Fonterra Co-operative Group Limited

Results for Announcement to the Market

Results for announcement to the market		
Name of issuer	Fonterra Co-operative Group Limited	
Reporting Period	6 months to 31 January 2021	
Previous Reporting Period	6 months to 31 January 2020	
Currency	NZD	
	Amount (m's)	**Percentage change**
Revenue from continuing operations	$9,597	(5)%
Total Revenue	$9,915	(5)%
Net profit/(loss) from continuing operations	$339	(44)%
Total net profit/(loss)	$391	(22)%
Interim Dividend		
Amount per Quoted Equity Security	5 cents per share	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	24 March 2021	
Dividend Payment Date	15 April 2021	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$3.07	$2.46
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to the interim financial statements for further explanation. Net tangible assets per quoted equity security for the prior comparable period have been restated, please see the interim financial statements for further details.	
Authority for this announcement		
Name of person authorised to make this announcement	Anya Wicks	
Contact person for this announcement	Anya Wicks	
Contact phone number	(09) 374 9341	
Contact email address	anya.wicks@fonterra.com	
Date of release through MAP	17/03/2021	

Unaudited interim financial statements accompany this announcement.

Market Announcement

17 March 2021

Fonterra reports a positive half year result

Summary of numbers

- Reported Profit After Tax $391 million, down 22%*
- Normalised Profit After Tax: $418 million, up 43%#
- Total Group normalised Earnings Before Interest and Tax (EBIT): $684 million, up 17%#
- Total Group EBIT: $657 million, down 18%
- Net debt: $5.6 billion, down 3%
- Total Group normalised Gross Profit: $1,722 million, up 3%
- Total Group normalised Gross Margin: 17.4%, up from 16%
- Total Group normalised Operating expenditure: $1,055 million, down 3%
- Normalised Greater China EBIT: $339 million, up 38%
- Normalised Asia Pacific EBIT: $190 million, up 9%
- Normalised Africa, Middle East, Europe, North Asia, Americas (AMENA) EBIT: $201 million, down 7%
- Full year forecast normalised earnings per share: 25-35 cents per share
- Interim dividend: 5 cents per share
- Forecast Farmgate Milk Price: $7.30-$7.90 per kgMS
- Forecast milk collections: 1,525 million kgMS, up 0.5%

** 2020 included the gain from the divestments of DFE Pharma and foodspring®.*
 # These normalised numbers reflect the underlying performance of the business.

Fonterra Co-operative Group Limited today announced its 2021 Interim Results and they show the Co-operative has had a positive first half, resulting in a Total Group normalised EBIT of $684 million, normalised Profit After Tax of $418 million and a decision to pay an interim dividend of 5 cents alongside a strong forecast Farmgate Milk Price.

Fonterra CEO Miles Hurrell says Fonterra is pleased with its Reported Profit After Tax of $391 million.

“While down on this time last year at a headline level, the 2020 financial year benefited significantly from the divestments of DFE Pharma and foodspring®.

"Despite the major impact COVID-19 is having around the world, the Co-op is staying focused on what it can control – looking after our people, making progress on our strategy to drive sustainable value for New Zealand milk and remaining committed to our 2021 priorities. Those priorities are:

- Our Co-operative, which is about being there for farmers and employees;
- Performance, which is about hitting our financial targets; and
- Community, which is about exceeding customer expectations, supporting communities through our nutrition programmes and making New Zealand's low carbon farming model a powerful point of differentiation.

"I would like to thank our team for delivering this result. While we've been fortunate here in New Zealand, many of our people overseas are still in lockdown and have now been working from home for 12 months. Our farmer owners have shared words of support for our teams and this has provided a sense of purpose and encouragement when it's been needed the most. It's during these times you really can see what makes our Co-op special."

From a performance perspective, Hurrell says the Co-op has had a great first six months of the 2021 financial year with Total Group normalised EBIT up $100 million to $684 million, a Total Group normalised Gross Margin of 17.4% (up from 16%) and Total Group normalised operating expenditure down $37 million.

"Our standout performer continues to be Greater China. The team has delivered a 38% increase in normalised EBIT to $339 million, reflecting the strength of our Foodservice business in this region, improvements in our Consumer business and China's strong economic recovery following the initial impact of COVID-19.

"Asia Pacific's normalised EBIT is up 9% to $190 million as a result of improvements in Foodservice and Consumer. Consumer has benefitted from more people staying at home and cooking with dairy and a renewed focus on our brands of Anchor, Anmum and Anlene.

"AMENA's normalised EBIT is down 7% because of lower sales volumes in Ingredients as we made the most of our ability to move milk into higher returning markets and products. However, we did see some good improvements in Foodservice and Consumer across AMENA."

Commenting on the global supply chain challenges, Hurrell says while it's tough going out there, the Co-op is proactively managing the situation and working with its ocean freight partnership Kotahi to keep product moving.

"Our sales book is well contracted – however, as a result of some small shipping delays, our product inventory is higher than it was this time last year and this means our investment in working capital is also higher. By the end of the financial year we expect this to be back to more normal levels as we have confidence in our supply chain to get product, already contracted, delivered to our customers.

"There's still more work to do, but our improved performance and reduced debt levels are helping us build the financial strength of the Co-op and we're on track to achieve our target debt/ EBITDA ratio of less than 3.5 this year.

"The Board wanted to be in a position to continue paying dividends. It is encouraging to have got the Co-op's earnings and debt to a level that supports a 5 cent dividend at this point in the year."

The record date for the payment of this dividend is 24 March 2021, and the payment date is 15 April 2021. Given Fonterra's ongoing capital structure review, the Co-op's dividend reinvestment plan will not apply to this dividend, which will be paid in cash.

Divestment update

As part of Fonterra's continuous review of its asset portfolio, today Fonterra can advise farmers and unit holders that, along with the joint venture partner, it has decided to undertake a sales process for the JV farms in China.

Hurrell says as with Fonterra's own China farms, the decision to sell the JV farms is in line with the Co-op's strategy to focus on New Zealand milk.

"We expect the sales of our farms to be completed this financial year and the sale of the JV farms to be completed this calendar year.

Fonterra has also continued to reduce its shareholding in Beingmate, which on 31 January 2021 was sitting at 3.94 % and is now 2.82%.

Hurrell says Fonterra will continue to sell down its remaining shareholding and expects to have fully exited this investment before the end of this financial year.

"As shown through our results today, Greater China continues to be one of our most important strategic markets. We remain committed to growing the value of our Greater China business, which we'll do by bringing the goodness of New Zealand milk to Chinese customers in innovative ways and partnering with local Chinese companies to do so."

Social and environmental progress

Commenting on Fonterra's social and environmental progress, Hurrell says at the same time as driving financial performance, the Co-op knows this goes hand-in-hand with being there for farmers, employees and customers, contributing to local communities and reducing our environmental footprint.

"We can't have one without the others if we want to be here for generations to come – and we're making some good progress in these areas too.

"Some examples include:

- Taking proactive steps to help keep our people well through COVID-19, at the same time as keeping the business operating during our busiest time of the year.
- Helping feed 15,000 Kiwi families through the Anchor Christmas Appeal in partnership with the NZ Food Network.
- Expanding a promising plantain trial to improve waterways, in partnership with Nestlé and DairyNZ, and also working with Royal DSM to test whether a feed additive called Bovaer® can reduce methane emissions in New Zealand's pasture-based farms.
- Working with more farmers in New Zealand to develop Farm Environment Plans and, with 42% of supplying farms now having one, we're well on our way to our target of 100% by 2025."

Outlook for the second half

In talking about the second half of the financial year, Hurrell reaffirms the forecast Farmgate Milk Price range of $7.30 - $7.90 per kgMS and forecast normalised earnings guidance of 25-35 cents per share.

“Fortunately, we are in a position, where so far, New Zealand dairy is proving to be resilient in a COVID-19 world. It’s a staple in people’s diets around the world and demand is strong.

“Despite a strong first half, we are expecting our earnings performance to come under significant pressure in the second half.

“The strong milk price is great for farmers. It’s good for New Zealand too – with a mid-point of $7.60 per kgMS, it would see us contribute more than $11.5 billion to the New Zealand economy.

“However, the increasing raw milk prices through the first half and now into the second half puts a lot of pressure on our sales margins and this will be seen through the second half of the year.

“We will face into this challenge in the same way we are with others – that’s focusing on what’s in our control and staying on strategy.”

Non-GAAP financial information

Fonterra uses several non-GAAP measures when discussing financial performance. These measures include normalised Profit After Tax, normalised EBIT, EBIT, normalised earnings per share and normalisation adjustments. Total Group measures present the combined financial performance of the Group’s continuing and discontinued operations.

Non-GAAP financial measures are not defined by NZ IFRS. Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They are 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. These non-GAAP measures are not subject to audit unless they are included in Fonterra’s audited Annual Financial Statements.

Reconciliations of the NZ IFRS measures to the non-GAAP measures used by Fonterra can be found in the Non-GAAP measures section of the Interim Report 2021 that is available on Fonterra’s website.

-ENDS-

For further information contact:

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INTERIM REPORT 2021

FOR THE SIX MONTHS ENDED
31 JANUARY 2021

Creating **Goodness**

Fonterra
Dairy for life

Goodness

Our Co-operative,
Empowering people
To create goodness for generations.

You, me, us together.
Tātou, tātou.

We are a co-operative created and owned by Aotearoa New Zealand dairy farmers.

We were founded by farming families, working together to share the natural goodness of New Zealand milk with the world.

We create goodness in many ways. From the nutritional goodness of our products to the livelihoods of farmers and our employees.

We also contribute to the wellbeing of communities and the health of our land and waters. We're transitioning to a low carbon future and working to meet the changing needs of customers and consumers. All of this helps build a strong, sustainable Co-op.

Contents

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Please refer to the Non-GAAP measures section for reconciliation's of the NZ IFRS measures to the non-GAAP measures and the Glossary for definitions of the non-GAAP measures used by Fonterra.

A letter from our Chair & CEO

Firstly, we want to thank the Co-op's people – farmers and employees – for their hard work in delivering a positive set of results for the first six months of the 2021 financial year.

Sitting here in New Zealand we've been relatively sheltered from the full impact of COVID-19. But for many of our people on the ground in our markets around the world, it's been a different story. The pandemic has been rife and some of our people and customers have found themselves still in lockdown 12 months on. It hasn't been easy.

We're proud of how our people have responded to this situation. They've supported each other, focused on what's in their control, worked together to create demand for our New Zealand milk and managed supply chain challenges so our customers could rely on us to get products to market.

It's thanks to all this hard work and true 'Good Together' spirit that we've been able to build on the momentum from 2020 and deliver a positive performance.

We are pleased with our reported profit after tax of $391 million. While down 22% on this time last year at a headline level, the 2020 financial year benefited significantly from the divestments of DFE Pharma and foodspring®.

The three key numbers that show our progress are our normalised profit after tax of $418 million, up 43% on the comparable period last year, forecast Farmgate Milk Price range of $7.30 - $7.90 per kgMS and interim dividend of 5 cents.

We wanted to be in a position to continue paying dividends, so it is encouraging that our earnings and debt levels support a dividend at this point in the year.

Strategy

Staying on strategy and focusing on what is in our control has played a big role in our performance so far this year.

Our strategy is to grow the value of our New Zealand milk by using innovation, sustainability and efficiency to deliver products that international customers value.

We measure the success of our strategy through progress towards our goals of Healthy People, Healthy Environment and Healthy Business.

These three goals require us to chase value not volume. That starts on-farm with producing milk that is backed by the quality and sustainability credentials that customers now demand. By getting closer to our customers, we're making sure the New Zealand-ness of our Co-op's milk is being understood and valued more.

We're clear about the consumption categories we want to be in – Core Dairy, Foodservice, Sports and Active Lifestyles, Medical and Aging Nutrition, and Paediatrics. We already have a competitive advantage in some of these categories and in others we're wanting to do the same, drawing on our dairy know-how and innovation capabilities.

That intellectual property, innovation and dairy know-how is incredibly valuable. Part of our strategy is looking for ways to better commercialise it – whether that be through licensing agreements or bringing it as our contribution to a joint venture in place of capital.

We're realistic about the amount of capital we have access to and know we can still grow value by partnering with others based on our knowledge and skills. We remain committed to divesting non-core businesses – so we can continue to reduce debt and get even more focused on creating value.

> "We're proud of our how our people have responded to the COVID-19 situation. They've supported each other, focused on what's in their control, worked together to create demand for our New Zealand milk and managed supply chain challenges so our customers could rely on us to get products to market.

Our 2021 business priorities

At our 2020 Annual Results, we shared our priorities for the 2021 financial year:

- Performance, which is about hitting our financial targets;
- Our Co-operative, which is about being there for farmers and employees; and
- Community, which is about exceeding customer expectations, supporting communities through our nutrition programmes and making our low carbon farming model a powerful point of differentiation.

These build on the lessons we've learnt from the past but also show our commitment to build a sustainable co-operative. This requires us to meet the expectations and needs of many different groups of people – and we're making progress against all three priorities.

Interim dividend decision

5c per share

Normalised profit after tax of

$418 million up 43%

Forecast Farmgate Milk Price

$7.30–$7.90 per kgMS

Reported profit after tax of

$391 million down 22%[1]

1 The comparative period included the gain on sale of DFE Pharma and foodspring®.

"Our teams understand the challenges that come with a high Farmgate Milk Price and we're already seeing the extra effort they're putting in to drive sales. They're staying on strategy, focusing on what's in their control and driving demand for our New Zealand milk.

Performance

Our core financial targets for the 2021 financial year are to achieve: a return on capital of 6-7%; a debt to EBITDA ratio of 3-3.5x; and a gearing ratio of 36-40%.

We are on track to achieve all of these targets. Key to this has been our improved underlying performance so far this year and this can be seen in our Total Group normalised Earnings Before Interest and Tax (EBIT) of $684 million – up $100 million year-on-year.

A big factor has been our scale and the diversity in our markets and products, which has given us the ability to move our Co-op's milk to where the most value can be created.

Our standout performer continues to be Greater China. The team has delivered a 38% increase in normalised EBIT to $339 million, reflecting the strength of our Foodservice business in this region, improvements in our Consumer business and China's strong economic recovery following the initial impact of COVID-19.

Asia Pacific's normalised EBIT is up 9% to $190 million and this is predominantly driven by people cooking more with dairy and our focus on some of our most loved brands – for example, Western Star in Australia, Anchor in New Zealand and Anlene in Malaysia.

AMENA's normalised EBIT is down 7% to $201 million and this is mainly because of lower sales volumes in Ingredients as we made the most of our ability to move milk into higher returning markets and products.

There's still plenty of work to do, but our underlying business performance is helping us further reduce debt levels and, in turn, is helping us build the financial strength of our Co-op.

Our Co-operative

We know that one of the best ways we can be there for farmers is by delivering a competitive Farmgate Milk Price and, with a forecast Farmgate Milk Price range of $7.30 - $7.90 per kgMS, we're on track for the second highest milk price so far.

We've seen dairy remain resilient in a COVID-19 world and the macro demand picture for dairy looks promising. Our strong sales book is also the result of the hard work and commitment of our sales teams out in the markets, driving more demand for our farmer owners' milk.

Through The Co-operative Difference we're connecting farmers with what customers expect and need. This allows farmers to take the necessary steps to grow the value of their milk and ensure their farming businesses are here for generations to come. People want to know their milk is coming from a business that cares for the environment, animals, people and communities. The data collected through The Co-operative Difference enables us to show customers that our Co-op is that kind of business.

We also want our employees to know that our Co-op cares for them. We know it's been a tough six months and that's why we've taken proactive steps to keep them physically and mentally well through COVID-19. This has involved regular global calls to discuss how employees are dealing with the impact of COVID-19 on their lives – over 5,000 have now joined these calls. We've also allowed our people to work flexibly so they can juggle work and home life during COVID-19 lockdowns.

Community

One way we've been able to exceed customer expectations in a COVID-19 world is by continuing to get product to market. Like so many businesses, including ourselves, our customers have faced global supply chain challenges. It's tough going out there right now but we're proactively managing the situation and working with our ocean freight partnership, Kotahi, to keep product moving. Customers are looking to us for this reliability.

We're also helping local communities by supporting foodbanks and those that need help the most. Here in New Zealand, we helped feed 15,000 families during the Anchor Christmas Appeal, in partnership with the NZ Food Network.

Our low carbon farming model is a powerful point of differentiation. A report from AgResearch, commissioned by DairyNZ, confirms New Zealand farms have the lowest carbon footprint in the world. We're now proactively working with our customers to show how this can help them achieve their environmental ambitions and we are starting to see this help win new business with them. But we're not stopping there and we're investing to further reduce our footprint.

Capital Structure Review

Farmer owners and unit holders can expect to hear more about our Capital Structure Review this year. The aim of the Review is to build the strength and sustainability of our Co-op by ensuring we have a capital structure that best supports our purpose and strategy into the future.

We're assessing a range of alternative structures, as well as looking at options within our current structure. Recently, we conducted an online farmer survey to help progress this work. There was a high level of participation with around 1,800 farmers taking part.

The first thing we learned from the results is that there is a strong appetite for change. 62% of respondents say they support a change to our structure, while 19% are unsure.

The results also showed that the top priorities in any potential structure are, in order:

- maintaining farmer ownership and control;
- making sure Fonterra has a strong balance sheet;
- getting a good return on investment;
- making it easy for new farmers to join our Co-op; and
- giving existing farmers more flexibility with their capital.

This feedback is being carefully considered as we continue to develop and prioritise the options. We intend to be in a position to consult with farmer owners and unitholders in the next couple of months, and if we decide to go ahead with a change we would likely aim for a farmer vote around the time of the Annual Meeting in November.

Looking ahead

While we've had a strong first half, we are expecting our earnings to come under significant pressure in the second half. The simple reason for this is our increased input costs as a result of the higher forecast Farmgate Milk Price.

The strong Farmgate Milk Price is good news for our Co-op's farmers and New Zealand – with a mid-point of $7.60 per kgMS it would see us contribute more than $11.5 billion to the New Zealand economy. But it does put a lot of pressure on our margins and this will be seen in our earnings performance in the second half.

Our teams understand the challenges that come with a high Farmgate Milk Price and we're already seeing the extra effort they're putting in to drive sales. They're staying on strategy, focusing on what's in their control and driving demand for our New Zealand milk.

Peter McBride
Chairman

Miles Hurrell
Chief Executive Officer

Total Group normalised gross margin
17.4% up from 16%

Total Group normalised operating expenditure down
$37 million

Greater China normalised EBIT
$339 million up 38%

Asia Pacific normalised EBIT
$190 million up 9%

Africa, Middle East, Europe, North Asia, Americas (AMENA) normalised EBIT
$201 million down 7%

Our Progress

COVID-19 is still clearly having a major impact around the world and we're continuing to focus on what's in our control. That's looking after our people, making the most of our ability to move milk into the markets and products that have the most demand, and proactively managing global supply chain challenges. In doing this, we've made good progress towards our goals of Healthy People, Healthy Environment and Healthy Business.

HEALTHY PEOPLE

HEALTHY BUSINESS

HEALTHY ENVIRONMENT

> We're working together to achieve a healthy environment for farming and society.

Connecting farmers with customer needs

Our Co-op's strategy is about prioritising New Zealand's milk and making sure we're sharing it with those that value its uniqueness.
The Co-operative Difference is part of this strategy. It takes our customer insights, and what we know about the world, and brings them together to help farmers know what needs to be done on farm to help ensure there is continued demand for our products.
That means asking farmers to focus on the Environment, Co-op & Prosperity, Animals, People & Community and Milk Quality.
Our farmer owners' progress in each of these areas is measured through three levels of achievement. Each level brings additional recognition and, so far this season, the number of farms reaching Te Pūtake, the first of three achievement levels, is 788. From 1 June 2021 up to 10 cents of a farmer's Farmgate Milk Price will also be influenced by progress across The Co-operative Difference.

Reduction in water use at sites in water constrained regions	Reduction in Greenhouse Gas emissions	Reduction in solid waste to landfill
0.2% below FY18[1]	**11.2%** below FY15[1]	**34%** below FY20[1]
Our full year target is to be 10% below FY18.	Our full year target is to be 10% below FY15.	Our full year target is to be 18% below FY20.

1 This is our progress for the six months to 31st Jan 2021, and has been calculated using actual data where available or estimates.

More Farm Environment Plans

Farm Environment Plans are a key component in The Co-operative Difference and, as of 31 January 2021, 42% of the Co-op's supplying farms in New Zealand have one – that's up from 34% at the start of the financial year and well on the way to 100% by 2025.

Finding answers to the methane challenge

New Zealand dairy farms already have the lowest carbon footprint in the world. In fact, it's 70% lower than the global average and 46% lower than other major milk producers. That's something our Co-op is proud of but we're not stopping there. We're partnering to find innovative solutions for farmers who are doing the hard graft to further reduce their footprint.

For example, in partnership with Nestlé and DairyNZ, we're expanding a promising trial to include plantain in a cow's diet to help improve waterways and on-farm Greenhouse Gas emissions. We've also teamed up with Royal DSM to test whether a feed additive called Bovaer® can help reduce on-farm emissions in New Zealand.

We're working together to deliver a sustainable business.

Normalised profit after tax

$418 million Up $125 million

Reported profit after tax

$391 million Down $110 million[1]

1 The comparative period included the gain on sale of DFE Pharma and foodspring®.

Good demand for dairy

Demand for dairy is proving resilient in a COVID-19 world. We've seen strong demand from China and South East Asia for whole milk powder and skim milk powder, and record monthly sales for cream cheese and mozzarella, resulting in increased production at our Darfield and Clandeboye sites. Darfield has also had to employ more people to keep up with the increasing customer demand for cream cheese.

New cities and products in China

Our China Foodservice business has expanded into 22 new cities in the first half, bringing the total to 372, and we're continuously releasing new ways of using our products in local cuisine to pursue the next big food trend in China. We've also launched new cream products in China – including, Cheese Pro, which is a mix of cream and cheese that helps customers save time when making tea macchiatos. And, Easy Topping Cream, our first ambient cream, which will enable us to enter new cities that do not have an extensive cool supply chain.

New partnership and innovations in the US

In the US, we launched NZMP Milk Phospholipids 70 – it's our first ingredient developed to support mental wellbeing. It taps into the growing awareness of the importance of mental wellbeing, which has been heightened by COVID-19.

And to help accelerate demand for our Foodservice products in the US, we've entered a sales and marketing agreement with one of America's leading dairy co-operatives, Land O'Lakes, Inc. This gives us access to Land O'Lakes' strong, well-established distribution network and its large customer base. What's great about this partnership is we've been able to leverage our intellectual property and skills, rather than making significant capital investments of our own.

We're working together to care for people and make a positive social impact.

Total recordable injury frequency rate

5.4 Per million hours[1,2]
Full year target: 5.0

1 This is our progress for the 6 months to 31st Jan 2021, and has been calculated using actual data where available or estimates.
2 Part of zero harm philosophy which also includes the aim of 0 serious harm/0 fatalities.

Growing demand in the Middle East

In the Middle East region there has been growing demand from customers for more certainty around prices and guaranteed supply of product. The Middle East team has responded with a range of Price Risk Management (PRM) solutions that are giving customers in the region the price certainty they have been looking for. At the same time PRM has allowed the team to secure higher returns to our farmers and it has helped to grow demand for value added protein and cheese this year.

Strong relationships with Australian distributions

Our Australian Anchor Food Professionals team was recognised as the number one supplier in the 2020 Advantage Survey. Almost 120 distributors participated in this annual survey, measuring each company on their partnership, execution, reputation and vision. The food sector in Australia has been one of the hardest hit industries due to COVID-19 and we've worked hard to support the industry and be there for our customers.

Reducing water use in Indonesia

Our manufacturing site in Indonesia has installed a new rainwater collection system, which will reduce water consumption at the site by up to 20%.

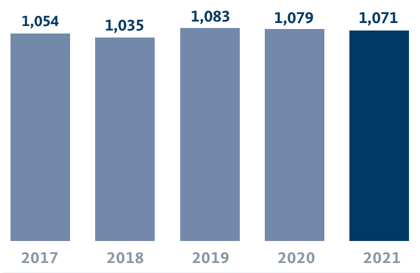
Launching carbonzero™ product range and helping Kiwi families

Back home in New Zealand, we've launched the Anchor carbonzero specialty milks range as part of our commitment to reduce our environmental footprint. We also helped make Christmas a little easier for Kiwis in need by feeding 15,000 families through the Anchor Christmas appeal, in partnership with the NZ Food Network. We've also won the WorkSafe New Zealand 'best initiative' award for a new programme that improves the way we support and care for our people's safety at work.

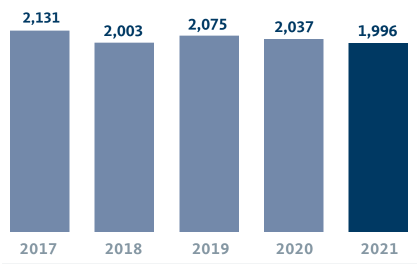
Group Financial Metrics

These charts have been selected to represent the financial metrics for Fonterra, to provide a historical summary of our performance.

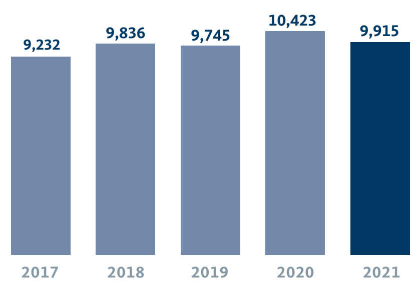
NEW ZEALAND MILK COLLECTION[1]
kgMS (MILLIONS)



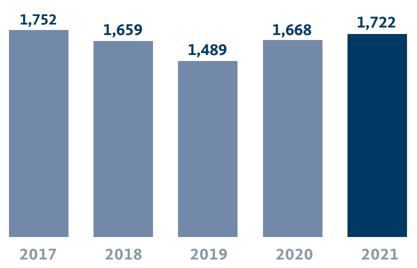
SALES VOLUME
('000 MT)



NORMALISED REVENUE
($ MILLIONS)

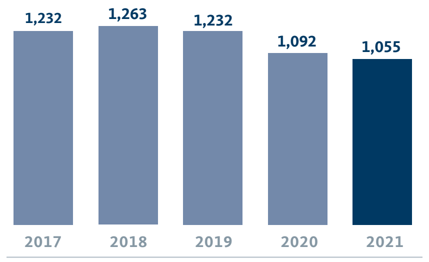


NORMALISED GROSS PROFIT
($ MILLIONS)

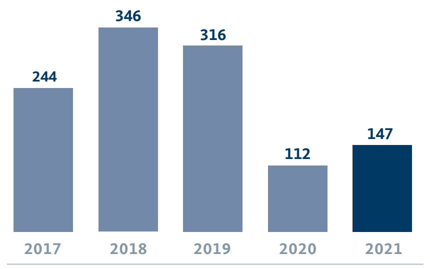


1 Milk collections are for the period June 1 – January 31.

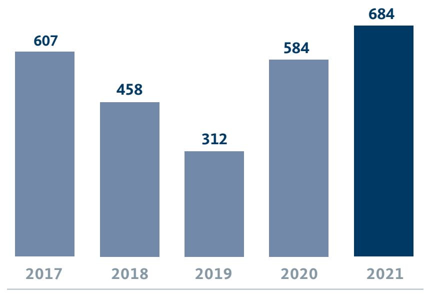
NORMALISED OPEX
($ MILLIONS)



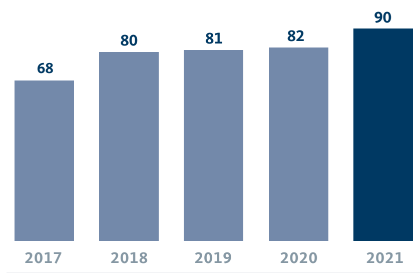
CAPITAL EXPENDITURE[1]
($ MILLIONS)



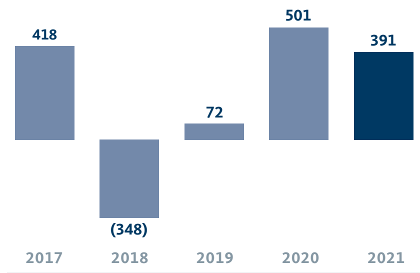
NORMALISED EBIT
($ MILLIONS)



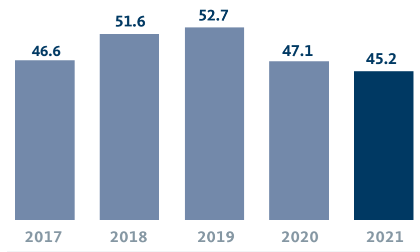
WORKING CAPITAL DAYS



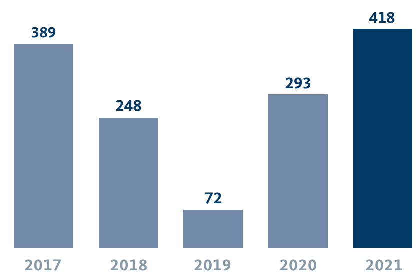
REPORTED PROFIT AFTER TAX[2]
($ MILLIONS)



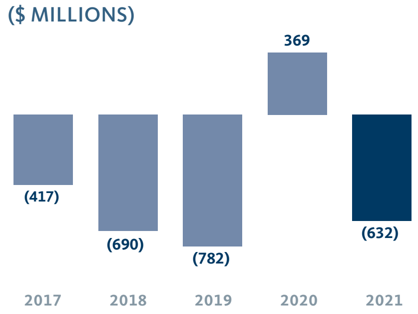
GEARING[1,3]
(%)



NORMALISED PROFIT AFTER TAX[2]
($ MILLIONS)



FREE CASH FLOW[1]
($ MILLIONS)



1 Refer to Glossary on page 70 for definition.
2 Includes amounts attributable to non-controlling interests.
3 Excludes net borrowings attributed to Discontinued Operations.

Overview

We have had a positive first six-months with our normalised profit after tax increasing 43%, up $125 million to $418 million. We have resumed paying an interim dividend, with 5 cents confirmed for this period. The increased earnings and interim dividend are alongside a strong forecast Farmgate Milk Price.

Our reported profit after tax of $391 million is 22% lower than the prior year due to last year's results including the gains on sale from divesting DFE Pharma and foodspring®.

This increase in normalised profit after tax has been primarily driven by improved gross margin, up from 16.0% to 17.4%, while keeping control of our operating costs and a lower interest expense. This earnings improvement has been achieved despite the additional challenges COVID-19 has created, particularly in the supply chain, where we are proactively managing and working with our ocean freight partnership, Kotahi, to keep product moving to our customers.

Our improved gross margin and earnings reflect a significant margin increase in Greater China Foodservice and an increase in Asia Pacific Consumer margins, but are partially offset by reduced earnings in AMENA's – Africa, Middle East, Europe, North Asia, Americas – Ingredients channel.

On a reported basis, our profit after tax was $391 million, with the $27 million difference to our normalised profit after tax being the China Farm impairment reversal of $23 million offset by the loss on disposal and downward revaluation of our Beingmate holding of $50 million. Our reported profit after tax is $110 million lower than the prior comparative period due to last year's results including items from the strategic refresh, in particular, the gains on sale from divesting DFE Pharma and foodspring®.

With ongoing financial discipline and improved earnings we continue to reduce our debt and gearing. For this financial year our target Debt to EBITDA ratio is to be between 3.0 to 3.5 times, and we will continue to reduce our gearing ratio to below 40% by the end of the financial year.

The current forecast Farmgate Milk Price range would make this season one of our highest Milk Prices, which is positive for our farmer owners and the New Zealand economy. However, the strong rise in dairy prices from November 2020 through to now will place pressure on our sales margins and this is expected to impact our second half earnings performance, particularly in the last quarter.

As part of our continuous review of our asset portfolio, we have decided, along with our joint venture partner, to undertake a sales process for the joint venture farms in China. For the same reason that we decided to sell our wholly-owned China farms, the decision to sell the joint venture farms is in line with our Co-operative's strategy to focus on New Zealand milk. Current expectations are for the sale of our 85% interest in our Hangu farm, and our two wholly-owned farming hubs in Ying and Yutian to be completed this financial year and for the sale of the joint venture farms to be completed this calendar year. We have also continued to reduce our shareholding in Beingmate, which on 31 January 2021 was sitting at 3.94%. We will continue to sell down the remaining shareholding and we expect to have fully exited this investment before the end of this financial year.

Total Group normalised gross margin

17.4% up from 16.0%

Normalised profit after tax

$418 million up 43%

Adrian and Ben, Northland

Our Total Group performance

To provide a complete view of our performance for the first six-months of the 2021 financial year, the Total Group figures presented in this section are inclusive of both Continuing and Discontinued Operations.

Overall, our milk collection volumes are down slightly due to lower collections in New Zealand and Australia, while collections in Chile are up as we grow our farmer base there.

Our sales book is well contracted and we are getting products to our customers. COVID-19 has created global supply chain challenges and we have not been immune with some minor shipping delays. This is the main cause for our sales volume being 41,000 MT, or 2%, lower relative to the comparative period. We are proactively managing the supply chain situation and working with our ocean freight partnership, Kotahi, to keep product moving and we expect to have caught up on these delays by the end of the financial year.

Revenue is 5% lower, down $508 million to $9.9 billion. While the timing of shipments has impacted revenue, the main cause is lower sale prices in the AMENA and Greater China Ingredients channels relative to the comparative period. This was partially offset by revenue growth in Greater China Foodservice and Consumer as we moved milk into higher margin products, and similarly, revenue growth in Asia Pacific's Ingredients and Consumer channels.

Our cost of goods sold decreased 6%, down $562 million to $8.2 billion, due to lower raw milk costs for the first six-months of the financial year relative to the comparative period. Gross profit increased 3% to $1.7 billion as a result of the lower input costs more than offsetting the decrease in revenue. This increase in gross profit together with lower revenue resulted in the gross margin increasing from 16.0% to 17.4%.

Our Greater China Foodservice channel had very strong gross margin growth, and was a major contributor to our Total Group gross profit increasing relative to the comparative period. Asia Pacific also contributed to the increase in gross profit with additional demand in its Foodservice and Consumer channels as a result of the COVID-19 "stay-at-home" culinary trend. This was partially offset by AMENA and Asia Pacific's lower gross profit in their Ingredients channels due to lower sales volume and gross margins.

Operating expenses in our Continuing Operations are down slightly as a result of our businesses focusing on what is in their control in this challenging COVID-19 environment, such as, targeted selling and promotional spend during lockdown periods. Our Discontinued Operations, China Farms and DPA Brazil, had a greater reduction in operating expenses mainly due to the translation of expenses in DPA Brazil benefiting from a weaker local currency. China Farms' costs were stable.

The Total Group's improved gross margin and focus on managing costs has resulted in our normalised EBIT increasing 17%, up $100 million to $684 million.

Our Total Group net financing costs for the six-month period are $32 million lower than the comparative period due to lower average debt and a reduction in global interest rates.

The increase in the profits attributable to our non-controlling interests predominately reflects that there has been no further impairment of the DPA Brazil business in the six-month period.

One of our priorities is to be in the position to pay regular dividends. Our strong first half earnings equate to normalised earnings per share of 25 cents and combined with our continued debt reduction has enabled us to return to paying an interim dividend, with 5 cents confirmed for this period to be paid in April.

BREAKDOWN OF TOTAL GROUP PERFORMANCE

FOR THE SIX-MONTHS ENDED	31 JAN 2020			31 JAN 2021		
NORMALISED BASIS NZD MILLION	CONTINUING OPERATIONS[1]	DISCONTINUED OPERATIONS[1]	TOTAL GROUP	CONTINUING OPERATIONS[1]	DISCONTINUED OPERATIONS[1]	TOTAL GROUP
Sales volume ('000 MT)	1,928	109	**2,037**	1,875	121	**1,996**
Revenue	10,071	352	**10,423**	9,597	318	**9,915**
Cost of goods sold	(8,483)	(272)	**(8,755)**	(7,946)	(247)	**(8,193)**
Gross profit	1,588	80	**1,668**	1,651	71	**1,722**
Gross margin	15.8%	22.7%	**16.0%**	17.2%	22.3%	**17.4%**
Operating expenses	(1,023)	(69)	**(1,092)**	(1,013)	(42)	**(1,055)**
Other[2]	(4)	12	**8**	14	3	**17**
Normalised EBIT	561	23	**584**	652	32	**684**
Normalisations[3]	356	(134)	**222**	(50)	23	**(27)**
EBIT	917	(111)	**806**	602	55	**657**

1 Refer to Note 1a and 2b of the FY21 Interim Financial Statements.
2 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.
3 Refer to the Non-GAAP Measures section in the FY21 Interim Report.

We remain committed to ongoing financial discipline. This includes strong management of both operating and capital expenditure and further reduction in debt and gearing levels.

Our Total Group normalised operating expenses are $37 million lower than the comparative period, mainly due to lower levels of Selling and Marketing expenses and Distribution and Storage expenses. Many of the businesses within regions that have been impacted by COVID-19 lockdowns have limited the level of Selling and Marketing expenses, with the expectation of an increase through the second half of the year as these restrictions ease.

TOTAL GROUP PERFORMANCE[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

NZD MILLION	2020	2021	CHANGE[2]
EBIT	806	**657**	(18)%
Net finance costs	(173)	**(141)**	18%
Tax Expense	(132)	**(125)**	5%
Reported profit after tax	501	**391**	(22)%
(Less)/add: Normalisation adjustments[3]	(222)	**27**	–
Add: Tax on normalisation adjustments	14	**–**	–
Total normalised profit after tax	293	**418**	43%
Add/(less): (Profit)/loss attributable to non-controlling interests	20	**(19)**	–
Less: Normalisation adjustments attributable to non-controlling interests	(30)	**–**	–
Normalised profit after tax attributable to equity holders of the Co-operative	283	**399**	41%
Normalised earnings per share (cents)	18	**25**	41%
FY21 Interim Dividend per share (cents)	–	**5**	–

1 Includes Continuing and Discontinued Operations.
2 Percentages as shown in table may not align to calculations of percentages based on numbers in the table due to rounding or reported figures.
3 Refer to the Non-GAAP Measures section in the FY21 Interim Report.

Total Group normalised operating expenses

$37 million lower than last year

TOTAL GROUP OPERATING EXPENSES

FOR THE SIX-MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	2020	2021
Selling & marketing	316	**299**
Distribution & storage	274	**265**
Administration expenses	266	**254**
Research & development	31	**34**
Other expenses	42	**50**
Unallocated costs	94	**111**
Operating expenses from Continuing Operations	1,023	**1,013**
Discontinued Operations	69	**42**
Total Group operating expenses	1,092	**1,055**

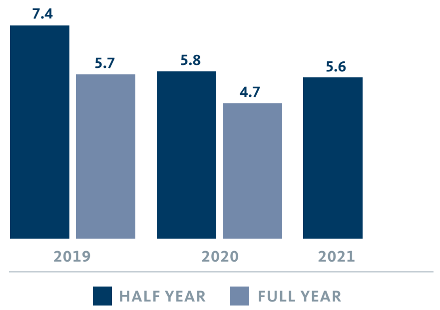
FINANCIAL METRICS[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

	2020	2021	CHANGE[2]
Capital expenditure (NZD Million)	(112)	**(147)**	31%
Net debt (NZD Million)[3,4]	5,776	**5,618**	(3)%
Gearing ratio[3,4]	47.1%	**45.2%**	–
Free cash flow (NZD Million)	369	**(632)**	–
Working capital days	82	**90**	(10)%

1 Refer to Glossary of the FY21 Interim Report for definition of the metrics displayed in the table.
2 Percentages as shown in table may not align to calculations of percentages based on numbers in the table due to rounding or reported figures.
3 FY20 has been restated, refer to Basis of Preparation section in the FY21 Interim Report.
4 Excludes net borrowings attributed to disposal groups held for sale.

NET DEBT
($ BILLION)



Our capital expenditure over the six-months is in line with our expectations, with the majority of the expenditure weighted to the second half of the financial year when the bulk of the maintenance of the manufacturing plants is undertaken.

The seasonal profile of the New Zealand milk curve means the investment in our working capital is weighted to the first half of the financial year and reduced in the second half of the year. As a result, we typically have negative free cash flow over the first six-months. This year the amount of working capital days is higher than the comparative period, with the increase mainly due to higher inventory days. We began the first half of the year with higher levels of inventory carried over from the previous year, which combined with the lower sales revenue has resulted in higher inventory days relative to the comparative period. The business remains focused on the timely collection of receivables, and receivable days are consistent with last year. Payable days are also at similar levels to last year.

In addition to the difference in working capital, in the comparative period our free cash flow included $623 million of cash received from the sales of DFE Pharma and foodspring® and was a significant contributor to the difference between the two periods.

Given the seasonal profile of our working capital requirements, our debt level at the end of the first six-months of the financial year is typically higher than what we expect at the end of the financial year, as the working capital is reduced throughout the second half. At the end of the first six-months of the financial year, our net debt, measured as economic net interest bearing debt, was down $0.2 billion to $5.6 billion.

For this financial year our target Debt to EBITDA ratio is to be between 3.0 to 3.5 times, and we will continue to reduce our gearing ratio to below 40%

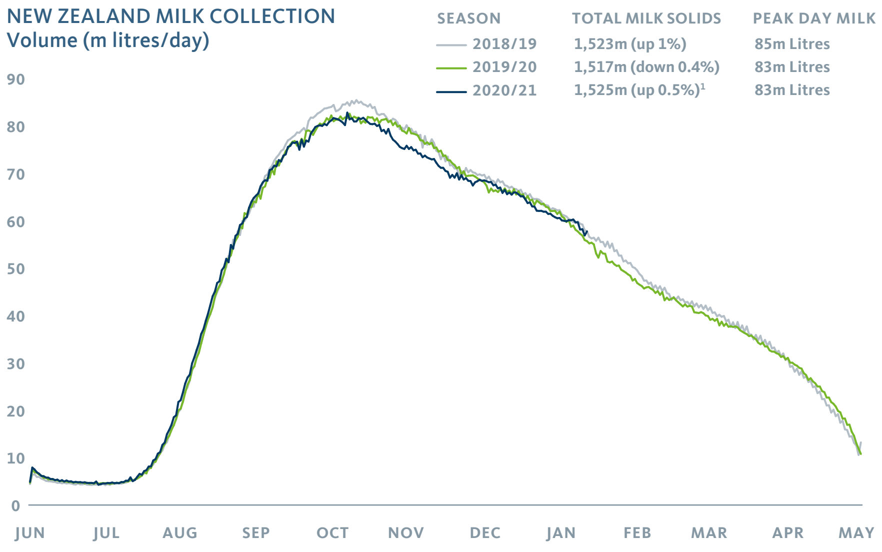
Group Operations

The following business performance section reflects only Continuing Operations and has been prepared under our new operating model that we moved to through the course of last financial year. The operating model is based around our three regional business units: Asia Pacific, AMENA, and Greater China. The three regional business units are supported by a shared infrastructure, which is referred to in this section as Group Operations.

Group Operations is comprised of the functions that the Chief Operating Officer (COO) has responsibility for (including New Zealand milk collection and processing operations and assets, global supply Chain, digital and information technology, sustainability and innovation); Farmsource, and the Central Portfolio Management (CPM) function.

CPM's goal is to optimise our business by connecting customers with our assets, farmers and markets to make our New Zealand milk into the most valuable products. It includes optimising the New Zealand milk pool, in-market product pricing support for the regions, managing Fonterra's dairy and non-dairy product price risk, as well as providing customer and farmer price risk management tools.

NEW ZEALAND MILK COLLECTION
Volume (m litres/day)



1 Current full season forcast

Our New Zealand milk volumes started well from 1 June 2020 with warmer conditions through winter combining with good rainfall to promote solid pasture growth. However, as the season progressed conditions became less favourable. Milk collections from 1 June 2020 to 31 January 2021 have drifted slightly behind the prior season, down 0.8% to 1,071 million kgMS. The full season forecast remains 1,525 million kgMS.

We have largely completed the roll out of milk vat telemetry technology. The improved visibility regarding on-farm milk conditions and volumes has improved both the quality of milk supplied and made milk collection more efficient, with five less milk tankers required across the fleet.

Managing and mitigating disruption from COVID-19 has been a key focus for Group Operations, in particular through the peak milk processing and export volume period of October to January. This required our workforce of ten thousand people within milk collection, manufacturing, supply chain, laboratories, technical excellence and sustainability to adhere to disciplined health and safety protocols and undertake substantial contingency planning in case of widespread community transmission. This involved cooperation across multiple partners and stakeholders including government, unions, regional councils, local communities, vendors. These COVID-19 risk management activities are both ongoing and dynamic.

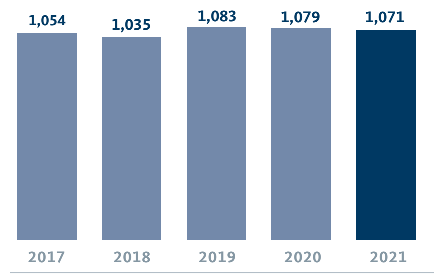
In the six months we processed the equivalent of approximately $7 billion of milk over our 30 manufacturing sites. We incurred $2.4 billion of conversion, supply chain, testing, packaging, energy, cleaning and overhead costs, and also supported product mix optimisation and efficiency gains. An example of efficiency gains is the use of data analytics to monitor milk tanker operating conditions and fuel burn to achieve a 1% fuel burn improvement over approximately 50 million litres of diesel. Within our manufacturing plants we are also delivering efficiency gains through the increased investment in technology. As an example, at our Darfield cream cheese plant we have installed new food scan machinery technology which is now delivering composition control benefits equivalent to an additional 100 MT of finished product.

Global supply chains have experienced unprecedented disruption due to direct and indirect consequences of COVID-19. However, with our strong partnership with Kotahi, we maintained supply of products to our global customer base, although at lower service delivery levels. Prior to COVID-19, our DIFOT, being product delivered in full and on time, plus or minus one week, was around 90%. For the first six-months of this financial year we have averaged 71%. Despite this reduction, our performance is considered reliable relative to many other market participants. The delays experienced in the supply chain has meant our closing inventory position at the end of the first six-months of the financial year is slightly higher than where we targeted and we expect levels to return to our target levels by the end of the financial year.

Capital expenditure in the first six-months of the financial year was focused on refurbishment of the powder 3 and 4 buildings at Whareroa, waste water upgrades at Whareroa and Clandeboye and the Waitoa powder 3 dehumidifier for greater quality control for specialty products. Capital expenditure is heavily weighted to the second six-months of the financial year, with scheduling of capital works and maintenance at manufacturing sites aligned to commence at the end of the milk season in May.

Greenhouse Gas emissions are tracking to our target of a 30% reduction by 2030, assisted by our investment last year in our Te Awamutu biomass boiler, as well as pre-capex scoping for decarbonisation of the Stirling site. We are working on a wide range of potential Greenhouse Gas mitigation solutions to help reduce biological emissions for our farmers, our customers and the global agricultural industry. This includes partnering with global experts to create, develop and trial new solutions, for example, our collaboration with Royal DSM a Dutch health and nutrition multinational on the Bovaer methane inhibitor, and the use of Kowbucha™ fermentations in partnership with the Pastoral Greenhouse Gas Research Consortium and AgResearch.

HISTORICAL NEW ZEALAND MILK COLLECTION[1]
kgMS (MILLIONS)



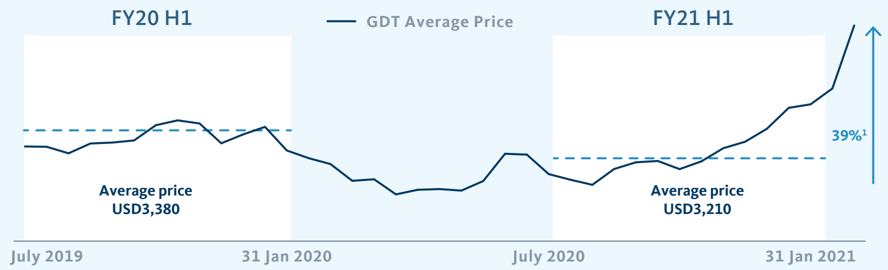
1 Milk collections are for the period June 1 - January 31

NEW ZEALAND REFERENCE AND NON-REFERENCE PRODUCTS[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

	2020		2021	
		('000 MT)		('000 MT)
Sales Volume				
Reference products		921		**870**
Non-reference products		389		**419**
	$ BILLION	$ PER MT	$ BILLION	$ PER MT
Revenue				
Reference products	4.8	5,167	**4.2**	**4,784**
Non-reference products	2.2	5,688	**2.3**	**5,372**
Cost of Milk				
Reference products	3.7	3,997	**3.2**	**3,676**
Non-reference products	1.3	3,435	**1.4**	**3,294**

1 Table excludes bulk liquid milk. The bulk liquid milk volume for the six months ended 31 January 2021 was 36,000 MT of kgMS equivalent six months ended 31 January 2020 was 37,000 MT of kgMS equivalent.



1 39% increase in dairy prices from November 2020 through to now.

We continue to focus on product innovation, on adding value to milk and on working collaboratively with our customers and partners to satisfy consumer nutritional needs. For example, we commercialised a functional Whey Protein Concentrate ingredient for the cultured dairy snack segment that enables yoghurt to contain very high levels of protein (25g of protein per serve). We also launched Extra Stretch Plus mozzarella, which offers more tenderness for longer which is particularly important for the pizza delivery market. Consistent with our strategy of prioritising New Zealand milk and growing our Foodservice channel, we processed more of our New Zealand sourced milk into higher returning Foodservice and Consumer products reflecting the strong demand from Greater China and Asia Pacific. This is reflected in the 30,000 MT increase in sales volume of non-reference products from New Zealand milk.

The season started with the overhang of global economic concerns driven by the ongoing impact of the COVID-19 pandemic. Dairy product trading conditions suggested a milk price mid-point in the low $6.00 per kgMS range as reflected by our opening Farmgate Milk Price range which was aligned to the bank milk price forecasts and NZX futures. At this time, non-reference product prices (cheese and proteins) were selling at favourable prices relative to reference products. These trading conditions are seen in the lower revenue and slightly lower cost of goods sold in the first six-months of the financial year.

Our order book for our products has been strong with good demand, in particular for milk powders and cream products which are products from the reference product basket. Reference product prices have progressively firmed as the milk season has progressed. The announced Farmgate Milk Price forecast now has a mid-point of $7.60 per kgMS.

Powders and cream product prices are in general more volatile than cheese and protein prices. Consequently, reference product prices have risen at a faster rate than non-reference prices and this has been adverse for price relativities. This is expected to result in a tightening on Ingredient and Foodservice product margins and liquid milk margins in the last six-months of the financial year.

GROUP OPERATIONS' ATTRIBUTION TO REGIONAL SEGMENTS

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

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

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

When attributing the results of Group Operations to the regions, the principle is for the end-to-end margin to reflect the underlying transaction between Fonterra and the customer where possible. If costs are not directly linked to transactions, such as overheads, attributions are activity based where appropriate e.g. Information Technology and Research and Development. If none of these principles apply, the attribution is based on a volume-based allocation.

Overall, the Group Operations result has reduced $84 million compared to the comparative period. Key drivers of this are an adverse movement in the margin on bulk liquids, lower sales volumes due to the shipping delay, price relativities on ingredients products and the lagged impact of longer-term pricing arrangements in sales contracts. In addition, there were some changes in the internal pricing principles as the new operating model was implemented.

GROUP OPERATIONS ATTRIBUTION

FOR THE SIX-MONTHS ENDED 31 JANUARY

NORMALISED BASIS EBIT (NZDM)	TOTAL			ASIA PACIFIC			AMENA			GREATER CHINA		
	2020	2021	CHANGE[1]	2020	2021	CHANGE[1]	2020	2021	CHANGE[1]	2020	2021	CHANGE[1]
Group Operations' Attribution to regional segments	173	**89**	(49)%	34	**1**	(97)%	56	**17**	(70)%	83	**71**	(14)%

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


Kiri, Bay of Plenty

Summary of Regional Performance

Within these Interim Financial Statements the Group's reportable segments are the three regional business units: Asia Pacific, AMENA and Greater China, and are inclusive of their respective attribution of Group Operations. This provides a full end-to-end view of the performance for each of the customer facing regional business units. Additional insights are provided by showing a breakdown of the three main product channels – Ingredients, Foodservice and Consumer – for each reporting segment on the same end-to-end basis.

Our business and earnings are diversified across markets and products.

Our Asia Pacific region has a strong Consumer channel which accounted for 62% of its EBIT and 64% of our overall Consumer EBIT. The Asia Pacific region contributed to our improved Group earnings with a 9% increase in its EBIT to $190 million. This increase was due to a strong performance in the Consumer and Foodservice channels, particularly South East Asia, India Subcontinent and New Zealand. Lower margins in our New Zealand Ingredients business and challenging trade conditions in the Australia Ingredients export channel partially offset the areas of improved performance in Asia Pacific.

Our AMENA region has a large Ingredients market and the Ingredients channel accounted for 73% of our AMENA region's EBIT and 51% of our overall Ingredients EBIT. AMENA's Ingredients EBIT decreased $57 million and was the main reason for the decline in our overall Ingredients earnings. AMENA's Foodservice and Consumer EBIT has increased due to improved gross margin in both businesses, and the Consumer channel also had higher sales volume. All three of AMENA's product channels reduced their operating expenses.

SUMMARY OF REGION PERFORMANCE[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL		ASIA PACIFIC		AMENA		GREATER CHINA		UNALLOCATED COSTS AND ELIMINATIONS	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Sales volume ('000 MT)[2]	1,928	**1,875**	688	**672**	667	**627**	579	**593**	(6)	**(17)**
Revenue	10,071	**9,597**	3,352	**3,399**	3,703	**3,197**	3,030	**3,061**	(14)	**(60)**
Cost of goods sold	(8,483)	**(7,946)**	(2,753)	**(2,788)**	(3,171)	**(2,726)**	(2,596)	**(2,520)**	37	**88**
Gross profit	1,588	**1,651**	599	**611**	532	**471**	434	**541**	23	**28**
Gross margin	15.8%	**17.2%**	17.9%	**18.0%**	14.4%	**14.7%**	14.3%	**17.7%**	–	**–**
Operating expenses	(1,023)	**(1,013)**	(431)	**(423)**	(321)	**(279)**	(177)	**(200)**	(94)	**(111)**
Other[3]	(4)	**14**	6	**2**	5	**9**	(12)	**(2)**	(3)	**5**
EBIT[4]	561	**652**	174	**190**	216	**201**	245	**339**	(74)	**(78)**
EBIT includes Group Operations' attribution[5]	173	**89**	34	**1**	56	**17**	83	**71**	–	**–**
EBIT excludes Discontinued Operations	23	**32**	–	**–**	14	**12**	9	**20**	–	**–**

1 Regions performance are shown on a Continuing Operations basis.
2 Includes sales to other regions
3 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.
4 This includes EBIT attribution from Group Operations
5 Drivers of movements in the Group Operations attribution is detailed further in each region's performance section.

EBIT CONTRIBUTION OF REGIONS AND PRODUCT CHANNELS[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

NORMALISED BASIS EBIT (NZD MILLIONS)	TOTAL			ASIA PACIFIC			AMENA			GREATER CHINA		
	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]
Ingredients	374	**288**	(23)%	53	**18**	(66)%	204	**147**	(28)%	117	**123**	5%
Foodservice	143	**258**	80%	32	**54**	69%	(13)	**1**	–	124	**203**	64%
Consumer	118	**184**	56%	89	**118**	33%	25	**53**	112%	4	**13**	225%
Unallocated & Eliminations	(74)	**(78)**	(5)%	–	**–**	–	–	**–**	–	–	**–**	–
Continuing Operations	561	**652**	16%	174	**190**	9%	216	**201**	(7)%	245	**339**	38%
Discontinued Operations	23	**32**	39%	–	**–**	–	14	**12**	(14)%	9	**20**	122%
Total Group EBIT	584	**684**	17%									

1 Regions performance are shown on a Continuing Operations basis.
2 Percentages as shown in table may not align to the calculations of percentages based on numbers in the table due to rounding of reported figures.

However, reduced sales volume and lower gross margins in AMENA's Ingredients channel has more than offset the improved Foodservice and Consumer performance.

Our Greater China region has a large Foodservice channel and this accounted for 60% of the Greater China region's performance and 79% of our overall Foodservice EBIT. The 38% increase in our Greater China EBIT to $339 million is predominantly due to performance of our Foodservice channel as we shifted milk into higher value product, and this can be seen in the increased gross margin from 14.3% to 17.7%. This earnings improvement in Greater China was a major contributor to the Group's total earnings improvement.

Asia Pacific

Our Asia Pacific region's normalised EBIT improved $16 million to $190 million due to a strong performance in the Consumer and Foodservice channels, particularly in South East Asia, India Subcontinent and New Zealand. Lower margins in our New Zealand Ingredients business and challenging trade conditions in the Australia Ingredients export channel partially offset the Consumer and Foodservice margin increase.

The Consumer channel is the largest contributor to Asia Pacific's earnings, and its EBIT increased $29 million, or 33% relative to the comparative period, to $118 million. This was primarily due to an improvement in the gross margin from 26.6% to 27.7% on relatively stable volume and operating expenses. The majority of our consumer markets within Asia Pacific benefited from the COVID-19 "stay-at-home" culinary trend, with significantly stronger sales in chilled dairy food products such as cream cheese, butter and cheese.

Australia's consumer brands such as Western Star in the chilled spreads channel, and Perfect Italiano, in the branded cheese channel, are two consumer brands that benefited from this culinary trend. On top of this we improved our leadership position in the chilled spreads category, with our value share increasing from 33.1% to 35.7%, and our volume share from 25.4% to 27.7%. Our number one position in branded cheese increased in value from 22.6% to 22.8%, and in volume from 20.9% to 21.2%.

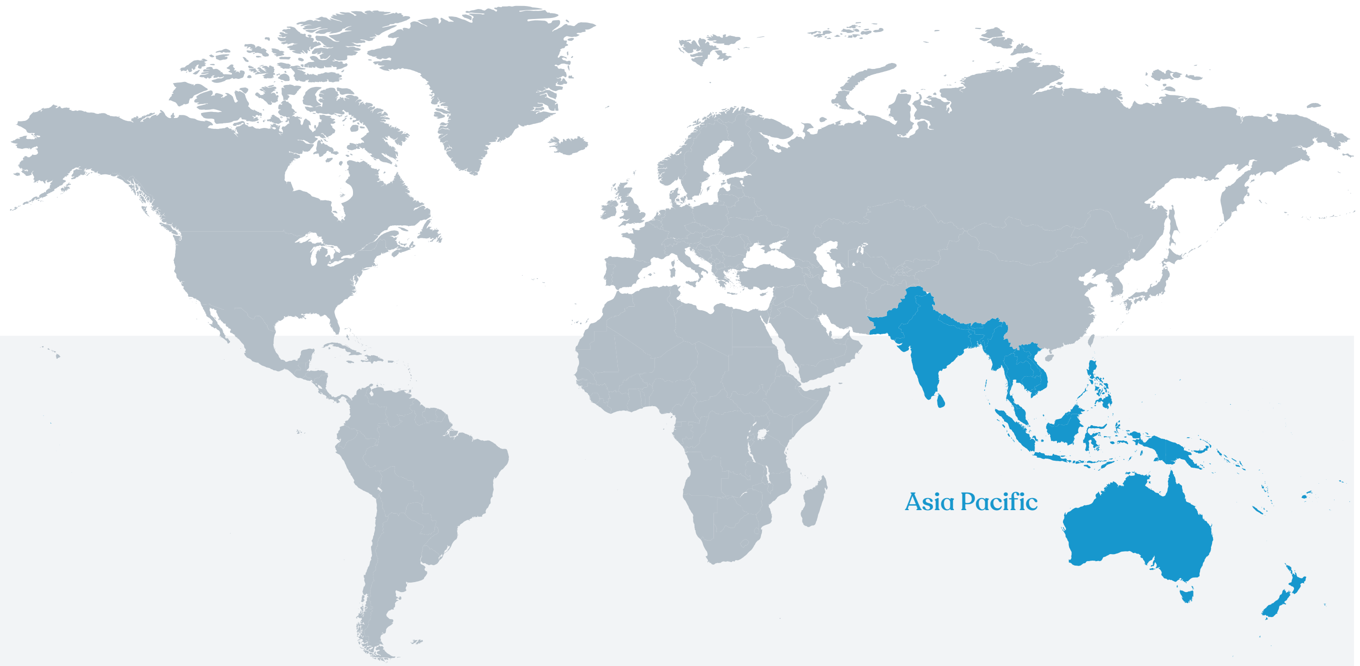
Our New Zealand Consumer business continues to turnaround its performance and has put an increased emphasis on sustainability during this six-month period, including gaining carbon zero certification for Anchor Enriched Milks and launching a plant-based bottle for 2L Anchor Blue Milk.

In Malaysia we have completed a reset of the Anlene brand. Anlene is our global consumer brand positioned in advanced adult nutrition. It holds a market leadership position in the adult fortified milk for mobility, where it promotes bone health, joint health and strong muscles. Having completed the brand reset in Malaysia we are now preparing to roll out across the rest of South East Asia.

The performance of our Asia Pacific Foodservice channel has also improved, with gross margin up significantly from 18.0% to 25.2%, and this flowed through to EBIT, which was up $22 million or 69% relative to the comparative period last year. This is a strong result given many markets continue to be impacted by COVID-19 lockdowns, which resulted in lower sales volumes for the region. The impact of the lower sales volume was offset by moving milk to higher margin products such as cream cheese, where bakery and beverage outlets continue to find customer demand for cream cheese applications, particularly in South East Asia. These channel trends have emerged rapidly over the last 12 months and our Foodservice teams have been able to adjust quickly to allow our customers to meet changing consumer demands. We are also seeing more at-home consumption and less out-of-home consumption, and a back-to-basics approach with consumers purchasing less pre-made baked goods and instead opting to bake their own goods with trusted ingredients.

In this challenging environment with lockdowns, our in-market teams have focused on what is in their control, such as, targeted selling and promotional spend during lockdown periods and working closely with our customers. This has also ensured better customer payment performance.

The New Zealand Ingredients business has experienced faster sales contracting rates from our domestic Ingredients customers as they keep pace with the strong consumer demand from increased cooking at home. However, this was offset by significantly lower margins on our bulk liquid milk sales relative to the comparative period. This is the milk we are required to sell to other manufacturers under the Dairy Industry Restructuring Act. The impact of the reduced margins on the bulk liquid sales is reflected in the attribution from Group Operations to the Asia Pacific region.



ASIA PACIFIC PERFORMANCE[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]
Sales volume ('000 MT)[3]	688	**672**	(2)%	287	**280**	(2)%	89	**82**	(8)%	312	**310**	(1)%
Revenue	3,352	**3,399**	1%	1,568	**1,636**	4%	551	**469**	(15)%	1,233	**1,294**	5%
Cost of goods sold	(2,753)	**(2,788)**	(1)%	(1,396)	**(1,502)**	(8)%	(452)	**(351)**	22%	(905)	**(935)**	(3)%
Gross profit	599	**611**	2%	172	**134**	(22)%	99	**118**	19%	328	**359**	9%
Operating expenses	(431)	**(423)**	2%	(125)	**(119)**	5%	(67)	**(65)**	3%	(239)	**(239)**	–
Other[4]	6	**2**	(67)%	6	**3**	(50)%	–	**1**	–	–	**(2)**	–
EBIT[5]	174	**190**	9%	53	**18**	(66)%	32	**54**	69%	89	**118**	33%
Includes EBIT Group Operations' attribution	34	**1**	(97)%									
Gross margin	17.9%	**18.0%**		11.0%	**8.2%**		18.0%	**25.2%**		26.6%	**27.7%**	

1 Asia Pacific performance represents Continuing Operations.
2 Percentages as shown in table may not align to calculations of percentages based on number in the table due to rounding or reported figures.
3 Includes sales to other regions.
4 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.
5 This includes EBIT attribution from Group Operations.

The Ingredients channel has also been impacted by the challenging trade conditions in the Australia Ingredients export channel. The challenges include China trade relations, contraction of the Daigou channel and shipping delays.

Overall, the Asia Pacific Ingredients channel's gross margin declined from 11.0% to 8.2%, and the small improvement in operating expenses was not enough to offset this, with the Asia Pacific Ingredients EBIT declining $35 million to $18 million.

Looking at our whole Australia business, Australia's challenges in its Ingredients channel have been partially offset by improved performance in its Consumer channel.

On-farm, our Australian milk collections for the first six-months were down 1.3% on the comparative period. Following wetter than usual spring conditions and a resulting lower peak collection, production has stabilised on the back of wetter and cooler than average summer conditions. Favourable seasonal conditions would normally result in production growth, however, they are being offset by reduced herd numbers and labour shortages constraining production growth.

Australia's overall sales volumes decreased relative to the comparative period, driven by shipping delays stemming from COVID-19 supply chain congestion and industrial action at Australian ports.

A robust recovery in our Australian Foodservice channel is also well underway, with volumes and margins only slightly down on the comparative period despite ongoing impacts of state-based lockdowns and border closures due to COVID-19. Our Australian Foodservice business once again achieved the number one ranking in the annual Foodservice Advantage Survey.

AUSTRALIA PERFORMANCE[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	2020	2021	CHANGE[2]
Production volume ('000 MT)	205	**212**	3%
Sales volume ('000 MT)[3]	198	**174**	(12)%
Revenue	1,000	**899**	(10)%
Cost of goods sold	(891)	**(796)**	11%
Gross profit	109	**103**	(6)%
Operating expenses	(72)	**(68)**	6%
Other[4]	–	**(3)**	–
EBIT	37	**32**	(14)%
Gross margin	10.9%	**11.5%**	

1 Performance is prior to Group Operations attribution.
2 Percentages as shown in table may not align to the calculations of percentages based on numbers in the table due to rounding of reported figures.
3 Includes sales to other regions.
4 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.

Despite our Australian business gross margin improving through allocating milk to higher value products in the Consumer channel, our total Australian EBIT was down due to the lower sales volume.

Our New Zealand Consumer and Foodservice businesses had an improved first six-months of the financial year as they continue turning around their performance. Gross profit was up due to a favourable product mix that met the demand of the stay-at-home culinary trend.
Operating expenses have been well managed with the amount of Distribution and Storage expense favourable relative to the comparative period due to the lower cost of third-party freight providers. The improved gross profit and reduced operating expenses resulted in improved EBIT but further performance improvement is required to achieve satisfactory overall returns for the business.

Asia Pacific normalised EBIT

$190 million up 9%

AMENA

Our AMENA region's normalised EBIT reduced $15 million to $201 million due to lower sales volumes and gross margins in our Ingredients channel, particularly in Europe, Africa and North Asia. The decline in the Ingredients channel was partially offset by improved gross margin in the Foodservice and Consumer channels, with Consumer also having stronger sales volume as well as all three of AMENA's channels reducing operating expenses.

The Ingredients channel is the largest contributor to AMENA's earnings, and its EBIT decreased $57 million, or 28% relative to the comparative period, to $147 million. Relative to the comparative period, the decline in Ingredients' product sale prices has been greater than the reduction in input costs for the first six-months of this financial year. In addition, the prices of New Zealand sourced milk have been driven up by the strong demand in our Greater China and Asia Pacific regions, and this has made it more challenging to compete in markets such as Europe, Africa and North Asia. As a result, our gross margin reduced from 12.7% to 11.9%, and our Ingredients sales volumes decreased by 11% as we allocated milk to higher margin channels in the other markets.

We are actively expanding our AMENA Ingredients product portfolio to higher margin products, such as functional ingredients; this involves working with customers to meet the consumer needs that are emerging. While not new, COVID-19 has increased consumer awareness of immunity, wellbeing and sustainability.

To support these trends, we have launched our New Zealand Milk Products (NZMP) Milk Phospholipids range that helps with stress management. By extending our portfolio into the mental wellness space, we're helping food brands tap into new consumer needs, such as mood-enhancement and cognitive performance under stress – requirements that have recently been amplified due to the pandemic.

We also launched NZMP's first carbonzero™ certified ingredient, NZMP Organic Butter, in the North American market and intend to roll it out to other markets. Having this capability in place means that over time we can broaden the portfolio of carbonzero™ certified ingredients to support customer needs and demands.

Our AMENA Ingredients channel has large global customers and to support them and manage the volatility in dairy product prices we use longer-term pricing contracts, where the sale price for product is the average price of a number of prior months. Relative to the comparative period, the margins on these sales has reduced due to the lag in the pricing profile of these contracts versus the rising cost of milk. The impact of the reduced gross margin can be seen in the earnings attribution from Group Operations to the AMENA region as the margin on longer-term sales sits within Group Operations. In addition, the Ingredients product mix was less favourable to the comparative period, and Group Operations made a lower margin between the cost to make product and the market-based transfer price.

Operating expenses in AMENA's Ingredients channel decreased 15% to $162 million, in part due to lower sales volumes, but also a strong focus from the in-market teams to control costs.

In AMENA's Foodservice channel, the comparative period incurred start-up costs relating to our operations in the Netherlands as part of the partnership with A-ware. These have not been repeated this financial year and led to improved gross profit. The A-ware partnership is in the early stages and is currently not yet profitable. The performance of A-ware this year is allocated across all three regions as they collectively work to grow demand.

Operating expenses in AMENA's Foodservice channel improved largely due to the successful transition of our USA Foodservice business to a new operating model in partnership with Land O'Lakes, one of America's leading dairy co-operatives. This gives us access to Land O'Lakes' strong, well-established distribution network and its large customer base. The improved gross margin and reduced operating expenses led to AMENA's Foodservice performance improving from an EBIT loss of $13 million to a positive EBIT of $1 million.

AMENA PERFORMANCE[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]
Sales volume ('000 MT)[3]	667	**627**	(6)%	476	**424**	(11)%	10	**10**	–	181	**193**	7%
Revenue	3,703	**3,197**	(14)%	3,060	**2,523**	(18)%	98	**117**	19%	545	**557**	2%
Cost of goods sold	(3,171)	**(2,726)**	14%	(2,672)	**(2,223)**	17%	(91)	**(102)**	(12)%	(408)	**(401)**	2%
Gross profit	532	**471**	(11)%	388	**300**	(23)%	7	**15**	114%	137	**156**	14%
Operating expenses	(321)	**(279)**	13%	(190)	**(162)**	15%	(24)	**(14)**	42%	(107)	**(103)**	4%
Other[4]	5	**9**	80%	6	**9**	50%	4	**–**	–	(5)	**–**	–
EBIT[5]	216	**201**	(7)%	204	**147**	(28)%	(13)	**1**	–	25	**53**	112%
Includes EBIT Group Operations' attribution	56	**17**	(70)%									
Gross margin	14.4%	**14.7%**		12.7%	**11.9%**		7.1%	**12.8%**		25.1%	**28.0%**	

1 AMENA performance represents Continuing Operations.
2 Percentages as shown in table may not align to the calculations of percentages based on numbers in the table due to rounding of reported figures.
3 Includes sales to other regions.
4 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.
5 This includes EBIT attribution from Group Operations.

AMENA normalised operating expenses

$42 million lower than last year

The Consumer channel in Latin America has had strong growth and is a significant contributor to AMENA's Consumer EBIT of $53 million. Latin America's performance is predominately driven by our business in Chile.

In Chile we have increased our market share of milk collections as we improved our engagement with farmers. This has contributed to increased production volume, up 17,000 MT compared to last year.

Our value and volume share in the Chilean Consumer channel increased 0.6% and 0.5% to 30.2% and 31.3%, respectively. This was predominantly due to new product development such as our 1+1 Single Yoghurt and Manjarate 3D. Both products won Product of the Year as voted by Chilean consumers, in their respective yoghurt and desserts categories. They also received Effie Awards, given by communication specialists to those products with the best communication efficiency in their categories.

In addition, to support the economy through COVID-19, the Chilean Government released pension funds, which have positively impacted the whole industry and contributed to demand for dairy products as consumers spend more.

The Chilean milk market is competitive, and our cost of goods sold increased due to higher raw milk costs as we competed for more milk. Our operating expenses were steady, although we did incur additional costs related to keeping the workforce safe while operating under COVID-19 conditions. However, other operational efficiencies offset these.

LATIN AMERICA[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	2020	2021	CHANGE[2]
Sales volume ('000 MT)[3]	165	**182**	10%
Revenue	450	**489**	9%
Cost of goods sold	(322)	**(351)**	(9)%
Gross profit	128	**138**	8%
Operating expenses	(97)	**(97)**	–
Other[4]	(6)	**–**	–
EBIT	25	**41**	64%
Gross margin	28.4%	**28.2%**	

1 Performance includes Ingredients, Foodservice and Consumer channels. It does not include Group Operations attribution.
2 Percentages as shown in table may not align to the calculations of percentages based on numbers in the table due to rounding of reported figures.
3 Includes sales to other regions.
4 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.

AMENA normalised Consumer gross margin

28.0% up from 25.1%

Greater China

Our Greater China normalised EBIT improved $94 million to $339 million due to increased sales volumes and gross margins, which improved from 14.3% to 17.7%, predominantly through a very strong increase in our Foodservice gross margins. The Ingredients and Consumer channels also contributed positively to the improved Greater China performance with increased sales volumes and the Ingredients channel also increased its gross margin.

The Foodservice channel is the largest contributor to Greater China's earnings, and its EBIT increased $79 million, or 64% relative to the comparative period, to $203 million. This was due to an improvement in the Foodservice channel gross margin from 20.3% to 28.2% as we shifted milk into higher value products on relatively stable volume and a $13 million increase in operating expenses.

The increased demand for our Foodservice products is driven by our solutions focused team, continuous innovation and wide customer reach into China's 2nd tier and 3rd tier cities. We now have a presence in 372 cities, compared to 350 this time last year. The Foodservice channel also benefited from the health of the macro economy and China's recovery from COVID-19.

Our Mainland China team are continuously looking to innovate and grow demand, they have developed 120+ new applications over the last six-months to support demand generation across the bakery, beverage and dining channels, including fruit tea macchiato series featuring Anchor Food Professionals UHT whipping cream, baked cheese rice with mozzarella cheese, and cream cheese Chinese pastry.

We have also successfully released three new cream products in the bakery and coffee & beverage channels under the Anchor Food Professionals brand. One of these is our Anchor Easy Topping Cream. It is our first ambient cream and will enable us to enter new cities that do not have an extensive cool supply chain.

Our strong customer focus has enabled us to grow with our customers as they expand. The increased demand for our mozzarella has been driven by growth of key customers in the pizza business as they accelerate new store expansion and the fast growth in the pizza delivery channel. Furthermore, the consolidation and significant growth from leading beverage brands that we work with has supported UHT cream demand.

As we work to generate more demand our costs have increased, albeit at a relatively low level compared with the incremental gross profit growth, with our Foodservice operating expenses increasing $13 million while our Foodservice gross profit increased $89 million.

The Greater China Ingredients channel has continued to steadily grow in the first six-months of the 2021 financial year with volumes up 3% on the comparative period. Gross margin has improved driven by product mix diversification and new business development initiatives, in particular the growth of Probiotics as well as cheese and proteins into the processed cheese market, such as cheese lollipops.

In addition, the China Farm joint venture broke even compared to a loss of $13 million in the comparative period, with the improved performance coming from operational efficiencies and favourable foreign exchange movements.

However, the improved Ingredients' gross margin and performance in the joint venture, reported in the ingredients channel, was partially offset by higher operating expenses in Ingredients, with increased COVID-19 related testing of imported dairy products at various stages through the supply chain increasing costs.

Our Greater China Consumer channel, while smaller relative to our Foodservice and Ingredients channels, improved on last year's performance, with gross profit up 11% to $73 million, and EBIT up $9 million to $13 million. This is predominantly due to increased sales volume from our brands in Mainland China, in particular, Anchor, which remains the number one imported milk brand. The Chinese Government's endorsement of dairy consumption during COVID-19 had a positive impact on sales volume.

The Consumer channel also benefited from a small improvement in trading conditions in Hong Kong. However, the Hong Kong market overall continues to be impacted by challenging trading conditions, closed borders and the impact of COVID-19.

Overall, our performance in Greater China tends to be weighted towards the first six-months of the financial year as customers make use of the Free Trade Agreement window, with strong demand generated from a number of major events occurring around this period, such as National day, Singles day, and Chinese New Year.

Greater China normalised EBIT

$339 million up 38%

GREATER CHINA PERFORMANCE[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER		
	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]
Sales volume ('000 MT)[3]	579	**593**	2%	389	**399**	3%	149	**148**	(1)%	41	**46**	12%
Revenue	3,030	**3,061**	1%	1,988	**1,903**	(4)%	860	**937**	9%	182	**221**	21%
Cost of goods sold	(2,596)	**(2,520)**	3%	(1,795)	**(1,699)**	5%	(685)	**(673)**	2%	(116)	**(148)**	(28)%
Gross profit	434	**541**	25%	193	**204**	6%	175	**264**	51%	66	**73**	11%
Operating expenses	(177)	**(200)**	(13)%	(64)	**(73)**	(14)%	(51)	**(64)**	(25)%	(62)	**(63)**	(2)%
Other[4]	(12)	**(2)**	83%	(12)	**(8)**	33%	–	**3**	–	–	**3**	–
EBIT[5]	245	**339**	38%	117	**123**	5%	124	**203**	64%	4	**13**	225%
Includes EBIT Group Operations' attribution	83	**71**	(14)%									
Gross margin	14.3%	**17.7%**		9.7%	**10.7%**		20.3%	**28.2%**		36.3%	**33.0%**	

1 Greater China performance represents Continuing Operations.
2 Percentages as shown in table may not align to the calculations of percentages based on numbers in the table due to rounding of reported figures.
3 Includes sales to other regions.
4 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.
5 This includes EBIT attribution from Group Operations.

New Zealand Milk

Our strategy prioritises using New Zealand milk to meet customer needs and creating sustainable value for our farmers and customers.

The following tables provide a breakdown of our earnings performance between our New Zealand and non-New Zealand sourced milk, over and above the milk prices paid to our milk suppliers.

Our earnings from New Zealand sourced milk have improved, with the EBIT contribution from New Zealand milk increasing 18% over the comparative period, from $493 million to $582 million.

This has been achieved through our improved gross margin on New Zealand milk as we allocate an increased portion of milk to higher margin products. This can be seen in the increased sales volume of New Zealand sourced milk in the Greater China Foodservice and Consumer channels, up 10% and 14%, respectively. These channels were some of our best performing channels, with our gross margin on New Zealand sourced milk used in the Greater China Foodservice channel being 28.6%.

Our non-New Zealand sourced milk performance is relatively stable, with gross margin at 17.3%, similar to the comparative period. The main contribution to our non-New Zealand sourced milk gross margin is from our Consumer Channel in Chile and Australia.

For the first six-months of the financial year our New Zealand and non-New Zealand gross margins are at similar levels. However, at an EBIT margin level, our non-New Zealand sourced milk has a lower margin relative to our New Zealand sourced milk, and this is reflective of our non-New Zealand sourced milk being predominantly sold in the Consumer channel, which is a more cost intensive channel.

New Zealand milk normalised gross margin

17.2% up from 15.6%

NEW ZEALAND AND NON-NEW ZEALAND SOURCED MILK[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			NEW ZEALAND MILK			NON-NEW ZEALAND MILK		
	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]
Sales volume ('000 MT)	1,928	**1,875**	(3)%	1,516	**1,480**	(2)%	412	**395**	(4)%
Revenue	10,071	**9,597**	(5)%	8,584	**8,144**	(5)%	1,487	**1,453**	(2)%
Cost of goods sold	(8,483)	**(7,946)**	6%	(7,249)	**(6,745)**	7%	(1,234)	**(1,201)**	3%
Gross profit	1,588	**1,651**	4%	1,335	**1,399**	5%	253	**252**	–
Operating expenses	(1,023)	**(1,013)**	1%	(832)	**(833)**	–	(191)	**(180)**	6%
Other[3]	(4)	**14**	–	(10)	**16**	–	6	**(2)**	–
EBIT	561	**652**	16%	493	**582**	18%	68	**70**	3%
Discontinued Operations	23	**32**	39%	–	**–**	–	23	**32**	39%
Gross Margin	15.8%	**17.2%**		15.6%	**17.2%**		17.0%	**17.3%**	
EBIT margin	5.6%	**6.8%**		5.7%	**7.1%**		4.6%	**4.8%**	

1 Represents Continuing Operations.
2 Percentages as shown in table may not align to the calculations of percentages based on numbers in the table due to rounding of reported figures.
3 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.

Fooderservice normalised EBIT from New Zealand milk

$259 million up 72%

NEW ZEALAND MILK BY PRODUCT CHANNEL – VOLUME[1]

FOR THE SIX-MONTHS ENDED 31 JANUARY

('000) MT	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER			UNALLOCATED COSTS & ELIMINATIONS	
	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021
Asia Pacific	535	**529**	(1)%	244	**243**	(0)%	73	**69**	(5)%	218	**217**	(0)%	–	**–**
AMENA	443	**397**	(10)%	413	**370**	(10)%	8	**7**	(13)%	22	**20**	(9)%	–	**–**
Greater China	544	**571**	5%	383	**393**	3%	124	**136**	10%	37	**42**	14%	–	**–**
Eliminations	(6)	**(17)**	–	–	**–**	–	–	**–**	–	–	**–**	–	(6)	**(17)**
Total	1,516	**1,480**	(2)%	1,040	**1,006**	(3)%	205	**212**	3%	277	**279**	1%	(6)	**(17)**

NEW ZEALAND MILK BY PRODUCT CHANNEL – REVENUE[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER			UNALLOCATED COSTS & ELIMINATIONS	
	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021
Asia Pacific	2,669	**2,744**	3%	1,336	**1,448**	8%	429	**362**	(16)%	904	**934**	3%	–	**–**
AMENA	2,981	**2,455**	(18)%	2,774	**2,279**	(18)%	56	**50**	(11)%	151	**126**	(17)%	–	**–**
Greater China	2,948	**3,005**	2%	1,960	**1,880**	(4)%	820	**916**	12%	168	**209**	24%	–	**–**
Eliminations	(14)	**(60)**	–	–	**–**	–	–	**–**	–	–	**–**	–	(14)	**(60)**
Total	8,584	**8,144**	(5)%	6,070	**5,607**	(8)%	1,305	**1,328**	2%	1,223	**1,269**	4%	(14)	**(60)**

NEW ZEALAND MILK BY PRODUCT CHANNEL – GROSS MARGIN[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS	TOTAL		INGREDIENTS		FOODSERVICE		CONSUMER	
	2020	2021	2020	2021	2020	2021	2020	2021
Asia Pacific	18.4%	**18.8%**	11.5%	**8.7%**	17.5%	**28.5%**	29.1%	**30.8%**
AMENA	13.1%	**13.0%**	12.7%	**12.3%**	28.6%	**20.0%**	16.6%	**21.4%**
Greater China	14.6%	**17.8%**	9.8%	**10.7%**	20.9%	**28.6%**	38.7%	**34.4%**
Total	15.6%	**17.2%**	11.5%	**10.9%**	20.1%	**28.2%**	28.9%	**30.5%**

NEW ZEALAND MILK BY PRODUCT CHANNEL – EBIT[1]

FOR THE SIX MONTHS ENDED 31 JANUARY

NORMALISED BASIS NZD MILLION	TOTAL			INGREDIENTS			FOODSERVICE			CONSUMER			UNALLOCATED COSTS & ELIMINATIONS	
	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021	CHANGE[2]	2020	2021
Asia Pacific	135	**161**	19%	57	**30**	(47)%	18	**49**	172%	60	**82**	37%	–	**–**
AMENA	182	**159**	(13)%	175	**141**	(19)%	8	**6**	(25)%	(1)	**12**	–	–	**–**
Greater China	250	**340**	36%	117	**121**	3%	125	**204**	63%	8	**15**	88%	–	**–**
Eliminations	(74)	**(78)**	–	–	**–**	–	–	**–**	–	–	**–**	–	(74)	**(78)**
Total	493	**582**	18%	349	**292**	(16)%	151	**259**	72%	67	**109**	63%	(74)	**(78)**

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

Discontinued Operations

We have two Discontinued operations that are progressing through sale processes.

The sale of our 85% interest in our Hangu farm continues to progress, and our two wholly-owned farming hubs in Ying and Yutian have received anti-trust clearance and are now subject to obtaining the remaining regulatory approvals in China. We expect to complete the sale of all three China Farms hubs within this financial year.

We intend to use the sale proceeds from the divestment to pay down debt, as part of our overall debt reduction programme.

China Farms' EBIT increased $11 million relative to the comparative period due to lower input costs and no depreciation being included due to the assets being classified for accounting purposes as held for sale. The depreciation for the six-months ending 31 January 2020 was $6 million. The China Farms EBIT does not include the China Farm joint venture as this is included in the Greater China Ingredients results.

The sale process of DPA Brazil is taking longer due to the ongoing challenges of COVID-19 in Brazil. Sales volume increased due to Government emergency aid impacting demand and consumer behaviours changing as they look for healthy food. However, gross profit declined 29% due to higher input costs and a weaker local currency. Operating expenses decreased 41% and offset the reduced gross profit, as our costs were favourably impacted by the weaker local currency. DPA Brazil also benefited from no depreciation being included due to the assets being classified for accounting purposes as held for sale. The depreciation for the six-months ending 31 January 2020 was $8 million.

DISCONTINUED OPERATIONS PERFORMANCE

FOR THE SIX MONTHS ENDED 31 JANUARY NORMALISED BASIS NZD MILLION	TOTAL			CHINA FARMS			DPA BRAZIL		
	2020	2021	CHANGE[1]	2020	2021	CHANGE[1]	2020	2021	CHANGE[1]
Sales volume ('000 MT)	109	**121**	11%	10	**11**	10%	99	**110**	11%
Sales revenue	352	**318**	(10)%	135	**135**	–	217	**183**	(16)%
Cost of goods sold	(272)	**(247)**	9%	(124)	**(113)**	9%	(148)	**(134)**	9%
Gross profit	80	**71**	(11)%	11	**22**	100%	69	**49**	(29)%
Operating expenses	(69)	**(42)**	39%	(8)	**(6)**	25%	(61)	**(36)**	41%
Other[2]	12	**3**	(75)%	6	**4**	(33)%	6	**(1)**	–
EBIT	23	**32**	39%	9	**20**	122%	14	**12**	(14)%
Gross margin	22.7%	**22.3%**		8.1%	**16.3%**		31.8%	**26.8%**	

1 Percentages as shown in table may not align to the calculations of percentages based on numbers in the table due to rounding of reported figures.
2 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.

China Farms' Normalised EBIT[1]

$20 million up 122%

Kiri, Alan and Te Kaihou, Bay of Plenty

1 Accounting standards require that we cease deducting depreciation costs when China Farms was classified as held for sale as at 31 January 2020. For the six months to 31 January 2021 this was $6 million

Historical Financial Summary

COMMODITY PRICES

	JAN 2017	JAN 2018	JAN 2019	JAN 2020	JAN 2021
Weighted Average Commodity Prices (USD per MT FOB)					
Whole Milk Powder[1]	2,580	3,087	2,845	3,166	**3,009**
Skim Milk Powder[1]	2,135	2,000	2,050	2,640	**2,776**
Butter[1]	3,434	5,879	4,460	4,302	**3,561**
Cheese[2]	3,554	3,897	3,522	3,883	**3,757**

GROUP OVERVIEW[3,4]

	JAN 2017	JAN 2018	JAN 2019	JAN 2020	JAN 2021
Income Statement Measures					
Sales volume (000s MT)	2,131	2,003	2,075	2,037	**1,996**
Normalised revenue ($ million)	9,232	9,836	9,745	10,423	**9,915**
Normalised EBITDA ($ million)[5]	896	733	596	907	**1,004**
Normalised EBIT ($ million)[5]	607	458	312	584	**684**
Normalised profit after tax attributable to equity holders of the Co-operative ($ million)	384	242	68	283	**399**
Reported earnings per share	0.26	(0.22)	0.04	0.32	**0.23**
Normalised earnings per share	0.24	0.15	0.04	0.18	**0.25**
Revenue Margin Analysis					
EBITDA margin[5]	9.7%	7.4%	6.1%	8.7%	**10.1%**
EBIT margin[5]	6.6%	4.7%	3.2%	5.6%	**6.9%**
Profit after tax margin[5]	4.2%	2.5%	0.7%	2.7%	**4.0%**
Cash Flow ($ million)					
Operating cash flow[5]	(167)	(292)	(612)	(124)	**(544)**
Free cash flow[5]	(417)	(690)	(782)	369	**(632)**
Net working capital[5]	4,838	5,356	5,396	6,196	**6,239**
Capital Measures					
Equity excluding hedge reserve ($ million)[6]	7,005	6,624	6,607	6,492	**6,807**
Economic net interest-bearing debt ($ million)[5,6]	6,115	7,060	7,352	5,776	**5,618**
Gearing ratio[5,6]	46.6%	51.6%	52.7%	47.1%	**45.2%**
Capital expenditure ($ million)[5]	244	346	316	112	**147**

ASIA PACIFIC[3,4]

	JAN 2020	JAN 2021
Ingredients		
Sales volume (000s MT)[7]	287	**280**
Normalised revenue ($ million)	1,568	**1,636**
Normalised gross profit ($ million)	172	**134**
Normalised gross margin %[5]	11.0%	**8.2%**
Normalised EBIT ($ million)	53	**18**
Normalised EBIT margin %[5]	3.4%	**1.1%**
Foodservice		
Sales volume (000s MT)[7]	89	**82**
Normalised revenue ($ million)	551	**469**
Normalised gross profit ($ million)	99	**118**
Normalised gross margin %[5]	18.0%	**25.2%**
Normalised EBIT ($ million)	32	**54**
Normalised EBIT margin %[5]	5.8%	**11.5%**
Consumer		
Sales volume (000s MT)[7]	312	**310**
Normalised revenue ($ million)	1,233	**1,294**
Normalised gross profit ($ million)	328	**359**
Normalised gross margin %[5]	26.6%	**27.7%**
Normalised EBIT ($ million)	89	**118**
Normalised EBIT margin %[5]	7.2%	**9.1%**
Total		
Sales volume (000s MT)[7]	688	**672**
Normalised revenue ($ million)	3,352	**3,399**
Normalised gross profit ($ million)	599	**611**
Normalised gross margin %[5]	17.9%	**18.0%**
Normalised EBIT ($ million)	174	**190**
Normalised EBIT margin %[5]	5.2%	**5.6%**

ASIA PACIFIC – AUSTRALIA[3,4]

	JAN 2020	JAN 2021
Total		
Production Volume (000s MT)	205	**212**
Sales Volume (000s MT)[7]	198	**174**
Normalised revenue ($ million)	1,000	**899**
Normalised gross profit ($ million)	109	**103**
Normalised gross margin %[5]	10.9%	**11.5%**
Normalised EBIT ($ million)	37	**32**
Normalised EBIT margin %[5]	3.7%	**3.6%**

AMENA[3,4]

	JAN 2020	JAN 2021
Ingredients		
Sales volume (000s MT)[7]	476	**424**
Normalised revenue ($ million)	3,060	**2,523**
Normalised gross profit ($ million)	388	**300**
Normalised gross margin %[5]	12.7%	**11.9%**
Normalised EBIT ($ million)	204	**147**
Normalised EBIT margin %[5]	6.7%	**5.8%**
Foodservice		
Sales volume (000s MT)[7]	10	**10**
Normalised revenue ($ million)	98	**117**
Normalised gross profit ($ million)	7	**15**
Normalised gross margin %[5]	7.1%	**12.8%**
Normalised EBIT ($ million)	(13)	**1**
Normalised EBIT margin %[5]	(13.3)%	**0.9%**
Consumer		
Sales volume (000s MT)[7]	181	**193**
Normalised revenue ($ million)	545	**557**
Normalised gross profit ($ million)	137	**156**
Normalised gross margin %[5]	25.1%	**28.0%**
Normalised EBIT ($ million)	25	**53**
Normalised EBIT margin %[5]	4.6%	**9.5%**
Total		
Sales volume (000s MT)[7]	667	**627**
Normalised revenue ($ million)	3,703	**3,197**
Normalised gross profit ($ million)	532	**471**
Normalised gross margin %[5]	14.4%	**14.7%**
Normalised EBIT ($ million)	216	**201**
Normalised EBIT margin %[5]	5.8%	**6.3%**

AMENA – LATIN AMERICA[3,4]

	JAN 2020	JAN 2021
Sales Volume (000s MT)[7]	165	**182**
Normalised sales revenue ($ million)	450	**489**
Normalised gross profit ($ million)	128	**138**
Normalised gross margin %[5]	28.4%	**28.2%**
Normalised EBIT ($ million)	25	**41**
Normalised EBIT margin %[5]	5.6%	**8.4%**

GREATER CHINA[3,4]

	JAN 2020	JAN 2021
Ingredients		
Sales volume (000s MT)[7]	389	**399**
Normalised revenue ($ million)	1,988	**1,903**
Normalised gross profit ($ million)	193	**204**
Normalised gross margin %[5]	9.7%	**10.7%**
Normalised EBIT ($ million)	117	**123**
Normalised EBIT margin %[5]	5.9%	**6.5%**
Foodservice		
Sales volume (000s MT)[7]	149	**148**
Normalised revenue ($ million)	860	**937**
Normalised gross profit ($ million)	175	**264**
Normalised gross margin %[5]	20.3%	**28.2%**
Normalised EBIT ($ million)	124	**203**
Normalised EBIT margin %	14.4%	**21.7%**
Consumer		
Sales volume (000s MT)[7]	41	**46**
Normalised revenue ($ million)	182	**221**
Normalised gross profit ($ million)	66	**73**
Normalised gross margin %[5]	36.3%	**33.0%**
Normalised EBIT ($ million)	4	**13**
Normalised EBIT margin %[5]	2.2%	**5.9%**
Total		
Sales volume (000s MT)[7]	579	**593**
Normalised revenue ($ million)	3,030	**3,061**
Normalised gross profit ($ million)	434	**541**
Normalised gross margin %[5]	14.3%	**17.7%**
Normalised EBIT ($ million)	245	**339**
Normalised EBIT margin %[5]	8.1%	**11.1%**

NEW ZEALAND MILK AND NON-NEW ZEALAND MILK[3,4]

	JAN 2020	JAN 2021
New Zealand Milk		
Sales volume (000s MT)	1,516	**1,480**
Normalised revenue ($ million)	8,584	**8,144**
Normalised gross profit ($ million)	1,335	**1,399**
Normalised gross margin %[5]	15.6%	**17.2%**
Normalised EBIT ($ million)	493	**582**
Normalised EBIT margin %[5]	5.7%	**7.1%**
Non-New Zealand Milk		
Sales volume (000s MT)	412	**395**
Normalised revenue ($ million)	1,487	**1,453**
Normalised gross profit ($ million)	253	**252**
Normalised gross margin %[5]	17.0%	**17.2%**
Normalised EBIT ($ million)	68	**70**
Normalised EBIT margin %[5]	4.6%	**4.8%**
Total		
Sales volume (000s MT)	1,928	**1,875**
Normalised revenue ($ million)	10,071	**9,597**
Normalised gross profit ($ million)	1,588	**1,651**
Normalised gross margin %[5]	15.8%	**17.2%**
Normalised EBIT ($ million)	561	**652**
Normalised EBIT margin %[5]	5.6%	**6.8%**

DISCONTINUED OPERATIONS[3,4,8]

	JAN 2018	JAN 2019	JAN 2020	JAN 2021
China Farms				
Sales volume (000s MT)[7]	10	9	10	**11**
Normalised revenue ($ million)	123	110	135	**135**
Normalised gross profit ($ million)	(8)	(13)	11	**22**
Normalised gross margin %[5]	(6.1)%	(11.8)%	8.1%	**16.3%**
Normalised EBIT ($ million)	(12)	(18)	9	**20**
DPA Brazil				
Sales volume (000s MT)[7]	96	95	99	**110**
Normalised revenue ($ million)	222	207	217	**183**
Normalised gross profit ($ million)	66	54	69	**49**
Normalised gross margin %[5]	29.4%	26.2%	31.8%	**26.8%**
Normalised EBIT ($ million)	(7)	(5)	14	**12**

Notes to the Historical Financial Summary

1 Source: Fonterra Farmgate Milk Price Statement representing the weighted-average United States Dollar contract prices of Reference Commodity Products.
2 Source: Oceania Export Series, Agricultural Marketing Service, US Department of Agriculture.
3 Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of reported figures.
4 Includes normalisation adjustments.
5 Definition can be found in the Glossary on page 70 of the FY21 Interim Report.
6 FY20 has been restated. Refer to Basis of Preparation section in the FY21 Interim Report.
7 Includes sales to other strategic platforms.
8 The proposed divestment of our Fonterra-owned China Farms and our interest in DPA Brazil have impacted how the financial statements are presented. The sales process for these businesses are at the point that they meet the accounting requirements to be classified as 'held for sale' on the Statement of Financial Position, on the basis that a sale is considered highly probable. Furthermore, because both businesses are considered to be major businesses in one of our segments and/or geographical regions, their results are classified as 'Discontinued Operations' within the Income Statement. The segment note within our financial statements excludes these businesses, and therefore reflects the Group's Continuing Operations only.

Interim Financial Results

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

Contents

Directors' Statement

FOR THE SIX MONTHS ENDING 31 JANUARY 2021

The Directors of Fonterra Co-operative Group Limited (Fonterra) present to Shareholders the Interim Financial Statements for Fonterra and its subsidiaries (together the Group) and the Group's interests in its equity accounted investments for the six months ended 31 January 2021.

The Directors present Interim Financial Statements for the six months, which fairly present the financial position of the Group and its financial performance and cash flows for that period.

The Directors consider that the Interim Financial Statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the Interim Financial Statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

The Directors hereby approve and authorise for issue the Interim Financial Statements for the six months ended 31 January 2021.

For and on behalf of the Board:

Peter McBride
Chairman

16 March 2021

Bruce Hassall
Director

16 March 2021

Income Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

	NOTES	GROUP $ MILLION SIX MONTHS ENDED 31 JAN 2021 UNAUDITED	GROUP $ MILLION SIX MONTHS ENDED 31 JAN 2020 UNAUDITED[1]	GROUP $ MILLION YEAR ENDED 31 JUL 2020 AUDITED[1]
Continuing Operations				
Revenue from sale of goods	1	9,597	10,071	20,282
Cost of goods sold	3	(7,946)	(8,483)	(17,236)
Impact of strategy review		–	19	16
Gross profit		1,651	1,607	3,062
Other operating income		28	27	62
Selling and marketing expenses		(263)	(270)	(551)
Distribution expenses		(236)	(247)	(482)
Administrative expenses		(382)	(389)	(835)
Other operating expenses		(149)	(177)	(377)
Impairment of intangible assets		–	–	(55)
Share of profit/(loss) of equity accounted investments		3	(9)	(6)
Impact of strategy review	2c)	(50)	375	464
Profit before net finance costs and tax from continuing operations		602	917	1,282
Finance income		5	6	13
Finance costs		(143)	(167)	(317)
Net finance costs		(138)	(161)	(304)
Profit before tax from continuing operations		464	756	978
Tax expense		(125)	(147)	(175)
Profit after tax from continuing operations		339	609	803
Discontinued Operations				
Profit/(loss) after tax from discontinued operations	2b)	52	(108)	(144)
Profit after tax		391	501	659
Profit after tax is attributable to:				
Profit attributable to equity holders of the Co-operative		372	521	686
Profit/(loss) attributable to non-controlling interests		19	(20)	(27)
Profit after tax		391	501	659

	GROUP $ SIX MONTHS ENDED 31 JAN 2021 UNAUDITED	GROUP $ SIX MONTHS ENDED 31 JAN 2020 UNAUDITED	GROUP $ YEAR ENDED 31 JUL 2020 AUDITED
Earnings per share:			
Basic and diluted earnings per share from continuing operations	0.20	0.37	0.48
Basic and diluted earnings/(loss) per share from discontinued operations	0.03	(0.05)	(0.05)
Basic and diluted earnings per share	0.23	0.32	0.43

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

Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

	GROUP $ MILLION SIX MONTHS ENDED 31 JAN 2021 UNAUDITED	GROUP $ MILLION SIX MONTHS ENDED 31 JAN 2020 UNAUDITED	GROUP $ MILLION YEAR ENDED 31 JUL 2020 AUDITED
Profit after tax	391	501	659
Items that may be reclassified subsequently to the Income Statement:			
Cash flow hedges and other costs of hedging, net of tax	250	38	354
Net investment hedges and translation of foreign operations, net of tax	(106)	(11)	(67)
Foreign currency translation reserve losses transferred to the Income Statement	14	6	21
Share of equity accounted investments' movement in reserves	–	–	(6)
Other reserve movements	–	(33)	(35)
Total items that may be reclassified subsequently to the Income Statement	158	–	267
Items that will not be reclassified subsequently to the Income Statement:			
Net fair value gains on investments in shares	2	–	2
Foreign currency translation gain/(loss) attributable to non-controlling interests	3	(1)	3
Other reserve movements attributable to non-controlling interests	(2)	(16)	(13)
Total items that will not be reclassified subsequently to the Income Statement	3	(17)	(8)
Total other comprehensive income/(expense) recognised in equity	161	(17)	259
Total comprehensive income	552	484	918
Total comprehensive income is attributable to:			
Equity holders of the Co-operative	532	520	955
Non-controlling interests	20	(36)	(37)
Total comprehensive income	552	484	918
Total comprehensive income arises from:			
Continuing operations	475	613	1,054
Discontinued operations	77	(129)	(136)
Total comprehensive income	552	484	918

Statement of Financial Position

AS AT 31 JANUARY 2021

		GROUP $ MILLION		
		AS AT		
	NOTES	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED RESTATED[1]	31 JUL 2020 AUDITED
ASSETS				
Current assets				
Cash and cash equivalents		**345**	460	788
Trade and other receivables		**1,922**	2,057	1,832
Inventories		**5,896**	5,852	3,268
Tax receivable		**59**	41	44
Derivative financial instruments		**862**	83	452
Investment in Beingmate	2c)	**40**	–	157
Other current assets		**82**	64	73
Assets held for sale	2a)	**1,078**	1,175	1,005
Total current assets		**10,284**	9,732	7,619
Non-current assets				
Property, plant and equipment		**5,893**	5,890	6,006
Right-of-use assets		**527**	571	569
Equity accounted investments		**91**	143	96
Intangible assets		**2,203**	2,307	2,240
Deferred tax assets		**238**	496	421
Derivative financial instruments		**468**	535	664
Investment in Beingmate		**–**	170	–
Long-term advances		**163**	230	220
Other non-current assets		**88**	74	81
Total non-current assets		**9,671**	10,416	10,297
Total assets		**19,955**	20,148	17,916
LIABILITIES				
Current liabilities				
Bank overdraft		**17**	52	31
Borrowings	6	**1,144**	1,032	764
Trade and other payables		**1,846**	1,953	2,004
Owing to suppliers		**3,252**	3,517	1,588
Tax payable		**93**	63	88
Derivative financial instruments		**54**	189	113
Provisions		**56**	51	68
Other current liabilities		**71**	52	54
Liabilities held for sale	2a)	**584**	716	603
Total current liabilities		**7,117**	7,625	5,313
Non-current liabilities				
Borrowings	6	**5,108**	5,654	5,277
Derivative financial instruments		**442**	468	483
Provisions		**67**	63	64
Deferred tax liabilities		**24**	19	20
Other non-current liabilities		**39**	42	56
Total non-current liabilities		**5,680**	6,246	5,900
Total liabilities		**12,797**	13,871	11,213
Net assets		**7,158**	6,277	6,703
EQUITY				
Subscribed equity	4	**5,892**	5,887	5,887
Retained earnings		**1,224**	775	933
Foreign currency translation reserve		**(321)**	(188)	(229)
Hedge reserves		**351**	(215)	101
Other reserves		**2**	(2)	–
Total equity attributable to equity holders of the Co-operative		**7,148**	6,257	6,692
Non-controlling interests		**10**	20	11
Total equity		**7,158**	6,277	6,703

1 Comparative information has been restated for the GBP bond adjustment reflected in the Group Financial Statements for the year ended 31 July 2020. Please see the *Basis of preparation* section for further details.

Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

	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 2020	**5,887**	**933**	**(229)**	**101**	**–**	**6,692**	**11**	**6,703**
Profit after tax	**–**	**372**	**–**	**–**	**–**	**372**	**19**	**391**
Other comprehensive (expense)/income	**–**	**–**	**(92)**	**250**	**2**	**160**	**1**	**161**
Total comprehensive income/(expense)	**–**	**372**	**(92)**	**250**	**2**	**532**	**20**	**552**
Transactions with equity holders in their capacity as equity holders:								
Dividend paid to equity holders of the Co-operative	**–**	**(81)**	**–**	**–**	**–**	**(81)**	**–**	**(81)**
Equity instruments issued (refer to Note 4)	**5**	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(21)**	**(21)**
As at 31 January 2021 (unaudited)	**5,892**	**1,224**	**(321)**	**351**	**2**	**7,148**	**10**	**7,158**
As at 1 August 2019 (restated)[1]	5,887	313	(183)	(268)	8	5,757	77	5,834
NZ IFRS 16 transition adjustment	–	(20)	–	–	–	(20)	–	(20)
As at 1 August 2019 adjusted	5,887	293	(183)	(268)	8	5,737	77	5,814
Profit/(loss) after tax	–	521	–	–	–	521	(20)	501
Transfer between reserves	–	(15)	–	15	–	–	–	–
Other comprehensive (expense)/income	–	(24)	(5)	38	(10)	(1)	(16)	(17)
Total comprehensive income/(expense)	–	482	(5)	53	(10)	520	(36)	484
Transactions with equity holders in their capacity as equity holders:								
Dividend paid to non-controlling interests	–	–	–	–	–	–	(21)	(21)
As at 31 January 2020 (unaudited)	5,887	775	(188)	(215)	(2)	6,257	20	6,277
As at 1 August 2019	5,887	313	(183)	(268)	8	5,757	77	5,834
NZ IFRS 16 transition adjustment	–	(20)	–	–	–	(20)	–	(20)
As at 1 August 2019 adjusted	5,887	293	(183)	(268)	8	5,737	77	5,814
Profit/(loss) after tax	–	686	–	–	–	686	(27)	659
Transferred between reserves	–	(15)	–	15	–	–	–	–
Other comprehensive (expense)/income	–	(31)	(46)	354	(8)	269	(10)	259
Total comprehensive income/(expense)	–	640	(46)	369	(8)	955	(37)	918
Transactions with equity holders in their capacity as equity holders:								
Dividend paid to non-controlling interests	–	–	–	–	–	–	(29)	(29)
As at 31 July 2020 (audited)	5,887	933	(229)	101	–	6,692	11	6,703

1 Retained earnings as at 1 August 2019 has been restated from the amount reported in the Group Interim Financial Statements for the six months ended 31 January 2020 to reflect the restatements presented in the Group Financial Statements for the year ended 31 July 2020.

Cash Flow Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

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

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED RESTATED[1,2]	31 JUL 2020 AUDITED[2]
Cash flows from operating activities			
Profit before net finance costs and tax from continuing operations	602	917	1,282
Profit/(loss) before net finance costs and tax from discontinued operations	55	(111)	(135)
Total Group profit before net finance costs and tax	657	806	1,147
Adjustments for:			
– Depreciation and amortisation	320	323	627
– Foreign exchange (gains)/losses	(220)	(32)	37
– Gain on sale of investment in DFE Pharma	–	(401)	(401)
– Gain on sale of investment in Goodminton	–	(68)	(66)
– Falcon China Farms joint venture impairment	–	65	65
– China Farms (impairment reversal)/impairment	(23)	63	63
– Brazil consumer and foodservice business impairment	–	71	104
– Other	42	46	95
Total adjustments	119	67	524
(Increase)/decrease in working capital:			
Trade and other receivables	(75)	(267)	(105)
Inventories	(2,658)	(2,749)	(180)
Trade and other payables	(163)	82	100
Owing to suppliers	1,664	1,982	54
Other movements	(30)	(10)	25
Total increase in working capital	(1,262)	(962)	(106)
Net cash flows from operations	(486)	(89)	1,565
Net taxes paid	(58)	(35)	(73)
Net cash flows from operating activities	(544)	(124)	1,492
Cash flows from investing activities			
Cash was provided from:			
– Proceeds from sale of businesses	32	624	624
– Proceeds from disposal of property, plant and equipment	5	1	36
– Proceeds from sale of livestock	19	13	40
– Proceeds from sale of investments	71	46	127
Cash was applied to:			
– Acquisition of non-controlling interests	–	(29)	(29)
– Acquisition of property, plant and equipment	(162)	(113)	(355)
– Acquisition of livestock (including rearing costs)	(20)	(20)	(36)
– Acquisition of intangible assets	(30)	(20)	(49)
– Other cash outflows	(3)	(9)	(22)
Net cash flows from investing activities	(88)	493	336

1 Comparative information has been restated for the adjustment to cash flows from financing activities reflected in the Group Financial Statements for the year ended 31 July 2020. The restatement had no impact on net cash flows. Please see the *Basis of preparation* section for further details.

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

Cash Flow Statement CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED RESTATED[1,2]	31 JUL 2020 AUDITED[2]
Cash flows from financing activities			
Cash was provided from:			
– Proceeds from borrowings	1,672	2,163	2,286
– Interest received	5	7	11
– Other cash inflows	32	1	–
Cash was applied to:			
– Interest paid	(154)	(205)	(395)
– Repayment of borrowings	(1,219)	(2,385)	(3,381)
– Dividends paid to equity holders of the Co-operative	(76)	–	–
– Dividends paid to non-controlling interests	(21)	(21)	(29)
– Other cash outflows	–	–	(31)
Net cash flows from financing activities	239	(440)	(1,539)
Net (decrease)/increase in cash	(393)	(71)	289
Opening cash	780	516	516
Effect of exchange rate changes	(19)	(19)	(25)
Closing cash	368	426	780
Reconciliation of closing cash balances to the Statement of Financial Position:			
Cash and cash equivalents	345	460	788
Bank overdraft	(17)	(52)	(31)
Cash balances included in held for sale	40	18	23
Closing cash	368	426	780

1 Comparative information has been restated for the adjustment to cash flows from financing activities reflected in the Group Financial Statements for the year ended 31 July 2020. The restatement had no impact on net cash flows. Please see the *Basis of preparation* section for further details.

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

Basis of Preparation

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

A) GENERAL INFORMATION

Fonterra Co-operative Group Limited (Fonterra, the Company or the Co-operative) is a co-operative company 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.

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.

The Group operates predominantly in the international dairy industry. The Group is primarily involved in the collection, manufacture and sale of milk and milk-derived products and in fast-moving consumer goods (FMCG) and foodservice businesses.

B) BASIS OF PREPARATION

These unaudited Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting*. They have also been prepared in accordance with Generally Accepted Accounting Practice (GAAP) applicable to for-profit entities. These Interim Financial Statements 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 2020.

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.

These Interim Financial Statements are presented in New Zealand dollars ($ or NZD), which is Fonterra's functional currency, and rounded to the nearest million, except where otherwise stated.

Re-presentations

Certain comparative period information has been re-presented for consistency with the current period presentation. Such re-presentations have had no impact on the totals or sub-totals presented in the Income Statement, Statement of Financial Position or Cash Flow Statement.

Restatements

The following restatements were disclosed in the Group's Financial Statements for the year ended 31 July 2020.

GBP bond adjustment

During the year ended 31 July 2009, the Group designated a GBP-denominated medium term note and associated cross currency interest rate swaps used to manage foreign exchange and interest rate risk into hedge accounting relationships.

During the year ended 31 July 2020 the Group reassessed the historic effectiveness of these relationships. This resulted in a restatement of the Group's retained earnings, borrowings and deferred tax assets.

This adjustment was reflected in the Group's Financial Statements for the year ended 31 July 2020. The following table shows the impact on the key line items in the Statement of Financial Position as at 31 January 2020. The restatement had no impact on the Income Statement for the six months ended 31 January 2020.

STATEMENT OF FINANCIAL POSITION (EXTRACT)

	GROUP $ MILLION (UNAUDITED)		
	AS AT 31 JAN 2020	GBP BOND ADJUSTMENT	AS AT 31 JAN 2020 RESTATED
Deferred tax asset	491	5	496
Non-current borrowings	(5,635)	(19)	(5,654)
Net assets	**6,291**	**(14)**	**6,277**
Retained earnings	789	(14)	775
Total equity	**6,291**	**(14)**	**6,277**

Adjustment of cash flows from financing activities

During the year ended 31 July 2020 the Group reassessed the presentation of gross cash flows relating to bank loans in the Cash Flow Statement. This resulted in an increase in proceeds from borrowings and repayments of borrowings. This adjustment was reflected in the Group's Financial Statements for the year ended 31 July 2020.

Proceeds from borrowings and repayments of borrowings in the Cash Flow Statement for the six months ended 31 January 2020 have increased by $790 million. This restatement has had no impact on net cash flows, the Income Statement or Statement of Financial Position.

C) ACCOUNTING POLICIES

The accounting policies applied in the preparation of these Interim Financial Statements were consistent with those applied in the Group's Financial Statements for the year ended 31 July 2020.

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 2020.

Impairment

At 31 January 2021 the Group assessed whether there were any indicators of impairment for the Group's assets, including goodwill and indefinite life brands. Where indicators existed, the Group performed an impairment test. No impairment was identified.

Forecast Farmgate Milk Price

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

Within the forecast Farmgate Milk Price, the majority of the milk sourced up until 31 January 2021 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 2021 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 2021 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 Financial Statements

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

PERFORMANCE

1 SEGMENT REPORTING

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

a) Reportable segments

Operating segments reflect the way financial information is regularly reviewed by the Fonterra Management Team (FMT). The FMT is considered to be the Chief Operating Decision Maker. The FMT consists of the Group CEO, CFO and Chief Operating Officer, the CEOs of the three customer-facing regional business units (Asia Pacific, AMENA – Africa, Middle East, Europe, North Asia, Americas, and Greater China), the Director Office of the CEO and the MD Co-operative Affairs. The measure of profit or loss used by the FMT to evaluate the underlying performance of operating segments is normalised profit before net finance costs and tax.

The Group's operating model is based around the three regional business units, supported by a shared infrastructure, referred to as COO/CPM which comprises:

- the functions under the Chief Operating Office (COO) and includes New Zealand milk collection and processing operations and assets, Group IT and Innovation; and
- the Central Portfolio Management function (CPM).

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

Fonterra has determined that its operating segments are Asia Pacific, AMENA, Greater China and COO/CPM. As a result of the Group's matrix structure, the Group's reportable segments are Asia Pacific, AMENA and Greater China, inclusive of their respective attribution of COO/CPM. This presentation provides a full end-to-end view of performance for each of the customer facing regional business units.

REPORTABLE SEGMENTS	DESCRIPTION
Asia Pacific	Represents the ingredients, foodservice and consumer businesses in New Zealand, Australia, Pacific Islands, South East Asia, South Asia, and Fonterra Farm Source™ retail stores.
AMENA	Represents the ingredients, foodservice and consumer businesses in Africa, Middle East, Europe, North Asia and Americas.
Greater China	Represents the ingredients, foodservice and consumer businesses in Greater China, and the Falcon China Farms joint venture (Falcon China Farms JV).

The performance of Global Accounts are reported within the reportable segment that they are managed by. This can differ from the geographical region of the destination of goods sold.

Transactions between reportable segments follow underlying business rules that determine how each segment records a transaction. These rules have been designed to reflect the end-to-end contribution of each segment. Where there is common activity amongst segments and there is a distribution of those revenues and costs across segments, the attribution is based on a number of principles, including:

- activity based allocation where appropriate;
- volumes of product sold/manufactured in the segment; and
- the segment's proportion of New Zealand sourced milk sales.

The Group regularly reviews the application of these principles to ensure they continue to remain appropriate. Where appropriate, comparative information may be restated for consistency with the current period attribution.

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

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

a) Reportable segments CONTINUED

	GROUP $ MILLION				
	SIX MONTHS ENDED 31 JANUARY 2021 (UNAUDITED)				
	ASIA PACIFIC	AMENA	GREATER CHINA	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
Continuing Operations					
Normalised Income Statement					
Ingredients channel revenue	1,590	2,522	1,903	–	6,015
Foodservice channel revenue	463	117	937	–	1,517
Consumer channel revenue	1,287	557	221	–	2,065
Total external revenue	3,340	3,196	3,061	–	9,597
Inter-segment revenue	59	1	–	(60)	–
Revenue from sale of goods	3,399	3,197	3,061	(60)	9,597
Cost of goods sold	(2,788)	(2,726)	(2,520)	88	(7,946)
Gross profit	611	471	541	28	1,651
Operating expenses	(423)	(279)	(200)	(111)	(1,013)
Net other operating income	12	9	–	7	28
Net foreign exchange losses	(9)	(3)	(2)	(3)	(17)
Share of (loss)/profit of equity accounted investments	(1)	3	–	1	3
Normalised profit before net finance costs and tax	190	201	339	(78)	652
Normalisation adjustments:					
– Income Statement impact of Beingmate investment	–	–	(50)	–	(50)
Profit before net finance costs and tax	190	201	289	(78)	602
Finance income					5
Finance costs					(143)
Profit before tax from continuing operations					464
Other segment information:					
Volume[1] (metric tonnes, thousand)	672	627	593	(17)	1,875
Depreciation and amortisation ($ million)	(121)	(95)	(92)	(12)	(320)
Equity accounted investments[2] ($ million)	28	55	–	8	91

1 Includes inter-segment sales. Total column represents total external sales.
2 As at 31 January 2021.

Notes to the Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

a) Reportable segments CONTINUED

	GROUP $ MILLION				
	SIX MONTHS ENDED 31 JANUARY 2020 RESTATED (UNAUDITED)[1]				
	ASIA PACIFIC	AMENA	GREATER CHINA	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
Continuing Operations					
Normalised Income Statement					
Ingredients channel revenue	1,563	3,060	1,988	–	6,611
Foodservice channel revenue	546	98	860	–	1,504
Consumer channel revenue	1,229	545	182	–	1,956
Total external revenue	3,338	3,703	3,030	–	10,071
Inter-segment revenue	14	–	–	(14)	–
Revenue from sale of goods	3,352	3,703	3,030	(14)	10,071
Cost of goods sold	(2,753)	(3,171)	(2,596)	37	(8,483)
Normalised gross profit	599	532	434	23	1,588
Operating expenses	(431)	(321)	(177)	(94)	(1,023)
Net other operating income	14	10	12	(2)	34
Net foreign exchange (losses)/gains	(6)	(9)	(11)	(3)	(29)
Share of (loss)/profit of equity accounted investments	(2)	4	(13)	2	(9)
Normalised profit before net finance costs and tax	174	216	245	(74)	561
Normalisation adjustments:					
– Disposal of investment in DFE Pharma	–	427	–	–	427
– Disposal of investment in Goodminton	–	62	–	6	68
– Falcon China Farms JV impairment	–	–	(65)	–	(65)
– Income Statement impact of Beingmate investment	–	–	(29)	–	(29)
– Other	(8)	(12)	(15)	(10)	(45)
Profit before net finance costs and tax	166	693	136	(78)	917
Finance income					6
Finance costs					(167)
Profit before tax from continuing operations					756
Other segment information:					
Volume[2] (metric tonnes, thousand)	688	667	579	(6)	1,928
Depreciation and amortisation ($ million)	(118)	(112)	(67)	(12)	(309)
Equity accounted investments[3] ($ million)	66	62	6	9	143

The total segment gross profit shown above is different to the reported gross profit as a result of certain normalisation adjustments recognised in gross profit. Reconciliation of reported to segment gross profit for the six months ended 31 January 2020:

GROUP $ MILLION	SIX MONTHS ENDED 31 JANUARY 2020
Normalised gross profit	1,588
Normalisation adjustments:	
– DFE Pharma dividend received	26
– Other impact of strategy review	(7)
Gross profit	1,607

1 Comparative information includes restatements for consistency with the current period.
2 Includes inter-segment sales. Total column represents total external sales.
3 As at 31 January 2020.

a) Reportable segments CONTINUED

	GROUP $ MILLION				
	YEAR ENDED 31 JULY 2020 RESTATED (UNAUDITED)[1]				
	ASIA PACIFIC	AMENA	GREATER CHINA	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
Continuing Operations					
Normalised Income Statement					
Ingredients channel revenue	3,674	6,521	3,471	–	13,666
Foodservice channel revenue	918	158	1,555	–	2,631
Consumer channel revenue	2,508	1,139	338	–	3,985
Total external revenue	7,100	7,818	5,364	–	20,282
Inter-segment revenue	39	1	–	(40)	–
Revenue from sale of goods	7,139	7,819	5,364	(40)	20,282
Cost of goods sold	(5,939)	(6,750)	(4,591)	44	(17,236)
Normalised gross profit	1,200	1,069	773	4	3,046
Operating expenses	(951)	(612)	(390)	(241)	(2,194)
Net other operating income	23	10	20	3	56
Net foreign exchange (losses)/gains	(21)	(22)	(20)	8	(55)
Share of profit/(loss) of equity accounted investments	(3)	6	(12)	3	(6)
Normalised profit before net finance costs and tax	248	451	371	(223)	847
Normalisation adjustments:					
– Disposal of investment in DFE Pharma	–	427	–	–	427
– Disposal of investment in Goodminton	–	60	–	6	66
– Falcon China Farms JV impairment	–	–	(65)	–	(65)
– Income Statement impact of Beingmate investment	–	–	50	–	50
– Other	5	(13)	(22)	(13)	(43)
Profit before net finance costs and tax	253	925	334	(230)	1,282
Finance income					13
Finance costs					(317)
Profit before tax from continuing operations					978
Other segment information:					
Volume[2] (metric tonnes, thousand)	1,406	1,433	1,021	(18)	3,842
Depreciation and amortisation ($ million)	(235)	(222)	(133)	(23)	(613)
Equity accounted investments[3] ($ million)	31	58	–	7	96

The total segment gross profit shown above is different to the reported gross profit as a result of certain normalisation adjustments recognised in gross profit. Reconciliation of reported to segment gross profit for the year ended 31 July 2020:

GROUP $ MILLION	YEAR ENDED 31 JULY 2020
Normalised gross profit	3,046
Normalisation adjustments:	
– DFE Pharma dividend received	26
– Other impact of strategy review	(10)
Gross profit	3,062

1 Comparative information includes restatements for consistency with the current period.
2 Includes inter-segment sales. Total column represents total external sales.
3 As at 31 July 2020.

Notes to the Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

b) Geographical analysis of revenue

	GROUP $ MILLION (UNAUDITED)						
	NEW ZEALAND	AUSTRALIA	CHINA	REST OF ASIA	AMERICAS	REST OF WORLD	TOTAL
Geographical external revenue:							
Six months ended 31 January 2021	**804**	**829**	**2,897**	**3,227**	**1,196**	**644**	**9,597**
Six months ended 31 January 2020 (re-presented)	883	876	2,737	3,618	1,252	705	10,071
Year ended 31 July 2020 (re-presented)	1,613	1,697	5,187	7,491	2,703	1,591	20,282

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

c) Geographical analysis of non-current assets

	GROUP $ MILLION (UNAUDITED)						
	NEW ZEALAND	AUSTRALIA	CHINA	REST OF ASIA	AMERICAS	REST OF WORLD	TOTAL
Geographical non-current assets:							
As at 31 January 2021	**6,524**	**997**	**14**	**774**	**393**	**263**	**8,965**
As at 31 January 2020 (re-presented)	6,688	960	70	1,021	417	229	9,385
As at 31 July 2020 (re-presented)	6,626	997	63	815	428	283	9,212

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

	GROUP $ MILLION		
	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JAN 2020 UNAUDITED RESTATED	AS AT 31 JUL 2020 AUDITED
Reconciliation of geographical non-current assets to total non-current assets:			
Geographical non-current assets	**8,965**	9,385	9,212
Deferred tax assets	**238**	496	421
Derivative financial instruments	**468**	535	664
Total non-current assets	**9,671**	10,416	10,297

	GROUP $ MILLION (UNAUDITED)						
	NEW ZEALAND	AUSTRALIA	CHINA	REST OF ASIA	AMERICAS	REST OF WORLD	TOTAL
Capital expenditure:							
Six months ended 31 January 2021	**128**	**5**	**2**	**–**	**7**	**2**	**144**
Six months ended 31 January 2020	82	7	–	–	6	4	99
Year ended 31 July 2020	347	25	1	3	24	11	411

Capital expenditure comprises purchases of property, plant and equipment and intangible assets. Capital expenditure is analysed by geography on the basis of physical location. Geographical groupings in the table above are not aligned with the Group's reportable segments.

2 STRATEGY REVIEW UPDATE

During the year ended 31 July 2019 Fonterra announced and commenced the implementation of a Group-wide strategy review. This note provides an update on developments since 31 July 2020.

a) Disposal groups held for sale

A disposal group is a group of assets and liabilities to be disposed of (by sale or otherwise) in a single transaction. A disposal group meets the criteria to be classified as held for sale if it is available for immediate sale in its present condition and its sale is highly probable. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Judgement is required to determine if the sale of a disposal group is highly probable, and to estimate fair value less costs to sell.

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

	$ MILLION		
ASSETS AND LIABILITIES HELD FOR SALE	**AS AT 31 JAN 2021 UNAUDITED**	AS AT 31 JAN 2020 UNAUDITED	AS AT 31 JUL 2020 AUDITED
Trade receivables	**74**	82	73
Inventory	**81**	76	47
Property, plant and equipment	**298**	314	279
Livestock	**260**	295	253
Intangible assets	**123**	197	140
Other assets	**242**	211	213
Total assets held for sale	**1,078**	1,175	1,005
Borrowings	**274**	354	289
Trade and other payables	**206**	219	197
Provisions	**49**	68	55
Other liabilities	**55**	75	62
Total liabilities held for sale	**584**	716	603
Net assets held for sale	**494**	459	402

China Farms business

In October 2020 the Group announced the sale of the China Farms business pending regulatory approval. The Group estimated the fair value less costs to sell of the business and recognised an impairment reversal of $23 million. The impairment reversal has been recognised as part of profit/(loss) after tax from discontinued operations in the Income Statement.

At 31 January 2021 the completion of the sale was still subject to regulatory approval and the business continues to be classified as held for sale. The Group reassessed the fair value less costs to sell of the business and no further adjustment has been recognised. The fair value less costs to sell of the business has been estimated based on information received through the sales process.

At 31 January 2021 the foreign currency translation reserve balance attributable to the China Farms business was a credit balance of $32 million (31 January 2020: $27 million, 31 July 2020: $31 million).

Brazil consumer and foodservice business

As at 31 January 2021 the Brazil consumer and foodservice business continues to meet the requirements to be classified as held for sale.

Market conditions that existed at the date the business was initially classified as held for sale deteriorated due to COVID-19 and, as a result, the business was not sold within the initial one-year period from being classified as held for sale. The business continues to be actively marketed and the Group expects the sale to be completed within one year of the reporting date.

At 31 January 2021 the Group reassessed the fair value less costs to sell of the business and no further adjustment has been recognised. The fair value of the business has been estimated based on information received through the sales process.

At 31 January 2021 the foreign currency translation reserve balance attributable to the Brazil consumer and foodservice business was a debit balance of $60 million (31 January 2020: $68 million, 31 July 2020: $66 million).

Falcon China Farms JV

The sales process for the Falcon China Farms JV has advanced to the point that the investment meets the requirements to be classified as held for sale as at 31 January 2021. The Group and joint venture partner are both committed to the sale. The Group expects to complete the sale within one year of the reporting date.

Whilst the Group remains an investor in the Falcon China Farms JV, it is committed to providing future funding of up to US$33 million (31 January 2020: US$30 million, 31 July 2020: US$33 million).

At 31 January 2021 the foreign currency translation reserve balance attributable to the Falcon China Farms JV was a credit balance of $3 million (31 January 2020: $19 million, 31 July 2020: $15 million).

Notes to the Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

2 STRATEGY REVIEW UPDATE CONTINUED

b) Discontinued operations

A disposal group that meets the criterion to be classified as held for sale (or has been sold) is a discontinued operation if it 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.

The divestment of the China Farms and Brazil consumer and foodservice businesses both meet the definition of a discontinued operation. The Falcon China Farms JV does not meet the definition of a discontinued operation.

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

	$ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
DISCONTINUED OPERATIONS	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED
Revenue from sale of goods	318	352	693
Cost of goods sold	(247)	(272)	(531)
China Farms impairment reversal/(impairment)	23	(63)	(63)
Gross profit	94	17	99
Other operating income	5	–	3
Total operating expenses	(44)	(57)	(133)
Brazil consumer and foodservice impairment	–	(71)	(104)
Profit/(loss) before net finance costs and tax	55	(111)	(135)
Net finance costs	(3)	(12)	(28)
Profit/(loss) before tax	52	(123)	(163)
Tax credit	–	15	19
Profit/(loss) after tax from discontinued operations	52	(108)	(144)
Share of (loss)/profit attributable to non-controlling interests	(3)	31	52
Profit/(loss) after tax attributable to equity holders	49	(77)	(92)
Movement in exchange differences on translation of discontinued operations	22	3	25
Other reserve movements	3	(24)	(17)
Total comprehensive income/(expense) from discontinued operations	77	(129)	(136)
Net cash (outflow)/inflow from operating activities	(5)	11	77
Net cash outflow from investing activities	(5)	(11)	(6)
Net cash inflow/(outflow) from financing activities	10	(5)	(1)
Net increase/(decrease) in cash generated by the discontinued operations	–	(5)	70

c) Beingmate Baby & Child Food Co., Ltd

The Group's holdings of Beingmate Baby & Child Food Co., Ltd (Beingmate) shares continue to be subject to an active sales process.

A loss of $50 million relating to Beingmate, which includes realised and unrealised fair value and foreign exchange movements, has been recognised as part of impact of strategy review in the Income Statement (31 January 2020: loss of $29 million, 31 July 2020: gain of $50 million).

The details of sales during the period are summarised in the table below.

	% SHARES	PRICE RMB	$ MILLION
As at 31 July 2020	9.11	7.92	157
Sales for the period	5.17	4.55 – 9.43	71
As at 31 January 2021	3.94	4.65	40

3 COST OF GOODS SOLD

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED
Opening inventory	3,268	3,165	3,165
Cost of milk:			
– New Zealand sourced	7,215	7,711	10,888
– Non-New Zealand sourced	577	587	1,007
Other costs	2,782	2,872	5,444
Closing inventory	(5,896)	(5,852)	(3,268)
Total cost of goods sold	7,946	8,483	17,236

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.

DEBT AND EQUITY

4 SUBSCRIBED EQUITY INSTRUMENTS

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

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

At 31 January 2021 there were 1,613,357,879 Co-operative shares on issue (31 January 2020: 1,612,097,067 shares, 31 July 2020: 1,612,097,067 shares).

During the six months ended 31 January 2021, Fonterra issued:

- 1,138,230 shares under the Dividend Reinvestment Plan (31 January 2020: nil, 31 July 2020: nil).
- 122,582 shares under the Farm Source Rewards scheme (31 January 2020: 105,345 shares, 31 July 2020: 105,345 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.

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 2021 106,336,396 Co-operative shares (31 January 2020: 100,187,385; 31 July 2020: 104,581,516) were legally owned by the Custodian, on trust for the benefit of the Fund.

During the six months ended 31 January 2021, the Fund issued 5,111,889 units (31 January 2020: 4,410,779 units, 31 July 2020: 17,298,927 units) and redeemed 3,357,009 units (31 January 2020: 7,157,976 units, 31 July 2020: 15,651,993 units).

The rights attaching to units are set out in the Fonterra Shareholders' Fund 2020 Annual Report, available in the 'Investors/Fonterra Shareholders' Fund' section of Fonterra's website.

5 DIVIDENDS

On 17 September 2020 the Board declared and on 15 October 2020 the Group paid a dividend of 5 cents per share to all Co-operative shares on issue at 25 September 2020.

	$ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
DIVIDEND	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED
2020 Final dividend – 5 cents per share	81	–	–

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

Notes to the Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

5 DIVIDENDS CONTINUED

Dividend declared after the reporting period

On 16 March 2021, the Board declared an interim dividend of 5 cents per share, to be paid on 15 April 2021 to all Co-operative shares on issue at 24 March 2021.

The Dividend Reinvestment Plan does not apply to this dividend.

6 BORROWINGS

Economic net interest-bearing debt

Economic net interest-bearing debt reflects the carrying amount of the Group's net interest-bearing debt after incorporating the effect of debt hedging in place at balance date.

Economic net interest-bearing debt and total borrowings presented in the tables below exclude borrowings that relate to disposal groups held for sale. See Note 2a) *Strategy review update* for total borrowings relating to disposal groups held for sale.

	GROUP $ MILLION		
	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JAN 2020 UNAUDITED RESTATED	AS AT 31 JUL 2020 AUDITED
Net interest-bearing debt position			
Total borrowings	**6,252**	6,686	6,041
Cash and cash equivalents	**(345)**	(460)	(788)
Long-term advances	**(163)**	(230)	(220)
Bank overdraft	**17**	52	31
Net interest-bearing debt	**5,761**	6,048	5,064
Value of derivatives used to manage changes in hedged risks on debt instruments	**(143)**	(272)	(405)
Economic net interest-bearing debt[1]	**5,618**	5,776	4,659

1 Economic net interest-bearing debt relating to disposal groups held for sale not included in the table above was $186 million (31 January 2020: $336 million, 31 July 2020: $266 million).

Total borrowings are represented by:

	GROUP $ MILLION		
	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JAN 2020 UNAUDITED RESTATED	AS AT 31 JUL 2020 AUDITED
Commercial paper	**40**	169	–
Bank loans	**574**	168	20
Lease liabilities	**558**	617	604
Capital notes[1]	**35**	35	35
NZX-listed bonds	**600**	600	600
Medium-term notes	**4,445**	5,097	4,782
Total borrowings[2]	**6,252**	6,686	6,041
Included within the Statement of Financial Position as follows:			
Total current borrowings	**1,144**	1,032	764
Total non-current borrowings	**5,108**	5,654	5,277
Total borrowings	**6,252**	6,686	6,041

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

OTHER

7 CONTINGENT LIABILITIES, PROVISIONS AND COMMITMENTS

Contingent liabilities

In the normal course of business, Fonterra, its subsidiaries and equity accounted investments, are exposed to claims and legal proceedings that may in some cases result in costs to the Group.

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

The Group has no other contingent liabilities as at 31 January 2021.

8 FAIR VALUE MEASUREMENT

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.

The following table shows the fair value hierarchy for assets and liabilities measured at fair value:

	GROUP $ MILLION								
	LEVEL 1 AS AT			LEVEL 2 AS AT			LEVEL 3 AS AT		
	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED	**31 JAN 2021 UNAUDITED**	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED	**31 JAN 2021 UNAUDITED**	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED
Measured at fair value on a recurring basis:									
Derivative assets									
– Commodity derivatives	**86**	25	19	**4**	1	2	**–**	–	–
– Foreign exchange derivatives	**–**	–	–	**853**	78	493	**–**	–	–
– Interest rate derivatives[1]	**–**	–	–	**387**	514	602	**–**	–	–
Derivative liabilities									
– Commodity derivatives	**(5)**	(9)	(23)	**(3)**	(2)	(2)	**–**	–	–
– Foreign exchange derivatives	**–**	–	–	**(40)**	(185)	(72)	**–**	–	–
– Interest rate derivatives[1]	**–**	–	–	**(448)**	(461)	(499)	**–**	–	–
Investment in Beingmate	**40**	–	157	**–**	170	–	**–**	–	–
Investments in shares	**19**	11	17	**18**	17	23	**17**	12	11
Measured at fair value on a non-recurring basis:									
Disposal groups held for sale	**–**	–	–	**–**	–	–	**494**	459	402
Fair value	**140**	27	170	**771**	132	547	**511**	471	413

1 Includes cross-currency interest rate swaps.

Notes to the Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2021

8 FAIR VALUE MEASUREMENT CONTINUED

The following table shows the fair value hierarchy for each class of financial asset and liability where the carrying amount differs from the fair value:

	GROUP $ MILLION								
				FAIR VALUE					
	CARRYING AMOUNT AS AT			LEVEL 1 AS AT			LEVEL 2 AS AT		
	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED RESTATED	31 JUL 2020 AUDITED	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED
Financial assets									
Long-term advances	163	230	220	–	–	–	177	244	235
Financial liabilities									
Borrowings									
– NZX-listed bonds	(600)	(600)	(600)	(625)	(624)	(633)	–	–	–
– Capital notes	(35)	(35)	(35)	(33)	(34)	(32)	–	–	–
– Medium-term notes	(4,445)	(5,097)	(4,782)	–	–	–	(4,620)	(5,317)	(4,996)

9 NET TANGIBLE ASSETS PER QUOTED EQUITY SECURITY

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

	GROUP		
	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JAN 2020 UNAUDITED RESTATED	AS AT 31 JUL 2020 AUDITED
Net tangible assets per security			
$ per equity instrument on issue	3.07	2.46	2.77
Equity instruments on issue (million)	1,613	1,612	1,612

Independent Review Report

KPMG

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 2021;
- the income statement, statements of other comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 48 to 66 do not:

i. present fairly in all material respects the Group's financial position as at 31 January 2021 and its financial performance and cash flows for the 6 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

16 March 2021

Non-GAAP Measures

Fonterra uses several non-GAAP measures when discussing financial performance. For further details and definitions of non-GAAP measures used by Fonterra, refer to the Glossary. These non-GAAP measures are not prepared in accordance with 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.

Reconciliation for the NZ IFRS measures to certain non-GAAP measures referred to by Fonterra are detailed below.

Reconciliation from the NZ IFRS measure of profit after tax to total Group normalised EBITDA

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED
Profit after tax	**391**	501	659
Add: Depreciation	**271**	274	528
Add: Amortisation	**49**	49	99
Add: Net finance costs	**141**	173	332
Add: Tax expense	**125**	132	156
Total Group EBITDA	**977**	1,129	1,774
Less: Disposal of investment in DFE Pharma	**–**	(427)	(427)
Less: Disposal of investment in Goodminton	**–**	(68)	(66)
Add: Falcon China Farms JV impairment	**–**	65	65
(Less)/add: China Farms (impairment reversal)/impairment	**(23)**	63	63
Add: Brazil consumer and foodservice business impairment	**–**	71	104
Add/(less): Income Statement impact of Beingmate investment	**50**	29	(50)
Add: Other	**–**	45	43
Total normalisation adjustments	**27**	(222)	(268)
Total Group normalised EBITDA	**1,004**	907	1,506

Reconciliation from the NZ IFRS measure of profit after tax to total Group normalised EBIT

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED
Profit after tax	**391**	501	659
Add: Net finance costs	**141**	173	332
Add: Tax expense	**125**	132	156
Total Group EBIT	**657**	806	1,147
Add: Normalisation adjustments (as detailed above)	**27**	(222)	(268)
Total Group normalised EBIT	**684**	584	879

Non-GAAP Measures CONTINUED

Reconciliation from the NZ IFRS measure of profit after tax to normalised profit after tax and normalised earnings per share

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED
Profit after tax	**391**	501	659
Add/(less): Normalisation adjustments (as detailed on the previous page)	**27**	(222)	(268)
Add: Tax on normalisation adjustments	**–**	14	7
Normalised profit after tax	**418**	293	398
(Less)/add: (profit)/loss attributable to non-controlling interests	**(19)**	20	27
Less: Normalisation adjustments attributable to non-controlling interests	**–**	(30)	(43)
Normalised profit after tax attributable to equity holders of the Co-operative	**399**	283	382
Weighted average number of Co-operative shares (thousands of shares)	**1,612,857**	1,612,055	1,612,076
Normalised earnings per share ($)	**0.25**	0.18	0.24

Reconciliation from reported gross profit to total Group normalised gross profit

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2021 UNAUDITED	31 JAN 2020 UNAUDITED	31 JUL 2020 AUDITED
Gross profit from continuing operations	**1,651**	1,607	3,062
Add: Gross profit from discontinued operations	**94**	17	99
(Less)/add: China Farms (impairment reversal)/impairment	**(23)**	63	63
Less: Other normalisation adjustments	**–**	(19)	(16)
Total Group normalised gross profit	**1,722**	1,668	3,208

Glossary

AMENA	represents the Ingredients, Foodservice and Consumer businesses in Africa, Middle East, Europe, North Asia and Americas.
Asia Pacific	represents the Ingredients, Foodservice and Consumer businesses in New Zealand, Australia, Pacific Islands, South East Asia, South Asia and Fonterra Farm Source™ retail stores.
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.
Base Price	means prices referenced by Fonterra's sales team when pricing contracts, including GDT prices and other relevant benchmarks.
Bulk liquids	means bulk raw milk that has not been processed and bulk separated cream.
Capital employed	is calculated as the average for the period of: net assets excluding net interest-bearing debt and deferred tax balances, and including certain intangibles (brands and goodwill) and equity accounted investments (EAI).
Capital expenditure	comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets, and net purchases of livestock, and includes amounts relating to businesses classified as held for sale.
Consumer	represents the channel of branded consumer products, such as powders, yoghurts, milk, butter, and cheese.
Continuing operations	means operations of the Group that are not discontinued operations.
Debt payback ratio (Debt to EBITDA)	is calculated as total borrowings, plus bank overdraft, plus the effect of debt hedging, less a cash allowance of 75% of cash and cash equivalents, divided by normalised earnings before interest, tax, depreciation and amortisation (normalised EBITDA) excluding share of loss/profit of equity accounted investees and net foreign exchange losses/gains. Debt and EBITDA are adjusted to include amounts relating to businesses classified as held for sale and discontinued operations respectively.
DIRA	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities, subsequent amendments to the Act, and the Dairy Industry Restructuring (Raw Milk) Regulations 2012.
Discontinued operations	means a component of the Group that is classified as held for sale (or has been sold) and represents, or is part of a single co-ordinated plan to dispose of, a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.
Dividend yield	is calculated as dividend (per share) over volume weighted average share price for the period 1 August to 31 July.
Earnings before interest and tax (EBIT)	is calculated as profit before net finance costs and tax.
Earnings before interest, tax, depreciation and amortisation (EBITDA)	is calculated as profit before net finance costs, tax, depreciation and amortisation.
Earnings per share (EPS)	means 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 calculated as EBIT divided by revenue from sale of goods.
EBITDA margin	is calculated as EBITDA divided by revenue from sale of goods.
Economic net interest-bearing debt	means net interest bearing debt including lease liabilities and the effect of debt hedging. It reflects total borrowings plus bank overdraft less cash and cash equivalents and non-current interest-bearing advances, adjusted for derivatives used to manage changes in hedged risks on debt instruments. It excludes net borrowings attributed to businesses classified as held for sale.
Farmgate Milk Price	means the average price that Fonterra pays for milk supplied to it in New Zealand for a season. 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, cafes, airports, catering companies etc. The focus is on customers such as; bakeries, cafes, Italian restaurants, and global quick-service restaurant chains. High performance dairy ingredients including whipping creams, mozzarella, cream cheese and butter sheets, are sold in alongside our business solutions under the Anchor Food Professionals brand.
Free cash flow	is calculated as total of net cash flows from operating activities and net cash flows from investing activities.
Functional Nutrition Unit (FNUs)	represents consumption categories including Paediatrics, Sports and Active and Medical and Ageing, where superior value can be created.
Gearing ratio	is calculated as economic net interest-bearing debt divided by total capital. Total capital is equity excluding the hedge reserves, plus economic net interest-bearing debt. It excludes net borrowings attributed to businesses classified as held for sale.
Global Accounts	means large scale, multi-national / multi-region customers.
Global Dairy Trade (GDT)	means the electronic auction platform that is used to sell commodity dairy products.
Greater China	represents the Ingredients, Foodservice and Consumer businesses in Greater China, and the Falcon China Farms JV.
Gross margin	is calculated as gross profit divided by revenue from sale of goods.
Group operations	comprises functions under the Chief Operating Office (COO) including New Zealand milk collection and processing operations and assets, supply chain, Group IT and Innovation; and the Central Portfolio Management function (CPM).
Held for sale	an asset or disposal group is classified as held for sale if it is available for immediate sale in its present condition and its sale is highly probable. A disposal group is a group of assets and liabilities to be disposed of (by sale or otherwise) in a single transaction.
Ingredients	represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia, Europe and Latin America, or sourced through our global network, and sold to food producers and distributors in over 140 countries. It also includes Fonterra Farm Source™ retail stores.
kgMS	means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.
Net debt	means economic net interest-bearing debt.
Net tangible assets per security	is calculated as net tangible assets divided by the number of equity instruments on issue. Net tangible assets is calculated as net assets less intangible assets.
Non-reference products	means all dairy products, except for reference commodity products manufactured in NZ.
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'.
Pay-out (per share)	means the total cash payment to an 100% share backed farmer shareholder. It is the sum of the Farmgate Milk Price (kg/MS) and the dividend per share. Both of these components have established policies and procedures in place on how they are determined.
Product channel	Fonterra has three product channels, Ingredients, Foodservice and Consumer.
Production volume (MT)	means quantity of product made from the fresh milk collected.
Profit after tax margin	is calculated as 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'.

Glossary CONTINUED

Retentions	means profit after tax attributable to equity holders of the Co-operative, divided by the number of Co-operative shares on issue, less dividend per share. Retentions are reported as nil where Fonterra has reported a net loss after tax.
Return on capital	is calculated as EBIT less a notional tax charge, divided by capital employed including certain intangibles (brands and goodwill) and equity accounted investments.
Season	New Zealand: A period of 12 months to 31 May in each year. Australia: A period of 12 months to 30 June in each year. China: A period of 12 months to 31 July in each year.
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'.
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.
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	is calculated as total trade and other receivables plus inventories, less trade and other payables. It excludes amounts owing to suppliers and employee entitlements.
Working capital days	is calculated as working capital divided by revenue from sale of goods, multiplied by the number of days in the period.

Directory

FONTERRA BOARD OF DIRECTORS

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

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Dairy for life

Fonterra
Interim Results 2021

17 March 2021

Important information

Disclaimer

This presentation may contain forward-looking statements and projections. There can be no certainty of outcome in relation to the matters to which the forward-looking statements and projections relate. These forward-looking statements and projections involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements and projections. Those risks, uncertainties, assumptions and other important factors are not all within the control of Fonterra Co-operative Group Limited (Fonterra) and its subsidiaries (the Fonterra Group) and cannot be predicted by the Fonterra Group.

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Positive first half resulting in improved earnings

- Increased forecast Farmgate Milk Price range, on track for one of the highest milk prices
- Total Group normalised gross margin improved from 16.0% to 17.4%, contributing to normalised profit after tax increasing $125 million to $418 million, up 43%
- Narrowed earnings guidance - heavily weighted to the first half, reflecting increasing dairy prices
- Resumed paying interim dividend
- COVID-19 continues to impact around the world and we're continuing to focus on what's in our control
- Reporting under customer-led operating model, new segment information providing further insights

Forecast Farmgate Milk Price

$7.30 – $7.90 per kgMS

Reported Profit After Tax[1]

$391 million

Normalised Profit After Tax[1,2]

$418 million

Interim Dividend

5c per share

Earnings Guidance[3]

25c – 35c earnings per share

1. This is Total Group, includes Continuing and Discontinued Operations, and includes amount attributable to non-controlling interests
2. Normalised profit after tax excludes $(50) million of loss on disposal and downward revaluation of our Beingmate holdings and $23 million impairment reversal for China Farms
3. Attributable to equity holders of the Co-operative, excludes non-controlling interest

Staying on strategy

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

Recap of changes made in 2019 strategy refresh

From	To
Volume	Value
Global Milk Pools	Prioritise New Zealand Milk + complementary components
Maximum volume into consumer	Focus on key categories to deliver superior value
Dairy only	Supplement with non-dairy where makes sense
Partner with cash investments	Partner with IP and skills and lift R&D
Debt funded growth	Conservative balance sheet
Global giant with HQ in New Zealand	Celebrate Aotearoa New Zealand and take it to the world
Invest widely based on aggressive growth plans	Divest non-core businesses and focus where we have a competitive advantage

Asia Pacific progress

- New Zealand Consumer turnaround on track
- Launched Anchor carbonzero TM milk range
- Australia Consumer brands' growth outpaced their market categories, but Ingredients requires further improvement
- Relaunched the Anlene brand in Malaysia, building a strong foundation for future innovations and formats
- Working with the NZ Food Network to support families in need during Christmas

$190m contribution to Group EBIT[1] ↑ 9%

$18m ↓	$54m ↑	$118m ↑
Ingredients	Foodservice	Consumer

1,400 Products

4,000 People

1. Prepared on a normalised Continuing Operations basis and excludes unallocated costs and eliminations.

Greater China progress

- Cream cheese and mozzarella sales volumes up, increasing utilisation of Darfield and Clandeboye sites
- Launched ambient cream for Foodservice customers
- Expansion of Foodservice into 22 new cities, bringing total to 372 cities
- Awarded 'Best Work Place' in Greater China and 'Top Employer'[2]
- Progressing divestment of farms and Beingmate

450 Products

800 People[3]

$339m contribution to Group EBIT[1] ↑ 38%

$123m ↑	$203m ↑	$13m ↑
Ingredients	Foodservice	Consumer

1. Prepared on a normalised Continuing Operations basis and excludes unallocated costs and eliminations.
2. Certifications awarded by Great Place to Work® and Top Employer Institute

3. Excludes 900 people employed by China Farms, a Discontinued Operation

AMENA progress

- Launched Milk Phospholipids 70 which helps mental wellbeing in adults
- Improved performance in Chile, with increased market share
- Lower volume and margins for Ingredients products in Europe, Africa and North Asia
- Actively expanding our product portfolio to include more higher margin products
- Supported foodbanks and community organisations in COVID-19 relief efforts

1,100 Products

2,100 People[2]

$201m contribution to Group EBIT[1] ↓ 7%

$147m ↓	$1m ↑	$53m ↑
Ingredients	Foodservice	Consumer

1. Prepared on a normalised Continuing Operations basis and excludes unallocated costs and eliminations.
2. Excludes 1,350 people employed by DPA Brazil, a Discontinued Operation

Operations and Portfolio Optimisation progress

- Introducing The Co-operative Difference payment to encourage farmers to adapt to changing customer expectations
- Milk vat monitoring, increases collection efficiency with less truck units and benefits to milk quality
- Investing in sustainability, e.g. waste water treatment at Whareroa and Clandeboye and investing in innovation, e.g. Waitoa dehumidifier and Darfield cream cheese quality
- Strong standing partnership with Kotahi maintaining supply to customers despite unprecedented disruption to international shipping due to COVID-19
- Optimisation by moving milk to higher value products and markets

98.8% –	71%	3
Quality[1]	Supply Chain DIFOT[2]	Serious Harm[3]

30
Manufacturing sites

68
Farm Source stores

140
Countries exported to

10,500
People

1. Quality is a measure of product made to specification at final grading
2. DIFOT; delivered in full and on time +/- 1 week
3. Serious Harm Events (injuries resulting in permanent or severe temporary impairments requiring immediate medical treatment), measured on trailing 12 months basis

Improved Total Group business performance

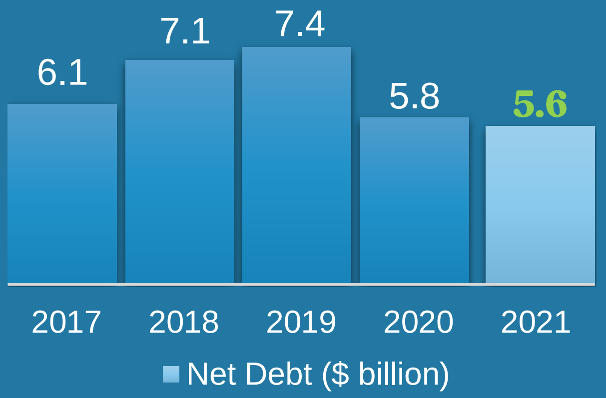
million[1]	2020	2021	%△ [2]
Volume ('000 MT)	2,037	1,996	(2)%
Revenue ($)	10,423	9,915	(5)%
Gross Profit ($)	1,668	1,722	3%
Gross Margin (%)	16.0%	17.4%	
Operating Expenses ($)	(1,092)	(1,055)	3%
Other[3] ($)	8	17	113%
Normalised EBIT[4] ($)	584	684	17%
Normalised Profit After Tax ($)	293	418	43%
Normalised EPS[5] (cents)	18	25	41%

- Sales volumes similar with strong demand. Minor delays in shipments expect to be recovered in second half
- Gross profit increased reflecting strong margin growth in Greater China Foodservice, and improved margins in Asia Pacific Consumer
- Reduced gross profit in AMENA's Ingredients business due to lower sales volume and tighter margins
- Total Group normalised EBIT up $100 million, or 17%, reflects improved margins and stable operating expenses
- Normalised profit after tax has improved $125 million, or 43%, due to improved earnings and lower interest costs
- Reported profit after tax of $391 million[6]

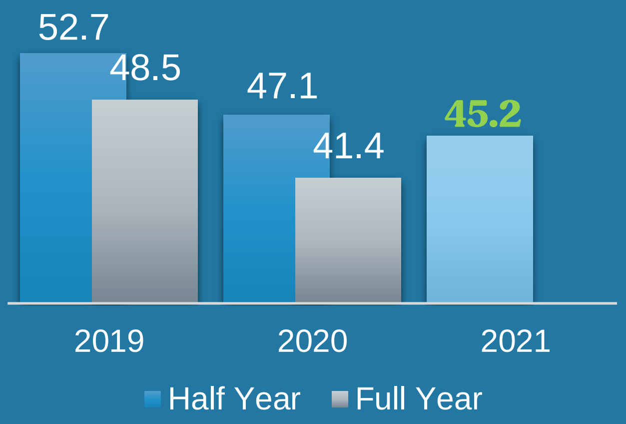
1. Figures are for the first six months and are for Total Group, which includes Continuing and Discontinued Operations on a normalised basis unless stated otherwise.
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees
4. Normalised EBIT excludes $(50) million of loss on disposal and downward revaluation of our Beingmate holdings and $23 million impairment reversal for China Farms
5. Attributable to equity holders of the Co-operative, excludes non-controlling interest
6. Reported profit after tax down $110 million, last year's result included sale proceeds of non-core assets

Continued financial discipline

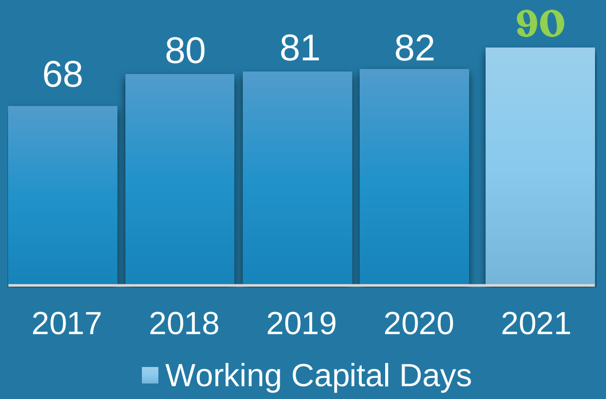
Net Debt[1]



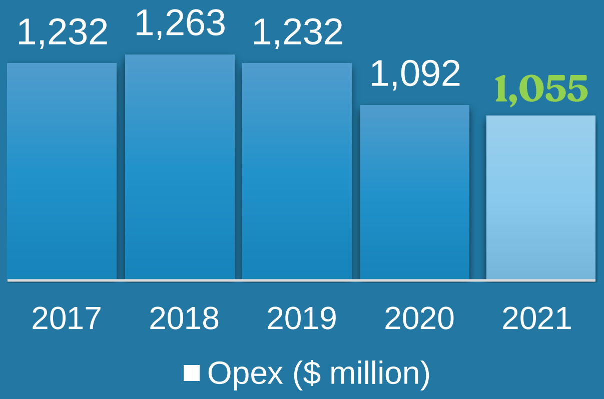
Gearing Ratio[1] (%)



Working Capital



Operating Expenditure[2]



- Debt level and gearing continue to reduce
- Debt and gearing are higher at half year due to seasonal profile of working capital
- Target for gearing to be below 40% at year-end
- Working capital days up due to minor delay in shipments increasing inventory
- Working closely with our customers has lowered overdue receivables
- Maintaining focus on operating expenditure

Note: Figures are for the first six months of the financial year unless stated otherwise

1. Refer to Glossary on page 38 for definition. FY20 has been restated, refer to Basis of Preparation in FY21 Interim Report
2. Normalised basis

Diversified across markets and products

	Asia Pacific	AMENA	Greater China	Total
Volume ('000) MT[1]	672 ↓ 2%	627 ↓ 6%	593 ↑ 2%	1,892 ↓ 2%
Revenue[1]	$3,399m ↑ 1%	$3,197m ↓ 14%	$3,061m ↑ 1%	$9,657m ↓ 4%

EBIT contribution[2,3]

	Asia Pacific	AMENA	Greater China	Total
Ingredients	$18m ↓ 66%	$147m ↓ 28%	$123m ↑ 5%	$288m ↓ 23%
Foodservice	$54m ↑ 69%	$1m ↑ -%	$203m ↑ 64%	$258m ↑ 80%
Consumer	$118m ↑ 33%	$53m ↑ 112%	$13m ↑ 225%	$184m ↑ 56%
Total	$190m ↑ 9%	$201m ↓ 7%	$339m ↑ 38%	

1. Prepared on a normalised Continuing Operations basis. Does not align to reported Continuing Operations due to excluding unallocated costs and eliminations
2. Normalised EBIT contributions sum to $730 million, which does not align to reported Continuing Operations due to excluding unallocated costs and eliminations
3. Inclusive of Group Operations EBIT attribution

Performance by region

Asia Pacific

$ millions ■ 2020 ■ 2021

Gross margin 18.0% from 17.9% ⇧

- 62% of EBIT from Consumer channel, which increased $29 million
- Strong gross margin improvement in South East Asia
- Challenging Australia Ingredients export market

AMENA

Gross margin 14.7% from 14.4% ⇧

- 73% of EBIT from Ingredients channel, which decreased $57 million
- Lower volume and reduced margins in Europe, Africa and North Asia
- Strong performance in Chile and lower operating expenses across most sub-regions

Greater China

Gross margin 17.7% from 14.3% ⇧

- 60% of EBIT from Foodservice channel, which increased $79 million
- China Government endorsed dairy consumption during COVID-19 and economy remains robust
- Continuing city expansion, entered a further 22 cities

Note: Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated costs and eliminations. Refer to reconciliation in Appendix, page 20

Performance by product channel

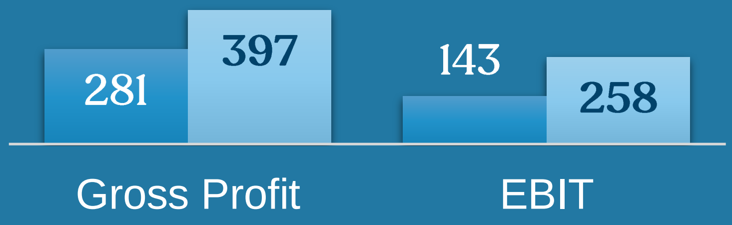
Ingredients

$ millions ■ 2020 ■ 2021

Gross margin 10.5% from 11.4%

- Lower volumes in AMENA, as shifted milk to higher value product channels
- Reduced margins due to
  - lower pricing in core Ingredients
  - pricing profile of long-term contracts

Foodservice



Gross margin 26.1% from 18.6%

- Growth in higher value products in Greater China
  - 120+ new applications in bakery, beverage and dining channels
  - 3 new cream products for beverage channel

Consumer

Gross margin 28.4% from 27.1%

- Increased demand as consumers stayed at home during lockdowns
- Australian chilled spreads extended leadership position
- Chile increased demand and improved market share

Note: Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated costs and eliminations. Refer to reconciliation in Appendix, page 20

2021 Outlook

Forecast Farmgate Milk Price

$7.30 - $7.90

per kgMS

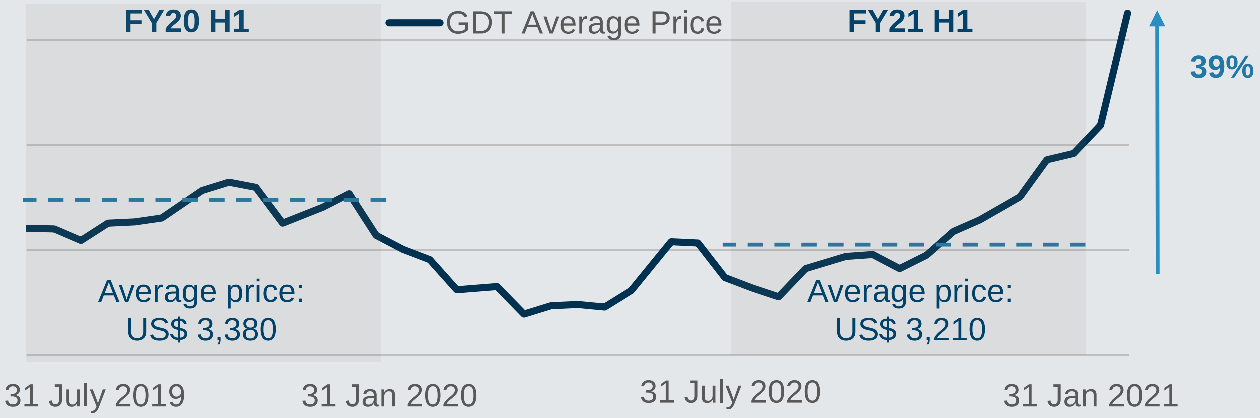
- Lifted the forecast Farmgate Milk Price range with midpoint of $7.60 per kgMS
  - Dairy continues to prove resilient in a Covid-19 world
  - Forecasting ongoing strength in dairy prices

Forecast Earnings

25 – 35

cents per share

- Narrowed full year forecast normalised earnings per share range of 25-35 cents
- Earnings heavily weighted towards the first half due to;
  - Increasing dairy prices in first half will impact earnings in second half
  - Seasonal profile of milk curve and manufacturing

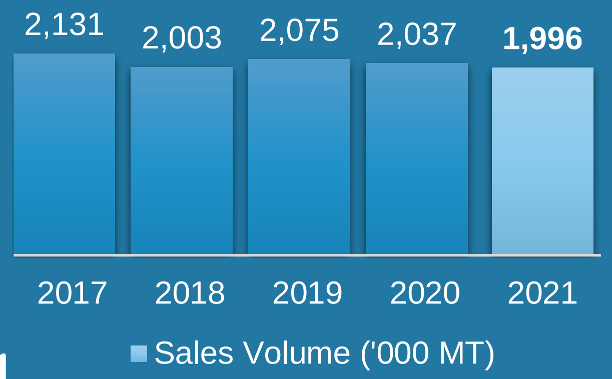


- Margins benefited from lower dairy prices; average GDT price of US$ 3,210 compared to US$ 3,380 in the same period last year
- 39% increase in dairy prices from November 2020 to 3rd March 2021
- Foodservice and Consumer margins will be adversely impacted in the second half due to increasing dairy prices
- Non-reference milk price products have not increased at the same rate as reference milk price products

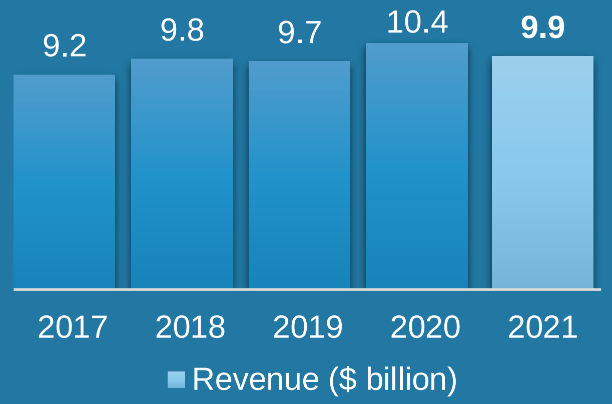
Appendix

Key financial metrics for Total Group FY21 half year[1]

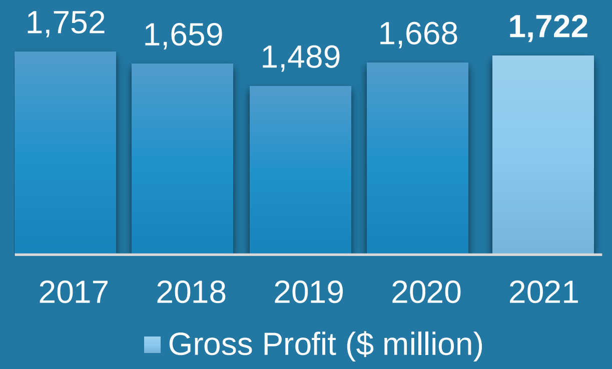
Sales Volume



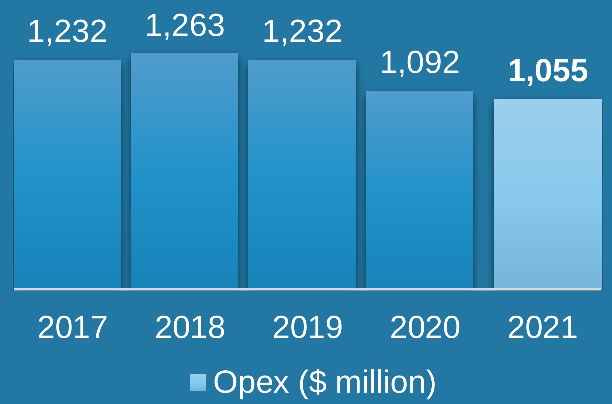
Normalised Revenue



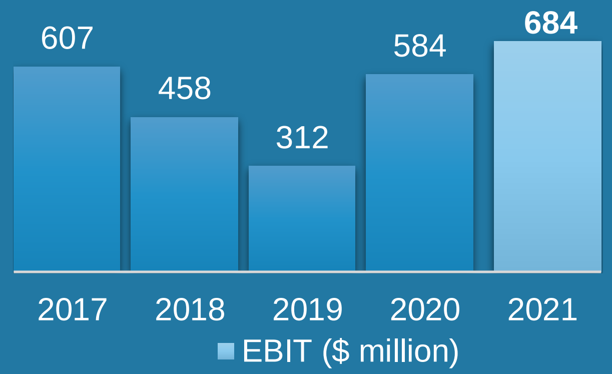
Normalised Gross Profit



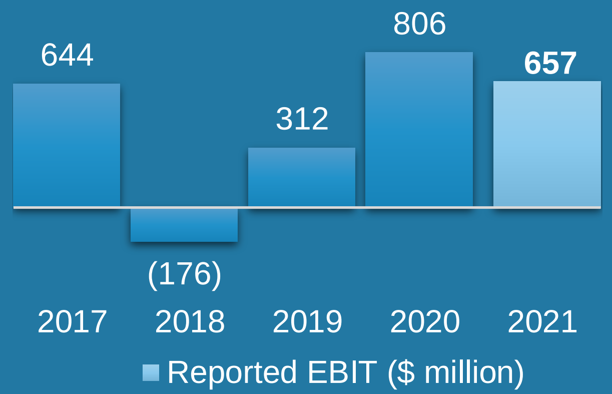
Normalised OPEX



Normalised EBIT



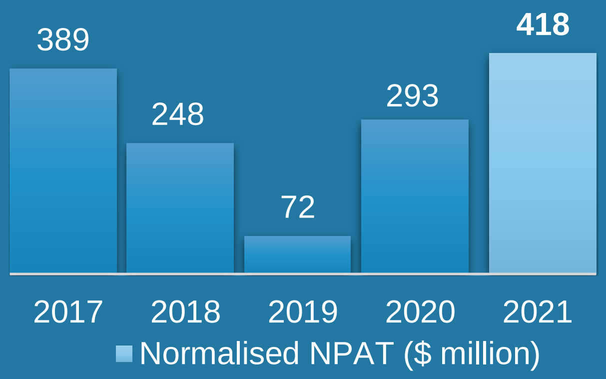
Reported EBIT



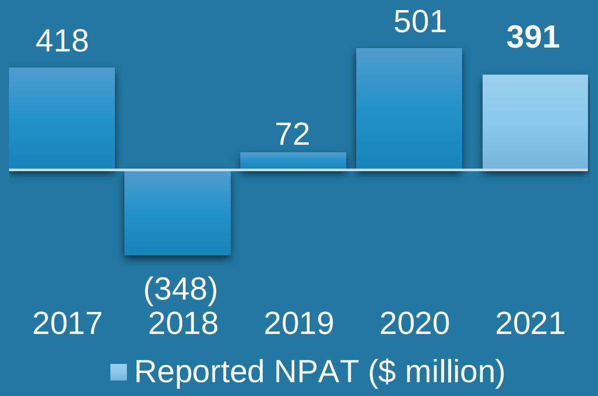
1. Figures are for the first six months and are for Total Group, which includes Continuing and Discontinued Operations on a normalised basis unless stated otherwise

Key financial metrics for Total Group FY21 half year[1]

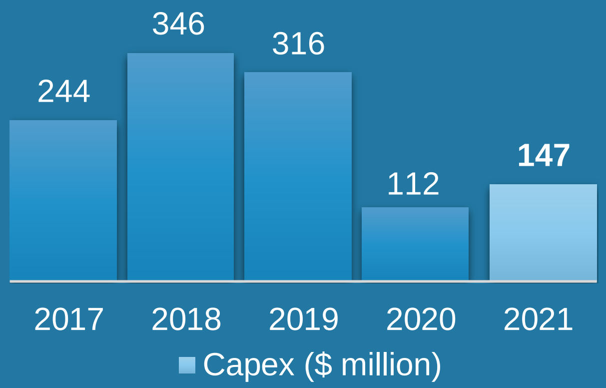
Normalised Profit After Tax[2]



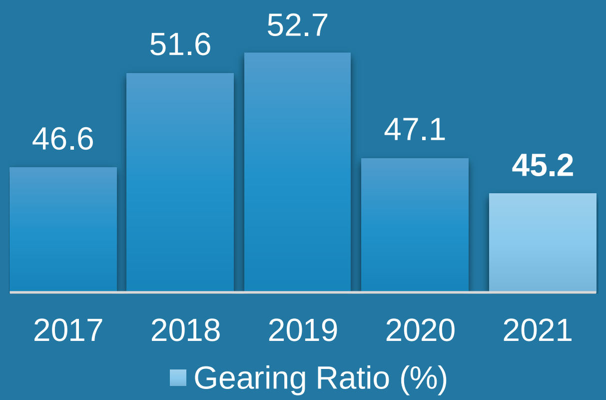
Reported Profit After Tax[2]



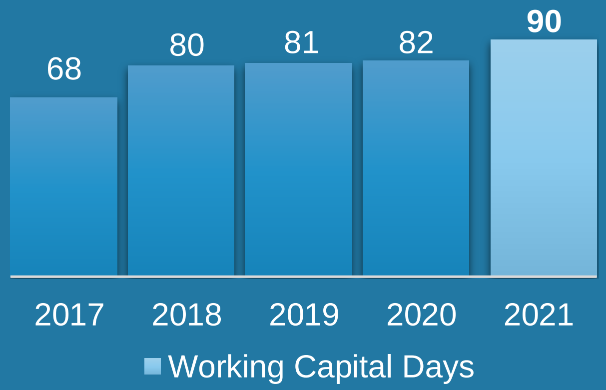
Capex[3]



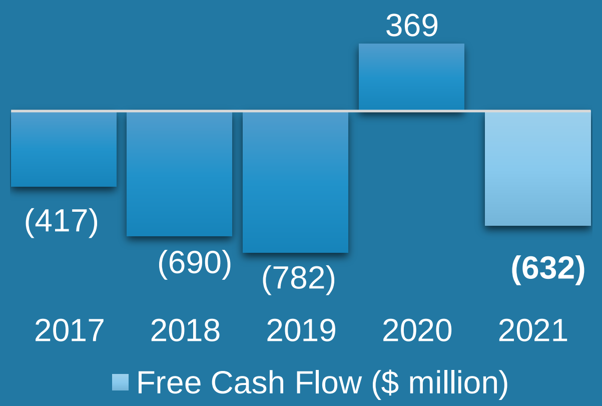
Gearing Ratio[3,4]



Working Capital



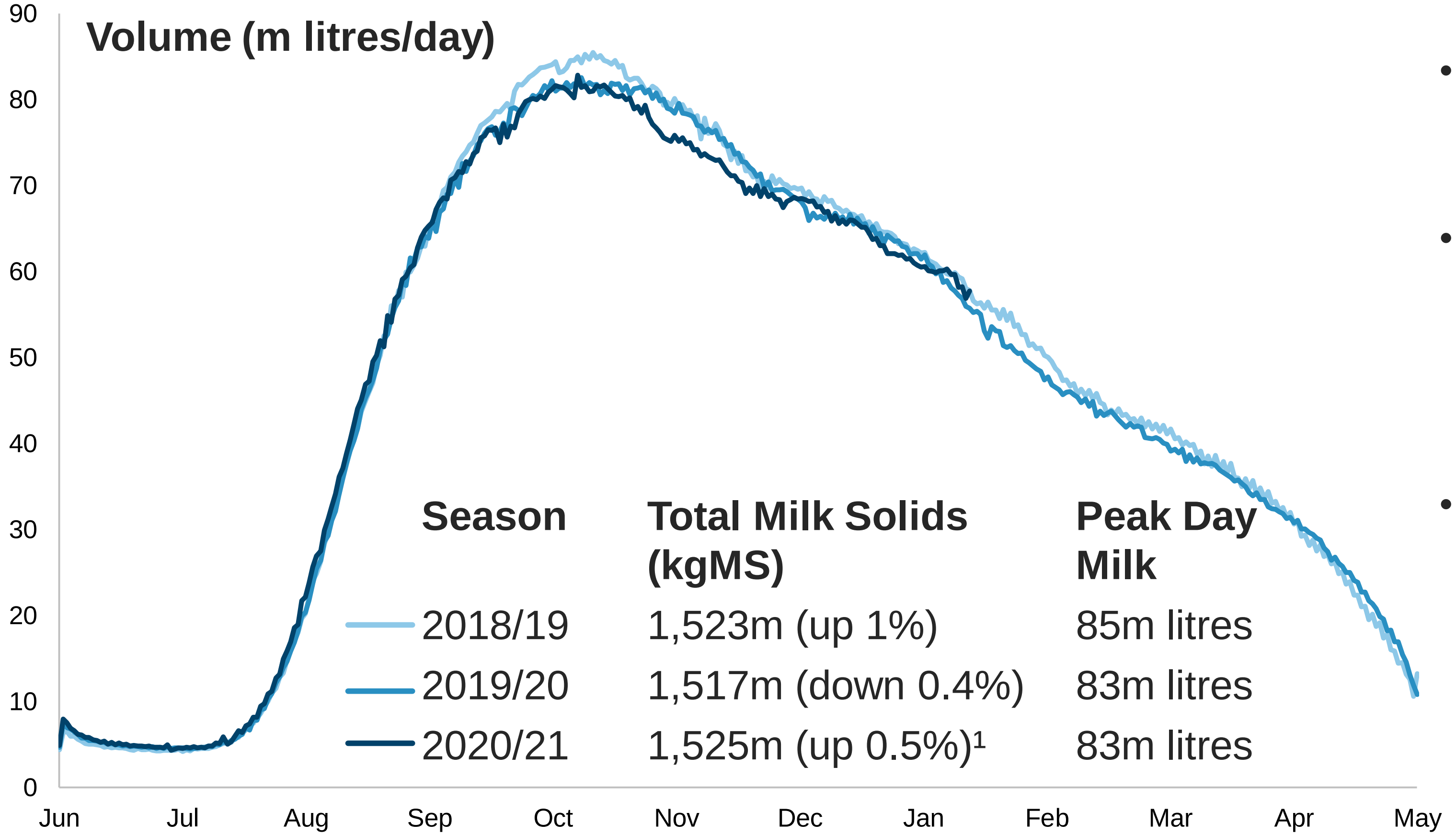
Free Cash Flow



1. Figures are for the first six months and are for Total Group, which includes Continuing and Discontinued Operations on a normalised basis unless stated otherwise
2. Includes amounts attributable to non-controlling interests
3. Refer to Glossary, page 38, for definition of calculation
4. Excludes net borrowings attributed to disposal groups held for sale

Note: Gearing ratio FY20 has been restated, refer to Basis of Preparation in FY21 Interim Report

Fonterra's New Zealand milk collections



Season	Total Milk Solids (kgMS)	Peak Day Milk
2018/19	1,523m (up 1%)	85m litres
2019/20	1,517m (down 0.4%)	83m litres
2020/21	1,525m (up 0.5%)[1]	83m litres

- Season to date collection, June – January, was 1,071 million kgMS, down 0.8% on last season
- Good start to the season impacted by poor pasture conditions across New Zealand in November and dry conditions in January, especially in South Island and upper North Island
- Full season forecast remains at 1,525 million kgMS, up 0.5% on last season

1. Current full season forecast

Reconciliation to Total Group EBIT

NZD million	31 Jan 2020 Continuing Operations[1]	31 Jan 2020 Discontinued Operations[1]	31 Jan 2020 Total Group[2]	31 Jan 2021 Continuing Operations[1]	31 Jan 2021 Discontinued Operations[1]	31 Jan 2021 Total Group[2]
Revenue	10,071	352	10,423	9,597	318	9,915
Cost of goods sold	(8,483)	(272)	(8,755)	(7,946)	(247)	(8,193)
Gross profit	1,588	80	1,668	1,651	71	1,722
Gross margin	15.8%	22.7%	16.0%	17.2%	22.3%	17.4%
Operating expenses	(1,023)	(69)	(1,092)	(1,013)	(42)	(1,055)
Other[3]	(4)	12	8	14	3	17
Normalised EBIT	561	23	584	652	32	684
Normalisations	356	(134)	222	(50)	23	(27)
EBIT	917	(111)	806	602	55	657

1. Refer to Note 1a and 2b of the FY21 Interim Financial Statements
2. Total Group includes Continuing Operations and Discontinued Operations
3. Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees

Normalised items

NZD million	China Farms	Beingmate	Total
Impairment reversal	23	-	23
Loss on disposal and downward revaluation	-	(50)	(50)
Profit before tax	23	(50)	(27)
Tax Impact	–	–	–
Profit after tax	23	(50)	(27)
Non-controlling Interests	–	–	–
Attributable to equity holders	23	(50)	(27)

Note: Refer to Note 2 in the FY21 Interim Financial Statements for further details

Earnings per share reconciliation

NZD million	2020	2021
Reported profit after tax[1]	501	391
Add/(less): Share attributable to non-controlling interests	20	(19)
Reported profit after tax attributable to equity holders of the Co-operative[2]	521	372
Reported earnings per share (cents)[2]	32	23

NZD million	2020	2021
Normalised profit after tax[1]	293	418
Add/(less): (Profit)/loss attributable to non-controlling interests	20	(19)
Less: Normalisation adjustments attributable to non-controlling interests	(30)	-
Normalised profit after tax attributable to equity holders of the Co-operative[2]	283	399
Normalised earnings per share (cents)[2]	18	25
Weighted average number of Co-operative shares ('000)	1,612,055	1,612,857

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

Total Group Operating expenses

$ million[1]	2020	2021
Selling and marketing	316	299
Distribution and storage	274	265
Administrative expenses	266	254
Research and development	31	34
Other expenses	42	50
Unallocated costs	94	111
Total Operating expenses[2]	1,023	1,013
Discontinued Operations	69	42
Total Group Operating expenses	1,092	1,055

- Total Group normalised operating expenses decreased $37 million
  - $10 million decrease in Continuing Operations
  - $27 million decrease in Discontinued Operations, predominantly due to lower cost in DPA Brazil, benefiting from a weaker local currency
- Unallocated costs increased due to a release from the Foreign Currency Translation Reserve – a non-cash expense

1. Normalised basis
2. Prepared on a Continuing Operations basis

Unallocated costs[1]

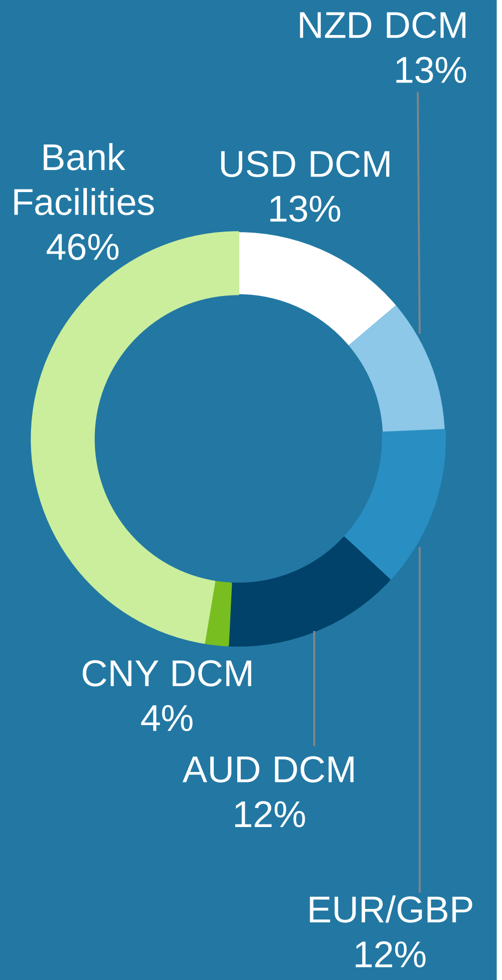
Unallocated Costs ($ million)	2020	2021
Group Finance and Support	23	23
Farmer Services	17	19
People and Culture	7	7
Advertising and Promotion	7	5
Property	3	2
Trade Relations and Compliance	4	4
Governance	4	5
Other	29	46
Total	**94**	**111**

- Unallocated costs have increased $17 million predominantly driven by 'Other'
- The increase in 'Other' is mainly due to a release from the Foreign Currency Translation Reserve following the liquidation of an entity no longer in use. This is a non-cash expense

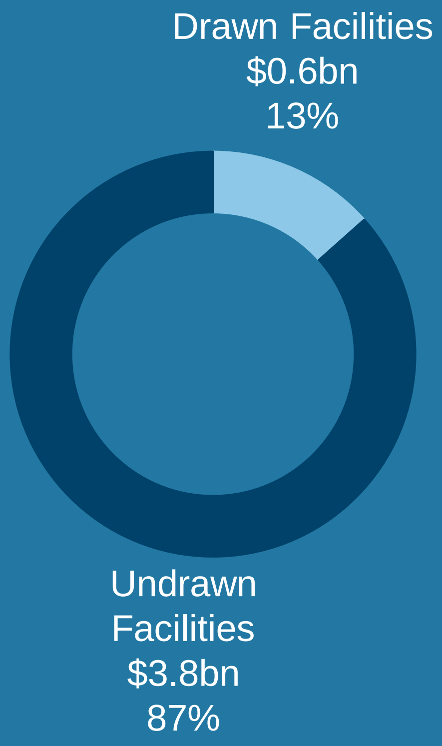
1. Refer to Glossary, page 38, for definition

Diversified and prudent funding position

Diversified Profile[1]

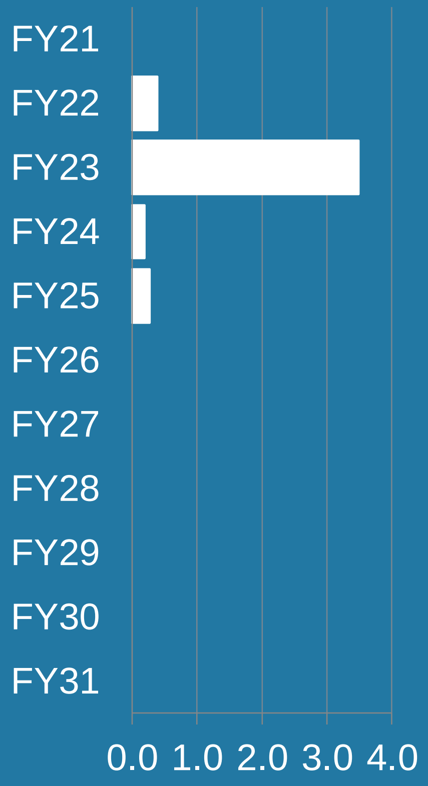


Prudent Liquidity



Bank Facilities

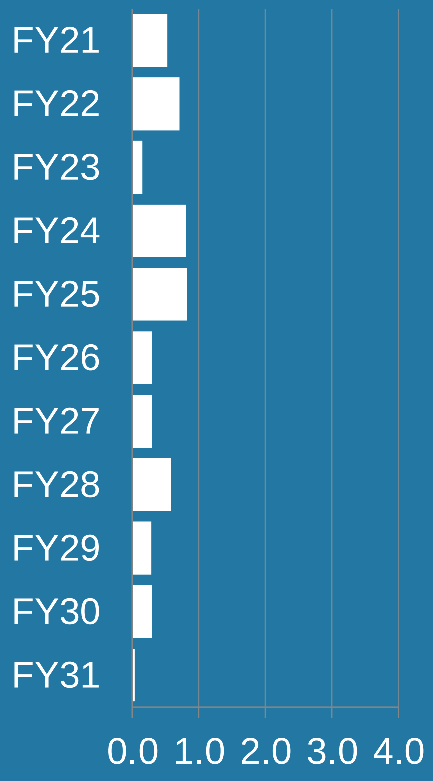
Maturity Profile



WATM[3]: 2.1 years

Debt Capital Markets[2]

Maturity Profile



WATM[3]: 4.0 years

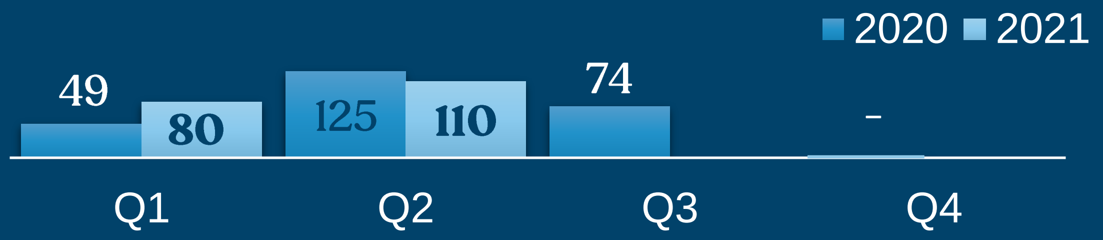
1. Includes undrawn facilities and commercial paper. DCM is debt capital markets
2. Excluding commercial paper
3. WATM is weighted average term to maturity

Note: As at 31 January 2021

Asia Pacific

million	2020	2021	%Δ[1]
Volume[2] (‘000 MT)	688	672	(2)%
Revenue ($)	3,352	3,399	1%
Gross Profit ($)	599	611	2%
Gross Margin (%)	17.9%	18.0%	
Operating Expenses ($)	(431)	(423)	2%
Other[3] ($)	6	2	(67)%
Normalised EBIT[4] ($)	174	190	9%
Includes EBIT attribution from Group Operations[5]	34	1	(97)%

EBIT by Quarter[6]



- Asia Pacific EBIT improved $16 million due to a strong performance in Consumer and Foodservice
- Lower volumes due to Australia impacted by China trade relations, contraction of Daigou channel and shipping delays
- Gross margin up, Consumer and Foodservice benefiting from COVID-19 with “stay at home” culinary trend
- Improved Consumer and Foodservice performance partially offset by New Zealand and Australia Ingredients
- Operating expenses down $8 million due to targeted selling and promotional spend during lockdown periods

Note: Prepared on a normalised Continuing Operations basis
1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of reported figures.
2. Includes sales to other regions
3. Consists of other operating income, net foreign exchange gain/(loss) and share of equity accounted investees
4. This includes EBIT contribution from Group Operations
5. This is included in Asia Pacific’s EBIT. Refer to Glossary for explanation of Group Operations
6. Summing of EBIT margin figures may not add up to total EBIT displayed in table above due to rounding

Asia Pacific channel performance

Ingredients

Volume ('000 MT)

280 From 287

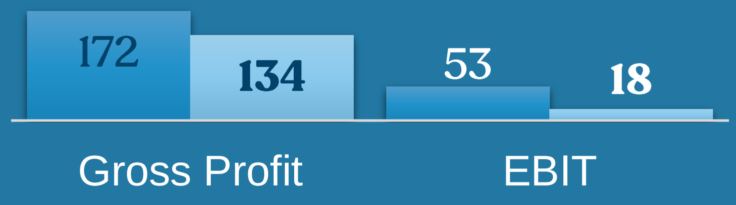
Revenue ($ millions)

1,636 From 1,568

Gross margin

8.2% From 11.0%

$ millions 2020 2021



Foodservice

Volume ('000 MT)

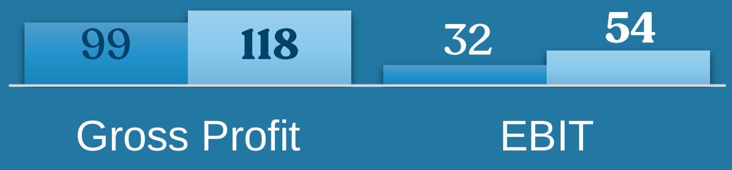
82 From 89

Revenue ($ millions)

469 From 551

Gross margin

25.2% From 18.0%



Consumer

Volume ('000 MT)

310 From 312

Revenue ($ millions)

1,294 From 1,233

Gross margin

27.7% From 26.6%

Note: Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated and eliminations.

Australia

million[1]	2020	2021	%Δ[2]
Production Volume ('000 MT)	205	212	3%
Volume[3] ('000 MT)	198	174	(12)%
Revenue ($)	1,000	899	(10)%
Gross Profit ($)	109	103	(6)%
Gross Margin (%)	10.9%	11.5%	
Operating Expenses ($)	(72)	(68)	6%
Other[4] ($)	–	(3)	–
Normalised EBIT ($)	37	32	(14)%

- Improved Consumer performance offset by challenges in Australia Ingredients business
- Lower volumes due to Ingredients' exports impacted by China trade relations, contraction of Daigou channel and shipping delays
- Gross margin improved through allocating milk to high value products in the Consumer business
- Operating expenses down slightly due to targeted selling and promotional spend during lockdown periods
- EBIT decreased $5 million

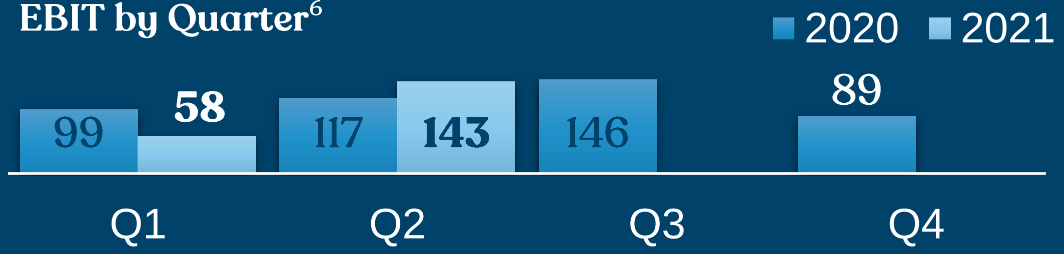
Note: This table was prepared exclusive of Group Operations attribution

1. Normalised basis
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of reported figures
3. Includes sales to other regions
4. Consists of other operating income, net foreign exchange gain/(loss) and share of equity accounted investees

AMENA

million	2020	2021	%Δ[1]
Volume[2] ('000 MT)	667	627	(6)%
Revenue ($)	3,703	3,197	(14)%
Gross Profit ($)	532	471	(11)%
Gross Margin (%)	14.4%	14.7%	
Operating Expenses ($)	(321)	(279)	13%
Other[3] ($)	5	9	80%
Normalised EBIT[4] ($)	216	201	(7)%
Includes EBIT attribution from Group Operations[5]	56	17	(70)%

EBIT by Quarter[6]



- Lower volume in Ingredients as milk moved to higher value products and markets
- Gross margin improved in Foodservice and Consumer, but partially offset by lower Ingredients margin
- Gross profit declined $61 million due to lower sales volumes in Ingredients' business
- Operating expenses improved $42 million, with an improvement in all three channels
- EBIT of $201 million, down $15 million

Note: Prepared on a normalised Continuing Operations basis
1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of reported figures.
2. Includes sales to other regions
3. Consists of other operating income, net foreign exchange gain/(loss) and share of equity accounted investees
4. This includes EBIT contribution from Group Operations
5. This is included in AMENA's EBIT. Refer to Glossary for explanation of Group Operations
6. Summing of EBIT margin figures may not add up to total EBIT displayed in table above due to rounding

AMENA channel performance

Ingredients

Volume ('000 MT)

424 From 476

Revenue ($ millions)

2,523 From 3,060

Gross margin

11.9% From 12.7%

$ millions ■ 2020 ■ 2021

Foodservice

Volume ('000 MT)

10 From 10 –

Revenue ($ millions)

117 From 98

Gross margin

12.8% From 7.1%

Consumer

Volume ('000 MT)

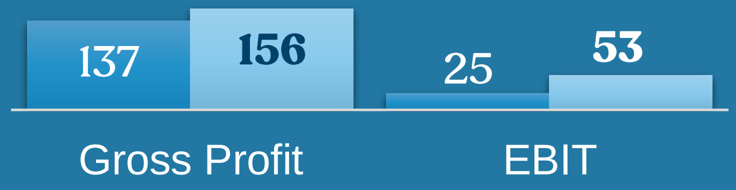
193 From 181

Revenue ($ millions)

557 From 545

Gross margin

28.0 % From 25.1 %



Note: Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated and eliminations.

Latin America

million[1]	2020	2021	%Δ[2]
Volume[3] ('000 MT)	165	182	10%
Revenue ($)	450	489	9%
Gross Profit ($)	128	138	8%
Gross Margin (%)	28.4%	28.2%	
Operating Expenses ($)	(97)	(97)	–
Other[4] ($)	(6)	–	–
Normalised EBIT ($)	25	41	64%

- Sales volume increased 17,000 MT, driven by new product development and government stimulus in Chile
- Gross margin decreased due to higher raw milk costs as competition for milk increased
- Operating expenses were steady despite additional costs relating to workforce safety under COVID-19 conditions
- EBIT up 64% to $41 million

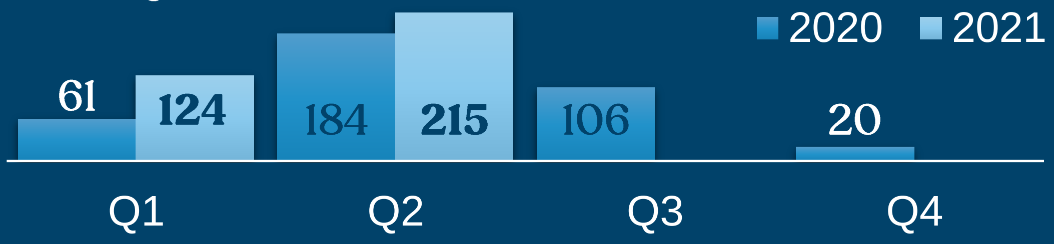
Note: This table was prepared exclusive of Group Operations attribution. Latin America includes Chile, Brazil and Venezula

1. Normalised basis
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of reported figures
3. Includes sales to other regions
4. Consists of other operating income, net foreign exchange gain/(loss) and share of equity accounted investees

Greater China

million	2020	2021	%Δ[1]
Volume[2] ('000 MT)	579	593	2%
Revenue ($)	3,030	3,061	1%
Gross Profit ($)	434	541	25%
Gross Margin (%)	14.3%	17.7%	
Operating Expenses ($)	(177)	(200)	(13)%
Other[3] ($)	(12)	(2)	83%
Normalised EBIT[4] ($)	245	339	38%
Includes EBIT attribution from Group Operations[5]	83	71	(14)%

EBIT by Quarter[6]



- EBIT increased $94 million to $339 million, with $79 million contributed from Foodservice growth
- Foodservice gross margin increased from 20.3% to 28.2% as it shifted milk into higher value products
- Sales volume increased, benefiting from a robust economy and China Government endorsed dairy
- Operating expenses increased $23 million, supporting the increased expansion of Foodservice business

Note: Prepared on a normalised Continuing Operations basis
1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of reported figures.
2. Includes sales to other regions
3. Includes other operating income, net foreign exchange gain/(loss) and share of equity accounted investees
4. This includes EBIT contribution from Group Operations
5. This is included in Greater China's EBIT. Refer to Glossary for explanation of Group Operations
6. Summing of EBIT margin figures may not add up to total EBIT displayed in table above due to rounding

Greater China channel performance

Ingredients

Volume ('000 MT)

399 From 389

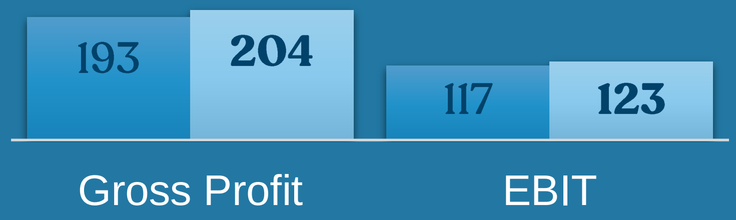
Revenue ($ millions)

1,903 From 1,988

Gross margin

10.7% From 9.7%

$ millions ■ 2020 ■ 2021



Foodservice

Volume ('000 MT)

148 From 149

Revenue ($ millions)

937 From 860

Gross margin

28.2% From 20.3%

Consumer

Volume ('000 MT)

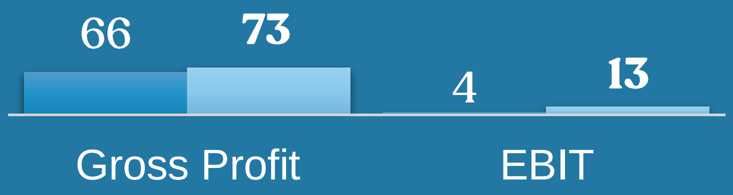
46 From 41

Revenue ($ millions)

221 From 182

Gross margin

33.0 % From 36.3 %



Note: Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated costs and eliminations.

Group performance by product channel

Ingredients

Volume ('000 MT)

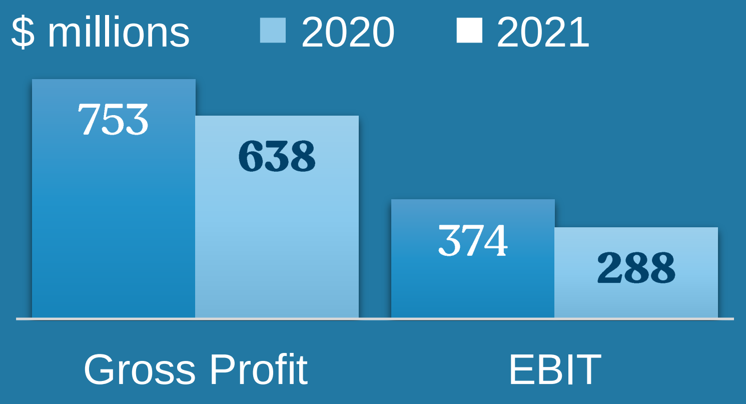
1,103 From 1,152

Revenue ($ millions)

6,062 From 6,616

Gross margin

10.5% From 11.4%



Foodservice

Volume ('000 MT)

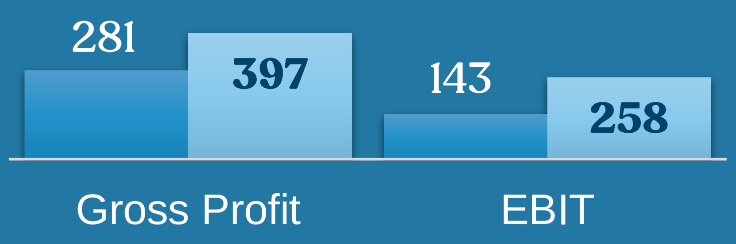
240 From 248

Revenue ($ millions)

1,523 From 1,509

Gross margin

26.1% From 18.6%



Consumer

Volume ('000 MT)

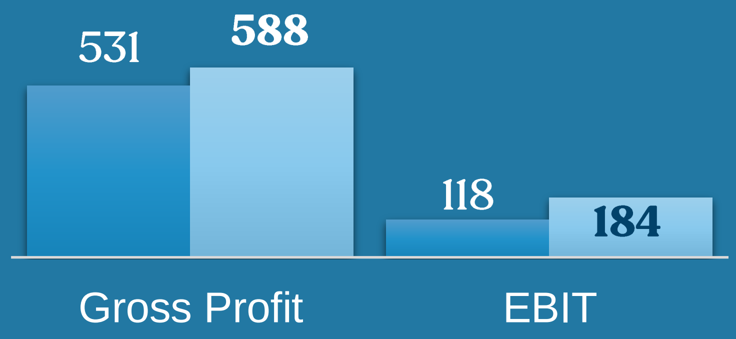
549 From 534

Revenue ($ millions)

2,072 From 1,960

Gross margin

28.4 % From 27.1 %



Note: Does not add to Total Group as shown on a normalised Continuing Operations basis and excludes unallocated costs and eliminations. Refer to reconciliation in Appendix, page 20

New Zealand sourced Ingredients product mix

	2020		2021	
	$ billion	$ per MT	$ billion	$ per MT
Sales Volume (000 MT)[1]				
Reference products	921	–	870	–
Non-reference products	389	–	419	–
Revenue[1]				
Reference products	4.8	5,167	4.2	4,784
Non-reference products	2.2	5,688	2.3	5,372
Cost of Milk				
Reference products	3.7	3,997	3.2	3,676
Non-reference products	1.3	3,435	1.4	3,294

- Relative to prior year, lower reference and higher non-reference sales volumes reflect strong Foodservice and Consumer demand
- Year on year, reference product price per MT declined slightly more than non-reference
- Lower revenue from reference products due to reduced sales volume and price per MT
- Increased non-reference revenue from higher sales volume

1. Excludes bulk liquid milk. Bulk liquid milk for the six months ended 31 January 2021 was 36,000 MT of kgMS equivalent six months ended 31 January 2020 was 37,000 MT of kgMS equivalent).

Note: Figures represent Fonterra-sourced New Zealand milk only. Reference products are products used in the calculation of the Farmgate Milk Price – WMP, SMP, BMP, Butter and AMF. Milk solids used in the products sold were 488 million kgMS in reference and 205 million kgMS non-reference (previous comparable period 513 million kgMS reference and 200 million non-reference).

New Zealand and Non-New Zealand Milk

NZD million[1]	2020 New Zealand Milk	2020 Non-New Zealand Milk	2020 Total	2021 New Zealand Milk	2021 Non-New Zealand Milk	2021 Total
Revenue	8,584	1,487	10,071	8,144	1,453	9,597
Cost of Goods Sold	(7,249)	(1,234)	(8,483)	(6,745)	(1,201)	(7,946)
Gross Profit	1,335	253	1,588	1,399	252	1,651
Gross Margin	15.6%	17.0%	15.8%	17.2%	17.3%	17.2%
Operating Expenses	(832)	(191)	(1,023)	(833)	(180)	(1,013)
Other[2]	(10)	6	(4)	16	(2)	14
Normalised EBIT	493	68	561	582	70	652
EBIT Margin	5.7%	4.6%	5.6%	7.1%	4.8%	6.8%

Note: For the six-months ended 31 January
1. Normalised basis
2. Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees

Board Statement of Intentions

The Board Statement of Intentions sets out the Board's intentions for the performance and operations of Fonterra for FY21. In accordance with the Constitution of Fonterra, Fonterra is required to provide a regular overview to the Fonterra Co-operative Council of actual achievements, compared with the targets set by the Board. The table below provides an update of Fonterra's performance against these targets as at 31 January 2021.

		FY21	
	FY20	H1 Actual	Full Year Target
Healthy People			
Total recordable injury frequency rate (TRIFR) per million work hours[1]	5.8	5.4	5.0
Female representation in senior leadership[2]	29%	31%	35%
Employee engagement	4.07	NA[3]	Top Quartile
Farmer sentiment (Net Promoter Score for Fonterra in New Zealand)	33	35	10[4]
Healthy Environment			
Number of farms with Farm Environment Plans (New Zealand)	34%	42%	45%
Reduction in water used at sites in water-constrained regions versus FY18	(3.1)%	(0.2)%[5]	(10)%
Reduction in greenhouse gas emissions from manufacturing versus FY15	(5.7)%	(11.2)%[5]	(10)%[6]
Solid waste to landfill (kilotonnes) below FY20	15.9	5.9[5]	13.1
Healthy Business			
Fonterra % kgMS of New Zealand milk collected for the season ended 31 May	80%	NA[7]	80%
New Zealand Farmgate Milk Price (per kgMS)	$7.14	$7.30-$7.90[8]	$5.90-$6.90[8]
Return on capital	6.7%	On track	6% to 7%
Debt/EBITDA	3.4x	On track	3.0-3.5x
Gearing Ratio	41.4%	On track	36 to 40%
Normalised earnings per share	24c	25c to 35c	20c to 35c

1. Part of zero harm philosophy which also includes target 0 serious harm/0 fatalities.
2. Senior leadership defined as Band 14+
3. Employee engagement is measured through a company-wide survey. The FY21 survey will take place in Q3
4. The Net Promoter Score for Fonterra was (17) when the target was set
5. The Q2 position has been calculated utilising actual data where available or estimates
6. Assumes Te Awamutu conversion to wood pellet is completed for full use in FY21
7. Only available on an annual basis
8. Based on latest publicly announced Forecast Farmgate Milk Price

Glossary

Asia Pacific
Represents the Ingredients, Foodservice and Consumer businesses in New Zealand, Australia, Pacific Islands, South East Asia, South Asia and Fonterra Farm Source™ retail stores

AMENA
Represents the Ingredients, Foodservice and Consumer businesses in Africa, Middle East, Europe, North Asia and Americas

Greater China
Represents the Ingredients, Foodservice and Consumer businesses in Greater China, and the Falcon China Farms JV

Group Operations
Comprises the functions under Chief Operating Office (COO) including New Zealand milk collection and processing operations and assets, supply chain, Group IT and Innovation; and the Central Portfolio Management function (CPM)

Ingredients
Represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia, Europe and Latin America, or sourced through our global network, and sold to food producers and distributors in over 140 countries. It also includes Fonterra Farm Source™ retail stores

Foodservice
Represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, cafes, airports, catering companies etc. The focus is on customers such as; bakeries, cafes, Italian restaurants, and quick-service global 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

Consumer
Represents the channel of branded consumer products, such as powders, yoghurts, milk, butter, and cheese. Base products are sourced from the ingredients business and manufactured into higher-value consumer dairy products

Farmgate Milk Price
Means the base price that Fonterra pays for milk supplied to it in New Zealand for a season. 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

kgMS
Kilogram of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra

Glossary

Season
New Zealand: A period of 12 months to 31 May in each year.
Australia: A period of 12 months to 30 June in each year.
China: A period of 12 months to 31 July in each year.

Gearing ratio
Calculated as economic net interest-bearing debt divided by total capital. Total capital is equity excluding the hedge reserves, plus economic net interest-bearing debt. It excludes net borrowings attributed to businesses classified as held for sale

Debt/EBITDA
Calculated as total borrowings, plus bank overdraft, plus the effect of debt hedging, less a cash allowance of 75% of cash and cash equivalents, divided by normalised earnings before interest, tax, depreciation and amortisation (normalised EBITDA) excluding share of loss/profit of equity accounted investees and net foreign exchange losses/gains. Debt and EBITDA are adjusted to include amounts relating to businesses classified as held for sale and Discontinued Operations respectively.

Normalised earnings per share (EPS)
Normalised earnings per share means normalised profit after tax attributed to equity holders divided by the weighted average number of shares for the period

Return on capital
Return on capital is calculated as EBIT less a notional tax charge, divided by capital employed including certain intangibles (brands and goodwill) and equity accounted investments.

Capital expenditure (CAPEX)
Capital expenditure comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets, and net purchases of livestock, and includes amounts relating to businesses classified as held for sale.

Net Debt
Net interest bearing debt including lease liabilities and the effect of debt hedging. It reflects total borrowings plus bank overdraft less cash and cash equivalents and non-current interest-bearing advances, adjusted for derivatives used to manage changes in hedged risks on Debt instruments. It excludes net borrowings attributed to businesses classification as held for sale

Unallocated costs
Represents corporate costs including Co-operative Affairs and Group Functions; and any other costs that are not directly associated to the reporting segments

Non-GAAP Measures

Fonterra uses several non-GAAP measures when discussing financial performance. These measures include normalised Profit After Tax, normalised EBIT, EBIT, normalised earnings per share and normalisation adjustments. Total Group measures present the combined financial performance of the Group's continuing and discontinued operations.

Non-GAAP financial measures are not defined by NZ IFRS. Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They are 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. These non-GAAP measures are not subject to audit unless they are included in Fonterra's audited Annual Financial Statements.

Reconciliations of the NZ IFRS measures to the non-GAAP measures used by Fonterra can be found in the Non-GAAP measures section of the Interim Report 2021 that is available on Fonterra's website.

Fonterra Co-operative Group Limited

Distribution Notice

Section 1: Issuer information				
Name of issuer	Fonterra Co-operative Group Limited			
Financial product name/description	Fonterra Co-operative Group Limited Shares			
NZX ticker code	FCG			
ISIN (If unknown, check on NZX website)	NZFCGE0001S7			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year		Quarterly	
	Half Year	X	Special	
	DRP applies			
Record date	24/03/2021			
Ex-Date (one business day before the Record Date)	23/03/2021			
Payment date (and allotment date for DRP)	15/04/2021			
Total monies associated with the distribution[1]	$80,667,894			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution[2]	$0.05000000			
Gross taxable amount [3]	$0.05000000			
Total cash distribution[4]	$0.05000000			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	N/A			

[1] Based on the number of units on issue at the date of the form.
[2] "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (**RWT**).
[3] "Gross taxable amount" is the gross distribution minus any excluded income.
[4] "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should *include* any excluded amounts, where applicable to listed PIEs.

Section 3: Imputation credits and Resident Withholding Tax[5]		
Is the distribution imputed	~~Fully imputed~~	
	~~Partial imputation~~	
	No imputation	
If fully or partially imputed, please state imputation rate as % applied[6]	N/A	
Imputation tax credits per financial product	N/A	
Resident Withholding Tax per financial product	0.01650000	
Section 4: Distribution re-investment plan (if applicable)		
DRP % discount (if any)	N/A	
Start date and end date for determining market price for DRP	N/A	N/A
Date strike price to be announced (if not available at this time)	N/A	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	N/A	
DRP strike price per financial product	N/A	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	N/A	
Section 5: Authority for this announcement		
Name of person authorised to make this announcement	Anya Wicks	
Contact person for this announcement	Anya Wicks	
Contact phone number	(09) 374 9341	
Contact email address	Anya.wicks@fonterra.com	
Date of release through MAP	17/03/2021	

[5] The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.
[6] Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.

Supplementary Information

For the 2020 financial year relating to the new operating model

17 March 2021

In our FY21 interim results, we have reported our financial performance based on our new operating model and this includes the new reportable segments plus some other additional supplementary information.

Our new operating model is based around three regional business units (Asia Pacific, AMENA, and Greater China) supported by a shared infrastructure that includes New Zealand milk collection and processing operations and assets Group IT, Innovation functions and a Central Portfolio Management function. We refer to the shared infrastructure as Group Operations.

Fonterra's new reportable segments are each of the three regions: APAC, AMENA and Greater China.

In our FY21 interim results we also provide additional supplementary information, including:

- For each region, performance by product channel: Ingredients, Foodservice and Consumer;
- The amount of Group Operations' earnings before interest and tax (EBIT) that has been attributed to each region;
- Summary earnings performance for each of the Australian and Latin American businesses;
- Summary earnings performance split between New Zealand and non-New Zealand sourced milk; and
- Regional and product performance for New Zealand sourced milk.

This pack includes this additional supplementary unaudited information for FY20 to assist with comparison of performance over the periods.

Summary of Regional Performance[1]

31 July 2020					
Normalised basis NZD million	**Total**	**Asia Pacific**	**AMENA**	**Greater China**	**Unallocated Costs and Eliminations**
Sales volume ('000 MT)[2]	**3,842**	1,406	1,433	1,021	(18)
Revenue	**20,282**	7,139	7,819	5,364	(40)
Cost of goods sold	**(17,236)**	(5,939)	(6,750)	(4,591)	44
Gross profit	**3,046**	1,200	1,069	773	4
Gross margin	**15.0%**	16.8%	13.7%	14.4%	–
Operating expenses	**(2,194)**	(951)	(612)	(390)	(241)
Other[3]	**(5)**	(1)	(6)	(12)	14
EBIT[4]	**847**	248	451	371	(223)
Includes EBIT attribution from Group Operations[5]	**170**	55	27	88	–
EBIT excludes discontinued operations	**32**	–	21	11	–

EBIT Contribution of Regions and Product Channels[1]

31 July 2020				
Normalised basis EBIT (NZD million)	**Total**	**Asia Pacific**	**AMENA**	**Greater China**
Ingredients	**714**	143	395	176
Foodservice	**221**	7	(15)	229
Consumer	**135**	98	71	(34)
Unallocated costs & eliminations	**(223)**	–	–	–
Continuing operations[6]	**847**	248	451	371
Discontinued operations	**32**	–	21	11
Total Group EBIT	**879**			

1 Regions performance is shown on a continuing operations basis.
2 Includes sales to other regions.
3 Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.
4 EBIT includes Group Operations attribution.
5 The Group Operations attribution is the EBIT attribution from a shared infrastructure that includes New Zealand milk collection and processing operations and assets, Group IT and Innovation and a Central Portfolio Management function.
6 Include unallocated costs and eliminations to add across.

Asia Pacific[1]

31 July 2020				
Normalised basis NZD million	**Total**	**Ingredients**	**Foodservice**	**Consumer**
Sales volume ('000 MT)[2]	**1,406**	623	143	640
Revenue	**7,139**	3,693	918	2,528
Cost of goods sold	**(5,939)**	(3,285)	(778)	(1,876)
Gross profit	**1,200**	408	140	652
Operating expenses	**(951)**	(271)	(136)	(544)
Other[3]	**(1)**	6	3	(10)
EBIT[4]	**248**	143	7	98
Includes EBIT attribution from Group Operations [5]	**55**			
Gross margin	**16.8%**	11.0%	15.3%	25.8%

Australia Performance[6]

Normalised basis NZD million	**31 July 2020**
Production volume ('000 MT)	**365**
Sales volume ('000 MT)[2]	**406**
Revenue	**2,036**
Cost of goods sold	**(1,821)**
Gross profit	**215**
Operating expenses	**(157)**
Other[3]	**(3)**
EBIT	**55**
Gross margin	**10.6%**

1 *Asia Pacific performance represents continuing operations.*
2 *Includes sales to other regions.*
3 *Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.*
4 *EBIT includes Group Operations attribution.*
5 *Included in Asia Pacific's EBIT is the Group Operations attribution of $55 million.*
6 *Performance does not include Group Operations attribution.*

AMENA Performance[1]

31 July 2020				
Normalised basis NZD million	**Total**	**Ingredients**	**Foodservice**	**Consumer**
Sales volume ('000 MT)[2]	**1,433**	1,041	14	378
Revenue	**7,819**	6,522	158	1,139
Cost of goods sold	**(6,750)**	(5,746)	(139)	(865)
Gross profit	**1,069**	776	19	274
Operating expenses	**(612)**	(378)	(37)	(197)
Other[3]	**(6)**	(3)	3	(6)
EBIT[4]	**451**	395	(15)	71
Includes EBIT attribution from Group Operations[5]	**27**			
Gross margin	**13.7%**	11.9%	12.0%	24.1%

Latin America Performance[6,7]

Normalised basis NZD million	31 July 2020
Sales volume ('000 MT)[14]	**346**
Revenue	**926**
Cost of goods sold	**(685)**
Gross profit	**241**
Operating expenses	**(192)**
Other[3]	**(7)**
EBIT	**42**
Gross margin	**26.0%**

1 *AMENA's performance represents continuing operations.*
2 *Includes sales to other regions.*
3 *Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.*
4 *EBIT includes Group Operations attribution.*
5 *Included in AMENA's EBIT is the Group Operations attribution of $27 million.*
6 *Performance does not include Group Operations attribution.*
7 *Latin America includes Chile, Brazil and Venezula*

Greater China Performance[1]

31 July 2020				
Normalised basis NZD million	**Total**	**Ingredients**	**Foodservice**	**Consumer**
Sales volume ('000 MT)[2]	**1,021**	691	257	73
Revenue	**5,364**	3,471	1,555	338
Cost of goods sold	**(4,591)**	(3,136)	(1,222)	(233)
Gross profit	**773**	335	333	105
Operating expenses	**(390)**	(149)	(102)	(139)
Other[3]	**(12)**	(10)	(2)	–
EBIT[4]	**371**	176	229	(34)
Includes EBIT attribution from Group Operations[5]	**88**			
Gross margin	**14.4%**	9.7%	21.4%	31.1%

Group Operations Attribution

31 July 2020				
Normalised basis NZD million	**Total**	**Asia Pacific**	**AMENA**	**Greater China**
EBIT Group Attribution	**170**	55	27	88

New Zealand and non-New Zealand Milk Performance[6]

31 July 2020			
NZD million	**Total**	**New Zealand Milk**	**Non-New Zealand Milk**
Sales volume ('000 MT)	**3,842**	3,003	839
Revenue	**20,282**	17,212	3,070
Cost of goods sold	**(17,236)**	(14,615)	(2,621)
Gross profit	**3,046**	2,597	449
Operating expenses	**(2,194)**	(1,813)	(381)
Other[3]	**(5)**	(7)	2
EBIT	**847**	777	70
Discontinued Operations	**32**	–	32
Gross margin	**15.0%**	15.1%	14.6%

1 *Greater China performance represents Continuing Operations.*
2 *Includes sales to other regions.*
3 *Consists of other operating income, net foreign exchange gains and losses, share of profit or loss on equity accounted investees.*
4 *EBIT includes Group Operations attribution.*
5 *Included in Greater China's EBIT is the Group Operations attribution of $88 million.*
6 *Shown on a continuing operations basis.*

New Zealand Milk by Product Channel – Sales Volume[1]

31 July 2020					
('000 MT)	Total	Ingredients	Foodservice	Consumer	Unallocated Costs and Eliminations
Asia Pacific	**1,079**	518	116	445	–
AMENA	**981**	922	12	47	–
Greater China	**961**	676	220	65	–
Eliminations	**(18)**	–	–	–	(18)
Total	**3,003**	**2,116**	**348**	**557**	**(18)**

New Zealand Milk by Product Channel – Revenue[26]

31 July 2020					
NZD million	Total	Ingredients	Foodservice	Consumer	Unallocated Costs and Eliminations
Asia Pacific	**5,673**	3,135	706	1,832	–
AMENA	**6,359**	5,959	79	321	–
Greater China	**5,220**	3,409	1,495	316	–
Eliminations	**(40)**	–	–	–	(40)
Total	**17,212**	**12,503**	**2,280**	**2,469**	**(40)**

New Zealand Milk by Product Channel – Gross Margin[26]

31 July 2020				
NZD million	Total	Ingredients	Foodservice	Consumer
Asia Pacific	**17.8%**	12.1%	14.9%	28.7%
AMENA	**12.8%**	12.4%	26.6%	17.4%
Greater China	**14.8%**	9.8%	22.2%	33.2%
Total	**15.1%**	**11.6%**	**20.1%**	**27.8%**

New Zealand Milk by Product Channel – EBIT[26]

31 July 2020					
NZD million	Total	Ingredients	Foodservice	Consumer	Unallocated Costs and Eliminations
Asia Pacific	**206**	165	(7)	48	–
AMENA	**405**	374	7	24	–
Greater China	**389**	175	239	(25)	–
Eliminations	**(223)**	–	–	–	(223)
Total	**777**	**714**	**239**	**47**	**(223)**

1 *Shown on a continuing operations basis.*