

# FONTERRA CO-OPERATIVE GROUP LIMITED

## 2017 ANNUAL MEETING

2 NOVEMBER 2017

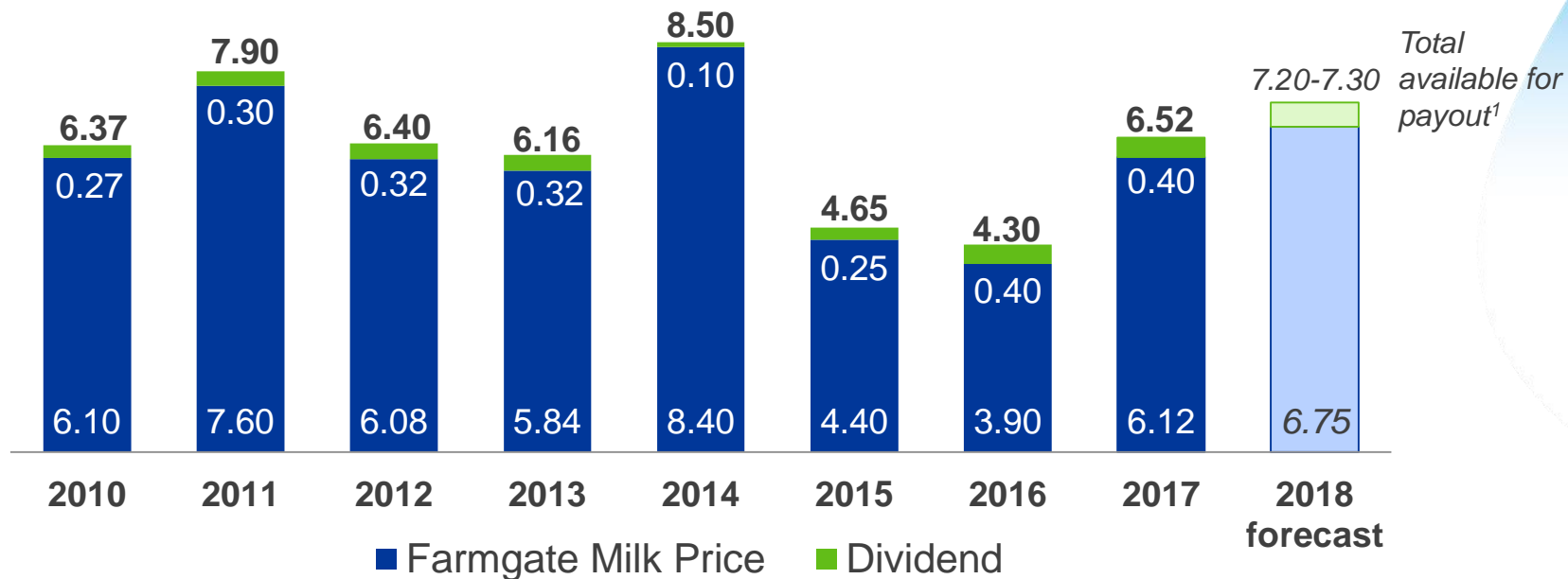


# JOHN WILSON

## Chairman

# Good season for our farmers

Return to solid results after two seasons of unusually low milk prices



1. Total available for payout = Forecast Farmgate Milk Price + Forecast Earnings Per Share (EPS) of 45-55 cents; For farm budgeting purposes the likely dividend will be calculated in accordance with Fonterra policy of paying out 65-75 per cent of adjusted net profit after tax over time

Note: Farmgate Milk Price: \$ per kgMS; Dividend: \$ per share

# Solid business performance



## VOLUME

22.9B LME

↓ 3%

## REVENUE

\$19.2B

↑ 12%

## NORMALISED EBIT

\$1,155M

↓ 15%

## RETURN ON CAPITAL<sup>1</sup>

11.1%

↓ Down from 12.4%

## NPAT

\$745M

↓ 11%

## EPS

46c

## ANNUAL DIVIDEND YIELD<sup>2</sup>

40cPS 6.7%

Stable

### Ingredients

Volume (LME) <sup>3</sup>	↓	21.3 B
Gross Margin (%)	↓	9.7%
Normalised EBIT	↓	\$943M
Return on Capital <sup>1</sup>	↓	10.3%

### Consumer and Foodservice

Volume (LME) <sup>3</sup>	↑	5.5 B
Gross Margin (%)	↓	26.8%
Normalised EBIT	↑	\$614M
Return on Capital <sup>1</sup>	↑	47.2%

### China Farms

Volume (LME) <sup>3</sup>	↑	0.3B
Gross Margin (%)	↑	8.6%
Normalised EBIT	↑	\$1M

1. Return on Capital (ROC) excludes goodwill, brands and equity accounted investments; Group ROC including these items was 8.3% in FY17 (FY16: 9.2%)

2. FY17 dividend over volume weighted average FCG price of \$5.96 across the year; 3. Includes sales to other strategic platforms.



















# TI AKI

Fonterra  
Dairy for life



## A DEDICATED TEAM OF EXPERTS

Our Sustainable Dairying Advisors  
are in every region of New Zealand  
offering one-on-one support – tailored  
to meet farmer's regional requirements  
and individual on-farm needs.

# Benefits from a strong Co-operative

## Competitive Milk Price

### Farmgate Milk Price put in place in 2009

- Changes to approaches used since then have resulted in increase

### Additional 45c to the Farmgate Milk Price<sup>1</sup>

- 2017 milk price would have been 45 cents lower using model assumptions from 2009
  - \$600m additional to milk price

## Complemented by Co-op Initiatives



### Farm Source™ rewards & benefits

- Delivered more than \$50 million in value of dollars, discounts and deals to farmers.



### Tiaki: Farm Source™ sustainable dairying

- Tiaki brings together our Co-op's on-farm sustainability tools and services, tailored to individual farm needs.



### Enhanced digital offering & apps

- Launch of Agrigate in partnership with LIC



### Business support on the ground

- Regional model and technical assistance



