

Annual Results 2023

September 2023



Key outcomes

Return on capital

12.4%

↑ from 6.8%

Profit after tax

\$1.6_b

↑ from \$583m

Earnings per share

95_c

↑ from 36c

Cash operating expenses per kgMS

\$1.39

↑ 3.7%

Gross profit from Core Operations per kgMS

\$9.21

↑ 4.3%

\$9.22

\$0.50

\$0.50

\$8.22

Total Cash Return

Capital Return

Dividend

↑ from \$0.20

Farmgate Milk Price

↓ from \$9.30

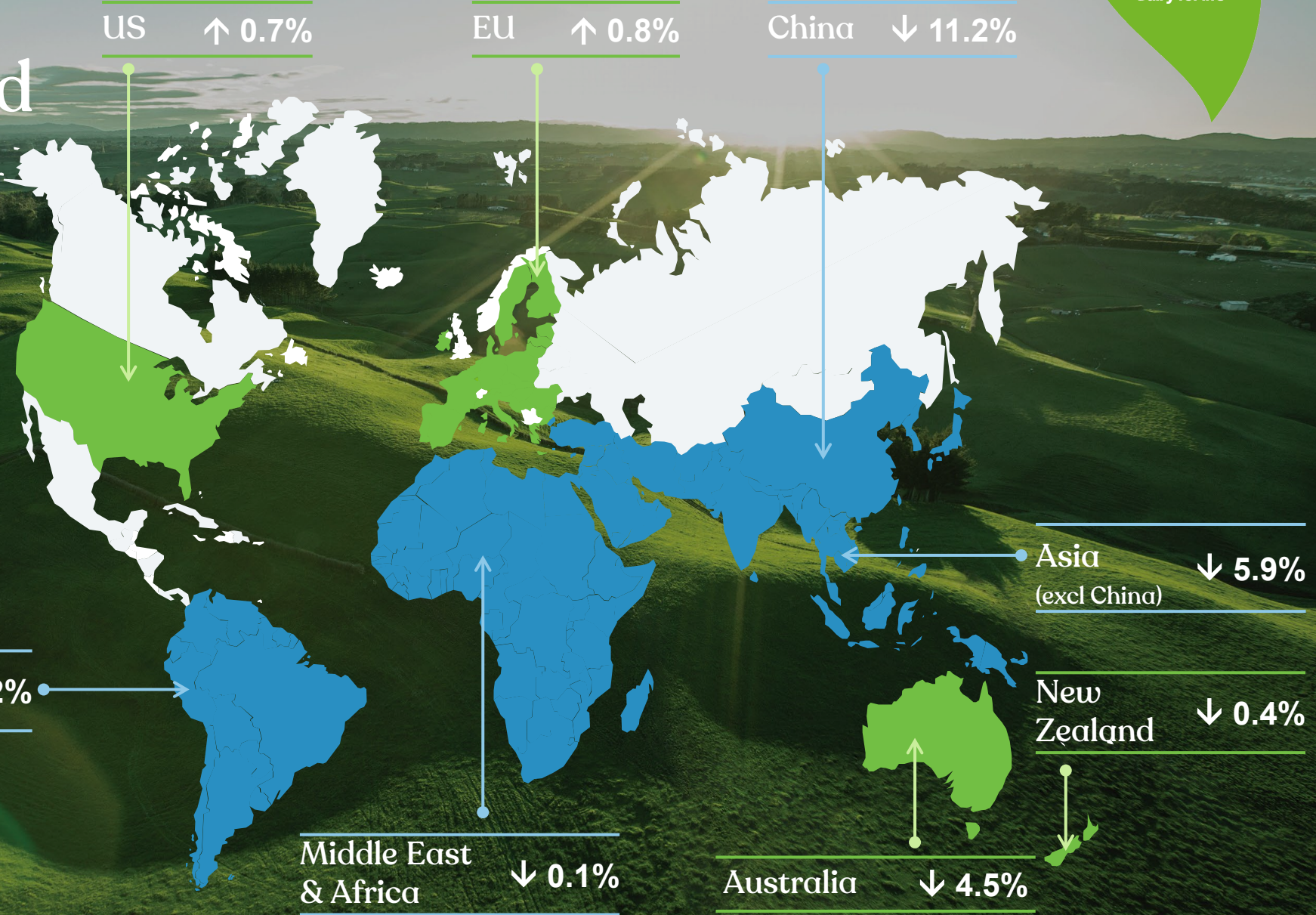




Reduced demand for reference products from key markets

12-month change in key production and import regions

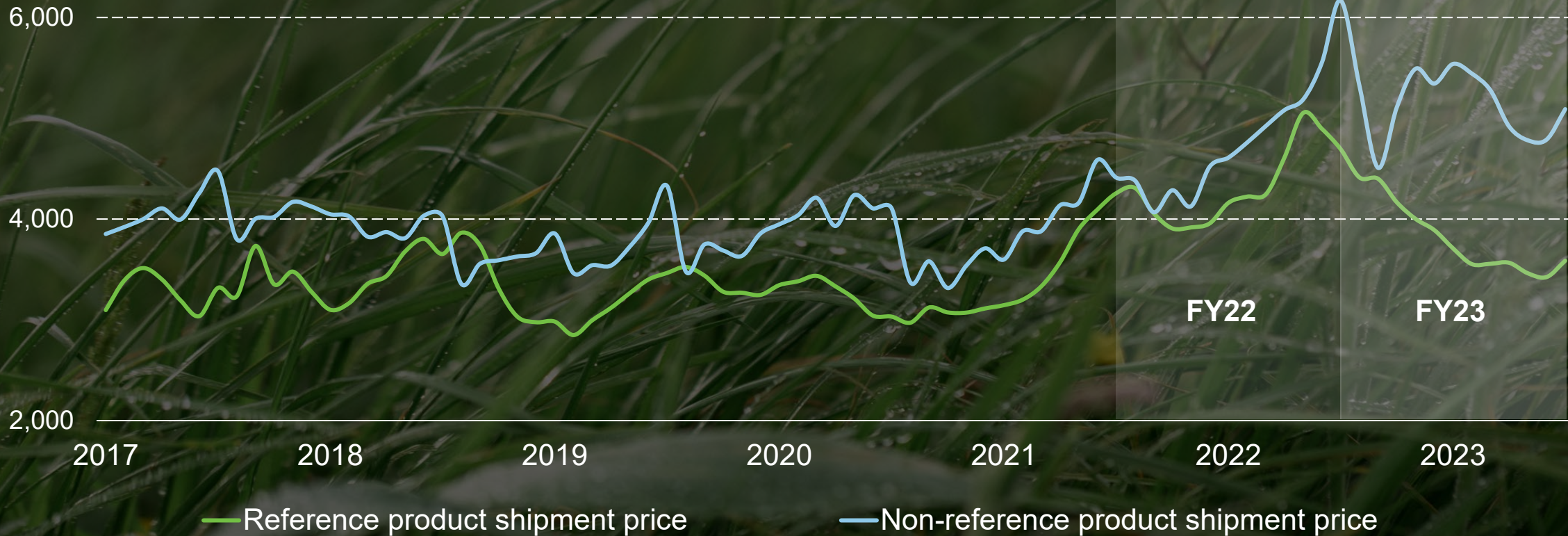
Production Imports





Higher price relativities continue

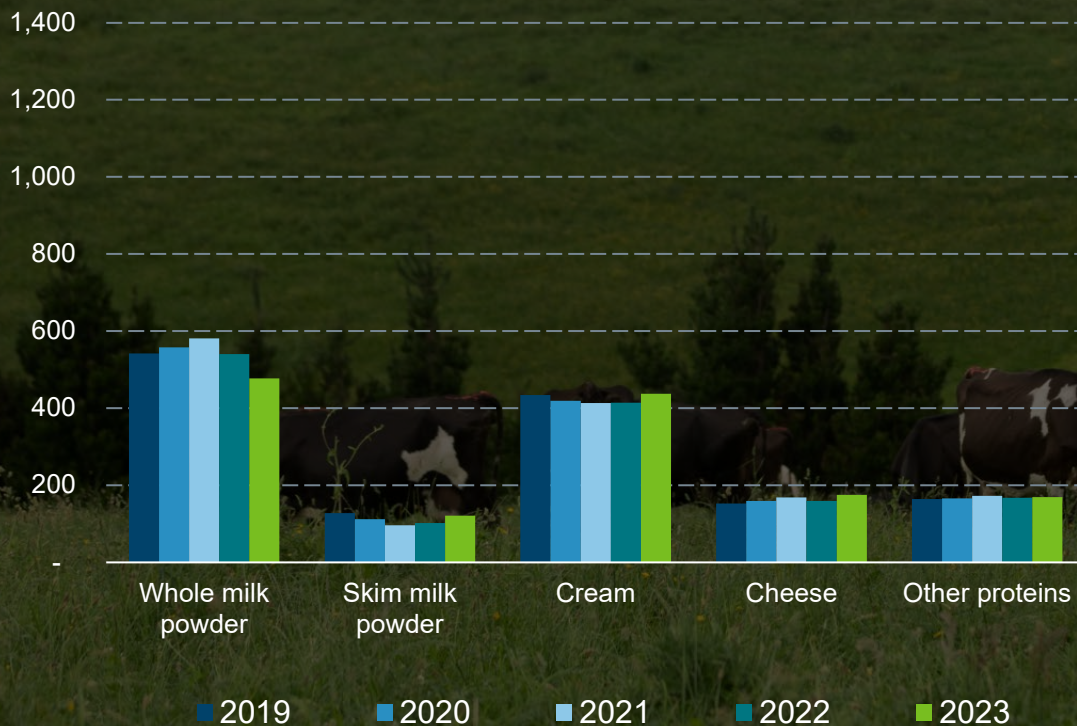
(US\$/MT)



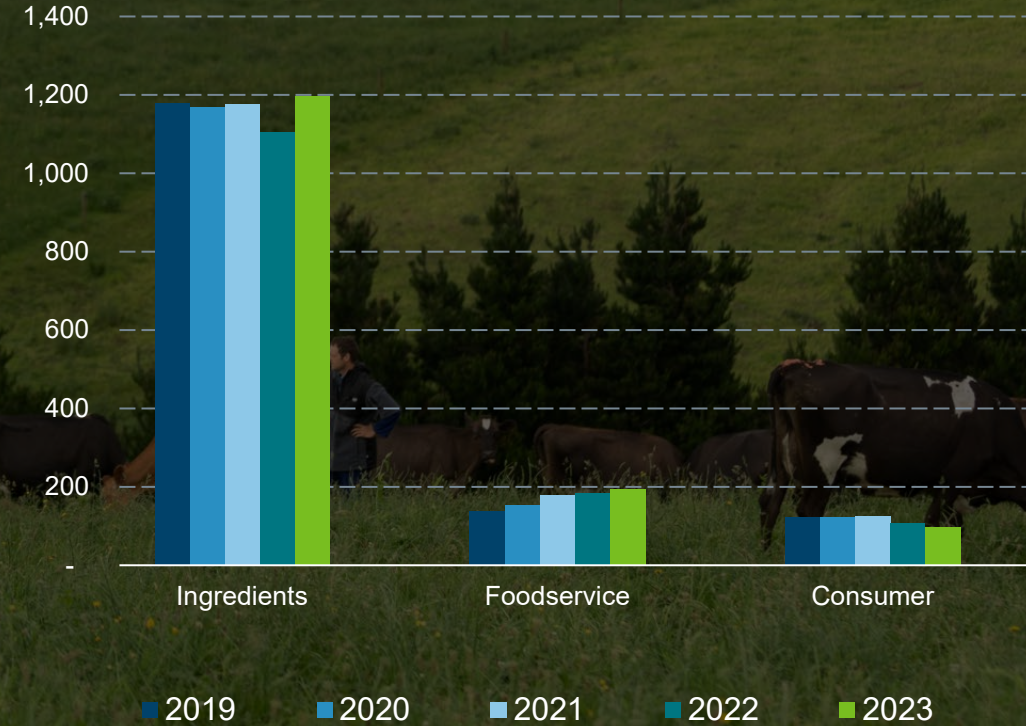


Continue to reduce allocation to whole milk powder with modest increase in Foodservice channel sales

Fonterra New Zealand production (million kgMS)



Sales by product channel (million kgMS)





Diversified across markets and products

	Core Operations	Global Markets	Greater China	Total
Profit after tax contribution from continuing operations				
Ingredients	\$602m \$459m ↑	\$429m \$114m ↑	\$133m \$13m ↑	\$1,164m \$586m ↑
Foodservice	\$(12)m \$72m ↑	\$50m \$53m ↑	\$203m \$46m ↑	\$241m \$171m ↑
Consumer	\$(18)m \$1m ↑	\$(94)m \$90m ↓	\$(52)m \$48m ↓	\$(164)m \$137m ↓
Total	\$572m \$532m ↑	\$385m \$77m ↑	\$284m \$11m ↑	\$1,241m \$620m ↑



Ingredients return on capital reflects protein and cheese performance

Return on capital

Ingredients

16.4%

↑ from 9.0%

Foodservice

15.7%

↑ from 5.5%

Consumer

(4.6)%

↓ from (0.4)%

Total 12.4%

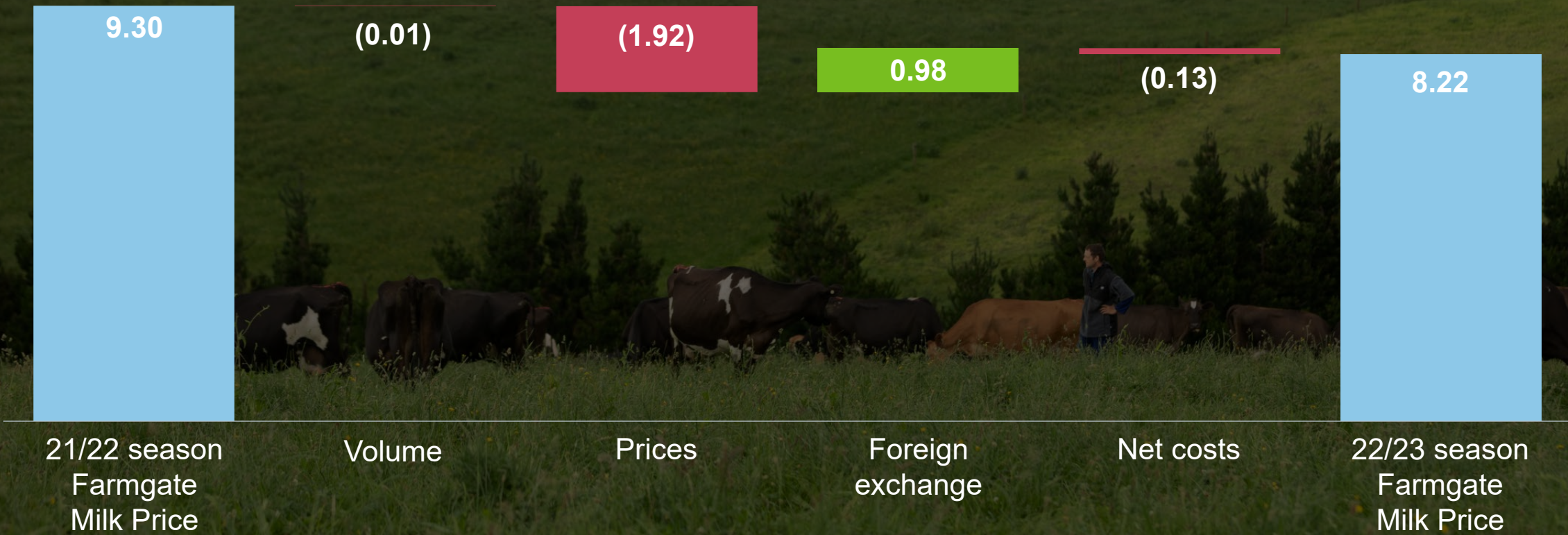
↑ From 6.8%



Lower prices key driver of change in 2023

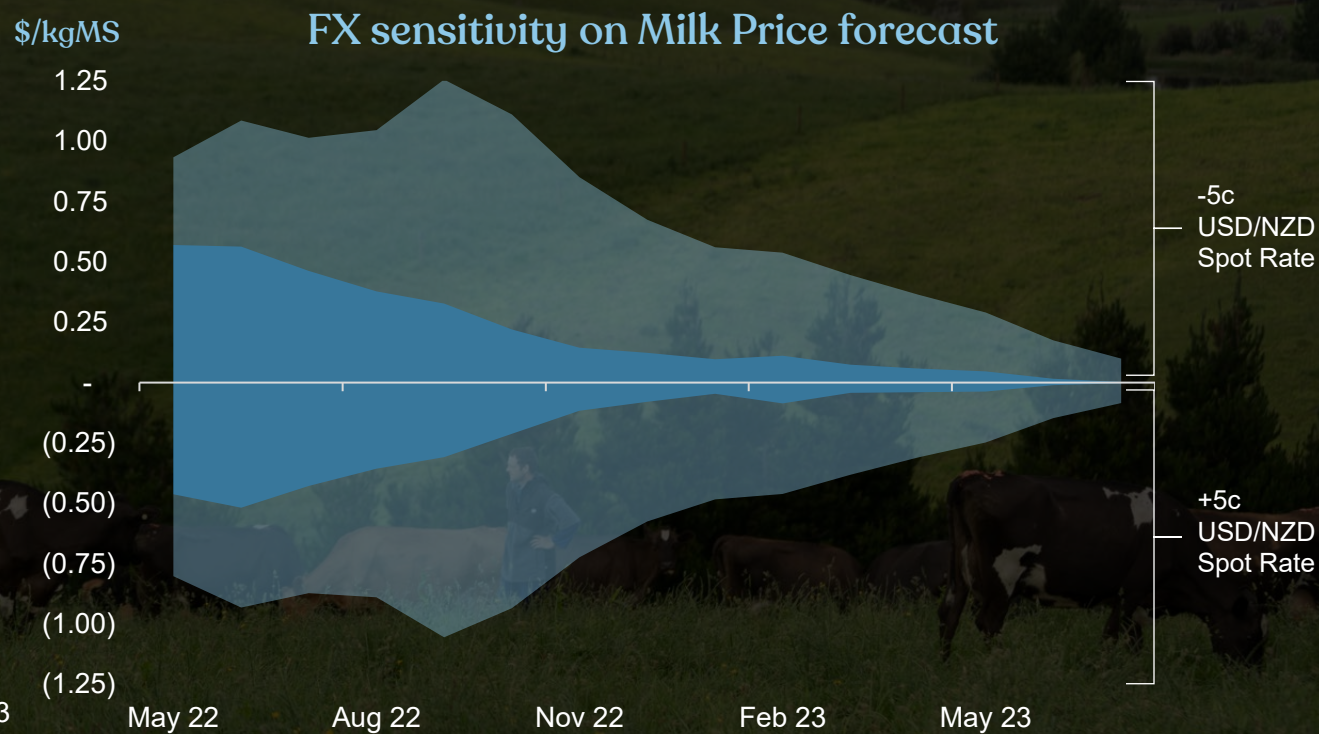
Farmgate Milk Price

(\$/kgMS)





Foreign Exchange hedging increases certainty in forecast Milk Price throughout the season



■ Hedged ■ Unhedged



Resource Allocation Framework introduced driving disciplined allocation of resources for our stakeholders

Sustain safe, productive operations

Collect and Process Milk

Sustaining Capital



Preliminary Cash Flow from Core Operations

Competition for milk

Ingredients

Foodservice

Consumer



Preliminary Cash Flow

Competition for cash

Debt

Dividends

Capital Returns

Growth Capital

Innovation

Share Buybacks



Reported Cash Flow

Outcomes for the Shareholder

Strong Balance Sheet

Total Shareholder Returns

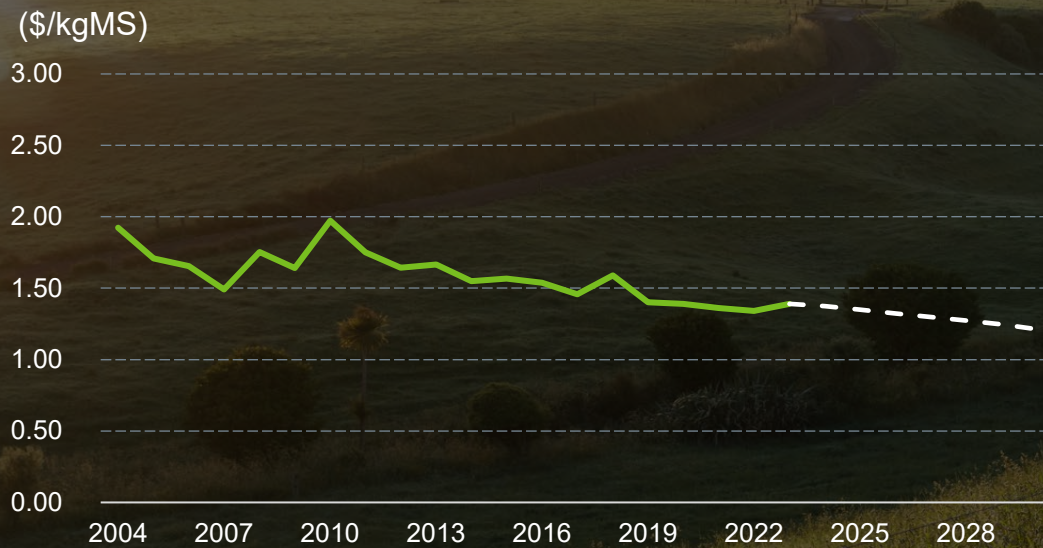
Farm Profitability



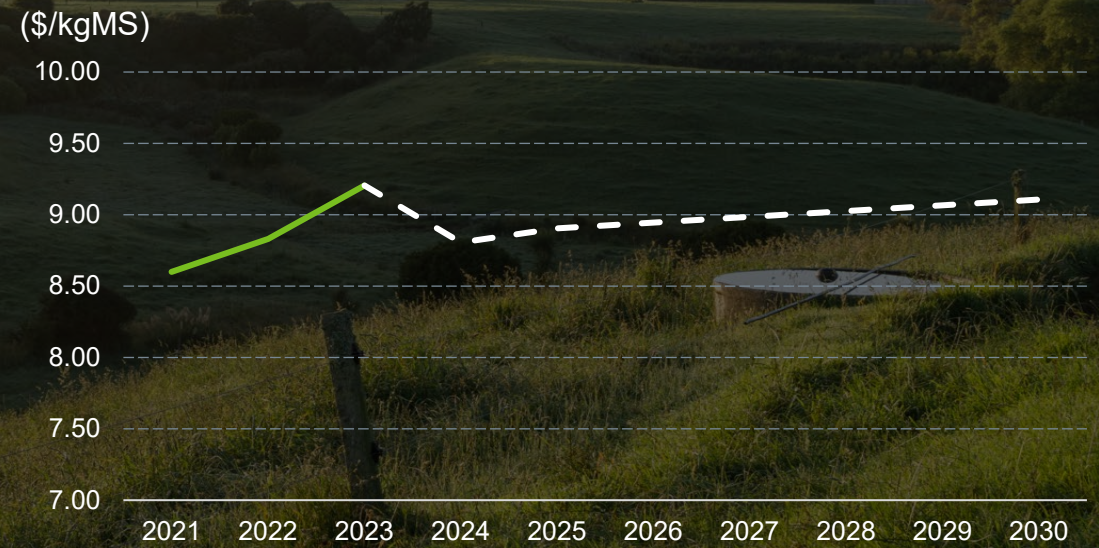
Two new efficiency metrics to assist long-term aspirations

Fonterra aspires to safely and sustainably remove ~\$1 billion from its cost base by 2030

Cash operating expenses per kgMS – targeting a 4% cash operating cost improvement every year



Gross profit from Core Operations per kgMS – targeting a 2% New Zealand operational cash cost improvement every year

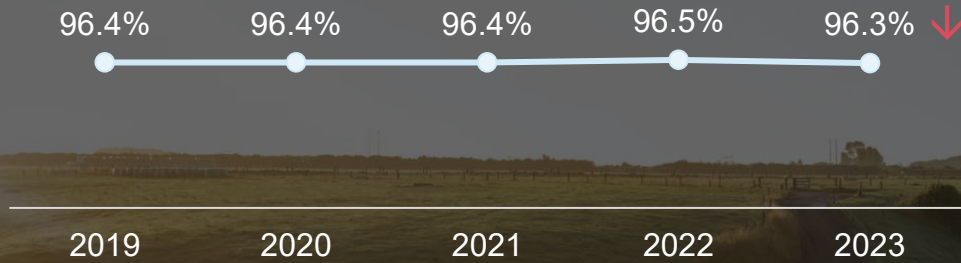


— Inflation Adjusted - - - Long-term Aspiration

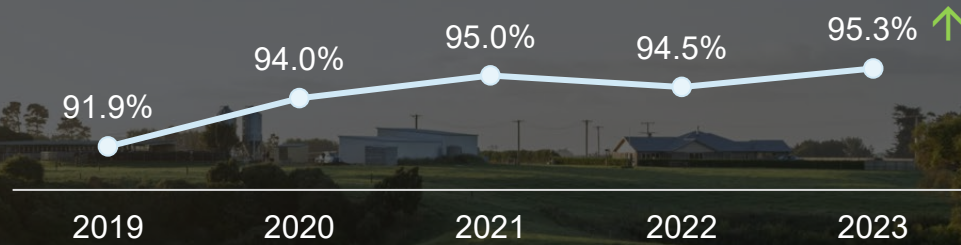


Asset reliability remains a focus

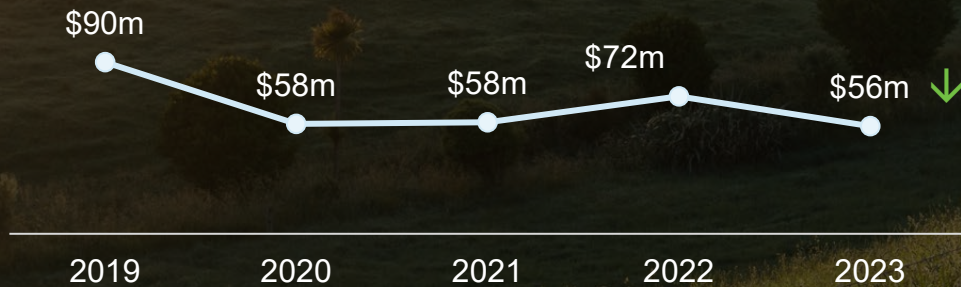
Milk Utilisation



Product Made Right First Time



Cost of Quality



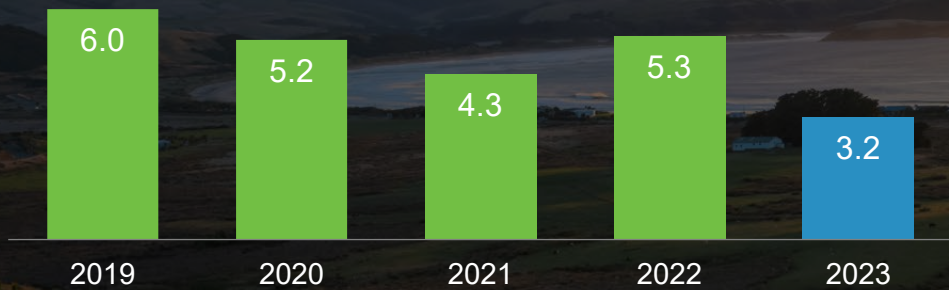
Asset Health



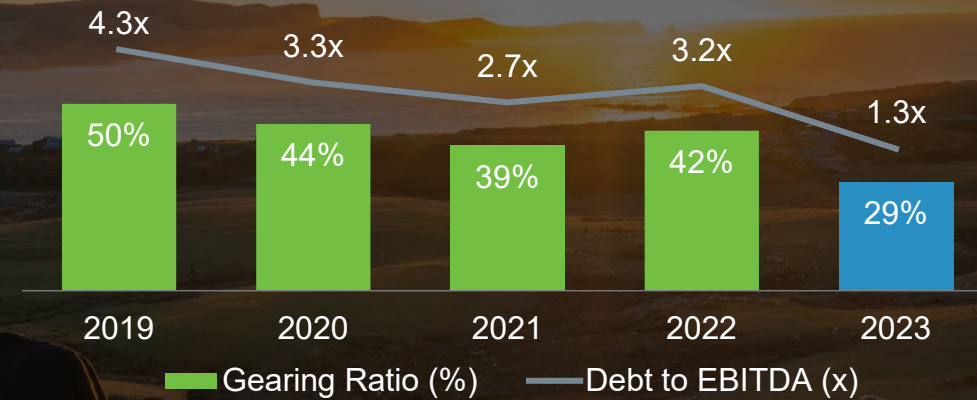


Balance sheet strengthened

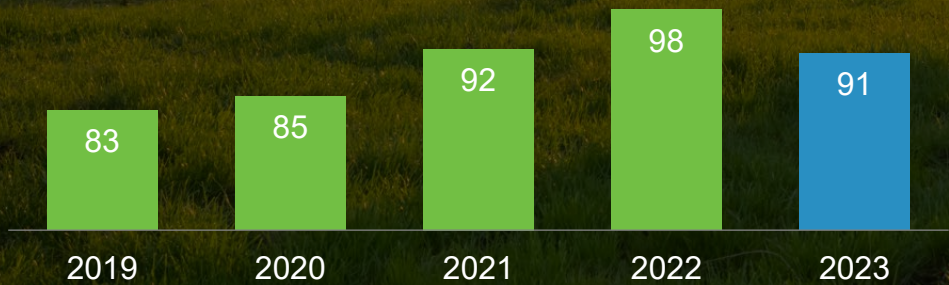
Net debt (\$ billion)



Leverage



Working capital days⁸



Credit rating

S&P Global Ratings	A-	Stable outlook
Fitch Ratings	A	Stable outlook



Navigating challenges together



We have introduced new support roles alongside the tools and services we provide



We are leveraging our scale to create cost savings for farmers through Farm Source retail



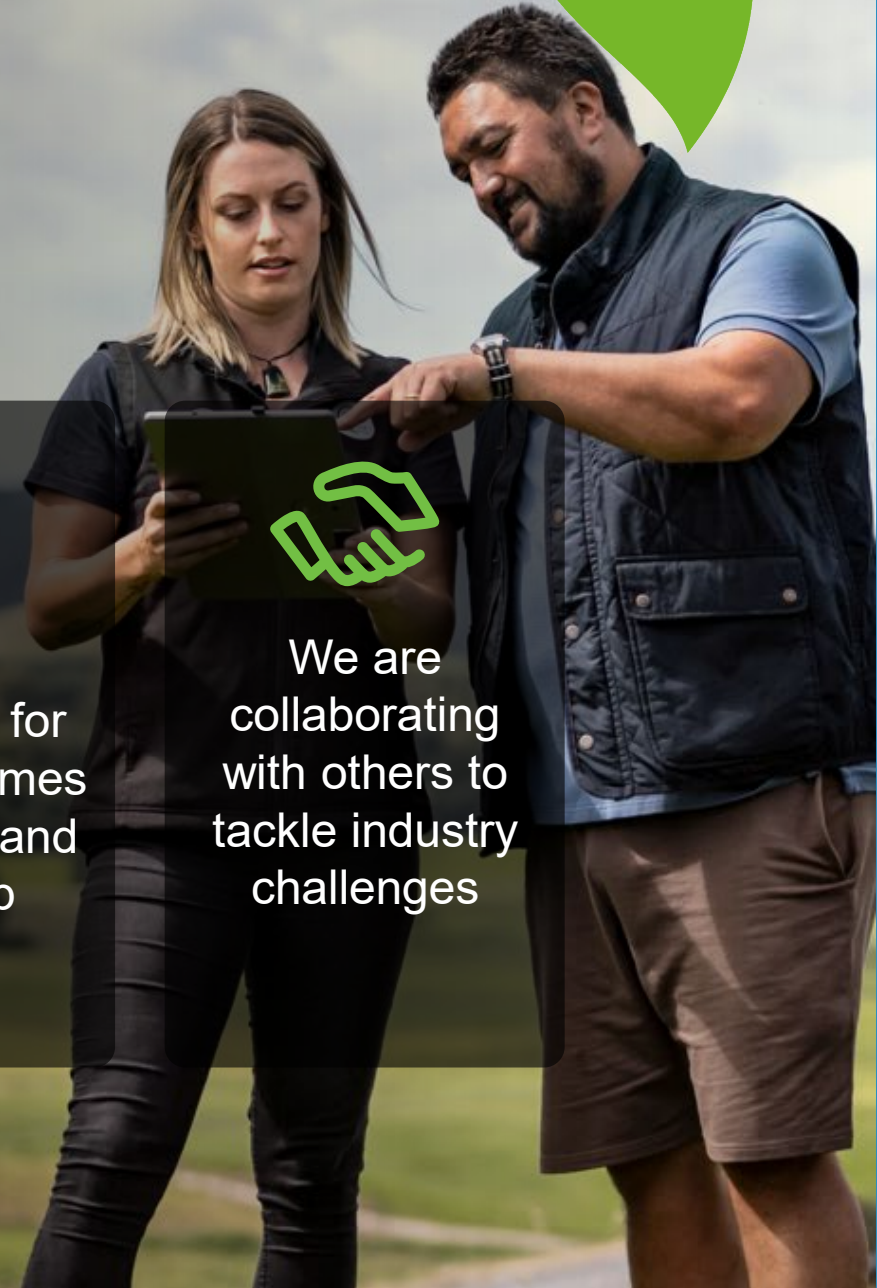
We are improving our data and verification processes for farmers



We are advocating for better outcomes for farmers and the co-op



We are collaborating with others to tackle industry challenges



Maximising sustainable milk

Working
alongside you
to get **more
milk from
the same or
fewer inputs**



It's better for business

Your farm business and your Co-operative



It's better for the environment

We can reduce our emissions footprint, improve water quality and provide our animals with a good quality of life



It's better for our customers

And that helps us attract and retain customers



Farm profitability and share price



Review of our Co-op's Board size and composition

Board size proposed to be reduced from 11 to 9 Directors

6

Farmer Elected
Directors

3

Appointed
Directors

Chairman still selected from
Farmer Elected Directors

- Current Board operating well, but size can be rationalised. Changes are future focused
- Smaller groups usually encourage:
 - Dissenting views
 - More meaningful sharing of perspectives
 - Faster, robust decision making
- 6:3 composition strikes a balance between a strong and diverse level of perspectives, skills and experiences, and manageable workloads
- Strong farmer majority is maintained
- Changes to be voted on at the 2023 Annual Meeting and would take effect after 2024 Annual Meeting



Forecast 2023/24 season Farmgate Milk Price

Forecast Farmgate Milk Price

\$6.00–\$7.50
per kgMS

The range reflects:

- Demand for imported powders into China are soft, but early in the season
- Indications demand for New Zealand powders will start to return early 2024

Reference Product Prices





2024 earnings outlook

Continuing operations
forecast earnings

45-60c
per share

The range reflects:

- Favourable Ingredients margins continue but lower than FY23
- Lower milk costs assisting improved margins in Foodservice and Consumer channels

Reference and Non-Reference Product Prices



Q&A Session

