Fonterra Co-operative Group Limited

Debt Investor Update

October 2022

Contents

FY22 Annual Results

2022 Annual Results

Farmgate Milk Price

$9.30 per kgMS

Reported profit after tax[1]

$583 million ↓ $16m

Normalised profit after tax[1]

$591 million ↑ $3m

35c earnings per share[2]

Dividend

20c per share

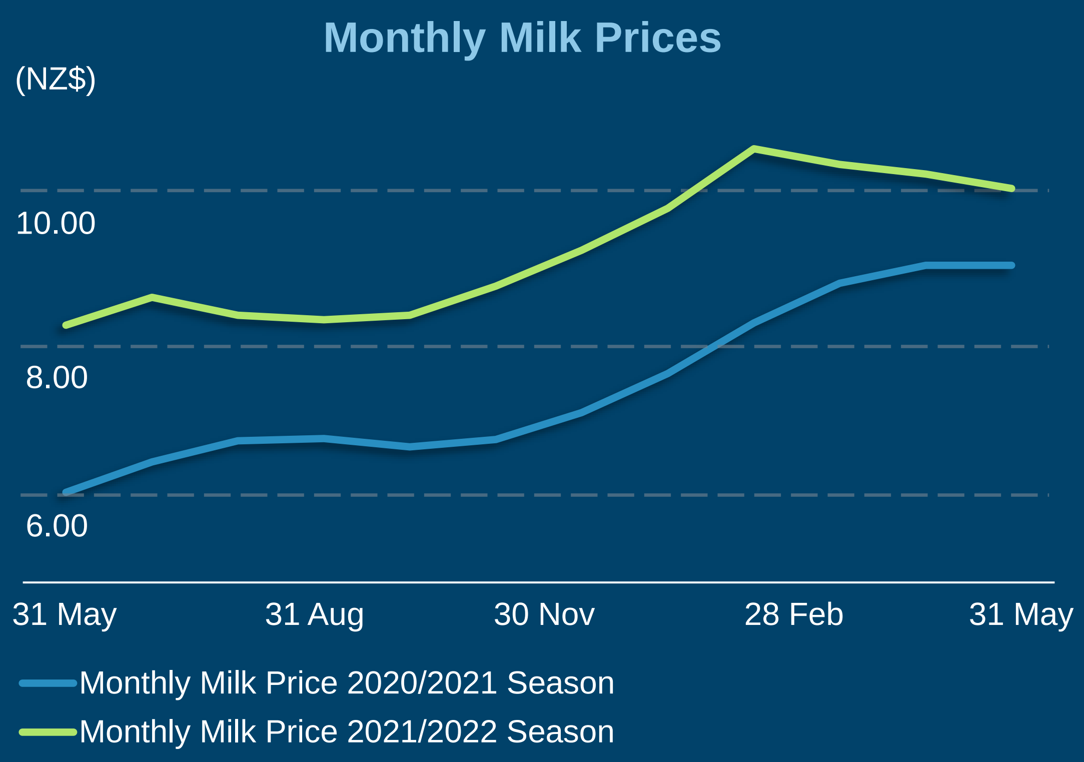
Return on capital

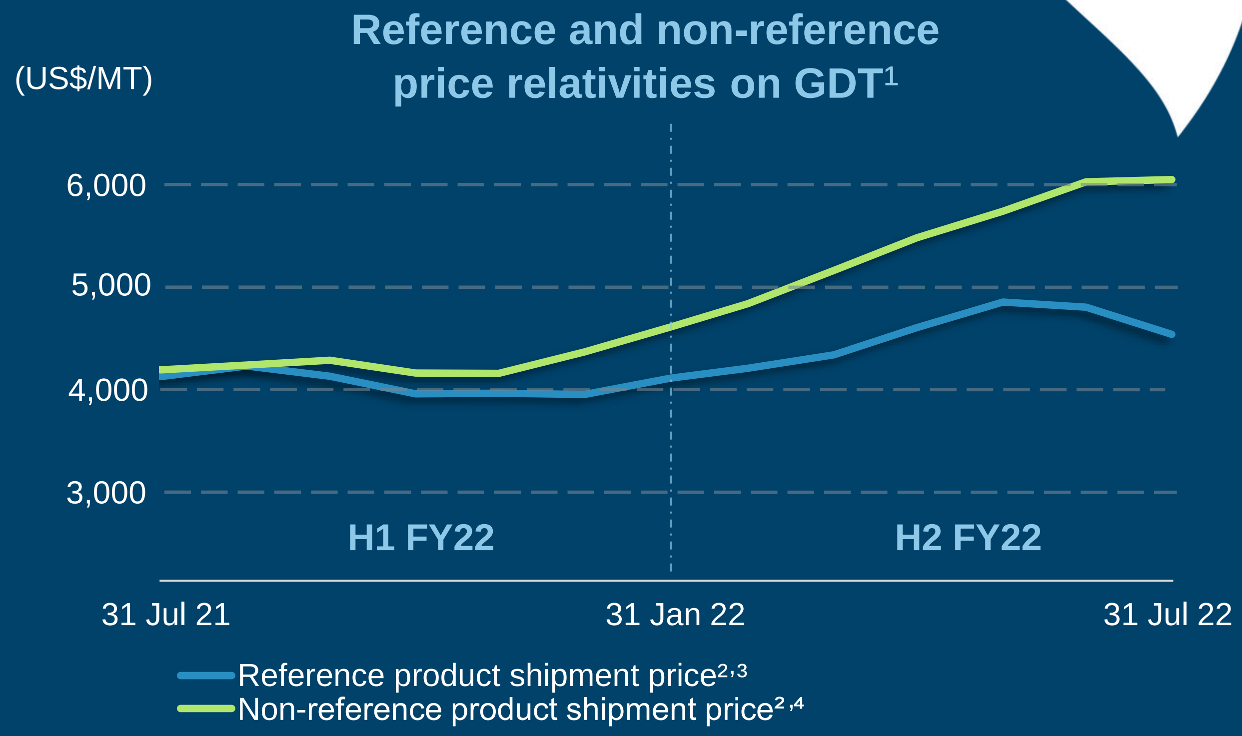
6.8% ↑

- Fonterra has delivered a higher Farmgate Milk Price and strong earnings, total pay-out of $9.50 per kgMS
- Diversified and resilient earnings – top end of guidance
- Good progress on key drivers of our strategy, focusing on New Zealand milk, sustainability, and dairy innovation and science
- Increased working capital has driven higher debt levels but will improve as working capital returns to normal levels in FY23
- Continued strong dairy industry fundamentals

Note: Figures are Total Group, which includes continuing and discontinued operations
1. Includes amounts attributable to non-controlling interests
2. Attributable to equity holders of the Co-operative, excludes $23 million of normalised profit after tax attributable to non-controlling interests

Higher dairy prices and favourable price relativities





- Consistently higher monthly milk price across the 2021/22 season compared to prior season
- The average of the monthly milk prices are equivalent to $7.54 and $9.30 for 2020/21 and the 2021/22 seasons, respectively

- Narrow price relativities in the first half; strong increase in non-reference product prices improving price relativities in second half
- More favourable than expected price relativities contributed to stronger fourth quarter earnings

1. Source: GlobalDairyTrade
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. 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

Total Group business performance

million	2021[1]	2022	%△ [2]
Sales volume ('000 MT)	4,102	3,924	(4)%
Revenue ($)	21,124	23,425	11%
Cost of goods sold ($)	(18,010)	(20,085)	(12)%
Gross profit ($)	3,114	3,340	7%
Gross margin (%)	14.7%	14.3%	
Operating expenses ($)	(2,242)	(2,397)	(7)%
Other[3] ($)	80	48	(40)%
Normalised EBIT ($)	952	991	4%
Normalised profit after tax[4] ($)	588	591	1%
Normalised EPS[5] (cents)	34	35	3%

Note: Total Group figures are for the year ended 31 July. This includes continuing and discontinued operations and are on a normalised basis unless otherwise stated

1. 2021 performance includes Ying and Yutian China Farming hubs and China Farms joint venture, which were sold during FY21
2. Percentages as shown in the table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

- Increased revenue from higher product prices, partially offset by lower sales volumes reflecting lower milk collections in the first nine months of the year and shipping disruptions
- Higher gross profit despite increased cost of milk, driven by gross margin achieved in Ingredients, particularly in the protein portfolio
- Operating expenses up due to inflationary pressures, supply chain disruption and impairment of some of our Asia brands[6]
- 'Other' includes $(80) million adverse revaluation of the Sri Lankan business payables due to devaluation of the rupee
- Normalised profit after tax is up $3 million, due to higher earnings and favourable interest expense

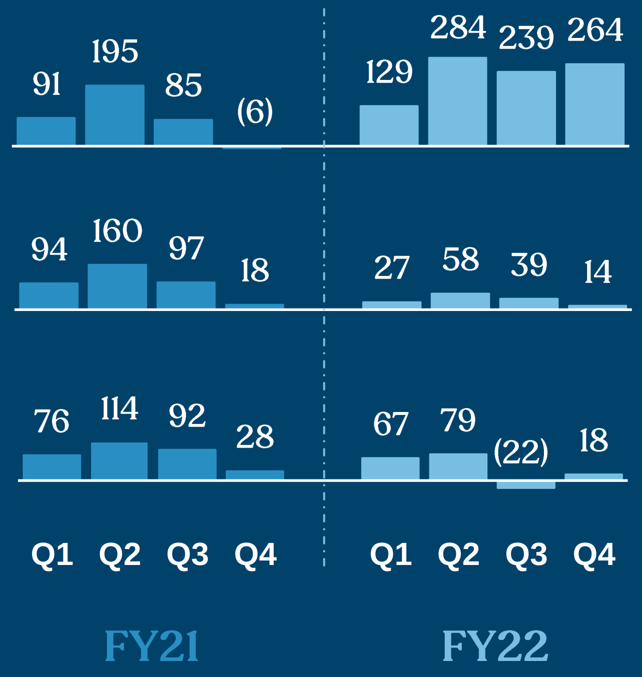
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
4. Includes amounts attributable to non-controlling interests
5. Attributable to equity holders of the Co-operative, excludes $23 million of normalised profit after tax attributable to non-controlling interests
6. The impairment includes a $22 million impairment of Anlene, an $11 million impairment of Anmum and a $1 million impairment of Chesdale, with the carrying amount of these brands now at $336 million as at 31 July 2022. Our Asia brands also include Anchor which was not impaired

Diversified across markets and products

Higher margins in the Ingredients channel in the second half

	Asia Pacific	AMENA	Greater China	Total
Volume ('000 MT)[1]	1,370 ↓ 1%	1,355 n/c	1,029 ↓ 13%	3,754 ↓ 4%
EBIT contribution[1,2]				
Ingredients	$192m ↑ $168m	$442m ↑ $231m	$282m ↑ $152m	$916m ↑ $551m
Foodservice	$(13)m ↓ $92m	$(4)m ↓ $19m	$155m ↓ $120m	$138m ↓ $231m
Consumer	$58m[3] ↓ $144m	$89m ↓ $21m	$(5)m ↓ $3m	$142m ↓ $168m
Total	$237 ↓ $68m	$527m ↑ $191m	$432m ↑ $29m	

EBIT by Quarter[1,2]



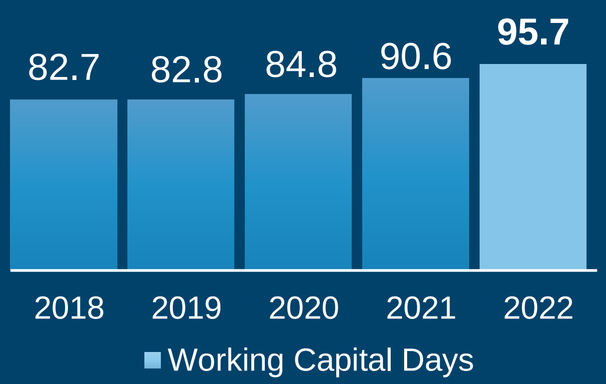
Note: Figures are for the year ended 31 July

1. Prepared on a normalised continuing operations basis. Normalised EBIT contributions sum to $1,196 million, and does not align to reported continuing operations due to excluding unallocated costs and eliminations. Comparative information includes re-presentations for consistency with the current period
2. Inclusive of Group Operations' EBIT attribution
3. Includes $(80) million adverse revaluation of payables in Sri Lanka

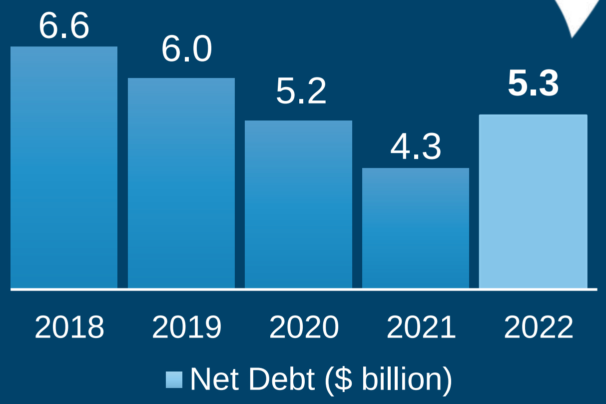
A strong balance sheet

- Our 'A band' credit rating and key metrics demonstrate our strong balance sheet position
- These metrics have increased but will improve as working capital returns to normal levels throughout FY23
    - FY23 sales and shipping profile supports inventory levels returning to normal
- Improved return on capital due to higher earnings offsetting the impact of additional working capital on our capital employed

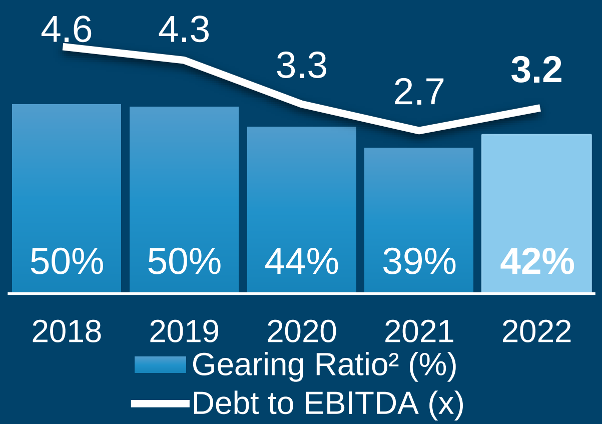
Working Capital



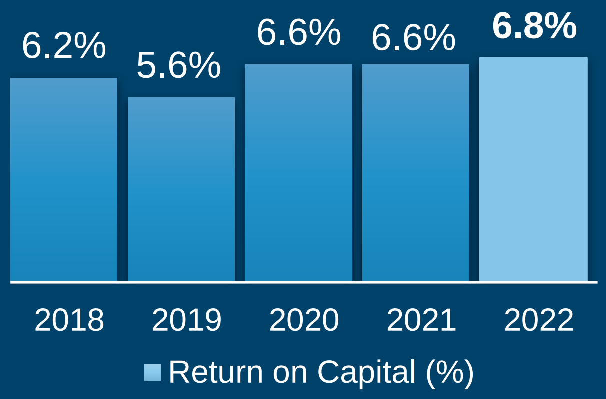
Net Debt[1,2]



Leverage



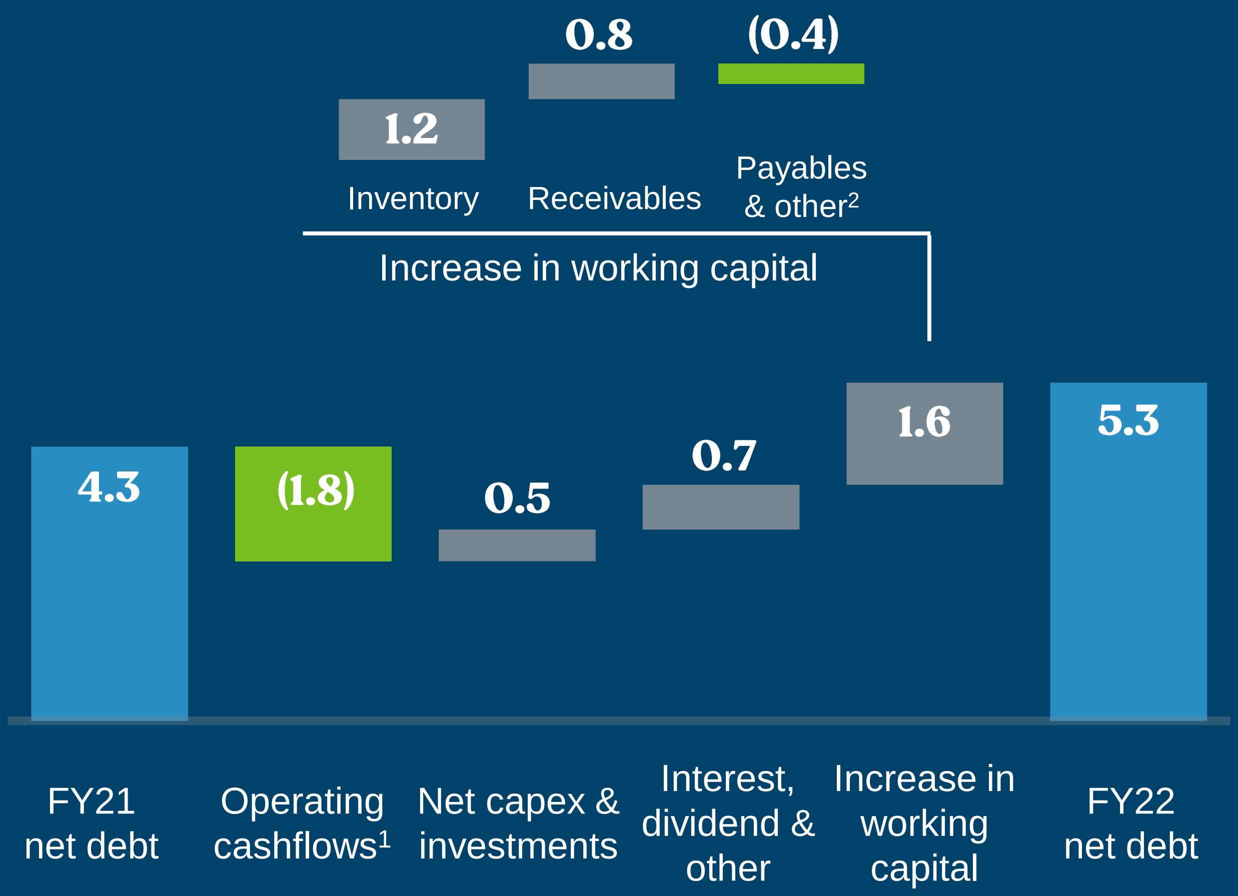
Return on Capital



Note: Figures are for the year ended 31 July except where otherwise stated
1. As at 31 July. Refer to Glossary for definition
2. Comparative figures are shown on a consistent basis with current year

Strong balance sheet provides flexibility to manage market volatility and disruptions

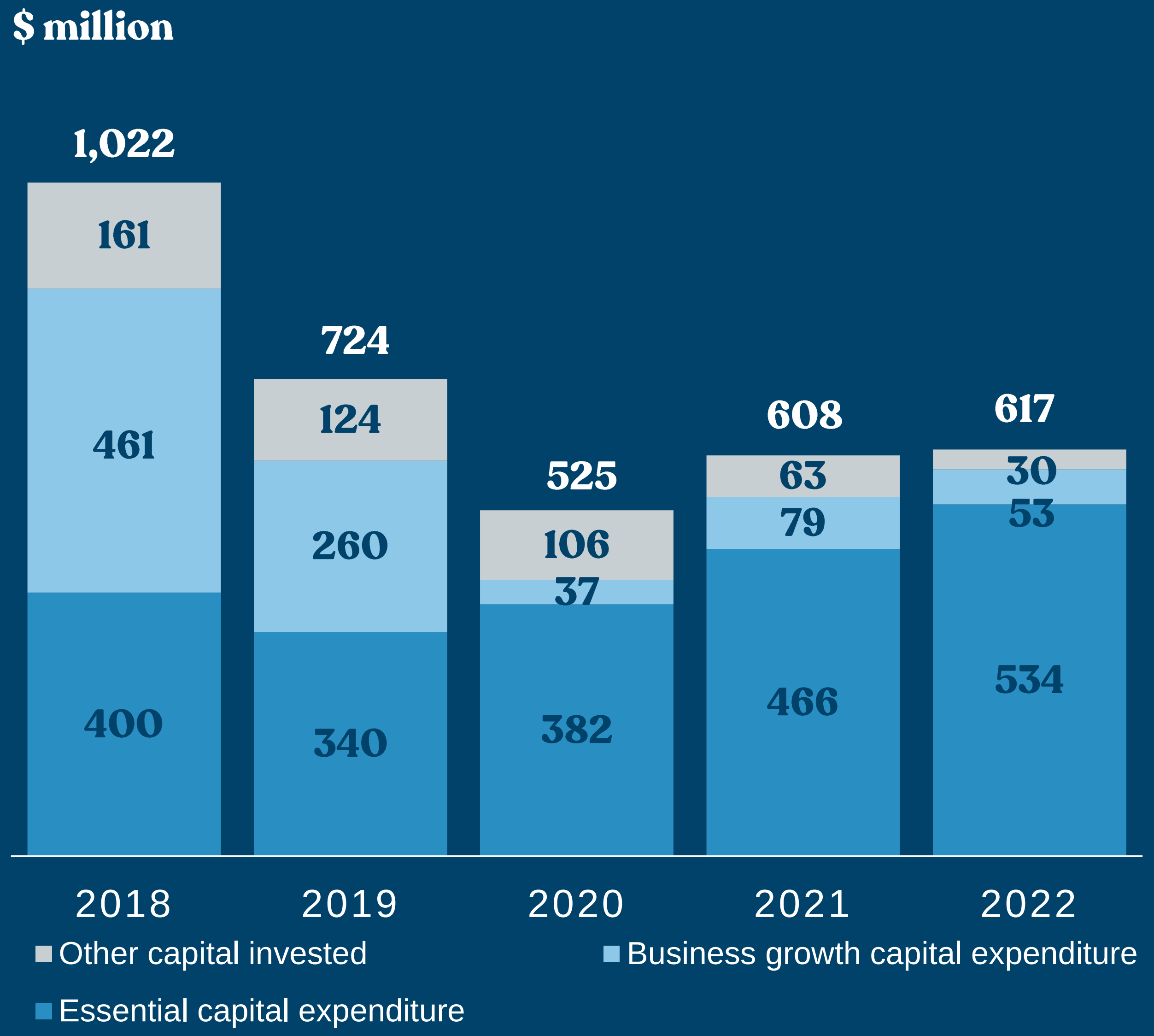
Change in net debt ($ billion)



- Strong balance sheet enabled us to hold higher working capital through year end
- Increase of $1.6 billion in working capital resulted in an increase in year end net debt of $1.0 billion
  - 88% of total inventory was priced and contracted but not shipped at year end
- Net debt position will improve as working capital returns to normal levels throughout the year
  - FY23 sales and shipping profile supports inventory levels returning to normal

1. Excluding working capital
2. Includes supplier payables and other movements

Capital invested



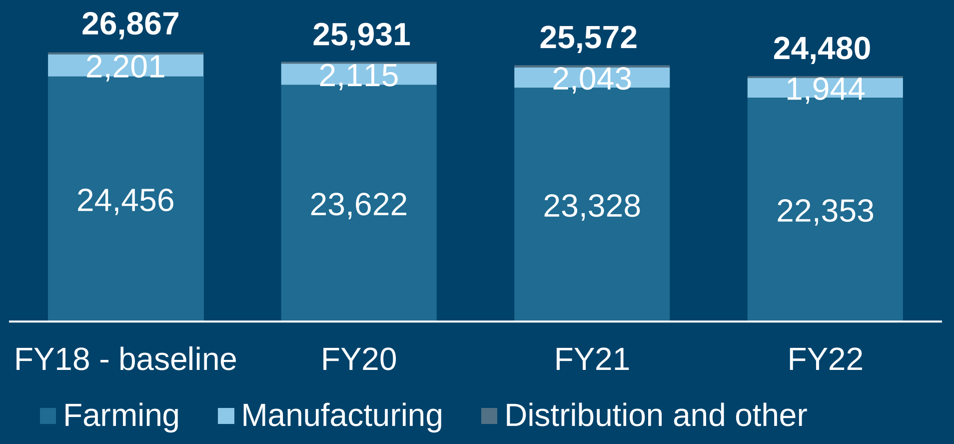
- Total capital invested was $617 million, comprised of capital expenditure of $587 million and other capital invested of $30 million
- Of the $587 million capital expenditure:
  - $534 million was allocated to essential projects to maintain and improve existing assets
  - $53 million was allocated to business growth projects to drive future earnings growth
- The $30 million of other investments mainly comprised of right-of-use assets and equity investments, including investment in new innovation opportunities

Note: Refer to Glossary for definition of capital invested and capital expenditure

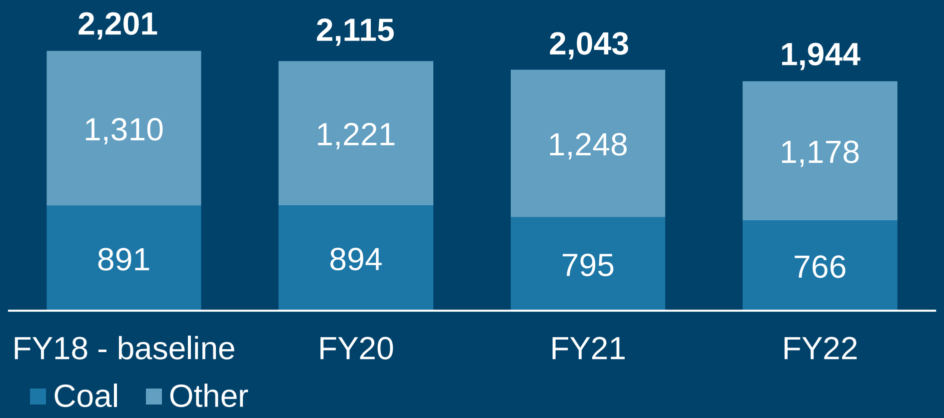
Investing in sustainability

Doing what's right for customers, the planet and our Co-op

Total GHG emission in Fonterra's value chain[1,2]



Manufacturing GHG emissions[2]

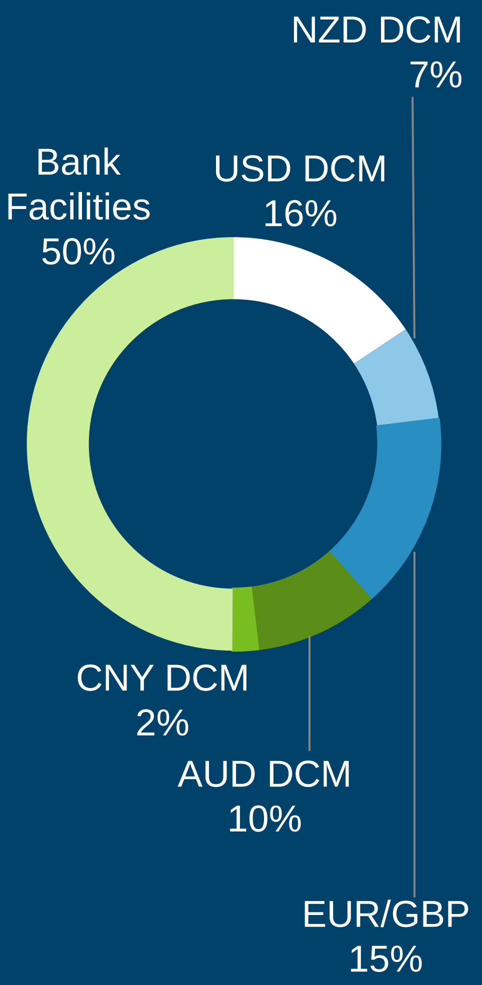


- Reducing annual manufacturing emissions by converting coal boilers to wood biomass:
    - completion of Te Awamutu in FY21 reduced our emissions from coal by more than 9%[3]. The project cost $11 million
    - Stirling to be completed during FY23 will reduce our emissions from coal by about 2%[3]. The project is expected to cost $30 million
    - one boiler at Waitoa to be completed in FY24. Expected to reduce our emissions from coal by more than 5%[3]. The project is expected to cost $102 million

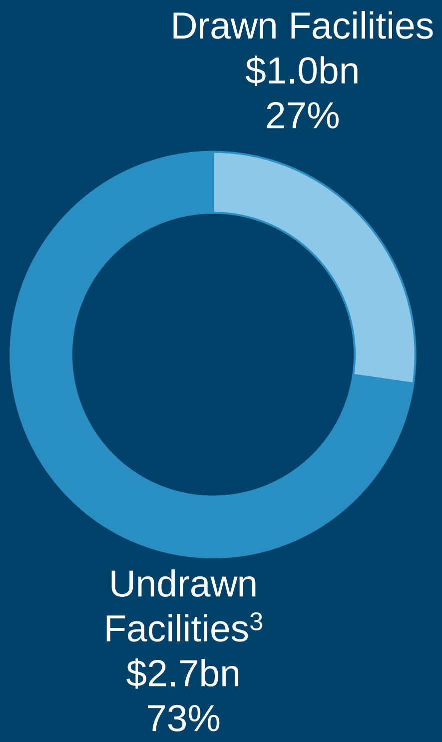
1. Farming and Manufacturing emissions do not add to Total GHG emissions. Distribution and other emissions are not displayed, these are less than 1% of our total emissions
2. Measured in 000's tCO_2-e
3. Relative to FY18, the baseline year

Diversified and prudent funding position

Diversified Profile[1]

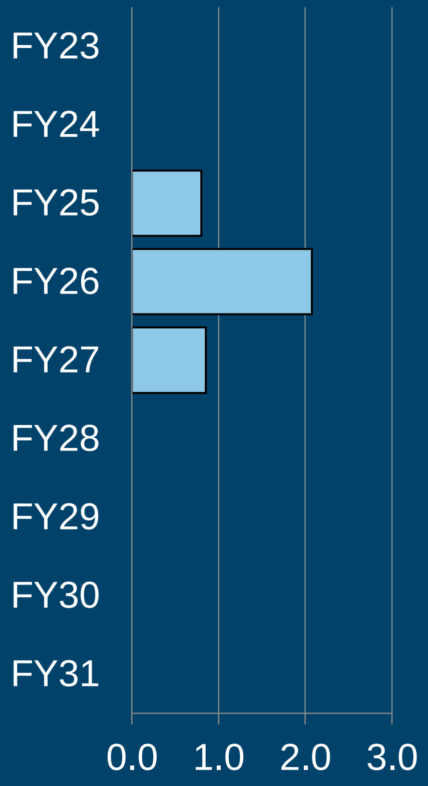


Prudent Liquidity



Bank Facilities

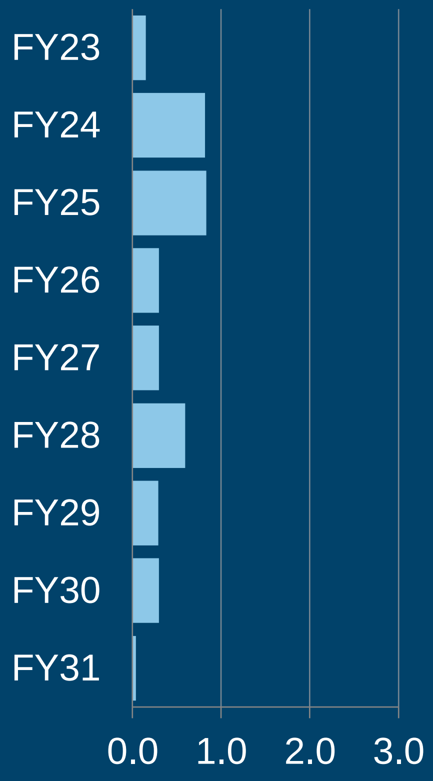
Maturity Profile



$ billion
WATM[4]: 3.5 years

Debt Capital Markets[2]

Maturity Profile



$ billion
WATM[4]: 3.6 years

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

3. Undrawn facilities includes $0.4bn stepped down during the year, reinstated from 1 Sept 2022
4. WATM is weighted average term to maturity

Note: As at 31 July 2022 and excludes amounts attributable to disposal groups held for sale

Our strategy positions us well

OUR STRATEGIC CHOICES

Focus on Aotearoa New Zealand Milk

Be a leader in dairy Innovation & Science

Be a leader in Sustainability

PERFORMANCE TARGETS

40–50%
EBIT increase from FY21

~9-10%
Return on capital

Increase dividends to **~40-45** cents per share

Aspiration to be **Net zero by 2050**

INVESTMENT

~$1 billion
in sustainability

~$1 billion
invested in moving more milk to higher value products

~$160m
per annum in R&D

~$2 billion
for mix of investment in further growth and return to shareholders

DISTRIBUTION OF FUNDS

~$1 billion
Intended to be distributed to shareholders after asset sales

Note: The figures in this slide are targets we are aiming to achieve only. They should not be taken as forecasts or as a guarantee of returns to shareholders. These targets are based on assumptions and risks that are set out in the Appendix to the booklet *Our Path to 2030*, including the assumption of an average Farmgate Milk Price for the decade of $6.50 - $7.50 per kgMS, each of which could materially affect the actual outcomes. Please refer to the important cautions and disclaimer at the back of this presentation and the key assumptions and risks in the Appendix of the booklet titled *Our Path to 2030* for further details

Our Sustainability Strategy

Our approach – a sustainable future is core to our strategy

People & culture	Nature	Relationships	Intellectual Capital	Assets and infrastructure	Financial
Able to retain, develop and attract the best talent	**Demonstrating that dairy can be a net-positive contributor to nature**	**Trusted relationships through high-quality, innovative products and services and playing our part for positive social, environmental and economic outcomes**	**Leveraging intellectual property to deliver additional value**	**Operational assets are resilient and efficiently delivering our most valuable products**	**Consistently attractive performance for providers of funding, including our farmer shareholders**
PRIORITY ACTIVITIES	**PRIORITY ACTIVITIES**	**PRIORITY ACTIVITIES**	**PRIORITY ACTIVITIES**	**PRIORITY ACTIVITIES**	**PRIORITY ACTIVITIES**
– Providing a safe, healthy and inclusive place to work – Continuously developing people's skills for meaningful careers within the everchanging nature of work	– Leading the transition to net-zero GHG emissions for dairy nutrition – Farmers are adopting and investing in leading on-farm practices – Using science and innovation skills to solve environmental challenges on and off farm	– Understanding the needs of our customers and being responsive to these – Partnering with others to help unlock the full potential of dairy and deliver improved sustainability outcomes – Being clear on what we stand for and demonstrating the value we bring to specific relationships and more broadly	– Converting our specialised dairy know-how into value through the products, solutions and partnerships we develop	– A mindset of continuous improvement to protect and enhance our scale/cost advantage and stay competitive on a world stage – Applying innovation to our assets so they are safe and able to respond to future needs	– Using science and innovation to improve efficiency and grow value – Sustainability credentials are valued, building preference and premium for our dairy – Target to return ~$1 billion to shareholders through planned divestments

A copy of the 2022 Sustainability Report is available on Fonterra's website here

Thinking sustainability across the value chain...

Farming

Farmer-owned supporting rural livelihoods

Cared for cows
Low antibiotic use
No growth-promoting hormones

Milk quality
Low somatic cell counts

Manufacturing

Certified environmental management systems

Consumption

World class food safety & quality

Nutrition R&D that supports health & wellbeing

Pasture-fed
Non-GMO Project Verified
Audited sustainability performance

Partnering with others to enable farming & nature to thrive together

Leading transition to a low-carbon future

Efficient global distribution

Traceability

Sustainable packaging innovation

CarbonZero™ certified products

Independently rated

World Benchmarking Alliance

GOLD 2022 ecovadis Sustainability Rating

CDP SUPPORTER 2021

BBFAW Business Benchmark on Farm Animal Welfare

2050

We aspire to be net zero emissions as we deliver sustainable nutrition through the goodness of New Zealand milk

2037

No more coal in our operations

2030

30% reduction in absolute emissions from manufacturing operations from FY18 baseline

2025

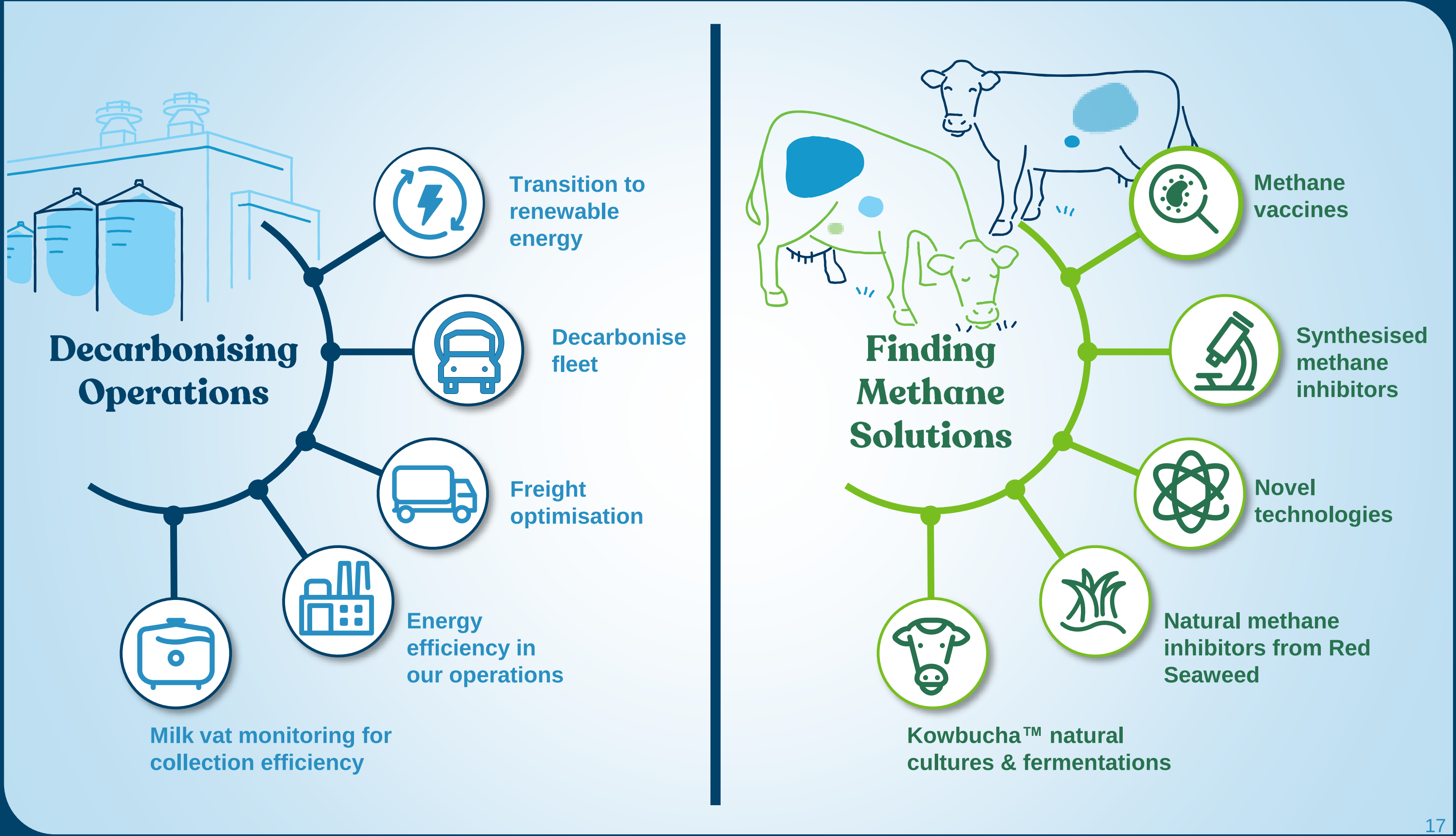
Every Fonterra farmer has a tailored Farm Environment Plan

Today...

Working with farmers to understand their footprint while decarbonising across our operations

We aspire to be Net Zero by 2050

New Zealand has a unique position as one of the lowest carbon dairy producers in the world. **But we can't slow down now**



Our approach to low carbon dairying

Protecting New Zealand's natural advantage

- New Zealand farmers are among the most efficient in the world, with an on-farm carbon footprint (1.03 $kgCO_2$-e/kgFPCM[1]) amongst the lowest in the world
- Natural advantages, such as climate and a pasture-based farming system, combined with the hard work of our farmers to make their farms productive and efficient have delivered this
- We're helping protect this advantage by supporting continuous improvement and research

Supporting continuous improvement

- Supplying farms in New Zealand already have a farm-specific emissions profile so farmers can understand the footprint of their farm
- Our 40 Sustainable Dairying Advisors are helping establish farm-specific Farm Environment Plans (FEPs), including a GHG module with prioritised actions
- Every supplying farm in New Zealand will have an FEP by the end of 2025
- The Co-operative Difference payment allows us to reward and recognise farmers who meet a specific set of sustainability targets each year

Investing in research and development

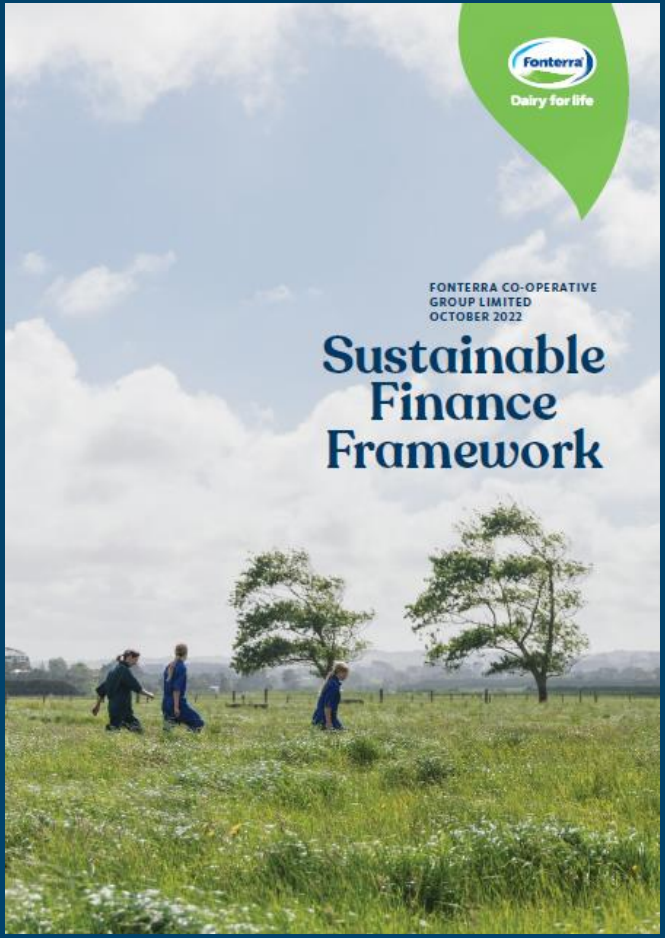
- Significant investment is required to deliver practical steps that farmers can take
- We are collaborating on a range of potential methane solutions to help dairy farmers and more widely
- We are partnering with New Zealand Government and five other New Zealand agribusinesses through the new Centre for Climate Action on Agricultural Emissions (combined investment ~ $172m in next four years)

1. Kilogram of fat-and-protein-corrected milk

Sustainable Finance Framework

Sustainable Finance Framework

- Fonterra established a Sustainable Finance Framework (**Framework**) in October 2022
    - reflects our commitment to sustainability and to align our financing with our sustainability ambitions
- The Framework is aligned to the relevant market standards, including those published by the International Capital Markets Association and the Asia Pacific Loan Market Association
    - independent external review and confirmation of alignment with those standards (Second Party Opinion) provided by ISS Corporate Solutions
- The Framework sets out how Fonterra intends to issue and manage sustainable debt and includes issuance of both Use of Proceeds and Sustainability-Linked instruments
- Our intention is to finance in a sustainable format going forward
    - we intend to initially focus on Use of Proceeds issuance (e.g., Green Bonds); and
    - we intend to issue Sustainability-Linked instruments in the future. At the time of such issuance specific sustainability performance targets (Targets) and external review of the Targets will be made available to investors/lenders

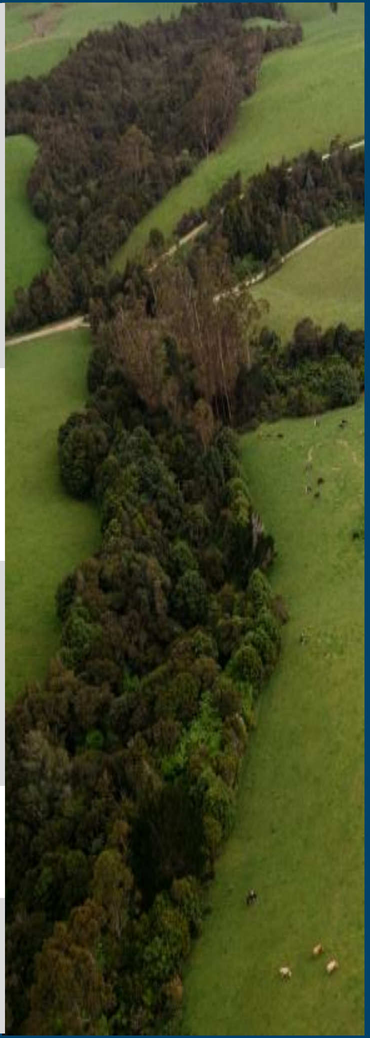


A copy of the Sustainable Finance Framework is available on Fonterra's website here

Core Components of Use of Proceeds Instruments

- The Framework enables the issuance of Green, Social and Sustainability Bond/Loan instruments
- The intention is to initially focus on Green Bonds (as reflected in slides 21 to 23)

1. Use of Proceeds	• Proceeds will be notionally allocated to finance or refinance projects, assets and/or activities which meet the eligibility criteria set out in the Framework and aligns with the Green Bond Principles (**Eligible Assets**) • Supports investments towards renewable energy, clean transportation, pollution prevention and control, sustainable water and wastewater management, environmentally sustainable management of living natural resources and land use, and energy efficiency • Look-back period of no longer than three prior financial years applied when refinancing existing Eligible Assets • Exclusionary criteria applies
2. Process for Project Evaluation and Selection	• Overseen by Fonterra's Treasury Team with responsibility to manage Eligible Asset selection and compliance with reporting commitments and the relevant sustainable finance principles
3. Management of Proceeds	• Proceeds to be notionally allocated to Eligible Assets within 24 months of issuance • Maintain an Eligible Assets Register that includes (amongst other things) their project cost, the notional allocation of proceeds to that asset and compliance with the relevant Eligibility Criteria • The total project cost of Eligible Assets will be at least equal to the aggregate amount of all outstanding green financing, including Green Bonds (subject to temporary management of unallocated proceeds)
4. Reporting	• Within one year of issuance (and annually thereafter), we will publish Annual Update Reports covering use of proceeds (allocation and eligibility) and impact of the Green Bonds
5. External Review	• ISS Corporate Solutions has provided a pre-issuance Second Party Opinion (SPO) on the Framework • On an annual basis post-issuance, Fonterra will obtain and publish an external review report on its Annual Update Report (including verification of the Eligible Assets Register)



A copy of the Framework and ISS Corporate Solutions Second Party Opinion are available on Fonterra's website here

Categories of Eligible Green Assets

Fonterra
Dairy for life

Clean Transportation

- Expand light fleet of EVs and the network of EV charging stations
- Conversion of heavy goods fleet (including milk tankers) to electric and renewable energy sources

Renewable Energy

- Conversion of existing coal boilers at manufacturing sites to renewable energy sources
- Infrastructure and equipment to increase the use of solar and renewable energy

Pollution Prevention & Control

- Infrastructure and equipment to reduce solid waste to landfill
- Investment in Research and Development to investigate and trial methane mitigation practices and technologies
- Upgrade packaging materials and associated packaging lines to improve reuse and/or recyclability

Sustainable Water & Wastewater Management

- Infrastructure and equipment to improve our approach to water intake by manufacturing sites so they contribute to healthier water catchments
- Infrastructure and equipment to improve treatment of wastewater prior to discharge so they contribute to healthier water catchments

Energy Efficiency

- Infrastructure and equipment to improve energy efficiency of manufacturing processes and sites
- Energy storage (batteries)

Environmentally Sustainable Management of Living Natural Resources and Land Use

- Investment in tools and systems to support improved farming practices
- Development and deployment of farm-specific farm environment plans

Note: Refer to section 4 of the Framework for the full eligibility criteria independently reviewed by ISS Corporate Solutions

Eligible Asset pipeline

- The following table is an indicative pipeline of Eligible Assets. The intention is to notionally allocate the net proceeds of any future Green Bonds to refinance existing Eligible Assets first, before being applied to finance future Eligible Assets
- Fonterra expects to have a total of $503 million of Eligible Assets by FY24 year end:
  - $183 million relates to spend over the last three years (FY20-FY22)
  - $320 million is estimated to be spent over the next two years (FY23-24)

Eligible Category	Examples of existing Eligible Assets (Projects in FY20–FY22)	Existing project cost (3-year look-back)[1] (NZDm)	Estimated future project cost (FY23-24)[2] (NZDm)	Total Potential Eligible Assets (NZDm)
Renewable Energy	• Installation of biomass boilers to replace existing coal boilers at three manufacturing sites (**Project Sites**: Te Awamutu (completed), Stirling (in progress), Waitoa (in progress)) • Installation of solar panels	59	110	169
Sustainable Water and Wastewater Management	• Infrastructure and equipment to improve the treatment of wastewater prior to discharge, contributing to healthier water catchments (**Project Sites**: Te Awamutu, Tirau, Clandeboye)	93	145	238
Energy Efficiency	• Equipment to improve energy efficiency in manufacturing sites including heat recovery and improved heat exchange (**Project Sites**: Whareroa, Edendale)	24	35	59
Pollution Prevention and Control	• Waste reduction and recyclable packaging programmes • Upgrade of refrigeration systems (**Project Sites**: Te Awamutu, Hautapu) • Investments and infrastructure to reduce on-farm emissions	3	25	28
Clean Transportation	• Light vehicle fleet – purchase of electric vehicles	4	5	9
Total Eligible Assets		**183**	**320**	**503**

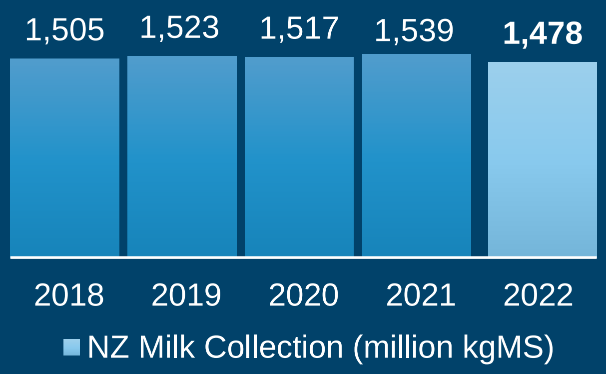
Note: This slide may contain forward looking statements or estimates. These statements or estimates should not be taken as forecasts. They are subject to successfully completing a number of business initiatives, and assumptions, each of which could materially affect the actual outcomes. These were prepared by Fonterra and have not been independently reviewed

1. Existing project cost is for the 3-year period from 1 August 2019 to 31 July 2022
2. Estimated future project cost is for the 2-year period from 1 August 2022 to 31 July 2024 and could vary depending on final selection of actual projects

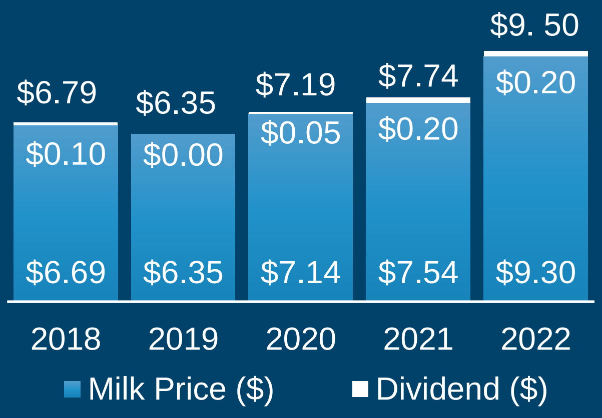
Appendix

Key financial metrics for Total Group FY22[1]

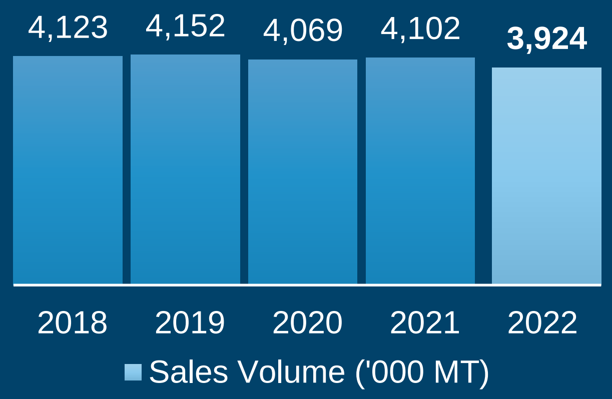
New Zealand Milk Collections



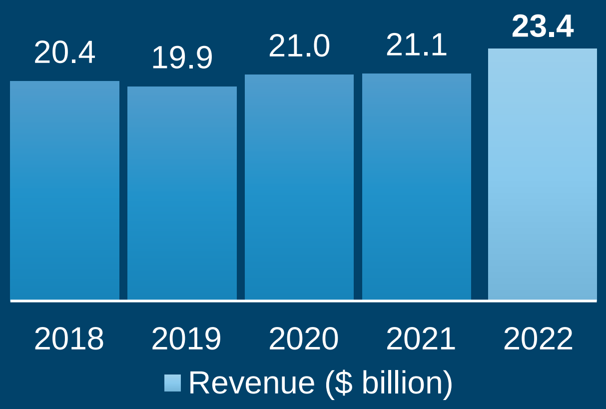
Total Pay-out



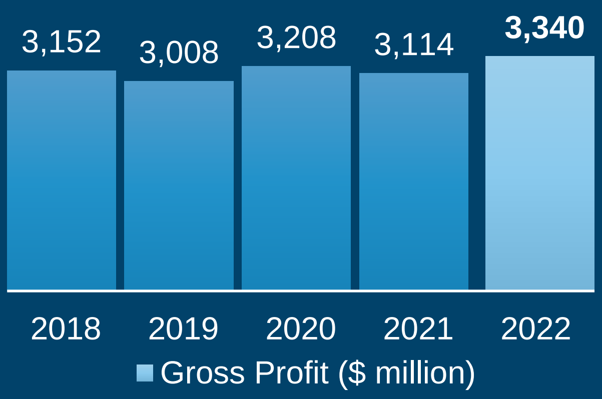
Sales Volume



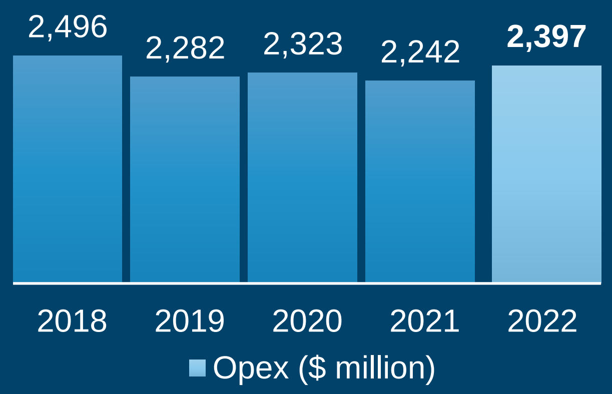
Revenue



Gross Profit



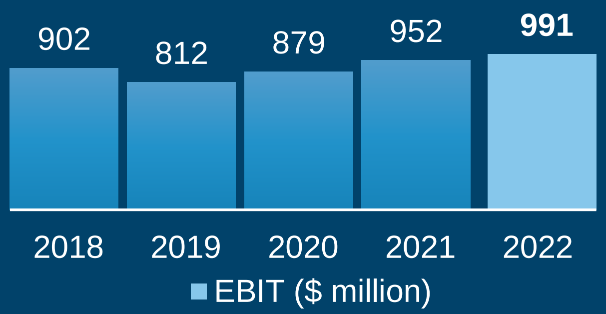
OPEX



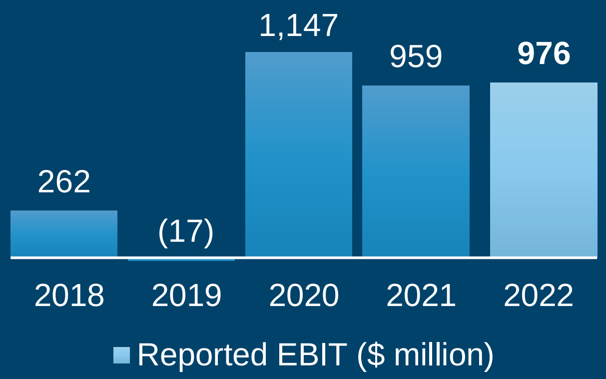
1. Total Group figures for the year ended 31 July. This includes continuing and discontinued operations, and are on a normalised basis unless stated otherwise

Key financial metrics for Total Group FY22[1]

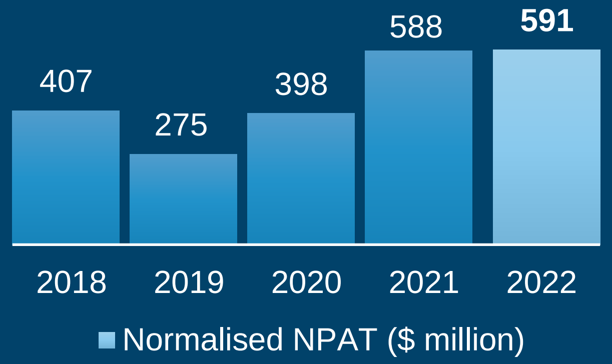
Normalised EBIT



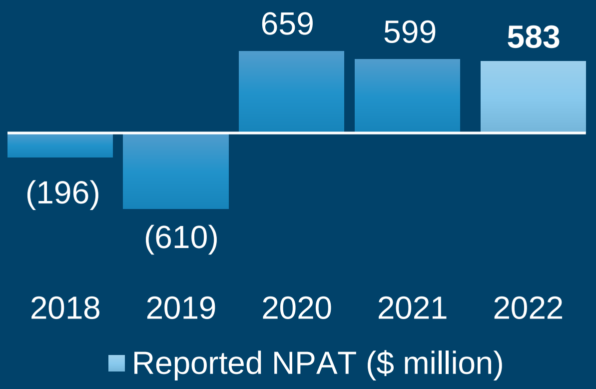
Reported EBIT



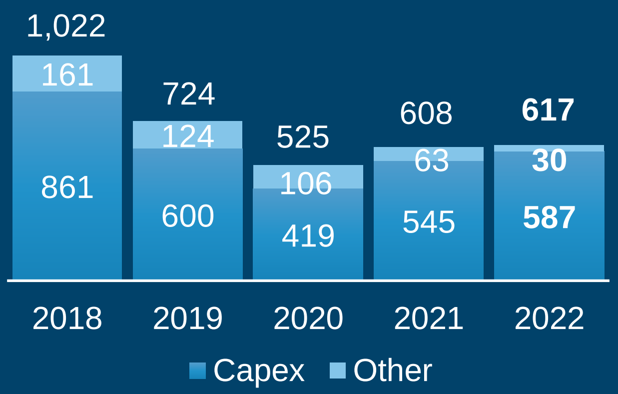
Normalised Profit After Tax[2]



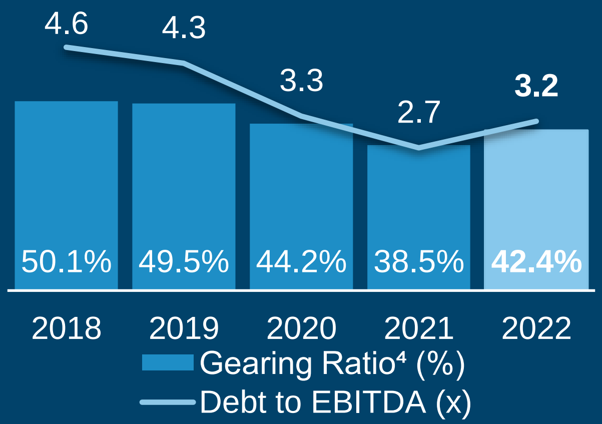
Reported Profit After Tax[2]



Capital Invested[3]



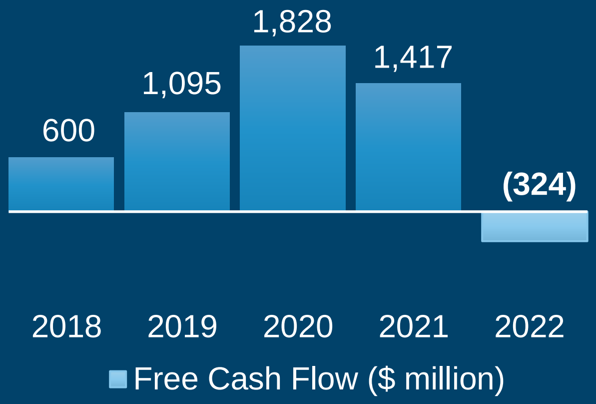
Leverage



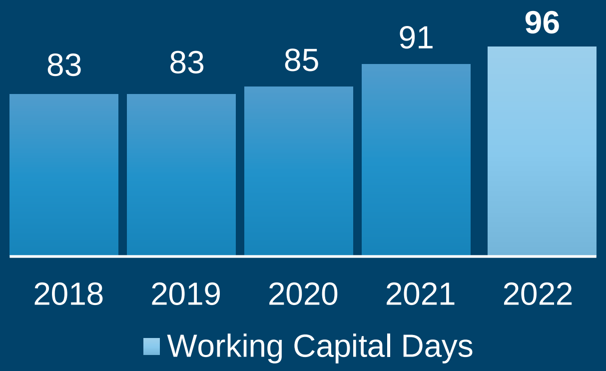
1. Total Group figures for the year ended 31 July. This includes continuing and discontinued operations, and are on a normalised basis unless stated otherwise
2. Includes amounts attributable to non-controlling interests
3. Refer to Glossary for definition
4. Comparative figures are shown on a consistent basis with current year

Key financial metrics for Total Group FY22[1]

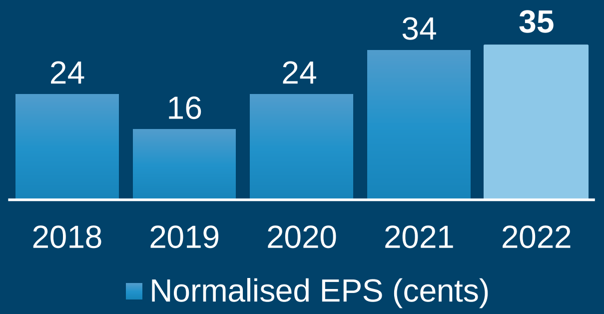
Free Cash Flow[2]



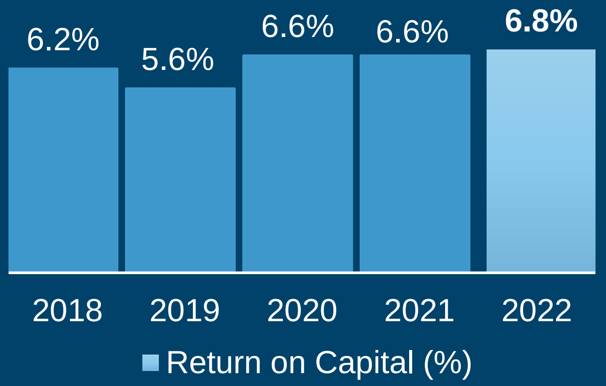
Working Capital Days



Earnings per Share



Return on Capital[2]

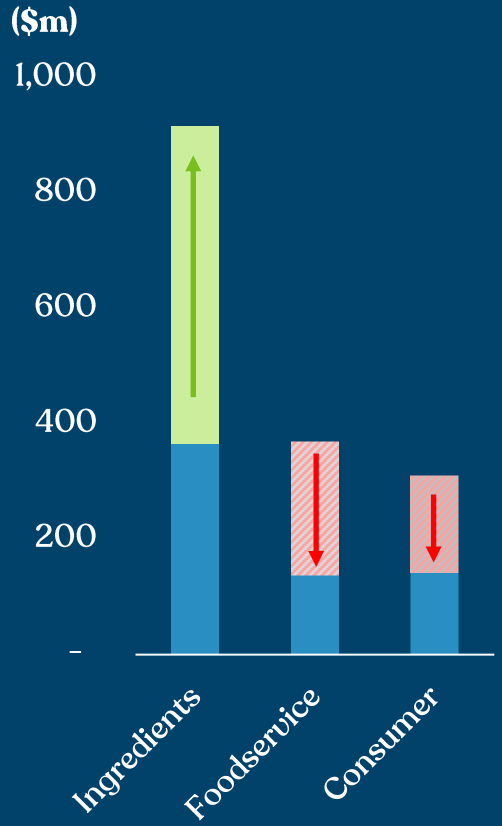


1. Total Group figures for the year ended 31 July. This includes continuing and discontinued operations, and are on a normalised basis unless stated otherwise
2. Refer to Glossary for definition

Earnings driven by strong Ingredients' margins

Asia Pacific	2021 EBIT	2022 EBIT	Change
Ingredients	$24m	$192m	700%
Foodservice	$79m	$(13)m	–
Consumer	$202m	$58m[2]	(71)%
	$305m	**$237m**	**(22)%**
AMENA			
Ingredients	$211m	$442m	109%
Foodservice	$15m	$(4)m	–
Consumer	$110m	$89m	(19)%
	$336m	**$527m**	**57%**
Greater China			
Ingredients	$130m	$282m	117%
Foodservice	$275m	$155m	(44)%
Consumer	$(2)m	$(5)m	(150)%
	$403m	**$432m**	**7%**
Eliminations[1]	$(148)m	$(214)m	(45)%
Total	**$896m**	**$982m**	**10%**

Product channel EBIT

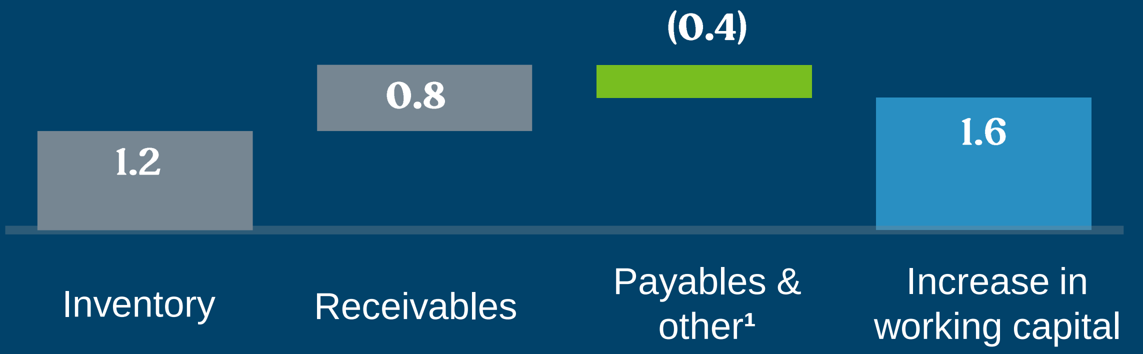


Note: Figures are for the year ended 31 July and prepared on a normalised continuing operations basis. Comparative information includes re-presentations for consistency with the current period

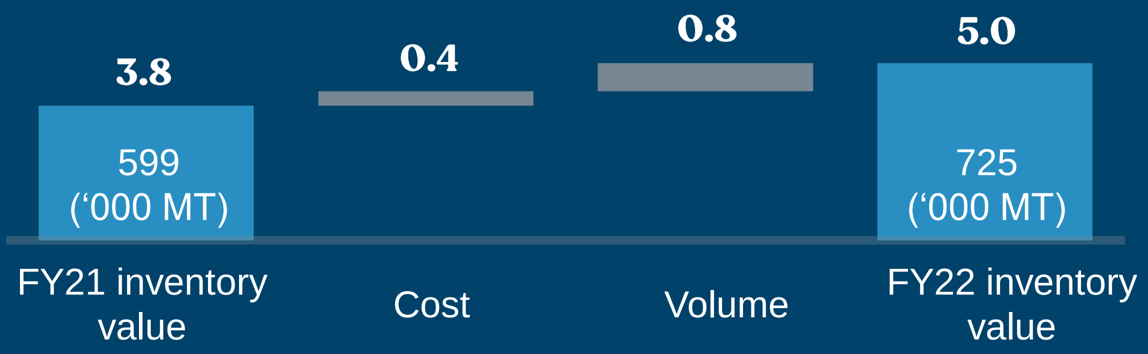
1. Eliminations and unallocated costs
2. Includes $(80) million adverse revaluation of payables in Sri Lanka

Increase in working capital due to higher prices and inventory

Breakdown of increase in working capital as at 31 July ($ billion)



Closing inventory as at 31 July ($ billion)



- Significantly higher working capital throughout the year and year end, up $1.6 billion, reflecting:
  - higher milk price – impacts both receivables and inventory
  - higher levels of inventory throughout second half and year end
- Higher year end inventory reflects late season milk production coinciding with shipping constraints
  - 88% of total inventory was priced and contracted but not shipped at year end
  - FY23 sales profile and shipping schedule supports inventory levels returning to normal levels

1. Includes supplier payables and other movements

FY22 progress against our aspirational financial profile

	FY20 Actual	FY21 Actual	FY22 Forecast	FY22 Actual	FY24 Year 3 Target	FY27 Year 6 Target	FY30 Year 9 Target
Improved performance							
Milk Price per kgMS	$7.14	$7.54		$9.30			
Normalised EBIT	$879m	$952m	$875-$975m	$991m	$1,025- $1,125m	$1,150-$1,250m	$1,325-$1,425m
Earnings per share	24c	34c	25-40c	35c	45-55c	50-60c	55-65c
Return on capital	6.6%	6.6%	6.5-7.0%	6.8%	7.0-8.0%	7.5-8.5%	9.0-10.0%
Financial position							
Capital investment	$525m	$608m	$650m	$617m	$980m	$980m	$980m
Debt to EBITDA ratio	3.3x	2.7x	2.4x*	3.2x	<2.5x	<2.5x	<2.5x
Gearing ratio	44%	39%	35%*	42%	<35%	<35%	<35%
Dividend to shareholders							
Dividends per share	5c	20c	15-20c	20c	22-27c	30-35c	40-45c

Calculated using an EPS of 35 cents

Note: The figures in this table which relate to dates in the future are targets we are aiming to achieve only. They should not be taken as forecasts or as a guarantee of returns to shareholders. The target years assume long-term average levels of price relativity and lag pricing impacts, and individual years are likely to vary from this assumption. Please refer to the important cautions and disclaimer at the back of this presentation and the key assumptions and risks in the Appendix of the booklet titled *Our Path to 2030* for further details

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

Capital invested
Comprises capital expenditure plus right-of-use asset additions and business acquisitions, including equity contributions, long-term advances, and investments

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

Free cash flow
Is the total of net cash flows from operating activities and net cash flows from investing activities

Glossary

Gearing ratio (adjusted net debt)
Is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt

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)

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

Net debt (adjusted)
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

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

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, 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.

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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.

Please refer to the Non-GAAP Measures section in Fonterra's 2022 Annual Review for further information about non-GAAP measures used by Fonterra, including reconciliations back to NZ IFRS measures. Definitions of non-GAAP measures used by Fonterra can be found in the Glossary.