



Dairy for life

YOUR OPPORTUNITY.

THE FONTERRA SHAREHOLDERS' FUND AND SUPPLY OFFER

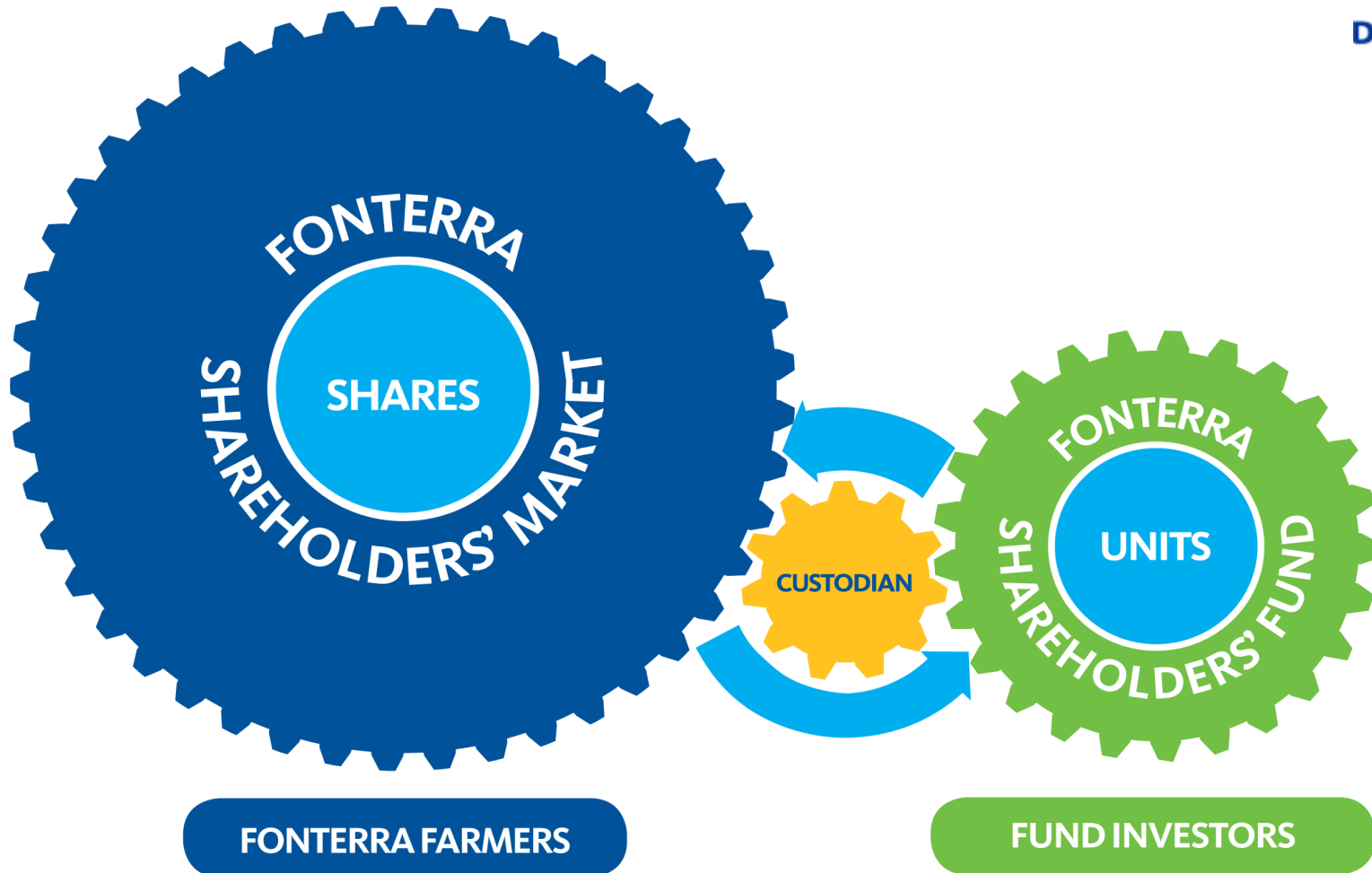
HISTORIC DAY FOR CO-OPERATIVE

- 100% farmer control and ownership
- Stable permanent capital base
- Stronger Fonterra for future generations of farmers
- Unique opportunity for investors to gain exposure to Fonterra's financial performance



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OVERVIEW OF TRADING AMONG FARMERS (TAF)



UNITS DO NOT CONFER ANY DIRECT INTEREST IN FONTERRA BUT THEIR PERFORMANCE IS EXPECTED TO BE BASED ON THE PERFORMANCE OF FONTERRA

TWO OFFERS



SUPPLY OFFER

- Invites farmer shareholders to sell Economic Rights of Shares
 - Offer at 3 different price ranges
- or
- Sell at the final price
 - Offer opens Nov 2
 - Closes Nov 21

FUND OFFER

- Offer to subscribe for Units in the Fund
- Quoted on NZX Main Board and ASX
- Offer Document registered today
- Offer opens Nov 5



SUPPLY OFFER - ALL ABOUT FARMER CHOICE

- Flexibility: opportunity to manage shareholding and cash flows
- Farmer Shareholders' choice to sell
- Future opportunities to sell Economic Rights
- Board will issue shares to achieve \$500M minimum Fund size if necessary



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FUND OFFER

- Unique opportunity for investors to gain exposure to Fonterra's performance
- But no general public offer
- New Zealanders can buy Units through NZX Firms
- Institutions - NZ and offshore
- Friends of Fonterra Offer
 - Farmer shareholders
 - Sharemilkers / Retired farmers
 - NZ & Australian permanent staff



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INDICATIVE PRICE RANGE FOR UNITS

- Indicative price range = \$4.60 - \$5.50
- Final price determined after bookbuild completed
- Demand for Units and price range evaluated
- Fonterra Board decides Final Price



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THE UNIQUE OPPORTUNITY.

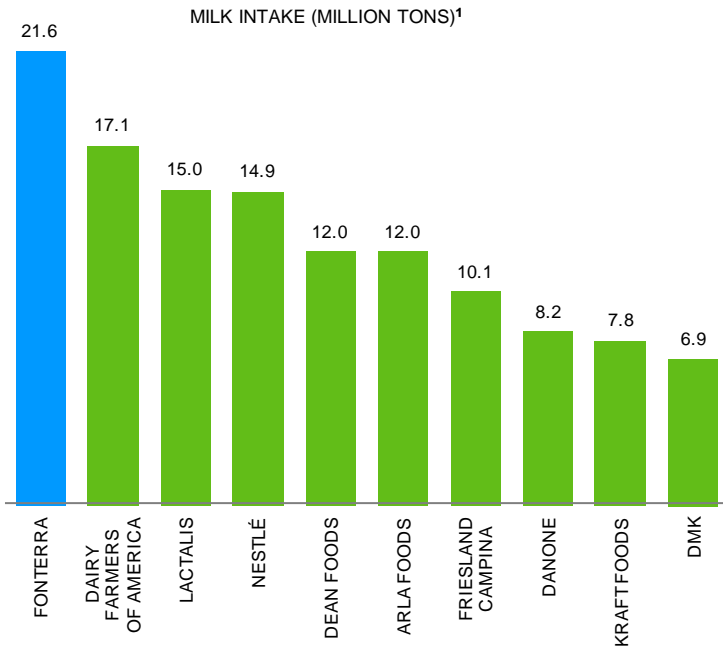
THEO SPIERINGS, CEO



FONTERRA IS THE WORLD'S LARGEST PROCESSOR OF DAIRY PRODUCTS



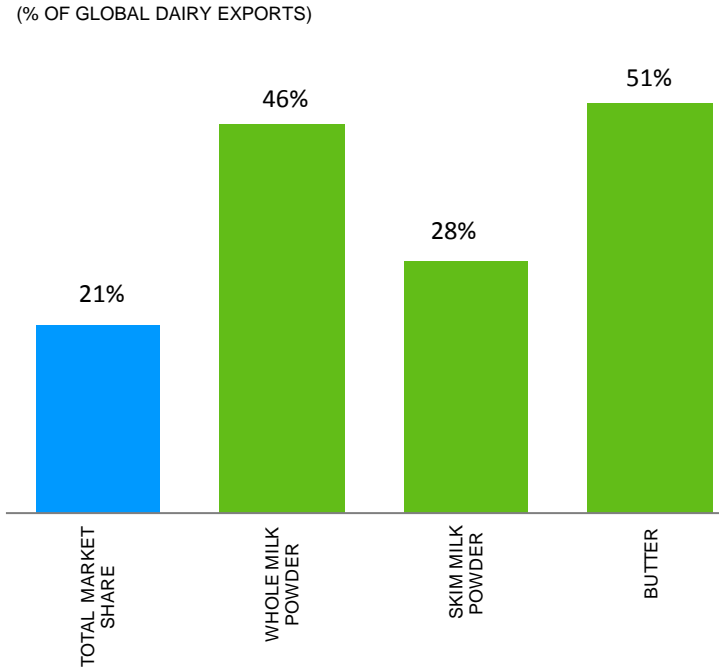
THE WORLD'S LARGEST MILK PROCESSOR



1. Milk intake figures above are measured in millions of tons (not billions of litres) and represent milk volume collected and commodity purchases (in milk equivalents) for the company and its subsidiaries. 50% of Dairy Partners America milk intake has been allocated to each of Fonterra and Nestlé.

Source: IFCN Dairy Network. Analysis is based on the IFCN Dairy Report 2012. Data represents in most cases the year 2011 (Nestlé data represents the year 2010)

FONTERRA'S SHARE OF GLOBAL DAIRY EXPORTS²



2. Figures are for the 2011 / 2012 Season. Global Dairy Exports means the market for the cross-border trade of dairy products but excludes trade among countries within the European Union. Source: Fonterra, Statistics New Zealand

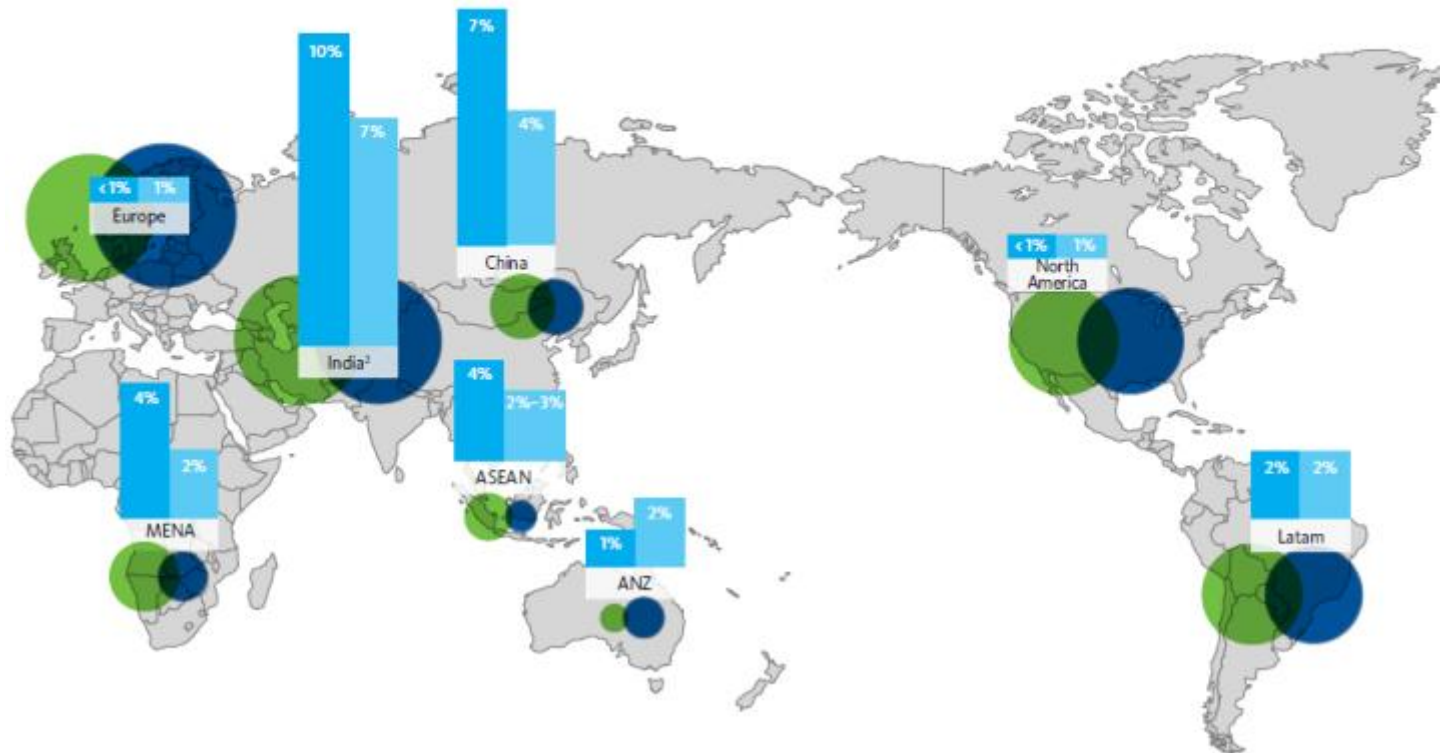


THE OUTLOOK FOR GLOBAL TRADE IN DAIRY PRODUCTS: A VIEW TO 2020



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OUTLOOK TO 2020¹



1. Current volumes are represented by the area of the circles displayed. Growth rates represent forecast compound annual growth rates..
2. Although strong growth in demand is expected in India, the ability to supply is likely to remain limited. In the 12 months to May 2012, Fonterra exported 22,300 MT of product to India and total imports represented approximately 0.2% of consumption.

Source: Fonterra estimate

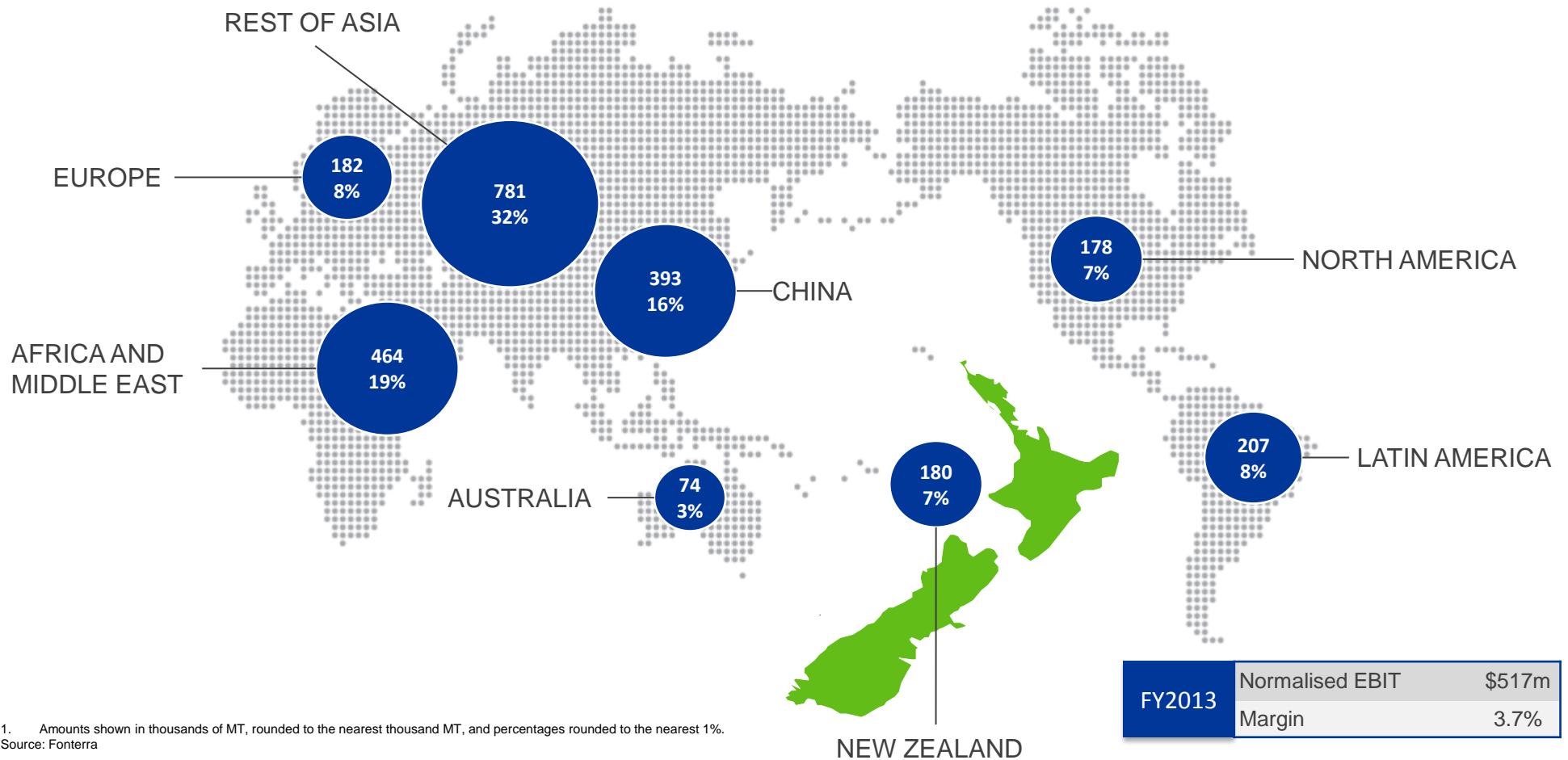


NZ MILK PRODUCTS – TAKING QUALITY NEW ZEALAND MILK TO THE WORLD



NZ MILK PRODUCTS' SALES VOLUMES IN FY2012 - PRODUCTS MANUFACTURED USING NZ SOURCED MILK¹

Volumes in 000's MT



FY2013	Normalised EBIT	\$517m
	Margin	3.7%

1. Amounts shown in thousands of MT, rounded to the nearest thousand MT, and percentages rounded to the nearest 1%. Source: Fonterra

REGIONAL BUSINESS - INTEGRATED AND DIVERSIFIED OPERATIONS DRIVE SUSTAINABLE EARNINGS GROWTH



1. Normalised EBIT includes share of profit from equity accounted investees and excludes non-recurring items.

2. Some brands are used by the Fonterra Group under license (such as Bega® and Nestlé Ski®).

Source: Fonterra

PROGRESS ON STRATEGY REFRESH



	STRATEGIC PATHS	MARGIN POTENTIAL	KEY DRIVERS	HIGHLIGHTS
EVERYDAY	1 Optimise the performance of the NZ Milk Products business	Increasing Margin	<ul style="list-style-type: none"> Efficiency improvements Price realisation, product mix, customer service 	<ul style="list-style-type: none"> NZDL First milk through Darfield
	2 Build and grow beyond our current consumer positions		<ul style="list-style-type: none"> Build on leadership positions Invest in high growth markets 	<ul style="list-style-type: none"> Announced packing and blending plant in Indonesia
OUT-OF-HOME	3 Grow the out-of-home foodservices business		<ul style="list-style-type: none"> Build on established foodservices capabilities 	<ul style="list-style-type: none"> Shanghai Innovation Centre
ADVANCED	4 Grow our position in aiding mobility and bone health		<ul style="list-style-type: none"> Investment in Anlene Innovation & development 	<ul style="list-style-type: none"> Agreement with A-Ware in Holland on whey
	5 Develop selected position in paed and maternal		<ul style="list-style-type: none"> Build on market presence Selectively grow Annum 	<ul style="list-style-type: none"> Extending position in infant nutrition
ENABLERS	6 Selectively invest in secure in-market quality milk sources		<ul style="list-style-type: none"> Targeted international farming and milk sourcing 	<ul style="list-style-type: none"> China Farm Hub
	7 Alignment of business and organisation		<ul style="list-style-type: none"> Structure aligned to strategic priorities 	<ul style="list-style-type: none"> Realigned our business to deliver strategy \$90m cost savings (\$60m in FY13) US/Europe rightsizing and ANZ reshape

FONTERRA FINANCIAL OVERVIEW.



JONATHAN MASON, CHIEF FINANCIAL OFFICER



SUMMARY INCOME STATEMENT

FOR THE PERIODS ENDED 31 JULY



NZD Million	FY2010	FY2011	FY2012	FY2013
Total sales volume (000 MT)	3,772	3,866	3,941	3,974
Revenue	16,726	19,871	19,769	18,627
Cost of goods sold	(13,975)	(16,861)	(16,721)	(15,319)
Gross profit	2,751	3,010	3,048	3,308
Gross margin	16.4%	15.1%	15.4%	17.8%
Normalised EBITDA ¹	1,388	1,494	1,520	1,634
Normalised EBITDA margin	8.3%	7.5%	7.7%	8.8%
Normalised EBIT¹	904	1,005	1,028	1,079
Normalised EBIT margin	5.4%	5.1%	5.2%	5.8%
Profit before tax	765	622	677	726
Profit for the period ²	685	771	624	690
Earnings per share (EPS) (cents) ^{2,3}	51	55	42	43
Dividends per share (DPS) (cents) ⁴	27	30	32	32

1. Normalised EBITDA and normalised EBIT excludes non-recurring items of \$174 million in FY2010, \$23 million in FY2011, (\$41 million) in FY2012 and \$25 million in FY2013.
2. Profit for the period and earnings per Share in FY2011 is after taking account of a non-cash tax credit of \$202 million relating to deferred tax.
3. Represents profit for the period attributable to Shareholders of Fonterra Co-operative Group Ltd divided by the weighted average number of shares on issue during the year.
4. Total dividends divided by the number of Shares on issue at 31 May.

SHARES ON ISSUE AND DIVIDENDS



The requirement for Fonterra to make up the shortfall under the Supply Offer will be determined following the Supply Offer

SHARES ON ISSUE AND EPS

	Number of Shares on Issue	Weighted Average
	Prospective	Prospective
At 1 August 2012	1,502 million	1,502 million
Shares issued to suppliers ¹	20 million	18 million
Shares issued to make up the shortfall under the Supply Offer	44 million ²	39 million
At 31 July 2013	1,566 million	1,559 million
EPS		43.2c
EPS (no shares issued to make up the shortfall under the Supply Offer)		43.6c
EPS (\$500 million of shares issued to make up shortfall under the Supply Offer)		42.5c

- Forecast assumes an initial issue of \$350 million reducing to \$200 million by 31 July 2013

1. Net of redemptions

2. This excludes approximately 33 million Shares which are assumed to be treated as Treasury Stock.

DIVIDENDS

Dividends for the 2012 / 2013 Season	NZ\$ (m)	NZ cents/share
	Prospective	Prospective
Interim 2012 / 2013 season dividend ¹	220	14
Final 2012 / 2013 season dividend ²	286	18
Total dividends for the 2012/2013 season	506	32

- Current dividend policy is forecast to remain unchanged, with 65-75% of adjusted net profit after tax paid as dividends
- Interim dividend expected to be 40-50% of the expected full year dividend
- Subject to forecasts being achieved and other relevant factors, total forecast dividends for the 2012 / 2013 Season are 32 cents per share

1. Interim dividend for the 2012 / 2013 season declared in March 2013, paid in April 2013.

2. Final dividend for the 2012 / 2013 season declared in September 2013, paid in October 2013.



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CONCLUSION.

HENRY VAN DER HEYDEN, CHAIRMAN



KEY OFFER DATES



Offer Document Registration	26 October
Broker Firm Offer and Stakeholder Offer expected to open	5 November
Stakeholder Offer Closing Date	21 November
Broker Firm Offer Closing Date	21 November
Supply Offer open	2 November
Institutional Offer and bookbuild	26-27 November
Pricing and allocations announced	27 November
Expected allotment	30 November
Expected commencement of trading on the NZX Main Board and ASX (on a deferred settlement basis for ASX)	30 November

Note: This timetable is indicative only. Fonterra, with the agreement of the Joint Lead Managers, reserve the right to amend these dates.

CONCLUSION



- Unique opportunity
- Investors gain exposure to global dairy industry
- Stable permanent capital base



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