

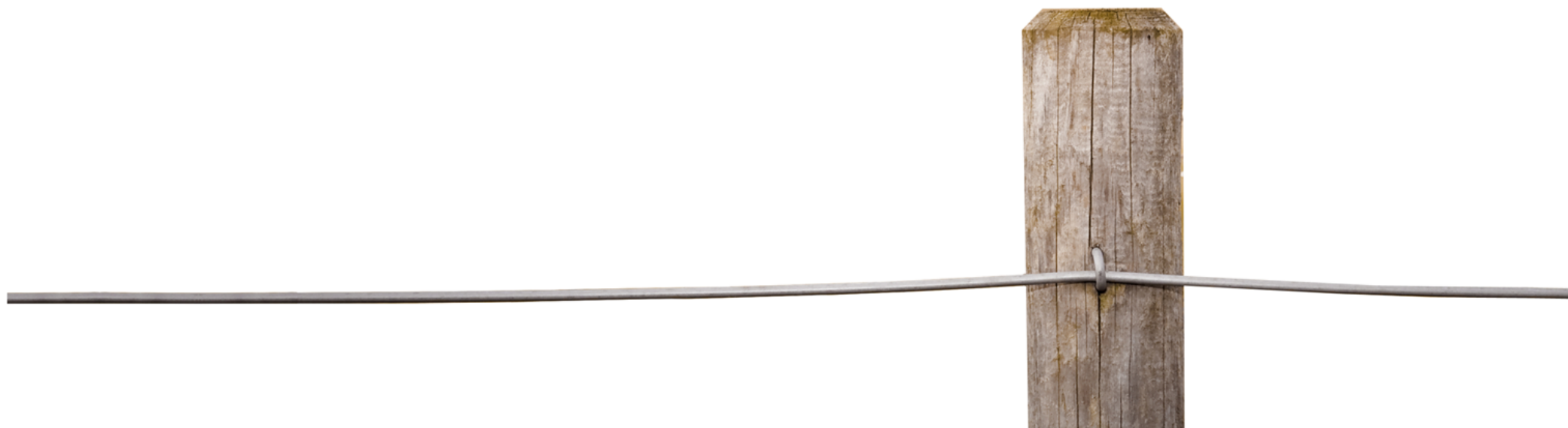


Dairy for life

PROGRESS

Fonterra Interim Results 2013

John Wilson - Chairman



Key highlights



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FORECAST CASH PAYOUT

\$6.12

Forecast Farmgate Milk Price lifted to \$5.80 kgMS. The full year dividend forecast remains at 32 cps

VOLUME: MILK COLLECTIONS

6%

Record milk collections in the first half. Major North Island drought is having significant impact on second half volumes

VALUE: EARNINGS PER SHARE

29cps

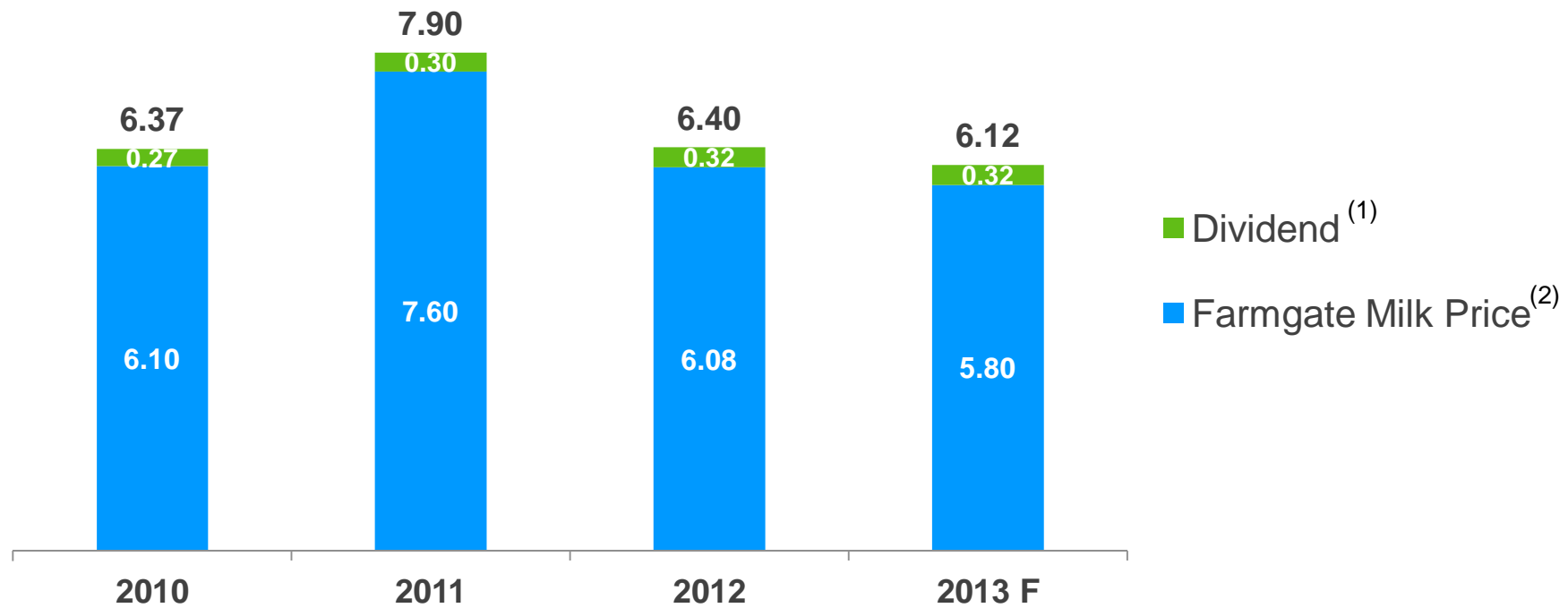
Net Profit After Tax up 33% to \$459m

INTERIM DIVIDEND

16cps

Interim dividend represents 50% of our forecast dividend and the maximum available under the 40-50% range in our dividend policy

Forecast cash payout

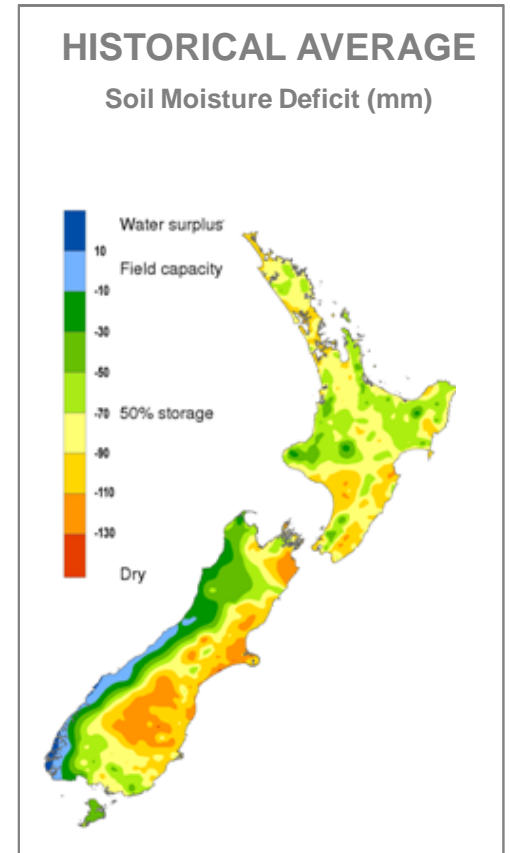
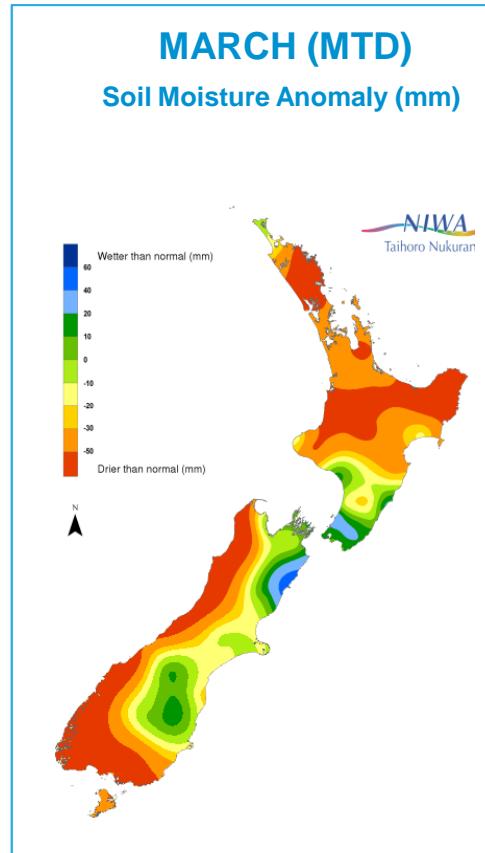
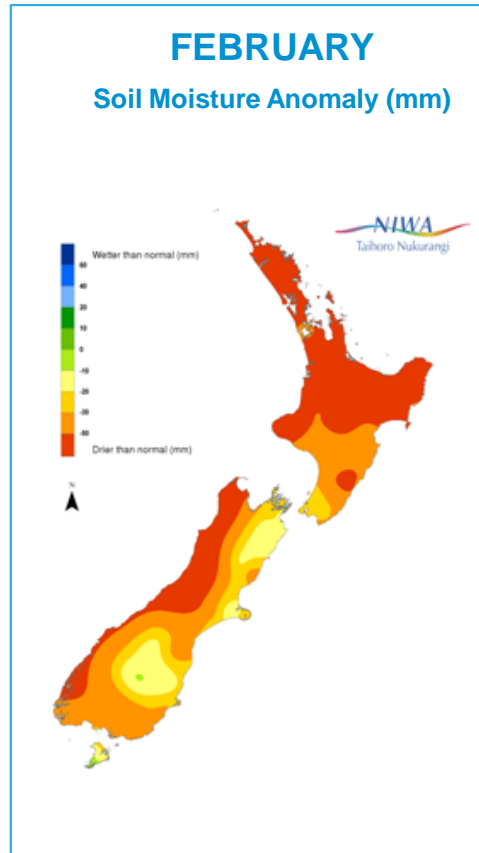
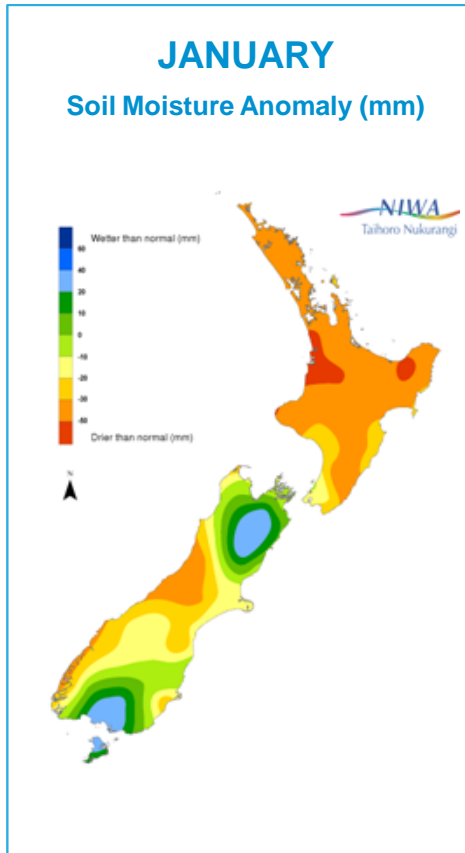


(1) Cents per share
(2) \$ per kgMS.

Tough conditions for farmers



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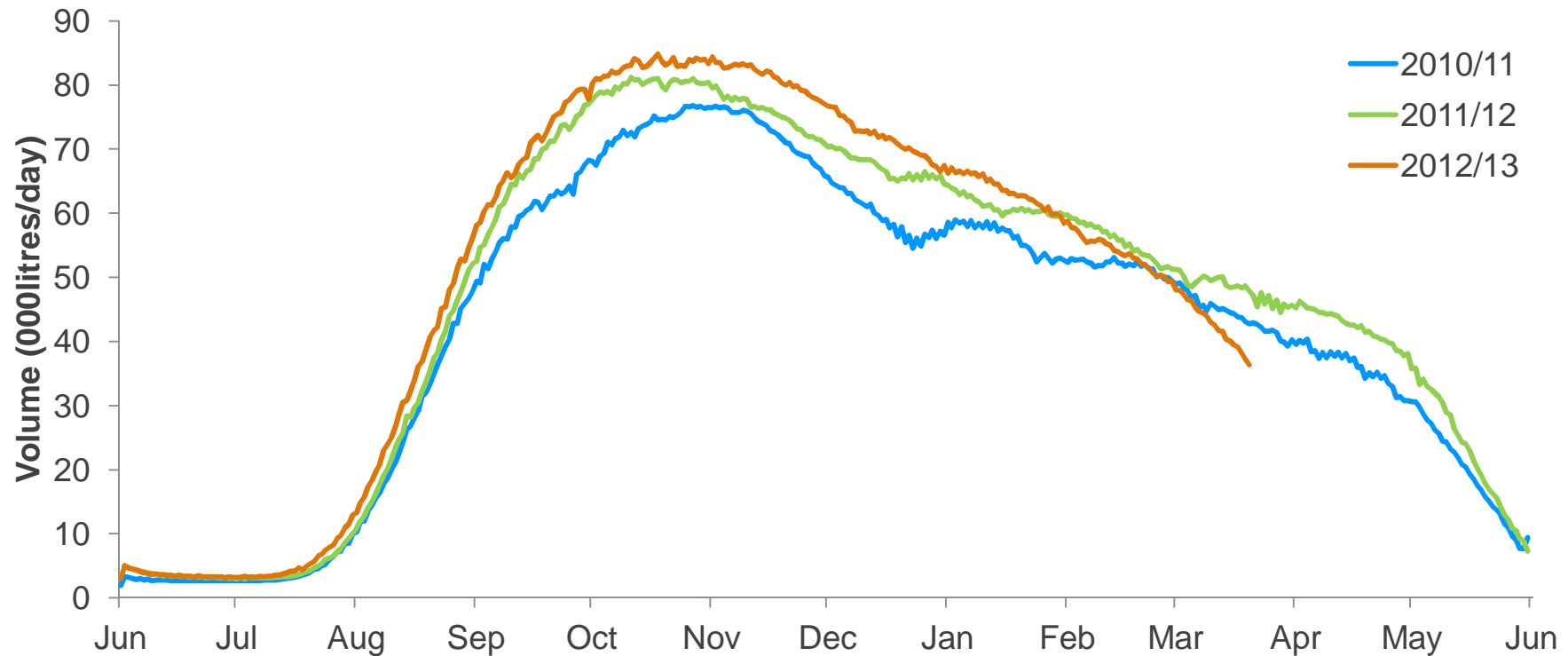


Dry conditions impacting volumes



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Fonterra's Milk Supply Curve



Note: Volumes represent a six day moving average of daily production

Faster cash payments to farmers for milk



- Backed by our strong balance sheet and operating cash flows, we were able to increase the advance rate paid to farmers for their milk
- The faster advance rate together with higher forecast milk price means on average farmer shareholders will receive around \$100,000* earlier in the season
- Means we are getting cash to farmers faster, as they begin to dry off their herds for the winter earlier because of the drought

** As at June 2013, compared to opening advance rate schedules*

Major initiatives benefitting our farmers

1. A bonus issue of one for 40 – 24 April 2013

2. A further Supply Offer enabling shareholders to sell economic rights of some of their shares - May 2013

3. A Dividend Reinvestment Plan enabling shareholders and unit holders to elect to receive dividends in the form of shares or units - later this year

4. Flexible contracts to give new and growing farmers more time and options to fully back their milk production with Fonterra shares

5. New opportunities for winter milk supply contracts in the upper North Island to fuel Fonterra's new UHT plant at Waitoa



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Theo Spierings



Strong first half



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Volume

- Good first half volume growth
 - NZ Milk Products up 9% driven by record milk collections
 - Higher sales growth in Asia/AME & Latam
 - ANZ volumes impacted by Norco divestment & less private label

SALES VOLUME GROWTH:

8%

Total sales volume growth of 8% to 2.1m MT

Value

- NZ Milk Products up 65%
 - Favourable product mix due to relatively higher cheese and casein prices
 - Improved price premiums
- Asia/AME up 27%
 - Sustained growth in foodservice and consumer brands
- Soprole up 40%
 - Higher consumer sales and margins in Chile

NORMALISED EBIT:

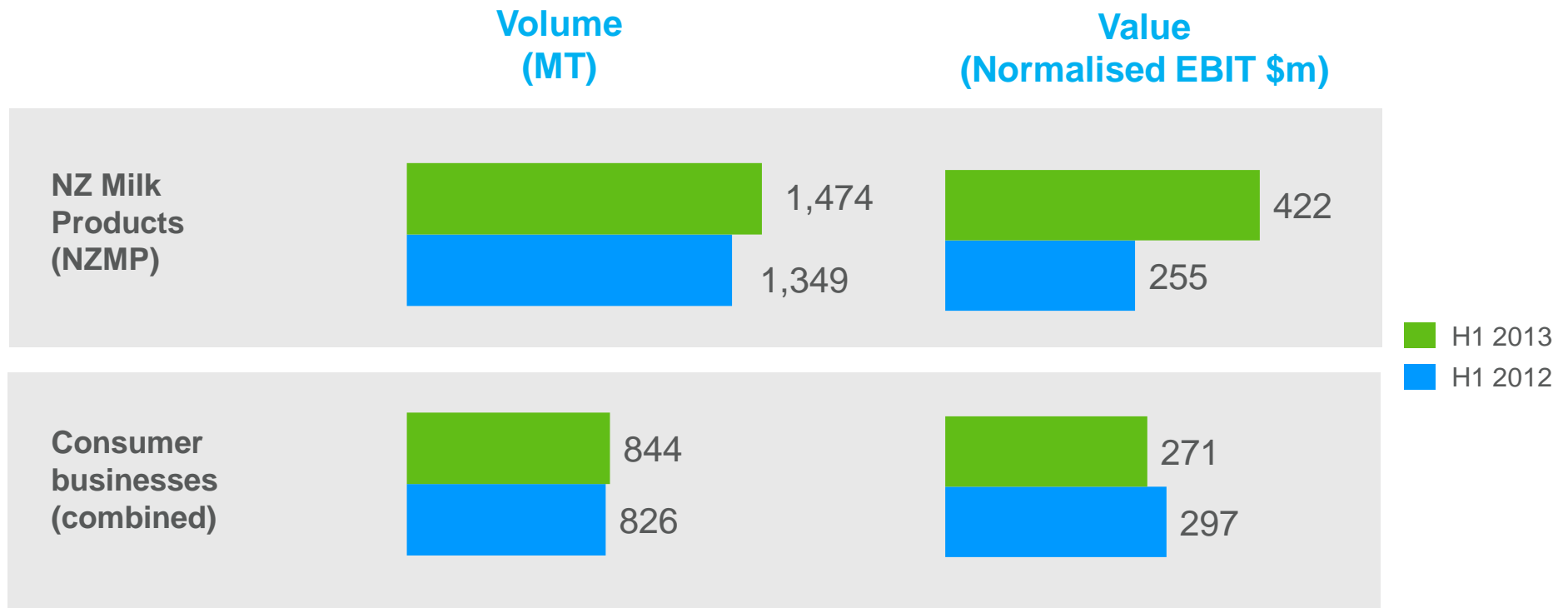
\$693m

Up 26% on the prior period

Segment performance



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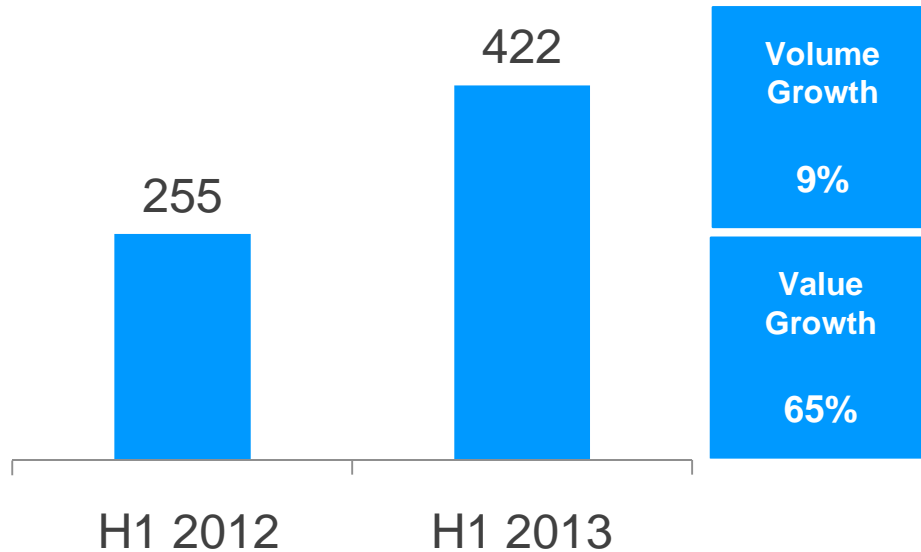


NZMP highlights



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Normalised EBIT (\$m)



Volume

- 9% increase to 1.5 million MT

Value

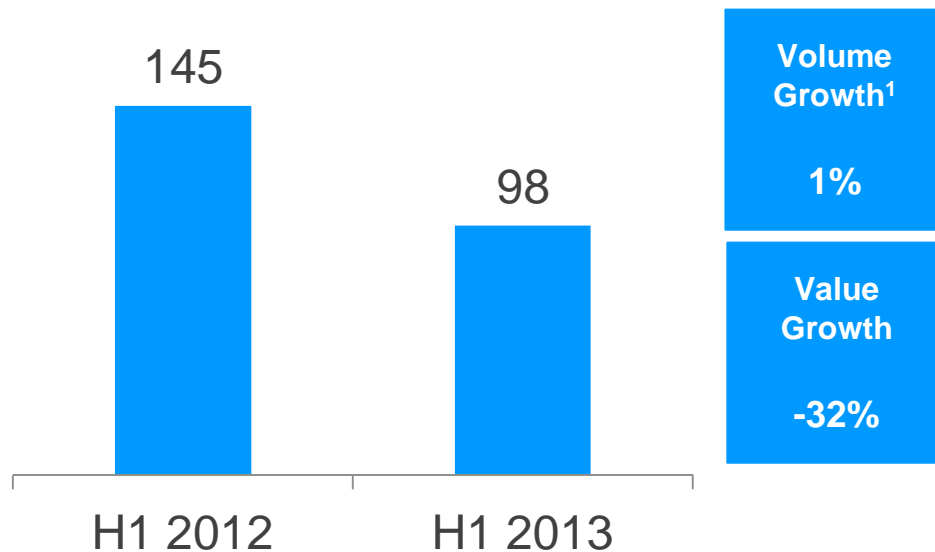
- Normalised EBIT margin up 2.8pp to 6.2%
- Key drivers of value:
 - effective management of our product mix
 - higher price premiums compared to dairy commodity prices
- Operating costs lower on a per unit basis, despite higher activity levels

ANZ highlights



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Normalised EBIT (\$m)



Volume

- 1% higher after adjusting for sale of Norco distribution business

Value

- Normalised EBIT margin down 1.5pp to 4.9%
- NZ consumer brands earnings slightly up
- Australian consumer brands impacted by increased trade spend to maintain share
- Australian milk processing business impacted by intensifying competition for milk supply

¹ Volume growth after adjusting for the sale of the Norco business

Reshape of ANZ underway

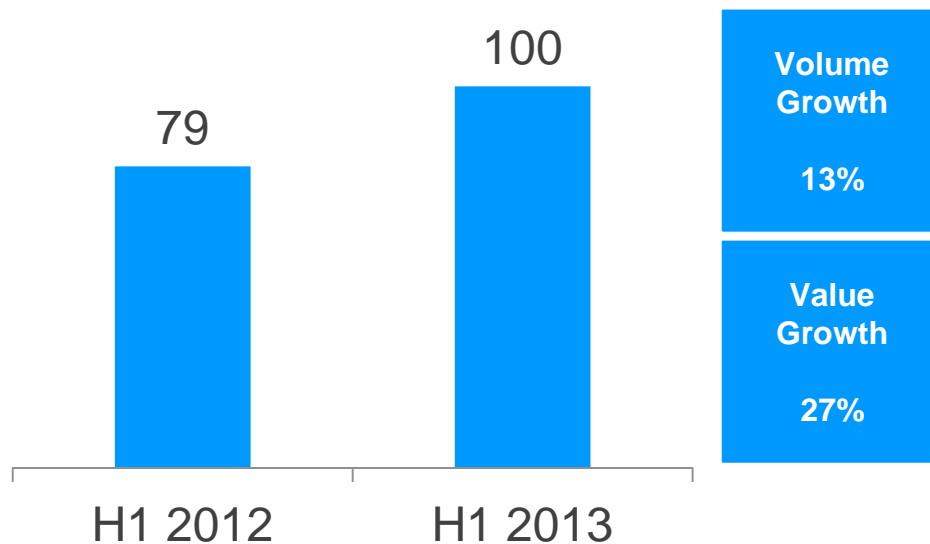


	Current	Future State
Consumer	<ul style="list-style-type: none">• Number of brands• A&P spread across brands	<ul style="list-style-type: none">• Majority of A&P on fewer brands• Everyday Nutrition key priority• New innovations
Milk Processing	<ul style="list-style-type: none">• Under-utilised assets• Competitive milk pool	<ul style="list-style-type: none">• Higher utilisation of value add plants at the expense of commodity exports
Foodservice	<ul style="list-style-type: none">• Strong footprint in Australia	<ul style="list-style-type: none">• Fast expansion of foodservice operations• Continued investment in network of chefs

Asia/AME highlights



Normalised EBIT (\$m)



Volume

- 13% increase to 186K MT

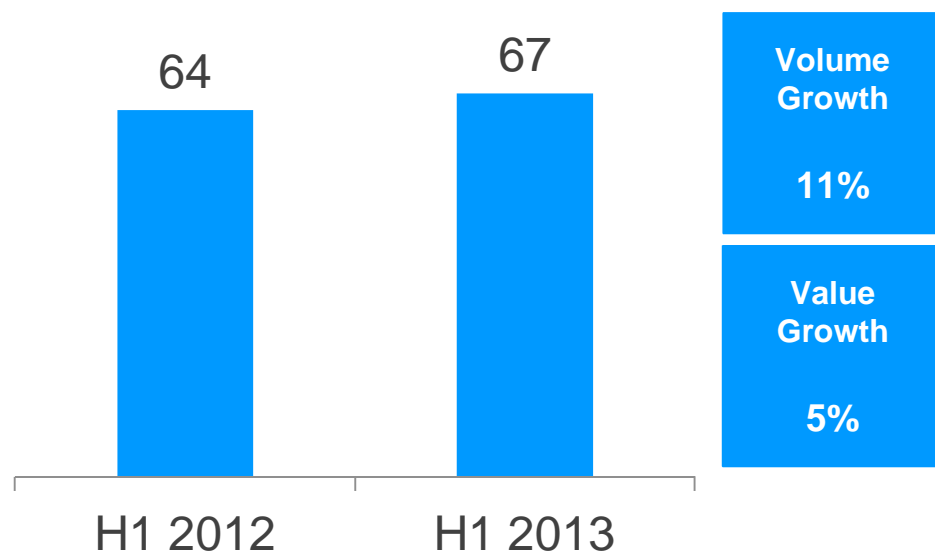
Value

- Normalised EBIT margin up 1.8pp to 9.5%
- Foodservice performing strongly across all key markets
- Malaysia experienced double digit value growth
- Philippines impacted by flooding and increased competition
- Growth markets like China, Middle East & Vietnam ahead of plan

Latam highlights



Normalised EBIT (\$m)



Volume

- 11% growth in volume to 187K MT

Value

- Normalised EBIT margin down 0.7pp to 12%
- Soprole performed strongly with normalised EBIT of \$53m, up 40%
 - Product innovation with successful launch of new desserts and yoghurts
 - Growth in both flavoured and white milk
- DPA normalised EBIT of \$13 million was 46% lower
 - Prior year impairment charge of \$8m
 - Negative impact from lower volumes in Venezuela



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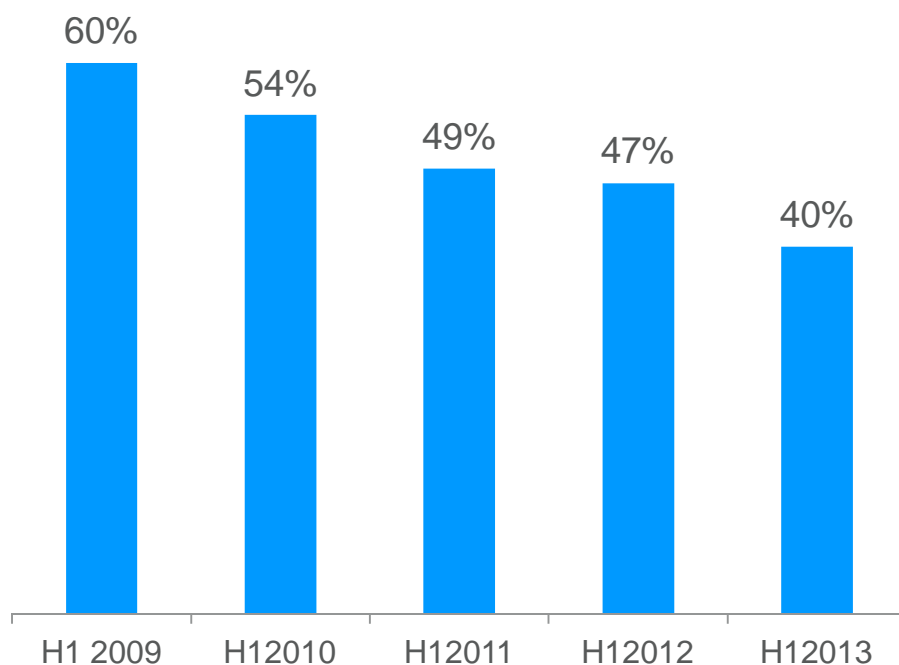
Jonathan Mason



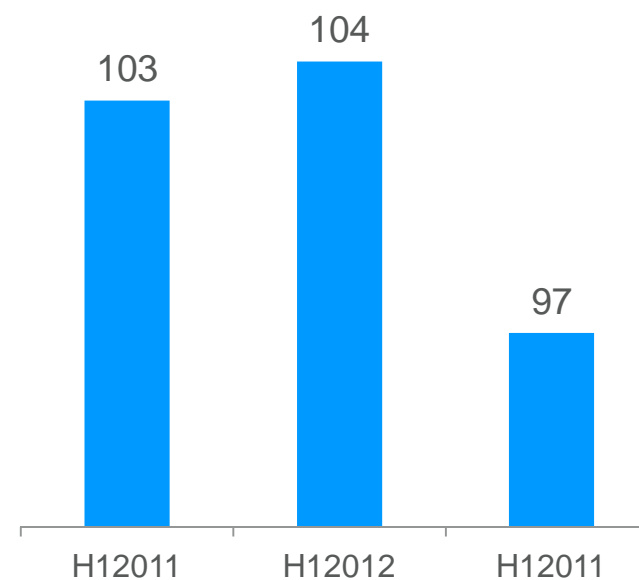
Improved Gearing and Working Capital



Half Year Gearing¹



Working Capital Days²



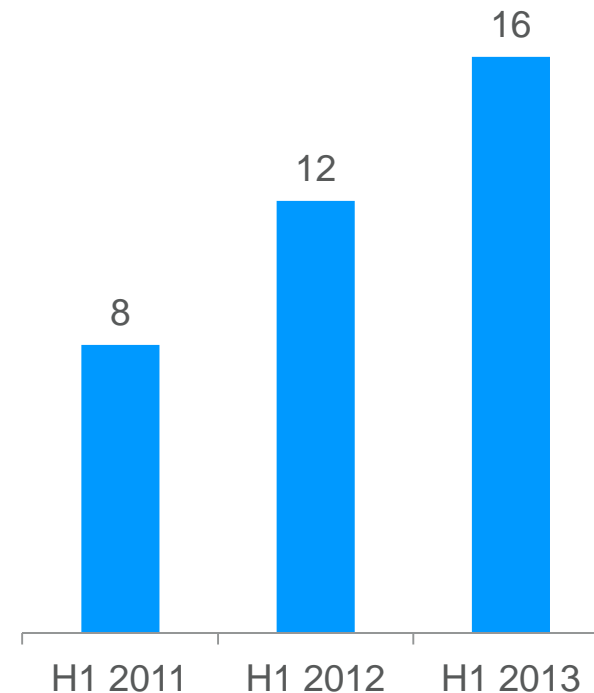
1. Gearing is measured in terms of economic net interest bearing debt over economic net interest bearing debt plus equity (reflecting the effect of debt hedging in place at balance date)
2. Excluding suppliers payable

Interim dividend declared



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- Board declared dividend of 16 cps
- Represents 50% of forecast dividend for the current financial year
- Maximum available under 40-50% range in our dividend policy
- Reflects expectation that earnings will be weighted more to the first half of the year



Supply Offer



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- Supply Offer in May 2013
- Maximum of \$475m, being the net proceeds of the original seeding of the Fonterra Shareholders' Fund
- Sell price will be based on an average of the Unit price over a 10 day period
- Limit of 25 per cent of Wet Shares
- More to come in late April with the Supply Offer Booklet



Theo Spierings



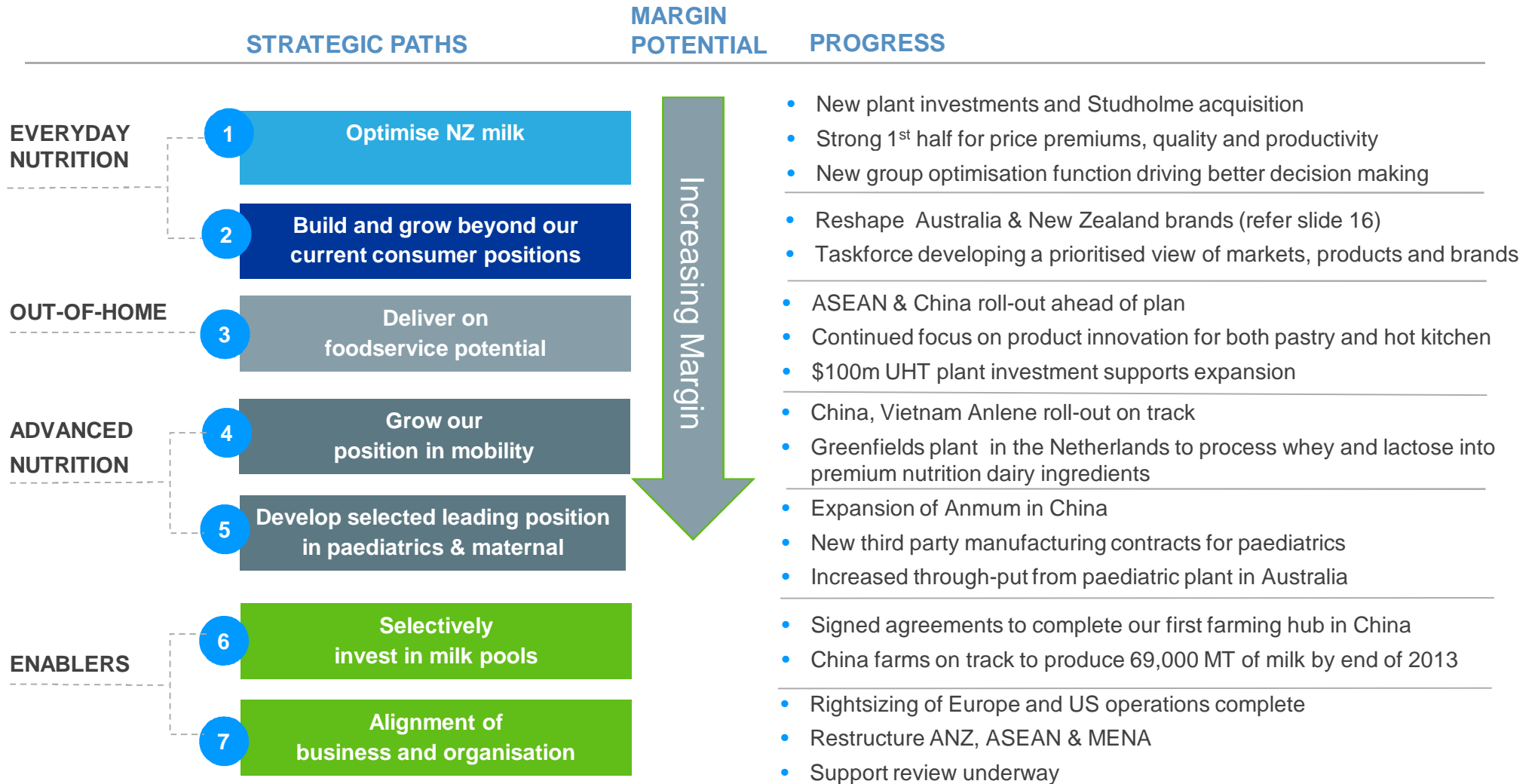
Fonterra **3**

**VOLUME
VALUE
VELOCITY**

>

Our Global Strategy Refresh

Strategy: Blueprint for growth



Everyday Nutrition



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- B2B: Optimise NZ Milk
 - Enhance asset footprint (Darfield, Studholme, Waitoa UHT)
 - New group optimisation function driving better decision making
 - Strong first half for price achievement and cost to serve
 - Quality and productivity programmes delivering ahead of plan
- B2C: Build and grow beyond our current consumer positions
 - Everyday Nutrition Taskforce developing a prioritised view across products and brand
 - Reshape Australia & New Zealand brands
 - Focused growth ASEAN/MENA

Out-of-home



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- First half volume growth of 11.5%
- EBIT from ASEAN & China foodservice roll-out well ahead of plan
 - Expanding to 2nd and 3rd tier cities in China
- Investing in network of chefs and front-line sales staff
- Continued focus on differentiated, functional, product innovation for both pastry and hot kitchens
- \$100m investment in Waitoa UHT plant will help support Foodservice expansion

Advanced Nutrition



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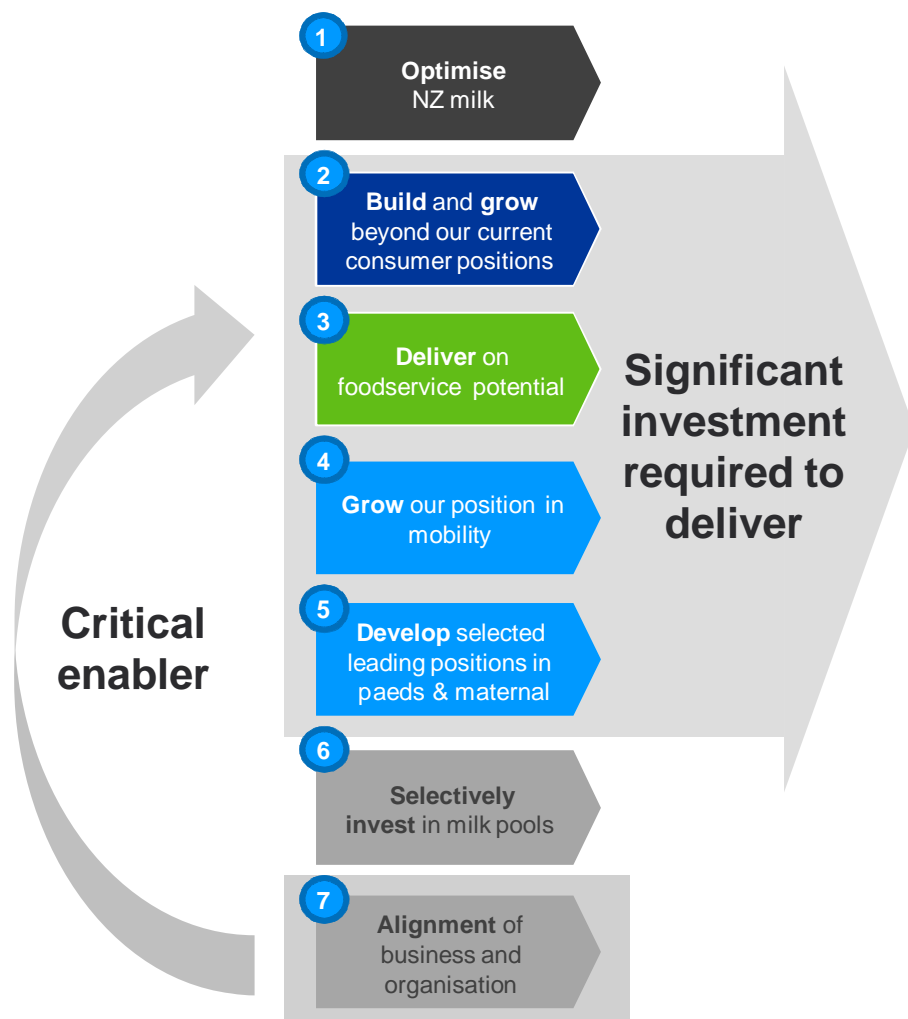


- Growing our position in mobility
 - China Anlene rollout on track
 - Vietnam rollout ahead of plan
- Develop leading position in paediatrics and maternal
 - Expansion of Anmum in China
 - New third party manufacturing contracts for paediatrics
 - Increased through-put from paediatrics plant in Australia
- Greenfields plant in the Netherlands to process whey and lactose into premium nutrition dairy ingredients

Aligning resources with strategic priorities



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- Tracking ahead of \$60m operating cost savings target
- Improved alignment of operating costs with strategic priorities

Outlook



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- Making good progress on strategy execution and positioning the business for long-term growth
- Strong first half earnings are unlikely to be repeated in the second half
- For the full year we expect to see total milk volumes for the season to be in line with last season
- The ongoing volatility in dairy commodity markets could have a negative impact on product mix profitability
- In many of our consumer markets, we are expecting intensified competition in the second half – particularly in Australia – and in Asia we are seeing signs of demand slowing
- Based on our best judgement the current expectation for the full year Milk Price is \$5.80 kgMS and an earnings per share range of 45 to 50 cps.
- The dividend per share forecast of 32 cps remains unchanged



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Supplementary Information



Normalised EBIT



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	6 months to 31 January 2013	6 months to 31 January 2012
Reported EBIT	669	530
<i>Costs associated with the planned closure of the Cororooke site</i>	24	
<i>Impairment losses recorded in equity accounted investees</i>		20
<i>Other items</i>		2
Normalised EBIT	693	552

Fonterra refers to Normalised Earnings/Normalised EBIT, EBIT, constant currency variances, Normalisation Adjustments and payout when discussing financial performance. These are non-GAAP financial measures and are not prepared in accordance with IFRS. Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They are used internally to evaluate the underlying performance of business units and to analyse trends. These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with IFRS.