



Final Terms Sheet

Fixed Rate Bonds
Maturing 20 October 2021

Address details

Issuer

Fonterra Co-operative Group Limited

9 Princes Street
Auckland 1010

Arranger

ANZ Bank New Zealand Limited

Level 26, 23-29 Albert Street
Auckland 1010

Joint Lead Managers

ANZ Bank New Zealand Limited

Level 7, 1 Victoria Street
Wellington 6011

Bank of New Zealand

Level 6, 80 Queen Street
Auckland 1010

Commonwealth Bank of Australia

(ABN 48 123 123 124)
ASB North Wharf
12 Jellicoe Street
Auckland 1010

Westpac Banking Corporation

(acting through its New Zealand branch)
(ABN 33 007 457 141)
Westpac on Takutai Square
Level 8, 16 Takutai Square
Auckland 1010

Registrar

Computershare Investor Services Limited*Postal address:*

Private Bag 92119
Victoria Street West
Auckland 1142

Physical address:

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Important notice

The offer of debt securities (**Offer**) by Fonterra Co-operative Group Limited (**Fonterra**) is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The offer contained in this Terms Sheet is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Fonterra's NZ\$150,000,000 fixed rate bonds maturing on 4 March 2016 which are currently quoted on the NZX Debt Market under the ticker code FCG020 (**FCG020 Bonds**). The 2021 Bonds (defined below) are of the same class as the FCG020 Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

Fonterra is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market and that information can be found by visiting <https://www.nzx.com/companies/FCG>.

The FCG020 Bonds (which have a fixed interest rate of 6.83% and a redemption date of 4 March 2016) are the only debt securities of Fonterra that are currently quoted and in the same class as the 2021 Bonds (defined below).

Investors should look to the market price of the FCG020 Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.



Commonwealth Bank



Westpac
Institutional Bank

15 April 2015

This Terms Sheet sets out the key terms of the offer by Fonterra of NZ\$350,000,000 fixed rate bonds maturing on 20 October 2021 (**2021 Bonds**) under its master trust deed dated 18 November 2002 (as amended from time to time) as modified and supplemented by the supplemental trust deed dated 2 April 2015 entered into between Fonterra and The New Zealand Guardian Trust Company Limited (**Trustee**) (together, **Trust Documents**).

Issuer	Fonterra Co-operative Group Limited	
Description of the 2021 Bonds	The 2021 Bonds constitute unsecured, unsubordinated, fixed rate debt obligations of Fonterra. The 2021 Bonds will rank equally and without any preference among themselves and equally with all other unsecured and unsubordinated indebtedness of Fonterra, except indebtedness preferred by law.	
Use of proceeds	The net proceeds from the issue of the 2021 Bonds will be used for general business purposes.	
Ratings	Issuer Credit Rating	Issue Rating
	Standard & Poor's	A (Stable)
	Fitch	AA- (Stable)
	The ratings referred to in this Terms Sheet are not a recommendation to buy, sell or hold the 2021 Bonds, and each rating may be subject to revision or withdrawal at any time by Standard & Poor's or Fitch, as the case may be. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2021 Bonds. Neither Standard & Poor's nor Fitch has been involved in the preparation of this Terms Sheet.	
Opening Date	Monday, 13 April 2015, following the release on the NZX of the notice in connection with the Offer required by the FMC Regulations.	
Closing Date	2.00pm on Wednesday, 15 April 2015	
Rate Set Date	Wednesday, 15 April 2015	
Issue Date and Allotment Date	Monday, 20 April 2015	
Maturity Date	Wednesday, 20 October 2021	
Issue Amount	NZ\$350,000,000.	
Interest Rate	4.33 per cent per annum, being the aggregate of the Base Rate plus the Margin on the Rate Set Date.	
Margin	0.75 per cent per annum.	
Base Rate	3.58 per cent per annum, being the semi-annual mid-market rate for an interest rate swap of a term matching the period from the Issue Date to the Maturity Date as calculated by the Arranger according to market convention with reference to the Reuters page 'ICAPKIWISWAP2', rounded to 2 decimal places, if necessary, with 0.005 being rounded up.	

Principal Amount and Issue Price	\$1.00 per 2021 Bond.
Interest Payment Dates	20 April and 20 October of each year up to and including the Maturity Date, with the first Interest Payment Date being 20 October 2015. Interest will be payable semi-annually in equal amounts in arrear.
Record Date	The date 10 calendar days before an Interest Payment Date or, if not a Business Day, the immediately preceding Business Day.
Business Day	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington. If an Interest Payment Date or the Maturity Date falls on a day that is not a Business Day, the due date for any payment to be made on that date will be the next following Business Day.
Settlement Price Formula	RBNZ Bond Basis.
Minimum subscription amount and minimum holding	\$5,000 and multiples of \$1,000 thereafter.
ISIN	NZFCGDG003C9
New Zealand Registrar	Computershare Investor Services Limited
NZX Debt Market Ticker Code	FCG030
Expected date of initial quotation and trading on the NZX Debt Market	Tuesday, 21 April 2015
Quotation	Application has been made to NZX for permission to quote the 2021 Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.
Early repayment	Upon the occurrence of any of the events of default (as set out in the Trust Documents) the Trustee may, and immediately upon being directed to do so by an extraordinary resolution of bondholders must, declare the 2021 Bonds to be immediately due and payable. If the 2021 Bonds are declared due and payable prior to their Maturity Date, interest will be payable at the Interest Rate from the most recent Interest Payment Date to and excluding the date of repayment.
Further issues	Fonterra may from time to time without the consent of the bondholders issue further notes so as to form a single class with the 2021 Bonds. Fonterra may also from time to time without the consent of bondholders issue notes having different terms to those applicable to the 2021 Bonds. There is no restriction on the amount of debt which Fonterra may issue or guarantee.
Repo-eligibility	Fonterra intends to apply to the Reserve Bank of New Zealand for the 2021 Bonds to be included as eligible securities for domestic market operations.
Governing law	New Zealand

NZX waivers	<p>NZX has approved the inclusion of transfer restrictions in the Trust Documents permitting Fonterra to refuse a transfer of the 2021 Bonds if the transfer is not in multiples of \$1,000 and/or results in the transferor or transferee holding an aggregate principal amount of less than the minimum holding of \$5,000 (other than zero).</p> <p>NZX has granted Fonterra a waiver from NZX Listing Rule 5.2.3 to enable Fonterra to apply for quotation on the NZX Debt Market even though the 2021 Bonds may not initially be held by at least 500 members of the public holding at least 25% of the 2021 Bonds issued. The waiver has been granted for a period of one year from the quotation date of the 2021 Bonds. The effect of the waiver from NZX Listing Rule 5.2.3 is that initially the 2021 Bonds may not be widely held and there may be reduced liquidity in the 2021 Bonds. To the extent that the 2021 Bonds meet the spread requirements of NZX Listing Rule 5.2.3, Fonterra will notify NZX accordingly.</p>
Who may apply	<p>All of the 2021 Bonds, including oversubscriptions, are reserved for clients of the Arranger, the Joint Lead Managers, Primary Market Participants (e.g. broking firms accredited by NZX to participate in NZX markets) and other persons invited to participate in the bookbuild process for the 2021 Bonds. There will be no public pool for the offer.</p> <p>Retail investors should contact any Primary Market Participant for details as to how they may acquire the 2021 Bonds. You can find a Primary Market Participant by visiting www.nzx.com/investing/find_a_participant.</p> <p>Applications</p> <p>Fonterra reserves the right to refuse all or any part of any application for the 2021 Bonds without giving any reason and deal with oversubscriptions (if any) in its sole discretion. Fonterra in consultation with the Arranger reserves the right to scale at its discretion.</p>
How to apply	<p>There is no public pool for the offer, with 100% of the 2021 Bonds (including any over-subscriptions) reserved for clients of the Arranger, Joint Lead Managers, Primary Market Participants and other persons invited to participate in the bookbuild process as determined by the Arranger and Fonterra. Investors wishing to purchase the 2021 Bonds should contact their broker or financial advisor.</p> <p>Fonterra, in its sole discretion, will determine allocations. Fonterra reserves the right to refuse to make any allotment (or part thereof) without giving any reason.</p> <p>Each investor's broker will be able to advise them as to what arrangements will need to be put in place for the investors to trade the 2021 Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a primary market participant as well as the costs and timeframes for putting such arrangements in place.</p>
Selling restrictions	It is a term of the offer of the 2021 Bonds that the selling restrictions included in this Terms Sheet apply.
Arranger and Organising Participant	ANZ Bank New Zealand Limited
Joint Lead Managers	ANZ Bank New Zealand Limited, Bank of New Zealand, Commonwealth Bank of Australia (ABN 48 123 123 124) and Westpac Banking Corporation (acting through its New Zealand branch) (ABN 33 007 457 141)

Fonterra, in conjunction with the Arranger, may change the dates or times set out in this Terms Sheet. Fonterra has the right in its absolute discretion and without notice to close the offer early, to extend the Closing Date, or to choose not to proceed with the offer. If the Closing Date is changed, other dates (such as the Issue Date, the Maturity Dates and the Interest Payment Dates) may be changed accordingly.

Any internet site addresses provided in this Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Terms Sheet.

Copies of the Trust Documents will be made available by Fonterra for inspection during usual business hours by any bondholder at Fonterra's registered office listed above (or such office as Fonterra may notify the bondholders from time to time).

Investors should seek qualified, independent financial and taxation advice before deciding to invest. Investors will be personally responsible for all tax return filing obligations in respect of their investment in the 2021 Bonds, compliance with the financial arrangements rules (if applicable) and payment of provisional or terminal tax (if required) on interest derived.

For further information regarding Fonterra, visit <https://www.nzx.com/companies/FCG>.

Selling restrictions

The 2021 Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No 2021 Bonds may be offered for sale or sold in any other country or jurisdiction except in conformity with all applicable laws and regulations of that country or jurisdiction and the selling restrictions contained in this Terms Sheet. This Terms Sheet may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction and the selling restrictions contained in this Terms Sheet.

Without limiting the generality of the above, the following selling restrictions apply in respect of each relevant jurisdiction:

United States of America

The 2021 Bonds have not been and will not be registered under the Securities Act of 1933, as amended (**Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.

The 2021 Bonds will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of all 2021 Bonds of the Tranche of which such 2021 Bonds are part, as determined and certified by the Arranger or Joint Lead Managers, except in accordance with Rule 903 of Regulation S of the Securities Act. Any 2021 Bonds sold in the United States during the distribution compliance period require a confirmation or notice from the purchaser to substantially the following effect:

“The [Bonds] covered hereby have not been registered under the United States Securities Act of 1933, as amended (the ‘**Securities Act**’) and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Tranche of [Bonds] of which such [Bonds] are a part, as determined by [Name of dealer or dealers, as the case may be], except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S.”

Until 40 days after the completion of the distribution of all 2021 Bonds of the Tranche of which those 2021 Bonds are a part, an offer or sale of the 2021 Bonds within the United States by any dealer or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S.

Relevant Member States of the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) no 2021 Bonds have been offered and no 2021 Bonds will be offered that are the subject of the offering contemplated by this Terms Sheet in relation thereto to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by Fonterra for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the 2021 Bonds shall require Fonterra or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of the 2021 Bonds to the public” in relation to any 2021 Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the 2021 Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the 2021 Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

No communication, invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (**FSMA**)) has been or may be made or caused to be made or will be made in connection with the issue or sale of the 2021 Bonds in circumstances in which section 21(1) of the FSMA does not apply to Fonterra.

All applicable provisions of the FSMA with respect to anything done in relation to the 2021 Bonds in, from or otherwise involving the United Kingdom must be complied with.

Japan

The 2021 Bonds have not been and will not be registered in Japan pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in “*ha*” of Article 2, Paragraph 3, Item 2 of the FIEA. A Japanese Person who transfers the 2021 Bonds shall not transfer or resell the 2021 Bonds except where the transferor transfers or resells all the 2021 Bonds en bloc to one transferee. For the purposes of this paragraph, “**Japanese Person**” shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

France

The 2021 Bonds have not been offered or sold, and will not be offered or sold, directly or indirectly, to the public in France, and this Terms Sheet or any other offering material relating to the 2021 Bonds has not been, and will not be, distributed to the public in France. Any such offers, sales and distributions in France will only be to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Singapore

This Terms Sheet has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (**SFA**). Accordingly, this Terms Sheet and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the 2021 Bonds to be issued by Fonterra as contemplated by this Terms Sheet may not be circulated or distributed, nor may the 2021 Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the applicable conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the 2021 Bonds are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the 2021 Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;
- (2) where no consideration is or will be given for the transfer;

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- (3) where the transfer is by operation of law;
 - (4) as specified in Section 276(7) of the SFA; or
 - (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

No 2021 Bonds have been offered or sold or will be or may be offered or sold in Hong Kong, by means of any document, except for the 2021 Bonds which are a **'structured product'** as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong other than (a) to **'professional investors'** as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a **'Prospectus'** as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No advertisement, invitation or document relating to the 2021 Bonds may be issued or in the possession of any person or will be issued or be in the possession of any person in each case for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the 2021 Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to **'professional investors'** as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

The People's Republic of China

The 2021 Bonds may not be offered or sold directly or indirectly within the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan) (**PRC**). This Terms Sheet or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. This Terms Sheet, any information contained herein or the 2021 Bonds have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the 2021 Bonds in the PRC.

The 2021 Bonds may only be invested in by PRC investors that are authorised to engage in the investment in the 2021 Bonds of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licences or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and/or other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

The Netherlands

No 2021 Bonds have been or will be offered in the Netherlands other than to persons or entities which are qualified investors (*gekwalficeerde beleggers*) as defined in article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (**Corporations Act**)) in relation to the 2021 Bonds has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission (**ASIC**) or any other regulatory authority in Australia. No person may:

- (a) make or invite (directly or indirectly) an offer of the 2021 Bonds for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) distribute or publish, any Terms Sheet, information memorandum, prospectus or any other offering material or advertisement relating to the 2021 Bonds in Australia,

unless:

- (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation

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- otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
 - (ii) the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act;
 - (iii) such action complies with all applicable laws, regulations and directives; and
 - (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

By applying for the 2021 Bonds under this Terms Sheet, each person to whom the 2021 Bonds are issued (an **Investor**):

- (a) will be deemed by the Issuer and each of the Joint Lead Managers to have acknowledged that if any Investor on-sells the 2021 Bonds within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:
 - (i) that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer the 2021 Bonds in Australia without a prospectus or other disclosure document lodged with ASIC; or
 - (ii) the sale offer is received outside Australia; and
- (b) will be deemed by the Issuer and each of the Joint Lead Managers to have undertaken not to sell those 2021 Bonds in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such 2021 Bonds.

This Terms Sheet is not, and under no circumstances is to be construed as, an advertisement or public offering of any 2021 Bonds in Australia.

Indemnity

By its subscription for or purchase of the 2021 Bonds, each bondholder agrees to indemnify Fonterra, the Arranger, each Joint Lead Manager and the Trustee and each of their respective directors, officers and employees for any loss, cost, liability or expense sustained or incurred by Fonterra, the Arranger, each Joint Lead Manager or the Trustee, as the case may be, as a result of the breach by that bondholder of the selling restrictions set out above.