John Shewan
Chairman
FSF Management Company
# Agenda

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<th>Agenda Item</th>
<th>Presenter</th>
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<tr>
<td>Welcome and introduction</td>
<td>John Shewan</td>
</tr>
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<td><strong>FSF Management Company Chairman’s address</strong></td>
<td>John Shewan</td>
</tr>
<tr>
<td><strong>Fonterra Chairman’s and CEO’s addresses</strong></td>
<td>John Monaghan,</td>
</tr>
<tr>
<td></td>
<td>Miles Hurrell</td>
</tr>
<tr>
<td>Questions</td>
<td></td>
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<td><strong>Resolution to re-elect Kim Ellis</strong></td>
<td>John Shewan</td>
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<td><strong>Address by Kim Ellis</strong></td>
<td>Kim Ellis</td>
</tr>
<tr>
<td><strong>General business</strong></td>
<td>John Shewan</td>
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</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units on Issue¹:</td>
<td>102 million (\downarrow) 0.6m</td>
</tr>
<tr>
<td>Fund Market Capitalisation¹:</td>
<td>$424 million (\downarrow) 70m</td>
</tr>
<tr>
<td>Fonterra Market Capitalisation¹:</td>
<td>$5.6 billion (\downarrow) 1.7b</td>
</tr>
<tr>
<td>Fund Size¹,²:</td>
<td>6.3% (\downarrow) 0.04%</td>
</tr>
<tr>
<td>Unit Price 12-month High/Low³:</td>
<td>$4.83 (26 Oct 18) / $3.15 (28 Aug 19)</td>
</tr>
</tbody>
</table>

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2. Fonterra Shareholders’ Fund units on issue as a percentage of Fonterra Co-operative Group shares on issue.
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**

<table>
<thead>
<tr>
<th>Investor Type</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td></td>
<td>52%</td>
</tr>
<tr>
<td>Institution</td>
<td>15%</td>
<td>25%</td>
</tr>
<tr>
<td>Farmer Shareholder</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>Private Wealth Management</td>
<td>7%</td>
<td>14%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Investor Location**

<table>
<thead>
<tr>
<th>Location</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td></td>
<td>72%</td>
</tr>
<tr>
<td>Australia</td>
<td>12%</td>
<td>18%</td>
</tr>
<tr>
<td>United States</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>3%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>(Normalised)</th>
<th>FY19 Actual</th>
<th>3-Year Plan¹</th>
<th>5-Year Plan¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td></td>
<td>$819m</td>
<td>$950m</td>
<td>$1,100m</td>
</tr>
<tr>
<td>NPAT²</td>
<td></td>
<td>$269m</td>
<td>$650m</td>
<td>$800m</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td></td>
<td>$600m</td>
<td>$500m</td>
<td>$500m</td>
</tr>
<tr>
<td>Free Cash Flow³</td>
<td></td>
<td>$699m</td>
<td>$900m</td>
<td>$1,050m</td>
</tr>
<tr>
<td>Debt/EBITDA</td>
<td></td>
<td>4.3x</td>
<td>2.5-3.5x</td>
<td>2.5-3.5x</td>
</tr>
<tr>
<td>Return on Capital</td>
<td></td>
<td>5.8%</td>
<td>8.5%</td>
<td>10%</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td></td>
<td>17c</td>
<td>40c</td>
<td>50c</td>
</tr>
</tbody>
</table>

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.
John Monaghan
Chairman
Fonterra Co-operative Group
FY19 a year of significant challenge
Our Purpose guides everything we do

OUR PURPOSE

Our Cooperative, Empowering People to create goodness for generations
You, me, us together
Tatou Tatou
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
- $160 million decrease in operating expense by FY20

- $469m
- $261m
- 48.2%
- Down 0.2%
- $185m
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
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

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)
Board priorities for 2020

- Deliver on Milk Price
- Implement Our strategy
- Improved earnings
- Advance Rate improvements
- Capital Structure
- Governance succession & development
2019 performance summary

**FARMGATE MILK PRICE**
$6.35 per kgMS
From $6.69

**DIVIDEND**
0 Cents per share
From 10 cps

**NET LOSS AFTER TAX**
$605 million
From $196m

**RETURN ON CAPITAL**
5.8 per cent
From 6.3%
## Net profit after tax reconciliation

<table>
<thead>
<tr>
<th>FY18 Normalised NPAT</th>
<th>FY18 5 cent Milk Price Change</th>
<th>FY19 Lower Operating Earnings After Tax</th>
<th>FY19 Normalised NPAT</th>
<th>FY19 Impairments and One-off Items</th>
<th>FY19 Net Loss After Tax</th>
<th>Net Loss Attributable to Non-controlling Interests</th>
<th>FY19 Reported Net Loss After Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>$382m</td>
<td>$(53)m</td>
<td>$(60)m</td>
<td>$269m</td>
<td>$(826)m</td>
<td>$(557)m</td>
<td>$(48)m</td>
<td>$(605)m</td>
</tr>
</tbody>
</table>

- **DPA Brazil China Farms**
- **Venezuela**
- **Fonterra NZ Australia Ingredients**
- **Beingmate Other**
Disappointing earnings performance

- **Revenue**: $20.1 billion (from $20.4 bn)
- **Gross Margin**: $3,015 million (from $3,152m)
- **Operating Expenses**: $2,311 million (from $2,496m)
- **EBIT**: $819 million (from $902m)
- **Dividend**: 0 cps (from 10 cps)
### Committed to strengthening our balance sheet

<table>
<thead>
<tr>
<th>Economic Net Interest-Bearing Debt ($b)</th>
<th>Key Drivers</th>
<th></th>
<th>Key Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18 Year-End</td>
<td>• Lower capex • Divestment of Tip Top • No dividend</td>
<td>FY20 Year-End (Forecast)</td>
<td>• Improved earnings • Lower capex • Other divestments</td>
</tr>
<tr>
<td>$6.2</td>
<td>Offset by • Lower earnings</td>
<td>$(4.4–4.6)</td>
<td></td>
</tr>
<tr>
<td>Change in FY19</td>
<td>• DFE Pharma • foodspring™</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$5.7</td>
<td>$(0.6)</td>
<td>$(0.5–0.7)</td>
<td></td>
</tr>
<tr>
<td>FY19 Year-End</td>
<td>Announced FY20 Divestments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Divestments
Our Strategy

CONSUMER & MARKET TRENDS

SUSTAINABLE VALUE

CORE DAIRY
FOOD SERVICE
PAEDIATRICS
SPORTS & ACTIVE
MEDICAL & AGEING

Innovation
Sustainability
Efficiency
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
Questions
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
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.
General business
Thank you, meeting closed