

# Fonterra Shareholders' Fund Annual Meeting

9 November 2020

FONTERRA  
SHAREHOLDERS'  
FUND.





# John Shewan

Chairman

FSF Management Company

FONTERRA  
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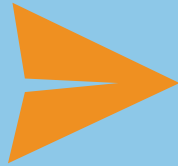
# Online attendees – question process



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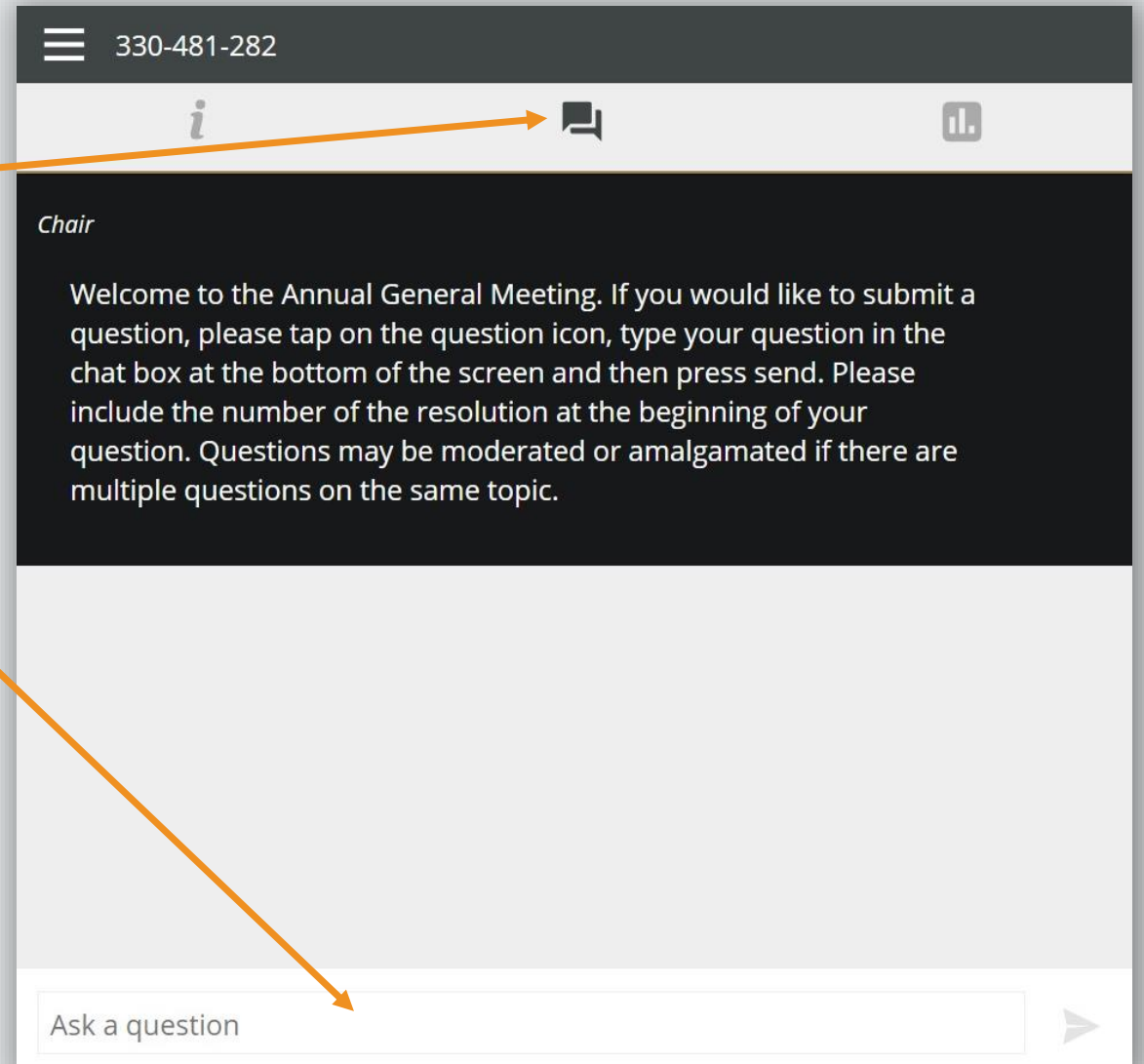


To send in a question, click in the 'Ask a question' box, type your question and press the send arrow



Your question will be sent immediately for review

Received





# Online attendees – voting process



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



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For



Against

Abstain

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The screenshot shows the LUMI mobile application interface for voting. At the top, a dark grey header bar contains a hamburger menu icon, the phone number '330-481-282', and a voting icon (three vertical bars) which is highlighted by an orange arrow from the first text box. Below the header, a grey bar displays 'You have voted on 0 of 2 items'. The main content area lists two resolutions. Each resolution has a title, a prompt 'Select a choice to send.', and three buttons: 'For', 'Against', and 'Abstain'. The 'For' button for Resolution 1 is highlighted in orange, with an orange arrow pointing from the second text box. A 'CANCEL' button is located to the right of the buttons for each resolution.

330-481-282

*i*  

You have voted on 0 of 2 items

**Resolution 1: Adoption of the Remuneration Report**

*Select a choice to send.*

For Against Abstain

CANCEL

**Resolution 2: Approval of issue of securities under the Short-Term Incentive Plan**

*Select a choice to send.*

For Against Abstain

CANCEL

# Agenda

**Welcome and introductions**

John Shewan

**FSF Management Company Chairman's address**

John Shewan

**Fonterra Chairman's and CEO's addresses**

Peter McBride,  
Miles Hurrell

**Questions**

**Resolution to elect Mary-Jane Daly**

John Shewan

**Address by Mary-Jane Daly**

Mary-Jane Daly

**Address by retiring director Pip Dunphy**

Pip Dunphy

**General business**

John Shewan

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# Fonterra Shareholders' Fund Board of Directors

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**John Shewan**  
Chairman



**Kim Ellis**



**Pip Dunphy**



**Donna Smit**



**Andrew  
MacFarlane**

## Fonterra Team



**Peter McBride**



**Miles Hurrell**



**Marc Rivers**



**Simon Till**



**Andrew Cordner**

# FSF Management Company Chairman's address

## Improved performance in 2020

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

Reported Profit  
After Tax<sup>1</sup>

**\$659** million

Normalised Profit  
After Tax<sup>2</sup>

**\$382** million

Earnings per share<sup>2</sup>

**24** cents

Debt reduction

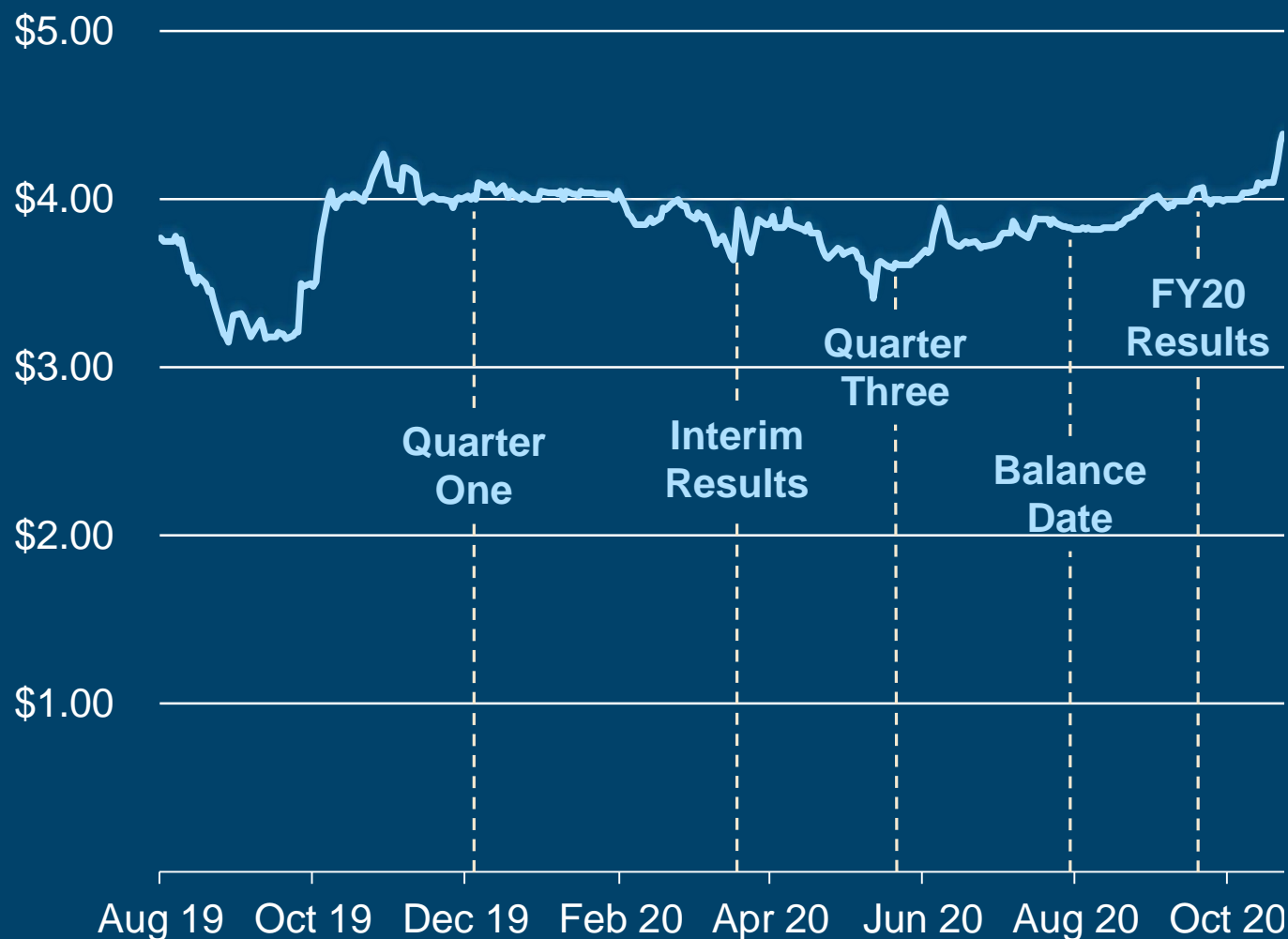
**\$1.1** billion

1. Includes Continuing and Discontinued Operations. Includes amounts attributable to non-controlling interests.

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

# 8% increase in unit price for FY20 period

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- **FY20 balance date**  
Up 1.3%, from \$3.77 to \$3.82  
(1 August 2019 – 31 July 2020)
- **Release of FY20 results**  
Up 7.7%, from \$3.77 to \$4.06  
(1 August 2019 – 18 September 2020)
- **As at 30 October**  
Up 22%, from \$3.77 to \$4.61  
(1 August 2019 – 30 October 2020)



# Key Fund statistics as at 30 October 2020

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

1. At 30 October 2020, relative to 30 October 2019.

2. Fonterra Shareholders' Fund units on issue as a percentage of Fonterra Co-operative Group shares on issue.

3. 12 month period, 30 October 2019 – 30 October 2020.

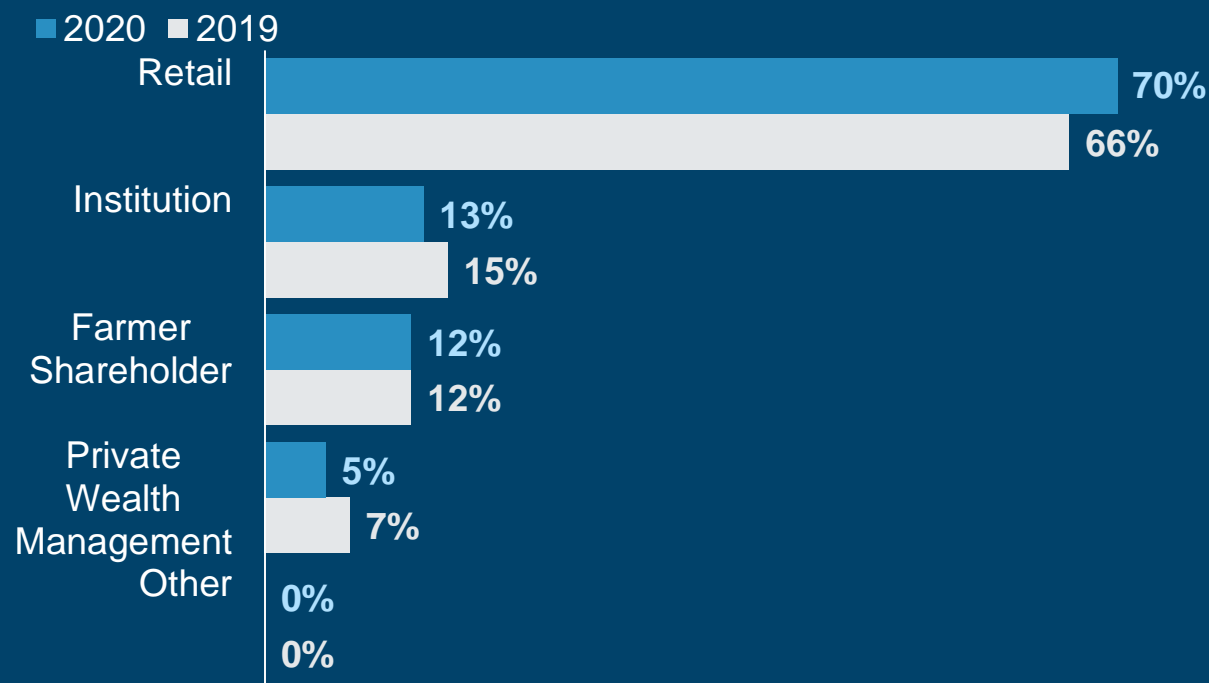
# Unit register analysis

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

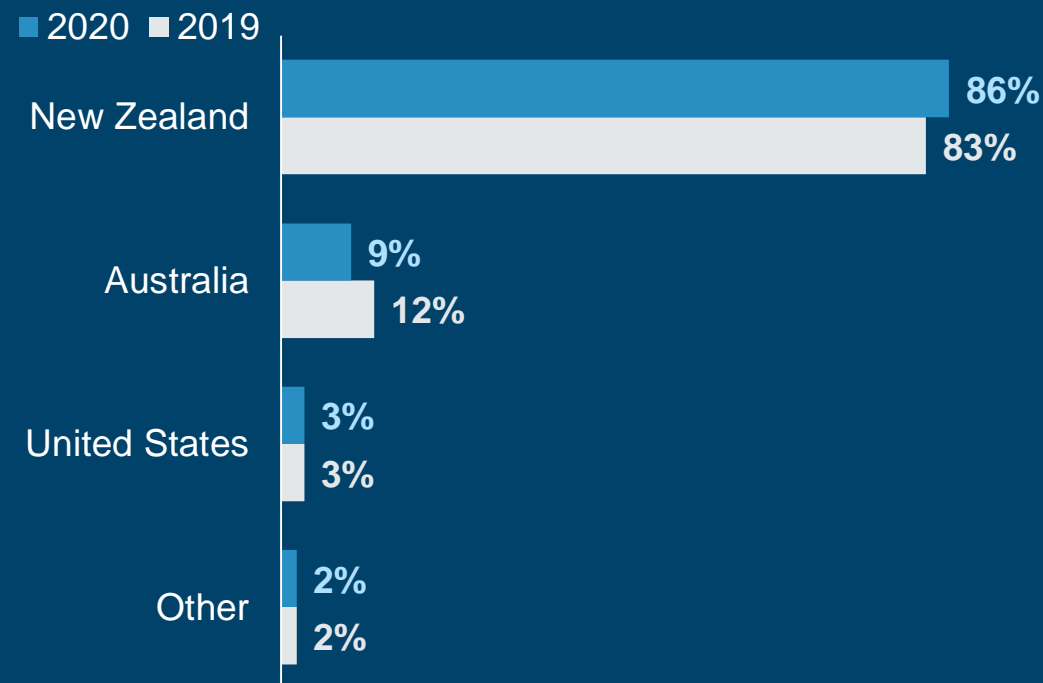
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## Investor Type



## Investor Location



# Peter McBride

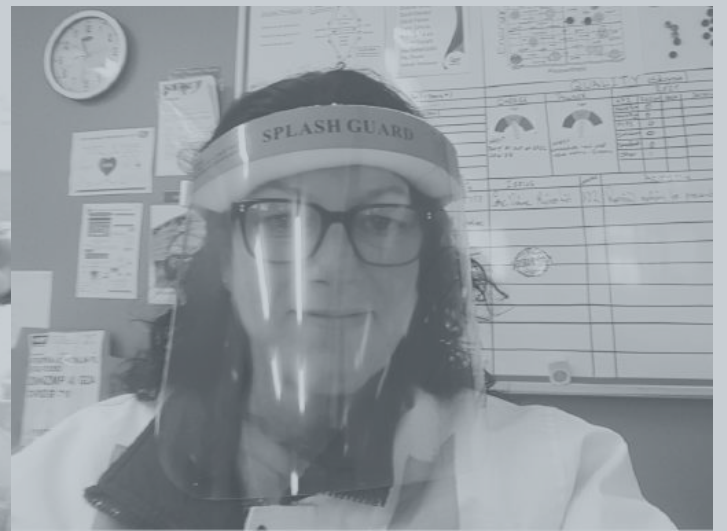
Chairman

Fonterra Co-operative Group

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





#1

**Delivered a  
strong Milk Price**





#2

Delivered  
a dividend





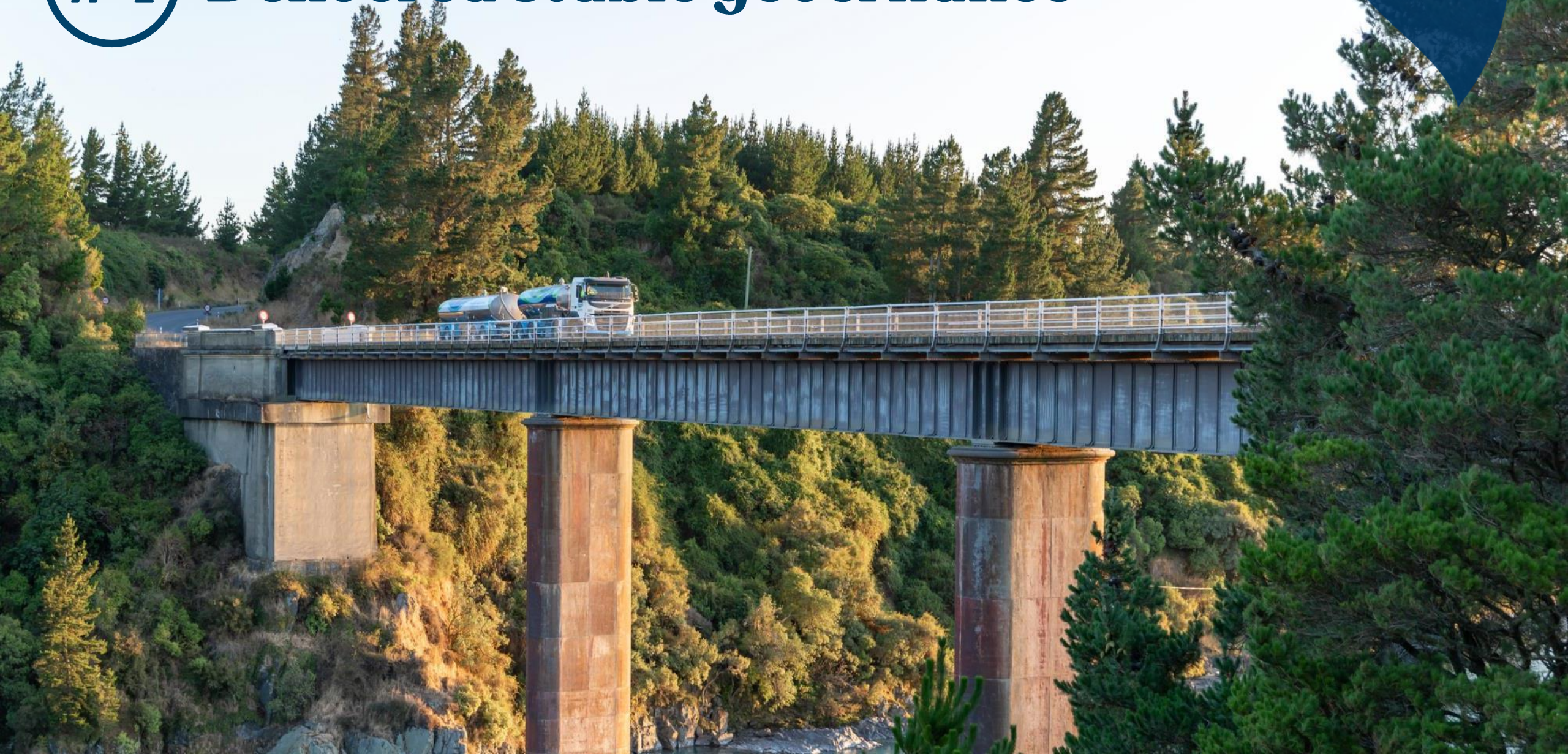
#3

**Continued with the  
implementation  
of our strategy**



**#4**

# Delivered stable governance





# Delivering for future generations





# Miles Hurrell

Chief Executive Officer  
Fonterra Co-operative Group

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# Our Strategy



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

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





# Delivered on our 2020 priorities



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



**Healthy Environment** – Reduced our environmental footprint



**Healthy Business** – Hit our financial targets



# Improved financial metrics

## REVENUE

**\$21.0**  
billion

Up \$1.1bn

## GROSS PROFIT

**\$3.2**  
billion

Up \$200m

## OPERATING EXPENSES

**\$2.3**  
billion

Down \$14m

## EBIT

**\$879**  
million

Up \$67m

## PROFIT AFTER TAX<sup>1</sup>

**\$382**  
million

Up \$118m

## Capital Expenditure

**\$419** million

Down \$181m

## Free Cash Flow

**\$1.8** billion

Up \$733 million

## Net Debt<sup>2</sup>

**\$4.7** billion

Down \$1.1b

## Debt to EBITDA

**3.4x**

From 4.4x

## Earnings per share<sup>1</sup>

**24** cents

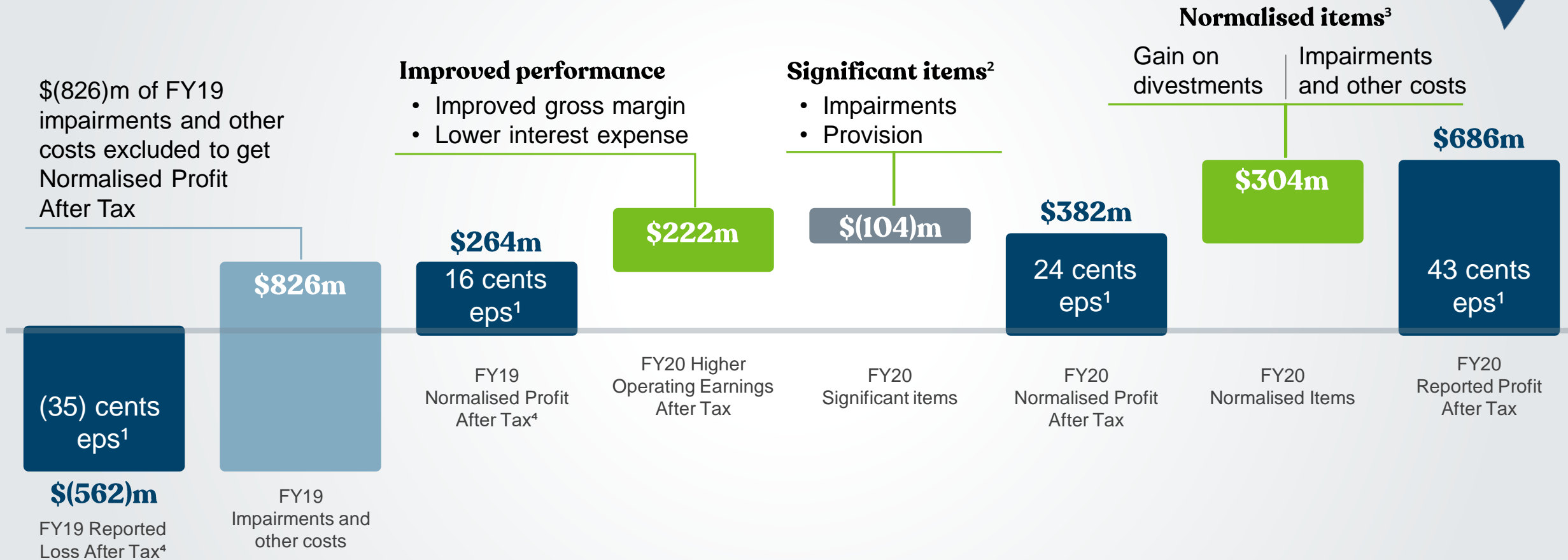
Up 8c

Note: Unless stated otherwise metrics presented are for Total Group, which includes Continuing and Discontinued Operations on a normalised basis.

1. Excludes amounts attributable to non-controlling interests.

2. Excludes Discontinued Operations.

# Reported profit after tax up \$1.2 billion



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

1. Earnings per share.

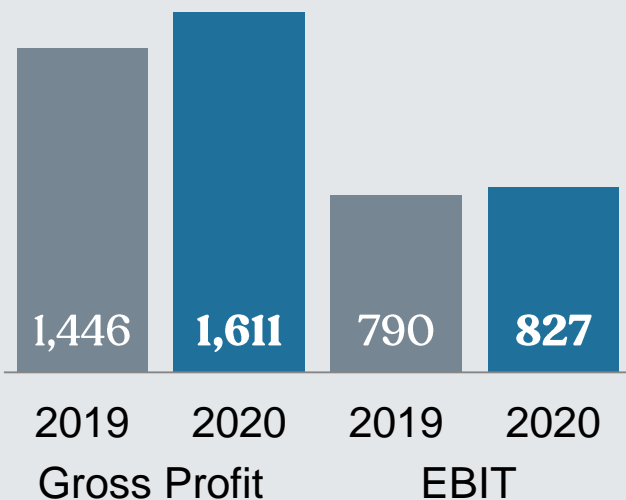
2. \$(104) million of Significant items, including a provision for change in treatment of holiday pay pending judicial interpretation of the requirements of legislation in New Zealand. Refer to appendix for detailed breakdown.

3. Comprised of \$549 million and \$(245) million positive and negative normalised items, respectively. Refer to appendix for detailed breakdown.

4. FY19 reported loss and normalised profit after tax attributable to equity holders are restated from \$(557) million and \$269 million, as stated in FY19 Annual Report, to \$(562) million and \$264 million, respectively. Restatement due to change in timing of revenue recognition for sales to distributor in Greater China.

# Segment performance

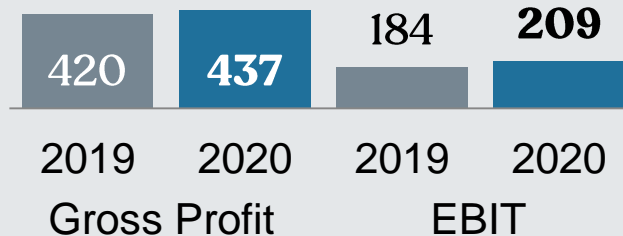
## Ingredients<sup>1,2</sup>



2020 gross profit reflects favourable pricing relativities

2019 EBIT includes \$44 million from DFE Pharma

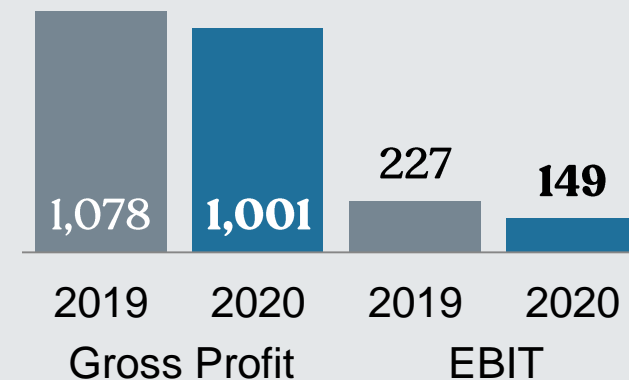
## Foodservice<sup>1</sup>



Strong first half before COVID-19

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

## Consumer<sup>1</sup>



2020 EBIT includes \$57 million of impairments

Challenges remain in Chile and Hong Kong

Note: EBIT and gross margin are normalised in NZD millions. Figures presented are for FY20 and FY19 as a comparative.

1. Does not add to Total Group due to including inter-segment sales, and excludes Discontinued Operations.

2. Ingredients performance includes the China Farming joint venture. For FY19 and FY20 China Farming joint venture reported a loss of \$(19) million and \$(12) million, respectively.



# Our 2021 priorities

1

**Co-operative**



**Support  
farmers and employees**

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Competitive milk price  
Participation in The Co-operative  
Difference  
Health & Safety

2

**Performance**



**Deliver on  
our promises**

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Return on Capital  
Debt/EBITDA  
Sustainable performance to enable  
continued dividend

3

**Community**



**Do what's right for  
customers, communities  
and environment**

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Exceed customer expectations  
Support communities through  
nutrition programmes  
Make our low carbon footprint  
model a powerful point of  
differentiation

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

# Successes so far this year



**Coal to wood pellets**  
at our Te Awamutu site



**New approach to our  
in-school milk programme**



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



Agreed to sell China Farms for  
**\$555 million**



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



**2020 Sustainability Report** –  
most encouraging set of results yet



# 2021 Outlook

## Forecast Farmgate Milk Price mid point

**\$6.80**  
per kgMS

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

## Forecast Earnings

**20-35**  
cents  
per share

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

# Questions

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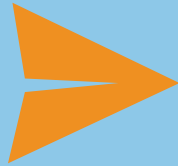
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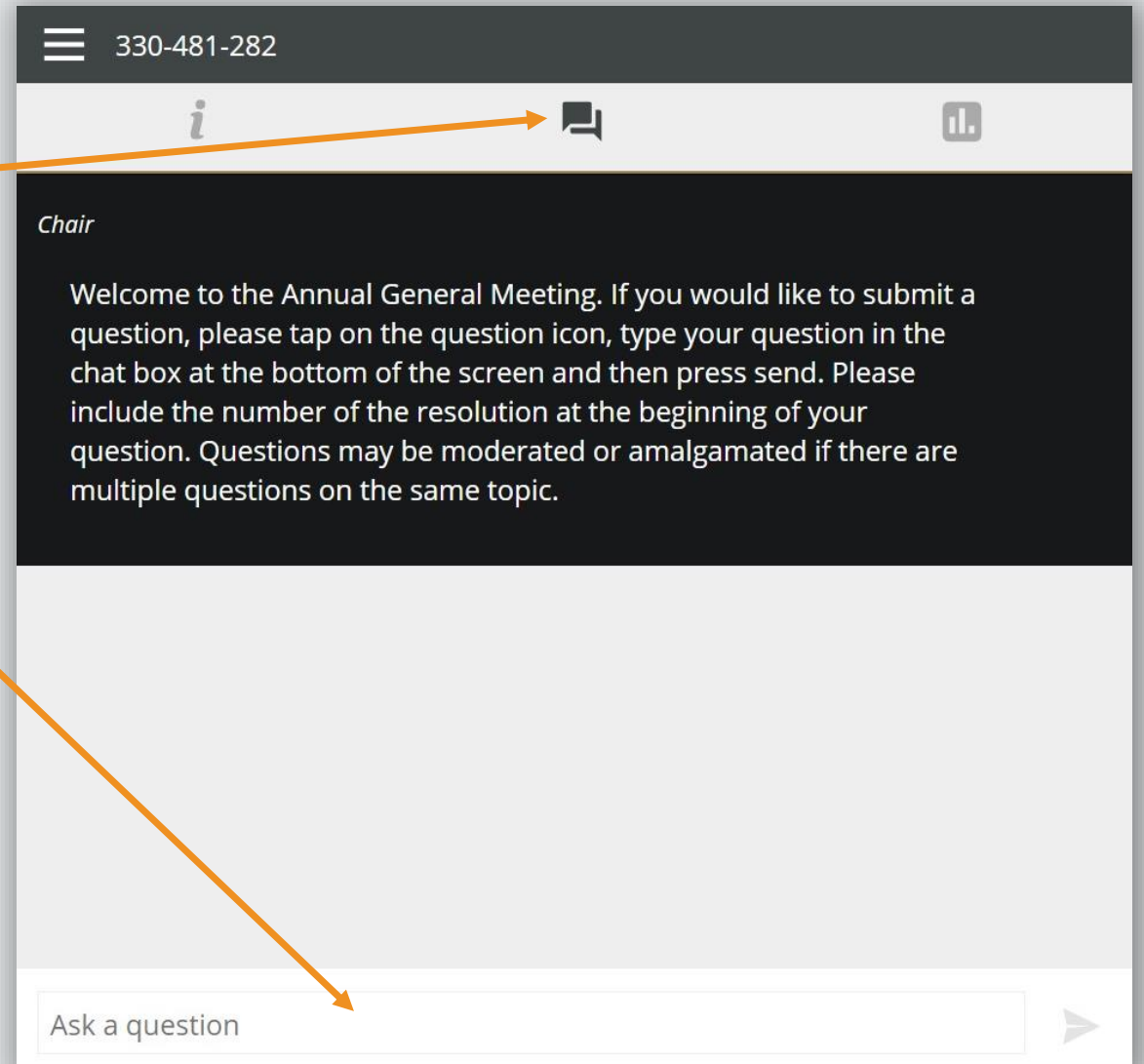


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Received



# Resolution 1

Election of  
Mary-Jane Daly

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# Resolution 1

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

# Mary-Jane Daly

Director Nominee

FSF Management Company

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# Resolution 1

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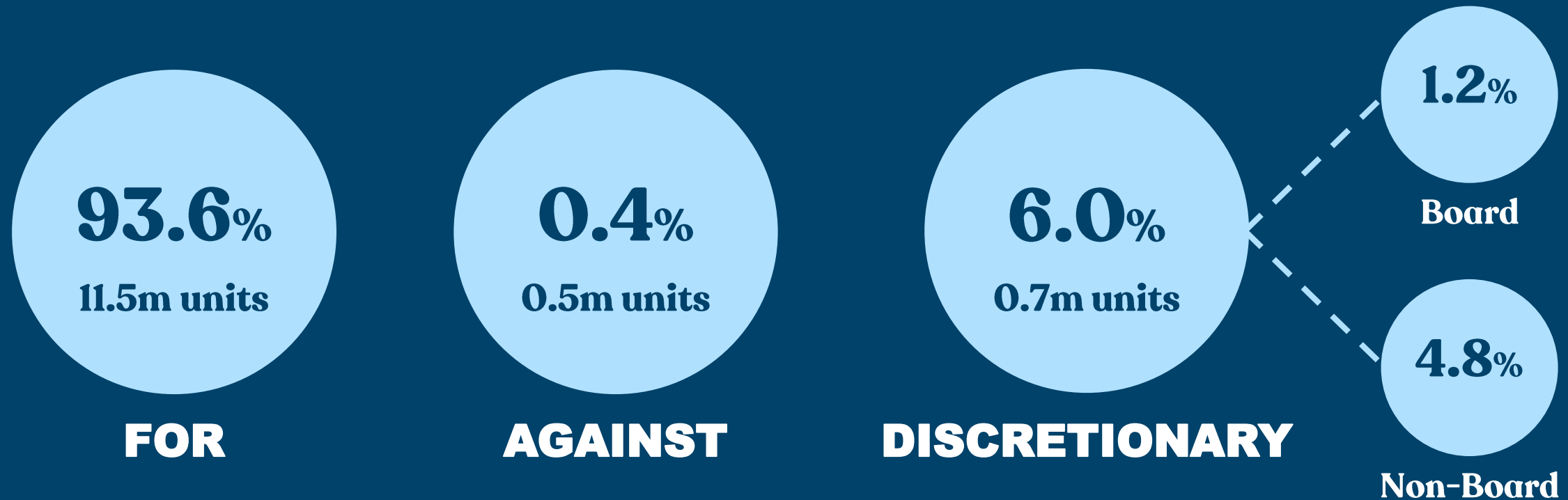


- To elect Mary-Jane Daly as a director of the Manager of the Fund

# Proxy voting

## To elect Mary-Jane Daly

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As at 10am Saturday 7 November 2020



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For

Against

Abstain

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330-481-282

i [document icon] [voting icon]

You have voted on 0 of 2 items

**Resolution 1: Adoption of the Remuneration Report**

Select a choice to send.

For Against Abstain

CANCEL

**Resolution 2: Approval of issue of securities under the Short-Term Incentive Plan**

Select a choice to send.

For Against Abstain

CANCEL

# Voting

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

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Dairy for life





# Pip Dunphy

Retiring Director

FSF Management Company

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# General Business

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Thank you,  
meeting closed

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