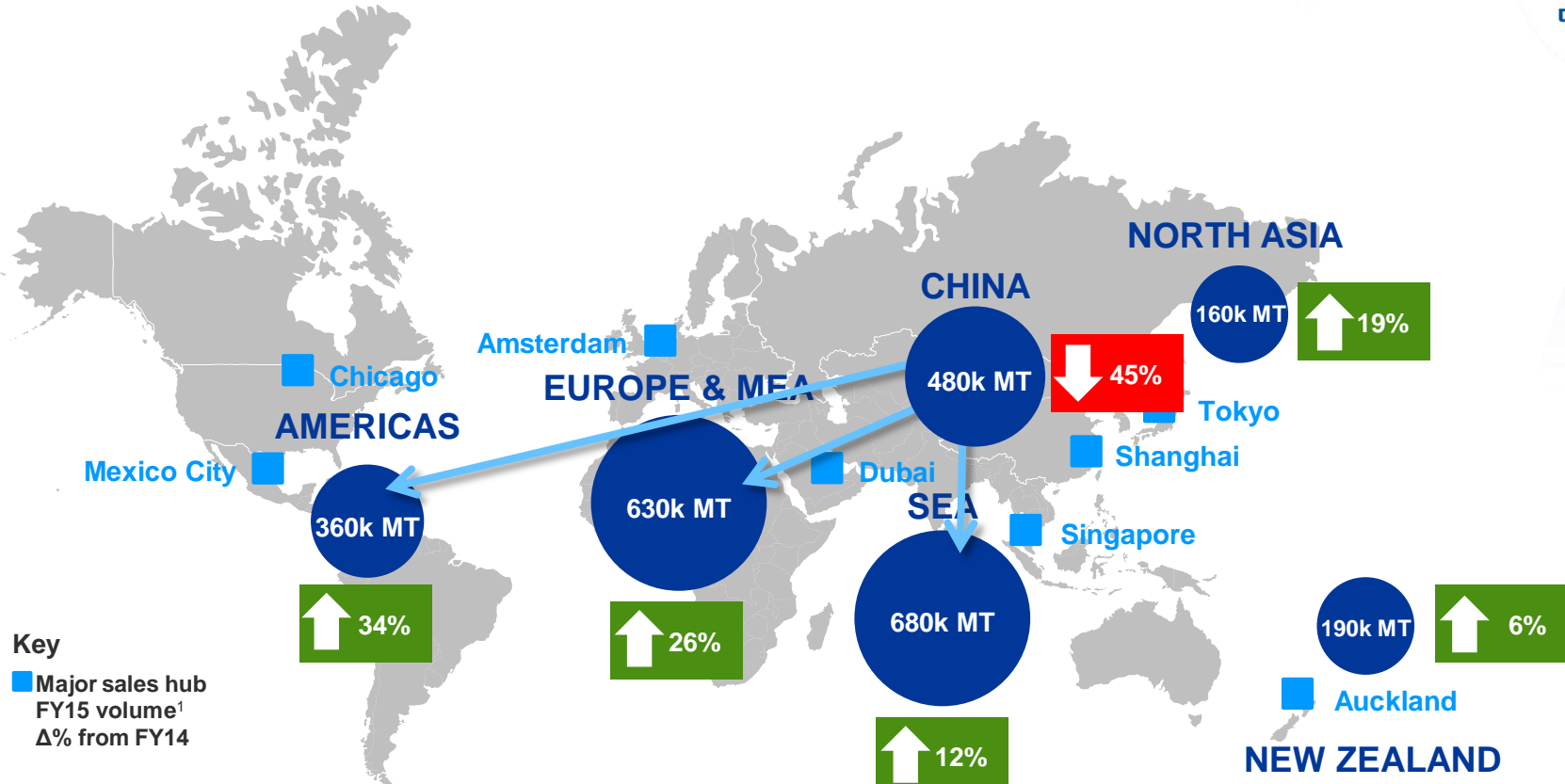
A solid result driven by New Zealand ingredients



- NZ ingredients: \$264 million gross margin higher
 - Improved stream returns
 - Optimised product mix to pricing
 - Lower peak costs
- Australian ingredients: (\$92) million normalised EBIT
 - Adverse product mix
 - Stanhope cheese fire
 - Darnum – lower nutritionals
- **Return on Capital of 9.3%**

1. *Ingredients EBIT excludes unallocated group costs*

GLOBAL INGREDIENTS MARKET REACH



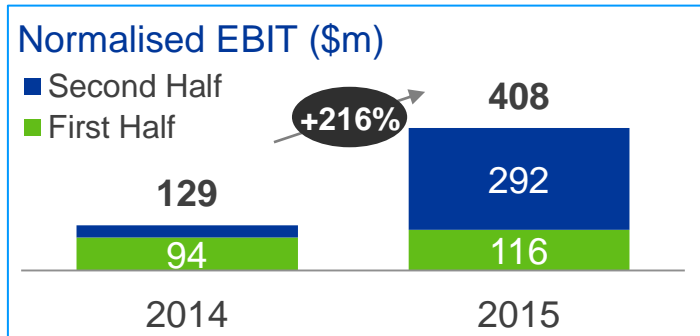
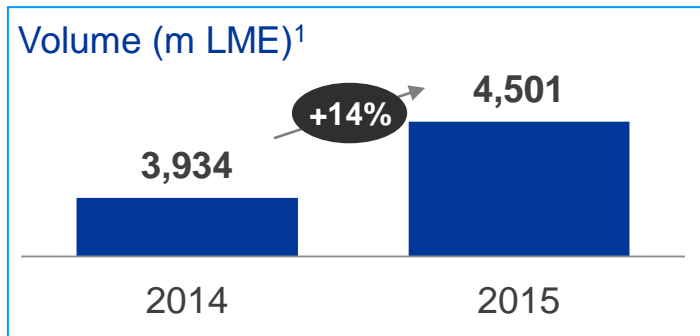
Key
■ Major sales hub
 FY15 volume¹
 Δ% from FY14

¹Volume rounded

Source: Fonterra Annual Report 2015 and Internal Fonterra Data (NZ and Globally sourced product) excl. intercompany sales

CONSUMER AND FOODSERVICE

Strong volume and margin growth



- Asia and Greater China – record performance
- Lower input costs for NZ sourced product
- Australia margins impacted by yoghurt and dairy desserts
- Solid performance from Latin America
- **Return on Capital of 25.5%**



1. Excluding DPA consolidation (66 million LME), volumes are up 13%

Q1 PERFORMANCE SUMMARY 2016



| VOLUME (MT) | REVENUE | GROSS MARGIN | OPEX | CAPEX |
|---------------------|----------------------|---------------------------|---------------------|----------------------|
| 945K MT | \$3.6BN | 22.7% | \$628M | \$258M |
| ↑ 0.6% ¹ | ↓ 17.6% ¹ | ↑ FROM 14.1% ¹ | ↓ 3.5% ¹ | ↓ 36.5% ¹ |

Ingredients

Volume Change² ↓ 2%
 Gross Margin³ % ↑ 15%

Consumer and Foodservice

Volume Change² ↑ 3%
 Gross Margin³ % ↑ 28%

International Farming

Volume Change² ↑ 56%
 Gross Margin³ % ↓ -5%

1. Compared to the first quarter of the 2015 financial year

2. Volume change is FY16 Q1 relative to FY15 Q1

3. Gross Margin % is for FY16 Q1, the arrow represents change relative to FY15 Q1

FINANCIAL STRENGTH AND DISCIPLINE



Solid credit rating reflects strong fundamentals

- Strongest rating for an agricultural co-operative in the world
- In top tier of all Australasian corporates
- Recognises strong financial flexibility and discipline of our co-operative structure

Strategic investments for the future

- Investment in NZ capacity and #1 market of China
- Supported farmer cash flows through timing of advance rate (\$900 million)
- Coincided with new S&P rating methodology for agricultural co-operatives in March

Leverage reduction to plan

- Year end gearing ratio forecast to be down and within 40-45% range
- Half year will reflect normal seasonal profile

| | | |
|----------------------|-------|---------------------|
| Credit Rating | Fitch | A (stable outlook) |
| | S&P | A- (stable outlook) |

CURRENT REALITY

- Our strategy is working
- Strong performance base
- Invested in our future
- Continued turbulence and volatile global commodity prices
- Winds of change bring opportunities



CHINA - DISRUPTION (2015)

THERE ARE FIVE FORCES AT WORK:

1. Demographics
2. Technology / e-Commerce
3. Ageing population
4. Greater global connections
5. Adjusted Government plan

THIS MEANS:

- 1-2 child policy
- 400m-500m middle class¹
- Various new online brands
- Up to 20% of premium milk online²
- Up to 200m over 65 by 2020³
- Asia becoming largest trading nation³
- 500x increase global online traffic³

1. McKinsey & Company, *Mapping China's Middle Class*, June 2013

2. Kantar Worldpanel, *January 2015*

3. Dobbs, Manyika and Woetzel, *No Ordinary Disruption: The Four Global Forces Breaking All The Trends*, May 2015

AMBITION CHINA: OUR #1 MARKET



Ambition \$10b business - #1 dairy player

60% ingredients, 20% consumer, 20% foodservice

#1 preferred ingredients supplier

Leading brands

Offline to online strategy

Access to high quality fresh milk

Strong successful partnerships

Multi hub assets connected to China to meet demand

STRONGER TOGETHER

From our
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30,000 strong

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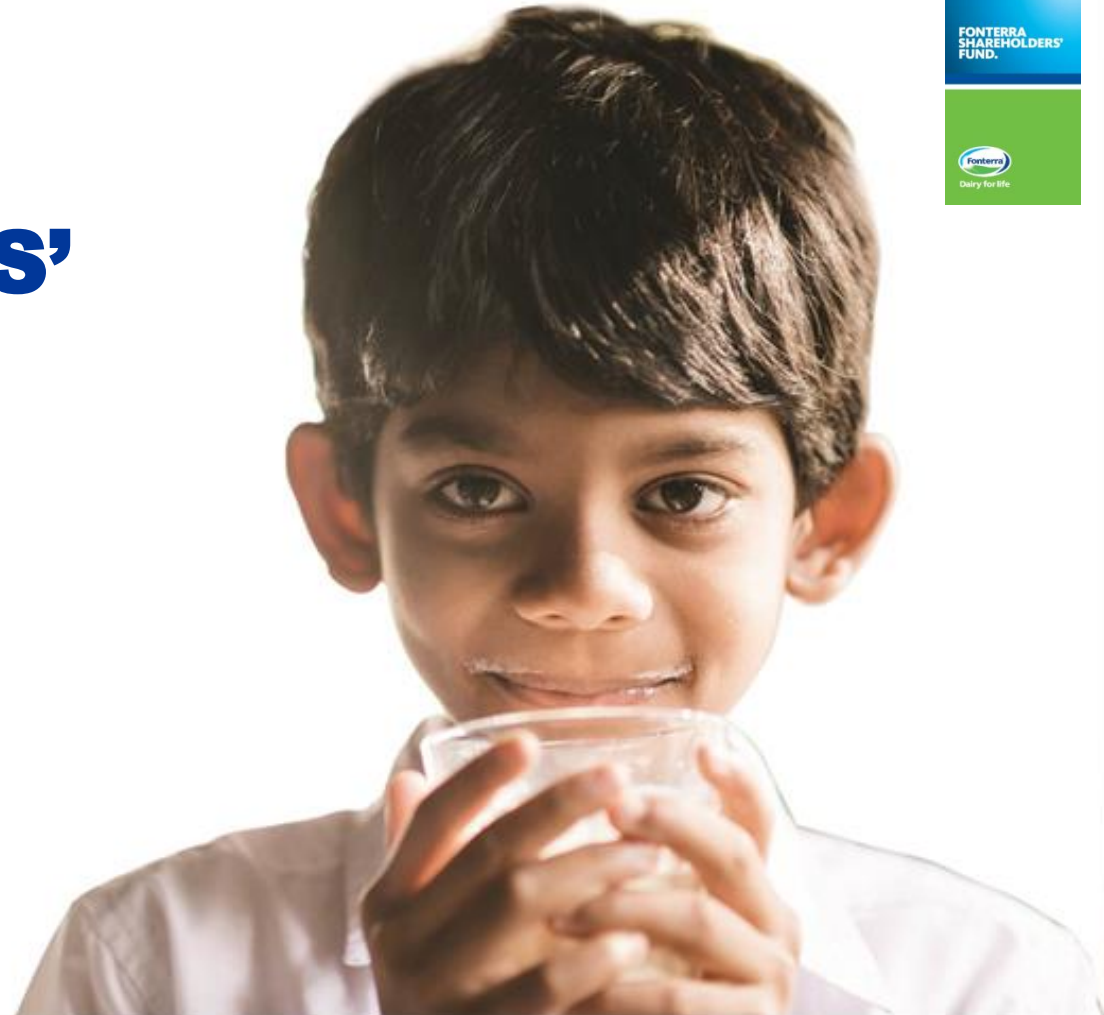
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DAIRY FOR LIFE

QUESTIONS



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RESOLUTION 1

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

JOHN SHEWAN

Chairman

FSF Management Company

RESOLUTION 1

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

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.**
