



Fonterra Interim Results

18 MARCH 2020



Important information



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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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Improved financial performance



FARMGATE MILK PRICE
\$7.00–\$7.60
per kgMS

NET DEBT¹
\$5.8
billion
from \$7.4b

TOTAL GROUP EBIT^{2,3}
\$806
million
from \$312m

NORMALISED EBIT^{2,3}
\$584
million
from \$312m

- Strong milk price range
- Increased earnings
- Reduced operating expenses
- Completed divestments from the portfolio review
- Improved free cash flow and reduced debt
- Maintained forecast underlying earnings guidance
- No interim dividend as continue to repay debt

1. Economic net interest-bearing debt reflects total borrowings less cash and cash equivalents and non-current interest-bearing advances adjusted for derivatives used to manage changes in hedged risks, and bank overdraft. It excludes the borrowings attributed to Discontinued Operations.
2. This includes Continuing Operations and Discontinued Operations. The basis of determining Discontinued Operations is set out in the Basis of Preparation in the FY20 Interim Report.
3. The adjustment of \$222 million to calculate normalised EBIT is set out in the Appendix and in the FY20 Interim Report under Non-GAAP Measures.

Note: Previously shared full year key metrics, such as Return on Capital, will be provided at financial year end.

Productive first half, resetting the Co-op

On-track with our 2020 priorities



Hit our financial targets

- On-track to meet targets
- Focused on financial discipline – updated:
 - Risk Appetite Statement
 - Dividend Policy and Debt Policy

Build a great team

- New customer-led operating model
- Right-sized teams to fit more focused strategy
- Employees recognised for their expertise and contribution to regional New Zealand

Improve our environmental footprint

- Announced Te Awamutu site will be coal free next season
- Will deliver greenhouse gas emissions reports for all farmers at end of the year
- On-track for an additional 1,000 Farm Environment Plans this year

Support regional New Zealand

- On-track to contribute \$11.1 billion to New Zealand
- Helped farmers during floods and droughts

Healthy Business

Improved performance with lift in all key metrics



From \$9.7bn



From \$1,489m



From \$1,232m

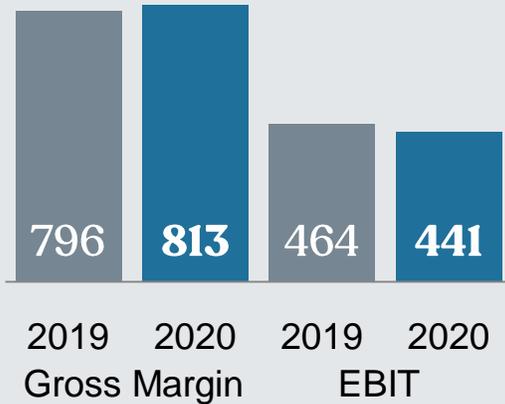


From \$312m

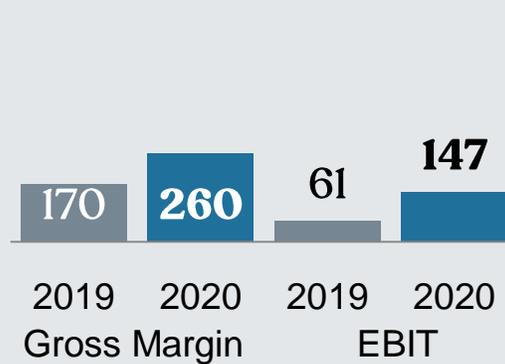


From \$72m

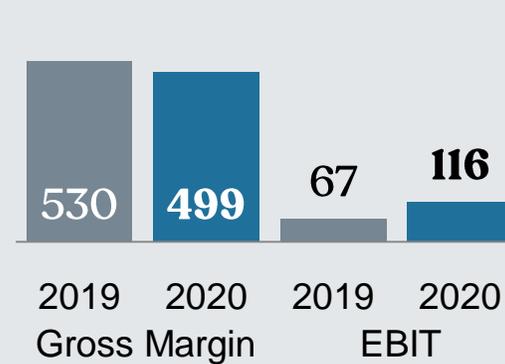
Ingredients^{3,4}



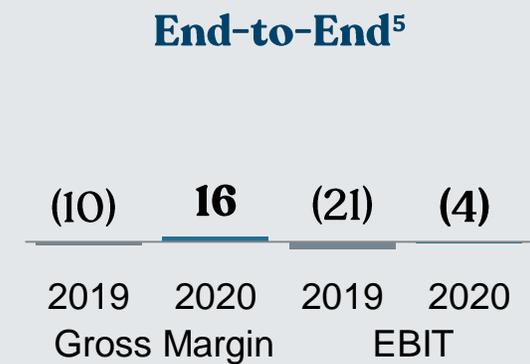
Foodservice³



Consumer³



China Farms End-to-End⁵



1. This is Total Group, includes Continuing and Discontinued Operations on a normalised basis.

2. Includes amounts attributable to non-controlling interests.

3. Does not add to total group due to including inter-segment sales, and excludes Discontinued Operations.

4. Ingredients performance includes the China Farming joint venture. For the first six months of FY19 and FY20 China Farming joint venture reported a loss of \$(4) million and \$(13) million respectively.

5. Provides end-to-end perspective, comprising China Farms, China Farming joint venture, and financials from Ingredients, Consumer and Foodservice related to sales of milk from China Farms. China Farms is considered 'Held for sale' and classified as a Discontinued Operation in the FY20 Interim Report.

Note: EBIT and gross margin are in NZD millions. Figures presented are for the first six months of FY20, and FY19 as a comparative.

Continuously reviewing our portfolio of businesses

Significant net positive impact on earnings and cash flow



Businesses sold – DFE Pharma and foodspring™

- \$624 million of cash proceeds received and \$469 million gain on sale

Businesses in sale process – China Farms and DPA Brazil

- Impaired asset values to align with information from sale processes:
 - China Farms, \$63 million impairment
 - DPA Brazil, \$71 million¹ – split \$31 million after-tax to Fonterra and \$30 million to joint venture partner
- Classified as 'Held for sale' and 'Discontinued Operations' in financial accounts

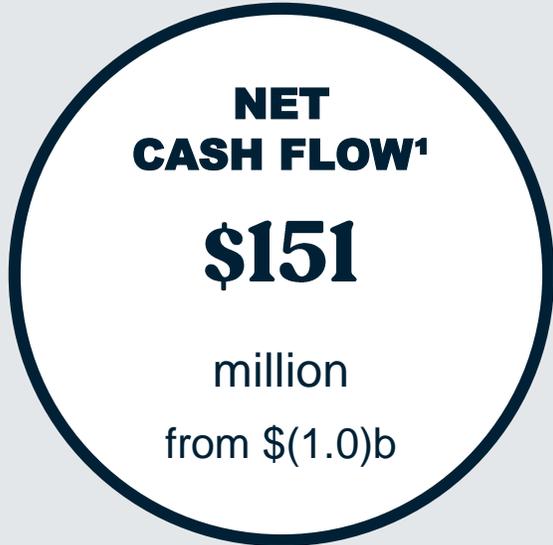
Business performance review – China Farming Joint Venture

- Continuing to look for opportunities to improve the performance of the business
- \$65 million impairment to align with China Farms' sale process and ongoing animal management costs

Full reconciliation of impairments and other normalisations is provided in the Appendix and the Interim Report

1. \$71 million impact to EBIT. After-tax impact is \$61 million, \$31 million to Fonterra and \$30 million to joint venture partner

Improved cash flow and reduced leverage



- Net cash flow improved by \$1.2 billion:
 - Normalised EBIT up \$272 million to \$584 million
 - \$624 million from divestments⁵
 - Favourable working capital movement of \$155 million
 - Lower capex and interest expense
- Net debt and gearing both down:
 - Improved net cash flows
 - Lower capital expenditure
 - Includes adding \$547 million to borrowings for capitalised operating leases under new accounting rules⁶
 - \$336 million transferred from borrowings to general liabilities related to assets classified as 'Held for sale'

1. Net Cash Flow is calculated as Free Cash Flow less net interest paid, dividends paid and other in the same period.
2. Economic net interest-bearing debt reflects total borrowings less cash and cash equivalents and non-current interest-bearing advances adjusted for derivatives used to manage changes in hedged risks, and bank overdraft. It excludes the borrowings attributed to Discontinued Operations.
3. Capital expenditure comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets, and net purchases of livestock.
4. Gearing ratio 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 the borrowings attributed to Discontinued Operations.
5. Includes DFE Pharma and foodspring®
6. Represents year-on-year impact. Relative to the beginning of the financial year the impact is \$581 million.

Healthy People

Working together to care for people and make a positive impact on society



Dairy for life

On-track to contribute
\$11.1 billion
to the
NZ economy



KiwiSTART
Breakfast
10 years
of providing
valuable
nutrition to
kids



Helped out
during flooding and
dry conditions

Farmers and
employees recognised
for their expertise and
contribution in
regional New Zealand



Inia Te Wiata
National high-performing
engineering apprentice



Tony Wilding
Officer of the
New Zealand Order of Merit



Harvey Indyk
Officer of the
New Zealand Order of Merit

Healthy Environment

Working together to achieve a healthy environment for farming and society



Over 5,000 farms

have engaged with 'Our Next Steps' and are on track to earn rewards at the end of the season

On-farm support is a critical part

- 28 Sustainable Dairy Advisors
- Another 1,000 Farm Environment Plans by year end
- Launched Plant for Good
- Farm-specific greenhouse gas emissions reports for all farms this year

Working hard to reduce our manufacturing energy intensity

Te Awamutu site to be **coal free** next season

In six months Whareroa site reduced energy use by enough to power **3,100** homes for a year



New study¹ shows carbon footprint of our milk supply is the lowest in the world but recognise we need to do more, so leading research to find solutions to our methane challenge

Outlook for 2020



Forecast Farmgate Milk Price



- Forecast Farmgate Milk Price range of \$7.00-\$7.60 per kgMS maintained
- Reflects ongoing uncertainties:
 - Global impact of COVID-19
 - Ongoing drought conditions in New Zealand and Australia
- Currently over 80% of our New Zealand milk volume contracted for sale

Forecast Normalised Earnings



- Full year underlying earnings per share range of 15-25 cents maintained
- Reflects potential significant risks in the second half:
 - Global impact of COVID-19
 - Ongoing drought conditions and high Milk Prices
 - Difficult trading conditions in Chile and Hong Kong
- Aim to be in financial position to pay a full year dividend



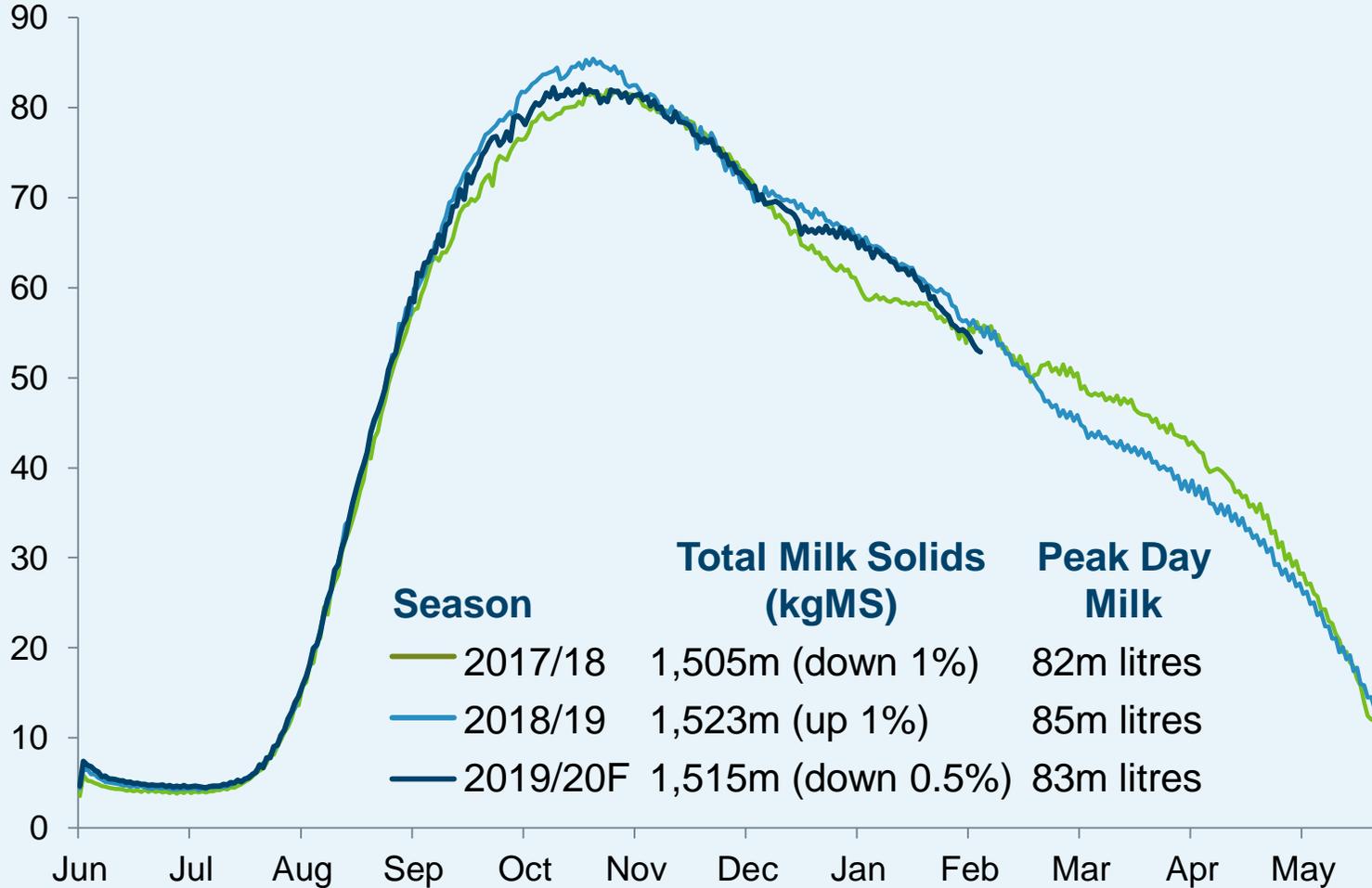
Appendix



Milk collections



Volume (m litres/day)



- Season to date collection, June – January, was 1,079 million kgMS, down 0.3% on last season
 - North Island pasture growth rates impacted by dry weather
 - Lower South Island impacted by heavy rain and flooding
- Favourable weather conditions across Canterbury, resulting in good pasture growth and strong milk production
- Full year forecast is down 0.5% on the prior season

Ingredients¹



million	2019	2020	%Δ ²
Volume ³ ('000 MT)	1,547	1,533	(1)%
Revenue (\$)	7,851	8,576	9%
Gross Margin (\$)	796	813	2%
Gross Margin (%)	10.1%	9.5%	
Other ⁴	55	2	
Operating Expenses (\$)	(387)	(374)	3%
EBIT (\$)	464	441	(5)%
Discontinued EBIT	(3)	—	

EBIT by Quarter⁵



- Sales volumes down 1%, 14,000 MT, due to decline in Australia Ingredients' milk collections
- Ingredients gross margin increased \$17 million:
 - Steady New Zealand Ingredients gross margin
 - Improved performance in Australia
- Australia Ingredients' gross margin improvement:
 - Savings from the closure of the Dennington site
 - Better product mix and utilisation of our Stanhope site
- Operating expenses reduced \$13 million
- Largest contributors to 'Other' decrease were divestment of DFE Pharma and increased loss from the China Farming joint venture
- Ingredients' EBIT from continuing operations down \$23 million

1. Ingredients' performance restated to include China Farming joint venture. China Farms business unit is classified as a Discontinued Operation, financials relating to sales of milk from China Farms have been removed from the Ingredients segment for FY19.

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

3. Includes sales to other strategic platforms.

4. Includes other income, net foreign exchange gain/(loss) and share of equity accounted investees.

5. Summing of EBIT margin figures may not add up to total EBIT displayed in table above due to rounding. Note: EBIT and gross margin are in NZD millions. Figures presented are for the first six months of FY20, and FY19 as a comparative. Numerical or percentage changes are expressed relative to the first six months of FY19.



Ingredients by region

New Zealand Ingredients¹

Volume²

1,447,000 MT

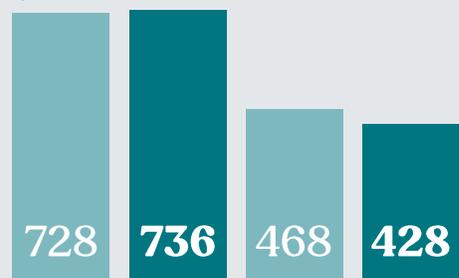
From 1,449,000 MT

Gross Margin

9.5%

From 10.4%

\$ million



2019 2020 2019 2020
Gross Margin EBIT

Australia

134,000 MT

From 175,000 MT

2.7%

From 0.7%



2019 2020 2019 2020
Gross Margin EBIT

Other and Eliminations

(48,000) MT

From (77,000) MT



2019 2020 2019 2020
Gross Margin EBIT

1. Ingredients' performance restated to include China Farming joint venture. China Farms business unit is classified as a Discontinued Operation, financial performance relating to sales of milk from China Farms have been removed from the Ingredients segment for FY19.

2. Includes sales to other strategic platforms.

Note: EBIT and gross margin are in NZD millions. Figures presented are for the first quarter of FY20, and FY19 as a comparative. Numerical or percentage changes are expressed relative to the first quarter of FY19.

Sum of individual numbers from the regional and divisional breakdown may not add to the totals in each category due to rounding.

New Zealand Ingredients product mix



	2019		2020	
	\$ million	\$ per MT	\$ million	\$ per MT
Sales Volume (000 MT)¹				
Reference	924	–	921	–
Non-Reference	354	–	389	–
Revenue¹				
Reference	4,304	4,658	4,759	5,167
Non-Reference	1,874	5,294	2,213	5,688
Cost of Milk				
Reference	3,231	3,495	3,682	3,997
Non-Reference	1,052	2,973	1,336	3,435
Gross Margin				
Reference	345	373	345	374
Non-Reference	324	915	296	762

- Reference product gross margins per metric tonne were stable
- Non-reference gross margins declined due to:
 - UHT cream and cheese had lower margin rates relative to FY19 due to market pricing and in response to increased capacity and supply
 - Increased volume of UHT cream, a relatively lower margin product for Ingredients, to meet increased Foodservice sales

1. Excludes bulk liquid milk. Bulk liquid milk for the six months to 31 January 2020 was 37,000 MT (six months to 31 January 2019: 34,000 MT).

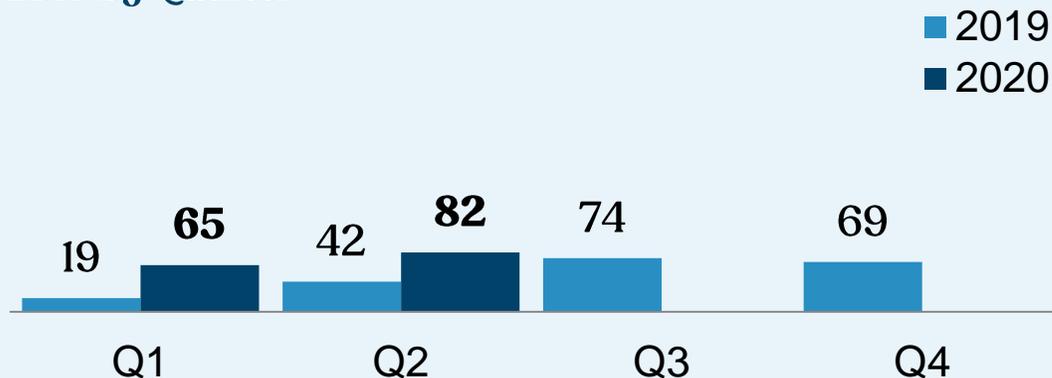
Note: Figures represent Fonterra-sourced New Zealand milk only. Reference products are products used in the calculation of the Farmgate Milk Price – WMP, SMP, BMP, Butter and AMF. Milk solids used in the products sold were 513 million kgMS in reference and 200 million kgMS non-reference (previous comparable period 515 million kgMS reference and 178 million non-reference).

Foodservice



Million ¹	2019	2020	%Δ ²
Volume ³ ('000 MT)	228	262	15%
Revenue (\$)	1,341	1,517	13%
Gross Margin (\$)	170	260	53%
Gross Margin ⁴ (%)	12.7%	17.2%	
Other ⁵	2	(1)	
Operating Expenses (\$)	(111)	(112)	(1)%
EBIT (\$)	61	147	141%
Discontinued EBIT	—	—	

EBIT by Quarter⁶



- 2019 restated to reflect change in timing of revenue recognition for distributor sales in Greater China. Increases 2019 volume and revenue, and reduces gross margin and EBIT
- Sales volume up 15% due to growth in Greater China and Asia, but offset by decline in Oceania
- Greater China sales volume growth primarily up due to recovery in butter sales and city expansion – now in 350 cities compared to 285 cities at FY19 half year
- Gross margin grew from 12.7% to 17.2%, due to improved butter margins in Greater China and Asia and growth in higher margin products in all regions
- Gross margin up \$90 million, due to volume growth and higher margins
- Operating expenses held flat, resulting in EBIT up \$86 million

1. Individual Consumer and Foodservice tables may not align to combined Consumer and Foodservice table due to rounding.
 2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of reported figures.
 3. Includes sales to other strategic platforms.
 4. 2019 impacted by change in timing of revenue recognition for sales to distributor in Greater China.

5. Includes other income, net foreign exchange gain/(loss) and share of equity accounted investees.
 6. Summing of quarterly EBIT figures may not add up to total EBIT displayed in table above due to rounding.
 Note: EBIT is in NZD millions. Figures presented are for the first six months of FY20, and FY19 as a comparative. Numerical or percentage changes are expressed relative to the first six months of FY19.



Greater China

Asia

Latin America

Oceania

Volume¹

149 000 MT

From 119,000 MT

51 000 MT

From 45,000 MT

17 000 MT

From 16,000 MT

45 000 MT

From 48,000 MT

Gross Margin

16.4%

From 10.3%

16.3%

From 12.1%

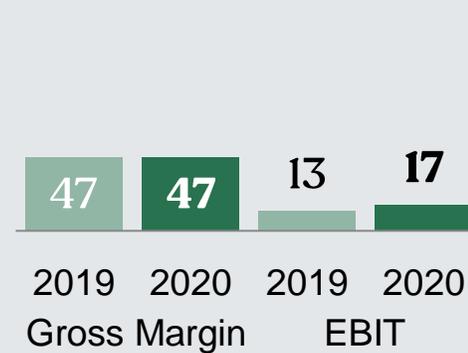
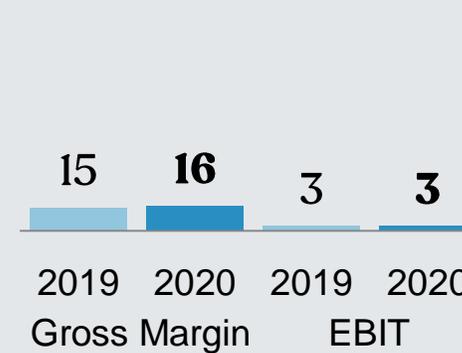
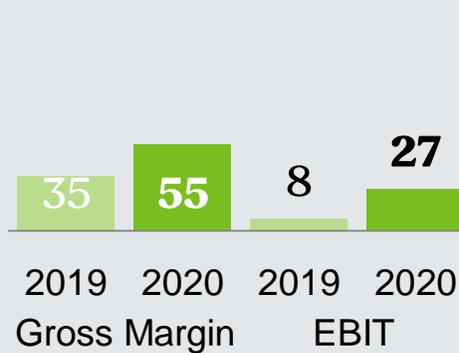
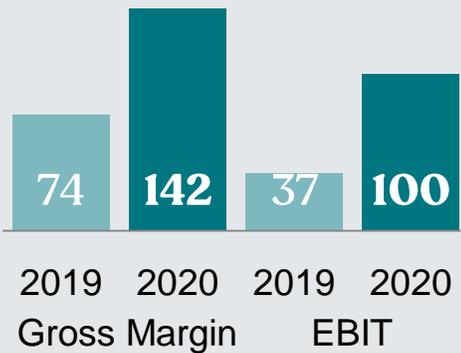
24.1%

From 21.4%

19.1%

From 17.8%

\$ million



Foodservice by region

1. Includes sales to other strategic platforms.

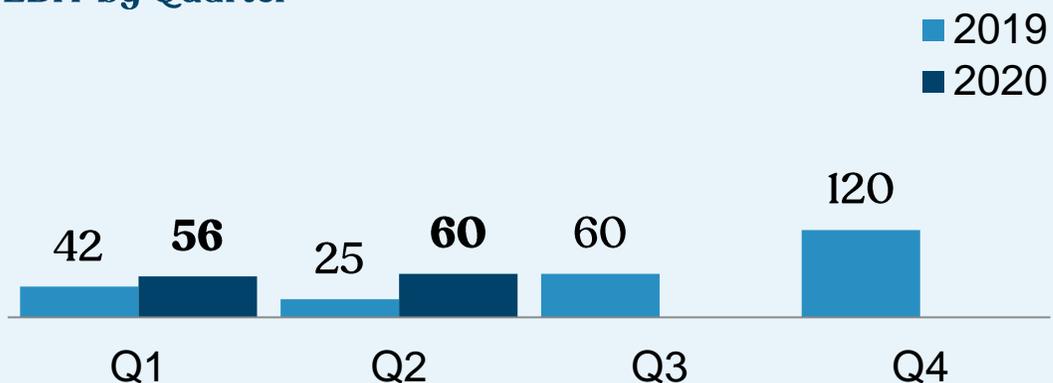
Note: Figures presented are for the first six months of FY20, and FY19 as a comparative. Numerical or percentage changes are expressed relative to the first six months performance of FY19. Sum of individual numbers from the regional and divisional breakdown may not add to the totals in each category due to rounding.

Consumer



Million ^{1,2}	2019	2020	%Δ ³
Volume ⁴ ('000 MT)	585	551	(6)%
Revenue (\$)	2,155	2,080	(3)%
Gross Margin (\$)	530	499	(6)%
Gross Margin (%)	24.6%	24.0%	
Other ⁵	5	(6)	
Operating Expenses (\$)	(468)	(377)	19%
EBIT (\$)	67	116	73%
Discontinued EBIT	(5)	14	

EBIT by Quarter⁶



- Consumer EBIT increased \$49 million due to:
 - Asia and Latin America improving gross margins and significant improvement in operating expenses
 - Oceania gross margin reduced following the sale of Tip Top, but more than offset by lower costs
- Lower sales volume across all regions, largest contributors were:
 - Latin America – due to civil unrest in Chile
 - Oceania – removal of Tip Top following divestment
- Reduced operating expenses in all regions, down \$91 million
- DPA Brazil's EBIT increased due to an improved economy and growth in market share. DPA Brazil is classified as 'Held for sale' and a Discontinued Operation

1. Normalised basis and excludes Discontinued Operations. Discontinued EBIT provided on separate line for comparative purposes.

2. Individual Consumer and Foodservice tables may not align to combined Consumer and Foodservice table due to rounding.

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

4. Includes sales to other strategic platforms.

5. Includes other income, net foreign exchange gain/(loss) and share of equity accounted investees.

6. Summing of quarterly EBIT figures may not add up to total EBIT displayed in table above due to rounding.

Note: EBIT is in NZD millions. Figures presented are for the first six months of FY20, and FY19 as a comparative. Numerical or percentage changes are expressed relative to the first six months of FY19.



Greater China

Asia

Latin America

Oceania

Volume²

41 000 MT

From 45,000 MT

98 000 MT

From 104,000 MT

154 000 MT

From 169,000 MT

258 000 MT

From 267,000 MT

Gross Margin

33.4%

From 38.7%

27.1%

From 25.7%

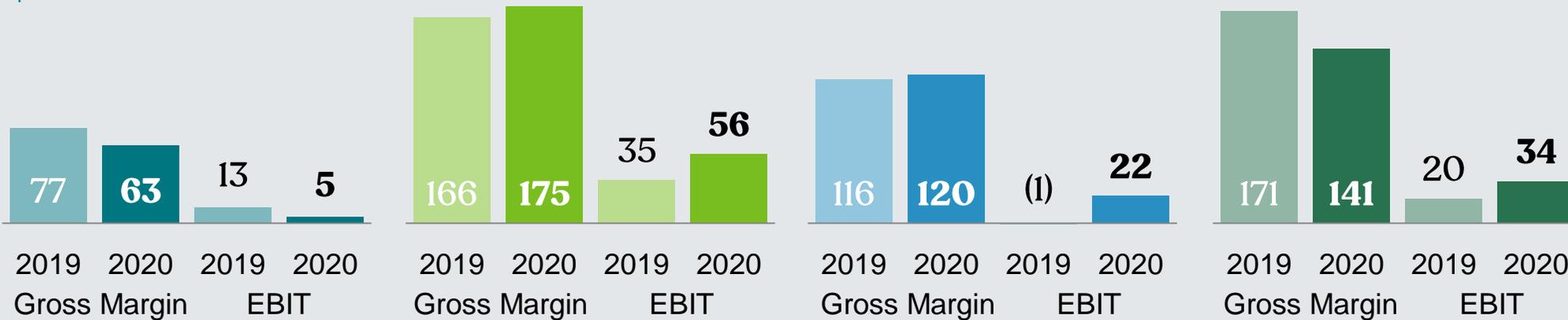
27.0%

From 25.0%

17.7%

From 20.2%

\$ million



Consumer by region¹

1. Normalised basis and excludes Discontinued Operations.
 2. Includes sales to other strategic platforms.

Note: Figures presented are for the first six months of FY20, and FY19 as a comparative. Numerical or percentage changes are expressed relative to the first six months performance of FY19. Sum of individual numbers from the regional and divisional breakdown may not add to the totals in each category due to rounding.

Consumer and Foodservice



Million ¹	2019	2020	%Δ ²
Volume ³ ('000 MT)	813	813	0%
Revenue (\$)	3,497	3,597	3%
Gross Margin (\$)	701	759	8%
Gross Margin (%)	20.0%	21.1%	
Other ⁴	7	(6)	
Operating Expenses (\$)	(580)	(490)	16%
EBIT (\$)	128	263	105%
Discontinued EBIT	(5)	14	

EBIT by Quarter⁵



- Significant increase in EBIT of \$135 million due to growth in all regions
 - Foodservice up \$86 million
 - Consumer up \$49 million
- Greater China – significant growth in Mainland China Foodservice, partially offset by challenges in Hong Kong Consumer
- Asia – improvements in gross margin and operating expenses in both Foodservice and Consumer, in particular strong recovery in Sri Lanka
- Latin America – improved earnings performance based on reduced costs in Consumer business
- Oceania – improved earnings performance based on reduced costs in both Consumer and Foodservice

1. Normalised basis and excludes Discontinued Operations. Discontinued EBIT provided on separate line for comparative purposes.
 2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of reported figures.
 3. Includes sales to other strategic platforms.
 4. Includes other income, net foreign exchange gain/(loss) and share of equity accounted investees.

5. Summing of quarterly EBIT figures may not add up to total EBIT displayed in table above due to rounding.
 Note: EBIT is in NZD millions. Figures presented are for the first six months of FY20, and FY19 as a comparative. Numerical or percentage changes are expressed relative to the first six months of FY19.



Consumer and Foodservice by region¹

Greater China

Volume²

190 000 MT

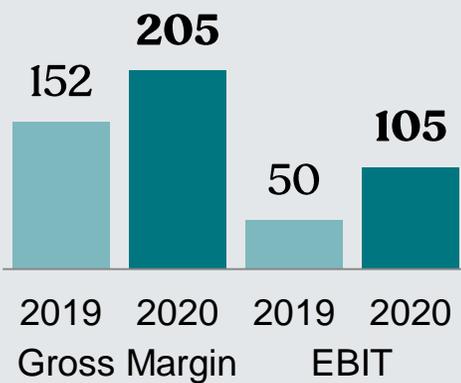
From 164,000 MT

Gross Margin

19.4%

From 16.5%

\$ million



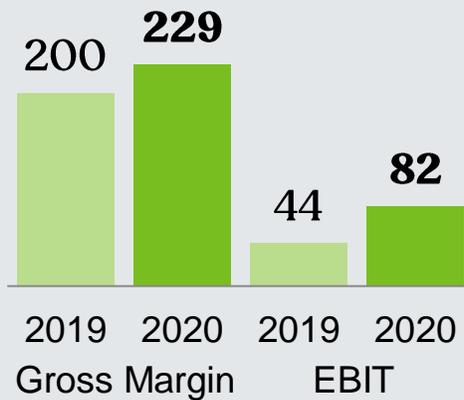
Asia

149 000 MT

From 149,000 MT

23.4%

From 21.5%



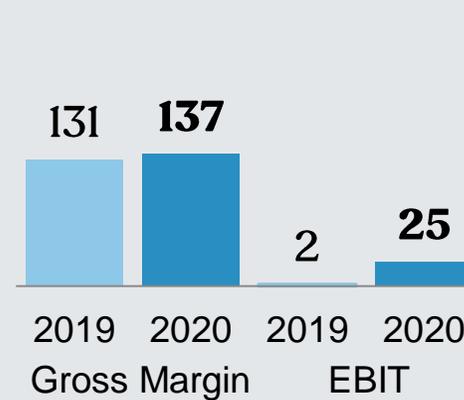
Latin America

171 000 MT

From 185,000 MT

26.6%

From 24.5%



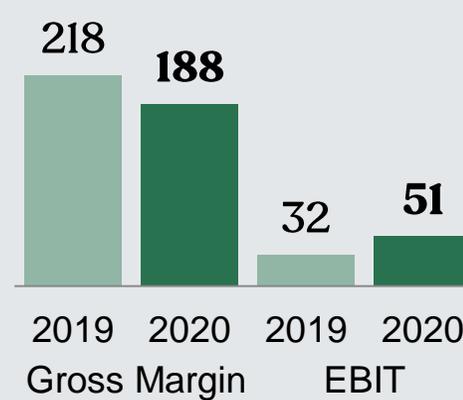
Oceania

303 000 MT

From 315,000 MT

18.0%

From 19.6%



1. Normalised basis and excludes Discontinued Operations.
2. Includes sales to other strategic platforms.

Note: Figures presented are for the first six months of FY20, and FY19 as a comparative. Numerical or percentage changes are expressed relative to the first six months performance of FY19. Sum of individual numbers from the regional and divisional breakdown may not add to the totals in each category due to rounding.

China Farms



Million	2019	2020	%Δ ¹
Volume ² ('000 MT)	9	10	15%
Revenue (\$)	110	135	23%
Gross Margin (\$)	(13)	11	187%
Gross Margin (%)	(11.8)%	8.4%	
Operating Expenses (\$)	(8)	(8)	10%
Other ³ (\$)	3	6	
China Farms EBIT (\$)	(18)	9	150%
End-to-End EBIT Perspective			
Ingredients EBIT ⁴ (\$)	(4)	(16)	
Consumer and Foodservice EBIT ⁵ (\$)	1	3	
China Farms End-to-End ⁶ (\$)	(21)	(4)	81%

- End-to-end perspective includes both China Farms and China Farming joint venture:
 - China Farms is classified as 'Held for sale' and a Discontinued Operation
 - China Farming joint venture is included in Ingredients
- China Farms' sales volumes increased 15% due to higher productivity, feed management and recovery from flood in Yutian
- China Farms' gross margin and EBIT increased \$24 million and \$27 million respectively due to improved pricing and ongoing cost efficiencies
- China Farming joint venture loss increased due to ongoing animal management costs and offset improved China Farms profitability

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of reported figures.
 2. Includes sales to other strategic platforms.
 3. Includes other income, net foreign exchange gain/(loss).
 4. Includes China Farming joint venture and associated management fees.
 5. EBIT impact of milk from China Farms sold by Consumer and Foodservice businesses.

6. Provides end-to-end perspective, comprising China Farms, the China Farming joint venture, and financials from Consumer and Foodservice related sales of milk from China Farms.
 Note: Figures presented are for the first six months of FY20, and FY19 as a comparative. Numerical or percentage changes are expressed relative to the first six months performance of FY19.

Reconciliation to Total Group EBIT

Six months ended	31 January 2019			31 January 2020		
	Continuing Operations ¹	Discontinued Operations ²	Total Group ³	Continuing Operations ¹	Discontinued Operations ²	Total Group ³
NZD million						
Revenue	9,428	317	9,745	10,071	352	10,423
Cost of Goods Sold	(7,980)	(276)	(8,256)	(8,483)	(272)	(8,755)
Gross Margin	1,448	41	1,489	1,588	80	1,668
Gross Margin %	15.4%	12.9%	15.3%	15.8%	22.7%	16.0%
Operating Expenses	(1,164)	(68)	(1,232)	(1,023)	(69)	(1,092)
Other Income	51	4	55	(4)	12	8
Normalised EBIT	335	(23)	312	561	23	584
Normalisations	—	—	—	356	(134)	222
Reported EBIT	335	(23)	312	917	(111)	806

1. Continuing Operations are presented in the Income Statement and in Note 1 of the Financial Statements in the Interim Report.

2. The basis of determining Discontinued Operations is set out in the Basis of Preparation and presented in Note 2 of the Financial Statements in the Interim Report.

3. Total Group includes Continuing Operations and Discontinued Operations.

Impairments and other normalisations



NZD million	Gain on Sale	Impairment	Other	Net Profit Before Tax	Tax Impact	Total Group	Non-controlling Interests	Attributable to Equity Holders
Portfolio Review								
DFE Pharma	401		26	427		427		427
foodspring™	68			68		68		68
China Farms		(63)		(63)		(63)		(63)
DPA Brazil		(71)		(71)	10	(61)	30	(31)
China Farming JV		(65)		(65)		(65)		(65)
Sub total	469	(199)	26	296	10	306	30	336
Beingmate		(21)	(8)	(29)		(29)		(29)
Chile					(30)	(30)		(30)
Other ¹			(45)	(45)	6	(39)		(39)
Total	469	(220)	(27)	222	(14)	208	30	238

1. Includes costs associated with implementing the new operating model and other legal costs.
 Note: Refer to Note 2 of the Financial Statements in the FY20 Interim Report for further detail of impairments.

Operating expenses¹



\$ million		2018	2019	2020
Ingredients	Selling and marketing	64	62	66
	Distribution	116	119	115
	Administrative expenses	175	168	170
	Research and development	2	3	1
	Other expenses	34	35	22
	Total	391	387	374
Consumer and Foodservice	Selling and marketing	230	230	193
	Distribution	135	148	132
	Administrative expenses	114	122	103
	Research and development	5	6	3
	Other expenses	83	74	59
	Total	567	580	490
Unallocated Costs	Operating and administration	184	168	129
	Research and development	34	29	30
	Total	218	197	159
Total Normalised Operating Expenses		1,176	1,164	1,023
Discontinued Operations²		87	68	69
Net Normalised Operating Expenses		1,263	1,232	1,092

- Total Group operating expenses reduced \$140 million:
 - Ingredients down \$13 million
 - Consumer and Foodservice down \$90 million
 - Tip Top divestment
 - Phasing of promotional spend
 - Unallocated costs down \$38 million
- Unallocated costs breakdown provided on the following slide
- Operating expenses relating to businesses 'Held for sale' were unchanged

1. Normalised basis.

2. Includes the China Farms and DPA Brazil business units which are classified as 'Held for sale' in the FY20 Interim Report.

Unallocated costs

Illustrative Business Unit Distribution of 2020 Interim Unallocated Costs¹

Unallocated Costs ² (\$ million)	2019	2020
Research & Development	29	30
Group Finance and Support	37	29
IT	33	34
Farmer Services ³	32	21
People & Culture	10	9
Advertising and Promotion Costs	8	8
Food Safety & Quality	7	5
Property	6	5
Trade Relations and Compliance	6	6
Governance	5	4
Other	24	8
Total	197	159

Ingredients	Consumer and Foodservice		Not Allocated	Total
	Ingredients	Foodservice		
20	10	–	30	
–	–	29	29	
24	10	–	34	
21	–	–	21	
7	2	–	9	
–	–	8	8	
4	1	–	5	
4	1	–	5	
4	2	–	6	
–	–	4	4	
–	–	8	8	
84	26	49	159	

1. For illustrative purposes, in this table the unallocated costs for 2020 have been shown against the business units where the primary function of the cost item is to support the business units. The distribution is based on sales revenue. The balance is retained as "Not Allocated".

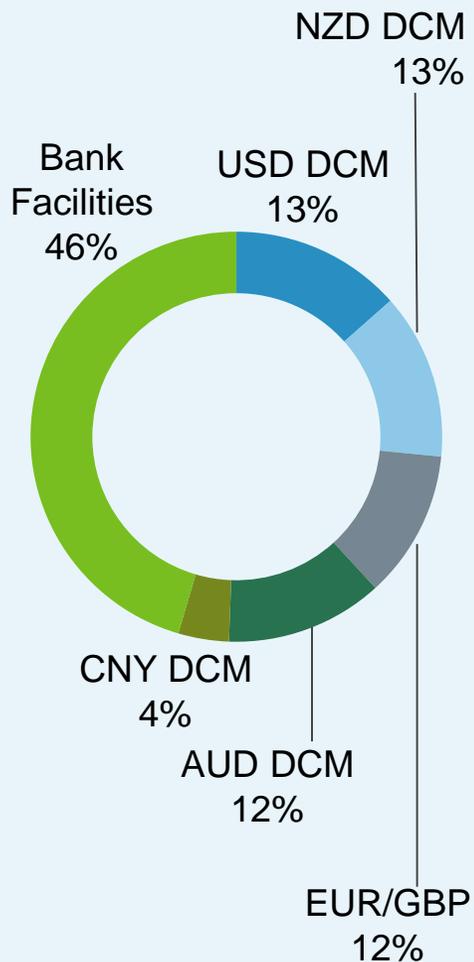
2. Normalised basis.

3. The majority of the reduction in FY20 is due to reclassification of milk testing to the Ingredients business in second half of FY19.



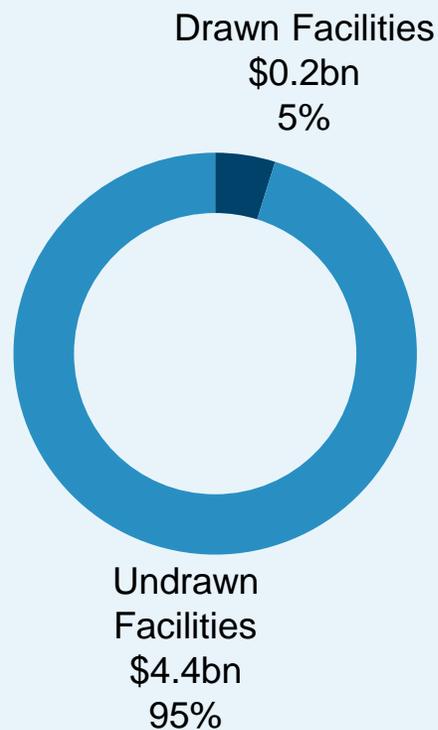
Diversified and prudent funding position

Diversified Profile¹



1. Includes undrawn facilities and commercial paper.
2. Excluding commercial paper.

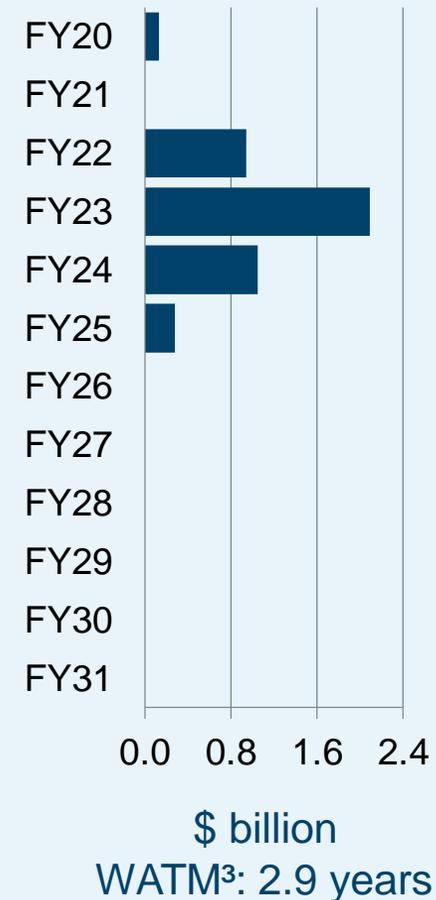
Prudent Liquidity



3. WATM is weighted average term to maturity.

Bank Facilities

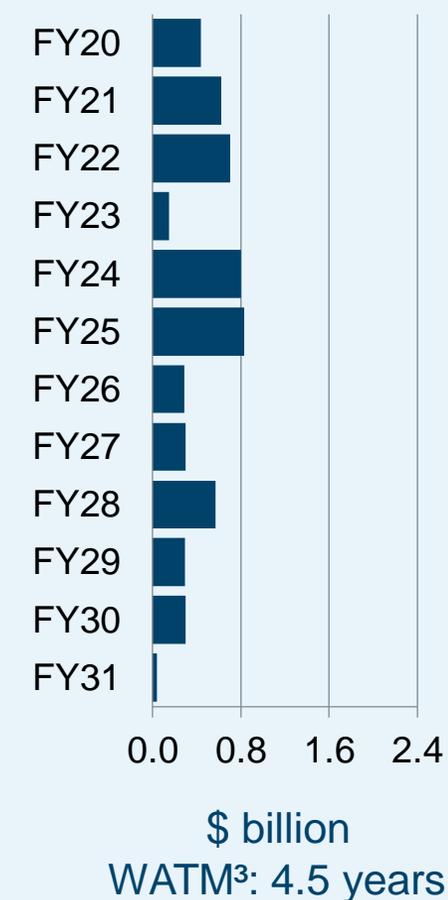
Maturity Profile



Note: As at 31 January 2020.

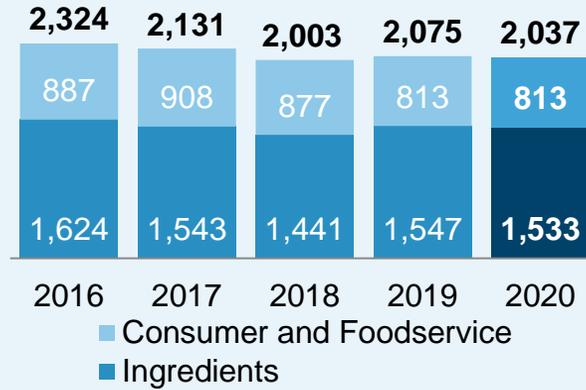
Debt Capital Markets²

Maturity Profile

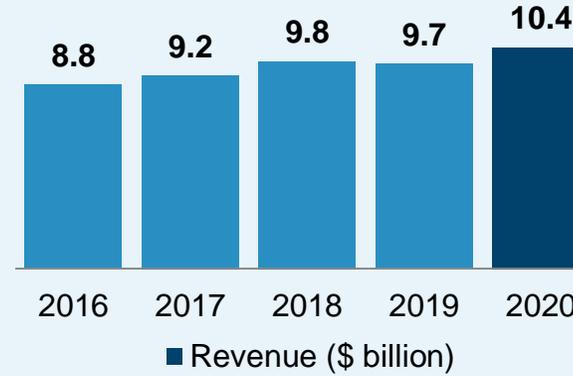


Key financial metrics for FY20 half year

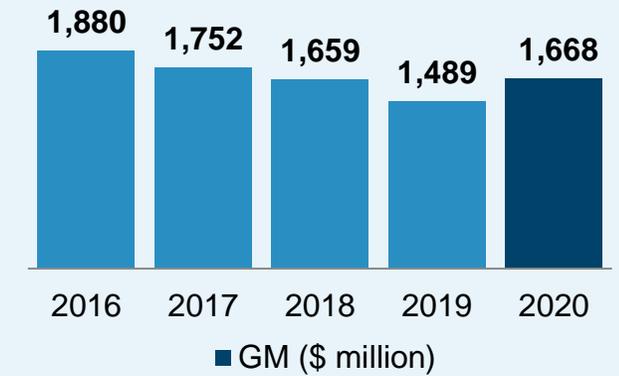
Sales Volume ('000 MT)



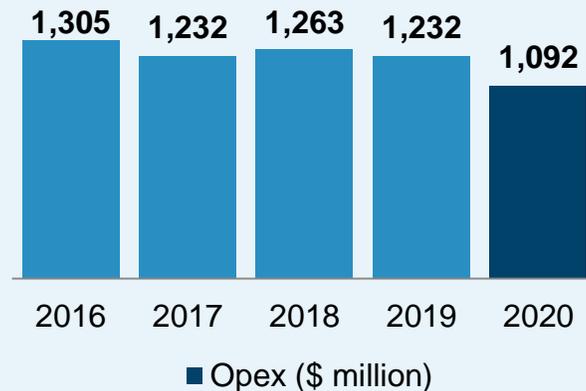
Normalised Revenue



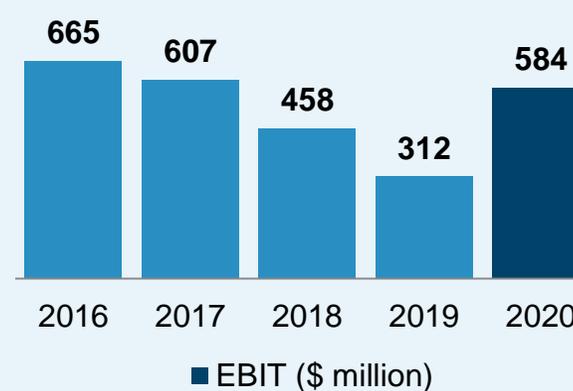
Normalised Gross Margin



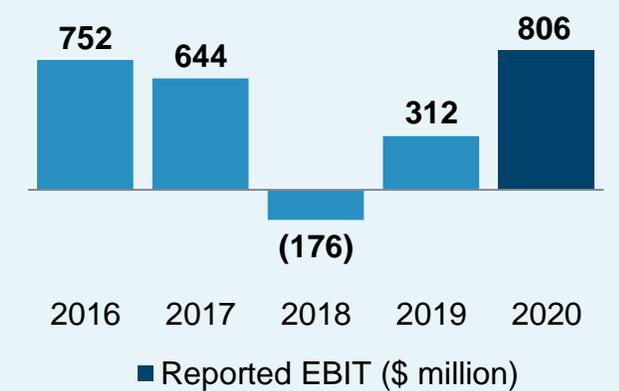
Normalised OPEX



Normalised EBIT

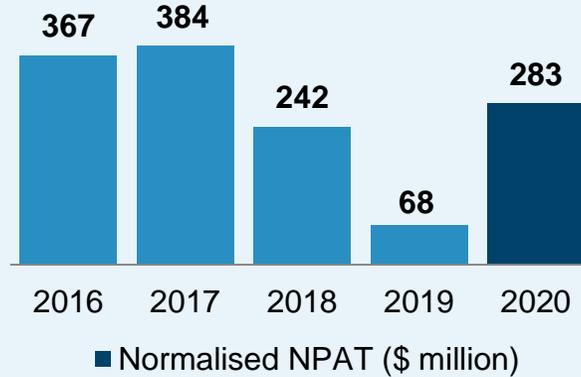


Reported EBIT

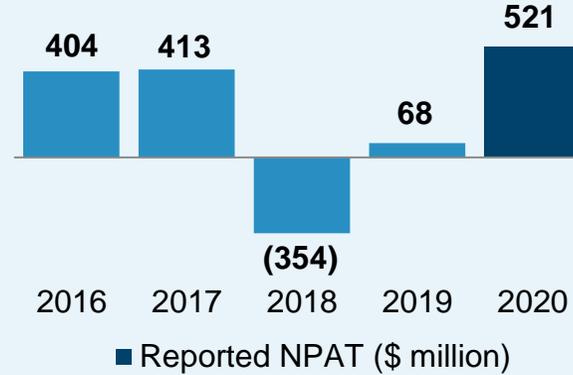


Key financial metrics for FY20 half year

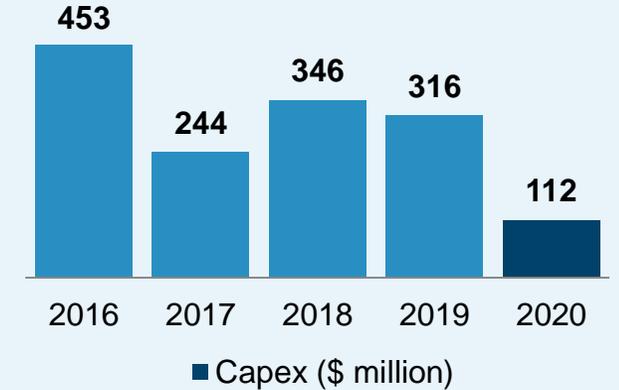
Normalised NPAT¹



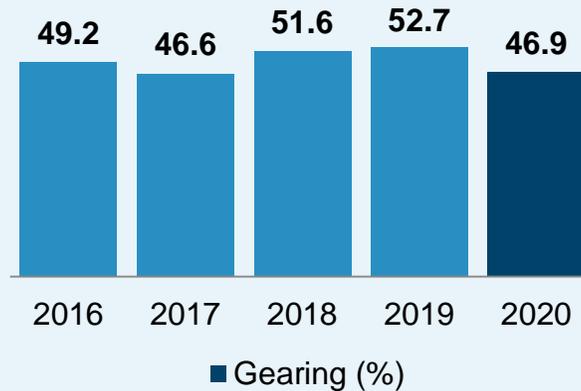
Reported NPAT¹



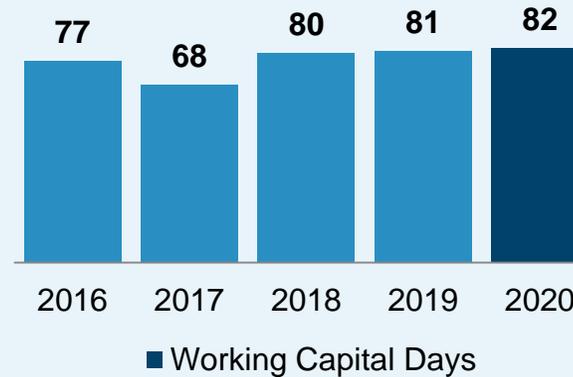
Capex²



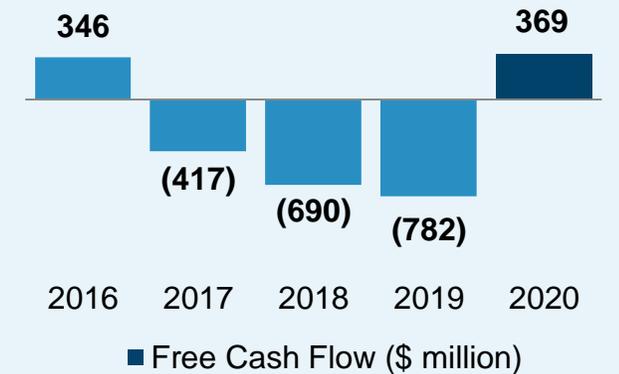
Gearing



Working Capital Days



Free Cash Flow



1. Net profit after tax attributable to equity holders of the parent.

2. Capital expenditure comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets, and net purchases of livestock.

Glossary

Acronyms and Definitions

AMF

Anhydrous Milk Fat

BMP

Butter Milk Powder

Base Price

Prices used by Fonterra's sales team as referenced against GDT prices and other relevant benchmarks.

DIRA

Dairy Industry Restructuring Act 2001 (New Zealand)

GDT

Global Dairy Trade, the online provider of the twice monthly global auctions of dairy ingredients.

Gearing Ratio

Gearing ratio is economic net interest bearing debt divided by total capital. Total capital is equity excluding the hedge reserves, plus economic net interest bearing debt.

Farmgate Milk Price

The price for milk supplied in New Zealand to Fonterra by farmer shareholders.

Fluid and Fresh Dairy

The Fonterra grouping of skim milk, whole milk and cream – pasteurised or UHT processed, concentrated milk products and yoghurt.

kgMS

Kilogram of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.

Non-Reference Products

All dairy products, except for Reference, produced by the NZ Ingredients business.

Price Achievement

Revenue achieved over the base price less incremental supply chain costs above those set out in the Milk Price model.

Reference Products

The dairy products used in the calculation of the Farmgate Milk Price, which are currently WMP, SMP, BMP, butter and AMF.

Regulated Return

The earnings component of Milk Price generated from a WACC return on an assumed asset base.

Season

New Zealand: A period of 12 months to 31 May in each year.

Australia: A period of 12 months to 30 June in each year.

SMP

Skim Milk Powder

Stream Returns

The gross margin differential between Non-Reference Product streams and the WMP stream (based on base prices).

WACC

Weighted Average Cost of Capital

WMP

Whole Milk Powder

Glossary



Fonterra Strategic Platforms

Ingredients

The Ingredients platform comprises 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 in over 140 countries. It also includes Fonterra Farm Source™ retail stores.

Consumer

The Consumer platform comprises branded consumer products, such as powders, yoghurts, milk, butter, and cheese. Base products are sourced from the ingredients business and manufactured into higher-value consumer dairy products.

Foodservice

The Foodservice platform comprises a range of branded products and solutions for commercial kitchens, including bakery butter, culinary creams, and cheeses.