



Fonterra Annual Results 2021

23 September 2021

Delivered strong results across the Co-op

Farmgate Milk Price

\$7.54 per kgMS
↑

Earnings and Dividend¹

Dividend **20c** ↑
Normalised EPS **34c**

Resilient supply chain

Record shipping year
2.59
million tonnes from NZ

Stakeholder engagement up

↑
Employee, farmer and customer engagement scores up

Debt down, within target range

Net debt down
\$872m ↓
Gearing ratio² of 36%,
down from 41%

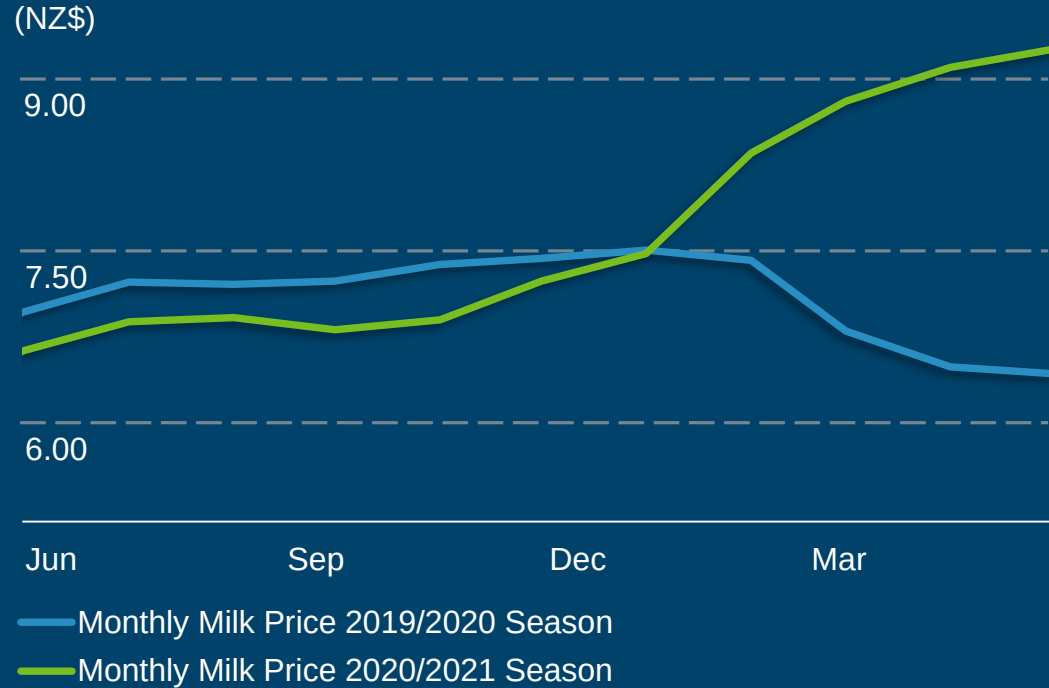
Progress on emissions

Reduced carbon emissions from coal use by more than 11%
↓↓

1. Attributable to equity holders of the Co-operative, excludes non-controlling interest
2. Economic net interest-bearing debt (ENIBD) gearing ratio, refer to Glossary for definition

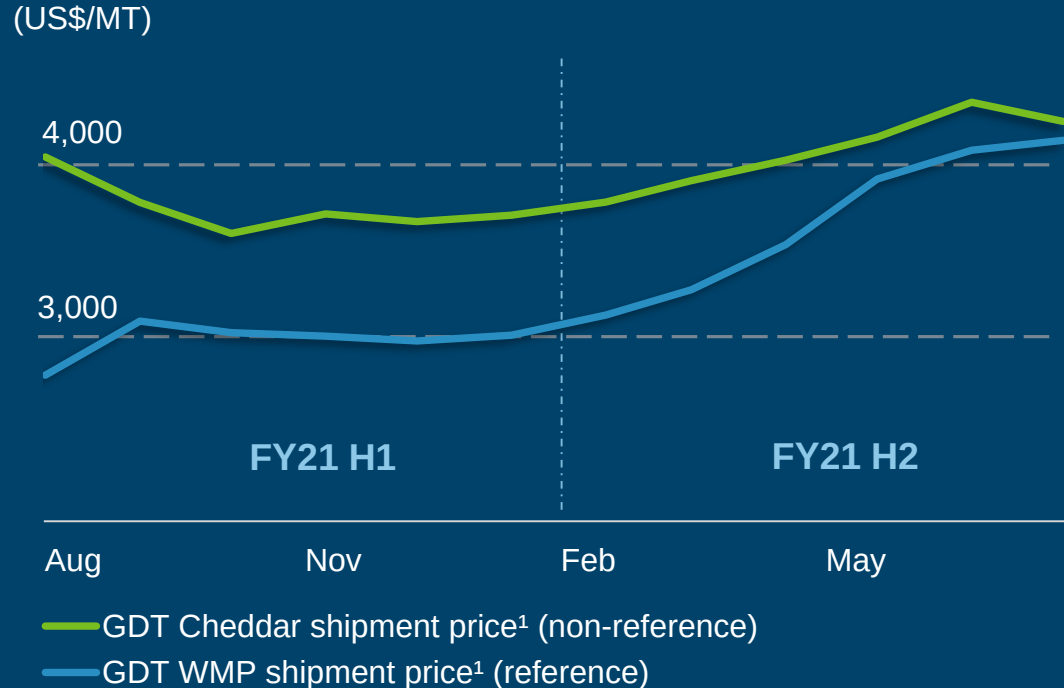
Uplift in milk price in the second half

Monthly Milk Prices



- Strong demand for dairy lifted monthly milk price above \$9.00 towards the end of the 2020/21 Season
- The average of the monthly milk prices are equivalent to \$7.14 and \$7.54 for 2019/20 and the 2020/21 seasons, respectively

Price Relativities



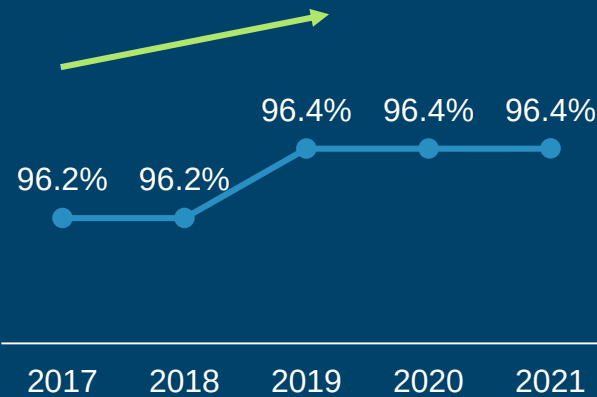
- Favourable and stable price relativities in the first half; strong increase in reference product prices in second half narrowed earnings margins
- Earnings profile weighted to the first half with 25 cents per share, and 9 cents in the second half

Source: GlobalDairyTrade

1. The shipment price is a weighted average price of GDT contracts struck 1 to 5 months prior to the agreed shipment month. Shipment month is the month in which the sale would be deemed for financial reporting purposes to have been completed, and will normally be the month in which the sale is invoiced and the product is shipped

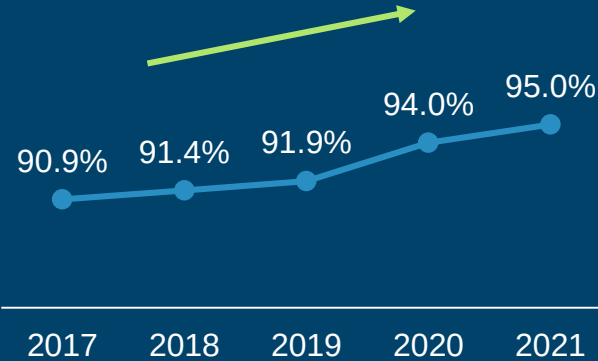
Improved New Zealand manufacturing performance

Milk Utilisation



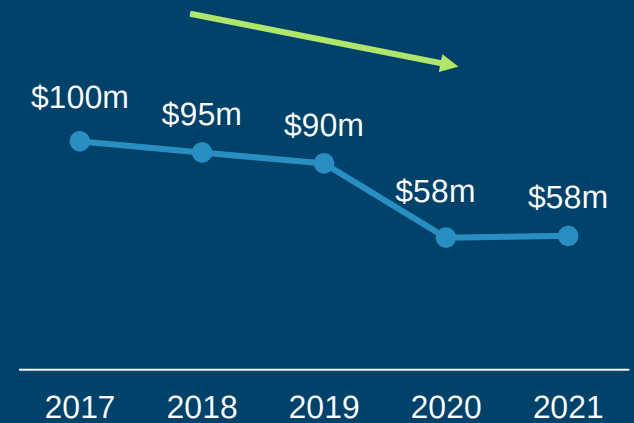
- Maintained utilisation (yield) of milk solids, while increasing complexity of product mix. Improvement of \$18m for 2021 compared to 2017

Made Right First Time



- Consistent improvement in manufacturing performance since 2017 has meant \$35 million less in rework costs

Cost of Quality



- \$42 million improvement over 5 years through a quality improvement programme

Our robust supply chain provides value to customers, farmers and New Zealand



Record shipment year, 2.59 million tonnes shipped from New Zealand, despite pandemic disruptions

More than 50 other exporters shared the benefit of our Kotahi partnership



Team effort and innovation with partners to manage a 350% increase in rework of orders driven by ongoing supply chain disruptions



On a per tonne basis, our non-shipping supply chain costs are 13% lower than 2015

Improving environmental performance



Reduced carbon emissions from coal use by more than 11%, with Te Awamutu moving to renewable wood pellets



Over half of supplying farms in New Zealand now have **Farm Environment Plans**, up from 34% at the beginning of the year



Water usage at sites in water-constrained regions up slightly this year, but still more than 2% lower than FY18 baseline



24% reduction in solid waste to landfill, well ahead of target for the year

Caring for our people



Supported the **wellbeing of our global workforce**, who continue to be affected by COVID-19 lockdowns



Increased our **employee engagement score**, with significantly more teams now in the top quartile



Female representation in senior leadership up to 32%, from 29%, but short of our target



Supported our communities, including donating 800+ tonnes of product to food banks in New Zealand, Australia and Chile

Continued evolution of asset portfolio

NOV 20

Completed sale of
Agrifeeds joint venture

APR 21

Completed sell down of
Beingmate holding

AUG 21

Completed sale of
Agrigate joint venture

OCT 20

Acquired Dairy
Country in Australia

APR 21

Completed sale of
two wholly-owned
China Farming hubs

JUN 21

Completed sale
of China Farms
joint venture

Ongoing

DPA Brazil and Hangu
China Farm sale
process continues

Strong financial performance

**Reported profit
after tax¹**

\$599 million



**Normalised profit
after tax^{1,2}**

\$588 million



**Normalised EPS³
top end of range**

34c



Annual dividend

20c per share



Lower leverage

36%
Debt/EBITDA⁴ Gearing ratio⁵
2.7x



Return on capital⁶

6.6%

no change

1. Total Group figures for the year ended 31 July 2021. This includes Continuing and Discontinued Operations, and includes amounts attributable to non-controlling interests
2. Normalised profit after tax includes \$11million of normalised adjustments resulting from a \$(49) million loss in relation to Beingmate, a \$55 million impact from the gain on sale and impairment reversal on our China Farms, a \$40 million gain on sale on our China Farms joint venture and a \$(35) million impairment on DPA Brazil
3. Attributable to equity holders of the Co-operative, excludes non-controlling interest

4. For the year ended 31 July 2020 debt to EBITDA was 3.3x. This was reported as 3.4x in 2020. Previously, adjusted net debt included a further cash adjustment for 25% of cash and cash equivalents held by the parent
5. Economic net interest-bearing debt (ENIBD) gearing ratio, refer to Glossary for definition
6. For the 2021 Financial Year the notional tax charge was set to 16.1% (2020 Financial Year: 8.4%). The 2021 return on capital would be 7.2% if calculated with the prior year notional tax charge. In 2021 the methodology to calculate return on capital was updated to align the definition of debt with the net debt used in the debt to EBITDA ratio and exclude hedge reserves from total equity. The prior years have been restated for consistency with current period

Improved Total Group business performance

million ¹	2020	2021	%Δ ²
NZ Milk Price ³ (per kgMS)	7.14	7.54	6%
Revenue (\$)	20,975	21,124	1%
Gross profit (\$)	3,208	3,114	(3)%
Gross margin (%)	15.3%	14.7%	
Operating expenses (\$)	(2,323)	(2,242)	3%
Other ⁴ (\$)	(6)	80	–
Normalised EBIT ⁵ (\$)	879	952	8%
Net finance costs and tax (\$)	(481)	(364)	24%
Normalised profit after tax ⁶ (\$)	398	588	48%
Normalised EPS ⁷ (cents)	24	34	42%

- Achieved a gross margin of 14.7%, while increasing milk payments to New Zealand farmers year on year
- Gross margin of 17.4% in first half, second half significantly impacted by rising milk price with margin reduced to 12.4%
- Gross profit reduced \$94 million, due to lower margins across all the regions in the fourth quarter
- ‘Other’ up \$86 million, due to higher other operating income and non-recurrence of adverse one-off items
- Normalised profit after tax improved \$190 million, or 48%, due to improved earnings and lower interest expense

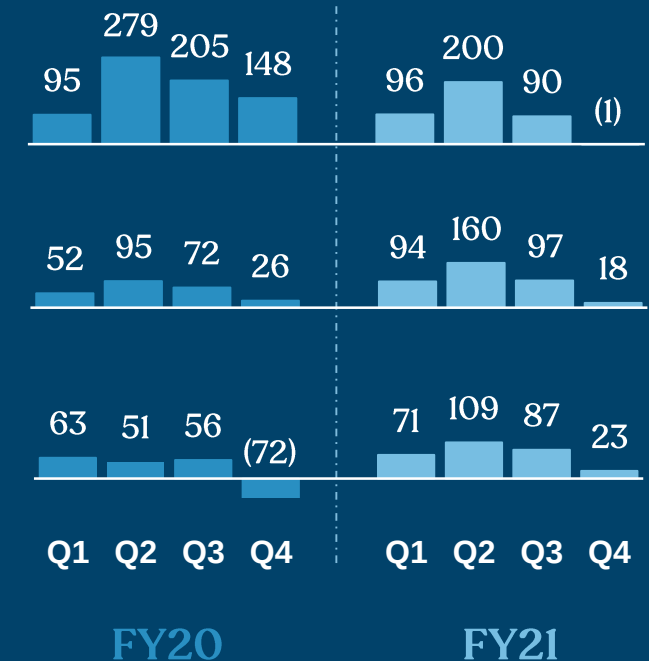
1. Total Group figures for the year ended 31 July. This includes Continuing and Discontinued Operations
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. New Zealand Farmgate Milk Price
4. Consists of other operating income, net foreign exchange gains/(losses) and share of equity accounted investees

5. Normalised EBIT includes \$7 million of normalised adjustments resulting from a \$(49) million loss in relation to Beingmate, a \$55 million impact from the gain on sale and impairment reversal on our China Farms, a \$40 million gain on sale on our China Farms joint venture and a \$(39) million impairment on DPA Brazil
6. Normalised profit after tax includes \$11million of normalised adjustments resulting from a \$(49) million loss in relation to Beingmate, a \$55 million impact from the gain on sale and impairment reversal on our China Farms, a \$40 million gain on sale on our China Farms joint venture and a \$(35) million impairment on DPA Brazil
7. Attributable to equity holders of the Co-operative, excludes non-controlling interest

Diversified across markets and products

	Asia Pacific	AMENA	Greater China	Total
Volume ('000 MT) ¹	1,386 ↓ 1%	1,352 ↓ 6%	1,176 ↑ 15%	3,914 ↑ 1%
EBIT contribution ^{1,2}				
 Ingredients	\$44m ↓ 70%	\$21m ↓ 47%	\$130m ↓ 27%	\$385m ↓ 47%
 Foodservice	\$79m ↑ 193%	\$15m ↑ -	\$275m ↑ 23%	\$369m ↑ 51%
 Consumer	\$182m ↑ 184%	\$110m ↑ 57%	\$(2)m ↑ 94%	\$290m ↑ 196%
Total	\$305m ↑ 28%	\$336m ↓ 28%	\$403m ↑ 10%	

EBIT by Quarter



Note: Figures are for the year ended 31 July 2021. Comparative information has been restated for consistency with the current period, and FY21 quarterly breakdown has been restated for increased accuracy of attribution

1. Prepared on a normalised Continuing Operations basis. Normalised EBIT contributions sum to \$1,044 million, and does not align to reported Continuing Operations due to excluding unallocated costs and eliminations

2. Inclusive of Group Operations' EBIT attribution

Diversification contributes to earnings quality

Asia Pacific	2020 EBIT		2021 EBIT	Change
Ingredients	\$148m		\$44m	(70)%
Foodservice	\$27m		\$79m	193%
Consumer	\$64m		\$182m	184%
	\$239m		\$305m	28%

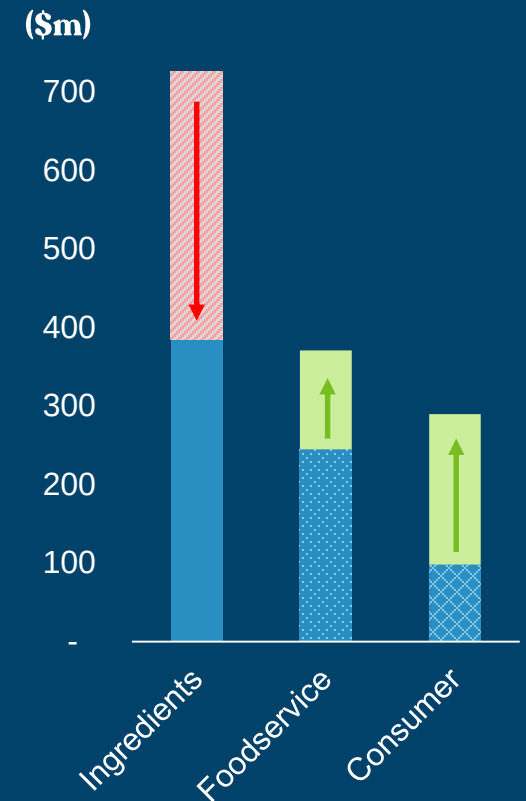
AMENA				
Ingredients	\$400m		\$211m	(47)%
Foodservice	\$(5)m		\$15m	-
Consumer	\$70m		\$110m	57%
	\$465m		\$336m	(28)%

Greater China				
Ingredients	\$179m		\$130m	(27)%
Foodservice	\$223m		\$275m	23%
Consumer	\$(36)m		\$(2)m	94%
	\$366m		\$403m	10%

Eliminations ¹	\$(223)m		\$(148)m	34%
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Total	\$847m		\$896m	6%
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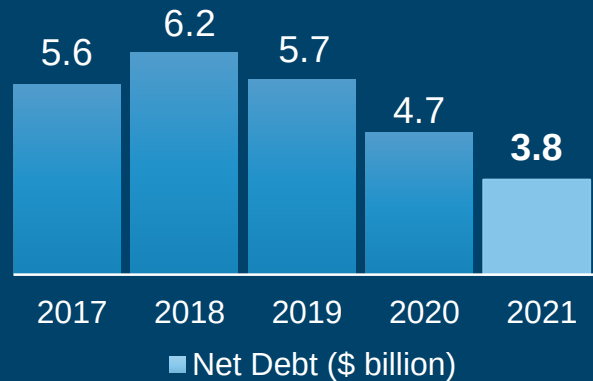
Product channel EBIT



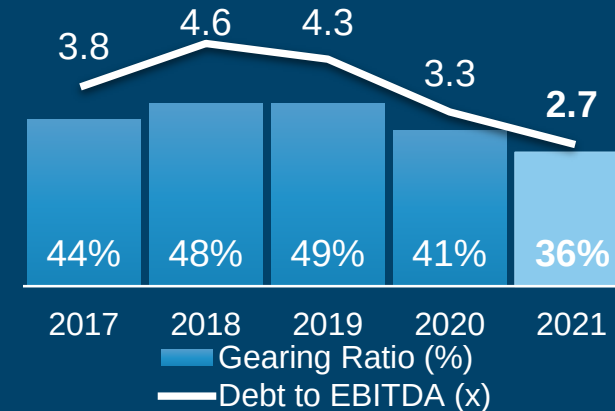
Note: Figures are for the year ended 31 July and prepared on a normalised Continuing Operations basis. Comparative information has been restated for consistency with current period attribution
 1. Eliminations and unallocated costs

Continued strengthening of balance sheet

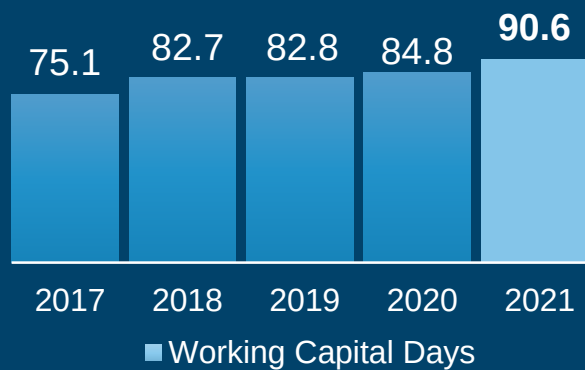
Net Debt^{1,2}



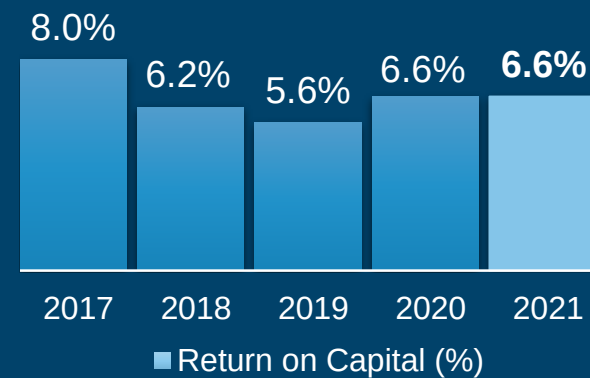
Leverage^{2,3}



Working Capital Days



Return on Capital⁴



- Net debt and leverage down due to divestments and improved earnings from operations
- Both leverage metrics – Debt to EBITDA² and gearing ratio² – are now within our long-term targets of 2.5-3.0x and 30-40%
- Working capital days up due to higher milk price and average inventory held
- Return on capital⁴ unchanged, with increased earnings offset by increase in notional tax rate

Note: Refer to Glossary for definitions of measures

1. Net debt excludes amounts attributable to disposal groups held for sale

2. Going forward, we will change the way we measure net debt so that the net debt included in the gearing ratio and debt to EBITDA will be on the same basis. This aligns with certain credit rating agency methodology. Under the new methodology net debt for the 2021 Financial Year would be \$4.3bn and (adjusted net debt) gearing ratio would be 38.5%

3. Prior years' debt to EBITDA have been restated for consistency with current period. Previously, adjusted net debt included a further cash adjustment for 25% of cash and cash equivalents held by the parent

4. For the 2021 Financial Year the notional tax charge was set to 16.1% (2020 Financial Year: 8.4%). The 2021 return on capital would be 7.2% if calculated with the prior year notional tax charge. In 2021 the methodology to calculate return on capital was updated to align the definition of debt with the net debt used in the debt to EBITDA ratio and exclude hedge reserves from total equity. The prior years have been restated for consistency with current period

Forecast 2021/22 Season Farmgate Milk Price

Forecast Farmgate Milk Price

\$7.25 - \$8.75
per kgMS

- Maintaining the range reflects:
 - Still early in the season with normal levels of high uncontracted volume, product price and FX volatility
 - Ongoing uncertainty associated with COVID-19



Source: GlobalDairyTrade

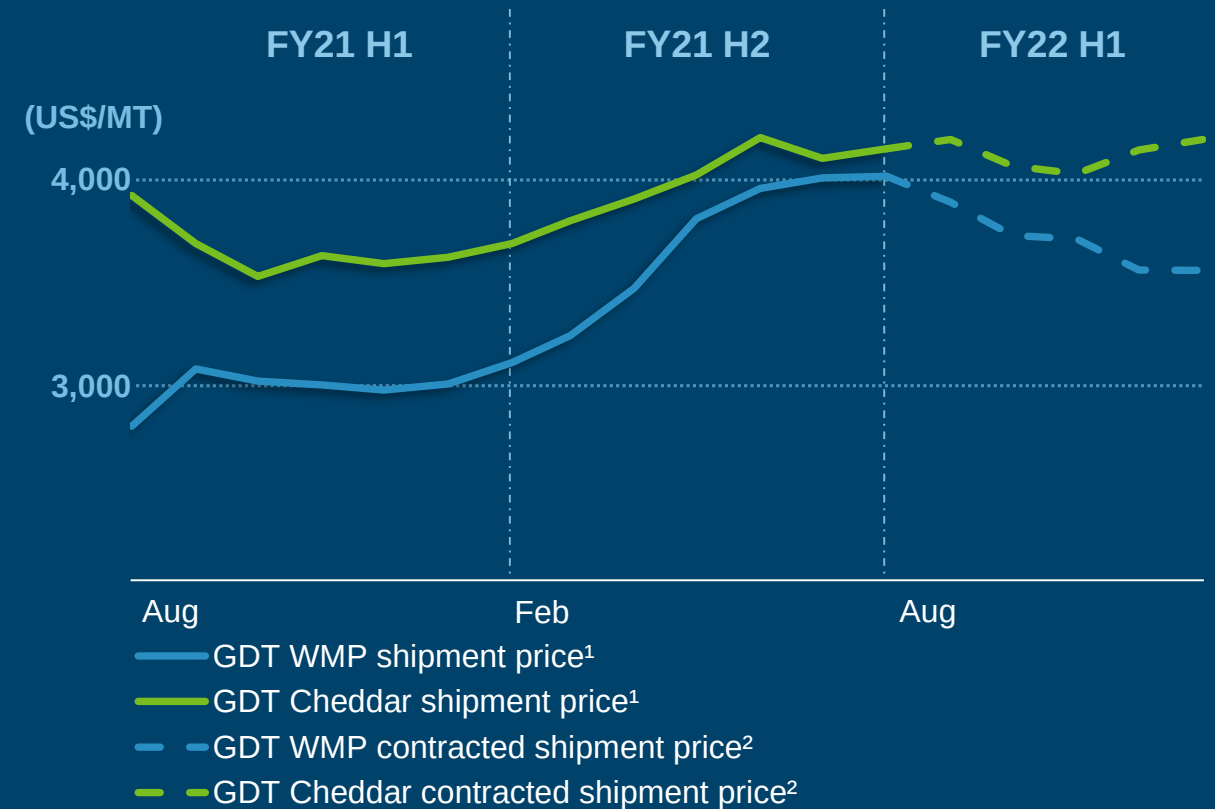
1. The shipment price is a weighted average price of GDT contracts struck 1 to 5 months prior to the agreed shipment month. Shipment month is the month in which the sale would be deemed for financial reporting purposes to have been completed, and will normally be the month in which the sale is invoiced and the product is shipped
2. The contracted shipment price is the weighted average shipment price of New Zealand WMP contracts won 1 – 5 months prior on the GlobalDairyTrade platform. These contracts are yet to be shipped or invoiced and the weighted average price will change closer to the actual shipment date as new contracts are written

2022 earnings outlook

Forecast Earnings

25–40c
per share

- The range reflects:
 - Uncertainty of Ingredient price relativity changes through the season
 - Early season range of Forecast Farmgate Milk Price, which could impact raw milk cost for value-add business
 - Ongoing uncertainty associated with COVID-19 in key markets



Source: GlobalDairyTrade

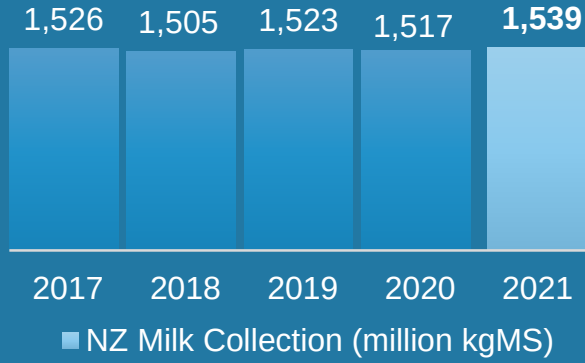
1. The shipment price is a weighted average price of GDT contracts struck 1 to 5 months prior to the agreed shipment month. Shipment month is the month in which the sale would be deemed for financial reporting purposes to have been completed, and will normally be the month in which the sale is invoiced and the product is shipped
2. The contracted shipment price is the weighted average shipment price of New Zealand WMP and Cheddar contracts won 1 – 5 months prior on the GlobalDairyTrade platform. These contracts are yet to be shipped or invoiced and the weighted average price will change closer to the actual shipment date as new contracts are written



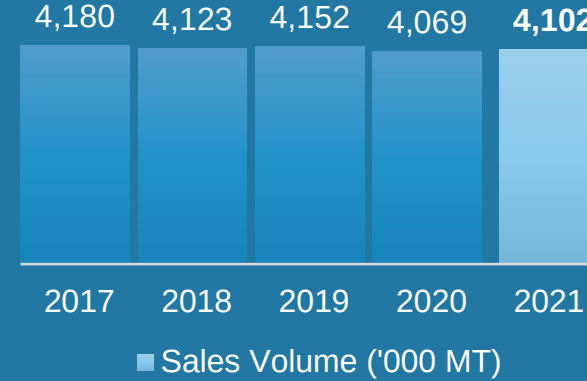
Appendix

Key financial metrics for Total Group FY21¹

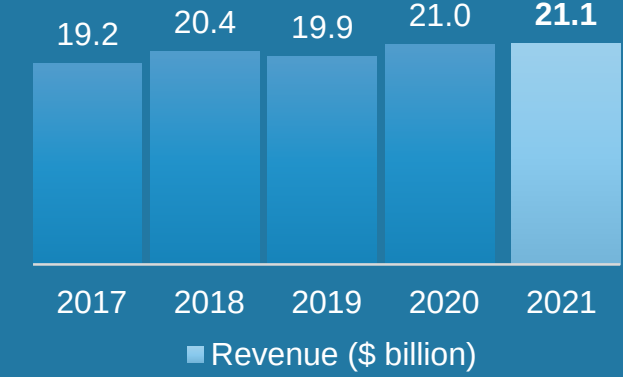
New Zealand Milk Collections



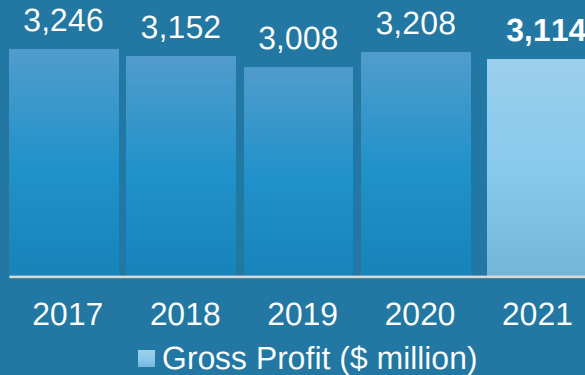
Sales Volume



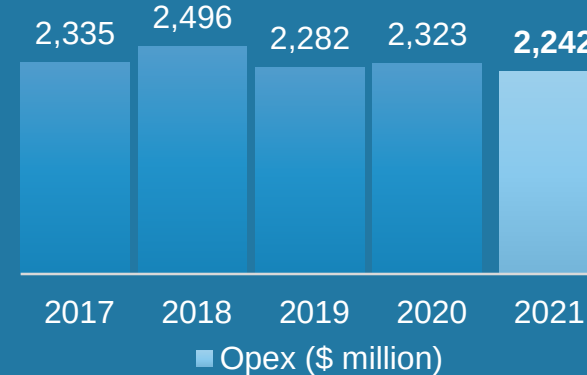
Normalised Revenue



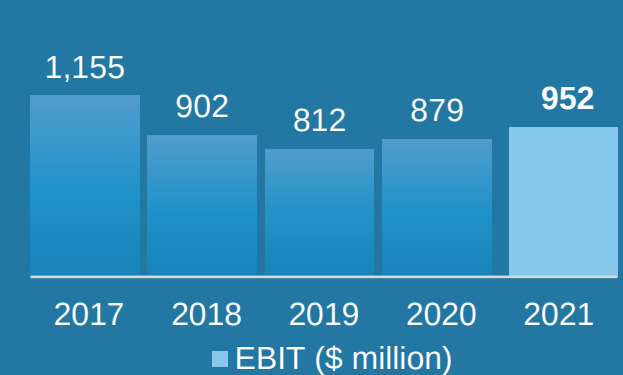
Normalised Gross Profit



Normalised OPEX²



Normalised EBIT

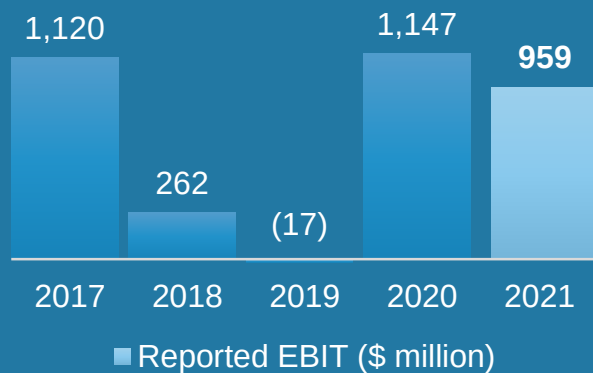


1. Total Group figures for the year ended 31 July 2021. This includes Continuing and Discontinued Operations, and are on a normalised basis unless stated otherwise

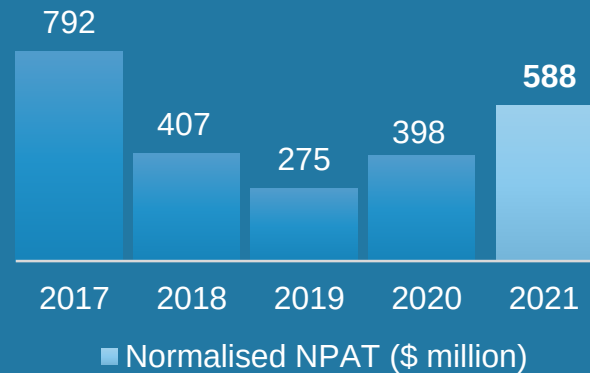
2. 2020 Financial Year Total Group normalised operating expenses has been re-presented from \$2,268 million, due to impairments of intangible assets not included in the strategic review being reclassified from 'other' to operating expenses

Key financial metrics for Total Group FY21¹

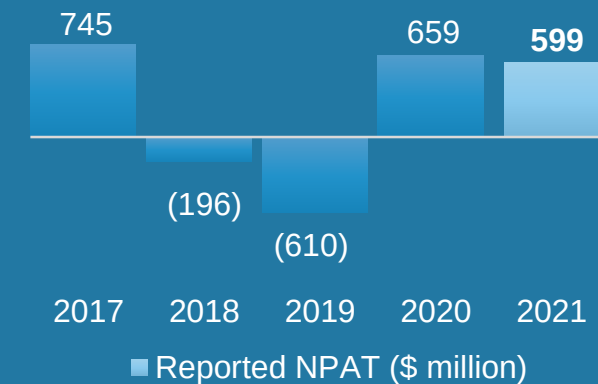
Reported EBIT



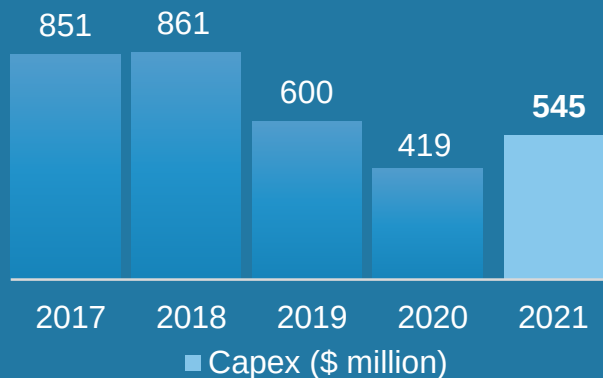
Normalised Profit After Tax²



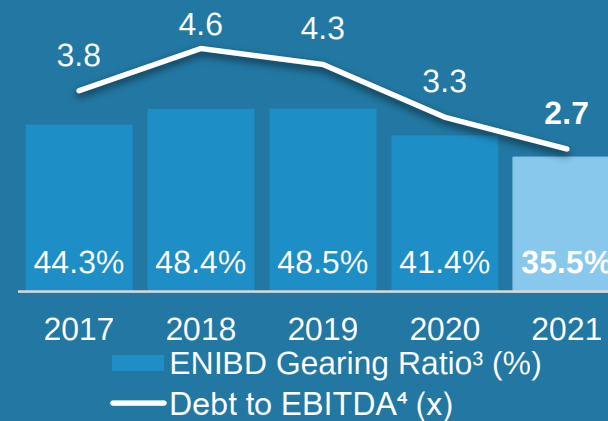
Reported Profit After Tax²



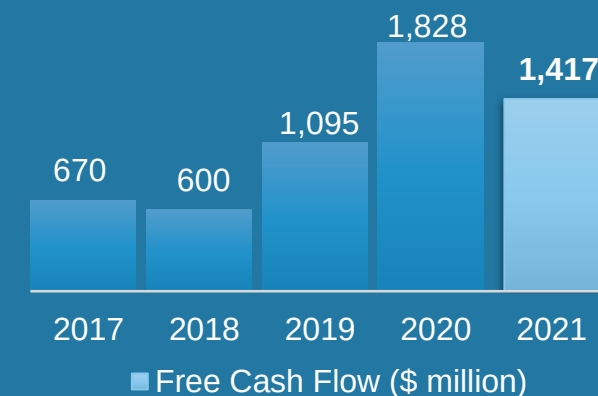
Capital Expenditure³



Leverage



Free Cash Flow³

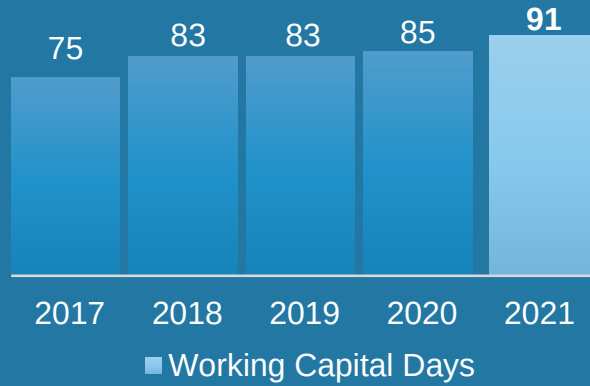


1. Total Group figures for the year ended 31 July 2021. This includes Continuing and Discontinued Operations, and are on a normalised basis unless stated otherwise
2. Includes amounts attributable to non-controlling interests

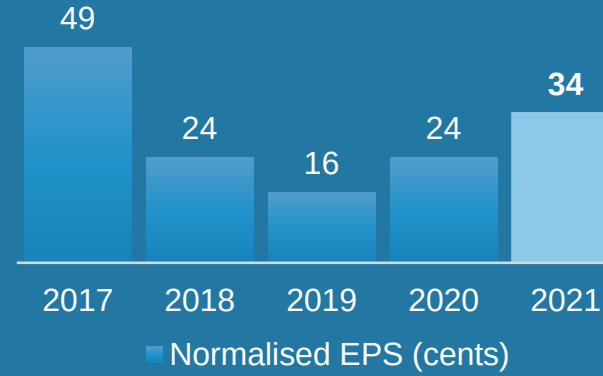
3. Refer to Glossary for definition
4. Prior years' debt to EBITDA have been restated for consistency with the current period. Previously, adjusted net debt included a further cash adjustment for 25% of cash and cash equivalents held by the parent

Key financial metrics for Total Group FY21¹

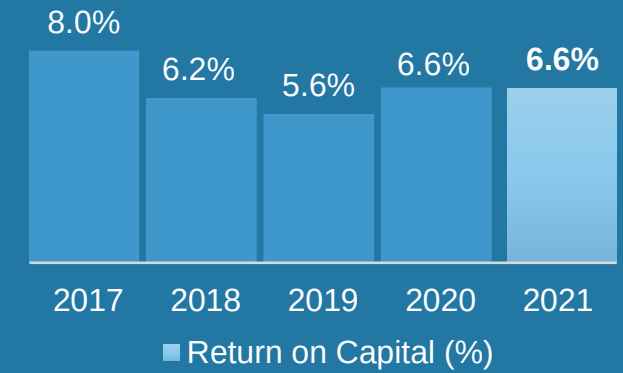
Working Capital Days



Normalised EPS

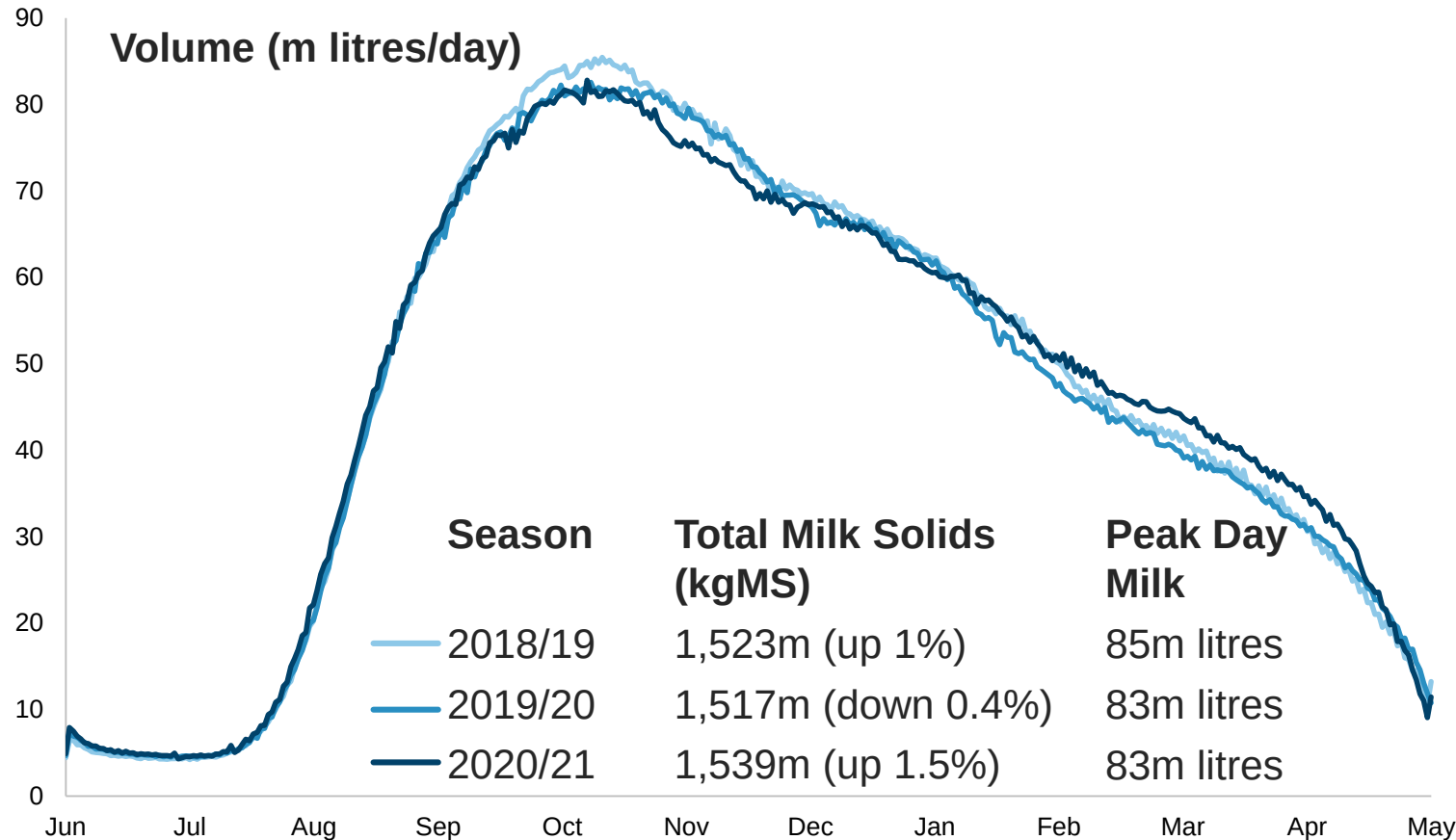


Return on Capital^{2,3}



1. Total Group figures for the year ended 31 July 2021. This includes Continuing and Discontinued Operations, and are on a normalised basis unless stated otherwise
 2. Refer to Glossary for definition
 3. For the 2021 Financial Year the notional tax charge was set to 16.1% (2020 Financial Year: 8.4%). The 2021 return on capital would be 7.2% if calculated with the prior year notional tax charge. In 2021 the methodology to calculate return on capital was updated to align the definition of debt with the net debt used in the debt to EBITDA ratio and exclude hedge reserves from total equity. The prior years have been restated for consistency with the current period

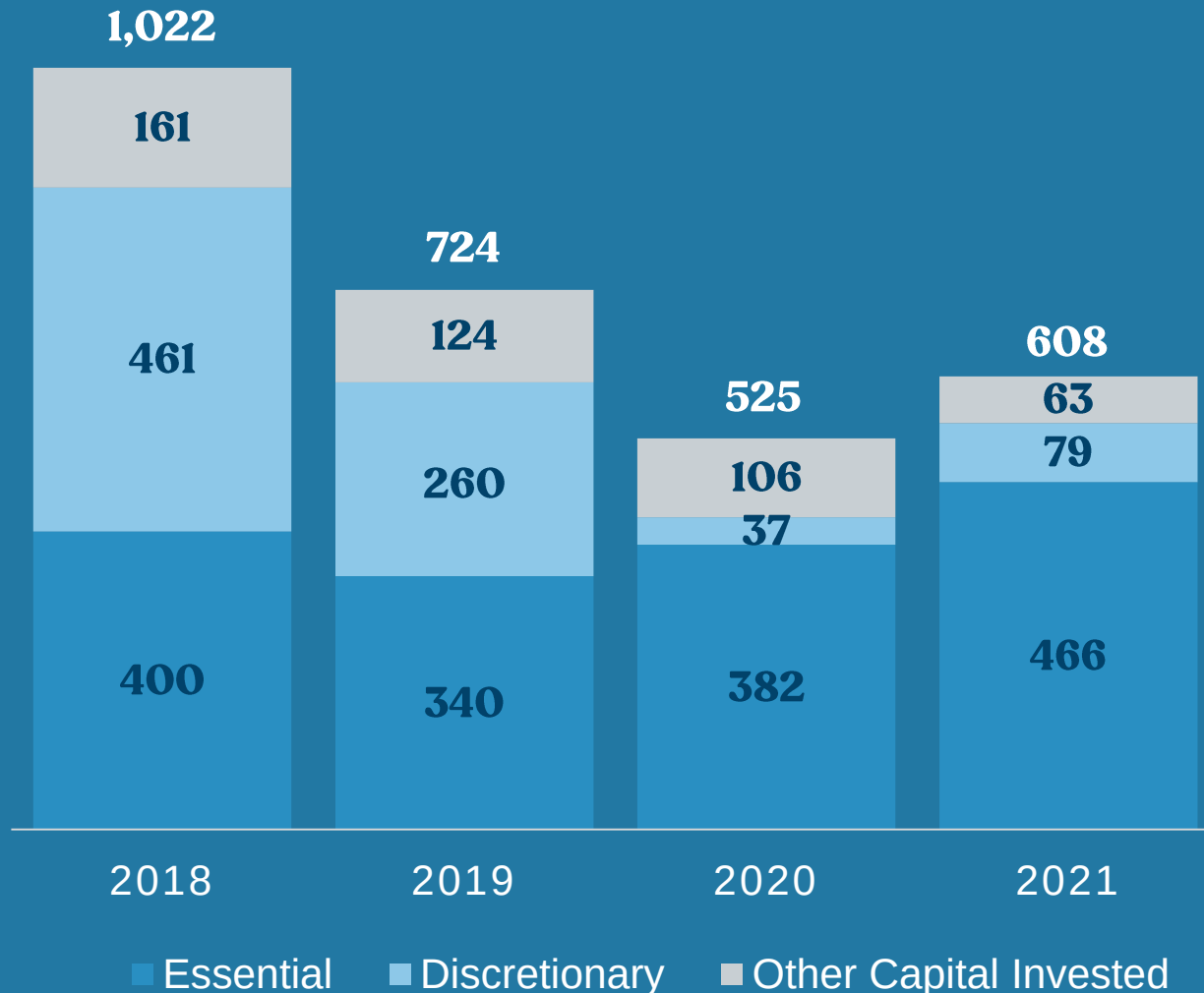
Fonterra's New Zealand milk collections



- Fonterra's NZ milk collections for the 2020/21 season reached 1,539 million kgMS, an increase of 1.5% on last season's collection
- Good start to the season was driven by favourable mild conditions, supporting pasture growth
- From October to January, increasingly dry conditions and poor soil moisture levels impacted peak collections
- A settled end to the summer, with a mix of rainfall and warm weather, saw collections in the North Island increase significantly from February to May

Total capital invested

\$ million



- Total capital invested comprised of \$545 million capital expenditure and \$63 million of other investments
- Capital expenditure increased \$126 million to \$545 million, largely due to projects delayed by COVID-19 in FY20 being completed this year
- Capital expenditure of \$545 million comprised \$466 million essential spend and \$79 million discretionary spend
 - Discretionary capex increased \$42 million
 - Essential capex increased \$84 million
- Other capital invested decreased from \$106 million to \$63 million

Cash flow and change in net debt

NZD million	2020	2021
Cash generated from operations ¹	1,671	1,449
Net change in working capital	(106)	(171)
Net taxes paid	(73)	(84)
A. Net cash flows from operating activities	1,492	1,194
Cash flows from investing activities		
Divestments and asset sales	827	782
Capital expenditure and other ²	(491)	(559)
B. Net cash flows from investing activities	336	223
Free cash flow (A+B)	1,828	1,417
Interest, dividend and other	(444)	(452)
Non-cash changes in net debt and other ³	(294)	(93)
Reduction in net debt⁴	1,090	872

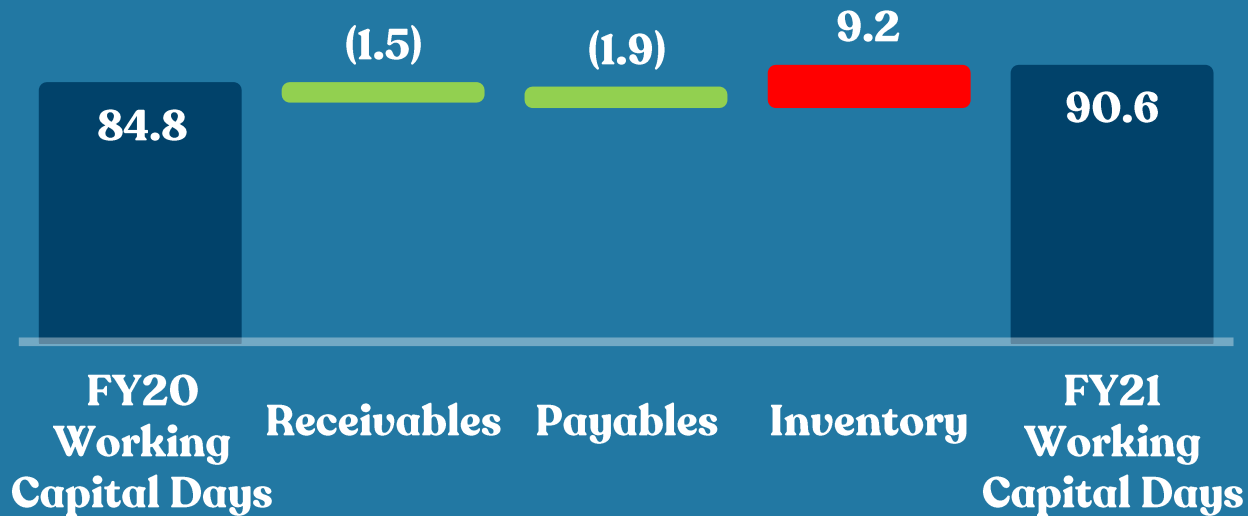
1. Includes EBIT and non-cash and non-operating adjustments made to EBIT to determine cash generated from operations
2. Capital expenditure presented in this table is different to capital expenditure on previous page primarily due to treatment of livestock and accruals

3. Includes adjustment for disposal groups held for sale
4. Net debt excludes amounts attributable to disposal groups held for sale

- Free cash flow of \$1.4 billion reflects strong operating performance and assets sale proceeds:
 - Net cash flows from operating activities of \$1.2 billion
 - Net cash flows from investing activities of \$0.2 billion, with proceeds from divestments of \$0.8 billion, less capital invested of \$0.6 billion
- The \$1.4 billion of free cash flow was used to pay interest of \$0.3 billion, dividends of \$0.2 billion with the balance reducing net debt by \$0.9 billion

Working Capital

Days	2020	2021
Receivables	30.9	29.4
Payables	(28.5)	(30.4)
Inventory	82.4	91.6
Total	84.8	90.6



- Receivable days are favourable due to improved customer collection management and overdue debtors have reduced
- Higher payables days due to increased capital expenditure
- Inventory days are unfavourable due to:
 - Higher than average inventory throughout the year as a result of sales slippage due to port congestion
 - Impact of a higher milk price

Drivers of return on capital

NZD million	2020	2021
Total Group normalised EBIT	879	952
Finance income on long-term advances	7	8
Notional tax charge ¹	(74)	(155)
Total Group normalised EBIT plus finance income on long-term advances less notional tax charge	812	805
Capital employed at year end	11,503	10,863
Impact of seasonal capital employed	810	1,418
Average capital employed	12,313	12,281
Return on capital² (%)	6.6%	6.6%

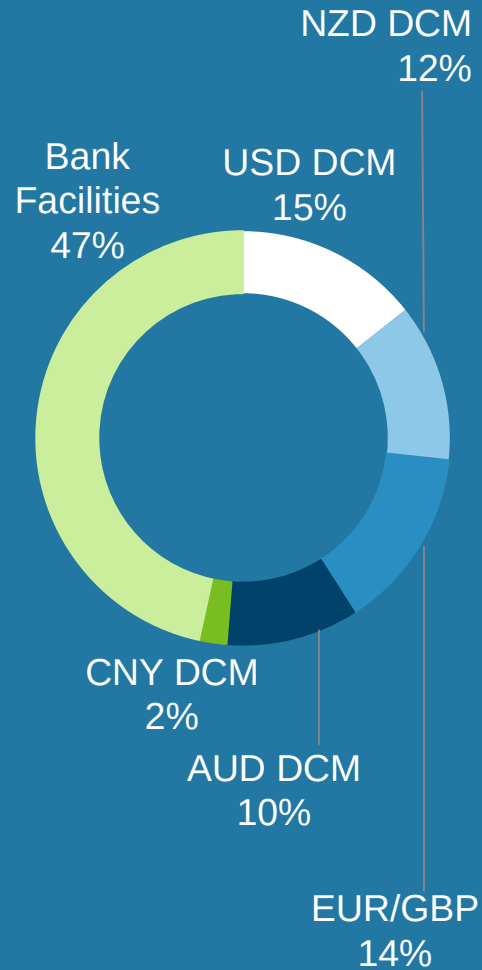
- Increase in normalised EBIT has been offset by increase in notional tax rate used to calculate after tax operating earnings
- Notional tax rate applied increased to 16.1% from 8.4% due to a change in our dividend policy and realised tax rates
- Average capital employed was stable year on year

1. For the 2021 Financial Year the notional tax charge was set to 16.1% (2020 Financial Year: 8.4%). The 2021 return on capital would be 7.2% if calculated with the prior year notional tax charge

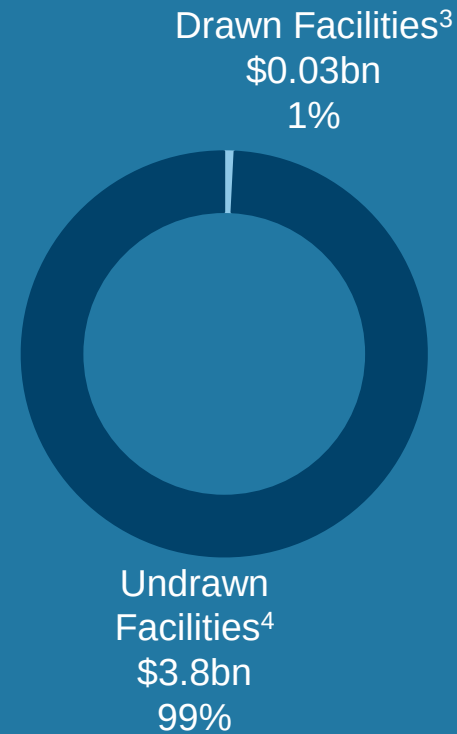
2. Return on capital was reported as 6.7% in 2020. In 2021 the methodology to calculate return on capital was updated to align the definition of debt with the net debt used in the debt to EBITDA ratio and exclude hedge reserves from total equity. The prior years have been restated for consistency with the current period. Return on capital is Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed

Diversified and prudent funding position

Diversified Profile¹

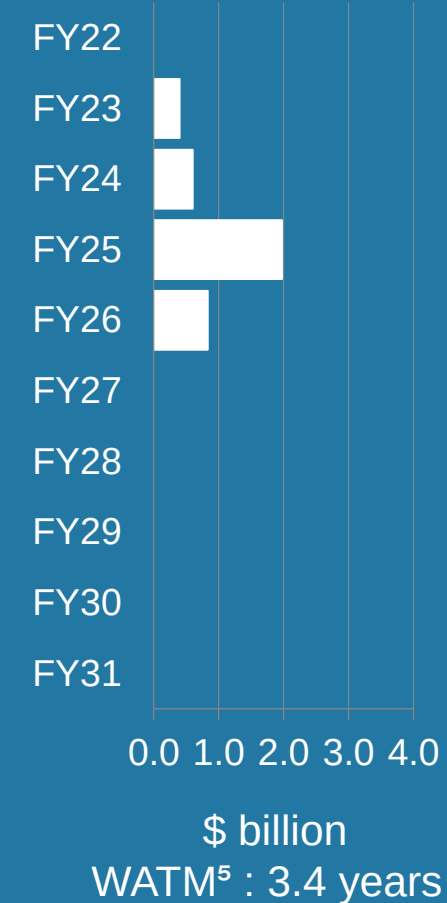


Prudent Liquidity



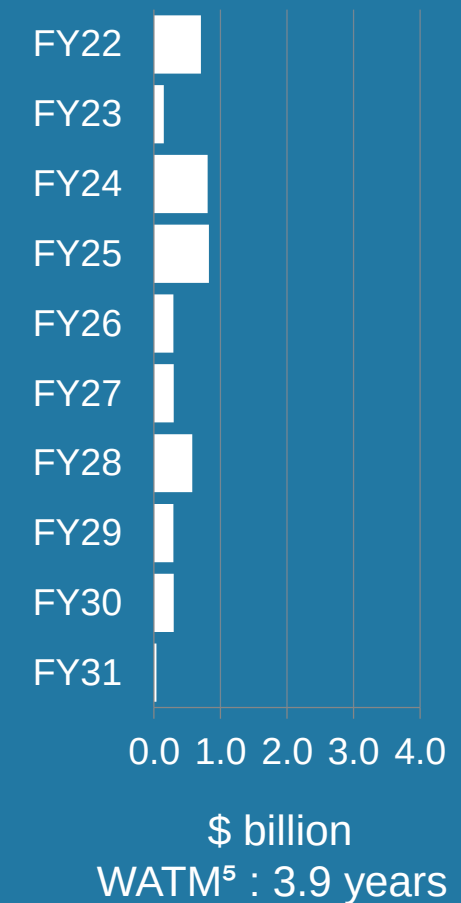
Bank Facilities

Maturity Profile



Debt Capital Markets²

Maturity Profile



1. Includes undrawn facilities and commercial paper. DCM is debt capital markets
2. Excluding commercial paper

3. Drawn facilities relate to subsidiaries
4. Undrawn facilities includes \$0.9bn stepped down during the year, reinstated from 1 Sept 2021

5. WATM is weighted average term to maturity
Note: As at 31 July 2021 and excludes amounts attributable to disposal groups held for sale

Operating expenses

NZD million ¹	2020	2021
Cost allocated to regions		
Selling and marketing	636	656
Distribution and storage	539	543
Administrative expenses	619	574
Research and development	63	82
Other expenses	96	75
Total allocated operating expenses	1,953	1,930
Unallocated costs	241	223
Total operating expenses	2,194	2,153
Discontinued Operations	129	89
Total Group operating expenses ²	2,323	2,242

- Total Group normalised operating expenses decreased \$81 million
 - \$41 million decrease in Continuing Operations
 - \$40 million decrease in Discontinued Operations, predominantly due to lower cost in DPA Brazil, benefiting from a weaker local currency
- Unallocated costs decreased \$18 million mainly due to a reduction in provisions held at Group level
- Increased expenses in key categories to drive earnings – selling and marketing, and research and development

1. Normalised basis. Does not align to FY21 Financial Statements, predominately due to additional categories

2. Impairments of intangible assets not included in the strategic review for the 2020 Financial Year (\$55 million) have been reclassified from 'other' to administrative expenses category within Total Group operating expenses

Unallocated costs¹

NZD million ²	2020	2021
Farmer services	41	44
Communication and community	15	13
Fonterra Board & Co-operative Council	7	7
Governance support	34	34
Group finance, property & support	48	42
People & culture	11	10
Other	85	73
Total	241	223

- Unallocated costs are favourable \$18 million predominantly due to 'Other'
- 'Other' decreased \$12 million, mainly due to a reduction in provisions held at Group level

1. Refer to Glossary for definition
2. Normalised basis

Group performance by product channel

Ingredients

Volume ('000 MT)

2,346 From 2,345 

Revenue (\$ millions)

13,697 From 13,711 

Gross margin

8.1% From 10.7% 

\$ millions ■ 2020 ■ 2021



Foodservice

Volume ('000 MT)

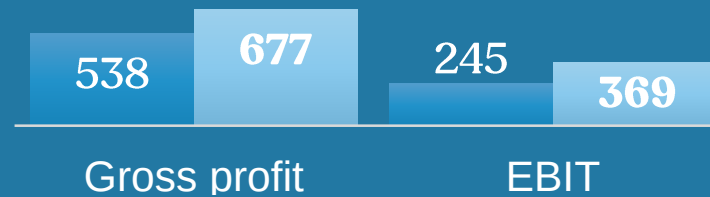
498 From 458 

Revenue (\$ millions)

2,959 From 2,681 

Gross margin

22.9% From 20.1% 



Consumer

Volume ('000 MT)

1,070 From 1,057 

Revenue (\$ millions)

4,070 From 3,930 

Gross margin

28.4% From 26.3% 



Note: Figures are for the year ended 31 July. Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated costs and eliminations. Comparative information has been restated for consistency with the current period attribution

Group performance by region

Asia Pacific

Volume ('000 MT)

1,386 From 1,406 ↓

Revenue (\$ millions)

7,110 From 7,074 ↑

Gross margin

16.8% From 17.1% ↓

\$ millions ■ 2020 ■ 2021



AMENA

Volume ('000 MT)

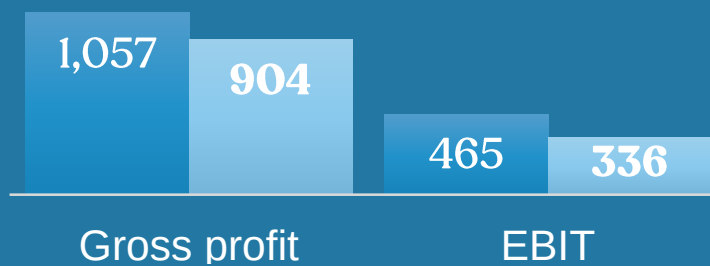
1,352 From 1,433 ↓

Revenue (\$ millions)

7,304 From 7,874 ↓

Gross margin

12.4% From 13.4% ↓



Greater China

Volume ('000 MT)

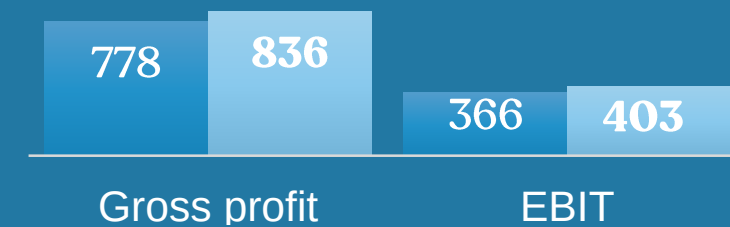
1,176 From 1,021 ↑

Revenue (\$ millions)

6,312 From 5,374 ↑

Gross margin

13.2% From 14.5% ↓

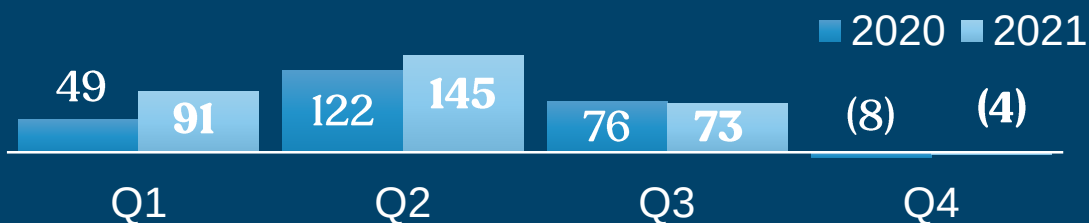


Note: Figures are for the year ended 31 July. Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated costs and eliminations. Comparative information has been restated for consistency with the current period attribution

Asia Pacific

million	2020	2021	%Δ ¹
Sales volume ² ('000 MT)	1,406	1,386	(1)%
Revenue (\$)	7,074	7,110	1%
Gross profit (\$)	1,207	1,195	(1)%
Gross margin (%)	17.1%	16.8%	
Operating expenses (\$)	(967)	(889)	8%
Other ³ (\$)	(1)	(1)	-
Normalised EBIT ⁴ (\$)	239	305	28%
Includes EBIT attribution from Group Operations ⁵ (\$)	47	(3)	-

EBIT by Quarter



- EBIT of \$305 million, up \$66 million
- Strong performance in Consumer and Foodservice, partially offset by a decline in Ingredients:
 - Consumer increased gross margins
 - Foodservice increased sales volume and improved gross margins
 - Ingredients margins adversely impacted by pricing arrangements on bulk liquid milk contracts
- Operating expenses reduced to normal levels
- Lower EBIT attributed from Group Operations due to the reduced margins in Ingredients

Note: Figures are for the year ended 31 July and are on a normalised Continuing Operations basis. Comparative information has been restated for consistency with the current period, and FY21 quarterly breakdown has been restated for increased accuracy of cost allocations

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share of equity accounted investees
4. This includes EBIT attribution from Group Operations
5. This is included in Asia Pacific's EBIT. Refer to Glossary for explanation of Group Operations

Asia Pacific channel performance

Ingredients

Volume ('000 MT)

610 From 623 ↓

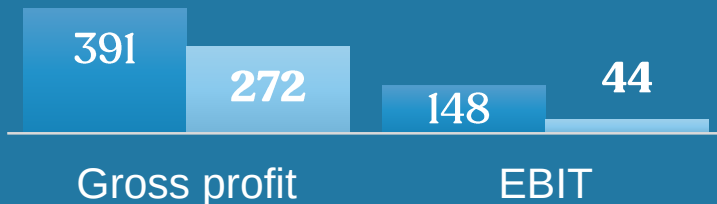
Revenue (\$ millions)

3,654 From 3,692 ↓

Gross margin

7.4% From 10.6% ↓

\$ millions ■ 2020 ■ 2021



Foodservice

Volume ('000 MT)

163 From 154 ↑

Revenue (\$ millions)

930 From 915 ↑

Gross margin

23.4% From 18.3% ↑



Consumer

Volume ('000 MT)

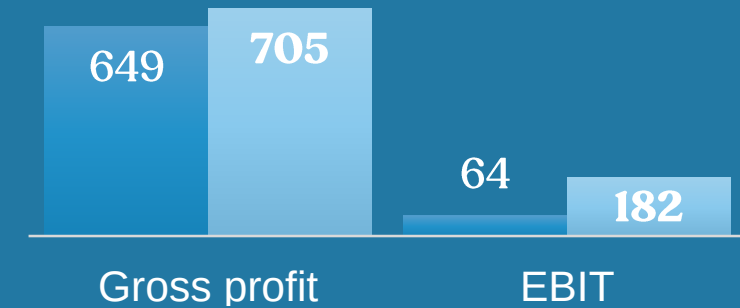
613 From 629 ↓

Revenue (\$ millions)

2,526 From 2,467 ↑

Gross margin

27.9% From 26.3% ↑



Note: Figures are for the year ended 31 July. Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated costs and eliminations. Comparative information has been restated for consistency with the current period attribution

Australia

million ¹	2020	2021	%Δ ²
Milk collection (kgMS)	108	106	(2)%
Sales volume ³ ('000 MT)	406	373	(8)%
Revenue (\$)	2,036	1,953	(4)%
Gross profit (\$)	214	243	14%
Gross margin (%)	10.5%	12.4%	
Operating expenses (\$)	(157)	(167)	(6)%
Other ⁴ (\$)	(3)	(2)	33%
Normalised EBIT (\$)	54	74	37%

- EBIT increased \$20 million to \$74 million, due to a strong performance in the Consumer channel
- Lower sales volume due to optimising the portfolio to a higher returning product mix and global shipping delays
- Gross profit increased due to strong margins in the Consumer and Foodservice channel
- Ingredients channel was adversely impacted by high Australian dollar, geo-political impacts and shipping delays
- Operating expenses up 6% due to increased investment in brands

Note: Figures are for the year ended 31 July. This table was prepared exclusive of Group Operations attribution

1. Normalised basis

2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Includes sales to other segments

4. Consists of other operating income and net foreign exchange gains/(losses)

million	2020	2021	%Δ ¹
Sales volume ² ('000 MT)	1,433	1,352	(6)%
Revenue (\$)	7,874	7,304	(7)%
Gross profit (\$)	1,057	904	(14)%
Gross margin (%)	13.4%	12.4%	
Operating expenses (\$)	(585)	(605)	(3)%
Other ³ (\$)	(7)	37	-
Normalised EBIT ⁴ (\$)	465	336	(28)%
Includes EBIT attribution from Group Operations ⁵ (\$)	39	(99)	-

EBIT by Quarter



- Lower volumes in Ingredients as sales volume was allocated to higher value markets
- Gross profit reduced due to lower sales volume and lower gross margin in Ingredients channel, impacted by the lag on the sale price on longer dated sales contracts
- Consumer gross margins and EBIT improved substantially as a result of improvements in the Chilean business
- Lower EBIT attributed from Group Operations due to the reduced margins in Ingredients
- Other reflected favourable FX revaluations
- EBIT of \$336 million, down \$129 million

Note: Figures are for the year ended 31 July and are on a normalised Continuing Operations basis. Comparative information has been restated for consistency with the current period, and FY21 quarterly breakdown has been restated for increased accuracy of cost allocations

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share of equity accounted investees
4. This includes EBIT attribution from Group Operations
5. This is included in AMENA's EBIT. Refer to Glossary for explanation of Group Operations

AMENA channel performance

Ingredients

Volume ('000 MT)

912 From 1,031 ↓

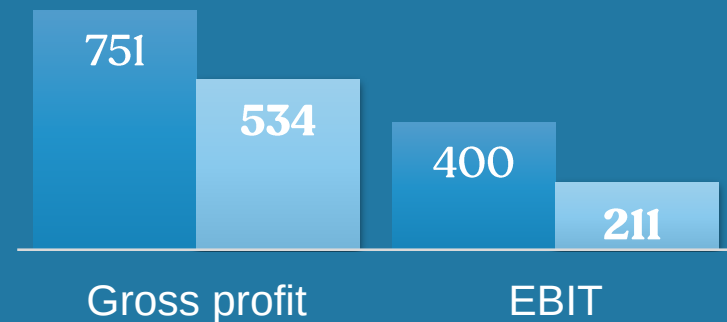
Revenue (\$ millions)

5,784 From 6,506 ↓

Gross margin

9.2% From 11.5% ↓

\$ millions ■ 2020 ■ 2021



Foodservice

Volume ('000 MT)

61 From 47 ↑

Revenue (\$ millions)

338 From 235 ↑

Gross margin

12.4% From 12.8% ↓



Consumer

Volume ('000 MT)

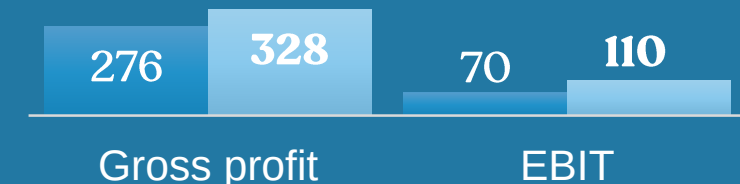
379 From 355 ↑

Revenue (\$ millions)

1,182 From 1,133 ↑

Gross margin

27.7% From 24.4% ↑



Note: Figures are for the year ended 31 July. Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated costs and eliminations. Comparative information has been restated for consistency with the current period attribution

Latin America

million	2020	2021	%Δ ¹
Sales volume ² ('000 MT)	346	379	10%
Revenue (\$)	926	1,045	13%
Gross profit (\$)	242	285	18%
Gross margin (%)	26.1%	27.3%	
Operating expenses (\$)	(193)	(211)	(9)%
Other ³ (\$)	(7)	1	–
Normalised EBIT (\$)	42	75	79%

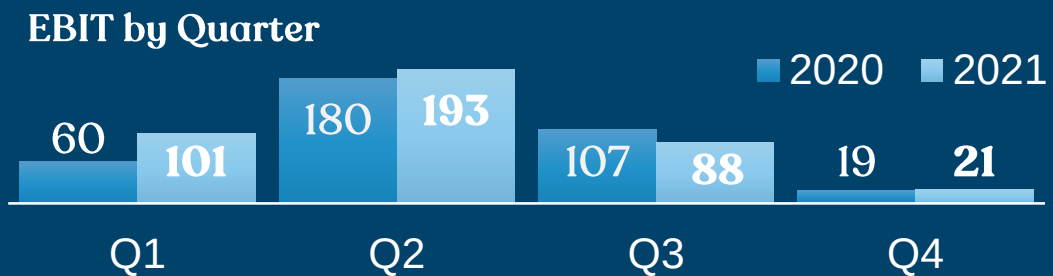
- EBIT up 79% to \$75 million as a result of higher sales volume and gross margins
- Sales volume increased, driven by new product development and government stimulus in Chile
- Gross margin increased due to improved product mix and pricing in our Chilean Consumer channel
- Operating expenses increased due to incurring additional costs related to workforce safety in COVID-19 conditions

Note: Figures are normalised and are for the year ended 31 July. This table was prepared exclusive of Group Operations attribution. Latin America includes Chile, Brazil and Venezuela but excludes DPA Brazil which is classified as Discontinued Operations

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share of equity accounted investees

Greater China

million	2020	2021	%Δ ¹
Sales volume ² ('000 MT)	1,021	1,176	15%
Revenue (\$)	5,374	6,312	17%
Gross profit (\$)	778	836	7%
Gross margin (%)	14.5%	13.2%	
Operating expenses (\$)	(401)	(436)	(9)%
Other ³ (\$)	(11)	3	-
Normalised EBIT ⁴ (\$)	366	403	10%
Includes EBIT attribution from Group Operations ⁵ (\$)	84	(16)	-



- EBIT increased \$37 million to \$403 million, driven by higher sales volume and improved margin in the Foodservice channel
- Foodservice gross margin increased from 22.3% to 24.7%, as it shifted product into higher value products
- Ingredients' gross margin reduced, impacted by the lag on the sale price on longer dated sales contracts
- Sales volumes increased across all three channels, benefiting from the Chinese Government endorsing dairy
- Operating expenses increased \$35 million, predominantly to support the expansion of the Foodservice business

Note: Figures are for the year ended 31 July and are on a normalised Continuing Operations basis. Comparative information has been restated for consistency with the current period, and FY21 quarterly breakdown has been restated for increased accuracy of cost allocations

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share of equity accounted investees
4. This includes EBIT attribution from Group Operations
5. This is included in Greater China's EBIT. Refer to Glossary for explanation of Group Operations

Greater China channel performance

Ingredients

Volume ('000 MT)

824 From 691 ↑

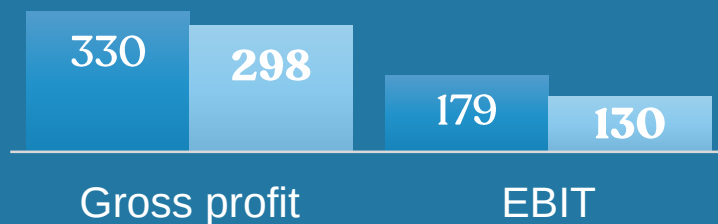
Revenue (\$ millions)

4,259 From 3,513 ↑

Gross margin

7.0% From 9.4% ↓

\$ millions ■ 2020 ■ 2021



Foodservice

Volume ('000 MT)

274 From 257 ↑

Revenue (\$ millions)

1,691 From 1,531 ↑

Gross margin

24.7% From 22.3% ↑



Consumer

Volume ('000 MT)

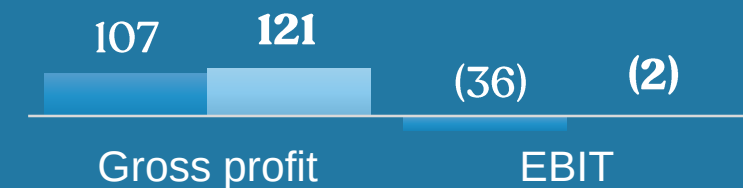
78 From 73 ↑

Revenue (\$ millions)

362 From 330 ↑

Gross margin

33.4% From 32.4% ↑



Note: Figures are for the year ended 31 July. Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated costs and eliminations. Comparative information has been restated for consistency with the current period attribution

New Zealand sourced Ingredients product mix

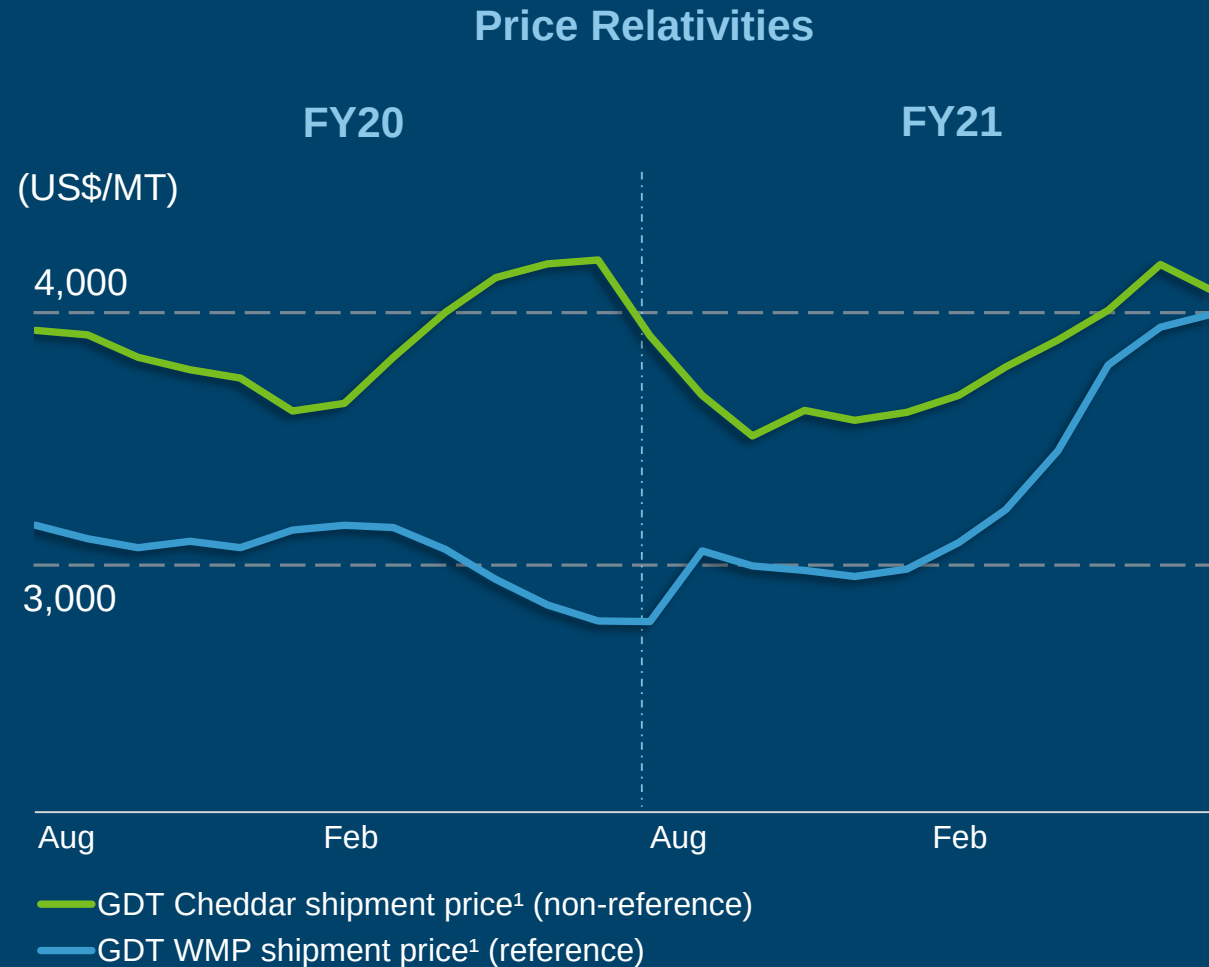
	2020		2021	
Sales Volume ('000 MT)¹				
Reference products	1,820		1,817	
Non-reference products	794		884	
Revenue¹	\$ billion	\$ per MT	\$ billion	\$ per MT
Reference products	9.5	5,192	9.4	5,162
Non-reference products	4.8	6,006	5.1	5,780
Cost of Milk				
Reference products	(7.2)	(3,959)	(7.4)	(4,069)
Non-reference products	(2.8)	(3,562)	(3.3)	(3,678)

- Shift in sales volume from reference products to non-reference product reflects growing demand in Foodservice and Consumer channels
- Average reference product price declined, despite the Farmgate Milk Price increase, due to:
 - Some longer dated sales contracts are not included in the Farmgate Milk Price
 - The sales prices in these sales contracts lag the change in dairy prices
- Non-reference product price declined more than reference product prices

1. Excludes bulk liquid milk. Bulk liquids for the year ended 31 July 2021 was 72,000 MT of kgMS equivalent (the year end July 2020 was 69,000 MT of kgMS equivalent)

Note: Figures represent Fonterra-sourced New Zealand milk only. Reference products are products used in the calculation of the Farmgate Milk Price – WMP, SMP, BMP, Butter and AMF. Milk solids used in the products sold were 1,019 million kgMS in reference and 442 million kgMS non-reference (previous comparable period 1,023 million kgMS reference and 404 million non-reference)

Unfavourable price relativities in Ingredients



- Unfavourable Ingredients price relativities between reference and non-reference products during the second half of the year:
 - Illustrated by the relative price movements of WMP (reference product) and Cheddar (non-reference product)
 - Over the second half of the financial year WMP prices increased 30%, whilst Cheddar prices only increased 12%
- The narrowed price relativities adversely impacted earnings in the second half of the year

Source: GlobalDairyTrade

1. The shipment price is a weighted average price of GDT contracts struck 1 to 5 months prior to the agreed shipment month. Shipment month is the month in which the sale would be deemed for financial reporting purposes to have been completed, and will normally be the month in which the sale is invoiced and the product is shipped

Normalised items

NZD million	China Farms Joint Venture	Beingmate	China Farms	DPA Brazil	Total
Impairment	-	-	-	(39)	(39)
Impairment reversal	-	-	23	-	23
Gain on sale	40	-	32	-	72
Loss on sale of investment	-	(49)	-	-	(49)
EBIT	40	(49)	55	(39)	7
Tax impact	-	-	-	4	4
Profit/(loss) after tax	40	(49)	55	(35)	11
Loss attributable to non-controlling interests	-	-	-	17	17
Profit/(loss) after tax attributable to equity holders of the Co-operative	40	(49)	55	(18)	28

Earnings per share reconciliation

NZD million	2020	2021
Reported profit after tax ¹	659	599
Add/(less): Share attributable to non-controlling interests	27	(21)
Reported profit after tax attributable to equity holders of the Co-operative ²	686	578
Reported earnings per share (cents) ²	43	36
Normalised profit after tax ¹	398	588
Add/(less): (Profit)/loss attributable to non-controlling interests	27	(21)
Less: Normalisation adjustments attributable to non-controlling interests	(43)	(17)
Normalised profit after tax attributable to equity holders of the Co-operative ²	382	550
Normalised earnings per share (cents) ²	24	34
Weighted average number of Co-operative shares ('000)	1,612,076	1,613,105

1. Includes amount attributable to non-controlling interests
2. Attributable to equity holders of the Co-operative

Dividend Calculation

NZD cents per share	2020	2021
Normalised earnings ¹	24	34
Add: normalisations	19	2
Reported earnings ¹	43	36
Less: abnormal gains	(31)	(6)
Net earnings for dividend payment ²	12	30
Dividend payment percentage (%)	45%	57%
Dividend based on attributable earnings	5	17
Dividend based on abnormal gains ³	–	3
Total dividend	5	20
Interim dividend	–	5
Final dividend	5	15

- Total dividend of 20 cents per share
 - Interim dividend of 5 cents
 - Final dividend of 15 cents
- 3 cents of the 15 cents per share final dividend reflects the addition of abnormal gains³
- Final dividend of 15 cents per share will be paid on 15 October, with interim dividend of 5 cents per share having been paid on 15 April

1. Attributable to equity holders of the Co-operative, excludes non-controlling interest
 2. Represents net earnings as specified in the Dividend Policy and is calculated as reported profit after tax less abnormal gains
 3. Includes the reversal of previous impairment of our China Farms

Reconciliation to Total Group EBIT

NZD million	31 July 2020			31 July 2021		
	Continuing Operations ¹	Discontinued Operations ¹	Total Group	Continuing Operations ¹	Discontinued Operations ¹	Total Group
Revenue	20,282	693	20,975	20,565	559	21,124
Cost of goods sold	(17,236)	(531)	(17,767)	(17,581)	(429)	(18,010)
Gross profit	3,046	162	3,208	2,984	130	3,114
Gross margin	15.0%	23.4%	15.3%	14.5%	23.3%	14.7%
Operating expenses ³	(2,194)	(129)	(2,323)	(2,153)	(89)	(2,242)
Other ^{2, 3}	(5)	(1)	(6)	65	15	80
Normalised EBIT	847	32	879	896	56	952
Normalisations	435	(167)	268	(9)	16	7
EBIT	1,282	(135)	1,147	887	72	959

1. Refer to Note 1a and 2c of the FY21 Financial Statements

2. Consists of other operating income, net foreign exchange gains/(losses) and share of equity accounted investees

3. Impairments of intangible assets not included in the strategic review for the 2020 Financial Year (\$55 million) have been reclassified from 'other' to administrative expenses category within Total Group operating expenses

New Zealand and Non-New Zealand Milk

NZD million ¹	31 July 2020			31 July 2021		
	New Zealand Milk	Non-New Zealand Milk	Total	New Zealand Milk	Non-New Zealand Milk	Total
Revenue	17,212	3,070	20,282	17,331	3,234	20,565
Cost of goods sold	(14,615)	(2,621)	(17,236)	(14,844)	(2,737)	(17,581)
Gross profit	2,597	449	3,046	2,487	497	2,984
Gross margin	15.1%	14.6%	15.0%	14.4%	15.4%	14.5%
Operating expenses	(1,813)	(381)	(2,194)	(1,752)	(401)	(2,153)
Other ²	(7)	2	(5)	56	9	65
Normalised EBIT	777	70	847	791	105	896
EBIT margin	4.5%	2.3%	4.2%	4.6%	3.2%	4.4%

1. Figures are prepared on a normalised Continuing Operations basis

2. Consists of other operating income, net foreign exchange gains/(losses) and share of equity accounted investees

2021 Board Statement of Intentions



The Board Statement of Intentions sets out the Board's intentions for the performance and operations of Fonterra for FY21. In accordance with the Constitution of Fonterra, Fonterra is required to provide a regular overview to the Fonterra Co-operative Council of actual achievements, compared with the targets set by the Board. The table below provides an update of Fonterra's performance against these targets for the year ended 31 July 2021.

	FY20	FY21 SOI	FY21
Healthy People			
Total recordable injury frequency rate (TRIFR) per million work hours ¹	5.8	5.0	5.7
Female representation in senior leadership ²	29.1%	35.0%	32.4%
Employee engagement	4.07	≥4.11 (Top Quartile)	4.09
Farmer sentiment (Net Promoter Score for Fonterra in New Zealand)	33	10	23
Healthy Environment			
Number of farms with Farm Environment Plans (New Zealand)	34%	45%	53%
Reduction in water used at sites in water-constrained regions versus FY18	(3.1)%	(10)%	(2.3)%
Reduction in greenhouse gas emissions from manufacturing versus FY15	(5.7)%	(10)%	(8.5)% ⁴
Solid waste to landfill (kilotonnes) below FY20	15.9	13.1	12.5
Healthy Business			
Fonterra % kgMS of New Zealand milk collected for the season ended 31 May	80%	80%	79%
New Zealand Farmgate Milk Price (per kgMS)	\$7.14	\$5.90-\$6.90	\$7.54
Return on capital	6.6% ⁵	6% to 7%	6.6%
Debt/EBITDA	3.3x ⁵	3.0-3.5x	2.7x
Gearing Ratio ⁶	41.4%	36 to 40%	35.5%
Normalised earnings per share	24c	20c to 35c	34c

1. Part of zero harm philosophy which also includes target 0 serious harm/0 fatalities.

2. Senior leadership defined as Band 14+.

3. Employee engagement is measured through a company-wide survey.

4. Successful conversion of Te Awamutu to wood pellets, includes a negative impact of the New Zealand grid factor.

5. FY20 ROC and Debt/EBITDA were updated during FY21 and have been restated to align to FY21 Financial.

Statements. Previously these were 6.7% and 3.4x respectively.

6. In July 2021 the Board approved a new basis for calculating gearing ratio to align with the definition of debt used for the debt to EBITDA ratio. Adjusted net debt gearing ratio is calculated as adjusted net debt divided by total capital. This basis will be used to monitor the Group's gearing in the future. FY21 gearing on this basis would be 38.5%.

2022 Board Statement of Intentions



In accordance with the Constitution of Fonterra, the Board Statement of Intentions sets out the Board's intentions for the performance and operations of Fonterra. The table below outlines the targets for the year ended 31 July 2022.

	FY20	FY21	FY22 SOI
Healthy People			
Total recordable injury frequency rate (TRIFR) per million work hours ¹	5.8	5.7	5.6
Female representation in senior leadership ²	29.1%	32.4%	35.8%
Employee engagement	4.07	4.09	Top Quartile ³
Farmer sentiment (Net Promoter Score for Fonterra in New Zealand)	33	23	30
Healthy Environment			
Number of farms with Farm Environment Plans (New Zealand)	34%	53%	67%
Reduction in water used at sites in water-constrained regions versus FY18 ⁴	(2.9)%	(2.6)%	(8.0)%
Reduction in greenhouse gas emissions from manufacturing versus FY18 ⁵	(3.5)%	(6.5)%	(6.5)%
Healthy Business			
Fonterra % kgMS of New Zealand milk collected for the season ended 31 May ⁶	80%	79%	79.3%
New Zealand Farmgate Milk Price (per kgMS)	\$7.14	\$7.54	\$7.25-\$8.75 ⁶
Return on capital	6.6%	6.6%	6.5% to 7.0%
Debt/EBITDA	3.3x	2.7x	2.4x
Adjusted Net Debt Gearing Ratio ⁸	44.2%	38.5%	34.5%
Normalised earnings per share	24c	34c	25c to 40c ⁷

1. Part of zero harm philosophy which also includes target 0 serious harm/0 fatalities.

2. Senior leadership defined as Band 14+.

3. Under ongoing management review of the provider and means of determining engagement, measurement of this metric may not be completed during the FY22 financial year.

4. Constrained regions data updated to reflect Brightwater replaced by Kauri. Other sites are Clandeboye, Darfield, Edendale, Lichfield and Maungaturoto in New Zealand and Stanhope in Australia.

5. FY22 flat reflecting improved efficiencies offset by increased volumes. Figures updated to reflect sale of China Farms

6. % of kgMS collected is only available on an annual basis.

7. As announced 23 September 2021.

8. In July 2021 the Board approved a new basis for calculating gearing ratio to align with the definition of debt used for the debt to EBITDA ratio. The adjusted net debt gearing ratio is calculated as adjusted net debt divided by total capital.

Glossary

Adjusted net debt

Is economic net interest-bearing debt, excluding long-term advances, plus borrowings attributable to disposal groups held for sale, less cash and cash equivalents attributable to disposal groups held for sale, plus a cash adjustment for 25% of cash and cash equivalents held by the Group's subsidiaries (including cash and cash equivalents attributable to disposal groups held for sale)

Adjusted net debt gearing ratio

Is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt. It includes net borrowings attributed to disposal groups held for sale

Asia Pacific

Represents the Ingredients, Foodservice and Consumer channels in New Zealand, Australia, Pacific Islands, South East Asia and South Asia

AMENA

Represents the Ingredients, Foodservice and Consumer channels in Africa, Middle East, Europe, North Asia and Americas

Capital expenditure

Capital expenditure comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets (excluding purchases of emissions units), net purchases of livestock, and includes amounts relating to disposal groups held for sale.

Capital invested

Capital invested comprises capital expenditure plus right of use asset additions and business acquisitions, plus equity contributions and long-term advances provided to, and investments in, entities that are not controlled.

Consumer

Represents the channel of branded consumer products, such as powders, yoghurts, milk, butter, and cheese

Debt/EBITDA

Is adjusted net debt divided by Total Group normalised earnings before interest, tax, depreciation and amortisation (Total Group normalised EBITDA) excluding share of profit/loss of equity accounted investees and net foreign exchange gains/losses

Dividend yield

Is dividends (per share) divided by volume weighted average share price for the period 1 August to 31 July

Earnings before interest and tax (EBIT)

Is profit before net finance costs and tax

Economic net interest-bearing debt (Net debt)

Is total borrowings, plus bank overdraft, less cash and cash equivalents and long-term advances, adjusted for derivatives used to manage changes in hedged risks on debt instruments. It excludes net borrowings amounts attributed to disposal groups held for sale

Economic net interest-bearing debt gearing ratio (ENIBD)

Is economic net interest-bearing debt divided by total capital. Total capital is equity excluding hedge reserves, plus economic net interest-bearing debt. It excludes net borrowings attributed to disposal groups held for sale

Glossary

Farmgate Milk Price

Means the average price that Fonterra pays for milk supplied to it in New Zealand for a season. The season refers to the 12-month milk season of 1 June to 31 May. The Farmgate Milk Price is set by the Board, based on the recommendation of the Milk Price Panel. In making that recommendation, the Panel provides assurance to the Board that the Farmgate Milk Price has been calculated in accordance with the Farmgate Milk Price Manual

Foodservice

Represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, cafes, airports, catering companies etc. The focus is on customers such as; bakeries, cafes, Italian restaurants, and global quick-service restaurant chains. High performance dairy ingredients including whipping creams, mozzarella, cream cheese and butter sheets, are sold in alongside our business solutions under the Anchor Food Professionals brand

Free cash flow

Is the total of net cash flows from operating activities and net cash flows from investing activities

Greater China

Represents the Ingredients, Foodservice and Consumer channels in Greater China, and the Falcon China Farms JV

Group Operations

Comprises functions under the Chief Operating Office (COO) including New Zealand milk collection and processing operations and assets, supply chain, Group IT, Sustainability and Innovation; Farm Source™ retail stores; and the Central Portfolio Management function (CPM)

Ingredients

Represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia, Europe and Latin America, or sourced through our global network, and sold to food producers and distributors

kgMS

Means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra

Normalised earnings per share (EPS)

Normalised earnings per share is calculated as normalised profit after tax attributed to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period

Return on capital

Is Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed

Season

New Zealand: A period of 12 months from 1 June to 31 May
Australia: A period of 12 months from 1 July to 30 June
China: A period of 12 months from 1 August to 31 July

Unallocated costs and eliminations

Represents corporate costs including Co-operative Affairs and Group Functions; and any other costs that are not directly associated to the reporting segments; and eliminations of inter-segment transactions

Important information

Disclaimer

This presentation may contain forward-looking statements and projections. There can be no certainty of outcome in relation to the matters to which the forward-looking statements and projections relate. These forward-looking statements and projections involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements and projections. Those risks, uncertainties, assumptions and other important factors are not all within the control of Fonterra Co-operative Group Limited (Fonterra) and its subsidiaries (the Fonterra Group) and cannot be predicted by the Fonterra Group.

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Non-GAAP Measures

Fonterra uses several non-GAAP measures when discussing financial performance. These measures include normalised profit after tax, normalised EBIT, EBIT, normalised earnings per share, normalisation adjustments and total Group measures. Total Group measures present the combined financial performance of the Group's continuing and discontinued operations. Non-GAAP financial measures are not defined or specified by NZ IFRS.

Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They are used internally to evaluate the underlying performance of business units and to analyse trends.

These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited Financial Statements.

Please refer to the Non-GAAP Measures section in Fonterra's 2021 Annual Review for further information about non-GAAP measures used by Fonterra, including reconciliations back to NZ IFRS measures. Definitions of non-GAAP measures used by Fonterra can be found in the Glossary.