

## OFFERING CIRCULAR



**Dairy for life**

### **FONTERRA CO-OPERATIVE GROUP LIMITED**

*(incorporated with limited liability under the laws of New Zealand)*

#### **U.S.\$4,000,000,000 Euro Medium Term Note Programme**

This Offering Circular describes the U.S.\$4,000,000,000 Euro Medium Term Note Programme (the '**Programme**') of Fonterra Co-Operative Group Limited (the '**Issuer**'). Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. Under this Programme the Issuer may from time to time issue notes (the '**Notes**') denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under 'Summary of the Programme' and any additional Dealer appointed under the Programme from time to time by the Issuer (each a '**Dealer**' and together the '**Dealers**'), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the 'relevant Dealer' shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under 'Terms and Conditions of the Notes') of Notes will be set out in a pricing supplement (the '**Pricing Supplement**').

Application has been made to the Singapore Exchange Securities Trading Limited (the '**SGX-ST**') for permission to deal in and quotation for any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the official list of the SGX-ST (the '**Official List**'). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its respective subsidiaries and associated companies (if any), the Programme or such Notes.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets (including but not limited to non-regulated markets) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the '**Securities Act**') or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered or sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or the benefit of, U.S. persons (as defined in Regulation S under the Securities Act ('**Regulation S**')) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See '*Form of the Notes*' for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see '*Subscription and Sale*'.

Tranches (as defined herein) of Notes may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to this Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Investing in Notes issued under the Programme involves certain risks. See '*Risk Factors*' below for a discussion of certain factors to be considered in connection with any investment in the Notes.

#### **Joint Arrangers**

**CITIGROUP**

**DEUTSCHE BANK**

#### **Dealers**

**Citigroup**

**Deutsche Bank**

**HSBC**

**J.P. Morgan**

**Rabobank International**

**Société Générale Corporate & Investment Banking**

**UBS Investment Bank**

**15 October 2014**

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## IMPORTANT NOTICES

Fonterra Co-operative Group Limited (the '**Issuer**' or '**Fonterra**') accepts responsibility for the information contained in this Offering Circular and the Pricing Supplement (as defined below) for each Tranche (as defined herein) of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular and the Pricing Supplement for each Tranche of Notes issued under the Programme are, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Certain information and data contained on pages 69, 70 and 71 of this Offering Circular relating to the competitive position of the Issuer was derived by the Issuer collating information from various sources, including publicly available information (derived from Dairy Companies Association of New Zealand, U.S. Department of Agriculture and Eurostat) and subscription based sources (including Global Trade Information Services), and analysing that information to produce the statistics relating to its competitive positions. The Issuer accepts responsibility that such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain, no facts have been omitted which would render such information inaccurate or misleading. Where applicable, the source of such information is indicated in footnotes in this Offering Circular.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under '*Terms and Conditions of the Notes*' (the '**Conditions**') as completed by a document specific to such Tranche called a pricing supplement (the '**Pricing Supplement**') as described under '*Pricing Supplement*' below. This Offering Circular should be read and construed together with any supplement hereto and with any other documents incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of a Pricing Supplement, should be read and construed together with the relevant Pricing Supplement.

The Issuer has confirmed to the Dealers (as defined in '*Subscription and Sale*' below) that this Offering Circular (including, for this purpose, each relevant Pricing Supplement) contains all information regarding the Issuer and its Subsidiaries (as defined under the Conditions) (together, the '**Group**') and the Notes which is (in the context of the Programme and the issue, offering and sale of the Notes thereunder) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to ascertain and to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee (as defined herein) or any Dealer.

Credit ratings have been assigned to the Issuer by Standard & Poor's (Australia) Pty Ltd and Fitch Australia Pty Ltd, and to the Programme by Standard & Poor's (Australia) Pty Ltd and Fitch Australia Pty Ltd, and are stated elsewhere in this Offering Circular. Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement.

Neither the Dealers, the Trustee nor any of their respective affiliates have authorised the whole or any part of this Offering Circular. No representation or warranty is made or implied by any of the Dealers, the Trustee or any of their respective affiliates, and none of the Dealers, the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended, completed or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Group since the date

thereof or, if later, the date upon which this Offering Circular has been most recently amended, completed or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular or any Pricing Supplement comes are required by the Issuer, the Trustee and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Offering Circular or any Pricing Supplement and other offering material relating to the Notes, see '*Subscription and Sale*' below. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the '**Securities Act**') and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Trustee or any of the Dealers that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. The content of this Offering Circular should not be construed as providing legal, business, accounting or tax advice and each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and to have consulted its own legal, business, accounting and tax adviser.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In this Offering Circular, unless otherwise specified, references to a '**Member State**' are references to a Member State of the European Economic Area, references to '**RMB**', '**Renminbi**' or '**CNY**' shall be construed as references to Renminbi, the lawful currency of the People's Republic of China (the '**PRC**'), '**HK\$**' or '**Hong Kong dollars**' shall be construed as references to Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC, '**S\$**' or '**Singapore dollars**' are to the lawful currency of the Republic of Singapore, '**U.S.\$**', '**U.S. dollars**', '**USD**' or '**dollars**' are to United States dollars; references to '**GBP**', '**£**', '**Sterling**' are to the Pound Sterling; all references herein to '€', '**EURO**', '**EUR**', '**Euro**' or '**euro**' are to the single currency introduced at the start of the third stage of the European Economic Monetary Union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended and references to '**NZ\$**' are to the currency of New Zealand.

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain statements in this Offering Circular may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer, the Group or the Group's associates to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's, the Group's and the Group's associates' present and future business strategies and

the environment in which, the Issuer or the Group or the Group's associates will operate in the future. Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under 'Risk Factors', 'Description of the Issuer' and 'The Group'. These forward-looking statements speak only as at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) (the 'Stabilising Manager(s)') may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail.**

However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) or person(s) acting on behalf of any Stabilising Manager(s) in accordance with all applicable laws and rules.

## RISK FACTORS

*Investing in the Notes involves certain risks. Prospective investors in the Notes should read and consider carefully, among other things and in light of their financial circumstances and investment objectives, all of the detailed information in this Offering Circular (including the information that has been incorporated by reference herein) and, in particular, the risk factors set out below that the Issuer believes (i) represent, or may represent, the factors known to it that may affect its ability to fulfil its obligations under the Notes and (ii) may be material for the purposes of assessing the market risks associated with Notes issued under the Programme, before making an investment decision.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons that the Issuer may not consider to be significant based on information currently available to it or that it may not currently be able to anticipate. All of the factors set out below are contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. If any of these risks materialise, the price of the Notes may decline and the investors could lose all or part of their investment and suffer other losses.*

*Words and expressions defined in the 'Terms and Conditions of the Notes' below or elsewhere in this Offering Circular have the same meanings in this section.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme**

#### ***Financial Risks***

##### *Global dairy commodity prices*

Dairy commodity prices can be volatile, with substantial increases and decreases occurring over a relatively short period. A rapid rise in the prices of dairy commodities could reduce earnings, particularly if the increase reduces the margin that Fonterra makes on consumer branded and foodservices products.

The price for milk ('**Farmgate Milk Price**') supplied to Fonterra by its shareholder dairy farmers ('**farmer shareholders**') is calculated by assuming that all the New Zealand milk Fonterra collects is converted into Whole Milk Powder (WMP), Skim Milk Powder (SMP), Anhydrous Milk Fat (AMF), butter and butter milk products (those products are known as the 'Reference Commodity Products'). Fluctuations are commonly observed in the relative price of the Reference Commodity Products and other dairy nutrition products manufactured by Fonterra such as cheese and casein and their by-products. Fluctuations in the relative prices of Reference Commodity Products and other dairy nutrition products can therefore have a significant impact on Fonterra's earnings.

##### *Credit rating*

The obligations of Fonterra to farmer shareholders are Effectively Subordinated to all other indebtedness of Fonterra, including its obligations to pay all secured creditors, all creditors preferred by law and all unsubordinated unsecured creditors. This is an important component in Fonterra's strong credit rating. The Effective Subordination of milk payments to farmers, including the factors underpinning it, is defined and discussed in '*Description of the Issuer*' below and '**Effectively Subordinated**' has a corresponding meaning.

Fonterra's credit rating is subject to the judgement of the rating agencies and factors that they consider would impact on Fonterra's credit rating, which could change at any time. In particular, any change that materially undermined Effective Subordination would put downward pressure on the current credit rating.

##### *Foreign exchange rates*

Fonterra is exposed to foreign exchange risk on the revenue it receives on sales of products overseas, its investment and returns in relation to its overseas business, and its foreign currency-denominated borrowings and other liabilities. Fonterra's main foreign currency exposure is to

the U.S. dollar. Exchange rates can be volatile and fluctuations in exchange rates may have an impact on the Farmgate Milk Price and Fonterra's earnings.

#### *Hedging contracts*

Through its borrowings, Fonterra is also exposed to fluctuations in interest rates. Fonterra hedges a portion of its foreign currency and interest rate risk through swaps and other derivatives. However, Fonterra still faces material exposure to significant movements in interest rates and foreign currency rates.

In addition, as previously mentioned, Fonterra is exposed to movements in dairy commodity prices. Accordingly, under a Commodity Risk Management Policy, Fonterra enters into limited hedging contracts and uses sales contracts pricing to limit its exposure to fluctuations in dairy commodity prices. Nonetheless, movements in dairy commodity prices can affect realised hedging gains and losses on these contracts, thereby affecting Fonterra's earnings. There is also a risk that counterparties to these contracts do not fulfil their contractual obligations resulting in losses being incurred by Fonterra.

#### *Farmgate Milk Price and its effect on dividends and returns*

The Fonterra Board of Directors sets the Farmgate Milk Price after consideration of the price determined according to the manual ('**Farmgate Milk Price Manual**'). The Farmgate Milk Price Manual sets out the policies and methodology for determination of the Farmgate Milk Price as provided for under the Fonterra constitution, and in accordance with the Dairy Industry Restructuring Act 2001 of New Zealand ('**DIRA**').

It is possible that changes made to the Farmgate Milk Price Manual (including changes to the Reference Commodity Products used to calculate the Farmgate Milk Price), which are deemed appropriate based on the milk price principles set out in Fonterra's constitution, may have a short or longer-term impact on Fonterra's earnings, returns or dividends.

The Farmgate Milk Price may need to change in order to respond to market conditions. Failure of the Farmgate Milk Price to appropriately reflect market conditions could result in the Farmgate Milk Price being perceived as uncompetitive by farmer shareholders. This may influence farmer shareholders as to whether they choose to produce milk or supply it to Fonterra and lead to a consequential loss of milk supply, potentially impacting Fonterra's earnings, returns or dividends.

#### *Asset utilisation in New Zealand*

Fonterra has a substantial investment in plant and other manufacturing assets in New Zealand that have few alternative uses other than to process milk. A significant proportion of Fonterra's earnings are derived from milk processing through these plants. Fonterra's earnings would be vulnerable to a significant long-term loss of milk collections due to factors such as competition for milk in New Zealand, changes in land use, restrictions on dairy farming or other factors. This would lead to excess capacity and Fonterra being left with stranded assets, with a consequent adverse impact on earnings.

### ***Operational risks***

#### *Biosecurity*

The supply of dairy products is principally an agricultural activity, which exposes Fonterra to biosecurity risks, including the risk of animal disease outbreak (e.g. foot and mouth disease among cows). This may occur in New Zealand or any of the offshore markets in which Fonterra undertakes dairy farming operations or sources milk, either directly or through its joint ventures.

Biosecurity risks may arise from inadvertent actions, such as the use of contaminated stock feed, or from deliberate acts such as bioterrorism.

A biosecurity event could significantly disrupt the supply of raw milk from Fonterra's dairy farming operations or supply of raw milk to Fonterra and Fonterra's output of manufactured products, lead to livestock losses or result in restrictions on the movement of animals or dairy products. Fonterra could also be indirectly affected if the biosecurity event relates to a country or region where Fonterra has significant operations even though the event is not directly related to Fonterra's operations or products. For example, biosecurity events occurring in New Zealand could affect its 'clean and green' image and/or

Fonterra's general reputation. Adverse perceptions resulting from a biosecurity event could affect the reputation of products (including raw milk) supplied by Fonterra or curtail demand for Fonterra's products.

#### *Food safety and quality*

As with any food business, there are risks relating to the safety and/or quality of Fonterra's products. There is a risk that Fonterra's products could be contaminated, tampered with or adulterated in the supply or production process or otherwise become unfit for sale or consumption. This could also occur where affected products are procured by Fonterra or its joint venture operations or if product becomes affected when mixed with products supplied by a third party. These risks can apply in New Zealand as well as outside of New Zealand (particularly in emerging markets) and in joint venture arrangements where Fonterra might not necessarily have full control over the milk supply chain.

Food safety and quality issues can result in the dumping of product, claims by customers and significant product recall costs being incurred. Any related adverse publicity (even if from false or malicious or unfounded allegations) may potentially result in Fonterra incurring significant costs and experiencing reputational harm.

The quality of raw milk produced or collected by Fonterra could be impacted by unfit feed or water being provided to livestock, or as a result of improper harvesting, storage or transportation processes.

Food safety or quality issues can result in governments restricting the import of Fonterra products which can adversely affect Fonterra's ability to make future sales of products. Other conditions or restrictions may be placed on Fonterra products including advertising bans or conditions requiring implementation of difficult product testing regimes. Conditions or restrictions of this nature can affect Fonterra's ability to make future sales of products or the price at which products can be sold. As at the date of this Offering Circular, there are a number of restrictions on the import of Fonterra and New Zealand dairy products into certain jurisdictions around the world. Some of these restrictions are temporary restrictions that relate to food quality and safety. New Zealand dairy products are subject to other import restrictions referred to below in the section 'Trade and Market Access'. Fonterra manages these restrictions as part of its general business.

Anything adversely impacting the reputation of Fonterra or its brands (including the perception of the quality of New Zealand dairy products) could affect Fonterra's ability to make future sales of products or the price at which products can be sold.

#### *Milk supply*

Fonterra is reliant on milk supply in the production of its dairy products and collects and processes milk in a number of countries. Fonterra collects approximately 87 per cent. of New Zealand's total milk supply.

The volume and pattern of milk supply may change over time due to the influence of long-term economic trends. Changes in the economy that have implications for the input costs and relative returns for dairy farming may affect farmers' decisions to produce and supply raw milk. More generally, these may affect the competitiveness of milk production in New Zealand or other countries where Fonterra collects milk.

Under the DIRA, Fonterra is required to allow its farmer shareholders to supply up to 20 per cent. of their weekly milk production throughout a milk season to other dairy processors including Fonterra's competitors if the farmer shareholders meet certain conditions. Accordingly, other processors can gain access to milk supply as they will be able to take milk from Fonterra suppliers without having to ask those suppliers to cease supplying Fonterra entirely. At present, the amount of milk supplied to other processors by farmer shareholders is not material. Fonterra is also required by the DIRA to supply milk to its competitors (up to certain maximum volumes). These factors can reduce the amount of milk supply available to Fonterra in New Zealand.

Fonterra is required to collect up to 100 per cent. of the milk produced by farmer shareholders. This means that Fonterra is required to process or dispose of milk collected even when market demand is



low and / or prices are unfavourable. This could also constrain Fonterra's ability to trade at the level forecast and its ability to optimise production (particularly when milk supply is high).

Due to the seasonality of milk supply in New Zealand, Fonterra is reliant on its forecasts of market demand and product mix requirements in relation to manufacture of products over the peak milk season for subsequent sale during the periods in the milk season when milk supply volumes are low. Differences between actual market demand and product mix requirements from those forecast by Fonterra can affect Fonterra's earnings.

Milk supply to Fonterra in New Zealand and overseas can also be adversely affected by changes in climate or weather-related events. Prevailing unfavourable weather and climate conditions impact long term farming systems and profitability and can adversely affect Fonterra's milk collection volumes. Severe weather and climatic events such as droughts, floods, or high winds can significantly impact milk production and manufacturing infrastructure. Significant fluctuations in the amount of product that Fonterra produces can result. These fluctuations may become more common as a result of greenhouse gas-related climatic changes. Such events would adversely impact Fonterra's reputation in relation to the reliability of the supply of its products.

As Fonterra is obliged to take all of the milk that its suppliers produce, very favourable production conditions can result in excess supply which can lead to inefficient plant operations and / or disposal of some milksolids.

As noted above, most of the factors that can influence milk supply may affect production in overseas countries, as well as New Zealand. Fonterra has significant investments in milk processing assets in Australia and Chile in particular, as well as through its Dairy Partners Americas joint venture with Nestlé in South America (which is in the process of being realigned – see LATAM on page 70), its DFE Pharma joint venture with FrieslandCampina, its DairiConcepts joint venture with Dairy Farmers of America and its partnership with A-ware Food Group in the Netherlands. Fonterra is also investing in dairy farms in China.

Factors that adversely affect milk supply in these regions could affect earnings from these investments.

#### *Management of contractual and joint venture relationships*

Fonterra conducts a significant portion of its business through joint venture arrangements. Any joint venture arrangement involves risks that differing commercial interests or a dispute between the parties to the joint venture, or the level of financial or commercial support they provide, could affect the business, staff, operations or financial stability of the joint venture.

Many of Fonterra's key customers and joint venture partners are also competitors of Fonterra. Accordingly, Fonterra is exposed to the risk that the relationship with those customers may be affected by the strategic actions of Fonterra as a joint venture partner or competitor.

#### *Procurement*

Fonterra relies on certain key suppliers of products and services used in the manufacture and supply of dairy products (e.g. suppliers of lactose, third party manufacturers and outsourced service providers). Increases in the costs of inputs or a failure of one or more of those key suppliers to provide those products or services to Fonterra could constrain or disrupt supply or give rise to a risk of Fonterra's products being defective. This may have adverse effects on Fonterra's reputation in relation to the quality of its products and the reliability of its supply.

#### *Catastrophe*

A major catastrophe, violent act or local disaster of significant magnitude (e.g. earthquake, fire, terrorism, war, epidemic (for example a global flu or ebola type epidemic), natural disaster, storm, flood, sabotage or volcanic eruption) could damage or destroy manufacturing facilities or general business infrastructure or impact significantly on a population, which could constrain or disrupt Fonterra's ability to supply products.

### *Building Code requirements in New Zealand*

New Zealand local councils ('Councils') have a statutory power to require building owners to undertake remedial work to buildings to ensure that such buildings meet at least 34 per cent. of the current earthquake standard set out in the Building Code. Following the earthquakes of 2010 and 2011 in Christchurch, New Zealand, and the report of the Canterbury Earthquakes Royal Commission, the Ministry of Business, Innovation and Employment has recently announced changes to legislation that will require all Councils to have completed an earthquake assessment on all qualifying buildings within five years from the changes being enacted, and a legal obligation on all building owners whose building is assessed as earthquake-prone to either demolish the building or have it strengthened to meet 34 per cent. of the current Building Code within a further 15 years. Fonterra is in the process of reviewing its entire property portfolio and Fonterra has done, and will continue to do, all that is required to remain compliant with the announced changes to the building earthquake standards. To the extent that Fonterra has any buildings that do not meet at least 34 per cent. of the current Building Code, it will have to incur capital expenditure to demolish (and, if relevant, replace) or upgrade the buildings to ensure the buildings comply with the Building Code.

### *Environmental concerns*

There are risks for Fonterra associated with environmental concerns including water access and usage, agricultural emissions, discharges to land and water, genetic modification, animal welfare, contaminants in pasture or soil and the potential environmental impacts of the use of certain feed supplements and of transporting products over long distances, linked with the global supply of dairy products. These may impact on the supply of raw milk, manufacture, marketing of, and returns for, dairy products in New Zealand or internationally. These environmental concerns could also affect Fonterra's reputation, result in greater regulation, consent and licensing requirements or restrictions on Fonterra's or its suppliers' operations. New Zealand is currently implementing changes to its environmental regulatory regime with respect to the impacts of land use on water quality and usage which may result in greater costs or requirements imposed on Fonterra or its suppliers' operations.

### *Environmental violations or incidents*

Fonterra's operations are subject to environmental consents and regulation. In the event of discharges into the environment or other events of non-compliance, Fonterra or its farmer shareholders may be subject to clean-up costs and / or financial penalties. Production may also be disrupted in the event of material non-compliance with environmental or other approvals authorising production and associated processes, or from those approvals not being renewed (or being renewed on more onerous terms).

The storage, use, production and transport of Fonterra's products or products used in the production process (including hazardous substances) also involves the risk of accidents, spills or contamination. Each of these occurrences could result in harm to the environment. These may lead to disruption in operations, and / or regulatory sanctions and involve significant cost to remedy. A material environmental violation or other incident could harm the reputation of Fonterra and its brands.

### *Reliance on utilities, infrastructure and logistics*

The process of converting liquid milk into milk powder is energy intensive and requires a large available water supply. Fonterra's operations may be adversely affected by increases in the price of electricity, gas and water or the reduction or loss of those utilities. In New Zealand, electricity is predominantly generated by hydro-electric dams. Electricity price increases or shortages may occur in years when water levels for hydro-electric dams are low.

Fonterra depends on infrastructure and third party logistics suppliers (such as rail, roading, warehousing and shipping) to process and transport its products to the market. Material failures to Fonterra's processing facilities or supply chain difficulties or shortages (including industrial or other action affecting rail, roading, warehousing or shipping) could lead to delays in production or supply or the loss of product.

### *Health and safety*

Fonterra must comply with various health and safety laws and regulations in various jurisdictions. Penalties and other liabilities for the violation of such standards could be imposed on Fonterra following actual or potential harm to individuals or for non-compliance with the applicable laws and regulations. A major health and safety incident involving serious injury or death could also impact Fonterra's reputation as an employer, its compliance costs, staff morale and productivity, and may attract media exposure and additional regulatory scrutiny.

### *Industrial action*

There is a risk of industrial action arising from claims for higher wages and/or better conditions in the industries in which Fonterra and its joint ventures operate (such as operators of ports and transport logistics), which could disrupt the production or supply of products by Fonterra. This risk exists in New Zealand and in other countries where Fonterra and its joint ventures operate.

### *Information technology*

Fonterra manages its global supply chain through its information technology system. The failure of information technology systems, business continuity plans and data protection systems, could result in information loss and lead to production delays and other supply chain difficulties. The infiltration of information technology systems could lead to a failure of systems or loss of confidential commercially sensitive information. From time to time Fonterra undertakes projects relating to the upgrade and / or replacement of its information technology systems. Any delays to, or failure in, the implementation of such projects could have an adverse impact on Fonterra's financial performance.

### *Departure of key personnel*

There is the possibility of key personnel (including the senior management team) leaving Fonterra and the potential for short-term disruption caused by seeking appropriate replacements.

### *Disruptive or emerging technology*

Future changes in the methods and technology used for the collection, manufacture and transport of milk and other dairy products cannot be predicted. Advances may result in Fonterra's existing production facilities becoming obsolete or placing competitors at an advantage and could ultimately affect Fonterra's sale of product into the globally-traded dairy market.

### *Availability of licences and approvals*

There is a risk that licences, approvals or consents that are material to Fonterra in operating its business or exporting product from New Zealand into another country will not be renewed or will be renewed on more restrictive or onerous terms or, in certain circumstances, revoked.

### *Litigation and disputes*

In the ordinary course of its business, Fonterra and its joint ventures have had, and may have, disputes with third parties, including disputes resulting in litigation or threatened litigation. A dispute (whether or not it results in litigation) could have material adverse impacts on Fonterra's financial position. See the 'Litigation' sub-section under '**General Information**' below.

## **Market risks**

### *General economic and market conditions*

The international market for dairy products is affected by general economic conditions and other significant events. Changes in general macroeconomic factors in major world economies could significantly affect world commodity prices, the purchasing patterns of some of Fonterra's customers and the general level of consumption of dairy products, having an adverse effect on Fonterra.

Outbreaks of pandemic disease and other disruptive events could affect demand for Fonterra's products or its ability to deliver products into affected countries, or lead to temporary closure of facilities for Fonterra and / or its customers.

The profitability of Fonterra's China farm operations is principally determined by the margin of milk sales over feed costs. Any material change to either milk or feed prices has the potential to impact the earnings of the business.

Changes in general economic and market conditions could also affect Fonterra's ability to access capital markets as a source of funding.

The scope and extent of these factors and events cannot be predicted and, as a result, it is not possible to assess with any certainty any additional impact that they may have on the funding, operations and activities of Fonterra.

#### *Political risk in offshore markets*

A significant amount of Fonterra's revenue is earned from sales to non-OECD and developing markets that are economically and politically less stable than developed economies. A foreign country may become politically unstable resulting in the loss of an investment, or default in payment by a significant debtor. Sales of dairy products and earnings may also be affected by war, nationalisation of assets, economic instability or downturn, deflation or inflation / hyperinflation, currency volatility, price control, or political interference or uncertainty. Certain political, commercial or economic events in one country may also disrupt delivery of Fonterra's products into other intended markets.

#### *Customer and geographic concentration/ bargaining power*

Fonterra sells a significant percentage of its dairy ingredients products to a number of key customers. A large proportion of dairy ingredients sales are also concentrated in China. This exposes Fonterra to the credit risk and demand requirements of those key customers and market dynamics in China.

There is also a growing global concentration and sophistication of retail customers in the supermarket sector including in Australia and New Zealand. There is an increased drive by these customers to grow their 'private label' product offerings. These factors, together with increased levels of branded competition, could further reduce Fonterra's growth margins and restrict its access to retail channels.

#### *Consumer preferences and product substitution*

Throughout international markets, there are continual changes in consumer preferences and trends, including as a result of emerging health trends and scientific studies, this may result in Fonterra's customers substituting the products they purchase with non-dairy products or dairy products produced by competitors.

#### ***Reputational risk***

Maintaining a good reputation is critical to Fonterra's ability to sell products and maintain milk supply. There is a risk that adverse publicity (mainstream or social media) based on actual or perceived issues relating to Fonterra's products or business practices could result in damage to Fonterra's reputation. This could in turn cause a loss of stakeholder confidence (e.g. customers and suppliers) reducing market demand for Fonterra products, impact on production and delivery disruptions. There is potential for an irreversible adverse event impacting on Fonterra's competitive position in the market and financial impact including loss of sales and additional resources required to rebuild Fonterra's reputation.

Potential issues triggering reputational damage include those highlighted in the sections 'Biosecurity', 'Food Safety and Quality', 'Environmental violations or incidents', 'Procurement' and 'Health & Safety' as well as other possible sources such as changing public perception on sustainability matters, and animal welfare issues impacting the dairy industry generally in New Zealand or abroad. Fonterra has implemented a number of independent review recommendations following its WPC80 precautionary recall in August 2013 to strengthen capabilities in the management of future incidents with potential for adverse reputational impact.

## ***Regulatory risks***

### *Dairy regulation in New Zealand*

The dairy industry and Fonterra are subject to a number of laws and regulations in New Zealand. A change in or the introduction of new policies, legislation or regulation or the way in which existing policies, legislation or regulation is enforced could adversely affect Fonterra.

The DIRA established the regulatory framework for the New Zealand dairy industry. Like any legislation, disputes may arise in relation to the proper interpretation of the regulatory framework. There is also a risk that the regulatory framework may be amended from time to time, including in a way that could adversely affect Fonterra.

For example, a 'sunset' regime is provided for in the DIRA. In particular, the regulatory framework may come to an end when the New Zealand Minister for Primary Industries is satisfied that independent processors are, directly or indirectly, collecting 20 per cent. or more of milksolids on or from dairy farms in the North Island and/or South Island of New Zealand. This threshold triggers a review process in relation to what, if any, regulation should remain for the relevant Island. The Minister is also required to initiate a review process if the threshold triggers are not met by 1 June 2015.

It is therefore possible that the regulatory framework affecting Fonterra could change substantially, or even end, if its proportion of raw milk collected in either Island declined substantially or if the threshold triggers have not been met by 1 June 2015 and the Minister for Primary Industries undertakes a review of the DIRA regulatory framework. If that occurred, Fonterra would, however, remain subject to general competition law rules under the Commerce Act 1986 of New Zealand and other applicable legislation. The ultimate nature of any such changes and their impact on Fonterra is still to be determined.

### *Other regulations in New Zealand*

Fonterra's operations are also subject to numerous other New Zealand laws and regulations that impact on most aspects of Fonterra's operations in New Zealand. A change to existing district, regional or national environmental standards or planning policies or the imposition of new requirements or standards (e.g. restrictions on the use of water or other natural resources) may have implications for the supply of raw milk or otherwise have a material adverse effect on Fonterra. Failure to comply with resource consent conditions (for example) could result in restrictions being imposed on Fonterra's operations.

### *Greenhouse gas emissions*

Agricultural activity produces significant greenhouse gas emissions. Internationally (under the Kyoto Protocol) and domestically (under the Climate Change Response Act 2002 (New Zealand)) charges, taxes or other imposts are being introduced in relation to greenhouse gas emissions.

Fonterra is a participant under the New Zealand Emissions Trading Scheme ('NZETS') and is required to monitor and report on all emissions annually. In 2012, the current New Zealand government amended the NZETS to indefinitely delay the imposition of charges on biological emissions from agriculture under the NZETS. However, this could change, as other political parties have signalled their intent to introduce a charge on agricultural emissions. While the likely impact on Fonterra from the regulation of greenhouse gas emissions is currently uncertain, Fonterra's farmer shareholders could face emissions charges in the future and Fonterra's non-biological activities could face increased charges.

Internationally, a number of emissions trading schemes are planned or have been implemented in various countries. Accordingly, there is the potential for lost competitiveness in offshore markets where charges for emissions do not exist or are lower than where the products are manufactured or sourced.

As businesses respond to the potential for further emissions charges, demand for bio-fuels may grow. The production of bio-fuels may compete with other agricultural industries for land, water and crops.

As greenhouse gas regulations and reporting requirements develop, there is also a growing awareness amongst consumers of the relative environmental impacts of various industries. It is possible that Fonterra's engagement in environmental mitigation actions will not sufficiently meet consumer and

stakeholder expectations. This could lead to alternative sources of nutrition being sourced or greater pressure on the regulators to intervene.

#### *Trade and market access*

Fonterra predominantly derives its revenue from the sale of products in markets outside New Zealand. In addition to the risks associated with commodity prices described under '**Financial risks**' in this section, the actions of foreign governments may also affect Fonterra.

Foreign governments can take actions that influence or restrict the international trade in dairy products, including through tariffs, quotas, price controls, other non-tariff barriers (such as technical or sanitary requirements), trade embargoes and sanctions, the imposition of anti-dumping measures, subsidies and food-related regulation. A breach of these may potentially result in extended legal action, financial penalties, prosecution, temporary trade embargoes and even permanent loss of market access. Trade embargoes or sanctions imposed by one or more foreign governments may result in changes in international dairy market dynamics and affect prices for dairy products.

Fonterra operates in certain jurisdictions that have capital and foreign exchange controls in place, such as taxation on the repatriation of funds earned in that jurisdiction. This affects Fonterra's ability to remit funds from those jurisdictions.

The extent of these regulations, subsidies and controls may also be influenced by lobbying activities of non-governmental organisations or other commercial or customer groups.

The interaction of these factors is complex and can result in substantial shifts in Fonterra's competitiveness and the levels of returns from overseas markets.

#### *International trade sanctions laws and regulations*

Fonterra supplies products into a number of markets that are either currently targeted by international trade sanctions or have the potential to be targeted in the future. An expansion of these sanctions could block or restrict Fonterra's ability to access and supply product into these markets.

Fonterra has obligations to comply with the international trade sanctions law and regulations currently in force in various jurisdictions. Failure to comply with these laws and regulations carries with it the potential for Fonterra to be fined, prosecuted, or have assets frozen. A breach of trade sanctions law or regulations could also damage Fonterra's reputation.

Fonterra complies with all sanctions that apply to it and is not aware of any breach of any relevant sanction. Fonterra has policies in place to ensure ongoing confirmed compliance with all relevant sanctions.

#### *Regulation in offshore markets*

Fonterra's operations in overseas jurisdictions are also exposed to the risk of regulatory changes in those jurisdictions. Changes in laws or regulations in overseas jurisdictions could expose Fonterra to increased compliance costs and / or require Fonterra to dramatically change the structure of its operations in that jurisdiction. Any failure to comply with the applicable laws and regulations could also result in fines, injunctions, suspensions, penalties or other sanctions being imposed.

Fonterra's farming operations in China are currently tax exempt. Any change to or loss of this exemption would impact the profitability of the business.

#### *Changing food regulations*

In relation to regulation of the sale of products, there is a risk that laws or regulations will be introduced in offshore markets and in New Zealand that seek to reduce the advertising and consumption of certain food categories, require mandatory dietary content disclosure or impose taxation measures that reference food content. There is also increasing regulatory and industry scrutiny of product label health claims which could result in further restrictions on the making of these health claims in the future. Such measures could have a material adverse effect on Fonterra's ability to market products and on its costs and / or earnings.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

***Notes may not be a suitable investment for all investors***

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

***Notes subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Variable rate Notes with a multiplier or other leverage factor***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Notes.

### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### *The Issuer's obligations under Subordinated Notes are subordinated*

The Issuer's obligations under Dated and Undated Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of Senior Creditors and Prior Creditors, respectively (as defined in 'Terms and Conditions of the Notes' herein). Although Dated and Undated Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Dated and Undated Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

### *Risks related to Notes generally*

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Denominations*

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

#### *Modification and waivers*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC (the 'EU Savings Directive') on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction being a paying agent in the meaning of the EU Savings Directive to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The EU Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member



State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive. Investors who are in any doubt as to their position should consult their professional advisers.

#### *Change of law*

The Terms and Conditions of the Notes (other than Condition 5 (*Subordination*)) are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

#### *Payments on the Notes may be subject to U.S. withholding tax under FATCA*

In certain circumstances payments made on or with respect to the Notes after 31 December 2016 may be subject to U.S. withholding tax under Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as '**FATCA**'). This withholding does not apply to payments on Notes that are issued prior to 1 July 2014 (or, if later, the date that is six months after the date on which the final regulations that define 'foreign passthru payments' are published) unless the Notes are characterised as equity for U.S. federal income tax purposes.

Whilst the Notes are in global form and held within Euroclear Bank SA/NV ('**Euroclear**') and/or Clearstream Banking, société anonyme ('**Clearstream, Luxembourg**') (together, the '**ICSDs**'), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see the '**FATCA**' sub-section under '**Taxation**' below). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once the Paying Agent has paid to the order of the common depositary for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

### ***Risks related to the market generally***

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### ***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the '**Investor's Currency**') other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### ***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

#### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

#### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

#### ***Risks relating to Notes denominated in Renminbi***

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ('**Renminbi Notes**') are set out below.

*Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of Renminbi Notes*

Renminbi is not freely convertible at present. The government of the PRC (the '**PRC Government**') continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ('**FDI**'), the People's Bank of China (the '**PBoC**') promulgated the *Administrative Measures on Renminbi Settlement of Foreign Direct Investment* (外商直接投資人民幣結算業務管理辦法) (the '**PBoC FDI Measures**') on 13 October 2011 as part of the PBoC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBoC issued a circular setting out the operational guidelines for FDI. Under the PBoC FDI Measures, a special approval for FDI and shareholder loans from the PBoC, which was previously required, is no longer necessary. In some circumstances however, a post-event filing with the PBoC is still necessary.

On 3 December 2013, the Ministry of Commerce of the PRC ('**MOFCOM**') promulgated the *Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment* (商務部關於跨境人民幣直接投資有關問題的公告) (the '**MOFCOM Circular**'), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the regulatory framework. Pursuant to the MOFCOM Circular, the relevant office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify 'Renminbi Foreign Direct Investment' and the amount of the relevant capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of an existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As the PBoC FDI Measures and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that the pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes*

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Although the PBoC has entered into agreements on the clearing of Renminbi business with Bank of China (Hong Kong) Limited in Hong Kong, Bank of China, Macau Branch in Macau, Industrial and Commercial Bank of China, Singapore Branch in Singapore and Bank of China, Taipei Branch in Taiwan and has authorised China Construction Bank (London) Limited to act as Renminbi clearing bank in London and Bank of China Limited, Frankfurt Branch to act as Renminbi clearing bank in Frankfurt (each, a '**Renminbi Clearing Bank**') and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the '**Settlement Arrangements**'), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future with the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

*Investment in the Renminbi Notes is subject to exchange rate risks*

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The Issuer will make all payments of interest and principal with respect to Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

*Investment in the Renminbi Notes is subject to currency risk*

If the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the Renminbi Notes as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Issuer shall be entitled, on giving not less than five or more than 30 calendar days' irrevocable notice to the investors prior to the due date for payment, to settle any such payment in U.S. Dollars on the due date at the U.S. Dollar Equivalent (as defined in the Conditions) of any such interest or principal, as the case may be.

*Investment in Renminbi Notes is subject to interest rate risks*

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

*Payments with respect to Renminbi Notes may be made only in the manner designated in the terms of Renminbi Notes*

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary for Clearstream Banking *société anonyme* and Euroclear Bank SA/NV or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement or (ii) for so long as the Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer cannot be

required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

*Remittance of proceeds into or outside of the PRC in Renminbi*

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds outside the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

## DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the audited consolidated financial statements of the Group as at and for the year ended 31 July 2014, the most recently published audited consolidated annual financial statements, and any consolidated interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements, of the Group from time to time (if any), in each case, with the notes thereto, and in the case of the published audited consolidated annual financial statements, with the independent auditor's report thereon, and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents. See '*General Information*' for a description of the financial statements currently published by the Company.

A copy of any or all of the documents deemed to be incorporated herein by reference (unless such documents have been modified or superseded as specified above) will be available free of charge during normal business hours from the principal office of the Principal Paying Agent (as defined under 'Summary of the Programme') set out at the end of this Offering Circular. Pricing Supplements relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of Notes and identity.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading in a material respect, a new Offering Circular or supplemental offering circular will be prepared. References to this '**Offering Circular**' shall be taken to mean this document and all the documents from time to time incorporated by reference herein and forming part hereof.

## SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Offering Circular and any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference.*

*Words and expressions defined in 'Forms of the Notes' or 'Terms and Conditions of the Notes' below shall have the same meanings in this summary of the Programme.*

<b>Issuer</b>	Fonterra Co-operative Group Limited
<b>Description</b>	Euro Medium Term Note Programme
<b>Joint Arrangers</b>	Citigroup Global Markets Limited Deutsche Bank AG, London Branch
<b>Dealers:</b>	Citigroup Global Markets Limited Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) Deutsche Bank AG, London Branch HSBC Bank plc J.P. Morgan Securities plc Société Générale UBS Limited  and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Principal Paying Agent:</b>	Citibank, N.A.
<b>Trustee:</b>	Citicorp Trustee Company Limited
<b>Listing and Admission to Trading:</b>	Application has been made to the SGX-ST for permission to deal in and quotation of any Notes which are agreed at the time of issue therefore to be listed in the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies). Unlisted Notes may also be issued.
<b>Clearing Systems:</b>	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Pricing Supplement.
<b>Initial Programme Amount:</b>	Up to U.S.\$4,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement and subject to the preparation of a supplement to the Offering Circular.
<b>Issuance in Series:</b>	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Pricing Supplement:**

Notes issued under the Programme will be issued pursuant to this Offering Circular and an associated Pricing Supplement which will, for the purposes of that Tranche only, complete the Terms and Conditions of the Notes and this Offering Circular and must be read in conjunction with this Offering Circular. The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Pricing Supplement are the Terms and Conditions of the Notes as completed to the extent described in the relevant Pricing Supplement.

**Forms of Notes:**

Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note (together, the 'Global Notes'), in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

**Currencies:**

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Status of the Notes:**

Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Pricing Supplement.

**Issue Price:**

Notes may be issued at any price as specified in the relevant Pricing Supplement. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Maturities:**

Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Undated Subordinated Notes will have no fixed maturity date.

Any Notes which have a maturity of less than one year from their date of issue and in respect of which (i) the issue proceeds are received by the Issuer in the United Kingdom; or (ii) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial



	Services and Markets Act 2000 (the 'FSMA') by the Issuer.
<b>Redemption:</b>	Notes will be redeemable at par or such other amount as may be specified in the relevant Pricing Supplement.
<b>Optional Redemption:</b>	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
<b>Tax Redemption:</b>	Except as described in ' <i>Optional Redemption</i> ' above, early redemption will only be permitted for tax reasons as described in Condition 10(b) ( <i>Redemption for tax reasons</i> ).
<b>Interest:</b>	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
<b>Denominations:</b>	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory requirements.
<b>Negative Pledge:</b>	The Unsubordinated Notes will have the benefit of a negative pledge as described in Condition 6 ( <i>Negative Pledge</i> ).
<b>Cross Default:</b>	The Unsubordinated Notes and the Dated Subordinated Notes will have the benefit of a cross default as described in Condition 13 ( <i>Events of Default</i> ).
<b>Taxation:</b>	All payments in respect of Notes will be made free and clear of withholding taxes of New Zealand, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required. The Issuer may from time to time become subject to, or accept deposits or make payments in respect of Note in a taxing jurisdiction other than New Zealand. In such case, all payments in respect of Notes will also be made free and clear of withholding taxes of such other jurisdiction, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
<b>Governing Law:</b>	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by English law, except for Condition 5 ( <i>Subordination</i> ), which will be governed by, and construed in accordance with, New Zealand law.
<b>Ratings:</b>	<p>As at the date hereof, Standard &amp; Poor's (Australia) Pty Ltd has assigned a rating of A to the Programme.</p> <p>As at the date hereof, Fitch Australia Pty Limited has assigned a rating of AA- to the Programme.</p> <p>Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) described above or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. A credit rating is</p>

not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Selling Restrictions:**

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Union, the United Kingdom, Japan, France, Singapore, Hong Kong, the Netherlands, the PRC and New Zealand, see '*Subscription and Sale*' below.

## FORMS OF THE NOTES

### The Notes

Each Tranche of Notes will initially be in the form of either a temporary global note (the '**Temporary Global Note**'), without interest coupons or principal receipts, or a permanent global note (the '**Permanent Global Note**'), without interest coupons, in each case as specified in the relevant Pricing Supplement or Drawdown Prospectus. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a '**Global Note**') will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV ('**Euroclear**') and/or Clearstream Banking, société anonyme ('**Clearstream, Luxembourg**') and/or any other relevant clearing system.

The relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the '**TEFRA C Rules**') or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the '**TEFRA D Rules**') is applicable in relation to the Notes or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being 'Temporary Global Note exchangeable for a Permanent Global Note', then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ('**Definitive Notes**') if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Pricing Supplement specify the form of Notes as being 'Temporary Global Note exchangeable for Definitive Notes' and also specify that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specify the form of Notes as being 'Temporary Global Note exchangeable for Definitive Notes' and also specify that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Pricing Supplement specify the form of Notes as being 'Permanent Global Note exchangeable for Definitive Notes', then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under '**Terms and Conditions of the Notes**' below and the provisions of the relevant Pricing Supplement which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under '**Overview of Provisions Relating to the Notes while in Global Form**' below.

### **Legend concerning United States persons**

In the case of any Tranche of Notes considered to be in bearer form for U.S. federal income tax purposes, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under 'Overview of Provisions Relating to the Notes while in Global Form' below.*

### 1. **Introduction**

#### (a) *Programme*

Fonterra Co-operative Group Limited (the '**Issuer**') has established a Euro Medium Term Note Programme (the '**Programme**') for the issuance of up to U.S.\$4,000,000,000 in aggregate principal amount of notes (the '**Notes**').

#### (b) *Pricing Supplement*

Notes issued under the Programme are issued in series (each a '**Series**') and each Series may comprise one or more tranches (each a '**Tranche**') of Notes. The final terms of each Tranche of Notes will be set out in a pricing supplement document (the '**Pricing Supplement**') which completes these terms and conditions (the '**Conditions**'). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Pricing Supplement.

Copies of the relevant Pricing Supplement are available for inspection and may be obtained during normal business hours at the Specified Office of the Trustee and the Specified Office of the Principal Paying Agent, the initial Specified Offices of which are set out below.

#### (c) *Trust Deed*

The Notes are constituted by, subject to and have the benefit of an amended and restated trust deed dated 15 October 2014 (as amended or supplemented from time to time, the '**Trust Deed**') made between the Issuer and Citicorp Trustee Company Limited (the '**Trustee**', which expression shall include all persons for the time being the trustee or trustees appointed under the Trust Deed).

#### (d) *Paying Agency Agreement*

The Notes are the subject of an amended and restated paying agency agreement dated 15 October 2014 (as amended or supplemented from time to time, the '**Paying Agency Agreement**') between the Issuer, the Trustee, Citibank, N.A. (the '**Principal Paying Agent**', which expression includes any successor principal paying agent appointed from time to time in accordance with the Paying Agency Agreement in connection with the Notes) and the paying agents named therein (together with the Principal Paying Agent, the '**Paying Agents**', which expression includes any successor or additional paying agents appointed from time to time in accordance with the Paying Agency Agreement in connection with the Notes).

#### (e) *The Notes*

All subsequent references in these Conditions to '**Notes**' are to the Notes which are the subject of the relevant Pricing Supplement.

#### (f) *Overviews*

Certain provisions of these Conditions are overviews of the Trust Deed and the Paying Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the '**Noteholders**') and the holders of the related interest coupons, if any (the '**Couponholders**' and the '**Coupons**', respectively), are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Paying Agency Agreement applicable to them. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection by Noteholders during

normal business hours at the Specified Office of the Trustee and the Specified Offices of each of the Paying Agents.

## 2. **Interpretation**

### (a) *Definitions*

In these Conditions the following expressions have the following meanings:

**'Accrual Yield'** has the meaning given in the relevant Pricing Supplement;

**'Additional Business Centre(s)'** means the city or cities specified as such in the relevant Pricing Supplement;

**'Additional Financial Centre(s)'** means the city or cities specified as such in the relevant Pricing Supplement;

**'Approved Joint Venture'** means any corporation, partnership, trust or other vehicle or joint venture arrangement which satisfies the following criteria:

- (i) the relevant Principal Subsidiary and/or the Issuer and/or one or more Subsidiaries of the Issuer owns directly or indirectly the rights to at least 49 per cent. of all income distributable to the owners or beneficiaries of such corporation, partnership, trust or other vehicle or joint venture arrangement;
- (ii) the relevant Principal Subsidiary and/or the Issuer and/or one or more Subsidiaries of the Issuer owns directly or indirectly the rights to at least 49 per cent. of all assets distributable upon a solvent termination of the existence of such corporation, partnership, trust or other vehicle or joint venture arrangement; and
- (iii) such corporation, partnership, trust or other vehicle or joint venture arrangement carries on the same business as that carried on by the relevant Principal Subsidiary immediately prior to the relevant transfer, amalgamation or merger;

**'Arrears of Interest'** means, in respect of Undated Subordinated Notes, any interest not paid on an Optional Interest Payment Date together with any other interest not paid on any other Optional Interest Payment Date, so long as the same remains unpaid;

**'Auditors'** means the auditors for the time being of the Issuer or, if there are joint auditors of the Issuer, any one of such joint auditors or, in the event of such auditors being unable or unwilling to carry out any action requested of them pursuant to the provisions of the Trust Deed, such other reputable firm of accountants in New Zealand as may be nominated by the Issuer and approved by the Trustee;

**'Business Day'** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each Additional Business Centre;
- (ii) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each Additional Business Centre; and
- (iii) for the purposes of Notes denominated in Renminbi only, any day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Singapore or Hong Kong, as specified in the relevant Pricing Supplement, and are not authorised or obligated by law or executive order to be closed;

**'Business Day Convention'**, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **'Following Business Day Convention'** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **'FRN Convention', 'Floating Rate Convention' or 'Eurodollar Convention'** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred;
- (c) **'Modified Following Business Day Convention' or 'Modified Business Day Convention'** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (d) **'No Adjustment'** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;
- (e) **'Preceding Business Day Convention'** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

**'Calculation Agent'** means the Principal Paying Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

**'Calculation Amount'** has the meaning given in the relevant Pricing Supplement;

**'Call Option'** means the option of the Issuer to redeem the Notes pursuant to Condition 10(c) (*Redemption at the option of the Issuer*);

**'CNH HIBOR'** means the interest rate benchmark known as the CNH Hong Kong interbank offered rate which is calculated by the Hong Kong office of each of the Reference Banks;

**'CNY Dealer'** means an independent foreign exchange dealer of international repute active in the CNY exchange market in Hong Kong;

**'Code'** means the United States Internal Revenue Code of 1986, as amended from time to time;

**'Compulsory Interest Payment Date'** means, in respect of any Undated Subordinated Note, any Interest Payment Date if, in the immediately preceding six calendar months, any dividend has been declared or paid on any class of share capital of the Issuer;

**'Coupon Sheet'** means, in respect of a Note in definitive form, a coupon sheet relating to the Note;

**'Day Count Fraction'** means in respect of the calculation of an amount for any period of time (the **'Calculation Period'**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (i) if **'Actual/Actual (ICMA)'** is so specified, means:
  - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (B) where the Calculation Period is longer than one Regular Period, the sum of:
    - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
    - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;
- (ii) if **'Actual/365'** or **'Actual/Actual (ISDA)'** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **'Actual/365 (Fixed)'** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **'Actual/360'** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if **'30/360'** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction: } \frac{[360(Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**'Y<sub>1</sub>'** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**'Y<sub>2</sub>'** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**'M<sub>1</sub>'** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**'M<sub>2</sub>'** is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

**'D<sub>1</sub>'** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and



'D<sub>2</sub>' is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30';

- (vi) if '**30E/360**' or '**Eurobond Basis**' is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction: } \frac{[360(Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

'Y<sub>1</sub>' is the year, expressed as a number, in which the first day of the Calculation Period falls;

'Y<sub>2</sub>' is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'M<sub>1</sub>' is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

'M<sub>2</sub>' is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'D<sub>1</sub>' is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

'D<sub>2</sub>' is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if '**30E/360 (ISDA)**' is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction: } \frac{[360(Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

'Y<sub>1</sub>' is the year, expressed as a number, in which the first day of the Calculation Period falls;

'Y<sub>2</sub>' is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'M<sub>1</sub>' is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

'M<sub>2</sub>' is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

'D<sub>1</sub>' is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

'D<sub>2</sub>' is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

*provided, however, that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

**'Early Redemption Amount (Tax)'** means, in respect of any Note, its outstanding principal amount or such other amount as may be specified in the relevant Pricing Supplement;

**'Early Termination Amount'** means, in respect of any Note, its outstanding principal amount or such other amount as may be specified in the relevant Pricing Supplement;

**'EURIBOR'** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

**'Extraordinary Resolution'** has the meaning given in the Trust Deed;

**'Final Redemption Amount'** means, in respect of any Note, its outstanding principal amount or such other amount as may be specified in the relevant Pricing Supplement;

**'Fixed Coupon Amount'** has the meaning given in the relevant Pricing Supplement;

**'Governmental Authority'** means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

**'Group'** means, at any time, the Issuer and its Subsidiaries at that time;

**'Guarantee'** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

**'HIBOR'** means, in respect of any relevant Hong Kong dollar-denominated issuance and any specified period, the interest rate benchmark known as the Hong Kong Inter Bank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Hong Kong Association of Banks (or any other person which takes over the administration of that rate) based on estimated Hong Kong dollar denominated interbank borrowing rates for a number of designated maturities which are provided by a panel of contributor banks (details of historic HIBOR rates can be obtained from the designated distributor);

**'Hong Kong'** means the Hong Kong Special Administration Region of the People's Republic of China;

**'Illiquidity'** means where the general Renminbi exchange market in Hong Kong becomes illiquid and, as a result of which, the Issuer cannot obtain sufficient Renminbi in order to satisfy its obligation to pay interest and principal (in whole or in part) in respect of the Notes as determined

by the Issuer in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

**'Inconvertibility'** means the occurrence of any event that makes it impossible for the Issuer to convert any amount due in respect of the Notes in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date of the relevant Pricing Supplement and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**'Indebtedness'** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**'Interest Amount'** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**'Interest Commencement Date'** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

**'Interest Determination Date'** has the meaning given in the relevant Pricing Supplement;

**'Interest Payment Date'** means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**'Interest Period'** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**'ISDA Definitions'** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

**'Issue Date'** has the meaning given in the relevant Pricing Supplement;

**'LIBOR'** means the interest rate benchmark known as the London interbank offered rate administered by the British Bankers Association (or any other person which takes over the administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate) on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters (details of historic LIBOR rates can be obtained from Reuters or the designated information service from time to time);

**'Margin'** has the meaning given in the relevant Pricing Supplement;

**'Maturity Date'** has the meaning given in the relevant Pricing Supplement;

**'Maximum Redemption Amount'** has the meaning given in the relevant Pricing Supplement;

**'Minimum Redemption Amount'** has the meaning given in the relevant Pricing Supplement;

**'Non-transferability'** means the occurrence of any event that makes it impossible for the Issuer to transfer Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong and outside the PRC or from an account outside Hong Kong and outside the PRC to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after date of the relevant Pricing Supplement and it is impossible for the Issuer, due to an event beyond its control, to comply with such law, rule or regulation);

**'Optional Interest Payment Date'** means, in respect of any Undated Subordinated Note, any Interest Payment Date other than a Compulsory Interest Payment Date;

**'Optional Redemption Amount (Call)'** means, in respect of any Note, its outstanding principal amount or such other amount as may be specified in the relevant Pricing Supplement;

**'Optional Redemption Amount (Put)'** means, in respect of any Note, its outstanding principal amount or such other amount as may be specified in the relevant Pricing Supplement;

**'Optional Redemption Date (Call)'** has the meaning given in the relevant Pricing Supplement;

**'Optional Redemption Date (Put)'** has the meaning given in the relevant Pricing Supplement;

**'Payment Business Day'** means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**'Person'** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**'Principal Financial Centre'** means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (ii) in relation to NZ\$, it means Wellington and Auckland; and
- (iii) in relation to Renminbi, it means Singapore, Hong Kong or the principal financial centre as specified in the applicable Pricing Supplement;

**'Principal Subsidiary'** means, at any time, on the basis of the then most recent audited consolidated accounts of the Group and the then most recent audited or, if not available, unaudited accounts (consolidated, if applicable) of the relevant Subsidiary:

- (i) any subsidiary whose total assets (consolidated if applicable) represent at least 10 per cent. of the Total Assets of the Group; or
- (ii) any Subsidiary whose total net sales (consolidated, if applicable) represent at least 10 per cent. of the total net sales of the Group; or
- (iii) any other Subsidiary of the Issuer (the '**receiving Subsidiary**') to which is transferred either (A) all or substantially all of the assets of another Subsidiary which immediately prior to the transfer was a Principal Subsidiary (the '**disposing Subsidiary**') or (B) sufficient assets of the Issuer or another Subsidiary for the receiving Subsidiary to have been a Principal Subsidiary had the transfer occurred on or before the date of the most recent audited consolidated financial statements of the Group,

*provided that:*

- (i) in the case of paragraph (iii) above, the receiving Subsidiary shall forthwith, upon the transfer, become a Principal Subsidiary and, with effect from the date of publication of the immediately succeeding audited consolidated financial statements of the Group, paragraphs (i) and (ii) above shall determine whether the disposing Subsidiary and the receiving Subsidiary are Principal Subsidiaries or not; and
- (ii) a certificate signed by two directors of the Issuer certifying that in their opinion a Subsidiary is or is not or was or was not on a specified date a Principal Subsidiary shall, in the absence of a manifest error, be conclusive and binding on all parties;

**'Prior Creditors'** means creditors of the Issuer:

- (i) who are Senior Creditors; or
- (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the liquidation of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer (including, without limitation, the Holders of Dated Subordinated Notes) except those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the Holders of the Undated Subordinated Notes;

**'Put Option'** means the option of the Holder of any Note to require the Issuer to redeem such Note pursuant to Condition 10(e) (*Redemption at the option of Noteholders*);

**'Put Option Notice'** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**'Put Option Receipt'** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**'Rate Calculation Business Day'** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in New York City;

**'Rate Calculation Date'** means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions;

**'Rate of Interest'** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

**'Redemption Amount'** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

**'Reference Banks'** has the meaning given in the relevant Pricing Supplement or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**'Reference Price'** has the meaning given in the relevant Pricing Supplement;

**'Reference Rate'** means EURIBOR, LIBOR, HIBOR, CNH HIBOR or SIBOR as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

**'Regular Period'** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **'Regular Date'** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year (or, in the case of the first Interest Period, the Interest Commencement Date) to but excluding the next Regular Date, where **'Regular Date'** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**'Relevant Date'** means, in relation to any payment, whichever is the later of (A) the date on which the payment in question first becomes due and (B) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Paying Agent in accordance with the provisions of the Paying Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**'Relevant Financial Centre'** has the meaning given in the relevant Pricing Supplement;

**'Relevant Indebtedness'** means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market), whether or not initially distributed by means of a private placement;

**'Relevant Screen Page'** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**'Relevant Time'** has the meaning given in the relevant Pricing Supplement;

**'Reserved Matter'** has the meaning given in the Trust Deed;

**'Security Interest'** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**'Senior Creditors'** means creditors of the Issuer:

- (i) who are unsubordinated creditors of the Issuer; or
- (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the liquidation of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer and whose claims rank, or are expressed to rank, ahead of or senior to the claims of the Holders of Dated Subordinated Notes;

**'SIBOR'** means the interest rate benchmark which appears on the Reuters Screen ABSIRFIX01 Page under the caption 'ABS SIBOR FIX — SIBOR AND SWAP OFFER RATES — RATES AT 11:00 A.M. SINGAPORE TIME' and the column headed 'SGD SIBOR' (or such other Relevant Screen Page);

**'Solvent'** means satisfying the solvency test contained in section 4 of the Companies Act 1993 of New Zealand and 'Insolvent' shall be construed accordingly. In interpreting this definition, the solvency test shall be applied to a company which is not registered under the Companies Act 1993 of New Zealand as if it were so registered;

**'Specified Currency'** has the meaning given in the relevant Pricing Supplement;

**'Specified Denomination(s)'** has the meaning given in the relevant Pricing Supplement;

**'Specified Office'** has the meaning given in the Paying Agency Agreement or, in relation to the Trustee, has the meaning given to it in the Trust Deed;

**'Specified Period'** has the meaning given in the relevant Pricing Supplement;

**'Spot Rate'** means:

- (i) the spot CNY/US Dollar exchange rate for the purchase of US Dollars with CNY in the over-the-counter CNY exchange market in Hong Kong for settlement in two Business Days, as determined by the Calculation Agent at or around 11 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3 or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF; or
- (ii) if neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11 a.m. (Hong Kong time) on the Determination Date in good faith and in a reasonable commercial manner taking into consideration all available information which the Calculation Agent deems relevant, including the most recently available CNY/U.S. Dollar official fixing rate for settlement in two Business Days reported by The State

Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC;

**'Subsidiary'** means, in relation to any Person (the **'first Person'**) at any particular time, any other Person (the **'second Person'**):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

**'Talon'** means a talon for further Coupons;

**'TARGET2'** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**'TARGET Settlement Day'** means any day on which TARGET2 is open for the settlement of payments in euro;

**'Total Assets'** means the aggregate amount on a consolidated basis of all assets of the Group as at the date of the latest available audited consolidated financial statements;

**'Treaty'** means the Treaty establishing the European Union, as amended;

**'US Dollar Equivalent'** means the CNY amount converted into US Dollars using the Spot Rate for the relevant Rate Calculation Date; and

**'Zero Coupon Note'** means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation*

In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*) or any undertakings given in addition to or in substitution for that Condition, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) or any undertakings given in addition to or in substitution for that Condition and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being 'outstanding' shall be construed in accordance with the Trust Deed; and
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement give no such meaning



or specify that such expression is 'not applicable' then such expression is not applicable to the Notes.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) and the Specified Currency and with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to Notes and Coupons will pass by delivery. References herein to the '**Holders**' of Notes or Coupons are to the bearer of such Notes or Coupons. The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status**

(a) *Unsubordinated Notes*

- (i) This Condition 4(a) is applicable in relation to Notes specified in the Pricing Supplement as being unsubordinated or not specified as being subordinated ('**Unsubordinated Notes**').
- (ii) The Unsubordinated Notes and the Coupons relating to them constitute direct, general, unconditional, unsecured and unsubordinated obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Dated Subordinated Notes*

- (i) This Condition 4(b) is applicable only in relation to Notes specified in the Pricing Supplement as being dated subordinated Notes ('**Dated Subordinated Notes**').
- (ii) The Dated Subordinated Notes and the Coupons relating to them constitute unsecured obligations of the Issuer, are conditional as described in Condition 5(a) (*Dated Subordinated Notes*) below and rank *pari passu* without any preference among themselves.

(c) *Undated Subordinated Notes*

- (i) This Condition 4(c) is applicable only in relation to Notes specified in the Pricing Supplement as being undated subordinated Notes ('**Undated Subordinated Notes**').
- (ii) The Undated Subordinated Notes and the Coupons relating to them constitute unsecured obligations of the Issuer, are conditional as described in Condition 5(b) (*Undated Subordinated Notes*) below and rank *pari passu* without any preference among themselves.

(d) *No set-off*

No Holder of a Dated Subordinated Note or an Undated Subordinated Note, nor the Trustee on behalf of such Holder, may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Dated Subordinated Notes or the Undated Subordinated Notes and each Holder of a Dated Subordinated Note and an Undated Subordinated Note shall, by virtue of being the Holder of a Dated Subordinated Note or an Undated Subordinated Note, to the maximum extent permitted by applicable law, be deemed to have waived all such rights of set-off.

5. **Subordination**

(a) *Dated Subordinated Notes:*

- (i) The rights and claims of the Holders of the Dated Subordinated Notes and the Coupons relating to them against the Issuer in respect of the Dated Subordinated Notes and the Coupons relating to them will, in the event of the liquidation of the Issuer, be subordinated, in the manner provided in the Trust Deed, to the claims of Senior Creditors.
- (ii) The obligations of the Issuer to make any repayment of principal or interest in respect of the Dated Subordinated Notes pursuant to Condition 10(b) (*Redemption for Tax Reasons*) or on any Optional Redemption Date (Call) pursuant to Condition 10(c) (*Redemption at the option of the Issuer*) are (other than in a liquidation) conditional upon the Issuer being Solvent immediately after such payment is made. Accordingly, prior to a liquidation, no payment of principal or interest in respect of Dated Subordinated Notes which, pursuant to Condition 10(b) (*Redemption for Tax Reasons*) or the Call Option pursuant to Condition 10(c) (*Redemption at the option of the Issuer*), would otherwise fall due for payment prior to the Maturity Date whilst the Issuer was Insolvent will fall so due (subject always to Condition 13(c) (*Payments due or compulsory*)) and instead such payment will become due for payment only if and when and to the extent that the Issuer could make such payment and remain Solvent immediately after such payment is made. Prior to the commencement of the liquidation in New Zealand of the Issuer, interest will continue to accrue on any Dated Subordinated Note, payment of which is suspended under this Condition.
- (iii) The Directors of the Issuer shall, prior to exercising any of the Issuer's rights under Condition 10(b) (*Redemption for tax reasons*) or any Call Option (A) pursuant to Condition 10(c) (*Redemption at the option of the Issuer*) prepare a statement as to whether or not the Issuer is or would be, following the payment of all amounts pursuant to Condition 10(b) (*Redemption for tax reasons*) or (as the case may be) pursuant to the exercise of such Call Option, Solvent for the purposes of this Condition, (B) procure that the Auditors give to it a report in writing (based on such information as the Issuer shall, at the request of the Auditors, make available to the Auditors), as to whether anything has come to the Auditors' attention which would cause them to believe that such statement has not been properly compiled and (C) forthwith deliver to the Trustee a copy of the statement referred to in (A) above and a copy of the report referred to in (B) above, and, in the absence of proven error, such statement and such report shall be treated and accepted by the Issuer, the Trustee and the Holders of Dated Subordinated Notes and the Coupons relating thereto as correct and sufficient evidence of such fact. For the purposes of this Condition, following the delivery of such statement and such report certifying that the Issuer is and would be Solvent as described above, it shall be assumed (unless the contrary is proved prior to the date of payment) that the Issuer is, and will after any payment hereunder be, Solvent for such purposes.
- (iv) By purchasing a Dated Subordinated Note, the Holder thereof and of any Coupon relating thereto agrees that:
  - (A) in accordance with section 313(3) of the Companies Act 1993 of New Zealand, it is accepting a lower priority in respect of the debt represented by such Note or Coupon than that which it would otherwise have under section 313; and
  - (B) nothing in section 313 will prevent the Conditions from having effect according to their terms.

(b) *Undated Subordinated Notes:*

- (i) The rights and claims of the Holders of the Undated Subordinated Notes and the Coupons relating to them against the Issuer in respect of the Undated Subordinated Notes and the Coupons relating to them will, in the event of the liquidation of the Issuer, be subordinated, in the manner provided in the Trust Deed, to the claims of Prior Creditors.

- (ii) The obligations of the Issuer to make any repayment of principal and interest in respect of the Undated Subordinated Notes are (other than in a liquidation) conditional upon the Issuer being Solvent immediately after such payment is made. Accordingly, prior to a liquidation, no payment of principal or interest in respect of the Undated Subordinated Notes which would otherwise fall due for payment whilst the Issuer was Insolvent will fall so due (subject always to Condition 13(c) (*Payments due or compulsory*)) and instead such payment will become due for payment only if and when and to the extent that the Issuer could make such payment and remain Solvent immediately after such payment is made. Prior to the commencement of the liquidation in New Zealand of the Issuer, interest will continue to accrue on any Undated Subordinated Notes, payment of which is suspended under this Condition.
- (iii) In the event of the Issuer deciding not to make payments of interest and principal as aforesaid in respect of any Series of Undated Subordinated Notes because the Issuer is not Solvent, or would not be Solvent immediately after such payment is made, the Directors of the Issuer shall (A) prepare a statement as to whether or not the Issuer is or would be, immediately after such payment is made, Solvent for the purposes of this Condition, (B) procure that the Auditors give to it a report in writing (based on such information as the Issuer shall, at the request of the Auditors, make available to the Auditors) as to whether anything has come to the Auditors' attention which would cause them to believe that such statement has not been properly compiled, (C) at least 7 days prior to the date which, but for the decision not to make such payment, would otherwise have been the next Interest Payment Date or (as the case may be) the date on which payment is due under Condition 10(b) (*Redemption for tax reasons*) or Condition 10(c) (*Redemption at the option of the Issuer*), give notice thereof to the Trustee, the Principal Paying Agent, and the Holders of the Undated Subordinated Notes in accordance with Condition 19 (*Notices*) and (D) forthwith deliver to the Trustee a copy of the statement referred to in (A) above and a copy of the report referred to in (B) above, and, in the absence of proven error, such statement and such report shall be treated and accepted by the Issuer, the Trustee and the Holders of Undated Subordinated Notes and the Coupons relating thereto as correct and sufficient evidence of such fact. For the purposes of this Condition, in the absence of such statement and such report certifying that the Issuer is or would be Insolvent as described above, it shall be assumed (unless the contrary is proved prior to the date of payment) that the Issuer is, and will after any payment hereunder be, Solvent for such purposes.
- (iv) By purchasing an Undated Subordinated Note, the Holder thereof and of any Coupon relating thereto agrees that:
  - (A) in accordance with section 313(3) of the Companies Act 1993 of New Zealand, it is accepting a lower priority in respect of the debt represented by such Note or Coupon than that which it would otherwise have under section 313; and
  - (B) nothing in section 313 will prevent the Conditions from having effect according to their terms.
- (v) If at any time an order is made or an effective resolution is passed for the liquidation in New Zealand of the Issuer, there shall be payable on each Undated Subordinated Note (in lieu of any other payment) such amount, if any, as would have been payable to the Holder thereof if, on the date prior to the commencement of the liquidation and thereafter, such Holder of such Undated Subordinated Note were the holder of one of a class of preference shares in the capital of the Issuer having a preferential right to a return of assets in the liquidation over the holders of all other classes of issued shares for the time being in the capital of the Issuer on the assumption that the holder of such preference share was entitled to receive on a return of assets in such liquidation an amount equal to the principal amount of such Undated Subordinated Note together with Arrears of Interest, if any, and any accrued interest (other than Arrears of Interest) up to, but excluding, the date of repayment in respect thereof.

## 6. Negative Pledge

So long as any Unsubordinated Note remains outstanding (as defined in the Trust Deed), the Issuer shall not, and the Issuer shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Unsubordinated Notes equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Unsubordinated Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Holders of the Unsubordinated Notes or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders of the Unsubordinated Notes.

**7. Fixed Rate Note Provisions**

**(a) Application**

This Condition 7 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

**(b) Accrual of interest**

The Notes bear interest on their outstanding principal amount from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments in respect of Notes*) and provided, however, that interest on Undated Subordinated Notes shall (subject to Conditions 5(b) (*Undated Subordinated Notes*) and 7(c) (*Fixed Coupon Amount*)) be payable only at the option of the Issuer unless such date is a Compulsory Interest Payment Date. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

**(c) Fixed Coupon Amount**

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

**(d) Calculation of interest amount**

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a '**sub-unit**' means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

**(e) Interest on Undated Subordinated Notes**

Interest on the Undated Subordinated Notes shall accrue from day to day and shall (subject to Condition 5(b) (*Undated Subordinated Notes*)) be payable on each Compulsory Interest Payment Date in respect of the interest accrued in the Interest Period ending on the day immediately preceding such date.

On any Optional Interest Payment Date the Issuer may pay the interest accrued in the Interest Period ending on the day immediately preceding such date, but the Issuer shall have no obligation to make such payment and any failure to pay shall not constitute a default by the

Issuer for any purpose; provided, however, that if the Issuer elects not to make such payment of interest on any Optional Interest Payment Date, the Issuer shall, at least 7 days' prior to such Optional Interest Payment Date, give notice thereof to the Trustee, the Principal Paying Agent and the Holders of the Undated Subordinated Notes in accordance with Condition 19 (*Notices*). Arrears of Interest may, at the option of the Issuer, be paid in whole or in part at any time upon the expiration of not less than 7 days' notice to such effect given to the Trustee, the Principal Paying Agent and the Holders of the Undated Subordinated Notes in accordance with Condition 19 (*Notices*), but all Arrears of Interest on all Undated Subordinated Notes outstanding shall (subject to Condition 5(b) (*Undated Subordinated Notes*)) become due in full on whichever is the earliest of (i) the date upon which a dividend is next paid on any class of share capital of the Issuer, (ii) the date set for any redemption pursuant to Condition 10(b) (*Redemption for tax reasons*) or Condition 10(c) (*Redemption at the option of the Issuer*) or (iii) the commencement of the liquidation of the Issuer. Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged (subject to Condition 5(b) (*Undated Subordinated Notes*)) to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

**8. Floating Rate Note Provisions**

**(a) Application**

This Condition 8 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

**(b) Accrual of interest**

The Notes bear interest on their outstanding principal amount from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments in respect of Notes*) and *provided, however, that* interest on Undated Subordinated Notes shall (subject to Condition 5(b) (*Undated Subordinated Notes*)) be payable only at the option of the Issuer unless such date is a Compulsory Interest Payment Date. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

**(c) Screen Rate Determination**

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the

Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

- (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of the preceding Interest Period.

(d) *ISDA Determination*

If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where '**ISDA Rate**' in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the LIBOR, the EURIBOR, the CNH HIBOR, the HIBOR or the SIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.

(e) *Maximum or Minimum Rate of Interest*

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount*

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a '**sub-unit**' means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(g) *Publication*

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(h) *Notifications etc*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(i) *Determination or Calculation by Trustee*

If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Trustee shall be binding on the Issuer, Noteholders and Couponholders.

(j) *Interest on Undated Subordinated Notes*

Interest on the Undated Subordinated Notes shall accrue from day to day and shall (subject to Condition 5(b) (*Undated Subordinated Notes*)) be payable on each Compulsory Interest Payment Date in respect of the interest accrued in the Interest Period ending on the day immediately preceding such date. On any Optional Interest Payment Date the Issuer may pay the interest accrued in the Interest Period ending on the day immediately preceding such date, but the Issuer shall have no obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose; *provided*, however, that if the Issuer elects not to make such payment of interest on any Optional Interest Payment Date, the Issuer shall, at least 7 days' prior to such Optional Interest Payment Date, give notice thereof to the Trustee, the Principal Paying Agent and the Holders of the Undated Subordinated Notes in accordance with Condition 19 (*Notices*). Arrears of Interest may, at the option of the Issuer, be paid in whole or in part at any time upon the expiration of not less than 7 days' notice to such effect given to the Trustee, the Principal Paying Agent and the Holders of the Undated Subordinated Notes in accordance with Condition 19 (*Notices*), but all Arrears of Interest on all Undated Subordinated Notes outstanding shall (subject to Condition 5(b) (*Undated Subordinated Notes*)) become due in full on whichever is the earliest of (i) the date upon which a dividend is next paid on any class of share capital of the Issuer, (ii) the date set for any redemption pursuant to Condition 10(b) (*Redemption for tax reasons*) or Condition 10(c) (*Redemption at the option of the Issuer*) or (iii) the commencement of the liquidation of the Issuer. Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest, the Issuer shall be obliged (subject to Condition 5(b) (*Undated Subordinated Notes*)) to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

9. **Zero Coupon Note Provisions**

(a) *Application*

This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

(b) *Late payment on Zero Coupon Notes*

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **Redemption and Purchase**

(a) *Scheduled redemption*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments in respect of Notes*). Undated Subordinated Notes have no final maturity date and are only redeemable in accordance with the following provisions of this Condition 10 and Condition 13 (*Events of Default*).

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer (subject, in the case of Dated Subordinated Notes, to Condition 5(a) (*Dated Subordinated Notes*) and, in the case of Undated Subordinated Notes, to Condition 5(b) (*Undated Subordinated Notes*)) in whole, but not in part:

- (i) at any time (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being not applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (or such other period as shall be specified in the relevant Pricing Supplement) (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption and, in the case of Undated Subordinated Notes, together with all Arrears of Interest, if any, as provided in Condition 8(h) (*Notifications etc.*) or Condition 8(j) (*Interest on Undated Subordinated Notes*), as applicable, if the Issuer satisfies the Trustee immediately prior to the giving of the notice by the Issuer referred to above that:

- (A) it has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*), or the rate at which the approved issuer levy payable pursuant to section 86J of the Stamp and Cheque Duties Act 1971 of New Zealand (the '**Approved Issuer Levy**') is payable to enable the Issuer to avoid payment of such additional amounts is increased to more than 2.0 per cent., as a result of the introduction of, or any change in, or amendment to, the laws or regulations of New Zealand or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which introduction, change or amendment becomes



effective on or after the date of issue of the first Tranche of the Notes of a particular series and such obligation cannot be avoided by the Issuer taking reasonable measures available to it (but not including the payment of the Approved Issuer Levy at a rate higher than 2.0 per cent.); or

- (B) in the case of Undated Subordinated Notes only, the payment of interest in respect of such Notes would be treated, for reasons outside the control of the Issuer, as a 'distribution' within the meaning of section 2 of the Companies Act 1993 of New Zealand,

*provided, however, that no such notice of redemption shall be given earlier than:*

- (A) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (B) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (1) a certificate satisfactory to the Trustee signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such introduction, change or amendment (and such evidence shall be sufficient to the Trustee and conclusive and binding on the Noteholders). Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) *Redemption at the option of the Issuer*

If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer (subject, in the case of Dated Subordinated Notes, to Condition 5(a) (*Dated Subordinated Notes*) and, in the case of Undated Subordinated Notes, to Condition 5(b) (*Undated Subordinated Notes*)) in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) upon the Issuer giving not less than 30 nor more than 60 days' notice (or such other period as may be specified in the relevant Pricing Supplement) to the Noteholders and having notified the Trustee prior to the provision of such notice (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date and, in the case of Undated Subordinated Notes, together with all Arrears of Interest, if any, as provided in Condition 7(e) (*Interest on Undated Subordinated Notes*) or Condition 8(j) (*Interest on Undated Subordinated Notes*), as applicable).

(d) *Partial redemption*

If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the

Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(e) *Redemption at the option of Noteholders*

This Condition 10(e) is only applicable to Unsubordinated Notes. If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note, redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before (or such other period as may be specified in the relevant Pricing Supplement) the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent.

The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt.

For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

(f) *No other redemption*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (*Scheduled redemption*) to (e) (*Redemption at the option of Noteholders*) above.

(g) *Early redemption of Zero Coupon Notes*

Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(g) or, if none is so specified, a Day Count Fraction of 30E/360.

(h) *Purchase*

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons and unexchanged Talons are purchased therewith.

(i) *Cancellation*

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons or unexchanged Talons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

**11. Payments in respect of Notes**

**(a) *Principal***

Payments of principal shall be made only against presentation and (in the case of final redemption, provided that payment is made in full) surrender of the Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

**(b) *Interest***

Payments of interest shall, subject to Condition 11(g) (*Payments on business days*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Principal*) above.

**(c) *Payments in New York City***

Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

**(d) *Payments subject to fiscal laws***

All payments in respect of Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

**(e) *Deductions for unmatured Coupons***

If the relevant Pricing Supplement specify that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:

- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

- (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the '**Relevant Coupons**') being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

(f) *Unmatured Coupons void*

If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(e) (*Redemption at the option of Noteholders*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

(g) *Payments on business days*

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) *Payments other than in respect of matured Coupons*

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments in New York City*) above).

(i) *Partial payments*

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

(j) *Exchange of Talons*

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 5 (*Subordination*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

(k) *Payment of US Dollar Equivalent*

The following provision applies to Notes denominated in Renminbi only. Notwithstanding the Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy payments of principal or interest (in whole or in part) in respect of Notes when due in Renminbi in Hong Kong the Issuer may, on giving not less than five and not more than 30 days' irrevocable notice to the Noteholders prior to the due date for payment, settle any such payment (in whole or in part) in US Dollars on the due date at the US Dollar Equivalent of any such Renminbi-denominated amount. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this condition by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders.

## 12. **Taxation**

### (a) *Gross up*

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by New Zealand or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of any holder, or any beneficial owner of any interest in, or rights in respect of, such Note or Coupon having some connection (whether present or past) with New Zealand (including by reason of being a beneficial owner of, or having an interest in, a Note or Coupon jointly with another person who is resident in New Zealand for income tax purposes) other than (except as just provided) the mere holding of such Note or Coupon; or
- (ii) where such withholding or deduction is imposed on a payment to an individual or to a residual entity within the meaning of article 4.2 of the European Union Directive 2003/48/EC and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive or several agreements concluded by the State of Luxembourg with several dependent or associated territories, or pursuant to similar measures adopted by a number of non-EU countries such as Switzerland, or pursuant to the law of 23 December 2005 (as amended), with respect to Luxembourg resident individuals; or
- (iii) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
- (iv) where the Holder thereof is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority but fails to do so; or
- (v) more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days;
- (vi) where such withholding or deduction is imposed on a payment under (A) the United States Foreign Account Tax Compliance Act of 2009 (Sections 1471 through 1474 of the

Code, and the rules and regulations promulgated thereunder as of the date of the relevant Pricing Supplement), together with any regulations thereunder and official interpretations thereof and (B) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, which, in either case, facilitates the implementation of sub-clause (A) above; or

(vii) in New Zealand.

The Issuer is required by law to deduct New Zealand resident withholding tax from a payment of interest to the Holder of any Note or Coupon on the due date for payment of principal and/or interest on the Notes if:

- (i) the Noteholder or Couponholder is a resident of New Zealand for income tax purposes or the Noteholder or Couponholder is engaged in business in New Zealand, through a fixed establishment in New Zealand (a '**New Zealand Holder**'); and
- (ii) at the time of such payment the New Zealand Holder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes.

Prior to any Interest Payment Date or the Maturity Date, any New Zealand Holder:

- (i) must notify the Issuer or any Paying Agent (a) that the New Zealand Holder is the Holder of a Note or Coupon and (b) whether it derives beneficially interest under a Note jointly with any other person who is not a New Zealand Holder; and
- (ii) must notify the Issuer or any Paying Agent of any circumstances, and provide the Issuer or the relevant Paying Agent with any information (including its New Zealand tax file number and a copy of a valid RWT exemption certificate), that may enable the Issuer to make the payment of interest to the New Zealand Holder without deduction on account of New Zealand resident withholding tax.

The New Zealand Holder must notify the Issuer prior to any Interest Payment Date or the Maturity Date of any change in the New Zealand Holder's circumstances from those previously notified that could affect the Issuer's payment or withholding obligations in respect of the Notes held by that New Zealand Holder. By accepting payment of the full face amount of a Note (including a Note held jointly with a person who is not resident in New Zealand for income tax purposes and not carrying on business in New Zealand through a fixed establishment in New Zealand ('**New Zealand Non-Resident Holder**')) or any interest thereon on any Interest Payment Date or the Maturity Date, the New Zealand Holder indemnifies the Issuer for all purposes in respect of any liability the Issuer may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax and (in the case of a Note held jointly with one or more New Zealand Non-Resident Holders) New Zealand non-resident withholding tax applicable to such New Zealand Non-Resident Holder.

Only a New Zealand Holder will be obliged to make the notification referred to above and no other Holder will be required to make any certification that it is not a New Zealand Holder.

Where used in this Condition 12, '**interest**' means interest (as defined under New Zealand tax legislation) for withholding tax purposes, which under current legislation includes the excess of the redemption amount over the issue price of any Note as well as coupon interest paid on such Note.

(b) *Taxing jurisdiction*

If the Issuer becomes subject to, or accepts deposits or makes payments in respect of the Notes at any time in, any taxing jurisdiction other than New Zealand, references in these Conditions to New Zealand shall be construed as references to New Zealand and/or such other jurisdiction.

### 13. **Events of Default**

(a) *Unsubordinated Notes and Dated Subordinated Notes*

If any of the following events occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by the Holders of at least one quarter in principal amount of the outstanding Unsubordinated Notes or (as applicable) Dated Subordinated Notes or, if so directed by an Extraordinary Resolution of the Holders of the Unsubordinated Notes or (as applicable) Dated Subordinated Notes, shall (subject, in the case of the occurrence of any of the events described in paragraphs (ii) or (v) below, to the Trustee having certified in writing that the occurrence of such event is, in its opinion, materially prejudicial to the interests of the Noteholders and, in all cases, to the Trustee having been indemnified or provided with security to its satisfaction) give written notice to the Issuer declaring the Unsubordinated Notes or (as applicable) the Dated Subordinated Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together with accrued interest without further action or formality:

- (i) *Non-payment*: the Issuer fails to pay any amount of principal or interest in respect of the Unsubordinated Notes or (as applicable) the Dated Subordinated Notes within ten days of the due date for payment thereof; or
- (ii) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations which are, in the opinion of the Trustee, material under or in respect of the Unsubordinated Notes or (as applicable) the Dated Subordinated Notes of such Series or the Trust Deed and such default (A) is, in the opinion of the Trustee, incapable of remedy or (B) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer; or
- (iii) *Cross-default of Issuer or Subsidiaries*: any other Indebtedness of the Issuer or any of its Subsidiaries in excess in aggregate of the greater of 1 per cent. of Total Assets and NZ\$10,000,000 is not paid when due or within any originally applicable grace periods or is declared to be due and payable or cancelled or terminated prior to its stated maturity by reason of an event of default, cancellation, or similar event; or
- (iv) *Distress or execution*: a distress, attachment or other execution for a sum exceeding 0.50 per cent. of Total Assets is levied or enforced upon, or commenced against, any asset of the Group and is not discharged or stayed within 20 Business Days; or
- (v) *Security enforced*: either (A) an encumbrancer takes possession of the whole or any substantial part of the assets of the Issuer or the Group or (B) a receiver, manager, inspector, trustee or other similar person is appointed in respect of the Issuer or a substantial part of the assets of the Group; or
- (vi) *Insolvency etc*: (A) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (B) the Issuer or any of its Principal Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of a substantial part of its Relevant Indebtedness or any Guarantee of any substantial Relevant Indebtedness given by it (except, in each case, in the case of a Principal Subsidiary, for the purpose of and followed by a solvent reconstruction, merger, consolidation or amalgamation whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer and/or to or in one or more Subsidiaries of the Issuer); or
- (vii) *Winding up etc*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries or an administrator, liquidator or statutory manager of the Issuer or any of its Principal Subsidiaries or of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is appointed or, in the case of a statutory manager, a recommendation is made to appoint such person, except, in each case, in the case of a Principal Subsidiary, where that event or appointment is for the purpose of and followed by a solvent reconstruction, merger, consolidation or amalgamation, whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer and/or to or in one or more Subsidiaries of the Issuer; or

- (viii) *Cessation of business*: The Issuer or any of its Principal Subsidiaries ceases or announces its intention to cease to carry on the whole or substantially the whole of its business, except (A) in the case of a Principal Subsidiary, where that cessation or announcement is for the purpose of and followed by a solvent reconstruction, merger, consolidation or amalgamation, whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer and/or to or in one or more Subsidiaries of the Issuer, or (B) where a Principal Subsidiary transfers all or substantially all of its business, undertaking and assets to, or amalgamates or merges into, an Approved Joint Venture; or
- (ix) *Analogous event*: any event occurs which under the laws of New Zealand has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above; or
- (x) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations which are, in the opinion of the Trustee, material under or in respect of the Unsubordinated Notes or (as applicable) the Dated Subordinated Notes or the Trust Deed.

(b) *Undated Subordinated Notes*:

If:

- (i) the Issuer fails to pay any amount of (A) principal in respect of the Undated Subordinated Notes within three days of the due date for payment thereof or (B) interest in respect of the Undated Subordinated Notes within three days of a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory; or
- (ii) any of the events described in Condition 13(a)(vi) (*Insolvency etc.*) occurs and is continuing,

the Trustee at its discretion may and, if so requested in writing by the Holders of at least one quarter in principal amount of the outstanding Undated Subordinated Notes or, if so directed by an Extraordinary Resolution of the Holders of the Undated Subordinated Notes, shall (subject to the Trustee having been indemnified or provided with security to its satisfaction) give written notice to the Issuer declaring the Undated Subordinated Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together with accrued interest without further action or formality.

(c) *Payments due or compulsory*

For the purpose of this Condition 13, in the case of Dated Subordinated Notes, a payment otherwise due and, in the case of Undated Subordinated Notes, a payment otherwise due (in the case of principal) or compulsory (in the case of interest) shall, in each case, be deemed so due or compulsory notwithstanding that the condition set out in Condition 5(a) (*Dated Subordinated Notes*) or Condition 5(b) (*Undated Subordinated Notes*) (as applicable) is not satisfied.

14. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

15. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in



connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

**16. Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless indemnified to its satisfaction, and to be paid its costs and expenses in priority to the claims of Noteholders. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes, Coupons or Talons as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction. The Trust Deed provides that the Trustee may rely on statements, reports or certificates from Auditors whether or not any such certificate or any report or engagement letter or other document entered into by the Trustee and the Auditors in connection therewith contains any limit on the liability of the Auditors.

In acting under the Paying Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer or, following the occurrence of an Event of Default, the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserves the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent or the Calculation Agent and to appoint a successor principal paying agent or calculation agent and additional paying agents; provided, however, that:

- (a) the Issuer shall at all times maintain a Principal Paying Agent;
- (b) the Issuer will ensure that it maintains a Paying Agent with a specified office in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Union Directive 2003/48/EC or any laws implementing or complying with, or introduced in order to conform to, such Directive;
- (c) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and
- (d) so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore; and
- (e) if and for so long as the Notes are admitted to listing, trading and/or quotation by any other competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by the rules of such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given by the Issuer to the Noteholders.

**17. Meetings of Noteholders; Modification, Waiver**

**(a) Meetings of Noteholders**

The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the provisions of the Trust Deed. Any such modification may be made if sanctioned by an

Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than one half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

Meetings in respect of any Series of Notes shall be held separately.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Noteholders or Couponholders to (i) any modification of any provision of these Conditions or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error and (ii) any other modification (except as mentioned in the Trust Deed) and any waiver or authorisation of any breach or proposed breach of any provision of these Conditions or the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. In addition, the parties to the Paying Agency Agreement may agree to modify any provision thereof, save that the Trustee shall only agree without the consent of the Noteholders to such modification if, in the opinion of the Trustee, such modification is not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and Couponholders.

18. **Enforcement**

The Trustee may at any time, at its discretion and without notice:

- (a) in the case of Unsubordinated Notes, institute such proceedings (subject to the provisions of Clause 9 of the Trust Deed and Condition 13 (*Events of Default*)) as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes; and
- (b) in the case of Dated Subordinated Notes or Undated Subordinated Notes, institute proceedings in New Zealand (but not elsewhere) (subject to the provisions of Clause 9 of the Trust Deed and Condition 13 (*Events of Default*)) for the liquidation of the Issuer, but may take no other action in respect of such default,

but, in each case, it shall not be bound to do so unless:

- (a) it has been so requested in writing by the Holders of at least one quarter in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

19. **Notices**

(a) *Notices*

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in Asia (which is expected to be the *Asian Wall Street Journal*).

(b) *Date of Notice*

Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent. (with one half cent. being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

21. **Third Party Rights**

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

22. **Further issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding Notes.

23. **Law and Jurisdiction**

(a) *Governing law*

The Notes (except for Condition 5 (*Subordination*), which is governed by, and shall be construed in accordance with, New Zealand law), the Trust Deed (except for Clause 5, which is governed by, and shall be construed in accordance with, New Zealand law), and the Paying Agency Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed and the Paying Agency Agreement are governed by English law.

(b) *English Courts*

The courts of England have exclusive jurisdiction to settle any dispute (a '**Dispute**'), arising from or connected with the Trust Deed or the Notes or Coupons or any non-contractual obligation arising out of or in connection with them.

(c) *Appropriate Forum*

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Trustee and Noteholders to take proceedings outside England*

Condition 23(b) (*English Courts*) is for the benefit of the Trustee and the Noteholders only. As a result, nothing in this Condition 23 prevents the Trustee or any Noteholder from taking proceedings relating to a Dispute ('**Proceedings**') in any other courts with jurisdiction. To the

extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Process Agent*

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited at 10 Upper Bank Street, London E14 5JJ, or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the Companies Act 2006.

If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of the Trustee appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer. Nothing in this paragraph shall affect the right of the Trustee to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

## PRICING SUPPLEMENT

Pricing Supplement dated [•]

### FONTERRA CO-OPERATIVE GROUP LIMITED

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the U.S.\$4,000,000,000

### Euro Medium Term Note Programme

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the '**Conditions**') set forth in the offering circular dated 15 October 2014 [and the Supplemental Offering Circular dated [•]] (together, the '**Offering Circular**'). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering circular with an earlier date and the relevant terms and conditions from that offering circular with such earlier date were incorporated by reference in the Offering Circular.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the '**Conditions**') set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto].

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular dated [original date] and 15 October 2014 [and the Supplemental Offering Circular[s] dated [•] and [•]].

*[Include whichever of the following apply or specify as 'Not Applicable' (N/A). Note that the numbering should remain as set out below, even if 'Not Applicable' is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.]*

1. (i) Series number: [•]
- (ii) Tranche number: [•]
- (iii) Date on which Notes become fungible [Not Applicable/ The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [[currency]][aggregate principal amount of previous tranches forming a part of the same Series][[•] per cent./Floating Rate Notes/Zero Coupon Notes][due [•]] (the '**Original Notes**') on [insert date/ the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 19 below [which is expected to occur on or about [insert date]]].]
2. Specified Currency or Currencies: [•]
3. Aggregate Nominal Amount of Notes
- [(i)] Series: [•]
- [(ii)] Tranche: [•]

4. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
5. (i) Specified Denominations: [•]
- (Where specified denomination is expressed to be €100,000 (or equivalent) and multiples of a lower principal amount (for example €1,000), the following sample wording should be followed:*
- '[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].')*
- Notes may not have a minimum denomination of less than €100,000 (or its equivalent in another currency).*
- (ii) Calculation Amount: [•]
- (The applicable Calculation Amount (which is used for the calculation of interest and redemption amounts) will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the circumstances referred to in the guidance note to item 6 above apply (e.g. Specified Denominations of €100,000 and multiples of €1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations)).*
6. [(i)] Issue Date: [•]
- [(ii)] Interest Commencement Date: [Specify/Issue Date/Not Applicable]]
7. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year or (for Undated Subordinated Notes) state 'Not Applicable'.]
- [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to 'professional investors' or (ii) another applicable exemption from section 19 of the FSMA must be available.]*
8. Interest Basis: [[•] per cent. Fixed Rate]  
[[EURIBOR/LIBOR] +/- [•] per cent. Floating Rate]  
[Zero Coupon]  
(further particulars specified below)
9. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount / [•] (In the case of Zero Coupon Notes only, specify the

*redemption amount if redemption will be other than at par)]*

10. Put/Call Options: [Noteholder Put Option – see item 16 below]  
[Issuer Call Option – see item 15 below]
11. (i) Status of the Notes: [Senior/[Undated/Dated] Subordinated]
- (ii) [Date [Board] approval for [•] [and [•]]  
issuance of Notes obtained: *(Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes).]*

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

12. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [•] in each year (adjusted in accordance with [Following Business Day Convention / FRN Convention / Floating Rate Convention / Eurodollar Convention / Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / No Adjustment])
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30E/360 / Actual/Actual (ICMA/ISDA) / Actual/365 / Actual/365 (Fixed) / Actual/360 / 30/360 / Eurobond Basis / 30E/360 (ISDA)]
13. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph.)*
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]  
*(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert 'Not Applicable'.)*
- (iii) Specified Interest Payment Dates: [Not Applicable/[•], subject to adjustment in accordance with the Business Day Convention set out in (v) below]  
*(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert 'Not Applicable'.)*
- (iv) First Interest Payment Date: [•]
- (v) Business Day Convention: [FRN Convention / Eurodollar Convention / Floating Rate Convention / Following Business Day Convention /

		Modified Following Business Day Convention / Modified Business Day Convention / Preceding Business Day Convention / No Adjustment]
(vi)	Additional Business Centre(s):	[Not Applicable/ <i>give details</i> ]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent):	[[ <i>Name</i> ] shall be the Calculation Agent ( <i>no need to specify if the Principal Paying Agent is to perform this function</i> )]
(ix)	Screen Rate Determination:	[Applicable/Not Applicable]
–	Reference Rate:	[LIBOR/EURIBOR]
–	Interest Determination Date(s):	[•]
–	Relevant Screen Page:	[•] [ <i>For example, Reuters LIBOR 01/EURIBOR 01 (In the case of EURIBOR, if not Reuters EURIBOR, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)</i> ]
–	Relevant Time:	[ <i>For example, 11.00 a.m. London time/Brussels time</i> ]
–	Relevant Financial Centre:	[ <i>For example, London/Euro zone (where Euro zone means the region comprised of the countries whose lawful currency is the euro)</i> ]
(x)	ISDA Determination:	[Applicable/Not Applicable]
–	Floating Rate Option:	[•]
–	Designated Maturity:	[•]
–	Reset Date:	[•]
(xi)	Margin(s):	[+/-] [•] per cent. per annum
(xii)	Minimum Rate of Interest:	[[•] per cent. per annum / Not Applicable]
(xiii)	Maximum Rate of Interest:	[[•] per cent. per annum / Not Applicable]
(xiv)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/365 / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 / 30E/360 / Eurobond Basis / 30E/360 (ISDA)]
14.	<b>Zero Coupon Note Provisions</b>	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i>
(i)	Accrual Yield:	[•] per cent. per annum
(ii)	Reference Price:	[•]
(iii)	Day Count Fraction:	[Actual/Actual (ICMA) / Actual/365 / Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/360 / 30/360 /



## PROVISIONS RELATING TO REDEMPTION

15. **Call Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s): [•] per Calculation Amount
  - (iii) Redeemable in part: [Applicable/Not Applicable]
    - (a) Minimum Redemption Amount: [[•] per Calculation Amount / Not Applicable]
    - (b) Maximum Redemption Amount: [[•] per Calculation Amount / Not Applicable]
  - (iv) Notice period [•]
16. **Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s): [•] per Calculation Amount
  - (iii) Notice period: [•]
17. **Final Redemption Amount** [[•] per Calculation Amount]
18. (i) **Early Redemption Amount** [[•] per Calculation Amount]  
 Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:
- (ii) Notice period (for early redemption for taxation reasons): [•]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

19. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Temporary Global Note]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the

Permanent Global Note]

20. Additional Financial Centre(s): [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 12(ii) and 13(vi) relate]
21. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange in to definitive form, more than 27 coupon payments are left.] [Not Applicable]

## DISTRIBUTION

22. U.S. Selling Restrictions: Reg. S Compliance Category 2;  
[TEFRA C/TEFRA D/TEFRA not applicable]
23. Additional Selling Restrictions: [Not applicable]

## LISTING AND ADMISSION TO TRADING

24. Listing: Application has been made by the Issuer or on its behalf for the Notes to be admitted to listing on [Singapore Exchange Securities Trading Limited/other (specify)/None]
25. Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Singapore Exchange Securities Trading Limited /other (specify)] with effect from [•].]/[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Singapore Exchange Securities Trading Limited /other (specify) with effect from [•]/ [Not Applicable] (where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)]]

## OPERATIONAL INFORMATION

26. ISIN Code: [•]
27. Common Code: [•]
28. Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
29. Delivery: Delivery [against/free of] payment
30. Names and addresses of initial Paying Agent(s): [•]
31. Names and addresses of additional Paying Agent(s) (if any): [•]
32. Method of Distribution: [Syndicated/Non-Syndicated]
- (i) Names of Managers: [Not Applicable/give names]

(ii) Date of Subscription Agreement: [•]

33. Stabilising Manager(s) (if any): [Not Applicable/*give name*]

#### **OTHER INFORMATION**

34. Use of Proceeds [(See 'Use of Proceeds' wording in the Offering Circular. If the use of proceeds are different from those uses stated, include those uses here.)]

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information provided in this Pricing Supplement.

Signed on behalf of Fonterra Co-Operative Group Limited:

By:.....

*Duly authorised*

## **OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Clearing System Accountholders**

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to '**Noteholder**' are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an '**Accountholder**') must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

### **Exchange of Temporary Global Notes**

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### **Conditions applicable to Global Notes**

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is an overview of certain of those provisions:

*Payments:* All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at

the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

*Exercise of put option:* In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions.

*Notices:* Notwithstanding Condition 19 (*Notices*), while all of the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as such Notes are admitted to trading on the SGX-ST, such notices shall be published in a leading newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*).

*Denominations:* So long as the Notes are represented by a Temporary Global Note or a Permanent Global Note and the relevant clearing system(s) so permit, the Notes may be tradeable in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in the Pricing Supplement and higher integral multiples of an amount specified in the Pricing Supplement, notwithstanding that the Pricing Supplement may specify that no Definitive Notes will be issued over a certain specified denomination.

*Payment Business Day:* in the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used by the Company for the general corporate purposes of the Group, or otherwise as specified in the applicable Pricing Supplement.

## DESCRIPTION OF THE ISSUER

### Introduction

Fonterra Co-operative Group Limited ('**Fonterra**') is a co-operative company, incorporated under the Companies Act 1993 of New Zealand ('**Companies Act**') and registered under the Co-operative Companies Act 1996 of New Zealand with registration number 1166320, with the status of a limited liability company. Fonterra is also required to comply with the DIRA. Its registered office and principal place of business is at 9 Princes Street, Auckland, New Zealand and the telephone number is (+649) 374 9000.

Fonterra is the ultimate holding company for the Fonterra group which comprises approximately 200 companies (of which approximately two fifths are trading companies) (the '**Fonterra Group**' or '**Group**'). Fonterra was incorporated on 16 October 2001.

Fonterra is a co-operative, owned and supplied by around 10,500 farmer shareholders in New Zealand. Fonterra collects approximately 87 per cent.<sup>1</sup> of New Zealand's total milk supply.

### Business of the Fonterra Group

Fonterra is the largest processor of milk in the world with a sales network spanning more than 100 countries.

Through its integrated 'grass to glass' supply chain, Fonterra delivers high quality dairy products to a portfolio of customers and consumers around the world. In addition to the division called Group Functions (which includes the Office of the CEO; Office of the CFO; People, Culture and Strategy; Communications; Cooperative Affairs; and Global Brands and Nutrition), it is organised around three global businesses, (Global Operations, Global Ingredients and International Farming) and three regional businesses (Greater China, LATAM and APMEA).

### Global Businesses

#### *Global Operations*

A strategic review of New Zealand Milk Products ('**NZMP**') resulted in NZMP being replaced with two new global businesses: Global Operations and Global Ingredients.

Global Operations has two core functions: (a) to operate the New Zealand supply chain, that is, collecting milk from New Zealand farmers and manufacturing it into dairy products; and (b) to align Fonterra's standards, processes and methods across the global ingredient manufacturing supply chain. In addition, Global Operations works with Global Ingredients around the world and with a number of joint ventures and suppliers to achieve a world class level of excellence in supply chain and operations.

#### *Global Ingredients*

Global Ingredients sells dairy ingredients products manufactured by Fonterra or sourced from trusted suppliers through its global sales network to customers around the world. Products range from everyday dairy nutrition powders (typically Whole Milk Powder and Skim Milk Powder) to innovative advanced dairy nutrition products (for example, protein ingredients products, milk protein concentrates and whey protein concentrates). Customers include many of the world's largest food companies.

#### *International Farming*

Fonterra's International Farming builds and operates large scale dairy farms in China. Its principal business activity is the production and sale of premium raw milk in China. Fonterra established its first farm in China in 2007 as a pilot project to produce New Zealand-standard milk in China. Today, Fonterra operates a hub of five farms in Hebei Province, milking 16,000 cows and producing 160 million litres of quality milk each year. Fonterra has begun construction on its second farming hub, located in Ying County, Shanxi Province.

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<sup>1</sup> Derived from Fonterra's analysis of the Dairy Companies Association of New Zealand milk production data at 30 June 2013 and Fonterra's internal data.

## Regional Businesses

Fonterra builds on its earnings from New Zealand and internationally-sourced milk through the operations of integrated regional businesses. These regional businesses focus on branded consumer dairy products (such as yoghurts, milk, butter and ice cream) and foodservice (supplying customers such as bakeries, restaurants, caterers, hotels and quick service restaurants).

### *APMEA (Asia Pacific/Middle East/Africa)*

This consumer business unit is a result of a merger of the former Australia and New Zealand (ANZ) and South East Asia, Middle East and Africa (ASEAN/MENA) business units, and it includes the consumer and foodservice business in New Zealand, Australia, Asia, Africa, and the Middle East. APMEA brands cover a wide range of consumer and customer needs, ranging from every-day nutrition under Anchor™, Mainland™, Tip Top™, Western Star™, Fernleaf™ and Ratthi™ to advanced nutrition offerings under Anlene™ and Annum™.

### *LATAM*

This business encompasses integrated consumer dairy and milk processing businesses in Chile (Soprole), Venezuela (Corporacion Inlaca) and Dairy Partners Americas Brazil ('**DPA Brazil**') a majority owned joint venture with Nestle. The Dairy Partners alliance with Nestle was subject to a number of recently announced changes which are noted below. The LATAM region also includes Fonterra's Caribbean consumer and foodservice business and ingredients sales in the Southern Cone.

With effect from 1 August 2014 Fonterra has taken a 51 per cent. controlling stake in DPA Brazil, with Nestlé holding the balance, and Fonterra together with a local partner has acquired Nestlé's share of DPA Venezuela. A further effect of the realignment is that Fonterra has sold its share in DPA's milk powder manufacturing business to Nestlé which bought Fonterra's share of DPA Ecuador. Both of these changes were completed on 1 October 2014.

### *Greater China*

This business encompasses all Fonterra activities and joint ventures in Greater China including consumer and foodservice business in the mainland of China, Hong Kong and Taiwan. Fonterra's three core consumer brands in China are Anchor™, Anlene™, and Annum™. Fonterra is a leading foodservice provider throughout China and this business is expanding. Fonterra provides high quality products including cheese, cream and butter under the Anchor™ brand to bakeries, restaurants, hotels and quick service restaurants throughout China. In Taiwan, Fonterra has one subsidiary and two joint ventures focusing on consumer and foodservice markets. In Hong Kong, Fonterra has a presence in consumer and foodservice markets.

On 27 August 2014, Fonterra announced its intention to form a global partnership with leading Chinese infant formula manufacturer Beingmate. The partnership is intended to be achieved in two phases: (a) Fonterra will issue a partial tender offer for up to a 20 per cent. stake in Beingmate; and (b) after gaining regulatory approvals and Fonterra satisfactorily completing the partial tender offer, Fonterra and Beingmate will set up a joint venture to purchase Fonterra's Darnum plant in Australia and establish a distribution agreement to sell Fonterra's Annum™ brand in China.

## Fonterra in a global context<sup>2</sup>

Global Dairy Exports are defined as the market for the international trade of dairy products, excluding trade among countries within the European Union. Global Dairy Exports account for approximately 8.7 per cent. or 61 billion litres of global dairy production.<sup>3</sup> The remaining production is consumed in-market (i.e. domestically within overseas markets). Commodity products such as milk powders, butter and cheese comprise more than 64 per cent. of all of Global Dairy Exports. Whole Milk Powder and Skim Milk Powder together account for more than a third of all globally-traded dairy products. During the 2013/2014

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<sup>2</sup> The information contained in this section is based on Fonterra's internal milk production data and analysis of various external trade data, including information publicly available through the U.S. Department of Agriculture and Eurostat as at 31 July 2014 and subscription based sources including Global Trade Information Services as at 31 July 2014.

<sup>3</sup> Source: Fonterra, Global Trade Information Services. Note: information for 12 months to 31 May 2014.



milk season<sup>4</sup>, Fonterra represented 17 per cent. of Global Dairy Exports with a market share of 48 per cent. for Whole Milk Powder and 15 per cent. for Skim Milk Powder. Fonterra's NZMP business exported around 98 per cent. of its New Zealand production to more than 100 countries in that milk season.

Between now and 2020, Fonterra expects the volume of global trade in dairy products to increase at an annual rate of approximately 4 to 6 per cent. This reflects an expectation that demand will exceed local supply growth in major emerging markets such as China, India, South East Asia, the Middle East and North Africa. It is anticipated that this demand growth will be driven by growing population, rising incomes, urbanisation and the westernisation of diets. Fonterra is well placed to respond to this demand growth with dairy nutrition products. Fonterra is also developing secure sources of quality milk in overseas jurisdictions such as China.

### Selected Financial Information

The following selected financial information reflects the consolidated results of Fonterra for the year ended 31 July 2014 and the year ended 31 July 2013. This financial information has been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP') and has been extracted without material adjustment from the audited consolidated financial statements of Fonterra. These financial statements comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards. Fonterra also produced unaudited six month interim financial statements for the six months ended 31 January 2014 and audited summary financial statements for the year ended 31 July 2014.

The extracted financial information does not contain all the disclosures required for full financial statements under NZ GAAP. Reading the extracted financial information, therefore is not a substitute for reading the audited financial statements.

	<b>As at/for the year ended 31 July 2014</b>	<b>As at/for the year ended 31 July 2013</b>
	<i>(in NZ\$m)</i>	
<b>Operations</b> .....		
Revenue .....	22,275	18,643
Profit before Tax .....	137	668
Net finance costs .....	(366)	(269)
<b>Balance sheet</b> .....		
Total assets .....	15,529	14,373
Total liabilities .....	8,995	7,625
Cash and cash equivalents .....	340	330
Short term debt <sup>(1)</sup> .....	1,555	1,570
Long term debt .....	3,364	3,108
Total debt <sup>(1)</sup> .....	4,919	4,678
Net total debt .....	4,579	4,348
Shareholders' equity .....	6,534	6,748
Total capitalisation <sup>(2)</sup> .....	11,453	11,426
Net total capitalisation <sup>(3)</sup> .....	11,113	11,096
<b>Cash flow</b> .....		
Investments and divestments .....	(50)	(44)
Fixed asset and intangible acquisitions and disposals .....	(881)	(826)

<sup>(1)</sup> Includes bank overdraft.

<sup>(2)</sup> Total Capitalisation is calculated as total equity plus total debt.

<sup>(3)</sup> Net total capitalisation is calculated as total equity plus total debt less cash and cash equivalents.

For the financial year ended 31 July 2014, Fonterra had NZ\$15.5 billion in assets, generating total revenues of NZ\$22.3 billion per annum, with around 18,100 employees, and a sales network that reached customers in more than 100 countries.

<sup>4</sup> Being the 12 months to 31 May 2014 (or such other date as the Fonterra Board of Directors may specify from time to time).

### *Financial flexibility*

Fonterra's constitution provides that the total payment made to suppliers each milk season for New Zealand-sourced milk is determined by the Fonterra Board of Directors, having regard to the income from all activities of Fonterra less its costs, which includes debt obligations. The directors' duties under the New Zealand Companies Act 1993 mean they may not set a final payment for such milk which jeopardises Fonterra's ability to meet those debt obligations.

Fonterra's constitution also authorises the Fonterra Board of Directors to determine interim milk payments which have traditionally been made each month. If the interim payments are made at a rate that is higher or lower than that which later market conditions justify, they can be adjusted in later months and Fonterra makes a further payment or receives a repayment from the supplier. This places Fonterra in the position of being a contingent creditor of suppliers to the extent of any such overpayment. This means that, for practical purposes, the milk payments are subordinated to other obligations of Fonterra (**Effective Subordination**).

Once the total milk payment has been determined and announced by the Fonterra Board of Directors in respect of any milk season, the final amount unpaid is an unsecured obligation of Fonterra ranking *pari passu* with all other unsecured obligations.

This Effective Subordination supports Fonterra's long-term credit rating of A with stable outlook by S&P and AA- with stable outlook by Fitch.

Since the start of the 2013/14 season Fonterra has offered suppliers a guaranteed milk price agreement whereby suppliers can agree to supply a specified volume of their milk in consideration for a guaranteed milk price. The guaranteed milk price is paid at the advance rate set for standard milk supply. Suppliers who hold a guaranteed milk price agreement become ordinary unsecured creditors (ranking *pari passu* with all other unsecured creditors) at the end of their first month of supply (for the difference between the guaranteed milk price and the interim payment paid, multiplied by the guaranteed milk quantity supplied). The amount of milk subject to guaranteed milk price agreements during the 2014/2015 season will be less than three percent of the total milk forecast to be collected during the 2014/2015 season and this is not considered to have any material impact on Effective Subordination.

### *Ownership*

Fonterra is a co-operative company and its farmer shareholders are the suppliers of milk to Fonterra in New Zealand. Fonterra's farmer shareholders are required to hold a number of shares in Fonterra linked to the amount of milk they supply to Fonterra each year (over the course of a milk season). The number of shares that a farmer shareholder is required to hold moves in line with changes in their milk production from one milk season to the next.

In 2012 Fonterra implemented a 'Trading Among Farmers' regime which allows farmer shareholders to trade shares between themselves, instead of Fonterra being required to issue and redeem shares. This increases the stability of Fonterra's capital base.

Under Fonterra's constitution, in most cases, farmer shareholders receive one vote for every 1,000 kilograms of milksolids supplied. Fonterra currently has around 10,500 farmer shareholders. The exercise of the powers of Fonterra's shareholders is governed by the Companies Act and Fonterra's constitution.

### **Management and Employees**

#### *Board of Directors*

Under the Companies Act and Fonterra's constitution, the business and affairs of Fonterra are required to be managed by, or be under the direction or supervision of, the Board of Directors. Fonterra's constitution provides for there to be up to 13 directors of Fonterra. Not more than nine of the directors of Fonterra are elected by its farmer shareholders. These persons must either be a farmer shareholder or a representative of a farmer shareholder. One third of these directors are required to retire by rotation each year, but are eligible for re-election. Not more than four directors of Fonterra are appointed by Fonterra's Board of Directors.

The following table shows the composition of the Board of Directors of Fonterra, as at 31 July 2014:

**Name**

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John Wilson (Chairperson)  
Malcolm Bailey  
Ian Farrelly  
Simon Israel\*  
David Jackson\*  
David MacLeod  
John Monaghan  
Sir Ralph Norris\*  
Jim van der Poel  
Nicola Shadbolt  
Reindert (Michael) Spaans  
Ian (Blue) Read  
John Waller\*

\* These directors are appointed by Fonterra's Board of Directors

*Senior Management of the Fonterra Group*

The following table shows the senior management of the Fonterra Group:

<b>Name</b>	<b>Position</b>
Theo Spierings	Chief Executive Officer
Lukas Paravicini	Chief Financial Officer
Alex Turnbull	Managing Director Latin America
Jacqueline Chow	Managing Director Global Brands and Nutrition
Johan Priem	President Greater China
Kelvin Wickham	Managing Director Global Ingredients
Maury Leyland	Managing Director of People, Culture and Strategy
Rob Spurway	Managing Director Global Operations
Pascal De Petrini	Managing Director of Asia Pacific, Middle East and Africa (APMEA)

*Shareholders' Council*

The Shareholders' Council is a national body of farmer shareholders. There are currently 37 councillors, elected by farmer shareholders within 35 wards throughout New Zealand. The Shareholders' Council is not a separate legal entity, but its role is recognised in Fonterra's constitution. The Shareholders' Council monitors the performance of Fonterra's Board of Directors, represents farmer shareholders' interests on current issues and decision-making by Fonterra, and appoints an independent milk commissioner to consider and facilitate resolution of supply-related complaints from farmer shareholders. It also has a number of other functions which are specified in Fonterra's constitution.

## PRC CURRENCY CONTROLS

### *Current Account Items*

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. In July 2009, the PRC commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, 24 August 2011 and 3 February 2012 respectively, the PRC government promulgated the *Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades* (關於擴大跨境貿易人民幣結算試點有關問題的通知), the *Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement* (關於擴大跨境貿易人民幣結算地區的通知) and the *Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods* (關於出口貨物貿易人民幣結算企業管理有關問題的通知) (together as '**Circulars**'). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods without obtaining the approval as previously required, provided that the relevant provincial government has submitted to PBoC and five other PRC authorities (the '**Six Authorities**') a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the '**Supervision List**').

On 5 July, 2013, the PBoC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the '**2013 PBoC Circular**'), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

As new regulations, the Circulars and the 2013 PBoC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circulars and the 2013 PBoC Circular and impose conditions for settlement of current account items.

### **Capital Account Items**

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement for capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties were also generally required to make

capital account payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

On 10 May 2013, the State Administration of Foreign Exchange of the PRC (國家外匯管理局) ('SAFE') promulgated the *Provisions on the Foreign Exchange Administration of Domestic Direct Investment by Foreign Investors* (外國投資者境內直接投資外匯管理規定) (the '**SAFE Provisions**'), which became effective on 13 May 2013. According to the SAFE Provisions, foreign investors can use cross-border Renminbi (including Renminbi inside and outside the PRC held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make a payment for the transfer of an equity interest of an onshore enterprise by a PRC resident within the total investment amount approved by the competent authorities (for example, MOFCOM and/or its local counterparts as well as financial regulators). Capital account transactions in Renminbi must generally follow the current foreign exchange control regime applicable to foreign currencies.

Under current rules promulgated by SAFE, foreign debts borrowed and the foreign security provided by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign security regime. Furthermore, according to the 2013 PBoC Circular, upon enforcement of foreign security in Renminbi provided by onshore non-financial enterprises, PRC banks may provide Renminbi settlement services (i.e. remittance of enforcement proceeds) directly, which seems to indicate that SAFE approval for enforcement (which would be required in the case of the external guarantees in foreign currencies) is no longer required. However, SAFE has not amended its positions under the current applicable rules, nor has it issued any regulations to confirm the positions in the 2013 PBoC Circular. Therefore, there remain potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBoC Circular and it is unclear how SAFE will deal with such inconsistencies in practice.

Approved onshore enterprises and enterprises that have filed with the competent authorities in the Shanghai FTZ can extend loans in Renminbi to, or borrow loans in Renminbi from, offshore group entities within the same group under Renminbi cash pooling arrangements (through a bank in Shanghai) according to applicable rules and will no longer need to attend to normal procedures with PBoC or SAFE for each sum under this arrangement. However, Renminbi funds obtained from financing activities may not be pooled under this arrangement.

According to the PBoC Shanghai FTZ Circular, banks in Shanghai can settle Renminbi funds under FDI for enterprises in the Shanghai FTZ upon the client's instruction. In addition, enterprises in the Shanghai FTZ can borrow Renminbi from offshore lenders within the prescribed limit, while there is no numerical limit for banks in the Shanghai FTZ to borrow offshore Renminbi, although the utilisation has geographic restriction, the interpretation of which is still unclear. The PBoC Shanghai FTZ Circular also allows, in principle, the China Foreign Exchange Trading System to offer trading facility relating to financial instrument denominated in Renminbi to offshore investors, and the Shanghai Gold Exchange to offer trading facility relating to precious metal transactions to offshore investors.

The SAFE Provisions, the MOFCOM Circular, the PBoC FDI Measures and the Shanghai PBoC FTZ Circular, which are new regulations, have been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulations will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

## TAXATION

*The following is a general description of certain New Zealand tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Tax aspects of acquiring, holding or disposing of Notes relate only to the position of persons who are absolute beneficial owners of the Notes.*

*Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of New Zealand.*

*The information contained within this section is limited to certain taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.*

**The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers.**

This overview is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law or practice that may take effect after such date.

### NEW ZEALAND

Where used in this section, '**interest**' means interest (as defined under New Zealand tax legislation) for withholding tax purposes, which under current legislation includes the excess of the redemption amount over the issue price of any Note as well as coupon interest paid on such Note.

#### (a) **Non-Resident Withholding Tax**

Although New Zealand law requires a deduction on account of non-resident withholding tax to be made from the payment of interest to any holder of a Note who is not a New Zealand Holder (as defined in paragraph (b)(i) below), the Issuer intends (for so long as it does not incur any increased cost or detriment from so doing) to reduce the applicable rate of non-resident withholding tax to zero per cent. (in the case of holders of Notes who are not New Zealand Holders and are not associated with the Issuer) by registering the Programme with the New Zealand Inland Revenue Department and paying, on its own account, a levy equal to two per cent. of the relevant interest payment.

#### (b) **Resident Withholding Tax**

The Issuer is required by law to deduct New Zealand resident withholding tax from the payment of interest to the holder of any Note on any Interest Payment Date or the Maturity Date, if:

- (i) the holder is a resident of New Zealand for income tax purposes or the holder is engaged in business in New Zealand, through a fixed establishment in New Zealand (a '**New Zealand Holder**'); and
- (ii) at the time of such payment the New Zealand Holder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes.

Prior to any Interest Payment Date or the Maturity Date any New Zealand Holder:

- (i) must notify the Issuer or a Paying Agent (a) that the New Zealand Holder is the holder of a Note and (b) whether it derives beneficially interest under a Note jointly with any other person who is not a New Zealand Holder; and
- (ii) must notify the Issuer or a Paying Agent of any circumstances, and provide the Issuer or the relevant Paying Agent with its New Zealand tax file number and any information (including a copy of a valid RWT exemption certificate), that may enable the Issuer to

make the payment of interest to the New Zealand Holder without deduction on account of New Zealand resident withholding tax.

The New Zealand Holder must notify the Issuer, prior to any Interest Payment Date or the Maturity Date, of any change in the New Zealand Holder's circumstances from those previously notified that could affect the Issuer's payment or withholding obligations in respect of any Note.

Where a person who is a non-New Zealand Holder, derives interest under a Note or Coupon jointly with one or more persons, and one or more of those persons is a resident of New Zealand for income tax purposes, the approved issuer levy regime referred to in paragraph (a) above will not apply to the non-New Zealand Holder and (subject to any applicable double tax treaty) the New Zealand non-resident withholding tax imposed will equate to the applicable rate of New Zealand resident withholding tax.

By accepting payment of the full face amount of a Note or any interest thereon on any Interest Payment Date or the Maturity Date, the New Zealand Holder will be deemed to have indemnified the Issuer for all purposes in respect of any liability which the Issuer may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax and (in the case of a Note held jointly with a non-New Zealand Holder) New Zealand non-resident withholding tax applicable to such non-resident person.

### **EU Savings Tax Directive**

Under EC Council Directive 2003/48/EC (the '**EU Savings Directive**') on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The EU Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Investors who are in any doubt as to their position should consult their professional advisers.

### **FATCA**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ('**FATCA**') impose a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a '**foreign financial institution**', or '**FFI**' (as defined by FATCA)) that does not become a '**Participating FFI**' by entering into an agreement with the U.S. Internal Revenue Service ('**IRS**') to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not either provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a '**United States account**' of the Issuer or consent, where necessary, to have its information disclosed to the IRS (a '**Recalcitrant Holder**').

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to **'foreign passthru payments'** (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the **'grandfathering date'**, which is the later of (a) 1 July 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **'IGA'**). Pursuant to FATCA and the 'Model 1' and 'Model 2' IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **'Reporting FI'** not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **'FATCA Withholding'**) from payments it makes. The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

If the Issuer becomes a Participating FFI under FATCA the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Notes are in global form and held within Euroclear or Clearstream, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary, given that each of the entities in the payment chain beginning with the Paying Agents and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, Definitive Notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

**TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**



### **Financial Transactions Tax (the 'FTT')**

On 14 February 2013, the European Commission published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The proposed FTT has very broad scope. If introduced in the form proposed on 14 February 2013, it could apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the 14 February 2013 proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, 'established' in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. Additional EU Member States may decide to participate, although certain other Member States have expressed strong objections to the proposal. The FTT proposal may therefore be altered prior to any implementation, the timing of which remains unclear. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be issued from time to time by the Issuer to any one or more of Citigroup Global Markets Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities plc, Société Générale and UBS Limited (the '**Dealers**'). The arrangements under which Notes may from time to time be agreed to be issued by the Issuer to, and subscribed by, Dealers are set out in an Amended and Restated Dealer Agreement dated 15 October 2014, as amended and/or supplemented from time to time (the '**Dealer Agreement**') and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be subscribed by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such subscription. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

### United States of America

*Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Pricing Supplement or neither if TEFRA is specified as not applicable in the relevant Pricing Supplement.*

The Notes have not been and will not be registered under 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 except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has represented, warranted and agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver any Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are part, as determined and certified as provided below, except in accordance with Rule 903 of Regulation S. Each Dealer who subscribes for Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Principal Paying Agent has agreed to notify such Dealer of the end of the distribution compliance period with respect to such Tranche. Each Dealer has also agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Notes 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 Notes of which such Notes 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."

*The Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(D) (the 'D Rules'), unless the relevant Pricing Supplement specifies that the Notes will be issued in accordance with the provisions of United States Treasury Regulation § 1.163-5(c)(2)(i)(C) (the 'C Rules') or unless TEFRA is specified as not applicable in the relevant Pricing Supplement.*

Terms used in the above paragraph have the meanings given to them by Regulation S.

Each Dealer who has subscribed for Notes of any Tranche in accordance with the Dealer Agreement shall determine and certify to the Principal Paying Agent or the Issuer the completion of the distribution of

such Tranche subscribed for by it. In the case of a Relevant Agreement between the Issuer and more than one Dealer, the Principal Paying Agent or the Issuer shall notify each Relevant Dealer when all Relevant Dealers have certified as provided in this paragraph. In order to facilitate compliance by each Dealer with the foregoing, the Issuer undertakes that, prior to such certification with respect to such Tranche, it will notify each Dealer in writing of each acceptance by the Issuer of an offer to subscribe for and of any issuance of, Notes or other debt obligations of the Issuer which are denominated in the same currency or composite currency and which have substantially the same interest rate and maturity date as the Notes of such Tranche.

In addition, in respect of the Notes issued in accordance with the D Rules, each Dealer has represented and agreed that:

- (a) except to the extent permitted under the D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered, and will not deliver within the United States or its possessions selling materials or Notes in definitive form that are sold during the restricted period;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (c) if such Dealer is a United States person, it has represented that it is acquiring the Notes for purposes of resale in connection with their original issuance and, if such Dealer retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D)(6); and
- (d) with respect to each affiliate (if any) that acquires Notes from such Dealer for the purposes of offering or selling such Notes during the restricted period, such Dealer either (i) has represented and agreed on behalf of any such affiliate (if any) to the effect set forth in sub-paragraphs (a), (b) and (c) of this paragraph or (ii) has agreed that it will obtain from such affiliate (if any) for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a), (b) and (c) of this paragraph.

Terms used in the above paragraph have the meanings given to them by the United States Internal Revenue Code and Regulations thereunder, including the D Rules.

In addition, where the C Rules are specified in the relevant Pricing Supplement as being applicable in relation to any Tranche of Notes, such Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, Notes within the United States or its possessions in connection with the original issuance. Further, each Dealer has represented and agreed in connection with the original issuance of Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

***Public Offer Selling Restriction under the Prospectus Directive***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a '**Relevant Member State**'), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the '**Relevant Implementation Date**') it has not made and will not make an offer of Notes that are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a '**Non-exempt Offer**'), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 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 the Relevant Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Relevant Issuer 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

## United Kingdom

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Notes which have a maturity of less than one year from the date of their issue:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,
 where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each Dealer has undertaken that it has not,

directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. 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**

Each of the Dealers has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, the Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only 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*.

## **New Zealand**

The Notes shall:

- (a) in relation to Notes offered before 1 December 2014, not be offered for sale to the public in New Zealand in breach of the Securities Act 1978 or the Securities Regulations 2009 of New Zealand. In particular, but without limitations Notes may only be offered or transferred:
  - (i) to persons whose principal business is the investment of money;
  - (ii) to persons who, in the course of and for the purposes of their business, habitually invest money;
  - (iii) to persons who are each required to pay a minimum subscription price of at least NZ\$500,000 for the Notes (disregarding any amount lent by the offeror, the Issuer or any associated person of the offeror or Issuer) before the allotment of those Notes and, in the case of a transfer, who are each required to pay a minimum purchase price of at least NZ\$500,000 (disregarding any amount lent by the offeror, the Issuer or any associated person of the offeror or the Issuer) before the transfer of those Notes; or
  - (iv) to persons who have each previously paid a minimum subscription price of at least NZ\$500,000 (disregarding any amount lent by the offeror, the Issuer or any associated person of the offeror or Issuer) for securities (as that term is defined in section 2D of the Securities Act 1978 of New Zealand) (the 'initial securities') in a single transaction before the allotment of the initial securities, provided that the offer of the Notes is made by the issuer of the initial securities and within 18 months of the date of the first allotment of the initial securities.
- (b) in relation to Notes offered on or after 1 December 2014, not be offered for issue or sale to any person in New Zealand, except to wholesale investors within the meaning of, and in compliance with, the Financial Markets Conduct Act 2013.

## **Singapore**

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the 'SFA'). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes to be issued from time to time by the Issuer pursuant to the Programme may not be circulated or distributed, nor may the Notes 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 Notes 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,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes 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;
- (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

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes 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; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, 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 Notes 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 PRC

The Notes will 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 Offering Circular 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 Offering Circular, any information contained herein or the Notes 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 Notes in the PRC.

The Notes may only be invested by the PRC investors that are authorised to engage in the investment in the Notes 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 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**

Each of the Dealers has represented and agreed that the Notes have not been and will not be offered in the Netherlands other than to persons or entities which are qualified investors (*gekwalificeerde beleggers*) as defined in article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

### **General**

Persons into whose hands the Offering Circular or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed 'General' above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer.

## **GENERAL INFORMATION**

### **Listing and Admission to Trading**

Approval in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List.

Admission to the Official List and any quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, for so long as such Notes are listed on the SGX-ST, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

### **Authorisations**

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 2 April 2002. The update of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 27 July 2008. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### **Clearing of the Notes**

Notes have been accepted for clearance through Euroclear (1 Boulevard du Roi Albert II, B 1210 Brussels) and Clearstream, Luxembourg (42 Avenue JF Kennedy, L-1855 Luxembourg). The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Pricing Supplement relating thereto. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### **Litigation**

Neither the Issuer nor any member of its Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Offering Circular which would reasonably be expected to have or have had in the recent past significant effects on the financial position or profitability of the Issuer or its Group.

### **No significant change and no material adverse change**

Since 31 July 2014, there has been no significant change in the financial or trading position of the Issuer or its Group and there has been no material adverse change in the prospects of the Issuer or its Group.

### **Auditors**

The audited consolidated financial statements of the Group for the financial years ended 31 July 2013 and 31 July 2014 have been audited by PricewaterhouseCoopers, Chartered Accountants (licenced members of the New Zealand Institute of Chartered Accountants and regulated by the Financial Markets Authority).



### **Documents available for inspection**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the following documents may be inspected during normal business hours at the registered office of the Issuer and the Specified Office of the Principal Paying Agent, and copies of the documents referred to in paragraphs (e), (f) and (g) below can be obtained free of charge, upon oral or written request, from the registered office of the Issuer and Specified Office of the Principal Paying Agent during normal business hours:

- (a) the Paying Agency Agreement;
- (b) the Trust Deed;
- (c) the constituting documents of the Issuer;
- (d) the most recent publicly available audited consolidated financial statements of the Group and the corresponding audit reports;
- (e) the most recent publicly available interim consolidated financial statements of the Group (whether audited or unaudited);
- (f) any Pricing Supplement relating to Notes which are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system (in the case of any Notes which are not admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system, copies of the relevant Pricing Supplement will only be available for inspection by the relevant Noteholders); and
- (g) this Offering Circular and all supplements to this Offering Circular prepared by the Issuer from time to time.

## **REGISTERED OFFICE OF THE ISSUER**

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### **J.P. Morgan Securities plc**

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