

QD 3: FARMGATE MILK PRICE, DIVIDEND AND RETAINED EARNINGS
QD 15: R & D EXPENSE
QD 16: MARKETING EXPENSE (ADVERTISING AND PROMOTION SPEND)

	Ref	31 May 2002	31 May 2003	31 May 2004	31 May 2005	31 May 2006	31 May 2007	31 July 2008	31 July 2009	31 July 2010	31 July 2011	31 July 2012	31 July 2013	31 July 2014	31 July 2015	31 July 2016	31 July 2017
Farmgate milk price (per kgMS)																	
Fonterra Commodity Milk Price	1	5.06	3.16	3.77	4.14	3.62	3.87	7.59	4.72								
Farmgate milk price										6.10	7.60	6.08	5.84	8.40	4.40	3.90	6.12
Dividend (\$m)																	
Value add contribution to payout/value return	2	n/a	505	576	525	578	728	87	591								
Dividend	3									107	365	475	546	336	240	720	481
Retained earnings (\$m)																	
	4, 4a	(50)	45	74	166	170	176	18	26	547	943	1,078	1,249	1,059	1,289	1,384	1,637
R&D expense (\$m)																	
	5	85	68	32	78	99	95	100	86	98	90	93	94	87	83	88	81
Advertising and promotion expense (\$m)																	
	6	n/a	n/a	224	193	227	270	311	339	393	392	349	371	344	357	373	318

1 The terminology and calculation methods changed over time due to restructuring in 2009 to a trading among farmers model. Pre TAF, CMP was calculated using varying methods and may not always be consistently comparable.

2 The terminology and calculation methods changed over time due to restructuring in 2009 to a trading among farmers model. Pre TAF, 'profit' was allocated to shareholders as a value add or value return payment, and formed part of total 'payout'.

3 Dividends are now calculated per share. Dividends disclosed above are those paid during the financial year.

4 On 24 January 2008 Fonterra changed its balance date to 31 July, there was no change in the season end date and no change in the dates for issuing or redeeming of shares. The later 31 July balance date better reflects Fonterra's financial performance from the sales of milk supplied in the season. Financial statements for Fonterra and consolidated financial statements were prepared for the 14 months ended 31 July 2008.

4a On 1 June 2007 Fonterra adopted New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS"). The 2008 financial statements reflect reporting under NZ IFRS and restating retained earnings for 2007 comparative year. Previous years have been compiled in accordance with NZ GAAP.

5 R&D expense is as per the financial statements. It does not include any capitalised R&D or investment in R&D type ventures (the value of which is not likely to be significant in the context of the overall R&D figure). We do not separately identify capital projects or 'investments' as R&D or other. R&D expense for Fonterra is defined as:

Research - Cost incurred relating to original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development - Cost incurred in applying research findings or other knowledge to a plan or design for the production of new, or substantially improved materials, products or systems prior to the commencement of commercial production or use, unless they meet the definition of an asset.

6 Advertising and promotion spend is obtained from Fonterra's consolidation accounting system (this is not separately disclosed in published annual report). We can no longer obtain this level of detail from 2002 and 2003 due to a change in accounting system.

A&P is defined as: Advertising - Media and related production costs incurred relating to advertising, public relations, market research and merchandising. Promotion - costs incurred relating to one off activity relating to: coupons, samples, scratch cards, free mail in, on pack premium. Cost incurred relating to joint activity with customers not directly affecting price eg advertising subsidies & cooperative advertising, bonus stock, rebates paid as percentage of net sales and retailer coupons.

Advertising and promotion spend does not include customer development, market development, costs of maintaining sales force or direct pricing adjustments/discounts.