

# Fonterra Interim Results 2022

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17 March 2022





# 2022 Interim Results

2021/22 forecast Farmgate Milk Price

**\$9.30 – \$9.90** per kgMS

Profit after tax<sup>1</sup>

**\$364** million

↓ \$27m<sup>2</sup>

Interim Dividend

**5c** per share

Forecast normalised earnings per share<sup>3</sup>

**25 – 35c**



- Performing well, and creating the momentum needed to achieve our 2030 targets
- Record forecast milk price reflects strong demand at a time of constrained global supply
- Inflationary pressures both on-farm and in our operations
- COVID-19 remains a challenge, but we continue to deliver for our shareholders and customers
- Solid first half earnings and confirm full year forecast earnings range

1. Total Group figures are for the six months ended 31 January 2022. This includes continuing and discontinued operations, and includes amounts attributable to non-controlling interests

2. Relative to reported profit after tax in the first six months of FY21

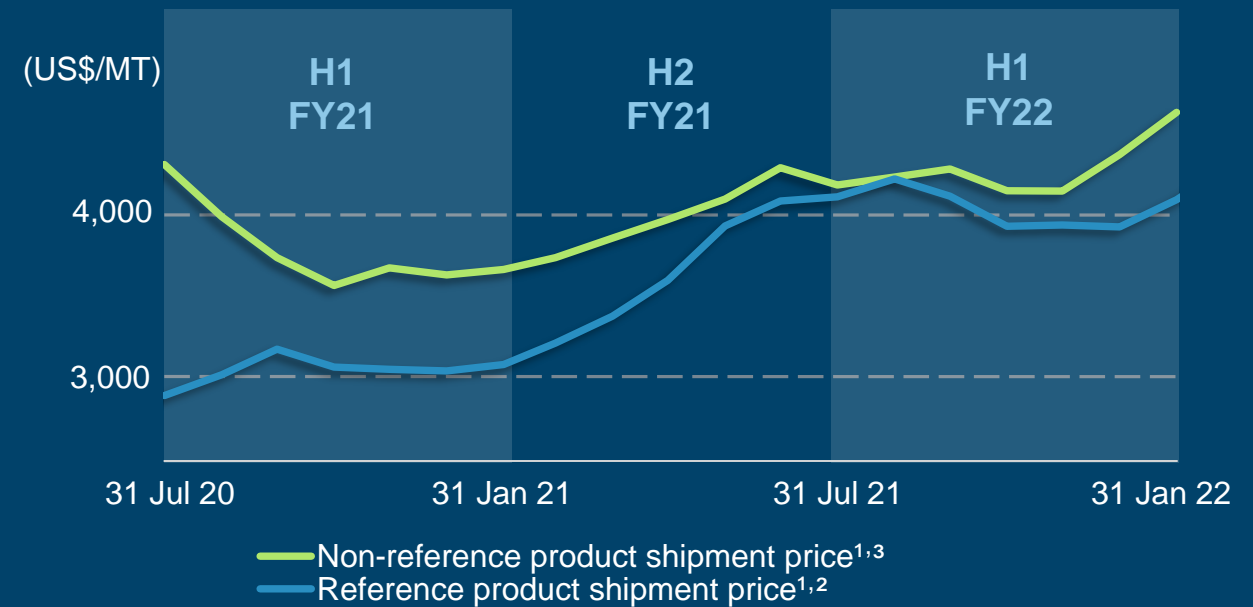
3. Attributable to equity holders of the Co-operative, excludes amounts attributable to non-controlling interests

# Strong demand for dairy reflected in prices

Monthly price of reference products on GDT



Reference and non-reference price relativities on GDT



- Operating with significant increase in dairy prices due to strong demand and constrained supply
- Average GDT WMP shipment prices in H1 were 28% higher than H1 prior year

- Price relativities improved in Q2 relative to Q1
- Price relativities up from prior year's Q4, but less favourable than H1 last year

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

# Progress in our New Zealand Operations



**Improved planning and farm pick-up efficiencies** have partially offset rising collection costs, due to our on-farm milk vat monitoring systems



Enhanced milk utilisation and plant uptime has been supported by **proactive asset care and people capability programmes**, despite the disruption of site and shift bubbles to manage COVID-19



With only 38% of ships arriving on time in New Zealand, we are **successfully minimising the impact to customers**, through collaboration of our supply chain teams, including Kotahi

# Our people

Continuing to look out for one another as we face into ongoing COVID-19 challenges



**By caring for our people,** and good management and planning, our end-to-end supply chain has continued to operate and we are getting products to our customers

**Each week, approximately 180,000** nutritious breakfasts are served to kiwi kids through our KickStart breakfast partnership with the Government and Sanitarium

**More than 3 million serves** of dairy donated to families in need across Aotearoa since 2020 through our partnership with New Zealand Food Network

**Launched 'Adopt a Farm'** to build stronger connections between Fonterra farmers and employees



# Solid performance with higher dairy prices



## Revenue

**10.8** billion

 from 9.9b

## Gross margin

**14.9%**

 from 17.4%

## Profit after tax<sup>1</sup>

**\$364** million

 from \$391m

## Earnings per share<sup>2</sup>

**22c**

 from 25c

## Interim dividend

**5c** per share

## Net debt<sup>3</sup>

**\$5.6** billion

 from \$6.1b

Note: Total Group figures for the six months ended 31 January 2022. This includes continuing and discontinued operations

1. Reported basis. Includes amounts attributable to non-controlling interests

2. Normalised basis. Attributable to equity holders of the Co-operative, excludes amounts attributable to non-controlling interests

3. Adjusted net debt. Refer to Glossary for definition

# Total Group business performance

million <sup>1</sup>	2021 <sup>2</sup>	<b>2022</b>	%Δ <sup>3</sup>
Sales volume ('000 MT)	1,996	<b>1,921</b>	(4)%
Revenue (\$)	9,915	<b>10,797</b>	9%
Cost of goods sold (\$)	(8,193)	<b>(9,190)</b>	(12)%
Gross profit (\$)	1,722	<b>1,607</b>	(7)%
Gross margin (%)	17.4%	<b>14.9%</b>	
Operating expenses (\$)	(1,055)	<b>(1,062)</b>	(1)%
Other <sup>4</sup> (\$)	17	<b>62</b>	265%
Normalised EBIT (\$)	684	<b>607</b>	(11)%
Normalised profit after tax (\$)	418	<b>364</b>	(13)%
Normalised EPS <sup>5</sup> (cents)	25	<b>22</b>	(12)%

1. Total Group figures for the six months ended 31 January. This includes continuing and discontinued operations and are on a normalised basis unless otherwise stated
2. 2021 performance includes Ying and Yutian China Farming hubs and China Farms joint venture, which were subsequently sold



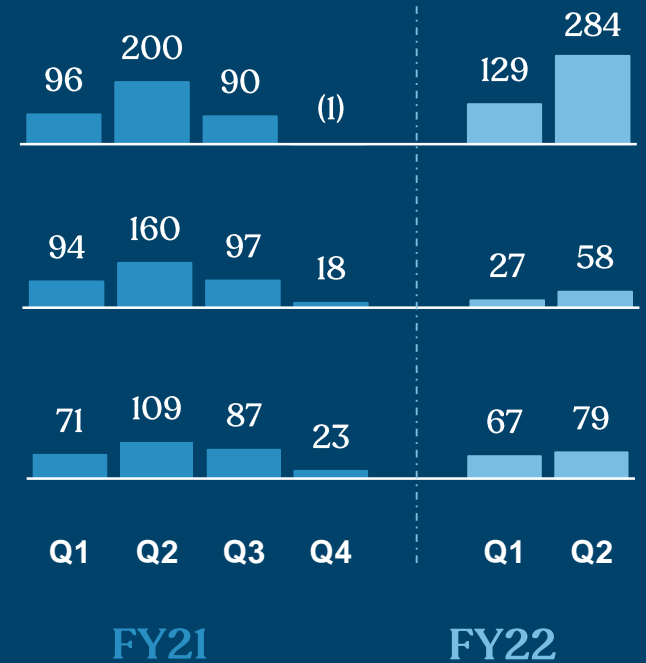
- Increased revenue from higher product prices, but partially offset by lower sales volume, mainly due to lower milk production
- Gross margin decreased due to significant increase in cost of goods sold, reflecting higher cost of milk
- Gross profit and normalised EBIT reflects a diversified portfolio:
  - Improved margins in our Ingredients channel, particularly in the protein portfolio
  - Pressure in Consumer in some markets, significantly tighter margins in Foodservice across all regions
- Normalised profit after tax is down \$54 million, due to lower earnings partially offset by favourable interest expense

3. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
4. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
5. Attributable to equity holders of the Co-operative, excludes amounts attributable to non-controlling interests

# Diversified across markets and products

	Asia Pacific	AMENA	Greater China	Total
Volume ('000 MT) <sup>1</sup>	635 ↓ 6%	631 ↑ 1%	568 ↓ 4%	1,834 ↓ 3%
<b>EBIT contribution<sup>1,2</sup></b>				
 Ingredients	\$85m ↑ \$20m	\$184m ↑ \$44m	\$144m ↑ \$53m	\$413m ↑ \$117m
 Foodservice	\$(4)m ↓ \$56m	\$0m ↓ \$8m	\$89m ↓ \$105m	\$85m ↓ \$169m
 Consumer	\$77m ↓ \$42m	\$66m ↑ \$14m	\$3m ↓ \$6m	\$146m ↓ \$34m
<b>Total</b>	<b>\$158m</b> ↓ \$78m	<b>\$250m</b> ↑ \$50m	<b>\$236m</b> ↓ \$58m	

## EBIT by Quarter<sup>1,2</sup>



Note: Figures are for the six months ended 31 January 2022

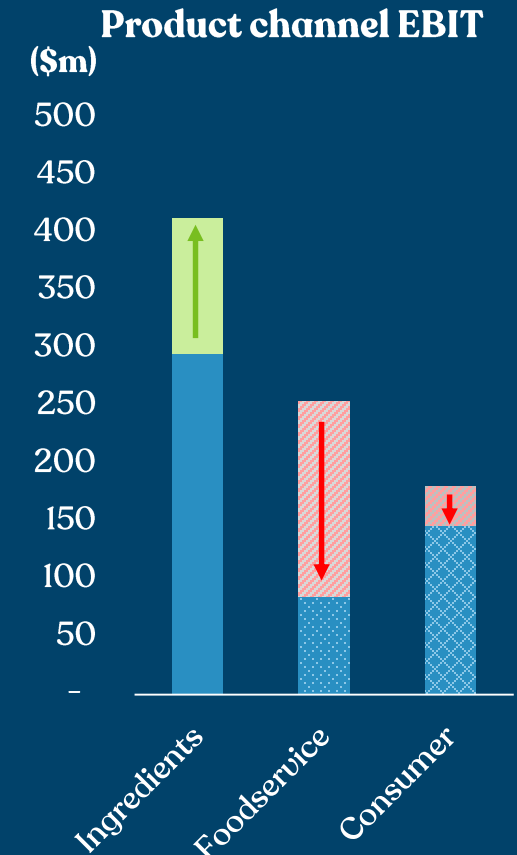
1. Prepared on a normalised continuing operations basis. Normalised EBIT contributions sum to \$644 million, and does not align to reported continuing operations due to excluding unallocated costs and eliminations

2. Inclusive of Group Operations' EBIT attribution. Comparative information includes re-presentations for consistency with the current period



# Ingredients' performance partially offset by tighter Foodservice margins

Region	2021 EBIT	2022 EBIT	Change
<b>Asia Pacific</b>			
Ingredients	\$65m	\$85m	31%
Foodservice	\$52m	\$(4)m	-
Consumer	\$119m	\$77m	(35)%
	<b>\$236m</b>	<b>\$158m</b>	<b>(33)%</b>
<b>AMENA</b>			
Ingredients	\$140m	\$184m	31%
Foodservice	\$8m	-	(100)%
Consumer	\$52m	\$66m	27%
	<b>\$200m</b>	<b>\$250m</b>	<b>25%</b>
<b>Greater China</b>			
Ingredients	\$91m	\$144m	58%
Foodservice	\$194m	\$89m	(54)%
Consumer	\$9m	\$3m	(67)%
	<b>\$294m</b>	<b>\$236m</b>	<b>(20)%</b>
<b>Eliminations<sup>1</sup></b>	<b>\$(78)m</b>	<b>\$(43)m</b>	<b>45%</b>
<b>Total</b>	<b>\$652m</b>	<b>\$601m</b>	<b>(8)%</b>

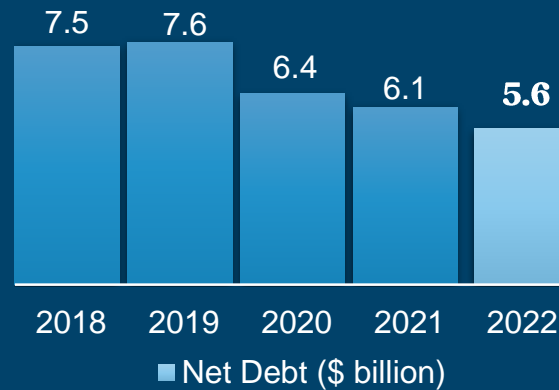


Note: Figures are for the six months ended 31 January and prepared on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period  
 1. Eliminations and unallocated costs

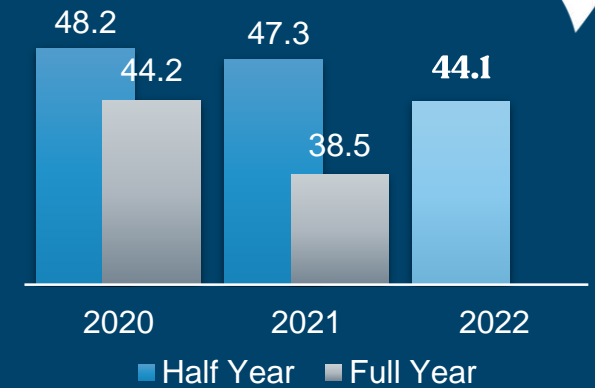
# Financial discipline

- Reduced net debt and leverage mainly due to retained earnings and cash proceeds from divestments in FY21
- Net debt and gearing are higher at half year compared to full year due to seasonal profile of working capital
- Working capital days up reflecting the higher value of inventory held due to milk price, up by almost 30% on last year
- Operating expenditure tracking in line with last year

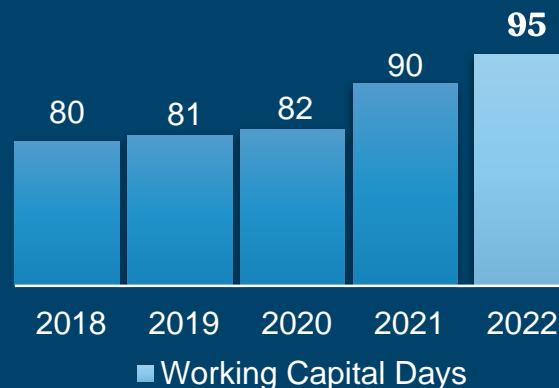
## Net Debt<sup>1,2</sup>



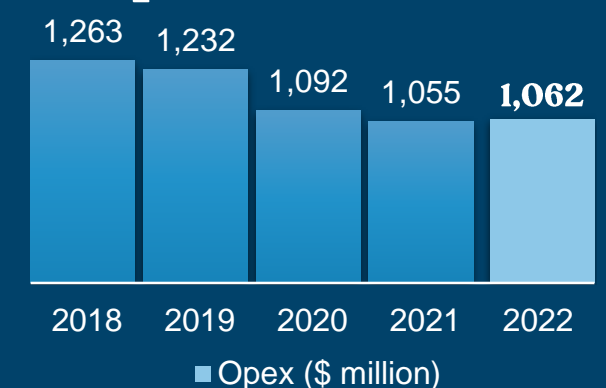
## Gearing Ratio<sup>1</sup> (%)



## Working Capital



## Operating Expenditure<sup>3</sup>



Note: Figures are for the six months ended 31 January except where otherwise stated

1. Refer to Glossary for definition

2. As at 31 January

3. On a Total Group and normalised basis

# Forecast 2021/22 Season Farmgate Milk Price



## Forecast Farmgate Milk Price

**\$9.30 - \$9.90**

per kgMS

- Reflects higher commodity prices at a time of strong demand and constrained global supply
- Risks include commodity price volatility, and disruption of global markets and supply chain due to COVID-19 and geopolitical events



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

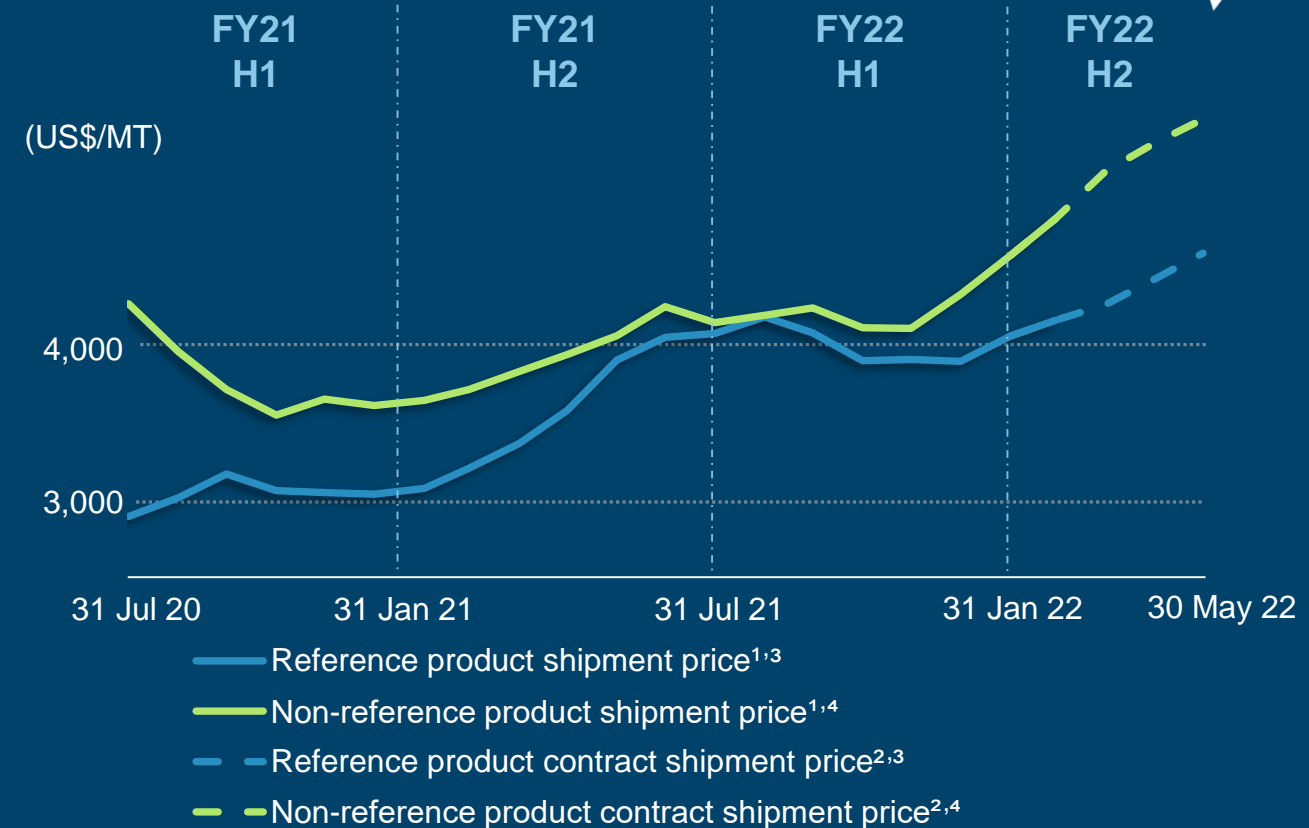


# 2022 earnings outlook

## Forecast Earnings

**25 - 35c**  
per share

- Maintained current range:
  - Ingredients' pricing across the portfolio continues to support earnings
  - Pressure remains on Foodservice and Consumer margins due to higher input costs



Source: GlobalDairyTrade. Data is up to GDT event 301 on 1 February 2022

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. The contracted shipment price is the weighted average shipment price of GDT contracts won 1 – 5 months prior on the GlobalDairyTrade platform. These contracts are yet to be shipped or invoiced and the weighted average price will change closer to the actual shipment date as new contracts are written
3. Reference product shipment price is represented by a weighted average of the WMP, SMP, AMF and Butter prices achieved on GDT
4. Non-reference product shipment price is represented by the cheddar prices achieved on GDT

# The value we're aiming to create by 2030 through our three strategic choices



## PERFORMANCE

**40-50%**

EBIT increase from FY21

**~9-10%**

Return on capital

Increase dividends to

**~40-45**

cents per share

Aspiration to be

**Net zero by 2050**



## INVESTMENT

**~\$1 billion**

in sustainability

**~\$1 billion**

moving more milk to higher value products

**~\$160m**

per annum in R&D

**~\$2 billion**

for mix of investment in further growth and return to shareholders



## DISTRIBUTION OF FUNDS

**~\$1 billion**

Intended to be distributed to shareholders after asset sales

Note: These targets are based on assumptions and risks that are set out in the Appendix to the booklet *Our Path to 2030*, including the assumption of an average Farmgate Milk Price for the decade of \$6.50 - \$7.50 per kgMS. We are aiming to achieve these targets and they should not be taken as forecasts or guarantees of returns. They are subject to successfully completing a number of business initiatives.

# Progress on our three strategic choices



## Focus on New Zealand Milk



Making progress on divestment of Chile and ownership review of Australia



Work with Government to enable capital structure progressing well



Driving demand for New Zealand milk in our markets



## Be a leader in Sustainability



Kowbucha™ methane reduction trial continues to show promise and moves to next stage



NZMP Organic Butter – carbonzero certified™ wins two innovation awards



## Be a leader in dairy Innovation & Science



VitaKey collaboration to unlock benefits of probiotic strains ahead of schedule and scope expanded



Anlene 5X™, providing five key mobility benefits, launched in Malaysia, Philippines, Vietnam and Thailand



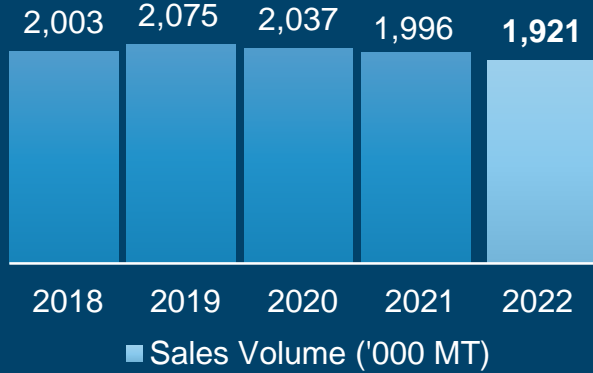


# Appendix

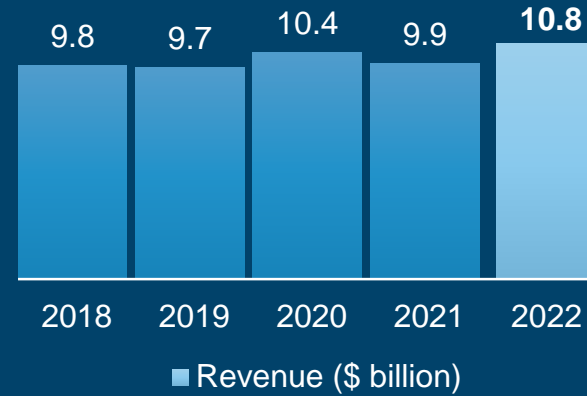


# Key financial metrics for Total Group FY22 half year<sup>1</sup>

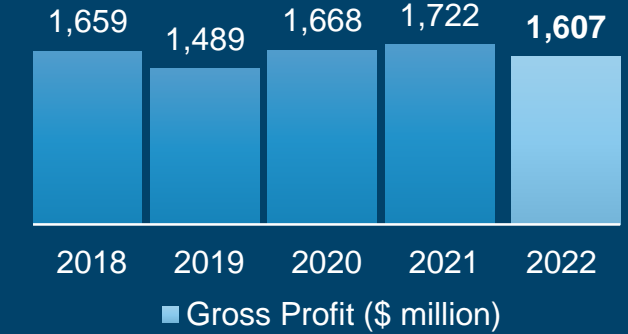
## Sales Volume



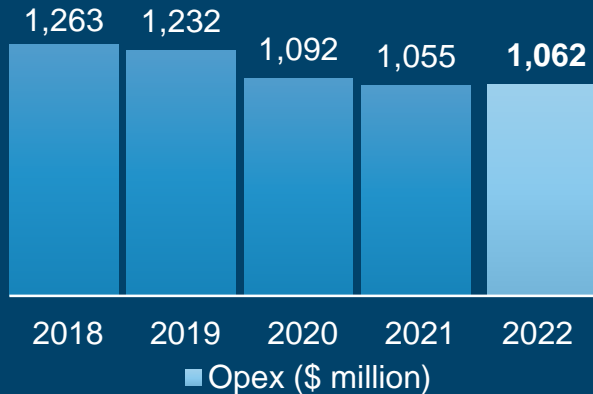
## Normalised Revenue



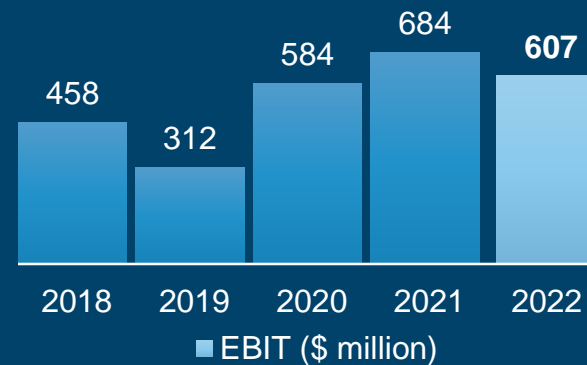
## Normalised Gross Profit



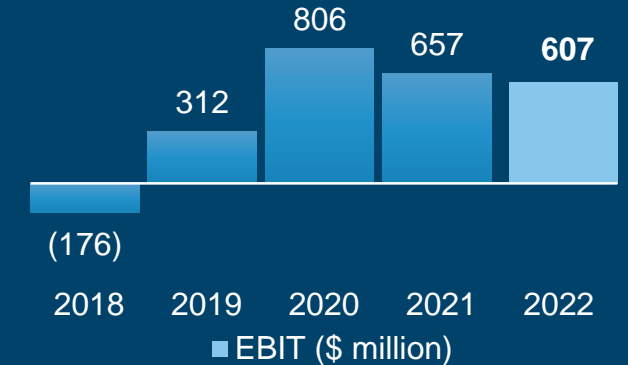
## Normalised OPEX



## Normalised EBIT



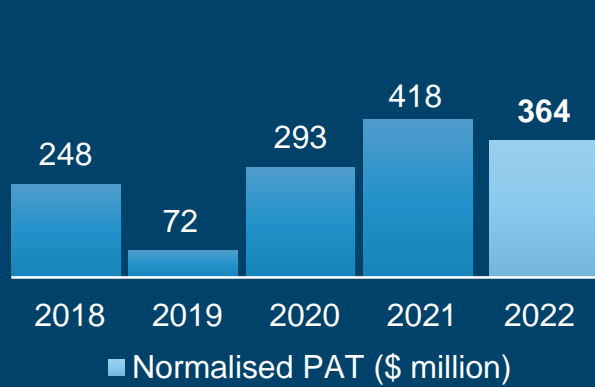
## Reported EBIT



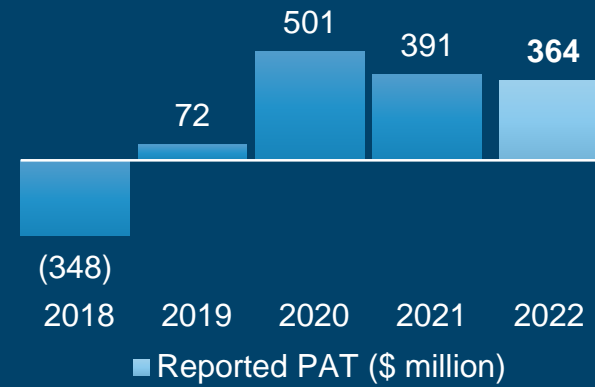
1. Total Group figures for the six months ended 31 January. This includes continuing and discontinued operations, and are on a normalised basis unless stated otherwise

# Key financial metrics for Total Group FY22 half year<sup>1</sup>

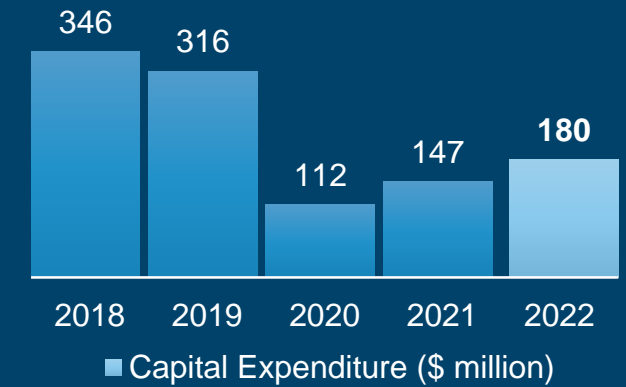
## Normalised Profit After Tax<sup>2</sup>



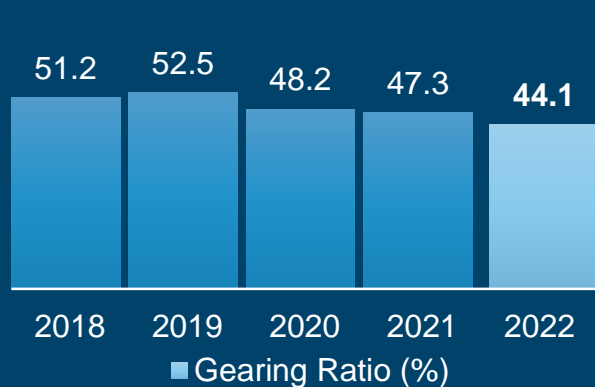
## Reported Profit After Tax<sup>2</sup>



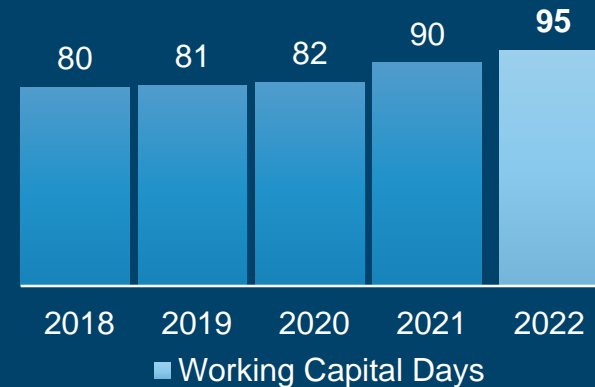
## Capital Expenditure<sup>3</sup>



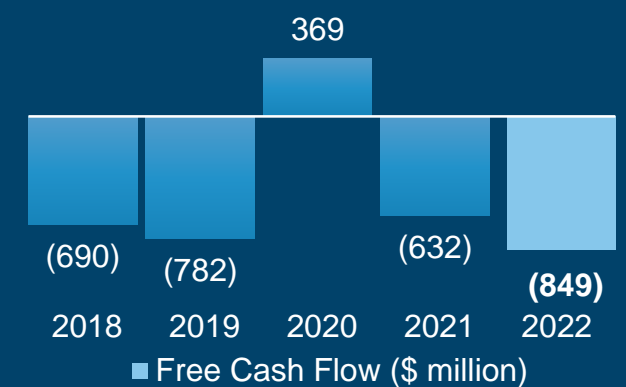
## Gearing Ratio<sup>3,4</sup>



## Working Capital



## Free Cash Flow<sup>3</sup>



1. Total Group figures for the six months ended 31 January. This includes continuing and discontinued operations, and are on a normalised basis unless stated otherwise

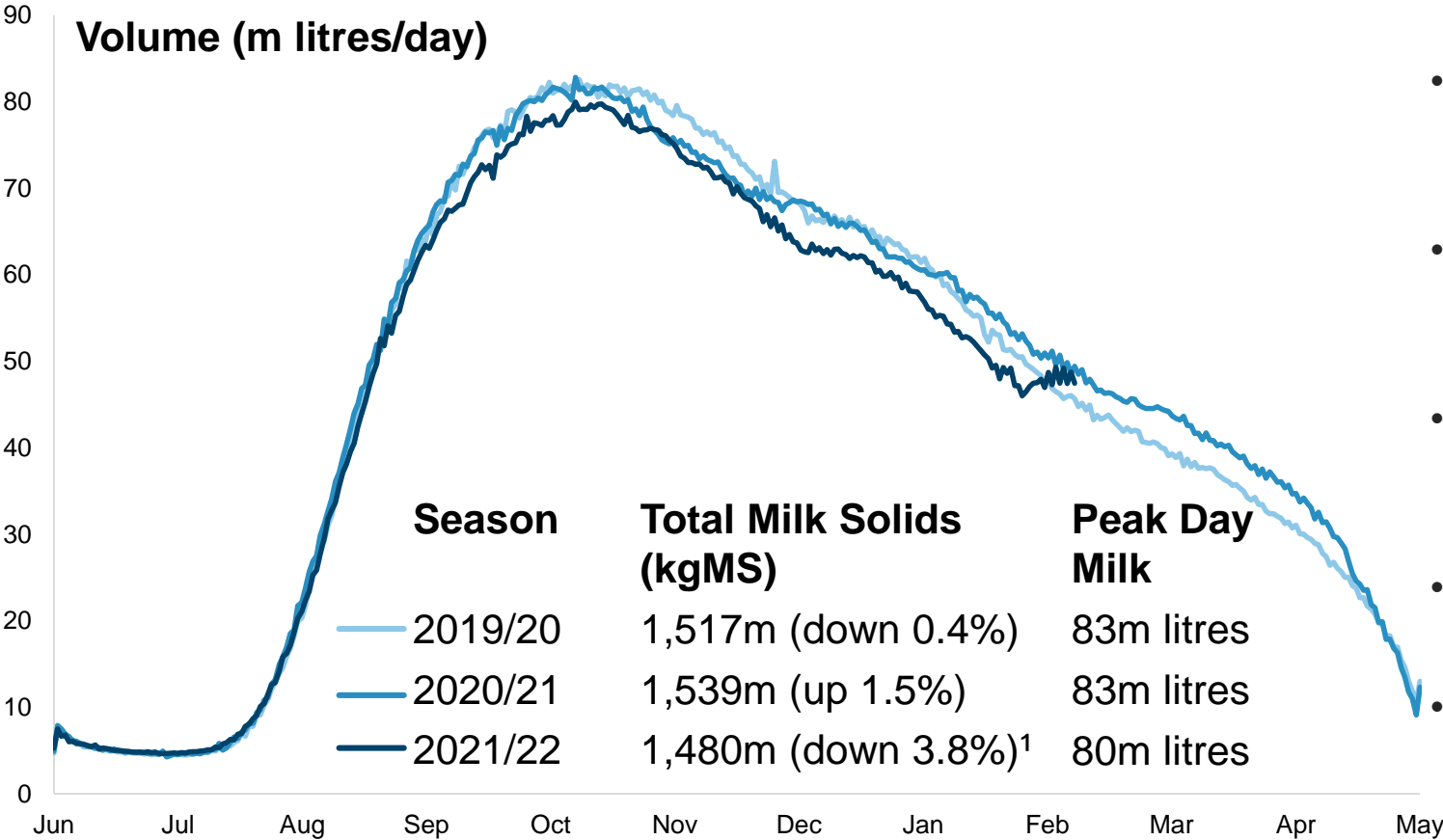
2. Includes amounts attributable to non-controlling interests

3. Refer to Glossary for definition

4. The Group has changed the way it measures net debt. It calculates gearing ratio using the new adjusted net debt measure. Under the previous methodology the gearing ratio would be 41.4%



# Fonterra's New Zealand milk collections



- Fonterra's NZ season to date milk collection, June – February, was 1,160 million kgMS, 4.0% behind last season
- Cold and wet spring with limited sunshine affecting pasture growth and collections early in the season
- Very dry and warm conditions from the beginning of January have led to declining soil moisture and lack of feed in the North Island
- Collections in the second half of February were supported by more normal conditions
- Full season forecast of 1,480 million kgMS, down 3.8% on last season

1. Current full season forecast

# Reconciliation to Total Group EBIT

NZD million	31 Jan 2021			31 Jan 2022		
	Continuing Operations <sup>1</sup>	Discontinued Operations <sup>1</sup>	Total Group	Continuing Operations <sup>1</sup>	Discontinued Operations <sup>1</sup>	Total Group
Revenue	9,597	318	9,915	10,588	209	10,797
Cost of goods sold	(7,946)	(247)	(8,193)	(9,039)	(151)	(9,190)
Gross profit	1,651	71	1,722	1,549	58	1,607
Gross margin	17.2%	22.3%	17.4%	14.6%	27.8%	14.9%
Operating expenses	(1,013)	(42)	(1,055)	(1,011)	(51)	(1,062)
Other <sup>2</sup>	14	3	17	63	(1)	62
Normalised EBIT	652	32	684	601	6	607
Normalisations	(50)	23	(27)	-	-	-
Reported EBIT	602	55	657	601	6	607

1. Refer to Note 1a and 2b of the FY22 Interim Financial Statements

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

# Earnings per share reconciliation

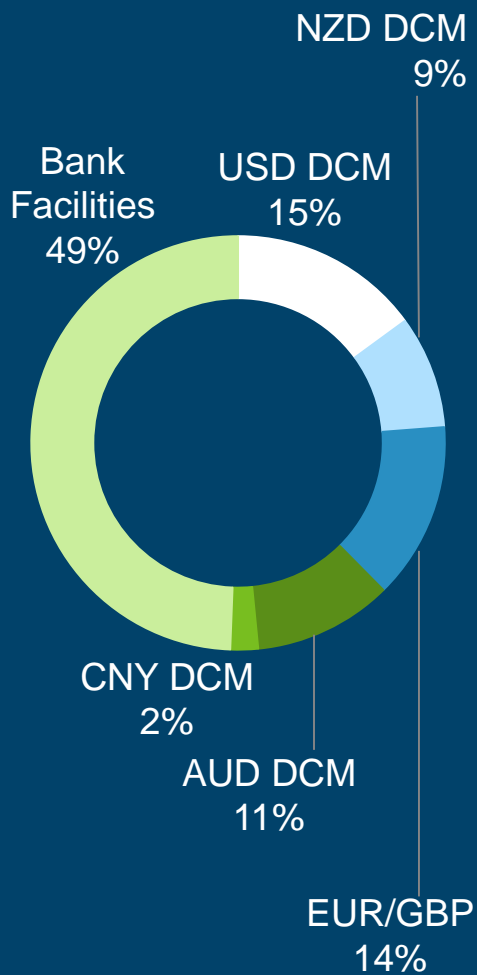
NZD million	2021	2022
<b>Reported profit after tax<sup>1</sup></b>	391	<b>364</b>
Less: Share attributable to non-controlling interests	(19)	<b>(16)</b>
Reported profit after tax attributable to equity holders of the Co-operative	372	<b>348</b>
<b>Reported earnings per share (cents)<sup>2</sup></b>	23	<b>22</b>
<b>Normalised profit after tax<sup>1</sup></b>	418	<b>364</b>
Less: Profit attributable to non-controlling interests	(19)	<b>(16)</b>
Normalised profit after tax attributable to equity holders of the Co-operative	399	<b>348</b>
<b>Normalised earnings per share (cents)<sup>2</sup></b>	25	<b>22</b>
<b>Weighted average number of Co-operative shares ('000)</b>	1,612,857	<b>1,613,358</b>

1. Includes amount attributable to non-controlling interests

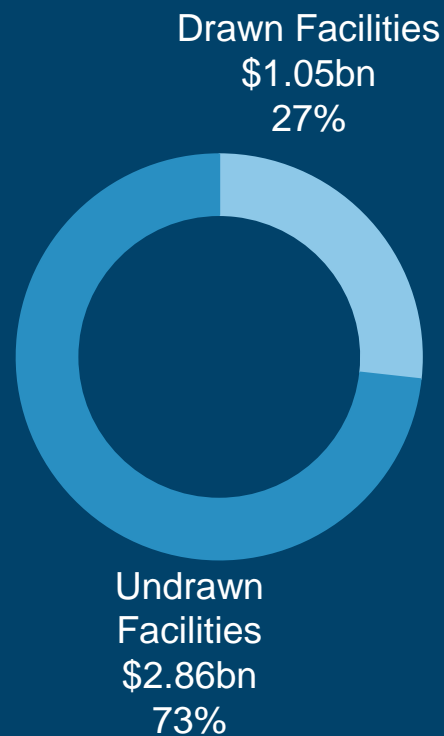
2. Attributable to equity holders of the Co-operative

# Diversified and prudent funding position<sup>1</sup>

## Diversified Profile<sup>2</sup>

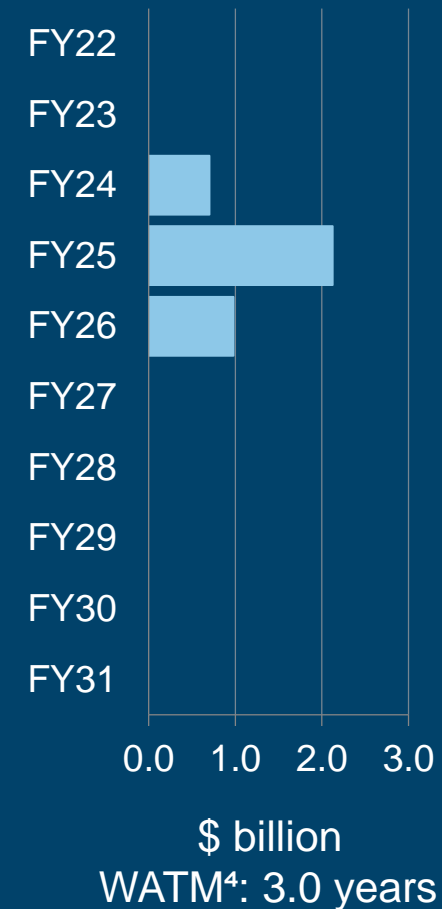


## Prudent Liquidity



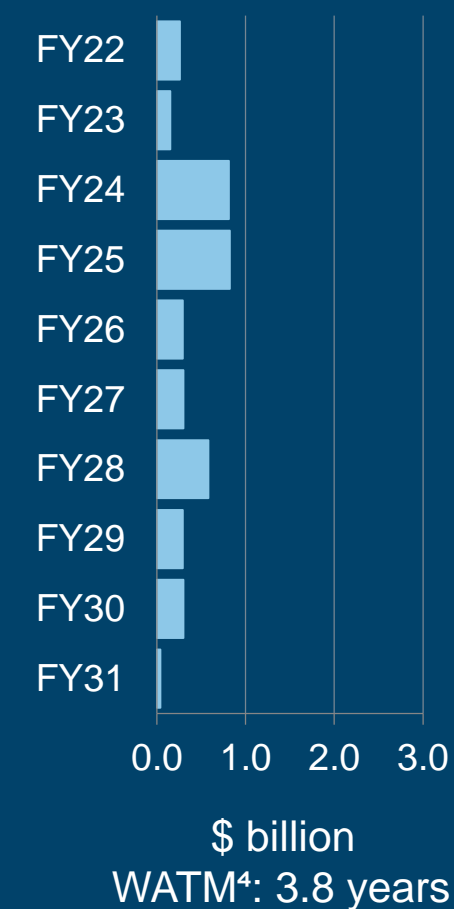
## Bank Facilities

### Maturity Profile



## Debt Capital Markets<sup>3</sup>

### Maturity Profile



1. As at 31 January 2022 and excludes amounts attributable to disposal groups held for sale  
 2. Includes undrawn facilities and commercial paper. DCM is debt capital markets

3. Excluding commercial paper  
 4. Weighted average term to maturity (WATM)



# Operating expenses

NZD million <sup>1</sup>	2021 <sup>2</sup>	2022
<b>Costs allocated to regions</b>		
Selling & marketing	(299)	(305)
Distribution & storage	(265)	(279)
Administration expenses	(296)	(311)
Research & development	(34)	(40)
Other expenses	(8)	(28)
<b>Total allocated operating expenses</b>	<b>(902)</b>	<b>(963)</b>
<b>Unallocated costs</b>	<b>(111)</b>	<b>(48)</b>
<b>Total operating expenses</b>	<b>(1,013)</b>	<b>(1,011)</b>
<b>Discontinued operations</b>	<b>(42)</b>	<b>(51)</b>
<b>Total Group operating expenses</b>	<b>(1,055)</b>	<b>1,062)</b>

1. Normalised basis. Does not align to FY22 Interim Financial Statements, predominately due to additional categories

2. \$42 million of other expenses have been reclassified as administration expenses for consistency with the current period



- Total Group normalised operating expenses increased \$7 million:
  - Increased investment in research & development
  - Increase in administration, and distribution & storage, including the impact of COVID-19 supply chain disruption
  - Increase in 'other' expenses reflects costs associated with discontinuing some products that are not aligned with our long-term strategy
- Unallocated costs favourable \$63 million, mainly due to the release of a \$44 million provision held at Group relating to the Holidays Act 2003

# Unallocated costs<sup>1</sup>

NZD million <sup>2</sup>	2021	2022
Farmer services	(21)	(21)
Communication and community	(8)	(6)
Fonterra Board & Co-operative Council	(4)	(3)
Governance support	(19)	(18)
Group finance, property & support	(21)	(21)
People & culture	(3)	(5)
Other	(35)	26
<b>Total</b>	<b>(111)</b>	<b>(48)</b>

1. Refer to Glossary for definition

2. Normalised basis. Comparative information has been re-presented for consistency with the current period



- Unallocated costs are favourable \$63 million predominantly due to 'Other'
- 'Other' is favourable \$61 million, mainly due to the release of a \$44 million provision held at Group following the conclusion of a judicial interpretation on the Holidays Act 2003

# Group performance by product channel

## Ingredients

Volume ('000 MT)

**1,030** From 1,096 ↓

Revenue (\$ million)

**6,898** From 6,016 ↑

Gross margin

**11.1%** From 10.6% ↑

\$ million ■ 2021 ■ 2022



## Foodservice

Volume ('000 MT)

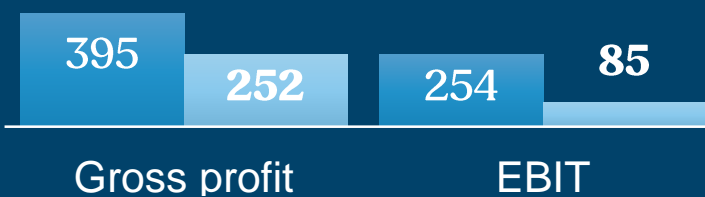
**266** From 260 ↑

Revenue (\$ million)

**1,685** From 1,569 ↑

Gross margin

**15.0%** From 25.2% ↓



## Consumer

Volume ('000 MT)

**538** From 536 ↑

Revenue (\$ million)

**2,089** From 2,072 ↑

Gross margin

**25.9%** From 28.4% ↓



Note: Figures are for the six months ended 31 January. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period

# New Zealand sourced Ingredients product mix



	2021		2022	
<b>Sales Volume ('000 MT)<sup>1</sup></b>				
Reference products	870		793	
Non-reference products	419		415	
<b>Revenue<sup>1</sup></b>				
	<b>\$ billion</b>	<b>\$ per MT</b>	<b>\$ billion</b>	<b>\$ per MT</b>
Reference products	4.2	4,784	4.7	5,916
Non-reference products	2.3	5,372	2.6	6,221
<b>Cost of Milk</b>				
Reference products	3.2	3,676	3.7	4,702
Non-reference products	1.4	3,294	1.7	4,144

- The average reference product sales price per metric tonne has increased 24%:
  - WMP has been the significant contributor
- The average non-reference product sales price per metric tonne has increased 16%:
  - Casein and whey products have increased significantly
  - Other products, such as cheese, that are typically more stable or have a non-spot pricing arrangement increased at a slower rate
- Cost of milk increased 28% and 26% for reference products and non-reference products, respectively

1. Excludes bulk liquid milk. Bulk liquid milk for the six months ended 31 January 2022 was 34,000 MT of kgMS equivalent (the six months ended January 2021 was 36,000 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 441 million kgMS in reference products and 207 million kgMS non-reference products (previous comparative period 488 million kgMS reference products and 205 million non-reference products)



# New Zealand and Non-New Zealand Milk

NZD million <sup>1</sup>	31 January 2021			31 January 2022		
	New Zealand Milk	Non-New Zealand Milk	Total	New Zealand Milk	Non-New Zealand Milk	Total
Revenue	8,144	1,453	9,597	9,019	1,569	10,588
Cost of goods sold	(6,745)	(1,201)	(7,946)	(7,776)	(1,263)	(9,039)
Gross profit	1,399	252	1,651	1,243	306	1,549
Gross margin	17.2%	17.3%	17.2%	13.8%	19.5%	14.6%
Operating expenses	(833)	(180)	(1,013)	(819)	(192)	(1,011)
Other <sup>2</sup>	16	(2)	14	62	1	63
Normalised EBIT	582	70	652	486	115	601
EBIT margin	7.1%	4.8%	6.8%	5.4%	7.3%	5.7%

1. Figures are for the six months ended 31 January and are prepared on a normalised continuing operations basis

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

# Group performance by region

## Asia Pacific

Volume ('000 MT)

**635** From 672 ↓

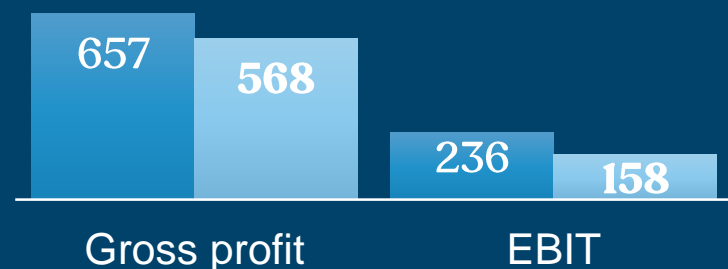
Revenue (\$ million)

**3,487** From 3,399 ↑

Gross margin

**16.3%** From 19.3% ↓

\$ million ■ 2021 ■ 2022



## AMENA

Volume ('000 MT)

**631** From 627 ↑

Revenue (\$ million)

**3,733** From 3,197 ↑

Gross margin

**14.3%** From 14.7% ↓



## Greater China

Volume ('000 MT)

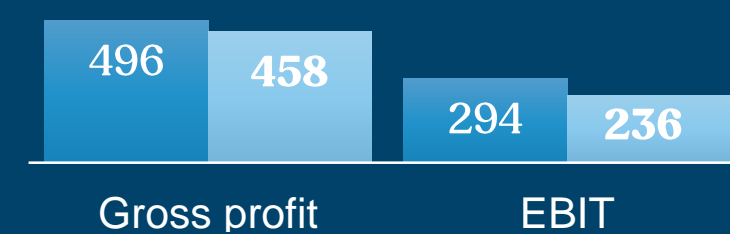
**568** From 593 ↓

Revenue (\$ million)

**3,452** From 3,061 ↑

Gross margin

**13.3%** From 16.2% ↓

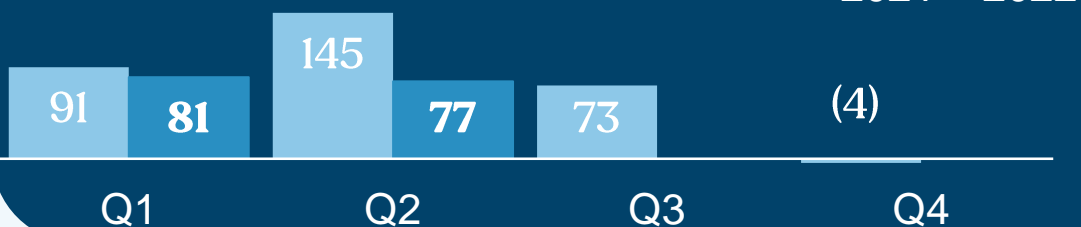


Note: Figures are for the six months ended 31 January. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period

# Asia Pacific

million	2021	2022	%Δ <sup>1</sup>
Sales volume <sup>2</sup> ('000 MT)	672	635	(6)%
Revenue (\$)	3,399	3,487	3%
Gross profit (\$)	657	568	(14)%
Gross margin (%)	19.3%	16.3%	
Operating expenses (\$)	(423)	(423)	0%
Other <sup>3</sup> (\$)	2	13	550%
Normalised EBIT <sup>4</sup> (\$)	236	158	(33)%
Includes EBIT attribution from Group Operations <sup>5</sup> (\$)	47	24	(49)%

EBIT by Quarter  
(\$ million)



- Lower sales volumes mainly due to lower New Zealand and Australian milk collections
- Improved Ingredients channel performance offset by a decline in the Foodservice and Consumer channels
  - Increased gross margins in Ingredients channel due to achieving higher product prices in our Australian business
  - Lower gross margins in Foodservice and Consumer channels due to higher cost of milk, most notable in South East Asia and New Zealand businesses
- Lower EBIT attribution from Group Operations due to tighter margins, particularly in our cheese portfolio

Note: Figures are for the six months ended 31 January and are on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period

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

# Asia Pacific channel performance

## Ingredients

Volume ('000 MT)

**251** From 280 ↓

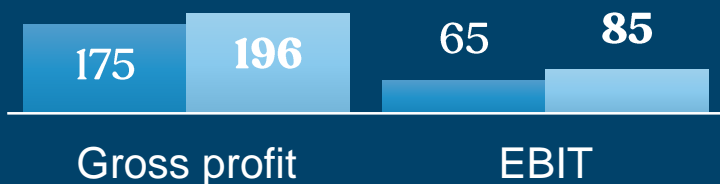
Revenue (\$ million)

**1,764** From 1,636 ↑

Gross margin

**11.1%** From 10.7% ↑

\$ million ■ 2021 ■ 2022



## Foodservice

Volume ('000 MT)

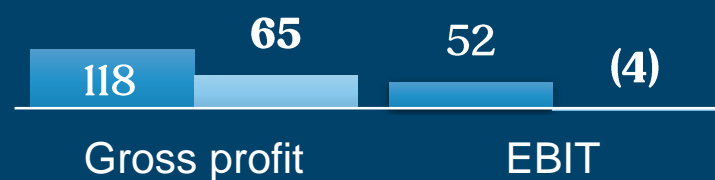
**84** From 82 ↑

Revenue (\$ million)

**482** From 469 ↑

Gross margin

**13.5%** From 25.2% ↓



## Consumer

Volume ('000 MT)

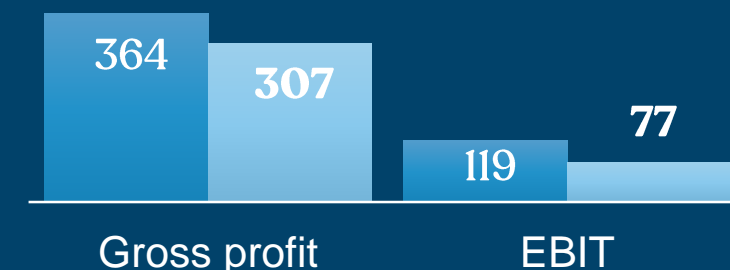
**300** From 310 ↓

Revenue (\$ million)

**1,241** From 1,294 ↓

Gross margin

**24.7%** From 28.1% ↓



Note: Figures are for the six months ended 31 January. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information includes re-representations for consistency with the current period



# Australia

million	2021	2022	%Δ <sup>1</sup>
Milk collections (kgMS)	69	68	(2)%
Sales volume <sup>2</sup> ('000 MT)	174	172	(1)%
Revenue (\$)	899	916	2%
Gross profit (\$)	103	137	33%
Gross margin (%)	11.5%	15.0%	
Operating expenses (\$)	(68)	(79)	(16)%
Other <sup>3</sup> (\$)	(3)	1	-
Normalised EBIT (\$)	32	59	84%

Note: Figures are for the six months ended 31 January and are on a normalised continuing operations basis. This table was prepared exclusive of Group Operations attribution

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Includes sales to other segments
3. Consists of other operating income and net foreign exchange gains/(losses)

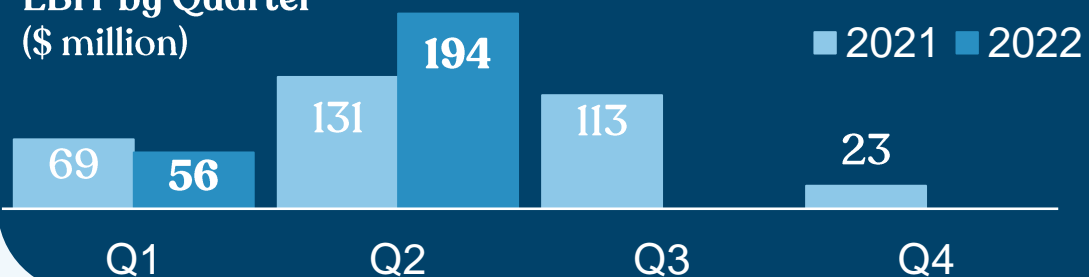


- Lower sales volumes due to lower milk collections as a result of reduced herd sizes and weather impacting on-farm conditions
- Gross profit and EBIT increased due to:
  - Ingredients channel achieving higher product prices and benefiting from a weaker Australian dollar
  - Stable Consumer and Foodservice channels due to our in-market sales prices reflecting the rising input costs

# AMENA

million	2021	2022	%Δ <sup>1</sup>
Sales volume <sup>2</sup> ('000 MT)	627	631	1%
Revenue (\$)	3,197	3,733	17%
Gross profit (\$)	470	535	14%
Gross margin (%)	14.7%	14.3%	
Operating expenses (\$)	(279)	(307)	(10)%
Other <sup>3</sup> (\$)	9	22	144%
Normalised EBIT <sup>4</sup> (\$)	200	250	25%
Includes EBIT attribution from Group Operations <sup>5</sup> (\$)	17	40	135%

EBIT by Quarter  
(\$ million)



- Sales volumes up due to increased milk collections and continued growth in our Chilean business
- Gross profit up \$65 million, due to:
  - Improved pricing and product mix in Ingredients channel
  - Continued volume and gross margin growth in our Chilean consumer business, offset by:
    - Lower gross margin due to higher cost of milk, particularly in Foodservice channel
- Increased EBIT attribution from Group Operations due to higher margins, particularly in the protein portfolio – such as caseinate and whey protein concentrate products

Note: Figures are for the six months ended 31 January and are on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period

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

# AMENA channel performance

## Ingredients

Volume ('000 MT)

**401** From 417 ↓

Revenue (\$ million)

**2,900** From 2,477 ↑

Gross margin

**11.9%** From 11.8% ↑

\$ million ■ 2021 ■ 2022



## Foodservice

Volume ('000 MT)

**36** From 30 ↑

Revenue (\$ million)

**197** From 163 ↑

Gross margin

**7.1%** From 13.5% ↓



## Consumer

Volume ('000 MT)

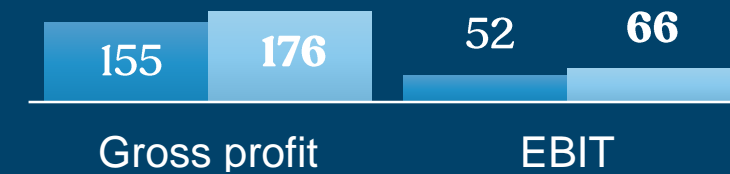
**194** From 180 ↑

Revenue (\$ million)

**636** From 557 ↑

Gross margin

**27.7%** From 27.8% ↓



Note: Figures are for the six months ended 31 January. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period

# Latin America

million	2021	2022	%Δ <sup>1</sup>
Sales volume <sup>2</sup> ('000 MT)	182	192	5%
Revenue (\$)	489	538	10%
Gross profit (\$)	138	162	17%
Gross margin (%)	28.2%	30.1%	
Operating expenses (\$)	(97)	(100)	(3)%
Other <sup>3</sup> (\$)	–	–	–
Normalised EBIT (\$)	41	62	51%

Note: Figures are for the six months ended 31 January and are on a normalised continuing operations basis. This table was prepared exclusive of Group Operations attribution

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share profit or loss of equity accounted investees



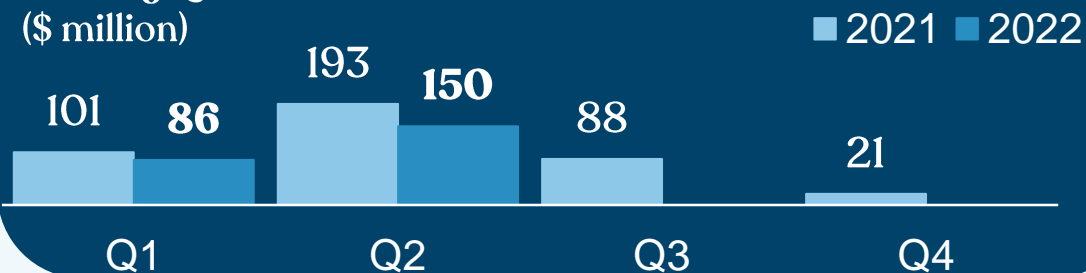
- Sales volume up, driven by stronger milk collections in Chile
- Gross margin improved due to:
  - Improved product mix in Chile, reflecting growth in sales volumes of higher margin products – such as yoghurt and desserts
  - Higher in-market prices due to the ability to leverage number one market share position in Chile
  - Improved economies of scale due to higher sales volumes
- EBIT increased due to sales volumes growth and improved gross margins



# Greater China

million	2021	2022	%Δ <sup>1</sup>
Sales volume <sup>2</sup> ('000 MT)	593	568	(4)%
Revenue (\$)	3,061	3,452	13%
Gross profit (\$)	496	458	(8)%
Gross margin (%)	16.2%	13.3%	
Operating expenses (\$)	(200)	(233)	(17)%
Other <sup>3</sup> (\$)	(2)	11	-
Normalised EBIT <sup>4</sup> (\$)	294	236	(20)%
Includes EBIT attribution from Group Operations <sup>5</sup> (\$)	25	12	(52)%

## EBIT by Quarter (\$ million)



- Improved Ingredients channel performance offset by a decline in the Foodservice and Consumer channels
  - Ingredients channel improved due to higher prices and sales volumes of higher margin products, particularly caseinate products
  - Consistent demand for Foodservice channel but offset by higher cost of milk reducing margins
- Lower EBIT attribution from Group Operations, which includes increased operating expenses related to COVID-19 supply chain challenges

Note: Figures are for the six months ended 31 January and are on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period

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

# Greater China channel performance

## Ingredients

Volume ('000 MT)

**378** From 399 ↓

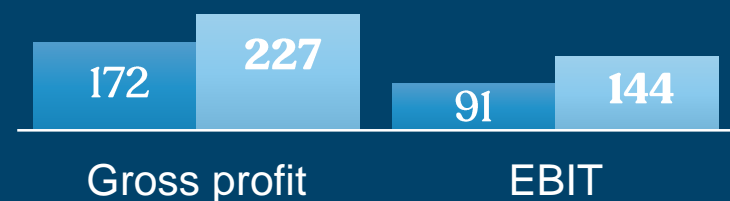
Revenue (\$ million)

**2,234** From 1,903 ↑

Gross margin

**10.2%** From 9.0% ↑

\$ million ■ 2021 ■ 2022



## Foodservice

Volume ('000 MT)

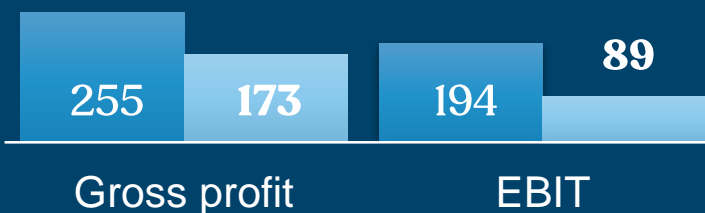
**146** From 148 ↓

Revenue (\$ million)

**1,006** From 937 ↑

Gross margin

**17.2%** From 27.2% ↓



## Consumer

Volume ('000 MT)

**44** From 46 ↓

Revenue (\$ million)

**212** From 221 ↓

Gross margin

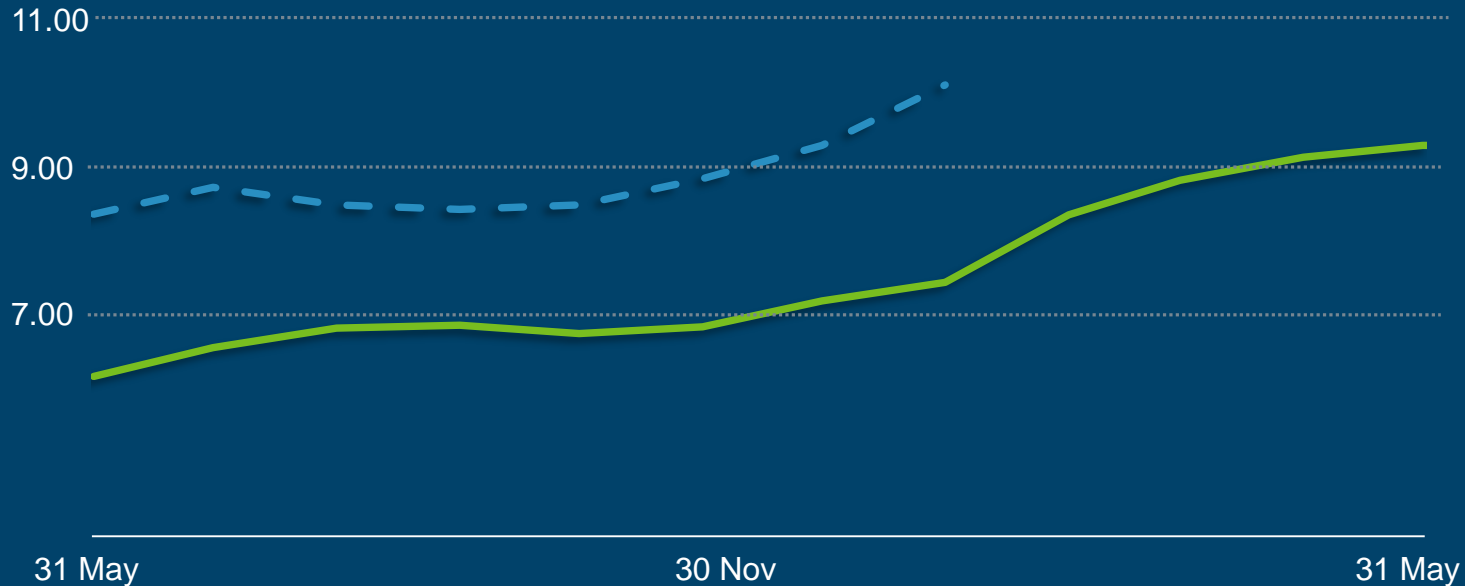
**27.4%** From 31.2% ↓



Note: Figures are for the six months ended 31 January. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period

# Monthly milk prices

(NZD/kgMS)



- Monthly Milk Prices for 2020/2021 Season Farmgate Milk Price of \$7.54/kgMS
- - Indicative Monthly Milk Prices for 2021/2022 Season Farmgate Milk Price forecast of \$9.60/kgMS

- Monthly cost of milk has been on average around \$2 per kgMS higher than the previous year for the first six months of the financial year
- Increased cost of milk has placed pressure on margins in our Foodservice and Consumer channels

# 2022 Board Statement of Intentions



In accordance with the Constitution of Fonterra, the Board Statement of Intentions sets out the Board's intentions for the performance and operations of Fonterra. The table below provides an update as at 31 January 2022, of Fonterra's performance against these targets.

	FY21	FY22 Q2 YTD	FY22 FY Target
<b>Healthy People</b>			
Total recordable injury frequency rate (TRIFR) per million work hours <sup>1</sup>	5.7	6.2	5.6
Female representation in senior leadership <sup>2</sup>	32.4%	34.4%	35.8%
Employee engagement	4.09	— <sup>3</sup>	Top Quartile <sup>3</sup>
Farmer sentiment (Net Promoter Score for Fonterra in New Zealand)	23	23	30
<b>Healthy Environment</b>			
Number of farms with Farm Environment Plans (New Zealand)	53%	61%	67%
Reduction in water used at sites in water-constrained regions versus FY18	(2.6)%	(8.5)% <sup>4</sup>	(8.0)%
Reduction in greenhouse gas emissions from manufacturing versus FY18	(6.5)%	(10.2)% <sup>4</sup>	(6.5)%
<b>Healthy Business</b>			
Fonterra % kgMS of New Zealand milk collected for the season ended 31 May	79%	79.5% <sup>5</sup>	79.3%
New Zealand Farmgate Milk Price (per kgMS)	\$7.54	\$9.30-\$9.90 <sup>6</sup>	\$7.25-\$8.75
Return on capital	6.6%	On track <sup>7</sup>	6.5% to 7.0%
Debt/EBITDA	2.7x	On track <sup>7</sup>	2.4x
Adjusted Net Debt Gearing Ratio	38.5%	On track <sup>7</sup>	34.5%
Normalised earnings per share	34c	On track <sup>7</sup>	25c to 40c

1. Part of zero harm philosophy which also includes target 0 serious harm/0 fatalities  
 2. Senior leadership defined as Band 14+  
 3. Under ongoing management review of the provider and means of determining engagement, measurement of this metric may not be completed during the FY22 financial year  
 4. Calculated using a combination of actual data and estimates. FY22 GHG target flat reflecting improved efficiencies

offset by increased volumes  
 5. Season to 31 January 2022. Prior comparable season to 31 January 2021: 79.5%  
 6. Latest publicly announced Forecast Farmgate Milk Price (24 February 2022)  
 7. FY22 Q2 reflects a full year forecast basis



# Glossary

## Asia Pacific

Represents the Ingredients, Foodservice and Consumer channels in New Zealand, Australia, Pacific Islands, South East Asia and South Asia

## AMENA

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

## Capital expenditure

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

## Consumer

Represents the channel of branded consumer products, such as powders, yoghurts, milk, butter, and cheese

## Debt/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

## Earnings before interest and tax (EBIT)

Is profit before net finance costs and tax

## 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

## Foodservice

Represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, cafes, airports, catering companies etc. The focus is on customers such as; bakeries, cafes, Italian restaurants, and 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

# Glossary

## Gearing ratio (adjusted net debt)

Is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt

## Greater China

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

## 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)

## 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 (adjusted)

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

## Normalised earnings per share (EPS)

Normalised earnings per share is calculated as normalised profit after tax attributed to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period

## 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

## 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

# Important information and disclaimer

This presentation may contain forward-looking statements, financial targets and ambitions (“Forward Statements”), each of which is based on a range of assumptions, including (in the case of our 2030 strategy) the assumptions noted in the Appendix of the booklet titled Our Path to 2030 which is available on our website. None of the Forward Statements is intended as a forecast, estimate or projection of the outcome that will, or is likely to, eventuate. They should not be taken as forecasts or a guarantee of returns to shareholders.

There can be no certainty of outcome in relation to the matters to which the Forward Statements relate. Our ability to achieve the outcomes described in the Forward Statements is subject to a number of assumptions, each of which could cause the actual outcomes to be materially different from the events or results expressed or implied by such Forward Statements.

The Forward Statements also involve known and unknown risks, uncertainties and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such Forward Statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of Fonterra Co-operative Group Limited (“Fonterra”) and its subsidiaries (the “Fonterra Group”) and cannot be predicted by the Fonterra Group. The Forward Statements in this presentation reflect views held only at the date of this presentation.

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This presentation does not constitute investment advice or opinions, or an inducement, recommendation or offer to buy or sell any securities in Fonterra or the Fonterra Shareholders’ Fund.

# Non-GAAP Measures

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 Interim Report for reconciliation of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.