Interim Report 2023

Good Together
from one generation to the next

Dairy for life

Our three strategic choices are guiding everything we do...

Isabella & Henry, Rakaia

Focus on New Zealand milk

We believe New Zealand milk is the most valuable in the world. With demand for sustainable dairy nutrition growing at a pace that will outstrip supply, we are creating more value for our farmer owners and unit holders by further differentiating our milk in the global market.

Andrew & Henry, Rakaia

Be a leader in sustainability

Globally, people want to know where their food comes from and the impact it leaves. New Zealand milk is amongst the most carbon-efficient in the world, produced by a proven pasture-based model and underpinned with strong animal wellbeing standards. By leading in sustainability, we can respond to changing demands from customers, capital providers and regulators.

Piratheepan, Palmerston North

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 expertise by continuously developing new dairy nutrition solutions and partnerships which help people live healthier and longer lives.

Cover: Penelope, Blair, Joe & Billie, Norsewood

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.

Drysdale Farm, Norsewood

Message from our **Chair and CEO**

As we transform our Co-op for tomorrow, we continue to perform today

Kia ora

We've had a strong first half to our financial year and the Co-op is performing well against a backdrop of ongoing market volatility.

Our scale and diversification across channels and markets has enabled us to navigate through disruption and make the most of favourable market conditions in a number of areas.

We revised the forecast Farmgate Milk Price range down in February as a reflection of reduced demand for whole milk powder, particularly from Greater China, at a time of balanced global milk supply.

Recent increased buying behaviour from China is encouraging and it gives us confidence to hold our current forecast.

Meanwhile, protein prices have been high, and this is reflected in our lift in earnings. We've upgraded our full year forecast normalised earnings from 50-70 cents per share to 55-75 cents per share.

Coupled with our strong balance sheet, we are pleased to be in the position to pay an interim dividend of 10 cents per share. We also expect to be able to pay a strong full year dividend, in addition to our proposed capital return.

Capital Returns

We're pleased to be providing an update on the proposed capital return to our farmer owners and unit holders.

We have previously stated an intention to return around NZ$1 billion to shareholders by FY24, subject to the outcome of reviews of our ownership of Fonterra Australia and our Chilean Soprole business. We have subsequently made the decision to retain full ownership of Fonterra Australia.

Following completion of the sale of Soprole, we intend to return around 50 cents per share and unit, which is approximately $800 million.

We are aiming for a record date for the proposed tax free capital return in late September 2023, with cash to be received by our farmer owners and unit holders the following month.

Implementation of the capital return will require a Scheme of Arrangement to be voted on by shareholders, and approval by the High Court, which is a common process for this type of transaction.

More information on this process will be provided to our farmer owners and unit holders in due course.

Peter McBride – Chairman

Miles Hurrell – Chief Executive Officer

Our lift in earnings is thanks to our Co-op's scale and ability to move our farmer owners' milk into products and markets where we see favourable prices.

Fonterra remains committed to a strong balance sheet as well as an "A" band credit rating.

The sale of Soprole remains subject to satisfaction of conditions previously announced, including commencement of an irrevocable public tender offer process in Chile for the outstanding shares in Soprole not already owned by Fonterra.

First half of FY23

The Co-op has delivered a Profit After Tax of NZ$546 million, up $182 million compared to the same time last year, and a Return on Capital for the last 12 months of 8.6%, up from 6.1% in the comparable period.

This lift in earnings is thanks to our Co-op's scale and ability to move our farmer owners' milk into products and markets where we're seeing favourable prices.

With whole milk powder prices down, we moved more milk into skim milk powder and cream products to optimise our Farmgate Milk Price.

We also made the most of favourable margins in our protein and cheese portfolios, by moving a higher portion of current season milk into these products which has benefited our earnings.

This has enabled us to maximise overall total returns to our farmer owners and unit holders.

While our Ingredients channel (normalised EBIT up $494 million) is performing well and our Foodservice channel (normalised EBIT up $81 million) is showing resilience to market volatility with improved in-market pricing, our Consumer channel (normalised EBIT down $177 million) has felt the impact of higher input costs and ongoing pressure on margins.

In particular, these market conditions have impacted our performance expectations of our Asia consumer brands Anlene™, Chesdale™ and Anmum™ and our domestic consumer business Fonterra Brands New Zealand.

As a result, we impaired our Asia consumer brands by $70 million to reflect the impact of weakening currency in the markets they operate, higher interest rates and a declining economic environment in some South East Asian markets, and Fonterra Brands New Zealand by $92 million to reflect ongoing domestic margin pressure and a lower than expected base for growth.

Despite these challenges, we continue to exercise financial discipline with a focus on delivering returns, while managing higher costs and ongoing market disruption.

We have made progress on improving our year-end net debt and working capital position. We have had strong cash flows from higher earnings, and the inventory held at the end of FY22 has been managed and cleared as planned. Our strong balance sheet provides the strength to weather volatile markets.

Severe storms and flooding across the North Island in January and February impacted many farmers, in particular in Northland, Coromandel, Gisborne and the Hawke's Bay, and also delayed some of our product getting onto ships, with road and port closures and rail disruptions slowing down an already strained national network.

We are supporting impacted farmer owners with their recovery and have donated product to local communities. We also remain focused on minimising the impact on the business and we expect the supply chain disruptions as a result of these weather conditions to be resolved.

Profit After Tax
NZ$546m ↑
up 50%

Return on Capital
8.6% ↑
up from 6.1%

Earnings per share
33 cents
per share

Interim dividend
10 cents
per share

Forecast Farmgate Milk Price range
NZ$8.20-$8.80
per kgMS


Alan, Te Kaihou & Kiri, Bay of Plenty

The outlook for dairy remains positive with strong demand for New Zealand's high quality and sustainable dairy and global milk supply likely to continue to be constrained.

Outlook for remainder of FY23

We have a forecast Farmgate Milk Price range of $8.20 - $8.80 per kgMS and full year forecast normalised earnings of 55-75 cents per share.

The outlook for dairy remains positive with strong demand for New Zealand's high quality and sustainable dairy and global milk supply likely to continue to be constrained.

There are a number of risks we continue to watch, including the impact of recent weather events in New Zealand on supply chain and milk production. Cyclone Gabrielle and dry conditions in the South Island have already impacted the Co-op's full season expectations.

This is why in late February we revised our forecast milk collections for the 2022/23 season to 1,465 million kgMS, down from 1,480 million kgMS.

Our Co-op's scale, diversity and strong balance sheet positions us well to manage these challenges and we will continue to prioritise higher value products and channels to deliver sustainable returns for farmer owners and unitholders.

Progress towards 2030

We have continued to make strong progress towards our 2030 targets through our strategic choices to focus on New Zealand milk, be a leader in sustainability and be a leader in dairy innovation and science.

Performance is always our first priority, and with COVID-19 restrictions now largely behind us, we are shifting our focus back to our global markets and the future opportunities there.

Understanding the needs of our customers and the end consumer is central to our strategy. We know that connecting what we do on-farm with what global consumers want can create real value for our Co-op.

Our New Zealand provenance resonates with customers, but we need to keep innovating to stay ahead of their changing requirements and preferences.

We have portfolios of innovation projects underway to help achieve the value targets set out in our 2030 strategy.

These are in the areas of improving product performance, exploring science backed nutritional solutions, transforming customer experience, and sustainable value change transformation.

Recent progress includes our partnership with PolyJoule, a Massachusetts Institute of Technology (MIT) spin-off, to trial the world's first industrial scale organic battery. It has been installed at our Waitoa manufacturing site to improve energy security.

We've also established a new start-up company with Royal DSM to accelerate the development and commercialisation of fermentation-derived proteins with dairy-like properties.

It's still early days, but these examples give you an idea of the initiatives we are looking into as we work towards our ambition to be a leader in dairy innovation and science.

Here at home, two key pieces of work for the remainder of the year are the transition to our new Flexible Shareholding capital structure and our on-farm emissions approach, both of which are enablers of value creation for our Co-op.

Our new Flexible Shareholding capital structure is critical in helping us maintain a sustainable New Zealand milk supply in an increasingly competitive environment. Following recent legislative approvals, we are transitioning to our new Flexible Shareholding capital structure from 28 March.

As part of our ambition to be a leader in sustainability, we are continuing to make sustainability improvements both on-farm and off-farm to retain our competitive edge.

We have signalled to our farmer owners the Co-op will announce a target for on-farm (Scope 3) emissions. Having a target will help secure high value customers, enable the Co-op and our farmer owners to meet ongoing regulations as well as secure future finance.

We acknowledge making change on-farm is not easy, which is why we currently have 18 methane reduction projects underway and 30 active trials of potential solutions.

These activities support us in building a stronger Co-op for the future, and we'll be out talking about these topics over the coming months.

As we've said earlier, we're well positioned to navigate the challenges we're currently seeing while also looking out to the needs of our customers and consumers in the years ahead.

This long-term view determines the steps we need to take today to ensure we continue to be a dairy provider of choice and strong Co-op for generations to come.

Peter

Peter McBride
Chairman

Miles

Miles Hurrell
Chief Executive Officer

Creating goodness: Our progress so far

As we transform our Co-op for tomorrow, we continue to perform today

Focus on New Zealand milk

Isabella, Rakaia

Transitioning to our new capital structure

A sustainable supply of New Zealand milk is fundamental to achieving our 2030 goals.

Having the right capital structure is an important part of this and that's why we are looking forward to moving to our new Flexible Shareholding model in late March.

Flexible Shareholding makes it easier for new farmers to join the Co-op and for existing farmers to remain, by allowing greater flexibility in the level of investment required.

This supports Fonterra's strategy by helping to maintain a sustainable milk supply, protecting farmer ownership and control, and supporting a stable balance sheet.

Flexible Shareholding received a strong farmer mandate back in December 2021. Following that, Fonterra worked with the Government to make relevant changes to the Dairy Industry Restructuring Act (DIRA) to support the new structure. These were passed by Parliament in November 2022.

With the legislative changes in place, and the Board satisfied that our Co-operative is well prepared for the transition, the implementation date for Flexible Shareholding has been set for Tuesday 28 March.

We have been working closely with our farmers to help them understand what their options are under the new arrangements and we will continue to do so.

Lana & Kiri, Bay of Plenty

Chile and Brazil divestments

As part of our decision to focus on our New Zealand farmers' milk, we've made progress on the divestments of our operations in Chile and Brazil.

Chile

In November, we announced the sale of our Chilean Soprole business to Gloria Foods – JORB S.A. (Gloria Foods). Soprole is a very good business but does not rely on New Zealand milk or expertise.

The divestment comprises a number of transactions that result in aggregate consideration of 591.07 billion Chilean Pesos (approximately NZ$1 billion subject to closing transaction adjustments).

Gloria Foods is a consumer dairy market leader in Peru, with operations in Bolivia, Puerto Rico, Argentina, Colombia and Uruguay. Fonterra and Gloria Foods have a long-standing commercial relationship in South America.

The divestment is subject to a number of conditions.

Brazil

In December, together with our joint venture partner Nestlé, we agreed the sale of Dairy Partners Americas (DPA) Brazil to French dairy company Lactalis for BRL 700m (approximately NZ$210m subject to closing transaction adjustments). Fonterra's 51% share of these sale proceeds will be used to repay debt related to that business. Given the asset has been held for sale since 2020 there will be little cash impact on our earnings.

DPA Brazil had reached maturity as an investment for us, and the sale allows us to prioritise our resources to the businesses that are core to our strategy.

The deal is expected to be completed by mid-2023, subject to regulatory authority approvals.

Growing our Foodservice business

Anchor™ Food Professionals (AFP) struck a deal with Walmart in January this year to supply more than 400 of its stores across China. The products are a New Year cream cake, Basque cheesecake and a Swiss roll in two flavours – coconut and chocolate.

It's the first time our Foodservice business has partnered with an international supermarket chain to provide ingredients and solutions for baking products.

The signing of the agreement came shortly after China relaxed its COVID-19 restrictions, indicating a return to normal for food retailers across the country.

The Walmart deal is a result of our focus on developing innovative products for our customers.

To support our Foodservice business in China, we upgraded our local application centres in Shanghai and Beijing in 2022. We have since launched four new products and more than 230 new product applications.

Be a leader in sustainability

Being a leader in sustainability is about building resilience in the Co-operative to ensure we continue to meet our customers' needs now and into the future. This positions us for long-term success from one generation to the next.

Andrew & Henry, Rakaia

On-farm emissions (Scope 3)

At last year's Annual Meeting we signalled to farmers the Co-op's intent to announce a target for our Scope 3 emissions – which are our on-farm emissions.

Having a target will help us remain competitive, secure high value customers, enable the Co-op and our farmer owners to meet ongoing regulations as well as secure future finance.

We already have targets for Scope 1 and Scope 2 emissions, which are primarily our emissions from our site and transport operations. These targets are backed by science and use the same accreditation used by many of our customers.

Scope 3 emissions are defined as indirect emissions occurring because of the activities of an organisation but generated from sources not owned or controlled by that organisation. In Fonterra's case, 90% of our Scope 3 emissions are those arising from the on-farm emissions of supplying farms. For some of our largest customers the most significant component of their Scope 3 emissions are those coming from Fonterra.

Over the coming months, we will be talking with farmers about the opportunities, challenges and ideas on the Co-op's role in helping to navigate these changes.

Methane partnership

We're investing in R&D and new technologies to help reduce emissions on-farm. We currently have 18 methane reduction projects underway and 30 active trials of potential solutions. We're also partnering with industry and Government to find solutions. Over the next four years Fonterra will contribute up to $50 million in a public-private partnership joint venture that's working to find a solution to biogenic methane.

Formally launched at National Fieldays, the joint venture includes our Co-op, the Government and partners from across the food and fibre sector – ANZCO, Rabobank, Ravensdown, Silver Fern Farms and Synlait.

Together the partners will contribute around $35 million a year until 2025 with the Government matching this contribution, resulting in at least $170 million invested over this time.

This will enable the Co-op to accelerate some of the methane mitigation work it already has underway and look across the industry to see what else we can do to provide the tools our farmers need to ensure the enduring future of their businesses and that we meet our net zero ambitions.

Fonterra + Nestlé

Fonterra is partnering with Nestlé to develop a New Zealand first – a commercially viable net zero carbon emissions dairy farm.

Over five years, the farm, run by co-partner Dairy Trust Taranaki, will examine all aspects of farm operations to reduce carbon with the aim of cutting emissions by 30% by mid-2027 and a 10-year ambition of reaching net zero carbon emissions.

Lessons learned and on-farm activities will be shared through open days with farmers, who can then adopt the techniques and technologies most appropriate for their farms.

The partnership also includes a greenhouse gas farmer support programme. The multi-year project will see Fonterra farmers who are part of the programme get additional support to implement changes aimed at lowering their on-farm emissions, which could include solutions such as improved management of feed and pasture and enhanced milk production efficiency.

Decarbonisation

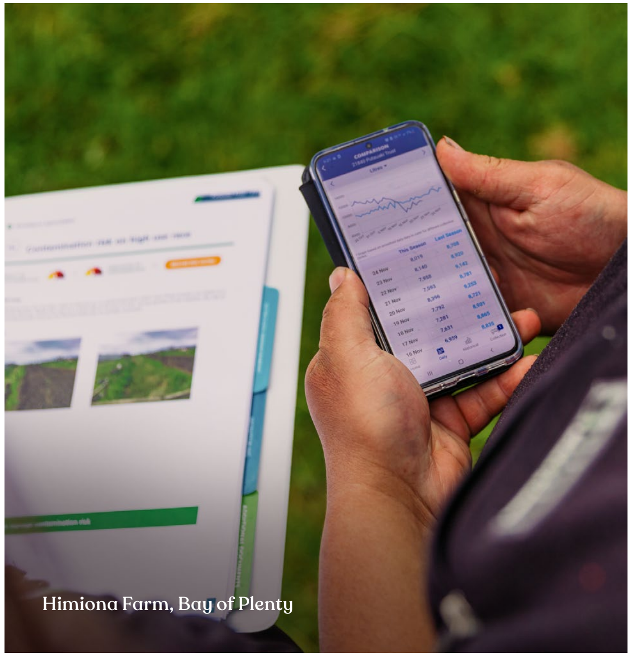
The Co-operative continues to make progress in its work to get out of coal at its manufacturing sites by 2037. The majority of this work will be done by 2030 and it is expected by the end of the year only 6 out of 29 sites will be using coal.

Currently we have conversions to wood biomass underway at our Stirling and Waitoa sites. Once complete the Stirling site will be our first site running on 100% renewable thermal energy.

We have also entered a new strategic partnership with MAN Energy Solutions to reduce CO_2 emissions in dairy production using climate-friendly heat pump technology for steam generation.

The German based company is a world leading provider of engines and turbomachinery solutions and together we will trial the design and implementation of an industrial-scale heat pump technology to replace non-renewable energy in raising steam.

Jonathan & Kevin, Te Awamutu



Himiona Farm, Bay of Plenty

More Farm Environment Plans

The Co-operative Difference is our way of connecting 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 farmers to assess how their farm is performing relative to good practice, and providing practical actions to improve their environmental performance and reduce risks. They also provide assurance to our customers and support our sustainability claims.

Our farmer owners are making great progress, with 77% of Fonterra farms having an FEP, to reach our strategic target of 100% by 2025.

This puts our farmers in a strong position to meet the upcoming regulatory expectations with the introduction of freshwater farm plans through the RMA framework later this year.

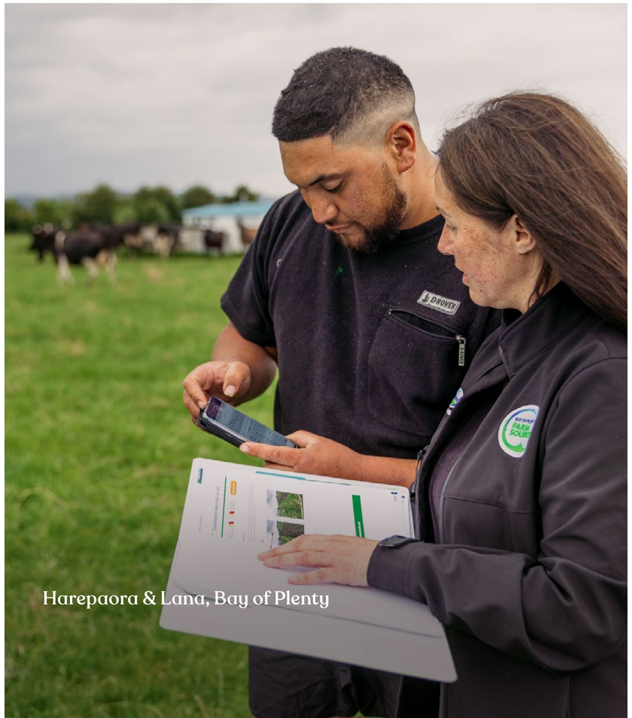
Expanding Farm Insight Reports

Farm Insights Reports give farmers information on milk quality, sustainability and animal health as well as their performance under The Co-operative Difference programme.

Following their introduction last year, we have continued to evolve and enhance the use of farmers' information to provide further benchmarks and insights specific to their farm systems.

In addition to previous measures, this season the Insights Reports included farm-level Scope 3 emissions (emissions not produced on the farm) and nitrogen fertiliser conversion efficiency that enabled farmers to benchmark performance with their 100 closest neighbours.

The reports highlight opportunities for improvement, and our field teams utilise this information to work alongside our farmer owners to suggest changes to help improve performance, reduce risks and potentially save time and costs.



Harepaora & Lana, Bay of Plenty

Be a leader in dairy innovation and science

Piratheepan, Palmerston North

Growing Active Living

As part of our long-term strategy, we set an aspiration to grow operating profit by 40-50% from FY21 base by 2030.

One of the ways we will do this is by shifting more of our Ingredients portfolio towards higher-value ingredients and solutions through our Active Living business.

Our Active Living business addresses the three dimensions of wellbeing (physical, mental and inner) and the health needs of a medical patient right through to those taking a proactive approach to their health and wellbeing.

The global health and wellness market is valued at US$66 billion, growing at 6.1% per year. Medical Nutrition is valued at US$50 billion globally and growing at 5% per year.

Fonterra is already well positioned to take a slice of these markets. We have expertise in:

- Protein to help people maintain muscle mass for better quality of life
- Lipids that support mood management
- Probiotics to support immunity and digestion

Through our nutritionally dense and scientifically backed portfolio, we're able to claim our products have health benefits relating to muscle health and sarcopenia (age related loss of muscle mass), mobility, malnutrition (especially related to oncology & peri-operative care), immunity and digestive health.

In addition to this, we see benefits emerging in skin health and mental wellbeing, especially stress and mood. We are investing in clinical research to build evidence to substantiate these benefits, collaborating with industry partners such as commercial brands and universities to accelerate progress. This research is enabling us to break into the burgeoning areas of beauty ingestibles and nootropics, particularly targeting the supplements category.

The USA is a key target market due to its interest in health and wellness and its wealth of innovative companies at the forefront of this trend. We are also focusing on Japan, China and South Korea with the team scoping Indonesia, Thailand and Vietnam for future potential.

As part of our long-term strategy, we have ambitions to grow the margins and value of our Active Living business, with good progress made through FY23.

In September we launched our new wellbeing solution brand, Nutiani™, which supports the ambitions outlined above, whilst also creating flexibility for the business to go beyond traditional dairy.

For example, Nutiani™ has partnered with the Chinese customer Vital Nova Health Group to launch new products via their Leli brand. These use our clinically backed probiotics (Nutiani HN001TM and HN019 TM) as their hero strains to target gut health

Our People and **Communities**

Doing good together with our people, farmers and communities

Flood relief in NZ and Australia

New Zealand

In response to the devastating flooding which hit the North Island of New Zealand in January, our community team provided support to key community groups on the front-line giving assistance to affected Kiwis.

We expedited our quarterly product donation of Anchor™ Milk Powder to the NZ Food Network and sent extra product to key food banks, maraes and community hubs in the region.

It was a collaborative effort between our senior leaders, community partners, customer services, logistics and warehouse teams – to ensure we could dispatch much needed dairy products to impacted families immediately.

Altogether, the Co-op will be contributing over a million serves of dairy to impacted communities. These items include butter, yoghurt, cheese and a variety of UHT milks.

To support impacted farmers, Fonterra worked closely with local industry bodies and representatives to coordinate support on the ground where needed, as we always do when weather events like this affect our shareholder farmers. Our local Farm Source™ teams proactively reached out to farmers to check in, and also remind them that they can call our 24/7 Farmer Support Team to get any support they may need.

We also offered additional leave for our people whose homes were impacted by flooding, as well as for employees who wanted to participate in Fonterra-organised volunteer assistance.

Australia

Our farmer suppliers in Victoria, Australia were impacted by floods in October, which cut power and damaged feed. Most farmers continued milking despite the challenging conditions and our Farm Source™ team were there, providing support even when their own properties had been impacted or were at risk.

Post-event recovery, our Farm Source™ team worked closely with flood-impacted farmers – providing advice and solutions, particularly with regard to monitoring animal health, paddock management and securing alternative feed sources.

Auckland Flood Donations – Fred Te Moananui & Mose Vaiouga from the NZFN.


Our teams coordinated moving generators from farms with power to others without.

Cyclone Gabrielle

In February, Cyclone Gabrielle hit communities across the North Island hard, in particular Northland, Coromandel, Gisborne and the Hawke's Bay.

Many farms in these regions were impacted by flooding, road closures and infrastructure damage which will take time to recover from.

As part of our initial response, transport teams worked around the clock to re-establish access so milk collections could resume.

Many farms remained without power for some time, and our transport team helped coordinate moving generators from farms that had power to others that did not.

Farmers across the Hawke's Bay and Gisborne regions were among the hardest hit, with some communities cut off and isolated.

Fonterra accessed these areas via helicopter to assess the damage, understand farmers' needs, and provide provisional supplies and veterinary support.

To help provide ongoing support, we set up an easy way for our farmers, employees and Farm Source™ customers to support the Rural Support Trust or Hawke's Bay Disaster Relief fund by donating either cash or Farm Source™ Rewards Dollars through our Farm Source stores.

The Big Feed

Aotearoa's first rural live-streamed telethon, The Big Feed, took place in December. Organised by Meat the Need, the event connected farmer produced donations with the Kiwi families who needed them most over Christmas.

Group Director for Farm Source™ Anne Douglas joined Matt Chisholm and Meat the Need founder Wayne Langford for part of the 12-hour telethon. Anne encouraged our farming families to get involved, pledging to match every donation made by Fonterra farmers, up to the value of $20k.

The telethon aimed to raise 1 million 'meals' to fill food banks and community organisations for an entire year. A total of 1.2 million 'meals' were raised by the end of the event.

The behind the scenes team of The Big Feed, with Matt Chisholm and Wayne Langford (co-hosts), supported by Meat the Need Champions (volunteers).


The Big Feed telethon set.

Java earthquake relief.

Earthquake in Java

In Indonesia, a 5.6 magnitude earthquake shook its most populated island Cianjur, West Java. Fonterra's Indonesia team joined hands with NGO Jabar Bergerak to contribute more than 6,000 products including Anlene™, Anmum™ and Anchor™ Boneeto, to help the local community meet their nutritional needs.

Delivering Fonterra goodness to the Darfield community

In the lead up to Christmas, around 25 employees from the Darfield maintenance team packed 60 food boxes with items for an early Christmas meal, as well as some extra non-perishable food items, which they distributed into the community.

The Darfield Maintenance & Hapori Programme teams packed and delivered Christmas food boxes to elderly people living alone in their community.


The KickStart Breakfast programme was a finalist in the Sustainable Business Network Awards, in the category of Outstanding Collaboration.

Fonterra supported the Kindness Collective's Christmas Joy Store by hosting a 'Gifting Tree' on-site at Fanshawe Street, Home Straight and London Street, for staff to contribute unwrapped toys.

Nestlé Australia project

The past 12 months have been exceptionally challenging for people in need. Demand for food relief has gone up as people face financial pressures from COVID-19, recent floods as well as the Australian bushfires last year.

Fonterra Australia has supported Nestlé and Foodbank to create the first ever designed-for-Foodbank custom product – a MAGGI Hearty One Pot Casserole base, which includes milk powder made by Fonterra. Rolled out to Foodbanks across Australia and New Zealand, there are more than 1.2 million serves being made to help support people in need.

Business Performance Dashboard

Profit after tax
$546m
↑ from $364m

Total Group normalised EBIT[1]
$940m
↑ from $607m

Free cash flow[2]
$(30)m
↑ from $(849)m

Group Operations EBIT[3]
$501m
↑ from $89m

Global Markets EBIT[3]
$267m
↓ from $279m

Greater China EBIT[3]
$215m
↓ from $217m

New Zealand season to date milk collections
1,016m kgMS
↓ from 1,033m

Earnings per share
33c
↑ from 22c

Interim dividend per share
10c
↑ from 5c

Ingredients EBIT[3]
$911m
↑ from $417m

Foodservice EBIT[3]
$166m
↑ from $85m

Consumer EBIT[3]
$(94)m
↓ from $83m

Return on capital[2,4]
8.6%
↑ from 6.1%

1 Total Group includes continuing and discontinued operations.
2 Refer to the Glossary for definition.
3 Prepared on a normalised continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
4 Return on capital is calculated for the 12-months ended 31 January.

Total Group Performance

Our reported profit after tax is up 50%, from $364 million to $546 million for the first six months of the 2023 financial year, and we have confirmed an interim dividend of 10 cents per share.

Our performance for the first six months reflects favourable margins in our Ingredients channel driven mainly by demand for protein and cheese products across multiple markets at a time of constrained supply.

Our Foodservice channel earnings have also improved as our in-market product prices adjust to reflect the higher cost of milk. However, our Consumer channel earnings are down due to challenging market conditions and recognising impairments of our New Zealand consumer business and our Asia brands – Anlene™, Anmum™ and Chesdale™.

The global operating environment remains challenging with heightened market volatility, inflationary pressures, higher interest rates, as well as weather events impacting the global supply chain.

Our free cash flow for the first six months is more favourable relative to the same time last year, reflecting increased earnings and the sell down of additional inventory held at the end of the 2022 financial year.

Our increased earnings combined with the strength of our balance sheet has enabled us to pay an interim dividend of 10 cents per share.

Our normalised profit after tax increased 68%, or $247 million, to $611 million, driven by an increase in gross profit.

We have normalised $61 million of foreign exchange movements on derivatives related to hedging sale proceeds from Soprole and $4 million related to an impairment of our Hangu China farm.

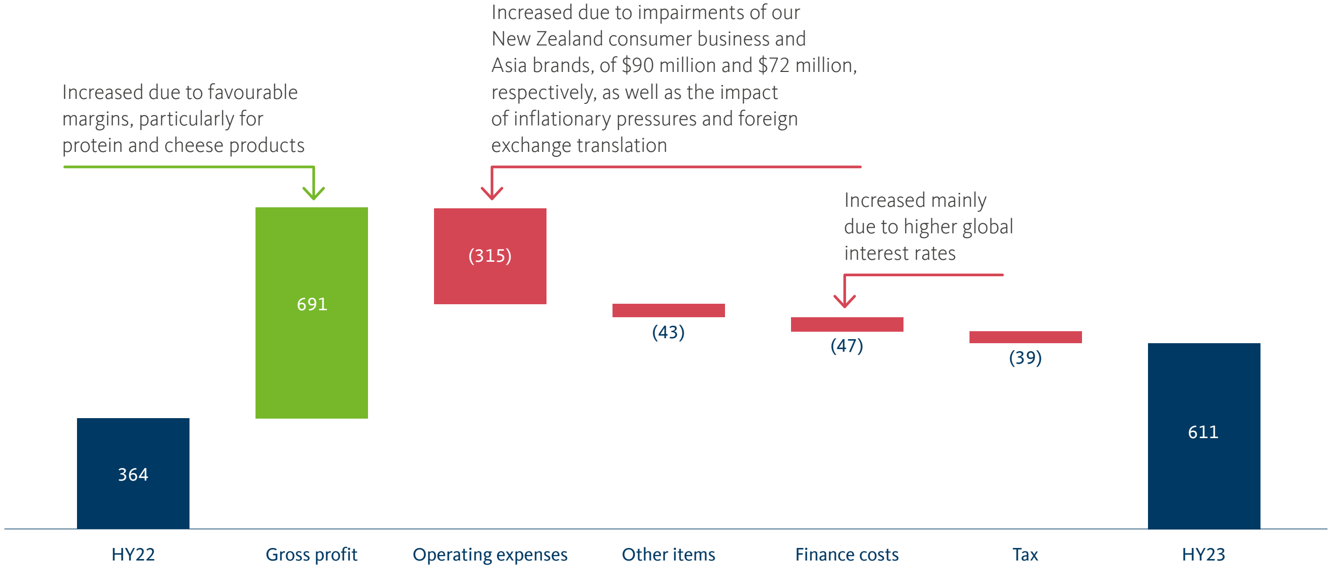
Our Total Group gross profit increased 43%, or $691 million, due to:

- higher product prices in our Ingredients channel, particularly for protein and cheese products
- increased sales volumes due to the sell down of additional inventory held at 2022 financial year-end

The improvement in Total Group gross profit was partially offset by an increase in operating expenses, including:

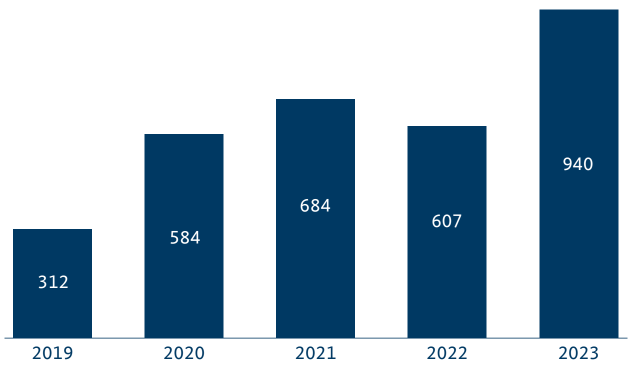
- the impairment of our New Zealand consumer business and our Asia brands (Anlene™, Anmum™ and Chesdale™), of $92 million and $70 million, respectively. See page 39.
- inflationary pressure felt across the business
- impact of foreign exchange translation

Normalised Profit After Tax[1]

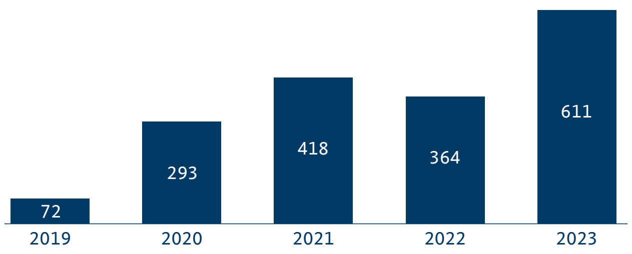


1 Normalised profit after tax includes amounts attributable to non-controlling interests.

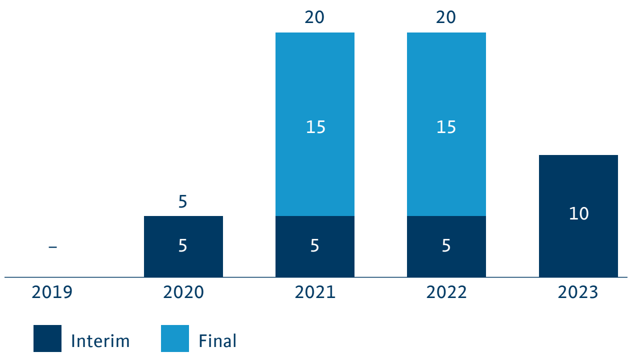
Total Group Normalised EBIT[1] ($ million)



Normalised Profit After Tax[1,2] ($ million)



Dividend Per Share (cents)



1 Figures are for the six months ended 31 January.
2 Includes amounts attributable to non-controlling interests.

Breakdown of Total Group Performance

FOR THE SIX MONTHS ENDED	31 JANUARY 2022			31 JANUARY 2023		
NORMALISED BASIS NZD MILLION	CONTINUING OPERATIONS[1]	DISCONTINUED OPERATIONS[1]	TOTAL GROUP	CONTINUING OPERATIONS[1]	DISCONTINUED OPERATIONS[1]	TOTAL GROUP
Sales volume ('000 MT)	1,623	298	1,921	1,699	295	1,994
Revenue	10,085	712	10,797	12,333	916	13,249
Cost of goods sold	(8,696)	(494)	(9,190)	(10,287)	(664)	(10,951)
Gross profit	1,389	218	1,607	2,046	252	2,298
Gross margin (%)	13.8%	30.6%	14.9%	16.6%	27.5%	17.3%
Operating expenses	(909)	(153)	(1,062)	(1,200)	(177)	(1,377)
Other[2]	63	(1)	62	18	1	19
Normalised EBIT	543	64	607	864	76	940
Normalisations[3]	–	–	–	–	(82)	(82)
EBIT	543	64	607	864	(6)	858

1 Refer to Note 1a and 2b of the 2023 Interim Financial Statements. Comparative information has been restated and re-presented 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.
3 Refer to the Non-GAAP Measures section.

Kerry & Scott, Oxford

Consistent with our strategy to focus on our New Zealand milk, we've made progress divesting our operations in Chile and Brazil.

In November 2022, we announced the agreement to sell Soprole to Gloria Foods – JORB S.A – a consumer dairy market leader in Peru. The divestment of Soprole comprises a number of transactions that result in an aggregate consideration of 591.07 billion Chilean Pesos, which translated to approximately NZ$1.055 billion in November. The aggregate consideration, which includes the receipt of dividends to 31 January 2023 from Soprole and the repayment of intercompany debt owing to Fonterra, is now expected to be approximately NZ$1.0 billion. Proceeds received by Fonterra at completion will be subject to relevant adjustments. On 23 February 2023, we announced that the sale had received approval from the competition authority in Chile. Completion of the sale remains subject to satisfaction of other conditions previously announced.

In December 2022, Fonterra and Nestlé agreed the sale of DPA Brazil to French dairy company Lactalis for BRL 700 million, which translated to approximately NZ$210 million in December, or NZ$212 million at 31 January 2023 foreign exchange rates. The proceeds at completion will be subject to closing transaction adjustments.

Fonterra's 51% share of the DPA Brazil sale proceeds will be used to repay debt related to that business and given the asset has been held for sale since 2020 there will be little cash impact on our earnings.

The DPA Brazil deal is expected to be completed by mid-2023, subject to regulatory authority approvals.

From 31 October 2022, due to the progress made on the divestment, Soprole meets the conditions to be classified as held for sale and the definition of a discontinued operation. In the prior period, our discontinued operations comprised DPA Brazil and our Hangu China farm. The comparative figures have been re-presented to include Soprole as a discontinued operation.

Fonterra's reportable segments are Group Operations and the two customer-facing regional business units, Global Markets and Greater China. Previously, the reportable segments were Asia Pacific; Africa, Middle East, Europe, North Asia and Americas (AMENA); and Greater China with the income statement of Group Operations attributed between the three regional business units. The reportable segments have been updated to reflect an organisational change to better support our strategy, with the previous results of the AMENA and Asia Pacific segments now combined into the new Global Markets segment and Group Operations is shown as a separate segment.

Group Operations represents the business activities that collect and process New Zealand milk through to selling the products to our customer-facing regional business units, Global Markets and Greater China. When products are sold from Group Operations to the regional business units, the internal transfer prices used are largely 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-commodity products.

The performance of Group Operations reflects the efficiency of our milk collection, manufacturing and supply chain operations, our ability to optimise our product mix, the impact of our price risk management tools as well as a significant portion of our business's volatility. This includes the impact of price relativities between reference products that inform the Farmgate Milk Price and non-reference products.

Our Greater China business unit includes the Ingredients, Foodservice and Consumer channels in Greater China, and Global Markets includes our Ingredients, Foodservice and Consumer channels outside of Greater China.

The performance of the regional business units reflects the in-market value added after purchasing the products from Group Operations at the transfer price.

	Group Operations	Global Markets	Greater China	Totals
External sales volume ('000 MT)		1,244 18% ↑	455 20% ↓	1,699 5% ↑
EBIT contribution (before unallocated costs & eliminations)				
Ingredients	$493m $346m ↑	$332m $145m ↑	$86m $3m ↑	$911m $494m ↑
Foodservice	$(6)m $40m ↑	$21m $16m ↑	$151m $25m ↑	$166m $81m ↑
Consumer	$14m $26m ↑	$(86)m $173m ↓	$(22)m $30m ↓	$(94)m $177m ↓
Total	$501m $412m ↑	$267m $12m ↓	$215m $2m ↓	

The table to the left shows our reportable segments on a normalised continuing operations basis. The sum of the individual segment EBITs (or product channel EBITs) in the table totals $983 million. After deducting unallocated costs and eliminations of $119 million, this results in an EBIT from continuing operations of $864 million.

For the first six months of 2023 financial year:

- **Group Operations normalised EBIT increased $412 million to $501 million,** due to favourable margins in the Ingredients channel. This was driven by higher pricing of the non-reference product portfolio, particularly casein and caseinate in our protein portfolio as well as cheese products, relative to the reference products portfolio that informs the Farmgate Milk Price
- **Global Markets normalised EBIT decreased $12 million to $267 million.** Global Markets' Ingredients channel in-market earnings increased by $145 million mainly due to higher sales volumes and improved pricing. However, this was offset by impairments in Global Markets' Consumer channel of our New Zealand Consumer business and our Asia brands (Anmum™, Anlene™ and Chesdale™), of $92 million and $46 million, respectively. See page 39.
- **Greater China normalised EBIT decreased $2 million to $215 million.** Greater China's Foodservice channel in-market earnings increased by $25 million as prices adjusted for the higher cost of milk. However, this was offset by an impairment in Greater China's Consumer channel of $24 million to our Anlene™ brand. See page 39.

Financial Discipline

Total Group normalised operating expenses are $1,377 million, up $315 million on the prior period.

Operating Expenses[1]

FOR THE YEAR ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	2022	2023
Costs allocated to business units		
Selling & marketing	266	292
Distribution & storage	225	253
Administration	286	308
Research & development	40	45
Other	48	46
Impairments	–	162
Total allocated operating expenses	865	1,106
Unallocated costs	44	94
Operating expenses from continuing operations	909	1,200
Operating expenses from discontinued operations	153	177
Total Group operating expenses	1,062	1,377

1 Comparative information has been restated and re-presented for consistency with the current period.

Operating expenses are up due to consumer brand impairments, inflationary pressures, foreign exchange translation and the release of a provision in the prior period.

We recognised an impairment of our New Zealand consumer business and of our Asia brands (Anmum™, Anlene™ and Chesdale™), of $92 million and $70 million, respectively. See page 39.

Inflationary pressures have been felt across the business in the majority of the operating expense categories.

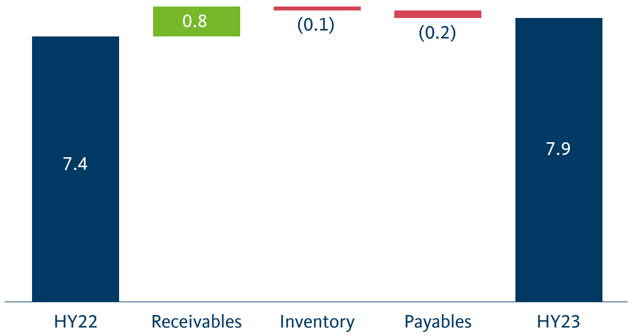
Relative to the comparable period the New Zealand dollar is weaker. Therefore, the foreign exchange translation of offshore operating expenses to New Zealand dollars contributes to the reported increase in operating expenses.

Unallocated costs increased due to the prior period including the release of a 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.

Te Awamutu

We remain committed to a strong balance sheet, providing resilience at a time of heightened global volatility and capacity to progress our strategy.

Net Working Capital as at 31 January ($ billion)



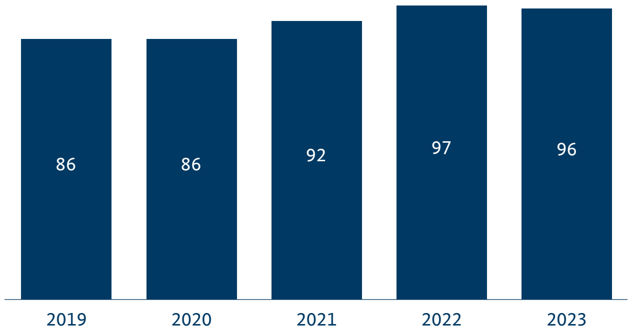
Note: Includes amounts attributable to disposal groups held for sale.

As at 31 January 2023, our working capital increased $0.5 billion reflecting higher receivables due to higher product prices and sales phasing, partially offset by:

- lower value of inventory due to both a reduction in volume and the lower milk cost
- higher payables due to increased operating costs

These figures are before taking into account Suppliers Payable, the amount owing to farmer suppliers. Suppliers Payable were $3.7 billion as at 31 January 2023, reducing net working capital to $4.2 billion.

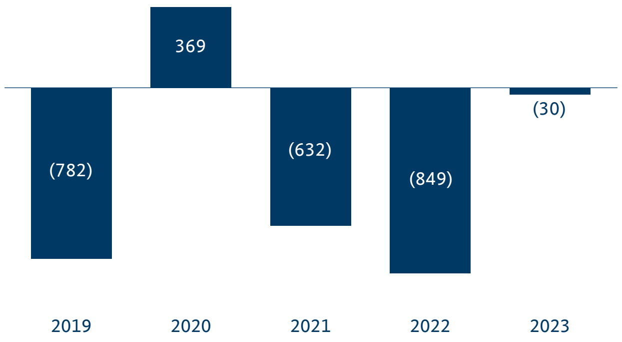
Working Capital Days[1] as at 31 January



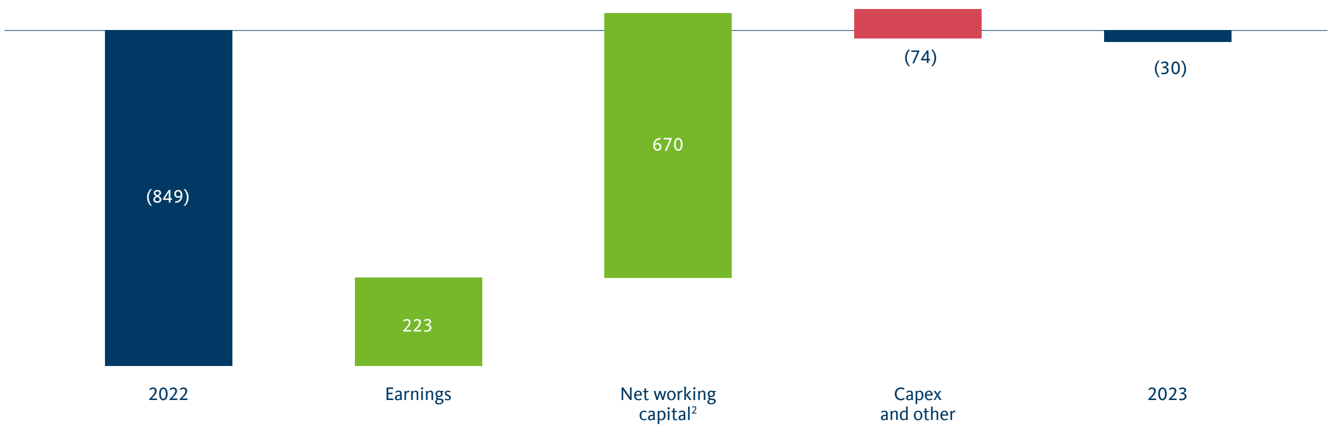
1 Refer to the Glossary for definition. Working capital days are presented on a 12-month rolling average basis. The prior periods have been re-presented for consistency with the current period. Previously they were presented on a year-to-date basis.

Working capital days have decreased by one day relative to the prior year. The increase in the average working capital dollar amount has been offset by higher product prices increasing the average daily sales value.

Free Cash Flow[1] 5-Year Trend ($ million)



Movements in Free Cash Flow ($ million)



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

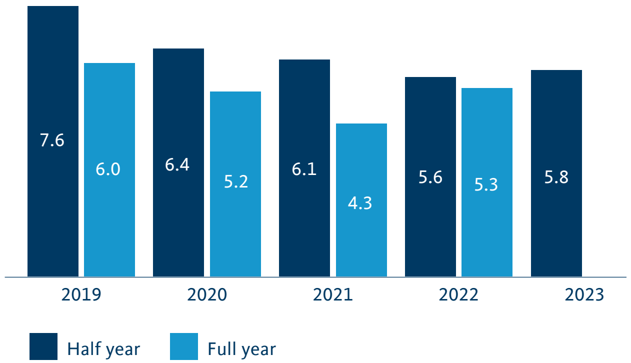
For the six months ending 31 January 2023 free cash flow was a $30 million outflow, which is $819 million favourable to last year and reflects:

- increased cash earnings
- favourable working capital movements due to shipping the additional inventory held at the 2022 financial year-end


Scott, Fortrose

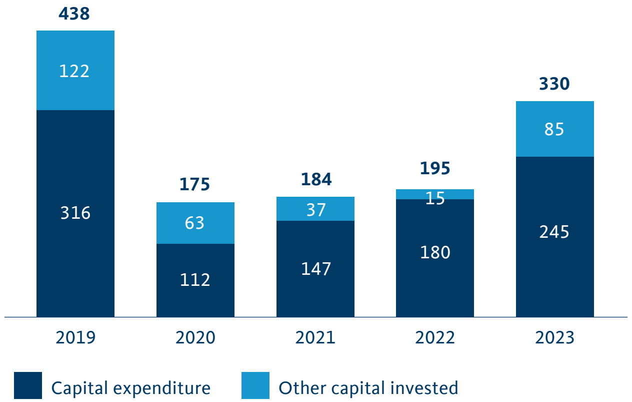
Note: Figures are for the six months ended 31 January.
1 Refer to the Glossary for definition.
2 Includes amounts owing to suppliers.

Net Debt[1] ($ billion)



1 Refer to the Glossary for definition.

Capital Invested[1] ($ million)



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

Currently, our key capital projects include:

- the conversion of a coal boiler at our Waitoa site to a 30MW biomass boiler that uses renewable wood biomass energy. This is expected to be completed in the 2024 financial year and reduce emissions by 48,000 tCO_2-e per year. We also expect to complete the conversion of a coal boiler at our Stirling site to an 11MW biomass boiler this year which is expected to reduce emissions by 18,500 tCO_2-e per year
- responding to wastewater regulatory requirements at our Tirau site by upgrading our river discharge process to align with our resource consent
- progress on our annual truck and trailer replacement and on-farm milk vat replacement programmes across New Zealand to drive operating efficiencies

Our net debt has steadily decreased from 2019 to 2022 half year through increased financial discipline and an integrated approach to capital management. The key drivers have been proceeds from divestments as we aligned our asset portfolio with our strategy, reduced capital investments, and improved underlying operating performance.

The increase in year-end net debt last year was mainly due to the decisions regarding sales phasing and the impact of shipping delays that resulted in higher inventory at year-end, which has been sold in the current financial year.

At 31 January 2023, our net debt increased by $0.2 billion relative to the same time last year, due to higher working capital requirements, which were largely offset by increased earnings.

Our total capital invested in the first six months of the 2023 financial year was in line with our expectations and with our planned increase in total capital invested for the full year.

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 and distribution assets to be undertaken during the winter period.

We have increased our capital expenditure year-on-year to improve factory water processing, respond to regulatory requirements, reduce emissions and maintain the integrity and reliability across the network of processing, distribution and technology assets.

Other capital invested increased due to the renewal of a lease on consumer manufacturing assets.

Reportable Segments

Fonterra's reportable segments are Group Operations and our two customer-facing regional business units, Global Markets and Greater China, as presented below.

Group Operations represents the business activities that collect and process New Zealand milk through to selling products to our customer-facing regional business units, Global Markets and Greater China. When products are sold from Group Operations to the regional business units, the internal transfer prices used are largely 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-commodity products.

The performance of Group Operations reflects the efficiency of our milk collection, manufacturing and supply chain operations, our ability to optimise our product mix, the impact of our price risk management tools as well as a significant portion of our business's volatility, including the impact of price relativities between reference products that inform the Farmgate Milk Price and non-reference products.

Our Greater China business unit includes the Ingredients, Foodservice and Consumer channels in Greater China, and our Global Markets business unit includes our Ingredients, Foodservice and Consumer channels outside of Greater China.

The performance of the regional business units reflects the in-market value added after purchasing the products from Group Operations at the transfer price.

Reportable Segments[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	GROUP OPERATIONS		GLOBAL MARKETS		GREATER CHINA		UNALLOCATED COSTS AND ELIMINATIONS		TOTAL	
NORMALISED BASIS NZD MILLION	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Sales volume ('000 MT)[2]	1,264	1,345	1,075	1,272	566	455	(1,282)	(1,373)	1,623	1,699
Revenue	7,705	9,691	6,545	9,424	3,499	3,496	(7,664)	(10,278)	10,085	12,333
Cost of goods sold	(7,363)	(8,855)	(5,831)	(8,546)	(3,154)	(3,134)	7,652	10,248	(8,696)	(10,287)
Gross profit	342	836	714	878	345	362	(12)	(30)	1,389	2,046
Operating expenses	(286)	(336)	(450)	(624)	(129)	(146)	(44)	(94)	(909)	(1,200)
Other[3]	33	1	15	13	1	(1)	14	5	63	18
EBIT	89	501	279	267	217	215	(42)	(119)	543	864
Gross margin	4.4%	8.6%	10.9%	9.3%	9.9%	10.4%			13.8%	16.6%
EBIT margin	1.2%	5.2%	4.3%	2.8%	6.2%	6.1%			5.4%	7.0%

1 Performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
2 Includes sales to other segments.
3 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.

Our previous reportable segments were Asia Pacific; Africa, Middle East, Europe, North Asia and Americas (AMENA); and Greater China with the income statement of Group Operations attributed between the three regional business units.

In June 2022, we announced changes to our organisational structure to better support our strategy, following the strategy refresh announced in September 2021. Effective from 1 October 2022, our Asia Pacific and AMENA business units were merged into a combined Global Markets business unit. The reportable segments have been updated to reflect the changes and include Group Operations as a reportable segment.

Additionally, from 31 October 2022, Soprole meets the conditions to be classified as held for sale and the definition of a discontinued operation and is excluded from the reportable segment figures. The comparative information has been restated and re-presented to reflect the change in the Group's reportable segments.

The table to the right reflects the performance of our regional business units, Global Markets and Greater China, with Group Operations attributed between them. This presentation provides an end-to-end view of performance for the two customer-facing regional business units, consistent with how the segments were reported in the last two financial years.

EBIT Contribution by Segment[1]

1 Prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.

End-to-End Regional Business Unit Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	GLOBAL MARKETS		GREATER CHINA		UNALLOCATED COSTS AND ELIMINATIONS		TOTAL	
NORMALISED BASIS NZD MILLION	2022	2023	2022	2023	2022	2023	2022	2023
Sales volume ('000 MT)	1,055	1,244	568	455	–	–	1,623	1,699
Revenue	6,646	9,106	3,439	3,227	–	–	10,085	12,333
Cost of goods sold	(5,709)	(7,623)	(2,985)	(2,641)	(2)	(23)	(8,696)	(10,287)
Gross profit	937	1,483	454	586	(2)	(23)	1,389	2,046
Operating expenses	(629)	(858)	(234)	(243)	(46)	(99)	(909)	(1,200)
Other[2]	42	21	15	(6)	6	3	63	18
EBIT[3]	350	646	235	337	(42)	(119)	543	864
Includes Group Operations attribution[4]	71	379	18	122	–	–	–	–
Gross margin	14.1%	16.3%	13.2%	18.2%	–	–	13.8%	16.6%
EBIT margin	5.3%	7.1%	6.8%	10.4%	–	–	5.4%	7.0%

1 Performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented 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.
3 Includes Group Operations attribution.
4 This is included in Global Markets and Greater China's EBIT.

Group Operations

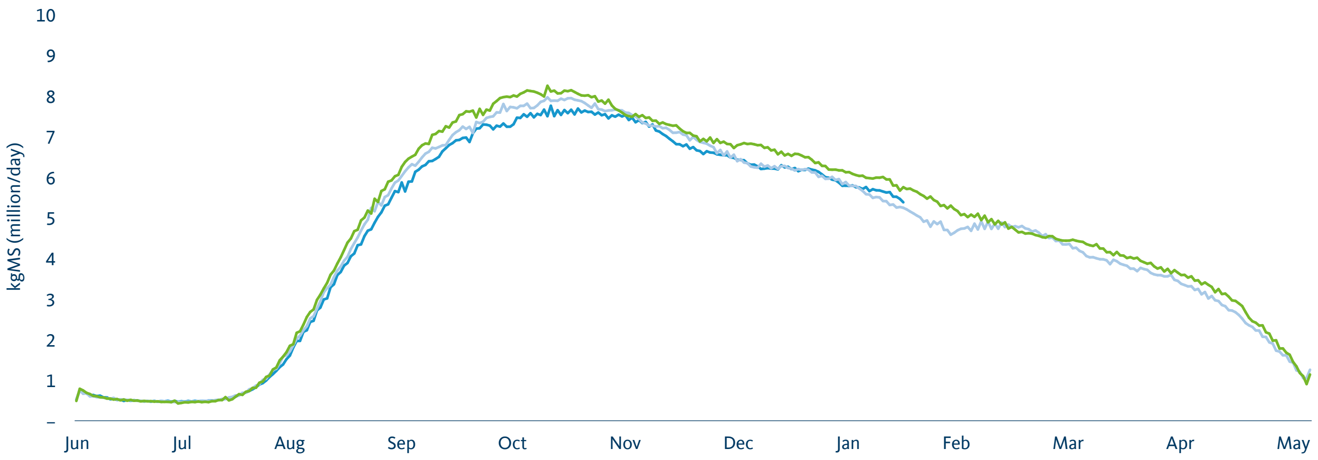
Group Operations represents the business activities from collecting and processing New Zealand milk, through to selling products to our customer-facing regional business units, Global Markets and Greater China.

It is comprised of three functions;

- Chief Operating Office (COO), which includes New Zealand milk collection and processing operations, supply chain, Group IT, Safety and Food Safety
- Fonterra Farm Source™ retail stores
- Strategy and Optimisation (S&O). This includes optimising the New Zealand milk pool, product pricing support for the regions, managing Fonterra's dairy and non-dairy price risk and providing price risk management tools to both our customers and farmers.

Milk Supply and Collection

Fonterra's New Zealand Milk Production



Season	Milk Solids Produced (full season)
2020/21	1,539m kgMS
2021/22	1,478m kgMS
2022/23	1,465m kgMS[1]

1 Current full season forecast

Our New Zealand milk collections from 1 June 2022 to 31 January 2023 were 1,016 million kgMS, down 1.6%, or 17 million kgMS on last season.

Challenging wet weather conditions throughout the North Island combined with dry conditions in the South Island have reduced milk production this season compared to the prior season. Our full season forecast has been revised to 1,465 million kgMS, down from our previous forecast of 1,480 million kgMS.

We use three key milk collection transport metrics to monitor the efficiency of our milk transport – milk collection costs, timeliness of collecting milk, and fuel efficiency of collecting milk.

The rise in global diesel prices has meant the cost of collecting milk is tracking ahead of last year, despite the first six months of this year benefiting from the New Zealand Government's temporary Road User Charges reduction scheme.

Late delivery of milk collection trucks from Australia has slightly elevated maintenance and fuel costs on the older fleet. The higher fuel costs have been offset by further improvements in fuel burn efficiency, which continues to track favourably.

Our New Zealand milk collection team continues to use new technology and processes to improve fleet size and efficiency. On-farm milk vat monitoring technology continues to deliver efficiencies and has allowed us to reduce our total New Zealand fleet size by ten tankers in the 2022/23 season, with further reductions planned next season.

Manufacturing

Within our New Zealand manufacturing operations, we have optimised our product mix by allocating a higher proportion of this season's milk solids to protein and cheese products and less to whole milk powder. Milk utilisation (the proportion of milk solids made into products) has been impacted by the shift to a more complex product mix as greater processing losses occur, but on a net basis provide greater earnings to the Co-operative and represent the greatest overall return for our milk solids.

To continue to improve milk utilisation, as our product mix shifts to more complex products, we are investing in optimising the composition of these products. For example, at our Hautapu and Maungatoroto sites, we have worked on stabilising the composition of rennet casein across the season to ensure consistency of our final product as well as improve product yield.

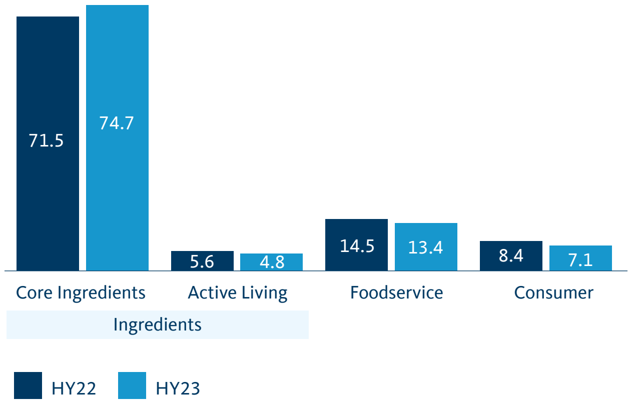
Our other two key manufacturing metrics, Cost of Quality and Product made 'right first time' are both tracking favourably.


Neil & Adriana, Te Rapa

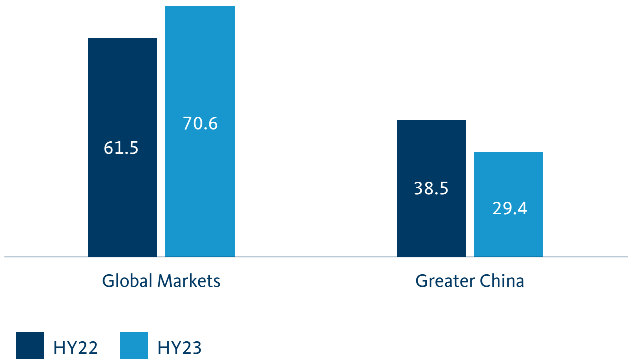
Allocation of milk solids

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

Sale of Product Channel (% of milk solids)



Sale by Region (% of milk solids)



A key driver of our strategy and earnings growth is shifting our New Zealand milk into higher margin products, particularly in our Active Living portfolio and Foodservice channels.

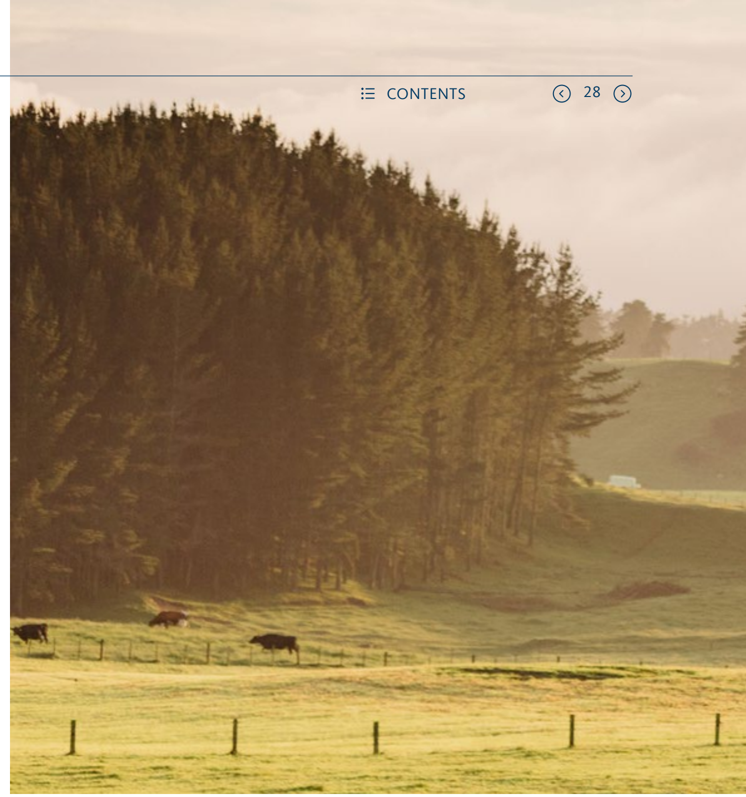
This year, due to the sell down of the additional 2022 financial year Core Ingredients inventory and in-market challenges, we are selling a higher proportion of our milk solids through our Core Ingredients channel and a lower proportion through our higher margin channels.

Our Active Living portfolio was impacted by lower demand from USA resulting from customers' current manufacturing constraints and high in-market inventory.

Our Foodservice channel experienced softer volume demand from our Greater China region.

Our Consumer channel experienced lower sales volume to Sri Lanka due to the economic crisis limiting repatriation of USD currency.

On a regional basis, Global Markets sales teams secured new contracts and tenders taking a higher proportion of milk solids, which offset the softer demand in Greater China.



Global Supply Chain

Our global supply chain continues to be impacted in several areas including port congestion, and weather events contributing to landside supply chain issues. Shipping schedule integrity remains below 40%, compared to a long-term average of 80%, with high volumes of sales and shipping orders requiring rescheduling and excessive manual intervention.

During the first half of 2023 financial year, we have leveraged our strategic relationships with our logistics partners to secure additional shipping capacity to sell down the additional inventory we held at the 2022 financial year-end. We expect the global supply chain environment to remain challenging.

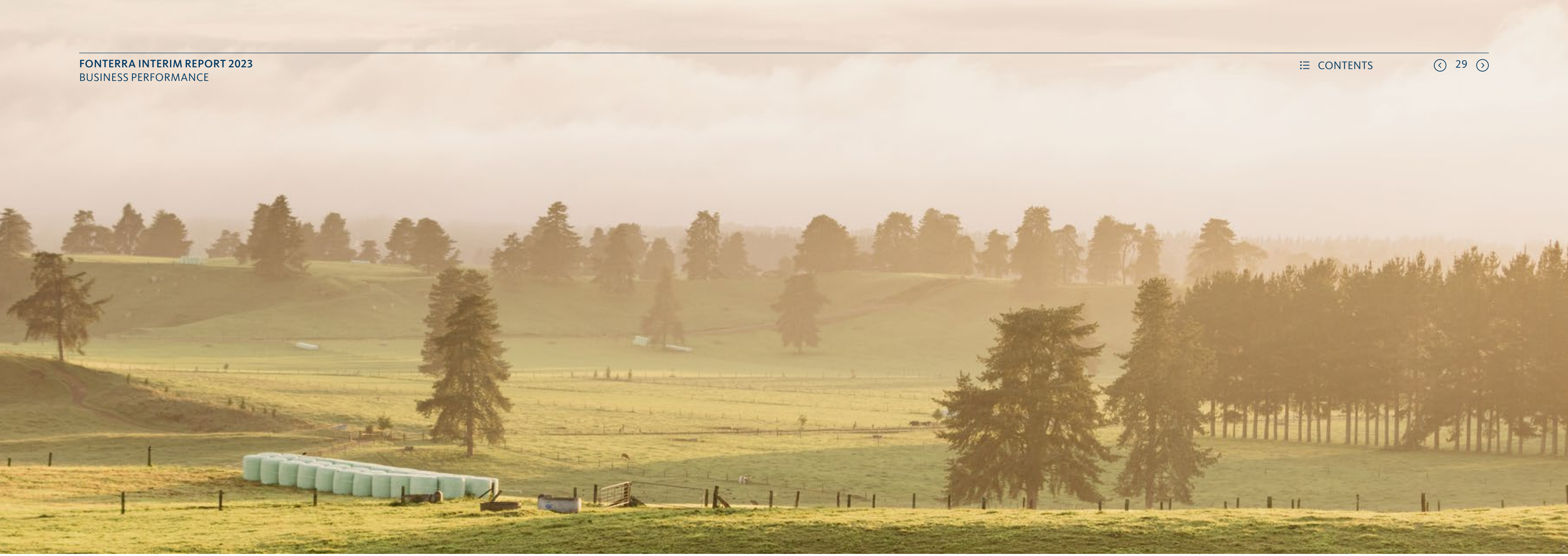
Group Operations performance

Group Operations revenue is derived from selling products to our two in-market selling regions, Global Markets and Greater China. When products are sold from Group Operations to our in-market regions, the internal transfer prices are largely determined by market-based reference prices (e.g. GDT and other external benchmarks) and include charges, where appropriate, to reflect the additional specification costs to make the product. The internal pricing is reviewed weekly for Ingredients products and either monthly or quarterly for Consumer and Foodservice products.

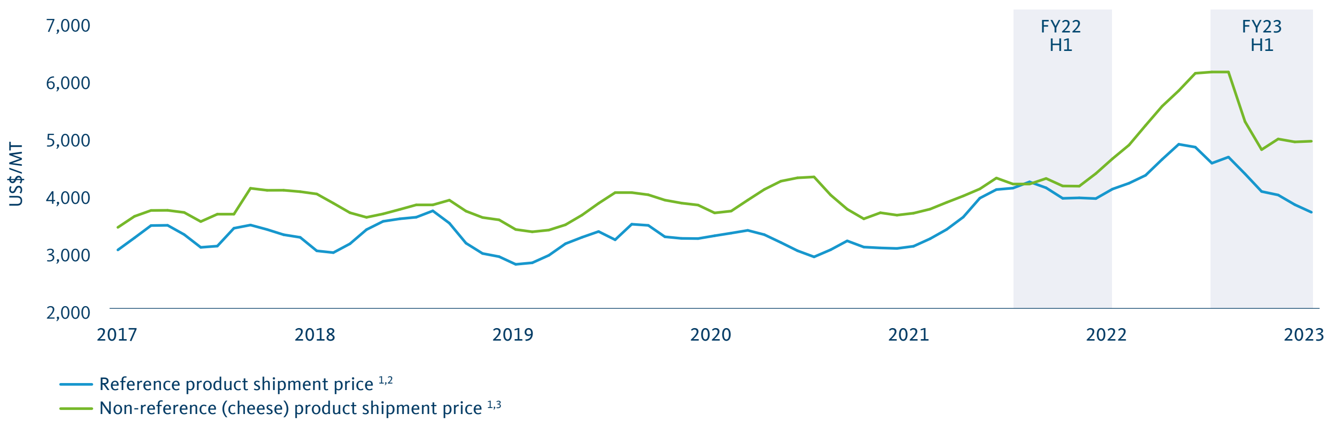
Group Operations Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]
Sales volume ('000 MT)[3]	1,264	1,345	6%	963	1,049	9%	199	171	(14)%	102	125	23%
Revenue	7,705	9,691	26%	6,238	7,900	27%	864	1,033	20%	603	758	26%
Cost of goods sold	(7,363)	(8,855)	(20)%	(5,890)	(7,136)	(21)%	(875)	(1,002)	(15)%	(598)	(717)	(20)%
Gross profit	342	836	144 %	348	764	120%	(11)	31	–	5	41	720%
Operating expenses	(286)	(336)	(17)%	(225)	(274)	(22)%	(41)	(36)	12%	(20)	(26)	(30)%
Other[4]	33	1	(97)%	24	3	(88)%	6	(1)	–	3	(1)	–
EBIT	89	501	463%	147	493	235%	(46)	(6)	87%	(12)	14	–
Gross margin	4.4%	8.6%		5.6%	9.7%		(1.3)%	3.0%		0.8%	5.4%	
EBIT margin	1.2%	5.2%		2.4%	6.2%		(5.3%)	(0.6)%		(2.0)%	1.8%	

1 Group Operations performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the 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.



Reference and Non-Reference Price Relativities



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

2 Reference product shipment price is represented by a weighted average of the whole milk powder, skim milk powder, anhydrous milk fat and butter prices achieved on GlobalDairyTrade.

3 Non-reference product shipment price is represented by the cheddar prices achieved on GlobalDairyTrade.

Group Operations EBIT was $501 million, an increase of $412 million, or 463%, on the prior comparable period.

A key driver of EBIT in Group Operations is the relative price difference between product prices that inform the Farmgate Milk Price, referred to as reference products, and the product prices of non-reference products.

The graph to the left illustrates these prices relativities. The graph uses cheddar cheese as a proxy for non-reference products. Price relativities for other proteins, such as casein and caseinates, have been even more favourable than cheddar.

The favourable price relativities, particularly in our protein and cheese portfolios, have driven the improved gross margin from 4.4% to 8.6%.

The increase in gross profit has been partially offset by higher operating expenditure. Our supply chain costs have increased due to inflationary pressures, supply chain disruption and incurring additional storage costs due to the impact of holding higher inventory at the start of the 2023 financial year.

'Other' is down $32 million, to $1 million, reflecting foreign exchange movements in our net receivables due to timing differences between the processing and hedging of invoices.

Regional performance

The performance of the regional business units reflects the in-market value added after purchasing the products from Group Operations at the transfer price.

Global Markets

Our Global Markets business covers our sales regions outside of the Greater China region, which includes Middle East, Africa, Europe, North Asia, Americas, New Zealand, Australia, Pacific Islands, South East Asia and South Asia.

Global Markets' normalised EBIT decreased $12 million to $267 million. Global Markets' Ingredients channel earnings increased, mainly due to higher sales volumes and improved product pricing. However, this was offset by impairments of our New Zealand consumer business and our Asia brands (Anmum™, Anlene™ and Chesdale™) which have been recognised as an operating expense in the Consumer channel. See page 39.

On an end-to-end basis (including Group Operations' attribution), Global Markets' EBIT increased 85%, or $296 million to $646 million, driven by Group Operations attribution, reflecting favourable price relativities in the Ingredients channel, particularly in our protein and cheese portfolios.

Global Markets Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]
Sales volume ('000 MT)[3]	1,075	1,272	18%	651	848	30%	132	141	7%	292	283	(3)%
Revenue	6,545	9,424	44%	4,498	6,960	55%	696	941	35%	1,351	1,523	13%
Cost of goods sold	(5,831)	(8,546)	(47)%	(4,179)	(6,480)	(55)%	(605)	(840)	(39)%	(1,047)	(1,226)	(17)%
Gross profit	714	878	23%	319	480	50%	91	101	11%	304	297	(2)%
Operating expenses	(450)	(624)	(39)%	(144)	(158)	(10)%	(87)	(79)	9%	(219)	(387)	(77)%
Other[4]	15	13	(13)%	12	10	(17)%	1	(1)	–	2	4	100%
EBIT	279	267	(4)%	187	332	78%	5	21	320%	87	(86)	–
Gross margin	10.9%	9.3%		7.1%	6.9%		13.1%	10.7%		22.5%	19.5%	
EBIT margin	4.3%	2.8%		4.2%	4.8%		0.7%	2.2%		6.4%	(5.6)%	

1 Global Markets performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the 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.

Global Markets – End-to-End Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]
Sales volume ('000 MT)	1,055	1,244	18%	635	827	30%	130	137	5%	290	280	(3)%
Revenue	6,646	9,106	37%	4,611	6,743	46%	683	891	30%	1,352	1,472	9%
Cost of goods sold	(5,709)	(7,623)	(34)%	(4,074)	(5,694)	(40)%	(595)	(793)	(33)%	(1,040)	(1,136)	(9)%
Gross profit	937	1,483	58%	537	1,049	95%	88	98	11%	312	336	8%
Operating expenses	(629)	(858)	(36)%	(299)	(370)	(24)%	(94)	(87)	7%	(236)	(401)	(70)%
Other[3]	42	21	(50)%	35	19	(46)%	2	–	(100)%	5	2	(60)%
EBIT[4]	350	646	85%	273	698	156%	(4)	11	–	81	(63)	–
EBIT attribution from Group Operations[5]	71	379	434%									
Gross margin	14.1%	16.3%		11.6%	15.6%		12.9%	11.0%		23.1%	22.8%	
EBIT margin	5.3%	7.1%		5.9%	10.4%		(0.6)%	1.2%		6.0%	(4.3)%	

1 Global Markets' performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the 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, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
4 Includes Group Operations attribution.
5 This is included in Global Markets' EBIT.

Australia

Our Australia business is part of the Global Markets region.

Australia Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]
Milk collection (million kgMS)	68	66	(2)%
Sales volume ('000 MT)[3]	172	181	5%
Revenue	916	1,253	37%
Cost of goods sold	(779)	(1,082)	(39)%
Gross profit	137	171	25%
Operating expenses	(79)	(97)	(23)%
Other[3]	1	–	–
EBIT	59	74	25%
Gross margin	15.0%	13.6%	

1 Australia's performance is prepared on a continuing operations basis.
2 Percentages as shown in the 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).

Fonterra's milk collections in Australia are down 2% relative to the prior season as a result of unseasonably wet spring conditions impacting peak milk production.

Our Australian business' normalised EBIT increased $15 million to $74 million. The first half performance was driven by the Ingredients channel's ability to capture favourable global pricing, particularly in cheese and proteins products, offsetting the rising cost of milk. Robust demand continues to drive performance in the Consumer and Foodservice channels, however, margins have been negatively impacted due to our in-market price increases lagging the rising cost of milk.

Greater China

The Greater China business covers our Greater China sales region.

Greater China's normalised EBIT decreased $2 million to $215 million. Greater China's Foodservice channel earnings increased as in-market prices continue to adjust for the higher cost of milk. However, this was offset by an impairment in Greater China's Consumer channel of our Anlene™ brand. See page 39.

On an end-to-end basis (including Group Operations attribution), Greater China's EBIT increased 43%, or $102 million to $337 million, reflecting favourable price relativities in the Ingredients channel, particularly in our protein and cheese portfolios.

Greater China Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]
Sales volume ('000 MT)	566	455	(20)%	377	279	(26)%	146	137	(6)%	43	39	(9)%
Revenue	3,499	3,496	–	2,284	2,153	(6)%	1,004	1,127	12%	211	216	2%
Cost of goods sold	(3,154)	(3,134)	1%	(2,181)	(2,044)	6%	(823)	(923)	(12)%	(150)	(167)	(11)%
Gross profit	345	362	5%	103	109	6%	181	204	13%	61	49	(20)%
Operating expenses	(129)	(146)	(13)%	(21)	(22)	(5)%	(55)	(53)	4%	(53)	(71)	(34)%
Other[3]	1	(1)	–	1	(1)	–	–	–	–	–	–	–
EBIT	217	215	(1)%	83	86	4%	126	151	20%	8	(22)	–
Gross margin	9.9%	10.4%		4.5%	5.1%		18.0%	18.1%		28.9%	22.7%	
EBIT margin	6.2%	6.1%		3.6%	4.0%		12.5%	13.4%		3.8%	(10.2)%	

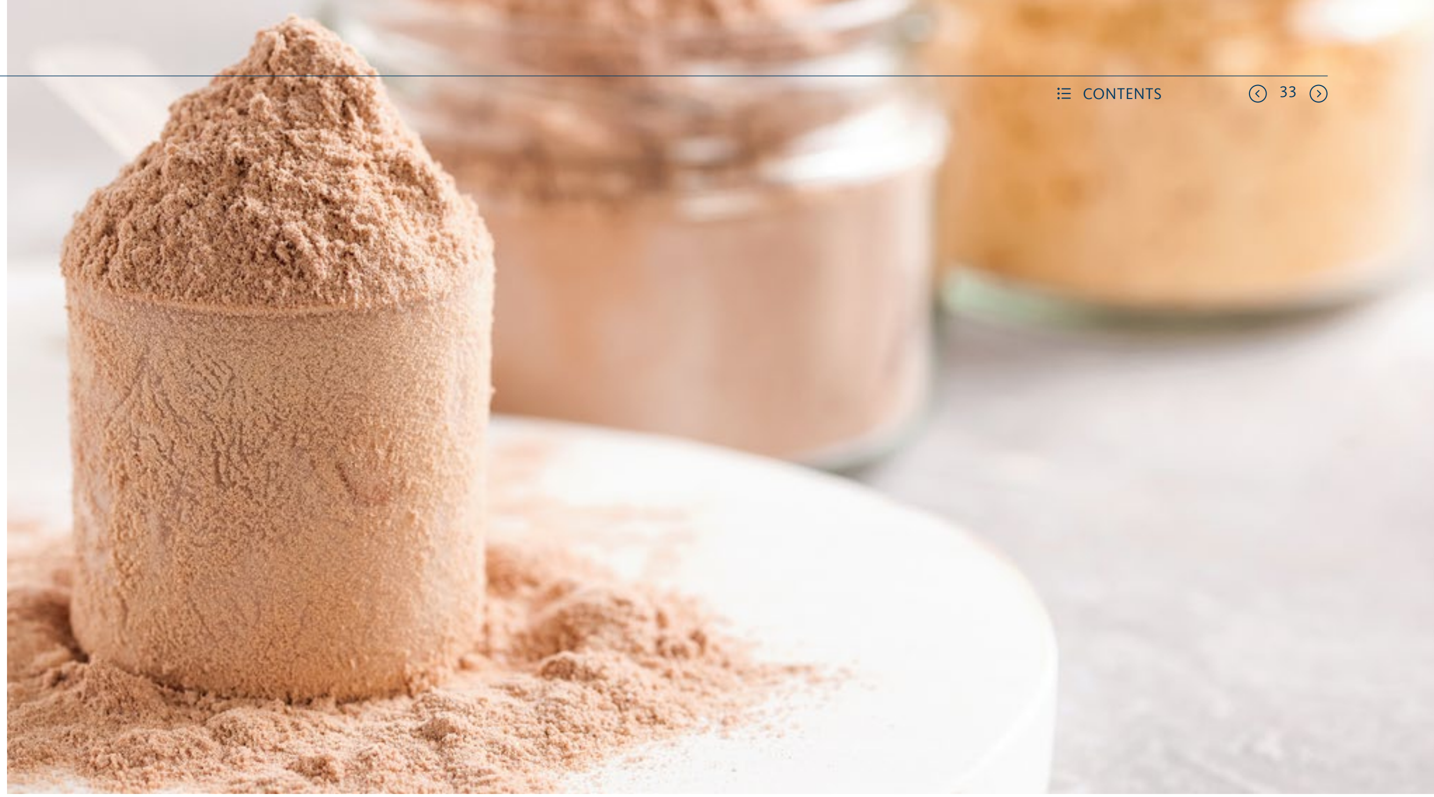
1 Greater China performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.

Greater China – End-to-End Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]
Sales volume ('000 MT)	568	455	(20)%	378	279	(26)%	146	137	(6)%	44	39	(11)%
Revenue	3,439	3,227	(6)%	2,237	1,992	(11)%	991	1,037	5%	211	198	(6)%
Cost of goods sold	(2,985)	(2,641)	12%	(2,014)	(1,694)	16%	(818)	(800)	2%	(153)	(147)	4%
Gross profit	454	586	29%	223	298	34%	173	237	37%	58	51	(12)%
Operating expenses	(234)	(243)	(4)%	(89)	(82)	8%	(89)	(81)	9%	(56)	(80)	(43)%
Other[3]	15	(6)	–	10	(3)	–	5	(1)	–	–	(2)	–
EBIT[4]	235	337	43%	144	213	48%	89	155	74%	2	(31)	–
EBIT attribution from Group Operations[5]	18	122	578%									
Gross margin	13.2%	18.2%		10.0%	15.0%		17.5%	22.9%		27.5%	25.8%	
EBIT margin	6.8%	10.4%		6.4%	10.7%		9.0%	14.9%		0.9%	(15.7)%	

1 Greater China performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the 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, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.
4 Includes Group Operations attribution.
5 This is included in Greater China's EBIT.



Ingredients

Our Ingredients channel EBIT increased $494 million, or 118%, to $911 million, due to continued favourable margins in our protein and cheese portfolio, as well as higher sales volumes.

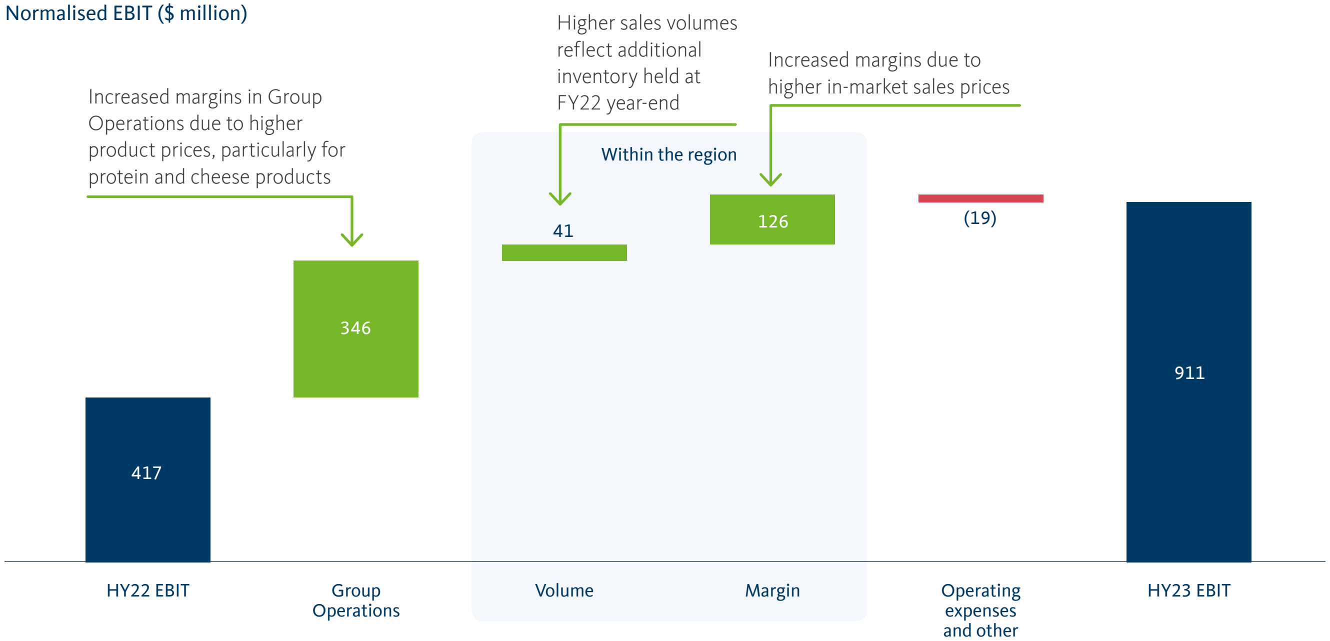
Ingredients Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			GROUP OPERATIONS			GLOBAL MARKETS			GREATER CHINA			ELIMINATIONS	
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023
Sales volume ('000 MT)[3]	1,013	1,106	9%	963	1,049	9%	651	848	30%	377	279	(26)%	(978)	(1,070)
Revenue	6,848	8,735	28%	6,238	7,900	27%	4,498	6,960	55%	2,284	2,153	(6)%	(6,172)	(8,278)
Cost of goods sold	(6,088)	(7,388)	(21)%	(5,890)	(7,136)	(21)%	(4,179)	(6,480)	(55)%	(2,181)	(2,044)	6%	6,162	8,272
Gross profit	760	1,347	77%	348	764	120%	319	480	50%	103	109	6%	(10)	(6)
Operating expenses	(388)	(452)	(16)%	(225)	(274)	(22)%	(144)	(158)	(10)%	(21)	(22)	(5)%	2	2
Other[4]	45	16	(64)%	24	3	(88)%	12	10	(17)%	1	(1)	–	8	4
EBIT	417	911	118%	147	493	235%	187	332	78%	83	86	4%	–	–
Gross margin	11.1%	15.4%		5.6%	9.7%		7.1%	6.9%		4.5%	5.1%			
EBIT margin	6.1%	10.4%		2.4%	6.2%		4.2%	4.8%		3.6%	4.0%			

1 Ingredients performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the 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.

Ingredients: Key Performance Drivers[1]

Normalised EBIT ($ million)



1 Ingredients performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.

The higher sales volumes reflect the sell down of additional inventory held at 2022 financial year-end.

The Global Markets sales teams secured new contracts and tenders in both the Asia Pacific and Africa regions to support the sell down of additional inventory held at 2022 year-end and offset the softer demand in the Greater China region. Additionally, sales volumes in our cream portfolio to European customers increased as the price of New Zealand cream products traded below European cream products. Global Markets Ingredients sales volumes increased 30%, relative to the comparable period.

Greater China's sales volumes of Ingredients decreased relative to the comparative period, due to demand for dairy products being impacted by COVID-19. This resulted in local milk processors converting excess liquid milk into whole milk powder (WMP), reducing the demand for imported WMP.

Gross profit has increased in Group Operations and in both regions mainly due to favourable margins in our protein and cheese portfolios.

A key driver of the favourable margins in our protein and cheese portfolio is the relative price difference between product prices that inform the Farmgate Milk Price, referred to as reference products, and product prices of non-reference products.

New Zealand sourced Ingredients' product mix[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	2022	2023	CHANGE[2]
Sales Volume ('000 MT)			
Reference products	793	857	8%
Non-reference products	415	430	4%
Revenue			
Reference products ($ billion)	4.7	5.6	19%
Non-reference products ($ billion)	2.6	3.5	35%
Reference products ($ per MT)	5,916	6,584	11%
Non-reference products ($ per MT)	6,221	8,146	31%
Cost of Milk			
Reference products ($ billion)	3.7	4.3	16%
Non-reference products ($ billion)	1.7	1.8	6%
Reference products ($ per MT)	4,702	5,042	7%
Non-reference products ($ per MT)	4,144	4,256	3%

1 Table includes Ingredient products that are on-sold to the Foodservice and Consumer channels and excludes bulk liquid milk. Bulk liquid milk for 2023 was 35,000 MT of kgMS equivalent (for the comparative period it was 34,000 MT of kgMS equivalent). Milk solids used in the reference products sold were 482 million kgMS and 220 million kgMS in the non-reference products (for the comparative period 441 million kgMS in reference products and 207 million kgMS in non-reference products).

2 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.

The average non-reference product sale price per metric tonne has increased 31%, with significant price increases across most products compared to the same period last year. Prices for casein, milk protein concentrate (MPC) and whey protein concentrate (WPC) have all increased over 40% as product price increases that occurred over the last six months of the 2022 financial year have carried through into the first six months of the 2023 financial year.

The milk cost allocated to our products is derived from the fat and protein values within the Farmgate Milk Price. Within the reference products that inform the Farmgate Milk Price, weakness in the WMP price and the strength of butter and anhydrous milk fat (fat-based products) prices has resulted in the protein based dairy components getting a lower allocation of milk cost, relative to fat dairy components. Therefore, while the cost of milk has gone up for all products, the rate of the increase was less in our protein portfolio.

The price increases in protein products, such as casein, MPC, and cheese, coupled with the lower increase in milk costs relative to reference products, has meant higher margins for our non-reference products. This is the main driver behind the increased EBIT derived from our New Zealand milk.

In addition, our price risk management service offerings to our customers and farmers provides them with increased certainty. This has helped provide margin stability as milk costs decreased over the year.

Our casein portfolio gross margin growth has been supported by improved pricing in rennet casein – an ingredient used in processed cheese. Due to COVID-19 related regulations, the cost and complexity to import cheese into China increased, and customers in China shifted from imported processed cheese to locally manufactured processed cheese, driving up the demand for rennet casein.

Our sales teams have also captured the improved margins of caseinate and its precursor acid casein by continuing to deliver sales volume growth for caseinate into beverages and non-dairy creamer applications (i.e., substitutes for milk or cream) where caseinate is a preferred choice as an emulsifier. Greater China, and to a lesser extent South East Asia, has seen strong growth in the non-dairy creamer and beverage sector for use of caseinate in products such as milk tea and coconut juice.

Our cheese portfolio has also contributed to the improved earnings in our Ingredients channel. The price of cheese increased in the second half of the 2022 financial year in response to constrained European milk supply. As customers looked to secure volume due to the uncertainty of European supply, our sales teams were able to use long contracts to secure good pricing across additional volume.

Active Living Performance

FOR THE SIX MONTHS ENDED 31 JANUARY NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[1]
Sales volume ('000 MT)	52	50	(3)%
Revenue	737	879	19%

1 Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.

Our Active Living portfolio is part of our Ingredients channel and represents the ingredients and solutions sold to businesses who cater to consumers' health and wellness needs. It addresses three dimensions of wellbeing (Physical, Mental and Inner), to meet the nutritional needs of medical patients through to everyday people pursuing active lifestyles. This portfolio includes proteins, specialty ingredients such as probiotics, lactoferrin & lipids, and patented formulations.

Our Active Living sales volumes into Europe have improved due to strong demand for our proteins. However, overall sales volumes are down due to high in-market inventory in some markets, and lower demand from the USA as a result of some customers' current manufacturing constraints. However, revenue has increased 19% relative to the comparable period due to the Active Living channel benefiting from the increased pricing of protein products.

Foodservice

Our Foodservice channel EBIT increased $81 million, or 95%, to $166 million, as our in-market product prices continue to adjust for the higher cost of milk.

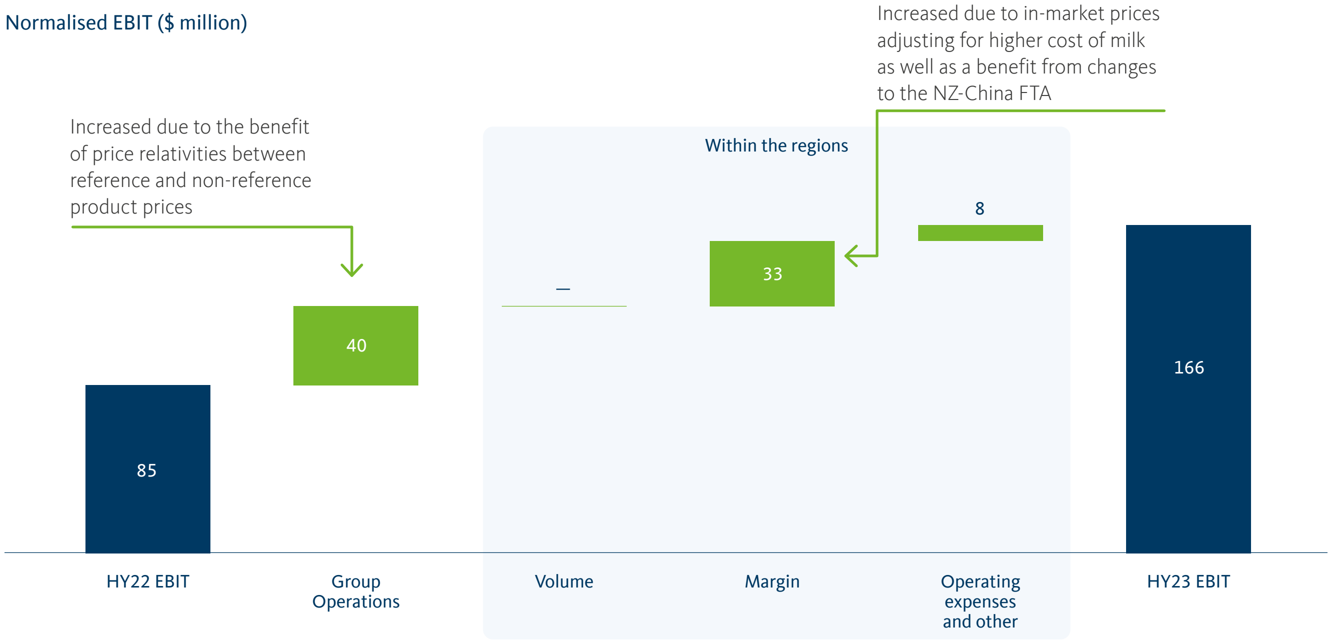
Foodservice Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			GROUP OPERATIONS			GLOBAL MARKETS			GREATER CHINA			ELIMINATIONS	
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023
Sales volume ('000 MT)[3]	276	274	(1)%	199	171	(14)%	132	141	7%	146	137	(6)%	(201)	(175)
Revenue	1,674	1,928	15%	864	1,033	20%	696	941	35%	1,004	1,127	12%	(890)	(1,173)
Cost of goods sold	(1,413)	(1,593)	(13)%	(875)	(1,002)	(15)%	(605)	(840)	(39)%	(823)	(923)	(12)%	890	1,172
Gross profit	261	335	28%	(11)	31	–	91	101	11%	181	204	13%	–	(1)
Operating expenses	(183)	(168)	8%	(41)	(36)	12%	(87)	(79)	9%	(55)	(53)	4%	–	–
Other[4]	7	(1)	–	6	(1)	–	1	(1)	–	–	–	–	–	1
EBIT	85	166	95%	(46)	(6)	87%	5	21	320%	126	151	20%	–	–
Gross margin	15.6%	17.4%		(1.3)%	3.0%		13.1%	10.7%		18.0%	18.1%			
EBIT margin	5.1%	8.6%		(5.3)%	(0.6)%		0.7%	2.2%		12.5%	13.4%			

1 Foodservice performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the 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.

Foodservice: Key Performance Drivers[1]

Normalised EBIT ($ million)



1 Foodservice performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.

Foodservice channel gross profit improved $74 million, or 28%, driven by both Group Operations and the regions.

As shown in the Key Performance Drivers bridge, the benefit of the price relativity between reference and non-reference product prices is captured in the Group Operations' transfer price to our regional business units.

The transfer price is largely derived from market-based reference prices plus any additional specification costs to make the product.

In the Greater China region, our in-market product prices continue to adjust to offset the higher cost of milk. This is reflected in the improved gross profit despite lower sales volumes. Additionally, the Greater China region has benefited from changes to the New Zealand-China Free Trade Agreement, which took effect 1 January 2022.

Global Markets' in-market sales prices have increased in the current period relative to the comparative period, but the ability to fully adjust prices for the higher cost of milk is limited due to competitor pricing. The increase in gross profit has been predominately driven by sales volumes growth and improved pricing in our Australian business.

The Global Markets sales team achieved volume growth in its Quick Service Restaurant portfolio with existing customers and winning new customers through a focus on customer relationships supported by price risk management offerings.

Consumer

Our Consumer channel EBIT decreased $177 million to a loss of $94 million primarily due to impairments of our domestic New Zealand consumer business and our Asia brands.

Consumer Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			GROUP OPERATIONS			GLOBAL MARKETS			GREATER CHINA			ELIMINATIONS	
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023
Sales volume ('000 MT)[3]	334	319	(4)%	102	125	23 %	292	283	(3)%	43	39	(9)%	(103)	(128)
Revenue	1,563	1,670	7%	603	758	26 %	1,351	1,523	13%	211	216	2 %	(602)	(827)
Cost of goods sold	(1,193)	(1,283)	(8)%	(598)	(717)	(20) %	(1,047)	(1,226)	(17)%	(150)	(167)	(11) %	602	827
Gross profit	370	387	5%	5	41	720 %	304	297	(2)%	61	49	(20) %	–	–
Operating expenses	(292)	(481)	(65)%	(20)	(26)	30 %	(219)	(387)	(77)%	(53)	(71)	(34) %	–	3
Other[4]	5	–	(100)%	3	(1)	–	2	4	100%	–	–	–	–	(3)
EBIT	83	(94)	–	(12)	14	–	87	(86)	–	8	(22)	–	–	–
Gross margin	23.7 %	23.2%		0.8%	5.4%		22.5%	19.5%		28.9%	22.7%			
EBIT margin	5.3%	(5.6)%		(2.0) %	1.8 %		6.4%	(5.6)%		3.8%	(10.2)%			

1 Consumer performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the 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.

Consumer channel gross profit improved $17 million, or 5%, due to the increase in non-reference product prices, particularly cheese, relative to reference products that inform the cost of milk.

As shown in the Key Performance Drivers bridge, the benefit of the price relativity between reference and non-reference product prices is captured in the Group Operations' transfer price to our regional business units.

The transfer price is largely derived from market-based reference prices plus any additional specification costs to make the product.

Our regional in-market teams on-sell the product to our customers, and focus on achieving price premiums in addition to the transfer price. For the first six months of the 2023 financial year, our sales teams have continued to adjust in-market prices, but not enough to offset the higher cost of milk and lower sales volumes.

Operating expenses have increased predominately due to the recognition of impairments of both our domestic New Zealand consumer business and our Asia brands.

Our domestic consumer business has experienced challenging market conditions, including higher input costs and inflationary pressures. The New Zealand domestic dairy market is highly competitive, and this has impacted the sales team's ability to fully recover the higher input costs through product price increases. Additionally, rising interest rates have also put pressure on our New Zealand consumer business. This has resulted in a $92 million goodwill impairment of the business, and the carrying value of the business is now at $669 million.

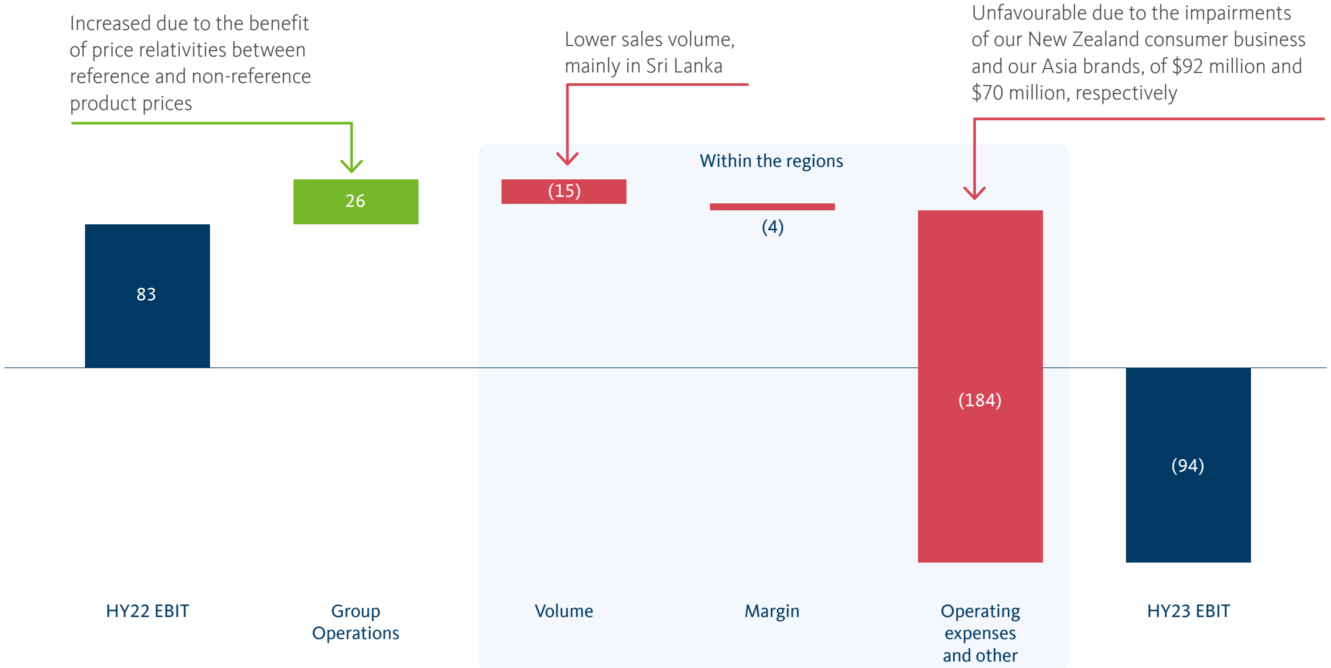
We also recognised an impairment of $70 million on our Asia brands – Anmum™ ($23 million), Anlene™ ($45 million) and Chesdale™ ($2 million), due to a reduction in forecast sales growth for Anmum™ and Anlene™, and changes in discount rates and foreign exchange rates to all three brands, with the carrying value of these brands now at $272 million.

The impairments were recognised as operating expenses in both Global Markets ($138 million) and Greater China ($24 million).

Our business in Sri Lanka was impacted by the country's economic challenges in the second half of the 2022 financial year. Despite the ongoing challenging conditions, performance has improved year-on-year, and for the first half of the 2023 financial year the business saw improvements through the performance of the milk powder portfolio on the back of product price increases. Our sales volumes into Sri Lanka are down on last year as we limit sales volumes into the country while the ability to access US dollars remains constrained.

Consumer: Key Performance Drivers[1]

Normalised EBIT ($ million)



1 Consumer performance is prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period.

New Zealand Milk

New Zealand and Non-New Zealand Sourced Milk[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			NEW ZEALAND MILK			NON-NEW ZEALAND MILK		
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]
Sales volume ('000 MT)	1,623	1,699	5%	1,406	1,480	5%	217	219	1%
Revenue	10,085	12,333	22%	9,004	10,939	21%	1,081	1,394	29%
Cost of goods sold	(8,696)	(10,287)	(18)%	(7,761)	(9,092)	(17)%	(935)	(1,195)	(28)%
Gross profit	1,389	2,046	47%	1,243	1,847	49%	146	199	36%
Operating expenses	(909)	(1,200)	(32)%	(832)	(1,114)	(34)%	(77)	(86)	(12)%
Other[3]	63	18	(71)%	61	14	(77)%	2	4	100%
EBIT	543	864	59%	472	747	58%	71	117	65%
Gross margin	13.8%	16.6%		13.8%	16.9%		13.5%	14.3%	
EBIT margin	5.4%	7.0%		5.2%	6.8%		6.6%	8.4%	

1 New Zealand and Non-New Zealand sourced milk is prepared on a continuing operations basis and includes unallocated costs. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the 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, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.


Billie, Norsewood

New Zealand Milk – Ingredients Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			GROUP OPERATIONS			GLOBAL MARKETS			GREATER CHINA			ELIMINATIONS	
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023
Allocation of milk solids (% of kgMS)[4]	77.1%	79.5%												
Sales volume ('000 MT)[3]	918	1,012	10%	963	1,049	9%	564	766	36%	369	267	(28)%	(978)	(1,070)
Revenue	6,318	8,069	28%	6,238	7,900	27%	3,999	6,364	59%	2,253	2,083	(8)%	(6,172)	(8,278)
Cost of goods sold	(5,622)	(6,860)	(22)%	(5,890)	(7,136)	(21)%	(3,742)	(6,020)	(61)%	(2,152)	(1,976)	9%	6,162	8,272
Gross profit	696	1,209	74%	348	764	120%	257	344	34%	101	107	6%	(10)	(6)
Operating expenses	(358)	(425)	(19)%	(225)	(274)	(22)%	(114)	(132)	(16)%	(21)	(21)	–	2	2
Other[5]	43	12	(72)%	24	3	(88)%	10	6	(40)%	1	(1)	–	8	4
EBIT	381	796	109%	147	493	235%	153	218	42%	81	85	5%	–	–
Gross margin	11.0%	15.0%		5.6%	9.7%		6.4%	5.4%		4.5%	5.1%			
EBIT margin	6.0%	9.9%		2.4%	6.2%		3.8%	3.4%		3.6%	4.1%			

1 Ingredients' performance is prepared on a continuing operations basis. The performance of the three product channels does not equal to total New Zealand milk performance due to not including unallocated costs. Comparative information has been restated and re-presented for consistency with the current period.
2 Percentages as shown in the 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 Includes Core Ingredients allocation of 71.5% and 74.7% for 2022 and 2023, respectively. As well as Active Living of 5.6% and 4.8% for 2022 and 2023, respectively.
5 Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees.

New Zealand Milk – Foodservice Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			GROUP OPERATIONS			GLOBAL MARKETS			GREATER CHINA			ELIMINATIONS	
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023
Allocation of milk solids (% of kgMS)	14.5%	13.4%												
Sales volume ('000 MT)[3]	255	248	(3)%	199	171	(14)%	115	119	3%	142	133	(6)%	(201)	(175)
Revenue	1,525	1,693	11%	864	1,033	20%	565	733	30%	986	1,100	12%	(890)	(1,173)
Cost of goods sold	(1,278)	(1,377)	(8)%	(875)	(1,002)	(15)%	(492)	(651)	(32)%	(801)	(896)	(12)%	890	1,172
Gross profit	247	316	28%	(11)	31	–	73	82	12%	185	204	10%	–	(1)
Operating expenses	(172)	(154)	10%	(41)	(36)	12%	(76)	(66)	13%	(55)	(52)	5%	–	–
Other[4]	7	(1)	–	6	(1)	–	1	(1)	–	–	–	–	–	1
EBIT	82	161	96%	(46)	(6)	87%	(2)	15	–	130	152	17%	–	–
Gross margin	16.2%	18.7%		(1.3)%	3.0%		12.9%	11.2%		18.8%	18.5%			
EBIT margin	5.4%	9.5%		(5.3)%	(0.6)%		(0.4)%	2.0%		13.2%	13.8%			

1 Foodservice performance is prepared on a continuing operations basis. The performance of the three product channels does not equal to total New Zealand milk performance due to not including unallocated costs. Comparative information has been restated and re-presented for consistency with the current period.

2 Percentages as shown in the 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.

New Zealand Milk – Consumer Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			GROUP OPERATIONS			GLOBAL MARKETS			GREATER CHINA			ELIMINATIONS	
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023
Allocation of milk solids (% of kgMS)	8.4%	7.1%												
Sales volume ('000 MT)[3]	233	220	(6)%	102	125	23%	194	186	(4)%	40	37	(8)%	(103)	(128)
NZD million														
Revenue	1,161	1,179	2%	603	758	26%	955	1,039	9%	205	209	2%	(602)	(827)
Cost of goods sold	(873)	(851)	3%	(598)	(717)	(20)%	(734)	(799)	(9)%	(143)	(162)	(13)%	602	827
Gross profit	288	328	14%	5	41	720%	221	240	9%	62	47	(24)%	–	–
Operating expenses	(257)	(437)	(70)%	(20)	(26)	(30)%	(184)	(342)	(86)%	(53)	(72)	(36)%	–	3
Other[4]	5	–	(100)%	3	(1)	–	2	4	100%	–	–	–	–	(3)
EBIT	36	(109)	–	(12)	14	–	39	(98)	–	9	(25)	–	–	–
Gross margin	24.8%	27.8%		0.8%	5.4%		23.1%	23.1%		30.2%	22.5%			
EBIT margin	3.1%	(9.2)%		(2.0)%	1.8%		4.1%	(9.4)%		4.4%	(12.0)%			

1 Consumer performance is prepared on a continuing operations basis. The performance of the three product channels does not equal to total New Zealand milk performance due to not including unallocated costs. Comparative information has been restated and re-presented for consistency with the current period.

2 Percentages as shown in the 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.

Discontinued Operations

Discontinued operations represent the financial effect of business units that are classified as held for sale and are a separate major line of business or geographical area of operations. They are presented separately to the Group's continuing operations in the income statement and excluded from segment reporting within the Financial Statements.

We have three discontinued operations that are progressing through sale processes.

Hangu China Farm

For the first six months of the 2023 financial year, Hangu China farm's EBIT was relatively stable year-on-year, down $1 million. The lower price of milk and higher feed costs were partially offset by favourable fair value movements of livestock, recognised in operating expenses.

The sale process has been delayed due to market conditions related to COVID-19, including the effect of lockdowns in China.

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

Dairy Partners Americas (DPA) Brazil

For the first six months of the 2023 financial year, DPA Brazil's EBIT increased $15 million due to higher product prices and increased sales volumes. This was partially offset by the higher cost of milk and operating expenses, which have increased due to inflationary pressure and foreign exchange translation.

In December 2022, Fonterra and Nestle agreed to sell DPA Brazil to French dairy company Lactalis for BRL 700 million, which translated to approximately NZ$210 million in December, or NZ$212 million at 31 January 2023 foreign exchange rates. The proceeds at completion will be subject to closing transaction adjustments.

Our 51% share of these sale proceeds will be used to repay debt related to that business and given the asset has been held for sale since 2020 there will be little cash impact on our earnings.

The deal is expected to be completed by mid-2023, subject to regulatory authority approvals.

Soprole

For the first six months of the 2023 financial year, Soprole's EBIT decreased $2 million relative to the comparative period. The increases in sales prices were offset by higher cost of goods sold and increased operating expenses mainly due to inflationary pressures.

In November 2022, we announced the agreement to sell Soprole to Gloria Foods – JORB S.A – a consumer dairy market leader in Peru. The divestment of Soprole comprises a number of transactions that result in an aggregate consideration of 591.07 billion Chilean Pesos, which translated to approximately NZ$1.055 billion in November. The aggregate consideration, which includes the receipt of dividends to 31 January 2023 from Soprole and the repayment of intercompany debt owing to Fonterra, is now expected to be approximately NZ$1.0 billion. Proceeds received by Fonterra at completion will be subject to relevant adjustments.

On 23 February 2023, we announced that the sale had received approval from the competition authority in Chile. Completion of the sale remains subject to satisfaction of other conditions previously announced.

Discontinued Operations Performance[1]

FOR THE SIX MONTHS ENDED 31 JANUARY	TOTAL			HANGU CHINA FARM			DPA BRAZIL			SOPROLE		
NORMALISED BASIS NZD MILLION	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]	2022	2023	CHANGE[2]
Sales volume ('000 MT)	297	295	(1)%	1	1	–	104	112	8%	192	182	(5)%
Revenue	712	916	29%	13	11	(15)%	196	291	48%	503	614	22%
Cost of goods sold	(494)	(664)	(34)%	(15)	(18)	(20)%	(136)	(200)	(47)%	(343)	(446)	(30)%
Gross profit	218	252	16%	(2)	(7)	(250)%	60	91	52%	160	168	5%
Operating expenses	(153)	(177)	(16)%	(6)	(1)	83%	(45)	(62)	(38)%	(102)	(114)	(12)%
Other[3]	(1)	1	–	–	(1)	–	(1)	–	100%	–	2	–
EBIT[4]	64	76	19%	(8)	(9)	(13)%	14	29	107%	58	56	(3)%
Gross margin	30.6%	27.5%		(15.4%)	(63.6)%		30.6%	31.3%		31.8%	27.4%	

1 Comparative information has been re-presented for consistency with the current period.
2 Percentages as shown in the 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 from the date at which the operations became held for sale.

Historical Summary

Total Group Overview (continuing and discontinued operations)

	JAN 2019	JAN 2020	JAN 2021	JAN 2022	JAN 2023
Income Statement Measures					
Sales volumes ('000 MT)	2,075	2,037	1,996	1,921	1,994
Normalised revenue ($ million)	9,745	10,423	9,915	10,797	13,249
Normalised EBITDA ($ million)[1]	596	907	1,004	921	1,253
Normalised EBIT ($ million)[1]	312	584	684	607	940
Normalised profit after tax attributable to equity holders of the Co-operative ($ million)	68	283	399	348	595
Reported earnings per share	0.04	0.32	0.23	0.22	0.33
Normalised earnings per share	0.04	0.18	0.25	0.22	0.37
Revenue Margin Analysis					
EBITDA margin (%)[1]	6.1%	8.7%	10.1%	8.5%	9.5%
EBIT margin (%)[1]	3.2%	5.6%	6.9%	5.6%	7.1%
Profit after tax margin (%)[1]	0.7%	2.7%	4.0%	3.2%	4.5%
Cash Flow ($ million)					
Operating cash flow	(612)	(124)	(544)	(617)	276
Free cash flow[1]	(782)	369	(632)	(849)	(30)
Net working capital[1]	5,396	6,135	6,188	7,434	7,900
Capital Measures					
Equity excluding hedge reserve ($ million)	6,607	6,492	6,807	7,093	7,607
Net debt ($ million)[1]	7,611	6,101	6,108	5,607	5,811
Gearing ratio (%)[1]	53.5%	49.8%	47.3%	44.1%	43.3%
Capital expenditure ($ million)[1]	316	112	147	180	245
Capital invested ($ million)[1]	438	175	184	195	330

Group Operations[2,3,4]

	JAN 2021	JAN 2022	JAN 2023
Ingredients			
Sales volume ('000 MT)[5]	1,042	963	1,049
Normalised revenue ($ million)	5,494	6,238	7,900
Normalised gross profit ($ million)	286	348	764
Normalised gross margin (%)[1]	5.2%	5.6%	9.7%
Normalised EBIT ($ million)	102	147	493
Normalised EBIT margin (%)[1]	1.9%	2.4%	6.2%
Foodservice			
Sales volume ('000 MT)[5]	181	199	171
Normalised revenue ($ million)	663	864	1,033
Normalised gross profit ($ million)	51	(11)	31
Normalised gross margin (%)[1]	7.7%	(1.3)%	3.0%
Normalised EBIT ($ million)	17	(46)	(6)
Normalised EBIT margin (%)[1]	2.6%	(5.3)%	(0.6)%
Consumer			
Sales volume ('000 MT)[5]	131	102	125
Normalised revenue ($ million)	600	603	758
Normalised gross profit ($ million)	16	5	41
Normalised gross margin (%)[1]	2.7%	0.8%	5.4%
Normalised EBIT ($ million)	(24)	(12)	14
Normalised EBIT margin (%)[1]	(4.0)%	(2.0)%	1.8%
Total			
Sales volume ('000 MT)[5]	1,354	1,264	1,345
Normalised revenue ($ million)	6,757	7,705	9,691
Normalised gross profit ($ million)	353	342	836
Normalised gross margin (%)[1]	5.2%	4.4%	8.6%
Normalised EBIT ($ million)	95	89	501
Normalised EBIT margin (%)[1]	1.4%	1.2%	5.2%

Global Markets[2,3,4,5]

	JAN 2021	JAN 2022	JAN 2023
Ingredients			
Sales volume ('000 MT)[5]	684	651	848
Normalised revenue ($ million)	3,724	4,498	6,960
Normalised gross profit ($ million)	265	319	480
Normalised gross margin (%)[1]	7.1%	7.1%	6.9%
Normalised EBIT ($ million)	139	187	332
Normalised EBIT margin (%)[1]	3.7%	4.2%	4.8%
Foodservice			
Sales volume ('000 MT)[5]	99	132	141
Normalised revenue ($ million)	597	696	941
Normalised gross profit ($ million)	118	91	101
Normalised gross margin (%)[1]	19.8%	13.1%	10.7%
Normalised EBIT ($ million)	55	5	21
Normalised EBIT margin (%)[1]	9.2%	0.7%	2.2%
Consumer			
Sales volume ('000 MT)[5]	330	292	283
Normalised revenue ($ million)	1,419	1,351	1,523
Normalised gross profit ($ million)	368	304	297
Normalised gross margin (%)[1]	25.9%	22.5%	19.5%
Normalised EBIT ($ million)	140	87	(86)
Normalised EBIT margin (%)[1]	9.9%	6.4%	(5.6)%
Total			
Sales volume ('000 MT)[5]	1,113	1,075	1,272
Normalised revenue ($ million)	5,740	6,545	9,424
Normalised gross profit ($ million)	751	714	878
Normalised gross margin (%)[1]	13.1%	10.9%	9.3%
Normalised EBIT ($ million)	334	279	267
Normalised EBIT margin (%)[1]	5.8%	4.3%	2.8%

Global Market – Australia[2,3]

	JAN 2021	JAN 2022	JAN 2023
Total			
Milk collection (millions kgMS)	69	68	66
Sales volume ('000 MT)	174	172	181
Normalised revenue ($ million)	899	916	1,253
Normalised gross profit ($ million)	103	137	171
Normalised gross margin (%)[1]	11.5%	15.0%	13.6%
Normalised EBIT ($ million)	32	59	74
Normalised EBIT margin (%)[1]	3.6%	6.4%	5.9%

Greater China[2,3,4]

	JAN 2021	JAN 2022	JAN 2023
Ingredients			
Sales volume ('000 MT)	399	377	279
Normalised revenue ($ million)	1,844	2,284	2,153
Normalised gross profit ($ million)	87	103	109
Normalised gross margin (%)[1]	4.7%	4.5%	5.1%
Normalised EBIT ($ million)	66	83	86
Normalised EBIT margin (%)[1]	3.6%	3.6%	4.0%
Foodservice			
Sales volume ('000 MT)	148	146	137
Normalised revenue ($ million)	926	1,004	1,127
Normalised gross profit ($ million)	220	181	204
Normalised gross margin (%)[1]	23.8%	18.0%	18.1%
Normalised EBIT ($ million)	182	126	151
Normalised EBIT margin (%)[1]	19.7%	12.5%	13.4%
Consumer			
Sales volume ('000 MT)	46	43	39
Normalised revenue ($ million)	218	211	216
Normalised gross profit ($ million)	74	61	49
Normalised gross margin (%)[1]	33.9%	28.9%	22.7%
Normalised EBIT ($ million)	20	8	(22)
Normalised EBIT margin (%)[1]	9.2%	3.8%	(10.2)%
Total			
Sales volume ('000 MT)	593	566	455
Normalised revenue ($ million)	2,988	3,499	3,496
Normalised gross profit ($ million)	381	345	362
Normalised gross margin (%)[1]	12.8%	9.9%	10.4%
Normalised EBIT ($ million)	268	217	215
Normalised EBIT margin (%)[1]	9.0%	6.2%	6.1%

Product Channels[2,3,4]

	JAN 2021	JAN 2022	JAN 2023
Ingredients			
Sales volume ('000 MT)	1,088	1,013	1,106
Normalised revenue ($ million)	5,985	6,848	8,735
Normalised gross profit ($ million)	638	760	1,347
Normalised gross margin (%)[1]	10.7%	11.1%	15.4%
Normalised EBIT ($ million)	306	417	911
Normalised EBIT margin (%)[1]	5.1%	6.1%	10.4%
Foodservice			
Sales volume ('000 MT)	247	276	274
Normalised revenue ($ million)	1,537	1,674	1,928
Normalised gross profit ($ million)	389	261	335
Normalised gross margin (%)[1]	25.3%	15.6%	17.4%
Normalised EBIT ($ million)	254	85	166
Normalised EBIT margin (%)[1]	16.5%	5.1%	8.6%
Consumer			
Sales volume ('000 MT)	376	334	319
Normalised revenue ($ million)	1,646	1,563	1,670
Normalised gross profit ($ million)	458	370	387
Normalised gross margin (%)[1]	27.8%	23.7%	23.2%
Normalised EBIT ($ million)	136	83	(94)
Normalised EBIT margin (%)[1]	8.3%	5.3%	(5.6)%

New Zealand and Non-New Zealand Milk[2,3,4]

	JAN 2021	JAN 2022	JAN 2023
New Zealand Milk			
Sales volume ('000 MT)	1,480	1,406	1,480
Normalised revenue ($ million)	8,144	9,004	10,939
Normalised gross profit ($ million)	1,399	1,243	1,847
Normalised gross margin (%)[1]	17.2%	13.8%	16.9%
Normalised EBIT ($ million)	582	472	747
Normalised EBIT margin (%)[1]	7.1 %	5.2%	6.8%
Non-New Zealand Milk			
Sales volume ('000 MT)	214	217	219
Normalised revenue ($ million)	964	1,081	1,394
Normalised gross profit ($ million)	114	146	199
Normalised gross margin (%)[1]	11.8%	13.5 %	14.3%
Normalised EBIT ($ million)	31	71	117
Normalised EBIT margin (%)[1]	3.2%	6.6%	8.4%
Total			
Sales volume ('000 MT)	1,694	1,623	1,699
Normalised revenue ($ million)	9,108	10,085	12,333
Normalised gross profit ($ million)	1,513	1,389	2,046
Normalised gross margin (%)[1]	16.6%	13.8%	16.6%
Normalised EBIT ($ million)	613	543	864
Normalised EBIT margin (%)[1]	6.7%	5.4%	7.0%

Discontinued Operations[2,6]

	JAN 2021	JAN 2022	JAN 2023
China Farms			
Sales volume ('000 MT)	11	1	1
Normalised revenue ($ million)	135	13	11
Normalised gross profit ($ million)	22	(2)	(7)
Normalised gross margin (%)[1]	16.3%	(15.4)%	(63.6)%
Normalised EBIT ($ million)	20	(8)	(9)
DPA Brazil			
Sales volume ('000 MT)	110	104	112
Normalised revenue ($ million)	183	196	291
Normalised gross profit ($ million)	49	60	91
Normalised gross margin (%)[1]	26.8%	30.6%	31.3%
Normalised EBIT ($ million)	12	14	29
Soprole			
Sales volume ('000 MT)	181	192	182
Normalised revenue ($ million)	489	503	614
Normalised gross profit ($ million)	138	160	168
Normalised gross margin (%)[1]	28.2%	31.8%	27.4%
Normalised EBIT ($ million)	39	58	56

Notes to the Historical Summary

1 Refer to the Glossary for definition.

2 Percentages as shown in the 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.

4 Comparative information has been restated and re-presented for consistency with the current period.

5 Includes sales to other segments.

6 The China Farms business, DPA Brazil consumer and foodservice businesses and Soprole meet the definition of a discontinued operation. The Group's China Farms business comprises our wholly-owned Hangu China farm and, up to the date of sale on 1 April 2021, its two-wholly owned farming hubs in Ying and Yutian.

Interim **Financial Results**

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

Contents

Income Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

	NOTES	GROUP $ MILLION SIX MONTHS ENDED 31 JAN 2023 UNAUDITED	GROUP $ MILLION SIX MONTHS ENDED 31 JAN 2022 UNAUDITED RE-PRESENTED[1]	GROUP $ MILLION YEAR ENDED 31 JUL 2022 AUDITED RE-PRESENTED[1]
Continuing operations				
Revenue from sale of goods	3	**12,333**	10,085	21,901
Cost of goods sold	4	**(10,287)**	(8,696)	(18,992)
Gross profit		**2,046**	1,389	2,909
Other operating income		**29**	50	141
Selling and marketing expenses		**(254)**	(247)	(532)
Distribution expenses		**(211)**	(195)	(404)
Administrative expenses		**(429)**	(333)	(784)
Other operating expenses		**(325)**	(127)	(394)
Share of profit of equity accounted investees		**8**	6	10
Profit before net finance costs and tax from continuing operations		**864**	543	946
Finance income		**12**	4	10
Finance costs		**(134)**	(94)	(204)
Net finance costs		**(122)**	(90)	(194)
Profit before tax from continuing operations		**742**	453	752
Tax expense		**(198)**	(101)	(131)
Profit after tax from continuing operations		**544**	352	621
Discontinued operations				
Profit/(loss) after tax from discontinued operations	2	**2**	12	(38)
Profit after tax		**546**	364	583

	GROUP $ MILLION SIX MONTHS ENDED 31 JAN 2023 UNAUDITED	GROUP $ MILLION SIX MONTHS ENDED 31 JAN 2022 UNAUDITED RE-PRESENTED[1]	GROUP $ MILLION YEAR ENDED 31 JUL 2022 AUDITED RE-PRESENTED[1]
Profit after tax is attributable to:			
Profit attributable to equity holders of the Co-operative	**530**	348	584
Profit/(loss) attributable to non-controlling interests	**16**	16	(1)
Profit after tax	**546**	364	583

	GROUP $ SIX MONTHS ENDED 31 JAN 2023 UNAUDITED	GROUP $ SIX MONTHS ENDED 31 JAN 2022 UNAUDITED RE-PRESENTED	GROUP $ YEAR ENDED 31 JUL 2022 AUDITED RE-PRESENTED
Earnings per share:			
Basic and diluted earnings per share from continuing operations	**0.33**	0.21	0.36
Basic and diluted earnings per share from discontinued operations	**–**	0.01	–
Basic and diluted earnings per share	**0.33**	0.22	0.36

1 Comparative information has been re-presented for consistency with the current period. Refer to Note 12 *Re-presentations* for further details.

Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2023 UNAUDITED	31 JAN 2022 UNAUDITED RE-PRESENTED	31 JUL 2022 AUDITED RE-PRESENTED
Profit after tax	**546**	364	583
Items that may be reclassified subsequently to the Income Statement:			
Cash flow hedges and other costs of hedging, net of tax	**668**	(366)	(320)
Net investment hedges and translation of foreign operations, net of tax	**16**	89	103
Foreign currency translation reserve gains transferred to the Income Statement	**–**	(1)	(1)
Other movements in reserves	**4**	12	4
Total items that may be reclassified subsequently to the Income Statement	**688**	(266)	(214)
Items that will not be reclassified subsequently to the Income Statement:			
Net fair value gains/(losses) on investments in shares	**13**	(3)	16
Foreign currency translation gains/(losses) attributable to non-controlling interests	**–**	4	(8)
Other movements in reserves	**–**	6	16
Total items that will not be reclassified subsequently to the Income Statement	**13**	7	24
Total other comprehensive income/(expense)	**701**	(259)	(190)
Total comprehensive income	**1,247**	105	393
Total comprehensive income is attributable to:			
Equity holders of the Co-operative	**1,231**	79	394
Non-controlling interests	**16**	26	(1)
Total comprehensive income	**1,247**	105	393
Total comprehensive income arises from:			
Continuing operations[1]	**1,233**	94	478
Discontinued operations[1]	**14**	11	(85)
Total comprehensive income	**1,247**	105	393

1 Comparative information has been re-presented for consistency with the current period. Refer to Note 12 *Re-presentations* for further details.

Statement of Financial Position

AS AT 31 JANUARY 2023

		GROUP $ MILLION		
		AS AT		
	NOTES	31 JAN 2023 UNAUDITED	31 JAN 2022 UNAUDITED	31 JUL 2022 AUDITED
ASSETS				
Current assets				
Cash and cash equivalents		**319**	479	288
Trade and other receivables		**2,870**	2,183	2,482
Inventories		**6,844**	7,243	5,007
Intangible assets		**88**	64	78
Tax receivable		**52**	56	64
Derivative financial instruments		**527**	229	230
Other current assets		**157**	93	107
Assets held for sale	2	**1,289**	475	473
Total current assets		**12,146**	10,822	8,729
Non-current assets				
Property, plant and equipment		**5,882**	5,913	6,067
Right-of-use assets		**380**	446	398
Equity accounted investments		**122**	99	113
Intangible assets		**1,983**	2,250	2,216
Deferred tax assets		**178**	562	551
Derivative financial instruments		**428**	466	434
Long-term advances		**146**	161	154
Other non-current assets		**126**	97	119
Total non-current assets		**9,245**	9,994	10,052
Total assets		**21,391**	20,816	18,781

The Board approved and authorised for issue these Interim Financial Statements on 15 March 2023.

For and on behalf of the Board:

PETER MCBRIDE
Chairman

BRUCE HASSALL
Director

		GROUP $ MILLION		
		AS AT		
	NOTES	31 JAN 2023 UNAUDITED	31 JAN 2022 UNAUDITED	31 JUL 2022 AUDITED
LIABILITIES				
Current liabilities				
Bank overdraft		**57**	84	31
Borrowings	7	**2,063**	596	356
Trade and other payables		**2,213**	2,220	2,403
Owing to suppliers		**3,693**	4,064	2,119
Tax payable		**102**	161	107
Derivative financial instruments		**570**	729	733
Provisions		**67**	45	70
Other current liabilities		**78**	58	71
Liabilities held for sale	2	**972**	545	628
Total current liabilities		**9,815**	8,502	6,518
Non-current liabilities				
Borrowings	7	**3,426**	5,152	4,900
Derivative financial instruments		**65**	333	313
Provisions		**57**	83	79
Deferred tax liabilities		**89**	30	50
Other non-current liabilities		**10**	15	15
Total non-current liabilities		**3,647**	5,613	5,357
Total liabilities		**13,462**	14,115	11,875
Net assets		**7,929**	6,701	6,906
EQUITY				
Subscribed equity	5	**5,882**	5,892	5,891
Retained earnings		**1,899**	1,456	1,611
Foreign currency translation reserve		**(237)**	(267)	(253)
Hedge reserves		**322**	(392)	(346)
Other reserves		**47**	11	30
Total equity attributable to equity holders of the Co-operative		**7,913**	6,700	6,933
Non-controlling interests		**16**	1	(27)
Total equity		**7,929**	6,701	6,906

Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

	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 2022	**5,891**	**1,611**	**(253)**	**(346)**	**30**	**6,933**	**(27)**	**6,906**
Profit after tax	**–**	**530**	**–**	**–**	**–**	**530**	**16**	**546**
Other comprehensive income	**–**	**–**	**16**	**668**	**17**	**701**	**–**	**701**
Total comprehensive income	**–**	**530**	**16**	**668**	**17**	**1,231**	**16**	**1,247**
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)**
Equity instruments issued	**–**	**–**	**–**	**–**	**–**	**–**	**44**	**44**
Share buyback (refer to Note 5)	**(9)**	**–**	**–**	**–**	**–**	**(9)**	**–**	**(9)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(17)**	**(17)**
As at 31 January 2023 (unaudited)	**5,882**	**1,899**	**(237)**	**322**	**47**	**7,913**	**16**	**7,929**
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 2021	5,892	1,350	(355)	(26)	2	6,863	6	6,869
Profit/(loss) after tax	–	584	–	–	–	584	(1)	583
Other comprehensive income/(expense)	–	–	102	(320)	28	(190)	–	(190)
Total comprehensive income/(expense)	–	584	102	(320)	28	394	(1)	393
Transactions with equity holders in their capacity as equity holders:								
Dividends paid to equity holders of the Co-operative (refer to Note 6)	–	(323)	–	–	–	(323)	–	(323)
Share buyback (refer to Note 5)	(1)	–	–	–	–	(1)	–	(1)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(32)	(32)
As at 31 July 2022 (audited)	5,891	1,611	(253)	(346)	30	6,933	(27)	6,906

Cash Flow Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

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

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2023 UNAUDITED	31 JAN 2022 UNAUDITED RE-PRESENTED	31 JUL 2022 AUDITED RE-PRESENTED
Cash flows from operating activities			
Profit before net finance costs and tax from continuing operations	**864**	543	946
(Loss)/profit before net finance costs and tax from discontinued operations	**(6)**	64	30
Total Group profit before net finance costs and tax	**858**	607	976
Adjustments for:			
– Depreciation and amortisation	**313**	314	635
– Foreign exchange (gains)/losses	**(81)**	81	309
– Gain on sale of Global Dairy Trade	**–**	–	(42)
– Brazil consumer and foodservice business impairment	**–**	–	57
– New Zealand consumer and foodservice business impairment	**92**	–	–
– Asia brands impairment	**70**	–	34
– Other	**(24)**	(1)	(41)
Total adjustments	**370**	394	952
(Increase)/decrease in working capital:			
– Trade and other receivables	**(353)**	(308)	(821)
– Inventories	**(2,118)**	(3,514)	(1,222)
– Trade and other payables	**48**	47	201
– Owing to suppliers	**1,574**	2,238	293
– Other movements	**(56)**	(38)	(49)
Total increase in working capital	**(905)**	(1,575)	(1,598)
Net cash flows from operations	**323**	(574)	330
Net taxes paid	**(47)**	(43)	(137)
Net cash flows from operating activities	**276**	(617)	193
Cash flows from investing activities			
Cash was provided from:			
– Proceeds from sale of businesses	**–**	1	26
– Proceeds from disposal of property, plant and equipment	**2**	3	17
– Proceeds from sale of livestock	**1**	1	2
Cash was applied to:			
– Acquisition of property, plant and equipment	**(256)**	(194)	(480)
– Acquisition of livestock (including rearing costs)	**(1)**	(2)	(4)
– Acquisition of intangible assets	**(42)**	(40)	(72)
– Acquisition of investments	**(10)**	–	–
– Other cash outflows	**–**	(1)	(6)
Net cash flows from investing activities	**(306)**	(232)	(517)
Cash flows from financing activities			
Cash was provided from:			
– Proceeds from borrowings	**2,346**	2,545	3,919
– Interest received	**18**	7	15
– Capital contribution from non-controlling interests	**44**	–	–
Cash was applied to:			
– Interest paid	**(189)**	(155)	(297)
– Repayment of borrowings	**(1,893)**	(1,866)	(3,634)
– Dividends paid to equity holders of the Co-operative	**(242)**	(242)	(323)
– Dividends paid to non-controlling interests	**(17)**	(31)	(32)
– Share buyback	**(9)**	–	(1)
Net cash flows from financing activities	**58**	258	(353)
Net increase/(decrease) in cash	**28**	(591)	(677)
Opening cash	**281**	982	982
Effect of exchange rate changes	**(1)**	15	(24)
Closing cash	**308**	406	281
Reconciliation of closing cash to the Statement of Financial Position			
Cash and cash equivalents	**319**	479	288
Bank overdraft	**(57)**	(84)	(31)
Cash balances included in assets and liabilities held for sale	**46**	11	24
Closing cash	**308**	406	281

Basis of Preparation

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

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 (DIRA).

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 2022.

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

Discontinued operations

As at 31 January 2023 the Chilean Soprole business is classified as a disposal group held for sale and considered to be a discontinued operation.

- Discontinued operations are presented in a single line item in the Income Statement in both the current and comparative reporting periods. Comparative period information in the Income Statement has been re-presented to reflect the classification of the Chilean Soprole business as a discontinued operation. Refer to Note 2 *Divestments* and Note 12 *Re-presentations* for further information on this re-presentation.
- Assets of disposal groups held for sale are presented in a single line item within Current assets, and liabilities of disposal groups held for sale are presented in a single line item within Current liabilities. Comparative period information in the Statement of Financial Position has not been re-presented.
- The Statement of Changes in Equity and Cash Flow Statement have not been adjusted to separately present discontinued operations.

Cash Flow Statement

Certain comparative period information has been re-presented for consistency with the current period. Re-presentations have had no impact on the totals or sub-totals presented in the Cash Flow Statement.

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 2022.

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 2022.

Market capitalisation

At 31 July 2022, the Group's market capitalisation was below the carrying amount of net assets. At 31 January 2023 the share price has declined further and this remains an indicator of impairment. The Group has maintained the view that the current share price does not provide an accurate reflection of the fair value of the net assets, due to factors outlined in the Group's Financial Statements for the year ended 31 July 2022.

The Group has undertaken an impairment test and obtained an updated independent valuation to determine the recoverable amount of its net assets. The independent valuation was used to determine the Group's recoverable amount on a fair value less costs of disposal basis. The valuation uses a sustainable EBIT based on normalised earnings in line with the Group's long-term aspirations and an appropriate range of earnings multiples based on benchmarking against peers.

The estimate of the recoverable amount exceeded the carrying amount and as such, no impairment has been 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 2023 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 2023 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 2023 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 2023

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

Performance

1 SEGMENT REPORTING

Segment information provided in this note reflects the Group's performance from continuing operations only. The Chilean Soprole business, 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 (CODM). The FMT consists of the Group's Chief Executive Officer (CEO), Chief Financial Officer, Chief Operating Officer, the CEO Global Markets, the CEO Greater China, the Chief Innovation and Brand Officer, the Managing Director Strategy and Optimisation, the Managing Director People and 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).

On 23 June 2022 Fonterra announced changes to its organisational structure to better align with the long-term aspirations of the Co-operative, following its strategy refresh announced in September 2021. Two new FMT roles were created effective 1 August, the Chief Innovation and Brand Officer and the Managing Director Strategy and Optimisation. In addition to this, effective from 1 October 2022 the Group's Asia Pacific and Africa, Middle East, Europe, North Asia and Americas (AMENA) business units were merged into a combined Global Markets business unit.

The Group's operating model and the way financial information is presented to the FMT has been updated to align to this new organisational structure. This is now based around the two customer-facing regional business units, Global Markets and Greater China, and Group Operations which comprises:

- the functions under the Chief Operating Office (COO) which includes New Zealand milk collection and processing operations, supply chain, Group IT and sustainability;
- Strategy and Optimisation (S&O), which includes the Group's Central Portfolio Management and Strategy functions; and
- Fonterra Farm Source™ retail stores.

The operating model forms the basis for the Group's operating segments.

The Group has identified its reportable segments based on a number of factors, including how the CODM makes decisions about resource allocations and assesses performance. The Group has determined that its reportable segments are Global Markets, Greater China and Group Operations. Comparative information within this note has been restated to reflect the change in the Group's reportable segments.

REPORTABLE SEGMENTS	DESCRIPTION
Global Markets	Represents the global Ingredients, Foodservice and Consumer channels outside of Greater China.
Greater China	Represents the Ingredients, Foodservice and Consumer channels in Greater China.
Group Operations	Represents COO, S&O and Fonterra Farm Source™ retail stores.

The performance of large multinational 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 performance of the Group's reporting segments includes transactions between the regional business units and Group Operations for the purchase and sale of goods, which are eliminated at the total Group level.

Innovation and Brand is attributed to the reportable segments and follows underlying business rules. Unallocated costs represent corporate costs including Co-operative Affairs and other Group Functions.

Eliminations and unallocated costs are disclosed in aggregate, with substantially all of the revenue and cost of goods sold balances being eliminations.

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

1 SEGMENT REPORTING (CONTINUED)

a) Reportable segments (CONTINUED)

	GROUP $ MILLION				
	SIX MONTHS ENDED 31 JANUARY 2023 (UNAUDITED)				
CONTINUING OPERATIONS	GLOBAL MARKETS	GREATER CHINA	GROUP OPERATIONS	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
Sales volume (metric tonnes, thousands)	1,272	455	1,345	(1,373)	1,699
Revenue from sale of goods	9,424	3,496	9,691	(10,278)	12,333
Cost of goods sold	(8,546)	(3,134)	(8,855)	10,248	(10,287)
Normalised gross profit/(loss)	**878**	**362**	**836**	**(30)**	**2,046**
Operating expenses	(624)	(146)	(336)	(94)	(1,200)
Other[1]	13	(1)	1	5	18
Normalised EBIT	**267**	**215**	**501**	**(119)**	**864**
Profit/(loss) before net finance costs and tax	**267**	**215**	**501**	**(119)**	**864**
Other segment information:					
– Inter-segment revenue	168	22	10,088	(10,278)	–
– Depreciation and amortisation	(67)	(5)	(220)	(13)	(305)
– Share of profit of equity accounted investees	6	–	1	1	8

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

	GROUP $ MILLION				
	SIX MONTHS ENDED 31 JANUARY 2022 (UNAUDITED AND RESTATED)				
CONTINUING OPERATIONS	GLOBAL MARKETS	GREATER CHINA	GROUP OPERATIONS	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
Sales volume (metric tonnes, thousands)	1,075	566	1,264	(1,282)	1,623
Revenue from sale of goods	6,545	3,499	7,705	(7,664)	10,085
Cost of goods sold	(5,831)	(3,154)	(7,363)	7,652	(8,696)
Normalised gross profit/(loss)	714	345	342	(12)	1,389
Operating expenses	(450)	(129)	(286)	(44)	(909)
Other[1]	15	1	33	14	63
Normalised EBIT	279	217	89	(42)	543
Profit/(loss) before net finance costs and tax	279	217	89	(42)	543
Other segment information:					
– Inter-segment revenue	107	4	7,553	(7,664)	–
– Depreciation and amortisation	(66)	(5)	(216)	(12)	(299)
– Share of profit of equity accounted investees	5	–	1	–	6

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

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

1 SEGMENT REPORTING (CONTINUED)

a) Reportable segments (CONTINUED)

	GROUP $ MILLION				
	YEAR ENDED 31 JULY 2022 (UNAUDITED AND RESTATED)				
CONTINUING OPERATIONS	GLOBAL MARKETS	GREATER CHINA	GROUP OPERATIONS	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
Sales volume (metric tonnes, thousands)	2,344	1,028	2,554	(2,608)	3,318
Revenue from sale of goods	15,385	6,874	17,026	(17,384)	21,901
Cost of goods sold	(13,846)	(6,242)	(16,243)	17,339	(18,992)
Normalised gross profit/(loss)	1,539	632	783	(45)	2,909
Operating expenses	(992)	(266)	(610)	(196)	(2,064)
Other[1]	(34)	1	56	36	59
Normalised EBIT	513	367	229	(205)	904
Normalisation adjustments:					
– Gain on sale of Global Dairy Trade	–	–	–	42	42
Profit/(loss) before net finance costs and tax	513	367	229	(163)	946
Other segment information:					
– Inter-segment revenue	257	7	17,120	(17,384)	–
– Depreciation and amortisation	(133)	(10)	(433)	(26)	(602)
– Share of profit of equity accounted investees	8	–	1	1	10

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

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						
GEOGRAPHICAL EXTERNAL REVENUE	NEW ZEALAND	AUSTRALIA	CHINA	REST OF ASIA	AMERICAS	REST OF WORLD	TOTAL
Six months ended 31 January 2023 (unaudited)	**1,291**	**1,088**	**3,026**	**4,605**	**1,239**	**1,084**	**12,333**
Six months ended 31 January 2022 (unaudited and re-presented)	991	784	3,230	3,451	849	780	10,085
Year ended 31 July 2022 (audited and re-presented)	2,140	1,726	6,244	8,016	1,998	1,777	21,901

c) Geographical analysis of non-current assets

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

	GROUP $ MILLION						
GEOGRAPHICAL NON-CURRENT ASSETS	NEW ZEALAND	AUSTRALIA	CHINA	REST OF ASIA	AMERICAS	REST OF WORLD	TOTAL
As at 31 January 2023 (unaudited)	**6,581**	**981**	**23**	**738**	**79**	**237**	**8,639**
As at 31 January 2022 (unaudited)	6,535	961	15	822	384	249	8,966
As at 31 July 2022 (audited)	6,603	1,026	20	799	378	241	9,067

	GROUP $ MILLION		
RECONCILIATION OF GEOGRAPHICAL NON-CURRENT ASSETS TO TOTAL NON-CURRENT ASSETS	**AS AT 31 JAN 2023 UNAUDITED**	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JUL 2022 AUDITED
Geographical non-current assets	**8,639**	8,966	9,067
Deferred tax assets	**178**	562	551
Derivative financial instruments	**428**	466	434
Total non-current assets	**9,245**	9,994	10,052

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

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 2023.

At 31 January 2023, the Hangu China farm and the Brazil consumer and foodservice business continued to meet the definition of held for sale and are discontinued operations.

During the period, the Group's divestment of the Chilean Soprole business has advanced to the point that the business met the requirements to be classified as held for sale at 31 January 2023. The business also meets the definition of a discontinued operation.

a) Disposal groups held for sale

The major classes of assets and liabilities held for sale are presented in the following table.

	$ MILLION		
ASSETS AND LIABILITIES HELD FOR SALE	**AS AT 31 JAN 2023 UNAUDITED**	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JUL 2022 AUDITED
Cash and cash equivalents	**46**	11	24
Trade receivables	**204**	46	58
Inventory	**279**	33	32
Property, plant and equipment	**248**	81	79
Livestock	**21**	23	21
Intangible assets	**230**	127	111
Other assets	**261**	154	148
Total assets held for sale	**1,289**	475	473
Borrowings	**481**	310	333
Trade and other payables	**376**	146	209
Provisions	**68**	41	42
Other liabilities	**47**	48	44
Total liabilities held for sale	**972**	545	628
Net assets/(liabilities) held for sale	**317**	(70)	(155)

Hangu China farm

As at 31 January 2023 the Hangu China farm continued to meet the requirements to be classified as held for sale (31 January 2022 and 31 July 2022: held for sale).

The sale process has been delayed due to market conditions related to COVID-19, including the effect of lockdowns in China. At 31 January 2023 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 the reporting date. The Group reassessed the fair value less costs to sell of the Hangu China farm and recognised a write-down of $4 million (31 January 2022 and 31 July 2022: nil).

The foreign currency translation reserve balance at 31 January 2023 attributable to the Hangu China farm was a debit balance of $1 million (31 January 2022: debit balance of $4 million, 31 July 2022: debit balance of $3 million).

Brazil consumer and foodservice business

As at 31 January 2023 the Brazil consumer and foodservice business continued to meet the requirements to be classified as held for sale (31 January 2022 and 31 July 2022: held for sale).

On 13 December 2022 the Group announced the sale of the Brazil consumer and foodservice business, subject to a number of conditions including receipt of regulatory approvals from competition authorities.

In September 2022 the equity holders each contributed their proportionate share of $93 million to repay borrowings of the business, which reduced the net liabilities held for sale.

The Group reassessed the fair value less costs to sell at 31 January 2023, and no adjustment has been recognised (31 January 2022: nil, 31 July 2022: a write-down of $57 million ($50 million after tax)).

The foreign currency translation reserve balance at 31 January 2023 attributable to the Brazil consumer and foodservice business was a debit balance of $67 million (31 January 2022: debit balance of $62 million, 31 July 2022: debit balance of $67 million).

Chilean Soprole business

During the period, the Group's divestment of the Chilean Soprole business has advanced to the point that the business meets the requirements to be classified as held for sale at 31 January 2023. The divestment of the business also meets the definition of a discontinued operation as it is a separate major geographical area of operation. The Group expects the sale to be completed within one year of the reporting date.

The divestment is comprised of a number of transactions that result in aggregate consideration of 591 billion Chilean Pesos. The divestment is subject to a number of conditions, including receipt of regulatory approvals and commencement of an irrevocable public tender offer process in Chile for the outstanding shares in Soprole not already owned by the Group.

On classification as held for sale, the net assets are required to be measured at the lower of carrying value or fair value less costs to sell. The fair value less costs to sell exceeds the carrying value and no adjustment has been recognised.

The foreign currency translation reserve balance at 31 January 2023 attributable to the Chilean Soprole business was a debit balance of $185 million, and the hedge reserve was a debit balance of $13 million.

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

2 DIVESTMENTS (CONTINUED)

b) Discontinued operations

The China Farms business, Brazil consumer and foodservice business and Chilean Soprole business all meet the definition of a discontinued operation.

The summarised financial performance of the China Farms business, Brazil consumer and foodservice business, and Chilean Soprole business, recognised in profit/(loss) after tax from discontinued operations in the Income Statement, total comprehensive income/(expense) from discontinued operations, and net cash generated by the discontinued operations, is presented in the following table.

	$ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
DISCONTINUED OPERATIONS	**31 JAN 2023 UNAUDITED**	31 JAN 2022 UNAUDITED RE-PRESENTED[1]	31 JUL 2022 AUDITED RE-PRESENTED[1]
Revenue from sale of goods	**916**	712	1,524
Cost of goods sold	**(664)**	(494)	(1,093)
Gross profit	**252**	218	431
Other operating expenses	**(258)**	(154)	(344)
Brazil consumer and foodservice impairment	**–**	–	(57)
(Loss)/profit before net finance costs and tax	**(6)**	64	30
Net finance costs	**(35)**	(13)	(37)
(Loss)/profit before tax	**(41)**	51	(7)
Tax credit/(expense)	**43**	(39)	(31)
Profit/(loss) after tax from discontinued operations	**2**	12	(38)
Share of loss attributable to non-controlling interests	**–**	1	36
Profit/(loss) after tax attributable to equity holders	**2**	13	(2)
Cash flow hedges and other costs of hedging, net of tax	**(13)**	–	–
Movement in exchange differences on translation of discontinued operations	**23**	(15)	(55)
Foreign currency translation reserve gains transferred to the Income Statement	**–**	–	(1)
Other reserve movements	**2**	14	9
Total comprehensive income/(expense) from discontinued operations	**14**	11	(85)
Net cash inflow/(outflow) from operating activities	**52**	(2)	18
Net cash outflow from investing activities	**(12)**	(9)	(24)
Net cash outflow from financing activities	**(137)**	(1)	(6)
Net decrease in cash generated by the discontinued operations	**(97)**	(12)	(12)

1 Comparative information has been re-presented for consistency with the current period. Refer to Note 12 *Re-presentations* for further details.

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

3 REVENUE FROM SALE OF GOODS

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

Group Operations includes external revenue together with adjustments to reflect that it acts as an agent for other segments, and the volatility associated with the Group's sales hedging activities.

	GROUP $ MILLION			
	GLOBAL MARKETS	GREATER CHINA	GROUP OPERATIONS	TOTAL
For the six months ended 31 January 2023 (unaudited)				
Ingredients channel revenue	**6,836**	**2,147**	**(248)**	**8,735**
Foodservice channel revenue	**914**	**1,111**	**(97)**	**1,928**
Consumer channel revenue	**1,506**	**216**	**(52)**	**1,670**
Revenue from sale of goods	**9,256**	**3,474**	**(397)**	**12,333**
For the six months ended 31 January 2022 (unaudited and restated)[1]				
Ingredients channel revenue	4,417	2,284	147	6,848
Foodservice channel revenue	687	1,000	(13)	1,674
Consumer channel revenue	1,334	211	18	1,563
Revenue from sale of goods	6,438	3,495	152	10,085
For the year ended 31 July 2022 (audited and restated)[1]				
Ingredients channel revenue	10,940	4,648	(53)	15,535
Foodservice channel revenue	1,515	1,850	(63)	3,302
Consumer channel revenue	2,673	369	22	3,064
Revenue from sale of goods	15,128	6,867	(94)	21,901

1 Comparative information has been restated and re-presented for consistency with the current period. Refer to Note 12 *Re-presentations* for further details.

Revenue is disaggregated by geography on the basis of the destination of the goods sold in Note 1 *Segment reporting*.

4 COST OF GOODS SOLD

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2023 UNAUDITED	31 JAN 2022 UNAUDITED RE-PRESENTED	31 JUL 2022 AUDITED RE-PRESENTED
Opening inventory	**5,007**	3,766	3,766
Cost of milk:			
– New Zealand-sourced	**8,377**	8,829	13,722
– Non-New Zealand-sourced	**633**	459	843
Other costs	**3,114**	2,885	5,668
Closing inventory	**(6,844)**	(7,243)	(5,007)
Total cost of goods sold	**10,287**	8,696	18,992

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.

During the period, the Group increased its provision for impairment of raw materials and finished goods by $71 million (31 January 2022: $15 million, 31 July 2022: $26 million).

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

Debt and equity

5 SUBSCRIBED EQUITY INSTRUMENTS

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

Co-operative shares may currently only be held by a shareholder supplying milk to Fonterra (farmer shareholder), by former farmer shareholders for a reduction period 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.

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 2023 there were 1,609,294,669 Co-operative shares on issue (31 January 2022: 1,613,357,879 shares, 31 July 2022: 1,612,825,585 shares).

During the six months ended 31 January 2023, Fonterra bought back 3,530,916 shares at a total cost of $9 million (31 January 2022: no shares, 31 July 2022: 532,294 shares at a total cost of $1 million). The shares bought back were cancelled on acquisition.

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 new Flexible Shareholding capital structure (Flexible Shareholding). The legislative changes required to enable Flexible Shareholding have been approved by Parliament and Fonterra has announced that Flexible Shareholding will be implemented in late March 2023. Share compliance obligations will remain on hold for all shareholders holding a minimum of 1,000 shares and exiting suppliers that are selling shares over three seasons in accordance with Fonterra's Constitution, until at least six months after Flexible Shareholding comes into effect. Fonterra has announced a Compliance Date of 1 December 2023 for the 2023/24 Season. The current cap on the Fund remains, so Fonterra shares are not able to be exchanged into units in the Fund on a day-to-day basis. A capped Fund is a feature of Flexible Shareholding.

Information about the Group's capital structure 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 2023 107,410,984 Co-operative shares (31 January 2022: 107,417,322, 31 July 2022: 107,417,322) were legally owned by the Custodian, on trust for the benefit of the Fund.

During the six months ended 31 January 2023, the Fund issued no units (31 January 2022: no units, 31 July 2022: no units) and redeemed 6,338 units (31 January 2022: 2,840 units, 31 July 2022: 2,840 units).

Under the capital structure related amendments to Fonterra's Constitution the overall limit on the Fund size reduces from 20% to 10%. The current cap on the Fund remains, so Fonterra shares are not able to be exchanged into units in the Fund on a day-to-day basis. The Fonterra share buyback programme has not had a material impact on the Fund size as a percentage of the total number of Fonterra shares on issue.

The rights attaching to units are set out in the Fonterra Shareholders' Fund 2022 Annual Report, available in the 'Investors/Fonterra Shareholders' Fund' section of Fonterra's website.

6 DIVIDENDS

	$ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2023 UNAUDITED	31 JAN 2022 UNAUDITED	31 JUL 2022 AUDITED
DIVIDENDS			
2022 Final dividend – 15 cents per share[1]	**242**	–	–
2022 Interim dividend – 5 cents per share[2]	**–**	–	81
2021 Final dividend – 15 cents per share[3]	**–**	242	242

1 Declared on 21 September 2022 and paid on 14 October 2022 to all Co-operative shares on issue at 29 September 2022. The Dividend Reinvestment Plan did not apply to this dividend.

2 Declared on 16 March 2022 and paid on 14 April 2022 to all Co-operative shares on issue at 24 March 2022. The Dividend Reinvestment Plan did not apply to this dividend.

3 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.

Dividend declared after the reporting period

On 15 March 2023, the Board declared an interim dividend of 10 cents per share, to be paid on 14 April 2023 to all holders of Co-operative shares on issue at 23 March 2023.

The Dividend Reinvestment Plan does not apply to this dividend.

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

7 BORROWINGS

a) Total borrowings

	GROUP $ MILLION		
	AS AT 31 JAN 2023 UNAUDITED	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JUL 2022 AUDITED
Total current borrowings	**2,063**	596	356
Total non-current borrowings	**3,426**	5,152	4,900
Total borrowings[1]	**5,489**	5,748	5,256

1 Borrowings of $481 million attributable to disposal groups held for sale are not included in the table above (31 January 2022: $310 million, 31 July 2022: $333 million).

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

	GROUP $ MILLION		
	AS AT 31 JAN 2023 UNAUDITED	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JUL 2022 AUDITED
Commercial paper	**522**	215	98
Bank loans	**984**	963	999
Lease liabilities	**408**	482	438
Capital notes[1]	**35**	35	35
NZX-listed bonds	**250**	250	250
Medium-term notes	**3,290**	3,803	3,436
Total borrowings[2]	**5,489**	5,748	5,256

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

b) Adjusted net debt

The Group uses adjusted net debt, a non-GAAP debt measure in monitoring its net debt position and in calculating the Group's debt to EBITDA ratio, gearing ratio, and return on capital.

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), less 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 2023 UNAUDITED	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JUL 2022 AUDITED
Total borrowings	**5,489**	5,748	5,256
Plus: Bank overdraft	**57**	84	31
Less: Cash and cash equivalents	**(319)**	(479)	(288)
Plus: Borrowings attributable to disposal groups held for sale	**481**	310	333
Less: Cash and cash equivalents attributable to disposal groups held for sale	**(46)**	(11)	(24)
Plus: Cash adjustment for cash held by subsidiaries	**68**	122	77
Less: Carrying value of derivatives used to manage changes in hedged risks on debt instruments	**81**	(167)	(46)
Adjusted net debt	**5,811**	5,607	5,339

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

Other

8 INTANGIBLE ASSETS

At 31 January 2023 the Group assessed whether there were any indicators that its cash-generating units (CGUs) with goodwill or indefinite life intangibles could be impaired. It was determined that indicators did exist for the New Zealand consumer and foodservice CGU and the Anlene™, Anmum™ and Chesdale™ Asia brands (no indicators identified at 31 January 2022).

The Group has tested these assets for impairment and recognised an impairment of $162 million within other operating expenses in the Income Statement (31 January 2022: nil, 31 July 2022: $34 million).

a) New Zealand consumer and foodservice CGU

This CGU represents a business which sells dairy products in the consumer and foodservice channels, in New Zealand and selected export markets.

At 31 July 2022, the recoverable amount of the business was determined on a value in use basis using a discounted cash flow methodology, with the recoverable amount exceeding its carrying amount by $66 million. As presented in the Group's Financial Statements for the year ended 31 July 2022, it was determined a reasonably possible change in certain key assumptions used to determine the value in use would result in an impairment.

During the period margins and volumes were lower than forecast and costs were higher than forecast, which combined with an increase in the discount rate resulted in the value in use being below the carrying value of the business.

The Group has obtained an external valuation to determine the fair value less costs of disposal of the business under a market approach. The valuation uses a sustainable EBITDA based on expected future maintainable earnings and an appropriate range of earnings multiples based on benchmarking against peers. This valuation uses unobservable inputs, which would be categorised under Level 3 of the fair value hierarchy.

The fair value less costs of disposal is higher than the value in use at 31 January 2023 and has been used to determine the recoverable amount of the business.

The recoverable amount of the business was assessed to be $669 million. This was lower than the carrying value of the business, resulting in an impairment of goodwill of $92 million (31 January 2022: nil, 31 July 2022: nil) recognised in the Group's Global Markets reportable segment. Goodwill allocated to the CGU is $137 million as at 31 January 2023 (31 January 2022: $229 million, 31 July 2022: $229 million).

If the business is unable to achieve the sustainable EBITDA used in the external valuation or the value of the CGU's net assets significantly increases, a further impairment may be possible.

b) Asia brands

Asia brands represent the Group's trademarks and other intellectual property in territories outside of New Zealand and Australia, relating to the Anchor™, Anmum™, Anlene™ and Chesdale™ brands.

The relief from royalty method is used to calculate the recoverable amounts of the brands. The relief from royalty methodology is a value in use calculation which determines the recoverable amount by calculating the present value of what a licensee would theoretically pay as a royalty to use the brands.

The key assumption used in the relief from royalty method is forecast sales growth. The value attributed to this assumption is based on five-year cash flow forecasts, which utilise updated forecasts for the year ending 31 July 2023 and business plans approved by the Board, updated where applicable for the purposes of impairment testing. Cash flows for years four and five have been prepared based on growth expectations for the brands.

The royalty rates applied in the calculation are determined based on comparable market data, and range from 3% to 7% (31 July 2022: 3% to 7%).

The carrying amount for the Anchor™, Anlene™ and Anmum™ brands and cash flow forecasts for each region are in local currency and converted to NZD.

The total impairment recognised across the Asia brands is $70 million (31 January 2022: nil, 31 July 2022: $34 million). Of this impairment, $46 million is attributed to the Global Markets reportable segment and $24 million to the Greater China reportable segment (31 January 2022: nil, 31 July 2022: $33 million to the Asia Pacific reportable segment (restated to be within Global Markets in Note 1 *Segment reporting*) and $1 million to the Greater China reportable segment). Refer below for further information specific to each brand impaired.

Anlene™ brand

The recoverable amount of the Anlene™ brand was assessed to be $153 million. This was lower than the carrying value of the brand, resulting in an impairment of $45 million (31 January 2022: nil, 31 July 2022: $22 million). The impairment recognised is primarily due to a reduction in forecast sales growth for the brand, with changes in discount rates and foreign exchange rates also contributing to the impairment recognised.

As the brand is sold across a number of markets, all with different characteristics, the range of post-tax discount rates applied was 9.3% to 27.5% (31 July 2022: 9.2% to 31.5%). The range of pre-tax discount rates was 11.2% to 35.3% (31 July 2022: 11.1% to 41.4%).

The long-term growth rates applied range from 1.4% to 6.2% (31 July 2022: 1.6% to 7.4%).

Anmum™ brand

The recoverable amount of the Anmum™ brand was assessed to be $93 million. This was lower than the carrying value of the brand, resulting in an impairment of $23 million (31 January 2022: nil, 31 July 2022: $11 million). The impairment recognised is primarily due to a reduction in forecast sales growth for the brand in the Southeast Asia region, with changes in discount rates and foreign exchange rates also contributing to the impairment recognised.

As the brand is sold across a number of markets, all with different characteristics, the range of post-tax discount rates applied was 9.3% to 16.1% (31 July 2022: 9.2% to 15.8%). The range of pre-tax discount rates was 11.2% to 20.1% (31 July 2022: 11.1% to 19.8%).

The long-term growth rates applied range from 1.4% to 3.6% (31 July 2022: 1.6% to 3.8%).

Chesdale™ brand

The recoverable amount of the Chesdale™ brand was assessed to be $26 million. This was lower than the carrying value of the brand, resulting in an impairment of $2 million (31 January 2022: nil, 31 July 2022: $1 million). The impairment recognised was a result of changes in discount rates and foreign exchange rates.

As the brand is sold across a number of markets, all with different characteristics, the range of post-tax discount rates applied was 9.3% to 25.1% (31 July 2022: 8.8% to 31.5%). The range of pre-tax discount rates was 11.2% to 33.0% (31 July 2022: 11.1% to 41.4%).

The long-term growth rates applied range from 1.4% to 3.6% (31 July 2022: 1.6% to 3.8%).

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

9 CONTINGENT LIABILITIES, PROVISIONS AND COMMITMENTS

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. In November 2022, Fonterra Australia reached an agreement to settle these proceedings. The settlement, which is made without any admission of liability, is subject to Court approval. The settlement sum of AUD25 million inclusive of interest and all costs was fully provided for in the year ended 31 July 2022.

At 31 January 2023 the Group was committed to future capital expenditure for:

	GROUP $ MILLION		
	AS AT 31 JAN 2023 UNAUDITED	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JUL 2022 AUDITED
Buildings	**17**	26	20
Plant, vehicles and equipment	**169**	170	192
Software	**11**	9	13
Total commitments	**197**	205	225

10 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 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.

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

10 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 2023 UNAUDITED	31 JAN 2022 UNAUDITED	31 JUL 2022 AUDITED	**31 JAN 2023 UNAUDITED**	31 JAN 2022 UNAUDITED	31 JUL 2022 AUDITED	**31 JAN 2023 UNAUDITED**	31 JAN 2022 UNAUDITED	31 JUL 2022 AUDITED
Measured at fair value on a recurring basis									
Derivative assets									
– Commodity derivatives	**57**	214	211	**3**	4	7	**–**	–	–
– Foreign exchange derivatives	**–**	–	–	**589**	50	64	**–**	–	–
– Interest rate derivatives[1]	**–**	–	–	**306**	427	382	**–**	–	–
Derivative liabilities									
– Commodity derivatives	**(124)**	(17)	(40)	**(6)**	(1)	(3)	**–**	–	–
– Foreign exchange derivatives	**–**	–	–	**(254)**	(809)	(760)	**–**	–	–
– Interest rate derivatives[1]	**–**	–	–	**(251)**	(235)	(243)	**–**	–	–
Emissions units held for trading	**36**	37	39	**–**	–	–	**–**	–	–
Long-term advances	**–**	–	–	**–**	–	–	**3**	–	–
Investments in shares	**24**	21	24	**18**	17	18	**53**	22	36
Measured at fair value on a non-recurring basis									
Net liabilities held for sale	**–**	–	–	**–**	–	–	**(65)**	(70)	(155)
Fair value	**(7)**	255	234	**405**	(547)	(535)	**(9)**	(48)	(119)

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 2023 UNAUDITED	31 JAN 2022 UNAUDITED	31 JUL 2022 AUDITED	**31 JAN 2023 UNAUDITED**	31 JAN 2022 UNAUDITED	31 JUL 2022 AUDITED	**31 JAN 2023 UNAUDITED**	31 JAN 2022 UNAUDITED	31 JUL 2022 AUDITED
Financial assets									
Long-term advances	**143**	161	154	**–**	–	–	**143**	172	153
Financial liabilities									
Borrowings									
– NZX-listed bonds	**(250)**	(250)	(250)	**(243)**	(253)	(246)	**–**	–	–
– Capital notes	**(35)**	(35)	(35)	**(33)**	(35)	(34)	**–**	–	–
– Medium-term notes	**(3,290)**	(3,803)	(3,436)	**–**	–	–	**(3,361)**	(3,919)	(3,511)

Notes to the Interim Financial Statements (CONTINUED)

FOR THE SIX MONTHS ENDED 31 JANUARY 2023

11 NET TANGIBLE ASSETS PER QUOTED EQUITY SECURITY

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

	GROUP		
	AS AT 31 JAN 2023 UNAUDITED	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JUL 2022 AUDITED
Net tangible assets per security			
$ per equity instrument on issue	**3.64**	2.72	2.86
Equity instruments on issue (million)	**1,609**	1,613	1,613

12 RE-PRESENTATIONS

The following table shows the financial effect on the Group's Income Statement and Total comprehensive income from the re-presentation of the Chilean Soprole business from continuing operations into discontinued operations.

Discontinued operations presented below incorporates both the performance of the Chilean Soprole business (excluding intercompany interest) and revaluation of derivatives relating to the sale transaction.

	$ MILLION					
	SIX MONTHS ENDED			YEAR ENDED		
	31 JAN 2022 CONTINUING OPERATIONS UNAUDITED	DISCONTINUED OPERATIONS	31 JAN 2022 CONTINUING OPERATIONS RE-PRESENTED	31 JUL 2022 CONTINUING OPERATIONS AUDITED	DISCONTINUED OPERATIONS	31 JUL 2022 CONTINUING OPERATIONS RE-PRESENTED
Revenue from sale of goods	10,588	503	10,085	22,953	1,052	21,901
Cost of goods sold	(9,039)	(343)	(8,696)	(19,737)	(745)	(18,992)
Gross profit	1,549	160	1,389	3,216	307	2,909
Expenses and other items including finance costs	(1,038)	(102)	(936)	(2,386)	(229)	(2,157)
Profit before tax	511	58	453	830	78	752
Tax expense	(140)	(39)	(101)	(169)	(38)	(131)
Profit after tax	371	19	352	661	40	621
Total comprehensive income from continuing operations	92	(2)	94	461	(17)	478

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 2023;
- the income statement, statements of 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 50 to 68 do not:

i. present fairly, in all material respects the Group's financial position as at 31 January 2023 and its financial performance and cash flows for the six month period ended on that date; and

ii. 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

15 March 2023

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 from profit after tax to total Group normalised EBITDA

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2023 UNAUDITED	31 JAN 2022 UNAUDITED RE-PRESENTED[1]	31 JUL 2022 AUDITED RE-PRESENTED[1]
Profit after tax	**546**	364	583
Net finance costs from continuing operations	**122**	90	194
Net finance costs from discontinued operations	**35**	13	37
Tax expense from continuing operations	**198**	101	131
Tax (credit)/expense from discontinued operations	**(43)**	39	31
Depreciation and amortisation from continuing operations	**305**	299	602
Depreciation and amortisation from discontinued operations	**8**	15	33
Total Group EBITDA	**1,171**	921	1,611
Hangu China Farm impairment	**4**	–	–
Fair value movements on derivatives hedging sale of Soprole	**78**	–	–
Gain on sale of Global Dairy Trade	**–**	–	(42)
Brazil consumer and foodservice business impairment	**–**	–	57
Total normalisation adjustments	**82**	–	15
Total Group normalised EBITDA	**1,253**	921	1,626

1 Comparative information has been re-presented for consistency with the current period. Refer to Note 12 *Re-presentations* for further details.

Non-GAAP Measures (CONTINUED)

Reconciliation from profit after tax to total Group normalised EBIT

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2023 UNAUDITED	31 JAN 2022 UNAUDITED RE-PRESENTED[1]	31 JUL 2022 AUDITED RE-PRESENTED[1]
Profit after tax	**546**	364	583
Net finance costs from continuing operations	**122**	90	194
Net finance costs from discontinued operations	**35**	13	37
Tax expense from continuing operations	**198**	101	131
Tax (credit)/expense from discontinued operations	**(43)**	39	31
Total Group EBIT	**858**	607	976
Normalisation adjustments	**82**	–	15
Total Group normalised EBIT	**940**	607	991

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

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2023 UNAUDITED	31 JAN 2022 UNAUDITED RE-PRESENTED[1]	31 JUL 2022 AUDITED RE-PRESENTED[1]
Profit after tax	**546**	364	583
Normalisation adjustments	**82**	–	15
Normalisation adjustments to net finance costs	**7**	–	–
Tax on normalisation adjustments	**(24)**	–	(7)
Normalised profit after tax	**611**	364	591
(Profit)/loss attributable to non-controlling interests	**(16)**	(16)	1
Normalisation adjustments attributable to non-controlling interests	**–**	–	(24)
Normalised profit after tax attributable to equity holders of the Co-operative	**595**	348	568
Weighted average number of Co-operative shares (thousands of shares)	**1,612,291**	1,613,358	1,613,353
Normalised earnings per share ($)	**0.37**	0.22	0.35

1 Comparative information has been re-presented for consistency with the current period. Refer to the Notes to the Financial Statements section – Note 12 *Re-presentations* for further details.

Glossary

Terms	Definitions
Active Living	represents ingredients and solutions sold to businesses who cater to consumers' health and wellness needs. It addresses three dimensions of wellbeing (Physical, Mental, Inner), extending to meet the nutrition needs of medical patients through to everyday people pursuing active lifestyles. This portfolio includes proteins, specialty ingredients such as probiotics, lactoferrin and lipids, and patented formulations.
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.
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.
Business growth capital expenditure	covers investments to drive business expansion or improvement toward our strategy, and generate incremental revenue.
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.

Terms	Definitions
Capital expenditure	comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets (excluding purchases of emissions units), net purchases of livestock, and includes amounts relating to disposal groups held for sale.
Capital invested	comprises capital expenditure plus right-of-use asset additions and business acquisitions, including equity contributions, long-term advances, and investments.
Consumer	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.

Glossary (CONTINUED)

Terms	Definitions
Dividend yield	is dividends (per share) divided by volume weighted average share price for the period 1 August to 31 July.
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.
Essential capital expenditure	covers investments to maintain the capability of our existing assets from risk management, legislation/regulation commitments, business continuity and capital replacement, as well as projects that drive the Co-operative sustainability targets.
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.

Terms	Definitions
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.
Global Markets	represents the Ingredients, Foodservice and Consumer channels outside of Greater China.
Greater China	represents the Ingredients, Foodservice and Consumer channels in Greater China.
Gross margin	is gross profit divided by revenue from sale of goods.
Group Operations	comprises core operating functions including New Zealand milk collection and processing operations and assets, supply chain, Group IT and sustainability; Fonterra Farm Source™ retail stores; and the Strategy and Optimisation function.
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.
Net working capital	is total trade and other receivables plus inventories, less trade and other payables. It excludes amounts owing to suppliers and employee entitlements. Includes amounts relating to disposal groups held for sale.
Non-reference products	means all dairy products, except for reference commodity products manufactured in New Zealand.
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.

Glossary (CONTINUED)

Terms	Definitions
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 earnings per share, less dividend per share. Retentions are reported as nil where Fonterra has reported a net loss after tax.
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 milk solids 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.

Terms	Definitions
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 per milk solid that is backed by a share, being the sum of the Farmgate Milk Price per kgMS and the dividend per share.
Tradeable shares	represents shares on issue that are in excess of Aggregate minimum shareholding.
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.
Working capital days	is calculated as 12-month rolling average working capital divided by revenue from the sale of goods (excluding impact of derivative financial instruments) multiplied by the number of days in the period. The working capital days calculation excludes other receivables, prepayments, other payables and includes working capital classified as held for sale.

Directory

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Clinton Dines
Brent Goldsack
Leonie Guiney
Bruce Hassall
Holly Kramer
Andy Macfarlane
John Nicholls
Cathy Quinn
Scott St John
Alison Watters

FONTERRA MANAGEMENT TEAM

Miles Hurrell
Neil Beaumont
Teh-han Chow
Mike Cronin
Kate Daly
Komal Mistry-Mehta
Emma Parsons
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