

**FONTERRA SHAREHOLDERS' FUND 2024 ANNUAL MEETING**  
**18 NOVEMBER 2024**  
**FSF CHAIR'S ADDRESS**

It has been another good year for Fonterra, delivering a strong profit off the back of a record high last year.

Fonterra's continuing operations' profit after tax was \$1.17 billion, meaning earnings per share came in at the top end of the forecast range, at 70 cents per share.

Fonterra declared a total dividend of 55 cents per share which fully flows through to unit holders as a distribution of 55 cents per unit.

This was made up of an interim distribution of 15 cents per unit and a final distribution of 40 cents per unit.

Fonterra has also released a refreshed strategy and more recently, confirmed its intention to divest its Consumer business. In addition to the strong financial performance, these announcements have also positively impacted the Fund's performance. Peter and Miles will speak to Fonterra's operational performance in their presentations.

Before I move on to discuss the Fund's performance in more detail, it is important to acknowledge the role of the Board of the Manager.

The Fonterra Shareholders' Fund Board has statutory responsibilities for the activities of the Management Company and the Fund. These include monitoring compliance with regulatory requirements and ensuring that unit holders' interests are managed and protected in accordance with the constituent documents that relate to the Fund.

Directors of the Fund have no role in the governance or operation of Fonterra.

Although we have no decision-making role in these areas, we do consider it important to actively represent the interests and views of unit holders to Fonterra, and we do that.

One of the items we addressed this year was a request for Fonterra to review the Fund unit buyout price formula in the Authorised Fund Contract.

The purpose of the buy-out formula is to set a proxy for a fair market value for certain termination events.

To date this has been based on a volume weighted average price; 50% weighted to the Fonterra Share price and 50% weighted to the Fund unit price.

Under the Flexible Shareholding capital structure, where the price of Fonterra shares and Fund units are de-linked, FSF Board considered it appropriate to amend the Authorised Fund

Contract so that the pricing formula only references the volume weighted average price of Fund units.

Whilst this change has been made to reflect a fairer buyout price under certain termination provisions, there is no intention at this time to terminate the Fund.

The Board has also continued to engage with Fonterra management to understand and provide feedback on Fonterra's equity strategy and Fund strategy with a unit holders lens.

We have also held regular education sessions on areas of particular interest to provide more transparency of what is happening in Fonterra and understanding of the key drivers that can impact the Fund – such as sustainability, and its optimisation function - namely the allocation of milk to products.

Fonterra's strong performance, and market communications on strategy and the divestment of its Consumer business is reflected in the total shareholder returns.

Total returns for the Fund since the last AGM is 95%, made up of 239 cents in unit price appreciation and 55 cents in distributions.

This level of return is pleasing to see, particularly given that the prior period, from the Fund's 2022 AGM to 2023 AGM was 37%, made up of 11 cents in unit price appreciation and one dollar in distributions which included the 50 cent capital return on completion of the Soprole divestment.

Over the same period, FCG and the S&P NZX50 Index returned 151% and 14%, respectively. Considering the historical performance of the Fund, these returns are very pleasing to see.

Looking at the composition of the register, there continues to be a healthy shift from retail and supplying Fonterra farmers to private wealth and institutions.

The drop off in units held by supplying farmers is expected as shares can no longer flow through to the Fund under Fonterra's capital structure.

Of the 66% or 71 million units held by retail investors, around half are held by former supplying farmers. When combined with the nearly 10 million units held by supplying farmer shareholders, around 40% of the Fund is held by current or former supplying farmers. This is a material decrease on the prior year where roughly half of the Fund was held by this group.

The Fund Board are pleased to see this improving spread of ownership type, which supports liquidity through different investment horizons and trading behaviours.

This month Fonterra, having completed a review of its equity listings, announced its intention to shift Fonterra Co-operative Group from its private market operated by NZX to the NZX Main

Board. In addition, it has also decided to delist FSF from the ASX and have a sole listing on the NZX.

Fonterra consulted with the FSF Board on this matter, and we are supportive of the shift to a single listing for FSF.

Broadly speaking, dual listings are becoming less popular due to the increased cost, regulatory complexities, and administrative burdens of complying with multiple exchanges. In addition, advances in global trading technology make it easier for companies to access international investors through a single primary listing.

You can see on the slide, units held geographically in Australia represent 7% of the Fund.

However, units registered to trade on the ASX is actually only 4%, with 96% of units registered under the NZX. With several Australian institutions preferring to hold and trade units in the bigger pool of liquidity here in New Zealand.

As mentioned, the sole FSF listing will reduce cost and complexity, as well as support liquidity in the Fund with all capital trading on one exchange.

Fonterra management is currently working with the ASX and will provide further communications to unit holders as this process progresses.

Lastly from me, I will briefly touch on some of the key Fund statistics.

With the cap on the Fund a permanent feature of the capital structure and the lower value of a Fonterra share relative to the Fund unit, there has been no change in the 107 million units on issue.

Fonterra's market capitalisation is up \$4.3 billion to \$7.7 billion, and the Fund's market capitalisation is \$581 million, up \$259 million.

The Fund's increase in market capitalisation is due to an increase in the unit price, from \$3.14 this time last year to a closing unit price of \$5.41 last Friday.

The Fund size as a percentage of the total Fonterra shares remains unchanged year-on-year at 6.7% due to no buyback of Fonterra shares over the period.

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