Fonterra Shareholders' Fund

ANNUAL MEETING

11 NOVEMBER 2019

FONTERRA SHAREHOLDERS' FUND.

Fonterra
Dairy for life

John Shewan

Chairman

FSF Management Company

Agenda

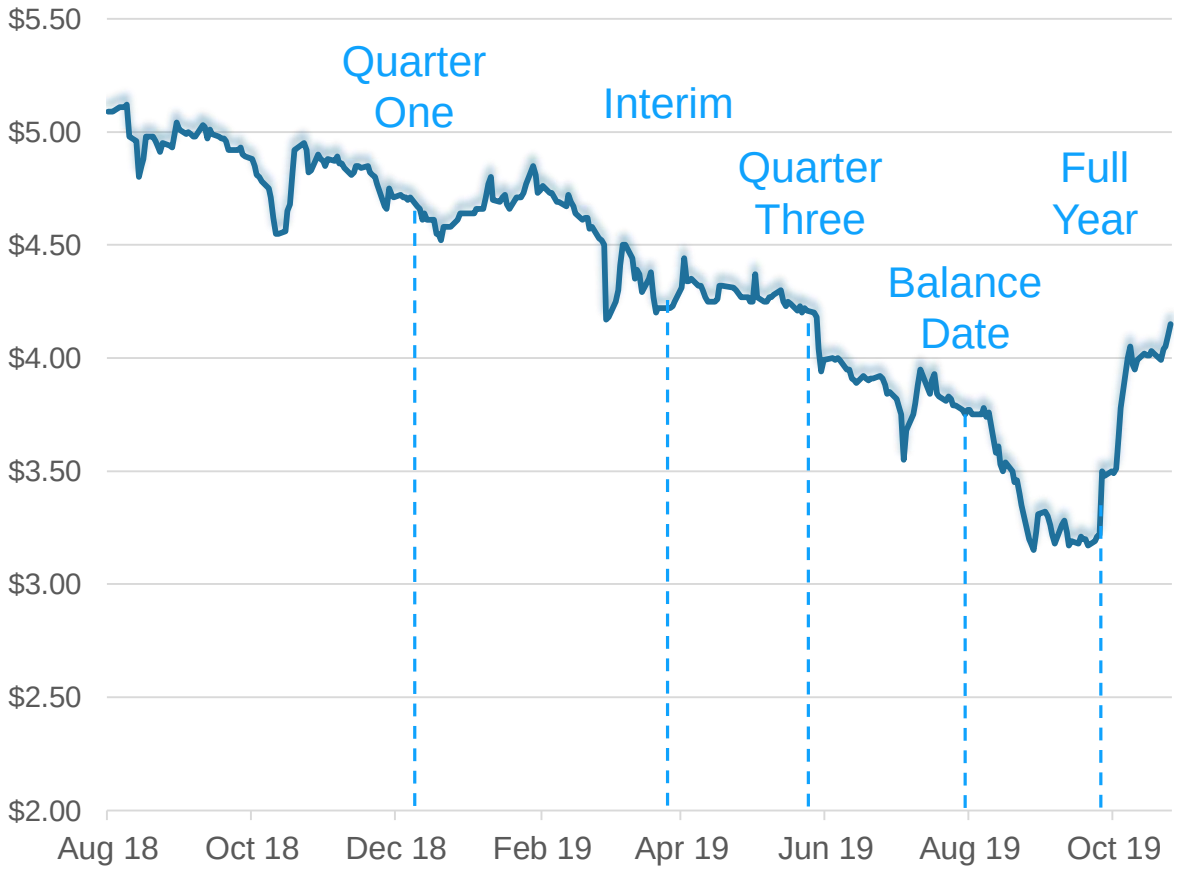
Welcome and introduction	John Shewan
FSF Management Company Chairman's address	John Shewan
Fonterra Chairman's and CEO's addresses	John Monaghan, Miles Hurrell
Questions	
Resolution to re-elect Kim Ellis	John Shewan
Address by Kim Ellis	Kim Ellis
General business	John Shewan

Continued poor performance in 2019

- Disappointing and unsatisfactory result
- Significant decline in unit price
- No distribution
- Fonterra progressing its business reset
- The role of the board of the Manager of the Fund

26% decline in unit price for FY19 period

FY19 impacted by poor earnings performance and investor uncertainty on earnings outlook



- **FY19 balance date**
  Down 26%, from $5.12 to $3.77
  (1 August 2018 – 31 July 2019)
- **Release of FY19 results**
  Down 32%, from $5.12 to $3.50
  (1 August 2018 – 26 September 2019)
- **As at 25 October**
  Down 19%, from $5.12 to $4.15
  (1 August 2018 – 25 October 2019)

Key Fund statistics

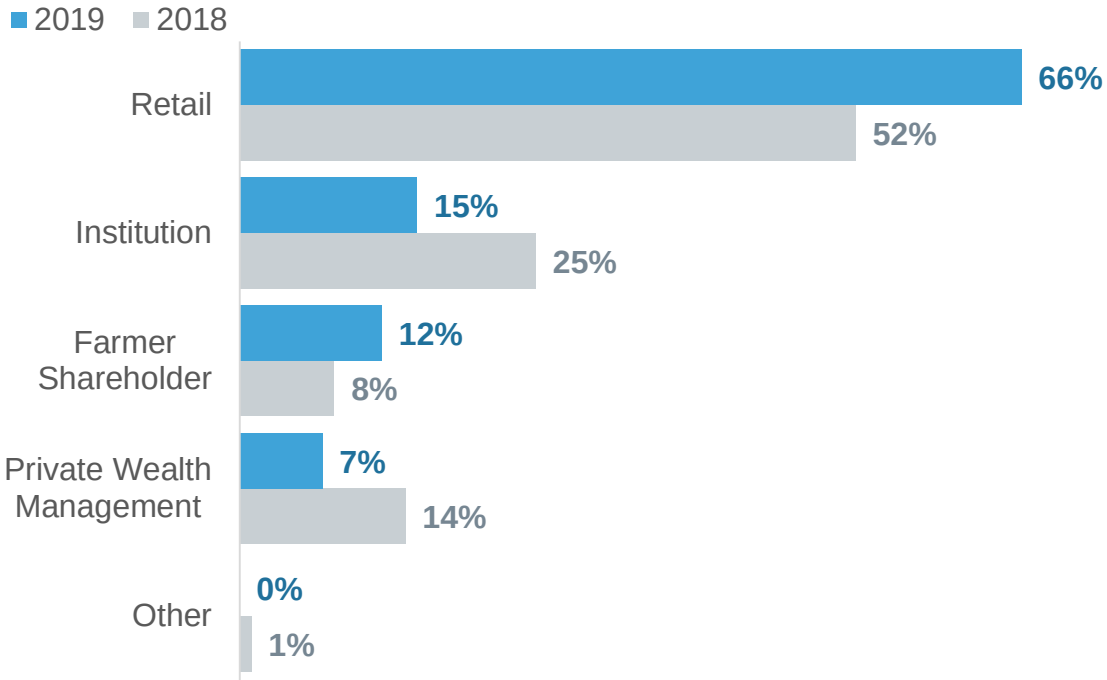
Units on Issue[1]:	**102 million**	⬇ 0.6m
Fund Market Capitalisation[1]:	**$424 million**	⬇ 70m
Fonterra Market Capitalisation[1]:	**$5.6 billion**	⬇ 1.7b
Fund Size[1,2]:	**6.3%**	⬇ 0.04%
Unit Price 12-month High/Low[3]:	**$4.83** (26 Oct 18) / **$3.15** (28 Aug 19)	

1. At 25 October 2019, relative to 25 October 2018.
2. Fonterra Shareholders' Fund units on issue as a percentage of Fonterra Co-operative Group shares on issue
3. 12 month period, 26 October 2018 – 25 October 2019.

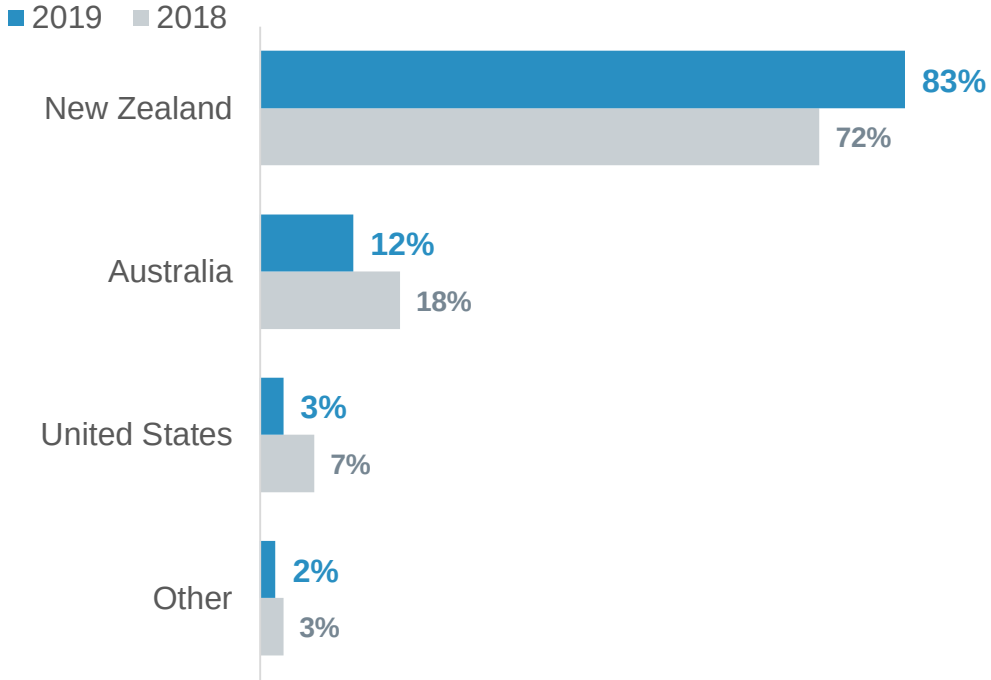
Unit register analysis

- Reduction in institution and private wealth holdings picked up by retail investors and farmer shareholders
- Majority of register held in New Zealand, with further reduction in offshore holdings

Investor Type



Investor Location



Note: Register data for 2018 and 2019 is as at 30 September.

Outlook for the Fonterra Shareholders' Fund

The Fund's performance is tied inextricably to Fonterra's performance

Fonterra's performance measures

3-Year & 5-Year Plan

(Normalised)	FY19 Actual	3-Year Plan[1]	5-Year Plan[1]
EBIT	$819m	$950m	$1,100m
NPAT[2]	$269m	$650m	$800m
Capital Expenditure	$600m	$500m	$500m
Free Cash Flow[3]	$699m	$900m	$1,050m
Debt/EBITDA	4.3x	2.5-3.5x	2.5-3.5x
Return on Capital	5.8%	8.5%	10%
Earnings per Share	17c	40c	50c

1. There can be no certainty of outcome in relation to the matters to which these plans or forward-looking statements relate. They involve risks, uncertainties, assumptions and other important factors (some of which may be out of Fonterra's control) that could cause the actual outcomes to be materially different from the results expressed or implied. No assurance or guarantee is given as to the likelihood of fulfilment of any such statement or projection.
2. Excludes amounts attributable to non-controlling interests.
3. For comparative purposes divestments proceeds have been excluded from free cash flow.

FONTERRA SHAREHOLDERS' FUND.

Fonterra
Dairy for life

John Monaghan

Chairman
Fonterra Co-operative Group

FY19 a year of significant challenge

Our Purpose guides everything we do

Taking the best things from the past and adapting them for the future

Strengths

- OUR PEOPLE
- INNOVATION, RESEARCH & DEVELOPMENT
- SCALE & EFFICIENCY
- PASTURE BASED FARMING MODEL
- LOW GREEN HOUSE GAS EMISSIONS
- GLOBAL SUPPLY CHAIN
- PRODUCT & MARKET OPTIONALITY
- FOOD SAFETY & TRACEABILITY
- AOTEAROA NEW ZEALAND
- CUSTOMER RELATIONSHIPS

Our realities

- INCREASING COMPETITION
- CONSTRAINED CAPITAL
- LARGE ASSET BASE
- HIGH DEBT LEVEL
- LACK OF TRUST & CONFIDENCE
- BIG PART OF NEW ZEALAND
- ENVIRONMENTAL INVESTMENT COSTS
- RECENT UNDER PERFORMANCE

We have made progress on our commitments

Reduce debt by $800 million

Reduce capex by $200 million

Gearing within 40-45% range by year-end

48.2%

Down 0.2%

$160 million decrease in operating expense by FY20

18 months of fundamental change

July 2018

- John becomes Chair

August 2018

- Miles appointed interim CEO

September 2018

- Portfolio Review
- 3 point plan

October 2018

- Drop our volume ambition

November 2018

- Board announces full review of strategy

March 2019

- Sale of Corporation Inlaca (Venezuelan JV)

May 2019

- Sale of Tip Top
- Decision to close Dennington site in Australia
- Strategic review of China Farms investment
- Review options of DPA Brazil JV

September 2019

- Announced sale of 50% stake in DFE Pharma
- Announced sale of first parcel of Beingmate shares
- Announced new strategy and operating model

CONSUMER & MARKET TRENDS

SUSTAINABLE VALUE

CORE DAIRY | FOOD SERVICE | PAEDIATRICS | SPORTS & ACTIVE | MEDICAL & AGEING

Innovation Sustainability Efficiency

14

Product innovation to meet consumer needs

High protein
medical beverages

An infant formula
inspired by breast milk

High Protein Instant Milk Powder
33% of an adult's daily calcium needs

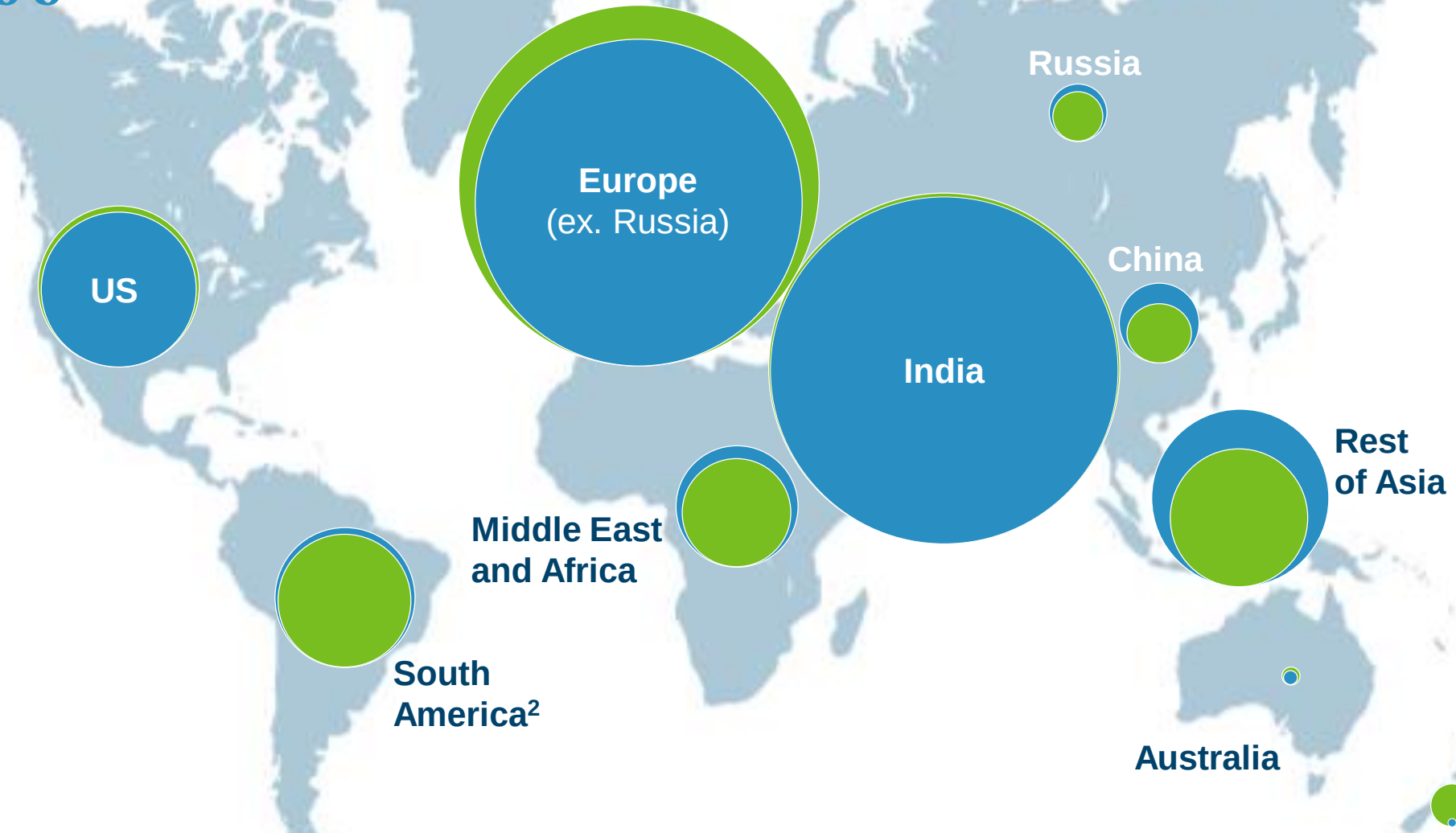
Reduced sugar
in Kiwi kids' diets

Protein fortified
healthy drinks and snacks

Anchor™ Food Professionals

Geographic imbalances are growing

Accelerating global dairy trade



- Production (LMEs bn) 2018[1]
- Consumption (LMEs bn) 2018[1]

1. Volumes represented by the relative size of the circles displayed.
2. Includes all 12 South American countries including Brazil, Chile, Argentina and Uruguay.

Source: International Farm Comparison Network (IFCN)

16

Board priorities for 2020

Deliver on Milk Price

Improved earnings

Advance Rate improvements

Implement Our strategy

Capital Structure

Governance succession & development

FONTERRA SHAREHOLDERS' FUND.

Fonterra
Dairy for life

Miles Hurrell

Chief Executive Officer
Fonterra Co-operative Group

2019 performance summary

FARMGATE MILK PRICE

$6.35
per kgMS

From $6.69

NET LOSS AFTER TAX

$605
million

From $196m

DIVIDEND

0
Cents per share

From 10 cps

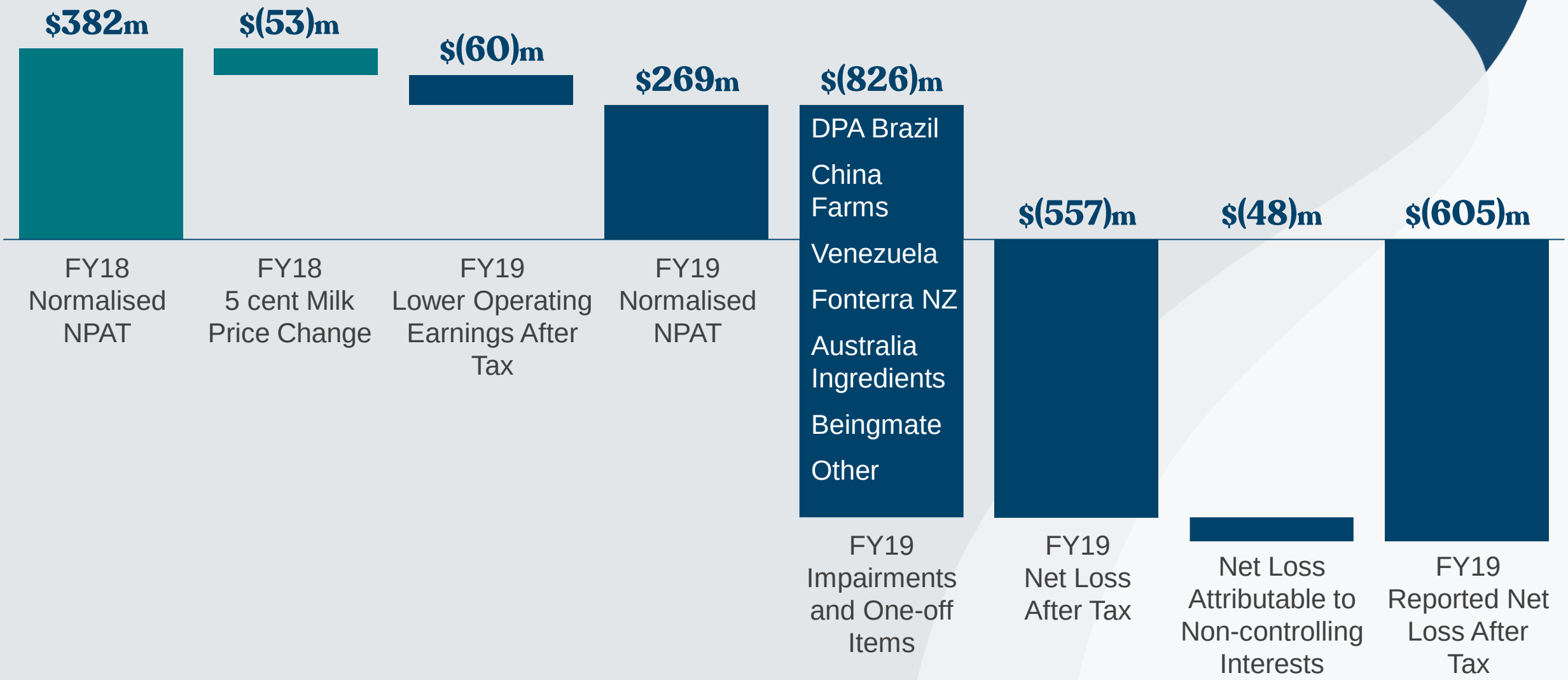
RETURN ON CAPITAL

5.8
per cent

From 6.3%

Fonterra
Dairy for life

Net profit after tax reconciliation

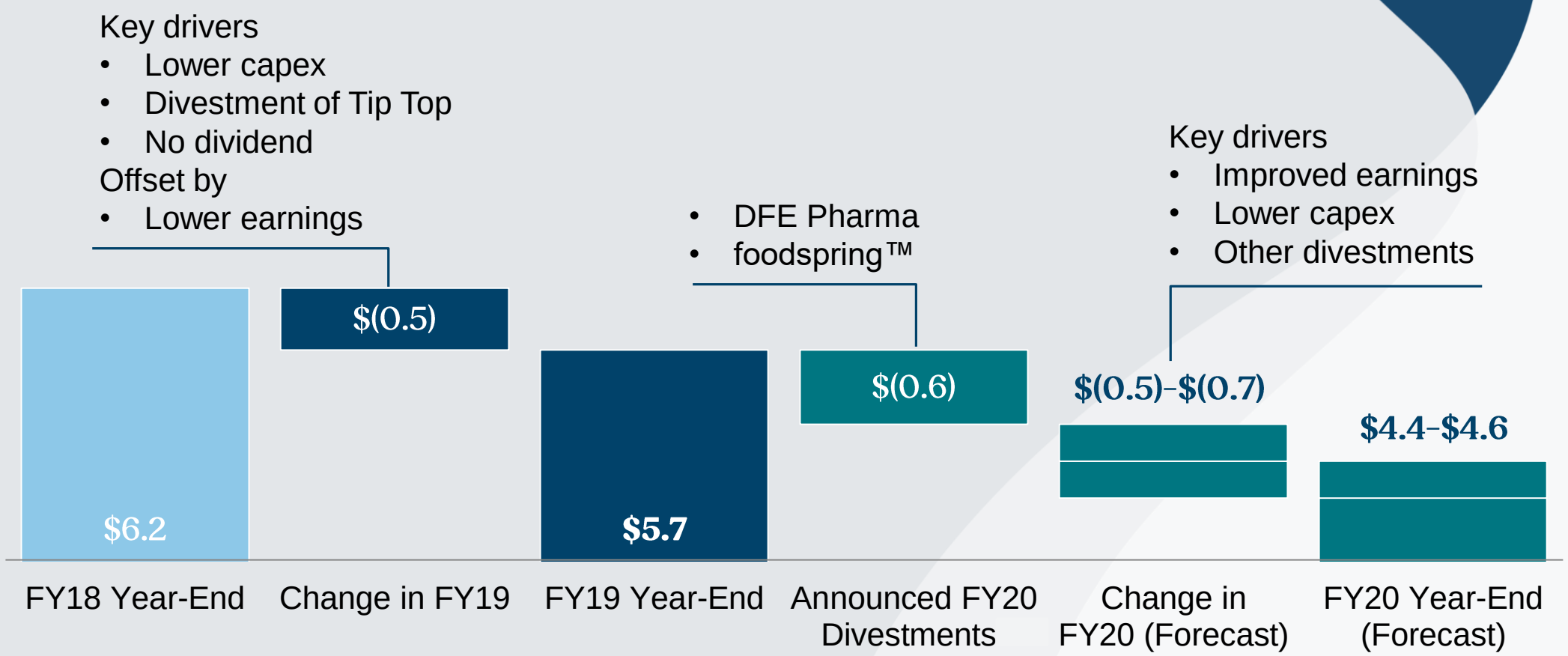


Disappointing earnings performance

From $20.4 bn | From $3,152m | From $2,496m | From $902m | From 10 cps

Committed to strengthening our balance sheet

Economic Net Interest-Bearing Debt ($b)



Our Strategy

CONSUMER & MARKET TRENDS

SUSTAINABLE VALUE

CORE DAIRY | FOOD SERVICE | PAEDIATRICS | SPORTS & ACTIVE | MEDICAL & AGEING

Innovation Sustainability Efficiency

23

Volume → Value

Everything → Focus

ONALS
GREAT FOOD F
GREAT BUSINE
FINDING NE
PERFO
IN YO
BU
Extra Stretch
FUTURE CONSUMER
for the Fast Moving Consumer Generation
Fonterra
Dairy for life

FY20 outlook

Year of transition

Forecast Farmgate Milk Price

$6.55 – $7.55

per kgMS

Forecast Milk Collection

1,520

million kgMS

Forecast Earnings per Share

15 – 25

cents

Our four priorities for 2020

Build a great team

Support regional New Zealand

Hit our financial targets

Improve our environmental footprint

Closing remarks

FONTERRA SHAREHOLDERS' FUND.

Fonterra
Dairy for life

Questions

FONTERRA SHAREHOLDERS' FUND.

Fonterra
Dairy for life

Resolution 1

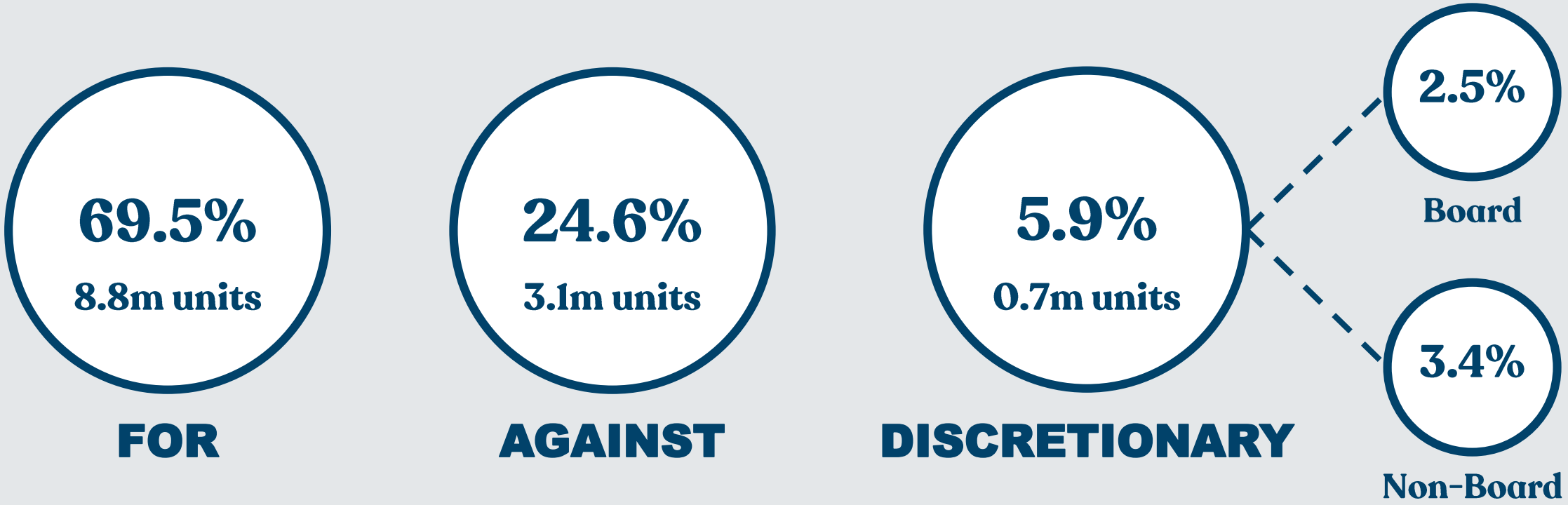
RE –ELECTION OF KIM ELLIS

Resolution 1

- To re-elect Kim Ellis, who retires by rotation and stands for re-election, as a director of the Manager of the Fund.

Proxy voting

Re-elect Kim Ellis



As at 10am Saturday 9 November 2019

FONTERRA SHAREHOLDERS' FUND.

Fonterra
Dairy for life

Kim Ellis

Director

FSF Management Company

Resolution 1

- To re-elect Kim Ellis, who retires by rotation and stands for re-election, as a director of the Manager of the Fund.

Voting

- In respect of the resolution, please tick the “for”, “against” or “abstain” box.
- Once you have completed your voting, please place your vote in a ballot box.
- Please raise your hand if you require a pen.
- Results will be announced to the NZX and ASX as soon as they are available.

Fonterra Shareholders' Fund

ANNUAL MEETING

11 NOVEMBER 2019

FONTERRA SHAREHOLDERS' FUND.

Fonterra
Dairy for life

General business

Thank you, meeting closed

FONTERRA SHAREHOLDERS' FUND.

Fonterra
Dairy for life