

## **CHAIRMAN'S EMAIL**

**30 MAY 2022**

**Subject:** Capital Structure Update

Dear [name]

I wanted to share some updates relating to the implementation of our new Flexible Shareholding capital structure, and some of the Board's conversations in regard to liquidity in the Fonterra Shareholders' Market (FSM).

### **Liquidity in the Fonterra Shareholders' Market**

Since we started consulting on our capital structure review, liquidity in the FSM has been low, and we know there is concern about the decline in our share price over recent weeks and the impact this is having on your balance sheets.

As announced in our third-quarter update last week, we are maintaining our FY22 forecast earnings guidance of 25-35 cents per share and the outlook for dairy remains strong, even with the increasingly volatile global environment.

One of the factors impacting liquidity and recent share prices may be the fact that share compliance obligations have been on hold for the last year. I want to remind you that even though the share compliance obligations are on hold, you can, if you wish, still buy or sell shares within your current minimum and maximum shareholding requirements - which is 1x – 2x your three-season average milk supply.

The Board has also been considering additional options to support liquidity in the FSM. As set out in the capital structure consultation and voting documents last year, we will be putting in place additional arrangements to support liquidity in the FSM when we transition to the new Flexible Shareholding structure, including through arrangements with one or more market-makers. While those arrangements are still being worked on, Fonterra will on an interim basis be providing additional financial support to the current registered volume provider to more actively support liquidity in the FSM.

### **Compliance Date**

We have set the formal Compliance Date for the 2022/23 season as 1 May 2023.

However, as you know share compliance obligations are on hold until at least 6 months after the Flexible Shareholding structure is effective.

We don't yet have an effective date, but we are still preparing to implement the Flexible Shareholding structure as soon as possible and will keep you updated on final timing.

Although compliance remains on hold, as noted above, you can still buy or sell Fonterra shares if you wish to do so within 1x – 2x your three-season average milk supply.

### **Entry and Exit**

The Board has decided that when the Flexible Shareholding structure is effective, suppliers who choose to acquire their Minimum Holding under the new six season entry timeframe, will not be locked into supplying the Co-op for six seasons, once they have acquired their 33% Minimum Holding. This is more consistent with the flexibility we are offering.

### **Invest As You Earn**

The Co-op is launching a new version of Invest as You Earn (IAYE) for shares. IAYE is a tool under which you can use some of your milk payment to invest in the Co-op.

You can read more about how it works [\[here\]](#).

### **Submissions on the Government's proposed DIRA Amendments**

Submissions are due at the end of this week on the DIRA amendments the Government has proposed to support the new structure. Fonterra and the Fonterra Co-operative Council are both providing submissions to ensure the voice of the Co-op and farmers are heard. The Government has signaled that it expects the amendments to progress through Parliament this year.

### **Third Quarter Financial Results Webinar**

On 9 June at 7:00pm, management will be hosting an online webinar to cover off the highlights of our Q3 financial results and also to discuss how the Flexible Shareholding capital structure will work once implemented. We look forward to your questions. Please register for the webinar <here>.

All the best as we head into the next season.

Peter.