

Good Together

from one generation
to the next



Fonterra
Dairy for life



Interim Results
2023

16 March 2023



Agenda

Interim Results

Focus topic – Flexible Shareholding

Focus topic – On-farm Emissions

Q & A

Local Site update



Cyclone Gabrielle

For many of our farmers and communities in the North Island of New Zealand, the impact of Cyclone Gabrielle has been significant and widespread.



Our Transport teams in action



Supporting Cut-Off Farms



The fundraising power of the Co-op



Getting product to impacted Communities



Interim Results





2023 Interim Results

Profit
after tax

\$546 million

↑ from \$364m

Free cash
flow

\$(30) million

↑ from \$(849)m

Earnings
per share

33c

↑ from 22c

Interim dividend
per share

10c

↑ from 5c

2022/23 forecast
Farmgate Milk Price per kgMS

\$8.20 – \$8.80

NZ milk
collections (kgMS)

1,016m

↓ from 1,033m

Return
on capital

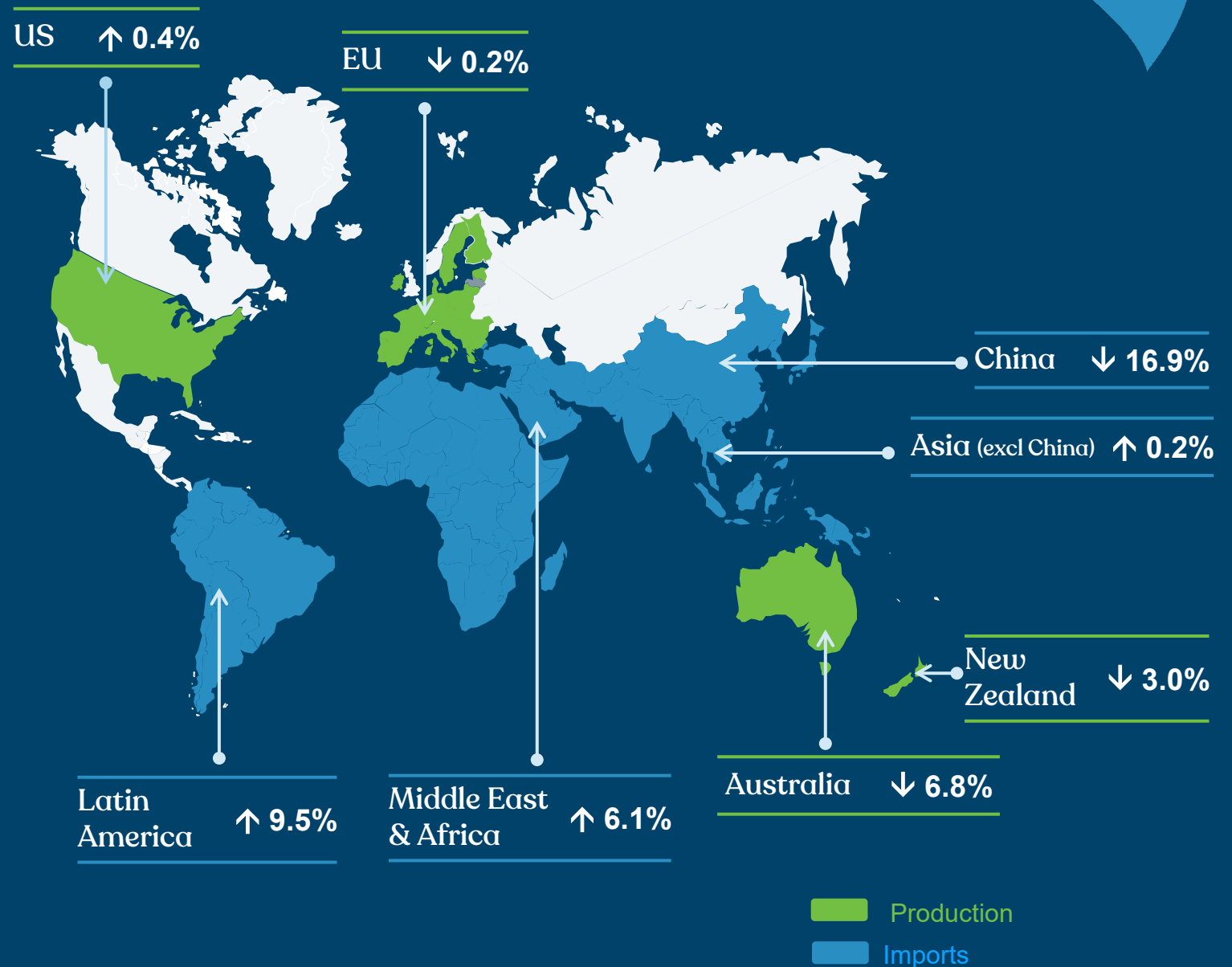
8.6%

↑ from 6.1%



Constrained milk supply and variable demand

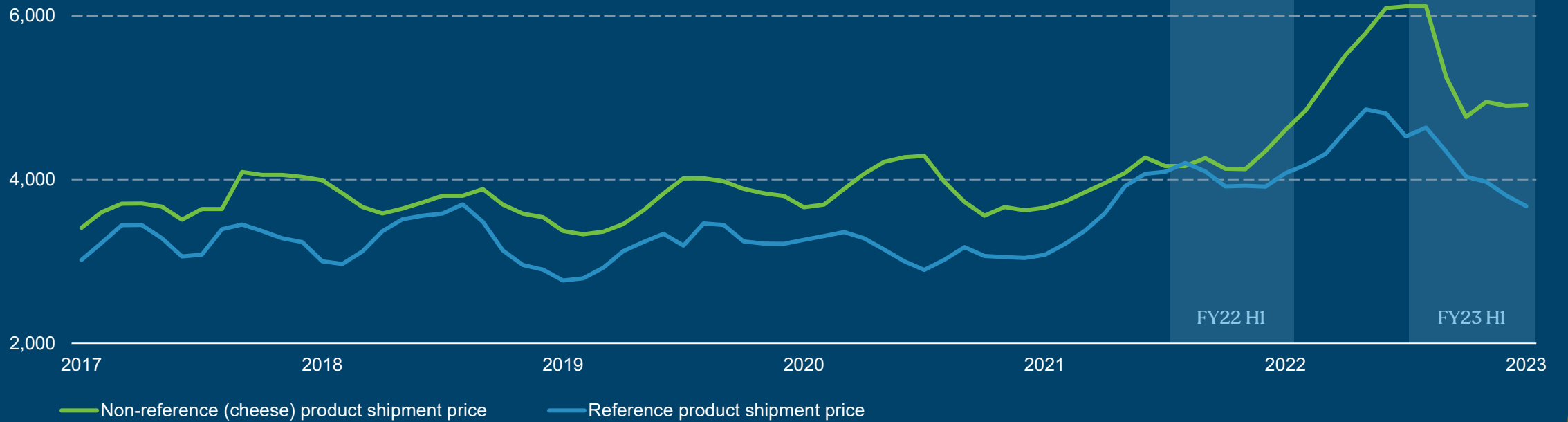
- Global milk supply remains constrained
- Key import markets are experiencing variable demand
- Production from the four key regions are down 0.4% and imports from the other four regions are down 1.0%





Favourable price relativities continue

US\$/MT



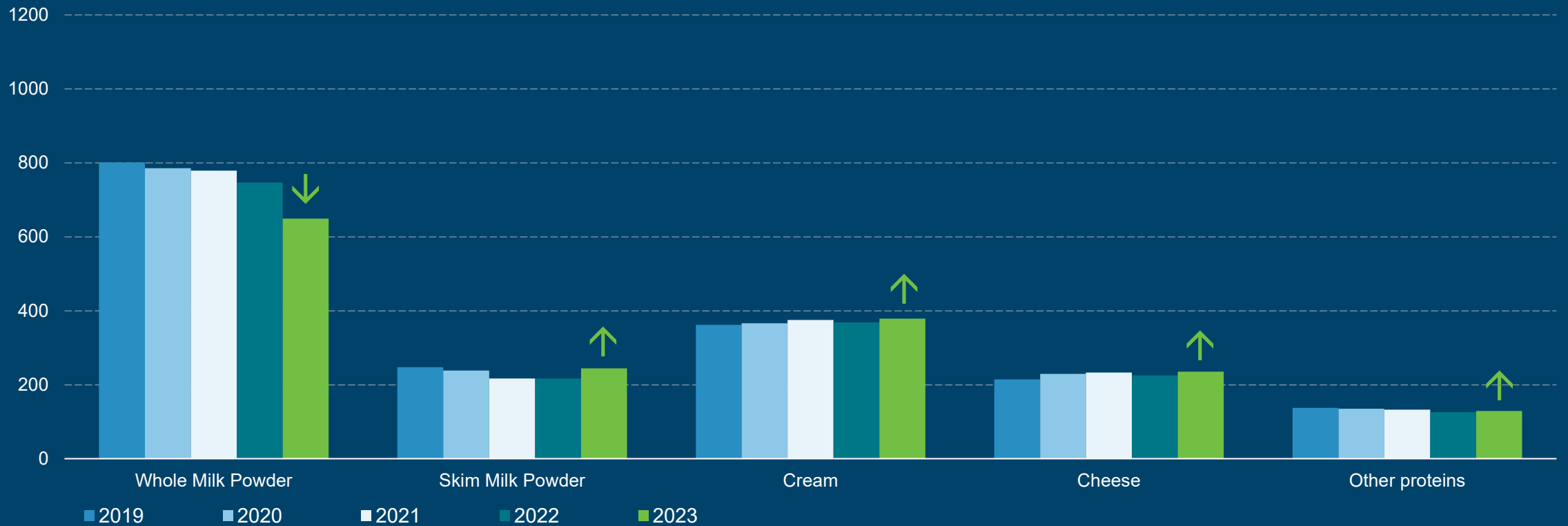
Diversified across markets and products

	Group Operations	Global Markets	Greater China	Totals	
External sales volume ('000 MT)		1,244 18% ↑	455 20% ↓	1,699 5% ↑	
EBIT contribution (before unallocated costs & eliminations)					EBIT by Quarter
Ingredients	\$493m \$346m ↑	\$332m \$145m ↑	\$86m \$3m ↑	\$911m \$494m ↑	129, 288, 238, 258, 313, 598
Foodservice	\$(6)m \$40m ↑	\$21m \$16m ↑	\$151m \$25m ↑	\$166m \$81m ↑	28, 57, 42, 23, 46, 120
Consumer	\$14m \$26m ↑	\$(86)m \$173m ↓	\$(22)m \$30m ↓	\$(94)m \$177m ↓	37, 46, 9, (46), 33, (127)
Total	\$501m \$412m ↑	\$267m \$12m ↓	\$215m \$2m ↓		Q1 Q2 Q3 Q4 Q1 Q2 FY22 FY23



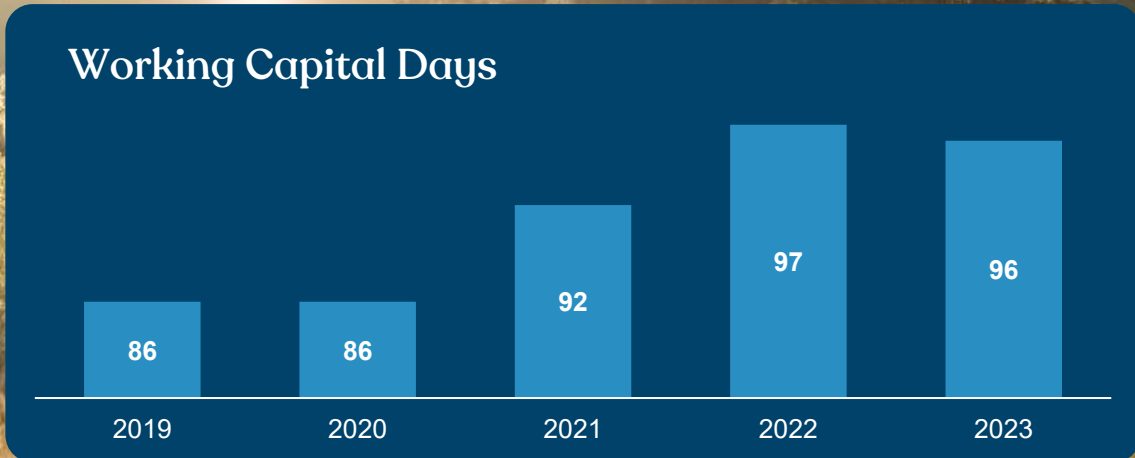
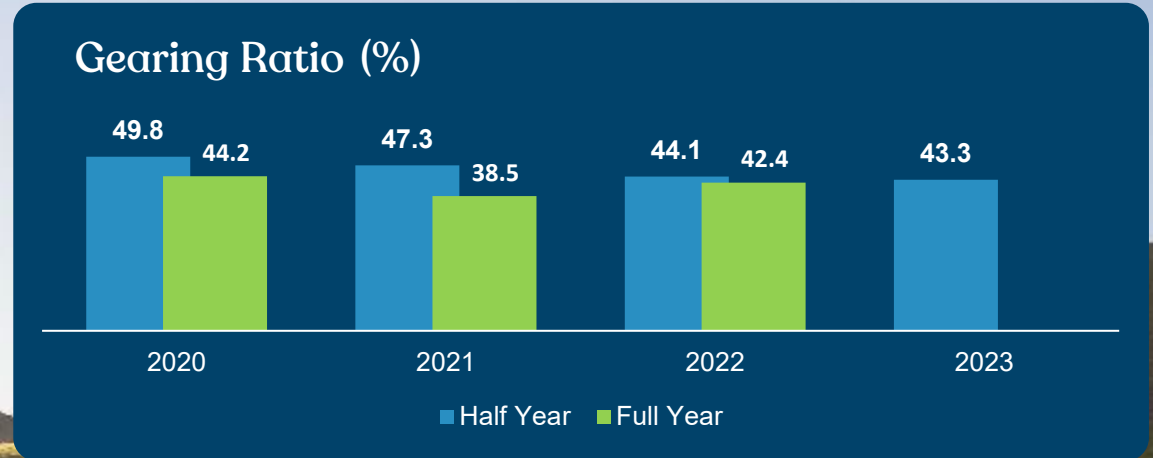
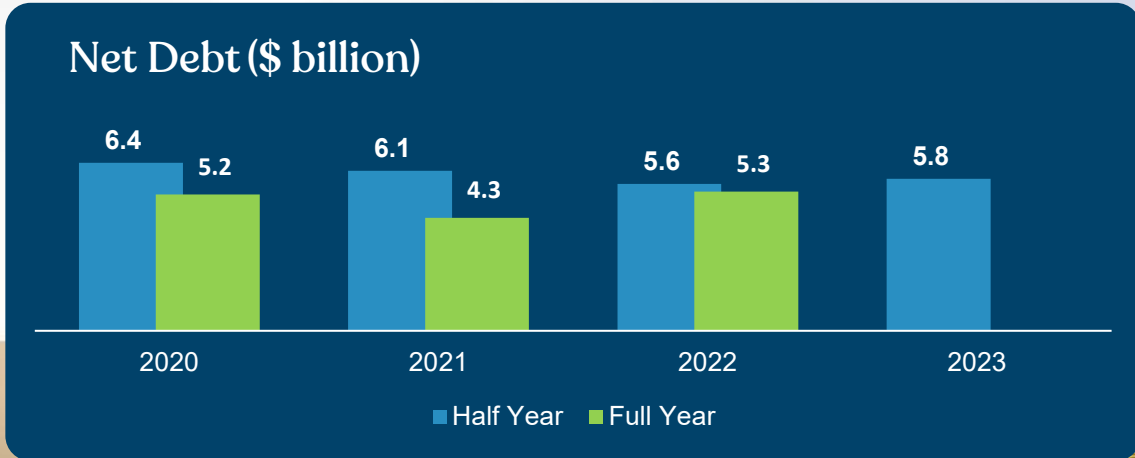
Change in product mix in response to the market

Fonterra New Zealand Production (000' MT)





Balance sheet strength remains a key priority



Credit Rating

S&P Global Ratings	A-	Stable outlook
Fitch Ratings	A	Stable outlook

Good progress on strategy

Focus on New Zealand milk



Divestment
- Chile and Brazil



Flexible Shareholding

Be a leader in sustainability



Farmer engagement
(scope 3) emissions



Methane research
partnerships



MAN Energy Solutions MOU
(Memorandum of Understanding)

Be a leader in dairy innovation & science



Launched Nutiani



New customer partnerships
- nutrition & well-being
products

Proposed capital return on track



Intend to return around 50 cents per share, which is approximately \$800 million



Record date intended to be in late September, with cash received in October



Will apply equally to shareholders and unit holders



Tax-free return



Structured so there is no change in the number of shares or units held (or voting rights)



Supporting On-farm



Our scale creates costs savings

- Farm Source Certainty campaign
- Product availability
- \$10.8 million rewards earned



Tools and advice to help make on-farm decisions

- Farm Insights Reports
- Farm Environment plans (FEPs) - 77% of farms



We're collaborating on solutions to industry challenges

- ZincCheck
- Nestle partnership - Carbon Zero farm
- Kowbucha trials in the South Island



Executive remuneration changes

Long-term incentives are linked to on-farm profitability and share value.

Short term incentives are linked to progress against LTA.



Resilient and sustainable New Zealand Operations



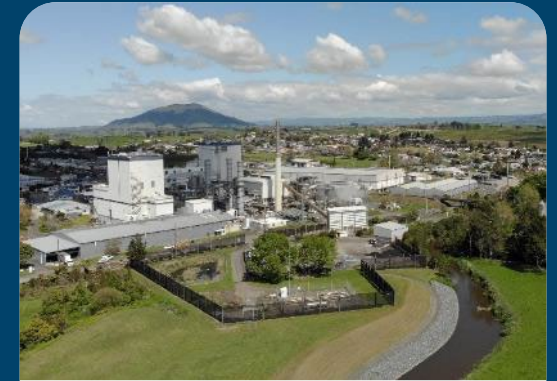
Responded to severe weather events which disrupted milk collections and caused supply chain congestion.



Completed automation of our Crawford Street cool store distribution centre.



Converting coal boiler at our Waitoa site



Local Site Update

Site:

Speaker:

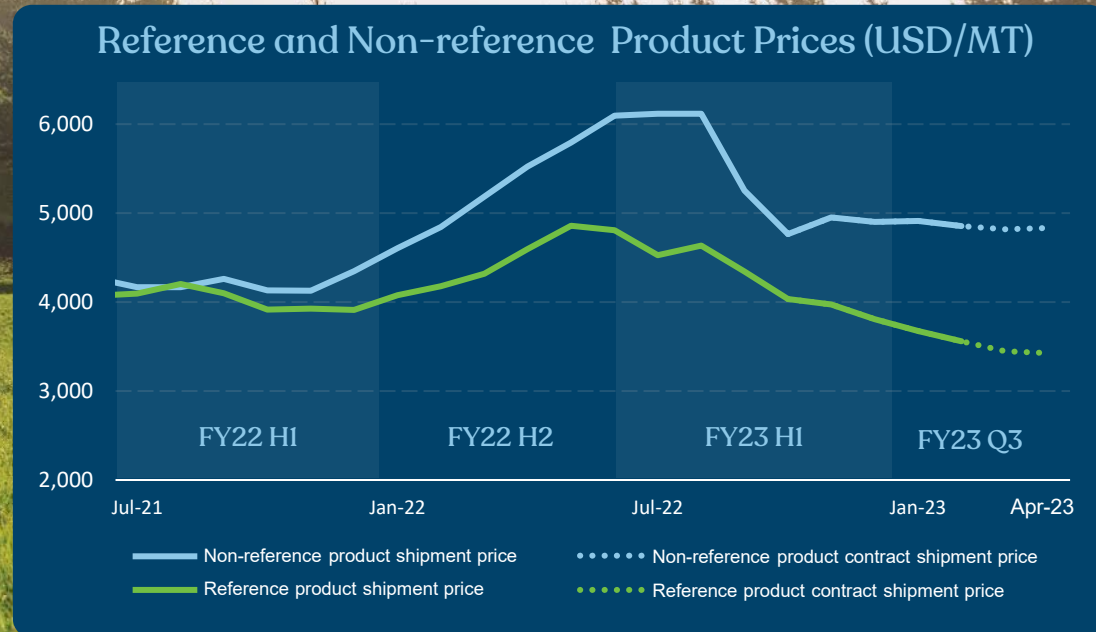


Looking forward

2023 Forecast earnings per share
55-75c

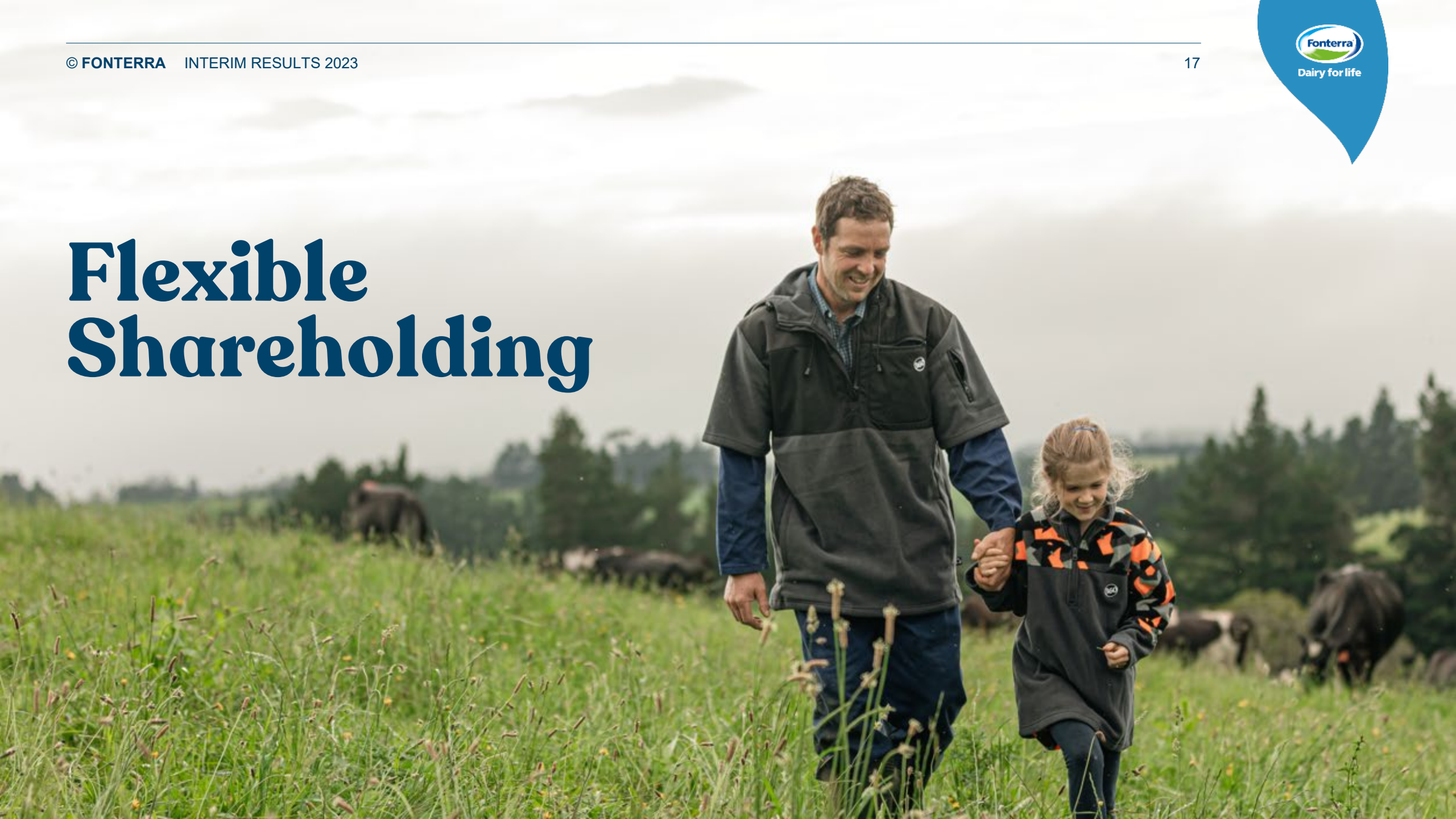
2022/23 Forecast Farmgate
Milk Price per kgMS
\$8.20- \$8.80

Interim dividend (cents per share)
paid 14 April
10c





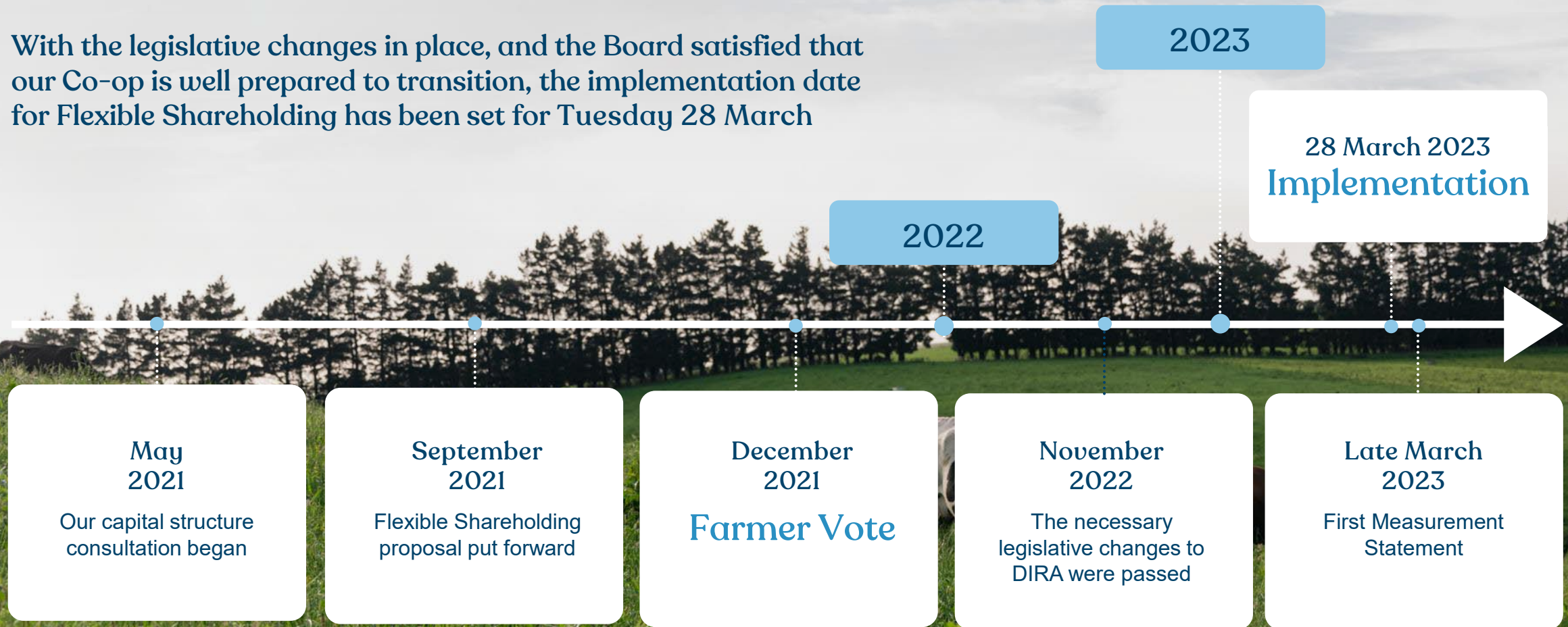
Flexible Shareholding





Preparations on track to transition to our new capital structure

With the legislative changes in place, and the Board satisfied that our Co-op is well prepared to transition, the implementation date for Flexible Shareholding has been set for Tuesday 28 March



A recap on the key features of Flexible Shareholding



Greater flexibility
in shareholding
levels

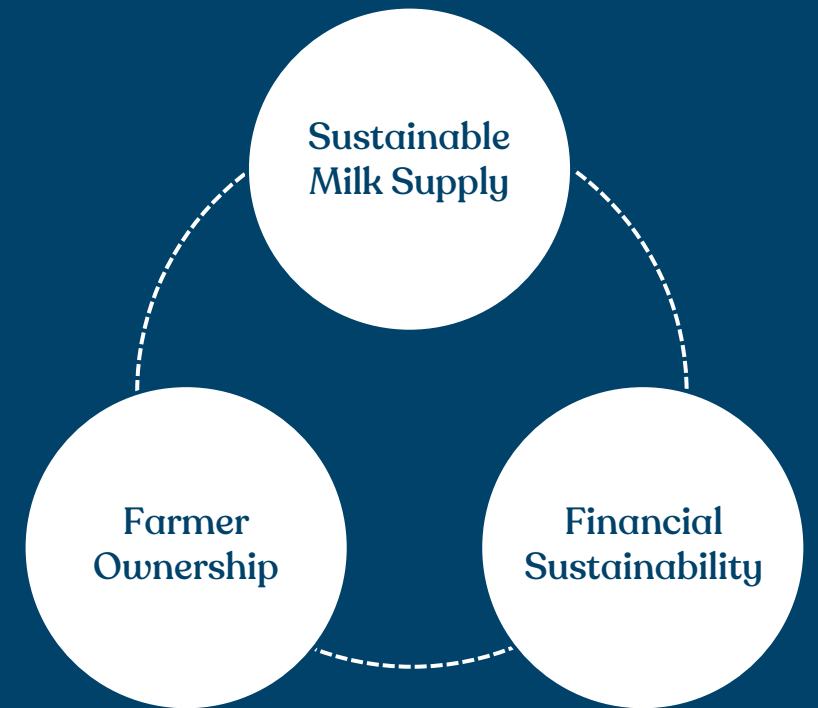


More types of
farmers can be
part of our Co-op



Entry and exit
provisions
extended

Why this is important for us



Supporting liquidity in a farmer-only market

- Increased flexibility to trade shares (increased maximum, decreased minimum)
- New types of shareholders
- Extended exit periods

We've also allocated up to NZD300m for a package of liquidity measures, including:

A transitional buyback of shares
(short-term liquidity support)

Market maker arrangements
(long-term liquidity support)

Balancing flexibility and Co-op alignment

Greater flexibility in shareholding levels with new Maximum Holding and new Minimum Holding.

Shares continue to receive any dividends and capital returns declared by the Board.

Voting rights stay the same, based on milk supply backed by shares.

Where to from here

Existing farmer shareholders

- There is nothing you need to do before implementation, but if you're interested in trading after we transition to Flexible Shareholding then make sure you're set up to do so.

Sharemilkers, contract milkers, farm lessors

- You may be eligible to hold shares under the new structure as an Associated Shareholder and/or Secondary Shareholder.
- Application forms available online.

Farmer shareholders exiting the Co-op

- You may be able to transfer shares to a related party (called Permitted Transferees under the new structure).
- Application forms available online.

As always, if you need any financial advice, talk to your financial advisor, accountant, lawyer, or other professional.

For more info:

- Call us on 0800 65 65 68
- Talk to your Area Manager
- Or visit us online to learn more about the structure and your trading options

<https://www.fonterra.com/nz/en/flexible-shareholding.html>



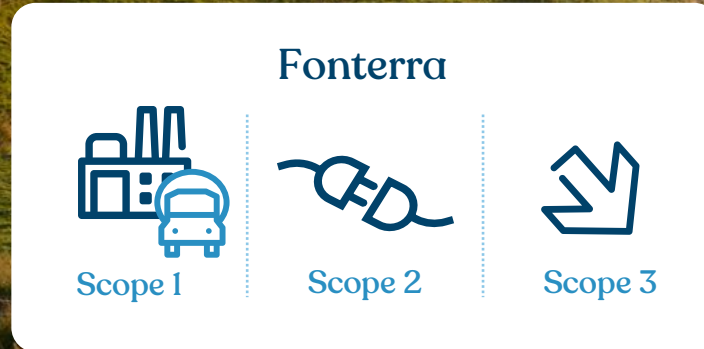


On-farm Emissions





What are emissions scopes



Every business has
3 different emissions scopes;

- **Scope 1** - Direct Emissions
- **Scope 2** – Purchased Energy
- **Scope 3** – Downstream emissions from purchased goods

As one company's Scope 3 emissions are another company's Scope 1 emissions – it needs collaboration in the supply chain for all parties to reduce their emissions

Key drivers of our on-farm emissions approach



Our strategic choice to lead in sustainability



Access to markets and customers



Access to future funding



Increased legal and reporting obligations







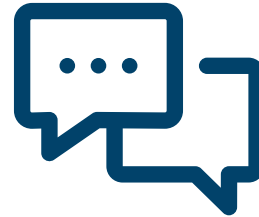
What we've been doing



More than 40 meetings around the country with our team of experts



Webinars



What we've been hearing



More to come



Local Site update



**Thanks.
Any questions?**