

Fonterra Interim Results 2021

17 March 2021



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Positive first half resulting in improved earnings



- Increased forecast Farmgate Milk Price range, on track for one of the highest milk prices
- Total Group normalised gross margin improved from 16.0% to 17.4%, contributing to normalised profit after tax increasing \$125 million to \$418 million, up 43%
- Narrowed earnings guidance - heavily weighted to the first half, reflecting increasing dairy prices
- Resumed paying interim dividend
- COVID-19 continues to impact around the world and we're continuing to focus on what's in our control
- Reporting under customer-led operating model, new segment information providing further insights

Forecast Farmgate Milk Price

\$7.30 – \$7.90 per kgMS

Reported Profit After Tax¹

\$391 million

Normalised Profit After Tax^{1,2}

\$418 million

Interim Dividend

5c per share

Earnings Guidance³

25c – 35c earnings per share

1. This is Total Group, includes Continuing and Discontinued Operations, and includes amount attributable to non-controlling interests

2. Normalised profit after tax excludes \$(50) million of loss on disposal and downward revaluation of our Beingmate holdings and \$23 million impairment reversal for China Farms

3. Attributable to equity holders of the Co-operative, excludes non-controlling interest

Staying on strategy



CONSUMER & MARKET TRENDS

SUSTAINABLE VALUE

CORE DAIRY

FOOD SERVICE

PAEDIATRICS

SPORTS & ACTIVE

MEDICAL & AGEING

Prioritising
New Zealand milk



Innovation

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

Efficiency

Unlock greater value from our scale efficiency and focus on execution

Sustainability

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

Recap of changes made in 2019 strategy refresh



From

To

Volume



Value

Global Milk Pools



Prioritise New Zealand Milk
+ complementary components

Maximum volume into consumer



Focus on key categories to deliver superior value

Dairy only



Supplement with non-dairy where makes sense

Partner with cash investments



Partner with IP and skills and lift R&D

Debt funded growth



Conservative balance sheet

Global giant with HQ
in New Zealand



Celebrate Aotearoa New Zealand
and take it to the world

Invest widely based on
aggressive growth plans



Divest non-core businesses and
focus where we have a competitive advantage

Asia Pacific progress

- New Zealand Consumer turnaround on track
- Launched Anchor carbonzero™ milk range
- Australia Consumer brands' growth outpaced their market categories, but Ingredients requires further improvement
- Relunched the Anlene brand in Malaysia, building a strong foundation for future innovations and formats
- Working with the NZ Food Network to support families in need during Christmas



\$190m contribution to Group EBIT¹ 9%

\$18m **Ingredients**

\$54m **Foodservice**

\$118m **Consumer**

1,400
Products

4,000
People

1. Prepared on a normalised Continuing Operations basis and excludes unallocated costs and eliminations.

Greater China progress

- Cream cheese and mozzarella sales volumes up, increasing utilisation of Darfield and Clandeboye sites
- Launched ambient cream for Foodservice customers
- Expansion of Foodservice into 22 new cities, bringing total to 372 cities
- Awarded 'Best Work Place' in Greater China and 'Top Employer'²
- Progressing divestment of farms and Beingmate



\$339m contribution to Group EBIT¹ ↑ 38%

\$123m ↑
Ingredients

\$203m ↑
Foodservice

\$13m ↑
Consumer

450
Products

800
People³

1. Prepared on a normalised Continuing Operations basis and excludes unallocated costs and eliminations.
2. Certifications awarded by Great Place to Work® and Top Employer Institute

3. Excludes 900 people employed by China Farms, a Discontinued Operation

AMENA progress



- Launched Milk Phospholipids 70 which helps mental wellbeing in adults
- Improved performance in Chile, with increased market share
- Lower volume and margins for Ingredients products in Europe, Africa and North Asia
- Actively expanding our product portfolio to include more higher margin products
- Supported foodbanks and community organisations in COVID-19 relief efforts



\$201m contribution to Group EBIT¹ 7%

\$147m
Ingredients

\$1m
Foodservice

\$53m
Consumer

1,100
Products

2,100
People²

1. Prepared on a normalised Continuing Operations basis and excludes unallocated costs and eliminations.

2. Excludes 1,350 people employed by DPA Brazil, a Discontinued Operation

Operations and Portfolio Optimisation progress



- Introducing The Co-operative Difference payment to encourage farmers to adapt to changing customer expectations
- Milk vat monitoring, increases collection efficiency with less truck units and benefits to milk quality
- Investing in sustainability, e.g. waste water treatment at Whareroa and Clandeboye and investing in innovation, e.g. Waitoa dehumidifier and Darfield cream cheese quality
- Strong standing partnership with Kotahi maintaining supply to customers despite unprecedented disruption to international shipping due to COVID-19
- Optimisation by moving milk to higher value products and markets

30
Manufacturing sites

 **68**
Farm Source stores

140
Countries exported to

10,500
People

98.8% —
Quality¹

71% ↓
Supply Chain DIFOT²

3 ↓
Serious Harm³

1. Quality is a measure of product made to specification at final grading
2. DIFOT; delivered in full and on time +/- 1 week

3. Serious Harm Events (injuries resulting in permanent or severe temporary impairments requiring immediate medical treatment), measured on trailing 12 months basis

Improved Total Group business performance

| million ¹ | 2020 | 2021 | %Δ ² |
|-------------------------------------|---------|---------|-----------------|
| Volume ('000 MT) | 2,037 | 1,996 | (2)% |
| Revenue (\$) | 10,423 | 9,915 | (5)% |
| Gross Profit (\$) | 1,668 | 1,722 | 3% |
| Gross Margin (%) | 16.0% | 17.4% | |
| Operating Expenses (\$) | (1,092) | (1,055) | 3% |
| Other ³ (\$) | 8 | 17 | 113% |
| Normalised EBIT ⁴ (\$) | 584 | 684 | 17% |
| Normalised Profit After Tax (\$) | 293 | 418 | 43% |
| Normalised EPS ⁵ (cents) | 18 | 25 | 41% |

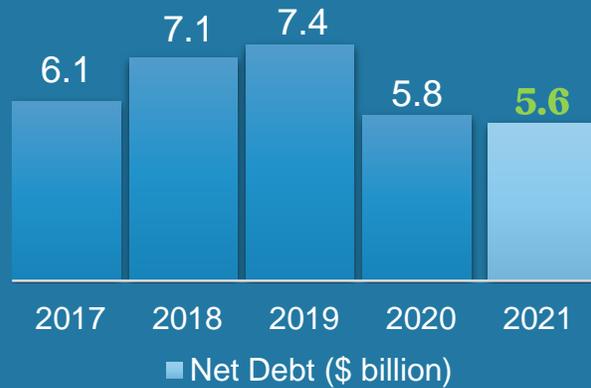
- Sales volumes similar with strong demand. Minor delays in shipments expect to be recovered in second half
- Gross profit increased reflecting strong margin growth in Greater China Foodservice, and improved margins in Asia Pacific Consumer
- Reduced gross profit in AMENA's Ingredients business due to lower sales volume and tighter margins
- Total Group normalised EBIT up \$100 million, or 17%, reflects improved margins and stable operating expenses
- Normalised profit after tax has improved \$125 million, or 43%, due to improved earnings and lower interest costs
- Reported profit after tax of \$391 million⁶

1. Figures are for the first six months and are for Total Group, which includes Continuing and Discontinued Operations on a normalised basis unless stated otherwise.
 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. Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees

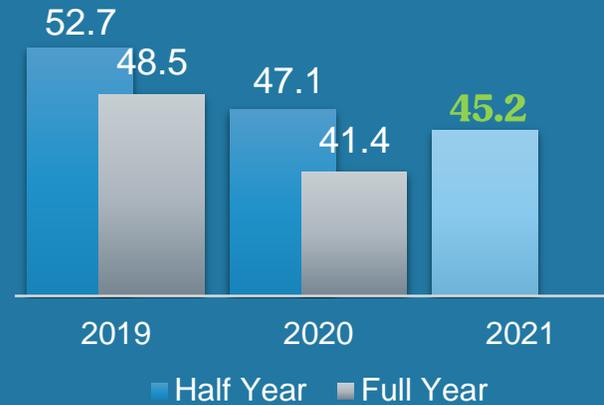
4. Normalised EBIT excludes \$(50) million of loss on disposal and downward revaluation of our Beingmate holdings and \$23 million impairment reversal for China Farms
 5. Attributable to equity holders of the Co-operative, excludes non-controlling interest
 6. Reported profit after tax down \$110 million, last year's result included sale proceeds of non-core assets

Continued financial discipline

Net Debt¹



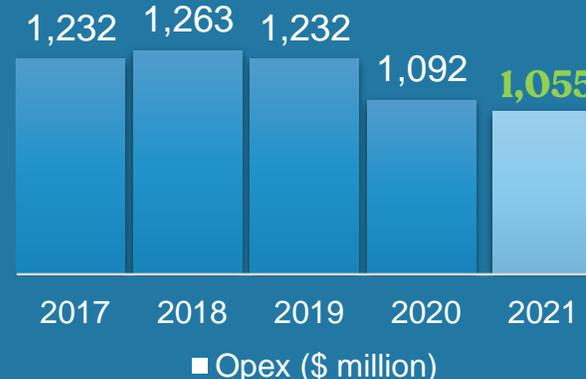
Gearing Ratio¹ (%)



Working Capital



Operating Expenditure²



- Debt level and gearing continue to reduce
- Debt and gearing are higher at half year due to seasonal profile of working capital
- Target for gearing to be below 40% at year-end
- Working capital days up due to minor delay in shipments increasing inventory
- Working closely with our customers has lowered overdue receivables
- Maintaining focus on operating expenditure

Note: Figures are for the first six months of the financial year unless stated otherwise

1. Refer to Glossary on page 38 for definition. FY20 has been restated, refer to Basis of Preparation in FY21 Interim Report

2. Normalised basis

Diversified across markets and products

| | Asia Pacific | AMENA | Greater China | Total |
|---|---------------|----------------|---------------|---------------|
| Volume ('000) MT¹ | 672 ↓ 2% | 627 ↓ 6% | 593 ↑ 2% | 1,892 ↓ 2% |
| Revenue¹ | \$3,399m ↑ 1% | \$3,197m ↓ 14% | \$3,061m ↑ 1% | \$9,657m ↓ 4% |
| EBIT contribution^{2,3} | | | | |
|  Ingredients | \$18m ↓ 66% | \$147m ↓ 28% | \$123m ↑ 5% | \$288m ↓ 23% |
|  Foodservice | \$54m ↑ 69% | \$1m ↑ -% | \$203m ↑ 64% | \$258m ↑ 80% |
|  Consumer | \$118m ↑ 33% | \$53m ↑ 112% | \$13m ↑ 225% | \$184m ↑ 56% |
| Total | \$190m ↑ 9% | \$201m ↓ 7% | \$339m ↑ 38% | |

1. Prepared on a normalised Continuing Operations basis. Does not align to reported Continuing Operations due to excluding unallocated costs and eliminations

2. Normalised EBIT contributions sum to \$730 million, which does not align to reported Continuing Operations due to excluding unallocated costs and eliminations

3. Inclusive of Group Operations EBIT attribution

Performance by region

Asia Pacific

\$ millions ■ 2020 ■ 2021



Gross margin 18.0% from 17.9% 

- 62% of EBIT from Consumer channel, which increased \$29 million
- Strong gross margin improvement in South East Asia
- Challenging Australia Ingredients export market

AMENA



Gross margin 14.7% from 14.4% 

- 73% of EBIT from Ingredients channel, which decreased \$57 million
- Lower volume and reduced margins in Europe, Africa and North Asia
- Strong performance in Chile and lower operating expenses across most sub-regions

Greater China



Gross margin 17.7% from 14.3% 

- 60% of EBIT from Foodservice channel, which increased \$79 million
- China Government endorsed dairy consumption during COVID-19 and economy remains robust
- Continuing city expansion, entered a further 22 cities

Performance by product channel

Ingredients

\$ millions ■ 2020 ■ 2021



Gross margin 10.5% from 11.4% 

- Lower volumes in AMENA, as shifted milk to higher value product channels
- Reduced margins due to
 - lower pricing in core Ingredients
 - pricing profile of long-term contracts

Foodservice



Gross margin 26.1% from 18.6% 

- Growth in higher value products in Greater China
 - 120+ new applications in bakery, beverage and dining channels
 - 3 new cream products for beverage channel

Consumer



Gross margin 28.4% from 27.1% 

- Increased demand as consumers stayed at home during lockdowns
- Australian chilled spreads extended leadership position
- Chile increased demand and improved market share

2021 Outlook

Forecast Farmgate Milk Price

\$7.30 – \$7.90

per kgMS

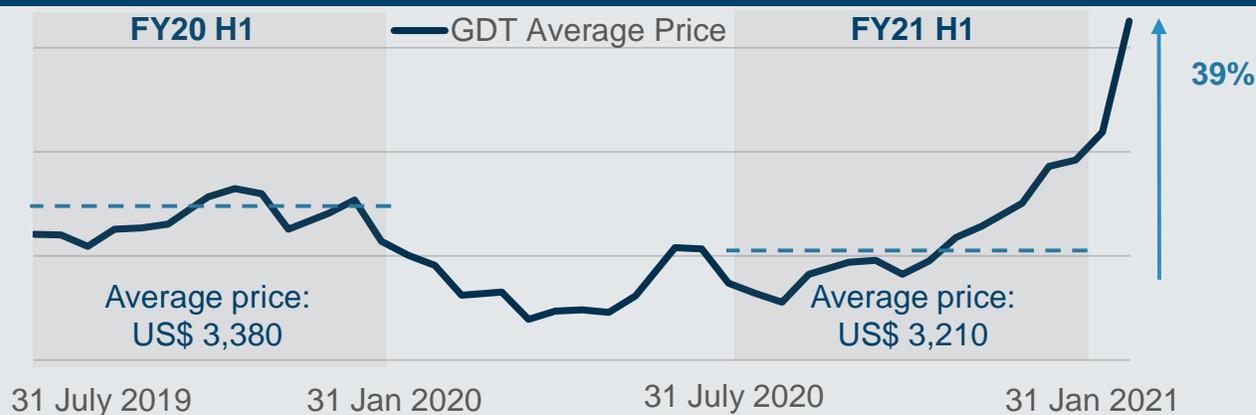
- Lifted the forecast Farmgate Milk Price range with midpoint of \$7.60 per kgMS
 - Dairy continues to prove resilient in a Covid-19 world
 - Forecasting ongoing strength in dairy prices

Forecast Earnings

25 – 35

cents per share

- Narrowed full year forecast normalised earnings per share range of 25-35 cents
- Earnings heavily weighted towards the first half due to;
 - Increasing dairy prices in first half will impact earnings in second half
 - Seasonal profile of milk curve and manufacturing



- Margins benefited from lower dairy prices; average GDT price of US\$ 3,210 compared to US\$ 3,380 in the same period last year
- 39% increase in dairy prices from November 2020 to 3rd March 2021
- Foodservice and Consumer margins will be adversely impacted in the second half due to increasing dairy prices
- Non-reference milk price products have not increased at the same rate as reference milk price products



Appendix



Sales Volume



Normalised Revenue



Normalised Gross Profit

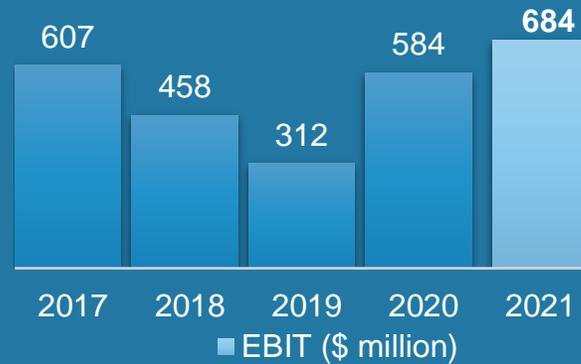


Key financial metrics for Total Group FY21 half year¹

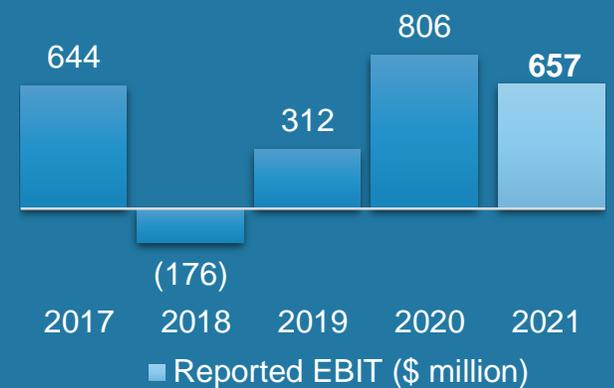
Normalised OPEX



Normalised EBIT

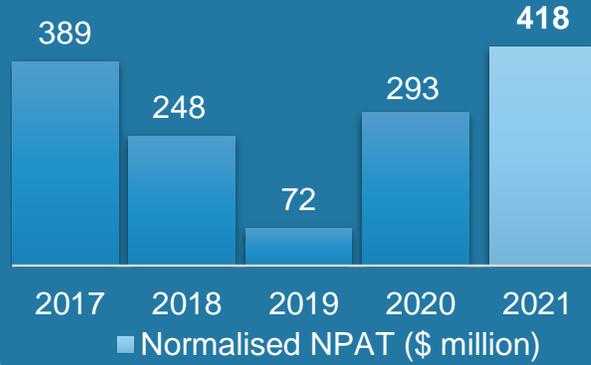


Reported EBIT

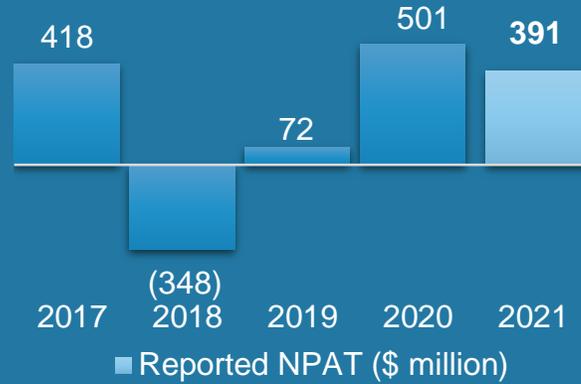


1. Figures are for the first six months and are for Total Group, which includes Continuing and Discontinued Operations on a normalised basis unless stated otherwise

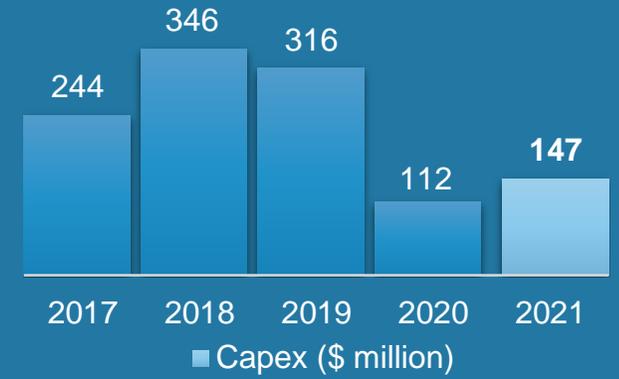
Normalised Profit After Tax²



Reported Profit After Tax²

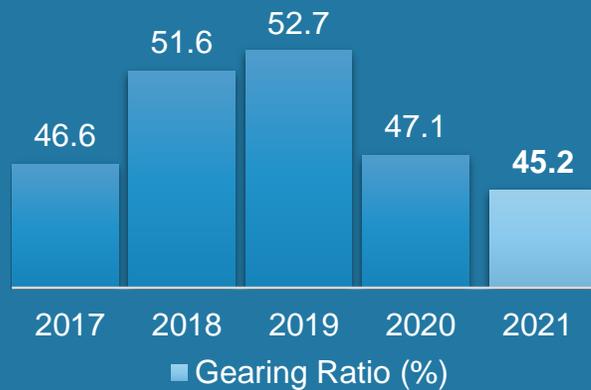


Capex³

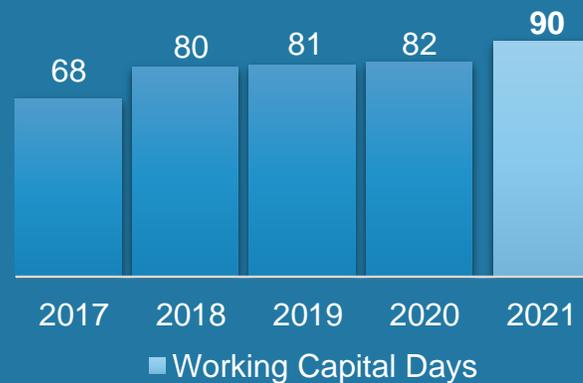


Key financial metrics for Total Group FY21 half year¹

Gearing Ratio^{3,4}



Working Capital



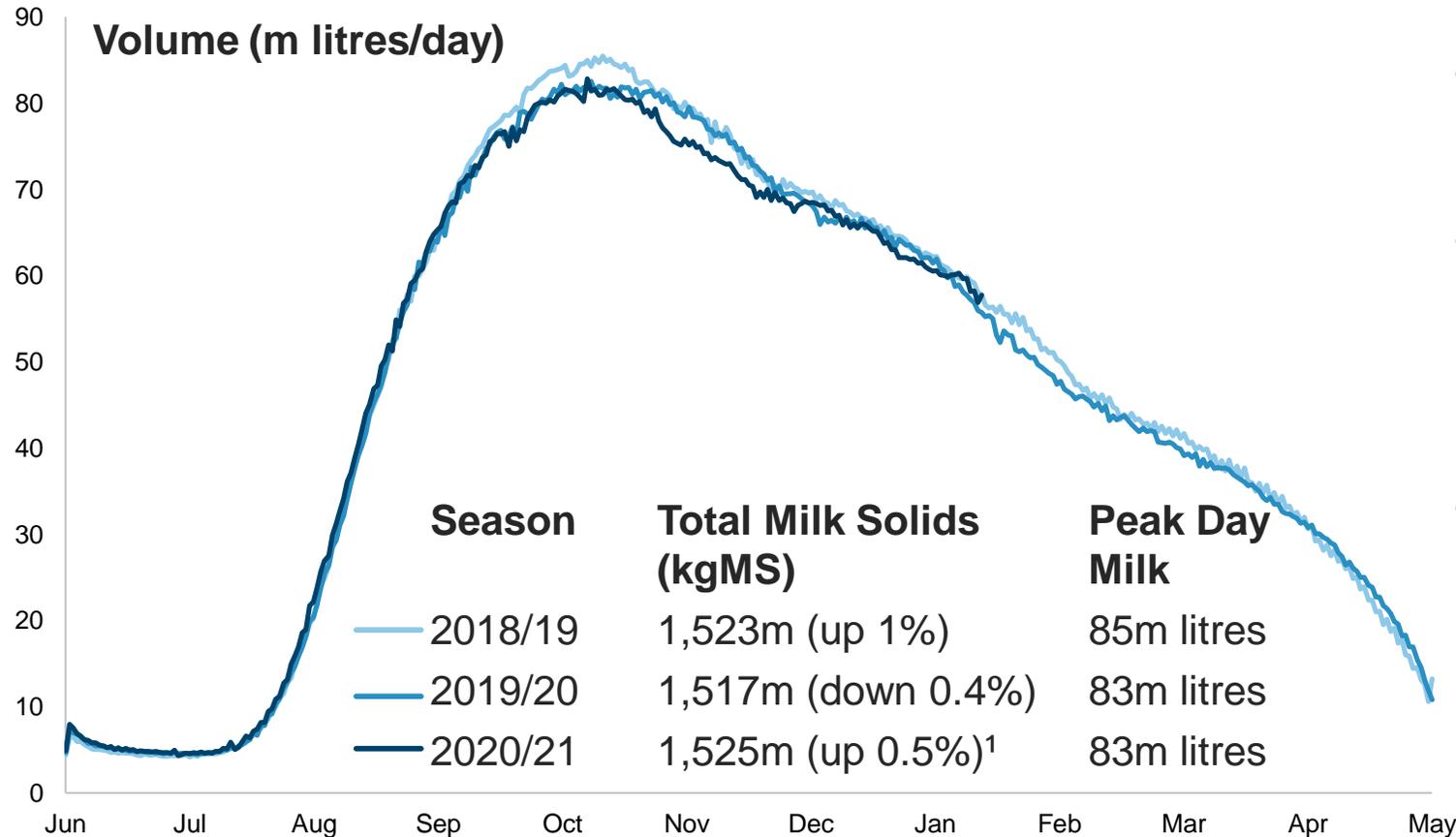
Free Cash Flow



1. Figures are for the first six months and are for Total Group, which includes Continuing and Discontinued Operations on a normalised basis unless stated otherwise
 2. Includes amounts attributable to non-controlling interests

3. Refer to Glossary, page 38, for definition of calculation
 4. Excludes net borrowings attributed to disposal groups held for sale
 Note: Gearing ratio FY20 has been restated, refer to Basis of Preparation in FY21 Interim Report

Fonterra's New Zealand milk collections



- Season to date collection, June – January, was 1,071 million kgMS, down 0.8% on last season
- Good start to the season impacted by poor pasture conditions across New Zealand in November and dry conditions in January, especially in South Island and upper North Island
- Full season forecast remains at 1,525 million kgMS, up 0.5% on last season

Reconciliation to Total Group EBIT

| NZD million | 31 Jan 2020 | | | 31 Jan 2021 | | |
|--------------------|------------------------------------|--------------------------------------|--------------------------|------------------------------------|--------------------------------------|--------------------------|
| | Continuing Operations ¹ | Discontinued Operations ¹ | Total Group ² | Continuing Operations ¹ | Discontinued Operations ¹ | Total Group ² |
| Revenue | 10,071 | 352 | 10,423 | 9,597 | 318 | 9,915 |
| Cost of goods sold | (8,483) | (272) | (8,755) | (7,946) | (247) | (8,193) |
| Gross profit | 1,588 | 80 | 1,668 | 1,651 | 71 | 1,722 |
| Gross margin | 15.8% | 22.7% | 16.0% | 17.2% | 22.3% | 17.4% |
| Operating expenses | (1,023) | (69) | (1,092) | (1,013) | (42) | (1,055) |
| Other ³ | (4) | 12 | 8 | 14 | 3 | 17 |
| Normalised EBIT | 561 | 23 | 584 | 652 | 32 | 684 |
| Normalisations | 356 | (134) | 222 | (50) | 23 | (27) |
| EBIT | 917 | (111) | 806 | 602 | 55 | 657 |

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

2. Total Group includes Continuing Operations and Discontinued Operations

3. Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees

Normalised items

| NZD million | China Farms | Beingmate | Total |
|---|-------------|-----------|-------|
| Impairment reversal | 23 | - | 23 |
| Loss on disposal and downward revaluation | - | (50) | (50) |
| Profit before tax | 23 | (50) | (27) |
| Tax Impact | - | - | - |
| Profit after tax | 23 | (50) | (27) |
| Non-controlling Interests | - | - | - |
| Attributable to equity holders | 23 | (50) | (27) |

Earnings per share reconciliation

| NZD million | 2020 | 2021 |
|---|------|------|
| Reported profit after tax ¹ | 501 | 391 |
| Add/(less): Share attributable to non-controlling interests | 20 | (19) |
| Reported profit after tax attributable to equity holders of the Co-operative ² | 521 | 372 |
| Reported earnings per share (cents) ² | 32 | 23 |

| NZD million | 2020 | 2021 |
|---|------|------|
| Normalised profit after tax ¹ | 293 | 418 |
| Add/(less): (Profit)/loss attributable to non-controlling interests | 20 | (19) |
| Less: Normalisation adjustments attributable to non-controlling interests | (30) | - |
| Normalised profit after tax attributable to equity holders of the Co-operative ² | 283 | 399 |
| Normalised earnings per share (cents) ² | 18 | 25 |

| | | |
|---|-----------|-----------|
| Weighted average number of Co-operative shares ('000) | 1,612,055 | 1,612,857 |
|---|-----------|-----------|

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

Total Group Operating expenses

| \$ million ¹ | 2020 | 2021 |
|---|--------------|--------------|
| Selling and marketing | 316 | 299 |
| Distribution and storage | 274 | 265 |
| Administrative expenses | 266 | 254 |
| Research and development | 31 | 34 |
| Other expenses | 42 | 50 |
| Unallocated costs | 94 | 111 |
| Total Operating expenses² | 1,023 | 1,013 |
| Discontinued Operations | 69 | 42 |
| Total Group Operating expenses | 1,092 | 1,055 |

- Total Group normalised operating expenses decreased \$37 million
 - \$10 million decrease in Continuing Operations
 - \$27 million decrease in Discontinued Operations, predominantly due to lower cost in DPA Brazil, benefiting from a weaker local currency
- Unallocated costs increased due to a release from the Foreign Currency Translation Reserve – a non-cash expense

1. Normalised basis

2. Prepared on a Continuing Operations basis

Unallocated costs¹

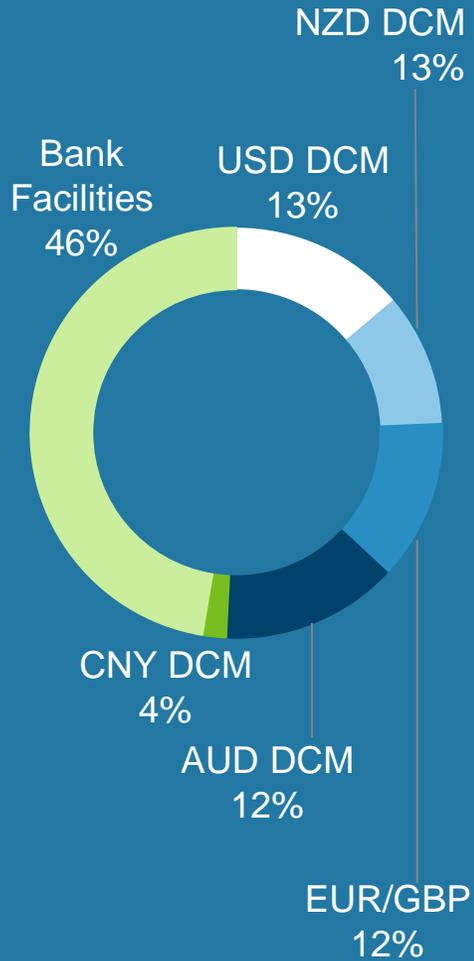
| Unallocated Costs (\$ million) | 2020 | 2021 |
|--------------------------------|-----------|------------|
| Group Finance and Support | 23 | 23 |
| Farmer Services | 17 | 19 |
| People and Culture | 7 | 7 |
| Advertising and Promotion | 7 | 5 |
| Property | 3 | 2 |
| Trade Relations and Compliance | 4 | 4 |
| Governance | 4 | 5 |
| Other | 29 | 46 |
| Total | 94 | 111 |

- Unallocated costs have increased \$17 million predominantly driven by 'Other'
- The increase in 'Other' is mainly due to a release from the Foreign Currency Translation Reserve following the liquidation of an entity no longer in use. This is a non-cash expense

1. Refer to Glossary, page 38, for definition

Diversified and prudent funding position

Diversified Profile¹

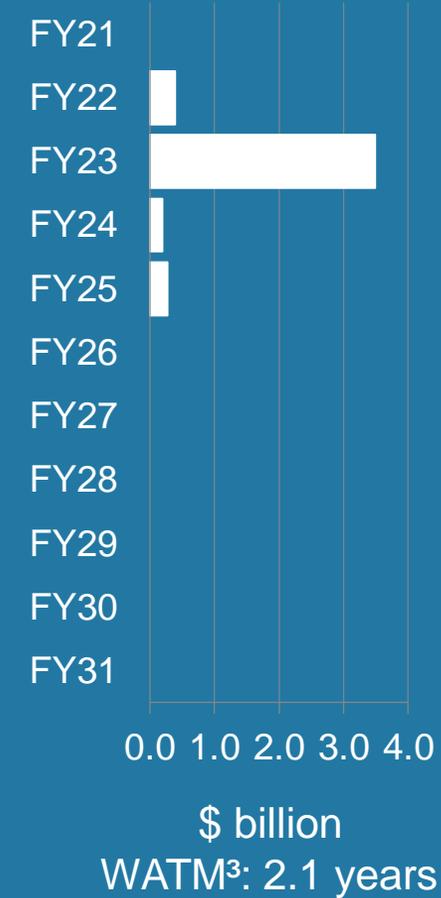


Prudent Liquidity



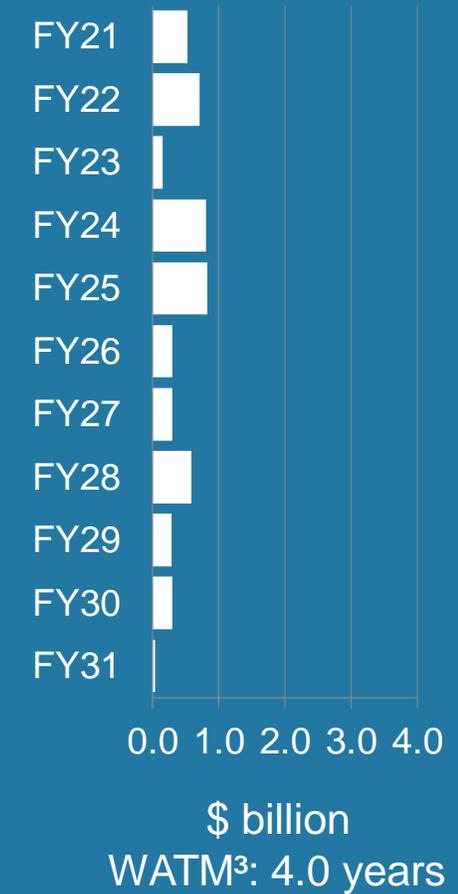
Bank Facilities

Maturity Profile



Debt Capital Markets²

Maturity Profile



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

2. Excluding commercial paper
3. WATM is weighted average term to maturity

Note: As at 31 January 2021

Asia Pacific



| million | 2020 | 2021 | %Δ ¹ |
|--|-------|-------|-----------------|
| Volume ² ('000 MT) | 688 | 672 | (2)% |
| Revenue (\$) | 3,352 | 3,399 | 1% |
| Gross Profit (\$) | 599 | 611 | 2% |
| Gross Margin (%) | 17.9% | 18.0% | |
| Operating Expenses (\$) | (431) | (423) | 2% |
| Other ³ (\$) | 6 | 2 | (67)% |
| Normalised EBIT ⁴ (\$) | 174 | 190 | 9% |
| Includes EBIT attribution from Group Operations ⁵ | 34 | 1 | (97)% |

- Asia Pacific EBIT improved \$16 million due to a strong performance in Consumer and Foodservice
- Lower volumes due to Australia impacted by China trade relations, contraction of Daigou channel and shipping delays
- Gross margin up, Consumer and Foodservice benefiting from COVID-19 with “stay at home” culinary trend
- Improved Consumer and Foodservice performance partially offset by New Zealand and Australia Ingredients
- Operating expenses down \$8 million due to targeted selling and promotional spend during lockdown periods

EBIT by Quarter⁶



Note: Prepared on a normalised Continuing Operations basis

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 regions
3. Consists of other operating income, net foreign exchange gain/(loss) and share of equity accounted investees

4. This includes EBIT contribution from Group Operations
5. This is included in Asia Pacific's EBIT. Refer to Glossary for explanation of Group Operations
6. Summing of EBIT margin figures may not add up to total EBIT displayed in table above due to rounding

Asia Pacific channel performance

Ingredients

Volume ('000 MT)

280 From 287 ↓

Revenue (\$ millions)

1,636 From 1,568 ↑

Gross margin

8.2% From 11.0% ↓

\$ millions ■ 2020 ■ 2021



Foodservice

Volume ('000 MT)

82 From 89 ↓

Revenue (\$ millions)

469 From 551 ↓

Gross margin

25.2% From 18.0% ↑



Consumer

Volume ('000 MT)

310 From 312 ↓

Revenue (\$ millions)

1,294 From 1,233 ↑

Gross margin

27.7% From 26.6% ↑



Australia

| million ¹ | 2020 | 2021 | %Δ ² |
|-------------------------------|-------|-------|-----------------|
| Production Volume ('000 MT) | 205 | 212 | 3% |
| Volume ³ ('000 MT) | 198 | 174 | (12)% |
| Revenue (\$) | 1,000 | 899 | (10)% |
| Gross Profit (\$) | 109 | 103 | (6)% |
| Gross Margin (%) | 10.9% | 11.5% | |
| Operating Expenses (\$) | (72) | (68) | 6% |
| Other ⁴ (\$) | - | (3) | - |
| Normalised EBIT (\$) | 37 | 32 | (14)% |

- Improved Consumer performance offset by challenges in Australia Ingredients business
- Lower volumes due to Ingredients' exports impacted by China trade relations, contraction of Daigou channel and shipping delays
- Gross margin improved through allocating milk to high value products in the Consumer business
- Operating expenses down slightly due to targeted selling and promotional spend during lockdown periods
- EBIT decreased \$5 million

Note: 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 reported figures

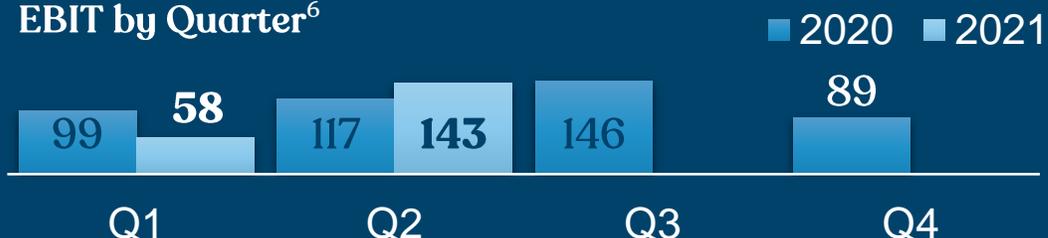
3. Includes sales to other regions

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

| million | 2020 | 2021 | %Δ ¹ |
|--|-------|-------|-----------------|
| Volume ² ('000 MT) | 667 | 627 | (6)% |
| Revenue (\$) | 3,703 | 3,197 | (14)% |
| Gross Profit (\$) | 532 | 471 | (11)% |
| Gross Margin (%) | 14.4% | 14.7% | |
| Operating Expenses (\$) | (321) | (279) | 13% |
| Other ³ (\$) | 5 | 9 | 80% |
| Normalised EBIT ⁴ (\$) | 216 | 201 | (7)% |
| Includes EBIT attribution from Group Operations ⁵ | 56 | 17 | (70)% |

- Lower volume in Ingredients as milk moved to higher value products and markets
- Gross margin improved in Foodservice and Consumer, but partially offset by lower Ingredients margin
- Gross profit declined \$61 million due to lower sales volumes in Ingredients' business
- Operating expenses improved \$42 million, with an improvement in all three channels
- EBIT of \$201 million, down \$15 million

EBIT by Quarter⁶



Note: Prepared on a normalised Continuing Operations basis

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 regions
3. Consists of other operating income, net foreign exchange gain/(loss) and share of equity accounted investees

4. This includes EBIT contribution from Group Operations
5. This is included in AMENA's EBIT. Refer to Glossary for explanation of Group Operations
6. Summing of EBIT margin figures may not add up to total EBIT displayed in table above due to rounding

AMENA channel performance

Ingredients

Volume ('000 MT)

424 From 476 ↓

Revenue (\$ millions)

2,523 From 3,060 ↓

Gross margin

11.9% From 12.7% ↓

\$ millions ■ 2020 ■ 2021



Foodservice

Volume ('000 MT)

10 From 10 —

Revenue (\$ millions)

117 From 98 ↑

Gross margin

12.8% From 7.1% ↑



Consumer

Volume ('000 MT)

193 From 181 ↑

Revenue (\$ millions)

557 From 545 ↑

Gross margin

28.0% From 25.1% ↑



Latin America

| million ¹ | 2020 | 2021 | %Δ ² |
|-------------------------------|-------|-------|-----------------|
| Volume ³ ('000 MT) | 165 | 182 | 10% |
| Revenue (\$) | 450 | 489 | 9% |
| Gross Profit (\$) | 128 | 138 | 8% |
| Gross Margin (%) | 28.4% | 28.2% | |
| Operating Expenses (\$) | (97) | (97) | - |
| Other ⁴ (\$) | (6) | - | - |
| Normalised EBIT (\$) | 25 | 41 | 64% |

- Sales volume increased 17,000 MT, driven by new product development and government stimulus in Chile
- Gross margin decreased due to higher raw milk costs as competition for milk increased
- Operating expenses were steady despite additional costs relating to workforce safety under COVID-19 conditions
- EBIT up 64% to \$41 million

Note: This table was prepared exclusive of Group Operations attribution. Latin America includes Chile, Brazil and Venezuela

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 reported figures

3. Includes sales to other regions

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

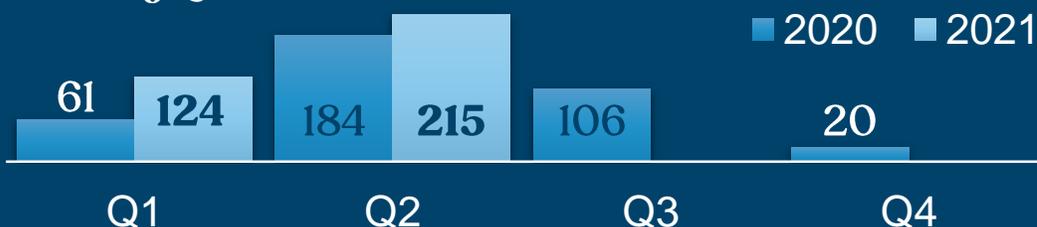
Greater China



| million | 2020 | 2021 | %Δ ¹ |
|--|-------|-------|-----------------|
| Volume ² ('000 MT) | 579 | 593 | 2% |
| Revenue (\$) | 3,030 | 3,061 | 1% |
| Gross Profit (\$) | 434 | 541 | 25% |
| Gross Margin (%) | 14.3% | 17.7% | |
| Operating Expenses (\$) | (177) | (200) | (13)% |
| Other ³ (\$) | (12) | (2) | 83% |
| Normalised EBIT ⁴ (\$) | 245 | 339 | 38% |
| Includes EBIT attribution from Group Operations ⁵ | 83 | 71 | (14)% |

- EBIT increased \$94 million to \$339 million, with \$79 million contributed from Foodservice growth
- Foodservice gross margin increased from 20.3% to 28.2% as it shifted milk into higher value products
- Sales volume increased, benefiting from a robust economy and China Government endorsed dairy
- Operating expenses increased \$23 million, supporting the increased expansion of Foodservice business

EBIT by Quarter⁶



Note: Prepared on a normalised Continuing Operations basis

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

4. This includes EBIT contribution from Group Operations
5. This is included in Greater China's EBIT. Refer to Glossary for explanation of Group Operations
6. Summing of EBIT margin figures may not add up to total EBIT displayed in table above due to rounding

Greater China channel performance

Ingredients

Volume ('000 MT)

399 From 389 

Revenue (\$ millions)

1,903 From 1,988 

Gross margin

10.7% From 9.7% 

\$ millions ■ 2020 ■ 2021



Foodservice

Volume ('000 MT)

148 From 149 

Revenue (\$ millions)

937 From 860 

Gross margin

28.2% From 20.3% 



Consumer

Volume ('000 MT)

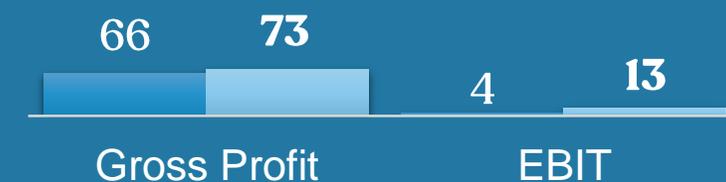
46 From 41 

Revenue (\$ millions)

221 From 182 

Gross margin

33.0 % From 36.3 % 



Group performance by product channel

Ingredients

Volume ('000 MT)

1,103 From 1,152 

Revenue (\$ millions)

6,062 From 6,616 

Gross margin

10.5% From 11.4% 

\$ millions ■ 2020 ■ 2021



Foodservice

Volume ('000 MT)

240 From 248 

Revenue (\$ millions)

1,523 From 1,509 

Gross margin

26.1% From 18.6% 



Consumer

Volume ('000 MT)

549 From 534 

Revenue (\$ millions)

2,072 From 1,960 

Gross margin

28.4% From 27.1% 



New Zealand sourced Ingredients product mix



| | 2020 | | 2021 | |
|--|------------|-----------|------------|-----------|
| | \$ billion | \$ per MT | \$ billion | \$ per MT |
| Sales Volume (000 MT)¹ | | | | |
| Reference products | 921 | – | 870 | – |
| Non-reference products | 389 | – | 419 | – |
| Revenue¹ | | | | |
| Reference products | 4.8 | 5,167 | 4.2 | 4,784 |
| Non-reference products | 2.2 | 5,688 | 2.3 | 5,372 |
| Cost of Milk | | | | |
| Reference products | 3.7 | 3,997 | 3.2 | 3,676 |
| Non-reference products | 1.3 | 3,435 | 1.4 | 3,294 |

- Relative to prior year, lower reference and higher non-reference sales volumes reflect strong Foodservice and Consumer demand
- Year on year, reference product price per MT declined slightly more than non-reference
- Lower revenue from reference products due to reduced sales volume and price per MT
- Increased non-reference revenue from higher sales volume

1. Excludes bulk liquid milk. Bulk liquid milk for the six months ended 31 January 2021 was 36,000 MT of kgMS equivalent six months ended 31 January 2020 was 37,000 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 488 million kgMS in reference and 205 million kgMS non-reference (previous comparable period 513 million kgMS reference and 200 million non-reference).

New Zealand and Non-New Zealand Milk

| NZD million ¹ | 2020 | | | 2021 | | |
|--------------------------|------------------|----------------------|---------|------------------|----------------------|---------|
| | New Zealand Milk | Non-New Zealand Milk | Total | New Zealand Milk | Non-New Zealand Milk | Total |
| Revenue | 8,584 | 1,487 | 10,071 | 8,144 | 1,453 | 9,597 |
| Cost of Goods Sold | (7,249) | (1,234) | (8,483) | (6,745) | (1,201) | (7,946) |
| Gross Profit | 1,335 | 253 | 1,588 | 1,399 | 252 | 1,651 |
| Gross Margin | 15.6% | 17.0% | 15.8% | 17.2% | 17.3% | 17.2% |
| Operating Expenses | (832) | (191) | (1,023) | (833) | (180) | (1,013) |
| Other ² | (10) | 6 | (4) | 16 | (2) | 14 |
| Normalised EBIT | 493 | 68 | 561 | 582 | 70 | 652 |
| EBIT Margin | 5.7% | 4.6% | 5.6% | 7.1% | 4.8% | 6.8% |

Note: For the six-months ended 31 January

1. Normalised basis

2. Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees

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 as at 31 January 2021.

| | FY20 | FY21 | |
|--|--------|----------------------------|----------------------------|
| | | H1 Actual | Full Year Target |
| Healthy People | | | |
| Total recordable injury frequency rate (TRIFR) per million work hours ¹ | 5.8 | 5.4 | 5.0 |
| Female representation in senior leadership ² | 29% | 31% | 35% |
| Employee engagement | 4.07 | NA ³ | Top Quartile |
| Farmer sentiment (Net Promoter Score for Fonterra in New Zealand) | 33 | 35 | 10 ⁴ |
| Healthy Environment | | | |
| Number of farms with Farm Environment Plans (New Zealand) | 34% | 42% | 45% |
| Reduction in water used at sites in water-constrained regions versus FY18 | (3.1)% | (0.2)% ⁵ | (10)% |
| Reduction in greenhouse gas emissions from manufacturing versus FY15 | (5.7)% | (11.2)% ⁵ | (10)% ⁶ |
| Solid waste to landfill (kilotonnes) below FY20 | 15.9 | 5.9 ⁵ | 13.1 |
| Healthy Business | | | |
| Fonterra % kgMS of New Zealand milk collected for the season ended 31 May | 80% | NA ⁷ | 80% |
| New Zealand Farmgate Milk Price (per kgMS) | \$7.14 | \$7.30-\$7.90 ⁸ | \$5.90-\$6.90 ⁸ |
| Return on capital | 6.7% | On track | 6% to 7% |
| Debt/EBITDA | 3.4x | On track | 3.0-3.5x |
| Gearing Ratio | 41.4% | On track | 36 to 40% |
| Normalised earnings per share | 24c | 25c to 35c | 20c to 35c |

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. The FY21 survey will take place in Q3

4. The Net Promoter Score for Fonterra was (17) when the target was set

5. The Q2 position has been calculated utilising actual data where available or estimates

6. Assumes Te Awamutu conversion to wood pellet is completed for full use in FY21

7. Only available on an annual basis

8. Based on latest publicly announced Forecast Farmgate Milk Price

Glossary



Asia Pacific

Represents the Ingredients, Foodservice and Consumer businesses in New Zealand, Australia, Pacific Islands, South East Asia, South Asia and Fonterra Farm Source™ retail stores

AMENA

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

Greater China

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

Group Operations

Comprises the functions under Chief Operating Office (COO) including New Zealand milk collection and processing operations and assets, supply chain, Group IT and Innovation; 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 in over 140 countries. It also includes Fonterra Farm Source™ retail stores

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 quick-service global 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

Consumer

Represents the channel of 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

Farmgate Milk Price

Means the base 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

kgMS

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

Glossary

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.

China: A period of 12 months to 31 July in each year.

Gearing ratio

Calculated as economic net interest-bearing debt divided by total capital. Total capital is equity excluding the hedge reserves, plus economic net interest-bearing debt. It excludes net borrowings attributed to businesses classified as held for sale

Debt/EBITDA

Calculated as total borrowings, plus bank overdraft, plus the effect of debt hedging, less a cash allowance of 75% of cash and cash equivalents, divided by normalised earnings before interest, tax, depreciation and amortisation (normalised EBITDA) excluding share of loss/profit of equity accounted investees and net foreign exchange losses/gains. Debt and EBITDA are adjusted to include amounts relating to businesses classified as held for sale and Discontinued Operations respectively.

Normalised earnings per share (EPS)

Normalised earnings per share means normalised profit after tax attributed to equity holders divided by the weighted average number of shares for the period

Return on capital

Return on capital is calculated as EBIT less a notional tax charge, divided by capital employed including certain intangibles (brands and goodwill) and equity accounted investments.

Capital expenditure (CAPEX)

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, and includes amounts relating to businesses classified as held for sale.

Net Debt

Net interest bearing debt including lease liabilities and the effect of debt hedging. It reflects total borrowings plus bank overdraft less cash and cash equivalents and non-current interest-bearing advances, adjusted for derivatives used to manage changes in hedged risks on Debt instruments. It excludes net borrowings attributed to businesses classification as held for sale

Unallocated costs

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

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 and normalisation adjustments. Total Group measures present the combined financial performance of the Group's continuing and discontinued operations.

Non-GAAP financial measures are not defined 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. These non-GAAP measures are not subject to audit unless they are included in Fonterra's audited Annual Financial Statements.

Reconciliations of the NZ IFRS measures to the non-GAAP measures used by Fonterra can be found in the Non-GAAP measures section of the Interim Report 2021 that is available on Fonterra's website.