



6 May 2021

Initial response of Fonterra Shareholders' Fund to Fonterra Capital Structure Review

FSF Management Company Limited, manager of the Fonterra Shareholders' Fund, notes that Fonterra has announced a consultation process with its farmer owners on Fonterra's capital structure review. The materials are available from www.fonterra.com/capitalstructure.

While this consultation process is underway, Fonterra has temporarily capped the size of the Fund by suspending shares in the Fonterra Shareholders' Market from being exchanged into units in the Fund. As at 4 May 2021, the Fund had approximately 107.2 million units on issue, market capitalisation of around NZD 493 million, and is a constituent in the S&P/NZX 50 index.

The manager has formed a subcommittee comprising solely its independent directors to consider the implications of the review for unit holders.

The manager has not been directly involved in Fonterra's review, or Fonterra's decision to exercise a discretion Fonterra has under Fonterra's constitution and related arrangements by applying the temporary cap. However, Fonterra has confidentially briefed the manager subcommittee ahead of its announcement.

While the consultation is underway FSF units will continue to trade on the NZX and ASX, and FSF units continue to have the same rights to participate in the economic performance of Fonterra.

Fonterra's consultation process is expected to take several months. If there are indications of sufficient farmer support, Fonterra aims for a refined proposal to be voted on by Fonterra shareholders at their annual meeting in November 2021. Implementation of a supportive farmer vote is expected to be conditional upon necessary changes to the Dairy Industry Restructuring Act 2001 being passed.

Fonterra has signalled a preferred option which would see the Fund bought back and removed, or an alternative with the size of the Fund permanently capped. A buyback would require a buyback price to be negotiated between the manager subcommittee and Fonterra, for the manager to make a recommendation to unit holders, and the approval of 75% of votes of voting unit holders at a meeting called for that purpose.

The manager subcommittee has appointed specialist advisers Simmons Corporate Finance and Chapman Tripp to assist with its deliberations over coming months.

John Shewan
Chair
FSF Management Company Limited
Manager of the Fonterra Shareholders' Fund