Fonterra Shareholders’ Fund
Annual Meeting

9 November 2020
When the Question function is available, the Q&A icon will appear at the top of the app.

To send in a question, click in the ‘Ask a question’ box, type your question and press the send arrow.

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There is no submit or send button, your selection is automatically recorded. You can change your mind or cancel your vote any time before the poll is closed.
## Agenda

<table>
<thead>
<tr>
<th>Welcome and introductions</th>
<th>John Shewan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FSF Management Company Chairman’s address</td>
<td>John Shewan</td>
</tr>
<tr>
<td>Fonterra Chairman’s and CEO’s addresses</td>
<td>Peter McBride, Miles Hurrell</td>
</tr>
<tr>
<td>Questions</td>
<td></td>
</tr>
<tr>
<td>Resolution to elect Mary-Jane Daly</td>
<td>John Shewan</td>
</tr>
<tr>
<td>Address by Mary-Jane Daly</td>
<td>Mary-Jane Daly</td>
</tr>
<tr>
<td>Address by retiring director Pip Dunphy</td>
<td>Pip Dunphy</td>
</tr>
<tr>
<td>General business</td>
<td>John Shewan</td>
</tr>
</tbody>
</table>
**FSF Management Company Chairman's address**

**Improved performance in 2020**

- Fonterra’s resilience demonstrated during COVID-19
- Fonterra improved its underlying business performance
- Fonterra significantly reduced its debt
- Fonterra Shareholders’ Fund resumed distributions

<table>
<thead>
<tr>
<th></th>
<th>Reported Profit After Tax¹</th>
<th>Normalised Profit After Tax²</th>
<th>Earnings per share²</th>
<th>Debt reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$659 million</td>
<td>$382 million</td>
<td>24 cents</td>
<td>$1.1 billion</td>
</tr>
</tbody>
</table>

1. Includes Continuing and Discontinued Operations. Includes amounts attributable to non-controlling interests.
2. Includes Continuing and Discontinued Operations on a normalised basis. Excludes amounts attributable to non-controlling interests.
8% increase in unit price for FY20 period

- FY20 balance date
  Up 1.3%, from $3.77 to $3.82
  (1 August 2019 – 31 July 2020)

- Release of FY20 results
  Up 7.7%, from $3.77 to $4.06
  (1 August 2019 – 18 September 2020)

- As at 30 October
  Up 22%, from $3.77 to $4.61
  (1 August 2019 – 30 October 2020)
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Units on Issue¹:</td>
<td>106 m</td>
<td>+ 4 m</td>
</tr>
<tr>
<td>Fund Market Capitalisation¹:</td>
<td>$490 m</td>
<td>+ 66 m</td>
</tr>
<tr>
<td>Fonterra Market Capitalisation¹:</td>
<td>$7.4 b</td>
<td>+ 1.8 b</td>
</tr>
<tr>
<td>Fund Size¹:²:</td>
<td>6.6%</td>
<td>+ 0.3%</td>
</tr>
<tr>
<td>Unit Price 12-month High/Low³:</td>
<td>$4.61 (30 Oct 20) / $3.41 (12 May 20)</td>
<td></td>
</tr>
</tbody>
</table>

1. At 30 October 2020, relative to 30 October 2019.
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
- Majority of register held in New Zealand, with further reduction in offshore holdings

### Investor Type

<table>
<thead>
<tr>
<th>Investor Type</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>70%</td>
<td>66%</td>
</tr>
<tr>
<td>Institution</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Farmer Shareholder</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Private Wealth Management</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

### Investor Location

<table>
<thead>
<tr>
<th>Location</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>86%</td>
<td>83%</td>
</tr>
<tr>
<td>Australia</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>United States</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Note: Register data for 2019 and 2020 is as at 30 September.
Peter McBride
Chairman
Fonterra Co-operative Group
You can’t talk about 2020 without mentioning Covid-19. We are proud of the way our Co-op pulled together, played by the rules, and looked out for each other to get the job done.
Delivered a strong Milk Price
Delivered a dividend
Continued with the implementation of our strategy
Delivered stable governance
Delivering for future generations
Miles Hurrell
Chief Executive Officer
Fonterra Co-operative Group
Our Strategy

Our strategy focuses on using New Zealand milk to meet market needs.

We will create sustainable value through innovation, sustainability and efficiency.

Innovation
To create superior value for our customers and our Co-operative

Sustainability
To do what is right for the long term good and meet consumer and community needs

Efficiency
Unlock greater value from our scale efficiency and focus on execution
Delivered on our 2020 priorities

Healthy People – Supported regional New Zealand and focused on building a great team

Healthy Environment – Reduced our environmental footprint

Healthy Business – Hit our financial targets
Improved financial metrics

**REVENUE**
- **$21.0 billion**
  - Up $1.1bn

**GROSS PROFIT**
- **$3.2 billion**
  - Up $200m

**OPERATING EXPENSES**
- **$2.3 billion**
  - Down $14m

**EBIT**
- **$879 million**
  - Up $67m

**PROFIT AFTER TAX¹**
- **$382 million**
  - Up $118m

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**Capital Expenditure**
- **$419 million**
  - Down $181m

**Free Cash Flow**
- **$1.8 billion**
  - Up $733 million

**Net Debt²**
- **$4.7 billion**
  - Down $1.1b

**Debt to EBITDA**
- **3.4x**
  - From 4.4x

**Earnings per share¹**
- **24 cents**
  - Up 8c

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Note: Unless stated otherwise metrics presented are for Total Group, which includes Continuing and Discontinued Operations on a normalised basis.

1. Excludes amounts attributable to non-controlling interests.
2. Excludes Discontinued Operations.
Reported profit after tax up $1.2 billion

$\text{(826)m of FY19} \quad \text{imperials and other costs excluded to get Normalised Profit After Tax}

$826m

\text{(35) cents eps}

\text{(562)m}

\text{FY19 Reported Loss After Tax}

\(\text{Improved performance} \quad \text{Significant items}

\text{• Improved gross margin} \quad \text{• Impairments and other costs}

\text{• Lower interest expense} \quad \text{• Provision}

\text{FY19 Normalised Profit After Tax} \quad \text{FY20 Higher Operating Earnings After Tax}

\text{FY20 Significant items}

\text{FY20 Normalised Profit After Tax}

\text{FY20 Normalised Items}

\text{FY20 Reported Profit After Tax}

\text{\(\text{\$264m} \quad \text{\$222m} \quad \text{\$(104)m} \quad \text{\$382m} \quad \text{\$304m} \quad \text{\$686m}\)}

\text{\(\text{16 cents eps} \quad \text{24 cents eps} \quad \text{43 cents eps}\)}

\text{\text{FY19 Higher Operating Earnings After Tax} \quad \text{FY20 Significant items} \quad \text{FY20 Reported Profit After Tax}}

\text{Note: Figures presented are on a after tax attributable to equity holders basis. Excludes amounts attributable to non-controlling interests.}

1. \text{Earnings per share.}
2. \text{\$(104)m of Significant items, including a provision for change in treatment of holiday pay pending judicial interpretation of the requirements of legislation in New Zealand. Refer to appendix for detailed breakdown.}
3. \text{Comprised of $549 million and $(245) million positive and negative normalised items, respectively. Refer to appendix for detailed breakdown.}
4. \text{FY19 reported loss and normalised profit after tax attributable to equity holders are restated from $(557) million and $269 million, as stated in FY19 Annual Report, to $(562) million and $264 million, respectively. Restatement due to change in timing of revenue recognition for sales to distributor in Greater China.}
## Segment performance

### Ingredients\(^1,2\)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>1,446</td>
<td>1,611</td>
<td>790</td>
<td>827</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td></td>
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</tbody>
</table>

2020 gross profit reflects favourable pricing relativities

2019 EBIT includes $44 million from DFE Pharma

### Foodservice\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>420</td>
<td>437</td>
<td>184</td>
<td>209</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Strong first half before COVID-19

Greater China rebounded in third quarter, but challenging fourth quarter across other regions

### Consumer\(^1\)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>1,078</td>
<td>1,001</td>
<td>227</td>
<td>149</td>
</tr>
<tr>
<td>EBIT</td>
<td></td>
<td></td>
<td></td>
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2020 EBIT includes $57 million of impairments

Challenges remain in Chile and Hong Kong

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Note: EBIT and gross margin are normalised in NZD millions. Figures presented are for FY20 and FY19 as a comparative.

1. Does not add to Total Group due to including inter-segment sales, and excludes Discontinued Operations.
2. Ingredients performance includes the China Farming joint venture. For FY19 and FY20 China Farming joint venture reported a loss of $(19) million and $(12) million, respectively.
Our 2021 priorities

1. Co-operative
   - Support farmers and employees

   - Competitive milk price
   - Participation in The Co-operative
   - Difference
   - Health & Safety

2. Performance
   - Deliver on our promises

   - Return on Capital
   - Debt/EBITDA
   - Sustainable performance to enable continued dividend

3. Community
   - Do what’s right for customers, communities and environment

   - Exceed customer expectations
   - Support communities through nutrition programmes
   - Make our low carbon footprint model a powerful point of differentiation

Our Co-op, empowering people to create goodness for generations
You, me, us together – Tātou, tātou
Successes so far this year

- Coal to wood pellets at our Te Awamutu site
- New approach to our in-school milk programme
- Farm-specific greenhouse gas emissions reports for all farms in NZ
- Agreed to sell China Farms for $555 million
- Working with Land O’Lakes to open more doors for US Foodservice business
- 2020 Sustainability Report – most encouraging set of results yet
2021 Outlook

Forecast Farmgate Milk Price
mid point

$6.80 per kgMS

- Forecast Farmgate Milk Price range of $6.30-$7.30
  - Assumes no significant impact to product pricing from global economic impact of COVID-19
  - Subject to product pricing and FX changes
- Dairy demand and supply is finely balanced

Forecast Earnings

20–35 cents per share

- Full year normalised earnings per share range of 20-35 cents
- Key assumptions include:
  - Improved trading performance, driven by Asia and Greater China as COVID-19 restrictions ease
  - Lower financing costs and less significant items
  - Favourable price relativities of 2020 second half not replicated
Online attendees – question process

When the Question function is available, the Q&A icon will appear at the top of the app.

To send in a question, click in the ‘Ask a question’ box, type your question and press the send arrow.

Your question will be sent immediately for review.

Welcome to the Annual General Meeting. If you would like to submit a question, please tap on the question icon, type your question in the chat box at the bottom of the screen and then press send. Please include the number of the resolution at the beginning of your question. Questions may be moderated or amalgamated if there are multiple questions on the same topic.
Resolution 1

Election of
Mary-Jane Daly
Resolution 1

• To elect Mary-Jane Daly as a director of the Manager of the Fund
Mary-Jane Daly
Director Nominee
FSF Management Company
Resolution 1

- To elect Mary-Jane Daly as a director of the Manager of the Fund
Proxy voting

To elect Mary-Jane Daly

As at 10am Saturday 7 November 2020
Online attendees – voting process

When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen.

To vote simply select the direction in which you would like to cast your vote. The selected option will change colour.

There is no submit or send button, your selection is automatically recorded. You can change your mind or cancel your vote any time before the poll is closed.
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

9 November 2020
Pip Dunphy
Retiring Director
FSF Management Company
General Business
Thank you, meeting closed