Welcome to our latest Global Dairy Update. The Update is Fonterra’s commitment to continually educating and informing our farmers and wider stakeholders about the global dairy market, trends in New Zealand milk production, and the progress we are making on our key strategic themes.

This issue covers the following:

- GDT prices two per cent higher, and up 54 per cent over the same event last year
- New Zealand milk volumes five per cent higher for the Season to 30 September 2013
- Peak day for milk processing is forecast to be 25 October this Season
- New Managing Director of Fonterra’s Asia Pacific, Middle East & Africa (APMEA)

### 2013 FINANCIAL CALENDAR:

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 October</td>
<td>Record Date for final dividend</td>
</tr>
<tr>
<td>18 October 2013</td>
<td>Final dividend paid</td>
</tr>
<tr>
<td>27 November 2013</td>
<td>Shareholders’ Annual Meeting</td>
</tr>
<tr>
<td>1 December 2013</td>
<td>Compliance date for Share Standard 2013/14 season</td>
</tr>
<tr>
<td>2 December 2013</td>
<td>Unit holders’ Annual Meeting</td>
</tr>
<tr>
<td>Late March 2014</td>
<td>Interim Result</td>
</tr>
</tbody>
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### FONTERRA’S NEW ZEALAND MILK COLLECTION

Milk collection across New Zealand for the four months to 30th September was five per cent higher than the same period last year reaching 308 million kgMS. Strong winds created challenging conditions in September with some farmers in the Central South Island sustaining significant damage to irrigation infrastructure and heavy showers in the North Island have recently slowed milk growth as cows head into their peak period of production.

After the strong start to the season, October milk growth has eased to 3.5 per cent on a daily basis as we near the peak for milk production.
Season to date milk collection

<table>
<thead>
<tr>
<th>Milk Collection for the 2013/14 Season¹ (million kgMS)</th>
<th>1 June 2013 to 30 September 2013</th>
<th>1 June 2012 to 30 September 2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fonterra milksolids collected</td>
<td>308</td>
<td>293</td>
<td>5.4%</td>
</tr>
<tr>
<td>North Island milksolids</td>
<td>219</td>
<td>207</td>
<td>5.8%</td>
</tr>
<tr>
<td>South Island milksolids</td>
<td>89</td>
<td>86</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

¹: Milk collection data includes DIRA milk which is collected and sold to other New Zealand processors.

DAIRY COMMODITY PRICES

Total volume traded at the latest GDT auction on 1 October 2013 was 45,253 MT. Dairy commodity prices were on average two per cent higher than the last trading event with an average winning price of USD 4,980. Prices are up 52 per cent over the same period last year.

Compared to the last trading event, Whole Milk Powder (WMP) was two per cent higher, and Skim Milk Powder (SMP) was up four per cent. Cheddar and Anhydrous Milk Fat (AMF) were up two and three per cent respectively with Milk Protein Concentrate and Rennet Casein being the only prices that were lower than the last trading event.

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

<table>
<thead>
<tr>
<th></th>
<th>Last Trading Event (1 October 2013)</th>
<th>Year-to-Date (1 Aug 2013 to 1 October 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantity Sold (Winning MT)</td>
<td>45,253</td>
<td>262,150</td>
</tr>
<tr>
<td>Average Winning Price (USD MT/FAS)</td>
<td>$4,980</td>
<td>$4,905</td>
</tr>
<tr>
<td>USD Change in GDT Price Index over same period last year</td>
<td>54%</td>
<td>57%</td>
</tr>
<tr>
<td>USD Change in GDT Price Index from previous event</td>
<td>2.4%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

THE NEXT TRADING EVENT WILL BE HELD ON 15 OCTOBER 2013. VISIT WWW.GLOBALDAIRYTRADE.INFO FOR MORE INFORMATION.

CHART 1: GDT PRICE INDEX

Source: GlobalDairyTrade, USDA DMN
New Zealand Dollar Trend

The chart below shows the spot price of the NZD/USD rate over the past three years. The green line is the Fonterra Average Conversion Rate (FACR). It shows our foreign currency rate adjusted for the gains and losses arising from Fonterra’s currency hedging.

CHART 2: NEW ZEALAND DOLLAR VS US DOLLAR – 1 JAN 2010 TO 30 SEPTEMBER 2013
BUSINESS UPDATE

Peak Milk Processing

The New Zealand milk production season extends from June to May with production ramping up to peak from October to December before gradually falling away through late summer and autumn. This seasonal production curve requires processing and logistics capacity to handle peak milk flows, while also providing flexibility to adjust product mix outside peak months in response to changes in relative prices and market demand. It is optimal management of these factors that enables Fonterra to extract additional value from milk processed.

With the good weather across New Zealand over the past few months, pasture conditions have improved and milk production is strong coming into the peak of the season, up five per cent on this time last year. However, as we near the peak for production, milk growth to date for October has eased to 3.5 per cent on a daily basis.

CHART 3: NEW ZEALAND MILK PRODUCTION

Peak day for milk processing is approaching and forecast to be on 25 October this season. NZ Milk Products has 26 sites across New Zealand and all plants are up and running smoothly, managing the growth in milk supply. Our new Darfield drier which was commissioned in August has provided additional processing capacity with total production capacity at Darfield now reaching 6.6 million litres per day.

New Executive Appointment

Pascal De Petrini has been appointed as Managing Director of Fonterra’s Asia Pacific, Middle East & Africa (APMEA) business unit.

The APMEA business unit comprises all of our consumer operations across Australia, New Zealand, Asia, the Middle East and Africa. Mr De Petrini will join Fonterra at the beginning of November and takes over from Johan Priem who has been Acting Managing Director APMEA since May.

Pascal is a strong, strategic people leader with a proven track record in delivering significant growth as well as turnarounds in Fast Moving Consumer Goods (FMCG) businesses. He has more than 25 years’ experience across the markets of APMEA and in senior leadership roles at Danone which will greatly benefit our consumer, nutritional and foodservice growth in Asia.

Johan Priem will continue to lead the Asia, Middle East and Africa regions until the New Year and will then take over the development of our approach to Food Safety and Quality as well as support the globalisation of our Corporate Social Responsibility and Sustainability
programmes.

GLOSSARY

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.

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 Share Standard for a Season.

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

DIRA
The Dairy Industry Restructuring Act 2001 (New Zealand)

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.

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.

Season
A period of 12 months to 31 May in each year.