

# Fonterra Co-operative Group

2024 Interim Results

21 March 2024



Dairy for life



# Content

Results overview	3-7
Macro environment	8-14
Financial overview	15-25
Additional financial information	26-48
Flexible Shareholding metrics	49-53
Appendix	54-60



# Results at a glance

Continuing operations'  
earnings (EBIT)

**\$986<sub>m</sub>**

↑ from 864m

Net earnings  
(Profit after tax)

**\$674<sub>m</sub>**

↑ from 546m

Earnings per share

**40<sub>cents</sub>**

↑ from 33c

Return on capital

**13.4%**

↑ from 8.6%

Gearing ratio

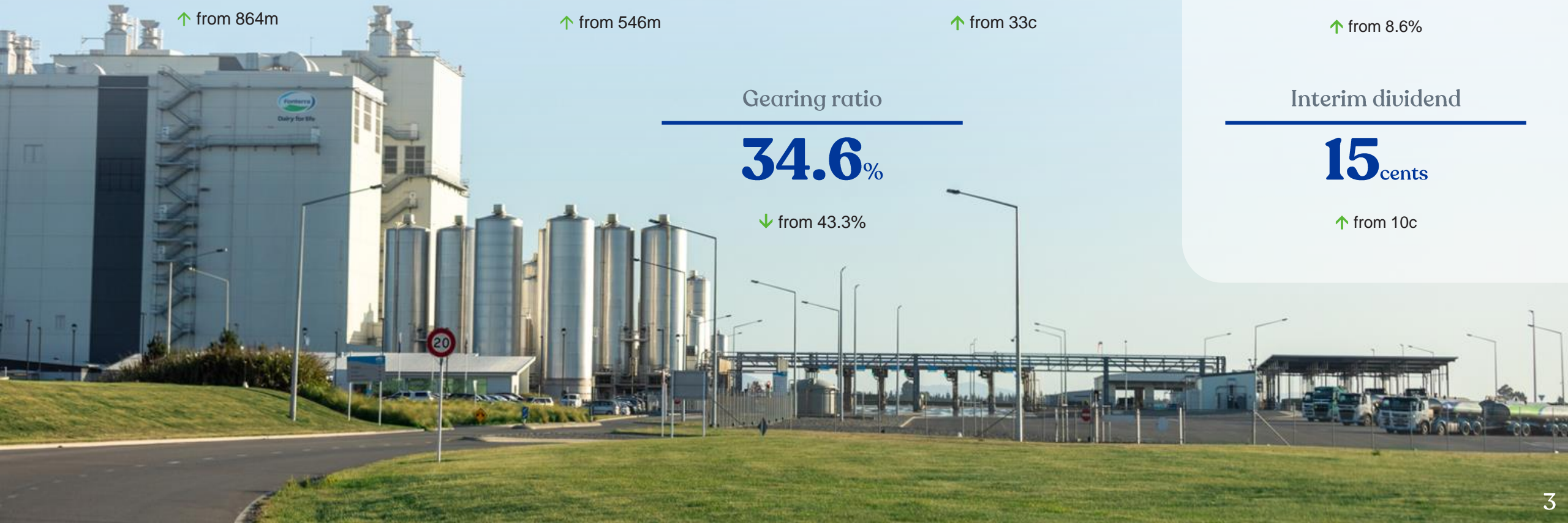
**34.6%**

↓ from 43.3%

Interim dividend

**15<sub>cents</sub>**

↑ from 10c



# 2024 Interim Results Summary

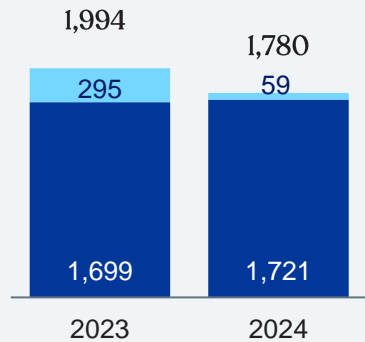
- **Profit after tax up \$128m, or 23%, to \$674m** due to higher operating earnings (EBIT) and lower financing costs
  - **EBIT up \$95m, or 11%, to \$953m**, with \$986m and \$(33)m from continuing and discontinued operations, respectively
    - Composition of earnings between channels materially different; with lower earnings from Ingredients offset by higher earnings in Foodservice and Consumer
    - Prior year Consumer performance includes \$162m of impairments, adjusting for the impairments operating earnings are behind the prior year
  - **Financing costs down \$68m to \$89m** reflecting lower average borrowings
- **Earnings per share attributable to equity holders of 40 cents**, up from 33 cents
  - 43 cents from continuing operations and (3) cents from discontinued operations
- **Balance sheet continues to be very strong**
  - Net Debt down \$1.6b to \$4.2b reflecting strong underlying performance, reduction in working capital during the year and divestments
- **Interim dividend of 15 cents per share**, up from 10 cents per share
- 2023/24 Farmgate Milk Price range narrowed from \$7.30 - \$8.30 per kgMS to \$7.50 – 8.10 per kgMS
- Maintained FY24 continuing operations earnings range of 50 – 65 cents per share



# Total Group operating performance

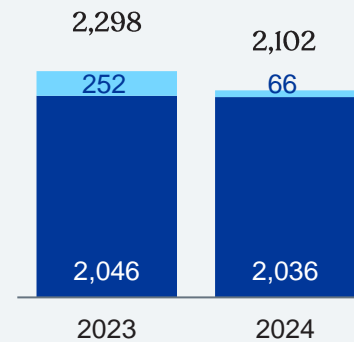
Discontinued operations performance is lower compared to prior year due to FY23 including Soprole for the first 8 months

## Sales volume ('000 MT)



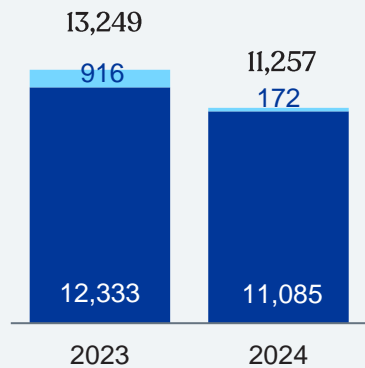
- Continuing operations up due to continued focus to optimise inventory levels

## Gross profit (\$ million)



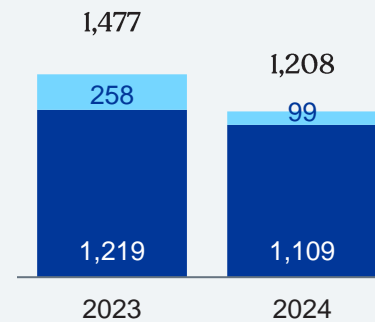
- Continuing operations down due to lower margins in Ingredients, partially offset by higher margins and sales volume in Foodservice and Consumer

## Revenue (\$ million)



- Continuing operations decreased mainly due to lower product prices in the Ingredients channel

## Operating expenses (\$ million)



- Favourable movement in continuing operations reflects prior year result including \$162m of impairments

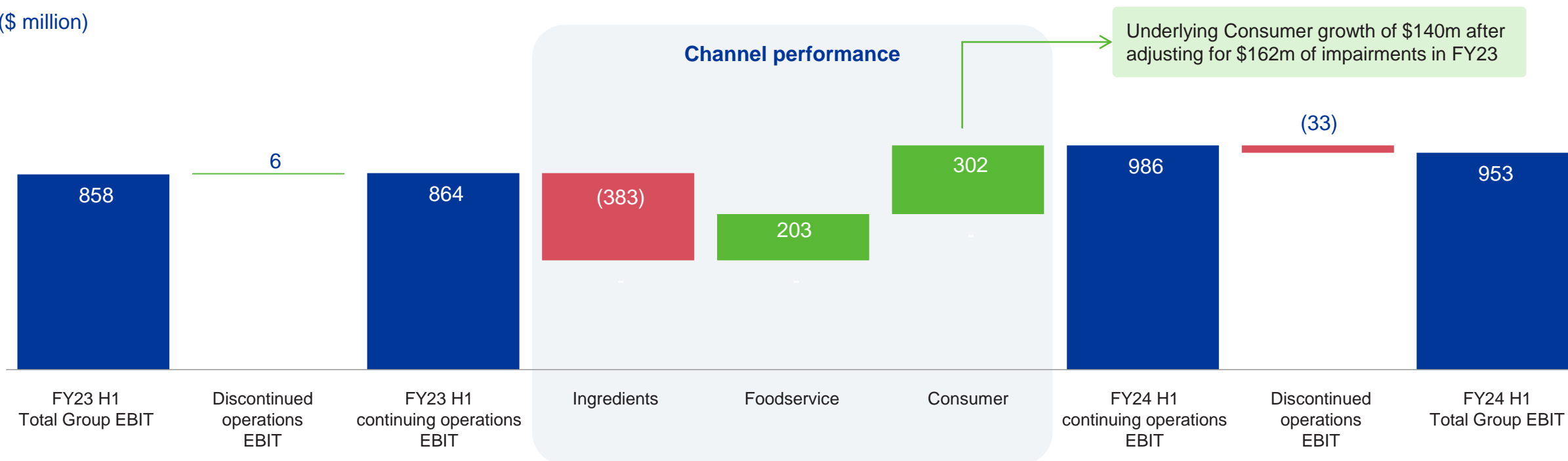
■ Continuing operations ■ Discontinued operations

Note: All figures are for the six months ended 31 January

# Higher operating earnings and shift in earnings composition between channels

## EBIT channel movements between FY23 H1 and FY24 H1

(\$ million)



- Continuing operations earnings up \$122m to \$986m. FY23 earnings included \$162m of impairments. Adjusting for impairments, underlying earnings has decreased \$40m from \$1,026m to \$986m
- Material shift in composition of operating earnings between channels, reflecting:
  - Ingredients down due to reduced margins in both New Zealand and Australia
  - Foodservice and Consumer up due to volume growth, improved pricing and lower milk cost inputs

- Discontinued operations made a loss of \$(33)m for the first six months of FY24 reflecting the sale of DPA Brazil in October 2023. DPA Brazil was profitable over the period, but this was more than offset by the release of the \$(68)m foreign currency translation reserve as part of the sale

# Profit driven by higher operating earnings and lower financing costs

## FY23 H1 to FY24 H1 Total Group performance

(\$ million)



- Continuing operations' operating earnings increased due to:
  - prior year including \$162m of impairments
  - sales volumes and gross margin growth in the Foodservice and Consumer channels, offset by lower sales volumes and margins in the Ingredients channel
  - removing impact of impairments in prior year, operating expenses increased \$52m due to higher staff costs, and upfront costs of driving efficiency improvements
- Continuing operations' net financing costs improved reflecting lower average total borrowings mainly due to higher earnings, lower working capital and divestments
- Discontinued operations made a loss of \$(40)m for the first six months of FY24 reflecting the sale of DPA Brazil in October 2023. DPA Brazil was profitable over the period, but this was more than offset by the release of the \$(68)m foreign currency translation reserve as part of the sale

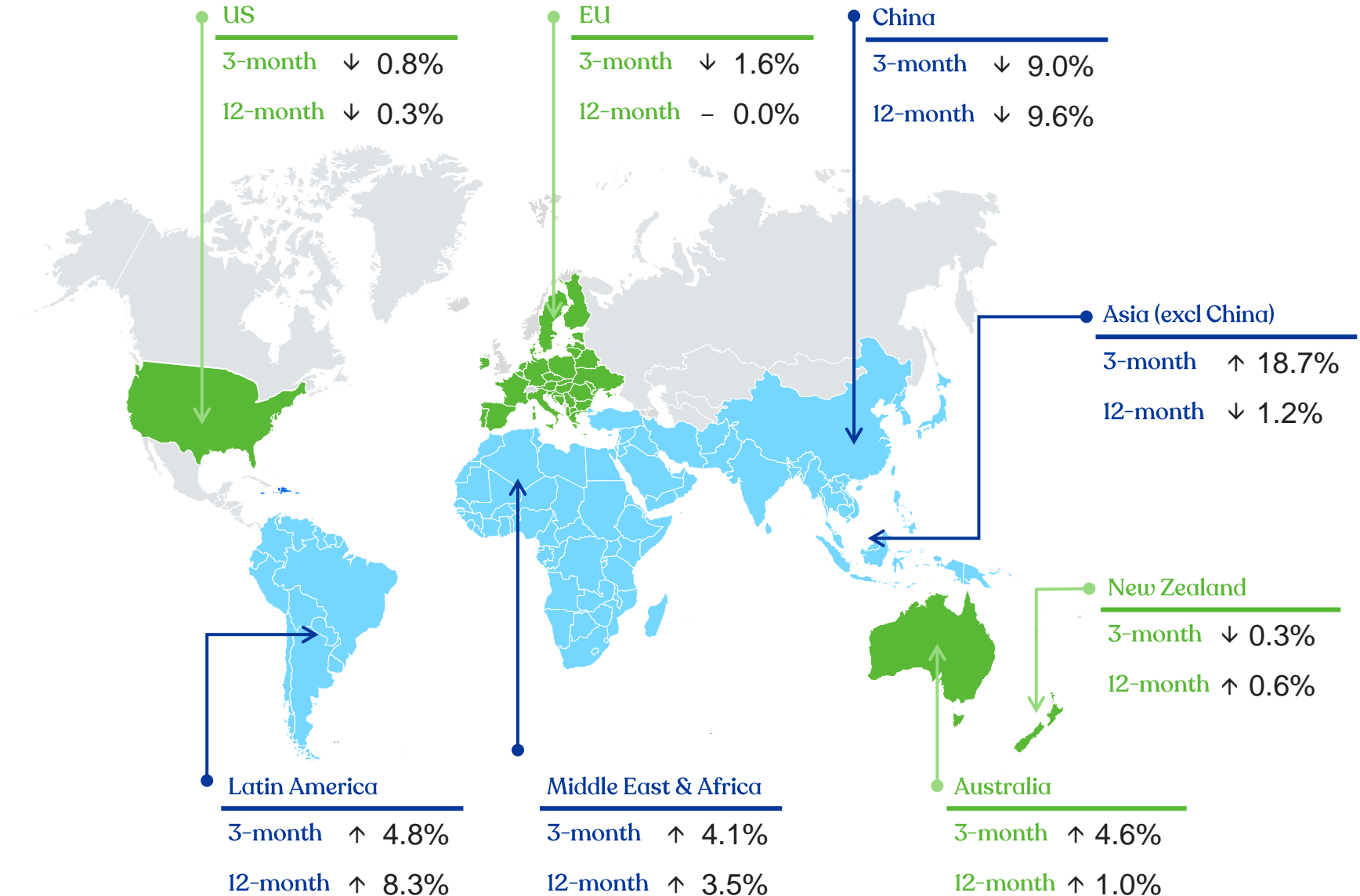
# Macro Environment





# Limited global milk growth supporting pricing while demand fluctuates

- Outlook for dairy trade is positive
  - Gradual rebalance of China domestic milk production, and import demand has improved but remains volatile with a soft economy
  - Increasing demand from key import regions, particularly Southeast Asia, and Middle East and Africa
  - EU and US production remains stifled due to high on-farm costs
  - New Zealand and Australia production has lifted mainly due to better weather conditions
- Current global economic uncertainty, exacerbated by geopolitical conflicts, impacting costs such as energy and feed, influencing milk supply in the EU and US
- Environmental regulations may further affect milk production, particularly in the EU

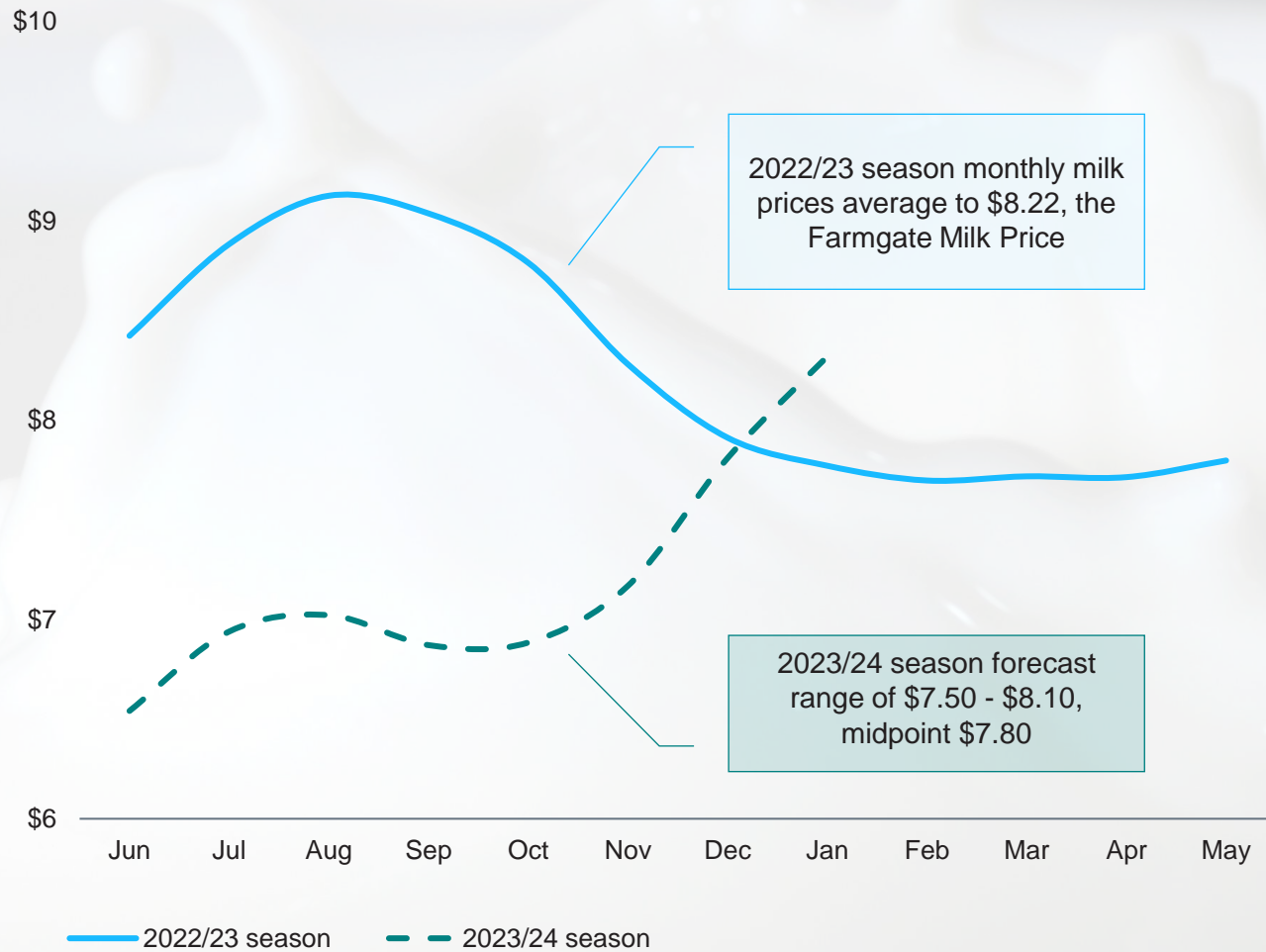


Production Imports

Note: Refer to appendix for source data and date ranges

# Increase in price over FY24 for our New Zealand sourced milk

Monthly Milk Prices (\$ per kgMS)



- Prior season milk price benefited from strong Reference Product prices leading into the season before declining over the season
- The lower product prices flowed into 2023/24 season, partially offset by favourable currency movements
- GDT WMP, SMP, AMF and butter prices from August to February increased 33%, 20%, 47% and 44%, respectively. This has increased the price of milk heading into the last half of the season
- Season-on-season increases in operating costs, mainly due to inflation, have also impacted the 2023/24 season milk price

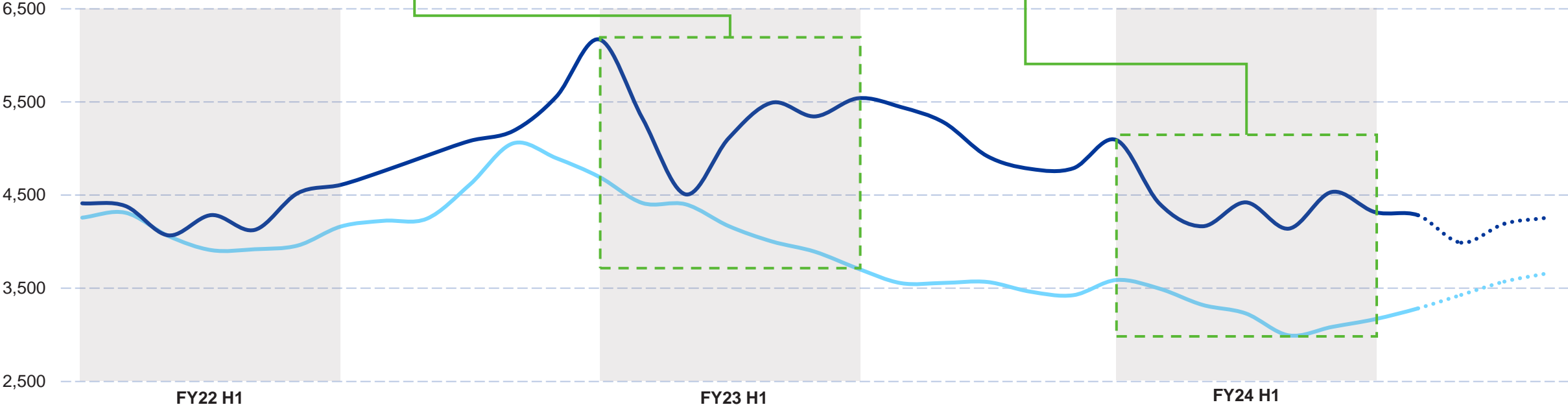
## Impact on Foodservice and Consumer channels

- FY24 Q1 gross margin and operating earnings are strong relative to prior quarters and FY24 Q2 due to lower cost of milk at start of financial year
- Direction of indicative monthly milk prices for 2023/24 season at a midpoint of \$7.80 will place margin pressure on Foodservice and Consumer channels in second half of FY24

# Price relativities unfavourable in second quarter compared to prior year

Fonterra Reference and Non-Reference Price Relativities (USD/MT)

	Q1	Q2	H1		Q1	Q2	H1
Average Non-Reference price	4,939	5,458	5,230	Average Non-Reference price	4,333	4,218	4,272
Average Reference price	<u>4,300</u>	<u>3,862</u>	<u>4,023</u>	Average Reference price	<u>3,298</u>	<u>3,055</u>	<u>3,131</u>
<b>Price difference</b>	<b>639</b>	<b>1,596</b>	<b>1,207</b>	<b>Price difference</b>	<b>1,035</b>	<b>1,163</b>	<b>1,141</b>



- Reference Product shipment price
- Non-Reference Product shipment price
- GDT only Reference Product contract shipment price
- GDT only Non-Reference Product contract shipment price

- Average price for the Reference portfolio declined USD 892 per MT in FY24 H1 compared to the prior year, whereas the Non-Reference portfolio decreased by USD 958 per MT
- GDT contracts for the near term indicate a continued contraction of price relativities as improved demand for powders from the Middle East and Africa, and more recently Greater China lift the average Reference price
- GDT cheddar contracts are used as a proxy for Non-Reference prices in the near term. Cheddar prices have adjusted down to within a historical long-term range reflecting expectation of higher production volumes in the US

Note: Refer to appendix for source data and date ranges

## New Zealand-sourced Ingredients' product mix

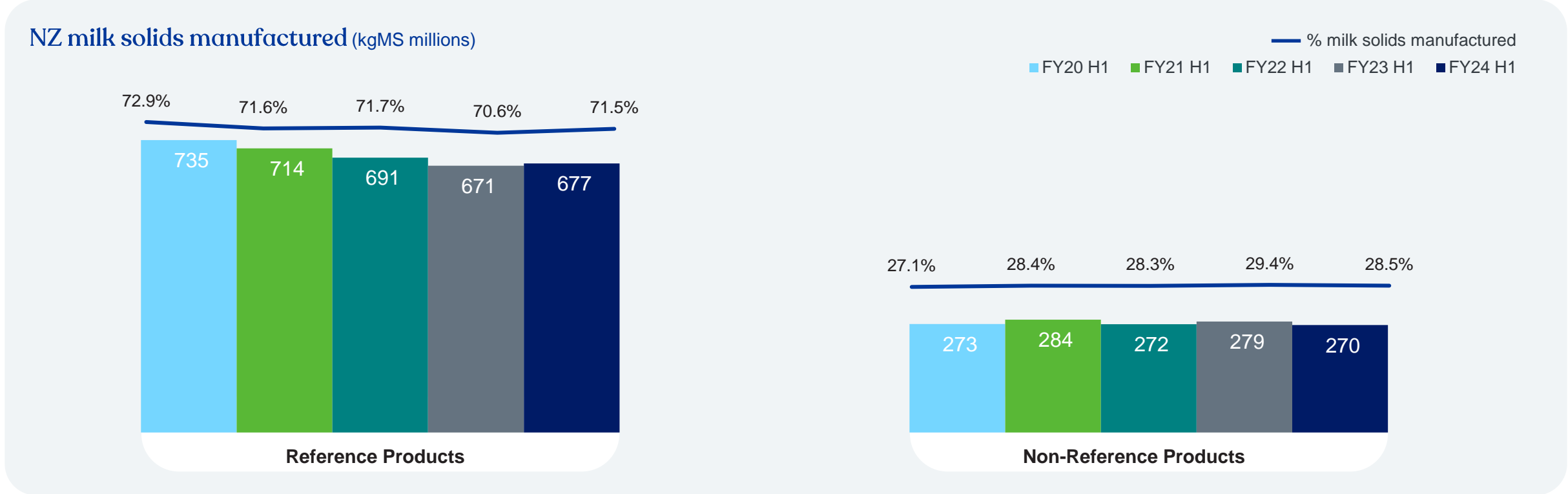
	2023	2024	Change
<b>Sales Volume ('000 MT)</b>			
Reference Products	857	872	15
Non-Reference Products	430	422	(8)
<b>Revenue (NZD)</b>			
Reference Products (\$ billion)	5.6	4.7	-
Non-Reference products (\$ billion)	3.5	2.9	-
Reference Products (\$ per MT)	6,584	5,398	(1,186)
Non-Reference products (\$ per MT)	8,146	6,956	(1,190)
<b>Cost of Milk (NZD)</b>			
Reference Products (\$ billion)	(4.3)	(3.5)	-
Non-Reference Products (\$ billion)	(1.8)	(1.4)	-
Reference Products (\$ per MT)	(5,042)	(3,957)	1,085
Non-Reference Products (\$ per MT)	(4,256)	(3,404)	852

- 8,000 MT less of higher value Non-Reference products due to timing of shipments
- On an NZD basis, the relative price change per MT for the Reference and Non-Reference portfolio is flat
  - The sales profile and allocation of FX hedging between Reference and Non-Reference offset the unfavourable USD price relativity movements
- Non-Reference portfolio cost of milk did not decline as much as the Reference Portfolio
  - The cream products in the Non-Reference portfolio are manufactured and sold on a shorter timeframe due to their shorter shelf life, therefore, they get expensed at a more current milk cost
  - The cost of fat, which is the primary component of the milk cost in cream products, has increased significantly over the past 12 months

Note: Table includes Ingredients' products that are on-sold to the Foodservice and Consumer channels and excludes bulk liquid milk. Bulk liquid milk for 2024 was 35,000 MT of kgMS equivalent (for the comparative period it was 35,000 MT of kgMS equivalent). Milk solids used in the Reference Products sold were 480 million kgMS and 215 million kgMS in the Non-Reference Products (for the comparative period 482 million kgMS in Reference Products and 220 million kgMS in Non-Reference Products)

# Long-term trend of percentage of milk solids allocated to higher value products

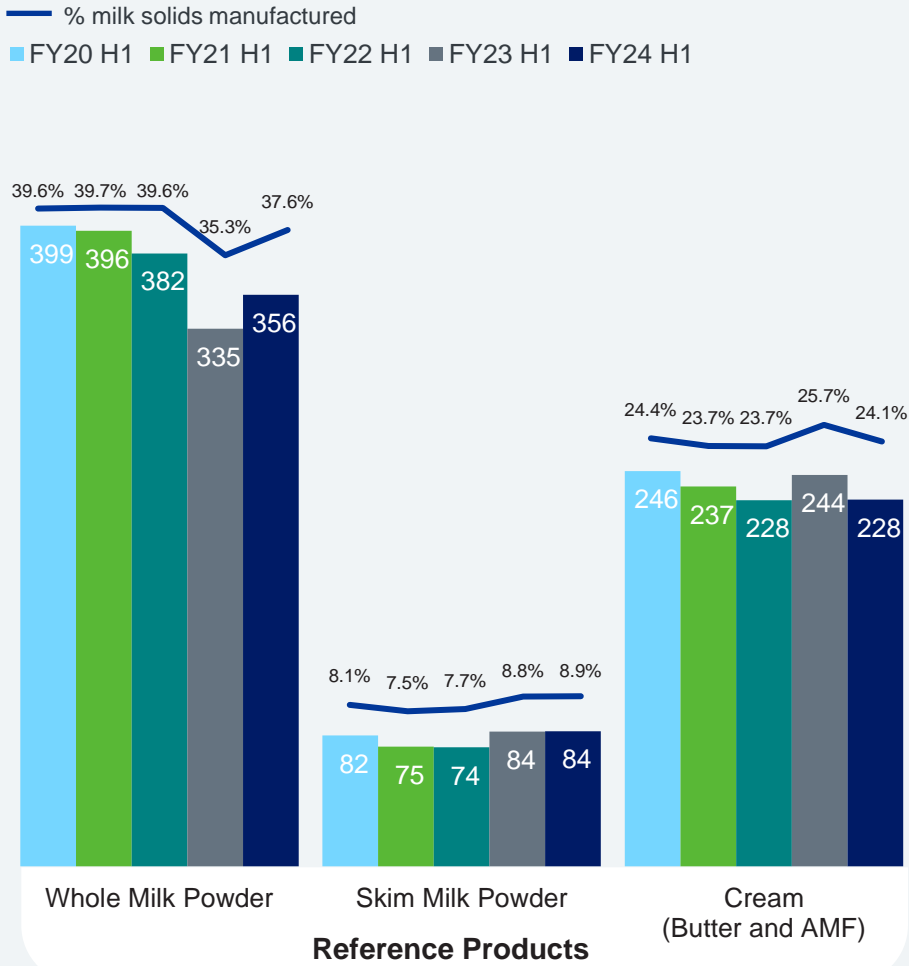
Deliver a strong Farmgate Milk Price and earnings growth



- Limited product mix flex over peak collection period, tends to mean a higher proportion of solids are allocated to the Reference portfolio in the first half of year relative to second half
- Long-term trend remains positive, allocating a greater proportion of milk solids to higher value products in the Non-Reference portfolio
- Lower milk collections over the past 5 years has meant total milk solids processed within the Non-Reference portfolio is relatively flat, despite the increased proportion of solids allocated
- Materially less milk was allocated to Reference portfolio in 2023 due to high whole milk powder inventory levels and strong domestic milk production in China. 2024 allocation is a return to a more gradual reduction in Reference portfolio allocation

# Breakdown of milk solids allocated to product groups

## NZ milk solids manufactured (kgMS millions)



### Whole Milk Powder:

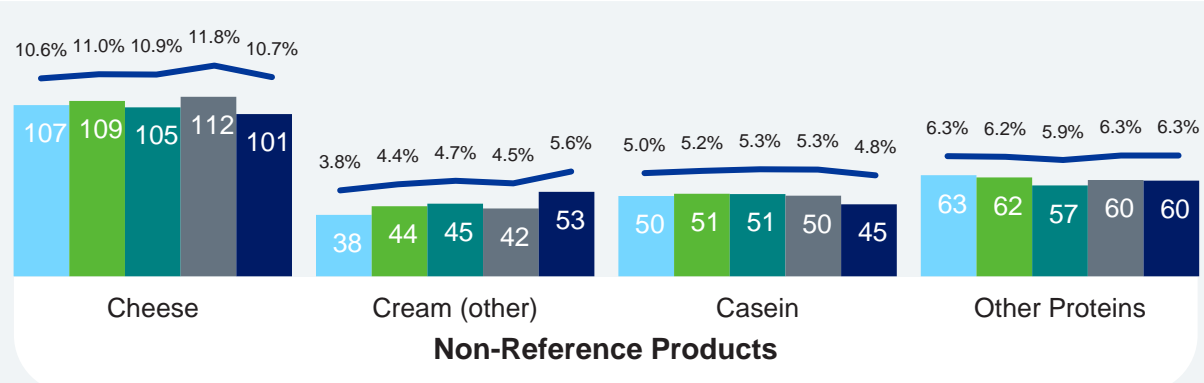
- FY23 and FY24 production significantly lower than prior years due to a conscious product mix decision to mitigate global demand risk by allocating away from WMP into product streams with higher value and more stable demand
- China demand is showing signs of stabilising with inventories normalising, however macroeconomic indicators continue to be weak. A key indicator of Chinese recovery will be post-Chinese New Year consumption and the extent of domestic WMP production occurring in China as it enters its milk season
- Overall WMP demand is finely balanced relative to supply with global WMP production across key export origins expected to remain flat

### Cream:

- Strong demand for cream in the Greater China Foodservice business, particularly UHT cream, has driven an increase in solids allocated to Non-Reference cream

### Cheese and Casein:

- Reduced allocation as value of these portfolios reduces relative to the WMP and cream portfolios that have experienced better pricing during the year
- Cheese and Casein supply and demand currently remains well balanced for the near term, with a reduction in production from New Zealand as US production increases



Note: Excludes Butter Milk Powder, and other smaller Non-Reference commodity groups

# Financial Overview



# Diversified across markets and products

## Operating earnings performance by reporting segment and channel

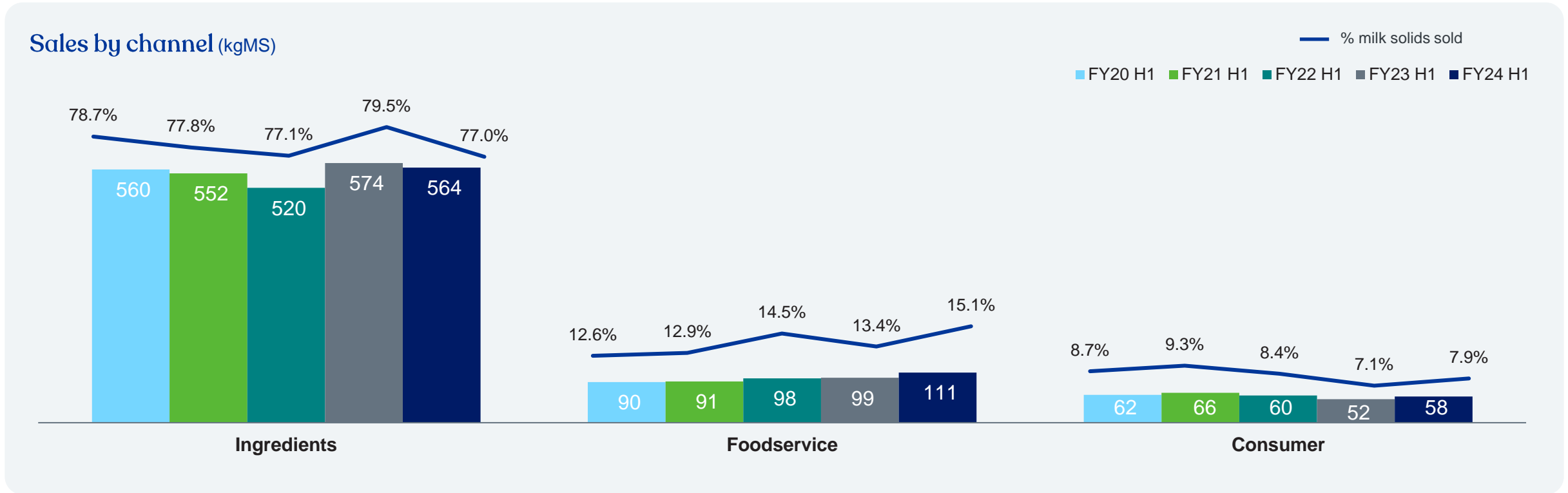
	Core Operations	Global Markets	Greater China	Total
External sales volume ('000 MT)		1,239 0% -	482 6% ↑	1,721 1% ↑
EBIT contribution from continuing operations				
Ingredients	\$134m \$324m ↓	\$275m \$38m ↓	\$58m \$21m ↓	\$467m \$383m ↓
Foodservice	\$32m \$59m ↑	\$80m \$57m ↑	\$230m \$87m ↑	\$342m \$203m ↑
Consumer	\$0m \$7m ↑	\$167m \$261m ↑	\$10m \$34m ↑	\$177m \$302m ↑
<b>Total</b>	<b>\$166m</b> \$258m ↓	<b>\$522m</b> \$280m ↑	<b>\$298m</b> \$100m ↑	<b>\$986m</b> \$122m ↑

EBIT by quarter





# Increased solids sold through Foodservice and Consumer channels



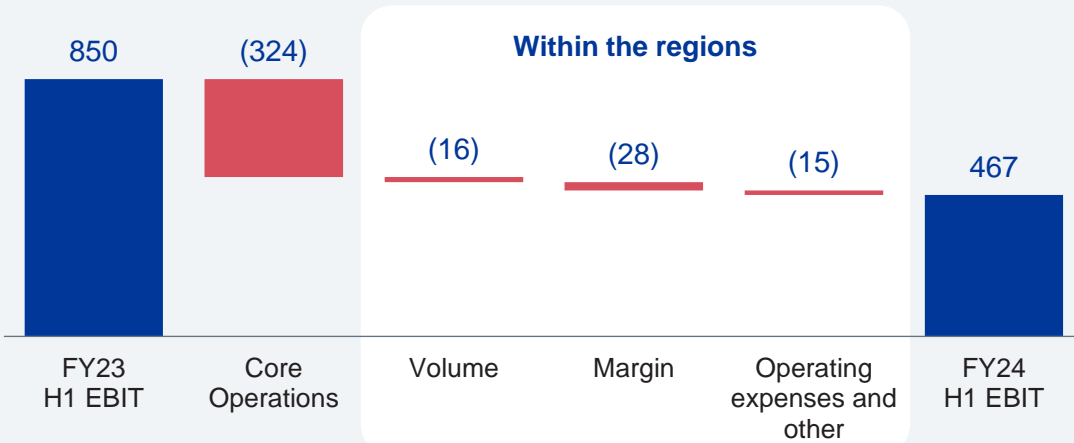
## Shifting New Zealand milk into higher margin products to deliver a strong Farmgate Milk Price and earnings growth

- Greater proportion of solids sold through Foodservice and Consumer due to the higher margins in these channels, as a result of improved pricing and lower cost of milk
- A higher proportion of Ingredients was sold last year due to the additional inventory carried over into the 2023 financial year
- A higher proportion of milk solids was sold through the Greater China Foodservice channel, particularly UHT cream

# Ingredients operating performance

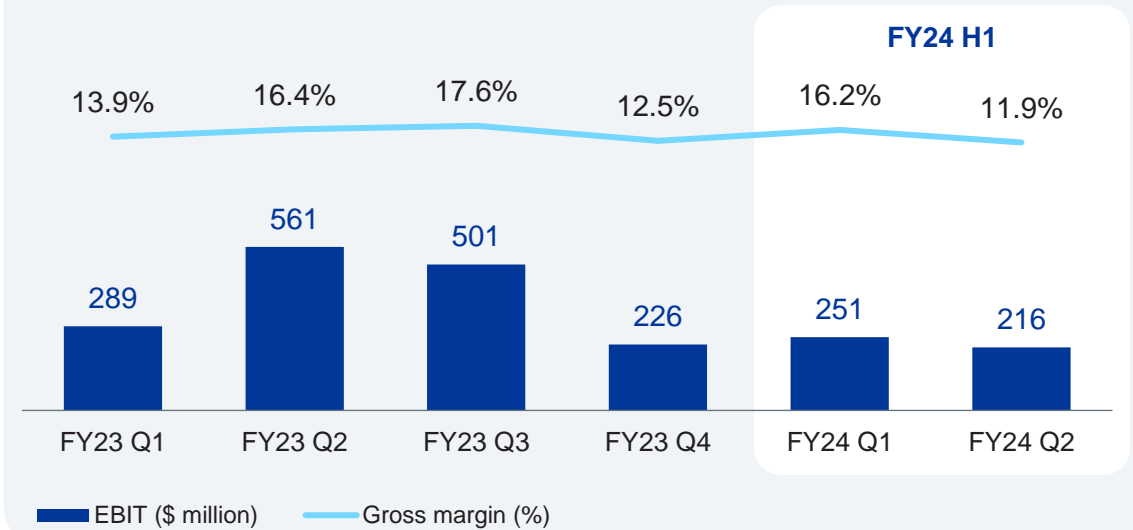
## Key performance drivers

EBIT (\$ million)



- Ingredients EBIT is down \$383m, due to:
  - the FY24 lactose price materially declining so the benefit to Core Operations of relatively higher lactose costs in the Milk Price calculation (due to requiring more lactose for standardisation of WMP, SMP and BMP) has significantly reduced
  - lower margins achieved in Core Operations reflecting lower sales volumes of higher value Non-Reference Products, and Non-Reference Portfolio cost of milk which did not decline as much as the Reference Portfolio
  - lower margins within the regions, mainly due to a higher milk price in Australia and weaker demand for Milk Protein Concentrate (MPC) and cheese in China

## Quarterly performance

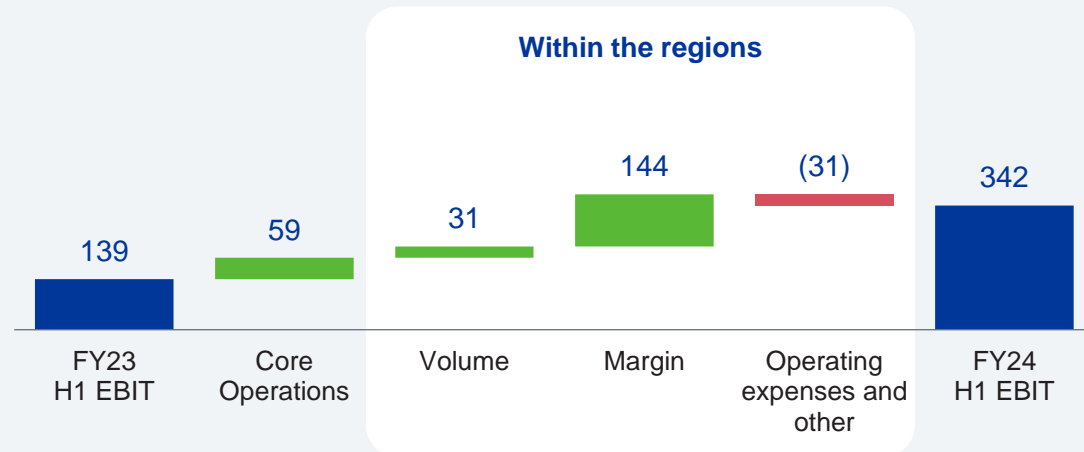


- Gross margins are expected to continue to tighten in the second half of FY24 reflecting the recent increase in the price of Reference Products on GDT relative to Non-Reference prices

# Foodservice operating performance

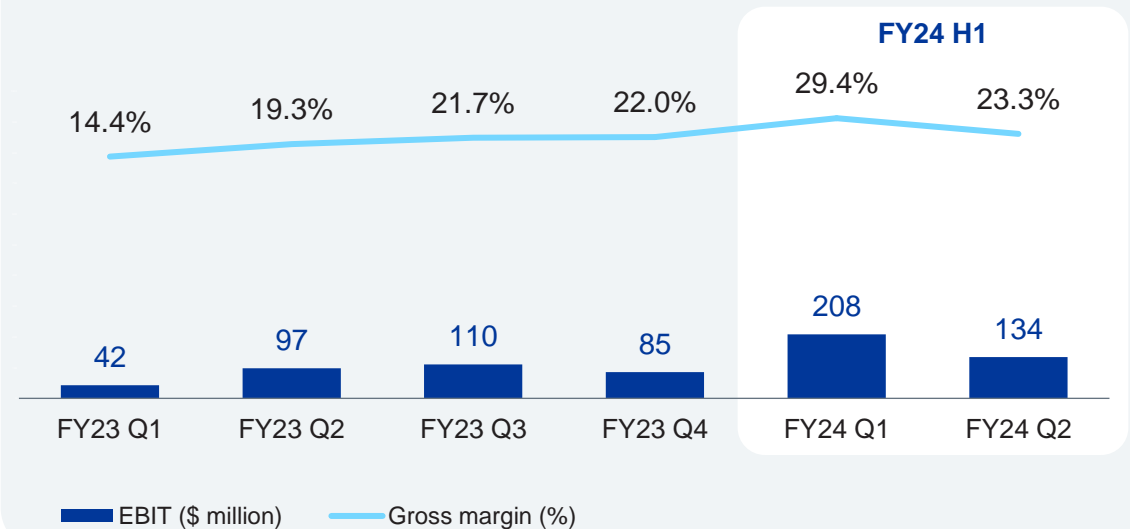
## Key performance drivers

EBIT (\$ million)



- Foodservice EBIT is up \$203m, due to:
  - higher margins within Core Operations driven by lower input costs
  - favourable margins predominately driven by the lower cost of milk, as well as benefit from higher in-market pricing particularly in our Southeast Asia markets
  - sales volume growth of 8%, mainly driven by UHT cream in Greater China

## Quarterly performance

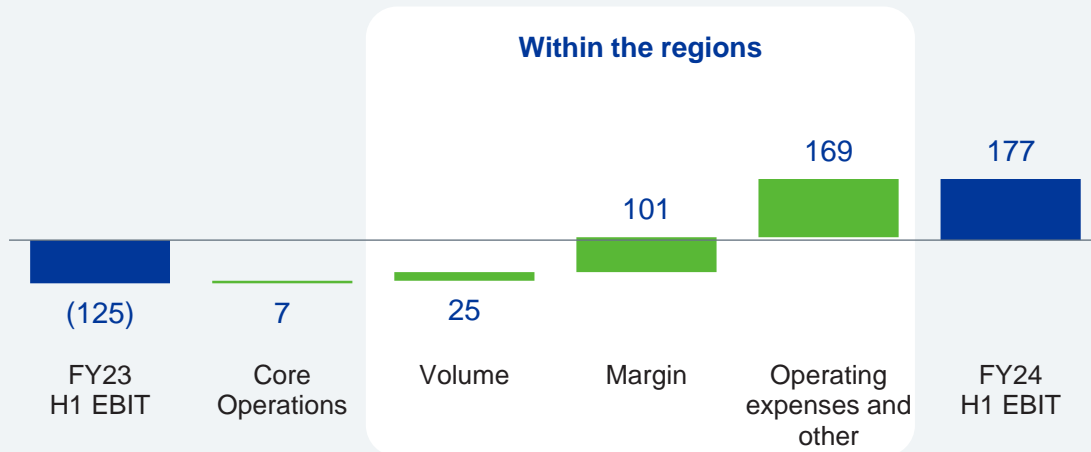


- The Foodservice channel experienced stronger earnings in FY24 Q1 relative to FY24 Q2 driven by higher gross margins in the Q1
- Gross margins tightened in Q2 due to a combination of lower prices achieved in-market and higher cost of goods sold as cost of milk increased
- Gross margins are expected to continue to tighten in the second half of FY24 reflecting the recent increase in the price of Reference Products on GDT

# Consumer operating performance

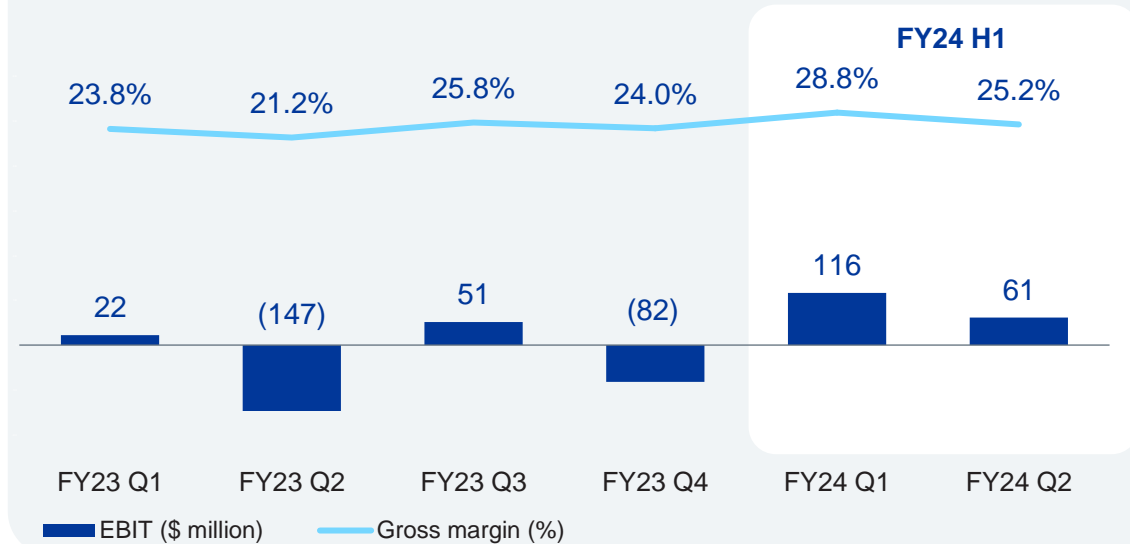
## Key performance drivers

EBIT (\$ million)



- Consumer EBIT increased \$302m, due to:
  - sales volume growth of 8%, mainly driven by demand in Sri Lanka and the Middle East
  - improved gross margins, driven by favourable pricing across most regions, and lower cost of milk
  - lower operating expenses due to prior year including \$162m of impairments
- Adjusting for impairments, Consumer EBIT increased \$140m

## Quarterly performance



- Lower cost of milk during FY24 Q1, coupled with favourable pricing meant a strong FY24 Q1 gross margin and EBIT relative to FY23 and FY24 Q2
- Gross margins tightened in the second quarter due to a combination of lower in-market prices and higher cost of milk
- Gross margins are expected to continue to tighten in the second half of FY24 reflecting the recent increase in the price of Reference products on GDT that inform the cost of milk
- FY23 Q2 and Q4 EBIT was impacted by the accounting for impairments

# Operating expenses

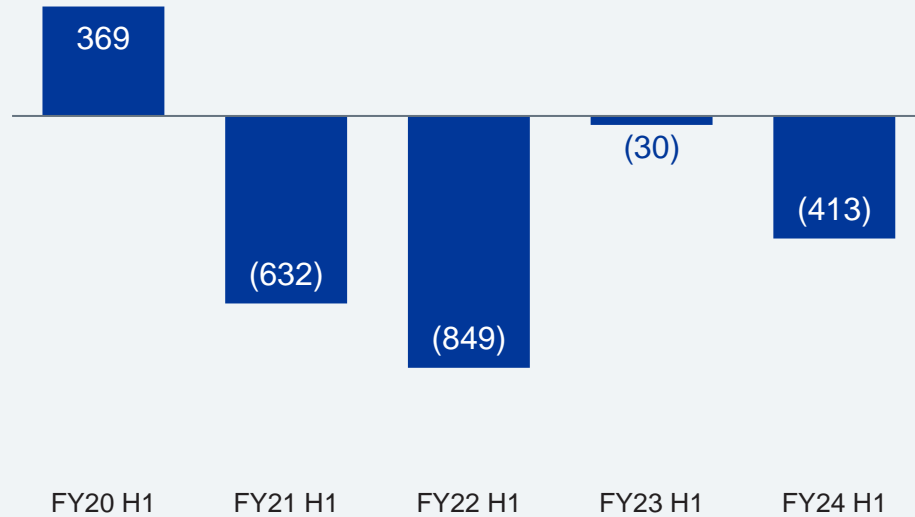
NZD million	2023	2024	%Δ <sup>1</sup>
Staff expenses	467	501	7%
Storage and distribution	127	128	1%
Advertising and promotion	96	103	7%
Information technology	99	113	14%
Technical and professional	71	105	48%
Depreciation & amortisation	89	93	4%
Impairments	162	-	-
Foreign exchange	19	-	-
Other	89	66	(26)%
<b>Continuing operations operating expenses</b>	<b>1,219</b>	<b>1,109</b>	<b>(9)%</b>
<b>Discontinued operations operating expenses</b>	<b>258</b>	<b>99</b>	<b>(62)%</b>
<b>Total Group operating expenses</b>	<b>1,477</b>	<b>1,208</b>	<b>(18)%</b>

- Total Group operating expenses reduced \$269m due to the prior year including \$162m of Consumer brand impairments and Soprole's operating expenses, which was sold in the second half of FY23
- Removing the impact of the impairments, operating expenses from continuing operations were up \$52m reflecting:
  - a \$34m increase in staff costs due to inflationary pressures and redundancies
  - a \$34m increase in technical and professional fees, mainly related to upfront costs of delivering future efficiencies
  - a \$14m increase in information technology mainly due to an increase in cloud software usage

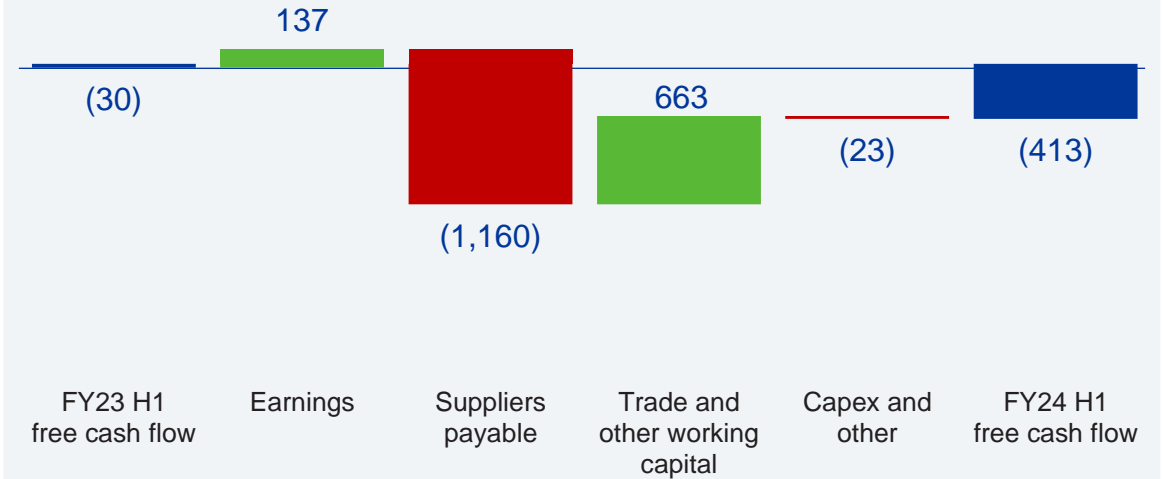
Note: Comparative information has been re-presented for consistency with the current period and prepared on a by nature basis. For operating expenses by function, refer to note 4a of the 2024 Interim Financial Statements  
 1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

# Free cash flow remains a key focus

Five-year trend  
(\$ million)



Movements in free cash flow  
(\$ million)

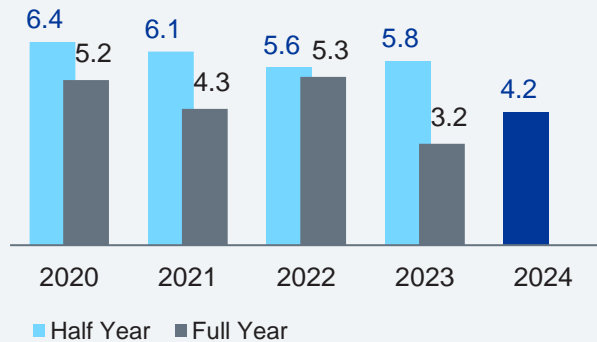


## Free cash flow for the first six months is typically an outflow, reflecting the seasonal nature of the business

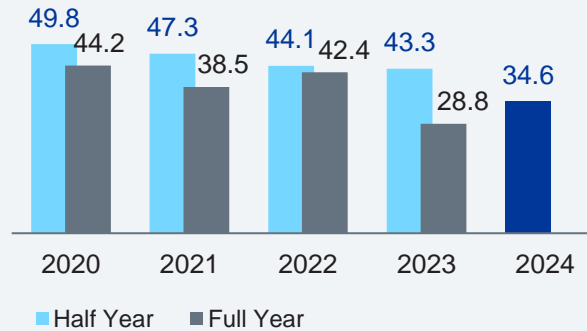
- Free cash flow for the first six months ending 31 January 2024 was a \$413m outflow.
- This was a larger outflow from the prior period due to a decrease in amounts owing to suppliers primarily due to the impact of a lower Milk Price and a higher advance rate for the current year compared to prior year, partly offset by
  - higher inflows from trade and other receivables as a result of lower revenue due to lower commodity prices
  - increased cash earnings against the prior year

# 'A band' credit rating and key metrics demonstrate ongoing strength of balance sheet

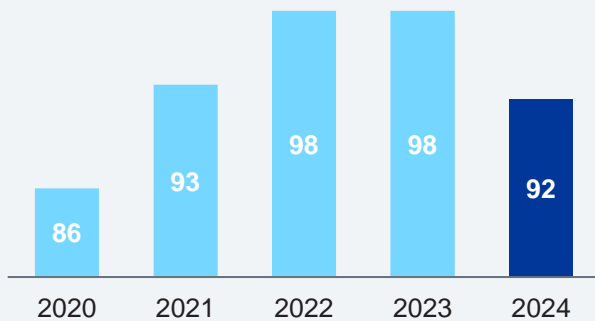
Net debt (\$ billion)



Gearing ratio (%)



Working capital days



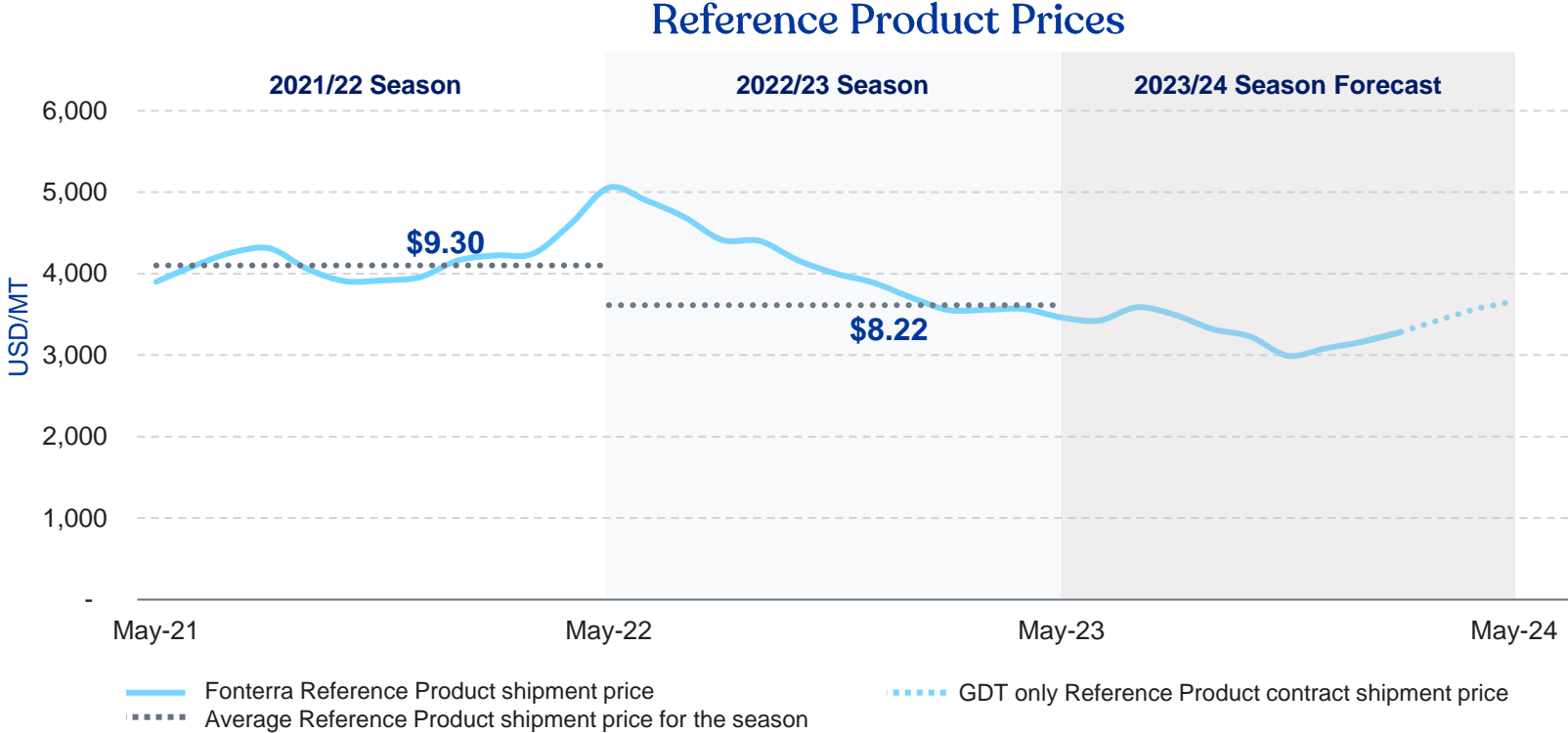
Credit rating

<b>S&amp;P Global Ratings</b>	A-	Stable outlook
<b>Fitch Ratings</b>	A	Stable outlook

- Net debt is \$1.6b lower, reflecting:
  - strong underlying performance of the business
  - reduction in working capital during the year
  - impact of divestments
- Gearing ratio reduced reflecting:
  - lower net debt
  - higher equity due to improved continuing operations earnings and gains from the disposal of Soprole, after distributing \$1.6b in dividends and through a capital return
- Working capital days reduced reflecting lower volume and value of milk in inventory compared to prior year

# Forecast 2023/24 season Farmgate Milk Price

Forecast Farmgate Milk Price  
**\$7.50-\$8.10**  
 per kgMS



The range has narrowed reflecting:

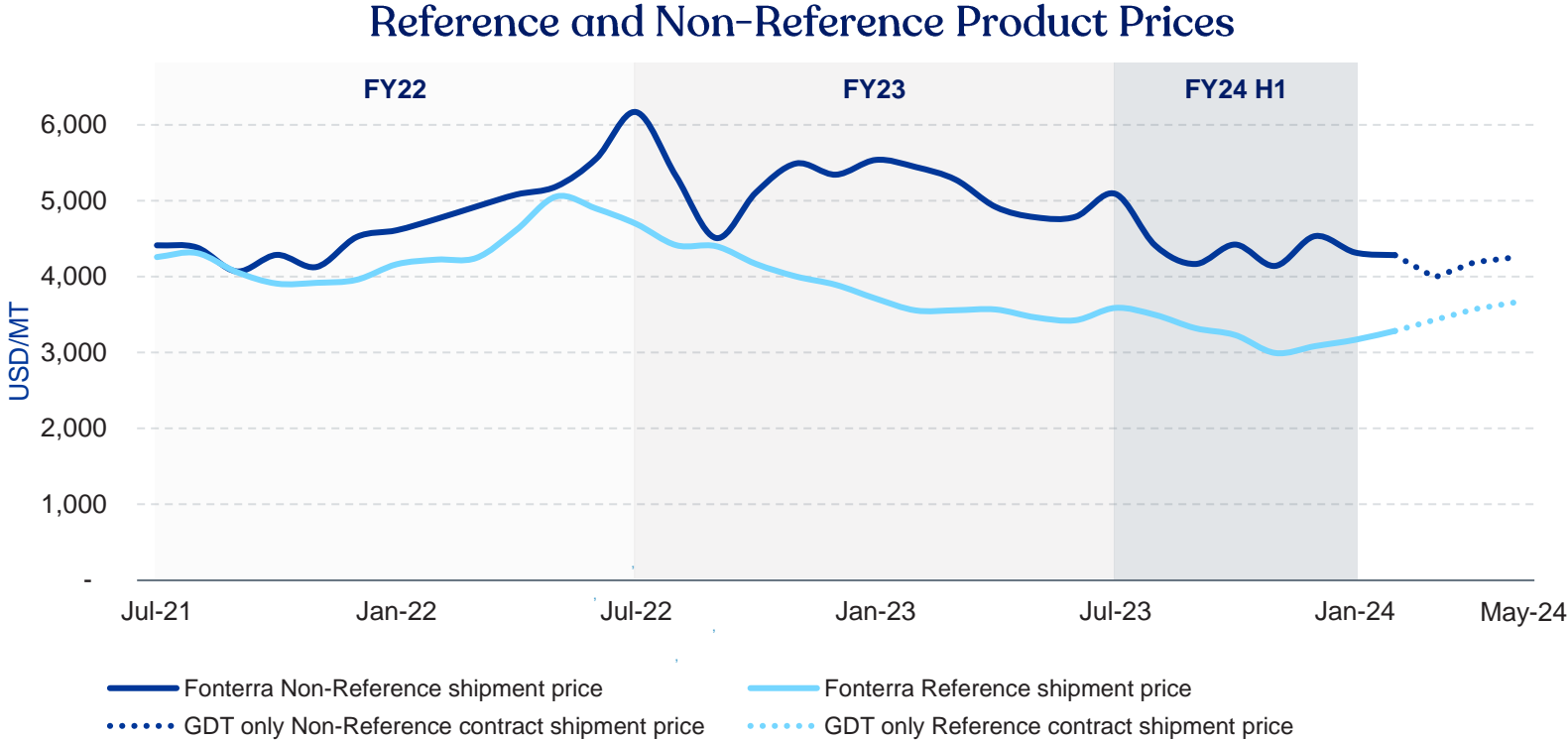
- well contracted sales book
- approximately 90% of the full year forecast USD cash flows related to the 2023/24 season hedged
- finely balanced demand and supply for Reference Products

Note: Refer to appendix for source data and date ranges



# FY24 continuing operations' earnings outlook

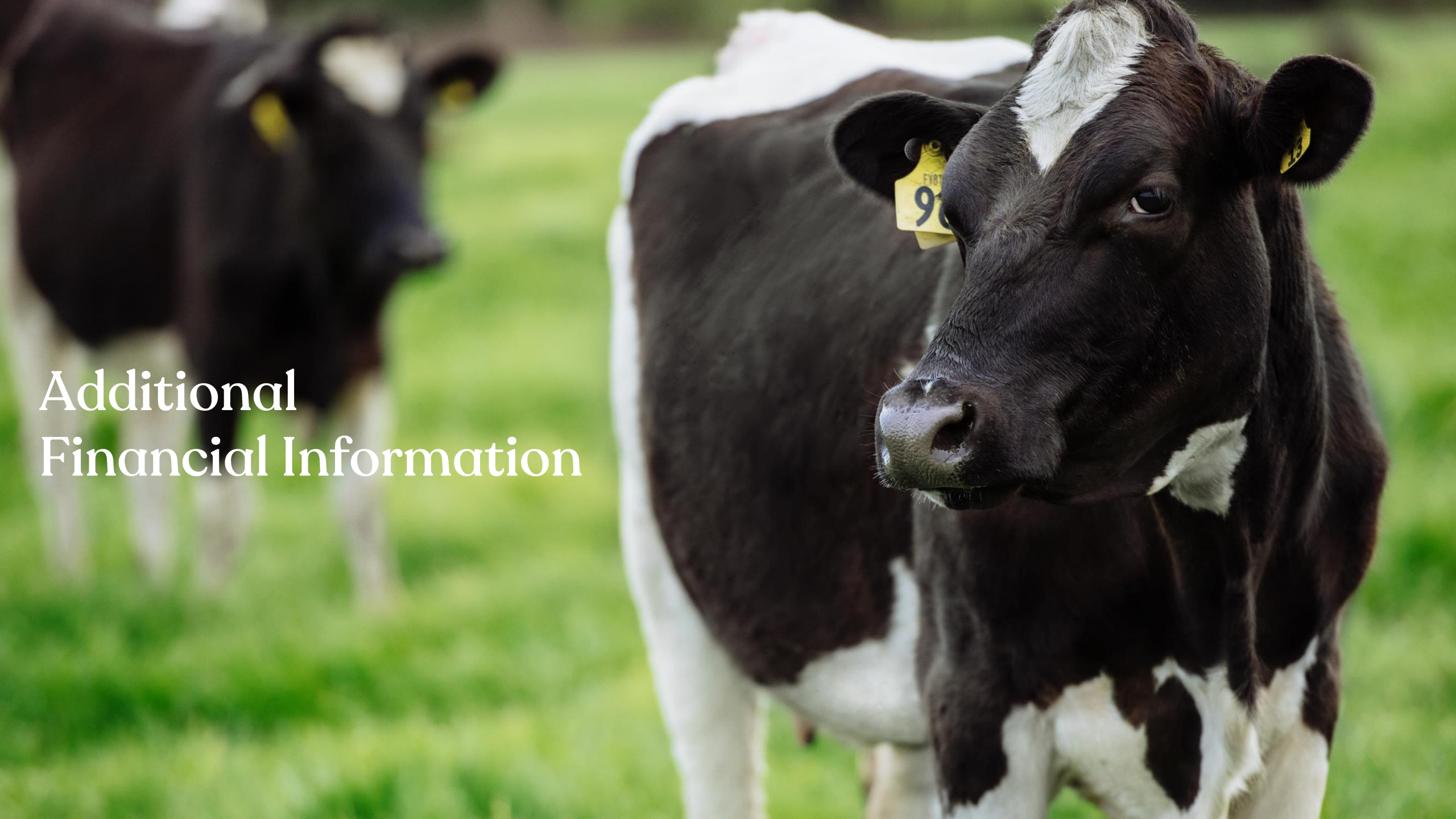
FY24 forecast earnings  
**50 – 65c**  
 per share



The range is maintained reflecting 43 cents per share earned in first half and an expectation that:

- year-to-go price relativities will materially reduce
- strong Foodservice and Consumer margins in the first half of FY24 will return to more historical levels in the second half
- normal seasonal factors will occur:
  - milk collection curve impacting Core Operations cost recoveries
  - lower sales volumes in the second half, particularly the fourth quarter

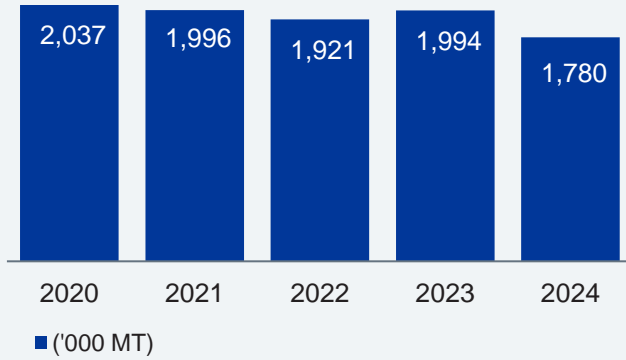
Note: Refer to appendix for source data and date ranges



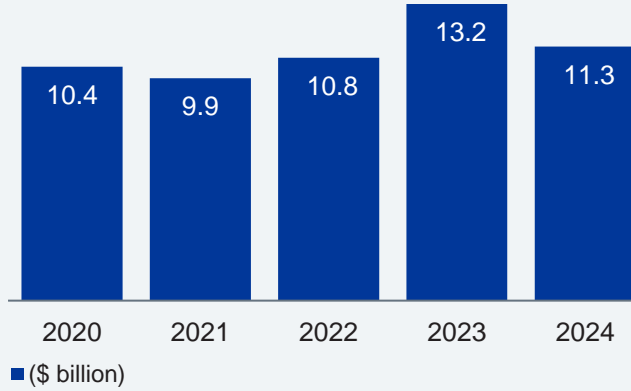
# Additional Financial Information

# Total Group financial metrics

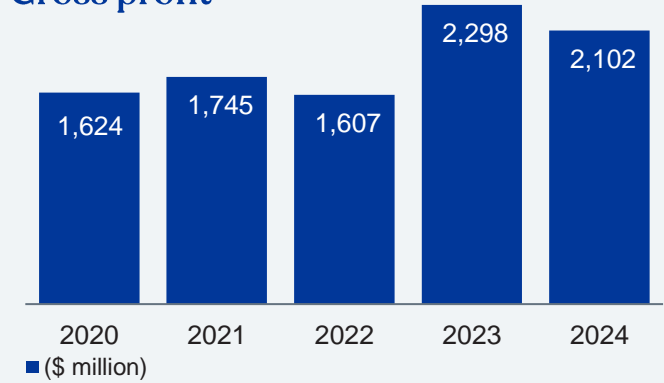
## Sales volume



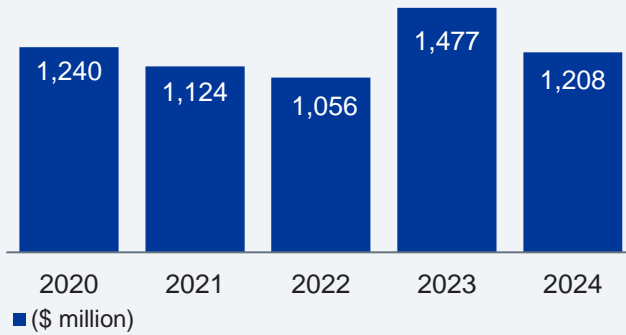
## Revenue



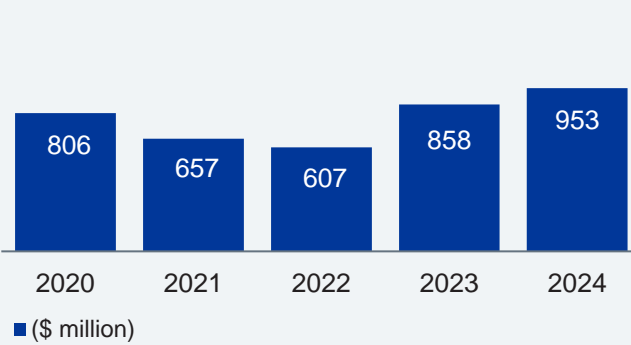
## Gross profit



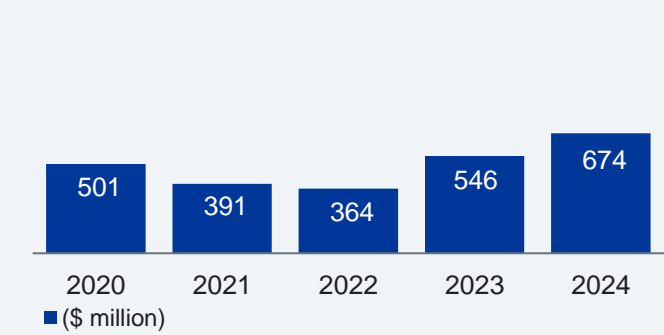
## Operating expenses



## EBIT

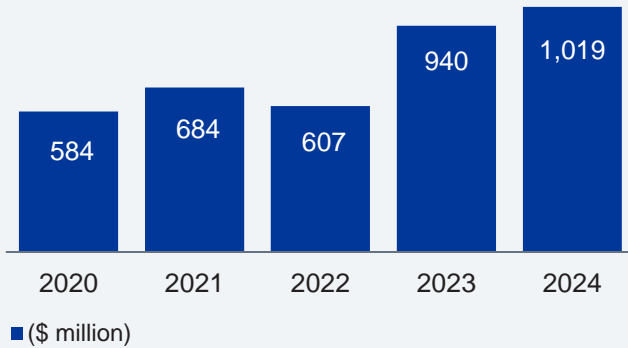


## Profit after tax

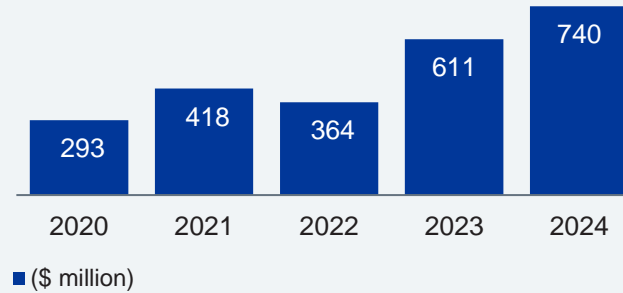


# Total Group financial metrics

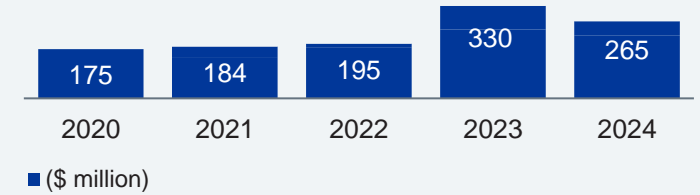
## Normalised EBIT



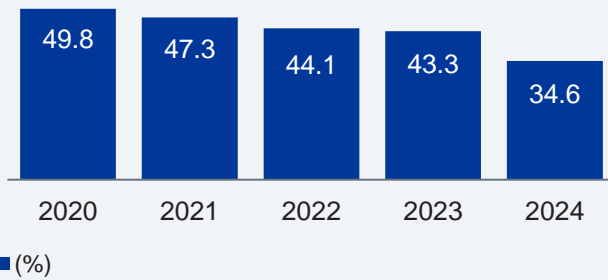
## Normalised profit after tax



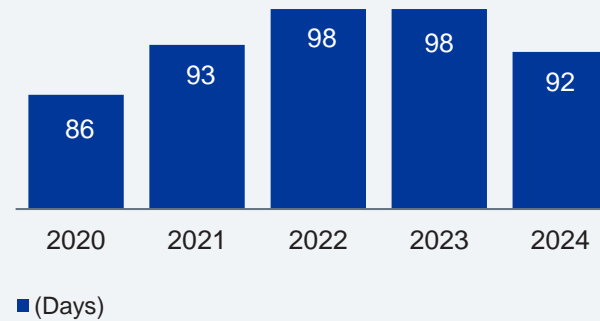
## Capital invested



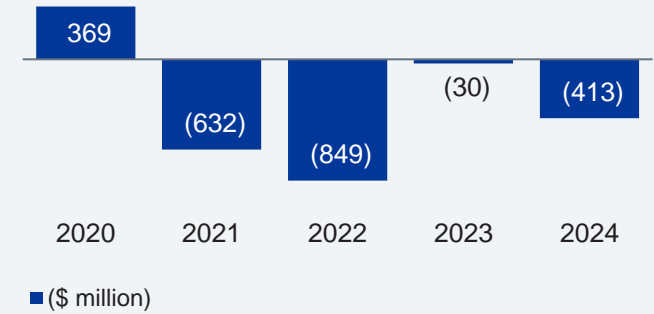
## Gearing ratio<sup>1</sup>



## Working capital days<sup>2</sup>



## Free cash flow

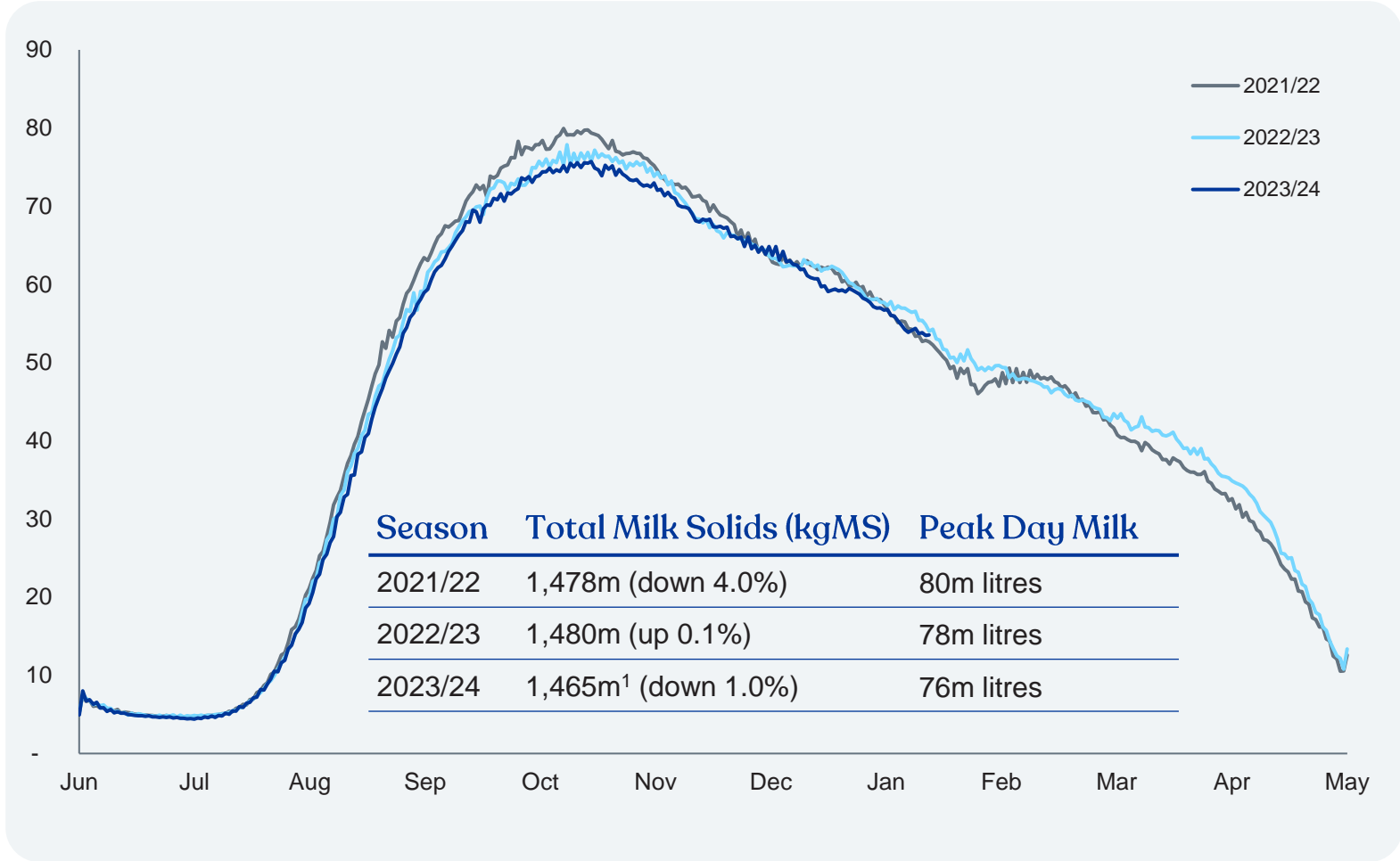


Note: For the six months ended 31 January unless otherwise stated

1. Gearing ratio is at 31 January

2. Working capital days are presented on a 13-month rolling average basis. Comparative information has been re-presented for consistency with the current period. Inventory has been restated to reflect the inclusion of emissions trading units which were previously held as intangible assets

# Fonterra's New Zealand milk collections



- Season to date collections, 1 June – 31 January, were 1,012 million kgMS, 0.4% behind last season
- The decrease in collections is due to lower collections in the North Island partially offset by improved collections in the South Island
  - Poor weather conditions in the North Island resulted in lower milk flows
  - Favourable weather conditions have resulted in stronger milk flows in all regions in the South Island
- Variable weather conditions continue to persist in the North Island through Autumn

# Continuing and discontinued operations

NZD million	31 January 2023			31 January 2024		
	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group
Sales volume ('000 MT)	1,699	295	<b>1,994</b>	1,721	59	<b>1,780</b>
Revenue	12,333	916	<b>13,249</b>	11,085	172	<b>11,257</b>
Cost of goods sold	(10,287)	(664)	<b>(10,951)</b>	(9,049)	(106)	<b>(9,155)</b>
Gross profit	2,046	252	<b>2,298</b>	2,036	66	<b>2,102</b>
Gross margin (%)	16.6%	27.5%	<b>17.3%</b>	18.4%	38.4%	<b>18.7%</b>
Operating expenses	(1,219)	(258)	<b>(1,477)</b>	(1,109)	(99)	<b>(1,208)</b>
Other <sup>1</sup>	37	-	<b>37</b>	59	-	<b>59</b>
EBIT	864	(6)	<b>858</b>	986	(33)	<b>953</b>
Net finance costs	(122)	(35)	<b>(157)</b>	(82)	(7)	<b>(89)</b>
Tax expense	(198)	43	<b>(155)</b>	(190)	-	<b>(190)</b>
<b>Profit after tax<sup>2</sup></b>	<b>544</b>	<b>2</b>	<b>546</b>	<b>714</b>	<b>(40)</b>	<b>674</b>
Normalisations <sup>3</sup>	-	65	65	-	66	66
<b>Normalised profit after tax<sup>2</sup></b>	<b>544</b>	<b>67</b>	<b>611</b>	<b>714</b>	<b>26</b>	<b>740</b>

1. Comprises of other operating income, net foreign exchange gains and share of profit or loss of equity accounted investees
2. Includes amounts attributable to non-controlling interests

3. Normalisations in FY24 comprise of \$(66)m in relation to the sale of DPA Brazil (FY23 comprises of \$(4)m impairment in relation to exiting Hangu China farm and \$(61)m FX movements in relation to the sale of Soprole)

# Diversified across markets and products

## Profit after tax by reporting segment and channel

	Core Operations	Global Markets	Greater China	Total
External sales volume ('000 MT)		1,239 0% -	482 6% ↑	1,721 1% ↑
Profit after tax contribution from continuing operations				
Ingredients	\$81m \$212m ↓	\$209m \$5m ↓	\$44m \$12m ↓	\$334m \$229m ↓
Foodservice	\$23m \$50m ↑	\$56m \$38m ↑	\$180m \$81m ↑	\$259m \$169m ↑
Consumer	\$(2)m \$8m ↑	\$115m \$197m ↑	\$8m \$25m ↑	\$121m \$230m ↑
<b>Total</b>	<b>\$102m</b> \$154m ↓	<b>\$380m</b> \$230m ↑	<b>\$232m</b> \$94m ↑	<b>\$714m</b> \$170m ↑

## Profit after tax by quarter



## Continuing operations' profit & loss

NZD million	2023	2024	%Δ <sup>1</sup>
Sales volume ('000 MT)	1,699	1,721	1%
Revenue	12,333	11,085	(10)%
Cost of goods sold	(10,287)	(9,049)	12%
Gross profit	2,046	2,036	(0)%
Gross margin (%)	16.6%	18.4%	
Operating expenses	(1,219)	(1,109)	9%
Other <sup>2</sup>	37	59	59%
EBIT	864	986	14%
Net finance costs	(122)	(82)	33%
Tax expense	(198)	(190)	(4)%
<b>Profit after tax from continuing operations</b>	<b>544</b>	<b>714</b>	<b>31%</b>
Profit after tax from discontinued operations	2	(40)	-
<b>Total Group profit after tax<sup>3</sup></b>	<b>546</b>	<b>674</b>	<b>23%</b>
Earnings per share (cents)	33	40	21%

- Sales volumes up due to continued focus to optimise inventory levels. Higher sales volume through Foodservice and Consumer channels, partially offset by lower volumes in Ingredients
- Revenue down mainly due to lower product prices in Ingredients channel
- Gross profit down slightly due to lower margins in Ingredients, partially offset by higher margins and sales volume in Foodservice and Consumer
- Gross margin increased due to more favourable product mix, with higher portion of sales volumes through Foodservice and Consumer
- Operating expenses down due to prior year including \$162m of Consumer brand impairments
  - Adjusting for impairments, operating expenses are up \$52m due to higher staff costs and technical and professional fees, mainly related to upfront costs of delivering future efficiencies
- Other up \$22m mainly due to favourable net foreign exchange movements
- EBIT up \$122m due to not repeating the impairments of \$162m in the prior year
- Net finance costs decreased \$40m due to reduced average borrowings
- Discontinued operations made a loss of \$(40)m for the first six months of FY24 reflecting the sale of DPA Brazil in October 2023. DPA Brazil was profitable over this period, but this was more than offset by the release of the \$(68)m foreign currency translation reserve as part of the sale

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

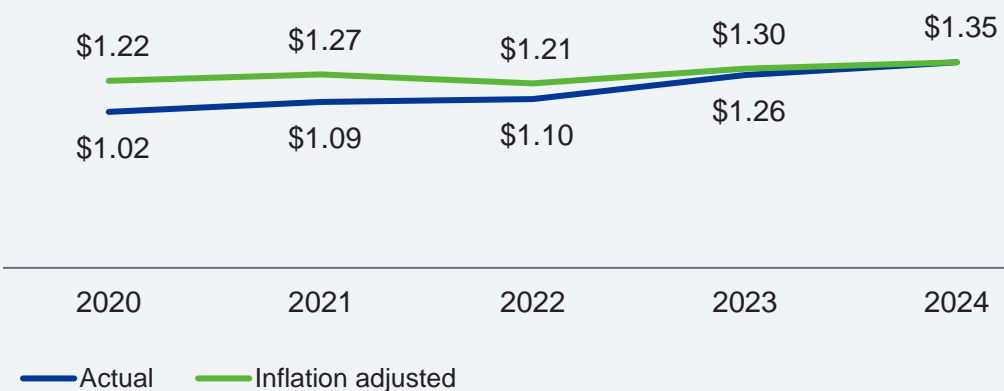
2. Consists of other operating income, net foreign exchange gains and share of equity accounted investees

3. Includes amounts attributable to non-controlling interests



# Cash operating expense per kgMS

Cash operating expenses (\$/kgMS)



Cash operating expenses	2020	2021	2022	2023	2024
Actual (\$ million)	1,662	1,753	1,773	1,975	2,130
Cumulative CPI	19.9%	16.6%	9.3%	3.3%	
Inflation adjusted (\$ million)	1,993	2,044	1,938	2,040	2,130

Collections (kgMS million)	2020	2021	2022	2023	2024
New Zealand	1,520	1,509	1,501	1,462	1,477
Australia	109	107	105	104	106
Total	1,629	1,616	1,606	1,566	1,583

Note: data is a 12-month rolling average for continuing operations

Channel	Allocation of collections ('000)	Actual cash operating expenses	Cash operating expenses
<b>Ingredients</b>	<b>1,206</b> kgMS ↓ 17 kgMS	<b>\$1,036</b> m ↑ \$48m	<b>\$0.86</b> /kgMS ↑ \$0.05 /kgMS
<b>Foodservice</b>	<b>225</b> kgMS ↑ 23 kgMS	<b>\$420</b> m ↑ \$66m	<b>\$1.87</b> /kgMS ↑ \$0.12 /kgMS
<b>Consumer</b>	<b>152</b> kgMS ↑ 12 kgMS	<b>\$674</b> m ↑ \$41m	<b>\$4.43</b> /kgMS ↓ \$0.08 /kgMS

- Actual operating expenses on a 12-month rolling average have increased by 9c/kgMS, due to:
  - 5c/kgMS on product mix, increased allocation of solids to Foodservice and Consumer channels, which have higher EBIT margins
  - 4c/kgMS mainly due to driving future efficiencies and underlying inflation
- By channel, Foodservice cash operating expenses increased the most due to higher selling and marketing spend, distribution costs and staff salaries and wages

## Normalised Items

NZD million	31 January 2023			31 January 2024	
	Hangu China farm	Soprole	<b>Total</b>	DPA Brazil	<b>Total</b>
Net foreign exchange	-	(78)	<b>(78)</b>	-	-
Other operating expenses	(4)	-	<b>(4)</b>	(66)	<b>(66)</b>
Profit before net finance costs and tax	(4)	(78)	<b>(82)</b>	(66)	<b>(66)</b>
Net finance costs and tax	-	17	<b>17</b>	-	-
Profit after tax	(4)	(61)	<b>(65)</b>	(66)	<b>(66)</b>
Profit attributable to non-controlling interests	-	-	-	(3)	<b>(3)</b>
Profit after tax attributable to equity holders of the Co-operative	(4)	(61)	<b>(65)</b>	(69)	<b>(69)</b>

## Total Group EBIT to normalised profit after tax reconciliation

NZD million	2023	2024
EBIT	858	953
Net finance costs	(157)	(89)
Tax expense	(155)	(190)
<b>Reported profit after tax</b>	<b>546</b>	<b>674</b>
Normalisation adjustments	89	66
Tax on normalisation adjustments	(24)	-
<b>Normalised profit after tax</b>	<b>611</b>	<b>740</b>
(Profit)/loss attributable to non-controlling interests	(16)	(35)
Less: Normalisation adjustments attributable to non-controlling interests	-	3
<b>Normalised profit after tax attributable to equity holder of the Co-operative</b>	<b>595</b>	<b>708</b>
Normalised earnings per share (cents)	37	44
Interim dividend per share (cents)	10	15

## Earnings per share reconciliation

NZD million	2023	2024
<b>Reported profit after tax</b>	<b>546</b>	<b>674</b>
Less: Profit attributable to non-controlling interests	(16)	(35)
Reported profit after tax attributable to equity holders of the Co-operative	530	639
Reported earnings per share (cents)	33	40
<b>Normalised profit after tax</b>	<b>611</b>	<b>740</b>
Less: Profit attributable to non-controlling interests	(16)	(35)
Less: Normalisation adjustments attributable to non-controlling interests	-	3
Normalised profit after tax attributable to equity holder of the Co-operative	595	708
<b>Normalised earnings per share (cents)</b>	<b>37</b>	<b>44</b>

## Cash flow and change in net debt

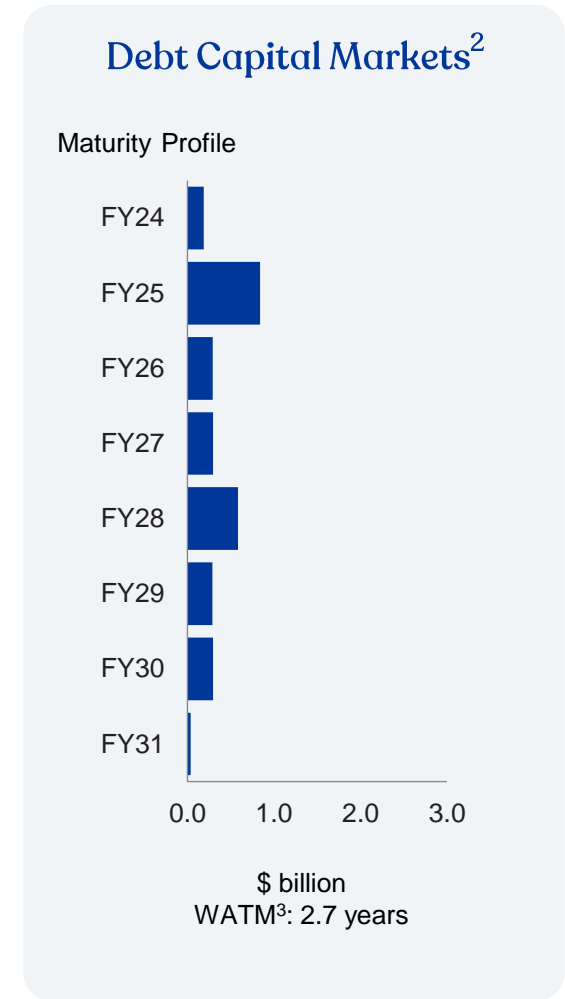
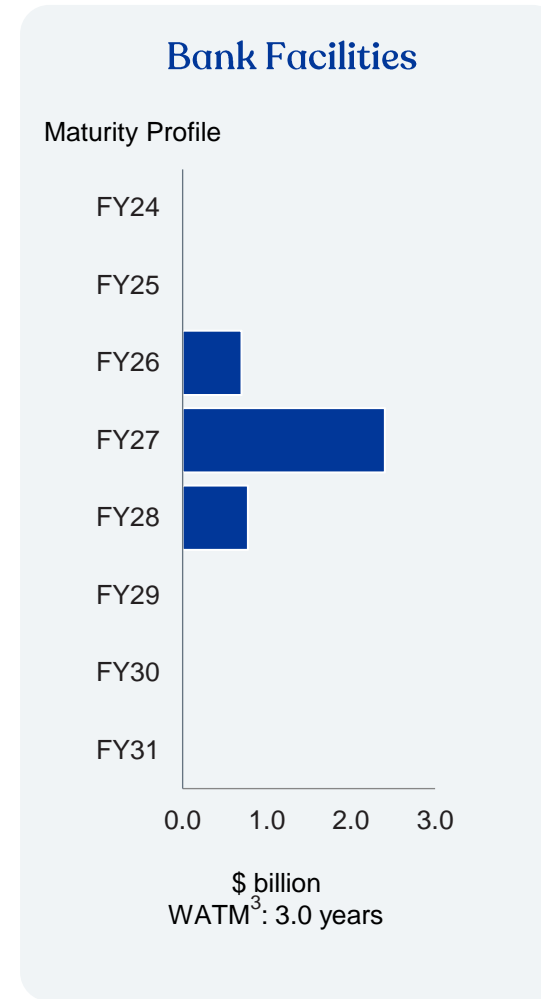
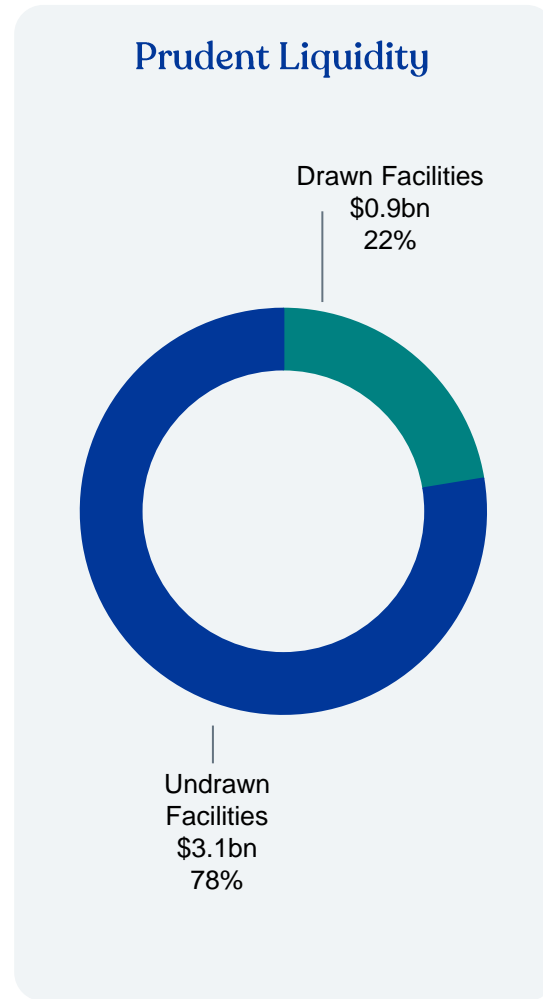
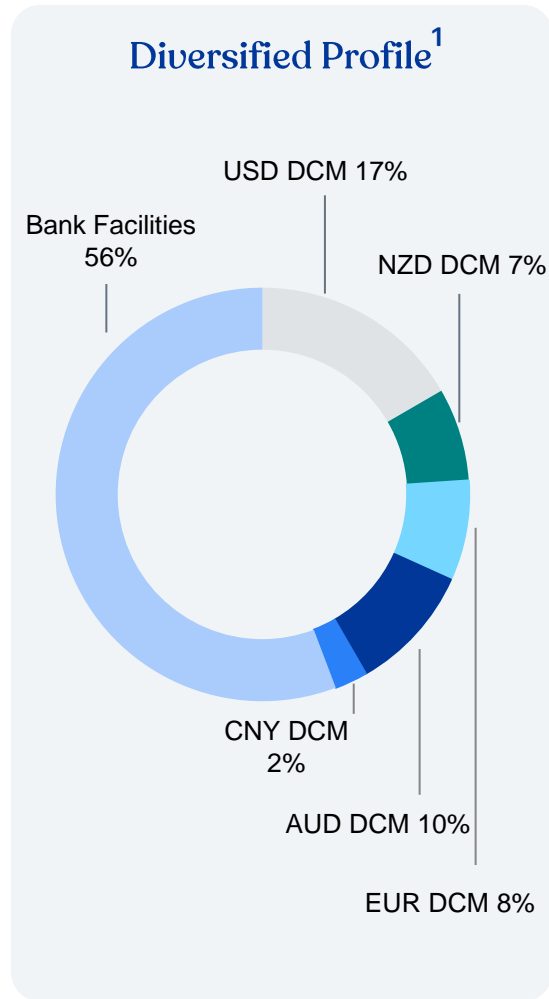
NZD million	2023	2024
Cash generated from operations	1,181	1,318
Net change in working capital	(905)	(1,402)
A. Net cash flows from operating activities	276	(84)
Cash flows from investing activities		
Divestments and asset sales	3	4
Capital expenditure and other	(309)	(333)
B. Net cash flows from investing activities	(306)	(329)
<b>Free cash flow (A+B)</b>	<b>(30)</b>	<b>(413)</b>
Dividends paid to equity holders of the Co-operative	(242)	(643)
Capital return paid	-	(804)
Other financing cash flows	(153)	(132)
Reversal of capital return payable accrual	-	804
Other non-cash changes in net debt	(47)	171
<b>Decrease/(increase) in net debt</b>	<b>(472)</b>	<b>(1,017)</b>

# Return on capital

For the 12 months ended 31 January NZD million	2023	2024
Total Group normalised EBIT	1,324	1,959
Finance income on long-term advances	13	8
Notional tax charge	(215)	(317)
Total Group normalised EBIT plus finance income on long-term advances less notional tax charge	1,122	1,650
Capital employed at 31 January	13,434	12,323
Impact of seasonal capital employed	(429)	(20)
Average capital employed	13,005	12,303
<b>Return on capital</b>	<b>8.6%</b>	<b>13.4%</b>

- Return on capital increased due to a \$635m increase in normalised EBIT for the 12 months
- On a pre-tax basis, normalisations consist of a \$66m loss related to the sale of DPA Brazil
- Average capital employed reduced due to divestments and lower levels of inventory carried forward compared to the prior year

# Diversified and prudent funding position



1. Includes undrawn facilities and commercial paper. DCM is debt capital markets  
 2. Excludes commercial paper

3. Weighted average term to maturity (WATM)

# Ingredients performance

For the six months ended 31 January	Total Ingredients <sup>1</sup>			Core operations		Global Markets		Greater China		Eliminations	
	NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024	2023
Sales volume ('000 MT)	1,106	1,083	(2)%	1,049	1,034	848	817	279	283	(1,070)	(1,051)
Revenue	8,735	7,077	(19)%	7,903	6,248	6,963	5,499	2,154	1,660	(8,285)	(6,330)
Cost of goods sold	(7,390)	(6,109)	17%	(7,146)	(5,824)	(6,484)	(5,048)	(2,045)	(1,567)	8,285	6,330
Gross profit	1,345	968	(28)%	757	424	479	451	109	93	-	-
Operating expenses	(511)	(539)	(5)%	(305)	(305)	(176)	(198)	(30)	(36)	-	-
Other <sup>3</sup>	16	38	138%	6	15	10	22	-	1	-	-
EBIT <sup>4</sup>	850	467	(45)%	458	134	313	275	79	58	-	-
Net finance costs and tax expense	(287)	(133)	54%	(165)	(53)	(99)	(66)	(23)	(14)	-	-
<b>Profit after tax</b>	<b>563</b>	<b>334</b>	<b>(41)%</b>	<b>293</b>	<b>81</b>	<b>214</b>	<b>209</b>	<b>56</b>	<b>44</b>	<b>-</b>	<b>-</b>
Gross margin	15.4%	13.7%		9.6%	6.8%	6.9%	8.2%	5.1%	5.6%		
EBIT margin	9.7%	6.6%		5.8%	2.1%	4.5%	5.0%	3.7%	3.5%		

1. Ingredients performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$101m for 2024 (\$61m for the comparative period)



# Foodservice performance

For the six months ended 31 January	Total Foodservice <sup>1</sup>			Core operations		Global Markets		Greater China		Eliminations	
	NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024	2023
Sales volume ('000 MT)	274	295	8%	171	179	141	141	137	158	(175)	(183)
Revenue	1,928	2,134	11%	1,034	1,036	942	925	1,128	1,277	(1,176)	(1,104)
Cost of goods sold	(1,602)	(1,573)	2%	(1,020)	(962)	(833)	(745)	(925)	(970)	1,176	1,104
Gross profit	326	561	72%	14	74	109	180	203	307	-	-
Operating expenses	(185)	(228)	(23)%	(40)	(45)	(85)	(105)	(60)	(78)	-	-
Other <sup>3</sup>	(2)	9	-	(1)	3	(1)	5	-	1	-	-
EBIT <sup>4</sup>	139	342	146%	(27)	32	23	80	143	230	-	-
Net finance costs and tax expense	(49)	(83)	(69)%	-	(9)	(5)	(24)	(44)	(50)	-	-
<b>Profit after tax</b>	<b>90</b>	<b>259</b>	<b>188%</b>	<b>(27)</b>	<b>23</b>	<b>18</b>	<b>56</b>	<b>99</b>	<b>180</b>	<b>-</b>	<b>-</b>
Gross margin	16.9%	26.3%		1.4%	7.1%	11.6%	19.5%	18.0%	24.0%		
EBIT margin	7.2%	16.0%		(2.6)%	3.1%	2.4%	8.6%	12.7%	18.0%		

1. Foodservice performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$25m for 2024 (\$27m for the comparative period)

# Consumer performance

For the six months ended 31 January	Total Consumer <sup>1</sup>			Core operations		Global Markets		Greater China		Eliminations	
	NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024	2023
Sales volume ('000 MT)	319	343	8%	125	133	283	305	39	41	(128)	(136)
Revenue	1,670	1,874	12%	759	659	1,525	1,700	217	220	(831)	(705)
Cost of goods sold	(1,295)	(1,367)	(6)%	(731)	(625)	(1,226)	(1,287)	(169)	(160)	831	705
Gross profit	375	507	35%	28	34	299	413	48	60	-	-
Operating expenses	(504)	(342)	32%	(34)	(37)	(398)	(255)	(72)	(50)	-	-
Other <sup>3</sup>	4	12	200%	(1)	3	5	9	-	-	-	-
EBIT <sup>4</sup>	(125)	177	-	(7)	-	(94)	167	(24)	10	-	-
Net finance costs and tax expense	16	(56)	-	(3)	(2)	12	(52)	7	(2)	-	-
<b>Profit after tax</b>	<b>(109)</b>	<b>121</b>	<b>-</b>	<b>(10)</b>	<b>(2)</b>	<b>(82)</b>	<b>115</b>	<b>(17)</b>	<b>8</b>	<b>-</b>	<b>-</b>
Gross margin	22.5%	27.1%		3.7%	5.2%	19.6%	24.3%	22.1%	27.3%		
EBIT margin	(7.5)%	9.4%		(0.9)%	0.0%	(6.2)%	9.8%	(11.1)%	4.5%		

1. Consumer performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$30m for 2024 (\$31m for the comparative period)

# Core Operations performance

For the six months ended 31 January	Total Core Operations <sup>1</sup>			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	1,345	1,346	0%	1,049	1,034	171	179	125	133
Revenue	9,696	7,943	(18)%	7,903	6,248	1,034	1,036	759	659
Cost of goods sold	(8,897)	(7,411)	17%	(7,146)	(5,824)	(1,020)	(962)	(731)	(625)
Gross profit	799	532	(33)%	757	424	14	74	28	34
Operating expenses	(379)	(387)	(2)%	(305)	(305)	(40)	(45)	(34)	(37)
Other <sup>3</sup>	4	21	425%	6	15	(1)	3	(1)	3
EBIT <sup>4</sup>	424	166	(61)%	458	134	(27)	32	(7)	-
Net finance costs and tax expense	(168)	(64)	62%	(165)	(53)	-	(9)	(3)	(2)
<b>Profit after tax</b>	<b>256</b>	<b>102</b>	<b>(60)%</b>	<b>293</b>	<b>81</b>	<b>(27)</b>	<b>23</b>	<b>(10)</b>	<b>(2)</b>
Gross margin	8.2%	6.7%		9.6%	6.8%	1.4%	7.1%	3.7%	5.2%
EBIT margin	4.4%	2.1%		5.8%	2.1%	(2.6)%	3.1%	(0.9)%	-

1. Core Operations performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$72m for 2024 (\$77m for the comparative period)

# Global Markets performance

For the six months ended 31 January	Total Global Markets <sup>1</sup>			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	1,272	1,263	(1)%	848	817	141	141	283	305
Revenue	9,430	8,124	(14)%	6,963	5,499	942	925	1,525	1,700
Cost of goods sold	(8,543)	(7,080)	17%	(6,484)	(5,048)	(833)	(745)	(1,226)	(1,287)
Gross profit	887	1,044	18%	479	451	109	180	299	413
Operating expenses	(659)	(558)	15%	(176)	(198)	(85)	(105)	(398)	(255)
Other <sup>3</sup>	14	36	157%	10	22	(1)	5	5	9
EBIT <sup>4</sup>	242	522	116%	313	275	23	80	(94)	167
Net finance costs and tax expense	(92)	(142)	(54)%	(99)	(66)	(5)	(24)	12	(52)
<b>Profit after tax</b>	<b>150</b>	<b>380</b>	<b>153%</b>	<b>214</b>	<b>209</b>	<b>18</b>	<b>56</b>	<b>(82)</b>	<b>115</b>
Gross margin	9.4%	12.9%		6.9%	8.2%	11.6%	19.5%	19.6%	24.3%
EBIT margin	2.6%	6.4%		4.5%	5.0%	2.4%	8.6%	(6.2)%	9.8%

1. Global Markets performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$58m for 2024 (\$25m for the comparative period)

# Greater China performance

For the six months ended 31 January	Total Greater China <sup>1</sup>			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	455	482	6%	279	283	137	158	39	41
Revenue	3,499	3,157	(10)%	2,154	1,660	1,128	1,277	217	220
Cost of goods sold	(3,139)	(2,697)	14%	(2,045)	(1,567)	(925)	(970)	(169)	(160)
Gross profit	360	460	28%	109	93	203	307	48	60
Operating expenses	(162)	(164)	(1)%	(30)	(36)	(60)	(78)	(72)	(50)
Other <sup>3</sup>	-	2	-	-	1	-	1	-	-
EBIT <sup>4</sup>	198	298	51%	79	58	143	230	(24)	10
Net finance costs and tax expense	(60)	(66)	(10)%	(23)	(14)	(44)	(50)	7	(2)
<b>Profit after tax</b>	<b>138</b>	<b>232</b>	<b>68%</b>	<b>56</b>	<b>44</b>	<b>99</b>	<b>180</b>	<b>(17)</b>	<b>8</b>
Gross margin	10.3%	14.6%		5.1%	5.6%	18.0%	24.0%	22.1%	27.3%
EBIT margin	5.7%	9.4%		3.7%	3.5%	12.7%	18.0%	(11.1)%	4.5%

- Greater China performance is prepared on a continuing operations basis and includes sales to other segments
- Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

- Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
- Includes total Corporate Costs of \$26m for 2024 (\$17m for the comparative period)

# Australia

NZD million	2023	2024	%Δ <sup>1</sup>
Milk collections (kgMS)	66	67	2%
Sales volume ('000 MT)	181	180	(1)%
Revenue	1,253	1,165	(7)%
Cost of goods sold	(1,082)	(1,027)	5%
Gross profit (\$)	171	138	(19)%
Gross margin (%)	13.6%	11.8%	-
Operating expenses (\$)	(97)	(97)	-
Other <sup>2</sup> (\$)	-	1	-
EBIT (\$)	74	42	(43)%
Net finance costs and tax expense	(5)	(21)	(320)%
<b>Profit after tax (\$)</b>	<b>69</b>	<b>21</b>	<b>(70)%</b>

- Milk collections and sales volumes in line with prior year
  - Shift in volume favouring the Consumer channel, less sold through Ingredients and Foodservice with both impacted by reduced demand
- Improved Consumer channel operating earnings more than offset by reduced margins in Ingredients channel
  - Consumer growth due to annualisation of lagging pricing rises. Fonterra continues to hold #1 volume and value branded leadership position in Butter & Spreads and Fixed Weight Cheese
  - Ingredients margins impacted by competitive domestic milk price which is disconnected from global commodity prices

Note: Figures are prepared on a continuing operations basis.

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

2. Consists of other operating income and net foreign exchange gains/(losses)

# Discontinued Operations

For the six months ended 31 January	Total Discontinued Operations			China Farms		DPA Brazil		Soprole	
	NZD million	2023	2024	Δ% <sup>1</sup>	2023	2024	2023	2024	2023
Sales volume ('000 MT)	295	59	(80)%	1	-	112	59	182	-
Revenue	916	172	(81)%	11	-	291	172	614	-
Cost of goods sold	(664)	(106)	84%	(18)	-	(200)	(106)	(446)	-
Gross profit	252	66	(74)%	(7)	-	91	66	168	-
Operating expenses	(258)	(99)	62%	(6)	-	(62)	(99)	(190)	-
Other <sup>2</sup>	-	-	-	-	-	-	-	-	-
EBIT <sup>3</sup>	(6)	(33)	(450)%	(13)	-	29	(33)	(22)	-
Net finance costs and tax expense	8	(7)	-	-	-	(23)	(7)	31	-
<b>Profit after tax</b>	<b>2</b>	<b>(40)</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>6</b>	<b>(40)</b>	<b>9</b>	<b>-</b>
Gross margin	27.5%	38.4%		(63.6)%		31.3%	38.4%	27.4%	
EBIT margin	(0.7)%	(19.2)%		(118.2)%		10.0%	(19.2)%	(3.6)%	

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

2. Consists of other operating income and net foreign exchange gains/(losses)

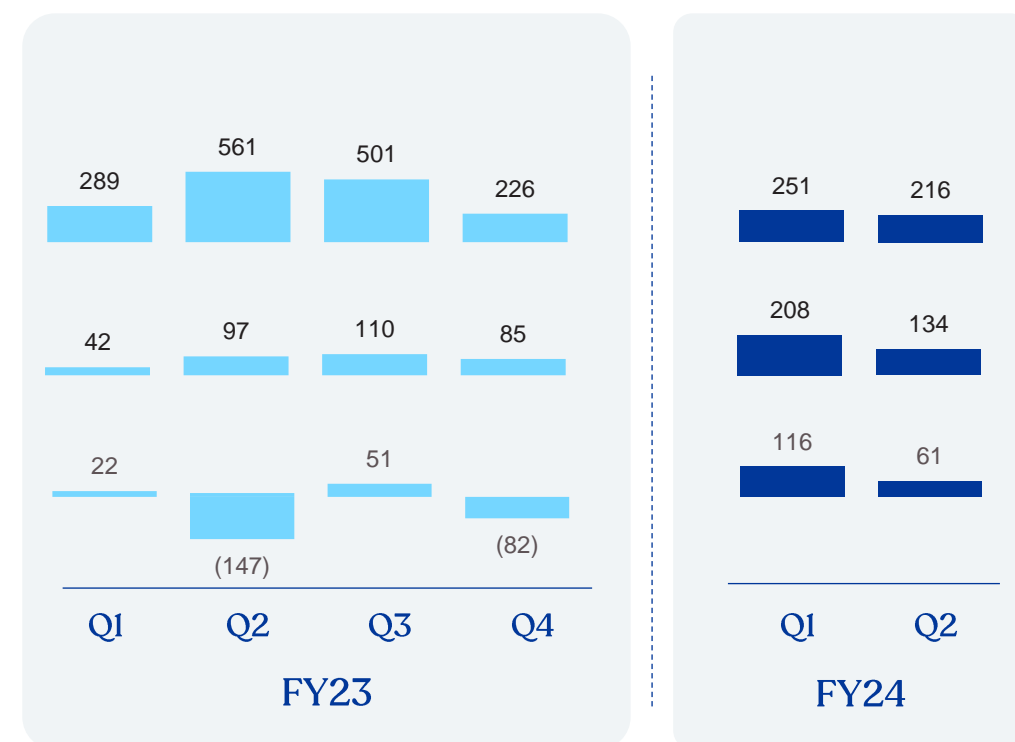
3. Depreciation is not recognised in discontinued operations from the date at which the operations are classified as held for sale

# End-to-end view by region

To provide a full end-to-end view of performance, Core Operations is attributed to the regions

	Global Markets	Greater China	Total
External sales volume ('000 MT)	<b>1,239</b> 0% -	<b>482</b> 6% ↑	<b>1,721</b> 1% ↑
EBIT contribution from continuing operations			
Ingredients	<b>\$357m</b> \$298m ↓	<b>\$110m</b> \$85m ↓	<b>\$467m</b> \$383m ↓
Foodservice	<b>\$100m</b> \$91m ↑	<b>\$242m</b> \$112m ↑	<b>\$342m</b> \$203m ↑
Consumer	<b>\$178m</b> \$265m ↑	<b>\$(1)m</b> \$37m ↑	<b>\$177m</b> \$302m ↑
<b>Total</b>	<b>\$635m</b> \$58m ↑	<b>\$351m</b> \$64m ↑	<b>\$986m</b> \$122m ↑

EBIT by quarter







# Flexible Shareholding Metrics

# Flexible shareholding metrics

As at 31 January 2024, the Co-operative was within the specified thresholds for all three Flexible Shareholding metrics

Total shares on issue  
above the Share Standard

**12.10%**

↓ from 12.22%

- The percentage of Co-operative Shares on issue above or below the combined Share Standard of all Shareholders
- The threshold range is set at total Co-operative Shares on issue being within +/- 15% of the Share Standard

Shares held by  
Ceased Shareholders and  
Permitted Transferees

**8.01%**

↓ from 9.23%

- The percentage of shares held by shareholders who have ceased supplying milk to the Co-operative, and/or transferred their shares to a non-supplying person or entity in accordance with the permitted transferee rules
- The threshold is set at no greater than 25%

Shares held for the  
Fonterra Shareholders' Fund

**6.67%**

No change

- The size of the Fonterra Shareholders' Fund has been capped at 10% of shares on issue to protect farmer ownership and control of the Co-operative

# Shareholder distribution

## Shareholder Distribution

Shareholder	# of shares held as at 31 January 2024	% of total shares on issue
Supplying Shareholders	1,365,867,566	84.88%
Secondary Shareholders	3,372,726	0.21%
Associated Shareholders	1,240,126	0.08%
Ceased Shareholders	115,104,326	7.15%
Permitted Transferees	13,831,666	0.86%
Custodian shares, on behalf of the Fund	107,410,984	6.67%
Custodian shares, on behalf of the Market Makers	2,363,161	0.15%
Total shares on Issue	1,609,190,555	100.00%

# Shareholder compliance requirements

## Share compliance requirements

	Season						
# of shares:	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
To be bought	3,454,281	3,711,572	3,767,948	3,173,134	2,071,268	-	-
To be sold	112,445	-	26,230	86,179	-	-	-

## Season (continued)

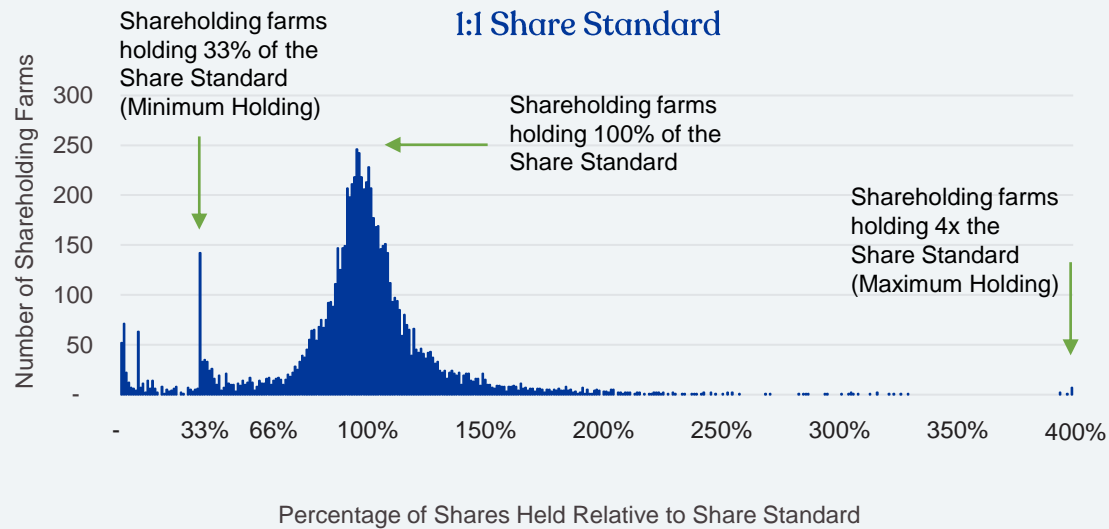
# of shares:	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	<b>Total</b>
To be bought	-	-	-	-	-	-	<b>16,178,203</b>
To be sold	-	-	-	-	-	129,010,511	<b>129,235,365</b>

# Shareholdings relative to Share Standard

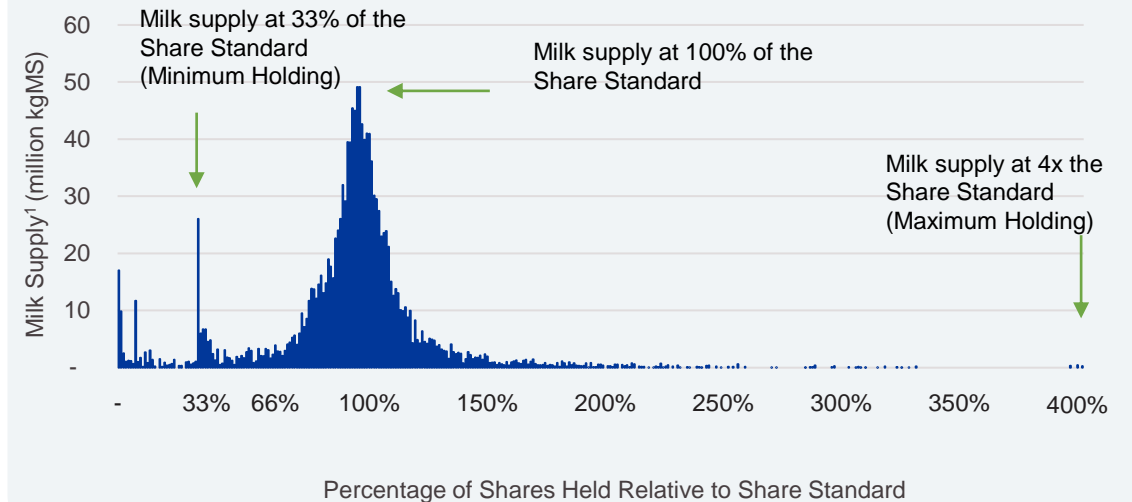
## Shareholding relative to Share Standard

	< 33%	33% - 79%	80% - 120%	> 120%	Total
# of shareholding farms	365	986	5,609	1,290	<b>8,250</b>
Milk Supply <sup>1</sup> (kgMS)	66,780,386	186,685,754	1,025,335,044	156,640,319	<b>1,435,441,503</b>

Shareholdings by shareholding farms relative to 1:1 Share Standard



Shareholdings by milk supply relative to 1:1 Share Standard



Note:

- Shareholding farms presented exclude Ceased Shareholders, Permitted Transferees, Associated Shareholders and shareholding farms over 4x the Share Standard
- Shareholdings can be less than 33% of Share Standard, under Flexible Shareholding new supplying entities have six years to reach 33% of Share Standard

1. Milk Supply is derived from each shareholding farm's Share Standard

# Appendix



# FY24 HI Integrated Scorecard

	FY22 Actual	FY23 Actual	FY24 Scorecard	FY24 HI YTD
Serious harm	8	5	4	0
Gender diversity (Band 12+)	37.6%	39.5%	40.5%	39.4%
Culture Measure	–	79	– <sup>1</sup>	78
GHG emissions (Scope 1,2) <sup>2</sup>	(11.2)%	(14.1)%	(15.6)%	(20.2)%
FEP adoption (New Zealand)	71%	85%	92%	89%
Water Improvement Plans in place	–	44.0%	100.0%	On track
Share of New Zealand milk collected for the season to 31 May	79.1%	79.0%	79.0%	78.5%
Delivered in full, on time (DIFOT, ex-New Zealand)	51.6%	53.2%	80.0%	Behind
Cash operating expenses per kgMS (real)	1.34	1.39	1.37	Behind
Core Operations gross profit per kgMS (real) <sup>3</sup>	8.82	9.21	8.52	Behind
Return on capital (FY)	6.8%	12.4%	8.0%-9.0%	Ahead
Farmgate Milk Price (\$)	9.30	\$8.22	\$6.50-\$7.50	\$7.30-\$8.30 <sup>4</sup>
Total shareholder return (share price plus dividend)	\$2.73 \$0.20	\$3.20 \$1.00 <sup>5</sup>	Not Available	Not Available
On-farm profitability (\$ per hectare) <sup>6</sup>	4,150	2,063	Not Available	Not Available

1. No target set for FY24

2. Relative to FY18 Baseline. Long-term will include Scope 3 but for now Scope 1&2 including farms under our operational control

3. Excludes the cost of milk

4. Latest announced Forecast Farmgate Milk Price range with a mid-point of \$7.80 per kgMS (12 February 2024)

5. Includes 50-cent per share capital return

6. DairyNZ Economic Survey 2021-2022 (Owner-Operator). FY23 is a modelled forecast

# Data sources

- **Dairy Production and Imports**

- 12-month production

- NZ, Aus, US (Jan 2023 to Jan 2024) DCANZ, Dairy Australia, USDA
- EU (Dec 2022 to Dec 2023) Eurostat

- 3-month production

- NZ, Aus, US (Nov 2022 – Jan 2023 to Nov 2023 – Jan 2024) DCANZ, Dairy Australia, USDA
- EU (Oct 2022 – Dec 2022 to Oct 2023 – Dec 2023) Eurostat

- 12-month imports

- LATAM, Asia (excl. China), Middle East & Africa, China (Dec 2022 – Dec 2023) S&P Global

- 3-month imports

- LATAM, Asia (excl. China), Middle East & Africa, China (Oct 2022 – Dec 2022 to Oct 2023 – Dec 2023) S&P Global

- **Price Relativities, Forecast 2023/24 season Farmgate Milk Price and FY24 continuing operations' earnings outlook**

- Reference and Non-Reference actuals: Fonterra Free Alongside Ship (FAS) prices of the New Zealand Ingredients portfolio
- GDT only Non-Reference contract shipment price uses GDT cheddar prices as a proxy



# Glossary

## Associated Shareholder

Is a Shareholder that is a Farm Lessor, Sharemilker or Contract Milker

## Attributable to equity holders of the Co-operative

is used to indicate that a measure or sub-total excludes amounts attributable to non-controlling interests

## Average capital employed

is a 13-month rolling average of capital employed

## Bulk liquids

means bulk raw milk that has not been processed and bulk separated cream

## Capital employed

is adjusted net debt less the cash adjustment (used in calculating adjusted net debt), plus cash and cash equivalents held by subsidiaries for working capital purposes, plus equity excluding hedge reserves and net deferred tax assets

## Capital invested

is capital expenditure plus right of use asset (e.g. leases) additions and business acquisitions, including equity contributions, long-term advances, and other investments

## Cash operating expenses per kgMS

is continuing operations operating expenses, less non-cash costs (depreciation, amortisation, impairments and net foreign exchange losses). Shown by kilogram of New Zealand and Australia milk solids collected

## Consumer

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

## Continuing operations

means operations of the Group that are not discontinued operations

## Core Operations

represents core operating functions including New Zealand milk collection and processing operations and assets, supply chain and sustainability, Fonterra Farm Source™ retail stores, and the Strategy and Optimisation function

## Custodian

means the Fonterra Farmer Custodian, which is the legal holder of the shares in respect of which economic rights are held for the Fonterra Shareholders' Fund and any Market Makers

## Debt to 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, net foreign exchange gains/losses and any normalised EBITDA relating to entities divested during the year

## DIRA

means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities, subsequent amendments to the Act, and the Dairy Industry Restructuring (Raw Milk) Regulations 2012

## Discontinued operations

means a component of the Group that is classified as held for sale (or has been sold) and represents, or is part of a single coordinated plan to dispose of, a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale

## Eliminations

represents eliminations of inter-business unit sales

## Farmgate Milk Price

means the average price paid by Fonterra for each kgMS supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. The Farmgate Milk Price is set by the Board, based on the recommendation of the Milk Price Panel. In making that recommendation, the Panel provides assurance to the Board that the Farmgate Milk Price has been calculated in accordance with the Farmgate Milk Price Manual

## Fonterra's average NZD/USD conversion rate

is the rate that Fonterra has converted net United States Dollar receipts into New Zealand Dollars including hedge cover in place

## Foodservice

represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, cafés, airports, catering companies etc. The focus is on customers such as; bakeries, cafés, 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

## Gearing ratio (%)

is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt

## Global Dairy Trade (GDT)

means the electronic auction platform that is used to sell commodity dairy products

## Global Markets

represents the Ingredients, Foodservice and Consumer channels outside of Greater China

# Glossary

## Greater China

represents the Ingredients, Foodservice and Consumer channels in Greater China

## Ingredients

represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia and Europe, 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

## Net debt

is calculated as total borrowings, plus bank overdraft, less cash and cash equivalents, plus a cash adjustment for 25% of cash and cash equivalents held by the Group's subsidiaries, adjusted for derivatives used to manage changes in hedged risks on debt instruments. Amounts relating to disposal groups held for sale are included in the calculation

## Non-Reference Products

means all NZ milk solids processed by Core Operations, except for Reference Commodity Products

## Normalisation adjustments

means adjustments made for certain transactions that meet the requirements of the Group's Normalisation Policy. These transactions are typically unusual in size and nature. Normalisation adjustments are made to assist users in forming a view of the underlying performance of the business. Normalisation adjustments are set out in the Non-GAAP Measures section. Normalised is used to indicate that a measure or sub-total has been adjusted for the impacts of normalisation adjustments. E.g. 'Normalised EBIT'

## Price relativities

refers to the difference in the weighted average price (in USD) between the Reference Product portfolio and Non-Reference Product portfolio. The difference between these two weighted average prices is a key driver of the Ingredients' gross margin

## Reference Products

is commodity specifications of the five Reference Commodity Products (RCPs) which are Whole Milk Powder (WMP) and Skim Milk Powder (SMP), and their by-products Butter, Anhydrous Milk Fat (AMF) and Buttermilk Powder (BMP). These commodity groups are used to calculate the Farmgate Milk Price

## Reported

is used to indicate a sub-total or total is reported in the Group's Financial Statements before normalisation adjustments. E.g. 'Reported profit after tax'

## Return on capital (ROC)

is calculated as 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

## Share standard

means one share per one kgMS of milk supplied, used to calculate a Supplying Shareholder's Minimum Holding and Maximum Holding

## Shareholding farm

means a farm where the owning entity of the farm has a minimum required shareholding of at least 1,000 shares in the Co-operative. This includes farms where the owning entity is in the process of sharing up on a Share Up Over Time contract

## Total Group

is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and non-controlling interests. E.g. 'Total Group EBIT'

## Total Payout

means the total cash payment per milk solid that is backed by a share, being the sum of the Farmgate Milk Price per kgMS and the dividend per share

## Tradeable shares

represents shares on issue that are in excess of aggregate minimum shareholding

## Trade working capital

is total trade and associate receivables plus inventories, less trade and associate payables and accruals. It excludes amounts owing to suppliers and employee entitlements and includes trade working capital classified as held for sale

## Working capital days

is calculated as 13-month rolling average trade working capital divided by revenue from the sale of goods (excluding impact of derivative financial instruments) multiplied by the number of days in the period

# Important information and disclaimer

This presentation may contain forward-looking statements, financial targets and ambitions (“Forward Statements”), each of which is based on a range of assumptions, including (in the case of our 2030 strategy) the assumptions noted in the Appendix of the booklet titled Our Path to 2030 which is available on our website. None of the Forward Statements is intended as a forecast, estimate or projection of the outcome that will, or is likely to, eventuate. They should not be taken as forecasts or a guarantee of returns to shareholders.

There can be no certainty of outcome in relation to the matters to which the Forward Statements relate. Our ability to achieve the outcomes described in the Forward Statements is subject to a number of assumptions, each of which could cause the actual outcomes to be materially different from the events or results expressed or implied by such Forward Statements.

The Forward Statements also involve known and unknown risks, uncertainties and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such Forward Statements. 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. The Forward Statements in this presentation reflect views held only at the date of this presentation.

While all reasonable care has been taken in the preparation of this presentation, none of Fonterra, the Fonterra Group, or any of their respective subsidiaries, affiliates and associated companies (or any of their respective officers, employees or agents) (together “Relevant Persons”) makes any representation or gives any assurance or guarantee as to the accuracy or completeness of any information in this presentation or the likelihood of fulfilment of any Forward Statement or any outcomes expressed or implied in any Forward Statement. Accordingly, to the maximum extent permitted by law, none of the Relevant Persons accepts any liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in respect of any Forward Statements or for any loss, howsoever arising, from the use of this presentation.

Statements about past performance are not necessarily indicative of future performance.

Except to the extent (if any) as required by applicable law or any applicable Listing Rules (including the Fonterra Shareholders’ Market Rules), the Relevant Persons disclaim any obligation or undertaking to update any information in this presentation.

This presentation does not constitute investment advice or opinions, or an inducement, recommendation or offer to buy or sell any securities in Fonterra or the Fonterra Shareholders’ Fund.

## 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.

Please refer to the non-GAAP measures section in Fonterra’s 2024 Interim Report for reconciliation of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.



**Dairy for life**

[fonterra.com](https://fonterra.com)