



NZX Regulation Decision

Fonterra Co-operative Group Limited (FCG)
Application for a waiver from NZX Debt Board Listing Rule
5.2.3

5 November 2018



Waiver from Listing Rules 5.2.3

Decision

1. Subject to the conditions in paragraph 2 below, and on the basis that the information provided by FCG is complete and accurate in all material respects, NZXR grants FCG a waiver from Rule 5.2.3 in respect of the FCG050s for a period of 6 months from the Quotation Date, to the extent that this Rule would otherwise require the FCG050s to be held by at least 100 Members of the Public holding at least 25% of the FCG050s on issue.
2. The waiver in paragraph 1 above is provided on the following conditions:
 - a. FCG clearly and prominently discloses this waiver and its implications in the Terms Sheet for the FCG050s and any other Offer Document relating to an offer of FCG050s made during the period of this waiver;
 - b. FCG clearly and prominently discloses this waiver, its conditions, and its implications in any Half-Year and Annual Reports issued for the period of the waiver;
 - c. FCG discloses liquidity as a risk in the Terms Sheet for the FCG050s; and
 - d. FCG notifies NZXR as soon as practicable if there is any material reduction to the total number of Members of the Public holding at least a Minimum Holding of the FCG050s, and/or the percentage of FCG050s held by Members of the Public holding at least a Minimum Holding.
3. The information on which this decision is based is set out in Appendix One. This waiver will not apply if that information is not, or ceases to be, full and accurate in all material respects.
4. The Rules to which this decision relates are set out in Appendix Two.
5. Capitalised terms that are not defined in this decision have the meanings given to them in the Rules.

Reasons

6. In coming to the decision to grant the waiver set out in paragraph 1 above, NZXR has considered that:
 - a. Debt Securities are not typically subject to the same degree of trading activity as Equity Securities;
 - b. FCG has advised that it expects the spread of the FCG050s will increase to meet the spread requirements of Rule 5.2.3 over time. FCG may meet the spread requirements at the time of Quotation. As the FCG050s are being offered through market participants, without a public pool, and FCG will only know how the FCG050s will be allocated following the Bookbuild, FCG has advised that it is not in a position to confirm

as at the date of this waiver that the spread requirements will be met at the time of Quotation;

- c. The waiver is granted for six months. This gives NZXR the opportunity to reconsider the spread of the FCG050s in six months' time if FCG considers a waiver is still required;
- d. The conditions, contained in paragraph 2(a), 2(b) and 2(c) above, require FCG to provide access to information about this waiver and its implications to prospective investors as part of the Offer, as well as those wishing to trade in the FCG050s for the period of this waiver. Investors can take this information into account when making their investment decision;
- e. The condition contained in paragraph 2(d) above requires FCG to provide information that will allow NZXR to monitor any material reduction in the spread of the FCG050s over the period of this waiver; and
- f. There is precedent for this decision.

Confidentiality

7. FCG has requested that this application and any decision be kept confidential until the Terms Sheet, and the form of notice to be provided by FCG under clause 20(1)(a) of schedule 8 of the Financial Markets Conduct Regulation 2014, has been released.
8. In accordance with Footnote 1 to Rule 1.11.2 NZXR grants FCG's request.



Appendix One

9. Fonterra Co-operative Group Limited (**FCG**) is a Listed Issuer with bonds quoted on the NZX Debt Market (**Debt Market**).
10. FCG intends to make an offer of fixed rate bonds maturing on 14 November 2025 (**FCG050s**) to be quoted on the Debt Market (**Offer**). The FCG050s will have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as FCG's:
 - a. 4.33% NZ\$350,000,000 fixed rate bonds maturing on 20 October 2021 which are currently quoted on the Debt Market under the ticker code FCG030, and
 - b. 4.42% NZ\$50,000,000 fixed rate bonds maturing 7 March 2023 which are currently quoted on the Debt Market under the ticker code FCG040.
11. The Offer will open on or about 6 November 2018 and close on or about 8 November 2018. The joint lead managers of the Offer will conduct a bookbuild on or about 8 November 2018 in order to determine the FCG050s' margin (**Bookbuild**), which will be used to determine the FCG050s' interest rate. FCG intends to quote the FCG050s on the Debt Market on or about 15 November 2018 (**Quotation Date**).
12. FCG will publish a terms sheet on or prior to the date the Offer opens setting out the main terms of the Bonds (**Terms Sheet**).
13. In accordance with NZX Regulation's (**NZXR**) Ruling on NZX Debt Market Listing Rule (**Rule**) 5.2.3 issued on 29 September 2015 (the **Ruling**), the FCG050s are required to be held by at least 100 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained.
14. The Offer is structured so that all of the FCG050s are reserved for clients of the joint lead managers of the Offer, as well as primary market participants and other approved financial intermediaries. There is no public pool for the Offer. FCG has therefore indicated that it is uncertain whether the FCG050s will satisfy the spread requirements of Rule 5.2.3, when the FCG050s are initially Quoted on the Debt Market.



Appendix Two

Rule 5.2 Quotation of Securities

5.2.3 A Class of Securities will generally not be considered for Quotation on the NZSX or NZDX unless those Securities are held by at least 500 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained, or NZX is otherwise satisfied that the Issuer will maintain a spread of Security holders which is sufficient to ensure that there is a sufficiently liquid market in the Class of Securities.

Ruling on NZX Debt Market Listing Rule 5.2.3 – 29 September 2015

For the purposes of Rule 5.2.3, a Class of Debt Securities will generally not be considered for Quotation on the NZDX unless those Securities are held by at least 100 Members of the Public holding at least 25% of the number of Securities of that Class issued, with each Member of the Public holding at least a Minimum Holding, and those requirements are maintained

