Interim Report 2022

Dairy for life

Our three strategic choices are guiding everything we do

Focus on New Zealand milk

We believe New Zealand milk is the most valuable milk in the world due to our grass-fed farming model, which means our milk has a carbon footprint one third the global average for milk production. With New Zealand future milk supply expected to decline or be flat at best, we have an opportunity to create more value for our farmer owners by further differentiating our milk and its scarcity in the global market.

Be a leader in sustainability

Globally, people want to know where their food comes from and the environmental impact it leaves. By leading in sustainability, we will be better able to support our customers and differentiate and grow our brands across our markets.

Be a leader in dairy innovation and science

Our Co-op has a long and proud heritage of dairy innovation. We are building on this and developing new dairy nutrition solutions which aim to help people live healthier and longer lives.

COVER IMAGE:
Alan & Te Kaihou, Bay of Plenty

Contents

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

Message from our Chair and CEO

"Our debt levels, along with our earnings so far this year, support a decision to pay an interim dividend of 5 cents per share."

Kia ora

At the start of the 2022 financial year we set out our long-term strategy and clear targets for the value we're aiming to create over the next eight years. We also shared our aspiration to be net zero with our emissions by 2050.

To achieve these outcomes, we've made three important strategic choices – to focus on creating value from New Zealand milk, be a leader in sustainability and be a leader in dairy innovation and science.

These choices will help us navigate and make the most of the global macro-trends and the realities of our local dairy industry.

We would like to thank our farmer owners and employees for their support of the strategy, commitment to our Co-op and hard work to deliver for our customers, despite the impact of COVID-19 on their lives at work and at home. We're making good progress in putting in place the necessary buildings blocks for our 2030 targets.

First half of the 2022 Financial Year (FY22)

We have a record forecast Farmgate Milk Price range. At the current midpoint of $9.60, it would see more than $14 billion injected into the New Zealand economy – that's about $2.5 billion more than last year. While it's welcome news, we're also very aware that farmers are facing increasing costs on farm.

We knew this year was going to be more challenging for our earnings due to the high forecast Farmgate Milk Price, which is up on average by almost 30% year-on-year. As a result, we are pleased with our Profit After Tax of $364 million, down $27 million and Total Group normalised EBIT of $607 million, down $77 million. This shows we're performing well even with a high Farmgate Milk Price.

Peter McBride
– Chairman

Miles Hurrell
– Chief Executive Officer

Margins in our Ingredients channel improved in the first half compared to the same period last year. However, the higher milk price put pressure on our margins in our Consumer and Foodservice channels, and we also felt the impact of COVID-19 in many of our markets. Lower New Zealand milk collections reduced our total production, and this impacted our overall sales volumes.

Despite these challenges, Africa, Middle East, Europe, North Asia, Americas (AMENA) have had a stronger start to the year, delivering a 25% increase in normalised EBIT to $250 million.

In Greater China, we've continued to see strong demand for dairy as we've found new ways to drive demand. However, normalised EBIT is down 20% to $236 million and a big part of this is due to Foodservice where, despite steady volumes, the higher milk price has impacted gross margins.

In Asia Pacific our normalised EBIT decreased by 33% to $158 million. While gross margins in our Ingredients channel improved, this was more than offset by the higher cost of milk which impacted gross margins in both Consumer and Foodservice, particularly in South East Asia and New Zealand.

We have continued to focus on our financial discipline. Our Total Group Operating Expenses are tracking more or less in line with last year despite inflationary pressure and ongoing disruption from COVID-19. Our net debt is down and our gearing ratio has improved.

We are pleased that our debt levels, along with our earnings so far this year, support a decision to pay an interim dividend of 5 cents per share.

Outlook for the remainder of FY22

As we look out to the remainder of the year, the forecast Farmgate Milk Price range of $9.30 – $9.90 per kgMS and forecast normalised earnings guidance of 25 – 35 cents per share remains unchanged.

While the milk price is at a record high, pricing in our Ingredients channel, for both reference and non-reference products, has been supportive of both milk price and earnings and we expect this to continue in the second half. However, there are a number of risks we are continuing to watch closely. The conflict in Ukraine has added to an already complex COVID-19 operating environment, impacting global supply chains, oil prices and the global supply of grain.

Our lower debt levels mean we are in a stronger position to weather the heightened levels of uncertainty and volatility the world faces right now. We will also continue to use our Co-op's scale to ensure we are putting our Co-op's milk into the products and places where we can deliver the most value under the circumstances.

"By continuing to invest in sustainability, we're making sure our Co-op's milk is backed by the sustainability credentials consumers want."

Progress towards our 2030 targets

While our short-term financial performance is critical because it funds our future, we also need to focus on our long-term targets and, as a result, take action today that will pay off in the future. Across all three of our strategic choices, we're making good, solid progress.

Focus on New Zealand milk

Our new 'Flexible Shareholding' capital structure is critical in helping us maintain a sustainable New Zealand milk supply in an increasingly competitive environment. Following the successful farmer vote in December, discussions with the Government are progressing well and we expect to be able to provide a timeline for farmers in the next couple of months.

We're also continuing to make progress on the divestment of our Chilean business and the ownership review of our Australian business. Both Soprole and Fonterra Australia are performing well and our priority is to maximise the value of both businesses to our Co-op. We will take our time to ensure the best outcomes from these processes and remain confident on delivering on our intention to return around $1 billion of capital to our shareholders and unit holders by FY24.

Our teams are always driving demand for New Zealand milk by developing new ways of using our products in local cuisine to find the next big food trend. During the first half, we saw Greater China promote the idea of mozzarella on dumplings. The dish gained huge attention and sparked a new trend in the lead up to the Lunar New Year. In the Middle East, we launched Red Cow – a more affordable range of products we sell direct to customers, such as bakeries, to help us capture a greater share of the foodservice market.

Be a leader in dairy innovation and science

We continue to build on our heritage of dairy innovation, developing new solutions to solve problems our customers face and help people live longer and healthier lives. In doing so, we're looking at new ways to commercialise our IP.

The collaboration with VitaKey is a great example of how we may be able to do this. VitaKey specialises in precision delivery of nutrition – an emerging area of research that seeks to deliver the right nutrients, in the right amount, to the right part of the body at the right time. We are working with them to explore how we can apply their capability to specific dairy nutrients in a way that allows the nutrients to be more active and beneficial in the body. This started with two of our probiotics that are used to address digestive issues and immunity and has now been expanded to include several micronutrients, such as Vitamin D.

Meanwhile, in the area of nutrition science solutions, we are continuing our work to understand this health and wellness trend and where we can build a competitive advantage.

Be a leader in sustainability

By continuing to invest in sustainability, we're making sure our Co-op's milk is backed by the sustainability credentials consumers want and will be better able to support our customers in their sustainability journey.

Finding a solution to the methane challenge will be a gamechanger on this front. That's why the results of the next phase in the Kowbucha™ trials – a probiotic which could switch off the bugs that create methane in cows – are so exciting. After moving from the lab to farm, initial results have shown a reduction in methane of up to 20% when fed to calves. The trial is now continuing to the next phase.

The Co-op's focus on sustainability is helping to maintain and win business and is also gaining recognition. The combination of New Zealand milk having a carbon footprint one third the global average and our sustainability credentials have also recently helped us retain business in our Foodservice channel. Like us, one of our Quick Service Restaurant customers has a goal to be net zero by 2050. By simply using our products over a competitor's, they've been able to reduce their carbon emissions by the equivalent of taking 1,760 cars off the road.

Our NZMP Organic Butter – carbonzero™ certified, developed to help our customers achieve their own sustainability goals, has been recognised internationally, winning two significant innovation awards.

As we said earlier, it's only early days on our long-term strategy – but we are pleased with our results and progress so far this year. We have a record high forecast milk price. We continue to face into COVID-19 and the various geopolitical challenges impacting global markets. Given the significant uncertainty we face, our Co-op is focused on what's within our control, working together to ensure we're creating goodness for generations – you, me, us together, tātou tātou.

Peter

Peter McBride
Chairman

Miles

Miles Hurrell
Chief Executive Officer

Creating goodness: Our progress so far

Our Co-op is performing well today, while creating the momentum needed to achieve our 2030 targets.


Isabella, Methven

Focus on New Zealand Milk

Farmers support new capital structure

Our farmer shareholders voted in support of our new Flexible Shareholding structure, with the proposal gaining more than 85% of the vote. This capital structure enables our strategy, making it easier for farmers to join and stay with the Co-op. It is critical to helping us maintain a sustainable supply of New Zealand milk in an increasingly competitive environment, and one that is rapidly changing due to factors such as environmental pressures, new regulations and alternative land uses. Following the successful vote, we're continuing to work with the Government on a regulatory framework to support the new structure.


Chef preparing desserts

Growing our Foodservice business

Growing our Foodservice business is a key part of our strategy. Our Anchor Food Professionals (AFP) reached a milestone in October by becoming a NZ$3 billion annual revenue business. AFP's success is down to our Co-op's strong connection to our customers who value our sustainably produced, high quality, nutritious milk and innovative products.

Looking ahead to 2030, we're aiming to shift more milk into our Foodservice business and grow our presence across Greater China, South East Asia and the USA.


Mozzarella dumplings

Strengthening our customer relationships

When it comes to our customers, we're focused on understanding what they need to be successful – and this is making a difference. Our Australian Anchor Food Professionals team was voted by foodservice customers – including Countrywide, NAFDA and PFD – as the number one supplier for the second year in a row in the annual Advantage Survey. Here at home, our consumer business, Fonterra Brands New Zealand (FBNZ), also maintained its number one supplier position with supermarket customers for the second time in the 2021 New Zealand Advantage Survey, coming first equal with Dominion Breweries.

Sparking new trends in China

New consumers in another 18 cities in China are now enjoying our products as we continue to grow our Foodservice business, bringing our total reach to 403 cities. Our team is always looking to drive demand for New Zealand milk by developing new ways of using our products in local cuisine to find the next big food trend. Using the power of social media, they promoted the idea of sprinkling mozzarella on top of dumplings. This gained huge attention for the dish and sparked a new trend in the lead up to Chinese New Year.

Growing our business in the Middle East

Foodservice is a growing channel in the Middle East. Our Anchor Food Professionals is already an established premium brand, but to capture a greater share of the market we launched Red Cow, a more affordable range of products which we are selling direct to customers, such as bakeries.

We also launched our Mainland cheese range in Dubai's largest supermarket chain. The range completely sold out, with customers using social media sites to track down the cheese in-store. Our in-region team is now looking at launching the range into other countries.

New Zealand nutrition story helping differentiate our customers' brands

Nutifood launched its first 100% grass-fed milk into Vietnam, using our sustainability credentials, while Cheerston launched the first NZMP grass-fed claimed cheese product into the Chinese market. Our 'Cared for Cows' and 'Grass Fed' are certified by AsureQuality and offered to our customers as part of our suite of dairy claims. These provide assurance that our cows are pasture-based, experience a natural way of life and are free to roam outdoors with a high level of animal wellbeing.

MADE WITH NEW ZEALAND DAIRY GRASS FED CARED FOR COWS

Be a leader in sustainability

Dave & Gareth, Taranaki

On farm

Kowbucha™ methane reduction trial moves to next stage

Finding a solution to the challenge of on-farm emissions will be a game-changer. The next phase of our Kowbucha™ trial, a probiotic which could switch off the bugs that create methane in cows, continues to look promising. We have completed on-farm trials with calves fed milk with Kowbucha™ and while it's still early days, the results have indicated a reduction in methane of up to 20%. These calves are now grazing on grass and we're monitoring whether they are still benefiting from Kowbucha™. At the same time, we're trialling Kowbucha™ with mature animals. In particular, sheep. The reason for this is we can complete the trials faster and with larger numbers than with cows. If the results continue to show promise, we will move into trials with cows.

More Farm Environment Plans

Increasingly, consumers are looking for products which are made in a sustainable way. The Co-operative Difference is our way of connecting Fonterra farmers with customers to ensure our milk is backed by the sustainability credentials consumers want. Farm Environment Plans (FEP) are a key component in The Co-operative Difference, helping Fonterra farmers to assess how their farm is performing relative to good practice and provide practical actions to improve their environmental performance and reduce risks. 61% of the Co-op's supplying farms in New Zealand now have one, up from 53% at the start of the financial year and well on our way towards our target of 100% of supplying farms by 2025.

First Farm Insight Reports delivered

We also introduced individualised Farm Insights Reports, which give Fonterra farmers information on milk quality, environmental performance and animal health. The reports also include information on the farm's performance under The Co-operative Difference Programme, a Greenhouse Gas report and a Nitrogen Risk Scorecard. The reports highlight opportunities for improvement and our field teams are able to use the data, and work alongside Fonterra farmers, to suggest changes to help improve performance, reduce risks and potentially save time and costs.

Off farm

Making progress towards Net Zero

Our Te Awamutu boiler coal to wood pellet conversion project has delivered a reliable performance, and carbon reduction benefits as expected in the business case. We have also gained valuable experience for construction and operation of future conversion and new boiler projects. Good progress has been made with site works at Stirling for a new biomass boiler. Whilst the majority of the boiler components are either at site or on the water, the expected commissioning date is likely to be delayed as the long-standing Austrian boiler manufacturer undergoes a debt restructuring. Once complete, Stirling will be our first site to run on 100% renewable thermal energy. We're also progressing plans to move out of coal at the remaining eight (out of 48) sites by 2037, with the majority of the changes within the next eight years.

Sustainability Innovation Award for NZMP Organic Butter – carbonzero™ certified

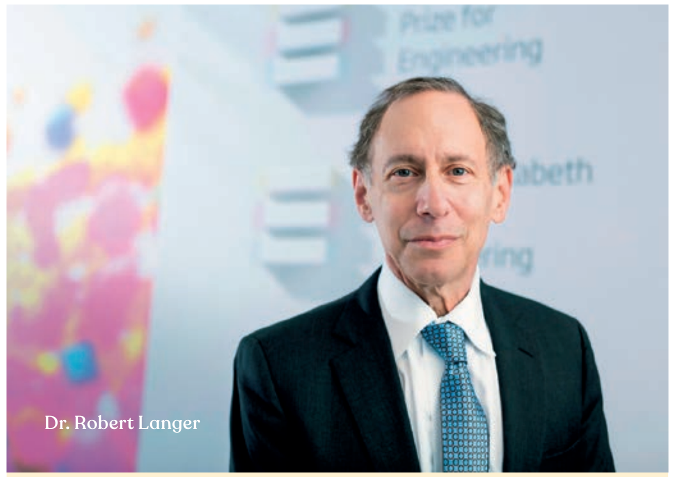
Our Ingredients business, NZMP, has won two Sustainability Innovation Awards for its Organic Butter – carbonzero™ certified, which was launched last year to help our customers achieve their own sustainability goals. The awards recognise organisations that have measurable supply chain strategies, focused on environmental, economic or socially sustainable practices.

Be a leader in dairy innovation and science

Unlocking the power of our probiotics

Through a transformative dairy science collaboration with VitaKey, we are exploring how we can further unlock the benefits of our probiotic strains. VitaKey specialises in precision delivery of nutrition – an emerging area of research that seeks to deliver the right nutrients, in the right amount, to the right part of the body at the right time. Our goal is to design dairy products that incorporate targeted and time-controlled release of specific dairy nutrients in a way that locks in the freshness for longer and allows the nutrients to be more beneficial in our bodies. This is one way we are tapping into the health and wellness trend as people look to nutrition solutions to help them live healthier and longer lives.

Theepan & Chujun, Palmerston North (FRDC)



Dr. Robert Langer

"VitaKey specialises in the precision delivery of nutrition. Its customised platform technology stabilizes and delivers nutrients, vitamins, probiotics, antioxidants, proteins and flavours to ensure increased bioavailability with targeted and controlled release within the digestive tract. The technology can be customised across the entire food supply chain from agriculture to animal feed, pet food, infant formula to senior nutrition, and food and beverages.

Dr. Robert Langer, the co-founder of VitaKey, is a founding father of drug delivery and controlled-release technology, and Institute Professor at Massachusetts Institute of Technology. Dr. Langer has over 45 years of expertise in drug delivery, materials science, and polymer chemistry. He is the most cited engineer in history with over 1,500 publications and 1,400 issued and pending patents worldwide. Dr. Langer has received more than 220 major science awards, including The Queen Elizabeth Prize for Engineering, a global prize for engineering and innovation. More than 40 biotech companies are a result of his research, with a combined market capitalisation over $250 billion."

Our people

Doing Good Together

Our farmer owners and employees have continued to look out for one another and their local communities, while proactively managing risks and adapting quickly in response to COVID-19 and other challenges. It's thanks to their hard work and commitment that we continue to get our product to customers and for this we thank them.

Supporting our local communities

To support the Government's COVID-19 testing efforts, our Fonterra Brands Indonesia team donated 4,000 swab antigen tests kits for use in local communities

As COVID-19 rates increased, hard working nurses in French Polynesia received Anchor milk and cookie packages from our local team as a way to say thank you and boost morale

Our Canpac team from Hamilton

More than 350 kids in the Waikato woke up in new pyjamas thanks to the efforts of our London Street team together with local organisation 'Christmas PJs for kids'

Approximately 367,000 meal equivalents of Fonterra dairy products have been donated to families in need across Aotearoa this year, through our partnership with the New Zealand Food Network.

The Rural Support Trust received over $100,000 following the Fonterra versus Parliament charity rugby match to support flood-affected South Island farmers

PHOTO CREDIT: KEVIN CLARKE, CMG SPORT

Giggles Childcare centre in Northland is one of a number of schools we kitted out with high-viz vests, because Doing Good Together means keeping our littlest people safe too

Bringing our farmers and employees closer together

To help our farmers and teams in South East Asia better understand the work each of them do, we launched 'Adopt A Farm'. Through this initiative our employees adopt and follow a farm through the seasons so they can learn about the effort that goes in to making our nutritious milk more sustainable. As a result, they are better equipped to speak to customers about our unique New Zealand farming system. And our farmer owners gain a better understanding of customers and consumers' needs.

"When you work in a brands business, it's often easy to lose sight of where it all begins. It's been an absolute privilege hearing about their story, from the farm to their family and the lengths they go to deliver the dairy goodness that our customers and consumers love."

– Willy Low, Director, Chilled Foods SEA.

He aha te mea nui o te ao?
He tāngata, he tāngata, he tāngata.
What is the most important thing in the world?
It is people, it is people, it is people.

Te Pou Mātāpuna – Our Fonterra Story

We are a Co-op who connects people from all over the world, so it's important that we're confident in who we are, what we stand for and our cultural identity. Māori culture, people and perspectives play a significant role in shaping who we are and our identity here in Aotearoa New Zealand and around the world.

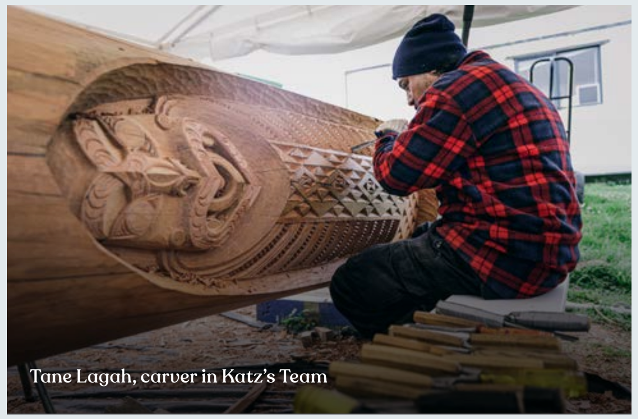
We are starting to integrate te ao Māori culture within our Co-op and as part of this we've created a pou, a Māori wood carving, to help us tell our story.

It's a physical representation of our Co-op and everyone in it, telling the story of our past, our present and our future ambitions, a tangible reminder that our strength and success come from working together and from our connection to Aotearoa New Zealand out into the world.

Geoff Spark, Canterbury Farmer and Master Carver Arekatera Maihi (Katz)

Te Mātāpuna tells the same story as our name, Fonterra meaning to "spring from the earth"

Representatives of Ngāti Whātua Ōrākei and Fonterra at wood blessing



Tane Lagah, carver in Katz's Team

Scan the QR code to find out more about Te Pou.

Business Performance Dashboard

Total Group revenue
↑ up $882m
$10.8b
Page 18

Reported profit after tax
↓ down $27m
$364m
Page 16

MONTHLY MILK PRICES
Page 17

Our cost of milk has been significantly higher
on average by
$2 per kgMS relative to the comparative period

New Zealand season to date milk collections of 1,033m kgMS, down 3.6%

Kylie, Manawatū-Whanganui

Interim Dividend
5c
per share

Earnings per share
22c
for the first six months of FY22

Ingredients
↑ normalised EBIT up $117m
$413m

Foodservice
↓ normalised EBIT down $169m
$85m

Consumer
↓ normalised EBIT down $34m
$146m
Page 28

Asia Pacific

Page 30

Ingredients
↑ normalised EBIT up $20m
$85m

Consumer
↓ normalised EBIT down $42m
$77m

AMENA

Page 32

Ingredients
↑ normalised EBIT up $44m
$184m

Consumer
↑ normalised EBIT up $14m
$66m

Latin America normalised EBIT up $21m driven by our Consumer business in Chile

Greater China

Page 36

Ingredients
↑ normalised EBIT up $53m
$144m

Foodservice
↓ normalised EBIT down $105m
$89m

Page 38
Discontinued operations
We are progressing with the sale process of DPA Brazil and Hangu China farm

Page 26
Group Operations' attribution reduced
↓ down $13m
$76m

Total Group Performance

Our profit after tax for the first six months of the 2022 Financial Year is $364 million, and we have confirmed an interim dividend of 5 cents per share.

Our performance for the six months reflects consistent and strong demand across multiple markets and products at a time of constrained milk supply and a significantly higher cost of milk for our businesses. We achieved an improved performance in our Ingredients channel and our businesses in Chile and Australia, but this was offset by tighter margins in our Foodservice and Consumer channels.

Our lower interest expense more than offset an increase in the tax expense and our reported profit after tax of $364 million is $27 million lower than last year. With no normalisations for the first six months of the 2022 Financial Year, our normalised profit after tax is down $54 million.

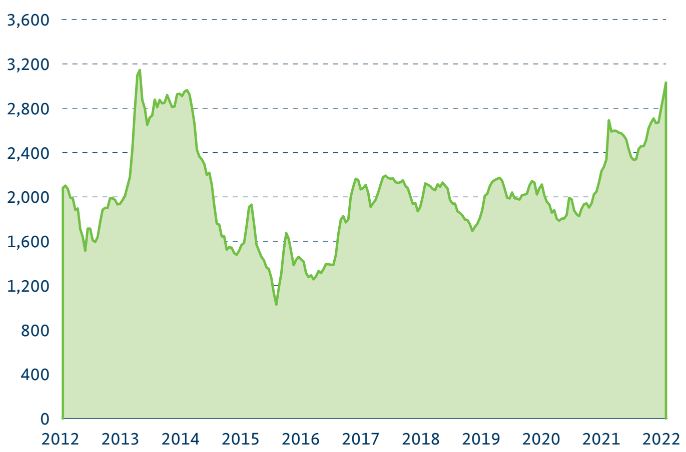
This is a good result in the context of the significant increase in the cost of milk we have experienced during this period.

Reported profit after tax
$364m ↧
down $27m

Interim dividend
5c
per share

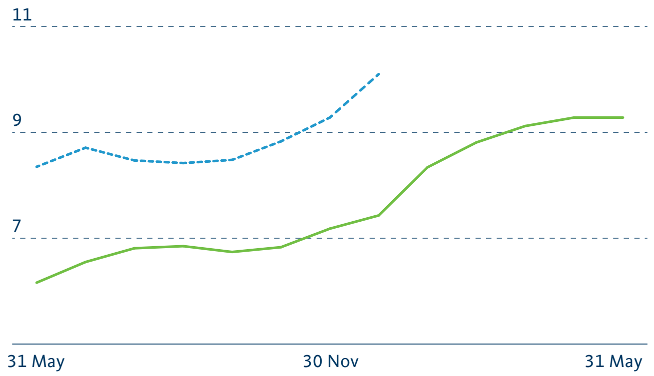
The GDT Index is at its highest level since 2013. Several products within the index flow directly into our Farmgate Milk Price, which currently has a forecast midpoint of $9.60 per kgMS for this season.

GDT PRICE INDEX (2012-2022)



As illustrated in the Monthly Milk Prices graph, our monthly cost of milk has been on average around $2 per kgMS higher than the comparable period, and has placed significant pressure on margins in our Foodservice and Consumer channels.

MONTHLY MILK PRICES (NZ$/KGMS)



COVID-19 continues to impact our people all around the world, global markets and the supply chain. Despite these challenges our people continue to show agility and resilience. We leverage the strength of our supply chain partnerships, such as Kotahi and Coda, to deliver for our customers, and focus on allocating milk to the products that generate the best overall returns to Fonterra, our farmer owners and unit holders.

The higher cost of milk this financial year reflects a price response to ongoing strong global demand combined with the tight supply we have experienced in New Zealand from a drier summer, plus lower milk growth from other key dairy producing countries. Both US and EU milk production figures show a significant slowdown relative to the comparative period.

Fonterra's milk collections are dominated by our New Zealand sourced milk, complemented by milk sources in both Australia and Chile. Our collections in New Zealand are down 4% compared to the previous season mainly due to the drier summer.

MILK COLLECTIONS FROM MAIN REGIONS (LITRES, MILLION)	2021	2022	CHANGE
Fonterra New Zealand[1]	12,379	11,918	(4)%
Fonterra Australia[2]	909	899	(1)%
Fonterra Chile[3]	292	294	1%
Total	13,580	13,111	(3)%

1. Fonterra New Zealand milk collections are for the period 1 June – 31 January.
2. Fonterra Australia milk collections are for the period 1 July – 31 January.
3. Fonterra Chile milk collections are for the period 1 August – 31 January.

Our Australian milk collections are down primarily due to seasonal weather impacting on farm conditions and a broader rationalising of herd sizes supported by strong beef prices. Our Chile milk collections are up as we continued to focus on farmer engagement and a competitive and consistent milk price policy.

Our market share of milk collections has increased slightly in Chile, and our market share in both New Zealand and Australia remain stable.

Our Total Group revenue is up $882 million, or 9%, despite the lower sales volume, due to improved sales prices.

BREAKDOWN OF TOTAL GROUP PERFORMANCE

FOR THE SIX MONTHS ENDED	31 JANUARY 2021			31 JANUARY 2022		
NORMALISED BASIS NZD MILLION	CONTINUING OPERATIONS[1]	DISCONTINUED OPERATIONS[1]	TOTAL GROUP	CONTINUING OPERATIONS[1]	DISCONTINUED OPERATIONS[1]	TOTAL GROUP
Sales volume ('000 MT)	1,875	121	1,996	1,816	105	1,921
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[2]	14	3	17	63	(1)	62
Normalised EBIT	652	32	684	601	6	607
Normalisations[3]	(50)	23	(27)	–	–	–
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.
3. Refer to the Non-GAAP Measures section of the report.

We continue to be a reliable source of dairy to the global market as we leverage the strengths of our supply chain partnerships, including Kotahi and Coda, to manage the ongoing shipment challenges created by global supply chain disruption. However, our sales volumes are down 75,000 MT, or 4%, relative to the comparative period mainly due to our lower milk collections in New Zealand and Australia.

Our Total Group revenue is up $882 million, or 9%, despite the lower sales volume, due to improved sales prices. Product prices on the global market are being impacted by ongoing supply constraints and continued strong demand. Our reference product revenue, which informs the price we pay for our New Zealand farmers' milk, increased 24% relative to the comparative period and has made the cost of milk significantly higher for our businesses. This was the main driver for our cost of goods sold increasing 12%, up $997 million. Inflationary pressures impacting our cost of goods sold have been partially offset by efficiency gains, particularly in our New Zealand manufacturing operations.

Our sales regions' Ingredients channels all had improved gross margins predominantly due to favourable margins in our protein portfolio, with increased demand for our caseinate and whey protein concentrate (WPC) products. However, our Total Group gross margin has reduced, from 17.4% to 14.9%, as we were not able to fully recover the significant increase in the cost of milk through our Foodservice and Consumer channels – with all three sales regions achieving lower gross margins in these channels relative to the comparative period.

As a result of the lower gross margins and sales volumes, our Total Group gross profit reduced $115 million, or 7% to $1,607 million.

Our Total Group operating expenses are $7 million higher than the comparative period, due to an increase in administration, storage and distribution costs mainly related to COVID-19 supply chain disruption. In addition, we also incurred costs associated with discontinuing some products that are not aligned with our long-term strategy. The impact of the increased costs were partially offset by the release of a $44 million provision held at Group following a final judicial interpretation on the application of the Holidays Act 2003 in New Zealand to certain discretionary incentive payments.

The $45 million improvement in 'Other' relative to last year, was largely due to higher other operating income and the non-recurrence of adverse items in the previous period.

Our Total Group normalised EBIT is down 11% to $607 million predominately due to tighter gross margins from the higher cost of milk, particularly in our Foodservice channel.

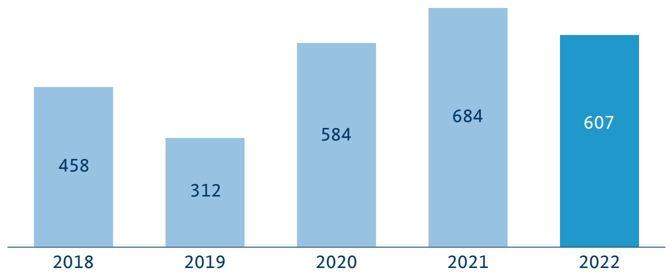
Our Total Group result includes discontinued operations that we expect to sell within a year of the reporting date.

For the first six months of the 2022 Financial Year, discontinued operations included DPA Brazil and our Hangu China farm. The comparative period performance also includes Ying and Yutian China Farming hubs, in addition to DPA Brazil and our Hangu China farm.

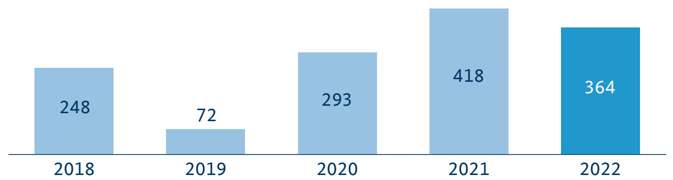
Our discontinued operations' gross margin improved from 22.3% to 27.8%, reflecting the removal of the lower margin from the Ying and Yutian China Farming hubs as well as improved pricing in DPA Brazil. Normalised EBIT is down 81% to $6 million, due to the comparative period including the Ying and Yutian China Farming hubs.

Daniel & Denise, Darfield

TOTAL GROUP NORMALISED EBIT ($ MILLION)



NORMALISED PROFIT AFTER TAX[1] ($ MILLION)

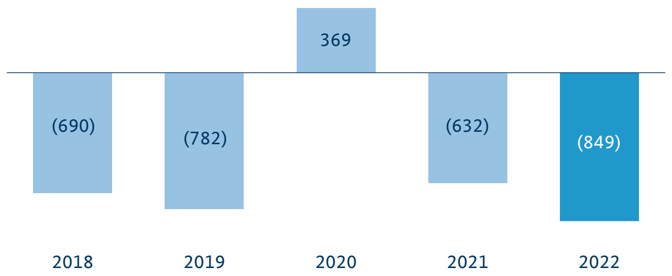


1. Includes amounts attributable to non-controlling interests.

Our normalised profit after tax of $364m is down $54 million, with our lower EBIT being partially offset by a lower interest expense due to our reduced debt levels and the benefit from fixed interest rate hedges as interest rates have risen.

A focus on financial discipline

FREE CASH FLOW[1] ($ MILLION)



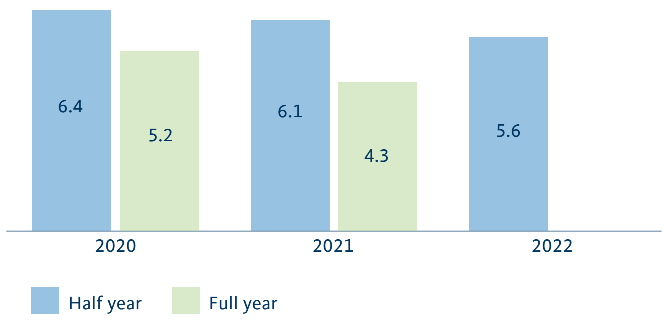
1. Refer to Glossary for definition.

Our free cash flow for the first six months is typically an outflow reflecting the seasonal nature of the business.

It was a $(849) million outflow, which is $217 million more than last year and reflects:

- an increase in seasonal net working capital funding due to the higher cost of milk; and
- divestments of $103 million that occurred in the first six months of the 2021 Financial Year, that did not recur in the first six months of the 2022 Financial Year; partially offset by
- increased cash earnings.

NET DEBT[1] ($ BILLION)



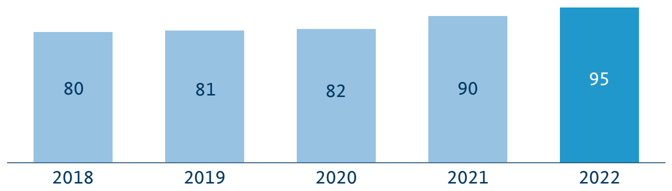
1. Refer to Glossary for definition.

Our net debt levels have continued to decrease year-on-year, down $501 million, from 31 January 2021.

This reflects continued strong earnings and proceeds from divestments of $646 million, which occurred in the second half of the last financial year and included the sale of the two wholly-owned China farming hubs, the China Farm joint venture and the remaining Beingmate shares.

From a cash flow perspective, our earnings have largely absorbed an increase in seasonal net working capital funding due to the higher cost of milk, along with an increase in dividends paid over the past 12 months relative to the comparative period. This has allowed cash proceeds from divestments to be largely used to reduce debt.

WORKING CAPITAL DAYS[1]



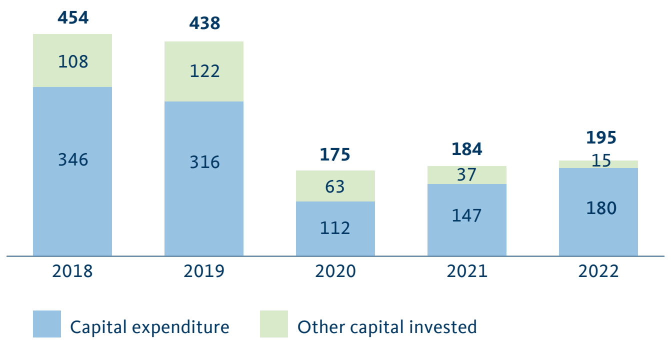
1. Refer to Glossary for definition.

Working capital days have increased by five days compared to the same period last year.

The key drivers were:

- the increase in average inventory days as a result of the higher cost of milk and lower payable days; partially offset by
- favourable receivable days due to improved customer collection management.

CAPITAL INVESTED[1] ($ MILLION)



1. Refer to Glossary for definition.

Our total capital invested in the first six months of the 2022 Financial Year was in line with our expectations.

The majority of our capital expenditure is weighted to the second half of the year. This is due to the shape of the New Zealand milk supply curve and allows the bulk of the work on the manufacturing plants to be undertaken during the off-peak period.

Our capital expenditure is focused on maintaining integrity and reliability across the processing assets, improving wastewater treatment and reducing emissions from thermal fuel sources. Key projects year-to-date are largely the continuation of last year's projects, such as, wastewater upgrades at the Whareroa and Te Awamutu sites, installation of a biomass boiler at the Stirling site, and optimising our lactose assets and improving site safety with the removal of our ethanol plant at Tirau and Edgecumbe.

Group Operations

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

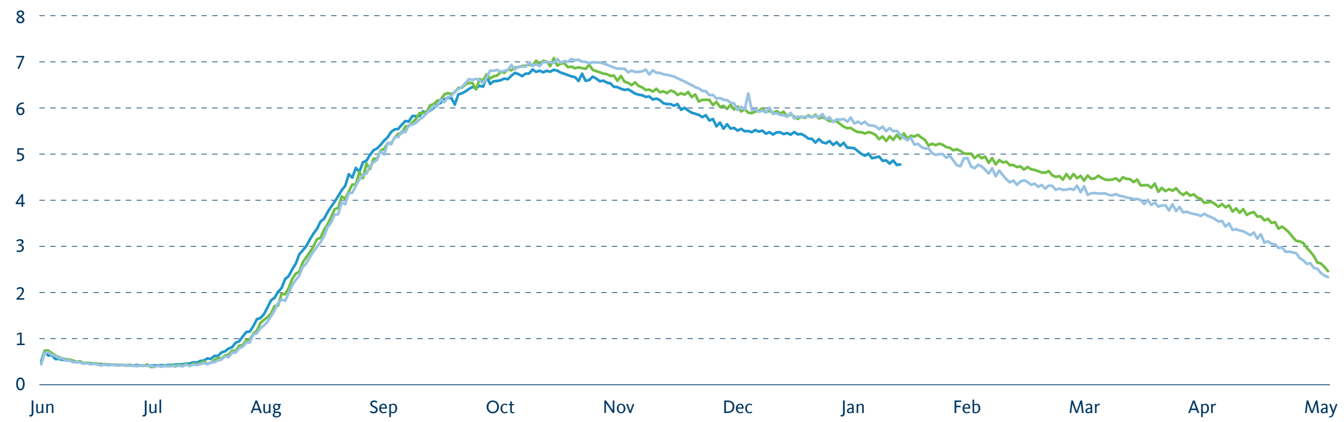
Our New Zealand milk collections from 1 June 2021 to 31 January 2022 were 1,033 million kgMS, down 3.6% or 38 million kgMS on last season. Varied weather and challenging growing conditions across many parts of New Zealand affected pasture growth and collections early in the season. Despite good moisture levels in December, the very dry and warm conditions in January have led to declining soil moisture and reduced feed in the North Island. The full season forecast collections have been revised to 1,480 million kgMS, down from the opening forecast of 1,525 million kgMS.

Our New Zealand milk collections

1,033m kgMS

down 3.6%

FONTERRA'S NEW ZEALAND MILK PRODUCTION (KGMS MILLIONS)



Season	Milk Solids Produced (full season)
2019/20	1,517m kgMS
2020/21	1,539m kgMS
2021/22	1,480m kgMS[1]

1. Current full season forecast

Our key milk collection transport metrics of cost (cents per litre), timeliness and fuel efficiency have benefited from the roll out of the on-farm milk vat monitoring technology during the prior year. It has enabled efficiencies in milk collection scheduling through visibility of on-farm milk conditions and volumes. Both our timeliness of milk collections and fuel efficiency have improved. In addition, we significantly reduced the use of contractors, which incur higher costs than our internal fleet, during the peak collection period due to both lower collection volumes and optimisation.

The efficiency improvements from the on-farm milk vat monitoring technology have helped offset the significant increase in costs, such as diesel. However, the lower milk volumes collected as a result of the drier weather conditions, coupled with overall cost increases, has meant our milk collection cost per litre is higher than the comparative period.

Within our New Zealand manufacturing operations, we are continuing to realise cost efficiencies through the value chain, driven by continuous improvement in milk utilisation, plant uptime and an uplift in productivity.

We've also seen the benefit of improved systems and processes on plant reliability. One example is our Asset Care Programme, which manages asset condition, prioritises maintenance and improves capital project delivery. We continue to focus on the rate of product made 'right first time', a measure which tracks the product that passes grading tests once manufactured. It is tracking favourably relative to the comparative period. Our focus is to manage risks within our control to ensure that we can maximise the value of each kilogram of milk solids.

COVID-19 continues to test global supply chains. Despite these challenges, we are delivering for our customers. We continue to leverage the strength of our partnerships, including Kotahi (the ocean freight partnership we have with Silver Fern Farms working alongside our ocean freight supplier Maersk) and Coda (our New Zealand domestic land freight partnership with Port of Tauranga), while the agility of our people to rework schedules has allowed us to secure additional shipping capacity. We expect these challenging conditions to continue into the second half of the financial year.

We continue to focus on allocating milk into the products that generate the best overall returns for Fonterra, our farmer owners and unit holders.

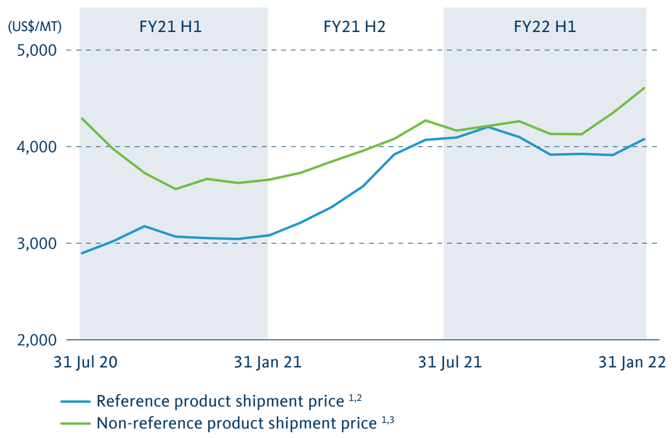
The global dairy market for the first half of the 2022 Financial Year has been very different from the same period last year and is shaping up to be a very successful season, but not without its challenges. The GDT Index is at its highest level since 2013, and several of the products within the index flow directly into our Farmgate Milk Price, which currently has a forecast midpoint of $9.60 – an all-time high. It is $2.40 per kgMS higher than at the same time last year. The higher cost of milk this year in part reflects a price response to the lower milk supply we have experienced in New Zealand, with a drier summer resulting in our New Zealand collections forecast to be down 3.8% on last year. In addition, there is lower milk growth from other key dairy producing countries, with both US and EU milk production figures showing a significant slowdown in comparison to the same time last year. On the demand side, we have seen continuing strong demand for our ingredients across all markets with the key reference products achieving, or near to, the highest prices over the past five years – including butter at its highest price ever. As the dry summer started to impact New Zealand collections, we have carefully managed our contract book and sales programme to meet our commitments to our customers through this season and into the start of the next season.

Strong global demand has meant non-reference products, such as casein and whey protein concentrate (WPC), have achieved significantly higher prices than last year. However, the overall margin of our non-reference portfolio has reduced, which is not uncommon during periods of higher milk prices.

The increased prices and margins for caseins and WPCs, combined with our commodity hedging programme, have enabled us to stabilise non-reference product margins and thereby reduce possible margin loss in the Ingredients channel through this higher milk price cycle. We note, however, as the higher input cost flows through our Consumer and Foodservice channels, margins in those channels are expected to be under further pressure.

Price relativities between reference and non-reference products have improved during the second quarter relative to the first quarter of the 2022 Financial Year. However, they were less favourable than the prior year comparative.

REFERENCE AND NON-REFERENCE PRICE RELATIVITIES



Source: GlobalDairyTrade

1. The shipment price is a weighted average price of GDT contracts struck one to five 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.

The average reference and non-reference product sale prices per metric tonne have increased 24% and 16%, respectively, relative to the comparative period.

Whole milk powder (WMP) has been the significant contributor to the increase in the weighted average reference product price, with GDT contract prices around USD 3,000 per metric tonne at the start of August 2020 and finishing around USD 4,100 per metric tonne in January 2022. However, butter and anhydrous milk fat (AMF) increased the most, with both rising over USD 2,500 per metric tonne for the same period in response to tightening global supply and strong demand.

The non-reference portfolio also benefited from the strong global market with prices increasing significantly but at a slower rate than the reference portfolio. Within the non-reference portfolio, casein and whey products have increased significantly while other products, such as cheese, which typically have more stable pricing or have a greater weighting of non-spot pricing arrangements, have increased at a slower rate.

NEW ZEALAND SOURCED INGREDIENTS' PRODUCT MIX[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	2021		2022	
Sales Volume ('000 MT)				
Reference products	870		793	
Non-reference products	419		415	
(NZD)	$ BILLION	$ PER MT	$ BILLION	$ PER MT
Revenue				
Reference products	4.2	4,784	4.7	5,916
Non-reference products	2.3	5,372	2.6	6,221
Cost of Milk				
Reference products	3.2	3,676	3.7	4,702
Non-reference products	1.4	3,294	1.7	4,144

1. Table excludes bulk liquid milk. Bulk liquids for the six months ended 31 January 2022 was 34,000 MT of kgMS equivalent (the six months ended 31 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).


Sherri & Kerey, Darfield

Overall, the Group Operations' attribution has reduced $13 million relative to the prior period, from $89 million to $76 million.

Group Operations' Attribution to Regional Segments

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

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

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

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

Overall, the Group Operations' EBIT has reduced $13 million relative to the comparative period.

Key drivers of the reduction in our Group Operations' EBIT are the adverse movement on the gross margins of our product portfolio, particularly non-reference products, due to the higher cost of milk. In addition, there was an increase in supply chain costs and manufacturing costs due to COVID-19 related challenges and inflationary pressures. We have been able to partially offset the adverse impact of pricing relativities between reference and non-reference products with our commodity hedging programme and partially offset rising costs through efficiency gains at our manufacturing sites and in our wider supply chain.

GROUP OPERATIONS' ATTRIBUTION

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS (NZD MILLIONS)	TOTAL			ASIA PACIFIC			AMENA			GREATER CHINA		
	2021	2022	CHANGE[1]	2021	2022	CHANGE[1]	2021	2022	CHANGE[1]	2021	2022	CHANGE[1]
Group Operations' attribution to regional segments	89	76	(15)%	47	24	(49)%	17	40	135%	25	12	(52)%

1. Percentages as shown in table may not align to calculations of percentages based on numbers in the table due to rounding of figures. Comparative information includes re-presentations for consistency with the current period.

Summary of Regions

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

Looking at our continuing operations by region:

Asia Pacific normalised EBIT decreased 33% to $158 million. We had improved gross margins in our Australia business. However, this was more than offset by lower gross margins in the Foodservice and Consumer channels across the Asia Pacific region, which was most notable in our South East Asia and New Zealand businesses.

AMENA normalised EBIT was up 25% to $250 million. We achieved improved pricing and product mix in our Ingredients channel and continued volume and gross margin growth in our consumer business in Chile.

Greater China normalised EBIT decreased 20% to $236 million. We had improved gross margins in our Ingredients channel, driven by our protein portfolio. However, this was more than offset by the lower gross margins achieved in the Foodservice channel.

Looking at our continuing operations by product channel:

Ingredients' normalised EBIT increased 40% to $413 million, due to improved gross margins – in part reflecting increased demand in our protein portfolio for our caseinate and WPC products.

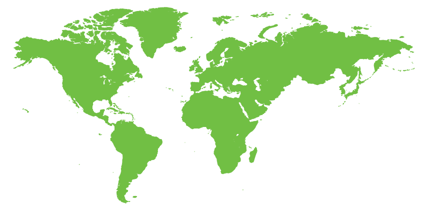
- Caseinate demand has been driven by the increased use of this ingredient as an emulsifier in non-dairy creamers (i.e., substitutes for milk or cream) as an additive for beverages such as coffee, tea, and hot chocolate
- WPC demand has been driven by increased use of our specialty ingredient whey products in hospitals and more broadly as consumers interest in their health increases

Foodservice normalised EBIT decreased 67% to $85 million. Our in-market sales pricing was unable to increase at the same rate as rising dairy prices, reducing margins in this channel across all regions, but particularly in Greater China and South East Asia.

Consumer normalised EBIT decreased 19% to $146 million, where we had strong performances in our Chile and Australia consumer businesses, but this was more than offset by the same margin challenges in the Foodservice channel mentioned above.

1. Normalised EBIT contribution includes Group Operation EBIT attribution and sums to $644 million. It does not align to reported continuing operations due to excluding unallocated costs and eliminations.
2. Comparative information includes re-presentations for consistency with the current period.






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

Asia Pacific

ASIA PACIFIC PERFORMANCE[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	672	635	(6)%	280	251	(10)%	82	84	2%	310	300	(3)%
Revenue	3,399	3,487	3%	1,636	1,764	8%	469	482	3%	1,294	1,241	(4)%
Cost of goods sold	(2,742)	(2,919)	(6)%	(1,461)	(1,568)	(7)%	(351)	(417)	(19)%	(930)	(934)	(0)%
Gross profit	657	568	(14)%	175	196	12%	118	65	(45)%	364	307	(16)%
Operating expenses	(423)	(423)	0%	(112)	(122)	(9)%	(67)	(70)	(4)%	(244)	(231)	5%
Other[4]	2	13	550%	2	11	450%	1	1	0%	(1)	1	–
EBIT[5]	236	158	(33)%	65	85	31%	52	(4)	–	119	77	(35)%
Includes EBIT attribution from Group Operations	47	24	(49)%									
Gross margin	19.3%	16.3%		10.7%	11.1%		25.2%	13.5%		28.1%	24.7%	

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

ASIA PACIFIC EBIT: KEY PERFORMANCE DRIVERS[1]

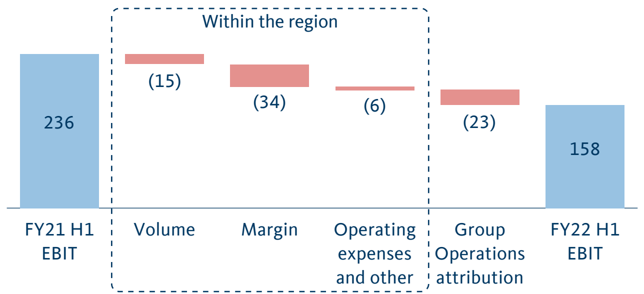
FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL	INGREDIENTS	FOODSERVICE	CONSUMER
EBIT 2021	236	65	52	119
Volume	(15)	(6)	2	(11)
Margin (price, cost and product mix)	(34)	39	(38)	(35)
Operating expenses and other[2]	(6)	6	(9)	(3)
Group Operations attribution	(23)	(19)	(11)	7
EBIT 2022	158	85	(4)	77

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

ASIA PACIFIC KEY EBIT PERFORMANCE DRIVERS[1]

Normalised EBIT ($ million)



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

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

Asia Pacific's EBIT was $158 million, a decrease of $78 million, or 33%. Our Ingredients channel EBIT in Asia Pacific increased due to higher gross margins in our Australian business. However, this was more than offset by the lower gross margins in the Foodservice and Consumer channels, which was most notable in our South East Asia and New Zealand businesses.

Our Asia Pacific Ingredients' EBIT increased $20 million due to the continued improvement in our Australia business performance. Our Australian Ingredients channel has leveraged the strong increase in product prices in the global market and benefited from a weaker Australian dollar.

The Australian Ingredients channel has also benefited domestically from the support of the robust Australian Foodservice and Consumer channels, which have remained stable compared to the comparative period due to rising input costs being reflected in our in-market sales prices.

Our South East Asia business was a significant contributor to the reduced EBIT in the Asia Pacific Foodservice and Consumer channels. Where appropriate, our sales teams adjusted in-market sales prices to reflect the increasing milk input costs in both channels. However, input costs have climbed at a significant rate and there are weaker market conditions for customers due to COVID-19 restrictions, Typhoon Rai in the Philippines and flooding in Malaysia has limited our ability to adjust in-market prices at the same rate as costs have increased.

The weakening currencies in Sri Lanka and South East Asia have meant our input costs in-market, purchased in USD, have increased further in local currency terms.

We have been able to partially offset the impact of higher input costs and disruption from COVID-19 restrictions through a continued focus on new initiatives and product launches to grow our market presence. Across our South East Asia markets we have successfully launched Anlene Gold 5X™, which is clinically proven to provide five key mobility benefits, and this has enabled further growth in the active living category.

Similarly to our South East Asia business, our New Zealand brands' business has not fully recovered the higher input costs through our in-market pricing. The New Zealand dairy market is very competitive for products in the consumer channel, particularly for butter and cheese. This, coupled with the impact of COVID-19 restrictions, resulted in limited capacity to adjust our in-market prices at the same rate as our input costs have increased.

AUSTRALIA PERFORMANCE[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	31 JAN 2021	31 JAN 2022	CHANGE[2]
Milk collections (million kgMS)	69	68	(2)%
Sales volume ('000 MT)[3]	174	172	(1)%
Revenue	899	916	2%
Cost of goods sold	(796)	(779)	2%
Gross profit	103	137	33%
Operating expenses	(68)	(79)	(16)%
Other[4]	(3)	1	–
EBIT	32	59	84%
Gross margin	11.5%	15.0%	

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

AMENA

AMENA PERFORMANCE[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	627	631	1%	417	401	(4)%	30	36	20%	180	194	8%
Revenue	3,197	3,733	17%	2,477	2,900	17%	163	197	21%	557	636	14%
Cost of goods sold	(2,727)	(3,198)	(17)%	(2,184)	(2,555)	(17)%	(141)	(183)	(30)%	(402)	(460)	(14)%
Gross profit	470	535	14%	293	345	18%	22	14	(36)%	155	176	14%
Operating expenses	(279)	(307)	(10)%	(162)	(180)	(11)%	(14)	(15)	(7)%	(103)	(112)	(9)%
Other[4]	9	22	144%	9	19	111%	–	1	–	–	2	–
EBIT[5]	200	250	25%	140	184	31%	8	–	(100)%	52	66	27%
Includes EBIT attribution from Group Operations	17	40	135%									
Gross margin	14.7%	14.3%		11.8%	11.9%		13.5%	7.1%		27.8%	27.7%	

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

AMENA EBIT: KEY PERFORMANCE DRIVERS[1]

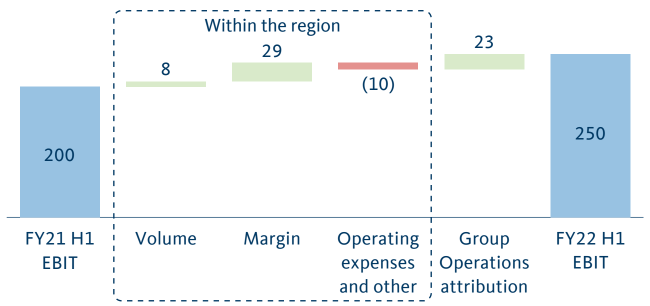
FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL	INGREDIENTS	FOODSERVICE	CONSUMER
EBIT 2021	200	140	8	52
Volume	8	(9)	4	13
Margin (price, cost and product mix)	29	30	(10)	9
Operating expenses and other[2]	(10)	(1)	(1)	(8)
Group Operations attribution	23	24	(1)	–
EBIT 2022	250	184	–	66

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

AMENA KEY EBIT PERFORMANCE DRIVERS[1]

Normalised EBIT ($ million)



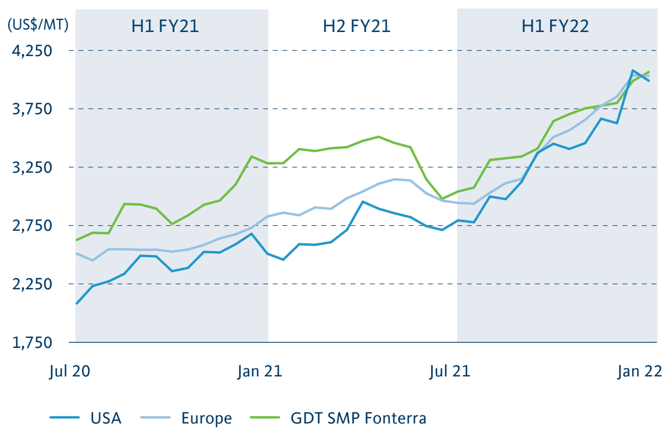
1. AMENA performance is prepared on a continuing operations basis.

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

AMENA's EBIT increased $50 million, or 25%, to $250 million, mainly due to improved pricing and product mix in our Ingredients channel and continued volume and gross margin growth in our Consumer business in Chile.

Our AMENA Ingredients channel margins improved, reflecting a broad strengthening of product prices which have also been supported by producers in the USA and Europe lifting their pricing to offset increased costs.

GLOBAL SMP PRICES



Sources: CME, Dutch Dairy Board Netherlands, GlobalDairyTrade
Note: Prices are at source and do not include additional costs such as freight

The skim milk powder (SMP) graph above illustrates the price for New Zealand product and offshore product has been much closer to parity for the first six months of this financial year compared to the prior year.

Last year we allocated more of our milk to Greater China and the Asia Pacific sales regions, as the demand and pricing for New Zealand milk was strong in these regions – while our AMENA business had to compete with USA and European producers selling well below our comparable GlobalDairyTrade (GDT) prices. For the first six months of this financial year, our allocation of available milk to the AMENA Ingredients channel was more stable. However, lower milk collections in New Zealand have meant our sales volumes are down on the prior period.

In addition to the improved market fundamentals, our AMENA Ingredients channel gross margin has benefitted from an improved product mix as we continue to develop demand for our specialty protein portfolio. We continue to focus our growth efforts on higher value ingredients, in particular our functional proteins range, and solutions targeting the areas of physical, patient, digestive and mental wellness plus immunity.

- In North Asia our in-market teams continue to grow our partnerships with key medical nutrition customers, and this has resulted in increased sales of higher value caseinate and WPC products for the first six months of the financial year. An example of this is the increased sales of our SureProtein™ WPC 550 which delivers a high whey protein, low viscosity beverage in a compact, ready-to-drink (RTD) format without compromising on taste and texture, giving the elderly and patients more of what they need to meet their nutritional requirements.
- In Europe and the USA, the active living market for protein products has strengthened considerably over the first six months of the financial year. In part, this is driven by the increased demand for immunity and medical nutrition, but it is also due to the recovery of the market supporting active lifestyles. Consumers are heading back to the work office and the gym as COVID-19 restrictions begin to ease and demand for our protein products used in snack bars and high protein beverages are increasing, such as our SureProtein™ Calcium Caseinate 380 which offers high protein levels (>90%) and slow release of essential amino acids.

Latin America

Our Latin America business continues to perform strongly, with EBIT increasing 51% to $62 million – it predominantly comprises our Consumer business in Chile.

LATIN AMERICA[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	182	192	5%
Revenue	489	538	10%
Cost of goods sold	(351)	(376)	(7)%
Gross profit	138	162	17%
Operating expenses	(97)	(100)	(3)%
Other[4]	–	–	–
EBIT	41	62	51%
Gross margin	28.2%	30.1%	

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

We continue to see the positive impact of the Chilean Government's programmes to support citizens and the economy through COVID-19, including its Emergency Family Income payments and on several occasions, it has allowed citizens to withdraw a portion of their private pension funds. This contributed to increased demand for dairy products as consumers spent more.

Our increased sales volumes have been supported by stronger milk collections in Chile as we continue to see the benefits of our improved engagement with our Chilean farmers.

The increase in gross profit has largely been driven by an improved product mix in Chile, with a shift from lower margin categories, such as cheese, to high margin categories, such as yoghurt and desserts. This has been supported by greater sales of our new products launched last year, including our 1+1 Single Yoghurt and dessert Manjarate 3D. Last year both of these products won 'Product of the Year', as voted by Chilean consumers, in their respective yoghurt and dessert categories.

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

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

Our gross margin has also benefited from the ability to leverage our number one market share position and lift in-market prices. In addition, our increased sales volumes improved our economies of scale and reduced the fixed cost per unit to offset the higher raw milk cost.

Three new products

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

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

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

Greater China

GREATER CHINA PERFORMANCE[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Sales volume ('000 MT)[3]	593	568	(4)%	399	378	(5)%	148	146	(1)%	46	44	(4)%
Revenue	3,061	3,452	13%	1,903	2,234	17%	937	1,006	7%	221	212	(4)%
Cost of goods sold	(2,565)	(2,994)	(17)%	(1,731)	(2,007)	(16)%	(682)	(833)	(22)%	(152)	(154)	(1)%
Gross profit	496	458	(8)%	172	227	32%	255	173	(32)%	69	58	(16)%
Operating expenses	(200)	(233)	(17)%	(73)	(89)	(22)%	(64)	(88)	(38)%	(63)	(56)	11%
Other[4]	(2)	11	–	(8)	6	–	3	4	33%	3	1	(67)%
EBIT[5]	294	236	(20)%	91	144	58%	194	89	(54)%	9	3	(67)%
Includes EBIT attribution from Group Operations	25	12	(52)%									
Gross margin	16.2%	13.3%		9.0%	10.2%		27.2%	17.2%		31.2%	27.4%	

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

GREATER CHINA EBIT: KEY PERFORMANCE DRIVERS[1]

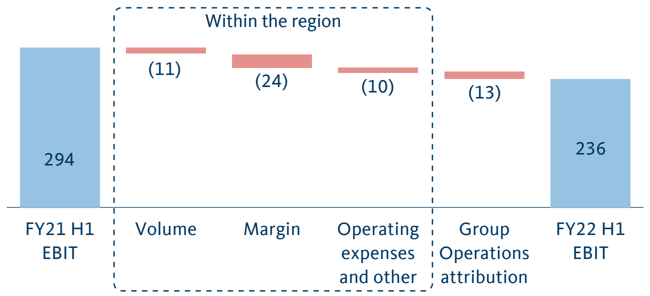
FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL	INGREDIENTS	FOODSERVICE	CONSUMER
EBIT 2021	294	91	194	9
Volume	(11)	(5)	(3)	(3)
Margin (price, cost and product mix)	(24)	23	(37)	(10)
Operating expenses and other[2]	(10)	4	(15)	1
Group Operations attribution	(13)	31	(50)	6
EBIT 2022	236	144	89	3

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

GREATER CHINA KEY EBIT PERFORMANCE DRIVERS[1]

Normalised EBIT ($ million)



1. Greater China performance is prepared on a continuing operations basis.

Greater China's EBIT was $236 million, a decrease of $58 million, or 20%. Our Ingredients channel EBIT increased due to higher gross margins, driven by our protein portfolio. However, this was more than offset by the lower gross margins achieved in the Foodservice channel.

Our Greater China Ingredients' EBIT increased $53 million, or 58%, to $144 million, mainly due to improved performance in our caseinate products within our specialty protein portfolio. Strong demand and increased sales prices from our other regions, particularly AMENA, has tightened available supply and lifted pricing of protein products in Greater China. This was particularly evident in our sales of caseinates, which not only experienced a strong increase in pricing, but also sales volumes due to its increasing popularity as an emulsifier in non-dairy creamers (i.e. substitutes for milk or cream), such as coconut milk tea.

The Foodservice channel is an important contributor to our Greater China business and has significantly expanded over the past years. We now have a presence in 403 cities throughout China, compared to 372 cities this time last year. Our sales volumes have remained stable over the first six months of the financial year, with ongoing demand for our Foodservice products.

We continue to focus on driving sales through our innovative products, such as Anchor™ Cheese-Pro Cream, Easy Topping Cream and Anchor Chef Cream, all launched last year. These products were developed with a strong focus on customer preferences. For example, Anchor™ Cheese-Pro Cream has been specially formulated with cheese, cream and milk all in one mixture to reduce the number of steps required to make cheese toppings for tea, which is a growing category in the Greater China market.

We have been successful in growing these markets and it has helped us shift milk into higher margin products. However, our margins in our Foodservice channel have reduced as input costs have climbed at a significant rate over the past six months, and we have not been able to adjust our in-market sales prices at the same rate. The $105 million decrease in our Greater China Foodservice EBIT to $89 million was the largest contributor to the overall decline in our Greater China EBIT.

COVID-19 related testing and requirements at ports in China have become stricter due to the COVID-19 outbreak in late 2021. This has increased port congestion and the costs at various stages of the supply chain. In response to port congestion, our teams are focused on finding the most efficient route to market to reduce the impact on lead times and costs. However, operating expenditure has increased, mainly due to increased supply chain costs.

Discontinued Operations

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

DISCONTINUED OPERATIONS PERFORMANCE

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			CHINA FARMS[1]			DPA BRAZIL		
	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]	2021	2022	CHANGE[2]
Sales volume ('000 MT)	121	105	(13)%	11	1	(91)%	110	104	(5)%
Revenue	318	209	(34)%	135	13	(90)%	183	196	7%
Cost of goods sold	(247)	(151)	39%	(113)	(15)	87%	(134)	(136)	(1)%
Gross profit	71	58	(18)%	22	(2)	–	49	60	22%
Operating expenses	(42)	(51)	(21)%	(6)	(6)	0%	(36)	(45)	(25)%
Other[3]	3	(1)	–	4	–	–	(1)	(1)	0%
EBIT[4]	32	6	(81)%	20	(8)	–	12	14	17%
Gross margin	22.3%	27.8%		16.3%	(15.4)%		26.8%	30.6%	

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

China Farms

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

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

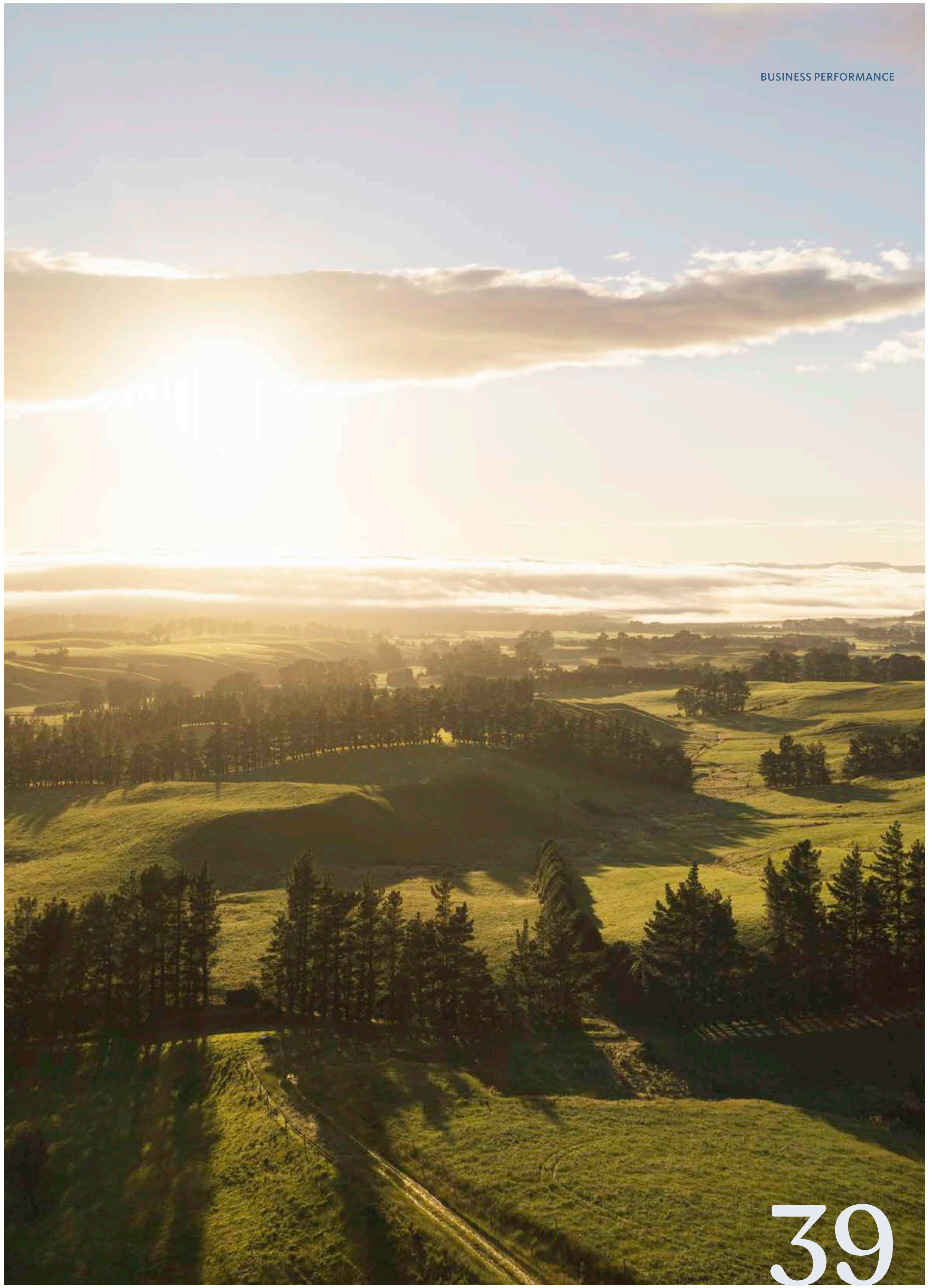
The performance of Hangu China farm is relatively stable year-on-year. The $28 million decrease in EBIT for our farming operations in China is due to the comparative period including the Ying and Yutian China Farming hubs.

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

DPA Brazil

DPA Brazil's EBIT increased $2 million relative to the comparative period. While the business achieved improved sales prices and margins on several of its consumer products, this was largely offset by lower sales volumes and increased operating expenses due to higher administration costs and advertising and promotion activity.

The sale process of DPA Brazil had previously been impacted by COVID-19, but we expect the sale to be completed within one year.



Historical Summary

TOTAL GROUP OVERVIEW (CONTINUING AND DISCONTINUED OPERATIONS)

	JAN 2018	JAN 2019	JAN 2020	JAN 2021	JAN 2022
Income Statement Measures					
Sales volumes ('000 MT)	2,003	2,075	2,037	1,996	**1,921**
Normalised revenue ($ million)	9,836	9,745	10,423	9,915	**10,797**
Normalised EBITDA ($ million)[1]	733	596	907	1,004	**921**
Normalised EBIT ($ million)[1]	458	312	584	684	**607**
Normalised profit after tax attributable to equity holders of the Co-operative ($ million)	242	68	283	399	**348**
Reported earnings per share	(0.22)	0.04	0.32	0.23	**0.22**
Normalised earnings per share	0.15	0.04	0.18	0.25	**0.22**
Revenue Margin Analysis					
EBITDA margin (%)[1]	7.4%	6.1%	8.7%	10.1%	**8.5%**
EBIT margin (%)[1]	4.7%	3.2%	5.6%	6.9%	**5.6%**
Profit after tax margin (%)[1]	2.5%	0.7%	2.7%	4.0%	**3.2%**
Cash Flow ($ million)					
Operating cash flow	(292)	(612)	(124)	(544)	**(617)**
Free cash flow[1]	(690)	(782)	369	(632)	**(849)**
Net working capital[1]	5,356	5,396	6,196	6,239	**7,500**
Capital Measures					
Equity excluding hedge reserve ($ million)	6,624	6,607	6,492	6,807	**7,093**
Adjusted net debt ($ million)[1]	7,472	7,611	6,101	6,108	**5,607**
Gearing ratio (%)[1]	51.5%	53.5%	44.2%	47.3%	**44.1%**
Capital expenditure ($ million)[1]	346	316	112	147	**180**

ASIA PACIFIC[2,3]

	JAN 2020	JAN 2021	JAN 2022
Ingredients			
Sales volumes ('000 MT)[4]	287	280	**251**
Normalised revenue ($ million)	1,761	1,636	**1,764**
Normalised gross profit ($ million)	157	175	**196**
Normalised gross margin (%)[1]	8.9%	10.7%	**11.1%**
Normalised EBIT ($ million)	54	65	**85**
Normalised EBIT margin (%)[1]	3.1%	4.0%	**4.8%**
Foodservice			
Sales volumes ('000 MT)[4]	89	82	**84**
Normalised revenue ($ million)	542	469	**482**
Normalised gross profit ($ million)	104	118	**65**
Normalised gross margin (%)[1]	19.2%	25.2%	**13.5%**
Normalised EBIT ($ million)	32	52	**(4)**
Normalised EBIT margin (%)[1]	5.9%	11.1%	**(0.8)%**
Consumer			
Sales volumes ('000 MT)[4]	312	310	**300**
Normalised revenue ($ million)	1,205	1,294	**1,241**
Normalised gross profit ($ million)	341	364	**307**
Normalised gross margin (%)[1]	28.3%	28.1%	**24.7%**
Normalised EBIT ($ million)	85	119	**77**
Normalised EBIT margin (%)[1]	7.1%	9.2%	**6.2%**
Total			
Sales volumes ('000 MT)[4]	688	672	**635**
Normalised revenue ($ million)	3,508	3,399	**3,487**
Normalised gross profit ($ million)	602	657	**568**
Normalised gross margin (%)[1]	17.2%	19.3%	**16.3%**
Normalised EBIT ($ million)	171	236	**158**
Normalised EBIT margin (%)[1]	4.9%	6.9%	**4.5%**

ASIA PACIFIC – AUSTRALIA[2,3,5]

	JAN 2020	JAN 2021	JAN 2022
Total			
Milk collection (million kgMS)	70	69	**68**
Sales volumes ('000 MT)[4]	198	174	**172**
Normalised revenue ($ million)	1,000	899	**916**
Normalised gross profit ($ million)	109	103	**137**
Normalised gross margin (%)[1]	10.9%	11.5%	**15.0%**
Normalised EBIT ($ million)	37	32	**59**
Normalised EBIT margin (%)[1]	3.7%	3.6%	**6.4%**

AMENA[2,3]

	JAN 2020	JAN 2021	JAN 2022
Ingredients			
Sales volumes ('000 MT)[4]	471	417	**401**
Normalised revenue ($ million)	2,948	2,477	**2,900**
Normalised gross profit ($ million)	371	293	**345**
Normalised gross margin (%)[1]	12.6%	11.8%	**11.9%**
Normalised EBIT ($ million)	204	140	**184**
Normalised EBIT margin (%)[1]	6.9%	5.7%	**6.3%**
Foodservice			
Sales volumes ('000 MT)[4]	27	30	**36**
Normalised revenue ($ million)	134	163	**197**
Normalised gross profit ($ million)	14	22	**14**
Normalised gross margin (%)[1]	10.4%	13.5%	**7.1%**
Normalised EBIT ($ million)	(6)	8	**–**
Normalised EBIT margin (%)[1]	(4.5)%	4.9%	**–**
Consumer			
Sales volumes ('000 MT)[4]	169	180	**194**
Normalised revenue ($ million)	543	557	**636**
Normalised gross profit ($ million)	136	155	**176**
Normalised gross margin (%)[1]	25.0%	27.8%	**27.7%**
Normalised EBIT ($ million)	26	52	**66**
Normalised EBIT margin (%)[1]	4.8%	9.3%	**10.4%**
Total			
Sales volumes ('000 MT)[4]	667	627	**631**
Normalised revenue ($ million)	3,625	3,197	**3,733**
Normalised gross profit ($ million)	521	470	**535**
Normalised gross margin (%)[1]	14.4%	14.7%	**14.3%**
Normalised EBIT ($ million)	224	200	**250**
Normalised EBIT margin (%)[1]	6.2%	6.3%	**6.7%**

AMENA – LATIN AMERICA[2,3,5]

	JAN 2020	JAN 2021	JAN 2022
Total			
Sales volumes ('000 MT)[4]	165	182	**192**
Normalised revenue ($ million)	450	489	**538**
Normalised gross profit ($ million)	128	138	**162**
Normalised gross margin (%)[1]	28.4%	28.2%	**30.1%**
Normalised EBIT ($ million)	25	41	**62**
Normalised EBIT margin (%)[1]	5.6%	8.4%	**11.5%**

GREATER CHINA[2,3]

	JAN 2020	JAN 2021	JAN 2022
Ingredients			
Sales volumes ('000 MT)[4]	389	399	**378**
Normalised revenue ($ million)	1,930	1,903	**2,234**
Normalised gross profit ($ million)	193	172	**227**
Normalised gross margin (%)[1]	10.0%	9.0%	**10.2%**
Normalised EBIT ($ million)	116	91	**144**
Normalised EBIT margin (%)[1]	6.0%	4.8%	**6.4%**
Foodservice			
Sales volumes ('000 MT)[4]	149	148	**146**
Normalised revenue ($ million)	845	937	**1,006**
Normalised gross profit ($ million)	181	255	**173**
Normalised gross margin (%)[1]	21.4%	27.2%	**17.2%**
Normalised EBIT ($ million)	121	194	**89**
Normalised EBIT margin (%)[1]	14.3%	20.7%	**8.8%**
Consumer			
Sales volumes ('000 MT)[4]	41	46	**44**
Normalised revenue ($ million)	177	221	**212**
Normalised gross profit ($ million)	68	69	**58**
Normalised gross margin (%)[1]	38.4%	31.2%	**27.4%**
Normalised EBIT ($ million)	3	9	**3**
Normalised EBIT margin (%)[1]	1.7%	4.1%	**1.4%**
Total			
Sales volumes ('000 MT)[4]	579	593	**568**
Normalised revenue ($ million)	2,952	3,061	**3,452**
Normalised gross profit ($ million)	442	496	**458**
Normalised gross margin (%)[1]	15.0%	16.2%	**13.3%**
Normalised EBIT ($ million)	240	294	**236**
Normalised EBIT margin (%)[1]	8.1%	9.6%	**6.8%**

NEW ZEALAND MILK AND NON-NEW ZEALAND MILK[2,3]

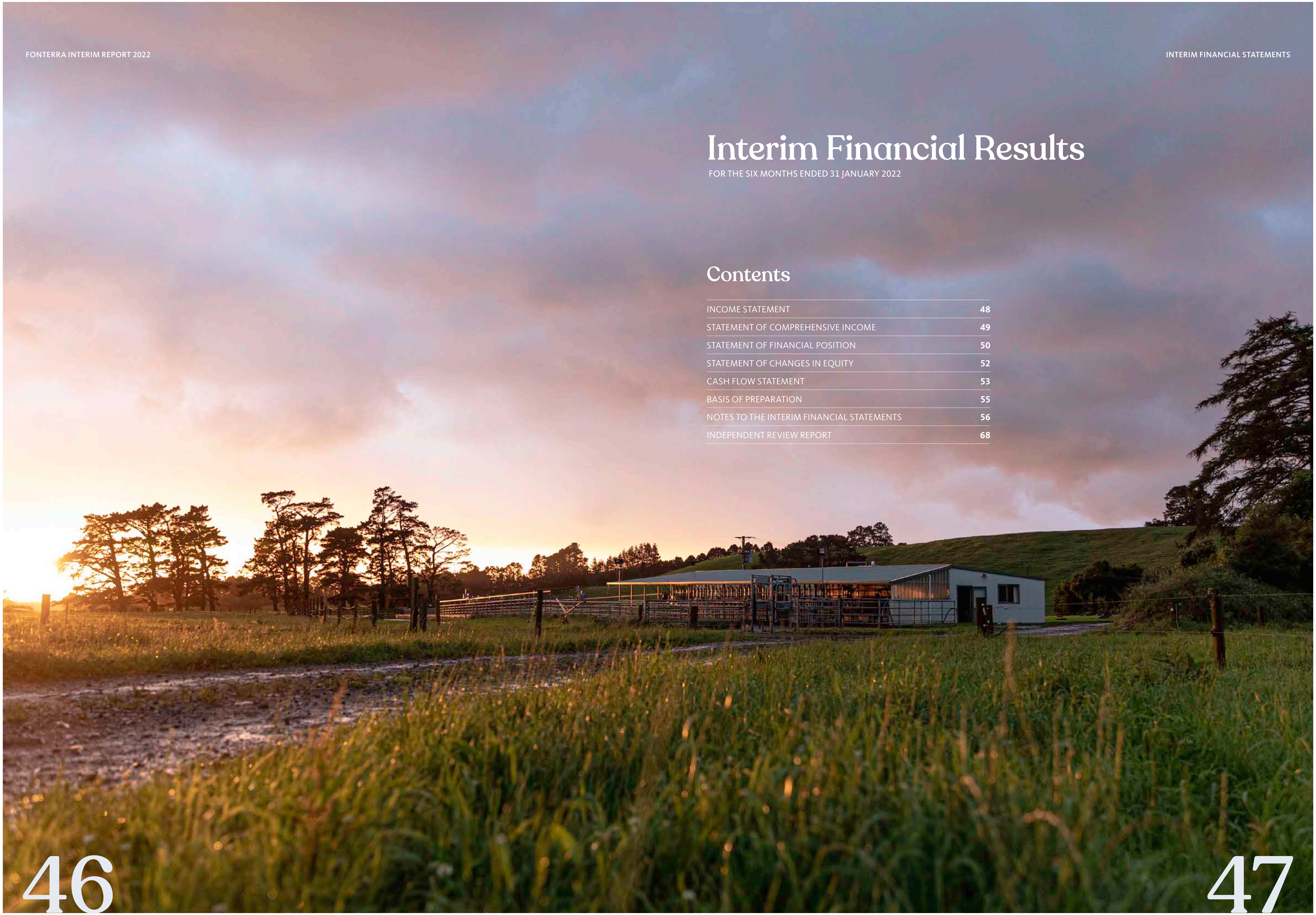
	JAN 2020	JAN 2021	JAN 2022
New Zealand Milk			
Sales volumes ('000 MT)	1,516	1,480	**1,413**
Normalised revenue ($ million)	8,584	8,144	**9,019**
Normalised gross profit ($ million)	1,335	1,399	**1,243**
Normalised gross margin (%)[1]	15.6%	17.2%	**13.8%**
Normalised EBIT ($ million)	493	582	**486**
Normalised EBIT margin (%)[1]	5.7%	7.1%	**5.4%**
Non-New Zealand Milk			
Sales volumes ('000 MT)	412	395	**403**
Normalised revenue ($ million)	1,487	1,453	**1,569**
Normalised gross profit ($ million)	253	252	**306**
Normalised gross margin (%)[1]	17.0%	17.3%	**19.5%**
Normalised EBIT ($ million)	68	70	**115**
Normalised EBIT margin (%)[1]	4.6%	4.8%	**7.3%**
Total			
Sales volumes ('000 MT)	1,928	1,875	**1,816**
Normalised revenue ($ million)	10,071	9,597	**10,588**
Normalised gross profit ($ million)	1,588	1,651	**1,549**
Normalised gross margin (%)[1]	15.8%	17.2%	**14.6%**
Normalised EBIT ($ million)	561	652	**601**
Normalised EBIT margin (%)[1]	5.6%	6.8%	**5.7%**

DISCONTINUED OPERATIONS[2,6]

	JAN 2019	JAN 2020	JAN 2021	JAN 2022
China Farms				
Sales volumes ('000 MT)	9	10	11	**1**
Normalised revenue ($ million)	110	135	135	**13**
Normalised gross profit ($ million)	(13)	11	22	**(2)**
Normalised gross margin (%)[1]	(11.8)%	8.1%	16.3%	**(15.4)%**
Normalised EBIT ($ million)	(18)	9	20	**(8)**
DPA Brazil				
Sales volumes ('000 MT)	95	99	110	**104**
Normalised revenue ($ million)	207	217	183	**196**
Normalised gross profit ($ million)	54	69	49	**60**
Normalised gross margin (%)[1]	26.2%	31.8%	26.8%	**30.6%**
Normalised EBIT ($ million)	(5)	14	12	**14**

Notes to the Historical Financial Summary

1. Refer to Glossary for definition.
2. Percentages as shown in table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3. Prepared on a continuing operations basis and includes normalisation adjustments. Comparative information includes re-presentations for consistency with the current period.
4. Includes sales to other segments.
5. Exclusive of Group Operations' attribution.
6. The China Farms business and DPA Brazil consumer and foodservice businesses both meet the definition of a discontinued operation. The Group's China Farms business comprises our Hangu China farm and, up to the date of sale, its two-wholly owned farming hubs in Ying and Yutian.



Interim Financial Results

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

Contents

Income Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

		GROUP $ MILLION		
		SIX MONTHS ENDED		YEAR ENDED
	NOTES	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED[1]	31 JUL 2021 AUDITED[1]
Continuing operations				
Revenue from sale of goods	3	10,588	9,597	20,565
Cost of goods sold	4	(9,039)	(7,946)	(17,581)
Gross profit		1,549	1,651	2,984
Other operating income		50	28	129
Selling and marketing expenses		(270)	(263)	(574)
Distribution expenses		(248)	(236)	(476)
Administrative expenses		(353)	(382)	(816)
Other operating expenses		(133)	(199)	(365)
Share of profit of equity accounted investments		6	3	5
Profit before net finance costs and tax from continuing operations		601	602	887
Finance income		5	5	9
Finance costs		(95)	(143)	(261)
Net finance costs		(90)	(138)	(252)
Profit before tax from continuing operations		511	464	635
Tax expense		(140)	(125)	(103)
Profit after tax from continuing operations		371	339	532
Discontinued operations				
(Loss)/profit after tax from discontinued operations	2	(7)	52	67
Profit after tax		364	391	599
Profit after tax is attributable to:				
Profit attributable to equity holders of the Co-operative		348	372	578
Profit attributable to non-controlling interests		16	19	21
Profit after tax		364	391	599

	GROUP $		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Earnings per share:			
Basic and diluted earnings per share from continuing operations	0.22	0.20	0.31
Basic and diluted earnings per share from discontinued operations	–	0.03	0.05
Basic and diluted earnings per share	0.22	0.23	0.36

1 Comparative information includes re-presentations for consistency with the current period. Re-presentations have had no impact on the totals or sub-totals presented in the Income Statement.

Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Profit after tax	364	391	599
Items that may be reclassified subsequently to the Income Statement:			
Cash flow hedges and other costs of hedging, net of tax	(366)	250	(127)
Net investment hedges and translation of foreign operations, net of tax	89	(106)	(112)
Foreign currency translation reserve (gains)/losses transferred to the Income Statement	(1)	14	(14)
Other reserve movements	12	–	(3)
Total items that may be reclassified subsequently to the Income Statement	(266)	158	(256)
Items that will not be reclassified subsequently to the Income Statement:			
Net fair value (losses)/gains on investments in shares	(3)	2	5
Foreign currency translation gains attributable to non-controlling interests	4	3	–
Movements in reserves attributable to non-controlling interests	6	(2)	(2)
Total items that will not be reclassified subsequently to the Income Statement	7	3	3
Total other comprehensive (expense)/income	(259)	161	(253)
Total comprehensive income	105	552	346
Total comprehensive income is attributable to:			
Equity holders of the Co-operative	79	532	327
Non-controlling interests	26	20	19
Total comprehensive income	105	552	346
Total comprehensive income arises from:			
Continuing operations	92	475	297
Discontinued operations	13	77	49
Total comprehensive income	105	552	346

Statement of Financial Position

AS AT 31 JANUARY 2022

		GROUP $ MILLION		
		AS AT		
	NOTES	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED[1]	31 JUL 2021 AUDITED[1]
ASSETS				
Current assets				
Cash and cash equivalents		**479**	345	985
Trade and other receivables		**2,183**	1,922	1,802
Inventories		**7,243**	5,896	3,766
Intangible assets		**64**	22	47
Tax receivable		**56**	59	31
Derivative financial instruments		**229**	862	249
Investment in Beingmate		**–**	40	–
Other current assets		**93**	82	95
Assets held for sale	2	**475**	1,078	462
Total current assets		**10,822**	10,306	7,437
Non-current assets				
Property, plant and equipment		**5,913**	5,893	5,979
Right-of-use assets		**446**	527	486
Equity accounted investments		**99**	91	91
Intangible assets		**2,250**	2,181	2,195
Deferred tax assets		**562**	238	460
Derivative financial instruments		**466**	468	437
Long-term advances		**161**	163	163
Other non-current assets		**97**	88	93
Total non-current assets		**9,994**	9,649	9,904
Total assets		**20,816**	19,955	17,341
LIABILITIES				
Current liabilities				
Bank overdraft		**84**	17	20
Borrowings	7	**596**	1,144	818
Trade and other payables		**2,220**	1,846	2,208
Owing to suppliers		**4,064**	3,252	1,825
Tax payable		**161**	93	87
Derivative financial instruments		**729**	54	84
Provisions		**45**	56	72
Other current liabilities		**58**	71	57
Liabilities held for sale	2	**545**	584	542
Total current liabilities		**8,502**	7,117	5,713
Non-current liabilities				
Borrowings	7	**5,152**	5,108	4,254
Derivative financial instruments		**333**	442	359
Provisions		**83**	67	82
Deferred tax liabilities		**30**	24	25
Other non-current liabilities		**15**	39	39
Total non-current liabilities		**5,613**	5,680	4,759
Total liabilities		**14,115**	12,797	10,472
Net assets		**6,701**	7,158	6,869

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

Statement of Financial Position (CONTINUED)

AS AT 31 JANUARY 2022

		GROUP $ MILLION		
		AS AT		
	NOTES	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED[1]	31 JUL 2021 AUDITED[1]
EQUITY				
Subscribed equity	5	**5,892**	5,892	5,892
Retained earnings		**1,456**	1,224	1,350
Foreign currency translation reserve		**(267)**	(321)	(355)
Hedge reserves		**(392)**	351	(26)
Other reserves		**11**	2	2
Total equity attributable to equity holders of the Co-operative		**6,700**	7,148	6,863
Non-controlling interests		**1**	10	6
Total equity		**6,701**	7,158	6,869

The Board approved and authorised for issue these Interim Financial Statements on 16 March 2022.

For and on behalf of the Board:

PETER MCBRIDE
Chairman

BRUCE HASSALL
Director

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

Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

	GROUP $ MILLION							
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE CO-OPERATIVE							
	SUBSCRIBED EQUITY	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVES	OTHER RESERVES	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 August 2021	**5,892**	**1,350**	**(355)**	**(26)**	**2**	**6,863**	**6**	**6,869**
Profit after tax	**–**	**348**	**–**	**–**	**–**	**348**	**16**	**364**
Other comprehensive income/(expense)	**–**	**–**	**88**	**(366)**	**9**	**(269)**	**10**	**(259)**
Total comprehensive income/(expense)	**–**	**348**	**88**	**(366)**	**9**	**79**	**26**	**105**
Transactions with equity holders in their capacity as equity holders:								
Dividends paid to equity holders of the Co-operative (refer to Note 6)	**–**	**(242)**	**–**	**–**	**–**	**(242)**	**–**	**(242)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(31)**	**(31)**
As at 31 January 2022 (unaudited)	**5,892**	**1,456**	**(267)**	**(392)**	**11**	**6,700**	**1**	**6,701**
As at 1 August 2020	5,887	933	(229)	101	–	6,692	11	6,703
Profit after tax	–	372	–	–	–	372	19	391
Other comprehensive (expense)/income	–	–	(92)	250	2	160	1	161
Total comprehensive income/(expense)	–	372	(92)	250	2	532	20	552
Transactions with equity holders in their capacity as equity holders:								
Dividends paid to equity holders of the Co-operative (refer to Note 6)	–	(81)	–	–	–	(81)	–	(81)
Equity instruments issued (refer to Note 5)	5	–	–	–	–	5	–	5
Dividends paid to non-controlling interests	–	–	–	–	–	–	(21)	(21)
As at 31 January 2021 (unaudited)	5,892	1,224	(321)	351	2	7,148	10	7,158
As at 1 August 2020	5,887	933	(229)	101	–	6,692	11	6,703
Profit after tax	–	578	–	–	–	578	21	599
Other comprehensive (expense)/income	–	–	(126)	(127)	2	(251)	(2)	(253)
Total comprehensive income/(expense)	–	578	(126)	(127)	2	327	19	346
Transactions with equity holders in their capacity as equity holders:								
Dividends paid to equity holders of the Co-operative (refer to Note 6)	–	(161)	–	–	–	(161)	–	(161)
Equity instruments issued (refer to Note 5)	5	–	–	–	–	5	–	5
Dividends paid to non-controlling interests	–	–	–	–	–	–	(24)	(24)
As at 31 July 2021 (audited)	5,892	1,350	(355)	(26)	2	6,863	6	6,869

Cash Flow Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

The Cash Flow Statement presents total Group cash flows from continuing and discontinued operations.

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED[1]	31 JUL 2021 AUDITED
Cash flows from operating activities			
Profit before net finance costs and tax from continuing operations	**601**	602	887
Profit before net finance costs and tax from discontinued operations	**6**	55	72
Total Group profit before net finance costs and tax	**607**	657	959
Adjustments for:			
– Depreciation and amortisation	**314**	320	642
– Foreign exchange losses/(gains)	**81**	(220)	(136)
– Gain on sale of Ying and Yutian China farms	**–**	–	(32)
– Gain on sale of investment in Falcon China Farms JV	**–**	–	(40)
– Loss on sale of investment in Beingmate	**–**	50	49
– China Farms impairment reversal	**–**	(23)	(23)
– Brazil consumer and foodservice business impairment	**–**	–	39
– Other	**(1)**	(8)	(9)
Total adjustments	**394**	119	490
(Increase)/decrease in working capital:			
– Trade and other receivables	**(308)**	(75)	11
– Inventories	**(3,514)**	(2,658)	(556)
– Trade and other payables	**47**	(163)	199
– Owing to suppliers	**2,238**	1,664	238
– Other movements	**(38)**	(30)	(63)
Total increase in working capital	**(1,575)**	(1,262)	(171)
Net cash flows from operations	**(574)**	(486)	1,278
Net taxes paid	**(43)**	(58)	(84)
Net cash flows from operating activities	**(617)**	(544)	1,194
Cash flows from investing activities			
Cash was provided from:			
– Proceeds from sale of businesses	**1**	32	638
– Proceeds from disposal of property, plant and equipment	**3**	5	9
– Proceeds from sale of livestock	**1**	19	25
– Proceeds from sale of investments	**–**	71	110
Cash was applied to:			
– Acquisition of property, plant and equipment	**(194)**	(162)	(441)
– Acquisition of livestock (including rearing costs)	**(2)**	(20)	(28)
– Acquisition of intangible assets	**(40)**	(30)	(80)
– Other cash outflows	**(1)**	(3)	(10)
Net cash flows from investing activities	**(232)**	(88)	223

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

Cash Flow Statement (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED[1]	31 JUL 2021 AUDITED
Cash flows from financing activities			
Cash was provided from:			
– Proceeds from borrowings	2,545	1,672	2,402
– Interest received	7	5	10
– Other cash inflows	–	32	27
Cash was applied to:			
– Interest paid	(155)	(154)	(308)
– Repayment of borrowings	(1,866)	(1,219)	(3,142)
– Dividends paid to equity holders of the Co-operative	(242)	(76)	(157)
– Dividends paid to non-controlling interests	(31)	(21)	(24)
Net cash flows from financing activities	258	239	(1,192)
Net (decrease)/increase in cash	(591)	(393)	225
Opening cash	982	780	780
Effect of exchange rate changes	15	(19)	(23)
Closing cash	406	368	982
Reconciliation of closing cash balances to the Statement of Financial Position:			
Cash and cash equivalents	479	345	985
Bank overdraft	(84)	(17)	(20)
Cash balances included in held for sale	11	40	17
Closing cash	406	368	982

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

Basis of Preparation

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

a) General information

Fonterra Co-operative Group Limited (Fonterra, the Company or the Co-operative) is a multinational dairy co-operative. Fonterra is primarily involved in the collection, manufacture and sale of milk and milk-derived products through its Ingredients, Consumer and Foodservice channels.

Fonterra is incorporated and domiciled in New Zealand. Fonterra is registered under the Companies Act 1993 and the Co-operative Companies Act 1996, and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. Fonterra is also required to comply with the Dairy Industry Restructuring Act 2001.

b) Basis of preparation

These Interim Financial Statements comprise Fonterra and its subsidiaries (together referred to as the Group) and the Group's interests in its equity accounted investments.

These unaudited Interim Financial Statements:

- comply with International Accounting Standard 34 *Interim Financial Reporting*;
- comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting*;
- have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) applicable to for-profit entities;
- are presented in New Zealand dollars ($ or NZD), which is Fonterra's functional currency, and rounded to the nearest million, except where otherwise stated; and
- do not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the Group's Financial Statements for the year ended 31 July 2021.

The Group's operations are seasonal due to the profile of milk production in New Zealand. Milk production, and therefore the Group's milk collections and production volumes are higher in the New Zealand Spring (October and November). Consequently, the amount owing to suppliers, inventory balances and borrowings are higher at the 31 January interim reporting dates compared to the 31 July year-end reporting dates. This reflects the higher cash outflows required to support the business operations in the first six months of the financial year. Due to the seasonality of the Group's operations additional comparative information has been presented in these Interim Financial Statements.

Re-presentations

Income Statement

Certain comparative period information has been re-presented for consistency with the current period presentation.

Re-presentations have had no impact on the totals or sub-totals presented in the Income Statement.

Balance Sheet

During the period ended 31 January 2022 the Group reassessed the current/non-current classification of Emissions units held for compliance purposes. Emissions units held for compliance purposes expected to be surrendered within twelve months are classified as current intangible assets.

Previously the Group presented all Emissions units held for compliance purposes as non-current intangible assets.

Comparative period information has been re-presented for consistency with the current period presentation.

c) Material accounting policies

The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied in the Group's Financial Statements for the year ended 31 July 2021.

d) Significant judgements and estimates

In the process of applying the Group's accounting policies and the application of accounting standards, a number of judgements and estimates have been made. Sources of significant judgement and estimation uncertainty in preparing these Interim Financial Statements were consistent with those disclosed in the Group's Financial Statements for the year ended 31 July 2021.

Impairment

At 31 January 2022 the Group assessed whether there were any indicators of asset impairment. As market capitalisation was below the carrying amount of the Group's net assets, an impairment test was performed, and no impairment was identified.

Forecast Farmgate Milk Price

The Farmgate Milk Price is the average price paid by Fonterra in a season, which is the 12 months ending 31 May, for each kilogram of milk solids (kgMS) supplied by farmer shareholders under Fonterra's standard terms of supply. The Farmgate Milk Price for a season is finalised after the end of that milk season. Global dairy commodity prices that inform the Farmgate Milk Price revenue are the most significant driver of the level of each season's Farmgate Milk Price.

Within the forecast Farmgate Milk Price, the majority of the milk sourced up until 31 January 2022 is contracted for sale at hedged NZD/USD exchange rates. This means that the Farmgate Milk Price revenue that would be earned from the milk sourced during the six months ended 31 January 2022 is largely known.

The full season forecast Farmgate Milk Price remains uncertain. This is because the Farmgate Milk Price revenue that will be earned from milk supplied during the remainder of the milk season ending 31 May 2022 is impacted by future global dairy commodity prices. Future global dairy commodity prices in USD are uncertain as they are influenced by global supply and demand dynamics, and their conversion to NZD is uncertain because the conversion of these USD selling prices to NZD depends on the NZD/USD exchange rate and associated hedging.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

Performance

1. SEGMENT REPORTING

Segment information provided in this note reflects the Group's performance from continuing operations only. The China Farms and Brazil consumer and foodservice businesses are considered discontinued operations and have been excluded from the disclosures in this note. Please see Note 2 *Divestments* for further details about the Group's discontinued operations.

a) Reportable segments

Operating segments reflect the way financial information is regularly reviewed by the Fonterra Management Team (FMT). The FMT is considered to be the Chief Operating Decision Maker. The FMT consists of the Group CEO, CFO and Chief Operating Officer, the CEOs of the three customer-facing regional business units (Asia Pacific, AMENA and Greater China), the Managing Director People & Culture and the Managing Director Co-operative Affairs.

The measure of profit or loss used by the FMT to evaluate the underlying performance of operating segments is normalised earnings before interest and tax (normalised EBIT).

The Group's operating model is based around the three customer-facing regional business units, supported by a shared infrastructure, referred to as Group Operations which comprises:

- the functions under the Chief Operating Office (COO) and includes 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).

The operating model forms the basis for the Group's operating segments. Under the operating model, the business is managed as a matrix form organisation, whereby customer-facing regional business unit CEOs and the FMT members that have responsibility for COO and CPM have overlapping responsibility for performance. Information about the performance of Group Operations is reported to the FMT both separately and attributed to each of the regional business units.

The Group has determined that its reportable segments are Asia Pacific, AMENA and Greater China, inclusive of their respective attribution of Group Operations. This presentation provides a full end-to-end view of performance for each of the customer facing regional business units.

REPORTABLE SEGMENTS	DESCRIPTION
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.
Greater China	Represents the Ingredients, Foodservice and Consumer channels in Greater China.

The performance of large multi-national customers are reported within the reportable segment that they are managed by. This can differ from the geographical region of the destination of goods sold.

The attribution of Group Operations to reportable segments and transactions between reportable segments follow underlying business rules. These rules have been designed to reflect the end-to-end contribution of each reportable segment.

Where there is common activity amongst segments and there is an attribution of those revenues and costs across segments, the attribution is based on a number of principles. These principles include:

- activity based allocation where appropriate; and
- share of product sold/manufactured in the segment.

The performance of Fonterra Farm Source™ retail stores are attributed to the Asia Pacific reportable segment.

The Group regularly reviews the application of these principles to ensure they continue to remain appropriate and where possible to expand the portion attributed using activity based principles. Where appropriate, comparative information may be re-presented for consistency with the current period attribution.

Compared to the six months ended 31 January 2021, the Group has continued to refine its approach to attributing the change in the cost of milk across the season. Comparative information has been re-presented for consistency with the current period.

Unallocated costs represent corporate costs including Co-operative Affairs and Group Functions.

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

a) Reportable segments CONTINUED

	GROUP $ MILLION				
	SIX MONTHS ENDED 31 JANUARY 2022 (UNAUDITED)				
	ASIA PACIFIC	AMENA	GREATER CHINA	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
Continuing operations					
Sales volume (metric tonnes, thousands)	635	631	568	(18)	1,816
Revenue from sale of goods	3,487	3,733	3,452	(84)	10,588
Cost of goods sold	(2,919)	(3,198)	(2,994)	72	(9,039)
Normalised gross profit	568	535	458	(12)	1,549
Operating expenses	(423)	(307)	(233)	(48)	(1,011)
Other[1]	13	22	11	17	63
Normalised EBIT	158	250	236	(43)	601
Profit before net finance costs and tax	158	250	236	(43)	601
Other segment information:					
– Inter-segment revenue	65	19	–	(84)	–
– Depreciation and amortisation	(114)	(95)	(95)	(10)	(314)
– Share of profit of equity accounted investments	–	6	–	–	6

1 Comprises other operating income, net foreign exchange gains/(losses) and share of profit/(loss) of equity accounted investments.

	GROUP $ MILLION				
	SIX MONTHS ENDED 31 JANUARY 2021 (UNAUDITED)[1]				
	ASIA PACIFIC	AMENA	GREATER CHINA	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
Continuing operations					
Sales volume (metric tonnes, thousands)	672	627	593	(17)	1,875
Revenue from sale of goods	3,399	3,197	3,061	(60)	9,597
Cost of goods sold	(2,742)	(2,727)	(2,565)	88	(7,946)
Normalised gross profit	657	470	496	28	1,651
Operating expenses	(423)	(279)	(200)	(111)	(1,013)
Other[2]	2	9	(2)	5	14
Normalised EBIT	236	200	294	(78)	652
Normalisation adjustments					
– Income Statement impact of Beingmate investment	–	–	(50)	–	(50)
Profit before net finance costs and tax	236	200	244	(78)	602
Other segment information:					
– Inter-segment revenue	59	1	–	(60)	–
– Depreciation and amortisation	(121)	(95)	(92)	(12)	(320)
– Share of profit/(loss) of equity accounted investments	(1)	3	–	1	3

1 Comparative information includes re-presentations for consistency with the current period.
2 Comprises other operating income, net foreign exchange gains/(losses) and share of profit/(loss) of equity accounted investments.

a) Reportable segments CONTINUED

	GROUP $ MILLION				
	YEAR ENDED 31 JULY 2021 (AUDITED)				
	ASIA PACIFIC	AMENA	GREATER CHINA	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
Continuing operations					
Sales volume (metric tonnes, thousands)	1,386	1,352	1,176	(40)	3,874
Revenue from sale of goods	7,110	7,304	6,312	(161)	20,565
Cost of goods sold	(5,915)	(6,400)	(5,476)	210	(17,581)
Normalised gross profit	1,195	904	836	49	2,984
Operating expenses	(889)	(605)	(436)	(223)	(2,153)
Other[1]	(1)	37	3	26	65
Normalised EBIT	305	336	403	(148)	896
Normalisation adjustments:					
– Falcon China Farms JV gain on sale/(impairment)	–	–	40	–	40
– Income Statement impact of Beingmate investment	–	–	(49)	–	(49)
Profit before net finance costs and tax	305	336	394	(148)	887
Other segment information:					
– Inter-segment revenue	155	6	–	(161)	–
– Depreciation and amortisation	(242)	(196)	(182)	(22)	(642)
– Share of (loss)/profit of equity accounted investments	(3)	6	–	2	5

1 Comprises other operating income, net foreign exchange gains/(losses) and share of profit/(loss) of equity accounted investments.

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

b) Geographical analysis of revenue

Revenue is analysed by geography on the basis of the destination of the goods sold. Geographical groupings in the following table are not aligned with the Group's reportable segments.

	GROUP $ MILLION						
	NEW ZEALAND	AUSTRALIA	CHINA	REST OF ASIA	AMERICAS	REST OF WORLD	TOTAL
Geographical external revenue							
Six months ended 31 January 2022 (unaudited)	**991**	**784**	**3,230**	**3,451**	**1,352**	**780**	**10,588**
Six months ended 31 January 2021 (unaudited)	804	829	2,897	3,227	1,196	644	9,597
Year ended 31 July 2021 (audited)	1,726	1,699	6,119	7,056	2,597	1,368	20,565

c) Geographical analysis of non-current assets

Geographical groupings in the following table are not aligned with the Group's reportable segments.

	GROUP $ MILLION						
	NEW ZEALAND	AUSTRALIA	CHINA	REST OF ASIA	AMERICAS	REST OF WORLD	TOTAL
Geographical non-current assets							
As at 31 January 2022 (unaudited)	**6,535**	**961**	**15**	**822**	**384**	**249**	**8,966**
As at 31 January 2021 (unaudited)[1]	6,502	997	14	774	393	263	8,943
As at 31 July 2021 (audited)[1]	6,602	970	17	777	388	253	9,007

	GROUP $ MILLION		
	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JAN 2021 UNAUDITED[1]	AS AT 31 JUL 2021 AUDITED[1]
Reconciliation of geographical non-current assets to total non-current assets			
Geographical non-current assets	**8,966**	8,943	9,007
Deferred tax assets	**562**	238	460
Derivative financial instruments	**466**	468	437
Total non-current assets	**9,994**	9,649	9,904

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

2 DIVESTMENTS

This note provides information about the Group's disposal groups held for sale and discontinued operations for the six months ended 31 January 2022. There were no material divestments by the Group during the six months ended 31 January 2022.

a) Disposal groups held for sale

The major classes of assets and liabilities held for sale are shown in the table below.

	$ MILLION		
ASSETS AND LIABILITIES HELD FOR SALE	**AS AT 31 JAN 2022 UNAUDITED**	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JUL 2021 AUDITED
Cash and cash equivalents	**11**	40	17
Trade receivables	**46**	74	39
Inventory	**33**	81	37
Property, plant and equipment	**81**	298	79
Livestock	**23**	260	25
Intangible assets	**127**	123	122
Other assets	**154**	202	143
Total assets held for sale	**475**	1,078	462
Borrowings	**310**	274	282
Trade and other payables	**146**	206	150
Provisions	**41**	49	54
Other liabilities	**48**	55	56
Total liabilities held for sale	**545**	584	542
Net (liabilities)/assets held for sale	**(70)**	494	(80)

Hangu China farm

In January 2022 the Group purchased the remaining non-controlling interest in the Hangu China farm.

At 31 January 2022 the Group remains committed to the sale and the farm continues to be actively marketed. The Group expects the sale to be completed within one year of reporting date. The Group reassessed the fair value less costs to sell of the Hangu China farm and no further adjustment has been recognised.

The foreign currency translation reserve at 31 January 2022 attributable to the Hangu China farm was a debit balance of $4 million (31 January 2021: credit balance of $1 million, 31 July 2021: debit balance of $1 million).

Brazil consumer and foodservice business

At 31 January 2022 the Group remains committed to the sale and the business continues to be actively marketed. The Group expects the sale to be completed within one year of the reporting date. The Group reassessed the fair value less costs to sell of the business and no further adjustment has been recognised.

The foreign currency translation reserve balance at 31 January 2022 attributable to the Brazil consumer and foodservice business was a debit balance of $62 million (31 January 2021: debit balance of $60 million, 31 July 2021: debit balance of $63 million).

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

b) Discontinued operations

In the current period, the China Farms business comprises solely the Hangu China farm. In the comparative interim and annual periods, the China Farms business also included the Ying and Yutian farms, up to the date of sale.

The summarised financial performance of the China Farms business and Brazil consumer and foodservice business, recognised in (loss)/profit after tax from discontinued operations in the Income Statement, is shown in the table below.

	$ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
DISCONTINUED OPERATIONS	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Revenue from sale of goods	209	318	559
Cost of goods sold	(151)	(247)	(429)
China Farms impairment reversal	–	23	23
Gross profit	58	94	153
Other operating income	–	5	18
Total operating expenses	(52)	(44)	(92)
Gain on sale of Ying and Yutian China farms	–	–	32
Brazil consumer and foodservice impairment	–	–	(39)
Profit before net finance costs and tax	6	55	72
Net finance costs	(13)	(3)	(10)
(Loss)/profit before tax	(7)	52	62
Tax credit	–	–	5
(Loss)/profit after tax from discontinued operations	(7)	52	67
Share of loss/(profit) attributable to non-controlling interests	1	(3)	13
(Loss)/profit after tax attributable to equity holders	(6)	49	80
Movement in exchange differences on translation of discontinued operations	8	22	2
Foreign currency translation reserve gains transferred to the Income Statement	–	–	(19)
Other reserve movements	11	3	(1)
Total comprehensive income from discontinued operations	13	77	49
Net cash outflow from operating activities	(11)	(5)	(8)
Net cash (outflow)/inflow from investing activities	(3)	(5)	510
Net cash inflow/(outflow) from financing activities	5	10	(6)
Net (decrease)/increase in cash generated by the discontinued operations	(9)	–	496

3 REVENUE FROM SALE OF GOODS

Revenue is disaggregated by Ingredients, Foodservice and Consumer channels across the Group's reportable segments in the following table.

	GROUP $ MILLION			
	ASIA PACIFIC	AMENA	GREATER CHINA	TOTAL
For the six months ended 31 January 2022 (unaudited)				
Ingredients channel revenue	1,712	2,889	2,234	6,835
Foodservice channel revenue	480	190	1,006	1,676
Consumer channel revenue	1,230	635	212	2,077
Revenue from sale of goods	3,422	3,714	3,452	10,588
For the six months ended 31 January 2021 (unaudited)[1]				
Ingredients channel revenue	1,590	2,476	1,903	5,969
Foodservice channel revenue	468	163	937	1,568
Consumer channel revenue	1,282	557	221	2,060
Revenue from sale of goods	3,340	3,196	3,061	9,597
For the year ended 31 July 2021 (audited)				
Ingredients channel revenue	3,521	5,783	4,259	13,563
Foodservice channel revenue	928	333	1,691	2,952
Consumer channel revenue	2,506	1,182	362	4,050
Revenue from sale of goods	6,955	7,298	6,312	20,565

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

Refer to Note 1 *Segment reporting* for revenue disaggregated by geography on the basis of the destination of the goods sold.

4 COST OF GOODS SOLD

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Opening inventory	3,766	3,268	3,268
Cost of milk:			
– New Zealand sourced	8,829	7,215	11,660
– Non-New Zealand sourced	635	577	994
Other costs	3,052	2,782	5,425
Closing inventory	(7,243)	(5,896)	(3,766)
Total cost of goods sold	9,039	7,946	17,581

Other costs include purchases of other products, raw materials, packaging, direct labour costs, depreciation and other costs directly incurred to bring inventory to its final point of sale location.

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

Debt and equity

5 SUBSCRIBED EQUITY INSTRUMENTS

a) Co-operative shares, including shares held within the Group

Co-operative shares may only be held by a shareholder supplying milk to Fonterra (farmer shareholder), by former farmer shareholders for up to three seasons after cessation of milk supply, or by Fonterra Farmer Custodian Limited (the Custodian). Voting rights in Fonterra are dependent on milk supply supported by Co-operative shares, these rights are also attached to vouchers when backed by milk supply (subject to limits).

The rights attaching to Co-operative shares are set out in Fonterra's Constitution, available in the 'Our Co-operative/Governance and Management' section of Fonterra's website.

At 31 January 2022 there were 1,613,357,879 Co-operative shares on issue (31 January 2021: 1,613,357,879 shares, 31 July 2021: 1,613,357,879 shares).

During the six months ended 31 January 2022, Fonterra issued:

- No shares under the Dividend Reinvestment Plan (31 January 2021: 1,138,230, 31 July 2021: 1,138,230).
- No shares under the Farm Source Rewards scheme (31 January 2021: 122,582 shares, 31 July 2021: 122,582 shares).

Co-operative shares can be traded between farmer shareholders on the Fonterra Shareholders' Market (a private market operated by NZX Limited). At a Special Meeting held on 9 December 2021, Fonterra shareholders voted in favour of capital structure related amendments to Fonterra's Constitution that would give effect to the Flexible Shareholding structure. The Constitution amendments and new structure will come into effect once the Fonterra Board is satisfied that any steps necessary for implementation have been (or will be) completed. The Co-operative is aiming to implement the changes as soon as possible from the beginning of next season. The current cap on the Fund remains, which suspends the ability for Fonterra farmer shareholders to exchange Fonterra shares for units in the Fund. A capped Fund is a feature of the Flexible Shareholding structure.

Information about the Group's capital structure review is available in the 'Investors/Capital Structure' section of Fonterra's website.

b) Units in the Fonterra Shareholders' Fund (the Fund)

The Custodian holds legal title of Co-operative shares of which the Economic Rights have been sold to the Fund on trust for the benefit of the Fund. As at 31 January 2022 107,417,322 Co-operative shares (31 January 2021: 106,336,396, 31 July 2021: 107,420,162) were legally owned by the Custodian, on trust for the benefit of the Fund.

During the six months ended 31 January 2022, the Fund issued no units (31 January 2021: 5,111,889 units, 31 July 2021: 11,794,492 units) and redeemed 2,840 units (31 January 2021: 3,357,009 units, 31 July 2021: 8,955,846 units).

The rights attaching to units are set out in the Fonterra Shareholders' Fund 2021 Annual Report, available in the 'Investors/Fonterra Shareholders' Fund' section of Fonterra's website.

6 DIVIDENDS

	$ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
DIVIDENDS	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
2021 Final dividend – 15 cents per share[1]	242	–	–
2021 Interim dividend – 5 cents per share[2]	–	–	80
2020 Final dividend – 5 cents per share[3]	–	81	81

1 Declared on 22 September 2021 and paid on 15 October 2021 to all Co-operative shares on issue at 30 September 2021. The Dividend Reinvestment Plan did not apply to this dividend.
2 Declared on 16 March 2021 and paid on 15 April 2021 to all Co-operative shares on issue at 24 March 2021. The Dividend Reinvestment Plan did not apply to this dividend.
3 Declared on 17 September 2020 and paid on 15 October 2020 to all Co-operative shares on issue at 25 September 2020. The Dividend Reinvestment Plan applied to this dividend.

Under Fonterra's Dividend Reinvestment Plan, eligible shareholders can choose to reinvest all or part of their future dividend in additional Co-operative shares.

Dividend declared after the reporting period

On 16 March 2022, the Board declared an interim dividend of 5 cents per share, to be paid on 14 April 2022 to all Co-operative shares on issue at 24 March 2022.

The Dividend Reinvestment Plan does not apply to this dividend.

7 BORROWINGS

	GROUP $ MILLION		
	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JUL 2021 AUDITED
Total current borrowings	596	1,144	818
Total non-current borrowings	5,152	5,108	4,254
Total borrowings	5,748	6,252	5,072

A breakdown of total borrowings is presented in the following table.

	GROUP $ MILLION		
	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JUL 2021 AUDITED
Commercial paper	215	40	–
Bank loans	963	574	11
Lease liabilities	482	558	523
Capital notes[1]	35	35	35
NZX-listed bonds	250	600	600
Medium-term notes	3,803	4,445	3,903
Total borrowings[2]	5,748	6,252	5,072

1 Capital notes are unsecured subordinated borrowings.
2 All borrowings other than lease liabilities and capital notes are unsecured and unsubordinated.

The Group uses the following non-GAAP debt measure in monitoring its net debt position.

Adjusted net debt

Adjusted net debt is total borrowings, plus bank overdraft, less cash and cash equivalents, plus borrowings attributable to disposal groups held for sale, less cash and cash equivalents attributable to disposal groups held for sale, plus a cash adjustment for 25% of cash and cash equivalents held by the Group's subsidiaries (including cash and cash equivalents attributable to disposal groups held for sale), adjusted for derivatives used to manage changes in hedged risks on debt instruments.

The Group believes that adjusted net debt provides useful information as it is aligned with how certain rating agencies calculate the Group's debt to EBITDA and gearing ratios.

	GROUP $ MILLION		
	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JAN 2021 UNAUDITED[1]	AS AT 31 JUL 2021 AUDITED
Total borrowings	5,748	6,252	5,072
Plus: Bank overdraft	84	17	20
Less: Cash and cash equivalents	(479)	(345)	(985)
Plus: Borrowings attributable to disposal groups held for sale	310	274	282
Less: Cash and cash equivalents attributable to disposal groups held for sale	(11)	(40)	(17)
Plus: Cash adjustment for cash held by subsidiaries	122	93	110
Less: Value of derivatives used to manage changes in hedged risks on debt instruments	(167)	(143)	(157)
Adjusted net debt	5,607	6,108	4,325

1 Previously the Group reported economic net interest-bearing debt. Adjusted net debt is now used as the non-GAAP debt measure in monitoring net debt.

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

Other

8 CONTINGENT LIABILITIES, PROVISIONS AND COMMITMENTS

a) Contingent liabilities

In the normal course of business, the Group is exposed to claims and legal proceedings that may in some cases result in costs.

In June 2020 a class action was filed in the Supreme Court of Victoria against Fonterra Australia Pty. Ltd., Fonterra Milk Australia Pty. Ltd. and Fonterra Brands (Australia) Pty. Ltd. (collectively, Fonterra Australia) by Geoffrey and Lynden Iddles on behalf of farmers who supplied milk to Fonterra Australia during the 2015/2016 season. The class action relates to actions taken by Fonterra Australia in connection with its milk price in the 2015/2016 season including the manner in which Fonterra Australia set its opening milk price and forecast closing milk price at the outset of that season, its communications with suppliers about the milk price throughout the season and its reduction of the milk price in May 2016. The plaintiffs are alleging that Fonterra Australia breached its contracts with suppliers, engaged in misleading and deceptive conduct and engaged in unconscionable conduct in connection with these matters. Fonterra is vigorously defending these claims. Given the stage of the litigation and that the plaintiffs have not yet quantified their claim, it is not currently possible to reliably estimate the amount of any potential exposure in connection with this class action.

b) Commitments

At 31 January 2022 the Group was committed to future capital expenditure for:

	GROUP $ MILLION		
	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JUL 2021 AUDITED
Buildings	26	2	19
Plant, vehicles and equipment	170	116	92
Software	9	3	2
Total commitments	**205**	121	113

9 FAIR VALUE MEASUREMENT

The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

The fair values of financial assets and liabilities are calculated by reference to quoted market prices where that is possible. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If quoted market prices are not available, the methodology used to calculate the fair values of financial assets and liabilities is to identify the expected cash flows under the terms of each specific contract and then discount these values back to the present value. These models use as their basis independently sourced market data where it is available and rely as little as possible on entity-specific estimates.

The calculation of the fair value of financial instruments reflects the impact of credit risk where applicable.

Specific valuation techniques used to value financial instruments include:

- the fair value of foreign currency exchange contracts is determined using observable currency exchange rates, option volatilities and interest rate yield curves;
- the fair value of interest rate contracts is calculated as the present value of the estimated future cash flows based on observable interest rate yield curves;
- the fair value of commodity contracts that are not exchange traded is determined by calculating the present value of estimated future cash flows based on observable quoted prices for similar instruments;
- the fair value on the hedged risks of borrowings and long-term advances that are not exchange traded is calculated as the present value of the estimated future cash flows based on observable currency exchange rates and interest rate yield curves; and
- the fair value of net assets/(liabilities) held for sale is disclosed in Note 2 *Divestments*.

Fair value hierarchy

The fair value hierarchy described below is used to provide an indication of the level of estimation or judgement required in determining fair value.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

9 FAIR VALUE MEASUREMENT CONTINUED

The fair value hierarchy for assets and liabilities measured at fair value are presented in the following table.

	GROUP $ MILLION								
	LEVEL 1 AS AT			LEVEL 2 AS AT			LEVEL 3 AS AT		
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Measured at fair value on a recurring basis:									
Derivative assets									
– Commodity derivatives	214	86	107	4	4	4	–	–	–
– Foreign exchange derivatives	–	–	–	50	853	185	–	–	–
– Interest rate derivatives[1]	–	–	–	427	387	390	–	–	–
Derivative liabilities									
– Commodity derivatives	(17)	(5)	(2)	(1)	(3)	–	–	–	–
– Foreign exchange derivatives	–	–	–	(809)	(40)	(102)	–	–	–
– Interest rate derivatives[1]	–	–	–	(235)	(448)	(339)	–	–	–
Emissions units held for trading	37	19	24	–	–	–	–	–	–
Investment in Beingmate	–	40	–	–	–	–	–	–	–
Investments in shares	21	19	20	17	18	18	22	17	22
Measured at fair value on a non-recurring basis:									
Net (liabilities)/assets held for sale	–	–	–	–	–	–	(70)	494	(80)
Fair value	**255**	159	149	**(547)**	771	156	**(48)**	511	(58)

1 Includes cross-currency interest rate swaps.

The fair value hierarchy for each class of financial asset and liability where the carrying amount differs from the fair value is presented in the following table.

	GROUP $ MILLION								
				FAIR VALUE					
	CARRYING AMOUNT AS AT			LEVEL 1 AS AT			LEVEL 2 AS AT		
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Financial assets									
Long-term advances	161	163	163	–	–	–	172	177	182
Financial liabilities									
Borrowings									
– NZX-listed bonds	(250)	(600)	(600)	(253)	(625)	(611)	–	–	–
– Capital notes	(35)	(35)	(35)	(35)	(33)	(35)	–	–	–
– Medium-term notes	(3,803)	(4,445)	(3,903)	–	–	–	(3,919)	(4,620)	(4,056)

10 NET TANGIBLE ASSETS PER QUOTED EQUITY SECURITY

Net tangible assets is calculated as net assets less intangible assets.

	GROUP		
	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JUL 2021 AUDITED
Net tangible assets per security			
$ per equity instrument on issue	**2.72**	3.07	2.87
Equity instruments on issue (million)	**1,613**	1,613	1,613

Independent Review Report

To the shareholders of Fonterra Co-operative Group Limited

REPORT ON THE INTERIM FINANCIAL STATEMENTS

Conclusion

We have completed a review of the accompanying interim financial statements which comprise:

- the statement of financial position as at 31 January 2022;
- the income statement, statements of other comprehensive income, changes in equity and cash flows for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 48 to 67 do not:

- present fairly in all material respects the Group's financial position as at 31 January 2022 and its financial performance and cash flows for the 6 month period ended on that date; and
- comply with NZ IAS 34 Interim Financial Reporting (NZ IAS 34) and IAS 34 Interim Financial Reporting (IAS 34).

Basis for conclusion

A review of interim financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of Fonterra Co-operative Group Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the interim financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 and IAS 34;
- implementing necessary internal control to enable the preparation of interim financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly, we do not express an audit opinion on these interim financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Auckland

16 March 2022

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 following tables for reconciliations of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.

Reconciliation profit after tax to total Group normalised EBITDA

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Profit after tax	**364**	391	599
Net finance costs from continuing operations	**90**	138	252
Net finance costs from discontinued operations	**13**	3	10
Tax expense from continuing operations	**140**	125	103
Tax credit from discontinued operations	**–**	–	(5)
Depreciation and amortisation from continuing operations	**314**	320	642
Depreciation and amortisation from discontinued operations	**–**	–	–
Total Group EBITDA	**921**	977	1,601
Gain on sale of Ying and Yutian China Farms	**–**	–	(32)
China Farms impairment reversal	**–**	(23)	(23)
Gain on sale of Falcon China Farms JV	**–**	–	(40)
Income Statement impact of Beingmate investment	**–**	50	49
Brazil consumer and foodservice business impairment	**–**	–	39
Total normalisation adjustments	**–**	27	(7)
Total Group normalised EBITDA	**921**	1,004	1,594

Reconciliation from profit after tax to total Group normalised EBIT

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Profit after tax	**364**	391	599
Net finance costs from continuing operations	**90**	138	252
Net finance costs from discontinued operations	**13**	3	10
Tax expense from continuing operations	**140**	125	103
Tax credit from discontinued operations	**–**	–	(5)
Total Group EBIT	**607**	657	959
Normalisation adjustments (as detailed above)	**–**	27	(7)
Total Group normalised EBIT	**607**	684	952

Non-GAAP Measures (CONTINUED)

Reconciliation from profit after tax to normalised profit after tax and normalised earnings per share

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Profit after tax	**364**	391	599
Normalisation adjustments (as detailed on the previous page)	–	27	(7)
Tax on normalisation adjustments	–	–	(4)
Normalised profit after tax	**364**	418	588
Profit attributable to non-controlling interests	(16)	(19)	(21)
Normalisation adjustments attributable to non-controlling interests	–	–	(17)
Normalised profit after tax attributable to equity holders of the Co-operative	**348**	399	550
Weighted average number of Co-operative shares (thousands of shares)	1,613,358	1,612,857	1,613,105
Normalised earnings per share ($)	**0.22**	0.25	0.34

Reconciliation from gross profit to total Group normalised gross profit

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Gross profit from continuing operations	**1,549**	1,651	2,984
Gross profit from discontinued operations	58	94	153
China Farms impairment reversal	–	(23)	(23)
Total Group normalised gross profit	**1,607**	1,722	3,114

Glossary

TERMS	DEFINITIONS
Adjusted net debt	is calculated as total borrowings, plus bank overdraft, less cash and cash equivalents, plus a cash adjustment for 25% of cash and cash equivalents held by the Group's subsidiaries, adjusted for derivatives used to manage changes in hedged risks on debt instruments. Amounts relating to disposal groups held for sale are included in the calculation.
Aggregate minimum shareholding requirement	means the total amount of shares required to be held by farmer shareholders to meet the Share Standard.
AMENA	represents the Ingredients, Foodservice and Consumer channels in Africa, Middle East, Europe, North Asia and Americas.
Asia Pacific	represents the Ingredients, Foodservice and Consumer channels in New Zealand, Australia, Pacific Islands, South East Asia and South Asia.
Attributable to equity holders of the Co-operative	is used to indicate that a measure or sub-total excludes amounts attributable to non-controlling interests.
Average capital employed	is a 13-month rolling average of capital employed.
Bulk liquids	means bulk raw milk that has not been processed and bulk separated cream.
Capital employed	is adjusted net debt less the cash adjustment (used in calculating adjusted net debt), plus cash and cash equivalents held by subsidiaries for working capital purposes, plus equity excluding hedge reserves and net deferred tax assets.
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, plus equity contributions and long-term advances provided to, and investments in, entities that are not controlled.
Consumer	represents the channel of branded consumer products, such as powders, yoghurts, milk, butter and cheese.
Continuing operations	means operations of the Group that are not discontinued operations.
Custodian	means the Fonterra Farmer Custodian, which is the legal holder of the shares in respect of which economic rights are held for the Fund.
Debt to EBITDA	is adjusted net debt divided by Total Group normalised earnings before interest, tax, depreciation and amortisation (Total Group normalised EBITDA) excluding share of profit/loss of equity accounted investees and net foreign exchange gains/losses.
DIRA	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities, subsequent amendments to the Act, and the Dairy Industry Restructuring (Raw Milk) Regulations 2012.
Discontinued operations	means a component of the Group that is classified as held for sale (or has been sold) and represents, or is part of a single co-ordinated plan to dispose of, a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.
Dividend yield	is dividends (per share) divided by volume weighted average share price for the period 1 August to 31 July.
Dry shares	means any shares held by a farmer shareholder in excess of the number of shares required to be held by that farmer shareholder in accordance with the Share Standard for a season.
Earnings before interest and tax (EBIT)	is profit before net finance costs and tax.
Earnings before interest, tax, depreciation and amortisation (EBITDA)	is profit before net finance costs, tax, depreciation and amortisation.
Earnings per share (EPS)	is profit after tax attributable to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period.
EBIT margin	is EBIT divided by revenue from sale of goods.
EBITDA margin	is EBITDA divided by revenue from sale of goods.
Economic rights	means the rights to receive dividends and other economic benefits derived from a share, as well as other rights derived from owning a share.

Glossary CONTINUED

TERMS	DEFINITIONS
Farmgate Milk Price	means the average price paid by Fonterra for each kilogram of milk solids (kgMS) supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. The season refers to the 12-month milk season of 1 June to 31 May. The Farmgate Milk Price is set by the Board, based on the recommendation of the Milk Price Panel. In making that recommendation, the Panel provides assurance to the Board that the Farmgate Milk Price has been calculated in accordance with the Farmgate Milk Price Manual.
Fonterra's average NZD/USD conversion rate	is the rate that Fonterra has converted net United States Dollar receipts into New Zealand Dollars including hedge cover in place.
Foodservice	represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, cafés, airports, catering companies etc. The focus is on customers such as; bakeries, cafés, Italian restaurants, and global quick-service restaurant chains. High performance dairy ingredients including whipping creams, mozzarella, cream cheese and butter sheets, are sold in alongside our business solutions under the Anchor Food Professionals brand.
Free cash flow	is the total of net cash flows from operating activities and net cash flows from investing activities.
Gearing ratio (adjusted net debt)	is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt.
Global accounts	means large scale, multi-national/multi-region customers.
Global Dairy Trade (GDT)	means the electronic auction platform that is used to sell commodity dairy products.
Greater China	represents the Ingredients, Foodservice and Consumer channels in Greater China, and the Falcon China Farms JV.
Gross margin	is gross profit divided by revenue from sale of goods.
Group Operations	comprises functions under the Chief Operating Office (COO) including New Zealand milk collection and processing operations and assets, supply chain, Group IT, Sustainability and Innovation; Fonterra Farm Source™ retail stores; and the Central Portfolio Management function (CPM).
Held for sale	an asset or disposal group is classified as held for sale if it is available for immediate sale in its present condition and its sale is highly probable. A disposal group is a group of assets and liabilities to be disposed of (by sale or otherwise) in a single transaction.
Ingredients	represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia, Europe and Latin America, or sourced through our global network, and sold to food producers and distributors.
kgMS	means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.
Net debt	means adjusted net debt.
Net tangible assets per security	is net tangible assets divided by the number of equity instruments on issue. Net tangible assets is calculated as net assets less intangible assets.
Non-reference products	means all dairy products, except for reference commodity products manufactured in NZ.
Non-shareholding farm	means a farm where the owning entity is not entitled to hold shares in the Co-operative. As an example, farms supplying MyMilk.
Normalisation adjustments	means adjustments made for certain transactions that meet the requirements of the Group's Normalisation Policy. These transactions are typically unusual in size and nature. Normalisation adjustments are made to assist users in forming a view of the underlying performance of the business. Normalisation adjustments are set out in the Non-GAAP Measures section.
Normalised	is used to indicate that a measure or sub-total has been adjusted for the impacts of normalisation adjustments. E.g. 'Normalised EBIT'.
Product channel	Fonterra has three product channels, Ingredients, Foodservice and Consumer.
Profit after tax margin	is profit after tax attributable to equity holders of the Co-operative, divided by revenue from sale of goods.
Reference commodity products (also referred to as reference products)	means the commodity products used to calculate the Farmgate Milk Price, comprising Whole Milk Powder, Skim Milk Powder, Butter Milk Powder, Anhydrous Milk Fat and Butter.
Reported	is used to indicate a sub-total or total is reported in the Group's Financial Statements before normalisation adjustments. E.g. 'Reported profit after tax'.
Retentions	means profit after tax attributable to equity holders of the Co-operative, divided by the number of Co-operative shares on issue, less dividend per share. Retentions are reported as nil where Fonterra has reported a net loss after tax.

TERMS	DEFINITIONS
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.
Shareholding farm	means a farm where the owning entity of the farm has a minimum required shareholding of at least 1,000 shares in the Co-operative. This includes farms where the owning entity is in the process of sharing up on a Share Up Over Time contract.
Share Standard	means the number of shares a farmer shareholder is required from time to time to hold as determined in accordance with the Constitution, currently being one share for each kilogram of milksolids obtainable from milk supplied (excluding milk supplied on contract supply) to Fonterra. For these purposes, milk supplied is based on a three season rolling average of a farm's production.
Total Group	is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and non-controlling interests. E.g. 'Total Group EBIT'.
Total pay-out	means the total cash payment to a 100% share backed farmer shareholder, being the sum of the Farmgate Milk Price (kgMS) for every milk solid supplied and the dividend for every share held.
Unallocated costs and eliminations	represents corporate costs including Co-operative Affairs and Group Functions; and any other costs that are not directly associated to the reporting segments; and eliminations of inter-segment transactions.
Voucher	means a voucher provided to a farmer shareholder who transferred the economic rights of a wet share to the Fund, and which can be used to count towards a farmer shareholder's Share Standard.
WACC	means weighted average cost of capital.
Weighted average share price	represents the average price Fonterra Co-operative Group Limited shares traded at, weighted against the trading volume at each price over the reporting period.
Wet shares	means any shares held by a farmer shareholder in accordance with the Share Standard for a season.
Working capital	is total trade and other receivables plus inventories, less trade and other payables. It excludes amounts owing to suppliers and employee entitlements.
Working capital days	is average working capital divided by revenue from sale of goods, multiplied by the number of days in the period.

Directory

FONTERRA BOARD OF DIRECTORS

Peter McBride
Clinton Dines
Brent Goldsack
Leonie Guiney
Bruce Hassall
Holly Kramer
Andrew Macfarlane
John Nicholls
Cathy Quinn
Donna Smit
Scott St John

FONTERRA MANAGEMENT TEAM

Miles Hurrell
Marc Rivers
Judith Swales
Mike Cronin
Fraser Whineray
Kate Daly
Kelvin Wickham
Teh-han Chow

REGISTERED OFFICE

Fonterra Co-operative Group Limited
Private Bag 92032
Auckland 1142
New Zealand
109 Fanshawe Street
Auckland Central 1010
New Zealand
Phone +64 9 374 9000
Fax +64 9 374 9001

AUDITORS

KPMG
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

FARMER SHAREHOLDER AND SUPPLIER SERVICES

Freephone 0800 65 65 68

FONTERRA SHARES AND FSF UNITS REGISTRY

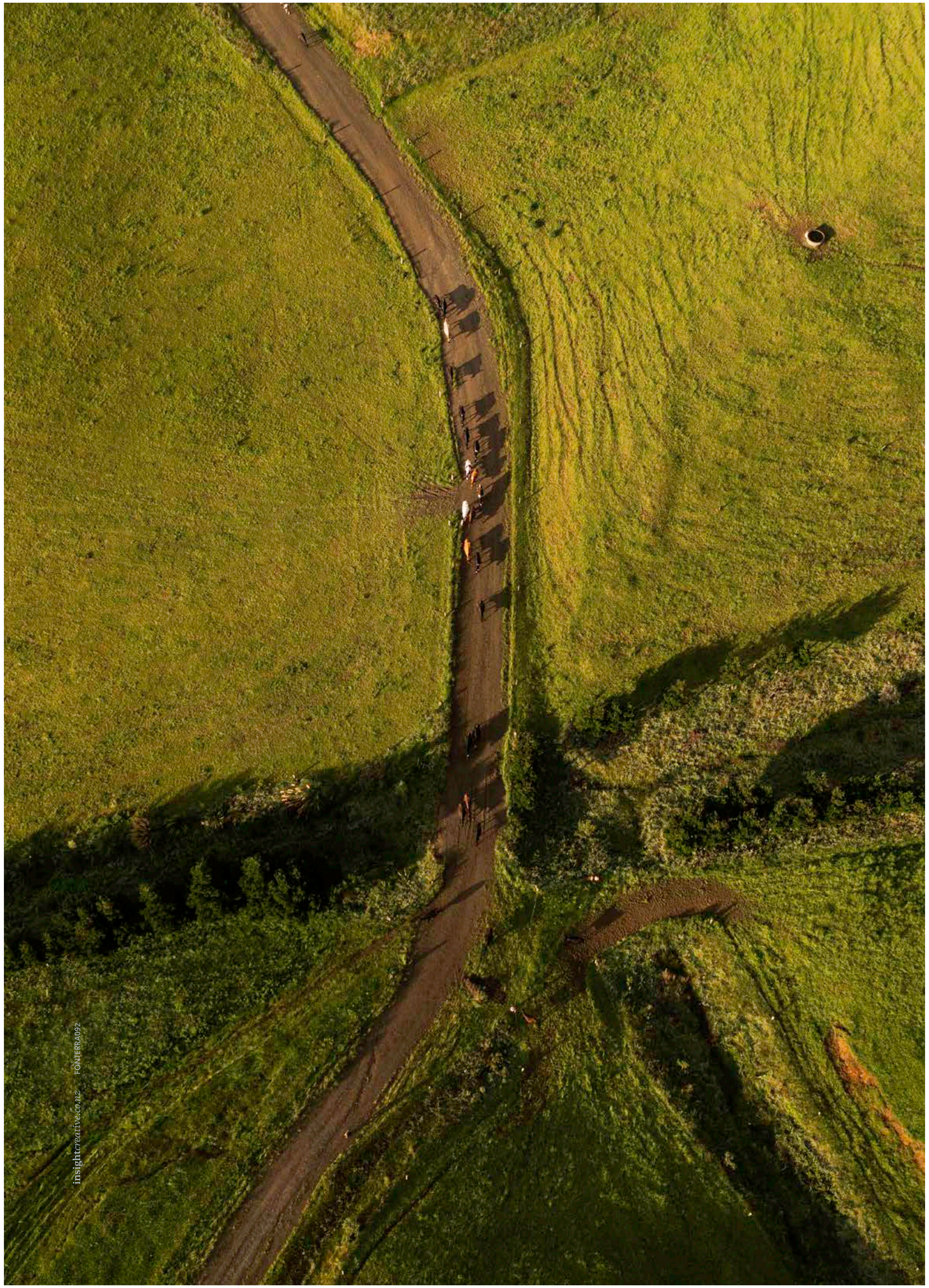
Computershare Investor Services Limited
Private Bag 92119
Auckland 1142 New Zealand
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

CAPITAL NOTES REGISTRY

Link Market Services Limited
PO Box 91976
Auckland 1142
New Zealand
Level 30, PwC Tower
15 Customs Street West
Auckland Central 1010
New Zealand

INVESTOR RELATIONS ENQUIRIES

Phone +64 9 374 9000
investor.relations@fonterra.com
www.fonterra.com



fonterra.com

Fonterra

Dairy for life