Good Together

from one generation to the next

Business Performance Report 2022

Pūrongo haumāuiui pakihi Te Mātāpuna

Fonterra

Dairy for life

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Fonterra uses several non-GAAP measures when discussing financial performance. Non-GAAP measures are not defined or specified by NZ IFRS.

Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They may be 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. Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.

Please refer to the Non-GAAP Measures section in Fonterra's 2022 Annual Review for further information about non-GAAP measures used by Fonterra, including reconciliations back to NZ IFRS measures. Definitions of non-GAAP measures used by Fonterra can be found in the Glossary.

Harepaora & Lana, Rerewhakaaitu

OUR 2022 SUITE OF REPORTS

Annual Review 2022
(Referenced as **AR**)

Financial Statements 2022
(Referenced as **FS**)

Business Performance Report 2022
(Referenced as **BP**)

Sustainability Report 2022
(Referenced as **SR**)

Corporate Governance Statement & Statutory Information 2022
(Referenced as **C&S**)

Modern Slavery Statement 2022
(Referenced as **MS**)

Farmgate Milk Price Statement 2022
(Referenced as **MP**)

OUR REPORTS ARE AVAILABLE FROM **FONTERRA.COM/NZ/EN/INVESTORS.HTML**

Business Performance Dashboard

Market share of New Zealand milk
79.1% ↑ 79.0%

Reported profit after tax[1]
$583
↓ from $599m

Reported earnings per share[2]
36c
no change

Normalised earnings per share[2]
35c
↑ from 34c

Return on capital[4]
6.8%
↑ from 6.6%

Total Group normalised EBIT[3]
$991m
↑ from $952m

Asia Pacific EBIT[5]

$237m
↓ from $305m

AMENA EBIT[5]

$527m
↑ from $336m

Greater China EBIT[5]

$432m
↑ from $403m

Milk Price per kgMS
$9.30
↑ from $7.54

+

Dividend per share
20c
no change

=

Total pay-out[4]
$9.50
↑ from $7.74

Net debt[4]
$5.3b
↑ from $4.3b

Gearing ratio[4]
42.4%
↑ from 38.5%

Debt to EBTIDA[4]
3.2x
↑ from 2.7x

Ingredients EBIT[5]
$916m
↑ from $365m

Foodservice EBIT[5]
$138m
↓ from $369m

Consumer EBIT[5]
$142m
↓ from $310m

1 Reported profit after tax includes amounts attributable to non-controlling interests.
2 Earnings per share excludes amounts attributable to non-controlling interests.
3 Total Group includes continuing and discontinued operations.
4 Refer to the Glossary for definition.
5 Prepared on a normalised continuing operations basis.

Total Group Performance

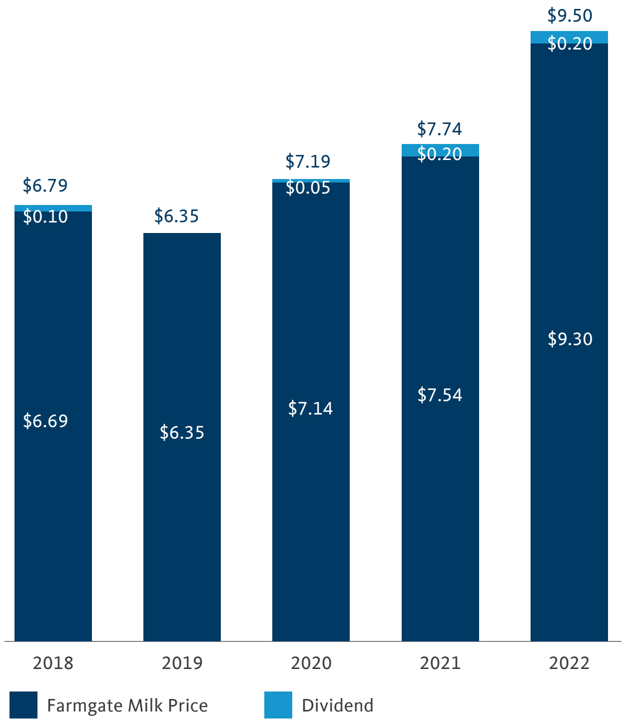
We returned $9.30 on average for every kilogram of milk solids our farmer owners supplied us. Combined with a dividend of 20 cents per share, this means a total pay-out of $9.50 per kgMS – a record pay-out for the Co-operative.

Normalised earnings per share increased 3% from 34 cents to 35 cents per share.

The higher milk price and earnings performance reflects strong demand for dairy across multiple markets and products at a time of constrained milk supply, global supply chain challenges, and a significantly higher cost of milk for our businesses. This operating environment significantly increased our working capital requirements through the second half of the financial year and at financial year end, and our net debt was $1 billion higher at $5.3 billion.

Our strong balance sheet enabled us to absorb the increased working capital requirements and our net debt position is forecast to improve during the 2023 financial year as working capital returns to normal levels.

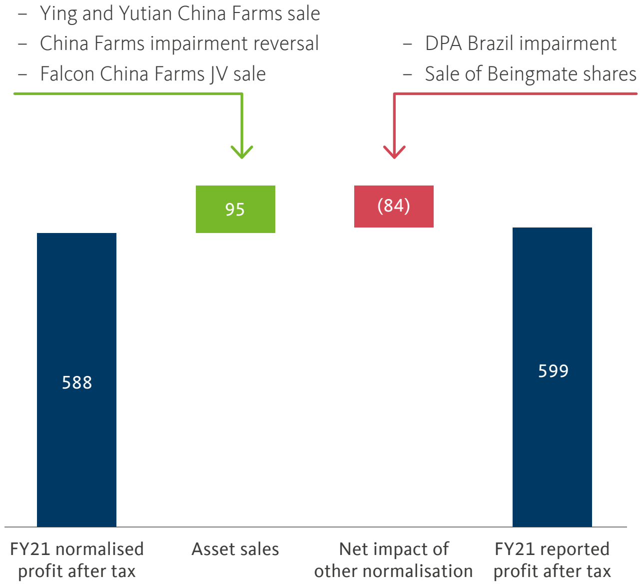
Total pay-out[1]



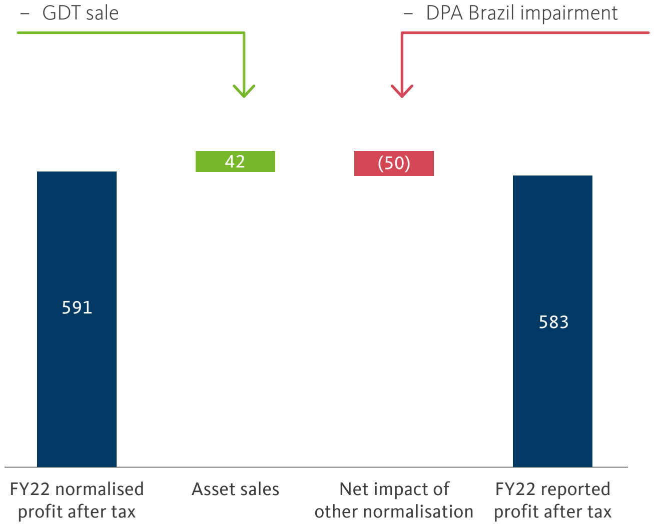
1 Refer to the Glossary for definition.

Our reported profit after tax of $583 million is $16 million lower than last year, with the prior year benefiting from a larger gain from the sale of non-core assets.

FY21 Normalised to Reported Profit After Tax[1]



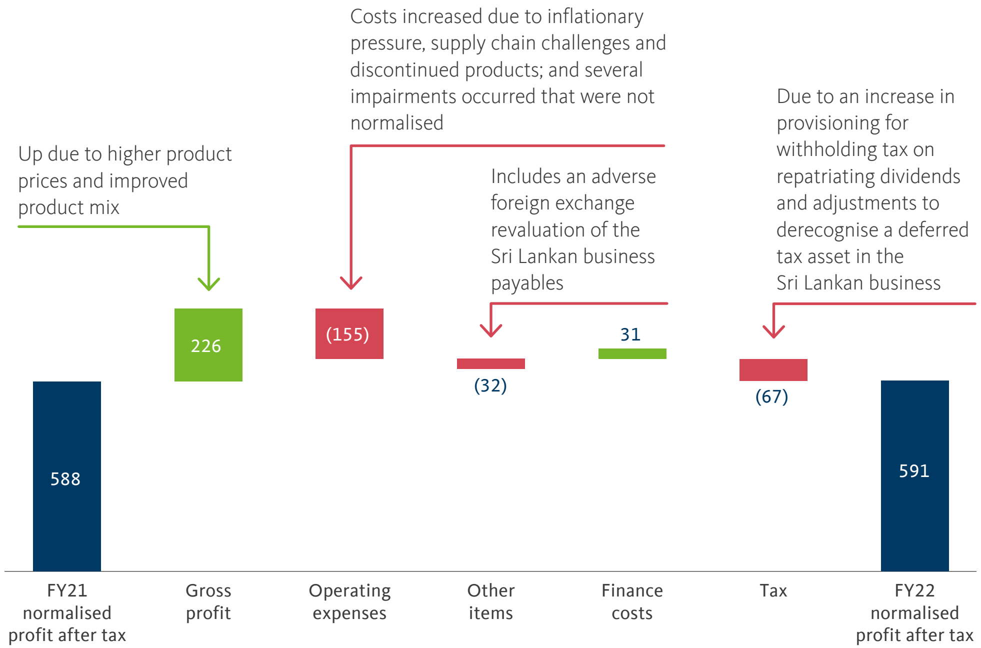
FY22 Normalised to Reported Profit After Tax[1]



1 Normalised and reported profit after tax includes amounts attributable to non-controlling interests.

Normalised profit after tax of $591 million increased $3 million on last year – after adjusting for the impact of asset sales and other normalisations, our underlying performance has improved slightly despite a significant increase in the cost of milk and higher operating expenses.

FY21 to FY22 Normalised Profit After Tax[1]



1 Normalised profit after tax includes amounts attributable to non-controlling interests.

Throughout the year we continued our focus on allocating milk into the products that generate the best overall returns to Fonterra and our farmer owners. This can be seen in our results with the improvement in our underlying earnings driven by our diversified portfolio across our three regions and channels, combined with lower interest expense due to reduced funding costs.

On a continuing operations basis, our Ingredients channel normalised EBIT increased 151%, from $365 million to $916 million. The significant increase in earnings from our Ingredients channel reflects strong demand across multiple markets and products at a time of constrained milk supply. The stronger underlying market demand resulted in a broad strengthening of product prices and higher margins were achieved across our Ingredients channel, particularly in our protein products such as casein. The improved Ingredients performance was partially offset by the impact of higher milk input costs in our Foodservice and Consumer channels, with normalised EBIT down 63% and 54% to $138 million and $142 million, respectively.

Looking at our continuing operations on a regional basis;

- **Asia Pacific normalised EBIT decreased 22% to $237 million**, due to the Foodservice and Consumer channels being impacted by the increased cost of milk and weaker market conditions including the impact of COVID-19 restrictions, particularly in South East Asia. The Consumer channel was also impacted by the economic crisis in Sri Lanka. The reduced earnings in the Foodservice and Consumer channels was partially offset by a significant improvement in the Ingredients channel due to higher product prices.
- **AMENA normalised EBIT increased 57% to $527 million**, due to higher gross margins in the Ingredients channel, reflecting a broad strengthening of product prices, particularly in our protein products such as casein. Our consumer business in Chile performed well, but overall, the Consumer channel EBIT was down on the prior year.
- **Greater China normalised EBIT increased 7% to $432 million**, due to higher gross margins in the Ingredients channel, driven by improved pricing of our protein portfolio and allocation of greater volume to higher margin ingredients. This was partially offset by the lower sales volumes and gross margins achieved in the Foodservice and Consumer channels due to increased input costs and the impact of strict COVID-19 restrictions.

Overall, Fonterra milk collections are down on last year.

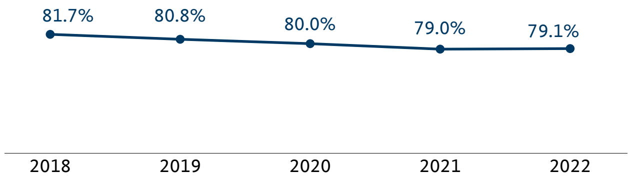
Our milk collections are dominated by our New Zealand sourced milk.

Milk collections for main regions (litres, million)

Fonterra New Zealand[1]	Fonterra Australia[2]	Fonterra Chile[3]	Total
16,404	**1,362**	**508**	**18,274**
down 4.2%	stable	up 5.2%	down 3.6%

Kylie, Tararua

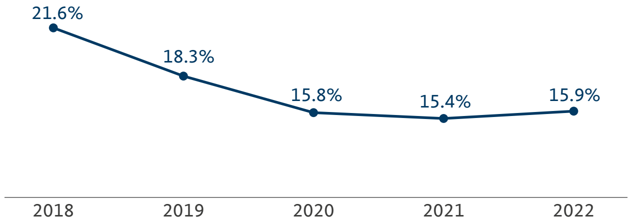
Fonterra Milk Collection Market Share in New Zealand[1]



Fonterra milk collections for the season were down by 4% compared to the 2020/21 season, with challenging weather conditions across much of the season hampering production.

Our reduction in collections was slightly less than the reduction in collections for the whole of the New Zealand dairy industry. This, combined with a net win back of milk supply from competitors contributed to the 0.1% increase in our market share to 79.1% for the 2021/22 season.

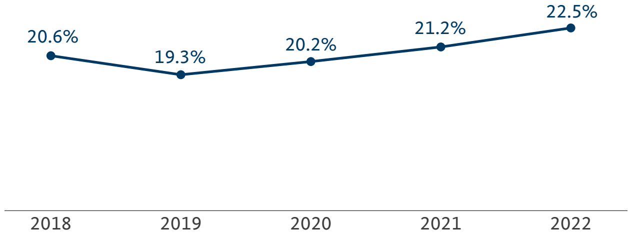
Fonterra Milk Collection Market Share in Australia[2]



Our Australian market share improved during the season through a continued focus on strong farmer relationships and we were able to secure the milk needs of the business.

However, total milk volumes were in line with the prior period as the overall milk pool declined across Victoria and Tasmania due to a combination of factors including labour shortages, and on-farm input costs and availability.

Fonterra Milk Collection Market Share in Chile[3]



We continue to gain market share in Chile, up 1.3% to 22.5%, which has led to an increase in milk collections by 5% on the prior year. This was achieved through ongoing farmer engagement and a competitive and consistent milk price policy. The increased collections have supported the strong demand in our Chile consumer business this year, discussed in more detail in the AMENA section on page 38.

1 Fonterra New Zealand market share and collections are for the period 1 June – 31 May.
2 Fonterra Australia market share and collections are for the period 1 July – 30 June.
3 Fonterra Chile market share and collections are for the period 1 August – 31 July.

Breakdown of Total Group Performance

FOR THE YEAR ENDED	31 JULY 2021			31 JULY 2022		
NORMALISED BASIS NZD MILLION	CONTINUING OPERATIONS[1]	DISCONTINUED OPERATIONS[1]	TOTAL GROUP	CONTINUING OPERATIONS[1]	DISCONTINUED OPERATIONS[1]	TOTAL GROUP
Sales volume ('000 MT)	3,874	228	4,102	3,706	218	3,924
Revenue	20,565	559	21,124	22,953	472	23,425
Cost of goods sold	(17,581)	(429)	(18,010)	(19,737)	(348)	(20,085)
Gross profit	2,984	130	3,114	3,216	124	3,340
Gross margin (%)	14.5%	23.3%	14.7%	14.0%	26.3%	14.3%
Operating expenses	(2,153)	(89)	(2,242)	(2,284)	(113)	(2,397)
Other[2]	65	15	80	50	(2)	48
Normalised EBIT	896	56	952	982	9	991
Normalisations[3]	(9)	16	7	42	(57)	(15)
EBIT	887	72	959	1,024	(48)	976

1 Refer to Note 1a and 2b of the FY22 Financial Statements.
2 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
3 Refer to the Non-GAAP Measures section of the 2022 Annual Review.

Our Total Group sales volumes were down 4% on the prior year, mainly due to lower shipped volumes out of New Zealand. The prior year shipped volumes out of New Zealand were a record high at 2.59 million tonnes compared to 2.35 million tonnes this year. This year's lower New Zealand volumes were due to lower New Zealand milk collections over the first nine months of the financial year, and shipping disruptions in the final quarter relating to continuing scheduling difficulties compounded by challenging weather conditions through July.

Our Total Group gross profit increased $226 million relative to the prior year, despite the lower sales volumes and gross margin, due to significantly higher product prices across our regions' Ingredients channels.

Our business is well diversified across both regions and product channels. This allowed us to reduce the impact of the higher milk cost by continuing to allocate milk into the products that generate the best overall returns.

Gross profit by Regions[1]

Asia Pacific

$1,227m

up $32m

AMENA

$1,137m

up $233m

Greater China

$866m

up $30m

1 Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations.

Our mozzarella gives dumplings a twist in China.

Gross Profit – Product Channel

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLIONS	2021	2022	CHANGE[1]
Ingredients	1,104	1,684	53%
Foodservice	677	479	(29)%
Consumer	1,154	1,067	(8)%
Unallocated costs and eliminations	49	(14)	–
Continuing operations	2,984	3,216	8%
Discontinued operations	130	124	(5)%
Total Group gross profit	3,114	3,340	7%

1 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.

The Ingredients channel gross margin increased mainly due to improved product pricing and product mix across all three regions.

Gross margins in our Foodservice and Consumer channels decreased across all three regions as our in-market sales pricing was unable to increase at the same rate as rising dairy prices.

Gross margin by Product Channel

Ingredients[1]
10.7%
from 8.1%%

Consumer[1]
25.8%
from 28.4%

Foodservice[1]
14.5%
from 22.9%

Total Group
14.3%
from 14.7%

1 Prepared on a continuing operations basis.

New Zealand and Non-New Zealand Sourced Milk[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL			NEW ZEALAND MILK			NON-NEW ZEALAND MILK		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Sales volume ('000 MT)	3,874	3,706	(4)%	3,016	2,856	(5)%	858	850	(1)%
Revenue	20,565	22,953	12%	17,331	19,466	12%	3,234	3,487	8%
Cost of goods sold	(17,581)	(19,737)	(12)%	(14,844)	(16,794)	(13)%	(2,737)	(2,943)	(8)%
Gross profit	2,984	3,216	8%	2,487	2,672	7%	497	544	9%
Operating expenses	(2,153)	(2,284)	(6)%	(1,752)	(1,910)	(9)%	(401)	(374)	7%
Other[3]	65	50	(23)%	56	43	(23)%	9	7	(22)%
EBIT	896	982	10%	791	805	2%	105	177	69%
Discontinued operations EBIT	56	9	(84)%	–	–	–	56	9	(84)%
Gross margin	14.5%	14.0%		14.4%	13.7%		15.4%	15.6%	
EBIT margin	4.4%	4.3%		4.6%	4.1%		3.2%	5.1%	

1 New Zealand and Non-New Zealand sourced milk is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.

Normalised EBIT generated from our New Zealand milk, the value we were able to deliver over and above the Farmgate Milk Price, increased from $791 million to $805 million, mainly due to the strong increase in product prices in our Ingredients channel. The performance of New Zealand milk in the Ingredients channel was largely offset by the EBIT losses made on New Zealand milk allocated across all three regions' Consumer channels, due to reduced gross margins and increased operating expenses.

Further detail on the value of New Zealand milk is provided in the Region and Product Channel sections.

Non-New Zealand milk continues to perform well, driven by the strong performance of our Australian business and our consumer business in Chile.

Operating Expenses[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	2021	2022
Costs allocated to regions		
Selling & marketing	656	667
Distribution & storage	543	588
Administration expenses[2]	633	669
Research & development	82	83
Other expenses[2]	16	72
Total allocated operating expenses	1,930	2,079
Unallocated costs	223	205
Operating expenses from continuing operations	2,153	2,284
Operating expenses from discontinued operations	89	113
Total Group operating expenses	2,242	2,397

1 Does not align to FY22 Financial Statements, predominantly due to additional categories.
2 $59 million of 'Other' expenses have been reclassified as administration expenses for consistency with the current period.

Total Group operating expenses are $155 million, or 7%, higher than last year.

Of this increase, $131 million relates to the Group's continuing operations. Distribution and storage, and administration costs were up collectively $81 million, mainly due to supply chain disruption and inflationary pressure.

'Other' expenses increased $56 million, mainly due to recognising an impairment of $34 million on our Asia Brands - Anmum, Anlene and Chesdale, with the carrying amount of these brands now at $336 million as at 31 July 2022. Additionally, we incurred costs associated with discontinuing some products that are not aligned with our long-term strategy.

Our unallocated costs were favourable by $18 million mainly due to releasing a provision held at Group following a final judicial interpretation on the application of the Holidays Act 2003 in New Zealand to certain discretionary incentive payments.

Operating expenses in our discontinued operations increased $24 million, mainly due to higher distribution and storage costs in DPA Brazil.

Research and Development costs

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	2021	2022
Operating expenditure	84	86
Cost of goods sold	26	29
Total Group research and development costs	110	115

Globally we invested $115 million in research and development this year, up from $110 million in the prior year. $86 million is reported in our operating expenses, of which $83 million is within Research and Development and $3 million is in Unallocated Costs.

The remaining $29 million of our research and development is within our Cost of goods sold.

Our Co-op has a long and proud heritage of dairy innovation, pioneering many world firsts from instant whole milk powder to spreadable butter. This year our innovation hub, the Fonterra Research and development Centre, based in Palmerston North, celebrated its 95th year. Today, the centre continues to focus on ground-breaking technologies and dairy science, aligned to our long-term aspiration, committed to supporting our customers:

- We've entered a collaboration with VitaKey Inc. to further unlock the benefits of our probiotic strains and to focus on precision nutrition, allowing our milk to go further while decreasing waste. See page SR-51.
- We've successfully expanded our cream cheese product range from one formulation to six. This has been a five-year journey investing in the knowledge, capability, insights, and capital that has resulted in an expansion of our cream cheese portfolio to meet the needs of our customers, their consumers and the evolving market requirements
- In Active Living, we've made progress in commercialising our functional whey technology through investment in increasing capacity; transferring technology to our joint venture, Columbia River Technologies, which has opened up novel product and business opportunities in cultured and advanced nutrition
- In Foodservice, we've launched our first blended dairy products with Red Cow cream in the Middle East and butter blends in South East Asia. These products combine innovative dairy know-how with the best of plant fats to expand the performance possibilities for our customers
- In Consumer, we created and launched Nurture, our first brand of cultured milk drink for Singapore, with low sugar and added vitamins to support immunity. See page AR-40.
- In on-farm sustainability, Kowbucha™, Fonterra's natural probiotic culture-based approach to methane reduction, saw up to a 20% reduction of methane in lab trials, and have subsequently seen methane reductions in animal trials. We are also partnering with Sea Forest Pty Ltd to investigate whether small quantities of Asparagopsis seaweed could be used in dairy herds on a commercial scale to reduce biological emissions. See page SR-33.

'Other', which includes other operating income, net foreign exchange movements, and share of profit or loss on equity accounted investees, decreased $32 million mainly due to the impact of the economic crisis in Sri Lanka. The significant deterioration of economic conditions in Sri Lanka has seen the rapid devaluation of the Sri Lankan Rupee against the US dollar. This means it takes more Sri Lankan Rupee to pay for product purchased in US dollars from New Zealand and resulted in an $80 million adverse revaluation of our Sri Lankan business payables owing to New Zealand. This was partially offset by favourable foreign exchange movements in our net receivables due to timing differences between the processing and hedging of invoices.

Total Group normalised EBIT increased 4%, or $39 million, to $991 million, due to the $226 million increase in gross profit, offset by the increase in operating expenses and decrease in 'Other'.

Total Group reported EBIT increased 2%, or $17 million, to $976 million. The impacts from normalisation adjustments to reported EBIT were an adverse $15 million this year, compared to a favourable $7 million normalisation adjustment in the prior year. Prior year normalisations included gains on sale from the Ying and Yutian China farming hubs, the China Farming joint venture, partially offset by realised losses on the sale of Beingmate shares and an impairment of the carrying value of DPA Brazil. This year's normalisations comprise of:

- the partial sale of Global Dairy Trade (GDT), where we entered a partnership with New Zealand's Exchange (NZX) and the European Energy Exchange (EEX). The total impact to our EBIT was $42 million; and
- a further pre-tax impairment of $57 million was made to the full value of DPA Brazil based on an assessment of the fair value of the business. The sale process of DPA Brazil continues to be delayed due to market conditions related to COVID-19, however we remained committed to the sale and continue to actively progress the sale. We expect the sale to be completed within one year.

Total Group Performance[1]

FOR THE YEAR ENDED 31 JULY

NZD MILLION	2021	2022	CHANGE[2]
EBIT	959	976	2%
Net finance costs	(262)	(231)	12%
Tax expenses	(98)	(162)	(65)%
Reported profit after tax	599	583	(3)%
Normalisation adjustments[3]	(7)	15	–
Add: Tax on normalisation adjustments	(4)	(7)	75%
Normalised profit after tax	588	591	1%
(Profit)/loss attributable to non-controlling interests	(21)	1	–
Less: Normalisation adjustments attributable to non-controlling interests	(17)	(24)	41%
Normalised profit after tax attributable to equity holders of the Co-operative	550	568	3%
Normalised earnings per share (cents)	34	35	3%
Full year dividend per share (cents)	20	20	–

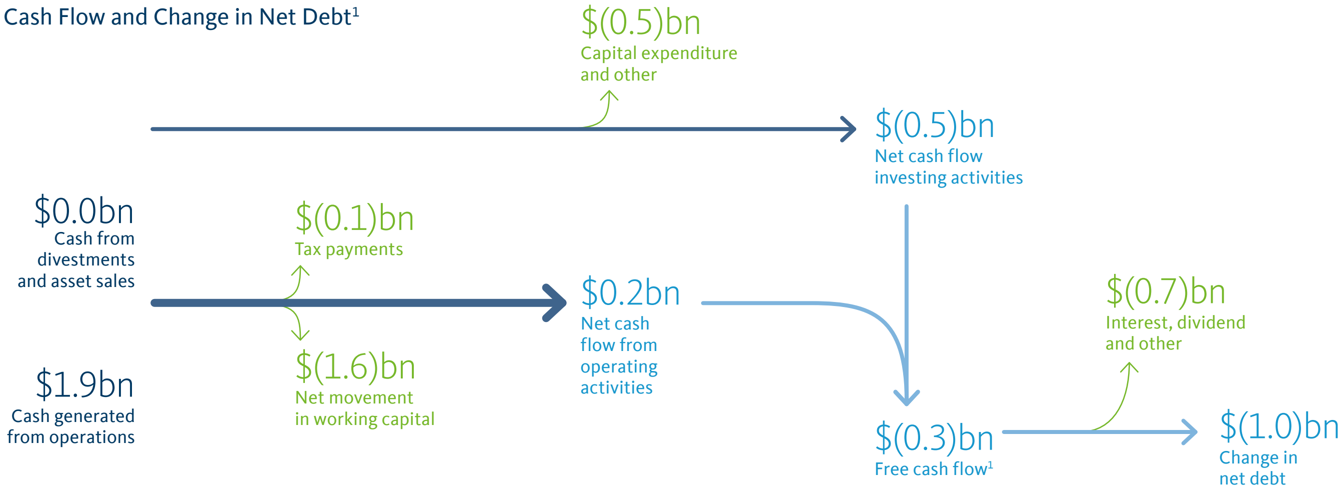
1 Includes continuing and discontinued operations.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Refer to the Non-GAAP Measures section in the Annual Review 2022.

Our Total Group net financing costs reduced $31 million, or 12%, due to refinancing maturing bonds with shorter-term bank facilities as well as the impact of increased global rates on a portion of our interest rate hedges.

Our strong normalised profit result and the strength of our balance sheet puts us in a position to pay a total dividend for the year of 20 cents, comprising of an interim dividend of 5 cents per share and a final dividend of 15 cents per share.

Our sources and uses of cash

Cash Flow and Change in Net Debt[1]



Total Group cash generated from operations increased on the prior year to $1.9 billion due to the strong underlying performance of the business. However, our working capital requirements increased and we used $1.6 billion more cash due to the higher cost of milk combined with an increase in year-end inventory due to late season milk production and supply chain disruptions. Therefore, our net cash flow from operating activities, after deducting tax payments of $0.1 billion, was $0.2 billion.

Combined with net cash flow used for investing activities of $0.5 billion, which was predominantly capital expenditure, our Total Group free cash flow for the year was $(0.3) billion.

We have funded dividends of $0.4 billion (including 15 cents from last year's final dividend and this year's interim dividend of 5 cents). Combined with interest payments of $0.3 billion our net debt has increased $1 billion but this is expected to improve in the 2023 financial year as working capital returns to normal levels during the year. This, combined with our strong balance sheet enables us to pay a final dividend of 15 cents resulting in a total dividend of 20 cents per share again this year.

1 Refer to Glossary for the definition.

Cash Flow and Change in Net Debt

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	2021	2022
Cash generated from operations[1]	1,449	1,928
Net change in working capital	(171)	(1,598)
Net tax paid	(84)	(137)
A. Net cash flows from operating activities	1,194	193
Cash flows from investing activities		
Divestments and asset sales	782	45
Capital expenditure and other[2]	(559)	(562)
B. Net cash flows from investing activities	223	(517)
Free cash flow (A+B)	1,417	(324)
Interest, dividend and other	(452)	(638)
Non-cash changes in net debt	(52)	(52)
Decrease/(increase) in net debt[3]	913	(1,014)

Note: Comparative figures are shown on a consistent basis with current year.

1 Includes EBIT and non-cash and non-operating adjustments made to EBIT to determine cash generated from operations.

2 Capital expenditure presented in this table is different to capital expenditure reported primarily due to treatment of livestock and accruals.

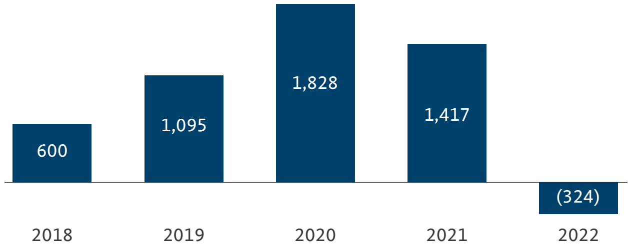
3 Net debt includes amounts attributable to disposal groups held for sale.

Total Group free cash flow for the year of $(324) million was $1.7 billion lower than last year which reflects:

- Cash generated from operations increased $479 million on the prior year to $1.9 billion due to the strong underlying performance of the business, offset by;
- A $1.6 billion increase in our working capital funding requirements because of the higher milk price and inventory volume.
- Cash from investing activities down $740 million, with the prior year benefiting from $737 million more in asset sales. Cash spent on the acquisition of property, plant and equipment was broadly in line year-on-year. Significant projects are disclosed in the Capital Invested section on page 17.

We continue to focus on our financial discipline, and expect working capital to return to normal levels during the year.

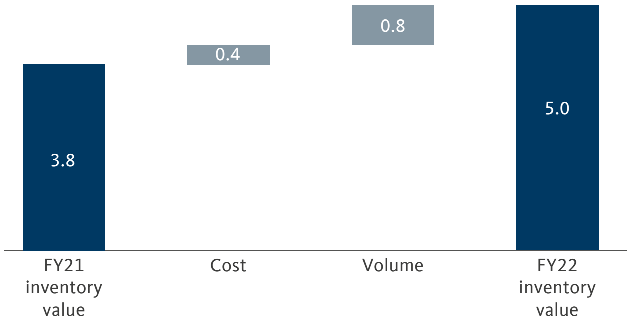
Free Cash Flow[1] ($ million)



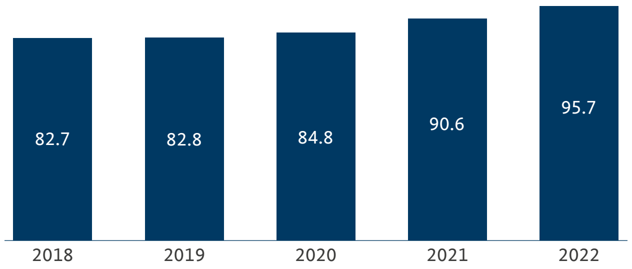
1 Refer to the Glossary for definition.

Working Capital

Closing Inventory as at 31 July ($ billion)



Working Capital Days[1]



1 Refer to the Glossary for definition.

As at 31 July 2022, our working capital increased $1.6 billion reflecting:

- Higher inventory of $1.2 billion, due to higher milk price and higher inventory on hand at year end due to increased late season milk production and shipping constraints
  - At year end we held an additional 126,000 MT of product. 88% of total inventory was contracted with an agreed price prior to year end
- Higher receivables due to increased sales revenue in the month of July 2022 compared to the prior year, partially offset by;
- Higher payables reflecting increased accruals for capital expenditure, amounts owing to suppliers due to higher milk prices, and the impact of supply chain disruptions.

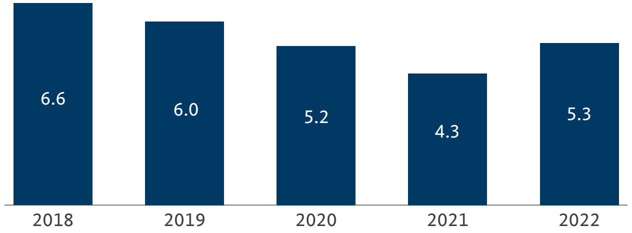
Working capital throughout the year has increased 5.1 days compared with the previous year.

The key drivers of this were:

- Higher average milk price – impacting both receivables and inventory
- Higher levels of inventory throughout the second half of the year, mainly due to late season milk production coinciding with shipping disruptions which saw shipments shift to the next financial year

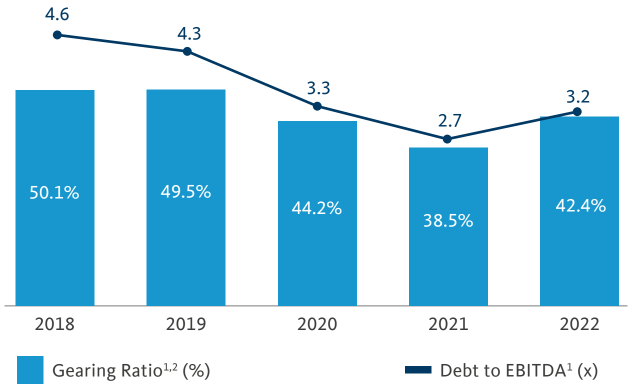
As a result of higher working capital requirements, our net debt increased $1.0 billion.

Net Debt[1] ($ billion)



1 Refer to Glossary for definition. Comparative figures are shown on a consistent basis with current year.

Leverage Metrics



1 Refer to Glossary for definition.
2 Comparative figures are shown on a consistent basis with current year.

We have steadily reduced our net debt over the period to 2021, through the alignment of our asset portfolio and improved underlying operating performance. However, this year our net debt has increased $1.0 billion due to;

- cash generated from operations increasing $479 million on the prior year to $1.9 billion. After tax of $137 million, this is $1.8 billion in operating cashflows excluding changes in working capital.

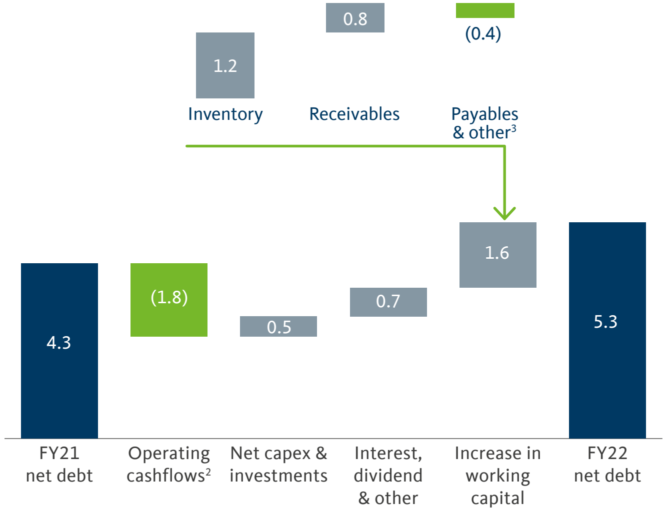
Offset by;

- net cash flow used for investing activities of $517 million, which was predominantly capital expenditure
- funding of $0.4 billion of dividends and interest payments of $0.3 billion, and
- increase in working capital of $1.6 billion

Both leverage metrics, gearing ratio and debt to EBTIDA ratio, have increased as a result of the higher net debt.

Our strong balance sheet enabled us to absorb the increased working capital, and both our net debt position and leverage metrics will improve during the 2023 financial year as working capital returns to normal levels.

Change in Net Debt[1] ($ billion)



1 Refer to Glossary for definition.
2 Excluding working capital.
3 Includes supplier payables and other movements.

Capital Invested

Total capital invested was $617 million, comprised of capital expenditure of $587 million and other capital invested of $30 million.

The capital expenditure of $587 million comprised $534 million for essential projects to maintain and improve existing assets and $53 million for business growth projects to drive future growth. The $30 million of other investments mainly comprised of right-of-use assets and equity investments, including investment in new innovation opportunities.

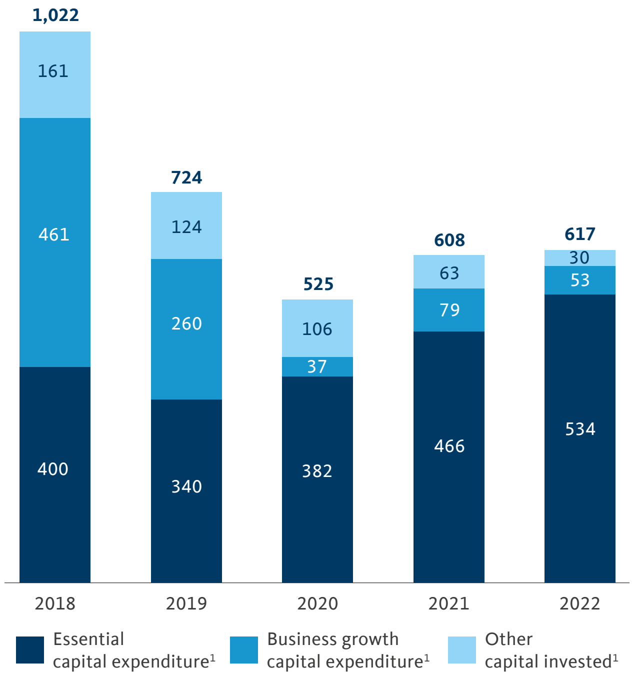
Capital expenditure has increased $42 million, as planned, in response to increasing regulatory requirements on wastewater treatment, reducing emissions from thermal fuel sources and also maintaining integrity and reliability across our network of processing assets.

Across New Zealand, we continue to progress our annual truck and trailer replacement programme and on-farm milk vat replacement programme to drive operating efficiencies.

We are continuously working through our capital expenditure programme to keep our processing sites fit for purpose. Key projects included wastewater upgrades at our Te Awamutu and Tirau site, biomass boiler installation to replace coal at our Stirling and Waitoa sites, investing in whey permeate concentrate related assets to manage process risk and improving refrigeratant technology at our Whareroa site.

Offshore we have 20 manufacturing sites, this year we invested $103 million to maintain and optimise our offshore portfolio, as well as adding to our asset base where appropriate. Key growth investments included acquiring a secondary cheese processing site to further expand our cheese manufacturing lines in Australia.

Capital Invested[1] ($ million)



1 Refer to the Glossary for definition.

Central North Island

- **Tirau**
  - Invested in whey permeate concentration related assets to remove process risk of ethanol
  - Improved wastewater processing. See page SR-26
- **Te Awamutu**
  - Upgraded our infrastructure to better manage wastewater. See SR-26
- **Waitoa**
  - Commenced work on biomass boiler to replace coal. See SR-34
  - Improved our UHT cream processing
  - Trialling an electric tanker for fleet decarbonisation See page AR-36
- **Te Rapa**
  - Trialing use of large scale battery technology. See SR-37
- **Crawford Street**
  - Invested in an automated storage and retrieval system
- **Lichfield**
  - Invested in an advanced ingredient for world leading critical care nutrition brand

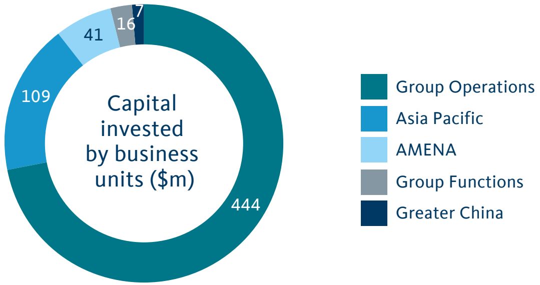
Lower North Island

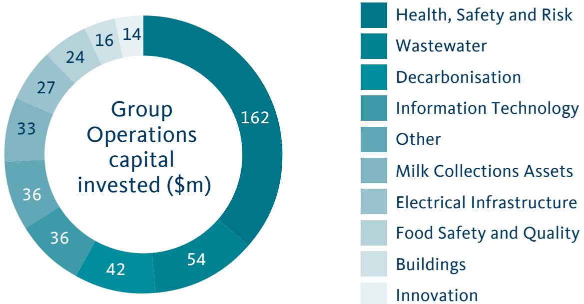
- **Whareroa**
  - Improved powder dryer building integrity to manage product quality risk
  - Increased processing time by improving cleaning-in-process systems
  - Improved refrigerant technology risk
- **Kapuni**
  - Increased processing time by improving cleaning-in-process systems
- **Palmerston North**
  - Increased production capacity of probiotics

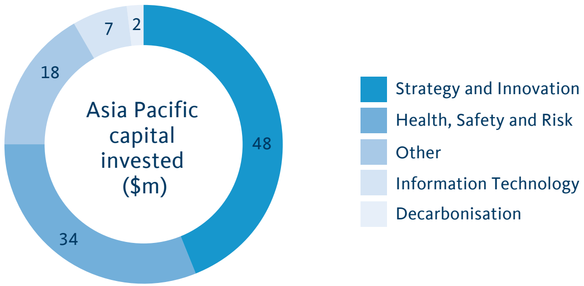
Sites displayed are not a full representation of all Fonterra factories

South Island

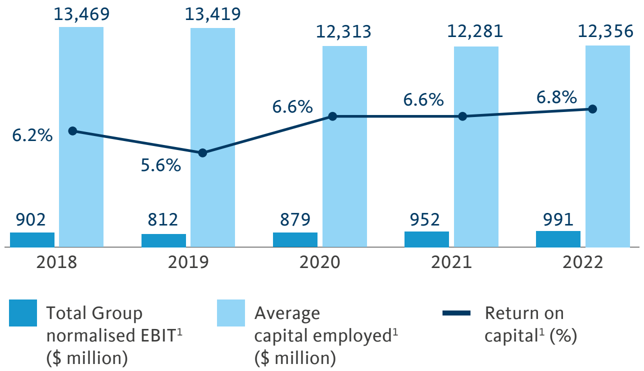
- **Stirling**
  - Invested in biomass boiler to replace coal See SR-34
- **Clandeboye**
  - Scale up of pilot plant using biological treatment for wastewater See SR-26
  - Invested in whey process to improve efficiency of functional WPC production
- **Edendale**
  - Improved integrity of infrastructure
  - Improved water utilisation efficiency







Return on Capital



1 Refer to the Glossary for definition.

Total Group return on capital improved from 6.6% to 6.8%

The increase in our return on capital was due to the increase in our normalised EBIT. The impact of the improved EBIT was partially offset by the additional working capital increasing our average capital employed.

The impact on our average capital employed from year-end net debt increasing by $1 billion is limited due to our low net debt position at the start of the year, and the significant increase in working capital requirements only impacting towards the end of the second half.

Return on Capital

NZD MILLION	2021	2022
Total Group normalised EBIT	952	991
Finance income on long-term advances	8	7
Notional tax charge	(155)	(161)
Total Group normalised EBIT plus finance income on long-term advances less notional tax charge	805	837
Capital employed at year end	10,863	12,179
Impact of seasonal capital employed	1,418	177
Average capital employed	12,281	12,356
Return on capital (%)	6.6%	6.8%

Dividend

We are committed to our financial discipline and following the guidelines of our Dividend Policy.

Fonterra's dividend policy is a payout ratio of 40% to 60% of reported profit after tax, excluding abnormal gains. Distributions of any abnormal gains are considered separately. For the year ended 31 July 2022 abnormal gains included the normalised gains of $42 million on selling two-thirds of our Global Dairy Trade business.

Another key principle of the Policy is the dividend payment should not require the Co-operative to take on more debt, after taking into account any material working capital changes considered highly likely to reverse in future periods. This applies in the current year, where we had a significant increase in working capital including higher levels of year-end inventory and we expect this to return to normal levels in the 2023 financial year. This combined with the ongoing strength of the Co-operative's balance sheet has put us in a position to return a dividend to shareholders and unit holders.

The normal dividend of 20 cents per share is equivalent to a 59% pay-out ratio of the net earnings for dividend payment.

Dividend Calculation

FOR THE YEAR ENDED 31 JULY

NZD CENTS PER SHARE	2021	2022
Normalised earnings[1]	34	35
Add: normalisations	2	1
Reported earnings[1]	36	36
Less: abnormal gains	(6)	(2)
Net earnings for dividend payment[2]	30	34
Dividend payment percentage (%)	57%	59%
Dividend based on attributable earnings	17	20
Dividend based on abnormal gains[3]	3	–
Total dividend	20	20
Interim dividend	5	5
Final dividend	15	15

1 Attributable to equity holders of the Co-operative, excludes non-controlling interest.
2 Represents net earnings as specified in the Dividend Policy and is calculated as reported profit after tax less abnormal gains.
3 FY21 includes the reversal of previous impairment of our China Farms.

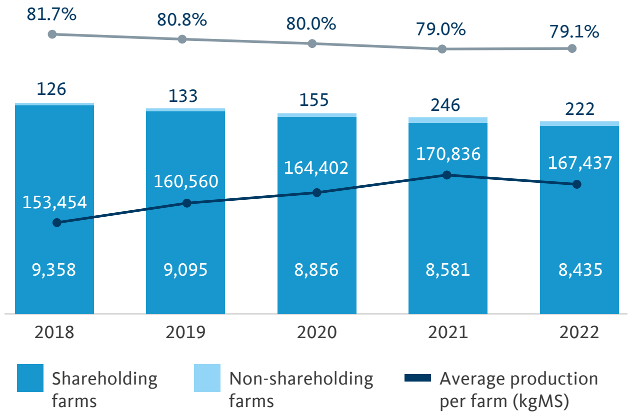
On-farm

We believe having a strong and resilient dairy co-operative makes a real difference to our farmer owners, and to New Zealand. Our scale and diversification allow us to move our farmer owners' milk into the most valuable products and markets and achieve scale advantages in processing, innovation and supply chain. This helps mitigate some of the risk for farmers that can occur when demand for certain products or markets soften.

Penelope, Jess & Blair, Tararua

Our New Zealand supplier base and owners

Composition of our Supplier Base[1]



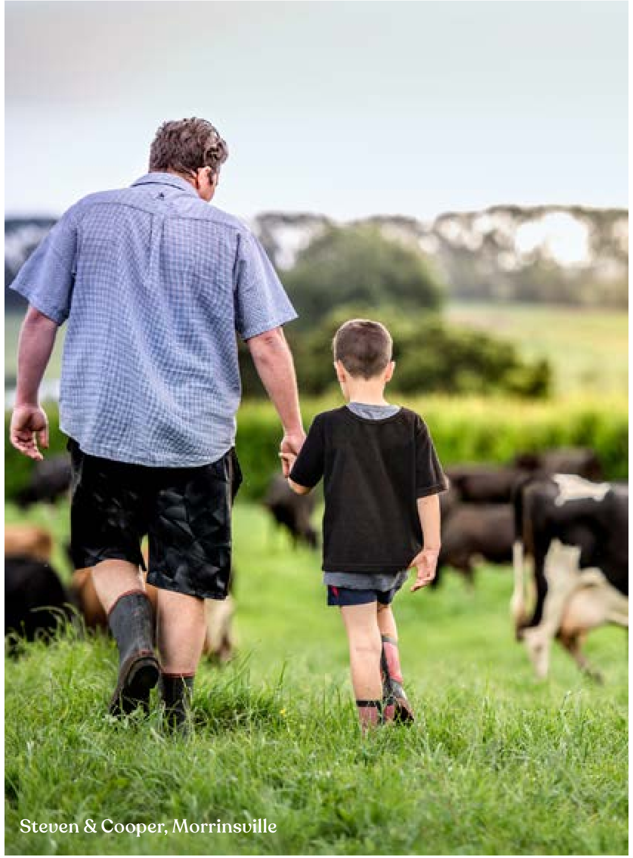
1 Comparative information includes re-presentations for consistency with the current period.

As at 31 July 2022 the Co-operative collected milk from 8,435 shareholding farms and 222 non-shareholding supplying farms around New Zealand.

The decline in supplying farms is primarily due to a higher proportion of farm conversions to other land uses. Our loss of farms to alternative processors at the end of the 2021/22 season has been more than offset by farms coming back to supply the Co-operative, and as a result, on a milk supplied basis our market share increased slightly.

Our supply from non-shareholding farms is largely made up of farms supplying MyMilk. At the end of the 2021/22 season, 34 of the 36 farms that had completed their permitted maximum number of seasons with MyMilk switched to supplying the Co-operative as a supplying shareholder. In addition, prior to the end of the 2021/22 season an additional 43 farms shifted from MyMilk to join the Co-operative as a supplying shareholder having completed less than their permitted maximum number of seasons with MyMilk. This increase in non-shareholding suppliers becoming supplying shareholders of the Co-operative has meant for the first time in six years our non-shareholding farm supplier base has decreased.

Average production per farm this season is down on the prior 2020/21 season, which had more favourable on-farm conditions. This year's two percent decline reflects the challenging weather conditions affecting a number of key dairy regions. This was exacerbated by COVID-19 related labour shortages and rising on-farm costs as well as a reduction in cow numbers nationwide.



Steven & Cooper, Morrinsville

Share Capital

FOR THE YEAR ENDED 31 JULY

(MILLION)	2018	2019	2020	2021	2022
Total shares on issue	1,612	1,612	1,612	1,613	1,613
Aggregate minimum shareholding requirement	1,391	1,391	1,392	1,403	1,396
Tradeable shares	221	221	220	210	217
Vouchers counting to aggregate minimum shareholding requirement	45	43	43	41	38
Total tradeable shares	**266**	**264**	**263**	**251**	**255**
Tradeable shares held by shareholding farms	155	161	158	144	148
Tradeable shares held by Custodian (equal to units in Fund)	111	103	105	107	107

Total tradeable shares = total shares on issue *less* aggregate minimum shareholding requirement *plus* Vouchers

1,613 million *less* 1,396 million *plus* 38 million = 255 million

As at 31 July 2022 the Co-operative had 1,613 million shares on issue. Total shares on issue are 0.03% lower than this time last year as a result of the Co-operative purchasing and cancelling 532,294 shares during July 2022 under the $50 million on-market buy-back programme announced on 8 June 2022.

At 31 July 2022 supplying shareholders were required to hold 1,396 million shares in aggregate to meet their Share Standard compliance obligations. Farmers used 38 million Vouchers to meet their shareholding requirement.

Therefore, there are 255 million shares that are considered tradeable of which 107 million are currently held by the Custodian. For every share the Custodian holds, there is a corresponding unit in the Fonterra Shareholders' Fund (the Fund).

On 9 December 2021, our shareholders approved changes to the Constitution that would give effect to the new Flexible Shareholding capital structure. These will become effective on a date to be determined and notified by the Board once it is satisfied that all steps necessary to implement the new structure have been, or will be, completed. In the meantime, the Fund remains capped, this means shares are not able to be exchanged into units in the Fund on a day-to-day basis, as this is a feature of the new structure. Share Standard compliance obligations for the 2022/23 season remain on hold until at least six months after the new Flexible Shareholding capital structure is effective for all supplying shareholders holding a minimum of 1,000 shares and for exiting shareholders that are selling shares over three seasons in accordance with Fonterra's constitution.

The reduction in the aggregate minimum shareholding requirement from 1,403 million to 1,396 million is primarily due to a material decrease in the three-season rolling average milk production, with the 2021/22 total production of 1,478 million kgMS, being 45 million kgMS lower than the season it is replacing in the three-season average – this being the 2018/19 total production of 1,523 million kgMS.

Vouchers have reduced over time due to not being transferable between shareholders. As shareholding farmers cease supplying milk to Fonterra any vouchers held by those farmers are cancelled. The reduction in vouchers does not impact total shares on issue or directly impact the Fund size.

On implementation of the new Flexible Shareholding capital structure, all other things being equal, the aggregate minimum shareholding requirement would reduce from 1,396 million shares to around 465 million shares. This significantly increases the number of tradeable shares. The Co-operative has allocated up to $300 million to support the transition to the new Flexible Shareholding capital structure, through an on-market share buy-back and other tools such as the market maker arrangements.

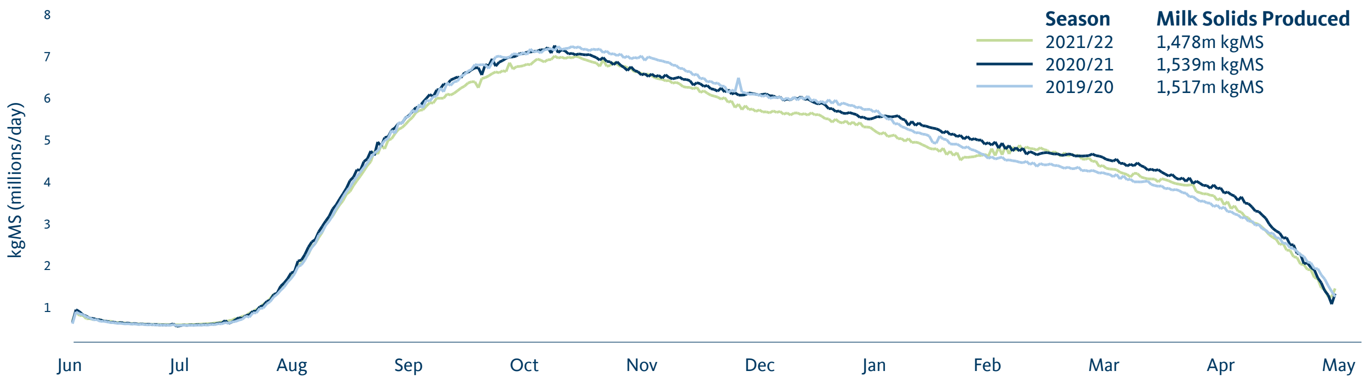
Fonterra's New Zealand Milk Production

For the 2021/22 season, production from Fonterra farmers in New Zealand was 1,478 million kgMS, down 4.0% compared to the prior season.

The 2021/22 season had a challenging start, driven by a cold and wet spring with limited sunshine affecting pasture growth. This contributed to a lower peak in milk supplied.

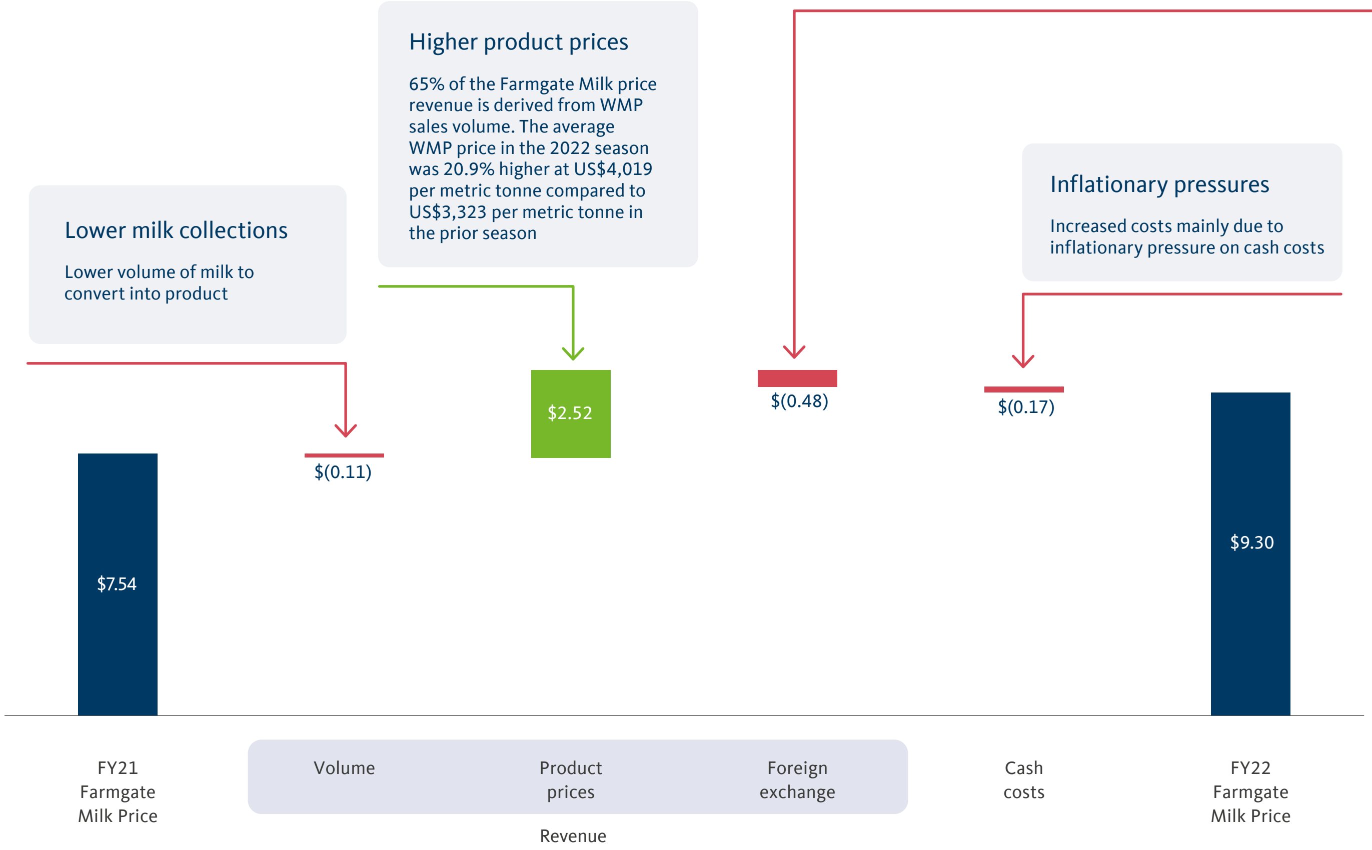
After the peak collection period, September through to November, production was further impacted by very dry and warm conditions in January that led to declining soil moisture and reduced feed in the North Island.

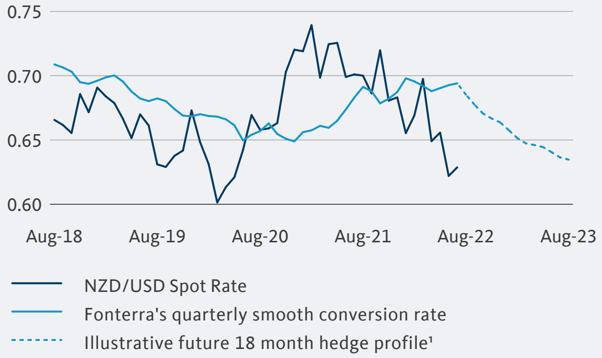
Favourable pasture growing conditions during February to March in the North Island led to a recovery in collections at the end of the season. However, this was partially offset by the lower South Island experiencing hot and dry conditions.



New Zealand Farmgate Milk Price (per kgMS)

For more information please see Farmgate Milk Price Statement 2022 - see MP





Foreign Exchange Hedging

The foreign exchange (FX) season-on-season impact is because the hedge rate increased as a result of the New Zealand dollar strengthening over the prior seasons. The average hedge rate increased from NZD/USD 0.6677 last season to NZD/USD 0.6884.

Fonterra hedges the FX risk progressively over an 18-month period, therefore the FX conversion rate for the Farmgate Milk Price for a specific season is largely based on the weighted average spot rate over the previous season.

The hedging approach means changes in the New Zealand dollar will still impact the Farmgate Milk Price, but it will impact at a later date and we can estimate with greater certainty what the impact of that change will be. As a result, hedging provides increased certainty on what the FX conversion rate for the season will be and means a narrower range on the forecast Farmgate Milk Price compared to not hedging.

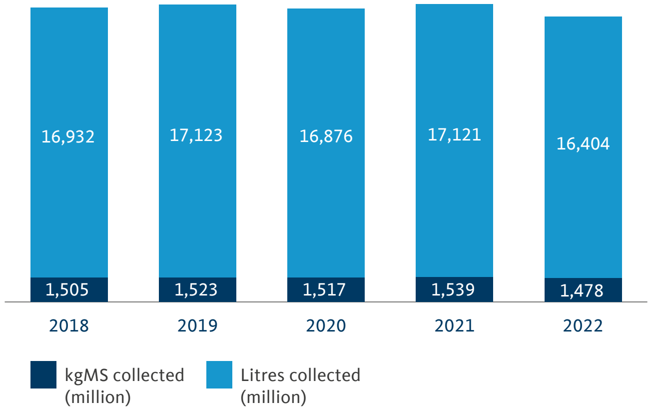
1 The future conversion rate is only an estimate because forecast USD receivables are only partially hedged over the forecast 18 month period and the hedges include options so the final conversion rate can vary.

Group Operations

Group Operations is comprised of the functions that the Chief Operating Officer (COO) has responsibility for (including New Zealand milk collection and processing operations and assets, global supply chain, digital and information technology, sustainability and innovation); Fonterra Farm Source™ retail stores; and the Central Portfolio Management (CPM) function. CPM's goal is to optimise our business by connecting customers with our assets, farmers and markets to allocate our milk to the most valuable products and regions. It includes optimising New Zealand milk collections, in-market product pricing support for the regions, managing Fonterra's dairy and non-dairy product price risk, as well as providing customer and farmer price risk management tools.

Milk powder plant, Whareroa

Litres and Milk Solids Collected



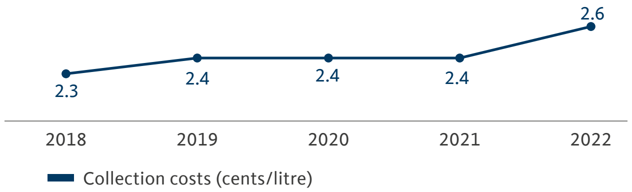
The performance of our Group Operations team during the 2022 financial year demonstrated the resilience of the team alongside in-market sales teams. The team successfully collected over 16 billion litres of milk from our supplying shareholders, and then processed, packed, cleared and shipped 2.35 million metric tonnes to our customers around the world, while anticipating, adapting and working with the many challenges caused by the COVID-19 pandemic. This resilience, and the ability to continue operating effectively over the year, is due to our people, our partnerships, and ability to be agile.

This year we collected 16,404 million litres of milk from the Co-operative's farmers, which equated to 1,478 million kgMS.

Around 11 litres of milk produces 1kg of milk solids, or about 9% of milk collected is solids, and the rest is other components of milk and water.

The Co-operative experienced increases in a number of input costs, including the cost of diesel increasing 48%. These impacted milk collection costs per litre.

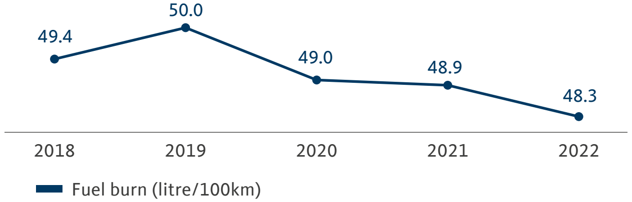
Cost of Collecting Milk



In response to these pressures, the Co-operative uses data analytics to provide a view of fuel efficiency by tanker and driver, to enable targeted vehicle tuning and training to drivers to improve fuel efficiency. As a result, the litres used per 100km continues to decrease and has helped to reduce the impact of the rising cost of fuel.

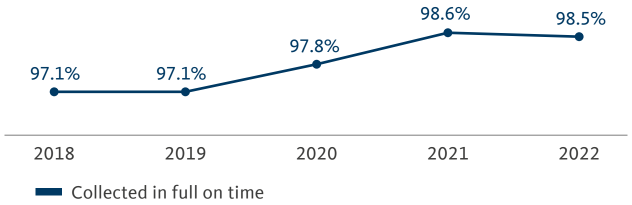
The recently installed on-farm milk vat monitoring technology continues to deliver efficiencies. It has enabled us to improve the way we plan and manage milk collection efficiently, enabling us to further reduce our tanker fleet and improve asset utilisation.

Fuel Efficiency when Collecting Milk



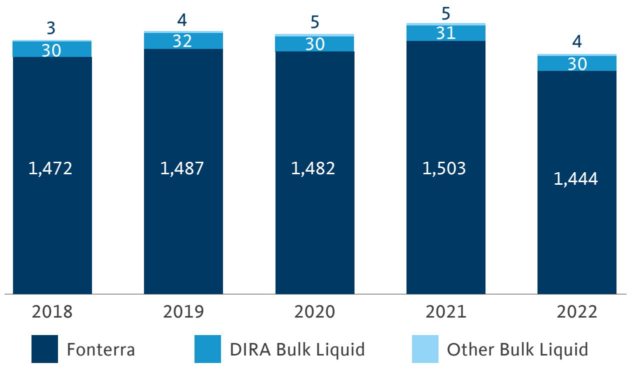
"Collected in full on time" (CIFOT) is the measure of how well we have performed in collecting our farmer owners' milk within our planned collection windows. This is important for farmer engagement and milk processing. Despite the challenges of COVID-19 this year our collections team has worked hard to maintain the integrity of our timeliness of collecting milk.

Timeliness of Collecting Milk



Milk solids available to process and where we allocated them

Milk Solids Processed and Bulk Liquid Sales (million kgMS)



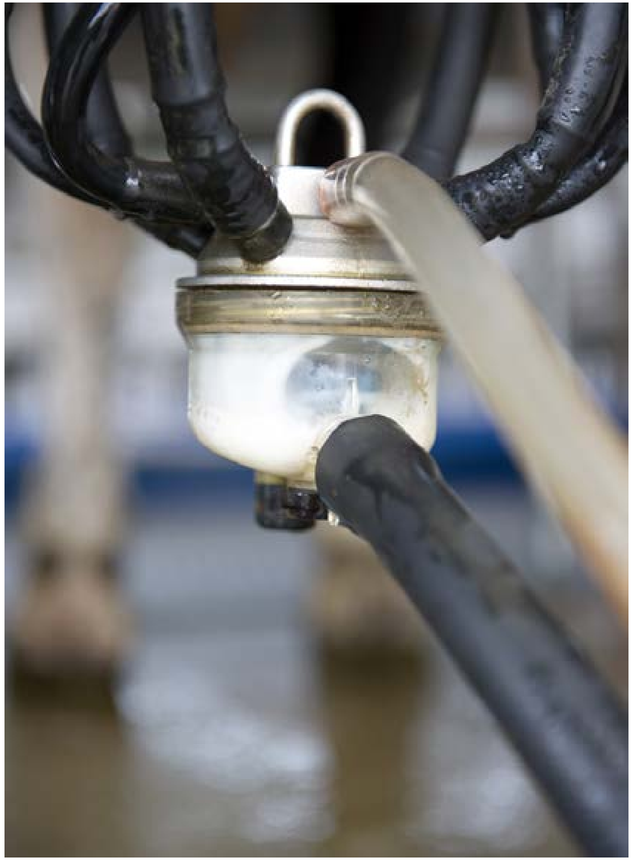
We process around 98% of the milk we collect in New Zealand.

In some instances, we choose to enter into commercial agreements to provide bulk liquids to other processors in New Zealand and under the Dairy Industry Restructuring Act (DIRA) raw milk regulations we are required to provide up to 600 million litres of milk each season to eligible independent third-party processors (including Goodman Fielder) at the regulated price. Goodman Fielder is entitled to buy up to 350 million litres of the overall eligible independent processor entitlement.

The regulated price for eligible processors (other than Goodman Fielder) is Fonterra's Farmgate Milk Price plus the reasonable costs of transporting the milk to the processor. The regulated price for Goodman Fielder is Fonterra's Farmgate Milk Price plus reasonable costs of transporting the milk to Goodman Fielder and, an additional charge of 10 cents per kgMS. The additional charge enables Fonterra to recover a contribution to the overall costs of milk sourcing and the costs of providing Goodman Fielder with a "flat supply curve" of milk across the season.

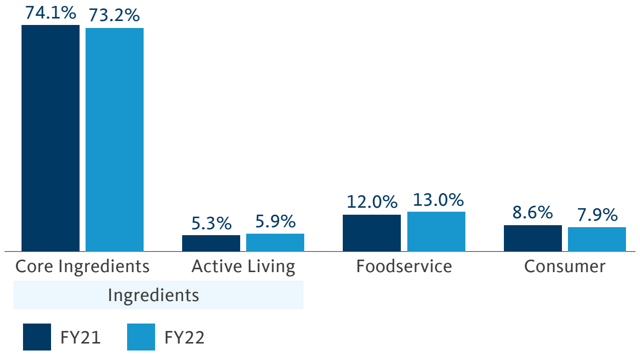
With the remaining milk solids we process, we continue to focus on allocating milk into the products that generate the best overall returns to Fonterra and our farmer owners.

We do this through our Central Portfolio Management (CPM) function. CPM's goal is to optimise our business by connecting customers with our assets, farmers and markets.



New Zealand Milk Solids Allocation by Product Channel

(% of milk solids)



A key driver to our strategy and earnings growth is shifting our New Zealand milk into higher margin products, particularly in our Active Living portfolio and Foodservice channel.

The growth of our Active Living portfolio this year was driven by increased demand for our milk protein concentrate, casein and caseinate products.

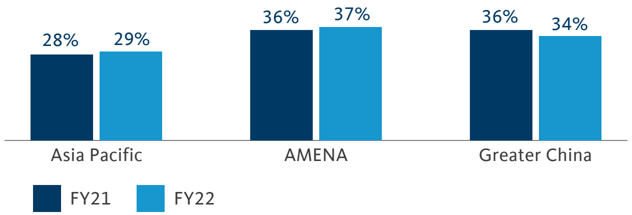
The allocation of milk solids to our Foodservice channel has continued to grow, as innovation enables us to expand the uses of our UHT cream range within our Anchor Food Professionals brand.

Milk solids allocated to our Core Ingredients portfolio have reduced as we grow our Active Living portfolio and Foodservice channel.

The percentage of solids our Consumer channel received this year was impacted by our choice to limit sales volumes in Sri Lanka while the economic crisis unfolds.

New Zealand Milk Solids Allocation by Region

(% of milk solids)

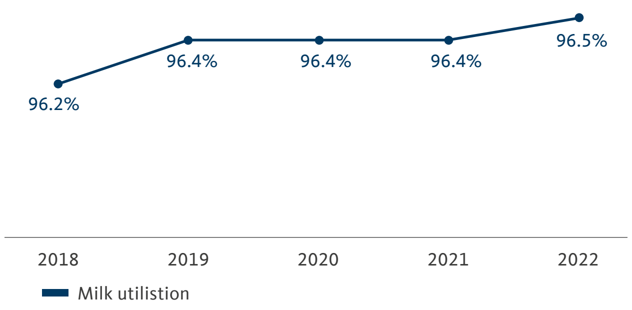


AMENA's increased allocation of milk solids was driven by the growth in the Active Living channel and the strong demand for our protein products.

AMENA and Asia Pacific allocation percentages naturally lifted due to our overall lower milk collections which impacted the allocations to Greater China more, where COVID-19 lockdowns impacted demand for powders, particularly WMP, during the second half of the financial year.

Milk Processing Performance

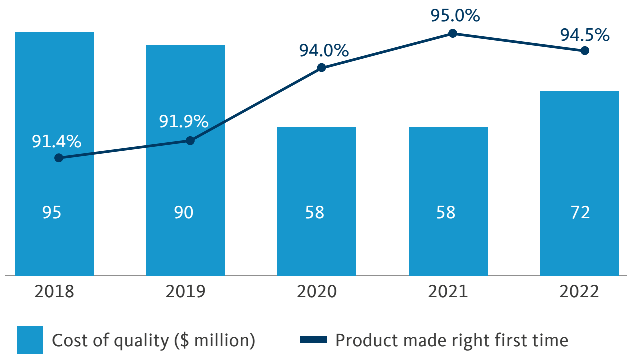
Portion of Milk Solids Made into Product



Within our New Zealand Manufacturing operations, milk utilisation (the proportion of milk solids made into products) improved slightly on last year. This was mainly due to improvements in our cheese processing and better planning and scheduling of by-product streams, such as whey, which is produced during the manufacturing of cheese and casein.

This improvement was achieved despite our product mix shifting out of core ingredients, including manufacturing eight per cent less WMP, and into manufacturing more complex products. The more complex products can incur greater processing losses of milk solids but provide greater earnings to the Co-operative and represent the greatest overall return for our milk solids.

Product Made Right First Time



Product made 'right first time' tracks the product that passes grading tests once the product is manufactured. Over the past five years it has trended favourably with our focus on quality and reliability. However, product made 'right first time' decreased by 0.5% this year due to challenges achieving bulk density and vitamin specifications on some of our more complex products.

Cost of quality, one of our key indicators of the effectiveness of our manufacturing activity, has been trending favourably over the past five years through using a risk-based quality management programme, better process control and plant stability supported by capital investment. However, cost of quality increased $14 million this year, mainly due to the higher value of milk per tonne, two specific bacterial issues that were identified by our food safety and quality controls and stopped the product being released from the factory, and an ingredient formulation issue. The cost of quality this year is equivalent to 0.4% of our New Zealand cost of goods sold.

We expect both our product made 'right first time' and cost of quality to return to favourable trends.

Supply Chain and Logistics

In the 2022 financial year, we shipped 2.35 million tonnes of product to customers across the world with the support of Kotahi (Fonterra's ocean freight partnership with Silver Fern Farms) and Coda (our New Zealand domestic land freight partnership with Port of Tauranga) despite significant global supply chain disruptions.

Global supply chains continued to experience substantial disruption during the financial year, primarily due to COVID-19, including a two-month closure of Shanghai Port. Shipping schedule integrity remained at levels below 40% for the second consecutive year, compared to a long-term average of 80%, with high volumes of sales and shipping orders requiring rescheduling and manual intervention. Similarly, to our milk collections, the rest of our supply chain has also experienced significant increases in diesel prices. Our focus remains on ongoing cost reduction, driven by network optimisation and asset efficiency.

Overall, Fonterra's shipped volumes were lower than the prior year due to reduced milk volumes, supply chain disruptions, temporary impacts to demand, and physical supply chain issues related to vessel arrivals and weather impacts on the landside supply chain in the final weeks of the financial year.

In response to the challenging global supply chain environment, we continued to leverage our strategic partnerships and through the commitment, agility, and operational understanding of our people, and we have been able to secure additional shipping capacity, optimise our network and increase productivity.

Port of Tauranga

Group Operation Attribution to Regional Segments

Overall, the Group Operations' EBIT has increased $307 million to $189 million relative to the prior year.

The significant improvement to our Group Operations' EBIT is mainly due to higher gross margins achieved in our protein portfolio, particularly in casein and WPC. This has been achieved by higher product pricing reflecting strong demand across multiple markets and products at a time of constrained milk supply.

In the 2021 financial year, the Group Operations' result was adversely impacted by gross margins on bulk liquids and the lagged impact of longer-term pricing arrangements in sales contracts as the cost of milk increased. These factors did not impact the 2022 financial year to the same extent.

In addition, our commodity hedging programme has enabled us to stabilise product margins as the cost of milk increased throughout the year by matching customers' need for price certainty with financial market instruments and fixed milk price contracts.

In broad terms, Group Operations collects and processes New Zealand milk into the most valuable products that are then sold to our customers by the regional business units. The segment reporting within the Financial Statements is prepared based on the regional business units, with the income statement of Group Operations attributed between the three regional business units. This attribution enables the results of both the regional business and product channels to be presented on an end-to-end basis.

When products are transferred between Group Operations and the regions, the internal prices are determined by market-based commodity reference prices (e.g., GDT and other external benchmarks) and include charges, where appropriate, to reflect the additional costs of producing non-commoditised products. The internal pricing is reviewed weekly for Ingredients products and either monthly or quarterly for Consumer and Foodservice products.

The Group Operations performance (that is attributed to the three regions) includes movements in the capital charge on the notional Milk Price asset base pursuant to the Milk Price Manual, the impact of longer-term pricing commitments, product mix and price relativities between reference and non-reference ingredient products.

When attributing the results of Group Operations to the regions, the principle is for the end-to-end contribution to reflect the underlying transaction between Fonterra and the customer, where possible. If costs are not directly linked to transactions, such as overheads, attributions are activity based where appropriate e.g. Information Technology and Research and Development. If none of these principles applies, the attribution uses the share of product sold/manufactured in the region as the base of allocation.

Group Operations' Attribution

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS EBIT NZD MILLION	TOTAL		CHANGE	ASIA PACIFIC		CHANGE	AMENA		CHANGE	GREATER CHINA		CHANGE
	2021	2022		2021	2022		2021	2022		2021	2022	
Group Operations' attribution to regional segments	(118)	189	307	(3)	67	70	(99)	70	169	(16)	52	68

Summary by Region and Product Channels

The Group's reportable segments are the three regional business units; Asia Pacific, AMENA and Greater China, and are inclusive of their respective attribution of Group Operations. This provides a full end-to-end view of the performance for each customer-facing regional business unit. Additionally, insights are provided by showing a breakdown of the three main product channels – Ingredients, Foodservice and Consumer.

Our region and product channel performance and commentary in this section and the subsequent sections on individual regions and product channels are prepared on a normalised continuing operations basis unless stated otherwise.

This year all three regions' Ingredients channels benefited from the broad strengthening of product prices and higher margins, particularly in our protein products such as casein. More detail on the drivers of the Ingredients channel have been provided in the Ingredients channel performance section on page 43.

The regions' Foodservice and Consumer channels have worked with customers to adjust in-market sales prices to reflect increased costs, particularly the significant increase in the cost of milk. However, we have not been able to adjust pricing at the same rate as our cost increases and this has been a driver for our Foodservice and Consumer channel performances being down, as well as several region-specific challenges in the Consumer channel.




	Asia Pacific	AMENA	Greater China	Totals
Volume ('000 MT)[1]	1,370 1% ↓	1,355 no change	1,029 13% ↓	3,754 4% ↓
EBIT contribution[1,2]				
Ingredients	$192m $168m ↑	$442m $231m ↑	$282m $152m ↑	$916m $551m ↑
Foodservice	$(13)m $92m ↓	$(4)m $19m ↓	$155m $120m ↓	$138m $231m ↓
Consumer	$58m[3] $144m ↓	$89m $21m ↓	$(5)m $3m ↓	$142m $168m ↓
Total	$237m $68m ↓	$527m $191m ↑	$432m $29m ↑	

Note: Figures are for the year ended 31 July 2022

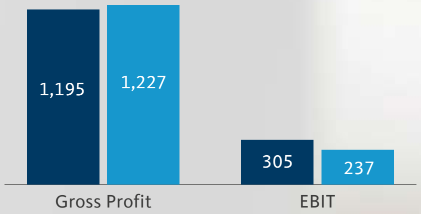
1 Prepared on a normalised continuing operations basis. Normalised EBIT contributions sums to $1,196 million, and does not align to reported continuing operations due to excluding unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period.

2 Inclusive of Group Operations' EBIT attribution.

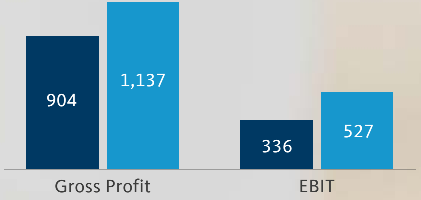
3 Includes $(80) million adverse revaluation of payables in Sri Lanka.

Regions

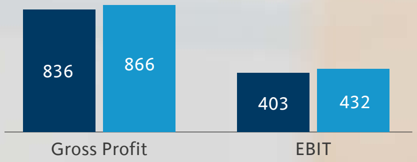
Asia Pacific



AMENA



Greater China



2021 2022

Note: Figures are for the year ended 31 July. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations.

Asia Pacific

Asia Pacific's EBIT was $237 million, a decrease of $68 million, or 22%, on the prior year.

Asia Pacific's Ingredients channel EBIT increased significantly from $24 million to $192 million due to higher gross margins. In particular, the New Zealand Ingredients channel benefited from improved margins in bulk liquids and its protein portfolio, including products like casein. The strong improvement in the Ingredients channel was more than offset by the collective $236 million decrease in EBIT from the Foodservice and Consumer channels, with both channels impacted by the increased cost of milk and weaker market conditions, particularly in South East Asia. The Foodservice channel EBIT was a loss of $13 million. The Consumer channel EBIT was down 71% to $58 million, and in addition to lower gross margins was also impacted by the economic crisis in Sri Lanka, which led to lower sales volumes and an adverse revaluation of $80 million of Sri Lanka business payables. In addition, we recognised an impairment of $34 million on our Asia Brands - Anmum, Anlene and Chesdale, with the carrying amount of these brands now at $336 million as at 31 July 2022.

Our Asia Pacific business covers New Zealand, Australia, Pacific Islands, South East Asia, and South Asia.

Asia Pacific Performance[1]

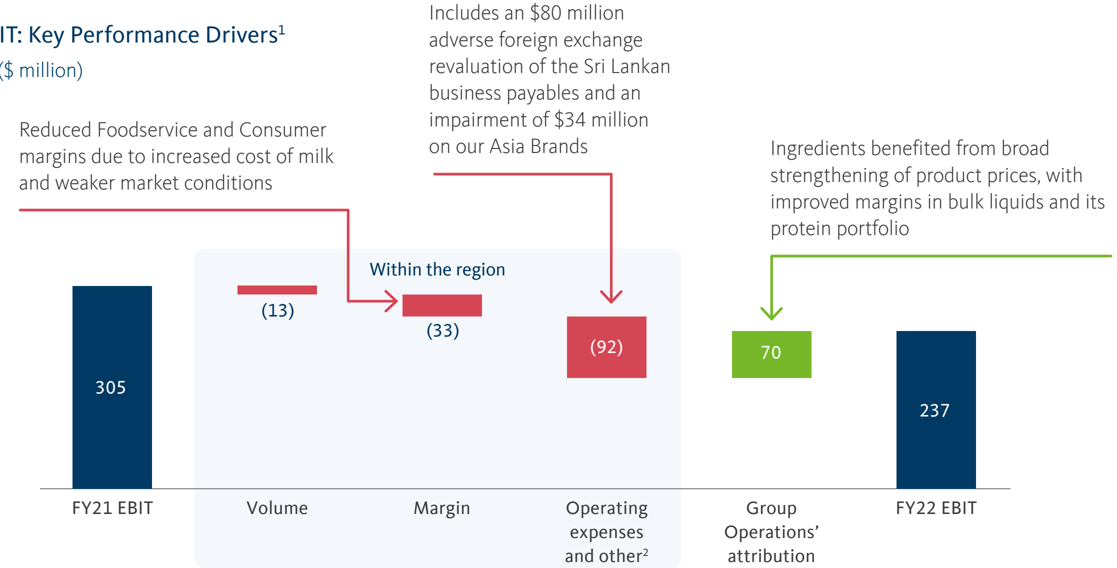
FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	1,386	1,370	(1)%	610	605	(1)%	163	177	9%	613	588	(4)%
Revenue	7,110	7,879	11%	3,654	4,325	18%	930	1,079	16%	2,526	2,475	(2)%
Cost of goods sold	(5,915)	(6,652)	(12)%	(3,382)	(3,866)	(14)%	(712)	(948)	(33)%	(1,821)	(1,838)	(1)%
Gross profit	1,195	1,227	3%	272	459	69%	218	131	(40)%	705	637	(10)%
Operating expenses	(889)	(941)	(6)%	(254)	(290)	(14)%	(139)	(142)	(2)%	(496)	(509)	(3)%
Other[4]	(1)	(49)	–	6	23	283%	–	(2)	–	(7)	(70)	900%
EBIT[5]	305	237	(22)%	24	192	700%	79	(13)		202	58	(71)%
Includes EBIT attribution from Group Operations[6]	(3)	67	–									
Gross margin	16.8%	15.6%		7.4%	10.6%		23.4%	12.1%		27.9%	25.7%	
EBIT margin	4.3%	3.0%		0.7%	4.4%		8.5%	(1.2)%		8.0%	2.3%	

1 Asia Pacific performance is prepared on a continuing operations basis. Comparative information includes representations for consistency with current period.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Includes sales to other segments.
4 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
5 This includes EBIT attribution from Group Operations.
6 This is included in Asia Pacific's EBIT. Refer to Glossary for explanation of Group Operations.

Asia Pacific EBIT: Key Performance Drivers[1]

Normalised EBIT ($ million)



1 Asia Pacific performance is prepared on a continuing operations basis.

Asia Pacific EBIT: Key Performance Drivers[1]

FOR THE YEAR ENDED 31 JULY 2022

NORMALISED BASIS NZD MILLION	TOTAL	INGREDIENTS	FOODSERVICE	CONSUMER
EBIT 2021	305	24	79	202
Volume	(13)	(1)	16	(28)
Margin (price, cost and product mix)	(33)	89	(77)	(45)
Operating expenses and other[2]	(92)	6	(11)	(87)
Group Operations attribution	70	74	(20)	16
EBIT 2022	237	192	(13)	58

1 Asia Pacific performance is prepared on a continuing operations basis. Comparative information includes representations for consistency with current period.
2 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.

Australia

Our Australian business continued its positive momentum, with EBIT significantly improved on the prior year as a result of robust demand conditions across all three channels. The growth trajectory of our strong Consumer brands has continued, as illustrated in the graph to the right. The Ingredients channel benefited from a broad strengthening of dairy prices in the domestic and global market, including benefiting from a weaker Australian dollar. The improved Ingredients channel performance was partially offset by rising input costs in the Foodservice and Consumer channels.

Australia Performance[1]

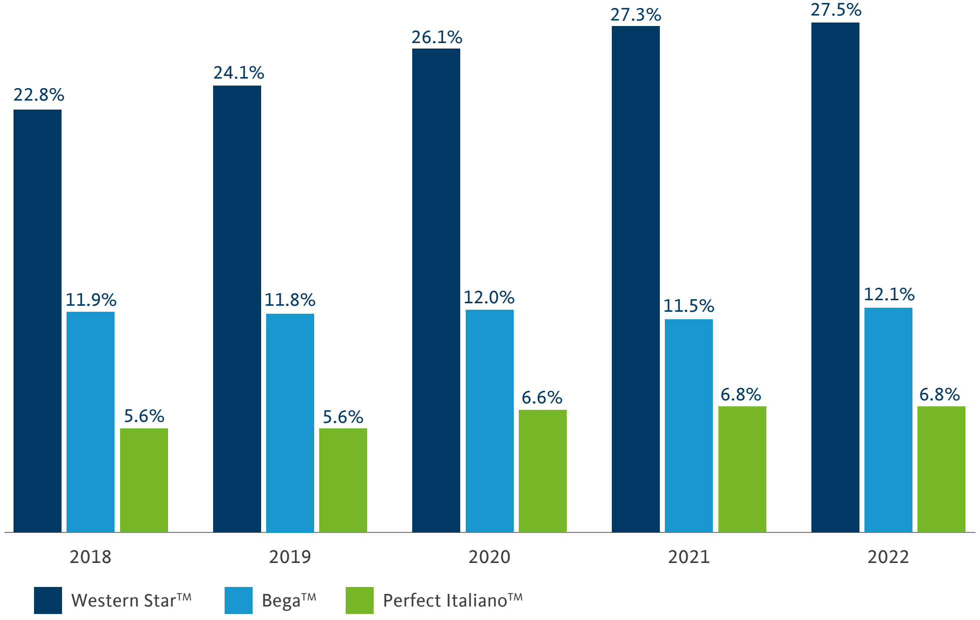
FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	2021	2022	CHANGE[2]
Milk collection (million kgMS)	106	106	–
Sales volume ('000 MT)[3]	373	365	(2)%
Revenue	1,953	2,094	7%
Cost of goods sold	(1,710)	(1,811)	(6)%
Gross profit	243	283	16%
Operating expenses	(167)	(178)	(7)%
Other[4]	(2)	1	–
EBIT	74	106	43%
Gross margin	12.4%	13.5%	
EBIT margin	3.8%	5.1%	

1 Australia's performance is prepared on a continuing operations basis and is prior to Group Operations attribution.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Includes sales to other segments.
4 Consists of other operating income and net foreign exchange gains/(losses).

Fonterra Australia Value Market Share by Brand[1]

MAT Aug-18 to MAT Aug 22, percentage share of category
Source: Nielsen RMS, Total AU grocery scan



1 Comparative figures are shown on a consistent basis with current year.

AMENA

AMENA's EBIT was $527 million, an increase of $191 million, or 57%, on the prior year.

The improved EBIT was mainly due to an increase of $231 million to $442 million in the Ingredients channel, due to higher gross margins particularly in our protein products such as casein. Product mix in the Ingredients channel also improved as we continue to develop demand for our speciality ingredients in our Active Living portfolio. Our consumer business in Chile performed well and was the primary driver of our sub-region Latin America increasing its EBIT by 23% to $92 million. Chile's performance was due to sales volume growth stimulated by the Chilean Government's programmes to support citizens through COVID-19. Overall, the Consumer channel EBIT was down 19%, from $110 million to $89 million, mainly due to a temporary reduction in business for our Middle East third-party manufacturing business as it transitioned between customers during the year.

Our AMENA business covers Africa, Middle East, Europe, North Asia and the Americas.

AMENA Performance[1]

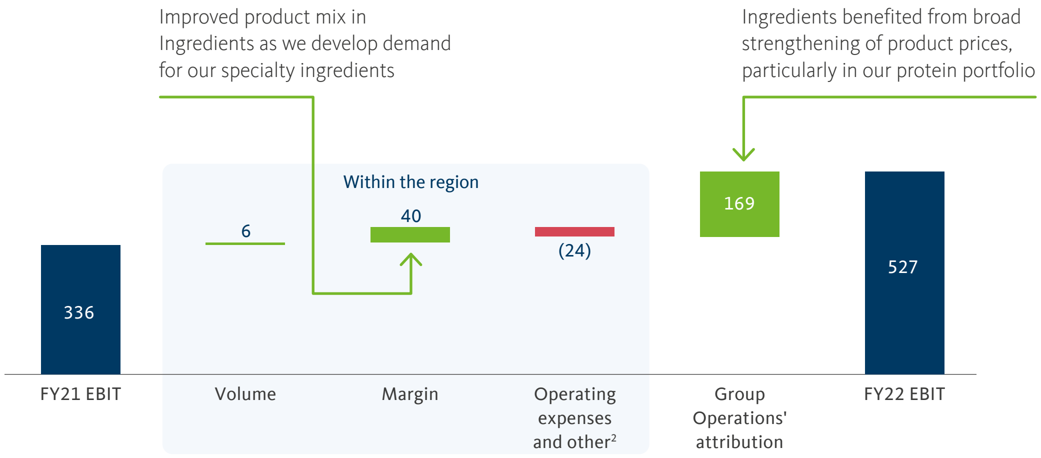
FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL 2021	TOTAL 2022	TOTAL CHANGE[2]	INGREDIENTS 2021	INGREDIENTS 2022	INGREDIENTS CHANGE[2]	FOODSERVICE 2021	FOODSERVICE 2022	FOODSERVICE CHANGE[2]	CONSUMER 2021	CONSUMER 2022	CONSUMER CHANGE[2]
Sales volume ('000 MT)[3]	1,352	1,355	–	912	895	(2)%	61	73	20%	379	387	2%
Revenue	7,304	8,612	18%	5,784	6,899	19%	338	411	22%	1,182	1,302	10%
Cost of goods sold	(6,400)	(7,475)	(17)%	(5,250)	(6,113)	(16)%	(296)	(381)	(29)%	(854)	(981)	(15)%
Gross profit	904	1,137	26%	534	786	47%	42	30	(29)%	328	321	(2)%
Operating expenses	(605)	(674)	(11)%	(354)	(401)	(13)%	(28)	(35)	(25)%	(223)	(238)	(7)%
Other[4]	37	64	73%	31	57	84%	1	1	0%	5	6	20%
EBIT[5]	336	527	57%	211	442	109%	15	(4)	(127)%	110	89	(19)%
Includes EBIT attribution from Group Operations[6]	(99)	70	–									
Gross margin	12.4%	13.2%		9.2%	11.4%		12.4%	7.3%		27.7%	24.7%	
EBIT margin	4.6%	6.1%		3.6%	6.4%		4.4%	(1.0)%		9.3%	6.8%	

1 AMENA performance is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Includes sales to other segments.
4 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
5 Includes EBIT attribution from Group Operations.
6 Included in AMENA's EBIT. Refer to Glossary for explanation of Group Operations.

AMENA EBIT: Key Performance Drivers[1]

Normalised EBIT ($ million)



AMENA EBIT: Key Performance Drivers[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL	INGREDIENTS	FOODSERVICE	CONSUMER
EBIT 2021	336	211	15	110
Volume	6	(9)	8	7
Margin (price, cost and product mix)	40	64	(16)	(8)
Operating expenses and other[2]	(24)	(2)	(8)	(14)
Group Operations attribution	169	178	(3)	(6)
EBIT 2022	527	442	(4)	89

1 AMENA performance is prepared on a continuing operations basis.
2 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.

Latin America

The performance of our Latin America business was driven by our consumer business in Chile. The performance of our Chilean business is discussed in more detail in the Consumer channel section on page 51.

Latin America Performance[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	379	388	2%
Revenue	1,045	1,131	8%
Cost of goods sold	(760)	(822)	(8)%
Gross profit	285	309	8%
Operating expenses	(211)	(217)	(3)%
Other[4]	1	–	(100)%
EBIT	75	92	23%
Gross margin	27.3%	27.3%	
EBIT margin	7.2%	8.1%	

1 Latin America performance is prepared on a continuing operations basis and is prior to Group Operations attribution. Latin America includes Chile and Brazil but excludes DPA Brazil, which is classified as a discontinued operation.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Includes sales to other segments.
4 Consists of other operating income and net foreign exchange gains/(losses).

Greater China

Greater China's EBIT was $432 million, an increase of $29 million, or 7%, on the prior year.

The improved EBIT was due to an $152 million increase in the Ingredients EBIT, from $130 million to $282 million. This was partially offset by the lower sales volumes and gross margins achieved in the Foodservice and Consumer channel due to increased input costs and the impact of strict COVID-19 restrictions. The Foodservice channel was impacted the most, down $120 million, from $275 million to $155 million.

Greater China Performance[1]

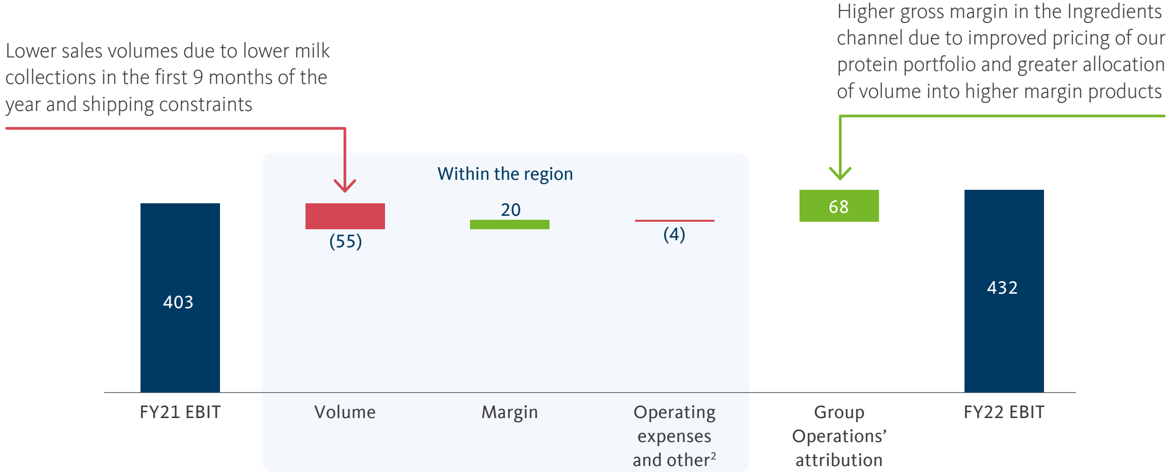
FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	1,176	1,029	(13)%	824	697	(15)%	274	259	(5)%	78	73	(6)%
Revenue	6,312	6,660	6%	4,259	4,479	5%	1,691	1,824	8%	362	357	(1)%
Cost of goods sold	(5,476)	(5,794)	(6)%	(3,961)	(4,040)	(2)%	(1,274)	(1,506)	(18)%	(241)	(248)	(3)%
Gross profit	836	866	4%	298	439	47%	417	318	(24)%	121	109	(10)%
Operating expenses	(436)	(464)	(6)%	(164)	(180)	(10)%	(148)	(169)	(14)%	(124)	(115)	7%
Other[4]	3	30	900%	(4)	23	–	6	6	0%	1	1	0%
EBIT[5]	403	432	7%	130	282	117%	275	155	(44)%	(2)	(5)	(150)%
Includes EBIT attribution from Group Operations[6]	(16)	52	–									
Gross margin	13.2%	13.0%		7.0%	9.8%		24.7%	17.4%		33.4%	30.5%	
EBIT margin	6.4%	6.5%		3.1%	6.3%		16.3%	8.5%		(0.6)%	(1.4)%	

1 Greater China performance is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Includes sales to other segments.
4 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
5 Includes EBIT attribution from Group Operations.
6 Included in Greater China's EBIT. Refer to Glossary for explanation of Group Operations.

Greater China EBIT: Key Performance Drivers[1]

Normalised EBIT ($ million)



Greater China EBIT: Key Performance Drivers[1]

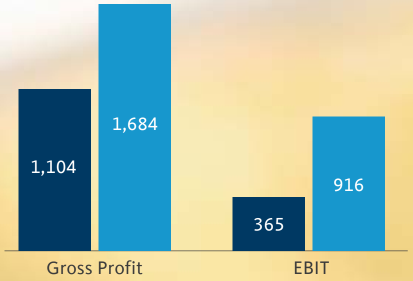
FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL	INGREDIENTS	FOODSERVICE	CONSUMER
EBIT 2021	403	130	275	(2)
Volume	(55)	(27)	(20)	(8)
Margin (price, cost and product mix)	20	54	(27)	(7)
Operating expenses and other[2]	(4)	8	(21)	9
Group Operations attribution	68	117	(52)	3
EBIT 2022	432	282	155	(5)

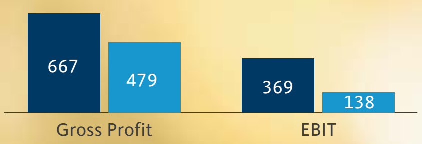
1 Greater China performance is prepared on a continuing operations basis.
2 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.

Product Channels

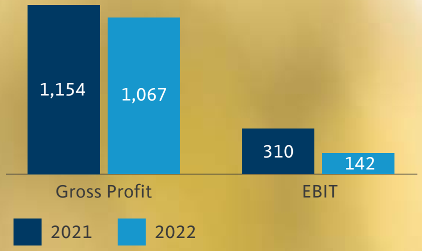
Ingredients



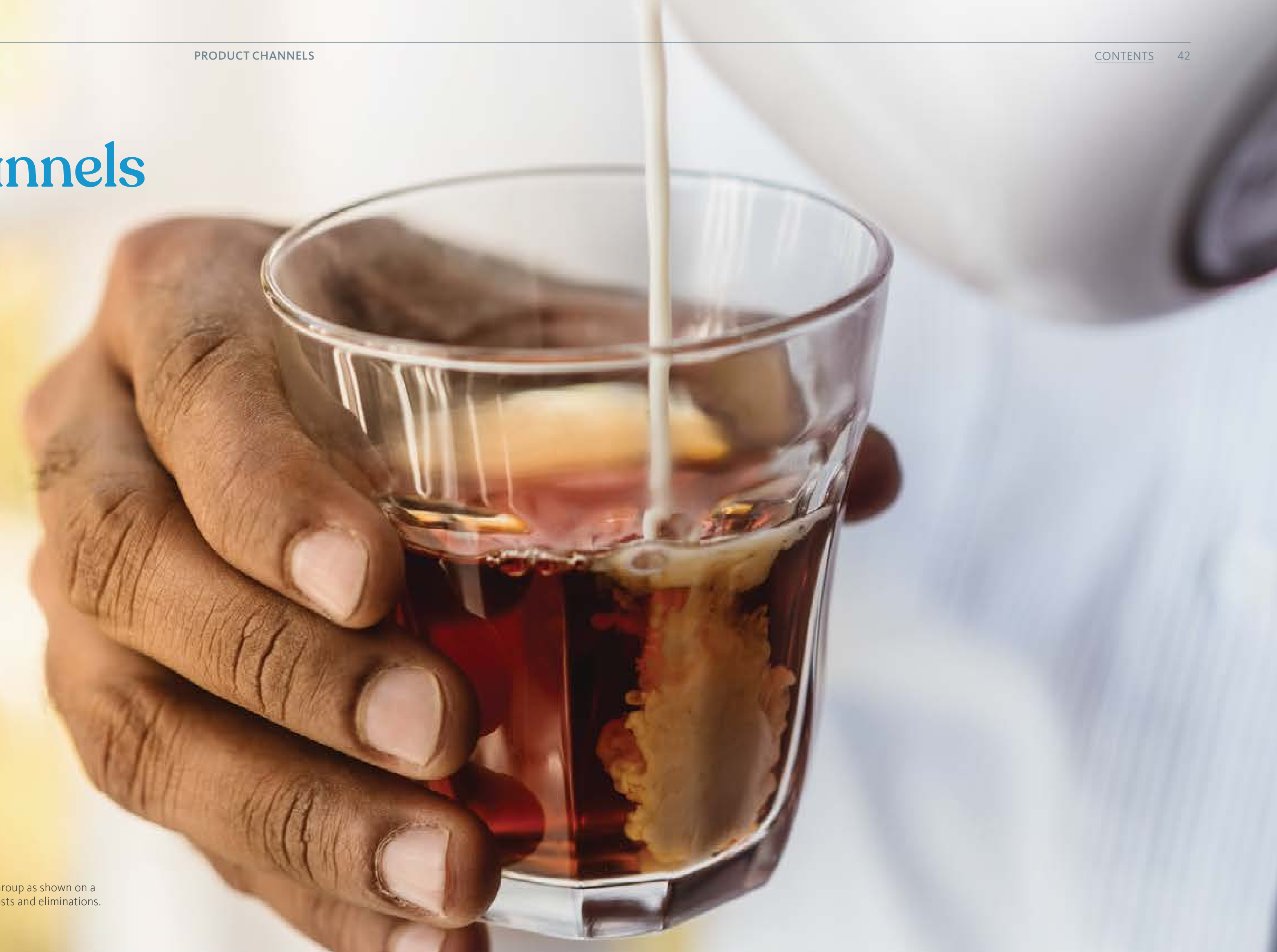
Foodservice



Consumer



Note: Figures are for the year ended 31 July. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations.



Ingredients

The significant increase in earnings from our Ingredients channel reflects strong demand across multiple markets and products at a time of constrained milk supply. The stronger underlying market demand resulted in a broad strengthening of product prices and higher margins were achieved across our Ingredients portfolio, particularly in our protein products such as casein.

Ingredients' Performance[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	2,346	2,197	(6)%
Revenue	13,697	15,703	15%
Cost of goods sold	(12,593)	(14,019)	(11)%
Gross profit	1,104	1,684	53%
Operating expenses	(772)	(871)	(13)%
Other[4]	33	103	212%
EBIT[5]	365	916	151%
Includes EBIT attribution from Group Operations[6]	(109)	260	–
Gross margin	8.1%	10.7%	
EBIT margin	2.7%	5.8%	

1 Ingredients' performance is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Includes sales to other channels.
4 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
5 Includes EBIT attribution from Group Operations.
6 Included in Ingredients' EBIT. Refer to Glossary for explanation of Group Operations.

Our Ingredients channels EBIT increased $551 million, or 151%, to $916 million, mainly due to improved product pricing and product mix, partially offset by lower sales volumes. Our sales volumes were impacted by lower milk collections over the first nine months of the financial year, and shipping disruptions in the final quarter relating to continuing scheduling difficulties compounded by challenging weather conditions through July.

Part of our improved product mix within our Ingredients channel has been the increased allocation of New Zealand milk solids to our Active Living products as we look to shift volume away from Core Ingredients products to higher value products.

Allocation of New Zealand Milk Solids

Core Ingredients

73.2%

from 74.1% ↓

Active Living

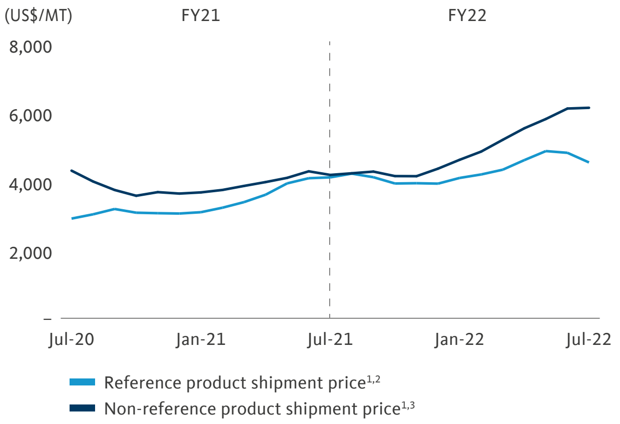
5.9%

from 5.3% ↑

Shifting milk solids allocation away from Core Ingredients products to higher value products

A key driver of our EBIT in our Ingredients channel is the relative price movements between product prices that inform the Farmgate Milk Price, referred to as reference products, and products prices that inform EBIT, referred to as non-reference products.

Price Relativities



Source: GlobalDairyTrade

1 The shipment price is a weighted average price of GDT contracts struck 1 to 5 months prior to the agreed shipment month. Shipment month is the month in which the sale would be deemed for financial reporting purposes to have been completed, and will normally be the month in which the sale is invoiced and the product is shipped.

2 Reference product shipment price is represented by a weighted average of the WMP, SMP, AMF and butter prices achieved on GDT.

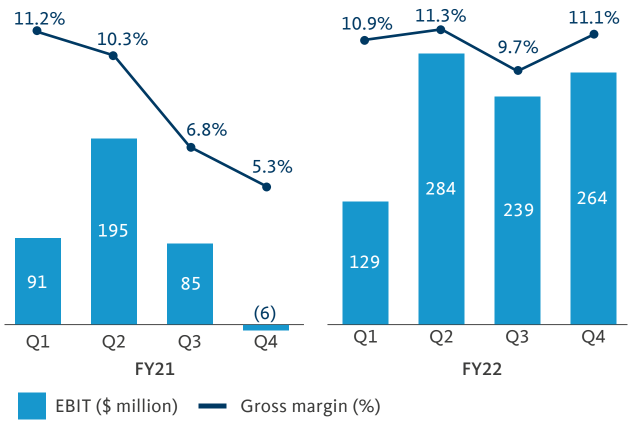
3 Non-reference product shipment price is represented by the cheddar prices achieved on GDT.

As depicted in the price relativities graph, the revenue price difference between reference products and non-reference products widened over the course of the year and have become particularly favourable in the last quarter.

The strong rise in both reference and non-reference product prices enabled the Co-operative to deliver both a higher Farmgate Milk Price and earnings.

The impact from the price relativities on our performance compared to the prior year can be seen in our Ingredients quarterly gross margin and EBIT. The Ingredients – Performance by Quarter graph illustrates the significant improvement in price relativities year on year, particularly in the second half where EBIT was $424 million, or 537%, higher than the last six months of the prior year. The quarterly EBIT figures also highlight that the second quarter, November to January, is our largest shipment period, reflective of the seasonal peak in milk collections during October.

Ingredients – Performance by Quarter



New Zealand Sourced Ingredients' Product Mix[1]

FOR THE YEAR ENDED 31 JULY

	2021		2022	
Sales Volume ('000 MT)				
Reference products		1,817		1,629
Non-reference products		884		882
	$ billion	$ per MT	$ billion	$ per MT
Revenue				
Reference products	9.4	5,162	10.4	6,361
Non-reference products	5.1	5,780	5.7	6,951
Cost of Milk				
Reference products	(7.4)	(4,069)	(8.3)	(5,077)
Non-reference products	(3.3)	(3,678)	(3.7)	(4,494)

1 Table includes Ingredient's products that are on-sold to the Foodservice and Consumer channel. Table excludes bulk liquid milk. Bulk liquids for the year ended 31 July 2022 was 68,000 MT of kgMS equivalent (the year ended 31 July 2021 was 72,000 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 919 million kgMS in reference and 424 million kgMS non-reference (previous comparable period 1,019 million kgMS reference and 442 million non-reference).

With lower milk collections this year, we chose to allocate less milk solids to reference products, mainly whole milk powder (WMP). Our sales volume of WMP is also down due to this being the main product that was impacted by shipping disruptions in the final quarter relating to continuing scheduling difficulties compounded by challenging weather conditions through July. Overall, reference product sales volumes were down 10%, whereas non-reference product volume, despite the lower milk collections, were relatively stable – reflecting our focus on allocating more milk solids into higher margin products.

The average reference product sale price per metric tonne has increased 23% compared to last year, largely following the pricing we have seen on GDT over the period. Anhydrous milk fat (AMF) and butter, fat based dairy products, recorded the strongest increases within the reference products increasing 31% and 29%, respectively. WMP and skim milk powder (SMP) both increased 20%.

The average non-reference sale price per metric tonne has increased 20% compared to last year. While lower than the reference portfolio increase, this is still a strong performance with individual products such as casein and whey protein concentrate (WPC) having increased 30% and 32% respectively, contributing to a significantly higher total margin than last year. Other products, such as cheese, have had more modest prices increases at 11% and have lower year on year margins reflecting both the slower rate of price increases this year and the favourable price relativities experienced in the first half of last year.

The cost of milk allocated to our products is a function of the fat and protein value of the Farmgate Milk Price which is determined from the prices achieved from the sale of our reference products.

The stronger price increase in AMF and butter (fat based products), relative to the other reference products has resulted in the fat based dairy components getting a higher allocation of milk cost, relative to protein dairy components. Therefore, while the cost of milk has gone up for all products, the rate of the increase was less in our protein portfolio.

The significant price increases in protein products such as casein and WPC, coupled with the lower increase in milk costs relative to reference products, has meant higher margins for our non-reference products. This is the main driver behind the increased EBIT derived from our New Zealand milk.

In addition, our price risk management service offerings to our customers and farmers which provides them with increased certainty, has provided margin stability as milk costs increased over the year from an opening forecast midpoint of $8.00 per kgMS to the final milk price of $9.30 per kgMS.

New Zealand Milk – Ingredients Performance[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL			ASIA PACIFIC			AMENA			GREATER CHINA		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Allocation of milk solids (% of kgMS)[3]	79%	79%										
Sales volume ('000 MT)	2,103	1,948	(7)%	502	494	(2)%	801	777	(3)%	800	677	(15)%
NZD million												
Revenue	12,542	14,315	14%	3,111	3,680	18%	5,269	6,254	19%	4,162	4,381	5%
Cost of goods sold	(11,465)	(12,730)	(11)%	(2,826)	(3,295)	(17)%	(4,769)	(5,493)	(15)%	(3,870)	(3,942)	(2)%
Gross profit	1,077	1,585	47%	285	385	35%	500	761	52%	292	439	50%
Operating expenses	(696)	(818)	(21)%	(205)	(249)	(21)%	(327)	(389)	(19)%	(164)	(180)	(10)%
Other[4]	34	102	200%	7	23	229%	31	56	81%	(4)	23	–
EBIT[5]	415	869	100%	87	159	83%	204	428	110%	124	282	127%
Gross margin	8.6%	11.1%		9.2%	10.5%		9.5%	12.2%		7.0%	10.0%	
EBIT margin	3.3%	6.1%		2.8%	4.3%		3.9%	6.8%		3.0%	6.4%	

1 Ingredients' performance is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Includes Core Ingredients allocation of 74% and 73% for 2021 and 2022, respectively. As well as Active Living of 5% and 6% for 2021 and 2022, respectively.
4 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
5 Includes EBIT attribution from Group Operations.

Active Living[1]

FOR THE YEAR ENDED 31 JULY NORMALISED BASIS NZD MILLION	2021	2022	CHANGE[2]
Sales volume ('000 MT)	123	129	5%
Allocation of milk solids (% of kgMS)	5%	6%	
Revenue	1,175	1,681	43%

1 Active Living performance is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.

In addition to benefiting from the stronger underlying market demand for Ingredients' products, we remain focused on the growth of our Active Living portfolio to maximise the value of our protein products and create higher non-reference margins. In our Active Living portfolio, we are focused on developing demand for our protein products in sports and active, healthy ageing and medical nutrition ingredients categories.

This year, within our Active Living portfolio, there was very strong demand for our casein, WPC and Milk Protein Concentrates from North Asia, the Americas and Greater China due to a general tightening of protein product availability.

In North Asia our in-market teams continue to grow partnerships with key medical nutrition customers, such as Daesang, and this has resulted in increased sales of higher value caseinate and WPC products. An example of this is the increased sales of our SureProtein™ WPC 550 which delivers a high whey protein, low viscosity beverage in a compact, ready-to-drink (RTD) format without compromising on taste and texture, giving the elderly and patients more of what they need to meet their nutritional requirements.

In Europe and the USA, the largest active living market for protein products has strengthened considerably. In part, this is driven by the increased demand for immunity and medical nutrition, but it is also due to the recovery of the market supporting active lifestyles. Over the year consumers have headed back into the office and the gym as COVID-19 restrictions ease and demand for our protein products used in snack bars and high protein beverages are increasing, such as our SureProtein™ Calcium Caseinate 380 which offers high protein levels (>90%) and slow release of essential amino acids.

Our Core Ingredients sales teams have also worked hard to capture the improved pricing of caseinate and its precursor casein, in conjunction with our Consumer Powders team, by delivering strong sales volume growth for caseinate into beverages and non-dairy creamer applications (i.e., substitutes for milk or cream) where caseinate is a preferred choice as an emulsifier. Greater China, and to a lesser extent South East Asia, has seen strong growth in the non-dairy creamer sector for use in products such as milk tea and coconut juice. This is being driven by consumption growth as these western style consumption occasions penetrate further into the market.

Foodservice

We continue to focus on driving performance through our innovative Foodservice products, launching several cooking cream applications last year and earlier this year, successfully growing the channel and shifting milk solids into higher value products. However, our margins in our Foodservice channel have reduced as input costs have climbed at a significant rate over the past six months, and we have not been able to increase our in-market sales prices at the same rate.

Allocation of New Zealand Milk Solids

13.0%

from 12.0% ↑

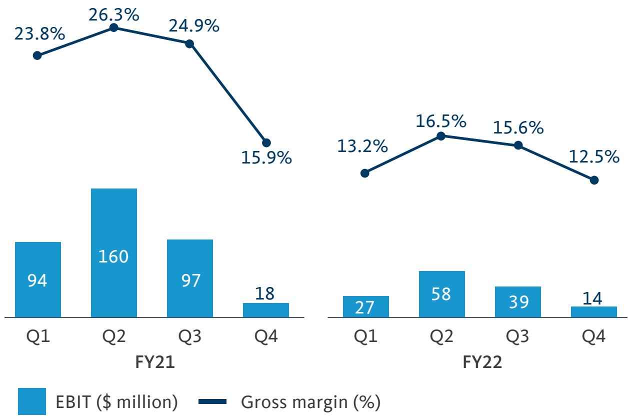
Foodservice Performance[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	498	509	2%
Revenue	2,959	3,314	12%
Cost of goods sold	(2,282)	(2,835)	(24)%
Gross profit	677	479	(29)%
Operating expenses	(315)	(346)	(10)%
Other[4]	7	5	(29)%
EBIT[5]	369	138	(63)%
Includes EBIT attribution from Group Operations[6]	4	(71)	–
Gross margin	22.9%	14.5%	
EBIT margin	12.5%	4.2%	

1 Foodservice performance is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Includes sales to other channels.
4 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
5 Includes EBIT attribution from Group Operations.
6 Included in Foodservice EBIT. Refer to Glossary for explanation of Group Operations.

Foodservice – Performance by Quarter



Monthly Milk Prices[1]

1 The weighted average of the monthly milk prices are equivalent to $7.54 and $9.30 for 2020/21 and 2021/22 season, respectively.

Our Foodservice EBIT this year has been impacted by the rising cost of milk, with EBIT down $231 million to $138 million.

Our sales volume increased due to COVID-19 restrictions relaxing across key markets, growth in our Quick Service Restaurant portfolio, and demand for our cooking cream products.

The graph of monthly milk prices illustrates the significant rise in the cost of milk over the course of the year as well as the consistently higher cost relative to the prior year.

Where possible our in-market teams have worked with customers to adjust sales prices to reflect the increased costs. However, we have not been able to adjust pricing at the same rate as our cost increases. Market conditions have also been challenging, particularly in South East Asia and Greater China. Our Greater China region was impacted by COVID-19 restrictions, while our South East Asia market was impacted by COVID-19 restrictions as well as Typhoon Rai in the Philippines and flooding in Malaysia.

The impact of the strong rise in milk costs can be seen in the second half of this financial year, in particular the collection and manufacturing months of February to April which averaged $10.40 per kgMS and impacted sales in the final quarter.

Despite the current lower overall margin in our Foodservice channel, it is a high value channel for a number of our products, and we remain committed to increasing the milk solids we allocate to our Foodservice channel. We aim to achieve this by continuing to develop innovative products and growing our global Foodservice presence across Greater China, South East Asia and the USA.

Our Greater China region is the most significant contributor to our Foodservice channel, and we continue to grow our presence. We now deliver our products to 431 cities, compared to 387 cities this time last year. We have had good organic sales volume growth within our UHT cream portfolio, mainly due to our Anchor™ Food Professionals Cheese-Pro Cream and Easy Topping Cream products, both launched the prior year. We continue to focus on driving sales by innovating and developing new applications for our products.

In South East Asia, we are applying what we've learned from our Greater China business. This includes building our chef development programme, and in particular focusing on Indonesia and Malaysia where the evolution of bakeries will see us expanding our reach into more cities. In Malaysia, sales through our bakery ingredients stores now account for nearly a quarter of our sales. We are also developing new products that work well in recipes chefs can use in the growing number of on-line bakery stores.

The table below displays the value we create for our New Zealand milk from the Foodservice channel. The differences between this table and the total Foodservice channel result is our Australian and European milk sourced Foodservice products.

New Zealand Milk – Foodservice Performance[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL			ASIA PACIFIC			AMENA			GREATER CHINA		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Allocation of milk solids (% of kgMS)	12%	13%										
Sales volume ('000 MT)[3]	416	421	1%	136	146	7%	27	26	(4)%	253	249	(2)%
NZD million												
Revenue	2,548	2,862	12%	714	827	16%	186	250	34%	1,648	1,785	8%
Cost of goods sold	(1,920)	(2,390)	24%	(530)	(721)	(36)%	(154)	(209)	(36)%	(1,236)	(1,460)	(18)%
Gross profit	628	472	(25)%	184	106	(42)%	32	41	28%	412	325	(21)%
Operating expenses	(266)	(298)	(12)%	(116)	(113)	3%	(9)	(26)	(189)%	(141)	(159)	13%
Other[4]	7	5	(29)%	-	(3)	-	1	1	-	6	7	17%
EBIT[5]	369	179	(51)%	68	(10)	-	24	16	(33)%	277	173	(38)%
Gross margin	24.6%	16.5%		25.8%	12.8%		17.2%	16.4%		25.0%	18.2%	
EBIT margin	14.5%	6.3%		9.5%	(1.2)%		12.9%	6.4%		16.8%	9.7%	

1 Foodservice performance is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Comparative period sales volumes have been re-presented for consistency with current period.
4 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
5 Includes EBIT attribution from Group Operations.

Most of our New Zealand milk in the Foodservice channel is made into product bound for Greater China, where this year it generated an EBIT margin of 9.7% compared to the prior year of 16.8%.

This year New Zealand milk into the Asia Pacific Foodservice channel made a loss due to a significant reduction in gross margin. The increased cost of milk impacted Asia Pacific margins more than Greater China due to Asia Pacific's product mix, which is weighted more to mozzarella as opposed to the cream products that Greater China sells. The differences between this table and the total Foodservice channel result is the positive value we generate from our Australian milk sourced products offset by Asia Pacific's cost allocation of the A-ware sourcing agreement.

Only a small portion of New Zealand milk is manufactured into product for our AMENA Foodservice channel. Instead we are developing our portfolio through our sourcing relationship with A-ware in the Netherlands, with an ex-Europe product offering to complement our wider Anchor™ Food Professional product range into key Foodservice markets. This year we chose to focus on our UHT cream portfolio and discontinued the supply agreement for mozzarella. Excluding costs relating to discontinuing the mozzarella supply agreement our losses in A-ware have decreased from $36 million to $31 million. Despite creating more demand for our European UHT cream, the historically high cost of European cream has impacted the profitability of our portfolio. The loss is allocated across AMENA, Asia Pacific and Greater China as all three regions collectively work to grow demand for ex-Europe UHT cream products.

Consumer

Our consumer business in Chile had a strong year due to sales volume growth and an improved product mix as we allocated more milk into higher margin products which offset rising input costs. However, the cost of New Zealand milk has climbed at a significant rate and weaker market conditions, including COVID-19 restrictions and the economic crisis in Sri Lanka, reduced earnings in our Consumer channel.

Allocation of New Zealand Milk Solids

7.9%

from 8.6% ↓

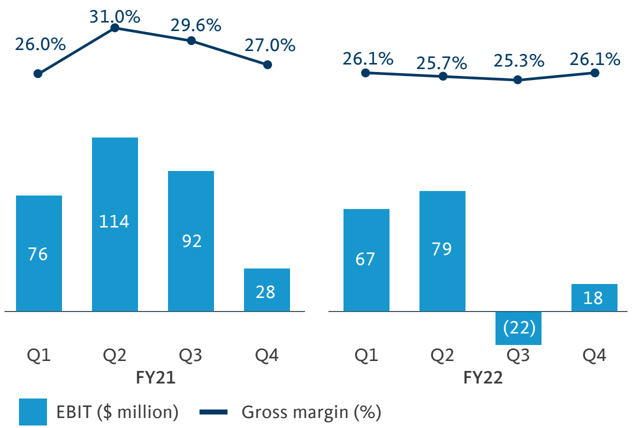
Consumer Performance[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	1,070	1,048	(2)%
Revenue	4,070	4,134	2%
Cost of goods sold	(2,916)	(3,067)	(5)%
Gross profit	1,154	1,067	(8)%
Operating expenses	(843)	(862)	(2)%
Other[4]	(1)	(63)	–
EBIT[5]	310	142	(54)%
Includes EBIT attribution from Group Operations[6]	(13)	–	–
Gross margin	28.4%	25.8%	
EBIT margin	7.6%	3.4%	

1 Consumer performance is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Includes sales to other channels.
4 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
5 Includes EBIT attribution from Group Operations.
6 Included in Consumer's EBIT. Refer to Glossary for explanation of Group Operations.

Consumer – Performance by Quarter



Monthly Milk Prices[1]

1 The weighted average of the monthly milk prices are equivalent to $7.54 and $9.30 for 2020/21 and 2021/22 season, respectively.

Our Consumer channel EBIT has been impacted by weaker market conditions and higher input costs, particularly in our Asia Pacific region, with EBIT down $168 million to $142 million

Our in-market sales team were able to increase sales prices through leveraging the strength of our brands, which helped us partially offset the significant rise in the cost of milk over the year.

The graph of monthly milk prices (by month of manufacture) illustrates the significant rise in the cost of milk, and the stable consumer gross margin is highlighted in the performance graph by quarter.

However, the cost of milk was consistently higher than the prior year and in-market prices could not entirely offset the higher cost of milk, resulting in the gross margin reducing from 28.4% in the prior year to 25.8% this year.

The ability to adjust pricing to reflect rising costs was also managed in the context of weaker market conditions for customers, particularly in South East Asia with COVID-19 restrictions, Typhoon Rai in the Philippines and flooding in Malaysia.

The third quarter was significantly impacted by the deterioration of economic conditions in Sri Lanka. The US dollar appreciated around 80% against the Sri Lankan rupee over the third quarter, resulting in an $80 million adverse revaluation of our business payables impacting our third quarter EBIT. To reduce the impact of the Sri Lankan crisis we chose to limit sales volume into Sri Lanka, resulting in lower sales volume and milk solids being allocated to the Consumer channel overall during the second half of the financial year.

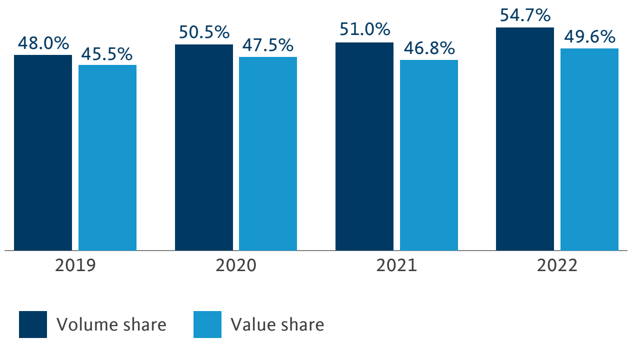
Sri Lanka has historically been a strong business for us, and our brands Ratthi and Anchor are the top two consumer dairy brands in the country. We remain committed to the market and making dairy products available to consumers by continuing to operate, but at a limited capacity to mitigate further impact to our business in the current economic climate.

Fourth quarter earnings were also impacted as we recognised an impairment of $34 million on our Asia Brands - Anmum, Anlene and Chesdale, with the carrying amount of these brands now at $336 million, which impacted our Asia Pacific Consumer channel EBIT.

Despite weaker market conditions and higher input costs impacting our Consumer channel EBIT this year, we are continuing to work towards achieving more value in our Consumer channel, particularly through evolving our brands to make New Zealand provenance and sustainability an increasingly prominent proposition.

Malaysia is one of our strongest consumer markets globally and our flagship brand in that market, Fernleaf™, is well known among local consumers for its New Zealand provenance. This year Fernleaf™ launched its "All Good Things Start from Home" campaign, further championing its New Zealand provenance. The campaign helped widen its leadership position in the milk powder category, with both volume and value share growth[1].

Fernleaf™ Family Milk Powder Volume and Value Share[1]



1 Nielsen, MAT as at 31 July

This year we allocated 8% of our New Zealand milk into our Consumer channel down from 9% the prior year. Most of our consumer product is sold within the Asia Pacific region. This year the value we created from our New Zealand milk was impacted by an $80 million adverse revaluation of our Sri Lankan business payables due devaluation of the Sri Lankan rupee, an event we do not expect to occur in the future.

We continue to focus on the performance of our Consumer businesses and look to extract greater value for New Zealand sustainability and provenance credentials. The differences between this table and the total Consumer channel result is the value we generate from our Australian and Chilean milk sourced consumer products.

New Zealand Milk – Consumer Performance[1]

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL			ASIA PACIFIC			AMENA			GREATER CHINA		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Allocation of milk solids (% of kgMS)	9%	8%										
Sales volume ('000 MT)[3]	537	502	(7)%	427	395	(7)%	40	42	5%	70	65	(7)%
NZD million												
Revenue	2,402	2,318	(3)%	1,809	1,693	(6)%	251	300	20%	342	325	(5)%
Cost of goods sold	(1,669)	(1,688)	(1)%	(1,248)	(1,197)	4%	(201)	(269)	(34)%	(220)	(222)	(1)%
Gross profit	733	630	(14)%	561	496	(12)%	50	31	(38)%	122	103	(16)%
Operating expenses	(567)	(590)	(4)%	(402)	(436)	(8)%	(34)	(46)	(35)%	(131)	(108)	18%
Other[4]	(11)	(70)	(536)%	(17)	(76)	(347)%	5	6	20%	1	–	(100)%
EBIT[5]	155	(30)	–	142	(16)	–	21	(9)	–	(8)	(5)	38%
Gross margin	30.5%	27.2%		31.0%	29.3%		19.9%	10.3%		35.7%	31.7%	
EBIT margin	6.5%	(1.3)%		7.8%	(0.9)%		8.4%	(3.0)%		(2.3)%	(1.5)%	

1 Consumer performance is prepared on a continuing operations basis.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Comparative period sales volumes have been re-presented for consistency with current period.
4 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
5 Includes EBIT attribution from Group Operations.

Only a small portion of New Zealand milk is manufactured into product for our AMENA Consumer channel. The majority of AMENA's sales volumes within its Consumer channel is from its strong consumer business in Chile.

The performance of our consumer business in Chile has continued to improve year on year.

We continue to see the positive impact of the Chilean Government's programmes to support citizens and the economy through COVID-19, including its Emergency Family Income payments and on several occasions, it has allowed citizens to withdraw a portion of their private pension funds. This contributed to increased demand for dairy products as consumers spent more. Our increased sales volumes have been supported by stronger milk collections in Chile as we continue to see the benefits of our improved engagement with our Chilean farmers.

We have shifted from lower margin categories, such as cheese, to high margin categories, such as yoghurt and desserts, driven by greater sales of our new products launched last year, including our 1+1 Single Yoghurt and dessert Manjarate 3D. Last year both of these products won 'Product of the Year', as voted by Chilean consumers, in their respective yoghurt and dessert categories.

Towards the end of last financial year, we also released another three new products, and subsequently each has won Product of the Year awards in their respective categories during the current financial year:

- Leche Cremosa, a creamy whole milk used in coffees and breakfast cereals (liquid milk category);
- Queso Rodda, a rich and creamy matured gouda cheese (cheese category); and
- Yoghurt Batido Tetra, a yoghurt smoothie in a tetra box (yoghurt category).

The continuous innovation and successful new product launches have resulted in our value market share increasing to 29.4% from 28.6%.

We have maintained our gross margin through the ability to leverage our number one market share position and lift in-market prices. In addition, our increased sales volumes improved our economies of scale and reduced the fixed cost per unit to help offset the higher raw milk cost.

Three new products

Leche Cremosa, a creamy whole milk used in coffees and breakfast cereals (liquid milk category).

Queso Rodda, a rich and creamy matured gouda cheese (cheese category).

Yoghurt Batido Tetra, a yoghurt smoothie in a tetra box (yoghurt category).

Discontinued Operations

We have two discontinued operations that are progressing through sales processes.

China Farms

For the 2022 financial year, our farming operations in China consists of our interest in our Hangu China Farm. The prior year performance not only includes our interest in our Hangu China farm but also the Ying and Yutian China Farming hubs up to the date of sale of those hubs in April 2021.

In January 2022 we acquired the remaining non-controlling 15% interest in the Hangu China farm to help simplify the sale process of the farm.

The performance of the Hangu China farm is relatively stable year-on-year. The $48 million decrease in EBIT for our farming operations in China is due to the prior year including the Ying and Yutian China Farming hubs.

The sale process was initially delayed due to lack of progress agreeing the specific terms of sale following minority shareholders exercising their right to first refusal to purchase Fonterra's interest. Subsequent delays have arisen due to market conditions related to COVID-19, including the effect of lockdowns in China.

We continue to actively market the Hangu China farm and expect the sale to be completed within one year.

Discontinued Operations Performance

FOR THE YEAR ENDED 31 JULY

NORMALISED BASIS NZD MILLION	TOTAL			CHINA FARMS[1]			DPA BRAZIL		
	2021	2022	CHANGE[2]	2021[1]	2022	CHANGE[2]	2021	2022	CHANGE[2]
Sales volume ('000 MT)	228	218	(4)%	15	2	(87)%	213	216	1%
Revenue	559	472	(16)%	195	27	(86)%	364	445	22%
Cost of goods sold	(429)	(348)	19%	(165)	(31)	81%	(264)	(317)	(20)%
Gross profit	130	124	(5)%	30	(4)	(113)%	100	128	28%
Operating expenses	(89)	(113)	(27)%	(11)	(9)	18%	(78)	(104)	(33)%
Other[3]	15	(2)	–	15	(1)	–	–	(1)	–
EBIT[4]	56	9	(84)%	34	(14)	(141)%	22	23	5%
Gross margin	23.3%	26.3%		15.4%	(14.8)%		27.5%	28.8%	

1 2021 performance includes Ying and Yutian China Farming hubs for the eight-months until the date of sale.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Consists of other operating income and net foreign exchange gains/(losses).
4 Depreciation is not recognised in discontinued operations.

DPA Brazil

DPA Brazil's EBIT increased $1 million to $23 million due to improved gross margins.

Higher product prices were achieved on several of our consumer products in response to rising input costs. The increase in gross profit was partially offset due to higher operating expenses. Operating expenses increased mainly due to higher investment in advertising and promotion to support sales, inflationary pressures and rising supply chain costs.

Despite the improved operating performance, we have reassessed the fair value of the business in Brazil and have recognised an after tax $50 million impairment to the value of the business. The impairment is not included our normalised performance.

The sale process of DPA Brazil continues to be delayed due to market conditions related to COVID-19, however we remain committed to the sale and continue to actively progress the sale. We expect the sale to be completed within one year.

Historical Summary

Market Statistics

	MAY 2018	MAY 2019	MAY 2020	MAY 2021	MAY 2022
Fonterra Seasonal Statistics[1]					
Total New Zealand milk collected (million litres)	16,932	17,123	16,876	17,121	16,404
Highest daily volume collected (million litres)	82.0	85.4	82.6	82.8	79.9
New Zealand shareholding farms milk solids collected (million kgMS)	1,489	1,495	1,486	1,505	1,432
New Zealand non-shareholding farms milk solids collected (million kgMS)	16	28	31	34	46
New Zealand milk solids collected (million kgMS)	1,505	1,523	1,517	1,539	1,478

	JULY 2018	JULY 2019	JULY 2020	JULY 2021	JULY 2022
Fonterra Supply Base					
Total number of shareholding farms[2]	9,358	9,095	8,856	8,581	8,435
Total number of non-shareholding farms[2]	126	133	155	246	222
Aggregate minimum shareholding requirement (million)[2]	1,391	1,391	1,392	1,403	1,396
Tradeable shares held by shareholding farms (million)[2]	155	161	158	144	148
Tradeable shares held by Custodian (equal to units in Fund) (million)[2]	111	103	105	107	107
Total number of shares on issue (million)	1,612	1,612	1,612	1,613	1,613
Vouchers counting to aggregate minimum shareholding requirement (million)[2]	45	43	43	41	38

	JULY 2018	JULY 2019	JULY 2020	JULY 2021	JULY 2022
Shareholder Supplier Returns					
Farmgate Milk Price (per kgMS)[2]	6.69	6.35	7.14	7.54	9.30
Dividend (per share)	0.10	–	0.05	0.20	0.20
Dividend yield (%)[2]	1.7%	–	1.3%	4.6%	6.9%
Total pay-out[2]	6.79	6.35	7.19	7.74	9.50
Retentions (per share)[2]	–	–	0.38	0.16	0.16
Weighted average share price ($ NZD)[2]	5.84	4.63	3.79	4.32	2.88
Weighted Average Commodity Prices ($ USD per MT FOB)					
Whole milk powder[3]	3,091	2,907	3,110	3,323	4,019
Skim milk powder[3]	1,968	2,216	2,755	3,012	3,750
Butter[3]	5,575	4,448	4,140	4,117	5,601
Cheese[4]	3,853	3,772	4,011	4,060	5,261
Fonterra's average NZD/USD conversion rate[2]	0.71	0.69	0.66	0.67	0.69
Staff Employed					
Total staff employed (000's permanent full-time equivalents)	21.5	20.0	19.6	18.7	19.0
New Zealand	11.9	11.4	11.5	11.6	11.7
Overseas	9.6	8.6	8.1	7.1	7.3

Total Group Overview (Continuing and Discontinued Operations)

	JULY 2018	JULY 2019	JULY 2020	JULY 2021	JULY 2022
Income Statement Measures					
Sales volumes ('000 MT)	4,123	4,152	4,069	4,102	3,924
Normalised revenue ($ million)	20,431	19,920	20,975	21,124	23,425
Normalised EBITDA ($ million)[2]	1,446	1,373	1,506	1,594	1,626
Normalised EBIT ($ million)[2]	902	812	879	952	991
Normalised profit after tax attributable to equity holders of the Co-operative ($ million)	382	264	382	550	568
Reported earnings per share	(0.14)	(0.35)	0.43	0.36	0.36
Normalised earnings per share	0.24	0.16	0.24	0.34	0.35
Revenue Margin Analysis					
EBITDA margin (%)[2]	7.1%	6.9%	7.2%	7.5%	6.9%
EBIT margin (%)[2]	4.4%	4.1%	4.2%	4.5%	4.2%
Profit after tax margin (%)[2]	1.9%	1.3%	1.8%	2.6%	2.4%
Cash Flow ($ million)					
Operating cash flow	1,548	1,123	1,492	1,194	193
Free cash flow[2]	600	1,095	1,828	1,417	(324)
Net working capital[2]	3,432	3,122	3,417	3,692	5,454
Capital Measures					
Equity excluding hedge reserve ($ million)	6,616	6,102	6,602	6,895	7,252
Net debt ($ million)[2,5]	6,641	6,001	5,238	4,325	5,339
Gearing ratio (%)[2,5]	50.1%	49.5%	44.2%	38.5%	42.4%
Debt to EBITDA[2]	4.6x	4.3x	3.3x	2.7x	3.2x
Average capital employed ($ million)[2]	13,469	13,419	12,313	12,281	12,356
Capital expenditure ($ million)[2]	861	600	419	545	587
Capital invested ($ million)[2]	1,022	724	525	608	617
Return on capital (%)[2]	6.2%	5.6%	6.6%	6.6%	6.8%

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Asia Pacific[6,7]

	JULY 2020	JULY 2021	JULY 2022
Ingredients[10]			
Sales volume ('000 MT)[8]	623	610	605
Normalised revenue ($ million)	3,692	3,654	4,325
Normalised gross profit ($ million)	391	272	459
Normalised gross margin (%)[2]	10.6%	7.4%	10.6%
Normalised EBIT ($ million)	148	24	192
Normalised EBIT margin (%)[2]	4.0%	0.7%	4.4%
Foodservice			
Sales volume ('000 MT)[8]	154	163	177
Normalised revenue ($ million)	915	930	1,079
Normalised gross profit ($ million)	167	218	131
Normalised gross margin (%)[2]	18.3%	23.4%	12.1%
Normalised EBIT ($ million)	27	79	(13)
Normalised EBIT margin (%)[2]	3.0%	8.5%	(1.2)%
Consumer[10]			
Sales volume ('000 MT)	629	613	588
Normalised revenue ($ million)	2,467	2,526	2,475
Normalised gross profit ($ million)	649	705	637
Normalised gross margin (%)[2]	26.3%	27.9%	25.7%
Normalised EBIT ($ million)	64	202	58
Normalised EBIT margin (%)[2]	2.6%	8.0%	2.3%
Total			
Sales volume ('000 MT)	1,406	1,386	1,370
Normalised revenue ($ million)	7,074	7,110	7,879
Normalised gross profit ($ million)	1,207	1,195	1,227
Normalised gross margin (%)[2]	17.1%	16.8%	15.6%
Normalised EBIT ($ million)	239	305	237
Normalised EBIT margin (%)[2]	3.4%	4.3%	3.0%

Asia Pacific – Australia[6,7,9]

	JULY 2020	JULY 2021	JULY 2022
Total			
Milk collection (millions kgMS)	108	106	106
Sales volume ('000 MT)[8]	406	373	365
Normalised revenue ($ million)	2,036	1,953	2,094
Normalised gross profit ($ million)	214	243	283
Normalised gross margin (%)[2]	10.5%	12.4%	13.5%
Normalised EBIT ($ million)	54	74	106
Normalised EBIT margin (%)[2]	2.7%	3.8%	5.1%

AMENA[6,7]

	JULY 2020	JULY 2021	JULY 2022
Ingredients			
Sales volume ('000 MT)[8]	1,031	912	895
Normalised revenue ($ million)	6,506	5,784	6,899
Normalised gross profit ($ million)	751	534	786
Normalised gross margin (%)[2]	11.5%	9.2%	11.4%
Normalised EBIT ($ million)	400	211	442
Normalised EBIT margin (%)[2]	6.1%	3.6%	6.4%
Foodservice			
Sales volume ('000 MT)[8]	47	61	73
Normalised revenue ($ million)	235	338	411
Normalised gross profit ($ million)	30	42	30
Normalised gross margin (%)[2]	12.8%	12.4%	7.3%
Normalised EBIT ($ million)	(5)	15	(4)
Normalised EBIT margin (%)[2]	(2.1)%	4.4%	(1.0)%
Consumer			
Sales volume ('000 MT)[8]	355	379	387
Normalised revenue ($ million)	1,133	1,182	1,302
Normalised gross profit ($ million)	276	328	321
Normalised gross margin (%)[2]	24.4%	27.7%	24.7%
Normalised EBIT ($ million)	70	110	89
Normalised EBIT margin (%)[2]	6.2%	9.3%	6.8%
Total			
Sales volume ('000 MT)[8]	1,433	1,352	1,355
Normalised revenue ($ million)	7,874	7,304	8,612
Normalised gross profit ($ million)	1,057	904	1,137
Normalised gross margin (%)[2]	13.4%	12.4%	13.2%
Normalised EBIT ($ million)	465	336	527
Normalised EBIT margin (%)[2]	5.9%	4.6%	6.1%

AMENA – Latin America[6,7,9]

	JULY 2020	JULY 2021	JULY 2022
Total			
Sales volume ('000 MT)[8]	346	379	388
Normalised revenue ($ million)	926	1,045	1,131
Normalised gross profit ($ million)	242	285	309
Normalised gross margin (%)[2]	26.1%	27.3%	27.3%
Normalised EBIT ($ million)	42	75	92
Normalised EBIT margin (%)[2]	4.5%	7.2%	8.1%

Greater China[6,7]

	JULY 2020	JULY 2021	JULY 2022
Ingredients			
Sales volume ('000 MT)[8]	691	824	697
Normalised revenue ($ million)	3,513	4,259	4,479
Normalised gross profit ($ million)	330	298	439
Normalised gross margin (%)[2]	9.4%	7.0%	9.8%
Normalised EBIT ($ million)	179	130	282
Normalised EBIT margin (%)[2]	5.1%	3.1%	6.3%
Foodservice			
Sales volume ('000 MT)[8]	257	274	259
Normalised revenue ($ million)	1,531	1,691	1,824
Normalised gross profit ($ million)	341	417	318
Normalised gross margin (%)[2]	22.3%	24.7%	17.4%
Normalised EBIT ($ million)	223	275	155
Normalised EBIT margin (%)[2]	14.6%	16.3%	8.5%
Consumer			
Sales volume ('000 MT)[8]	73	78	73
Normalised revenue ($ million)	330	362	357
Normalised gross profit ($ million)	107	121	109
Normalised gross margin (%)[2]	32.4%	33.4%	30.5%
Normalised EBIT ($ million)	(36)	(2)	(5)
Normalised EBIT margin (%)[2]	(10.9)%	(0.6)%	(1.4)%
Total			
Sales volume ('000 MT)[8]	1,021	1,176	1,029
Normalised revenue ($ million)	5,374	6,312	6,660
Normalised gross profit ($ million)	778	836	866
Normalised gross margin (%)[2]	14.5%	13.2%	13.0%
Normalised EBIT ($ million)	366	403	432
Normalised EBIT margin (%)[2]	6.8%	6.4%	6.5%

New Zealand and Non-New Zealand Milk[6,7]

	JULY 2020	JULY 2021	JULY 2022
New Zealand Milk			
Sales volume ('000 MT)[8]	3,003	3,016	2,856
Normalised revenue ($ million)	17,212	17,331	19,466
Normalised gross profit ($ million)	2,597	2,487	2,672
Normalised gross margin (%)[2]	15.1%	14.4%	13.7%
Normalised EBIT ($ million)	777	791	805
Normalised EBIT margin (%)[2]	4.5%	4.6%	4.1%
Non-New Zealand Milk			
Sales volume ('000 MT)[8]	839	858	850
Normalised revenue ($ million)	3,070	3,234	3,487
Normalised gross profit ($ million)	449	497	544
Normalised gross margin (%)[2]	14.6%	15.4%	15.6%
Normalised EBIT ($ million)	70	105	177
Normalised EBIT margin (%)[2]	2.3%	3.2%	5.1%
Total			
Sales volume ('000 MT)[8]	3,842	3,874	3,706
Normalised revenue ($ million)	20,282	20,565	22,953
Normalised gross profit ($ million)	3,046	2,984	3,216
Normalised gross margin (%)[2]	15.0%	14.5%	14.0%
Normalised EBIT ($ million)	847	896	982
Normalised EBIT margin (%)[2]	4.2%	4.4%	4.3%

Discontinued Operations[6,11]

	JULY 2019	JULY 2020	JULY 2021	JULY 2022
China Farms				
Sales volume ('000 MT)	20	22	15	2
Normalised revenue ($ million)	247	282	195	27
Normalised gross profit ($ million)	(14)	34	30	(4)
Normalised gross margin (%)[2]	(5.7)%	12.1%	15.4%	(14.8)%
Normalised EBIT ($ million)	(14)	11	34	(14)
DPA Brazil				
Sales volume ('000 MT)	194	205	213	216
Normalised revenue ($ million)	419	411	364	445
Normalised gross profit ($ million)	116	128	100	128
Normalised gross margin (%)[2]	27.7%	31.1%	27.5%	28.8%
Normalised EBIT ($ million)	(8)	21	22	23

Notes to the Historical Summary

1 Fonterra Seasonal Statistics are based on the 12-month New Zealand milk season of 1 June – 31 May.

2 Refer to Glossary for definition.

3 Source: Fonterra Farmgate Milk Price Statement representing the weighted-average United States Dollar contract prices of Reference Commodity Products.

4 Source: Oceania Export Series, Agricultural Marketing Service, US Department of Agriculture.

5 Comparative figures are shown on a consistent basis with current year.

6 Percentages as shown in table may not align to calculations of percentages based on numbers in the table due to rounding of figures.

7 Prepared on a continuing operations basis and includes normalisation adjustments.

8 Includes sales to other segments.

9 Exclusive of Group Operations' attribution.

10 Comparative information includes re-presentations for consistency with the current period.

11 The China Farms business and DPA Brazil consumer and foodservice businesses both meet the definition of a discontinued operation. The Group's China Farms business comprises our wholly-owned Hangu China farm and, up to the date of sale (1 April 2021), its two-wholly owned farming hubs in Ying and Yutian.

Glossary

TERMS	DEFINITIONS
Active Living	represents ingredients & solutions sold to businesses who cater to consumers' health and wellness needs. It addresses three dimensions of wellbeing (Physical, Mental, Inner), extending to meet the nutrition needs of medical patients through to everyday people pursuing active lifestyles. This portfolio includes proteins, specialty ingredients such as probiotics, lactoferrin & lipids, and patented formulations.
Adjusted net debt	is calculated as total borrowings, plus bank overdraft, less cash and cash equivalents, plus a cash adjustment for 25% of cash and cash equivalents held by the Group's subsidiaries, adjusted for derivatives used to manage changes in hedged risks on debt instruments. Amounts relating to disposal groups held for sale are included in the calculation.
Aggregate minimum shareholding requirement	means the total amount of shares required to be held by farmer shareholders to meet the Share Standard.
AMENA	represents the Ingredients, Foodservice and Consumer channels in Africa, Middle East, Europe, North Asia and Americas.
Asia Pacific	represents the Ingredients, Foodservice and Consumer channels in New Zealand, Australia, Pacific Islands, South East Asia and South Asia.
Attributable to equity holders of the Co-operative	is used to indicate that a measure or sub-total excludes amounts attributable to non-controlling interests.
Average capital employed	is a 13-month rolling average of capital employed.
Bulk liquids	means bulk raw milk that has not been processed and bulk separated cream.
Business growth capital expenditure	covers investments to drive business expansion or improvement toward our strategy, and generate incremental revenue.
Capital employed	is adjusted net debt less the cash adjustment (used in calculating adjusted net debt), plus cash and cash equivalents held by subsidiaries for working capital purposes, plus equity excluding hedge reserves and net deferred tax assets.

TERMS	DEFINITIONS
Capital expenditure	comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets (excluding purchases of emissions units), net purchases of livestock, and includes amounts relating to disposal groups held for sale.
Capital invested	comprises capital expenditure plus right-of-use asset additions and business acquisitions, including equity contributions, long-term advances, and investments.
Consumer	the channel of branded consumer products, such as powders, yoghurts, milk, butter and cheese.
Continuing operations	means operations of the Group that are not discontinued operations.
Custodian	means the Fonterra Farmer Custodian, which is the legal holder of the shares in respect of which economic rights are held for the Fund.
Debt to EBITDA	is adjusted net debt divided by Total Group normalised earnings before interest, tax, depreciation and amortisation (Total Group normalised EBITDA) excluding share of profit/loss of equity accounted investees and net foreign exchange gains/losses.
DIRA	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities, subsequent amendments to the Act, and the Dairy Industry Restructuring (Raw Milk) Regulations 2012.
Discontinued operations	means a component of the Group that is classified as held for sale (or has been sold) and represents, or is part of a single co-ordinated plan to dispose of, a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.
Dividend yield	is dividends (per share) divided by volume weighted average share price for the period 1 August to 31 July.
Earnings before interest and tax (EBIT)	is profit before net finance costs and tax.

TERMS	DEFINITIONS
Earnings before interest, tax, depreciation and amortisation (EBITDA)	is profit before net finance costs, tax, depreciation and amortisation.
Earnings per share (EPS)	is profit after tax attributable to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period.
EBIT margin	is EBIT divided by revenue from sale of goods.
EBITDA margin	is EBITDA divided by revenue from sale of goods.
Economic rights	means the rights to receive dividends and other economic benefits derived from a share, as well as other rights derived from owning a share.
Essential capital expenditure	covers investments to maintain the capability of our existing assets from risk management, legislation/regulation commitments, business continuity and capital replacement, as well as projects that drive the Co-operative sustainability targets
Farmgate Milk Price	means the average price paid by Fonterra for each kilogram of milk solids (kgMS) supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. 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.
Fonterra's average NZD/USD conversion rate	is the rate that Fonterra has converted net United States Dollar receipts into New Zealand Dollars including hedge cover in place.
Foodservice	represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, cafés, airports, catering companies etc. The focus is on customers such as; bakeries, cafés, Italian restaurants, and global quick-service restaurant 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.
Free cash flow	is the total of net cash flows from operating activities and net cash flows from investing activities.

TERMS	DEFINITIONS
Gearing ratio (adjusted net debt)	is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt.
Global accounts	means large scale, multi-national/multi-region customers.
Global Dairy Trade (GDT)	means the electronic auction platform that is used to sell commodity dairy products.
Greater China	represents the Ingredients, Foodservice and Consumer channels in Greater China, and the Falcon China Farms JV.
Gross margin	is gross profit divided by revenue from sale of goods.
Group Operations	comprises functions under the Chief Operating Office (COO) including New Zealand milk collection and processing operations and assets, supply chain, Group IT, Sustainability and Innovation; Fonterra Farm Source™ retail stores; and the Central Portfolio Management function (CPM).
Held for sale	an asset or disposal group is classified as held for sale if it is available for immediate sale in its present condition and its sale is highly probable. A disposal group is a group of assets and liabilities to be disposed of (by sale or otherwise) in a single transaction.
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.
kgMS	means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.
Net debt	means adjusted net debt.
Net tangible assets per security	is net tangible assets divided by the number of equity instruments on issue. Net tangible assets is calculated as net assets less intangible assets.
Net working capital	is total trade and other receivables plus inventories, less trade and other payables. It excludes amounts owing to suppliers and employee entitlements.
Non-reference products	means all dairy products, except for reference commodity products manufactured in NZ.

TERMS	DEFINITIONS
Non-shareholding farm	means a farm where the owning entity is not entitled to hold shares in the Co-operative. As an example, farms supplying MyMilk.
Normalisation adjustments	means adjustments made for certain transactions that meet the requirements of the Group's Normalisation Policy. These transactions are typically unusual in size and nature. Normalisation adjustments are made to assist users in forming a view of the underlying performance of the business. Normalisation adjustments are set out in the Non-GAAP Measures section. Normalised is used to indicate that a measure or sub-total has been adjusted for the impacts of normalisation adjustments. E.g. 'Normalised EBIT'.
Product channel	Fonterra has three product channels, Ingredients, Foodservice and Consumer.
Profit after tax margin	is profit after tax attributable to equity holders of the Co-operative, divided by revenue from sale of goods.
Reference commodity products (also referred to as reference products)	means the commodity products used to calculate the Farmgate Milk Price, comprising whole milk powder, skim milk powder, butter milk powder, anhydrous milk fat and butter.
Reported	is used to indicate a sub-total or total is reported in the Group's Financial Statements before normalisation adjustments. E.g. 'Reported profit after tax'.
Retentions	means earnings per share, less dividend per share. Retentions are reported as nil where Fonterra has reported a net loss after tax.
Return on capital	is Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed.
Season	New Zealand: A period of 12 months from 1 June to 31 May. Australia: A period of 12 months from 1 July to 30 June. Chile: A period of 12 months from 1 August to 31 July.
Share Standard	means the number of shares a farmer shareholder is required from time to time to hold as determined in accordance with the Constitution, currently being one share for each kilogram of milk solids obtainable from milk supplied (excluding milk supplied on contract supply) to Fonterra. For these purposes, milk supplied is based on a three season rolling average of a farm's production.

TERMS	DEFINITIONS
Shareholding farm	means a farm where the owning entity of the farm has a minimum required shareholding of at least 1,000 shares in the Co-operative. This includes farms where the owning entity is in the process of sharing up on a Share Up Over Time contract.
Total Group	is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and noncontrolling interests. E.g. 'Total Group EBIT'.
Total pay-out	means the total cash payment per milk solid that is backed by a share, being the sum of the Farmgate Milk Price per kgMS and the dividend per share.
Tradeable shares	represents shares on issue that are in excess of Aggregate minimum shareholding
Unallocated costs and eliminations	represents corporate costs including Co-operative Affairs and Group Functions; and any other costs that are not directly associated to the reporting segments; and eliminations of inter-segment transactions
Voucher	means a voucher provided to a farmer shareholder who transferred the economic rights of a supply backed share to the Fund, and which can be used to count towards a farmer shareholder's Share Standard.
WACC	means weighted average cost of capital.
Weighted average share price	represents the average price Fonterra Co-operative Group Limited shares traded at, weighted against the trading volume at each price over the reporting period.
Working capital days	is calculated as 13-month rolling average working capital divided by revenue from the sale of goods (excluding impact of derivative financial instruments) multiplied by the number of days in the period. The working capital days calculation excludes other receivables, prepayments, other payables and includes working capital classified as held for sale.

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