Fonterra
Dairy for life

2022 We're Good Together

22 September 2022

We've had a good year

Farmgate Milk Price

$9.30 per kgMS

Dividend

20c per share

Reported profit after tax[1]

$583 million

Normalised profit after tax[1]

$591 million

35c earnings per share[2]

Note: Figures are Total Group, which includes continuing and discontinued operations
1. Includes amounts attributable to non-controlling interests
2. Attributable to equity holders of the Co-operative, excludes $23 million of normalised profit after tax attributable to non-controlling interests

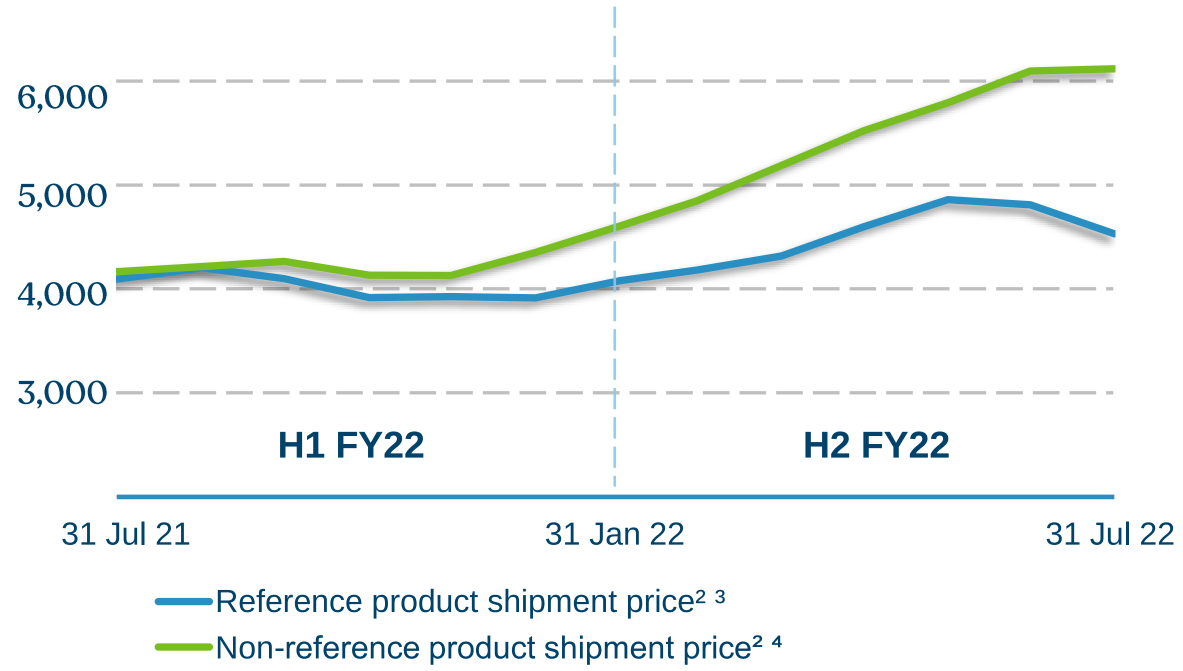
We've managed higher dairy prices and favourable price relativities

Monthly Milk Prices

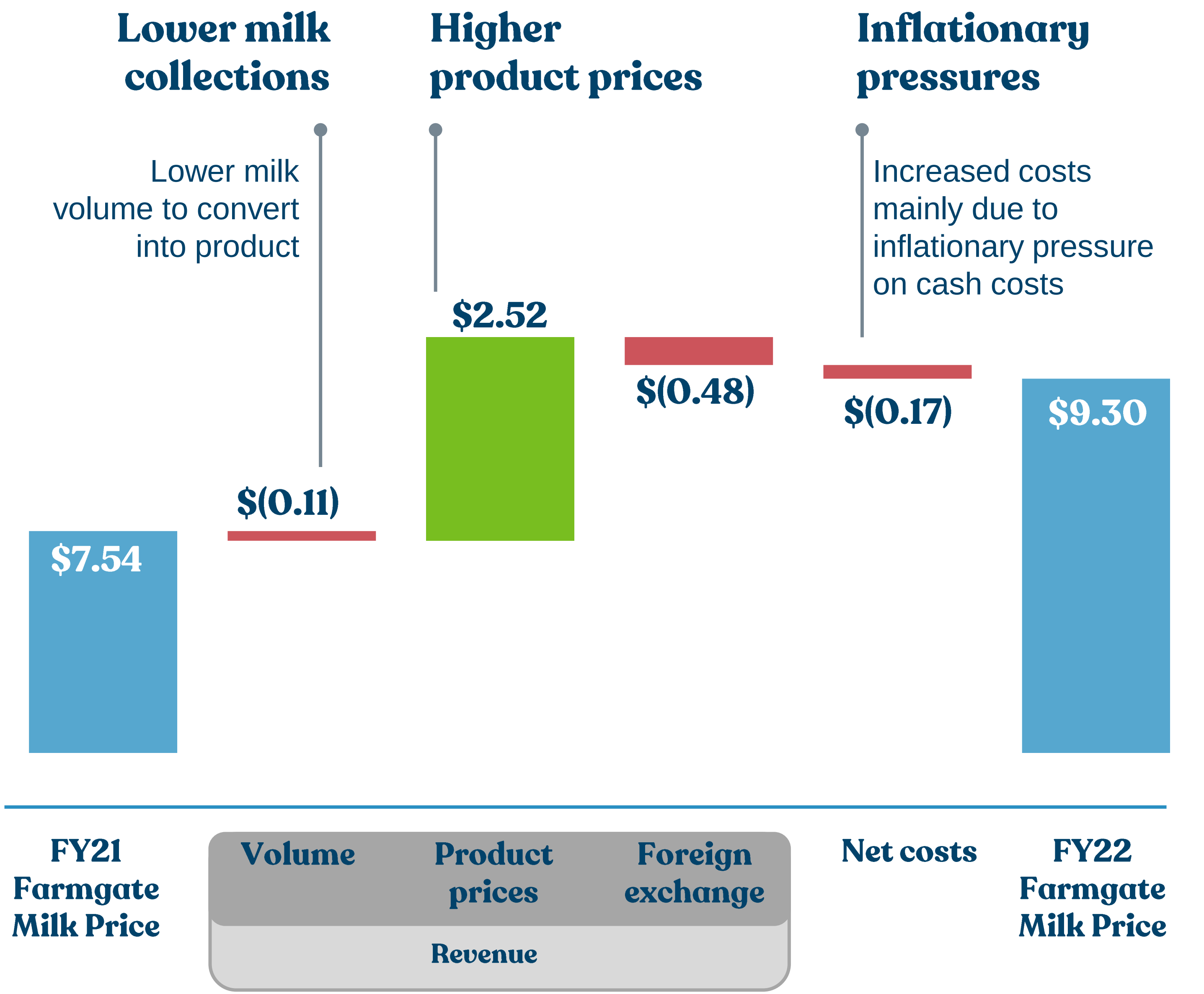
(NZ$)

Reference and non-reference price relativities on GDT[1]

(US$/MT)

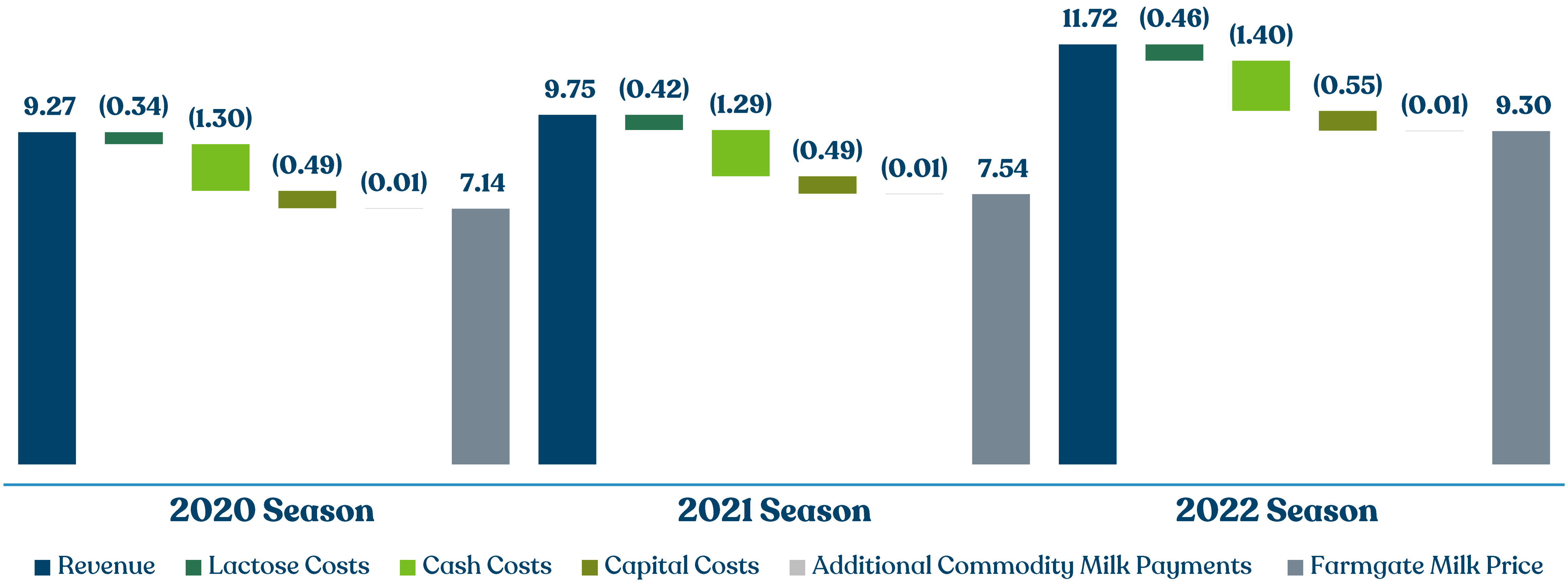


1. Source: GlobalDairyTrade
2. The shipment price is a weighted average price of GDT contracts struck 1 to 5 months prior to the agreed shipment month. Shipment month is the month in which the sale would be deemed for financial reporting purposes to have been completed, and will normally be the month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



Resulting in a strong Farmgate Milk Price in challenging times

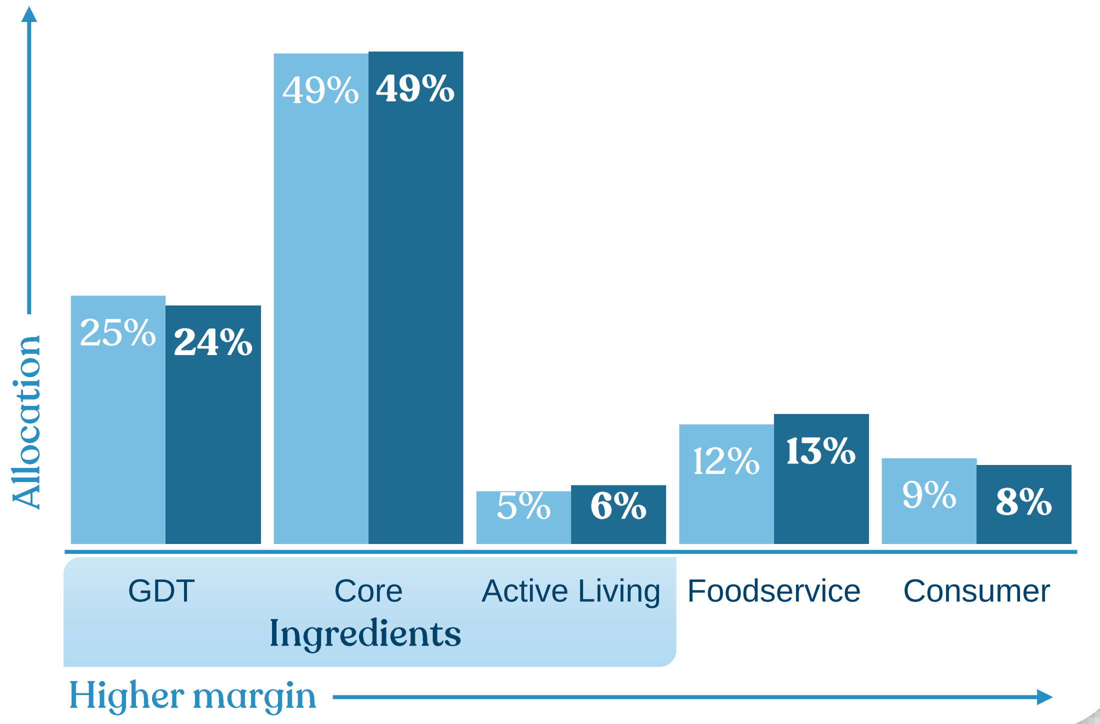
Market pricing out-stripped inflationary pressures



By shifting milk into higher value products

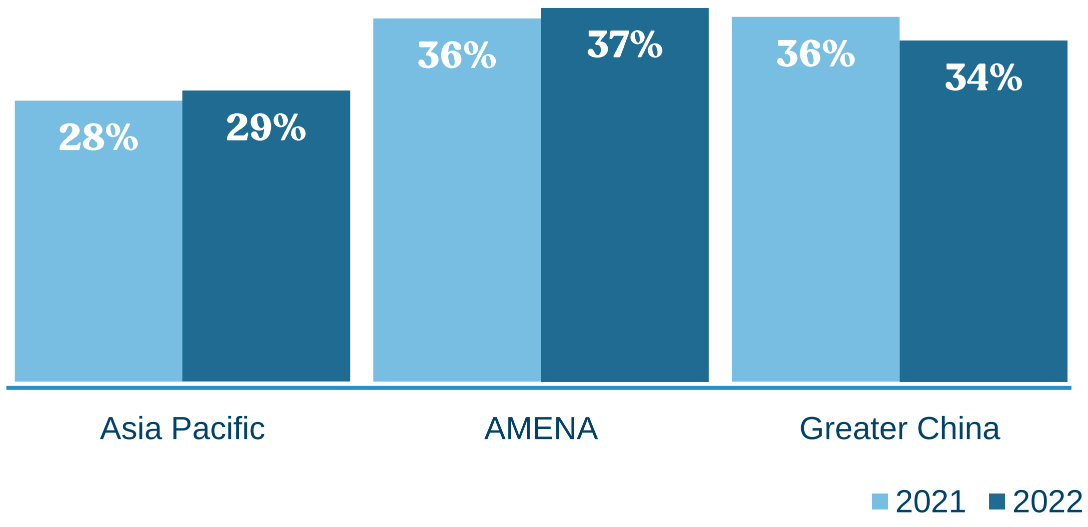
New Zealand milk solids allocation by product channel

% of milk solids



New Zealand milk solids allocation by region

% of milk solids



Note: The tables are prepared on a continuing operations basis.

We optimised our business on the best performing products to capture higher returns

	Asia Pacific	AMENA	Greater China	Total
Volume ('000 MT)[1]	1,370 ↓ 1%	1,355 n/c	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

1. Prepared on a normalised continuing operations basis. Normalised EBIT contributions sum 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

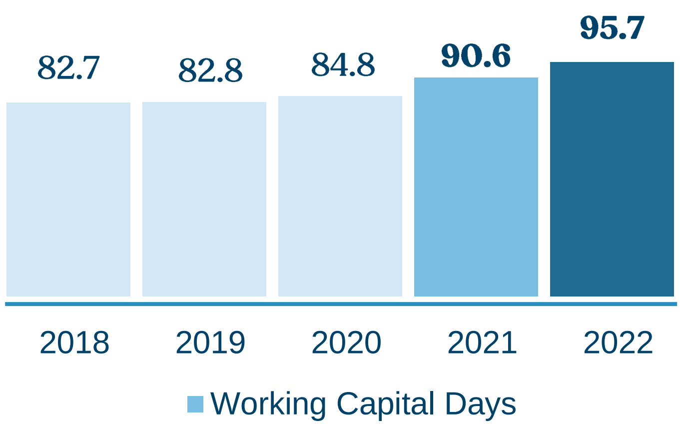
Delivering a solid Total Group business performance

million	2021[1]	**2022**	%Δ[2]
Sales volume (‘000 MT)	4,102	**3,924**	(4)%
Revenue ($)	21,124	**23,425**	11%
Cost of goods sold ($)	(18,010)	**(20,085)**	(12)%
Gross profit ($)	3,114	**3,340**	7%
Gross margin (%)	14.7%	**14.3%**	
Operating expenses ($)	(2,242)	**(2,397)**	(7)%
Other[3] ($)	80	**48**	(40)%
Normalised EBIT ($)	952	**991**	4%
Normalised profit after tax[4] ($)	588	**591**	1%
Normalised EPS[5] (cents)	34	**35**	3%

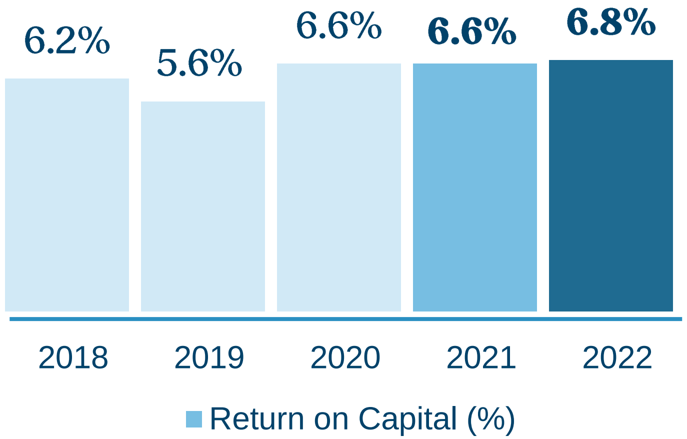
Note: Total Group figures are for the year ended 31 July. This includes continuing and discontinued operations and are on a normalised basis unless otherwise stated

1. 2021 performance includes Ying and Yutian China Farming hubs and China Farms joint venture, which were sold during FY21
2. Percentages as shown in the table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
4. Includes amounts attributable to non-controlling interests
5. Attributable to equity holders of the Co-operative, excludes $23 million of normalised profit after tax attributable to non-controlling interests

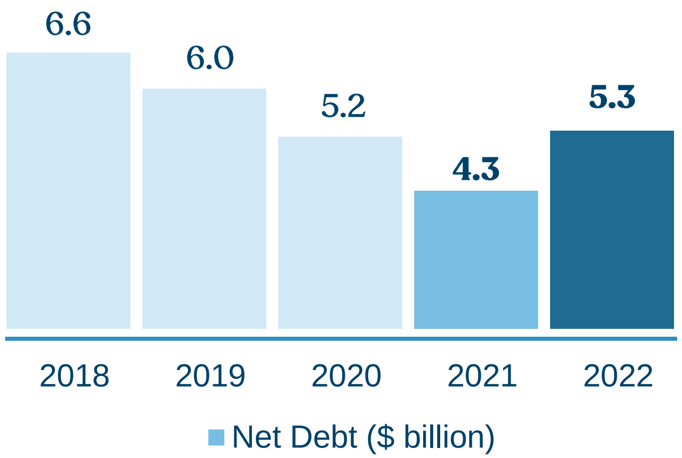
Working Capital



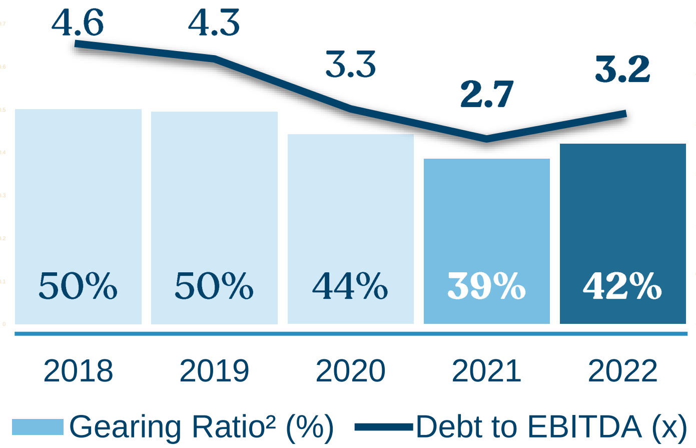
Return on Capital



Net Debt[1,2]



Leverage



A strong balance sheet enabled us to manage inventory

Note: Figures are for the year ended 31 July except where otherwise stated
1. As at 31 July. Refer to Glossary for definition
2. Comparative figures are shown on a consistent basis with current year

And our customers appreciate us

Demand for dairy remains strong

The world's population is growing, and so is demand for nutrition

NEXT 5 YEARS	400m	
NEXT 10 YEARS	800m	
NEXT 15 YEARS	1100m	

Consumer trends

1/3rd

Globally, an estimated one-third of people suffer from at least one form of micronutrient deficiency.

73%

of global consumers find sustainability pledges important when buying dairy products.

58%

of people look for the health-boosting claims of the dairy products they consume.

Our strategy is built on a strong platform

Our strategic long term aspirations and targets to 2030

Focus on Aotearoa New Zealand Milk

Be a leader in dairy Innovation & science

Be a leader in Sustainability

PERFORMANCE TARGETS

- **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

DISTRIBUTION OF FUNDS

- **~$1 billion** Intended to be distributed to shareholders after asset sales

~$2 billion for mix of investment in further growth and return to shareholders

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.

We're on track for 2030

	FY20 Actual	FY21 Actual	FY22 Forecast	FY22 Actual	FY24 Year 3 Target	FY27 Year 6 Target	FY30 Year 9 Target
Improved performance							
Milk Price per kgMS ($)	$7.14	$7.54		**$9.30**			
Normalised EBIT ($m)	$879m	$952m	**$875-$975m**	**$991m**	$1,025-$1,125m	$1,150-$1,250m	**$1,325-$1,425m**
Earnings per share (CPS)	24c	34c	**25-40c**	**35c**	45-55c	50-60c	**55-65c**
Return on capital	6.6%	6.6%	**6.5-7.0%**	**6.8%**	7.0-8.0%	7.5-8.5%	**9.0-10.0%**
Financial position							
Capital investment ($m)	$525m	$608m	**$650m**	**$617m**	$980m	$980m	**$980m**
Debt to EBITDA ratio	3.3x	2.7x	**2.4x[1]**	**3.2x**	<2.5x	<2.5x	**<2.5x**
Gearing ratio	44%	39%	**35%[1]**	**42%**	<35%	<35%	**<35%**
Dividend to shareholders							
Dividends (CPS)	5c	20c	**15-20c**	**20c**	22-27c	30-35c	**40-45c**

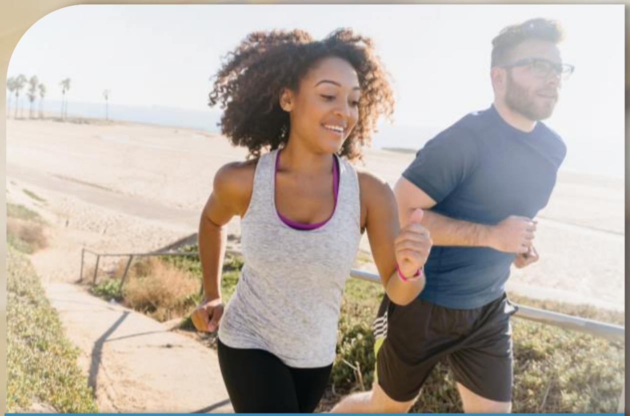
1. Calculated using an EPS of 35 cents

Note: The figures in this table which relate to dates in the future are targets we are aiming to achieve only. They should not be taken as forecasts or as a guarantee of returns to shareholders. The target years assume long-term average levels of price relativity and lag pricing impacts, and individual years are likely to vary from this assumption. Please refer to the important cautions and disclaimer at the beginning of this document and the key assumptions and risks in the Appendix of the booklet titled Our Path to 2030 for further details.

We're taking solid steps toward our strategy

Expanded cream cheese range

Maungatūroto: 2022 Water NZ Excellence Awards



Increased Active Living milk solids

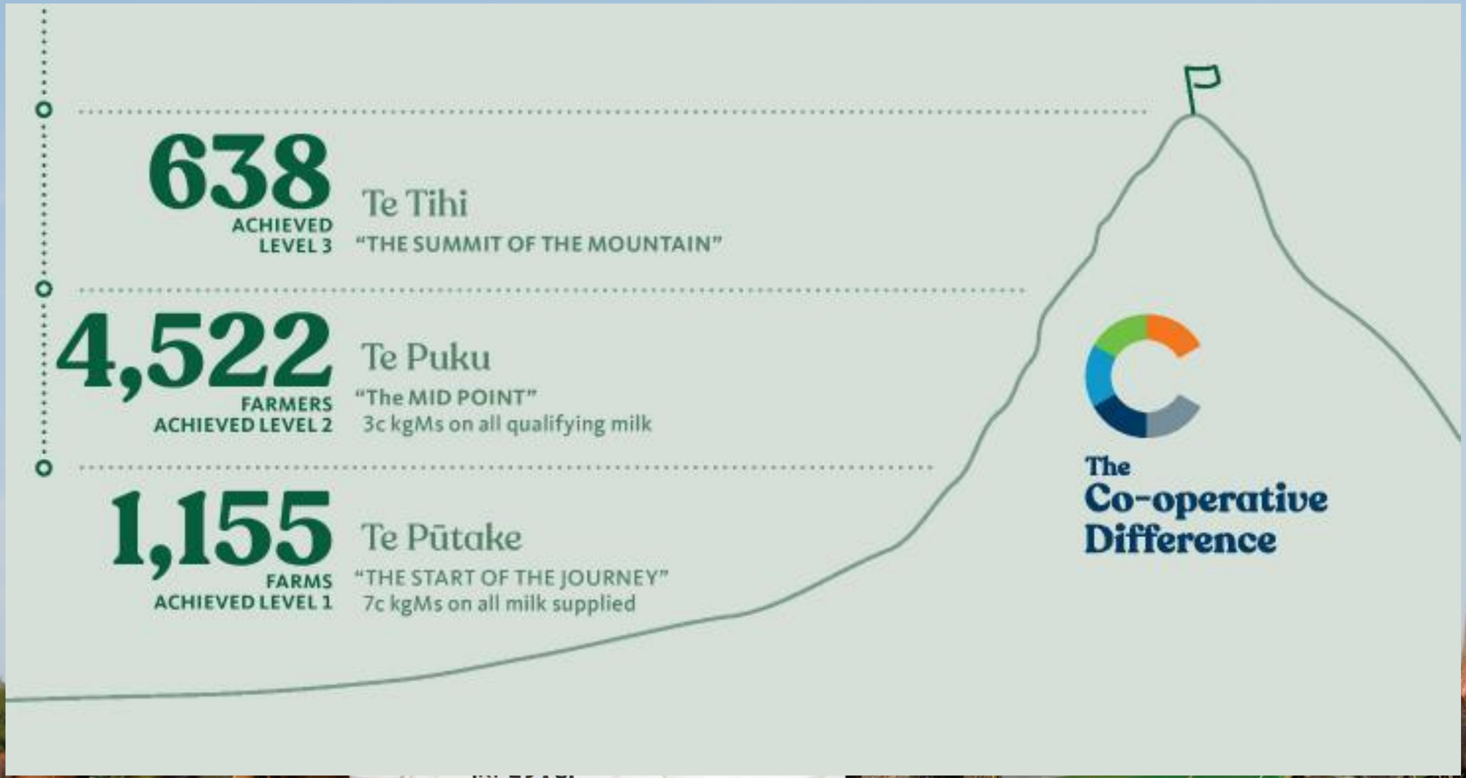
Piloting new technology to decarbonise our business

Partnering with Government and sector methane challenge

Soprole Desde 1949®

Progressing divestment

We’re making progress on farm



72%
Achieved Co-operative Difference

71%
FEPs

6,651
Animal Wellbeing Plans

12%
Reduction PNS

We're bringing farmers and customers closer in an ever-changing world

The Co-operative Difference

Improving today

- Farm Dairy Records
- Farm Dairy Assessments
- Performance Management
- Good Farming Practices within FEP
- Fonterra Farmers' Terms of Supply

Thinking of tomorrow

Co-op & Prosperity
Full and accurate Farm Dairy Records kept and submitted by 30 June 2022

Animals
Have and implement an Animal Wellbeing Plan developed on farm with your vet

Environment
Farm Environment Plan in place with three out of five key practices being achieved

People & Community
Complete the DairyNZ Workplace 360 Assessment and achieve 100% on Part 1

Planning for the long term

- Climate & Emissions
- From Animal Welfare to Wellbeing
- Connected Farm Businesses
- Fresh Water and Land Use
- Workplace Wellbeing & Modern Slavery
- Farm Waste & Recycling
- Milk Characteristics

Flexible Shareholding on track

Government is supportive

Expect legislation to progress through Select Committee this year

Implement as soon as possible

Market making arrangements and transitional buy back in place

Measurement statement issued confirming new minimum shareholding

FY23 Outlook

2022/23 Forecast Farmgate Milk Price

$8.50- $10.00

per kgMS

Midpoint of **$9.25** per kgMS

Forecast Earnings

45-60c

per share

2022

Discussion

Fonterra

Business Performance

2022 Annual Results

2022 Annual Results

Farmgate Milk Price

$9.30 per kgMS

Reported profit after tax[1]

$583 million ↓ $16m

Normalised profit after tax[1]

$591 million ↑ $3m

35c earnings per share[2]

Dividend

20c per share

Return on capital

6.8% ↑

- Fonterra has delivered a higher Farmgate Milk Price and strong earnings, total pay-out of $9.50 per kgMS
- Diversified and resilient earnings – top end of guidance
- Good progress on key drivers of our strategy, focusing on New Zealand milk, sustainability, and dairy innovation and science
- Increased working capital has driven higher debt levels but will improve as working capital returns to normal levels in FY23
- Continued strong dairy industry fundamentals

Note: Figures are Total Group, which includes continuing and discontinued operations
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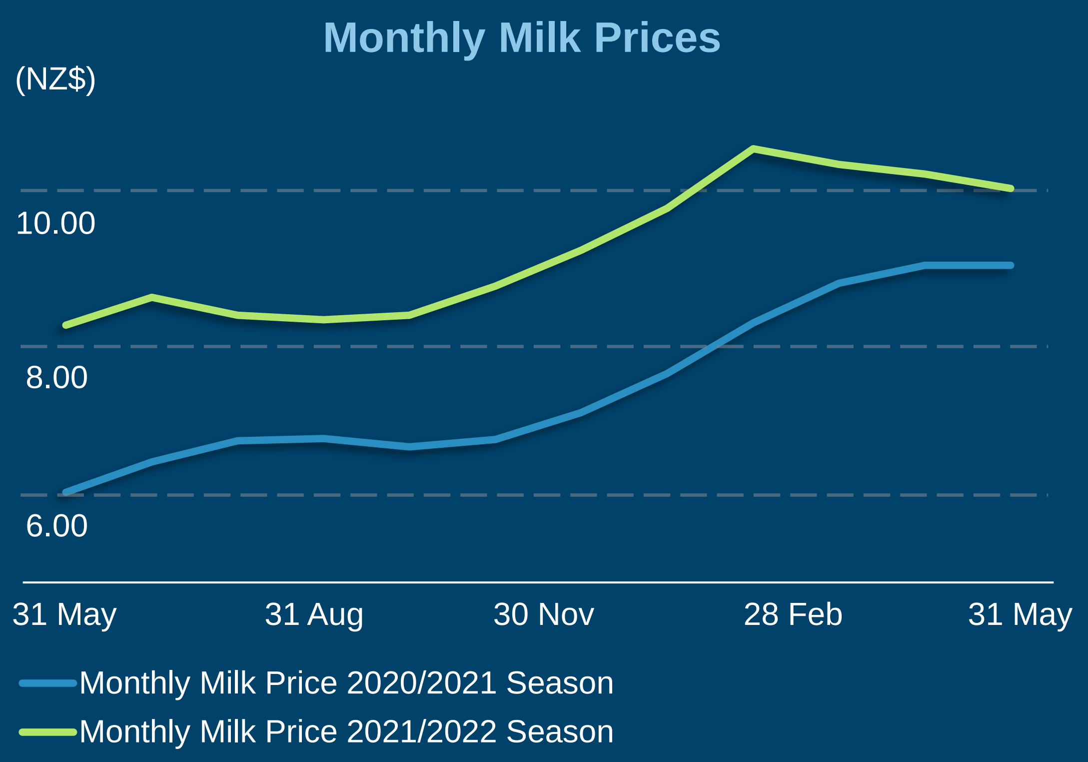
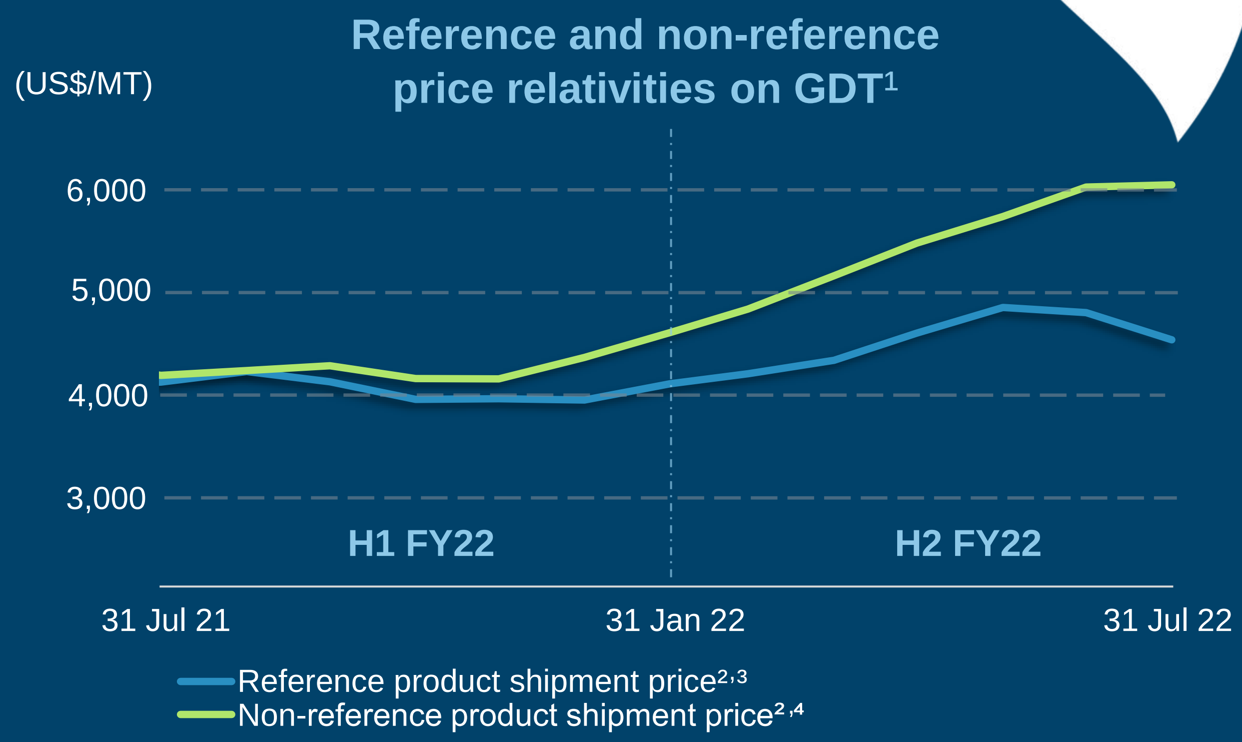
Higher dairy prices and favourable price relativities





- Consistently higher monthly milk price across the 2021/22 season compared to prior season
- The average of the monthly milk prices are equivalent to $7.54 and $9.30 for 2020/21 and the 2021/22 seasons, respectively

- Narrow price relativities in the first half; strong increase in non-reference product prices improving price relativities in second half
- More favourable than expected price relativities contributed to stronger fourth quarter earnings

1. Source: GlobalDairyTrade
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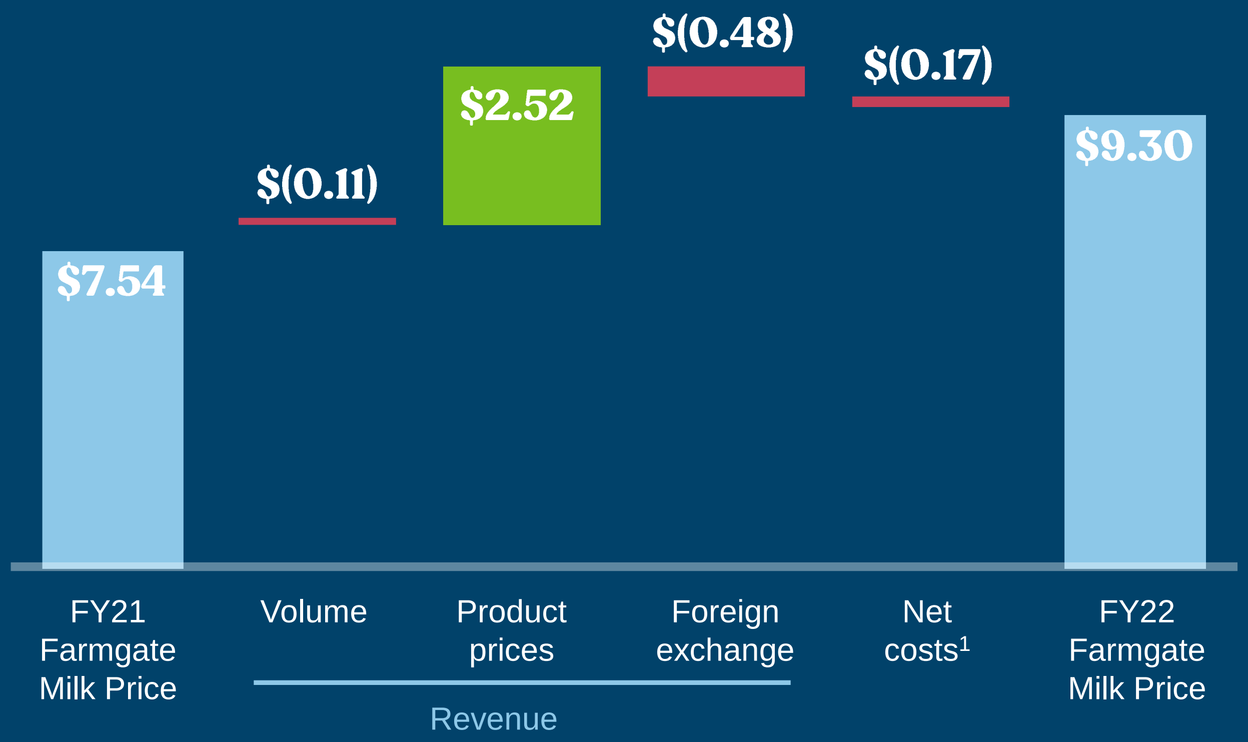
Drivers of Farmgate Milk Price



- Lower milk volume to convert into product
- Product prices increased, with the average WMP price in the 2022 season 20.9% higher at US$4,019 per metric tonne compared to US$3,323 per metric tonne in the prior year
- Impact of foreign exchange increased as a result of the higher hedged rate due to the NZ dollar strengthening over the prior seasons
- Increased costs mainly due to inflationary pressure on cash costs

1. Net costs include capital costs and cash costs

Total Group business performance

million	2021[1]	2022	%△ [2]
Sales volume ('000 MT)	4,102	**3,924**	(4)%
Revenue ($)	21,124	**23,425**	11%
Cost of goods sold ($)	(18,010)	**(20,085)**	(12)%
Gross profit ($)	3,114	**3,340**	7%
Gross margin (%)	14.7%	**14.3%**	
Operating expenses ($)	(2,242)	**(2,397)**	(7)%
Other[3] ($)	80	**48**	(40)%
Normalised EBIT ($)	952	**991**	4%
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Normalised EPS[5] (cents)	34	**35**	3%

Note: Total Group figures are for the year ended 31 July. This includes continuing and discontinued operations and are on a normalised basis unless otherwise stated

1. 2021 performance includes Ying and Yutian China Farming hubs and China Farms joint venture, which were sold during FY21
2. Percentages as shown in the table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

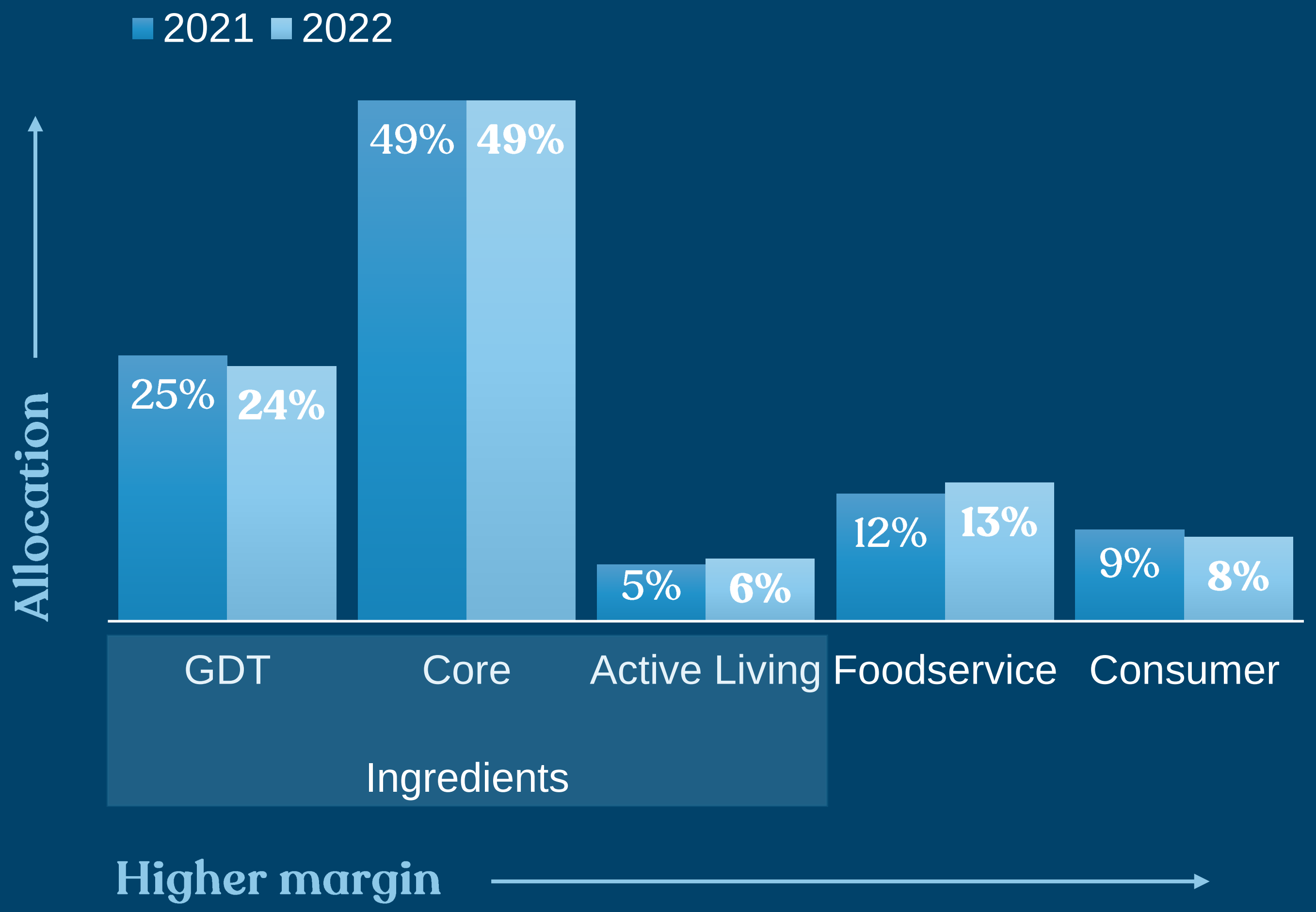
- Increased revenue from higher product prices, partially offset by lower sales volumes reflecting lower milk collections in the first nine months of the year and shipping disruptions
- Higher gross profit despite increased cost of milk, driven by gross margin achieved in Ingredients, particularly in the protein portfolio
- Operating expenses up due to inflationary pressures, supply chain disruption and impairment of some of our Asia brands[6]
- 'Other' includes $(80) million adverse revaluation of the Sri Lankan business payables due to devaluation of the rupee
- Normalised profit after tax is up $3 million, due to higher earnings and favourable interest expense

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
4. Includes amounts attributable to non-controlling interests
5. Attributable to equity holders of the Co-operative, excludes $23 million of normalised profit after tax attributable to non-controlling interests
6. The impairment includes a $22 million impairment of Anlene, an $11 million impairment of Anmum and a $1 million impairment of Chesdale, with the carrying amount of these brands now at $336 million as at 31 July 2022. Our Asia brands also include Anchor which was not impaired

Allocation of New Zealand milk solids

by Product Channel

% of milk solids



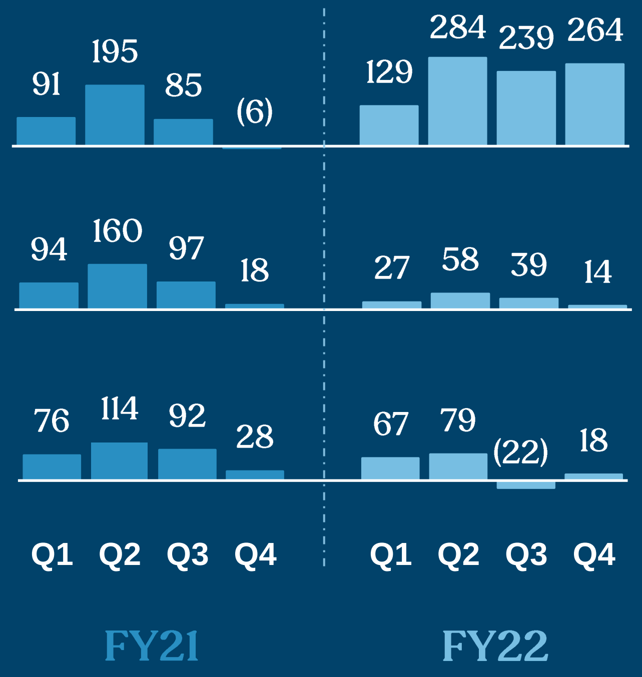
- A key driver of our strategy and earnings growth is shifting milk into higher margin products
- Active Living allocation increased as demand for milk protein concentrate, casein and caseinate products grew
- Foodservice allocation has continued to grow as innovation enabled us to expand the uses of UHT cream
- Percentage of milk solids in our Consumer channel reduced due to limiting sales volumes in Sri Lanka while the crisis unfolds

Diversified across markets and products

Higher margins in the Ingredients channel in the second half

	Asia Pacific	AMENA	Greater China	Total
Volume ('000 MT)[1]	1,370 ↓ 1%	1,355 n/c	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	$237 ↓ $68m	$527m ↑ $191m	$432m ↑ $29m	

EBIT by Quarter[1,2]



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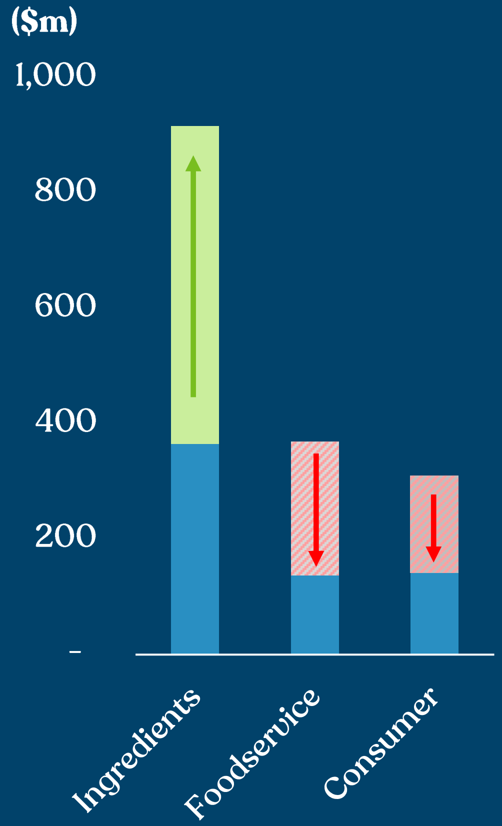
2. Inclusive of Group Operations' EBIT attribution
3. Includes $(80) million adverse revaluation of payables in Sri Lanka

Earnings driven by strong Ingredients' margins

Asia Pacific	2021 EBIT	2022 EBIT	Change
Ingredients	$24m	$192m	700%
Foodservice	$79m	$(13)m	–
Consumer	$202m	$58m[2]	(71)%
	$305m	**$237m**	**(22)%**
AMENA			
Ingredients	$211m	$442m	109%
Foodservice	$15m	$(4)m	–
Consumer	$110m	$89m	(19)%
	$336m	**$527m**	**57%**
Greater China			
Ingredients	$130m	$282m	117%
Foodservice	$275m	$155m	(44)%
Consumer	$(2)m	$(5)m	(150)%
	$403m	**$432m**	**7%**
Eliminations[1]	$(148)m	$(214)m	(45)%
Total	**$896m**	**$982m**	**10%**

Product channel EBIT



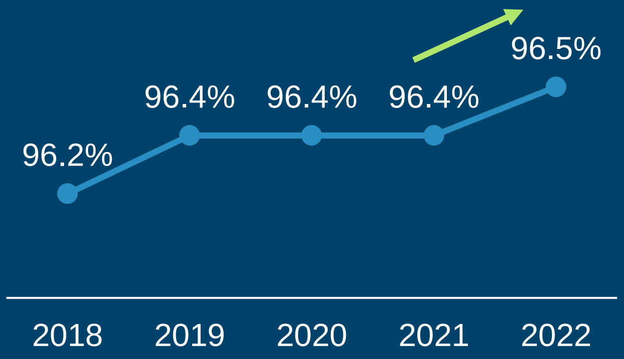
Note: Figures are for the year ended 31 July and prepared on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period

1. Eliminations and unallocated costs
2. Includes $(80) million adverse revaluation of payables in Sri Lanka

New Zealand manufacturing performance

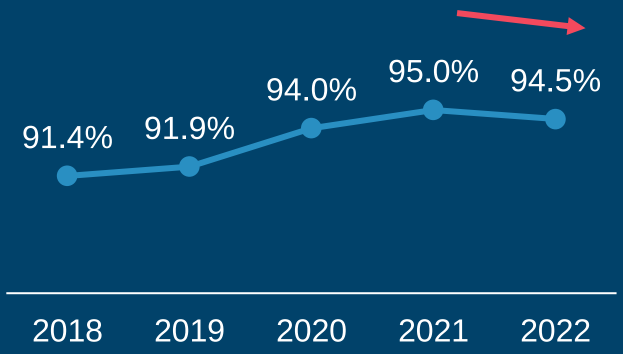
Increased manufacturing complexity as we shift to higher value products

Milk Utilisation



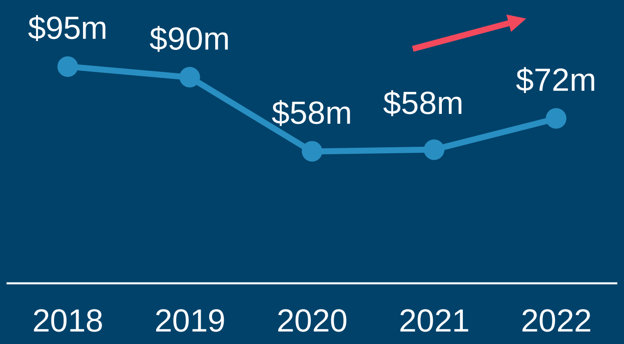
- Increased utilisation of milk solids while manufacturing a more complex product mix as we shift volume to our Active Living portfolio, including manufacturing 8% less WMP

Made Right First Time



- As we shift our product mix towards higher value products manufacturing complexity increases. We expect to return to our underlying upward trend

Cost of Quality



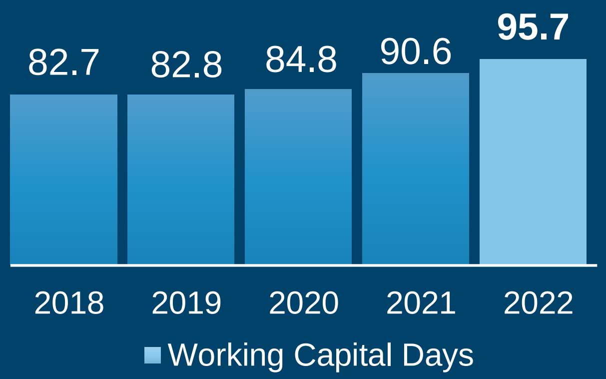
- Higher value of milk per tonne, two specific bacterial issues in NZ and an ingredient formulation issue contributed to higher cost of quality. The cost is equivalent to 0.4% of NZ cost of goods sold

Note: Metrics are for the year ended 31 July

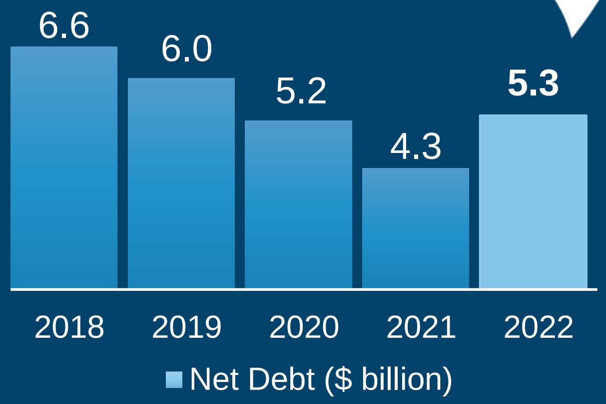
A strong balance sheet

- Our ‘A band’ credit rating and key metrics demonstrate our strong balance sheet position
- These metrics have increased but will improve as working capital returns to normal levels throughout FY23
    - FY23 sales and shipping profile supports inventory levels returning to normal
- Improved return on capital due to higher earnings offsetting the impact of additional working capital on our capital employed

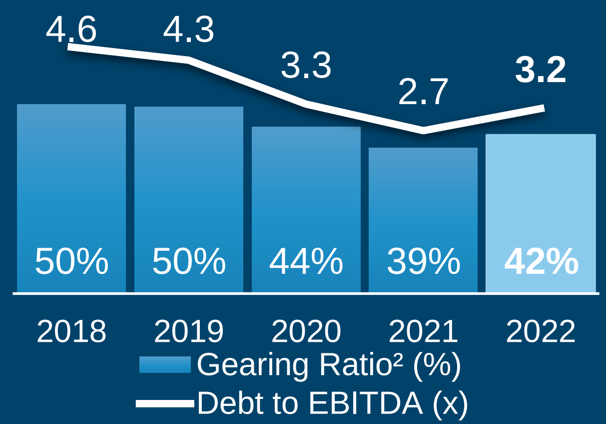
Working Capital



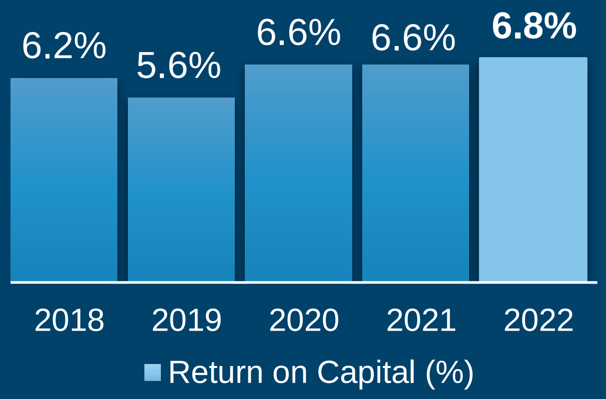
Net Debt[1,2]



Leverage



Return on Capital



Note: Figures are for the year ended 31 July except where otherwise stated
1. As at 31 July. Refer to Glossary for definition
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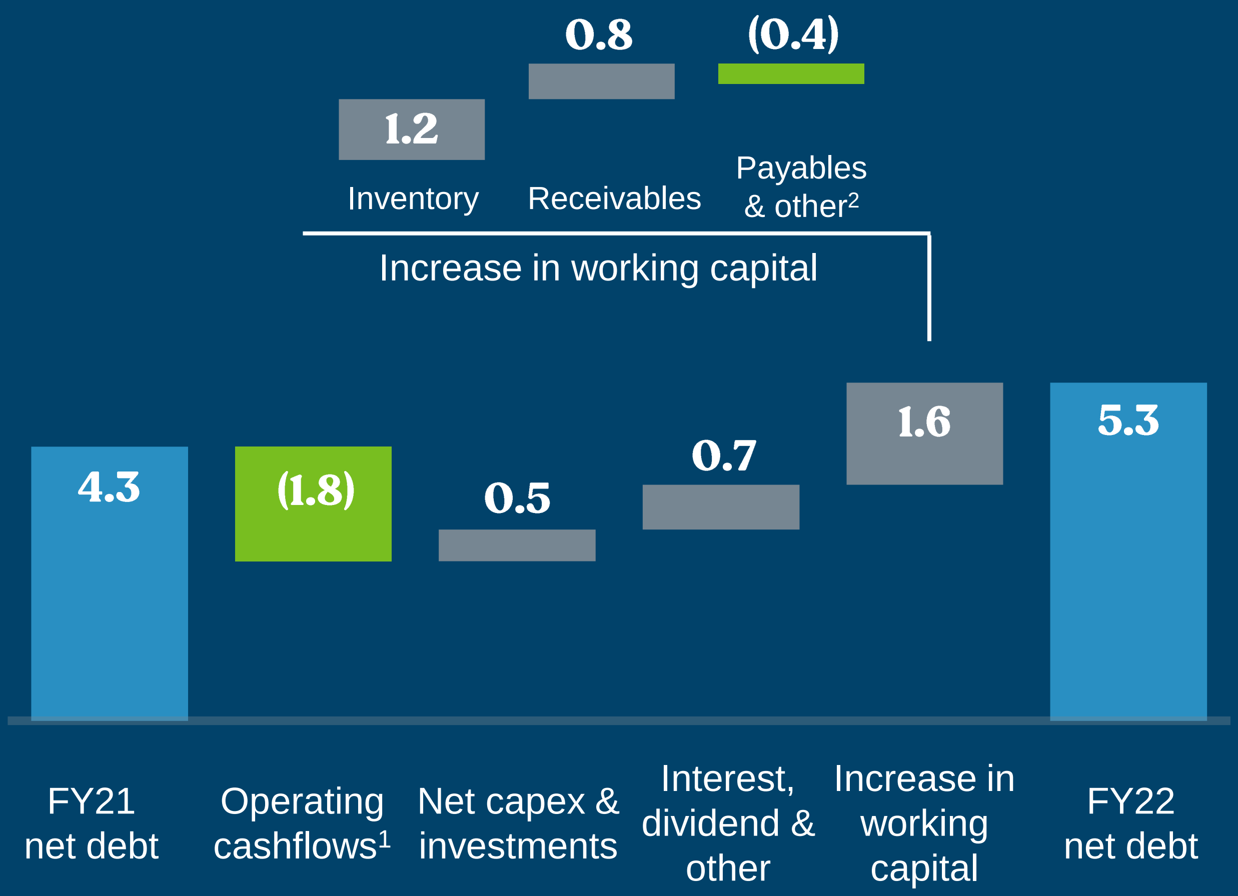
Strong balance sheet provides flexibility to manage market volatility and disruptions

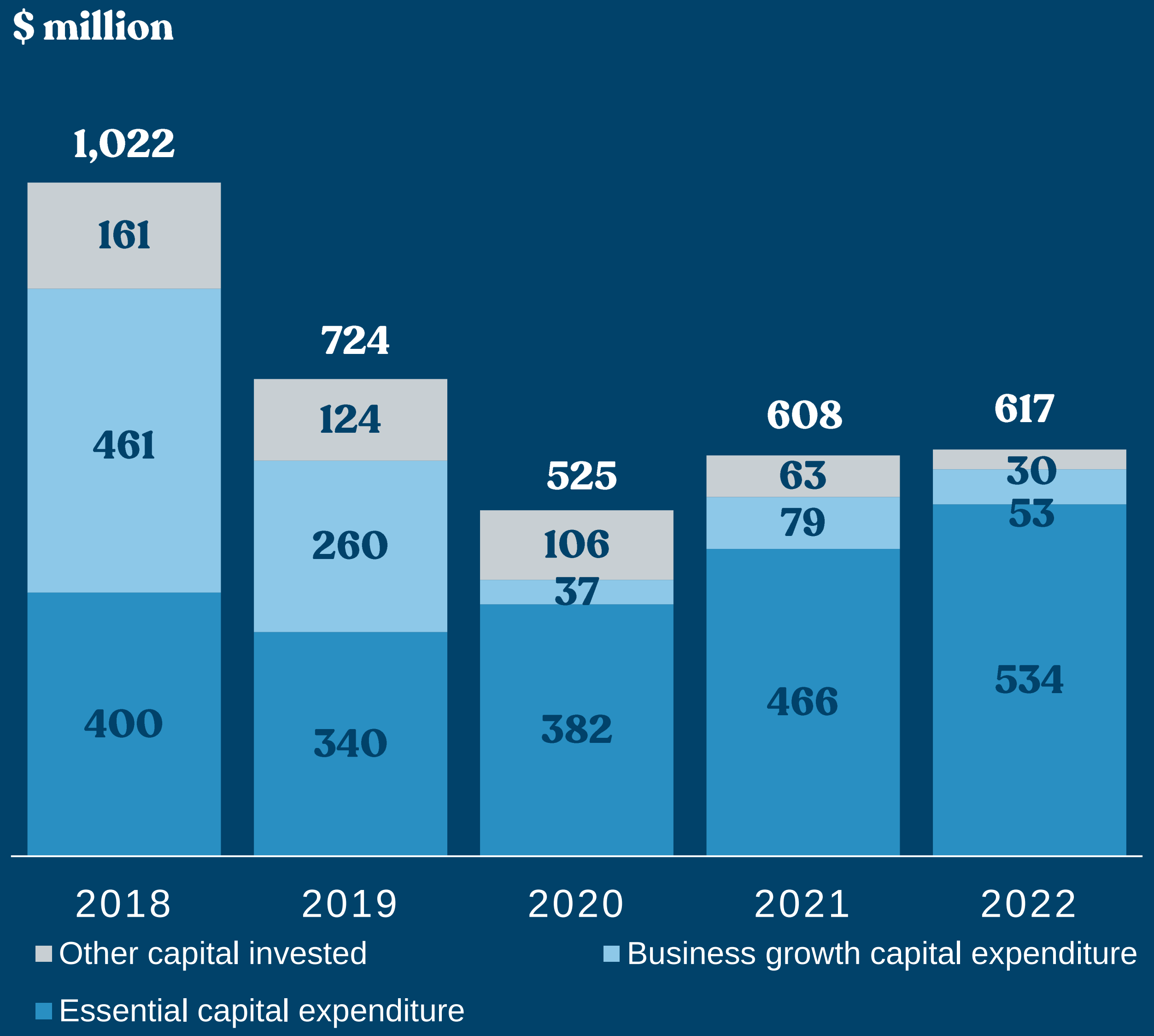
Change in net debt ($ billion)



- Strong balance sheet enabled us to hold higher working capital through year end
- Increase of $1.6 billion in working capital resulted in an increase in year end net debt of $1.0 billion
  - 88% of total inventory was priced and contracted but not shipped at year end
- Net debt position will improve as working capital returns to normal levels throughout the year
  - FY23 sales and shipping profile supports inventory levels returning to normal

1. Excluding working capital
2. Includes supplier payables and other movements

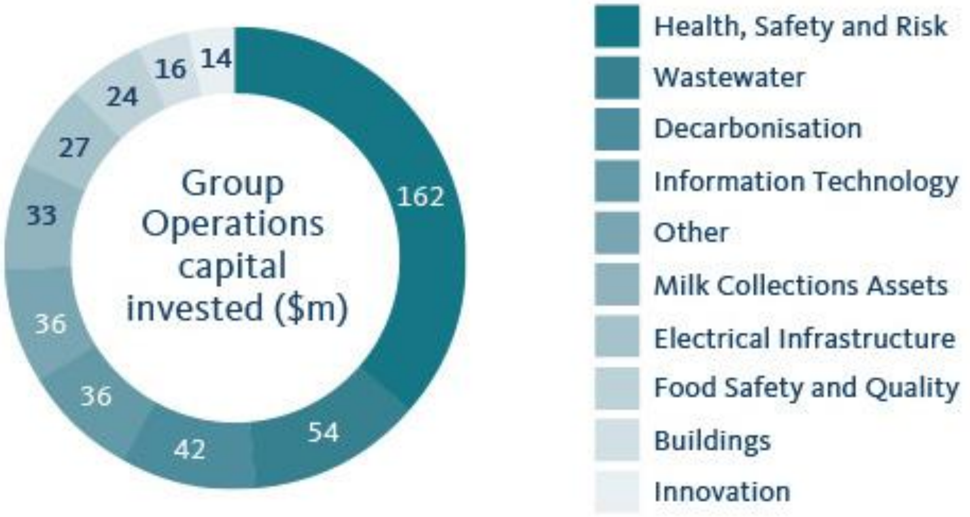
Capital invested



- Total capital invested was $617 million, comprised of capital expenditure of $587 million and other capital invested of $30 million
- Of the $587 million capital expenditure:
  - $534 million was allocated to essential projects to maintain and improve existing assets
  - $53 million was allocated to business growth projects to drive future earnings growth
- The $30 million of other investments mainly comprised of right-of-use assets and equity investments, including investment in new innovation opportunities

Note: Refer to Glossary for definition of capital invested and capital expenditure

Capital invested

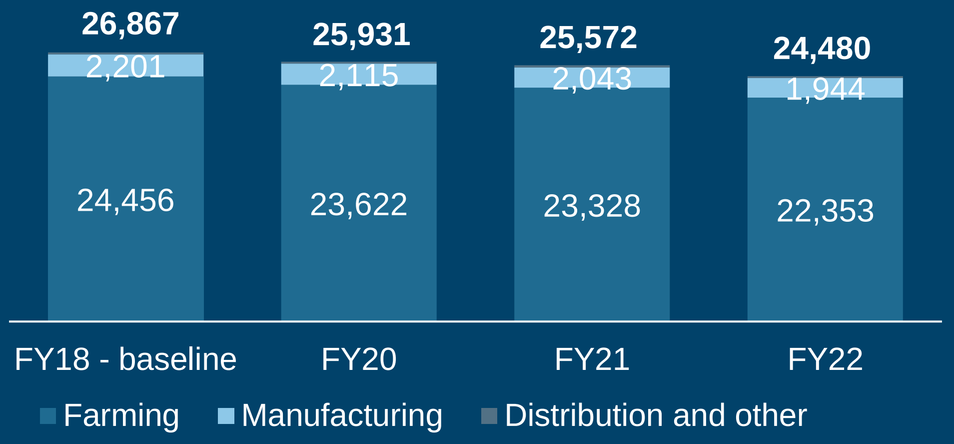


- The majority of our capital invested is allocated to Group Operations to ensure our processing sites are fit for purpose
- Key projects for FY22 include:
  - wastewater upgrades at our Te Awamutu and Tirau site
  - biomass boiler installation to replace coal at several sites
  - improving refrigerant technology at Whareroa
- Asia Pacific's capital spend included acquiring a secondary cheese processing site in Australia to further expand our cheese manufacturing lines

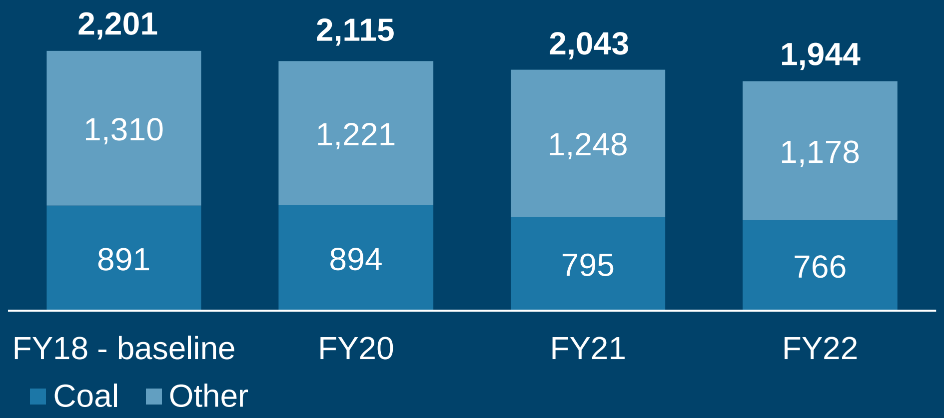
Investing in sustainability

Doing what's right for customers, the planet and our Co-op

Total GHG emission in Fonterra's value chain[1,2]



Manufacturing GHG emissions[2]



- Reducing annual manufacturing emissions by converting coal boilers to wood biomass:
  - completion of Te Awamutu in FY21 reduced our emissions from coal by more than 9%[3]. The project cost $11 million
  - Stirling to be completed during FY23 will reduce our emissions from coal by about 2%[3]. The project is expected to cost $30 million
  - one boiler at Waitoa to be completed in FY24. Expected to reduce our emissions from coal by more than 5%[3]. The project is expected to cost $102 million

1. Farming and Manufacturing emissions do not add to Total GHG emissions. Distribution and other emissions are not displayed, these are less than 1% of our total emissions
2. Measured in 000's $tC0_2$-e
3. Relative to FY18, the baseline year

Drivers of 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%

- Return on capital improved from 6.6% to 6.8%, reflecting:
  - increase in normalised EBIT, partially offset by;
  - additional working capital increasing our average capital employed
- The impact on the average capital employed from the higher working capital in the second half was largely offset by lower net debt in the first half

Our strategy positions us well

OUR STRATEGIC CHOICES

Focus on Aotearoa New Zealand Milk

Be a leader in dairy Innovation & science

Be a leader in Sustainability

PERFORMANCE TARGETS

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
invested in 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.

We're taking solid steps toward our strategy

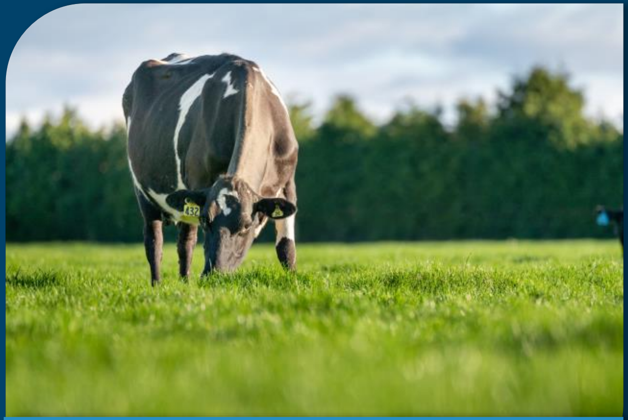
Fonterra
Dairy for life

Expanded cream cheese range

Maungatūroto: 2022 Water NZ Excellence Awards

Increased Active Living milk solids

Piloting new technology to decarbonise our business



Partnering with Government and sector methane challenge

Soprole
Desde 1949

Progressing divestment

Forecast 2022/23 Season Farmgate Milk Price

Forecast Farmgate Milk Price

$8.50 - $10.00

per kgMS

- Midpoint of $9.25 per kgMS reflects:
  - constrained supply as growth from key milk producing regions expected to remain low
  - continuing strong underlying demand
- The wide range reflects several risks, such as COVID-19 and macroeconomic factors, including global inflation, global economic growth and volatility in foreign exchange markets

Source: GlobalDairyTrade. Data is up to GDT event 315 on 6 September 2022

1. Reference product shipment price is represented by a weighted average of the WMP, SMP, AMF and butter prices
2. 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
3. The contracted shipment price is the weighted average shipment price of GDT contracts won 1 to 5 months prior on the GDT 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

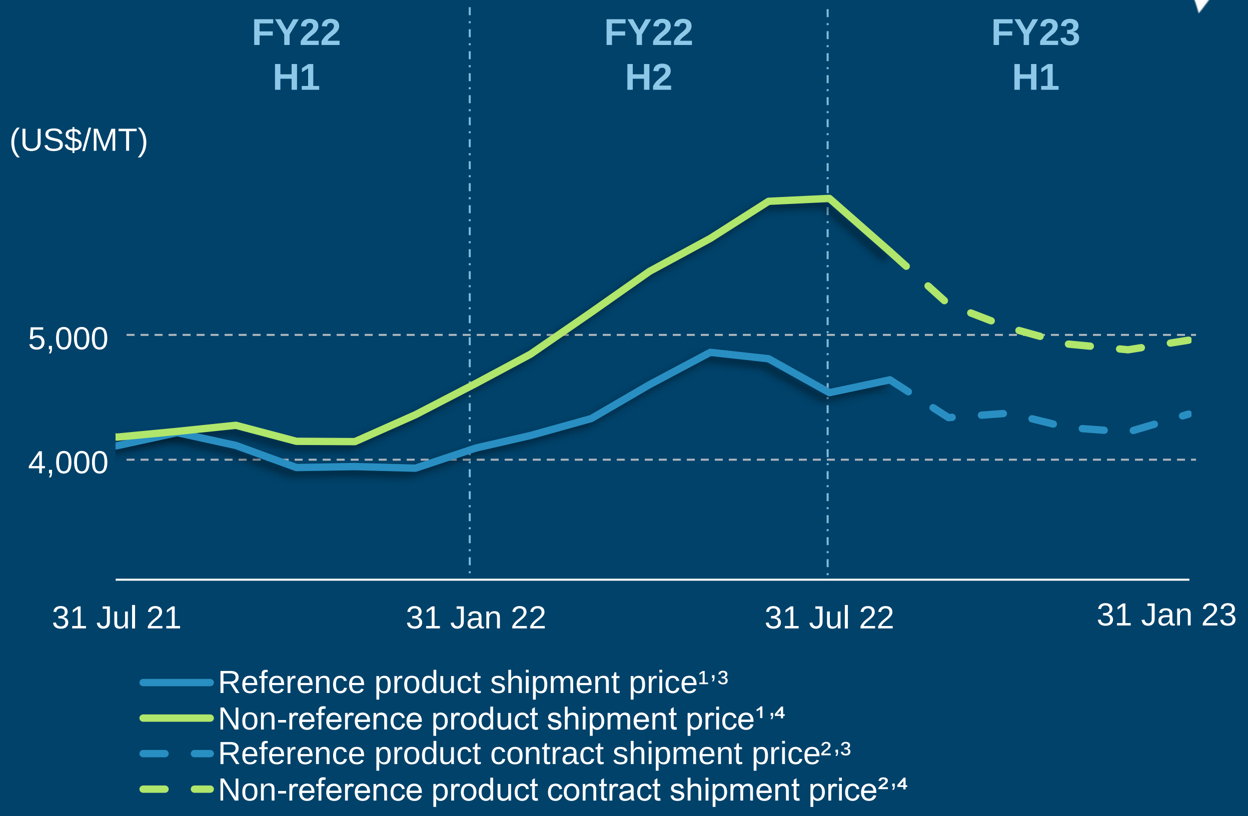
2023 earnings outlook

Forecast Earnings

45 – 60c

per share

- The range reflects:
  - continuing strong underlying demand
  - sustained favourable price relativities between our reference and non-reference portfolios
  - protein portfolio contract rate well positioned for this stage of the season



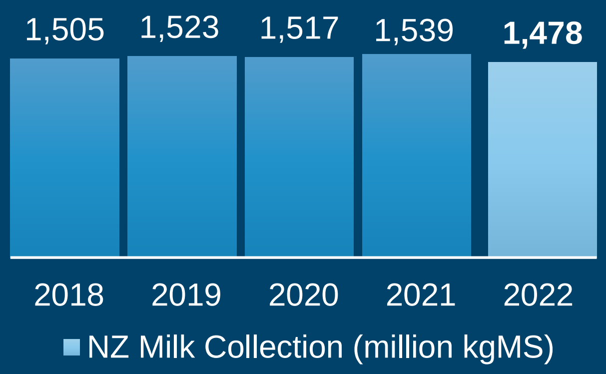
Source: GlobalDairyTrade. Data is up to GDT event 315 on 6 September 2022

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 to 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

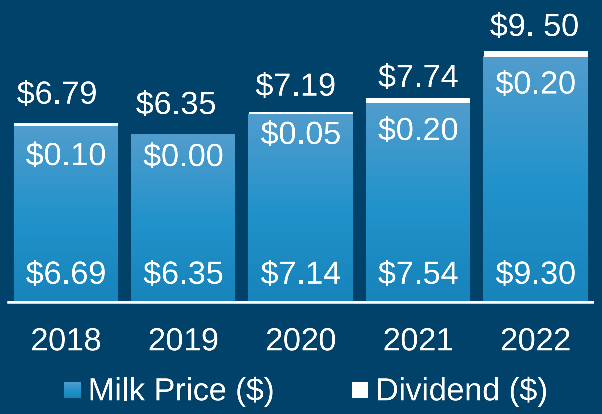
Appendix

Key financial metrics for Total Group FY22[1]

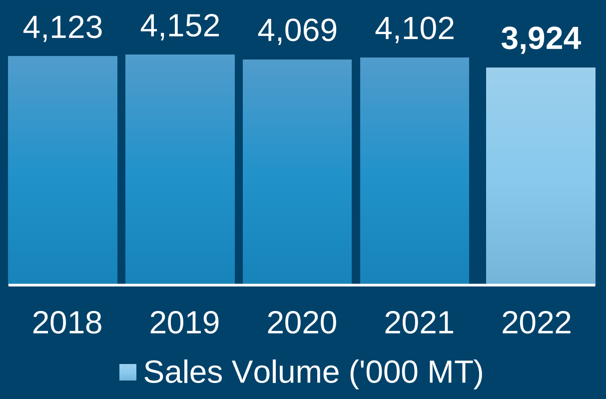
New Zealand Milk Collections



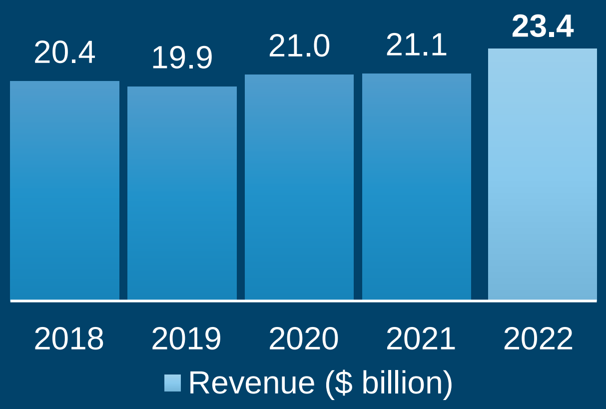
Total Pay-out



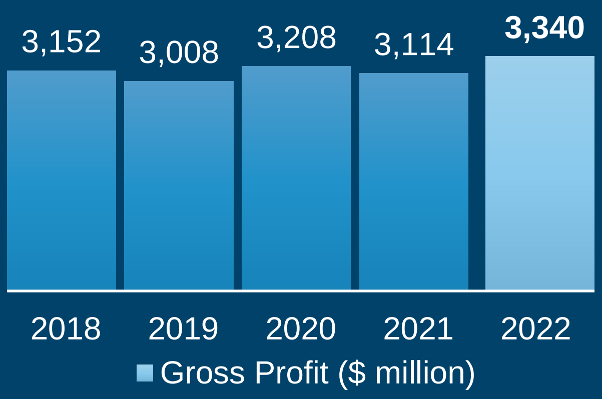
Sales Volume



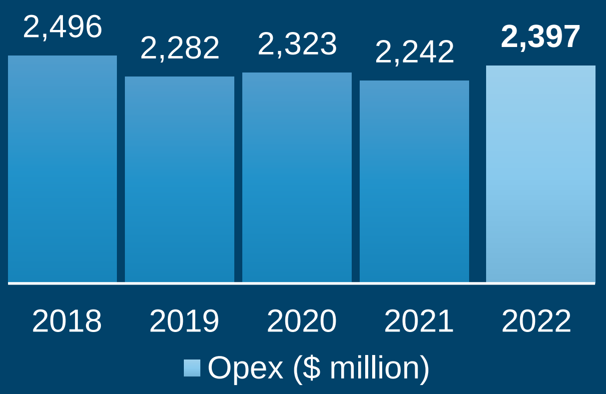
Revenue



Gross Profit



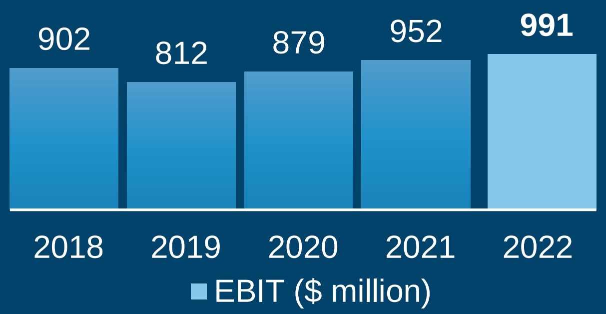
OPEX



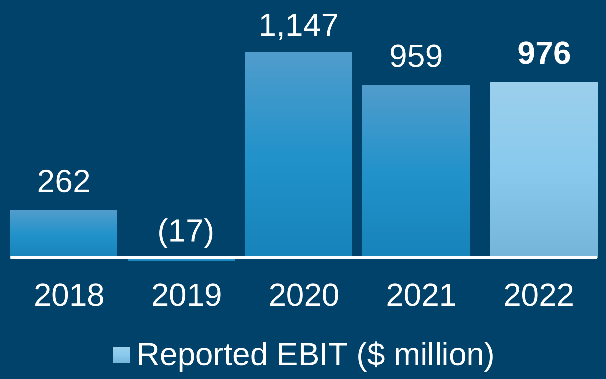
1. Total Group figures for the year ended 31 July. This includes continuing and discontinued operations, and are on a normalised basis unless stated otherwise

Key financial metrics for Total Group FY22[1]

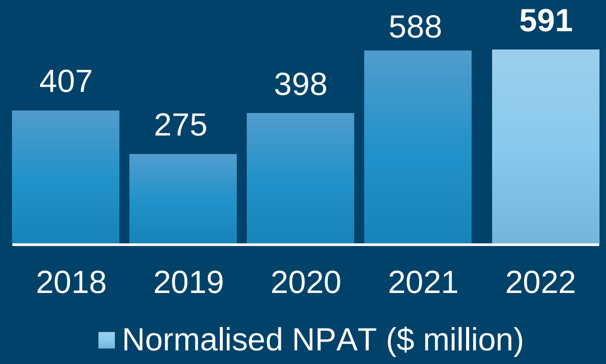
Normalised EBIT



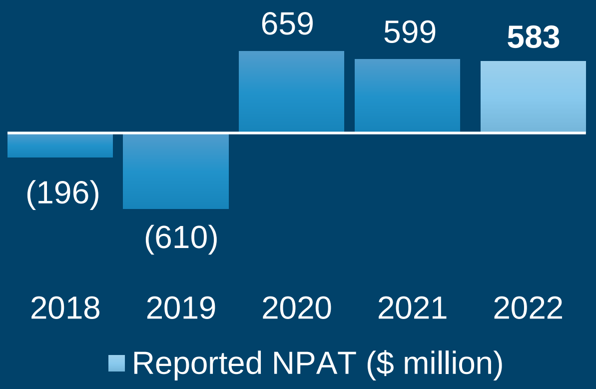
Reported EBIT



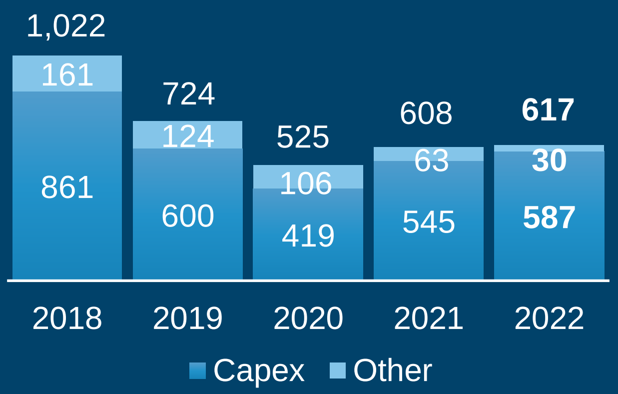
Normalised Profit After Tax[2]



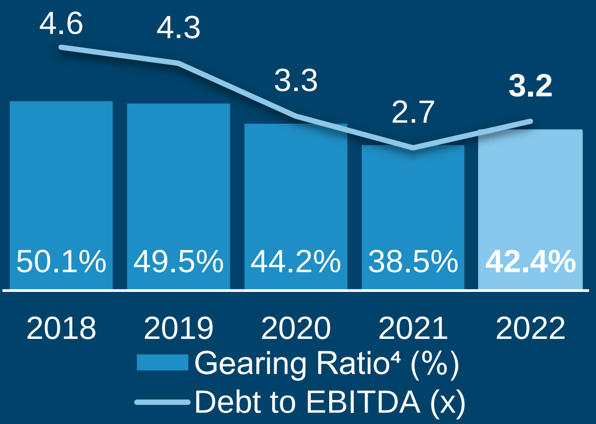
Reported Profit After Tax[2]



Capital Invested[3]



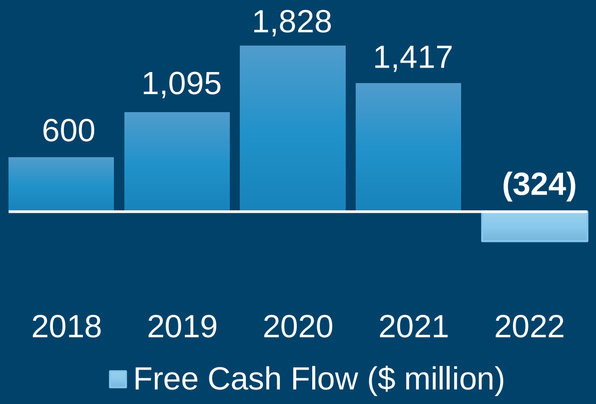
Leverage



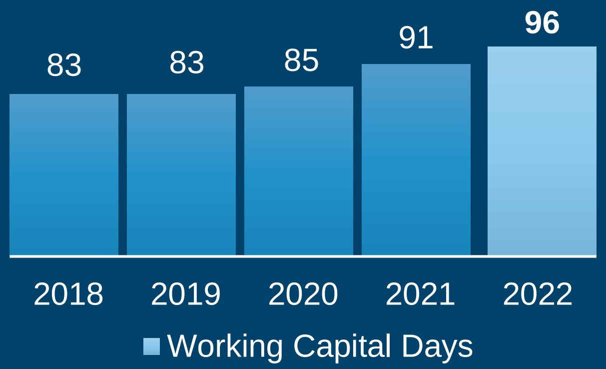
1. Total Group figures for the year ended 31 July. This includes continuing and discontinued operations, and are on a normalised basis unless stated otherwise
2. Includes amounts attributable to non-controlling interests
3. Refer to Glossary for definition
4. Comparative figures are shown on a consistent basis with current year

Key financial metrics for Total Group FY22[1]

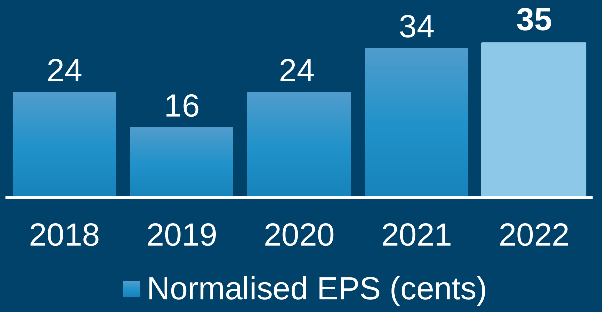
Free Cash Flow[2]



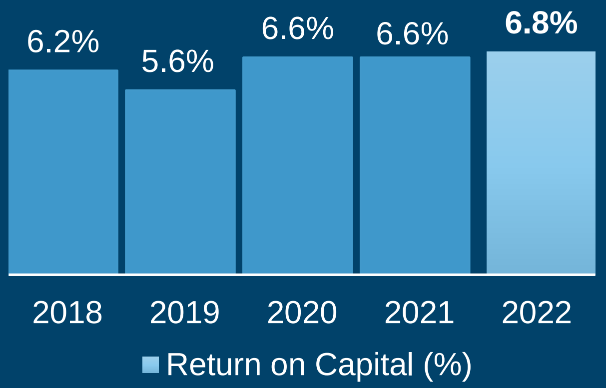
Working Capital Days



Earnings per Share

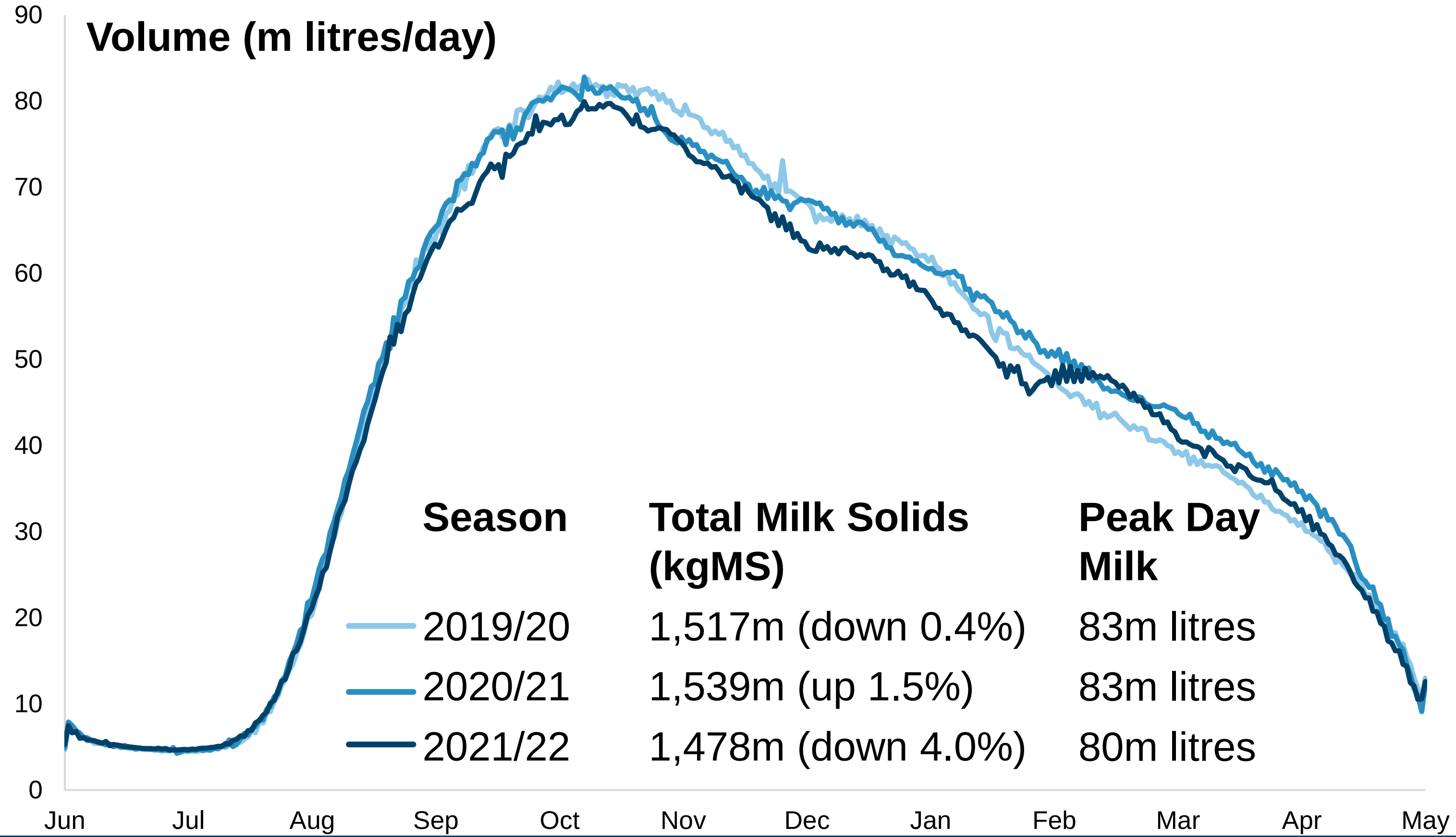


Return on Capital[2]



1. Total Group figures for the year ended 31 July. This includes continuing and discontinued operations, and are on a normalised basis unless stated otherwise
2. Refer to Glossary for definition

Fonterra's New Zealand milk collections



- Fonterra's NZ milk collection for the 2021/22 season reached 1,478 million kgMS, a 4.0% decrease on last season
- Cold and wet spring with limited sunshine affected pasture growth and collections early in the season
- Improved North Island collections later in the season due to favourable growing conditions, offset by hot and dry conditions in lower South Island
- Rain at the very end of the season allowed for pasture covers to recover, ahead of the new season
- Maintained NZ milk market share at 79.1%

Reconciliation to Total Group EBIT

NZD million	31 Jul 2021 Continuing Operations[1]	31 Jul 2021 Discontinued Operations[1]	31 Jul 2021 Total Group	31 Jul 2022 Continuing Operations[1]	31 Jul 2022 Discontinued Operations[1]	31 Jul 2022 Total Group
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	(9)	16	7	42	(57)	(15)
Reported EBIT	887	72	959	1,024	(48)	976

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

Normalised items

NZD million	Global Dairy Trade	DPA Brazil	Total
Impairment	–	(57)	(57)
Gain on sale	42	–	42
EBIT	**42**	**(57)**	**(15)**
Tax impact	–	7	7
Profit/(loss) after tax	**42**	**(50)**	**(8)**
Loss attributable to non-controlling interests	–	24	24
Profit/(loss) after tax attributable to equity holders of the Co-operative	42	(26)	16

Earnings per share reconciliation

NZD million	2021	2022
Reported profit after tax[1]	599	583
(Profit)/loss attributable to non-controlling interests	(21)	1
Reported profit after tax attributable to equity holders of the Co-operative	578	584
Reported earnings per share (cents)[2]	36	36

Normalised profit after tax[1]	588	591
(Profit)/loss attributable to non-controlling interests	(21)	1
Less normalisation adjustments attributable to non-controlling interests	(17)	(24)
Normalised profit after tax attributable to equity holders of the Co-operative	550	568
Normalised earnings per share (cents)[2]	34	35

Weighted average number of Co-operative shares ('000)	1,613,105	1,613,353

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

Dividend Calculation

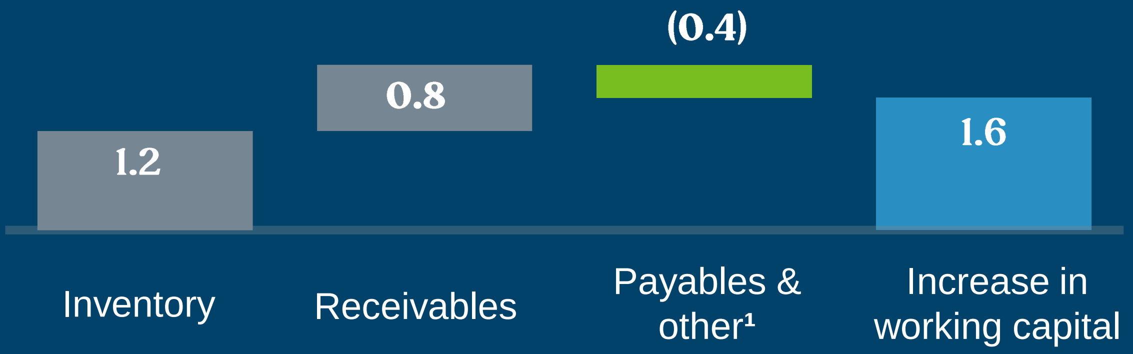
NZD cents per share	2021	2022
Normalised earnings[1]	34	35
Add: normalisations	2	1
Reported earnings[1]	36	36
Less: abnormal gains	(6)	(2)
Net earnings for dividend payment[2]	30	34
Dividend payment percentage (%)	57%	59%
Dividend based on attributable earnings	17	20
Dividend based on abnormal gains[3]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

- Total dividend of 20 cents per share
  - Interim dividend of 5 cents
  - Final dividend of 15 cents
- Final dividend of 15 cents per share will be paid on 14 October, with interim dividend of 5 cents per share having been paid on 14 April
- Total dividend represents 59% of attributable earnings

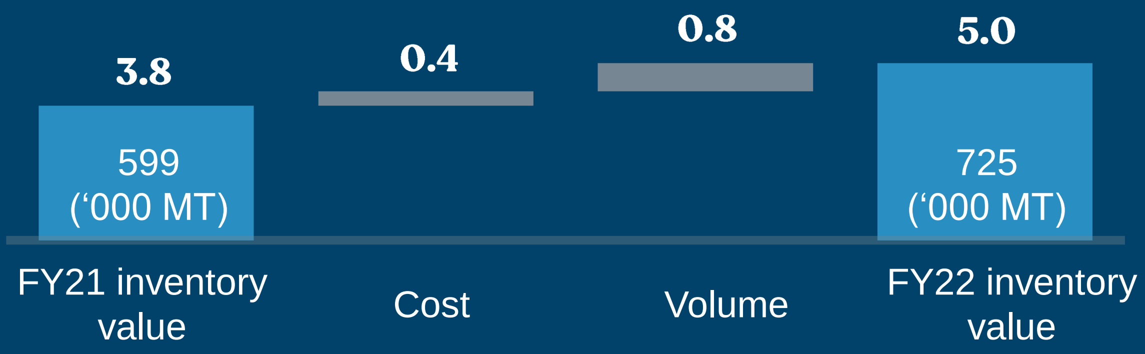
1. Attributable to equity holders of the Co-operative, excludes non-controlling interest
2. Represents net earnings as specified in the Dividend Policy and is calculated as reported profit after tax less abnormal gains
3. FY21 includes the reversal of previous impairment of our China Farms

Increase in working capital due to higher prices and inventory

Breakdown of increase in working capital as at 31 July ($ billion)



Closing inventory as at 31 July ($ billion)



- Significantly higher working capital throughout the year and year end, up $1.6 billion, reflecting:
  - higher milk price – impacts both receivables and inventory
  - higher levels of inventory throughout second half and year end
- Higher year end inventory reflects late season milk production coinciding with shipping constraints
  - 88% of total inventory was priced and contracted but not shipped at year end
  - FY23 sales profile and shipping schedule supports inventory levels returning to normal levels

1. Includes supplier payables and other movements

Cash flow and change in net debt

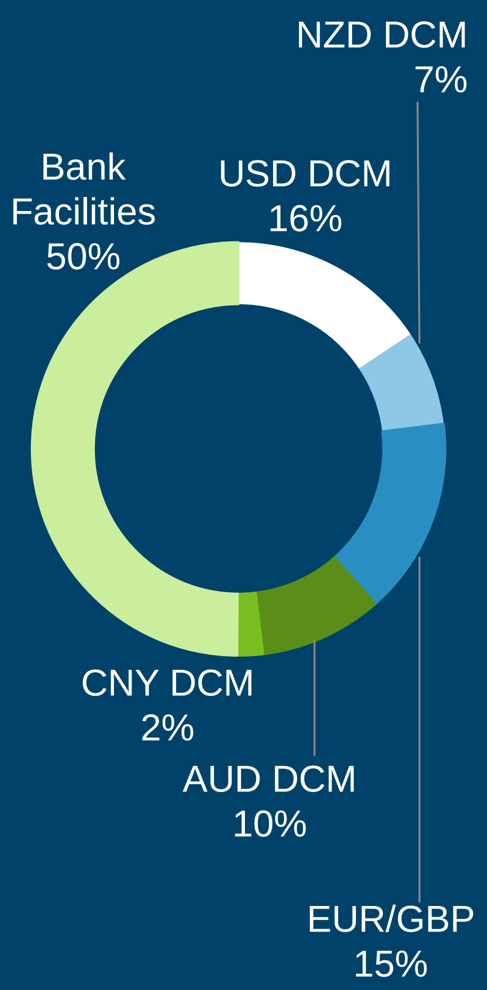
NZD million	2021	2022
Cash generated from operations[1]	1,449	1,928
Net change in working capital	(171)	(1,598)
Net taxes paid	(84)	(137)
A. Net cash flows from operating activities	1,194	193
Cash flows from investing activities		
Divestments and asset sales	782	45
Capital expenditure and other[2]	(559)	(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)

- Increase in net debt of $1 billion mainly due to higher working capital and lower proceeds from asset sales
- Free cash flow of $(324) million was $1.7 billion lower than last year, which reflects:
  - cash generated from operations increased $479 million due to strong underlying performance, offset by;
  - increase in working capital $(1.6) billion due to the higher milk price and inventory levels
  - net cash flows from investing activities down by $740 million, with prior year benefiting from asset sales

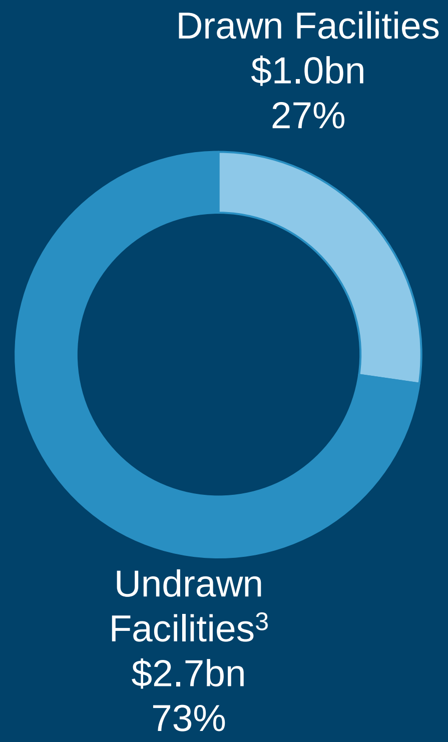
Note: Comparative figures are shown on a consistent basis with current year
1. Includes EBIT, non-cash and non-operating adjustments made to EBIT to determine cash generated from operations
2. Capital expenditure presented in this table is different to capital expenditure on the Capital Invested page primarily due to treatment of livestock and accruals
3. Net debt includes amounts attributable to disposal groups held for sale

Diversified and prudent funding position

Diversified Profile[1]

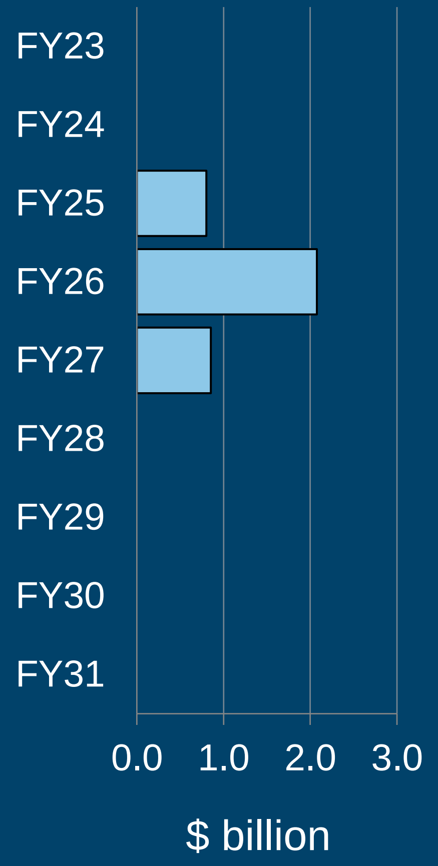


Prudent Liquidity



Bank Facilities

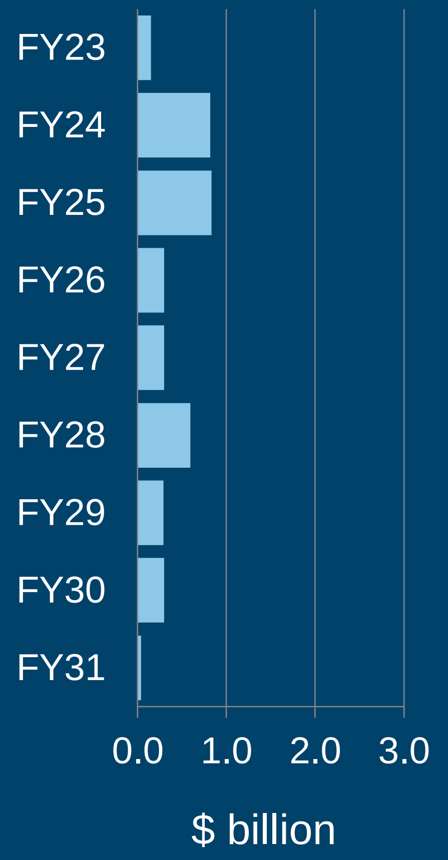
Maturity Profile



WATM[4]: 3.5 years

Debt Capital Markets[2]

Maturity Profile



WATM[4]: 3.6 years

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

3. Undrawn facilities includes $0.4bn stepped down during the year, reinstated from 1 Sept 2022
4. WATM is weighted average term to maturity

Note: As at 31 July 2022 and excludes amounts attributable to disposal groups held for sale

Operating expenses

NZD million[1]	2021[2]	2022
Costs allocated to regions		
Selling & marketing	656	667
Distribution & storage	543	588
Administration expenses	633	669
Research & development	82	83
Other expenses	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. Normalised basis. Does not align to FY22 Annual Financial Statements, predominately due to additional categories
2. $59 million of 'Other' expenses have been reclassified to Administration expenses for consistency with the current period

- Total Group operating expenses increased $155 million reflecting:
  - inflationary pressure and supply chain disruptions increased distribution & storage, and administration expenses by $81 million
  - increased 'Other' expenses of $56 million reflects Asia brands impairment and costs associated with discontinuing some products that are not aligned with our strategy
- Unallocated costs decreased $18 million due to releasing a provision held at Group level
- Increased costs in discontinued operations due to higher distribution and storage costs in DPA Brazil

Unallocated costs[1]

NZD million[2]	2021	2022
Farmer services	44	44
Communication and community	13	16
Fonterra Board & Co-operative Council	7	6
Governance support	34	36
Group finance, property & support	42	44
People & culture	10	16
Other	73	43
Total	223	205

1. Refer to Glossary for definition
2. Normalised basis

- Unallocated costs are favourable $18 million largely due to ‘Other’
- ‘Other’ is favourable due to release of a provision at Group level following a final judicial interpretation on the application of the Holidays Act 2003 in New Zealand to certain discretionary incentive payments

Group performance by channels

Ingredients

Volume ('000 MT)

2,197 From 2,346 ⬇

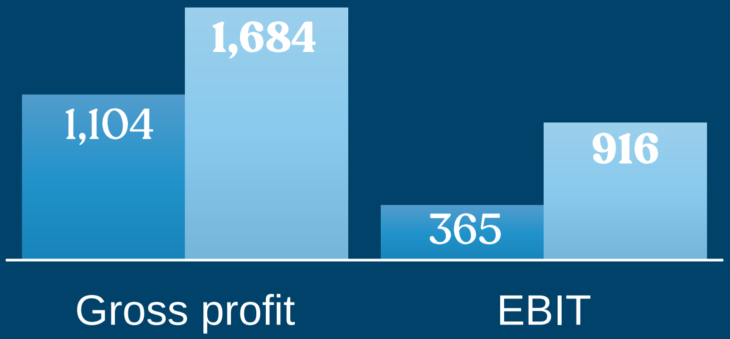
Revenue ($ million)

15,703 From 13,697 ⬆

Gross margin

10.7% From 8.1% ⬆

$ million ■ 2021 ■ 2022



Foodservice

Volume ('000 MT)

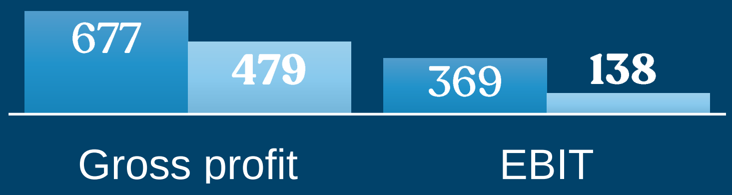
509 From 498 ⬆

Revenue ($ million)

3,314 From 2,959 ⬆

Gross margin

14.5% From 22.9% ⬇



Consumer

Volume ('000 MT)

1,048 From 1,070 ⬇

Revenue ($ million)

4,134 From 4,070 ⬆

Gross margin

25.8% From 28.4% ⬇

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

Ingredients

million	2021	2022	%Δ[1]
Sales volume[2] ('000 MT)	2,346	2,197	(6)%
Revenue ($)	13,697	15,703	15%
Gross profit ($)	1,104	1,684	53%
Gross margin (%)	8.1%	10.7%	
Operating expenses ($)	(772)	(871)	(13)%
Other[3] ($)	33	103	212%
Normalised EBIT[4] ($)	365	916	151%
Includes EBIT attribution from Group Operations[5] ($)	(109)	260	-

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

1. Percentages as shown in the 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 channels
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
4. Includes EBIT attribution from Group Operations
5. Included in Ingredients' EBIT. Refer to Glossary for explanation of Group Operations

- Strong performance in the Ingredients channel across multiple markets and products at a time of constrained milk supply
- Gross profit and margins improved reflecting:
  - higher product prices, particularly in our protein portfolio
  - improved product mix, including increased allocation to our higher value Active Living products, partially offset by;
  - reduced sales volumes due to lower milk collections and shipping disruptions
- 'Other' up due to higher other operating income and favourable foreign exchange movements
- Favourable allocation from Group Operations reflects improved margins, particularly in casein

New Zealand sourced Ingredients product mix

	2021		2022	
Sales Volume ('000 MT)[1]				
Reference products	1,817		1,629	
Non-reference products	884		822	
Revenue[1]	**$ billion**	**$ per MT**	**$ billion**	**$ per MT**
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)

- The average reference product sales price per metric tonne has increased 23%, driven by all products:
  - in particular, AMF and butter, fat-based products increased 31% and 29%, respectively
- The average non-reference product sales price per metric tonne has increased 20%:
  - strong performance from individual products such as casein and whey protein concentrate (WPC)
  - other products, such as cheese, have had more modest prices increases
- Cost of milk increased 25% and 22% for reference products and non-reference products, respectively, with fat-based products getting higher allocation of milk cost relative to protein products

1. Excludes bulk liquid milk. Bulk liquid milk for the year ended 31 July 2022 was 68,000 MT of kgMS equivalent (the year ended 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 products and 424 million kgMS non-reference products (previous comparative period 1,019 million kgMS reference products and 442 million non-reference products)

Foodservice

million	2021	2022	%Δ[1]
Sales volume[2] ('000 MT)	498	509	2%
Revenue ($)	2,959	3,314	12%
Gross profit ($)	677	479	(29)%
Gross margin (%)	22.9%	14.5%	
Operating expenses ($)	(315)	(346)	(10)%
Other[3] ($)	7	5	(29)%
Normalised EBIT[4] ($)	369	138	(63)%
Includes EBIT attribution from Group Operations[5] ($)	4	(71)	-

Note: Figures are for the year ended 31 July and are on a normalised continuing operations basis

1. Percentages as shown in the 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 channels
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
4. Includes EBIT attribution from Group Operations
5. Included in Foodservice's EBIT. Refer to Glossary for explanation of Group Operations

- Sales volumes up due to COVID-19 restrictions relaxing in key markets and growth of our Quick Service Restaurant portfolio
- Gross profit down, particularly in Greater China and South East Asia, due to:
    - in-market sales pricing unable to adjust at the same rate as rising cost of milk
    - weaker market conditions including COVID-19 restrictions and weather events
- Unfavourable allocation from Group Operations reflects lower margins on products such as mozzarella

Consumer

million	2021	2022	%Δ[1]
Sales volume[2] ('000 MT)	1,070	1,048	(2)%
Revenue ($)	4,070	4,134	2%
Gross profit ($)	1,154	1,067	(8)%
Gross margin (%)	28.4%	25.8%	
Operating expenses ($)	(843)	(862)	(2)%
Other[3] ($)	(1)	(63)	–
Normalised EBIT[4] ($)	310	142	(54)%
Includes EBIT attribution from Group Operations[5] ($)	(13)	-	-

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

1. Percentages as shown in the 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 channels
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
4. Includes EBIT attribution from Group Operations

- Strong performance in our consumer business in Chile, offset by;
    - in-market sales pricing unable to adjust at the same rate as rising cost of milk in other markets
    - weaker market conditions, particularly in South East Asia and Sri Lanka
- Operating expenses up due to impairment of some of our Asia brands[6]
- 'Other' includes $(80) million adverse revaluation of the Sri Lankan business payables due to devaluation of the rupee
- Favourable change in Group Operations attribution due to improved margins in our protein portfolio, such as skim milk powder

5. Included in normalised Consumer's EBIT. Refer to Glossary for explanation of Group Operations
6. The impairment includes a $22 million impairment of Anlene, an $11 million impairment of Anmum and a $1 million impairment of Chesdale, with the carrying amount of these brands now at $336 million as at 31 July 2022. Our Asia brands also include Anchor which was not impaired

Group performance by region

Asia Pacific

Volume ('000 MT)

1,370 From 1,386 ↓

Revenue ($ million)

7,879 From 7,110 ↑

Gross margin

15.6% From 16.8% ↓

$ million ■ 2021 ■ 2022

AMENA

Volume ('000 MT)

1,355 From 1,352 ↑

Revenue ($ million)

8,612 From 7,304 ↑

Gross margin

13.2% From 12.4% ↑

Greater China

Volume ('000 MT)

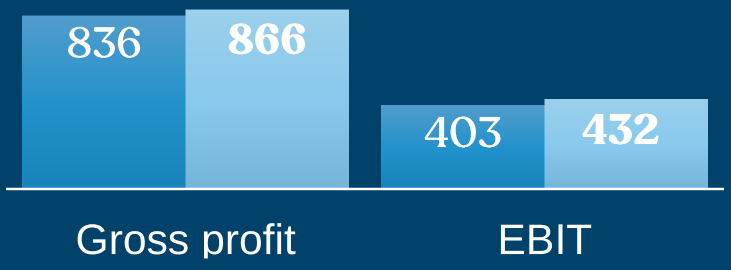
1,029 From 1,176 ↓

Revenue ($ million)

6,660 From 6,312 ↑

Gross margin

13.0% From 13.2% ↓

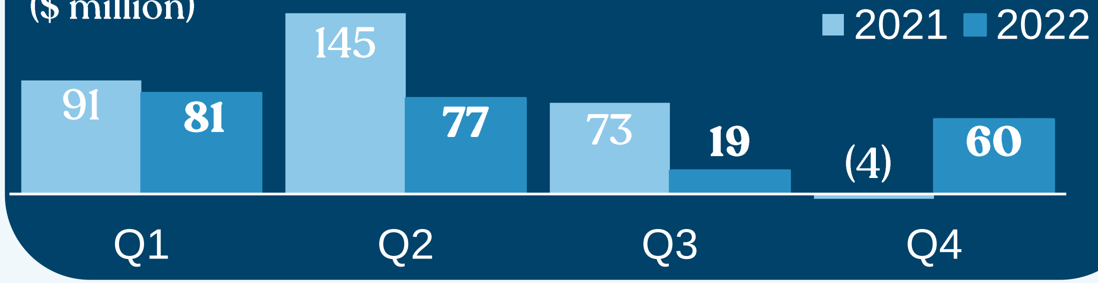


Note: Figures are for the year ended 31 July. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations.

Asia Pacific

million	2021	2022	%Δ[1]
Sales volume[2] ('000 MT)	1,386	1,370	(1)%
Revenue ($)	7,110	7,879	11%
Gross profit ($)	1,195	1,227	3%
Gross margin (%)	16.8%	15.6%	
Operating expenses ($)	(889)	(941)	(6)%
Other[3] ($)	(1)	(49)	
Normalised EBIT[4] ($)	305	237	(22)%
Includes EBIT attribution from Group Operations[5] ($)	(3)	67	-

EBIT by Quarter
($ million)



- Improved Ingredients gross margin more than offset by lower Foodservice and Consumer gross margins:
  - Ingredients channel benefited from higher product prices improving gross profit
  - lower gross margins in Foodservice and Consumer channels due to higher cost of milk
- Other' includes $(80) million adverse revaluation of the Sri Lankan business payables due to devaluation of the rupee
- Increased EBIT attribution from Group Operations mainly driven by improved margin in our protein portfolio and bulk liquids

Note: Figures are for the year ended 31 July and are on a normalised continuing operations basis.

1. Percentages as shown in the 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. Includes EBIT attribution from Group Operations
5. Included in Asia Pacific's normalised EBIT. Refer to Glossary for explanation of Group Operations

Asia Pacific channel performance

Ingredients

Volume ('000 MT)

605 From 610 ⬇

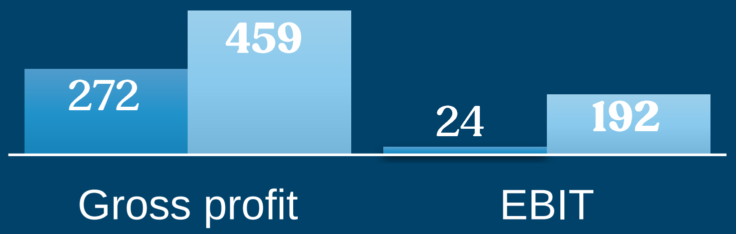
Revenue ($ million)

4,325 From 3,654 ⬆

Gross margin

10.6% From 7.4% ⬆

$ million ■ 2021 ■ 2022



Foodservice

Volume ('000 MT)

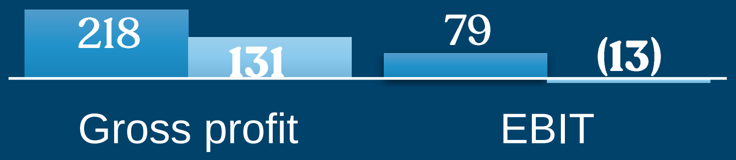
177 From 163 ⬆

Revenue ($ million)

1,079 From 930 ⬆

Gross margin

12.1% From 23.4% ⬇



Consumer

Volume ('000 MT)

588 From 613 ⬇

Revenue ($ million)

2,475 From 2,526 ⬇

Gross margin

25.7% From 27.9% ⬇

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

Australia

million	2021	2022	%Δ[1]
Milk collections (kgMS)	106	106	–
Sales volume[2] ('000 MT)	373	365	(2)%
Revenue ($)	1,953	2,094	7%
Gross profit ($)	243	283	16%
Gross margin (%)	12.4%	13.5%	
Operating expenses ($)	(167)	(178)	(7)%
Other[3] ($)	(2)	1	–
Normalised EBIT ($)	74	106	43%

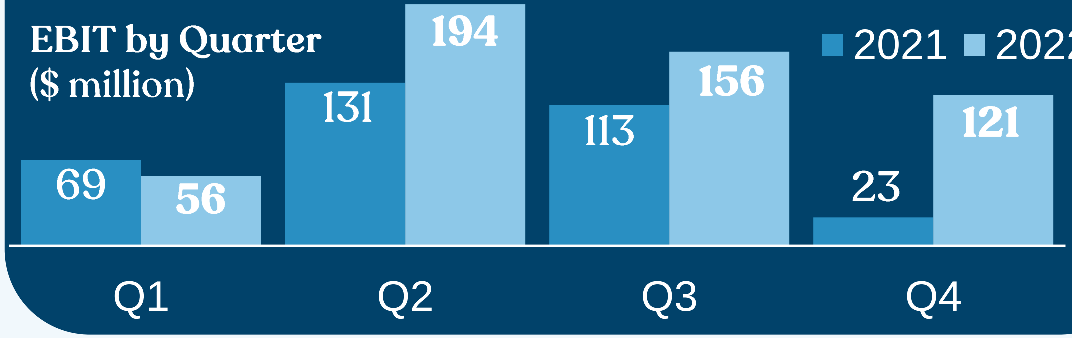
Note: Figures are for the year ended 31 July and are on a normalised continuing operations basis.
This table was prepared exclusive of Group Operations attribution

1. Percentages as shown in the 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)

- Milk collections were stable, with improved market share offset by labour shortages, and on-farm input costs and availability
- Improved gross profit due to:
  - Ingredients channel benefited from the broad strengthening of product prices and a weaker Australian dollar, partially offset by;
  - higher input costs impacted gross margins in Consumer and Foodservice channels
- EBIT increased $32 million to $106 million, mainly due to an increase in gross profit

AMENA

million	2021	2022	%Δ[1]
Sales volume[2] ('000 MT)	1,352	1,355	–
Revenue ($)	7,304	8,612	18%
Gross profit ($)	904	1,137	26%
Gross margin (%)	12.4%	13.2%	
Operating expenses ($)	(605)	(674)	(11)%
Other[3] ($)	37	64	73%
Normalised EBIT[4] ($)	336	527	57%
Includes EBIT attribution from Group Operations[5] ($)	(99)	70	



- Increased gross profit due to
  - improved pricing and product mix in the Ingredients channel, particularly in our protein portfolio, partially offset by;
  - tighter margins in Foodservice and Consumer channels
- Operating expenses up, impacted by increased storage and distribution costs
- Increased EBIT attribution from Group Operations driven mainly by strong casein, milk protein concentrate and whey protein concentrate margins

Note: Figures are for the year ended 31 July and are on a normalised continuing operations basis.

1. Percentages as shown in the 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. Includes EBIT attribution from Group Operations
5. Included in AMENA's normalised EBIT. Refer to Glossary for explanation of Group Operations

AMENA channel performance

Ingredients

Volume ('000 MT)

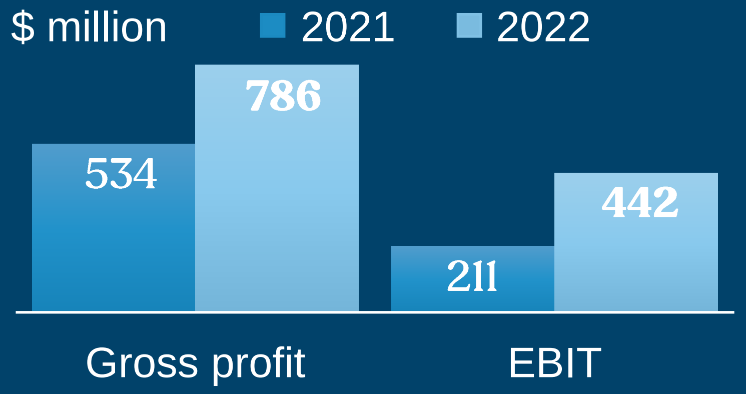
895 From 912

Revenue ($ million)

6,899 From 5,784

Gross margin

11.4% From 9.2%



Foodservice

Volume ('000 MT)

73 From 61

Revenue ($ million)

411 From 338

Gross margin

7.3% From 12.4%

Consumer

Volume ('000 MT)

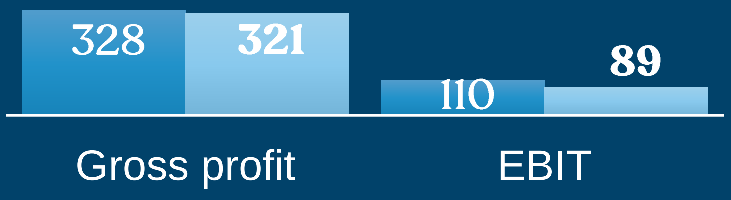
387 From 379

Revenue ($ million)

1,302 From 1,182

Gross margin

24.7% From 27.7%



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

Latin America

million	2021	2022	%Δ[1]
Sales volume[2] ('000 MT)	379	388	2%
Revenue ($)	1,045	1,131	8%
Gross profit ($)	285	309	8%
Gross margin (%)	27.3%	27.3%	
Operating expenses ($)	(211)	(217)	(3)%
Other[3] ($)	1	–	–
Normalised EBIT ($)	75	92	23%

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

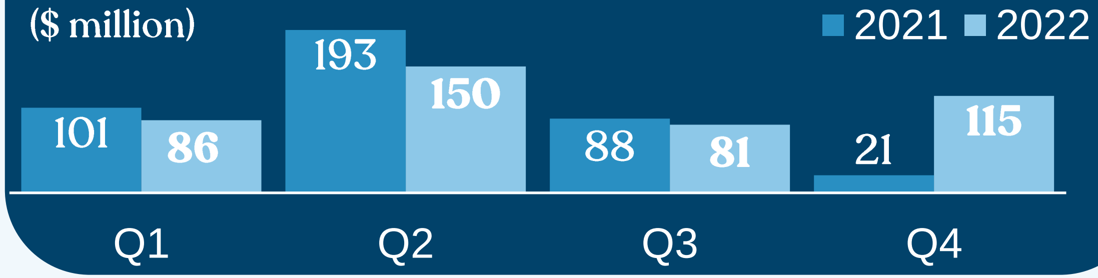
1. Percentages as shown in the table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Includes sales to other segments
3. Consists of other operating income and net foreign exchange gains/(losses)

- Sales volumes growth mainly driven by Chilean government stimulus
- Improved gross profit driven by our consumer business in Chile, due to:
  - sales volume growth of higher margin products – such as yoghurt and desserts
  - ability to leverage our number one market share position and lift in-market prices
- Operating expenses increased to support higher sales volumes and higher supply chain costs

Greater China

million	2021	2022	%Δ[1]
Sales volume[2] ('000 MT)	1,176	1,029	(13)%
Revenue ($)	6,312	6,660	6%
Gross profit ($)	836	866	4%
Gross margin (%)	13.2%	13.0%	
Operating expenses ($)	(436)	(464)	(6)%
Other[3] ($)	3	30	–
Normalised EBIT[4] ($)	403	432	7%
Includes EBIT attribution from Group Operations[5] ($)	(16)	52	-

EBIT by Quarter
($ million)



- Lower sales volumes impacted by lower milk collections over the first nine months of FY22 and shipping disruptions
- Increased gross profit driven by:
  - strong Ingredients performance, due to improved pricing, particularly in our protein portfolio, partially offset by;
  - higher input costs and lower sales volumes in Foodservice and Consumer
- Increased EBIT attribution from Group Operations due to strong protein portfolio margins

Note: Figures are for the year ended 31 July and are on a normalised continuing operations basis.

1. Percentages as shown in the 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. Includes EBIT attribution from Group Operations
5. Included in Greater China's normalised EBIT. Refer to Glossary for explanation of Group Operations

Greater China channel performance

Ingredients

Volume ('000 MT)

697 From 824 ↓

Revenue ($ million)

4,479 From 4,259 ↑

Gross margin

9.8% From 7.0% ↑

$ million ■ 2021 ■ 2022

Foodservice

Volume ('000 MT)

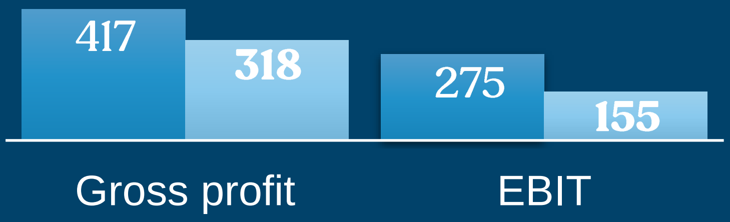
259 From 274 ↓

Revenue ($ million)

1,824 From 1,691 ↑

Gross margin

17.4% From 24.7% ↓



Consumer

Volume ('000 MT)

73 From 78 ↓

Revenue ($ million)

357 From 362 ↓

Gross margin

30.5% From 33.4% ↓

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.

New Zealand and Non-New Zealand Milk

NZD million[1]	31 July 2021 New Zealand Milk	31 July 2021 Non-New Zealand Milk	31 July 2021 Total	31 July 2022 New Zealand Milk	31 July 2022 Non-New Zealand Milk	31 July 2022 Total
Revenue	17,331	3,234	20,565	19,466	3,487	22,953
Cost of goods sold	(14,844)	(2,737)	(17,581)	(16,794)	(2,943)	(19,737)
Gross profit	2,487	497	2,984	2,672	544	3,216
Gross margin	14.4%	15.4%	14.5%	13.7%	15.6%	14.0%
Operating expenses	(1,752)	(401)	(2,153)	(1,910)	(374)	(2,284)
Other[2]	56	9	65	43	7	50
Normalised EBIT	791	105	896	805	177	982
EBIT margin	4.6%	3.2%	4.4%	4.1%	5.1%	4.3%

1. Figures are for the year ended 31 July 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

Good progress on our strategic choices

	FY21	FY22
Focus on Aotearoa New Zealand Milk		
• Higher allocation of milk solids to:		
○ Foodservice through innovation of our UHT cream portfolio	12.0%	**13.0%**[1]
○ Active Living through partnership with key medical nutrition customers	5.3%	**5.9%**[1]
Be a leader in dairy innovation & science		
• Increased R&D expenditure	$110m	**$115m**[2]
• Entered into a strategic partnership with VitaKey		
Be a leader in Sustainability		
• Reduced water use at manufacturing sites in water constrained regions	2.6%	**6.6%**[3]
• Made progress toward exiting coal		

1. As a percentage of our total New Zealand milk solids (kgMS)
2. Research and development costs
3. Reduction in water usage relative to FY18

FY22 progress against our aspirational financial profile

	FY20 Actual	FY21 Actual	FY22 Forecast	FY22 Actual	FY24 Year 3 Target	FY27 Year 6 Target	FY30 Year 9 Target
Improved performance							
Milk Price per kgMS	$7.14	$7.54		$9.30			
Normalised EBIT	$879m	$952m	$875-$975m	$991m	$1,025- $1,125m	$1,150-$1,250m	$1,325-$1,425m
Earnings per share	24c	34c	25-40c	35c	45-55c	50-60c	55-65c
Return on capital	6.6%	6.6%	6.5-7.0%	6.8%	7.0-8.0%	7.5-8.5%	9.0-10.0%
Financial position							
Capital investment	$525m	$608m	$650m	$617m	$980m	$980m	$980m
Debt to EBITDA ratio	3.3x	2.7x	2.4x*	3.2x	<2.5x	<2.5x	<2.5x
Gearing ratio	44%	39%	35%*	42%	<35%	<35%	<35%
Dividend to shareholders							
Dividends per share	5c	20c	15-20c	20c	22-27c	30-35c	40-45c

**Calculated using an EPS of 35 cents*

Note: *The figures in this table which relate to dates in the future are targets we are aiming to achieve only. They should not be taken as forecasts or as a guarantee of returns to shareholders. The target years assume long-term average levels of price relativity and lag pricing impacts, and individual years are likely to vary from this assumption. Please refer to the important cautions and disclaimer at the back of this document and the key assumptions and risks in the Appendix of the booklet titled Our Path to 2030 for further details.*

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 of Fonterra's performance against these targets for the year ended 31 July 2022.

	FY21	FY22 SOI	FY22
Healthy People			
Total recordable injury frequency rate (TRIFR) per million work hours[1]	5.7	5.6	**6.7**
Female representation in senior leadership[2]	32.4%	35.8%	**34.8%**
Employee engagement	4.09	Top Quartile[3]	–[3]
Farmer sentiment (Net Promoter Score for Fonterra in New Zealand)	23	30	**25**
Healthy Environment			
Number of farms with Farm Environment Plans (New Zealand)	53%	67%	**71%**
Reduction in water used at sites in water-constrained regions versus FY18	(2.6)%	(8.0)%	**(6.6)%**
Reduction in greenhouse gas emissions from manufacturing versus FY18	(6.5)%	(6.6)%	**(11.2)%**
Healthy Business			
Fonterra % kgMS of New Zealand milk collected for the season ended 31 May	79.0%	79.3%	**79.1%[4]**
New Zealand Farmgate Milk Price (per kgMS)	$7.54	$7.25-$8.75	**$9.30**
Return on capital	6.6%	6.5% to 7.0%	**6.8%**
Debt/EBITDA	2.7x	2.4x	**3.2x[5]**
Adjusted Net Debt Gearing Ratio	38.5%	34.5%	**42.4%[5]**
Normalised earnings per share	34c	25c to 40c	**35c**

1. Part of zero harm philosophy which also includes target 0 serious harm/0 fatalities
2. Senior leadership defined as Band 14+
3. Due to management review of the provider and means of determining engagement, measurement of this metric was not completed during the FY22 financial year.
4. F22 Season to 31 May 2022. Prior comparable season to 31 May 2021: 79.0%.
5. Colour reflects performance relative to target and prior year. Both metrics remain below the maximum ratio of 3.75x and 45%.

FY23 Integrated Scorecard

People
Providing a safe, healthy and inclusive place to work.
Able to attract and retain the best talent in the world.
Continuously developing people’s skills for meaningful careers within the ever-changing nature of work.

Nature
Leading the transition to net-zero GHG emissions for dairy nutrition.
Demonstrating that dairy can be a net-positive contributor to nature.

Relationships
(Farmers, customers, New Zealand, consumer, government etc.)
Strong relationships with customers and consumers through the provision of high-quality, innovative products and services and sustainability credentials.
Processor of choice for farmers through competitive returns on their investment and value-adding support and services.
Trusted relationships with stakeholders, playing our part for positive social, environmental and economic outcomes that are recognised by New Zealanders.

Intellectual Capital
(What we know)
Leveraging our IP to deliver extra value for the Co-op.

Assets & Infrastructure
(How we do dairy)
Operational assets are resilient and can efficiently deliver our most valuable portfolio of products and services, with an ever-decreasing environmental footprint.

Financial
(Our Performance)
Consistently attractive for farmers to be members of the Co-op, both as suppliers and shareholders.

	Key Metrics	FY21	FY22	FY23 Scorecard
People	Serious harm	9	8	5
	Gender diversity (Band 12+)	36.3%	37.6%	38.8%
Nature	GHG emissions (Scope 1,2)[1]	(6.6)%	(11.2)%	(10.6)%
	FEP adoption (New Zealand)	53%	71%	84%
	Water Improvement Plans in place	–	–	37.5% (18 sites)
Relationships	Share of New Zealand milk collected	79.0%	79.1%	79.0%
Intellectual Capital	EBIT from New Zealand value-add businesses ($ million)[2]	616	307	388
Assets & Infrastructure	Cost of quality (% of cost of goods sold)	0.45%	0.44%	0.35%
Financial	Return on capital	6.6%	6.8%	7.0% to 7.5%
	Farmgate Milk Price ($)	7.54	9.30	$9.50[3]

1. Relative to FY18 Baseline. Long-term will include Scope 3 but for now Scope 1&2 including farms under our operational control
2. EBIT consists of Consumer, Foodservice, Active Living excluding Brazil, Australia and Chile
3. The latest announced Forecast Farmgate Milk Price range is $8.50-$10.00 per kgMS, with a mid-point of $9.25 per kgMS (26 August 2022)

Glossary

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

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

Capital invested
Comprises capital expenditure plus right-of-use asset additions and business acquisitions, including equity contributions, long-term advances, and investments

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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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 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.