Welcome to our July 2014 Global Dairy Update

IN THIS EDITION

Fonterra Milk Collection:
• New Zealand up 10% for the month of June 2014
• Australia up 16% for the month of June but flat for the Season to 30 June 2014

Business Update:
• Further strengthening in Fonterra Management Team
• Fonterra forms exclusive partnership with UK-based Dairy Crest
• RD1 a leader in rural online shopping

Dairy Commodity Prices on 1 July 2014:
• Fonterra volume sold on GDT of 38,980 MT
• GDT Price index 5% lower than the previous event

2014 Financial Calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>31 JULY 2014</td>
<td>Financial Year End</td>
</tr>
<tr>
<td>24 SEPTEMBER 2014</td>
<td>Annual Results Announced</td>
</tr>
<tr>
<td>12 NOVEMBER 2014</td>
<td>Shareholders’ Annual Meeting</td>
</tr>
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<td>14 NOVEMBER 2014</td>
<td>Fonterra Shareholders’ Fund Annual Meeting</td>
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<tr>
<td>1 DECEMBER 2014</td>
<td>Compliance Date for the Share Standard 2014/15 Season</td>
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FONTERRA MILK COLLECTION

North Island collection in June reached seven million kgMS. This was 13% ahead of June last Season. Volumes were up on last Season as more farmers continued to milk into winter compared to the previous Season.

South Island collection reached two million kgMS, 2% ahead of June last Season. Only a small number of South Island farmers provide milk in winter for New Zealand’s internal supply.

Milk collection across Australia for the 12 months to 30 June 2014 reached 120 million kgMS, meeting the same level as the previous Season, despite being down considerably in the spring. Milk production in Australia increased in the second half due to more favourable market and pasture growth conditions along with additional farms electing to supply Fonterra. As a result, collection in June was 16% ahead of June last Season.

The table below shows Fonterra milksolids collected in New Zealand for the 2014/15 Season and Australia for the 2013/14 Season.

<table>
<thead>
<tr>
<th>FONTERRA MILK COLLECTION (MILLION KGMS)</th>
<th>JUNE 2014</th>
<th>JUNE 2013</th>
<th>MONTHLY CHANGE¹</th>
<th>SEASON-TO-DATE 2014</th>
<th>SEASON-TO-DATE 2013</th>
<th>SEASON-TO-DATE CHANGE²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fonterra New Zealand¹</td>
<td>9</td>
<td>8</td>
<td>10.1%</td>
<td>9</td>
<td>8</td>
<td>10.1%</td>
</tr>
<tr>
<td>North Island¹</td>
<td>7</td>
<td>6</td>
<td>12.9%</td>
<td>7</td>
<td>6</td>
<td>12.9%</td>
</tr>
<tr>
<td>South Island¹</td>
<td>2</td>
<td>2</td>
<td>1.6%</td>
<td>2</td>
<td>2</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

**JULY 2013 TO JUNE 2014³**

- Fonterra Australia: 8/7, 16.4%

**JULY 2012 TO JUNE 2013³**

- Fonterra Australia: 120/121, 0%

**SEASON-TO-DATE CHANGE³**

1 Milk collection data includes DIRA milk, which is collected and sold to other New Zealand processors.
2 Percentage change reflects the change in the underlying figures and may be different due to rounding in million kgMS.
3 Data includes the period from the first calendar day, to the last calendar day of the quoted months.
BUSINESS UPDATE

FURTHER STRENGTHENING IN FONTERA MANAGEMENT TEAM

New appointments to the Fonterra Management Team have been made to further strengthen our executive team with a focus on three strategic areas — Global Operations, Global Ingredients and Greater China.

One of our top business priorities this year is to optimise our global ingredients and operations footprint so we can better manage price volatility and increase value, while ensuring a total focus on food safety, quality and our customers’ needs. The two newly created positions reflect this focus.

Managing Director Global Operations
Rob Spurway has been appointed to the newly created position of Managing Director Global Operations, having previously held the role of Acting Director NZ Operations in New Zealand Milk Products.

Rob has more than 20 years’ experience in the food and dairy industries. After managing the Northland Dairy Company’s Dargaville site, he moved to Australia in 1999 where he held various roles in Goodman Fielder Australia.

From 2008 to 2011 he led two food companies, before returning to New Zealand to become Fonterra’s South Island Regional Operations Manager. In this role, he oversaw the greenfield development of our Darfield site.

Managing Director Global Ingredients
Kelvin Wickham is currently President Greater China and will take up the newly created position of Managing Director Global Ingredients on 1 August.

He has more than 25 years’ experience in the dairy industry, furthering Fonterra’s overseas markets, customer relationships and partnerships.

Prior to leading the China business, Kelvin held a number of senior roles in Fonterra including Managing Director of Global Trade, overseeing the launch of the GlobalDairyTrade auction platform, and Director of Sales and Operations Planning. Kelvin also held a number of senior global sales positions during his time with the NZ Dairy Board.

President Greater China
Johan Priem has been appointed President Greater China. Until January, Johan was Acting Managing Director Asia Pacific Middle East and Africa (APMEA).

More recently, he has contributed to developing our approach to food safety and quality, and corporate social responsibility and sustainability. Before joining Fonterra, Johan was on the Board of Management at Royal Friesland Foods (which later became Royal FrieslandCampina).

At various times, he was responsible for the branded consumer businesses in Europe, Asia, the Middle East and West Africa, as well as the Corporate Marketing function.
FONTERRA FORMS PARTNERSHIP WITH UK-BASED DAIRY CREST

Fonterra has entered into an exclusive partnership with Dairy Crest to market and sell two products that are used in the manufacture of infant formula.

Infant formula is the fastest growing dairy category in the world. Demand is particularly strong in Asia, where China is the leading global infant formula market.

This partnership aligns with our global business strategy to develop leading positions in infant formula and growing up milk powders, and to extend and grow our infant formula ingredients business in China, Europe and other key international markets.

The two products, Galacto-oligosaccharide (GOS) and Demineralised Whey, will be manufactured by Dairy Crest and Fonterra will be the exclusive sales channel for the infant formula ingredients produced.

This agreement aligns with our A-Ware Food Group partnership where the new whey and lactose plant under construction in the Netherlands will provide the raw material for the manufacture of GOS.

Production is expected to begin in 2015.

RD1 A LEADER IN RURAL ONLINE SHOPPING

RD1, our rural retailer, has recently launched a digital platform — the first national rural retailer in New Zealand to do so.

While the 67 RD1 stores throughout New Zealand remain highly competitive, online shopping is still a largely unclaimed space in rural retail and the team has moved quickly to be the first to claim that space.

Customers’ early response shows that they are moving online, with 14,000 visitors in the first week.

Through the site, customers can check out more than 7,000 product lines, compare prices and features as well as benefits. RD1.com offers big advantages for customers and saves them time by providing a ‘click and collect’ option or delivery directly to farm by arrangement.

The online platform is also great for our RD1 store staff and Technical Sales Representatives as they have better access to insights around what customers want, allowing them to provide a more personalised service.

Meanwhile, the RD1 store expansion programme continues with two new stores underway in communities where we have not previously had a presence. The new RD1 Methven store is on track to open in September, and initial site work on RD1 Culverden is complete.
Dairy commodity prices were on average 5% lower than the last trading event with an average winning price of USD 3,595 per MT. The GDT Price Index for the financial year-to-date was up 18% compared to the same period last year.

Compared to the last trading event, the only commodity price that firmed was Butter Milk Powder (BMP), up 4%. The commodity prices that softened included a significant movement in Butter down 13.6% and Anhydrous Milk Fat (AMF) down 7.4%. In addition Whole Milk Powder (WMP) was down 5.4%, Cheddar down 2.9%, Rennet Casein (RenCas) down 2.1% and Skim Milk Powder (SMP) down 0.9%.

The table summarises the latest GDT results and provides a snapshot of the rolling year-to-date results.

Fonterra volume traded at the GDT auction on 1 July 2014 was 38,980 MT.

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The next trading event will be held on 15 July 2014. Visit www.globaldairytrade.info for more information.
NEW ZEALAND DOLLAR TREND

The chart shows the spot price of the NZD/USD rate from June 2011. The dark blue line is the Fonterra average conversion rate (FACR). It shows Fonterra’s foreign currency rate adjusted for the gains and losses arising from Fonterra’s currency hedging.

GLOSSARY

DIRA
The Dairy Industry Restructuring Act 2001 (New Zealand).

Dry Shares
Any Shares held by a Farmer Shareholder in excess of the number of Shares required to be held by that Farmer Shareholder in accordance with the Minimum Shareholding requirement for a Season.

Farmgate Milk Price
The base price that Fonterra pays for milk supplied to it in New Zealand for a Season.

GDT Price Index
All GDT price indices are chain-linked Fisher indices using winning quantities and winning prices. For the period prior to April 2010, the GDT Price Index and the AMF, SMP and WMP price indices use GDT prices and quantities where available, and USDA Dairy Market News prices and GTIS export volumes elsewhere. USDA Western Europe average price for Butter Oil is used for AMF prior to December 2009, USDA Oceania average price for SMP is used prior to April 2010 and USDA Oceania average price for WMP is used prior to August 2008.

Reference Commodity Products
The commodity dairy products used in the calculation of the Farmgate Milk Price, which are currently Whole Milk Powder, Skim Milk Powder, Butter Milk Powder, Butter and Anhydrous Milk Fat.

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.

Share Standard
The number of Shares a Farmer Shareholder is required from time to time to hold as determined in accordance with the Constitution. The Fonterra Board may permit the Share Standard to be satisfied through the holding of both Shares and Vouchers.

V3
Fonterra’s growth strategy based on accelerating volume, value and velocity.

Voucher
A certificate that is provided to a Farmer Shareholder upon transfer of the Economic Rights of a Wet Share to the Fund in accordance with the Trust Deed.

Wet Shares
Any Shares held by a Farmer Shareholder which are required to be held in accordance with the Minimum Shareholding requirement for a Season.