Fonterra Shareholders' Fund Annual Meeting

FONTERRA SHAREHOLDERS' FUND.

Fonterra

Dairy for life

9 November 2020

John Shewan

Chairman

FSF Management Company

FONTERRA SHAREHOLDERS' FUND.

Online attendees – question process

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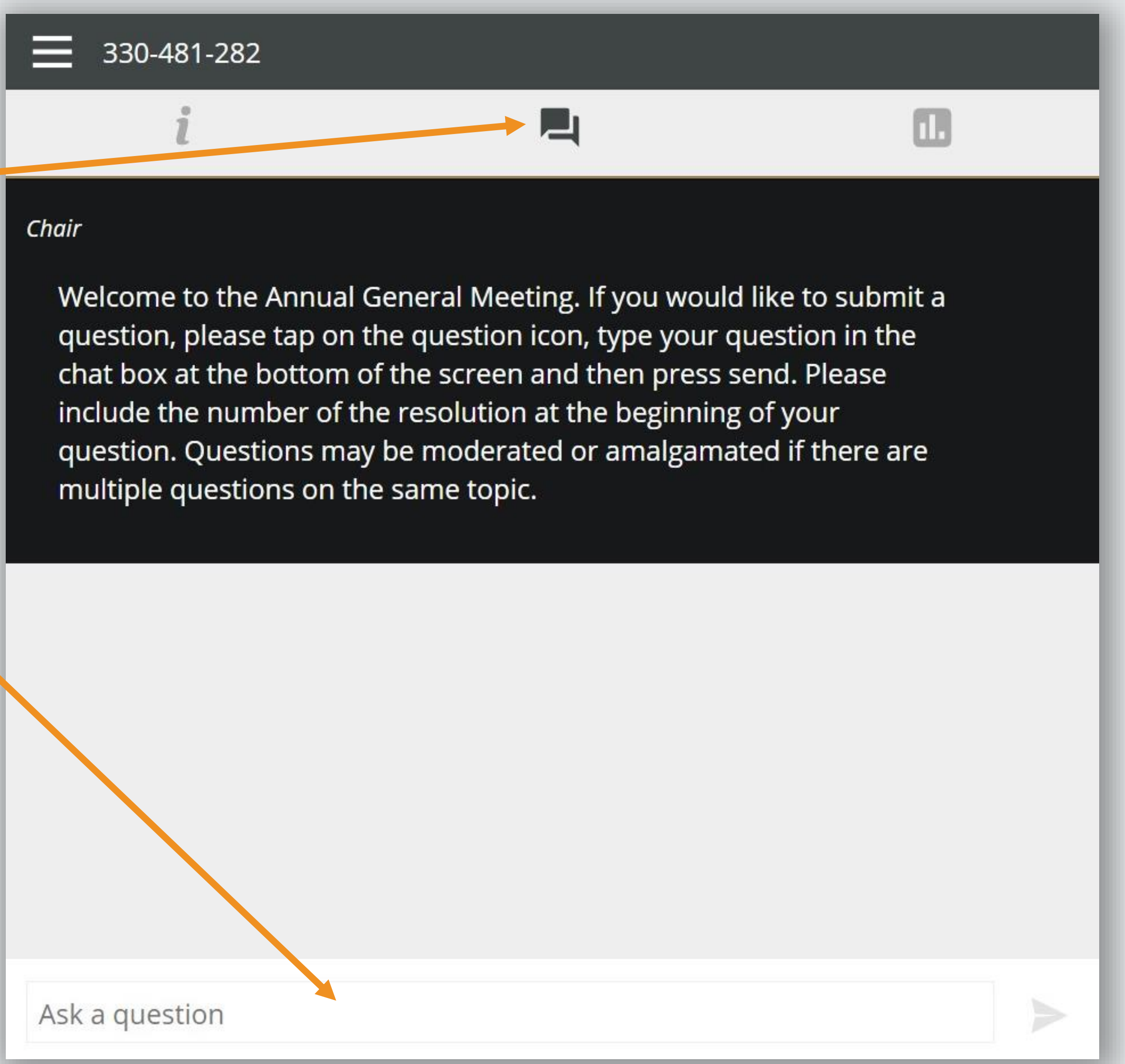

Online attendees – voting process

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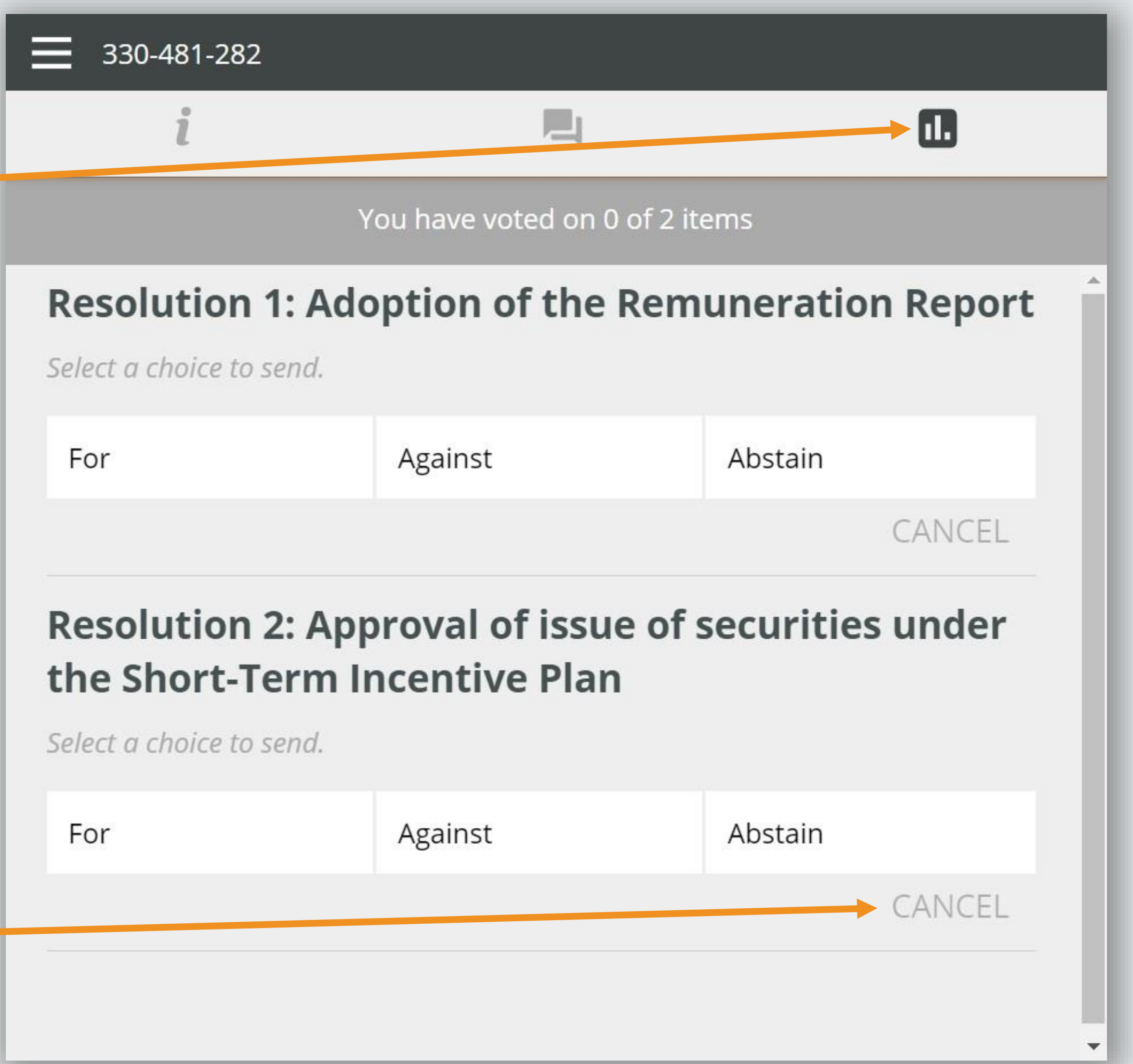


Agenda

Welcome and introductions	John Shewan
FSF Management Company Chairman’s address	John Shewan
Fonterra Chairman’s and CEO’s addresses	Peter McBride, Miles Hurrell
Questions	
Resolution to elect Mary-Jane Daly	John Shewan
Address by Mary-Jane Daly	Mary-Jane Daly
Address by retiring director Pip Dunphy	Pip Dunphy
General business	John Shewan

Fonterra Shareholders' Fund Board of Directors

John Shewan
Chairman

Kim Ellis

Pip Dunphy

Donna Smit

Andrew MacFarlane

Fonterra Team

Peter McBride

Miles Hurrell

Marc Rivers

Simon Till

Andrew Cordner

FSF Management Company Chairman's address

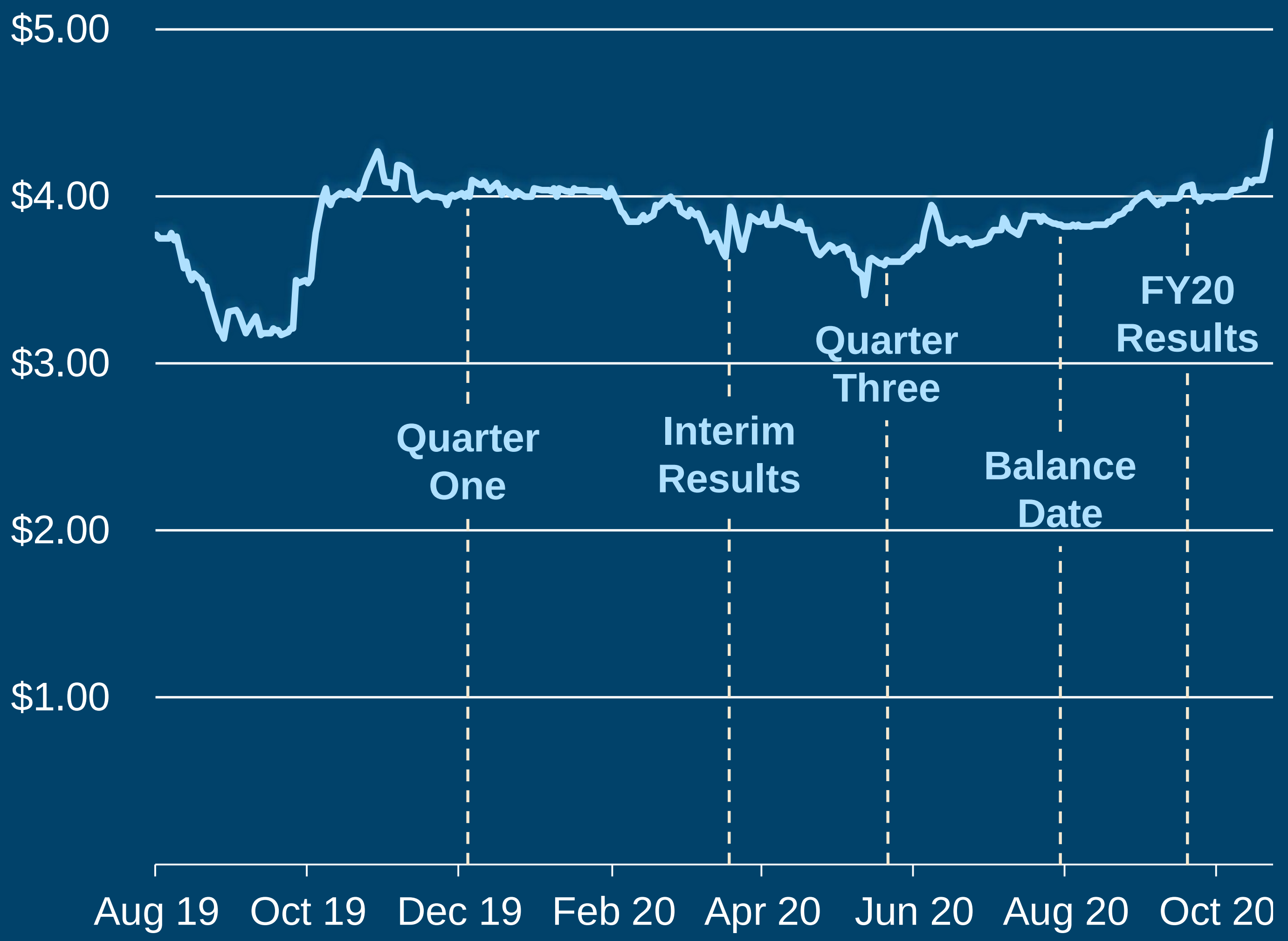
Improved performance in 2020

- Fonterra's resilience demonstrated during COVID-19
- Fonterra improved its underlying business performance
- Fonterra significantly reduced its debt
- Fonterra Shareholders' Fund resumed distributions

Reported Profit After Tax[1]	$659 million
Normalised Profit After Tax[2]	$382 million
Earnings per share[2]	24 cents
Debt reduction	$1.1 billion

1. Includes Continuing and Discontinued Operations. Includes amounts attributable to non-controlling interests.
2. Includes Continuing and Discontinued Operations on a normalised basis. Excludes amounts attributable to non-controlling interests.

8% increase in unit price for FY20 period



- **FY20 balance date**

  Up 1.3%, from $3.77 to $3.82

  (1 August 2019 – 31 July 2020)

- **Release of FY20 results**

  Up 7.7%, from $3.77 to $4.06

  (1 August 2019 – 18 September 2020)

- **As at 30 October**

  Up 22%, from $3.77 to $4.61

  (1 August 2019 – 30 October 2020)

Key Fund statistics as at 30 October 2020

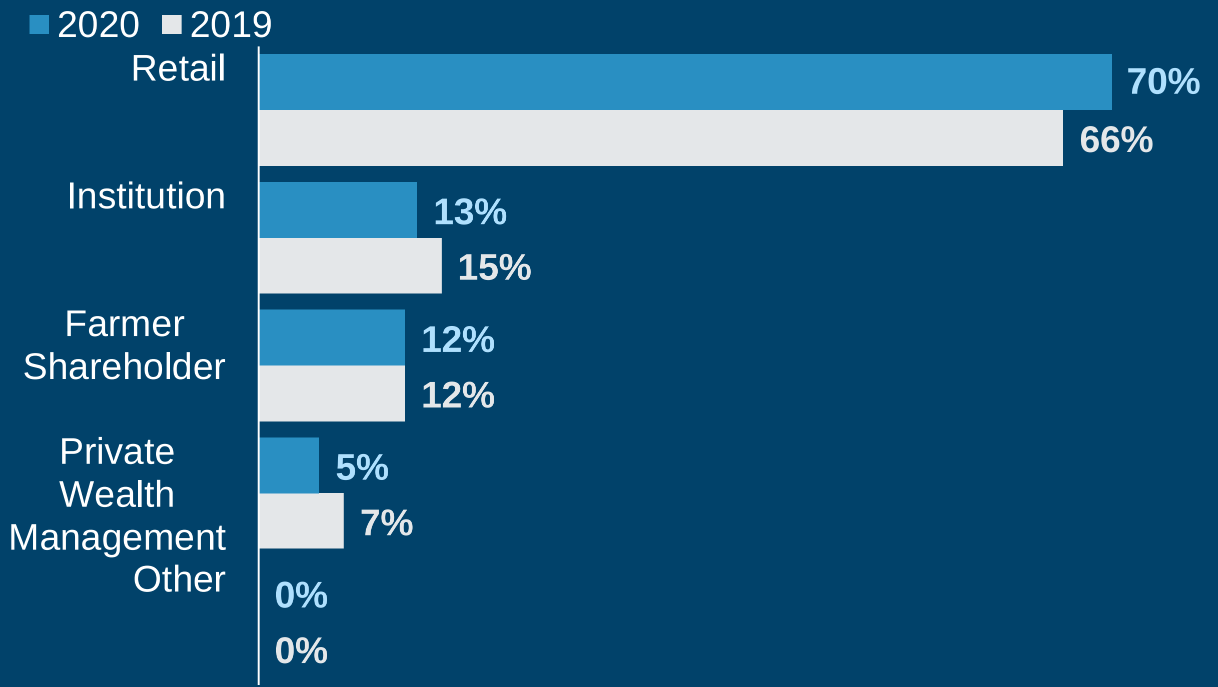
Units on Issue[1]:	**106 million**	⬆ 4m
Fund Market Capitalisation[1]:	**$490 million**	⬆ 66m
Fonterra Market Capitalisation[1]:	**$7.4 billion**	⬆ 1.8b
Fund Size[1,2]:	**6.6%**	⬆ 0.3%
Unit Price 12-month High/Low[3]:	**$4.61** (30 Oct 20) / **$3.41** (12 May 20)	

1. At 30 October 2020, relative to 30 October 2019.
2. Fonterra Shareholders' Fund units on issue as a percentage of Fonterra Co-operative Group shares on issue.
3. 12 month period, 30 October 2019 – 30 October 2020.

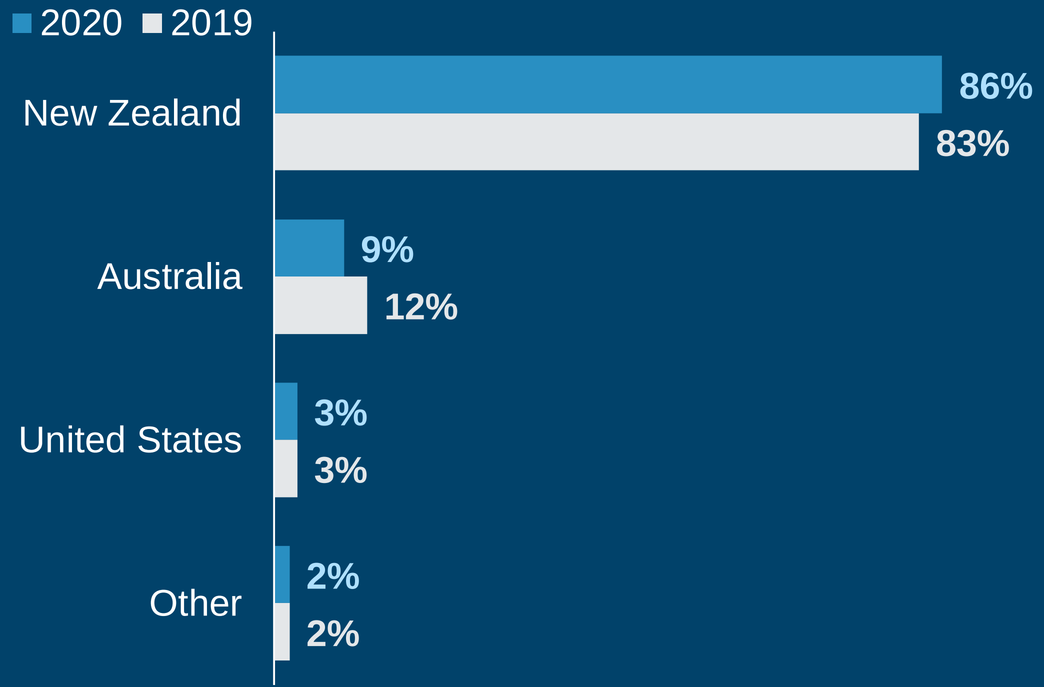
Unit register analysis

- Reduction in institution and private wealth holdings picked up by retail investors
- Majority of register held in New Zealand, with further reduction in offshore holdings

Investor Type



Investor Location

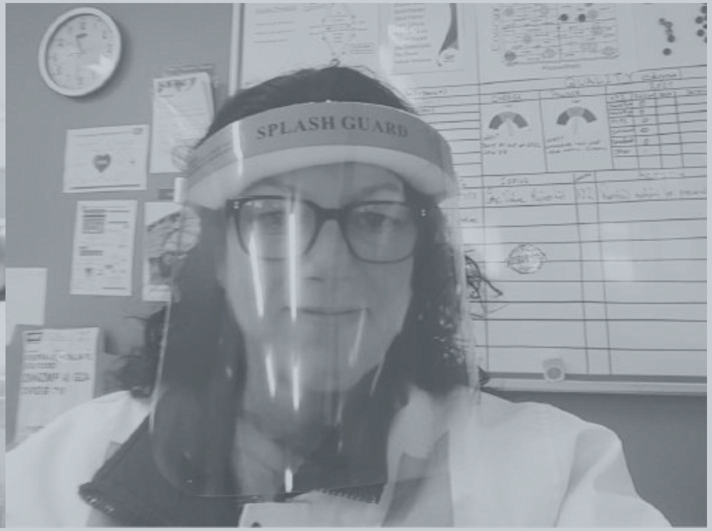


Note: Register data for 2019 and 2020 is as at 30 September.

Peter McBride

Chairman

Fonterra Co-operative Group



You can't talk about 2020 without mentioning Covid-19. We are proud of the way our Co-op pulled together, played by the rules, and looked out for each other to get the job done.

#1

Delivered a strong Milk Price

#2 Delivered a dividend

#3

Continued with the implementation of our strategy

#4 Delivered stable governance

Fonterra
Dairy for life

Delivering for future generations

Miles Hurrell

Chief Executive Officer

Fonterra Co-operative Group

Our Strategy

Our strategy focuses on using New Zealand milk to meet market needs.

We will create sustainable value through innovation, sustainability and efficiency.

Innovation

To create superior value for our customers and our Co-operative

Sustainability

To do what is right for the long term good and meet consumer and community needs

Efficiency

Unlock greater value from our scale efficiency and focus on execution

Delivered on our 2020 priorities

Healthy People – Supported regional New Zealand and focused on building a great team

Healthy Environment – Reduced our environmental footprint

Healthy Business – Hit our financial targets

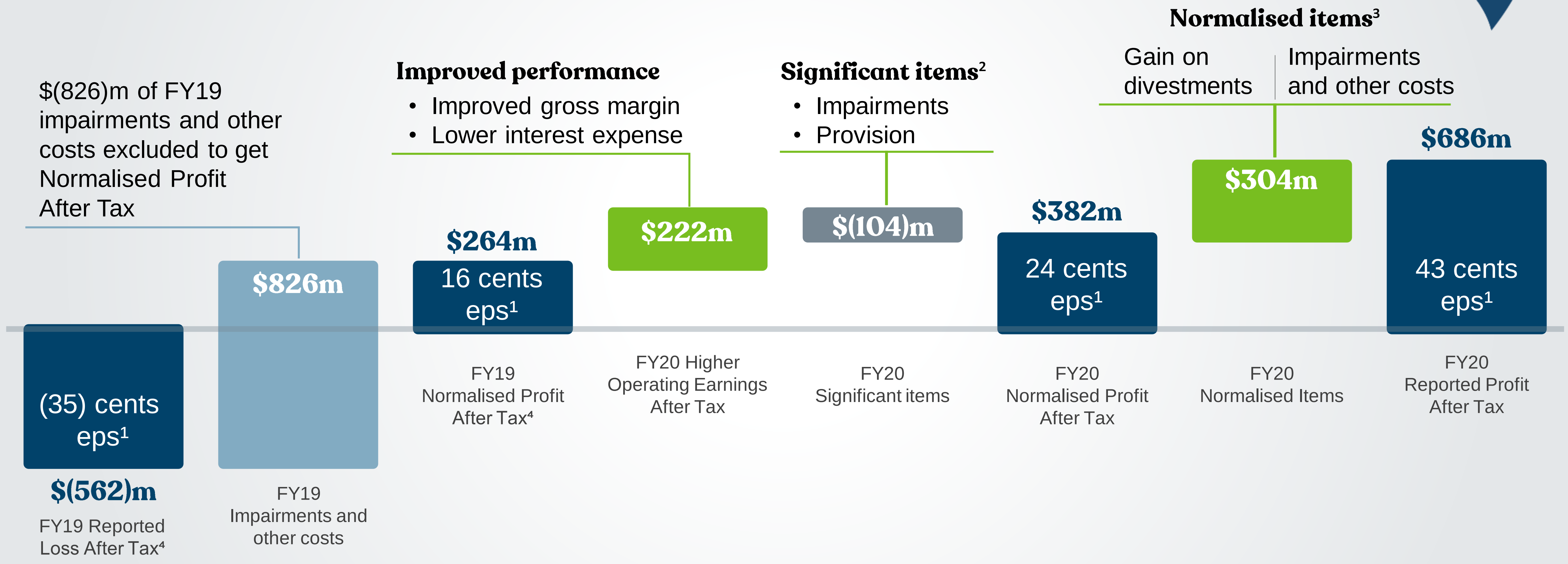
Improved financial metrics

REVENUE	GROSS PROFIT	OPERATING EXPENSES	EBIT	PROFIT AFTER TAX[1]
$21.0 billion	$3.2 billion	$2.3 billion	$879 million	$382 million
Up $1.1bn	Up $200m	Down $14m	Up $67m	Up $118m

Capital Expenditure	Free Cash Flow	Net Debt[2]	Debt to EBITDA	Earnings per share[1]
$419 million	$1.8 billion	$4.7 billion	3.4x	24 cents
Down $181m	Up $733 million	Down $1.1b	From 4.4x	Up 8c

Note: Unless stated otherwise metrics presented are for Total Group, which includes Continuing and Discontinued Operations on a normalised basis.
1. Excludes amounts attributable to non-controlling interests.
2. Excludes Discontinued Operations.

Reported profit after tax up $1.2 billion

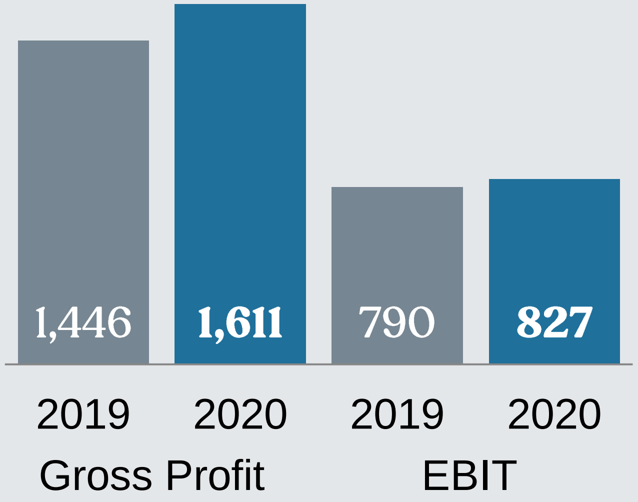


Note: Figures presented are on a after tax attributable to equity holders basis. Excludes amounts attributable to non-controlling interests.

1. Earnings per share.
2. $(104) million of Significant items, including a provision for change in treatment of holiday pay pending judicial interpretation of the requirements of legislation in New Zealand. Refer to appendix for detailed breakdown.
3. Comprised of $549 million and $(245) million positive and negative normalised items, respectively. Refer to appendix for detailed breakdown.
4. FY19 reported loss and normalised profit after tax attributable to equity holders are restated from $(557) million and $269 million, as stated in FY19 Annual Report, to $(562) million and $264 million, respectively. Restatement due to change in timing of revenue recognition for sales to distributor in Greater China.

Segment performance

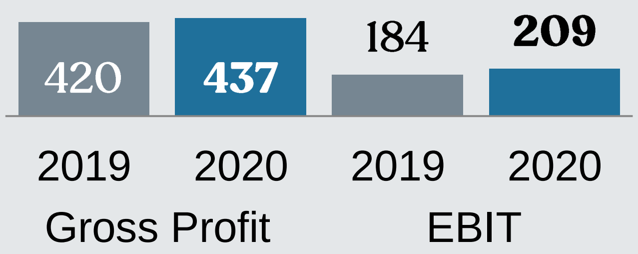
Ingredients[1,2]



2020 gross profit reflects favourable pricing relativities

2019 EBIT includes $44 million from DFE Pharma

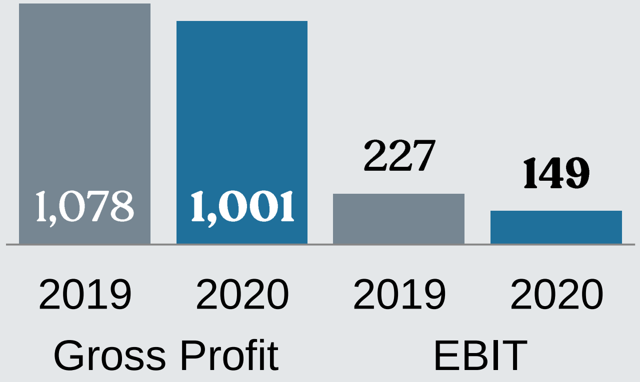
Foodservice[1]



Strong first half before COVID-19

Greater China rebounded in third quarter, but challenging fourth quarter across other regions

Consumer[1]



2020 EBIT includes $57 million of impairments

Challenges remain in Chile and Hong Kong

Note: EBIT and gross margin are normalised in NZD millions. Figures presented are for FY20 and FY19 as a comparative.
1. Does not add to Total Group due to including inter-segment sales, and excludes Discontinued Operations.
2. Ingredients performance includes the China Farming joint venture. For FY19 and FY20 China Farming joint venture reported a loss of $(19) million and $(12) million, respectively.

Our 2021 priorities

1 Co-operative

Support farmers and employees

Competitive milk price

Participation in The Co-operative Difference

Health & Safety

2 Performance

Deliver on our promises

Return on Capital

Debt/EBITDA

Sustainable performance to enable continued dividend

3 Community

Do what's right for customers, communities and environment

Exceed customer expectations

Support communities through nutrition programmes

Make our low carbon footprint model a powerful point of differentiation

Our Co-op, empowering people to create goodness for generations
You, me, us together – Tātou, tātou

Successes so far this year

Coal to wood pellets
at our Te Awamutu site

New approach to our in-school milk programme

Farm-specific greenhouse gas emissions reports for all farms in NZ

Agreed to sell China Farms for
$555 million

Working with Land O'Lakes to open more doors for US Foodservice business

2020 Sustainability Report – most encouraging set of results yet

2021 Outlook

Forecast Farmgate Milk Price mid point

$6.80
per kgMS

- Forecast Farmgate Milk Price range of $6.30-$7.30
  - Assumes no significant impact to product pricing from global economic impact of COVID-19
  - Subject to product pricing and FX changes
- Dairy demand and supply is finely balanced

Forecast Earnings

20-35
cents
per share

- Full year normalised earnings per share range of 20-35 cents
- Key assumptions include:
  - Improved trading performance, driven by Asia and Greater China as COVID-19 restrictions ease
  - Lower financing costs and less significant items
  - Favourable price relativities of 2020 second half not replicated

Questions

FONTERRA SHAREHOLDERS' FUND.

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Online attendees – question process

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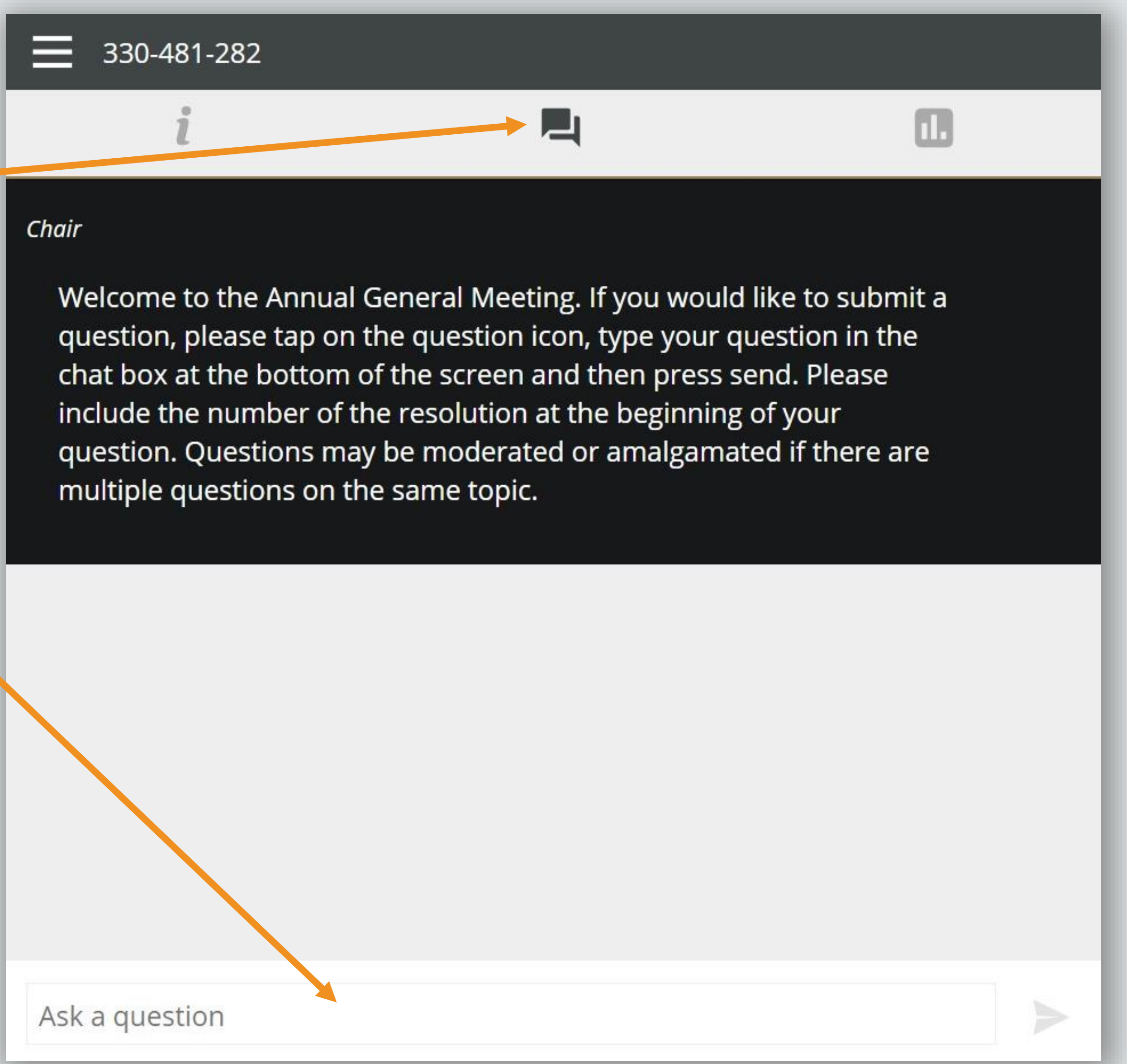

Resolution 1

Election of
Mary-Jane Daly

FONTERRA SHAREHOLDERS' FUND.

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Resolution 1

- To elect Mary-Jane Daly as a director of the Manager of the Fund

Mary-Jane Daly

Director Nominee

FSF Management Company

Resolution 1

- To elect Mary-Jane Daly as a director of the Manager of the Fund

Proxy voting

To elect Mary-Jane Daly

93.6%
11.5m units
FOR

0.4%
0.5m units
AGAINST

6.0%
0.7m units
DISCRETIONARY

1.2%
Board

4.8%
Non-Board

As at 10am Saturday 7 November 2020

Online attendees – voting process

When the poll is open, the vote will be accessible by selecting the voting icon at the top of the screen

To vote simply select the direction in which you would like to cast your vote. The selected option will change colour

For	Against	Abstain

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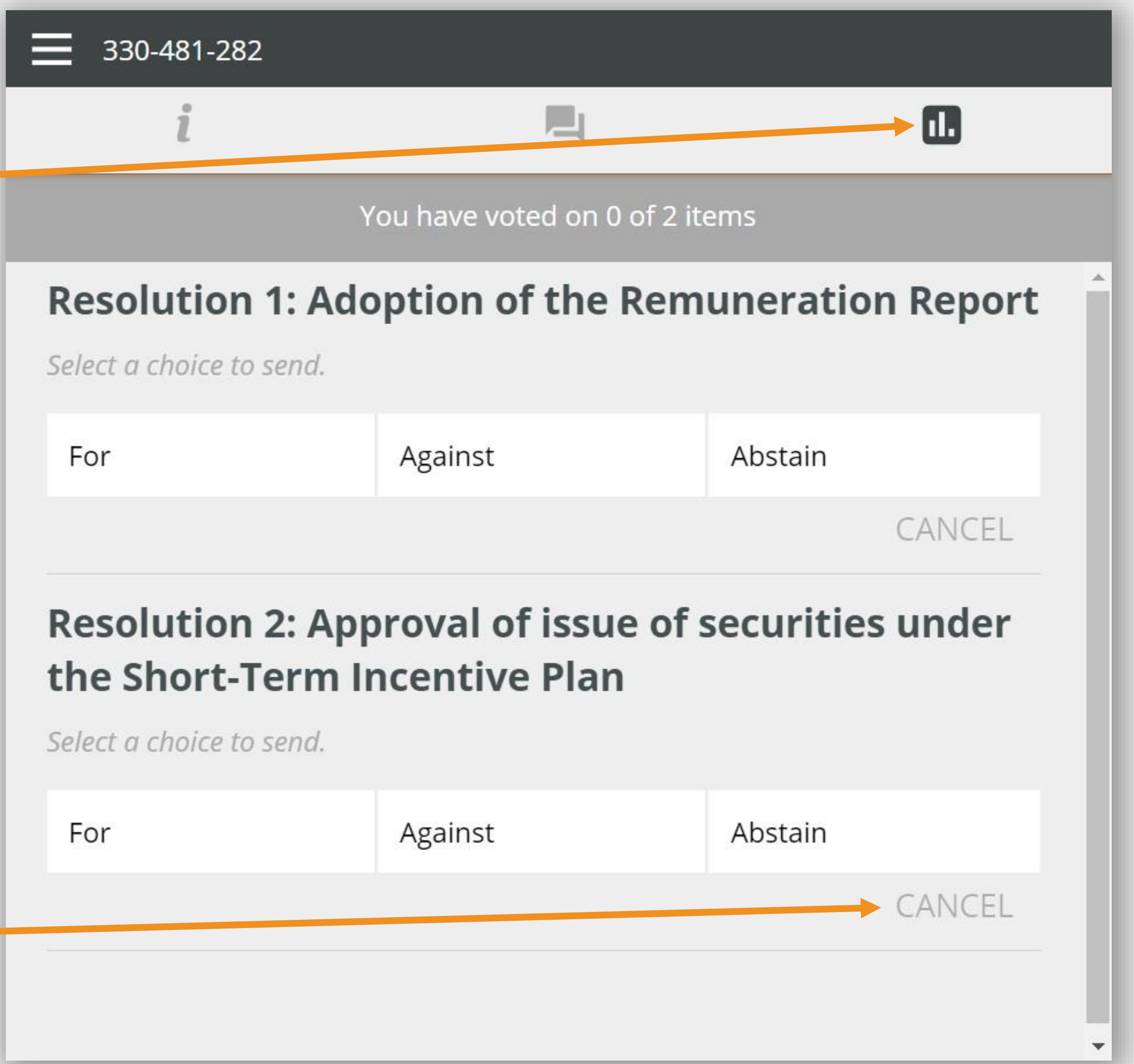

Voting

- In respect of the resolution, please tick the “for”, “against” or “abstain” box.
- Once you have completed your voting, please place your vote in a ballot box.
- Please raise your hand if you require a pen.
- Results will be announced to the NZX and ASX as soon as they are available.

Fonterra Shareholders' Fund
Annual Meeting

9 November 2020

FONTERRA SHAREHOLDERS' FUND.

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Pip Dunphy

Retiring Director

FSF Management Company

FONTERRA SHAREHOLDERS' FUND.

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General Business

FONTERRA SHAREHOLDERS' FUND.

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Thank you, meeting closed

FONTERRA SHAREHOLDERS' FUND ANNUAL MEETING

9 NOVEMBER 2020

FSF MANAGEMENT COMPANY CHAIRMAN'S ADDRESS

Fonterra's performance has improved this year, and as a result, so has the performance of the Fonterra Shareholders' Fund.

2020 has been a challenging year for businesses around the world as markets contended with the impact of Covid-19.

It was no different for Fonterra, with Covid-19 bringing increased volatility and uncertainty to the global dairy market, but despite this, Fonterra has achieved the priorities it set itself for the 2020 financial year.

Fonterra's reported Profit after Tax was $659 million, up $1.3 billion on last year, and net debt was reduced significantly, down $1.1 billion.

Normalised earnings per share came in at the top of the forecast range at 24 cents per share, and with these improved earnings and a stronger balance sheet, Fonterra has recommenced paying a dividend, which was one of the Fonterra Board's priorities for the 2020 financial year.

Fonterra declared a final dividend of 5 cents per share and as a result, unit holders have received a final distribution of 5 cents per unit – which was paid on the 15th of October.

It is positive to see Fonterra has continued to focus on financial discipline. In the financial year this resulted in improved cash flows and improved gearing and debt payback ratios.

Fonterra's free cash flow, being the cash flow that is available to pay interest and dividends and to reduce debt, increased by $733 million to $1.8 billion.

Fonterra achieved this significant increase in free cash flow through a combination of improved earnings, lower capital expenditure, the sale proceeds from divesting its interests in DFE Pharma and foodspring® and reducing its Beingmate shareholding.

Looking to the 2021 financial year, there is uncertainty as to how the global recession and new waves of Covid-19 may impact dairy demand globally.

It is something Fonterra's management team will be monitoring closely throughout the financial year – and they will provide more colour on this shortly.

The Board of FSF Management Company Limited is pleased with the improved performance from Fonterra this year and hopes to see it build on this positive result during the coming financial year

Before I move onto discussing the performance of the Fund, I will briefly cover the role of the Board of the Manager of the Fund.

The Board of the Manager of the Fund has statutory responsibilities for the activities of the Manager and the Fund, including monitoring compliance with regulatory requirements and ensuring that unit holders' interests are managed and protected in accordance with the constituent documents that relate to the Fund. Directors have no role in the governance or operation of Fonterra.

The skills required of a director on the Board of the Manager include governance experience, preferably of a listed entity, financial and capital markets knowledge, an understanding of co-operatives, and risk management experience.

While we have no decision-making role in relation to Fonterra's governance or operations, we do consider it appropriate to actively represent the interests and views of unit holders to Fonterra and we do that.

We have had several meetings over the last year with Fonterra management and in some cases Fonterra board members.

I will now address this year's Fund performance.

You can see on the graph currently being presented, at the start of the 2020 financial year the unit price dipped into the low three-dollar territory – this occurred mid-August as Fonterra advised the market there was going to be a number of write-downs with an expected loss of $590-675 million.

The unit price recovery seen in late September 2019 was at the time of Fonterra announcing the sale of its 50% share in DFE Pharma.

During the course of the financial year the unit price broadly followed the NZX50 index, with the exception of the Fund holding up better during April as Covid really hit some NZX50 companies.

The Fund finished the financial year,1 August 2019 to 31 July 2020, up 8% at $4.06, from $3.77 – this is slightly up relative to the NZX50 index, which had growth of 7% for the same period.

The unit price closed last Friday at $4.40, an increase of 17% since the start of the 2020 financial year and an increase of 29% on the low point of $3.41 in mid-May.

Moving on to discuss some of the key Fund statistics.

Over the past 12-month period ending 30 October 2020, the units on issue have increased, by just over 4 million, to 106 million units on issue.

During the 12-month period units issued peaked at 107 million units on issue at mid October 2020.

This was predominantly due to farmer share compliance activity; I will cover this in more detail shortly.

Because of the improved unit price and additional units on issue the Fund's market capitalisation has increased this year, up $66 million to $490 million – as at 30 October.

The unit price 12-month low of $3.41 occurred in mid-May, around this time there had been no new specific adverse information in relation to Fonterra or the Fund.

However, equity markets at this time had softened in general due to Covid-19.

As previously mentioned, the unit price finished last week at $4.40.

Retail holdings increased by four percentage points to 70% over the course of the year.

The retail percentage increased as Institution holdings declined from 15% to 13% and private wealth declined from 7% to 5%.

In time as Fonterra's underlying performance continues to improve and it regains investor confidence as an investment proposition both Fonterra and the Board of the Fund's management company would like to see institutional and private wealth holdings grow.

I mentioned on the prior slide that the Fund size had increased by just over 4 million units and this was predominantly due to farmer share compliance activity.

When a farmer ceases to supply milk to Fonterra they have three years to reduce their holding in Fonterra shares. In recent times a number of ceased farmers instead of exiting Fonterra completely have opted to sell their shares and buy units simultaneously – effectively transferring their Fonterra shares to units.

There is a significant portion of retired farmers that no longer supply Fonterra milk who are classified as retail holders in the Fonterra Shareholders' Fund, and it is this group who made up a notable portion of the 4 percentage point increase in retail holdings this year.

FONTERRA SHAREHOLDERS' FUND ANNUAL MEETING
9 NOVEMBER 2020
FONTERRA CHAIRMAN'S ADDRESS

Shortly Miles will take you through the business review of the year, but before he does that, I will make some short comments about 2020 and the Board's progress against its four priorities for the year just passed. I also want to update you on our Capital Structure review, which I know will be of interest to many of you.

Covid-19 has made the 2020 a particularly challenging year for most businesses and has been incredibly disruptive to people all over the world.

We were privileged to be recognised by the New Zealand Government as an essential business, which allowed us to continue operating through the various lockdowns.

The Co-op is not immune to Covid-19, but this year's performance shows the diversity of our earnings, which is helping us to manage the impact of the global pandemic.

International scale is one of the reasons our Co-op was established, and it remains a key strength.

Our people have worked hard to leverage that scale, shifting our New Zealand milk into the products and places where we can earn the highest possible value under the circumstances.

Importantly, this year has demonstrated that, even in the middle of a global pandemic, our strategy will deliver.

As we do most years, our Co-op has also had to deal with geo-political events, civil unrest and other non-Covid disruptions in our key markets. Our consumer businesses in Hong Kong and Chile, for example, continue to be burdened by long-running civil unrest.

Within that context, I'm pleased to report that the Board has delivered on all four of its priorities for the year.

Our first priority was to deliver a sustainable Milk Price.

The final Farmgate Milk Price of $7.14 per kilogram of milk solids was the fourth highest for our Co-op so far.

Maintaining a competitive Milk Price and payment model ensures we have a stable supply of high-quality milk, from which to add value and generate earnings.

Over the course of this year we announced some important changes to the way we pay for our farmers' milk.

The intent of some of these changes was to get a higher proportion of the milk price to our farmers earlier in the season when cashflow on-farm is limited; and link a new payment parameter of the Milk Price to the Co-operative Difference, from June 2021.

The Co-operative Difference is the framework that sets the current and future expectations for the way we farm, in terms of the environment, animal welfare, biosecurity, milk quality and health and safety measures.

It supports our strategy of creating sustainable value from our New Zealand Milk through innovation, sustainability and efficiency.

Our second priority was to deliver a dividend.

This year marks a return to paying dividends, a position we expect to maintain in the future, assuming normal operating conditions.

At 5 cents per share, the dividend is at the lower end of the 5-to-7 cent range calculated under the Board's dividend policy guidelines.

In the context of so much uncertainty, distributing a 5-cent dividend is a prudent decision and one that balances our aims of further reducing debt and distributing earnings.

The past 12 months have also been focused on the continued implementation of our strategy.

Alongside refinements to that strategy, the Board has continued to refresh the Co-op's Risk Appetite Statement.

We have developed a more conservative approach to risk across the business, be it our balance sheet, investment decisions and general business operations.

This is an important piece of work that gives us a clearer view of the risk adjusted return before we make investment decisions.

Our capital structure review is also critical to helping us execute the strategy successfully.

We have a small team from management reviewing our capital structure, working with a Board sub-committee.

The objective of our review is to ensure our capital structure is fit for the future.

We started by identifying what the key elements of a financially sustainable Co-op are, and then defined our 'problems to solve'.

To address these challenges, we are now looking at a whole range of alternative structures, as well as options within our current structure, and we are thoroughly testing them against the design principles.

There is no easy answer. Every structure involves trade-offs.

We are taking the time to fully analyse our long-term needs, options and the risks and benefits of each option.

Because shares and units are traded securities, we need to take real care in the way we communicate information about our thinking on capital structure.

When we are in a position to do so, we will communicate further details with you.

Our final priority was stable governance, which has been incredibly important as our Co-op has undergone fundamental change over the past two years.

As part of our commitment to planned governance succession, in June the Board announced that I would be taking over as Chairman from John Monaghan at the end of last week's FCG Annual Meeting.

We made the announcement early to provide the Co-op and the management team with the stability to push on with embedding our strategy and cultural change.

In other Board changes, we selected a new Independent Director, Holly Kramer, who joined our Board in April. Holly's appointment, as well as the re-appointment of existing Independent Director Bruce Hassall, was ratified by shareholders at the meeting last week.

As you probably are aware, we hold elections for the Farmer Director positions on the Fonterra Board. Last week, Brent Goldsack was re-elected for a second term and we welcomed a new Farmer Director, Cathy Quinn.

Looking to the 2021 financial year and beyond.

There is still a high level of uncertainty as to how the global recession and new waves of Covid-19 will impact demand globally.

The best way for us to cope with that uncertainty is to stick with our strategy and to focus on what is within our control.

We were well positioned when Covid struck, with a new strategy, structure, and improving culture. That has us ready to come out the other side of the pandemic where there will be new opportunities for us.

Dairy is not without its challenges, but we are optimistic about the future of the industry and our Co-op.

Roughly six billion people around the world rely on dairy products as one of their most important sources of protein and energy.

People will always pay for quality, and at the core of our strategy is making the most from our premium New Zealand milk.

Our continued success will rely on protecting the premium attributes of our milk by balancing sustainable economic returns for farmers and unit holders, with the continued regeneration of our natural environment.

Our future as an industry relies on our willingness to keep up with the rapid rate of changing customer and community expectations.

We are confident this can be achieved through further investment in science and by using advances in technology and innovations to help protect or enhance the premium reputation of our milk.

Thank you.

FONTERRA SHAREHOLDERS' FUND ANNUAL MEETING

9 NOVEMBER 2020

FONTERRA CEO'S ADDRESS

Kia ora.

Welcome to this year's Annual Meeting.

I want to cover off three areas today – a recap of our strategy, a summary of our performance in 2020 and then our priorities and outlook for 2021.

So, let's get into it, starting with the strategy that's guiding us.

This time last year we had just refreshed our strategy.

We were clear that to build a sustainable future we needed to focus on three interconnected goals – Healthy People, a Healthy Environment and a Healthy Business.

We were also clear that to achieve these goals we needed to drop our volume-based ambition and follow a strategy that was all about creating value.

That meant prioritising NZ Milk and growing demand for it.

We have an environment where the days of significant milk growth are over.

While I appreciate some people may see this as a downside, the good thing is it means our New Zealand farmers' milk will become a scarce resource in the global markets.

A valuable, scarce resource.

To grow demand and add further value, we've set out on a path to differentiate Fonterra's milk through our strengths - sustainability, innovation and scale efficiency.

By being closer to our customers than we have been in the past, we'll make sure the New Zealand-ness of our milk is being understood and valued more.

We're clear about the consumption categories we want to be in – Core Dairy – that's base and advanced ingredients, Foodservice, Sports and Active Lifestyles, Medical and Aging Nutrition, and Paediatrics.

We've chosen these categories because that's where we believe we have a competitive advantage.

We've also said we will only be in Consumer where we have a right to win and that's meant many of our Consumer businesses now have a much more focused and valuable product portfolio.

We're also realistic about the amount of capital we have access to but know that we can partner with others based on our Intellectual Property and skills.

And as you know, we're committed to divesting non-core businesses – this will continue to help with debt reduction, but it also helps get us even more focused on creating value.

This strategy has given our teams great clarity, focus and a good dose of realism.

It's meant everyone is on the waka and paddling in the same direction.

You saw what this can deliver at our Interim and Annual Results.

And you also saw it in how Fonterra faced into COVID-19.

Despite the flow-on effects – especially in Consumer and Foodservice markets, the milk kept flowing, our global supply chain kept operating and we continued to get products to market.

The way we managed COVID-19 in 2020, showed what we can do when we're all heading in the same direction.

We delivered on all four of our priorities for 2020.

We supported regional New Zealand, contributing around $11 billion into New Zealand's rural economies through milk price payments.

We built a great team through a focus on our culture, and we've seen that in action in our COVID-19 response.

We continued to reduce our environmental footprint, including hitting our 2020 target to reduce energy intensity across our New Zealand manufacturing sites by 20%.

This was a target we set back in 2003 – I don't think you would find too many businesses setting ambitious targets like this back then.

We also achieved our financial targets.

And there are three numbers I would like to highlight to you today.

The first is the improved gross profit – it was up $200 million to $3.2 billion.

Key drivers of this were our Ingredients business, which did benefit from a softening milk price in the second half of the year.

And the other key driver was our Foodservice business in China in the first half, prior to the emergence of COVID-19.

The second number I want to highlight is the 24 cents earnings per share. This was at the top end of our guidance range of 15-25 cents we set out to achieve.

It shows the underlying performance of our business, which benefited from the improved gross profit I've just mentioned and also lower interest costs as our debt came down.

The final number to highlight is the $1.1 billion debt reduction.

One of the questions I've been asked a few times over the last couple of months is: What is the key number in this year's Annual Results?

Putting aside the final 2019/20 Farmgate Milk Price of $7.14 per kgMS and what this means for the country, it's this $1.1 billion reduction in debt that I keep coming back to.

It's helped get our balance sheet in a much healthier state and it's also helped us exceed our 2020 Debt/EBITDA target, coming in with a debt level of 3.4 times our EBITDA.

But perhaps most importantly because we made good inroads in the first half of the year, we were able to focus on our COVID-19 response, delivering on our strategy and continuing to get our milk to market.

The $1.1 billion debt reduction meant we weren't drawn away from what needed to be done to manage the challenges we faced.

When we compare last year's performance to this year, it shows we have come a long way.

This time last year we had impairments and other costs of $826 million, which gave a reported Loss after Tax of $562m or (35)c loss per share.

This was disappointing but a necessary part of resetting our business for future success.

Looking at the underlying performance starting on the left-hand slide of this slide - in 2019, we had a normalised profit of $264 million, after excluding $826m of impairments and other costs.

In 2020, we improved underlying business performance by $222 million, and ended the year with a normalised profit of $382 million.

This included $104m of adverse significant items that we did not exclude. These included impairments to our Chesdale brand and Fonterra Brands New Zealand's goodwill, an employee related provision, and the Foreign Currency Translation Reserve impact from closing a German trading entity.

The inclusion of these significant items decreased normalised EPS by 6c.

In 2020, there was a significant net positive impact of $304 million that related to the strategic review.

This included positive items from the divestment of assets such as foodspring, DFE pharma and the selling down of our shareholding of Beingmate, less any negative items such as the impairments to DPA Brazil, China Farms and the China Farms JV.

Overall, this resulted in a reported Profit after Tax of $686 million, or 43 cents per share, which is an increase of $1.2 billion on last year.

Turning to look at the business segments performance in 2020.

Our Ingredients business had an improved performance.

Gross margin increased from 8.9% to 9.3%, due to favourable product mix and pricing in the second half of the financial year.

This led to our Ingredients' normalised gross profit increasing $165 million to $1,611 million, with all three businesses contributing to this increase.

Our New Zealand Ingredients business was up $131 million mainly due to favourable price relativities.

Australia was up $21 million due to savings from the closure of the Dennington site, better product mix and utilisation of our Stanhope site.

And Chile was up $13 million due to improved product pricing.

Operating expenses increased 3%, which reflects 2019 benefiting from not paying employee performance incentives.

EBIT from Ingredients' continuing operations increased $37 millionto $827 million, despite the prior year including $44 million of earnings from the now divested DFE Pharma business.

Our Foodservice also had an improved performance, with full year EBIT up 14% to $209 million due to a strong first half.

This was driven by Greater China and Asia, due to a recovery in butter margins and selling more higher gross margin products, such as Anchor Food Professionals™ whipping cream and Anchor Food Professionals™ cream cheese.

EBIT in the second half was impacted due to COVID-related restrictions, and this was particularly evident in the fourth quarter.

Within Greater China, the impact of COVID-19 was felt early in the third quarter but rebounded quickly.

However, during the fourth quarter parts of China were impacted by COVID-19 outbreaks, which hampered a complete recovery.

Our Asia and Oceania markets were also significantly impacted in the fourth quarter by the restrictions put in place to manage the pandemic.

In our Consumer business, EBIT was down on last year to $149 million.

This included $57 million of impairments that were not normalised, which relate to FBNZ and our Chesdale brand, which I mentioned earlier.

Adjusting for these impairments, our EBIT for the year was down $21 million on the prior year and this was mainly due to challenging market conditions in Hong Kong and Chile.

Not included in our Consumer business results is DPA Brazil as it is held for sale and meets the definition of a Discontinued Operation.

So that covers off the numbers.

There's still more work to do on our reset, but I would say we're now on the home straight.

We've got momentum and 2021 is going to build on that.

We won't forget the lessons learnt from our past, but you will see us shift our focus to the future.

This is reflected in our three priority areas which are – Co-operative, Performance and Community.

Co-operative is all about being here for farmers and employees – that means having a competitive milk price. It also means supporting farmers to have sustainable businesses through our Co-operative Difference programme, as well as empowering our employees to make it happen.

Performance is about delivering on our financial commitments – in particular, continuing to drive earnings, reduce debt, improve return on capital *and* return a sustainable dividend.

Community is our third focus area – and that's about doing what's right for our customers, communities and the environment.

We want to exceed their expectations, make our low-carbon footprint a powerful point of differentiation and continue to support communities through nutritional programmes.

If we do these things during 2021 – we will be taking another decent step towards our three interconnected goals of Healthy People, Healthy Environment and Healthy Business.

We're off to a good start. We already have some good runs on the board.

For example, our Te Awamutu plant has moved from coal to wood pellets.

We've rethought our approach to our in-school milk programme to help get nutrition to those that need it the most.

Every farmer in Fonterra now has a unique Greenhouse Gas emission profile for their farm.

We've announced that we've agreed to sell China Farms for $555 million – this will allow us to further prioritise our New Zealand milk and reduce our debt.

We've entered a sales and marketing agreement with Land O'Lakes to open more doors for our US Foodservice business and to do so we've leveraged our intellectual property and skills, rather than capital.

And this week we released our 2020 Sustainability Report which shows we've achieved our most encouraging set of sustainability results since we started reporting on them four years ago.

As we look out to the rest of the year, there's still uncertainty as a result of COVID-19.

But we're seeing good demand for dairy from China and milk powders, in particular, are proving resilient.

This allowed us to increase the mid-point of the forecast Farmgate Milk Price range to $6.80 per kgMS a couple of weeks ago.

As it’s still relatively early in the season and we know a lot can change, we’ve still got a range of plus or minus 50 cents.

Some of the unknowns we’re working with include:

- What’s going to happen to exchange rates?
- What will happen to milk supply from the EU and US? We’re seeing it increase but where will it end up?
- Will there be further waves of COVID-19 and how would this impact the global economy and demand?

Obviously, the higher milk price puts extra pressure on our earnings but we remain confident in our forecast earnings range is 20 – 35 cents per share.

There are a few key assumptions that we’ve built into this forecast that are worth being aware of.

The first is that we’ll see Asia and Greater China driving an improved trading performance as COVID-19 restrictions ease.

The second assumption is that we’ll have lower financing costs and less significant one-off items, like impairments.

And we are also assuming that we won’t see the same kind of price relativities between reference and non-reference products in Ingredients as we did in the second half of 2020 when the milk price softened.

Whether or not these assumptions eventuate is not 100% certain.

But we will be monitoring the situation closely and focusing on what’s in our control.

That’s staying on strategy, being agile and drawing on our strengths across the supply chain to manage and adapt to changes around the globe.

We know how important this is for you – our unit holders, our employees, farmers, customers, communities and our country – and most importantly we’ve shown in 2020 that we can do it.

Thank you.

I’ll now pass back to John