

To Lead in Dairy



Fonterra Today

- Co-operative owned by 12,000 supplier shareholders
- Assets over NZ\$11 billion generating sales of NZ\$12.5 billion for 2002/03
- Processes over 1.1 billion kilograms of milksolids annually
- Exports to more than 140 countries and territories
- Employs 19,000 people worldwide

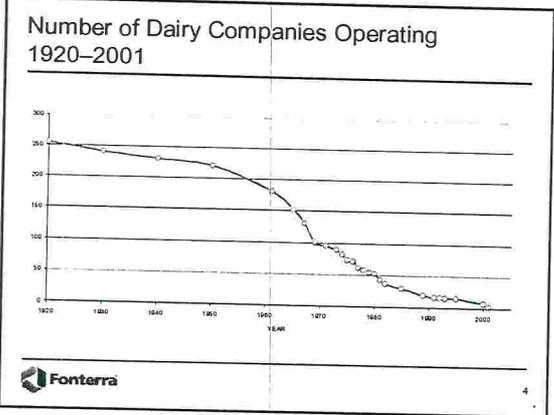


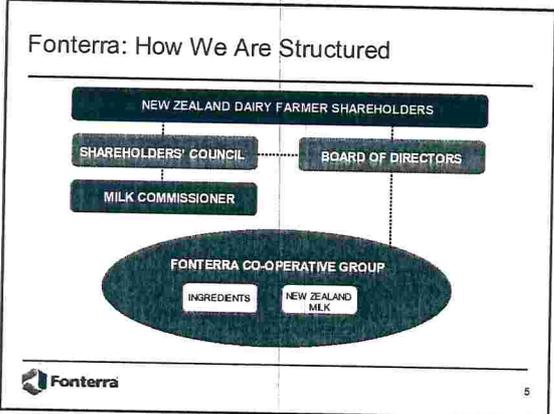
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Fonterra: Our Heritage

- Dairying in New Zealand began in the 1800's
- In 1882 SS Dunedin sailed to London from Port Chalmers with the first refrigerated shipment of butter
- Amalgamated Dairies was established in London in 1927 by a number of New Zealand dairy companies to market New Zealand butter and cheese in the United Kingdom
- By the 1930's dairy factories in many towns
- New Zealand Dairy Board established in 1963
- 1970-1990 many manufacturing companies merged
- By the end of 2000 milk supply consolidated around two major manufacturing companies
 - New Zealand Dairy Group
 - Kiwi Co-operative Dairies
- Fonterra formed in October 2001

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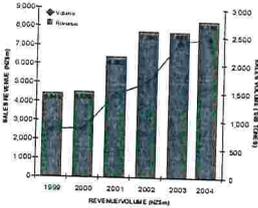
Our Ingredients Business

- Our Consumer Business
- Corporate and Shareholder Services
- Industry Position
- Fonterra and Chile

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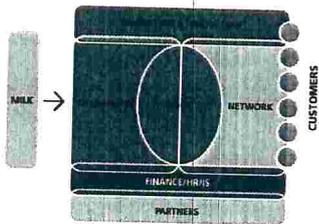
Ingredients

- Annual revenues of NZ\$8,194mn for year to 31 May 2004 and EBIT of NZ\$852mn
- Milk collection, manufacturing and logistics to marketing of ingredients
- Quality dairy products including milk and whey proteins, milk powders, cheese and cheese ingredients and cream products



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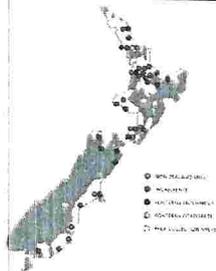
Business Model



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Operations: Fonterra's Engine

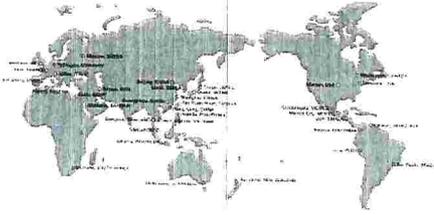
- Processing milk in New Zealand
- Manufacturing quality ingredients for domestic and international markets
- Managing the order-to-delivery function in New Zealand



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Fonterra's Global Network

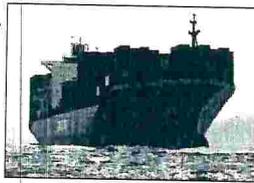
- Comprises all the offices and staff who market and sell Fonterra products around the world



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S&OP: Fonterra's Central Control Box

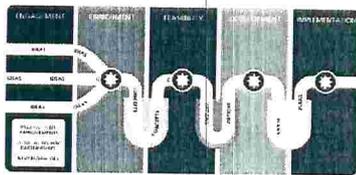
- Sales & Operations Planning
 - matching global customer demand with product supply
 - setting indicator prices for commodity products
 - managing inventories
 - making decisions around product transport, shipping and storage
 - planning which products to manufacture throughout the year



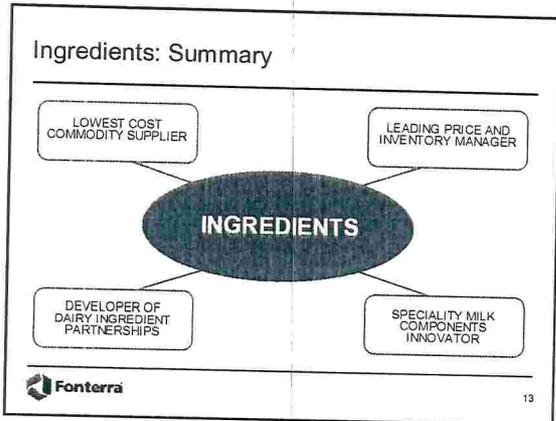
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M&I: Fonterra's Innovation Pipeline

- Marketing & Innovation
 - Creating new options for commercialisation
 - Providing scientific and technical support to Fonterra



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Our Ingredients Business

Our Consumer Business

Corporate and Shareholder Services

Industry Position

Fonterra and Chile

Fonterra

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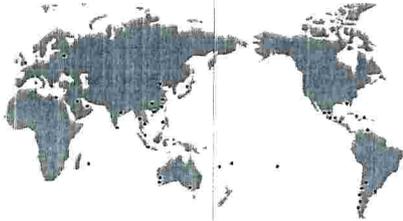
New Zealand Milk

- A distinctive business but very much part of the Fonterra Group
- High performing upper quartile FMCG business
- Focused on retail products and products sold to foodservice outlets such as restaurants and hotels
- Creates wealth and cashflow by building brand strength

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New Zealand Milk Global Network

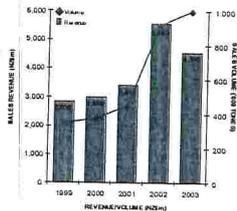


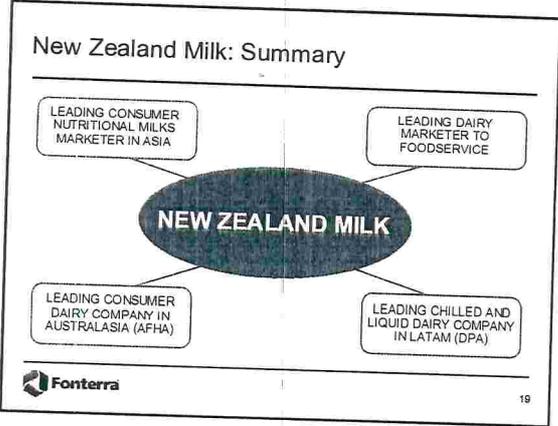
A Broad Portfolio of Brands



New Zealand Milk

- Annual revenue of NZ\$4.6bn year and EBIT of NZ\$0.4bn to 31 May 2003
- Dairy-based consumer and food service branded products
- Milk powders, fresh and UHT milks, cheeses, butter, ice-cream, yoghurt





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- Corporate
- Business functions include:
 - Finance
 - Human Resources
 - Strategy
 - Trade & Regulatory Affairs
 - Information Technology
 - Communications
- Fonterra
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Shareholder Services

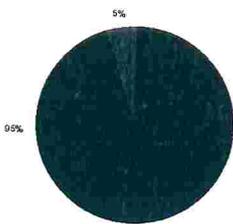
- Our shareholders are as fundamental to the business as customers
 - Milk collection and payment
 - Shares and peak notes
 - On-farm issues and concerns
 - Shareholder enquiries and Fencepost.com
 - Liaison between the company and shareholders
 - Access to modern communications infrastructure



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Milk Production from New Zealand

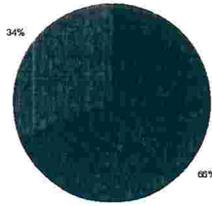


- Consumed Domestically
- Exported

Total New Zealand production is equivalent to 2% of world milk production

Source: Rabobank Global Focus, August 2010

World Dairy Trade



- New Zealand
- World

New Zealand provides 34% of all internationally tradeable dairy products

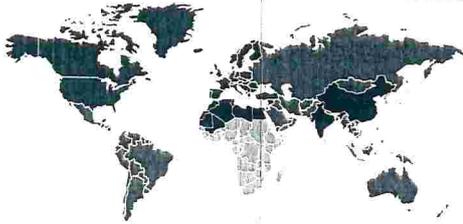
Only 7% of world dairy production is traded across national borders

Source: Rabobank Global Focus, August 2012



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World Dairy Access and Tariffs



- Access All Products / Low Tariffs (<20%)
- Product Specific Access / Medium Tariffs (20-70%)
- Only Butter / Cheese / Protein Quota Access / High Tariffs (>220%)



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Fonterra: A National Champion

- New Zealand's largest company
- Owned and controlled by New Zealand farmers
- Fonterra revenue represents more than 20% of total New Zealand exports
- One of the world's top ten dairy companies
- Driver of innovation

Source: Statistics NZ 2013, Rabobank International 2012



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Farmers in New Zealand

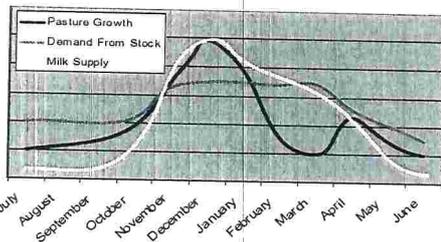
- No subsidies
- Grass-based milk production
- Scale
- Temperate climate
- Geographic isolation
- Strict border controls and food safety regulations
- Herd quality



Our Farmer Statistics

- Average herd size – 302 cows
- Kg milk solids – 320 per cow
- Milk production – 3800 litres per cow
- 12,000 shareholders
- Shareholders are farmers and supply milk
- Average farm size – 111 hectares

Pasture Growth vs Milk Supply





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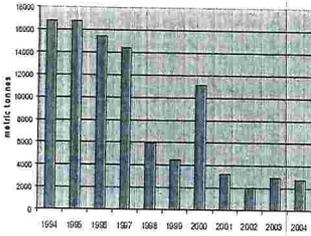
Fonterra investment in Soprole:

- Longstanding shareholder – initial shareholding purchased in 1986
- Majority shareholder – Approx 56%
- Fonterra's third largest consumer market investment after Mainland in New Zealand and Bonland in Australia



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New Zealand dairy exports to Chile



Year	Exports (metric tonnes)
1954	15000
1956	15500
1958	14500
1960	14000
1962	13500
1964	13000
1966	12500
1968	12000
1970	11500
1972	11000
1974	10500
1976	10000
1978	9500
1980	9000
1982	8500
1984	8000
1986	7500
1988	7000
1990	6500
1992	6000
1994	5500
1996	5000
1998	4500
2000	4000
2001	3500
2002	3000
2003	3500
2004	4000

- NZ dairy exports to Chile have declined significantly over the last decade
- Chile is not an export target for Fonterra

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