

Fonterra Shareholders' Fund

Results for Announcement to the Market

Results for announcement to the market		
Name of issuer	Fonterra Shareholders' Fund	
Reporting Period	6 months to 31 January 2022	
Previous Reporting Period	6 months to 31 January 2021	
Currency	NZD	
	Amount (m's)	Percentage change
Revenue from continuing operations	(\$10)	(112%)
Total Revenue	(\$10)	(112%)
Net profit/(loss) from continuing operations	\$nil	-%
Total net profit/(loss)	\$nil	-%
Interim Distribution		
Amount per Quoted Equity Security	\$0.05	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	24/03/2022	
Distribution Payment Date	14/04/2022	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$3.50	\$4.54
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. Revenue from continuing operations comprises net fair value movements of Economic Rights of Fonterra Shares, and (if any) dividend income.	
Authority for this announcement		
Name of person authorised to make this announcement	Andrew Cordner	
Contact person for this announcement	Simon Till	
Contact phone number	+64 21 777 807	
Contact email address	Investor.relations@fonterra.com	
Date of release through MAP	17/03/2022	

Unaudited interim financial statements accompany this announcement.

Fonterra Shareholders' Fund Interim Financial Statements

FOR SIX MONTHS ENDED 31 JANUARY 2022

FONTERRA
SHAREHOLDERS'
FUND.



Dairy for life

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Chairman's Report

Dear unit holders

At the start of the 2022 Financial Year (FY22) Fonterra set out its long-term strategy and targets for the value it is aiming to create over the next eight years. Fonterra also shared its aspiration to be net zero with its emissions by 2050.

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

Fonterra CEO Miles Hurrell believes that while it's early days, they are making good progress in putting in place the necessary building blocks to achieve their 2030 targets.

I will take the opportunity to note in this report some of the highlights and challenges so far. For further clarity and detail, I encourage you to read Fonterra's FY22 Interim Report.

Fonterra's performance for the six months to 31 January 2022 reflects consistent and strong demand across its multiple markets and products at a time when constrained milk supply and a significantly higher cost of milk are having a significant impact.

Profit after tax for the first six months to 31 January 2022 is \$364 million, and an interim dividend of 5 cents per share has been declared. As a result, unit holders will receive an interim distribution of 5 cents per unit. The record date for the interim distribution is 24 March 2022 and the payment date is 14 April 2022. The suspension of the distribution reinvestment plan remains in place as Fonterra progresses the requirements to be able to implement its Flexible Shareholding structure.

Performance for the first six months to 31 January 2022

Fonterra's cost of milk has been around \$2 per kgMS higher for the first six months relative to the prior year. In the context of this significant increase Fonterra has performed well.

Fonterra's gross margin in its Ingredients channel improved for the first six months compared to the same period last year. This was mainly due to improved pricing, particularly in the protein portfolio for its casein and whey protein concentrate products. However, the higher cost of milk put pressure on Fonterra's gross margins in the Foodservice and Consumer channels, and it also felt the impact of COVID-19 in many of its markets. Lower New Zealand milk collections reduced total production, and this impacted overall sales volumes.

Despite these challenges, the region comprising Africa, Middle East, Europe, North Asia, and Americas (AMENA) has had a strong start to the year, delivering a 25% increase in normalised EBIT to \$250 million. Fonterra achieved this through improved pricing and product mix in the Ingredients channel and continued volume and gross margin growth in its consumer business in Chile.

In Greater China, Fonterra continues to see strong demand for dairy as it finds new ways to drive demand. However, normalised EBIT from this region is down 20% to \$236 million, mainly due to the Foodservice channel where, despite steady volumes, the higher milk cost has impacted gross margins.

In Asia Pacific, normalised EBIT decreased 33% to \$158 million. Fonterra's Australian business experienced improved gross margins due to better pricing in its Ingredients channel. However, this was more than offset by lower gross margins in the Foodservice and Consumer channels across the Asia Pacific region, which was most notable in the South East Asia and New Zealand businesses.

Overall, Fonterra's Total Group normalised EBIT is down \$77 million to \$607 million. However, the decrease in EBIT was partially offset by lower interest expense due to reduced debt levels and gains from fixed interest rate hedges as interest rates have risen. Consequently, Fonterra's normalised profit after tax of \$364 million is down \$54 million.

Outlook for the remainder of FY22

Fonterra has reaffirmed the forecast Farmgate Milk Price range of \$9.30 – \$9.90 per kgMS and forecast normalised earnings guidance of 25 – 35 cents per share.

Fonterra has noted that pricing within its Ingredients channel, for both reference products (which inform its farmgate milk price) and non-reference products, has been supportive of both milk price and earnings and expects this to continue in the second half. However, pressure will remain on its Foodservice and Consumer channel gross margins due to the higher input costs.

Fonterra has highlighted several risks they are continuing to watch closely in the second half. These include inflationary pressures, the potential impact of high dairy prices on demand, economic disruption due to the rapid spread of the Omicron variant and geopolitical events, such as Russia's invasion of Ukraine.

Progress towards 2030 targets

Fonterra's short-term financial performance is critical, as it funds the future. However, it is also aware it needs to focus on its long-term targets and, as a result, take action today that will pay off in the future. Fonterra CEO Miles Hurrell considers that solid progress is being made across all three of Fonterra's strategic choices.

Focus on New Zealand milk

Fonterra believes its new 'Flexible Shareholding' capital structure is critical in helping maintain a sustainable New Zealand milk supply in an increasingly competitive environment. Following the positive farmer vote in December, discussions with the Government are progressing well and Fonterra expects to be able to provide a timeline for the implementation to farmers and unit holders in the next couple of months.

Fonterra is also continuing to make progress on the divestment of its Chilean business and the ownership review of the Australian business. As noted earlier, both businesses are performing well this year and it is Fonterra's priority to maximise their value. Hence, Fonterra will take time to ensure the best outcomes from these processes and remains confident on delivering on its intention to return around \$1 billion of capital to Fonterra shareholders and unit holders by FY24.

Be a leader in dairy innovation and science

Fonterra continues to build on its legacy of dairy innovation, developing new solutions to solve problems customers face and helping people live longer and healthier lives. In doing so, it is looking at new ways to commercialise its intellectual property.

An example of this is the collaboration with VitaKey. VitaKey specialises in precision delivery of nutrition – an emerging area of research that seeks to deliver the right nutrients, in the right amount, to the right part of the body at the right time. Fonterra is working with them to explore how they can apply their capability to specific dairy nutrients in a way that allows the nutrients to be more active and beneficial in the body. This has started with two of Fonterra's probiotics that are used to address digestive issues and immunity.

Be a leader in sustainability

By investing in sustainability, Fonterra is making sure its milk is backed by the sustainability credentials consumers want and will be better able to support customers in their sustainability journey.

In this regard, finding a solution to the methane challenge will be significant. Fonterra is excited about the results of the next phase in the Kowbucha™ trials - a probiotic which could switch off the bugs that create methane in cows. After moving from the lab to farm, initial results have shown a reduction in methane emissions of up to 20% when fed to calves. The trial is now continuing to the next phase.

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

As said earlier, it is only early days on the long-term strategy – but it is evident progress is underway.

Capital Structure Review

As noted above, Fonterra is continuing to negotiate with the Government to achieve the legislative changes required to implement the new flexible shareholding structure. In communications with unit holders last year, the independent directors of the manager of the Fonterra Shareholders' Fund explained their concerns over the impact of the restructuring on the unit price, and advocated that Fonterra make an offer to unit holders to buy the Fund out. They noted that the purpose underlying the formation of the Fund was no longer relevant and that its retention under the new capital structure could have a further negative impact on value for unit holders.

Fonterra has not accepted the independent directors' recommendation. They say that consultation with farmers shows that they want to retain the Fund. They also argue that having the Fund provides transparency and scrutiny (from analysts and others) that is positive for all investors, including farmer shareholders.

The independent directors are not able to force a buyout of the Fund.

Looking ahead, the value of units will primarily be a function of Fonterra's earnings' performance and dividends. To that end it is positive to see Fonterra maintaining its current year earnings forecast.

We will continue to monitor the impact of the restructuring proposals on unit holders, and to communicate accordingly. We will also continue to emphasise to Fonterra the importance of unit holders as a stakeholder group.



John Shewan



Manager's Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

FSF Management Company Limited (the Manager) presents to the unit holders the interim financial statements for the Fonterra Shareholders' Fund (the Fund) for the six months ended 31 January 2022.

The Manager is responsible for presenting interim financial statements for the six months which fairly present the financial position of the Fund and its financial performance and cash flows for that period.

The Manager considers the interim financial statements of the Fund 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 Manager believes that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Fund and facilitate compliance of the interim financial statements with the Financial Markets Conduct Act 2013 and the Fonterra Shareholders' Fund Trust Deed.

The Manager considers that it has taken adequate steps to safeguard the assets of the Fund, and to prevent and detect fraud and other irregularities.

The Manager approves and authorises for issue the interim financial statements for the six months ended 31 January 2022 presented on pages 7 to 11.

For and on behalf of the Board of the Manager:



John Shewan
Chairman
FSF Management Company Limited

16 March 2022



Kimmitt Ellis
Director
FSF Management Company Limited

16 March 2022

Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

	\$ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Net fair value (loss)/gain on revaluation of Economic Rights of Fonterra shares	(26)	76	(9)
Dividend income	16	5	11
Investment (expense)/income	(10)	81	2
Net decrease/(increase) in fair value of amounts attributable to unit holders	26	(76)	9
Distributions to unit holders	(16)	(5)	(11)
Finance income/(cost)	10	(81)	(2)
Profit before tax	–	–	–
Tax expense	–	–	–
Profit for the period	–	–	–

There are no items of other comprehensive income.

Statement of Changes in Amounts

Attributable to Unit Holders

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

	\$ MILLION
Amounts attributable to unit holders at 1 August 2021	402
Movements:	
Revaluation of amounts attributable to unit holders	(26)
Issue of units	–
Redemption of units	–
Amounts attributable to unit holders at 31 January 2022 (unaudited)	376
Amounts attributable to unit holders at 1 August 2020	400
Movements:	
Revaluation of amounts attributable to unit holders	76
Issue of units	21
Redemption of units	(14)
Amounts attributable to unit holders at 31 January 2021 (unaudited)	483
Amounts attributable to unit holders at 1 August 2020	400
Movements:	
Revaluation of amounts attributable to unit holders	(9)
Issue of units	51
Redemption of units	(40)
Amounts attributable to unit holders at 31 July 2021 (audited)	402

The accompanying notes form part of these interim financial statements.

Statement of Financial Position

AS AT 31 JANUARY 2022

	NOTES	\$ MILLION		
		31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Assets				
Economic Rights of Fonterra shares	2	376	483	402
Total assets		376	483	402
Liabilities				
Amounts attributable to unit holders	3	376	483	402
Total liabilities		376	483	402

Cash Flow Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

	\$ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Cash flows from operating activities			
Cash was provided from:			
– Sale of Economic Rights of Fonterra shares	–	14	40
– Dividends received (net of dividends reinvested)	16	4	10
Cash was applied to:			
– Purchase of Economic Rights of Fonterra shares	–	(20)	(50)
Net cash flows from operating activities	16	(2)	–
Cash flows from financing activities			
Cash was provided from:			
– Proceeds from issue of units	–	20	50
Cash was applied to:			
– Outflows on redemption of units	–	(14)	(40)
– Distributions paid to unit holders (net of distributions reinvested)	(16)	(4)	(10)
Net cash flows from financing activities	(16)	2	–
Net change in cash and cash equivalents	–	–	–
Cash and cash equivalents at the beginning of the period	–	–	–
Cash and cash equivalents at the end of the period	–	–	–

The accompanying notes form part of these interim financial statements.

Significant Accounting Policies

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

a) General information

The Fonterra Shareholders' Fund (FSF or the Fund) is a New Zealand managed investment scheme established to be the 'Authorised Fund' under Fonterra's Trading Among Farmers scheme. It is registered under the Financial Markets Conduct Act 2013 and its governing document is the Fonterra Shareholders' Fund Trust Deed (the Trust Deed) dated 23 October 2012 (as amended) and has a life of 80 years. Under the Trust Deed, the Fund may invest only in authorised investments, which are Economic Rights of Fonterra shares (Economic Rights), and issue units to investors. It may not invest directly in Fonterra shares.

The Fund is listed on the NZX Main Board operated by NZX Limited and as a Foreign Exempt Listing on the Australian Securities Exchange operated by ASX Limited. The Manager is an FMC reporting entity under the Financial Markets Conduct Act 2013.

These interim financial statements were authorised for issue by the Manager on 16 March 2022.

Fonterra interim financial statements

Investors are encouraged to read the interim financial statements of Fonterra Co-operative Group Limited (Fonterra), together with the interim financial statements of the Fund, given that the performance of the Fund is driven by the performance of Fonterra. The Fonterra interim financial statements can be found at www.fonterra.com in the 'Investors/Results & Reporting' section.

Fonterra's capital structure review

At a Special Meeting held on 9 December 2021, Fonterra shareholders voted in favour of capital structure related amendments to Fonterra's Constitution that would give effect to the Flexible Shareholding structure. The Constitution amendments and new structure will come into effect once the Fonterra Board is satisfied that any steps necessary for implementation have been (or will be) completed. The Co-operative is aiming to implement the changes as soon as possible from the beginning of next season, which commences on 1 June 2022.

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

Activities

The principal activity of the Fund is to acquire Economic Rights and issue units to investors to allow investors in the Fund an opportunity to earn returns based on the financial performance of Fonterra.

Since Fonterra's capital review was announced on 6 May 2021 the ability for the Fund to acquire Economic Rights and issue units to investors on a day-to-day basis has been suspended and this remains, as a capped Fund is a feature of the Flexible Shareholding structure that Fonterra shareholders voted in favour of at a Special Meeting held on 9 December 2021. The Flexible Shareholding structure also sets the overall limit on the Fund size at 10% of the total number of Fonterra shares on issue, rather than its current size, which is around 6.7%. This provides scope for the Fund to be increased in size up to 10% in the future, subject to Fonterra Board approval.

Units continue to be available on the NZX or ASX to buy and sell and unit holders continue to be eligible to receive distributions.

b) Basis of preparation

These unaudited interim financial statements comply 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 financial statements for the year ended 31 July 2021.

These interim financial statements are presented in New Zealand dollars (\$), which is the Fund's functional and presentation currency, and rounded to the nearest million, except where otherwise stated.

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the financial statements for the year ended 31 July 2021.

c) Operating segments

The Fund's investments only include Economic Rights assets and the Fund's performance is evaluated on an overall basis. Therefore, the Fund is a single-segment entity.

All of the Fund's income is from investments in the Economic Rights.

The internal reporting provided to the Board of the Manager, which is the Fund's chief operating decision maker, for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of NZ IFRS. The Board of the Manager reviews the Fund's internal reporting in order to assess the performance and position of the Fund.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

1 Fair Value Measurement

The Fund measures the Economic Rights and amounts attributable to unit holders at fair value.

The Fund uses the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. The Fund has no Level 3 instruments.

The Fund's amounts attributable to unit holders is a Level 1 instrument as the unit price is quoted on the NZX Main Board, which is considered to be an active market. The Manager considers market prices to be the most representative measure of fair value as they are used by market participants as a practical expedient for fair value measurement.

The market is monitored on an on-going basis to confirm that it remains active for the purposes of establishing fair value.

Economic Rights are Level 2 instruments as Economic Rights are not listed and there is no active market for Economic Rights assets. Economic Rights are valued using the quoted price of units (which are considered to be a materially comparable instrument) in the Fund listed on the NZX Main Board. The validity of assumptions relating to the comparability between a unit and an Economic Right has been considered in the context of Fonterra's capital structure review and remains appropriate.

There have been no transfers between the categories in the fair value hierarchy during any of the periods presented.

2 Economic Rights of Fonterra Shares

The Economic Rights are held on trust for the Fund by the Fonterra Farmer Custodian Trust under the Fonterra Economic Rights Trust.

	AS AT 31 JAN 2022 UNAUDITED	AS AT 31 JAN 2021 UNAUDITED	AS AT 31 JUL 2021 AUDITED
Value of Economic Rights (\$ million)	376	483	402
Number of Economic Rights	107,417,322	106,336,396	107,420,162

The Economic Rights are measured at fair value, calculated as the number of Economic Rights held multiplied by the established fair value for each Economic Right.

	\$ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Opening value of Economic Rights	402	400	400
Movements:			
Purchase of Economic Rights ¹	–	21	51
Sale of Economic Rights	–	(14)	(40)
Revaluation of Economic Rights	(26)	76	(9)
Closing value of Economic Rights	376	483	402

¹ There have been no Economic Rights acquired in conjunction with Fonterra's Dividend Reinvestment Plan for the six months ended 31 January 2022 (31 January 2021: \$0.6 million; 31 July 2021: \$0.6 million).

3 Amounts Attributable to Unit Holders

	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2022 UNAUDITED	31 JAN 2021 UNAUDITED	31 JUL 2021 AUDITED
Value of amounts attributable to unit holders at the end of the period (\$ million)¹	376	483	402
Opening number of units on issue²	107,420,162	104,581,516	104,581,516
Movements:			
Number of units issued ³	–	5,111,889	11,794,492
Number of units redeemed	(2,840)	(3,357,009)	(8,955,846)
Closing number of units on issue	107,417,322	106,336,396	107,420,162

¹ The amounts attributable to unit holders is measured at fair value, calculated as the number of units on issue multiplied by the unit market price at 31 January 2022 of \$3.50 (31 January 2021: \$4.54; 31 July 2021: \$3.74).

² Included in the total number of units is one Fonterra unit, held by the Fonterra Farmer Custodian Trust, which was issued at inception of the Fund. The key rights of the Fonterra unit holder are set out in the Fund's Annual Financial Statements for the year ended 31 July 2021.

³ No units have been issued under the Distribution Reinvestment Plan for the six months ended 31 January 2022 (31 January 2021: 145,300 units with a value of \$0.6 million; 31 July 2021: 145,300 units with a value of \$0.6 million).

4 Net Assets per Security

As at 31 January 2022, the net assets per unit on issue was \$3.50 (31 January 2021: \$4.54; 31 July 2021: \$3.74).

5 Commitments and Contingent Liabilities

The Fund has no material commitments or contingent liabilities as at 31 January 2022 (31 January 2021: nil; 31 July 2021: nil).

6 Subsequent Events

Declaration of distribution

On 16 March 2022, the Board of Directors of Fonterra declared an interim dividend of 5 cents per share. Following Fonterra's dividend declaration, the Board of the Manager declared an interim distribution of 5 cents per unit. The distribution will be paid on 14 April 2022 to the unit holders on the register at 24 March 2022.

The Distribution Reinvestment Plan does not apply to this distribution.

Changes in unit price

Units are traded on the NZX and ASX and accordingly the unit price changes regularly, including during the period between balance date and the date these interim financial statements were authorised for issue. Changes in the market price of the units result in a corresponding change in the value of the Economic Rights asset held by the Fund. Daily unit prices are available on the NZX website.

Independent Review Report



To the unit holders of Fonterra Shareholders' Fund

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 of 31 January 2022;
- the statements of comprehensive income, changes in amounts attributable to unit holders and the cash flow statement 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 7 to 11 do not:

- i. present fairly in all material respects, the Fund's financial position as at 31 January 2022 and its financial performance and cash flows for the 6 month period ended on that date; and
- 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 Shareholders' Fund, 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 Fund.

Use of this Independent Review Report

This report is made solely to the unit holders as a body. Our review work has been undertaken so that we might state to the unit holders 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 unit holders as a body for our review work, this report, or any of the opinions we have formed.

Responsibilities of the Manager for the interim financial statements

The Manager, on behalf of the Fund, 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
Auckland

16 March 2022

Directory

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**FONTERRA
SHAREHOLDERS'
FUND.**



Dairy for life

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Fonterra Shareholders' Fund

Results for Announcement to the Market

Distribution Notice

Section 1: Issuer information				
Name of issuer	Fonterra Shareholders' Fund			
Financial product name/description	Fonterra Shareholders' Fund Units			
NZX ticker code	FSF			
ISIN (If unknown, check on NZX website)	NZFSFE0001S5			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year		Quarterly	
	Half Year	X	Special	
	DRP applies			
Record date	24/03/2022			
Ex-Date (one business day before the Record Date)	23/03/2022			
Payment date (and allotment date for DRP)	14/04/2022			
Total monies associated with the distribution ¹	\$5,370,866			
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)	\$0.05000000			
Supplementary distribution amount	Not Applicable			

NOTE: FSF is a Foreign Investment Variable Rate PIE. The whole distribution is excluded income for NZ resident investors. PIE tax (for resident investors) or NRWT (for non-residents) may be deducted at the rate appropriate for the investor.

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 Tax⁵

Is the distribution imputed	Fully imputed
	Partial imputation
	No imputation
If fully or partially imputed, please state imputation rate as % applied ⁶	Not Applicable
Imputation tax credits per financial product	Not Applicable
Resident Withholding Tax per financial product	\$-

Section 4: Distribution re-investment plan (if applicable)

DRP % discount (if any)	Not Applicable	
Start date and end date for determining market price for DRP	Not Applicable	Not Applicable
Date strike price to be announced (if not available at this time)	Not Applicable	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	Not Applicable	
DRP strike price per financial product	Not Applicable	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	Not Applicable	

Section 5: Authority for this announcement

Name of person authorised to make this announcement	Andrew Cordner
Contact person for this announcement	Simon Till
Contact phone number	+64 21 777 807
Contact email address	Investor.relations@fonterra.com
Date of release through MAP	17/3/2022

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.