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Strong late season milk production
Partly offsetting lower milk volumes during the peak

Volume (m litres/day)

<table>
<thead>
<tr>
<th>Season</th>
<th>Total Milk Solids (kgMS)</th>
<th>Peak Day Milk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>1,614m (+ 2%)</td>
<td>90m litres</td>
</tr>
<tr>
<td>2015/16</td>
<td>1,566m (- 3%)</td>
<td>87m litres</td>
</tr>
<tr>
<td>2016/17F</td>
<td>1,525m (- 3%)</td>
<td>80m litres</td>
</tr>
</tbody>
</table>

- Volume down 3% for season to 30 April
  - North Island down 4%
  - South Island flat
- Stronger production in March and April partly offsetting lower peak production
- Season forecast down 3% on last season
Global dairy market – continued rebalancing

**US**
- 12 months production: +2%
- Last 3 months (Dec, Jan, Feb): -3%

**EU**
- 12 months production: -1%
- Last 3 months (Dec, Jan, Feb): -3%

**Russia**
- EU’s largest dairy export market
- Trade embargo remains

**China**
- 12 months imports: +10%
- Last 3 months (Jan, Feb, Mar): +1%

**Asia (excl China)**
- 12 months imports: +7%

**Middle East & Africa**
- 12 months imports: -3%

**Latin America**
- 12 months imports: +12%

**Australia**
- 12 months production: -8%

**Fonterra in NZ**
- 12 months production: -3%
- Last 3 months (Feb, Mar, Apr): +3%

Note: All 12 month figures are rolling 12 months compared to previous comparable period: Australia (Mar), EU (Feb), United States (Apr), China (Mar), Asia (Jan), Middle East & Africa (Jan), Latin America (Jan), New Zealand (Apr)

Source: Government milk production statistics; GTIS trade data; Fonterra analysis
Dairy prices rose strongly over the season
Impacting stream returns in Ingredients

Products informing milk price up significantly

1. Whole Milk Powder
   - June to May: +50%

2. Butter
   - June to May: +98%

Other products up but to a lower degree

1. Cheddar
   - June to May: +40%

2. Rennet Casein
   - June to May: +24%

Note: All prices in US dollars per MT
Source: GDT data
Volume to higher Value at Velocity
Late season milk will lead to increased sales in final quarter

1. Optimise NZ milk
2. Build and grow beyond our current consumer positions
3. Deliver on Foodservice potential
4. Grow our Anlene™ business
5. Develop leading positions in paed & maternal nutrition
6. Selectively invest in milk pools
7. Align our business and organisation

- **Ingredients**
  - Lower opening inventory and collections in first half resulted in 8% lower sales year-to-date
  - Strong milk production in March and April will support higher sales in the last quarter

- **Consumer & Foodservice**
  - 350M additional LME year-to-date

*Note: Wheel shows percentage of total FY16 external sales (LME) for illustration*
### FY17 nine-month performance summary

<table>
<thead>
<tr>
<th>VOLUME (LME)</th>
<th>REVENUE</th>
<th>GROSS MARGIN</th>
<th>OPEX</th>
<th>CAPEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.7B</td>
<td>$13.9B</td>
<td>18%</td>
<td>$1.8B</td>
<td>$433M</td>
</tr>
<tr>
<td>↓ 6%</td>
<td>↑ 8%</td>
<td>↓ FROM 22%</td>
<td>↓ 4%</td>
<td>↓ 32%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Ingredients</strong></th>
<th><strong>Consumer &amp; Foodservice</strong></th>
<th><strong>China Farms</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>Volume</td>
<td>Volume</td>
</tr>
<tr>
<td>↓ 15.6B</td>
<td>↑ 4.0B</td>
<td>↑ 0.2B</td>
</tr>
<tr>
<td>DOWN 8%</td>
<td>UP 10%</td>
<td>UP 51%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>Gross Margin</td>
<td>Gross Margin</td>
</tr>
<tr>
<td>↓ 10%</td>
<td>= 28%</td>
<td>↑ 1%</td>
</tr>
<tr>
<td>FROM 16%</td>
<td></td>
<td>FROM -15%</td>
</tr>
</tbody>
</table>

Note: Volume is in billion LME; All changes are expressed relative to first nine-months of FY16
Ingredients
Lower Q3 volumes, stronger Q4 sales due to late season milk

Nine-month performance

Volume
- Sales volumes down 8% reflecting lower milk collections earlier in the season and lower opening inventory
- Strong milk production in March and April providing more volume to sell in the final quarter

Value
- Increased price achievement and good operating performance
- Increase in reference product prices relative to other products materially lowering stream returns
- Increased manufacturing optionality helping to limit impact

Note: Volume is in billion LME; All changes are expressed relative to first nine-months of FY16
Consumer & Foodservice
Strong margins and volume growth achieved at higher milk price

Nine-month performance

<table>
<thead>
<tr>
<th>Volume (B LME)</th>
<th>9M FY16</th>
<th>9M FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3.7</td>
<td>4.0</td>
</tr>
</tbody>
</table>

- Another strong quarter of growth
- Additional 350m LME converted into higher-value products year-to-date
  - Growth lead by Greater China, up 40%
  - Latin America up 22%, lead by Soprole

<table>
<thead>
<tr>
<th>Gross Margin (%)</th>
<th>9M FY16</th>
<th>9M FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>28%</td>
<td>28%</td>
</tr>
</tbody>
</table>

- Strong gross margin percentage achieved at a higher milk price
- Higher milk costs in the third quarter lowered gross margins to be in line with last year
- Continued strong performance in Australia

Note: Volume is in billion LME; All changes are expressed relative to first nine-months of FY16
### Consumer & Foodservice – 350M additional LME

<table>
<thead>
<tr>
<th>Region</th>
<th>Volume</th>
<th>Gross Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asia</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,175</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>1,284</td>
<td>FROM 31%</td>
</tr>
<tr>
<td><strong>Greater China</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>633</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>884</td>
<td>FROM 37%</td>
</tr>
<tr>
<td><strong>Oceania</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,426</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td>1,318</td>
<td>FROM 21%</td>
</tr>
<tr>
<td><strong>Latin America</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>447</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>546</td>
<td>STABLE AT 31%</td>
</tr>
</tbody>
</table>

1. Volumes up 1% on like-for-like basis (sale of businesses in Australia and transfer of UHT production in NZ to Ingredients)

Note: Volume is in million LME; All changes are expressed relative to first nine-months of FY16
Financial strength and discipline

Solid credit rating reflects strong fundamentals

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>Fitch</th>
<th>A  (stable outlook)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P</td>
<td>A-    (stable outlook)</td>
<td></td>
</tr>
</tbody>
</table>

| Debt Weighted Average Term to Maturity | As at 30 Apr 2017 | 4.1 years |

Reduced working capital days – 9 month average

- 109
- 99
- 103
- 89
- 80
- 78

Financial discipline continued

- Capex of $433M to 30 April with $900M projected for the full year
  - Expecting lower capex in FY18 due to reduced investment in capacity and on-going efficiencies in spend
- Continued improvements in working capital
- Forecast FY17 year-end gearing ratio within 40-45% range
Continued momentum in 2017

Forecast for 2016/17

- Improved forecast Farmgate Milk Price of $6.15 per kgMS
  - GDT prices continued to rise for WMP, AMF and Butter, products that inform the milk price
  - Global demand has remained strong while supply has been slightly constrained
  - Strong opening forecast for 2017/18 season of $6.50 per kgMS

- Maintaining 45-55 cents per share earnings guidance
  - Strong performance projected across the business in the final quarter, particularly from Ingredients sales
  - Previously highlighted headwinds expected to continue, including lower stream returns in Ingredients and lower gross margins in the Consumer and Foodservice business

- Target dividend maintained at 40 cents per share
  - Supported by our strong balance sheet and continued financial discipline
Appendix
Glossary

Acronyms and Definitions

AMF
Anhydrous Milk Fat.

BMP
Butter Milk Powder.

DIRA

GDT
GlobalDairyTrade, the online provider of the twice monthly global auctions of dairy ingredients.

Gearing Ratio
Economic net interest bearing debt divided by economic net interest bearing debt plus equity excluding cash-flow hedge reserves.

Farmgate Milk Price
The price for milk supplied in New Zealand to Fonterra by farmer shareholders.

Fluid and Fresh Dairy
The Fonterra grouping of skim milk, whole milk and cream – pasteurised or UHT processed, concentrated milk products and yoghurt.

LME (Liquid Milk Equivalent)
A standard measure of the amount of milk (expressed in litres) allocated to each product based on the amount of fat and protein (“milksolids”) in the product relative to the amount of fat and protein in a standardised raw milk.

kgMS
Kilogram of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.

Reference Products
The dairy products used in the calculation of the Farmgate Milk Price, which are currently WMP, SMP, BMP, butter and AMF.

Season
New Zealand: A period of 12 months to 31 May in each year.
Australia: A period of 12 months to 30 June in each year.

SMP
Skim Milk Powder.

WMP
Whole Milk Powder

Non-Reference Products
All dairy products, except for Reference, produced by the NZ Ingredients business.

Fonterra Strategic Platforms

Ingredients
The Ingredients platform comprises bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia, Europe and Latin America, or sourced through our global network, and sold to food producers and distributors in over 140 countries. It also includes Fonterra Farm Source™ retail stores.

Consumer
The Consumer platform comprises branded consumer products, such as powders, yoghurts, milk, butter, and cheese. Base products are sourced from the ingredients business and manufactured into higher-value consumer dairy products.

Foodservice
The Foodservice platform comprises a range of branded products and solutions for commercial kitchens, including bakery butter, culinary creams, and cheeses.

China Farms
The China Farms platform comprises the farming operations in China, which produce high quality fresh milk for the Chinese market.