



Market Announcement

26 May 2022

Fonterra provides Milk Price and performance update

Fonterra today announced its 2022/23 opening forecast Farmgate Milk Price and provided an update on its third-quarter performance.

The opening forecast Farmgate Milk Price for the 2022/23 season is set at \$8.25 - \$9.75 per kgMS, with a midpoint of \$9.00 per kgMS.

CEO Miles Hurrell says the strong opening forecast reflects continued demand for dairy coupled with constrained global supply.

“The long-term outlook for dairy remains positive, despite recent geopolitical and COVID-19 related events impacting global demand in the short-term.

“On the supply side, growth from key milk producing regions is expected to remain constrained as high feed, fertiliser and energy costs continue to impact production volumes.

“These demand and supply dynamics are expected to support dairy prices in the medium to long-term.

“However, we are operating in an increasingly volatile global environment and are managing a wider range of risks than usual.

“This includes the potential for further impacts from COVID-19, financial markets and foreign exchange volatility, global inflationary pressures, a tightening labour market, increasing interest rates, geopolitical events, as well as the possible impact on demand from higher dairy prices.

“This is why our 2022/23 forecast range is so wide at this point in the season.”

For the 2021/22 season, Fonterra has maintained its 2021/22 forecast Farmgate Milk Price of \$9.10 - \$9.50 per kgMS.

“At a midpoint of \$9.30 per kgMS, this would be the highest forecast milk price in the Co-op’s history and would see us contribute almost \$14 billion into the New Zealand economy through milk price payments.”

Business performance

For the nine months ending 30 April 2022, Fonterra’s sales volumes were down as a result of lower milk collections and the timing of sales due to short-term impacts on demand including the lockdowns in China, the economic crisis in Sri Lanka and the Russia-Ukraine conflict.

Total Group normalised EBIT was \$825 million, down \$134 million reflecting lower sales volumes, continued pressure on margins from the significantly higher milk price, on-going COVID-19 disruptions, and the rapid decline of the Sri Lankan Rupee.

This was also reflected in Fonterra's Normalised Profit After Tax of \$472 million, down \$115 million and reported Profit After Tax of \$472 million, down \$131 million.

Commenting on Fonterra's performance, Mr Hurrell says despite significant market disruption, the Co-op continued to deliver a strong milk price and solid earnings.

"As an exporter, many of the markets we operate in have been prone to sudden shocks, which can impact what we sell, where we sell it and when, but right now we're feeling the impact of multiple events across multiple markets.

"We are actively managing the challenges arising from COVID-19 and other geopolitical and macroeconomic events. However, increasing market volatility and uncertainty, on-going supply chain disruptions and growing inflationary pressures have added increased complexity.

"I want to thank our employees for delivering a solid financial performance despite the challenging global conditions, and also our farmer owners, sharemilkers and contract milkers who are managing increasing costs on-farm.

"AMENA continued to deliver a strong performance. Normalised EBIT was \$406 million, up 30% due to improved gross margins in our Ingredients channel, and a strong performance from our Chilean business.

"In Greater China, Ingredients continued to benefit from increased sales of higher margin products. However, normalised EBIT was down 17% to \$317 million, due to continued pressure on our margins from the higher milk price, particularly in Foodservice, as well as the COVID-19 lockdowns. We also expect the impact of the lockdowns to show up in our fourth quarter results.

"Aside from some supermarkets, all restaurants and other food outlets were closed in Shanghai in early April to contain the Omicron outbreak. While restrictions have started to ease, a number of food outlets remain closed, while other cities across China are facing COVID-19 restrictions. The impacts of this, and the disruptions to supply chains, have been felt across the market and is reflected in our Greater China sales volumes which are down on the same time last year.

"APAC's normalised EBIT was down 43% to \$177 million. While our Australian business and Ingredients channel continued to perform well, this was more than offset by the unprecedented economic challenges in Sri Lanka, margin pressure from the higher milk price and other COVID-19 related challenges.

"While historically a good business for us, the significant deterioration of economic conditions in Sri Lanka has seen the rapid devaluation of the Sri Lankan Rupee against the US dollar.

"This means it takes more Sri Lankan Rupee to pay for product purchased from New Zealand, which is sold in US dollars, and has resulted in an \$81 million adverse revaluation of our Sri Lankan business payables owing to New Zealand. This has been reflected in our normalised EBIT, which may continue to vary as Sri Lanka's currency fluctuates."

Mr Hurrell says the Co-op's focus on financial discipline has put it in a good position to manage the impacts of these recent events.

"With over 95% of our milk contracted for the season, our strong balance sheet gives us the ability to hold higher inventory to manage the short-term impacts on demand and our sales profile.

"When combined with the increased value of our inventory, which is up due to the higher milk price, this has meant our working capital, and therefore debt, is higher than usual at this point in the season. We expect this to balance out over the course of the year.

“Total Group operating expenses have increased, up 3% to \$1,632 million mainly due to inflationary pressures and COVID-19 supply chain disruptions which have resulted in higher distribution and storage costs.”

Commenting on the rest of the year, Mr Hurrell says the Co-op is maintaining its forecast earnings guidance of 25-35 cents per share.

“While favourable price relativities in the fourth quarter are positive for earnings, we expect continued pressure on our margins due to the higher milk price coupled with the normal seasonal profile of our business.”

Progress on strategy

Mr Hurrell says, despite facing additional challenges in the third quarter, the Co-op has continued to take steps towards its long-term strategy.

“Following the Government’s announcement that it would make the necessary legislative amendments to support our new Flexible Shareholding capital structure, the government consultation process is underway, and we expect the amendments to progress through Parliament this year.

“The Government’s aspirations for our industry are well aligned to the Co-op’s. We all want a high performing dairy industry, and a successful and innovative Fonterra is central to that.

“Fonterra and the Fonterra Co-operative Council are both making a submission to ensure the voice of the Co-op and its farmers are heard.

“We are continuing our ownership review of our Australian business and the divestment process for our Chilean business, Soprole, is underway. We’re taking our time to ensure the best outcomes for both businesses and remain confident on delivering on our intention to return around \$1 billion of capital to our shareholders and unit holders by FY24.

“As part of our plan to grow our earnings by developing new innovative products and commercialising our IP, we launched Nurture in Singapore – a cultured milk beverage fortified with added vitamins and our probiotics, targeting the gut health market.

“We’ve also developed our thinking on the role our dairy expertise can play in addressing cognitive health for all ages. Consumers are becoming increasingly aware of the importance of mental health, and we have plans to launch new consumer products for improving cognition, sight and stress over the coming months.

“In sustainability, we have signaled our aspiration to be Net Zero by 2050, and we support the Government’s recently announced plan to reduce on-farm emissions through the new Centre for Climate Action on Agricultural Emissions.

“We believe methane is New Zealand’s greatest climate change challenge and finding a solution will be a game-changer. That’s why we recently announced we’re expanding the trial of methane-reducing seaweed as a supplementary feed for cows.

“Lab trials have shown the seaweed has significant potential to reduce emissions and, if on-farm trials are a success, our partnership with Sea Forest means our farmers will be at the front of the queue. This is just one of a number of initiatives we have underway in this area.

“We have also announced the trial of an electric milk tanker – the first of its kind in New Zealand.”

ENDS

Non-GAAP financial information

Fonterra uses several non-GAAP measures when discussing financial performance. Non-GAAP measures are not defined or specified by NZ IFRS.

Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They may be used internally to evaluate the underlying performance of business units and to analyse trends. These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.

For further information contact:

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Fonterra Business Update Third Quarter

26 May 2022



Third Quarter Business Update

2021/22 forecast Farmgate Milk Price

\$9.10 – \$9.50 per kgMS

Total Group EBIT¹

\$825 million

↓ \$150m

Profit after tax¹

\$472 million

↓ \$131m

Forecast normalised earnings per share²

25 – 35c

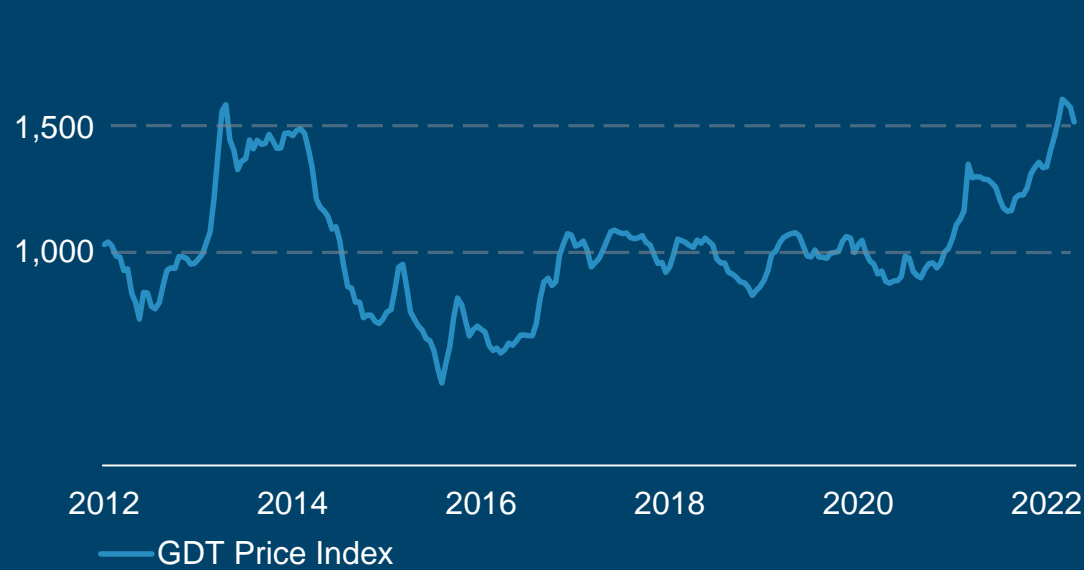
1. Unaudited reported Total Group figures are for the nine months ended 30 April 2022. This includes continuing and discontinued operations, and includes amounts attributable to non-controlling interests
2. Attributable to equity holders of the Co-operative and excludes amounts attributable to non-controlling interests



- Macroeconomic and geopolitical events impacting supply chains, market volatility and putting pressure on global economic growth
- Long-term outlook for dairy remains positive, announced strong opening 2022/23 forecast Farmgate Milk Price range
- Continuing to deliver record milk price for the current season, but short-term impacts on demand
- Diversified and resilient earnings, given ongoing margin pressure from higher milk price, ongoing COVID-19 disruptions and Sri Lanka's economic crisis
- Maintaining forecast earnings range. Incorporates Q4 seasonal profile and ongoing margin pressure

Despite recent softening, dairy prices remain at high levels and price relativities improved during Q3

GDT Price Index

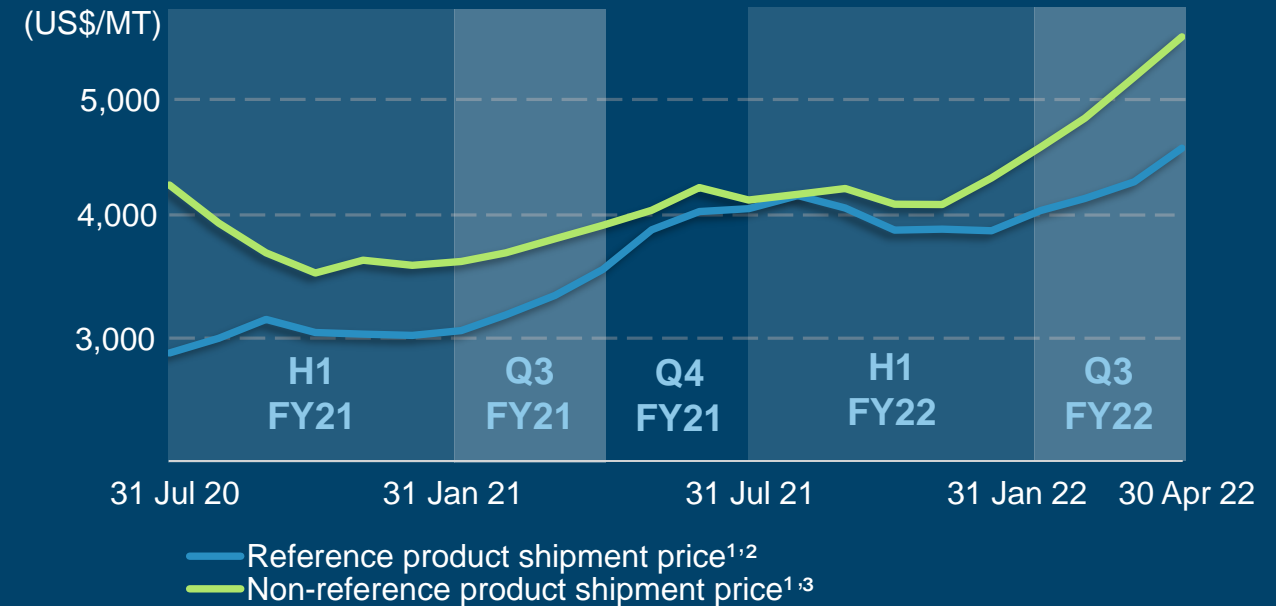


- During FY22 Q3, GDT Price Index reached highest levels since trading on the platform began
- Prices weakened near the end of Q3 due to a number of events impacting global demand

Source: GlobalDairyTrade

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

Reference and non-reference price relativities on GDT



- Price relativities improved in Q3, relative to FY22 H1
- Price relativities year-to-date are less favourable than last year

2. Reference product shipment price is represented by a weighted average of the WMP, SMP, AMF and butter prices achieved on GDT

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

Key events impacting global environment in Q3

Global inflation pressures, rising interest rates, supply chain challenges and geopolitical events are contributing to increased market volatility and downward pressure of global economic growth forecasts



Russia-Ukraine conflict

- Russia-Ukraine conflict has increased disruption of supply chains, grain and oil prices, adding to global market volatility and increased uncertainty

China

- Recent COVID-19 lockdowns in China reduced demand late in Q3 and disrupted supply chains
- Expect reduced demand to continue into Q4

Sri Lanka

- COVID-19 contributed to the rapid deterioration in economic conditions and devaluation of the rupee
- Revaluation of Sri Lankan business payables for inventory has adversely impacted our earnings

Total Group business performance

million ¹	2021 ²	2022	%Δ ³
Sales volume ('000 MT)	3,053	2,946	(4)%
Revenue (\$)	15,485	16,982	10%
Cost of goods sold (\$)	(12,986)	(14,547)	(12)%
Gross profit (\$)	2,499	2,435	(3)%
Gross margin (%)	16.1%	14.3%	
Operating expenses (\$)	(1,590)	(1,632)	(3)%
Other ⁴ (\$)	50	22	(56)%
Normalised EBIT (\$)	959	825	(14)%
Normalised profit after tax (\$)	587	472	(20)%
Normalised EPS ⁵ (cents)	34	28	(18)%

1. Total Group figures are unaudited and for the nine months ended 30 April. This includes continuing and discontinued operations and are on a normalised basis unless otherwise stated
2. 2021 performance includes Ying and Yutian China Farming hubs and China Farms joint venture, which were sold during FY21



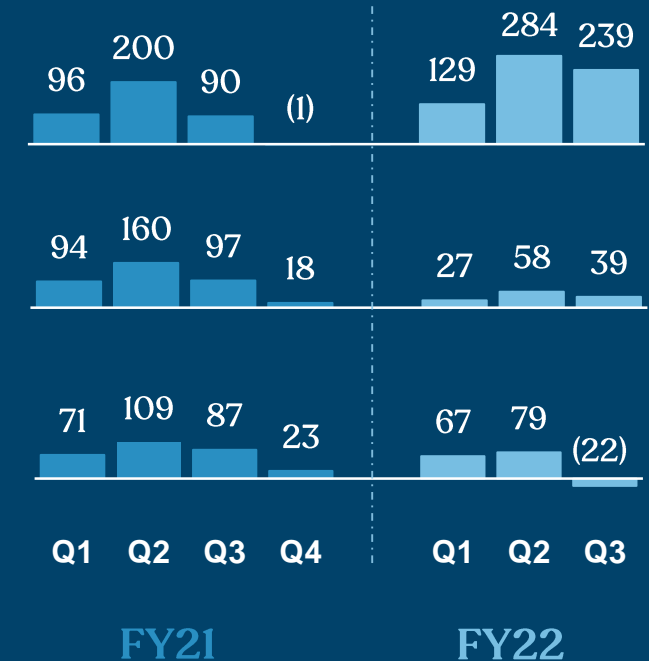
- Increased revenue from higher product prices, partially offset by lower sales volumes reflecting lower milk production and timing of sales due to short-term impacts on demand
- Solid gross profit given significant increase in costs of goods sold. Strong Ingredients gross margin, offset by higher milk price continuing to impact Foodservice and Consumer margins
- Increased operating expenses, mainly due to inflationary pressures and COVID-19 supply chain disruption
- 'Other' includes \$(81) million adverse revaluation of the Sri Lankan business payables due to devaluation of the rupee
- Normalised profit after tax is down \$115 million, due to lower earnings, partially offset by lower interest expense

3. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
4. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
5. Attributable to equity holders of the Co-operative and excludes amounts attributable to non-controlling interests

Diversified across markets and products

	Asia Pacific	AMENA	Greater China	Total
Volume ('000 MT) ¹	1,015 ↓ 1%	990 ↑ 1%	812 ↓ 9%	2,817 ↓ 3%
EBIT contribution ^{1,2}				
 Ingredients	\$136m ↑ \$80m	\$319m ↑ \$103m	\$197m ↑ \$83m	\$652m ↑ \$266m
 Foodservice	\$0m ↓ \$77m	\$2m ↓ \$13m	\$122m ↓ \$137m	\$124m ↓ \$227m
 Consumer	\$41m ³ ↓ \$135m	\$85m ↑ \$3m	\$(2)m ↓ \$11m	\$124m ↓ \$143m
Total	\$177 ↓ \$132m	\$406m ↑ \$93m	\$317m ↓ \$65m	

EBIT by Quarter^{1,2}












Note: Figures are unaudited for the nine months ended 30 April 2022

1. Prepared on a normalised continuing operations basis. Normalised EBIT contributions sum to \$900 million, and does not align to reported continuing operations due to excluding unallocated costs and eliminations

2. Inclusive of Group Operations' EBIT attribution. Comparative information includes re-presentations for consistency with the current period

3. Includes \$(81) million adverse revaluation of payables in Sri Lanka

Strong Ingredients' performance offset by lower Foodservice and Consumer margins

Asia Pacific	2021 EBIT		2022 EBIT	Change
Ingredients	\$56m		\$136m	143%
Foodservice	\$77m		\$0m	(100)%
Consumer	\$176m		\$41m ²	(77)%
	\$309m		\$177m	(43)%
AMENA				
Ingredients	\$216m		\$319m	48%
Foodservice	\$15m		\$2m	(87)%
Consumer	\$82m		\$85m	4%
	\$313m		\$406m	30%
Greater China				
Ingredients	\$114m		\$197m	73%
Foodservice	\$259m		\$122m	(53)%
Consumer	\$9m		\$(2)m	-
	\$382m		\$317m	(17)%
Eliminations ¹	\$(94)m		\$(90)m	4%
Total	\$910m		\$810m	(11)%



Note: Figures are unaudited and for the nine months ended 30 April and prepared on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period

1. Eliminations and unallocated costs

2. Includes \$(81) million adverse revaluation of payables in Sri Lanka

Progress on our long term strategy



Government support for capital structure

Government consultation underway, with amendments to progress through Parliament this year

Focus on NZ milk



Announced the trial of an electric milk tanker

The first of its kind in NZ & part of our aspiration to be Net Zero by 2050

Lead in sustainability



Progressing plans to get out of coal by 2037

Successfully completed trials of wood pellets at Hautapu & wood biomass at Edendale

Lead in dairy science & innovation



Launched Nurture

A low sugar cultured milk drink, with added vitamins and probiotics, targeting the gut health market

Forecast 2021/22 Season Farmgate Milk Price

Forecast Farmgate Milk Price

\$9.10 - \$9.50

per kgMS

- Strong demand for dairy and over 95% of milk contracted for the season
- Recent events have impacted global demand for dairy products in the short-term, in particular:
 - China COVID-19 lockdowns
 - Sri Lanka's economic crisis
 - Russia-Ukraine conflict



Source: GlobalDairyTrade. Data is up to GDT event 308 on 17 May 2022

1. Reference product shipment price is represented by a weighted average of the WMP, SMP, AMF and butter prices
2. The shipment price is a weighted average price of GDT contracts struck 1 to 5 months prior to the agreed shipment month. Shipment month is the month in which the sale would be deemed for financial reporting purposes to have been completed, and will normally be the month in which the sale is invoiced and the product is shipped

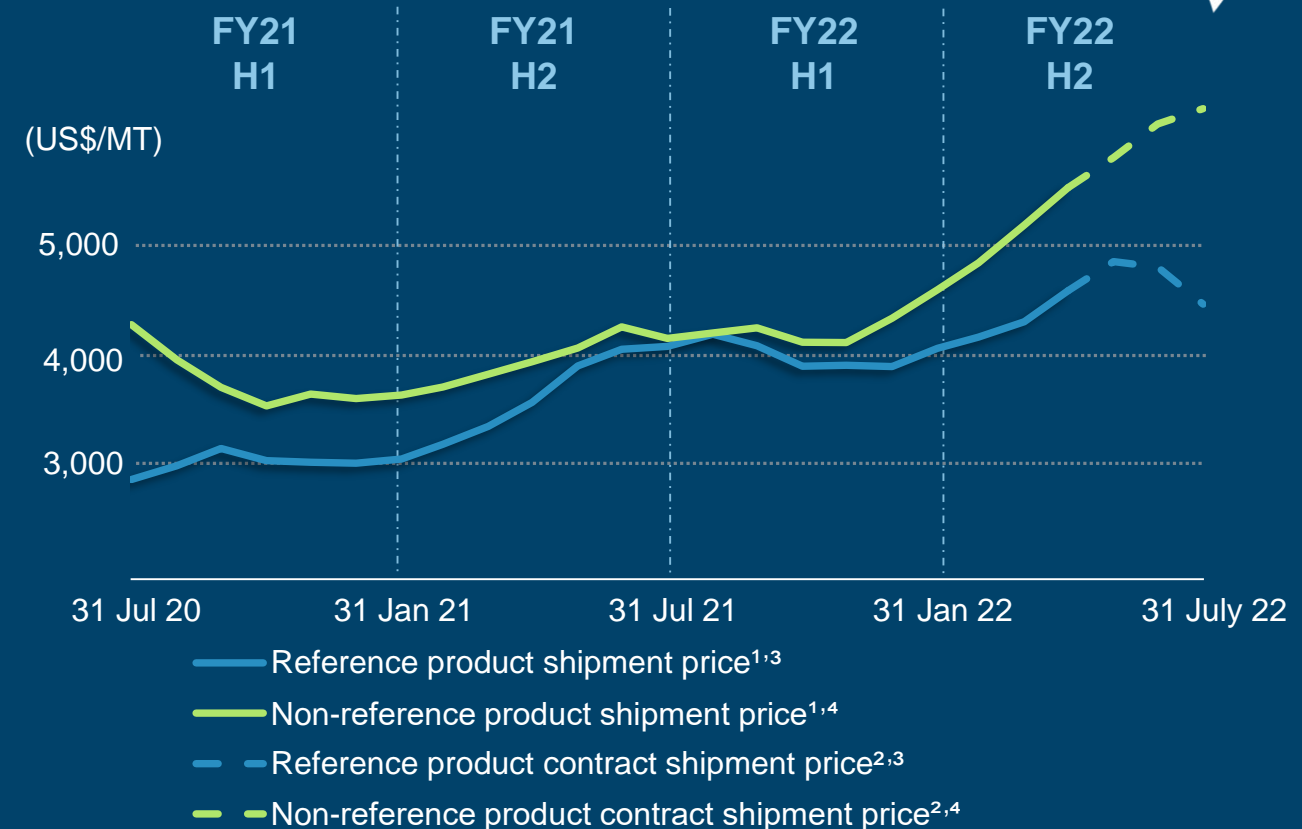
3. The contracted shipment price is the weighted average shipment price of GDT contracts won 1 to 5 months prior on the GDT platform. These contracts are yet to be shipped or invoiced and the weighted average price will change closer to the actual shipment date as new contracts are written

2022 earnings outlook

Forecast Earnings

25 - 35c
per share

- Maintained forecast earnings range:
 - Favourable price relativities in Q4 contributing to earnings, in particular from our protein portfolio such as casein
 - Incorporates Q4 seasonal profile and ongoing margin pressure
- Risk of further volatility from Sri Lankan economic situation and supply chain disruptions



Source: GlobalDairyTrade. Data is up to GDT event 308 on 17 May 2022

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

2. The contracted shipment price is the weighted average shipment price of GDT contracts won 1 to 5 months prior on the GDT platform. These contracts are yet to be shipped or invoiced and the weighted average price will change closer to the actual shipment date as new contracts are written

3. Reference product shipment price is represented by a weighted average of the WMP, SMP, AMF and butter prices achieved on GDT

4. Non-reference product shipment price is represented by the cheddar prices achieved on GDT

Forecast 2022/23 Season Farmgate Milk Price

- Midpoint of \$9.00 per kgMS reflects:
 - continued demand for dairy, despite events impacting global demand in the short-term
 - constrained supply as growth from key milk producing regions is expected to remain low
- The wide range reflects several risks, such as further impacts from:
 - COVID-19
 - macroeconomic factors including global inflation, increasing interest rates, and volatility in financial and foreign exchange markets
 - geopolitical events such as the Russia-Ukraine conflict and Sri Lanka's economic crisis

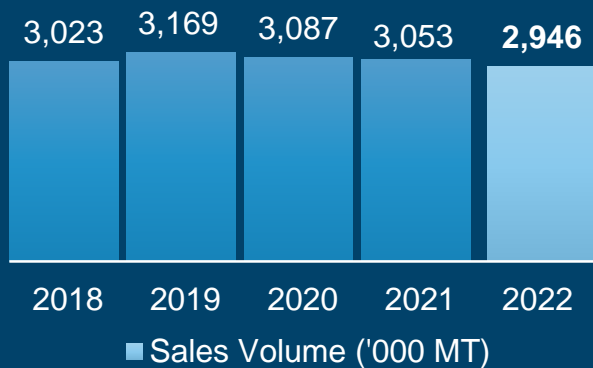
2022/23 Season
Opening Forecast Farmgate Milk Price

\$8.25 - \$9.75
per kgMS

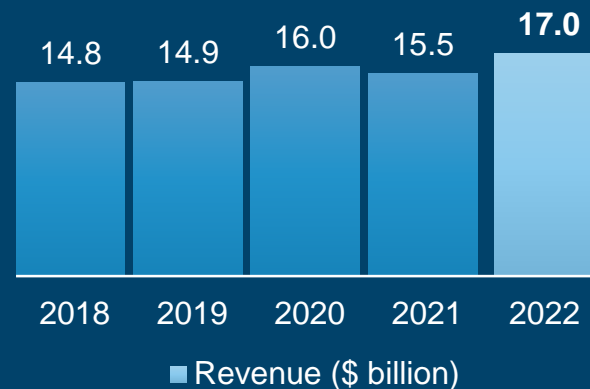


Appendix

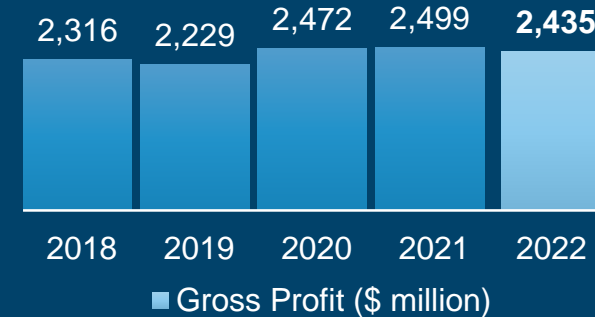
Sales Volume



Revenue

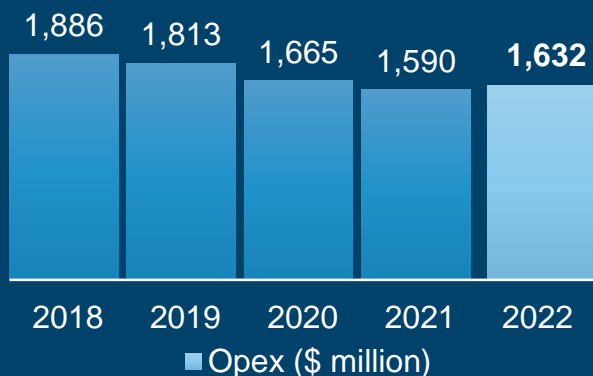


Gross Profit

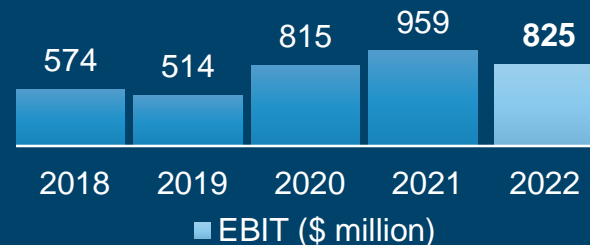


Key financial metrics for Total Group FY22 Q3

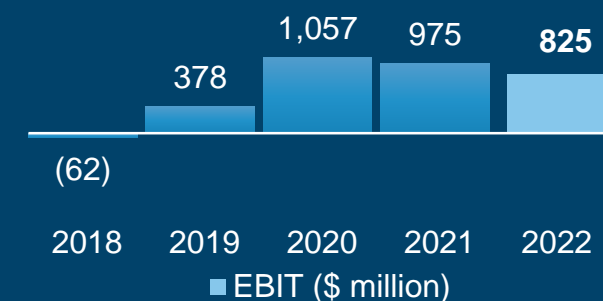
OPEX



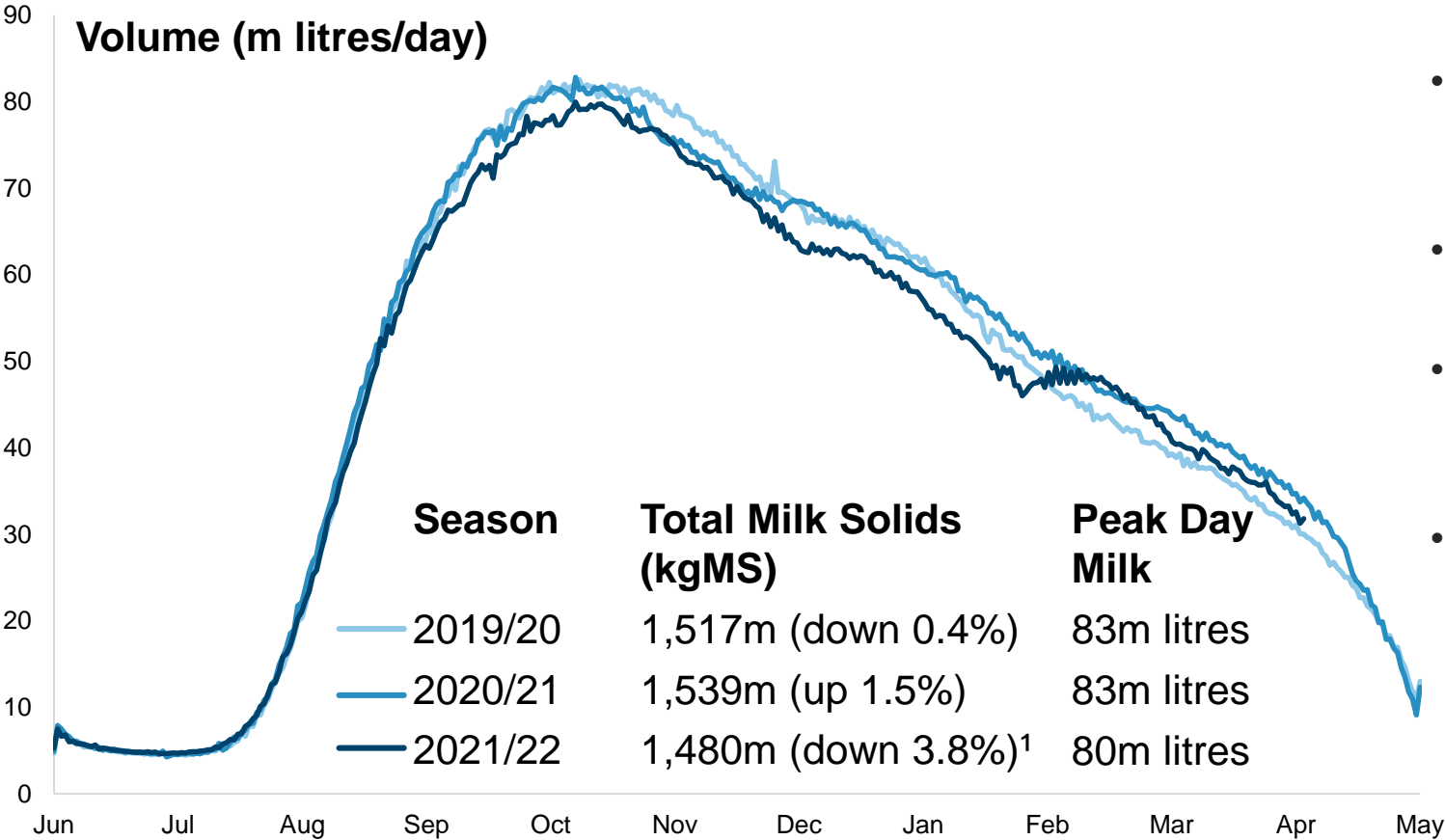
Normalised EBIT



Reported EBIT



Fonterra's New Zealand milk collections



- Fonterra's NZ milk collection season-to-date (June – April) is 1,408 million kgMS, 3.8% behind last season
- Cold and wet spring with lower sunshine affected collections early in the season
- Improved North Island collections late in the season due to favourable growing conditions, offset by drier conditions in lower South Island
- Full season forecast remains at 1,480 million kgMS, down 3.8% on last season

1. Current full season forecast

Reconciliation to Total Group EBIT

NZD million	30 April 2021			30 April 2022		
	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group
Revenue	15,029	456	15,485	16,647	335	16,982
Cost of goods sold	(12,634)	(352)	(12,986)	(14,304)	(243)	(14,547)
Gross profit	2,395	104	2,499	2,343	92	2,435
Gross margin	15.9%	22.8%	16.1%	14.1%	27.5%	14.3%
Operating expenses	(1,521)	(69)	(1,590)	(1,555)	(77)	(1,632)
Other ¹	36	14	50	22	-	22
Normalised EBIT	910	49	959	810	15	825
Normalisations	(34)	50	16	-	-	-
Reported EBIT	876	99	975	810	15	825

Note: Figures are unaudited and for the nine months ended 30 April

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

Product channel performance

Ingredients

Volume ('000 MT) **1,641** from 1,725 ↓

\$ millions ■ 2021 ■ 2022

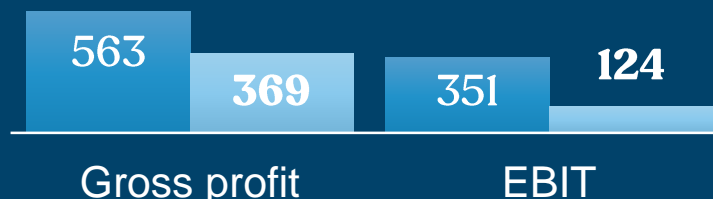


Gross margin **10.6%** from 9.2% ↑

- Increased gross margin due to:
 - Strong demand in our protein portfolio for caseinate, WPC
 - Higher product prices in our Australia business

Foodservice

Volume ('000 MT) **382** from 376 ↑

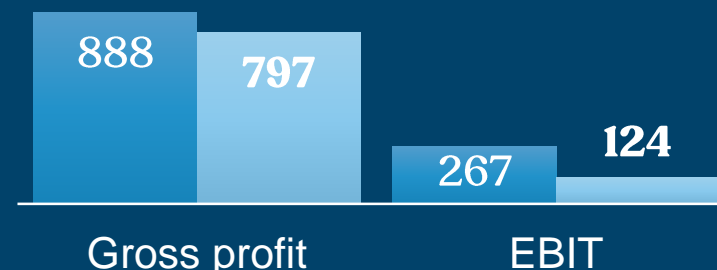


Gross margin **15.1%** from 25.1% ↓

- Gross margin down due to in-market sales pricing not increasing at the same rate as rising dairy prices
- Q3 gross margin remained in line with half year

Consumer

Volume ('000 MT) **794** from 803 ↓



Gross margin **25.7%** from 28.8% ↓

- Improved gross margins in Chile and Australia businesses offset by higher input costs in other markets
- EBIT impacted by \$(81) adverse million revaluation of our Sri Lankan business payables

New Zealand sourced Ingredients product mix

	2021		2022	
Sales volume ('000 MT)¹				
Reference products	1,353		1,243	
Non-reference products	649		642	
Revenue¹	\$ billion	\$ per MT	\$ billion	\$ per MT
Reference products	6.7	4,918	7.6	6,105
Non-reference products	3.6	5,578	4.2	6,522
Cost of Milk				
Reference products	5.2	3,856	6.1	4,902
Non-reference products	2.3	3,479	2.8	4,318

- Reference products sales volumes down due to lower milk production and short-term impacts on demand
- The average reference product sales price per metric tonne has increased 24%, with all reference products contributing to the increase
- The average non-reference product sales price per metric tonne has increased 17%:
 - Prices across the non-reference portfolio have increased significantly, particularly casein and WPC
 - Cheese prices have increased, but at a lower rate than other products
- Cost of milk increased 27% and 24% for reference products and non-reference products, respectively

Note: Figures are unaudited and for the nine months ended 30 April. 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 692 million kgMS in reference products and 321 million kgMS non-reference products (previous comparative period 758 million kgMS reference products and 331 million non-reference products)

1. Excludes bulk liquid milk. Bulk liquid milk for the nine months ended 30 April 2022 was 51,000 MT of kgMS equivalent (the nine months ended 30 April 2021 was 55,000 MT of kgMS equivalent)

Group performance by region

Asia Pacific

Volume ('000 MT)

1,015 From 1,030 ↓

Revenue (\$ million)

5,717 From 5,255 ↑

Gross margin

15.6% From 18.2% ↓

\$ million ■ 2021 ■ 2022



AMENA

Volume ('000 MT)

990 From 982 ↑

Revenue (\$ million)

6,018 From 5,207 ↑

Gross margin

13.7% From 13.7% ↑



Greater China

Volume ('000 MT)

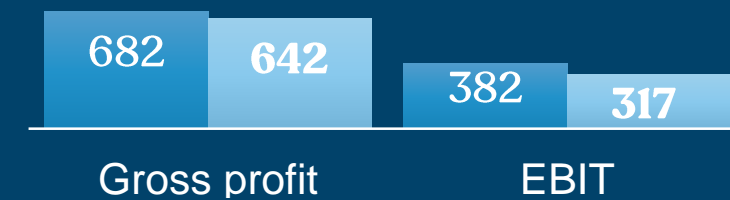
812 From 892 ↓

Revenue (\$ million)

5,063 From 4,678 ↑

Gross margin

12.7% From 14.6% ↓



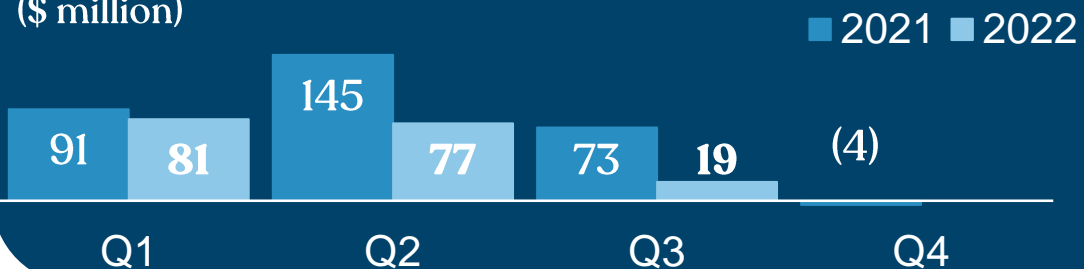
Note: Figures are unaudited and for the nine months ended 30 April. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period

Asia Pacific

million	2021	2022	%Δ ¹
Sales volume ² ('000 MT)	1,030	1,015	(1)%
Revenue (\$)	5,255	5,717	9%
Gross profit (\$)	955	889	(7)%
Gross margin (%)	18.2%	15.6%	
Operating expenses (\$)	(642)	(650)	(1)%
Other ³ (\$)	(4)	(62)	(1,450)%
Normalised EBIT ⁴ (\$)	309	177	(43)%

Includes EBIT attribution from Group Operations ⁵ (\$)	22	42	91%
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EBIT by Quarter (\$ million)



- Improved Ingredients gross profit more than offset by a decline in Foodservice and Consumer gross profit:
 - Continued strong Ingredients gross margin driven by our Australian business achieving higher product prices
 - Lower gross margins in Foodservice and Consumer due to higher cost of milk and COVID-19 impacts
- 'Other' down due to \$(81) million adverse revaluation of our Sri Lankan business payables
- Increased EBIT attribution from Group Operations due to improved margins, particularly in our powder portfolio

Note: Figures are unaudited and for the nine months ended 30 April. Figures are on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period

- Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
- Includes sales to other segments
- Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
- This includes EBIT attribution from Group Operations
- This is included in Asia Pacific's EBIT. Refer to Glossary for explanation of Group Operations

Asia Pacific channel performance

Ingredients

Volume ('000 MT)

443 From 446 ↓

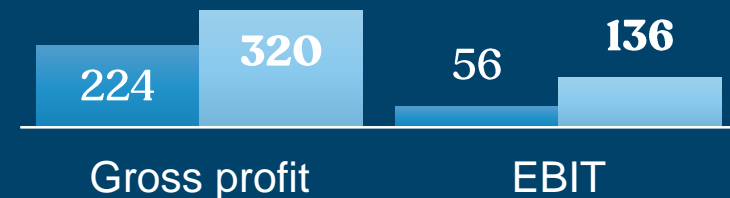
Revenue (\$ million)

3,099 From 2,637 ↑

Gross margin

10.3% From 8.5% ↑

\$ million ■ 2021 ■ 2022



Foodservice

Volume ('000 MT)

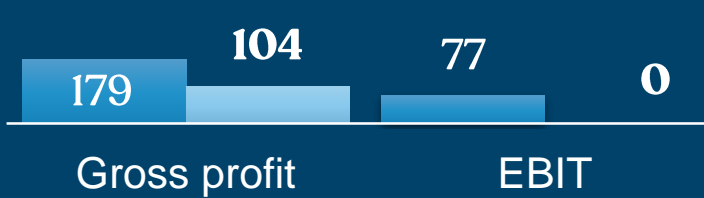
130 From 123 ↑

Revenue (\$ million)

768 From 695 ↑

Gross margin

13.5% From 25.8% ↓



Consumer

Volume ('000 MT)

442 From 461 ↓

Revenue (\$ million)

1,850 From 1,923 ↓

Gross margin

25.1% From 28.7% ↓



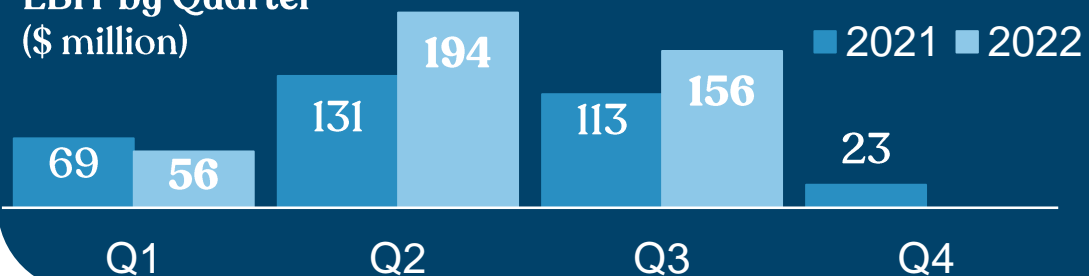
Note: Figures are unaudited and for the nine months ended 30 April. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period

AMENA

million	2021	2022	%Δ ¹
Sales volume ² ('000 MT)	982	990	1%
Revenue (\$)	5,207	6,018	16%
Gross profit (\$)	712	827	16%
Gross margin (%)	13.7%	13.7%	
Operating expenses (\$)	(426)	(466)	(9)%
Other ³ (\$)	27	45	67%
Normalised EBIT ⁴ (\$)	313	406	30%

Includes EBIT attribution from Group Operations ⁵ (\$)	(13)	57	-
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EBIT by Quarter
(\$ million)



- Strong increase in gross profit due to:
 - Improved pricing and product mix in the Ingredients channel, particularly caseinate and WPC in the protein portfolio
 - Continued volume and gross margin growth in our Chilean consumer business
- Increased operating expenses due to rising supply chain costs and supporting the increased sales volumes in Chile
- Increased EBIT attribution from Group Operations due to higher margins, particularly in the protein portfolio

Note: Figures are unaudited and for the nine months ended 30 April. Figures are on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share profit or loss on of equity accounted investees
4. This includes EBIT attribution from Group Operations
5. This is included in AMENA's EBIT. Refer to Glossary for explanation of Group Operations

AMENA channel performance

Ingredients

Volume ('000 MT)

639 From 658 ↓

Revenue (\$ million)

4,741 From 4,094 ↑

Gross margin

11.6% From 10.8% ↑

\$ million ■ 2021 ■ 2022



Foodservice

Volume ('000 MT)

55 From 44 ↑

Revenue (\$ million)

306 From 250 ↑

Gross margin

7.5% From 14.0% ↓



Consumer

Volume ('000 MT)

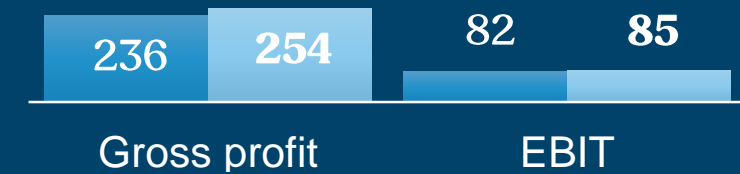
296 From 280 ↑

Revenue (\$ million)

971 From 863 ↑

Gross margin

26.2% From 27.3% ↓



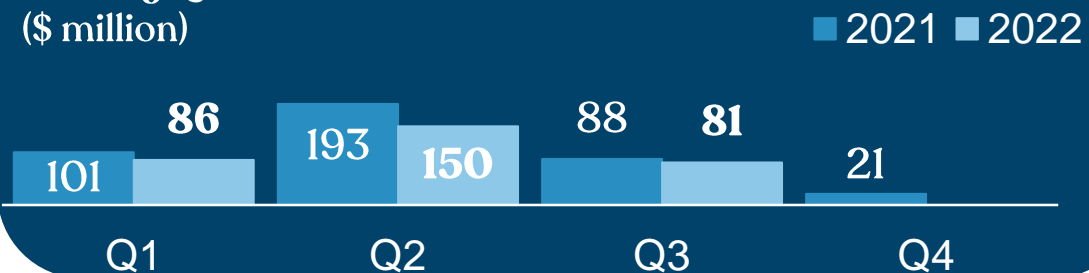
Note: Figures are unaudited and for the nine months ended 30 April. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period

Greater China

million	2021	2022	%Δ ¹
Sales volume ² ('000 MT)	892	812	(9)%
Revenue (\$)	4,678	5,063	8%
Gross profit (\$)	682	642	(6)%
Gross margin (%)	14.6%	12.7%	
Operating expenses (\$)	(301)	(340)	(13)%
Other ³ (\$)	1	15	
Normalised EBIT ⁴ (\$)	382	317	(17)%

Includes EBIT attribution from Group Operations ⁵ (\$)	-	6	-
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EBIT by Quarter (\$ million)



- Sales volumes down due to lower volumes of GDT products purchased and impact of COVID-19 lockdowns
- Improved Ingredients channel performance offset by a decline in the Foodservice channel:
 - Ingredients channel improved due to higher prices and increased sales volumes of higher margin products, particularly caseinate products
 - Foodservice channel impacted by higher cost of milk reducing gross margins and COVID-19 lockdowns
- Increased operating expenses mainly due to COVID-19 supply chain challenges

Note: Figures are unaudited and for the nine months ended 30 April. Figures are on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
4. This includes EBIT attribution from Group Operations
5. This is included in Greater China's EBIT. Refer to Glossary for explanation of Group Operations

Greater China channel performance

Ingredients

Volume ('000 MT)

559 From 621 ↓

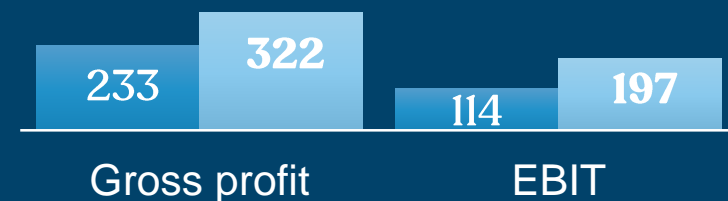
Revenue (\$ million)

3,421 From 3,079 ↑

Gross margin

9.4% From 7.6% ↑

\$ million ■ 2021 ■ 2022



Foodservice

Volume ('000 MT)

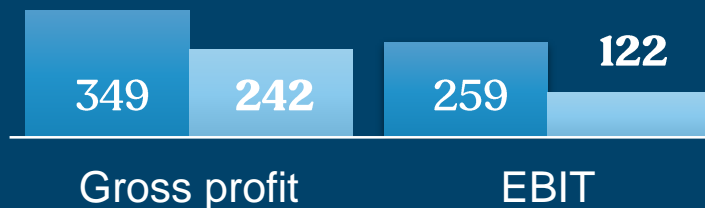
197 From 209 ↓

Revenue (\$ million)

1,362 From 1,299 ↑

Gross margin

17.8% From 26.9% ↓



Consumer

Volume ('000 MT)

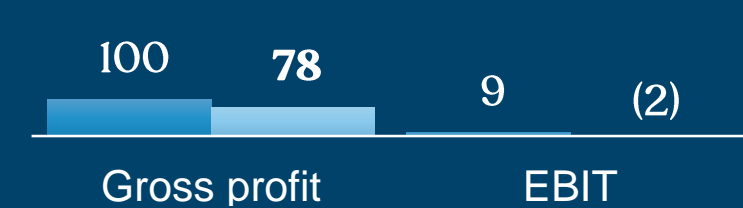
56 From 62 ↓

Revenue (\$ million)

280 From 300 ↓

Gross margin

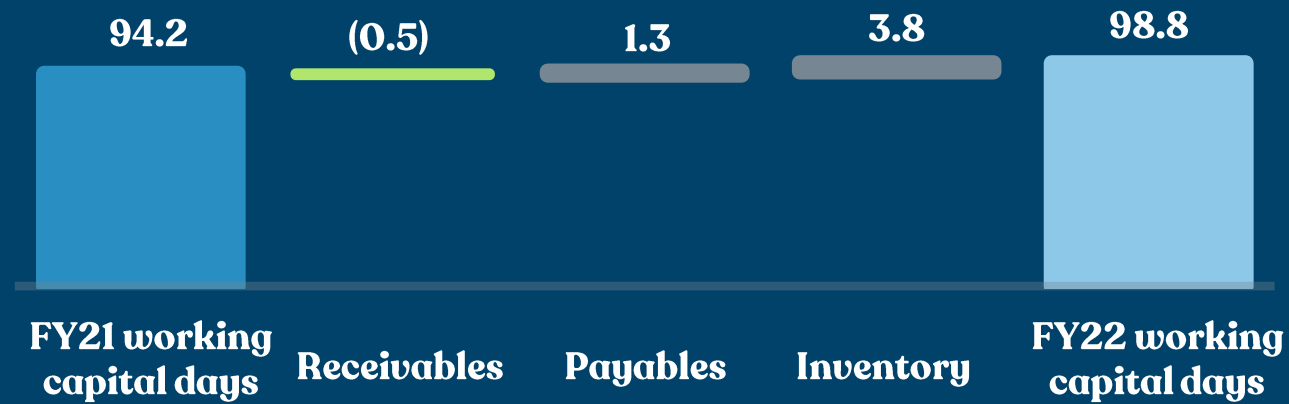
27.9% From 33.3% ↓



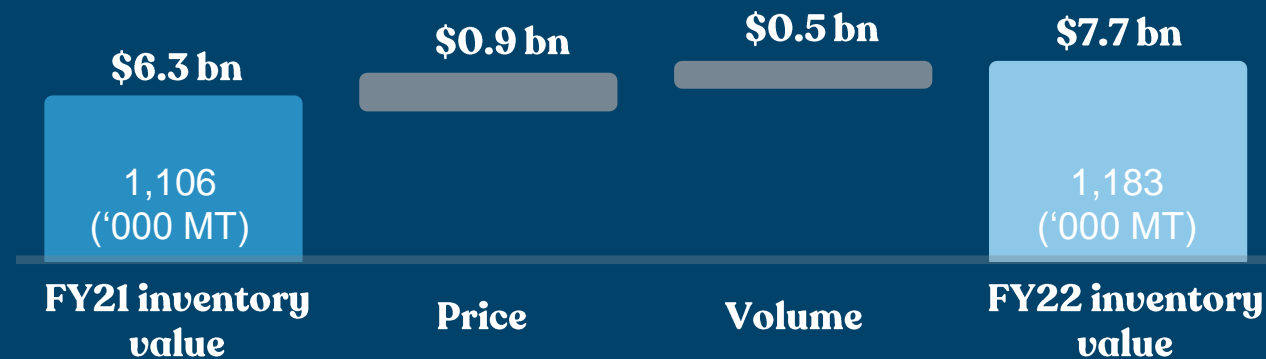
Note: Figures are unaudited and for the nine months ended 30 April. Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period

Strong balance sheet enables us to manage sales profile

Working capital day drivers



Closing inventory as at April 30



- Strong balance sheet enables us to hold higher inventory to manage sales profile following ongoing COVID-19 disruptions
- Working capital days have increased due to:
 - Unfavourable inventory days due to higher milk price and higher average inventory levels
 - Favourable receivables more than offset by unfavourable payables
- As at 30 April, our inventory position is higher than same time last year:
 - Significantly higher dairy prices has increased the value of inventory by \$0.9 billion
 - An additional 77,000 MT of inventory on hand has contributed to a \$0.5 billion increase in inventory

Our Sri Lanka business

We ship around 80,000 MT per annum of New Zealand dairy to Sri Lanka, generating revenue of close to NZD \$500 million



Consumer brand business

- established as a joint venture in 1987
- 100% shareholding since 2000

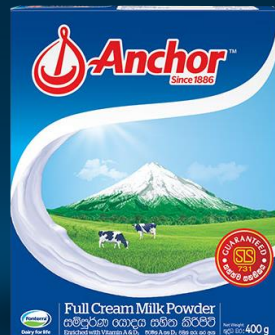
2 packaging plants at our Biyagama site

- 1 powder plant
- 1 liquid & culture products plant



600+
employees

Anchor



Ratthi



Anlene



Newdale



Main

brands

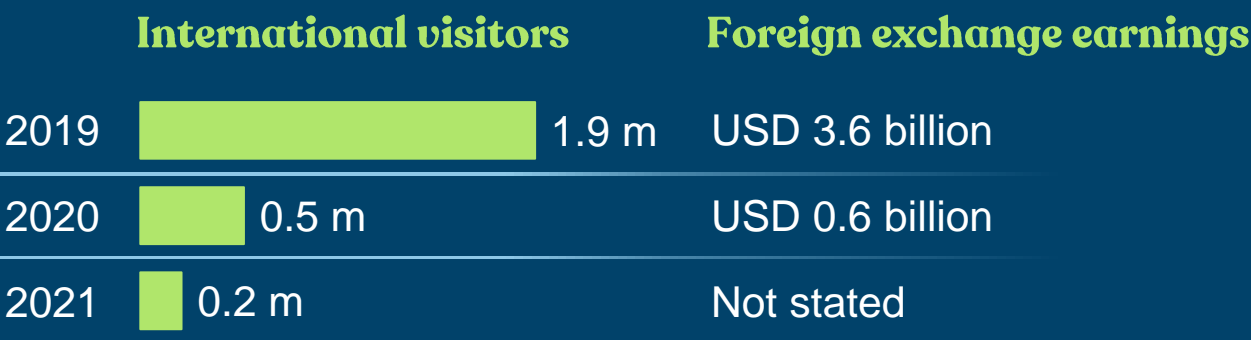
include:

Sri Lanka economic crisis



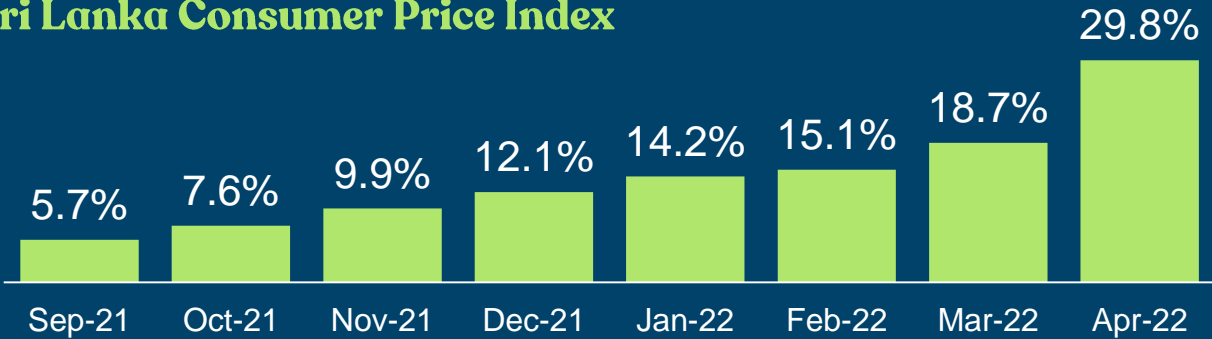
The impact of COVID-19 contributed to the rapid deterioration in economic conditions and devaluation of the Sri Lankan Rupee

The Sri Lankan tourism industry, a significant contributor to the economy, has been impacted by COVID-19, political turmoil and now the economic crisis



Source: Sri Lanka Tourism Development Authority

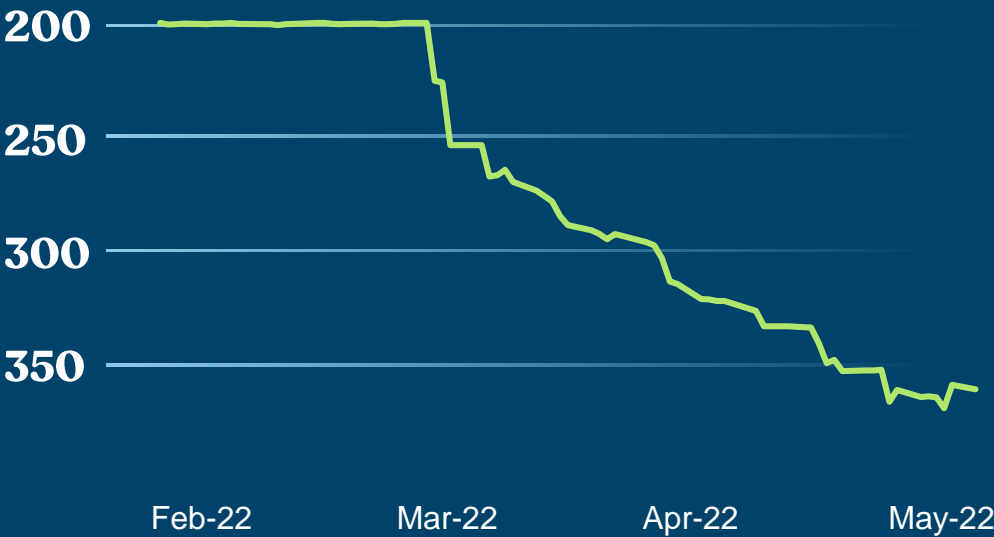
Sri Lanka Consumer Price Index



Source: Central Bank of Sri Lanka, year-on-year percentage change

The Sri Lankan Rupee was unpegged and has limited capacity to be hedged. It has devalued against the USD so the amount of rupee required to meet USD purchases has increased

USD : Sri Lankan Rupee



Source: Bloomberg

2022 Board Statement of Intentions



In accordance with the Constitution of Fonterra, the Board Statement of Intentions sets out the Board's intentions for the performance and operations of Fonterra. The table below provides an update as of 30 April 2022, of Fonterra's performance against these targets.

	FY21	FY22 Q3 YTD	FY22 FY Target
Healthy People			
Total recordable injury frequency rate (TRIFR) per million work hours ¹	5.7	6.8	5.6
Female representation in senior leadership ²	32.4%	35.0%	35.8%
Employee engagement	4.09	— ³	Top Quartile ³
Farmer sentiment (Net Promoter Score for Fonterra in New Zealand)	23	35	30
Healthy Environment			
Number of farms with Farm Environment Plans (New Zealand)	53%	66%	67%
Reduction in water used at sites in water-constrained regions versus FY18	(2.6)%	(7.6)% ⁴	(8.0)%
Reduction in greenhouse gas emissions from manufacturing versus FY18	(6.5)%	(9.5)% ⁴	(6.5)%
Healthy Business			
Fonterra % kgMS of New Zealand milk collected for the season ended 31 May	79.0%	79.4% ⁵	79.3%
New Zealand Farmgate Milk Price (per kgMS)	\$7.54	\$9.10-\$9.50 ⁶	\$7.25-\$8.75
Return on capital	6.6%	Behind ⁷	6.5% to 7.0%
Debt/EBITDA	2.7x	Behind ⁷	2.4x
Adjusted Net Debt Gearing Ratio	38.5%	Behind ⁷	34.5%
Normalised earnings per share	34c	On track ⁷	25c to 40c

1. Part of zero harm philosophy which also includes target 0 serious harm/0 fatalities
2. Senior leadership defined as Band 14+
3. Under ongoing management review of the provider and means of determining engagement, measurement of this metric may not be completed during the FY22 financial year.
4. Calculated using a combination of actual data and estimates. FY22 GHG target flat reflecting improved efficiencies

- offset by increased volumes.
5. Season to 31 March 2022. Prior comparable season to 31 March 2021: 79.3%.
6. Latest publicly announced Forecast Farmgate Milk Price (9 May 2022).
7. FY22 Q3 reflects a full year forecast basis.

Glossary

Asia Pacific

Represents the Ingredients, Foodservice and Consumer channels in New Zealand, Australia, Pacific Islands, South East Asia and South Asia

AMENA

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

Capital expenditure

Capital expenditure comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets (excluding purchases of emissions units), net purchases of livestock, and includes amounts relating to disposal groups held for sale

Consumer

Represents the channel of branded consumer products, such as powders, yoghurts, milk, butter, and cheese

Debt/EBITDA

Is adjusted net debt divided by Total Group normalised earnings before interest, tax, depreciation and amortisation (Total Group normalised EBITDA) excluding share of profit/loss of equity accounted investees and net foreign exchange gains/losses

Earnings before interest and tax (EBIT)

Is profit before net finance costs and tax

Farmgate Milk Price

Means the average price paid by Fonterra for each kilogram of milk solids (kgMS) supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. The season refers to the 12-month milk season of 1 June to 31 May. The Farmgate Milk Price is set by the Board, based on the recommendation of the Milk Price Panel. In making that recommendation, the Panel provides assurance to the Board that the Farmgate Milk Price has been calculated in accordance with the Farmgate Milk Price Manual

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

Greater China

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

Group Operations

Comprises functions under the Chief Operating Office (COO) including New Zealand milk collection and processing operations and assets, supply chain, Group IT, Sustainability and Innovation; Fonterra Farm Source™ retail stores; and the Central Portfolio Management function (CPM)

Glossary

Ingredients

Represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia, Europe and Latin America, or sourced through our global network, and sold to food producers and distributors

kgMS

Means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra

Non-reference products

Means all dairy products, except for reference commodity products manufactured in NZ. Includes Whey Protein Concentrate (WPC)

Normalised earnings per share (EPS)

Normalised earnings per share is calculated as normalised profit after tax attributed to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period

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

Return on capital

Is Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed

Season

New Zealand: A period of 12 months from 1 June to 31 May

Australia: A period of 12 months from 1 July to 30 June

Chile: A period of 12 months from 1 August to 31 July

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

Important information and 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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Non-GAAP Measures

Fonterra uses several non-GAAP measures when discussing financial performance. Non-GAAP measures are not defined or specified by NZ IFRS.

Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They may be used internally to evaluate the underlying performance of business units and to analyse trends. These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.

Definitions of non-GAAP measures used by Fonterra can be found in the Glossary.