Annual Results 2023

September 2023

Key outcomes

Return on capital
12.4%
↑ from 6.8%

Profit after tax
$1.6b
↑ from $583m

Earnings per share[2]
95c
↑ from 36c

Cash operating expenses per kgMS
$1.39
↑ 3.7%

Gross profit from Core Operations per kgMS
$9.21
↑ 4.3%

Total Cash Return[1]
$9.22

Capital Return
$0.50

Dividend
$0.50
↑ from $0.20

Farmgate Milk Price
$8.22
↓ from $9.30

2023 Annual Results

- 2022/23 season Farmgate Milk Price of $8.22 per kgMS, impacted by reduced demand for powders in China
- Profit after tax of $1,577 million up $994 million
    - excluding the net gain from divestments of $248 million, normalised profit after tax is $1,329 million, equivalent to 80 cents per share[2]
- Full year dividend of 50 cents per share
- Capital Return of 50 cents per share following divestment of Soprole
- Introduction of new Advance Rate Schedule guideline to assist on-farm cash flow

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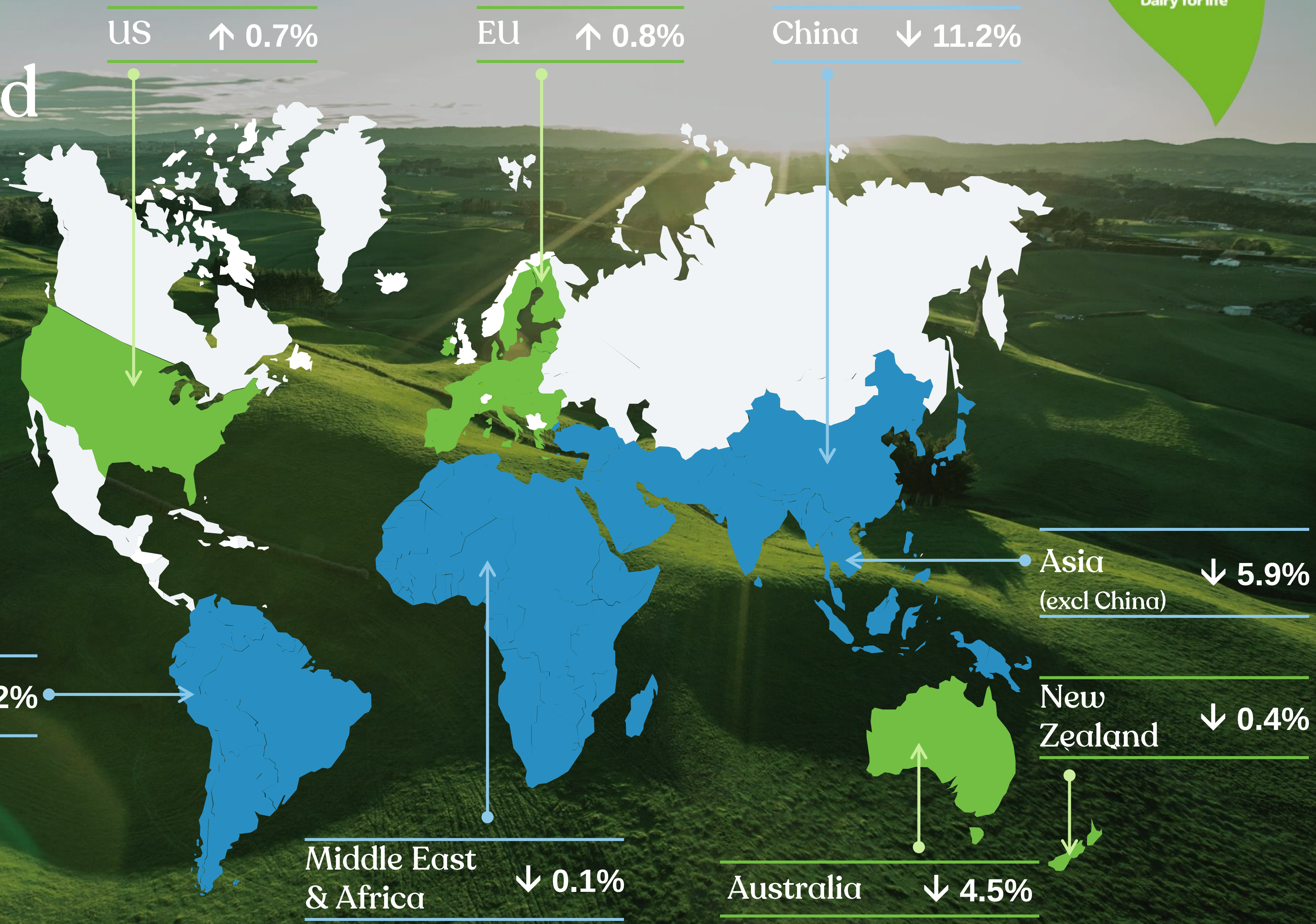
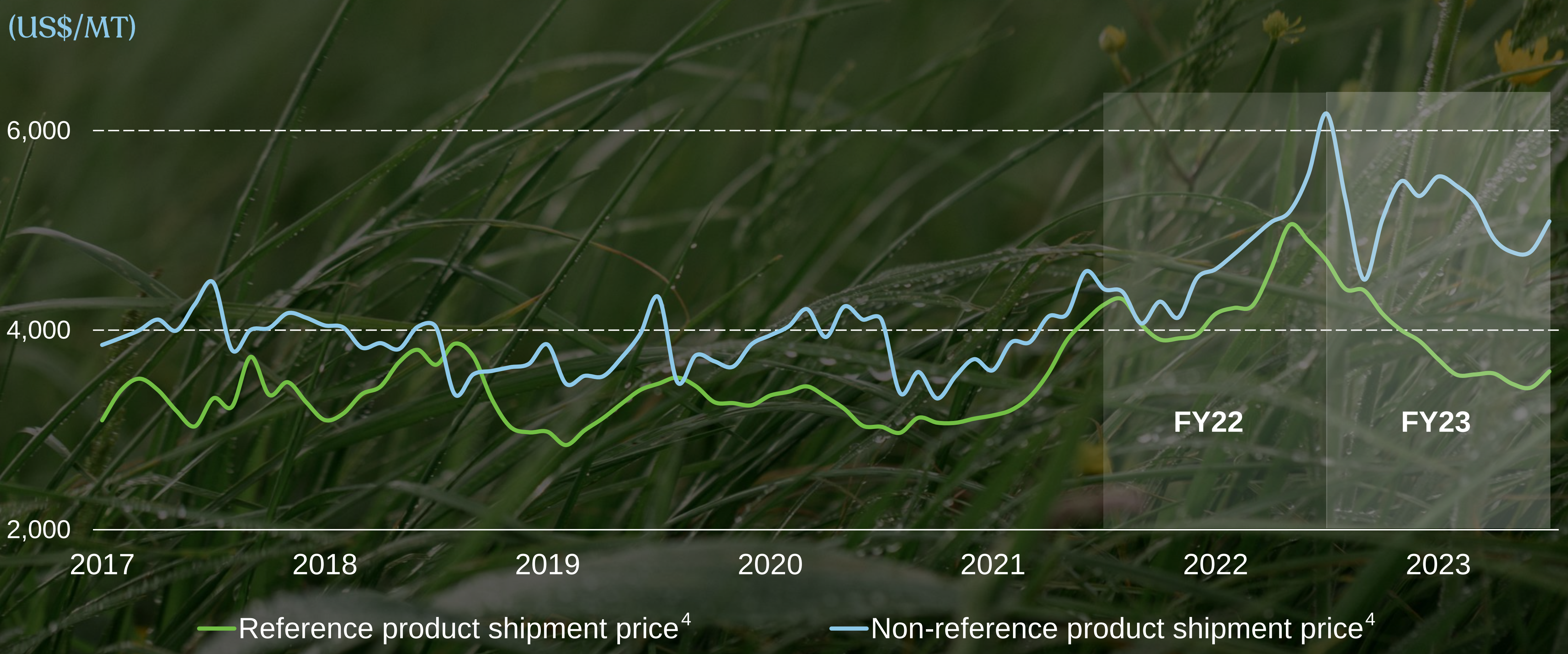
- Forecast 2023/24 season Farmgate Milk Price range of $6.00 - $7.50 per kgMS, with a midpoint of $6.75, reflects ongoing volatility and reduced demand for powders
- FY24 earnings guidance range for continuing operations of 45 - 60 cents per share, reflects lower Ingredients margins

Reduced demand for reference products from key markets

12-month change in key production and import regions[3]

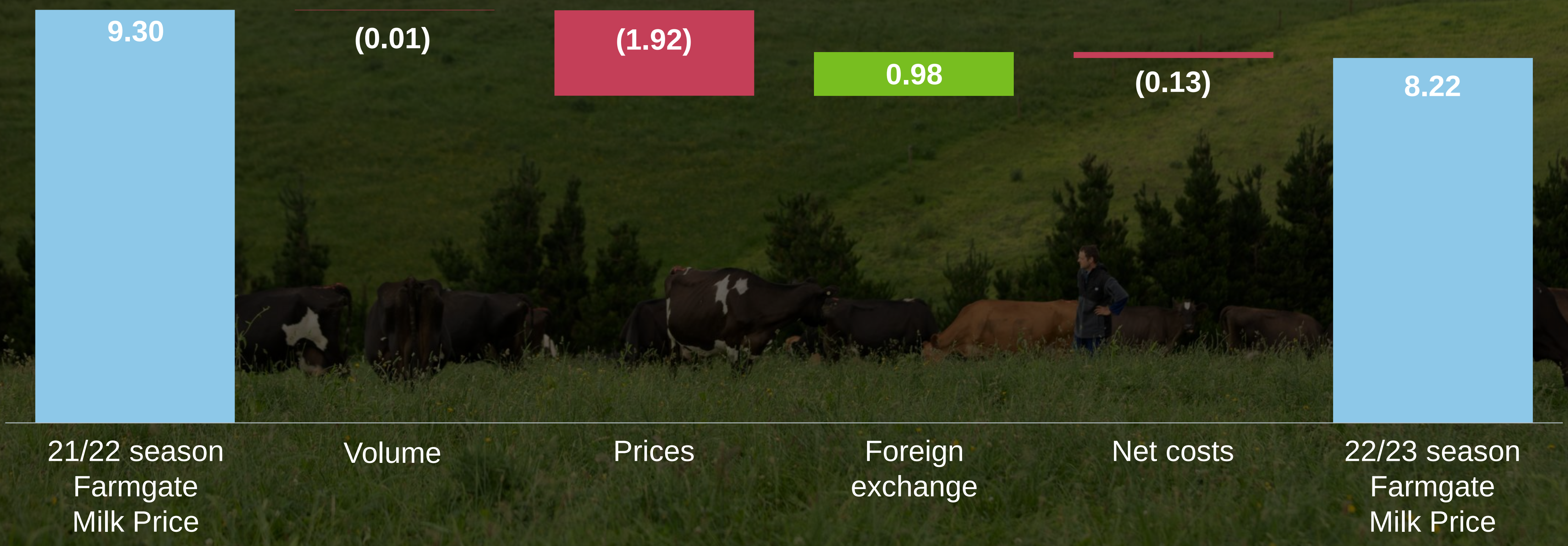


Higher price relativities continue

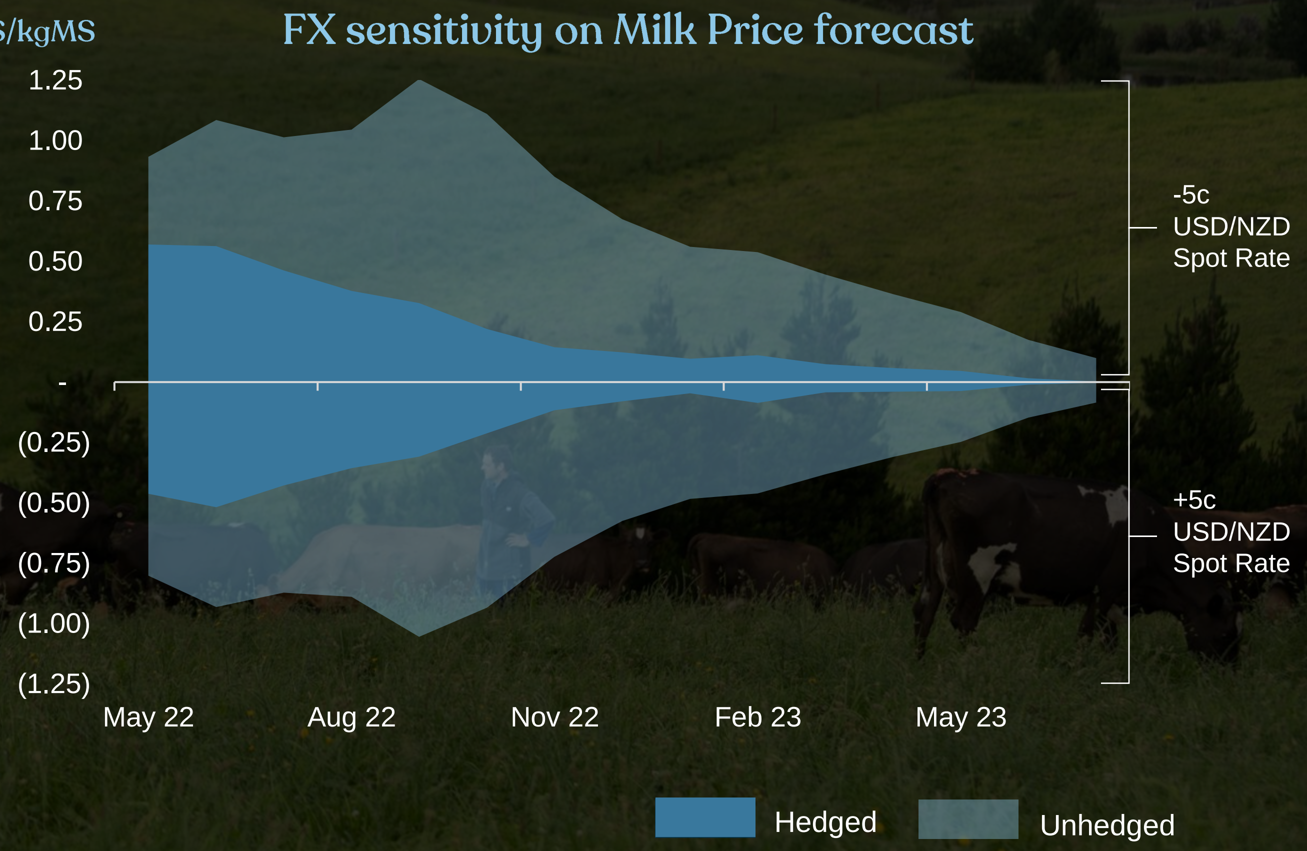


Lower prices key driver of change in 2023 Farmgate Milk Price

($/kgMS)



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



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

Sustain safe, productive operations

A primary allocation of capital is used to deliver a **safe, sustainable, productive capacity** of our processing assets while maintaining a surplus margin for our plant capacity.

Competition for milk

We allocate milk to the products and channels where we believe it will earn the highest **risk-adjusted returns.**

Competition for cash

We allocate cash to our balance sheet, shareholders and businesses where we believe it will earn the highest **risk-adjusted returns.**

Outcomes for the Shareholder

Management is aligned to the delivery of value to our stakeholders through targets and incentives.

Collect and Process Milk | Sustaining Capital

Preliminary Cash Flow from Core Operations

Ingredients | Foodservice | Consumer

Preliminary Cash Flow

Debt | Dividends | Capital Returns

Growth Capital | Innovation | Share Buybacks

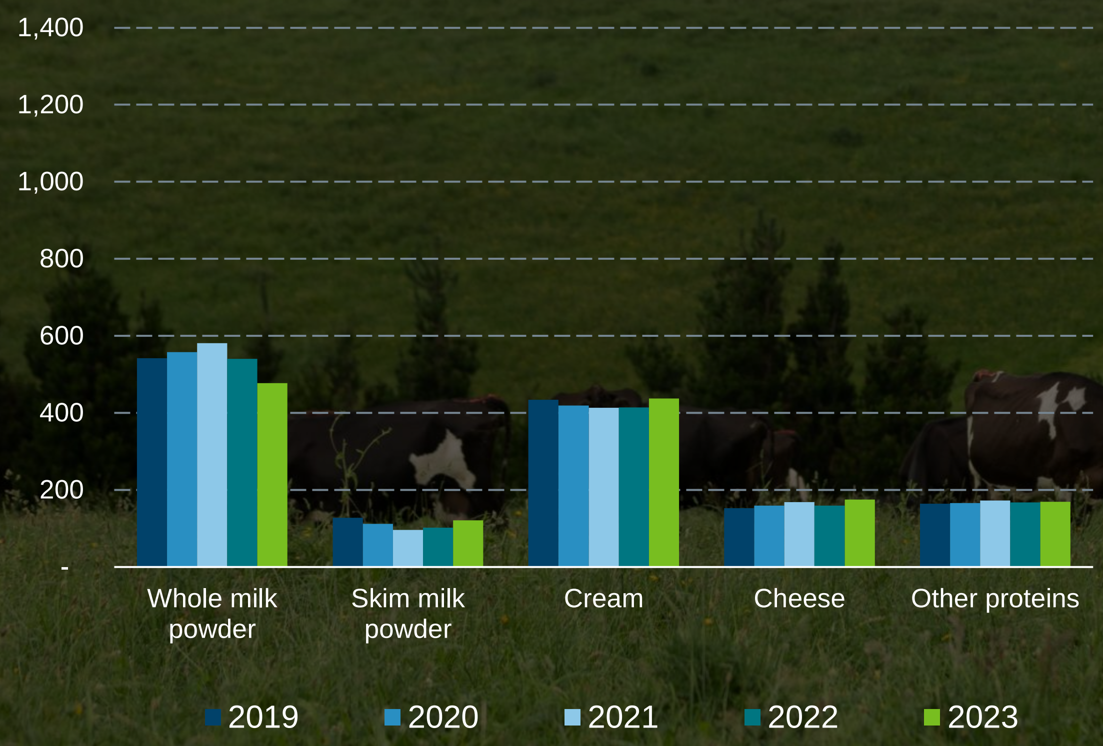
Reported Cash Flow

Strong Balance Sheet

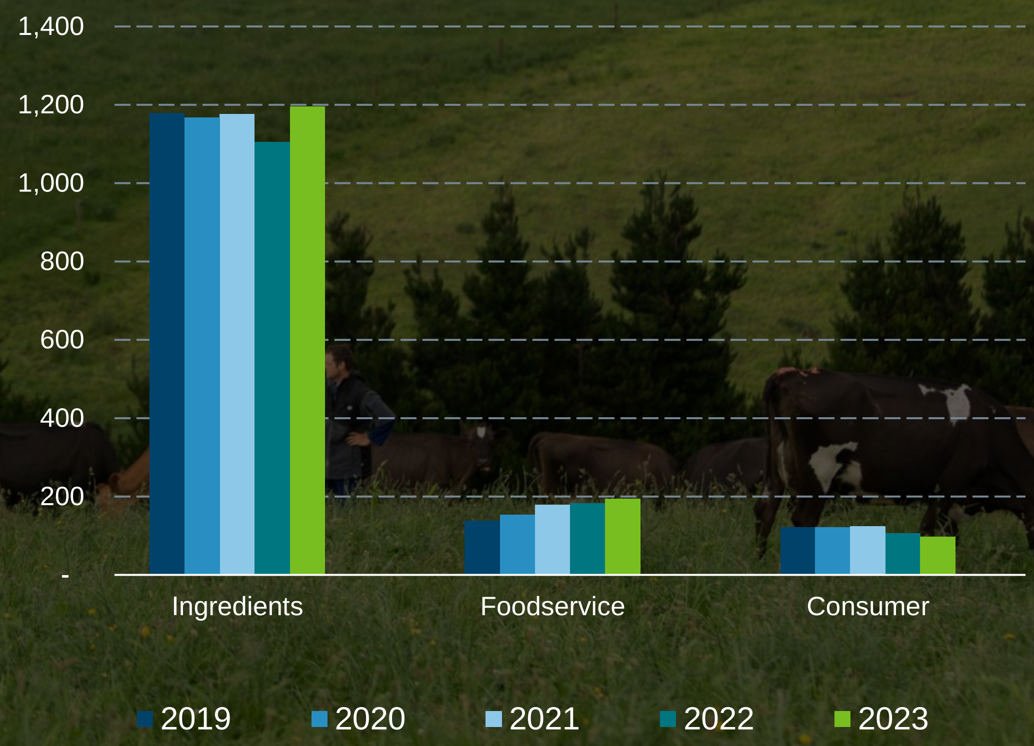
Total Shareholder Returns | Farm Profitability

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

Fonterra New Zealand production (million kgMS)

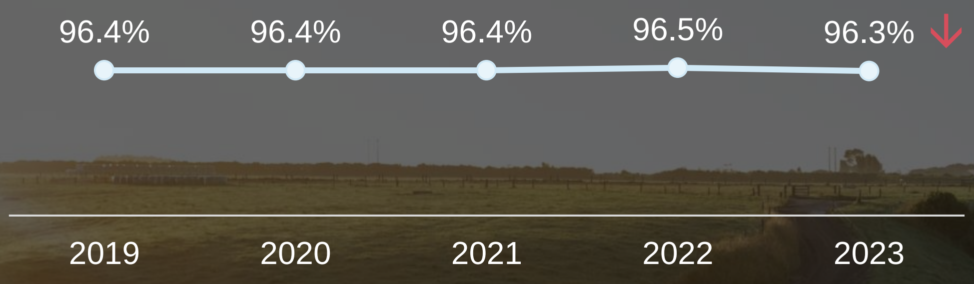


Sales by product channel (million kgMS)

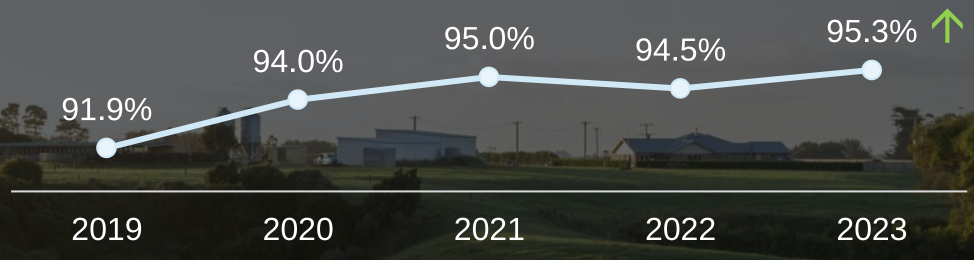


Asset reliability remains a focus

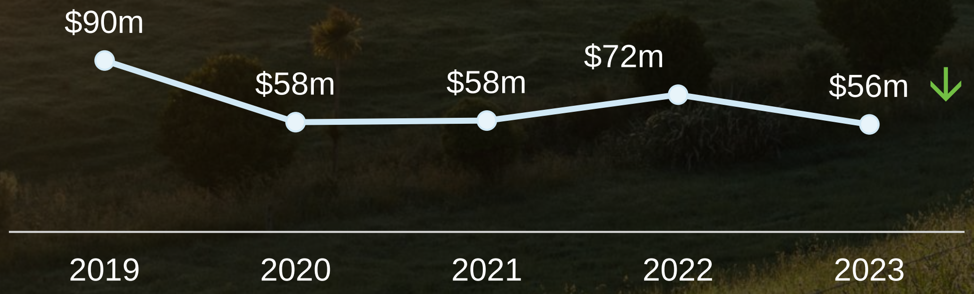
Milk Utilisation



Product Made Right First Time



Cost of Quality



Asset Health[5]

Diversified across markets and products

Profit after tax contribution from continuing operations[6]

	Core Operations	Global Markets	Greater China	Total
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

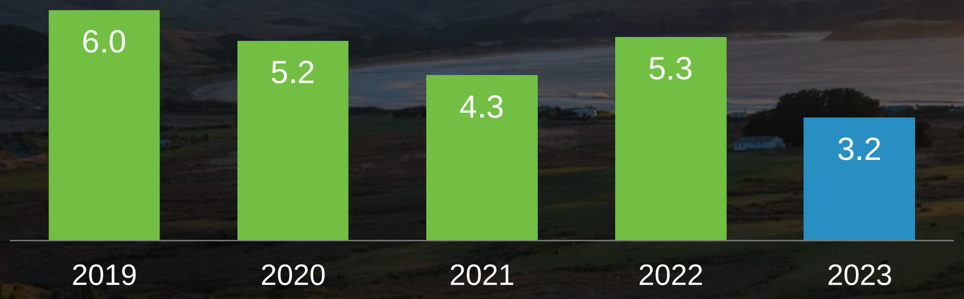
Ingredients	Foodservice	Consumer
16.4%	15.7%	(4.6)%
↑ from 9.0%	↑ from 5.5%	↓ from (0.4)%

Total 12.4%

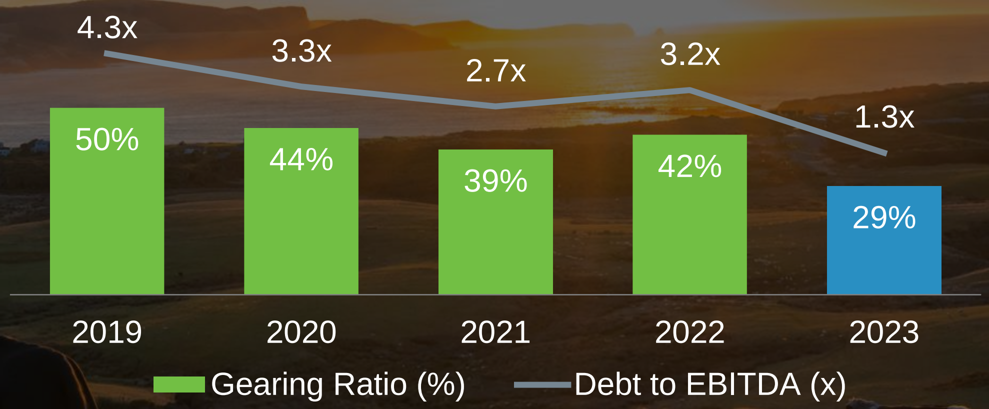
↑ From 6.8%

Balance sheet strengthened

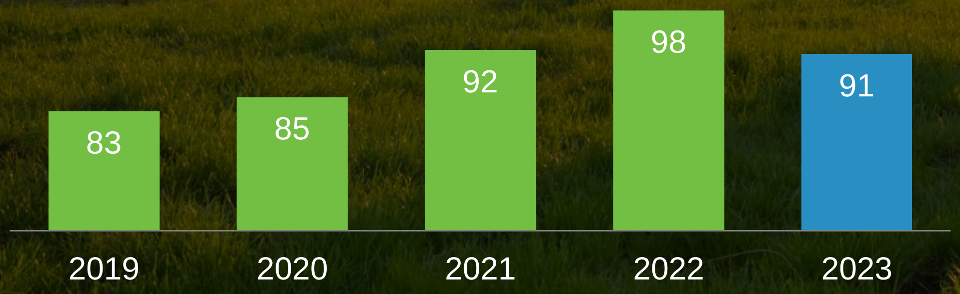
Net debt ($ billion)[7]



Leverage[7]



Working capital days[8]



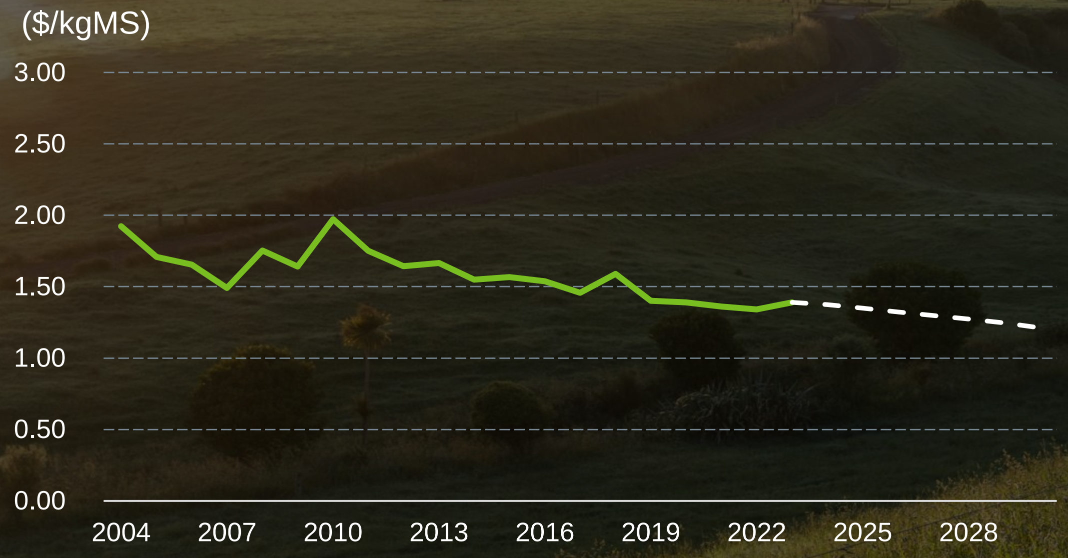
Credit rating

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

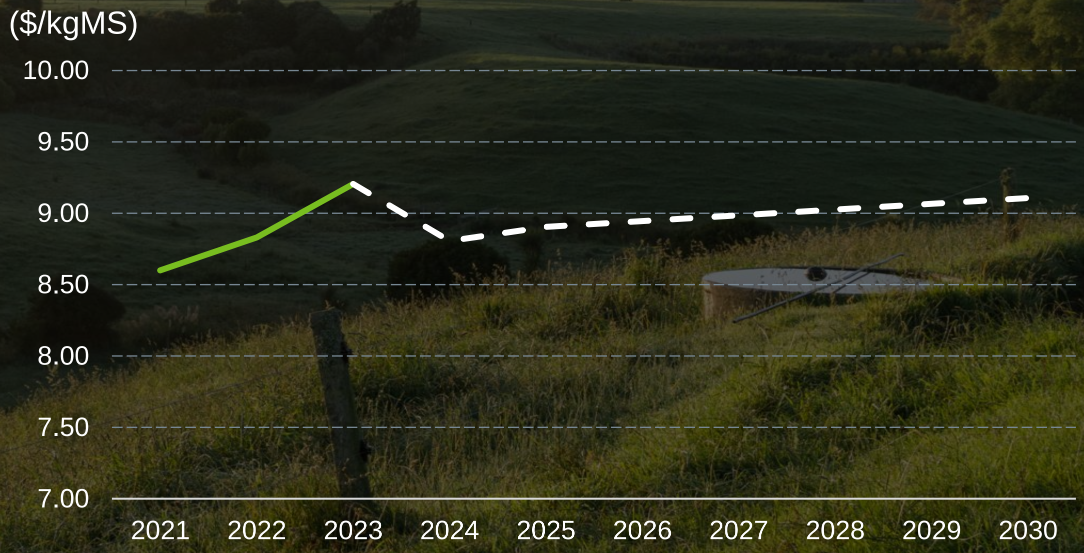
Two new efficiency metrics to assist long-term aspirations

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

Why these efficiency metrics?

Cash operating expenses per kgMS

- To assist long-term discipline on our global overheads of ~$2 billion
- Directly monitors the actual cash cost base having regard to changing milk volumes
- Calculated as Continuing Operations operating expenses less depreciation, amortisation and impairments divided by New Zealand milk solids collected
- Adjusted for inflation (using CPI) so underlying efficiency gains/losses are transparent

Gross profit from Core Operations per kgMS

- To assist long-term discipline on efficient New Zealand operations
- Directly monitors the cost base having regard to changing milk volumes
- Calculated at the gross profit level to maximise the value which can arise from higher costs as we move up the value chain
- Will be volatile year-on-year so the focus will be on long-term trend with reporting to show underlying changes in costs, volume and revenue
- Calculated as gross profit from Core Operations (excluding Farm Source and cost of milk) divided by kgMS of Core Operations' sales
- Adjusted for inflation (using subset of PPI) so underlying efficiency gains/losses are transparent

The ~$1 billion aspiration incorporates inflation expectations

Cash operating expenses per kgMS – a 4% improvement every year requires savings of ~$500 million

Gross profit from Core Operations per kgMS – a 2% improvement in NZ operational cash costs every year requires savings of ~$500 million

Farm profitability and share price

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

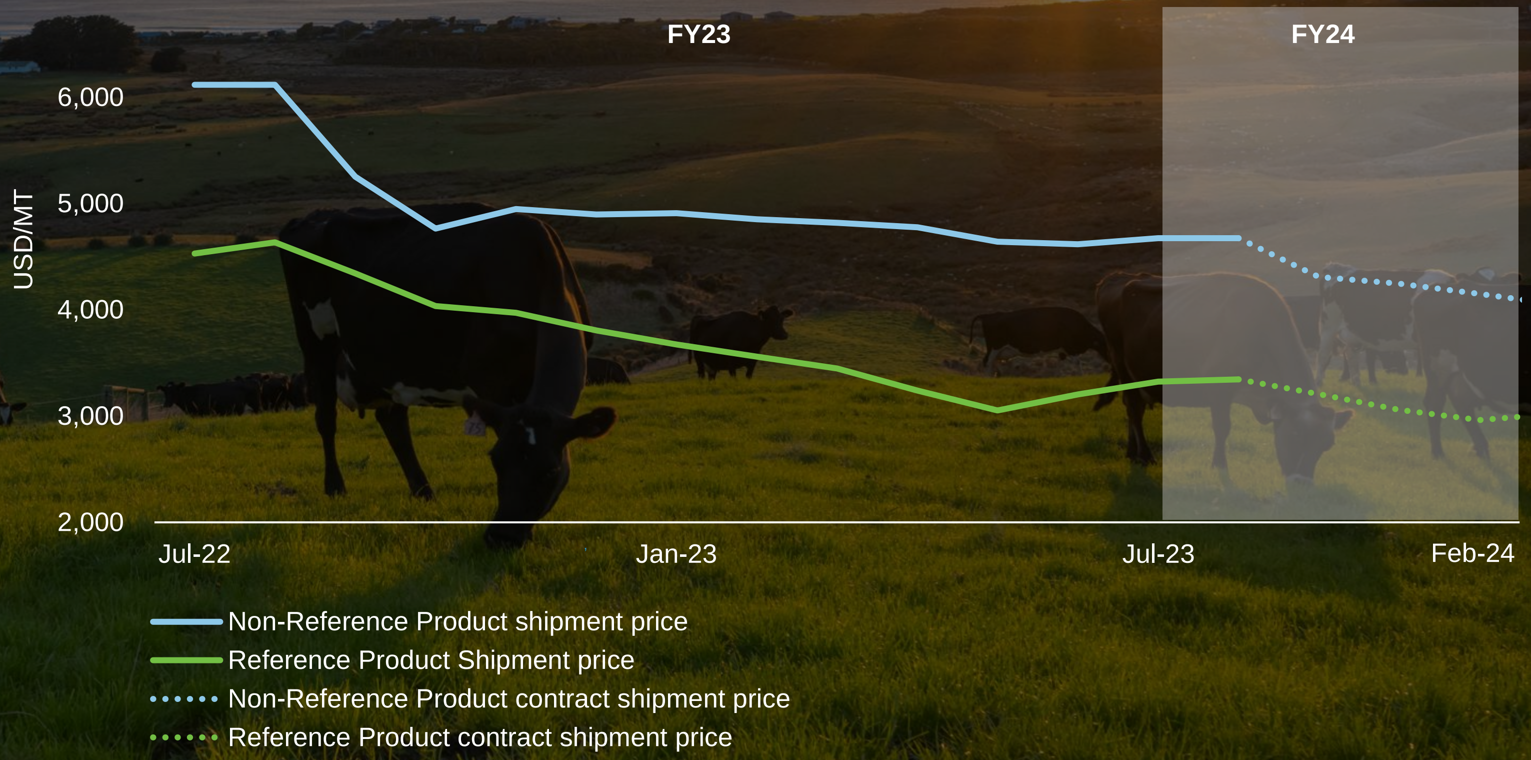
45-60c

per share

The range reflects:

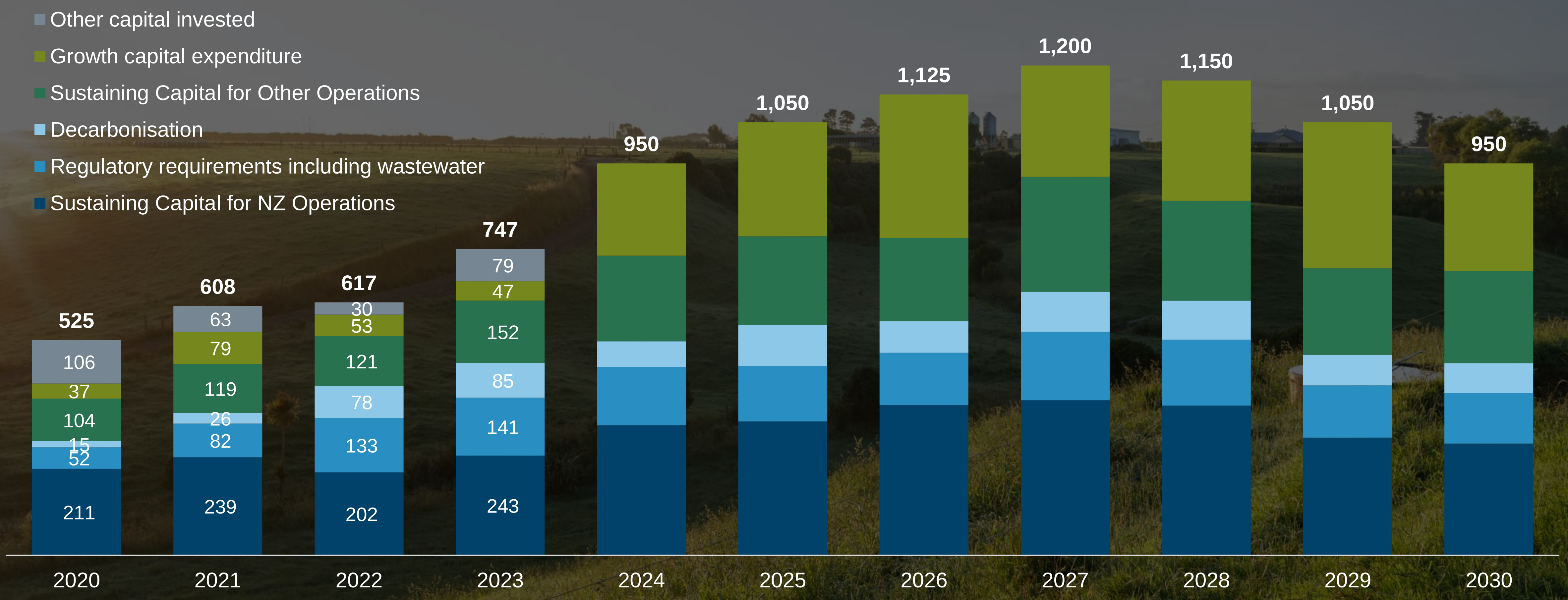
- Favourable Ingredients margins continue but lower than FY23
- Lower milk costs assisting improved margins in Foodservice and Consumer channels

Reference and Non-Reference Product Prices



Capital expenditure outlook

Capital invested ($ million)



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

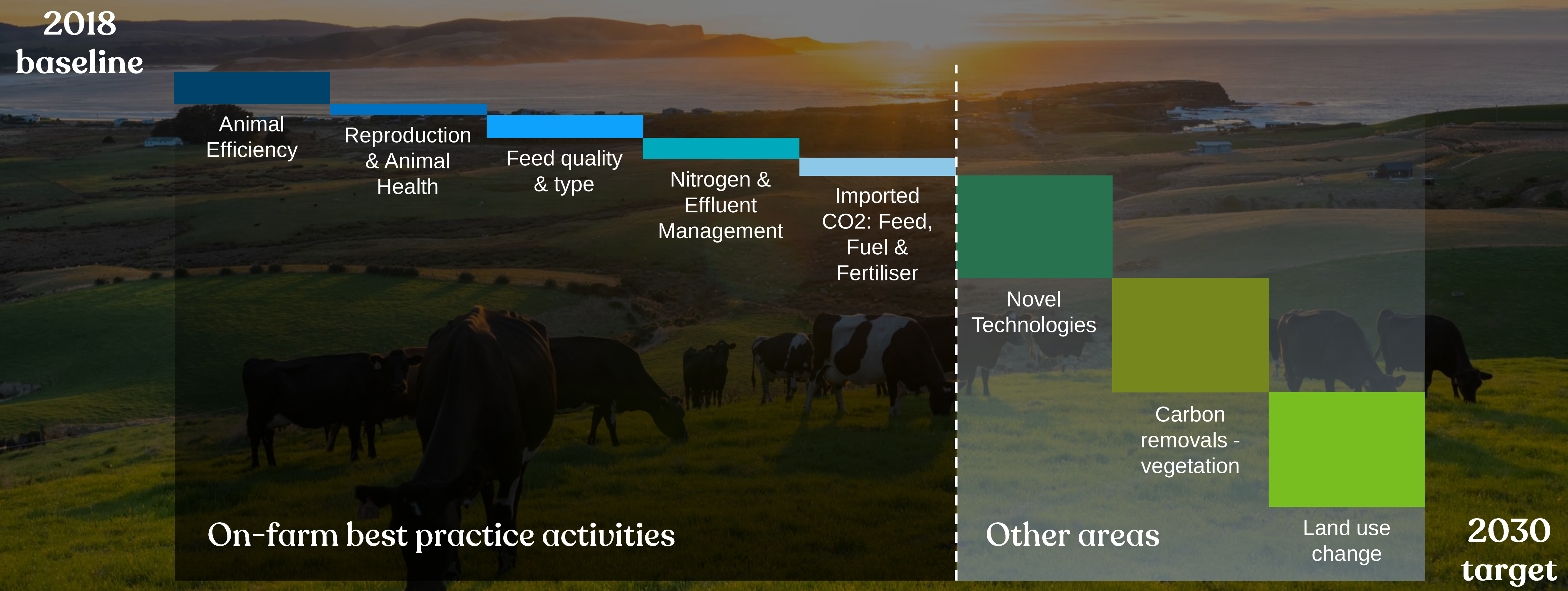
3
Appointed Directors

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

Protecting our on-farm emissions advantage

Areas that will contribute to on-farm emissions intensity reduction



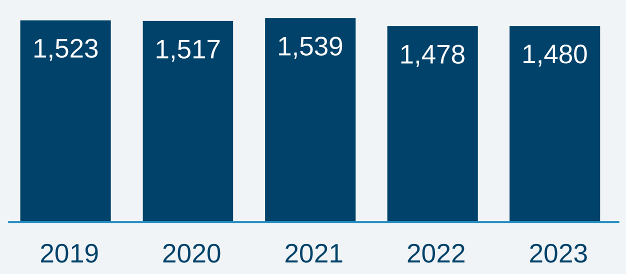
Footnotes

1. Per share backed kgMS
2. Excludes amounts attributable to non-controlling interests
3. Sources
   12 month production:
   US (Jul 2022 to Jul 2023) USDA , NZ (Jul 2022 to Jul 2023) DCANZ, EU (Jul 2022 to Jul 2023) Eurostat, Australia (Jul 2022 to Jul 2023) Dairy Australia
   12 month imports:
   LATAM, Asia, Middle East & Africa, China (Jul 2022 to Jul 2023) S&P Global
4. Source: Fonterra Free Alongside Ship (FAS) prices of the New Zealand Ingredients portfolio
5. Asset Health measures the reliability of Fonterra's manufacturing assets on a scale of 1 – 5. Five indicates the asset is in the best condition possible. Fonterra's risk appetite range is 3 – 3.5
6. Refer to the appendix for assumptions regarding allocations of Corporate Costs, Interest and Tax
7. 2023 includes the amount for the capital return payable of $804 million in the calculation of Net Debt
8. Inventory has been restated to reflect the inclusion of emissions trading units which were previously held as intangible assets
9. Based on dividend payments and capital return attributed to the financial year
10. Closing price as at 31 July. Figures on the chart are prior to the 50 cent per share capital return
11. 2023 Farm Profitability assumptions: Farm size flat from 2022, farm expense forecasted using CPI farm expenses index, kgMS per hectare output forecasted using 1% increase from previous year and $8.22 Milk Price

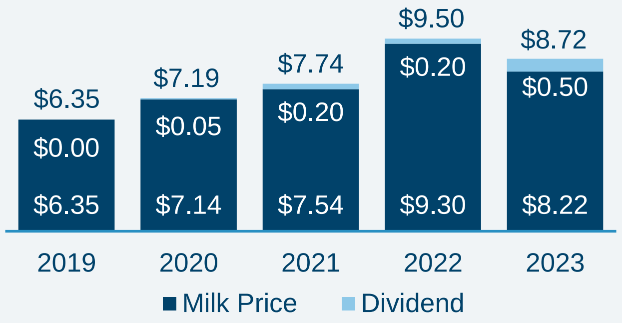
Appendix

Key financial metrics for Total Group FY23[1]

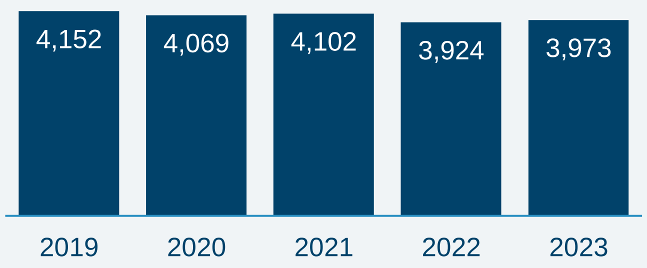
New Zealand milk collections[2] (million kgMS)



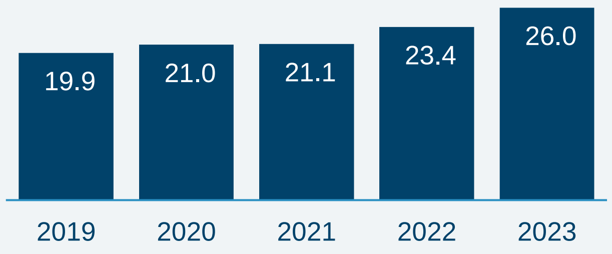
Total payout[3] ($)



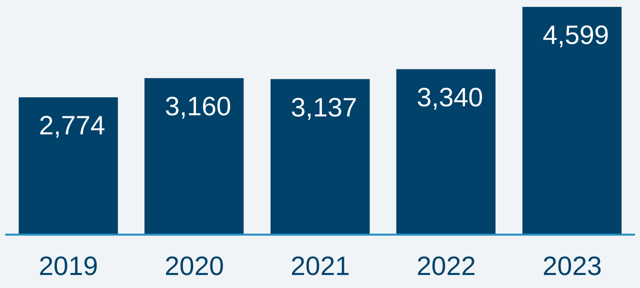
Sales volume ('000 MT)



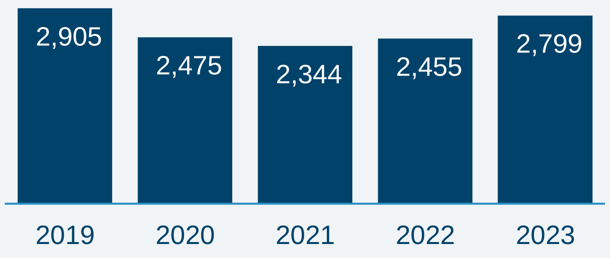
Revenue ($ billion)



Gross profit ($ million)



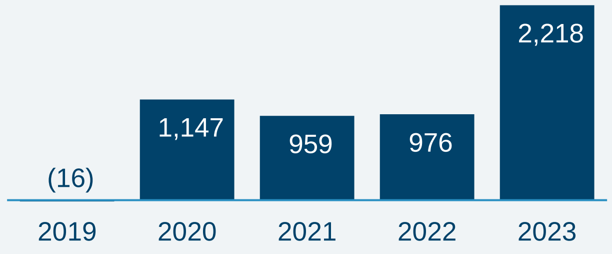
Operating expenses ($ million)



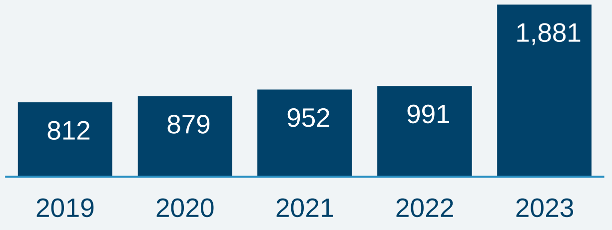
1. Total Group figures for the year ended 31 July. Includes continuing and discontinued operations
2. Collections are for the season ended 31 May
3. Total cash return for 2023 is $9.22 per share backed kgMS. Includes 50 cents for the capital return from the sale of Soprole

Key financial metrics for Total Group FY23[1]

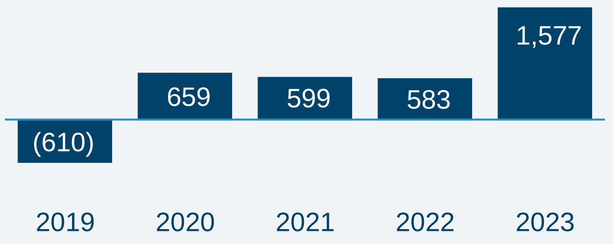
EBIT ($ million)



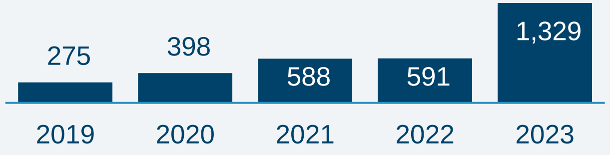
Normalised EBIT ($ million)



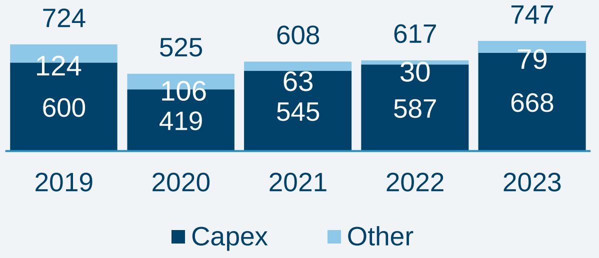
Profit after tax ($ million)



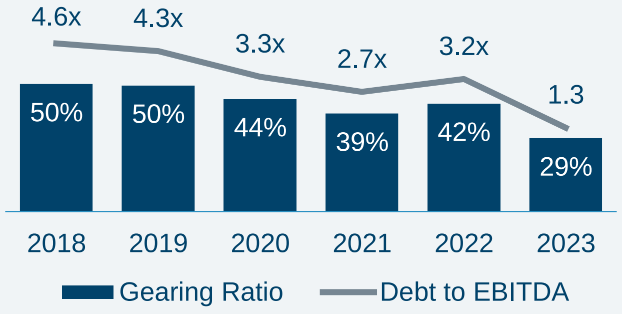
Normalised profit after tax ($ million)



Capital invested[2] ($ million)

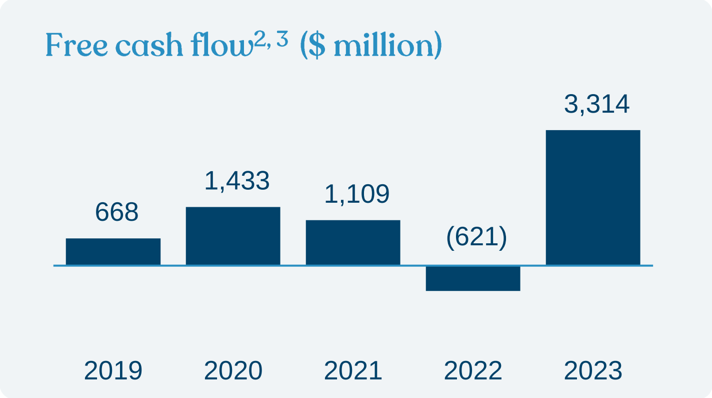


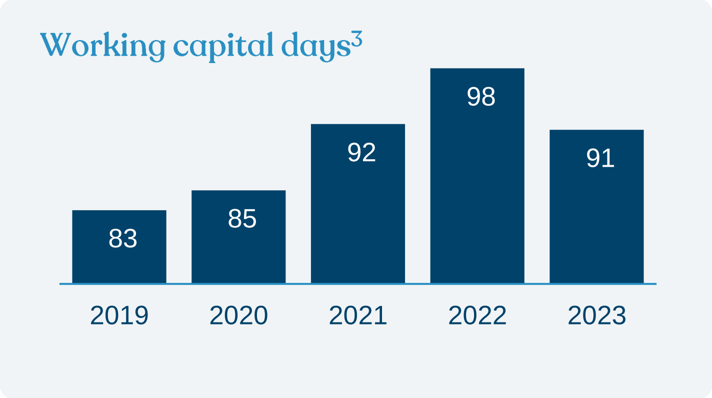
Leverage[2]

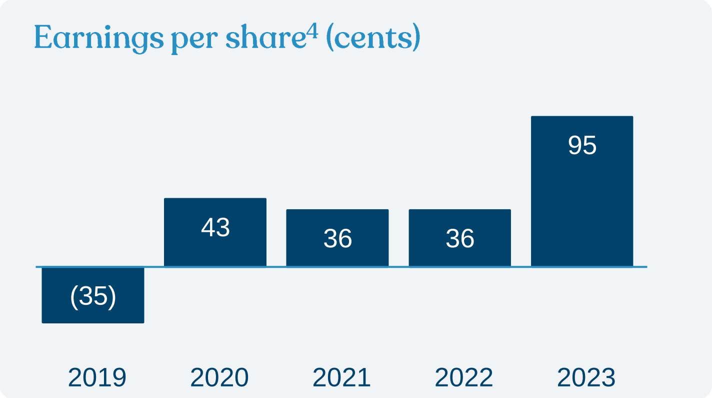


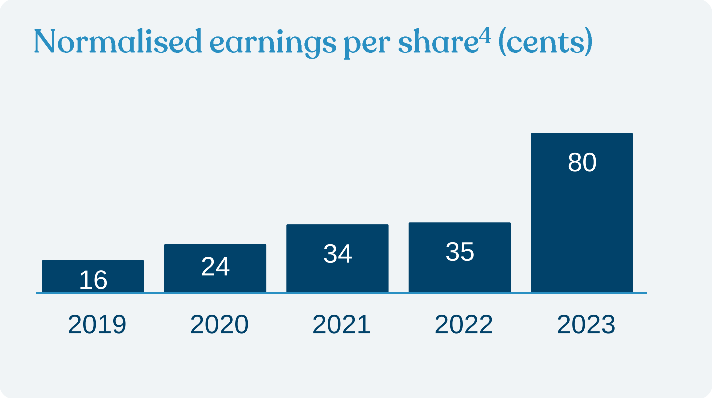
1. Total Group figures for the year ended 31 July. Includes continuing and discontinued operations
2. Refer to the Glossary for definition

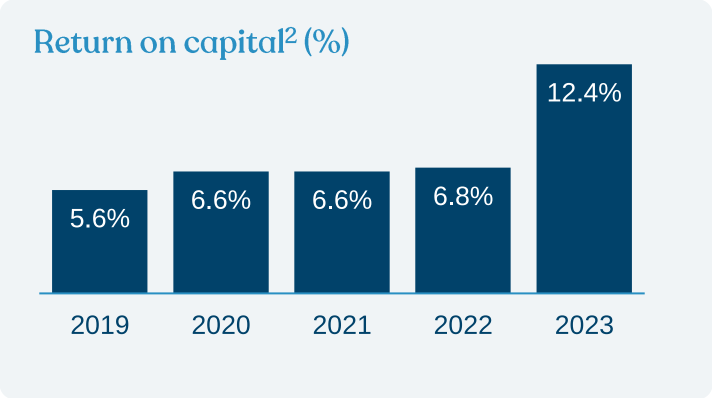
Key financial metrics for Total Group FY23[1]





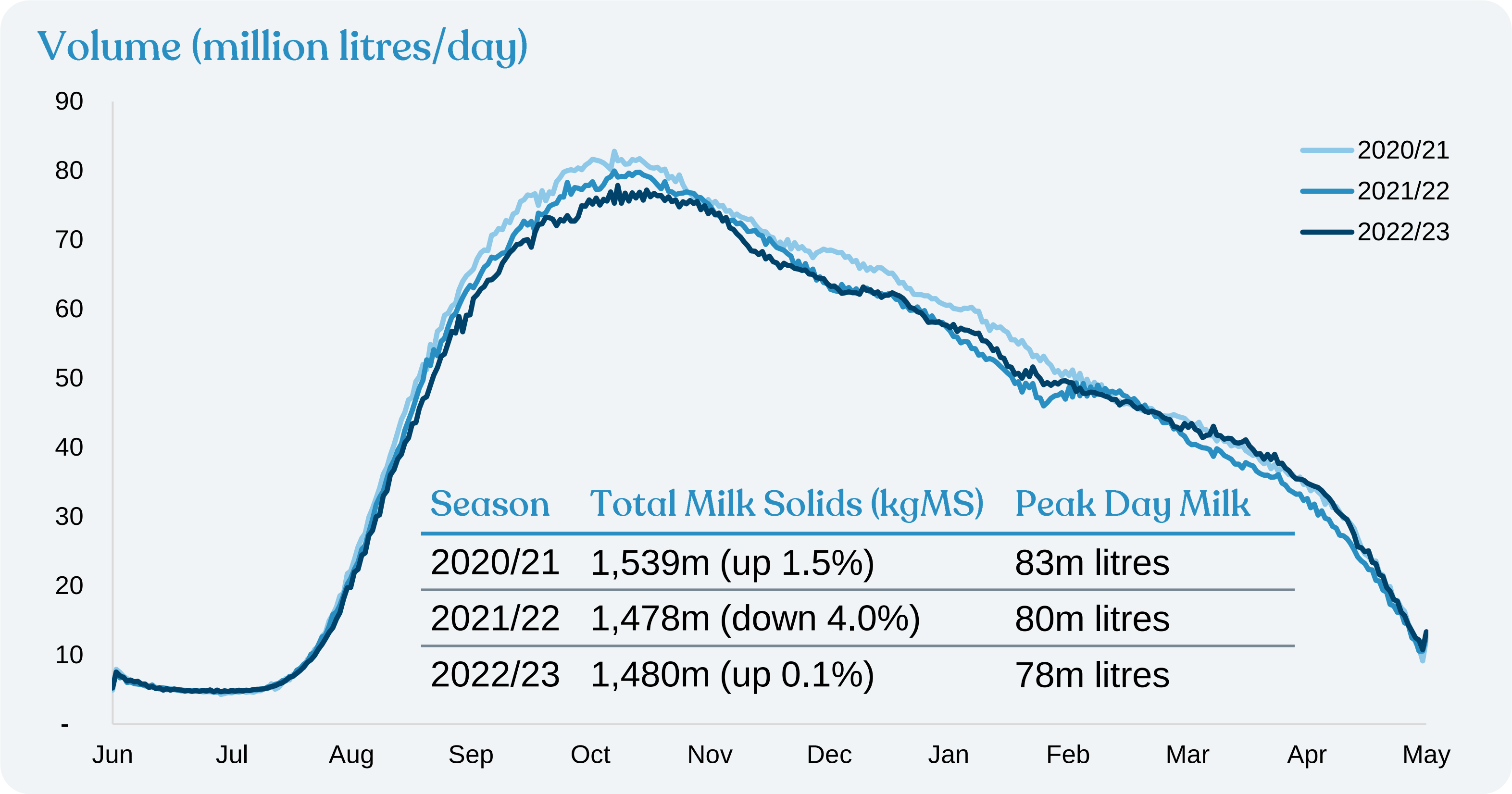






1. Total Group figures for the year ended 31 July. Includes continuing and discontinued operations
2. Refer to the Glossary for definition
3. Comparative information has been re-presented for consistency with the current period
4. Attributable to equity holders of the Co-operative. Excludes non-controlling interests

Fonterra's New Zealand milk collections



Season	Total Milk Solids (kgMS)	Peak Day Milk
2020/21	1,539m (up 1.5%)	83m litres
2021/22	1,478m (down 4.0%)	80m litres
2022/23	1,480m (up 0.1%)	78m litres

- Fonterra's New Zealand milk collections for the 2022/23 season were 1,480 million kgMS, up 0.1% on last season
- Milk collections were impacted by a challenging start to the season in the North Island and an overall reduction in the number of cows
- Favourable weather conditions supported strong milk supply at the end of the season
- Fonterra's New Zealand market share of milk solids collected is 79.0%

Total Group income statement

NZD Million	2022	2023	%△[1]
Sales volume (‘000 MT)	3,924	3,973	1.3%
Revenue	23,425	26,046	11.2%
Cost of goods sold	(20,085)	(21,447)	(6.8)%
Gross profit	3,340	4,599	37.7%
Gross margin (%)	14.3%	17.7%	
Operating expenses	(2,455)	(2,799)	(14.0)%
Other[2]	91	418	359.3%
EBIT	976	2,218	127.3%
Net finance costs	(231)	(261)	(13.0)%
Tax expense	(162)	(380)	(134.6)%
Profit after tax[3]	**583**	**1,577**	**170.5%**
Normalisations[4]	8	(248)	-
Normalised profit after tax[3]	**591**	**1,329**	**124.9%**

- Gross profit improved $1,259 million mainly due to favourable margins in our Ingredients channel, particularly cheese and proteins
- Operating expenses are up $344 million mainly due to inflation and the impact of impairments
- Other has increased $327 million and includes the gain on sale of Soprole
- Tax expense increased $218 million due to higher EBIT and capital gains tax on sale of Soprole
- Normalisations include $260 million gain on sale of Soprole, and $(12) million in relation to exiting our Hangu China farm

Note: Figures are for the year ended 31 July. Includes continuing and discontinued operations

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. Comprises of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
3. Includes amounts attributable to non-controlling interests
4. Prior year normalisations were $42 million gain on sale from GDT and $(50) million impairment on DPA Brazil

Earnings per share reconciliation

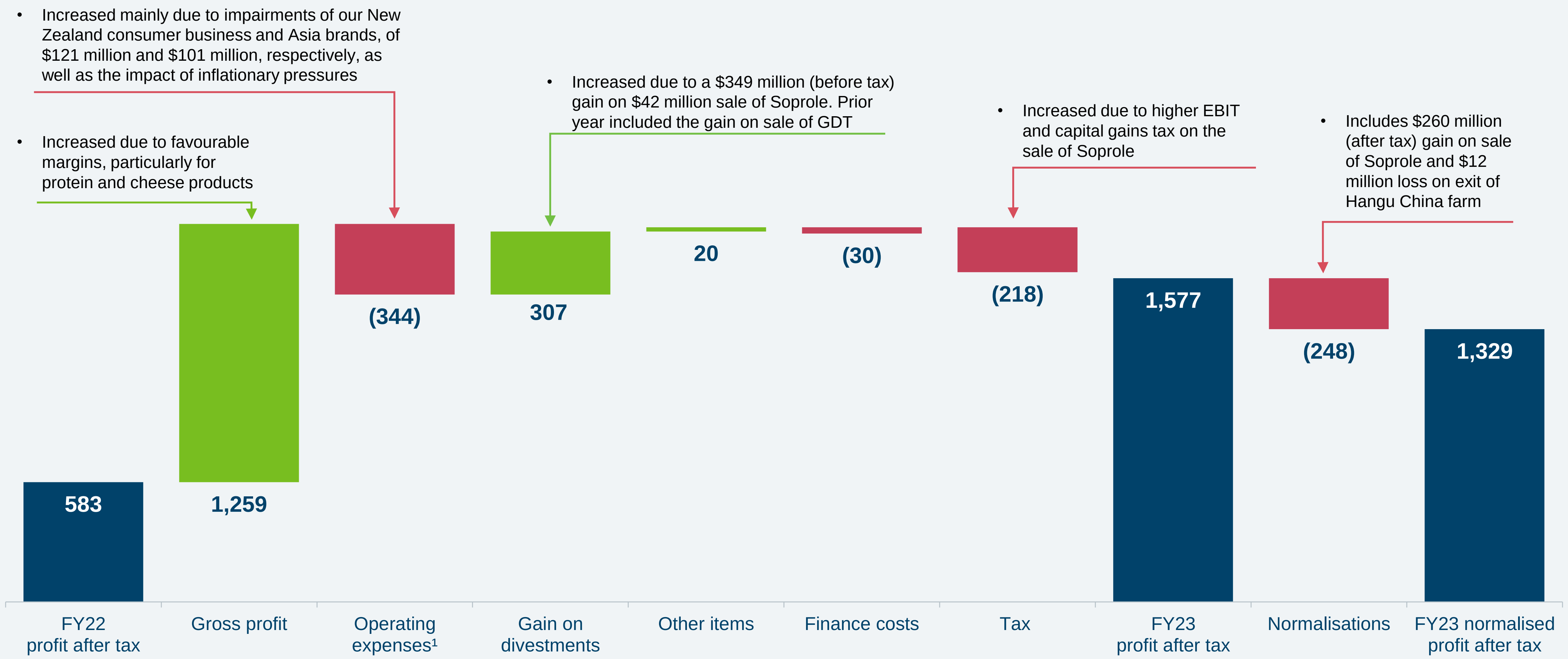
NZD Million	2022	2023
Reported profit after tax	583	1,577
Profit attributable to non-controlling interests	1	(40)
Reported profit after tax attributable to equity holders of the Co-operative	584	1,537
Reported earnings per share (cents)	36	95
Normalised profit after tax	591	1,329
Profit attributable to non-controlling interests	(23)	(40)
Normalised profit after tax attributable to equity holders of the Co-operative	568	1,289
Normalised earnings per share (cents)	35	80
Weighted average number of Co-operative shares ('000)	1,613,353	1,610,507

Continuing and discontinued operations earnings

NZD Million	31 July 2022 Continuing Operations[1]	31 July 2022 Discontinued Operations[1]	31 July 2022 Total Group	31 July 2023 Continuing Operations[1]	31 July 2023 Discontinued Operations[1]	31 July 2023 Total Group
Sales volume ('000 MT)	3,318	606	3,924	3,497	476	3,973
Revenue	21,901	1,524	23,425	24,580	1,466	26,046
Cost of goods sold	(18,992)	(1,093)	(20,085)	(20,399)	(1,048)	(21,447)
Gross profit	2,909	431	3,340	4,181	418	4,599
Gross margin (%)	13.3%	28.3%	14.3%	17.0%	28.5%	17.7%
Operating expenses	(2,065)	(390)	(2,455)	(2,496)	(303)	(2,799)
Other[2]	102	(11)	91	70	348	418
EBIT	946	30	976	1,755	463	2,218
Net finance costs	(194)	(37)	(231)	(211)	(50)	(261)
Tax expense	(131)	(31)	(162)	(303)	(77)	(380)
Profit after tax[3]	**621**	**(38)**	**583**	**1,241**	**336**	**1,577**
Normalisations[4]	(42)	50	8	-	(248)	(248)
Normalised profit after tax[3]	**579**	**12**	**591**	**1,241**	**88**	**1,329**

1. Refer to Note 1a and 2c of the FY23 Financial Statements. Comparative information has been restated and re-presented for consistency with the current period
2. Comprises of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
3. Includes amounts attributable to non-controlling interests
4. Normalisations comprise of $260 million gain on sale of Soprole and $(12) million in relation to exiting our Hangu China farm ($42 million gain on sale from GDT and $(50) million impairment on DPA Brazil from the prior period)

Profit after tax reconciliation



1. Includes $11 million net loss on sale related to Hangu China farm and sale of GDT

Normalised Items

NZD Million	31 July 2022 Global Dairy Trade	31 July 2022 DPA Brazil	31 July 2022 Total	31 July 2023 Hangu China farm	31 July 2023 Soprole	31 July 2023 Total
Other operating income	43	-	43	-	349	349
Other operating expenses	(1)	(57)	(58)	(12)	-	(12)
Profit before net finance costs and tax	42	(57)	(15)	(12)	349	337
Net finance costs and tax	-	7	7	-	(89)	(89)
Profit after tax	42	(50)	(8)	(12)	260	248
Profit attributable to non-controlling interests	-	24	24	-	-	-
Profit after tax attributable to equity holders of the Co-operative	42	(26)	16	(12)	260	248

Operating expenses by nature

NZD Million	2022	2023
Employee benefits expense	860	963
Storage & distribution	241	263
Advertising & promotion	227	219
Information technology	191	205
Professional & management fees	149	167
Depreciation & amortisation	173	180
Impairments	44	248
Other	180	251
Operating expenses from continuing operations	2,065	2,496
Operating expenses from discontinued operations	390	303
Total Group operating expenses	2,455	2,799

- Total Group operating expenses are $2,799 million, up $344 million on the prior period
- Discontinued operations reduced $87 million due to the completion of the Soprole sale on 31 March 2023
- Continuing operations increased $431 million, mainly due to:
  - An increase in employee benefits expenses by $103 million mainly due to inflationary pressures,
  - An increase in professional and management fees by $18 million, mainly due to the implementation of the new Flexible Shareholding capital structure and the capital return,
  - impairments increasing $204 million, mainly due to impairments of our New Zealand Consumer business and our Asia brands for $121 million and $101 million, respectively, and,
  - ‘Other’ increasing $71 million, mainly due to higher travel and in person engagement costs reflecting COVID-19 related restrictions easing, and an increase in doubtful debts

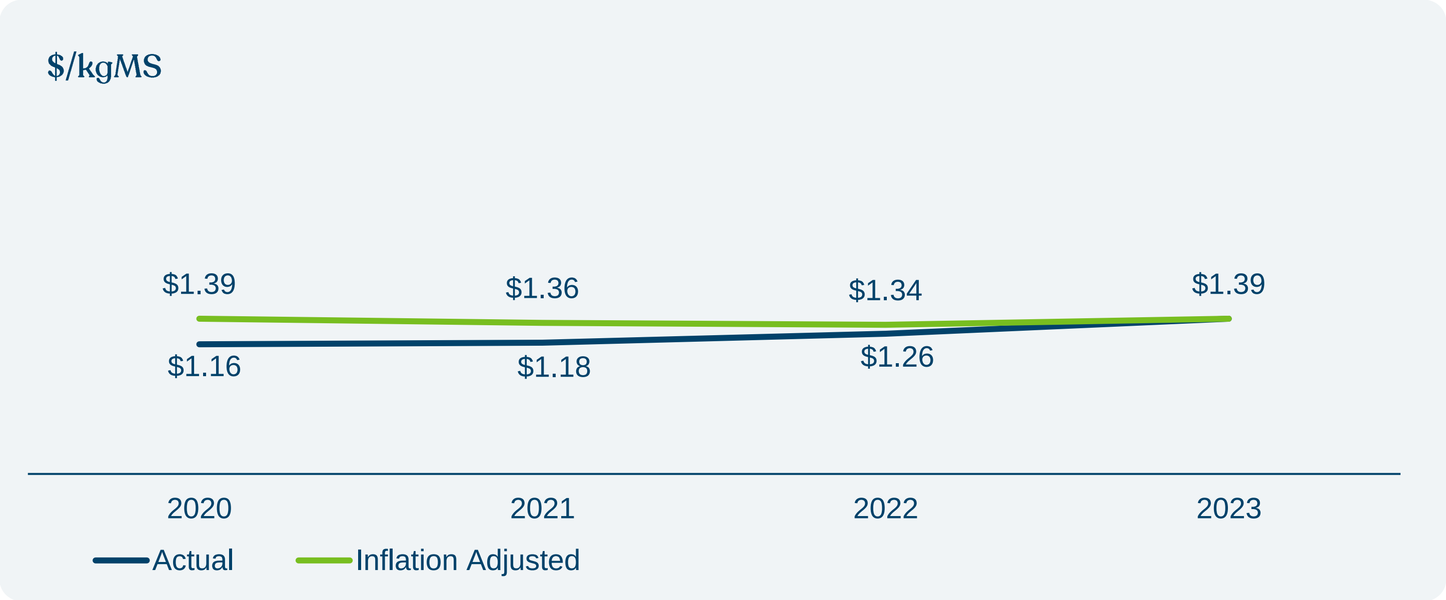
Note: Comparative information has been re-presented for consistency with the current period

Operating expenses by function

NZD Million	2022	2023
Administrative expenses	790	871
Selling and marketing	614	653
Storage and distribution[1]	476	526
Other operating expenses	185	446
Operating expenses from continuing operations	2,065	2,496
Operating expenses from discontinued operations	390	303
Total Group operating expenses	2,455	2,799

1. Storage and distribution by function does not balance to storage and distribution by nature on the previous page due to employee benefits expense and professional management fees being allocated through the selling and marketing and storage and distribution functions

Cash operating expenses per kgMS



Cash operating expenses	2020	2021	2022	2023
Actual ($ million)	1,763	1,810	1,858	2,064
Accumulative CPI[1]	16.6%	13.3%	6.0%	
Inflation adjusted ($ million)	2,114	2,088	1,976	2,064
New Zealand kgMS collected	1,517	1,539	1,478	1,480

1. Consumer Price Index (CPI) source: Stats NZ

- New efficiency metric to assist long-term discipline on our overheads of ~$2 billion
- Directly monitors the actual cash cost base having regard to changing milk volumes
- Calculated as continuing operations operating expenses excluding depreciation, amortisation and impairments divided by New Zealand milk solids collected
- Adjusted for inflation (using CPI) so underlying efficiency gains/losses are transparent
- Increase from $1.34 to $1.39 per kgMS mainly reflects increased staff costs and storage and distribution costs

Dividend calculation

NZD cents per share	2022	2023
Reported earnings[1]	36	95
Less: abnormal gains	(2)	(16)
Net earnings for dividend payment[2]	34	79
Dividend payment percentage (%)	59%	63%
Total dividend	20	50
Interim dividend	5	10
Final dividend	15	40

- Total dividend of 50 cents per share:
  - Interim dividend of 10 cents,
  - Final dividend of 40 cents
- Abnormal gains included the $260 million from selling Soprole
- The decision to pay slightly above dividend policy payout range of 40-60% reflects the strengthened balance sheet and our leverage metrics being well within target levels

1. Attributable to equity holders of the Co-operative, excludes non-controlling interest
2. Represents net earnings as specified in the Dividend Policy and is calculated as reported profit after tax less abnormal gains

Return on capital

NZD Million	2022	2023
Total Group normalised EBIT	991	1,881
Finance income on long-term advances	7	11
Notional tax charge[1]	(161)	(305)
Total Group normalised EBIT plus finance income on long-term advances less notional tax charge	837	1,587
Capital employed at year end	12,179	11,121
Impact of seasonal capital employed	177	1,653
Average capital employed	12,356	12,774
Return on capital (%)	6.8%	12.4%

1. Notional tax charge of 16.1%

- Return on capital increased from 6.8% to 12.4% due to an $890 million increase in normalised EBIT
  - On a pre-tax basis, normalisations consist of $349 million related to the gain on sale of Soprole and a $12 million loss related to the disposal of Hangu Farm in China
- Average capital employed is higher than the prior year due to additional inventory carried forward from the prior year

Cash flow and change in net debt

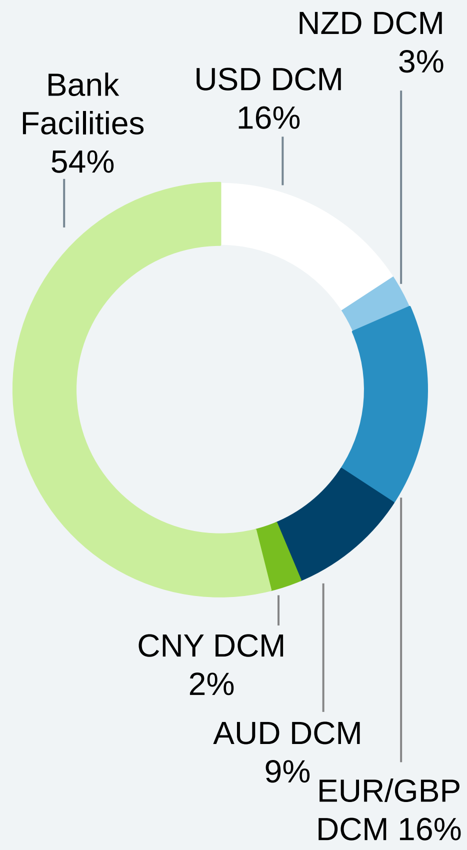
NZD Million	2022	2023
Cash generated from operations[1]	1,494	2,311
Net change in working capital	(1,598)	871
A. Net cash flows from operating activities	(104)	3,182
Cash flows from investing activities		
Divestments and asset sales	26	846
Capital expenditure and other	(543)	(714)
B. Net cash flows from investing activities	(517)	132
Free cash flow (A+B)	(621)	3,314
Dividends paid to equity holders of the Co-operative	(323)	(403)
Other financing cashflows	(18)	63
Capital return payable	-	(804)
Other non-cash changes in net debt	(52)	(38)
Decrease/(increase) in net debt[2]	(1,014)	2,132

- Decrease in net debt of $2.1 billion reflecting strong earnings, reduction in working capital and divestment proceeds
- Free cash flow of $3.3 billion was $3.9 billion higher than last year, which reflects:
  - underlying cash flow from earnings increasing by $0.8 billion,
  - an improvement in working capital cash flows of $2.5 billion,
  - a $0.8 billion increase in net cash received from divestments due to the sale of Soprole, partially offset by,
  - an increase in capital expenditure and other investing cash flows of $0.2 billion

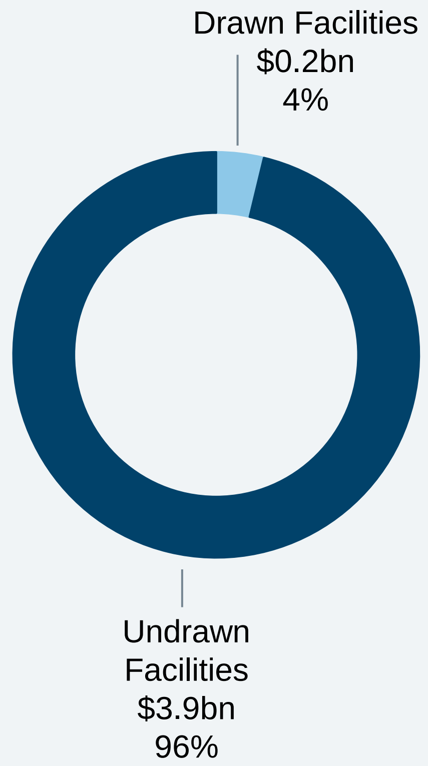
Note: Comparative information has been re-presented for consistency with the current period
1. Includes profit after tax and non-cash and non-operating adjustments made to profit after tax to determine cash generated from operations
2. Net debt includes amounts attributable to disposal groups held for sale

Diversified and prudent funding position[1]

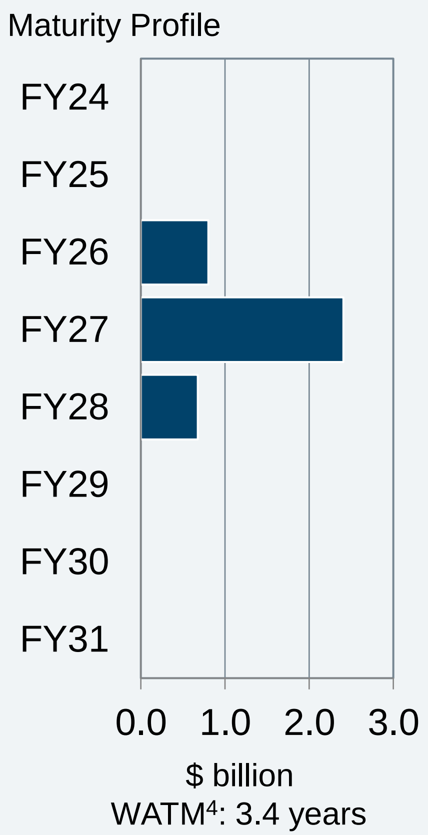
Diversified Profile[2]



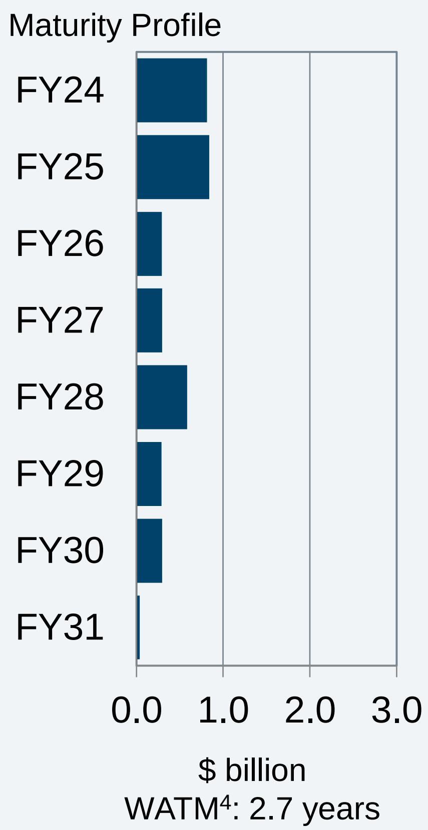
Prudent Liquidity



Bank Facilities



Debt Capital Markets[3]



1. As at 31 July 2023 and excludes amounts attributable to disposal groups held for sale
2. Includes undrawn facilities and commercial paper. DCM is debt capital markets
3. Excludes commercial paper
4. Weighted average term to maturity (WATM)

Allocation assumptions

The reportable segments and product channels show profit after tax and this requires assumptions for allocating Corporate Costs, Interest expense and Tax

The assumptions are:

Corporate Costs

- Corporate costs, including Co-operative Affairs and other Group Functions, are allocated to the Global Markets, Greater China and Core Operations segments and within these segments by Ingredients, Foodservice and Consumer channels
- The allocation of corporate costs reflects an apportionment at an individual cost centre level. In consultation with each cost centre owner, costs are allocated based on business activity and staffing resource required to support each channel and segment.

Interest expense

- Net finance costs allocated to the segments and channels consists of net finance costs directly attributable to each segment and channel and net finance costs incurred on behalf of the Group
- The net finance costs incurred on behalf of the Group are allocated to each segment and channel using the average capital employed by each segment and channel. Australia is excluded from this allocation as this is based on actual recharges to Australia from Group
- The capital employed allocated to each segment reflects the underlying legal entities that operate in each segment and the working capital requirements directly attributable
- Within each segment, capital employed is then allocated to either the Ingredients, Consumer or Foodservice channels based on the nature of the capital employed (i.e., brands allocated to a channel based on the type of brand, or which legal entity a plant sits within) and working capital requirements

Tax

- Allocated to each channel and segment by applying an average onshore tax rate on New Zealand legal entities' earnings and an average offshore tax rate on offshore legal entities' earnings with an aggregate average of approximately 20% across the Group

Product channel performance

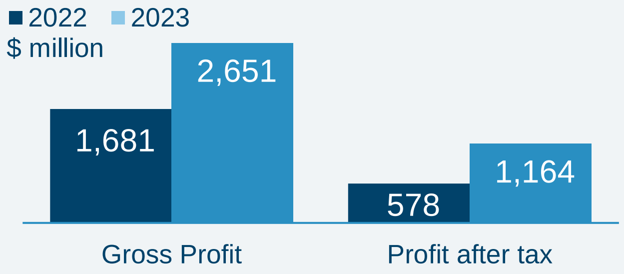
Ingredients

Volume (‘000 MT)
2,319 from 2,150 ↑

Revenue ($ million)
17,416 from 15,535 ↑

Gross margin
15.2% from 10.8% ↑

EBIT ($ million)
1,577 from 813 ↑



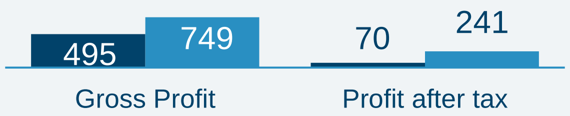
Foodservice

Volume (‘000 MT)
546 from 528 ↑

Revenue ($ million)
3,865 from 3,302 ↑

Gross margin
19.4% from 15.0% ↑

EBIT ($ million)
334 from 117 ↑



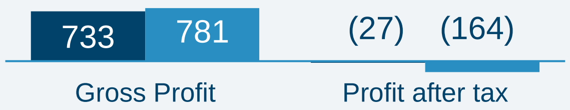
Consumer

Volume (‘000 MT)
632 from 640 ↓

Revenue ($ million)
3,299 from 3,064 ↑

Gross margin
23.7% from 23.9% ↓

EBIT ($ million)
(156) from 16 ↓



Note: Figures are for the year ended 31 July and are on a continuing operations basis. Comparative information has been restated for consistency with the current period

Ingredients

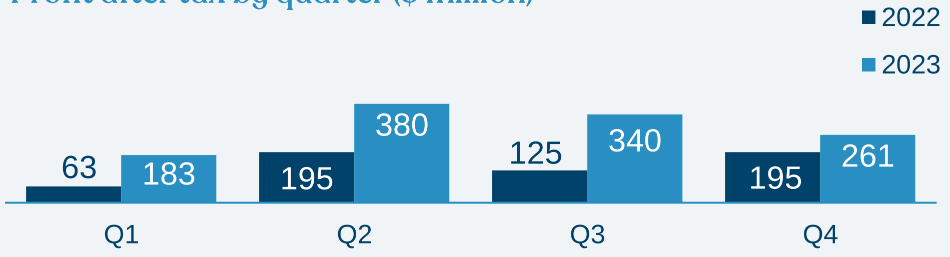
NZD Million	2022	2023	%△ [1]
Sales volume ('000 MT)	2,150	2,319	8%
Revenue	15,535	17,416	12%
Cost of goods sold	(13,854)	(14,765)	(7)%
Gross profit	1,681	2,651	58%
Gross margin (%)	10.8%	15.2%	
Operating expenses	(1,002)	(1,121)	(12)%
Other[2]	134	47	(65)%
EBIT[3]	813	1,577	94%
Net finance costs and tax expense	(235)	(413)	(76)%
Profit after tax	578	1,164	101%

Note: Figures are for the year ended 31 July and are on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period

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. Comprises of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
3. Includes Corporate Costs of $138 million for 2023 ($94 million for the comparative period)

- Higher sales volumes reflect Global Markets securing new contracts and tenders in both the Asia Pacific and Africa regions supporting the sell down of additional inventory held at 2022 financial year end
- Gross profit improved $970 million mainly due to increased margins in Core Operations, particularly in our casein and cheese portfolios
- Operating expenses are up $119 million, reflecting increased supply chain costs due to additional inventory and inflationary pressures
- 'Other' decreased $87 million mainly due to foreign exchange movements in our net receivables as a result of timing differences between the processing and hedging of invoices

Profit after tax by quarter ($ million)



New Zealand sourced Ingredients' product mix

	2022		2023	
Sales volume ('000 MT)				
Reference Products	1,629		1,782	
Non-Reference Products	822		883	
Revenue	$ billion	$ per MT	$ billion	$ per MT
Reference Products	10.4	6,361	11.1	6,257
Non-Reference Products	5.7	6,950	7.1	8,089
Cost of milk				
Reference Products	8.3	5,077	8.4	4,696
Non-Reference Products	3.7	4,493	3.5	3,974

- The average product price per metric tonne:
  - decreased 2% for Reference Products mainly due to lower WMP and AMF prices
  - increased 16% for Non-Reference Products mainly due to significant price increases across most products with casein, MPC and cheese all increasing over 21% compared to the prior year
- Cost of milk decreased for Reference and Non-Reference Products by 8% and 12%, respectively
  - the difference between the cost of milk for the Reference and Non-Reference Product portfolios is due to their different fat and protein compositions
- The price increases in protein products coupled with lower milk costs, has meant higher margins for our Non-Reference portfolio

Note: Table includes Ingredient's products that are on-sold to the Foodservice and Consumer channels and excludes bulk liquid milk. Bulk liquid milk for 2023 was 73,000 MT of kgMS equivalent (for the comparative period it was 68,000 MT of kgMS equivalent). Milk solids used in the Reference Products sold were 1,004 million kgMS and 442 million kgMS in the Non-Reference Products (for the comparative period 919 million kgMS in Reference Products and 424 million kgMS in Non-Reference Products)

Foodservice

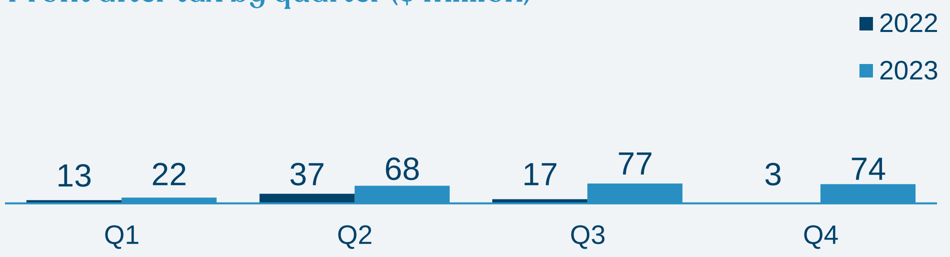
NZD Million	2022	2023	%△ [1]
Sales volume (‘000 MT)	528	546	3%
Revenue	3,302	3,865	17%
Cost of goods sold	(2,807)	(3,116)	(11)%
Gross profit	495	749	51%
Gross margin (%)	15.0%	19.4%	
Operating expenses	(393)	(418)	(6)%
Other[2]	15	3	(80)%
EBIT[3]	117	334	185%
Net finance costs and tax expense	(47)	(93)	(98)%
Profit after tax	70	241	244%

Note: Figures are for the year ended 31 July and are on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period

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. Comprises of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
3. Includes Corporate Costs of $58 million for 2023 ($33 million for the comparative period)

- Higher sales volumes as a result of demand increasing in the second half of the year due to COVID-19 related restrictions lifting
- Gross profit increased $254 million, or 51% mainly due to:
  - favourable price relativities between Reference and Non-Reference Product prices,
  - product prices in Greater China and Global Markets adjusting for higher milk costs in the first quarter, benefitting the remaining three quarters as the cost of milk declined, and,
  - innovation in foodservice application products such as our Anchor™ Food Professionals Easy Topping Cream and Aerosol Cream in Greater China, expanding total market share

Profit after tax by quarter ($ million)



Consumer

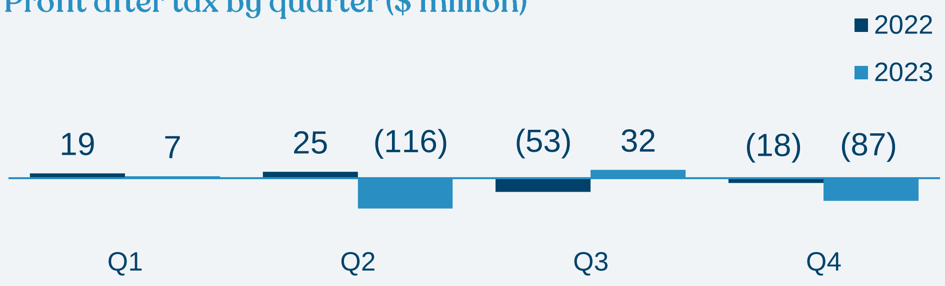
NZD Million	2022	2023	%∆ [1]
Sales volume ('000 MT)	640	632	(1)%
Revenue	3,064	3,299	8%
Cost of goods sold	(2,331)	(2,518)	(8)%
Gross profit	733	781	7%
Gross margin (%)	23.9%	23.7%	
Operating expenses	(670)	(957)	(43)%
Other[2]	(47)	20	-
EBIT[3]	16	(156)	-
Net finance costs and tax expense	(43)	(8)	81%
Profit after tax	(27)	(164)	(507)%

Note: Figures are for the year ended 31 July and are on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period

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. Comprises of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
3. Includes Corporate Costs of $64 million for 2023 ($30 million for the comparative period)

- Lower sales volumes mainly due to Sri Lanka's economic challenges impacting the ability to access US dollars in the first half of the financial year
- Gross profit improved $48 million due to cost of milk easing over the second half of the financial year, improving gross margins in Core Operations and Global Markets
- Operating expenses increased $287 million mainly due to inflation and recognising impairments of our New Zealand consumer business and Asia brands of $121 million and $101 million, respectively
- 'Other' is favourable mainly due to the prior year including $80 million adverse revaluation of the Sri Lankan business payables reflecting the devaluation of the rupee

Profit after tax by quarter ($ million)



Performance by segment

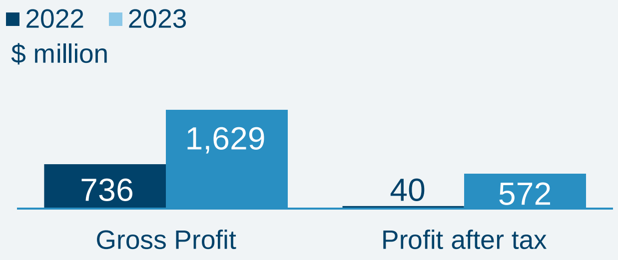
Core Operations

Volume ('000 MT)
2,784 from 2,554 ↑

Revenue ($ million)
19,142 from 16,987 ↑

Gross margin
8.5% from 4.3% ↑

EBIT ($ million)
806 from 155 ↑



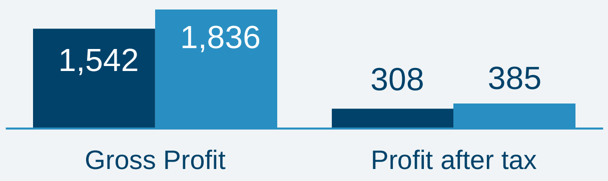
Global Markets

Volume ('000 MT)
2,575 from 2,344 ↑

Revenue ($ million)
18,401 from 15,374 ↑

Gross margin
10.0% from 10.0%

EBIT ($ million)
579 from 446 ↑



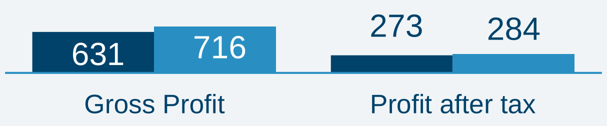
Greater China

Volume ('000 MT)
978 from 1,028 ↓

Revenue ($ million)
7,072 from 6,869 ↑

Gross margin
10.1% from 9.2% ↑

EBIT ($ million)
370 from 345 ↑



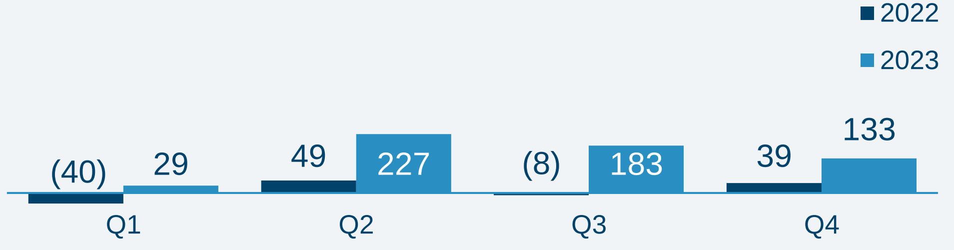
Note: Figures are for the year ended 31 July and are on a continuing operations basis. Comparative information has been restated for consistency with the current period

Core Operations

NZD Million	2022	2023	%△ [1]
Sales volume ('000 MT)	2,554	2,784	9%
Revenue	16,987	19,142	13%
Cost of goods sold	(16,251)	(17,513)	(8)%
Gross profit	736	1,629	121%
Gross margin (%)	4.3%	8.5%	
Operating expenses	(691)	(840)	(22)%
Other[2]	110	17	(85)%
EBIT[3]	155	806	420%
Net finance costs and tax expense	(115)	(234)	(103)%
Profit after tax	40	572	1,330%

- Sales volumes up 9%, reflecting the sell down of additional inventory held at 2022 financial year end
- Gross profit up $893 million reflecting favourable price relativities between Reference and Non-Reference Products, particularly in:
  - the cheese portfolio, from growth in Foodservice mozzarella
  - the proteins portfolio, from growth in rennet casein
- Operating expenses up $149 million reflecting inflationary pressures, supply chain disruption, and additional storage costs due to holding higher inventory at the start of the financial year
- 'Other' is down $93 million, to $17 million, mainly reflecting unfavourable foreign exchange movements in net receivables

Profit after tax by quarter ($ million)



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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. Comprises of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
3. Includes Corporate Costs of $148 million for 2023 ($72 million for the comparative period)

Core Operations channel performance

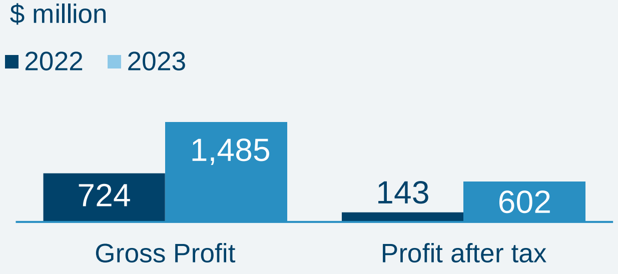
Ingredients

Volume ('000 MT)
2,191 from 2,011 ↑

Revenue ($ million)
15,692 from 14,055 ↑

Gross margin
9.5% from 5.2% ↑

EBIT ($ million)
823 from 248 ↑



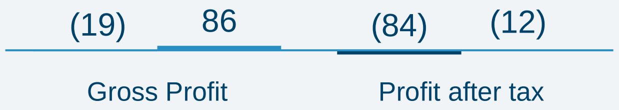
Foodservice

Volume ('000 MT)
334 from 286 ↑

Revenue ($ million)
1,994 from 1,569 ↑

Gross margin
4.3% from (1.2)% ↑

EBIT ($ million)
(3) from (82) ↑



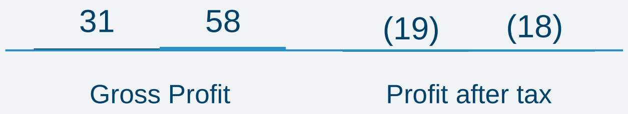
Consumer

Volume ('000 MT)
259 from 257 ↑

Revenue ($ million)
1,456 from 1,363 ↑

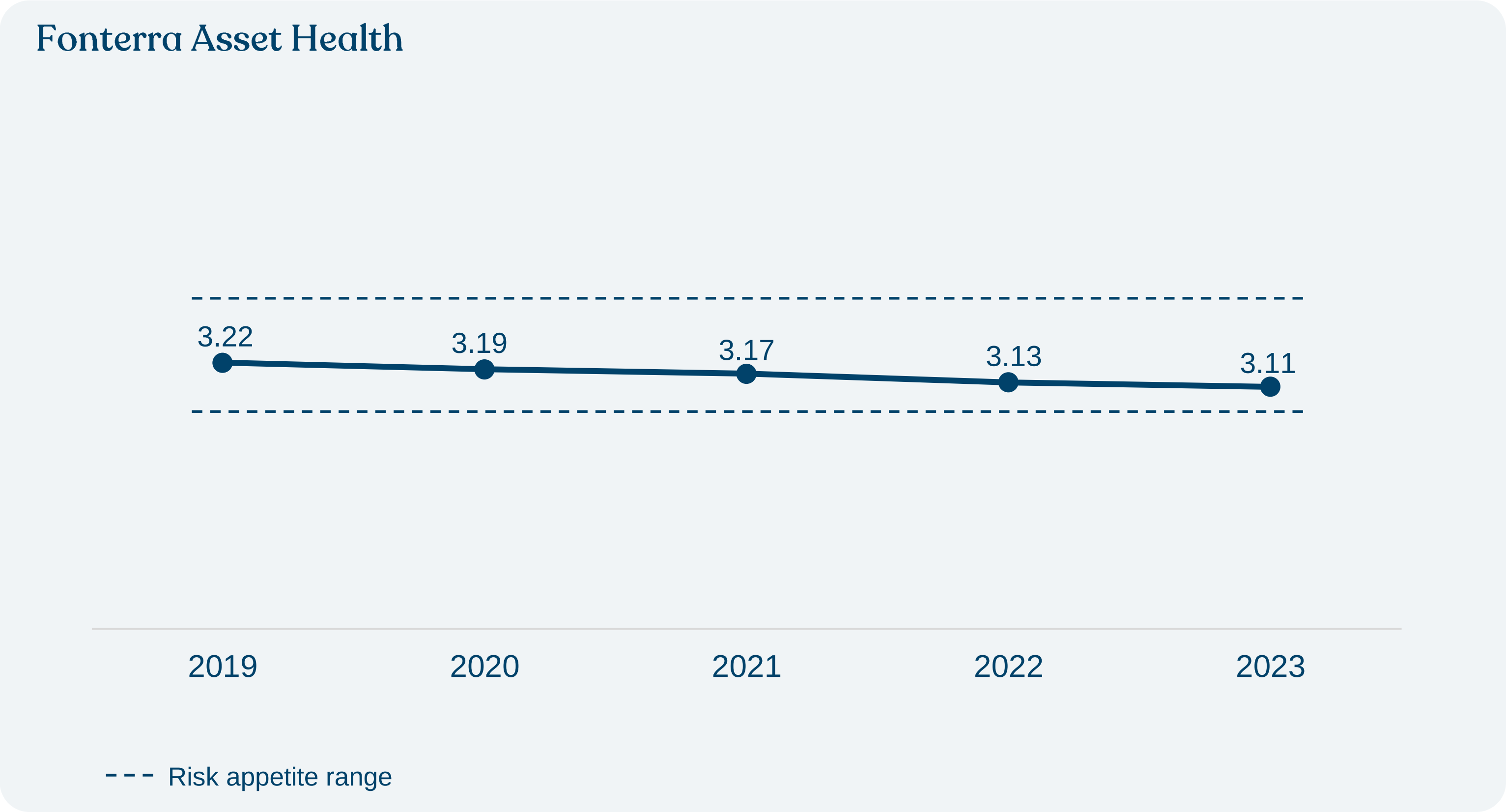
Gross margin
4.0% from 2.3% ↑

EBIT ($ million)
(14) from (11) ↓



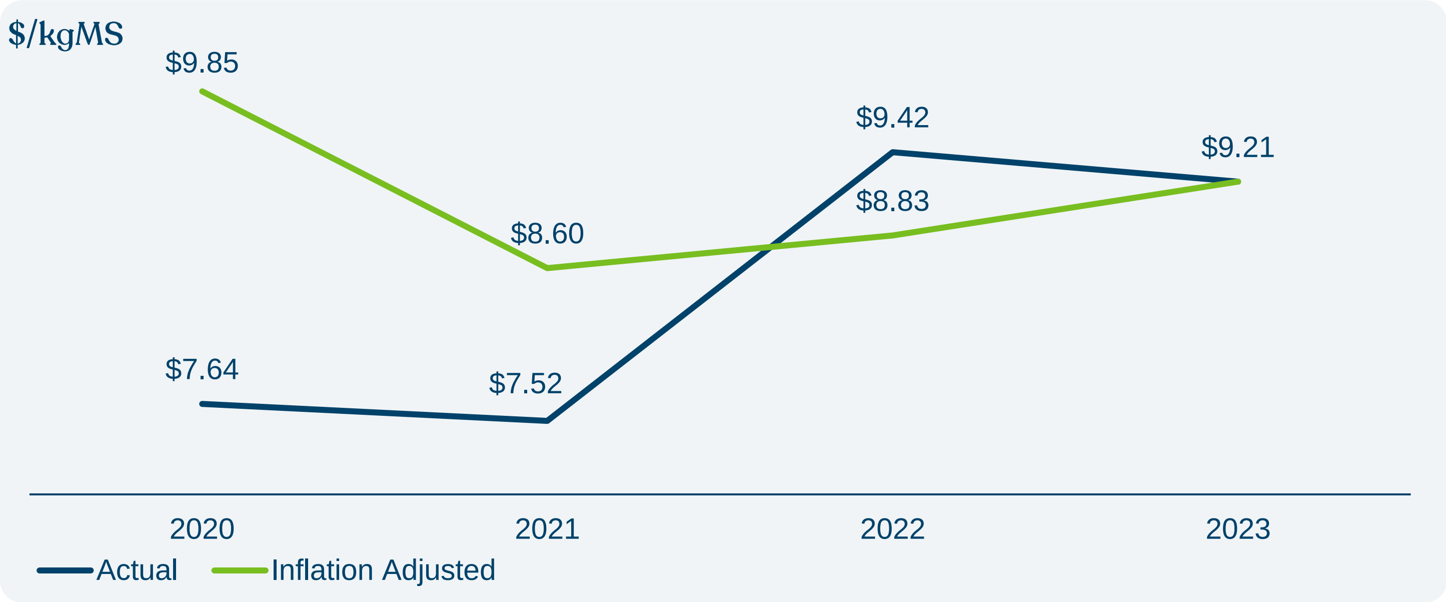
Note: Figures are for the year ended 31 July. Comparative information has been restated for consistency with the current period

Asset Health



- Asset Health measures the condition and reliability of our manufacturing assets on a scale of one to five. Five indicates the asset is in the best condition possible
- Fonterra's risk appetite range is 3 – 3.5
- From 2016 – 2020 we under-invested in sustaining capital, leading to the downwards trend of Asset Health
- Since 2021, capital has been allocated to regaining asset condition and risk mitigation, particularly in food safety and health & safety
- The 2023 Asset Health score does not yet reflect the increase in spend as we catch up from prior underspend

Gross profit from Core Operations per kgMS



Gross profit from Core Operations	2020	2021	2022	2023
Actual ($ million)	11,168	11,548	13,266	14,019
Accumulative PPI[1]	22.4%	12.6%	(6.7)%	
Inflation adjusted ($ million)	14,391	13,213	12,433	14,019
Core Operations' sales (kgMS)	1,461	1,536	1,408	1,523

1. Source: Stats NZ Producer Price Index (PPI), Industry Output Category – Dairy product manufacturing

- New efficiency metric to assist our long-term discipline on efficient New Zealand operations
- Directly monitors the cost base having regard to changing milk volumes
- Calculated at the gross profit level to maximise the value which can arise from higher costs as we move up the value chain
- Will be volatile year-on-year so the focus will be on long-term trend with reporting to show underlying changes in costs, volume and revenue
- Calculated as gross profit from Core Operations (excluding Farm Source and cost of milk) divided by kgMS of Core Operations' sales
- Adjusted for inflation (using subset of PPI) so underlying efficiency gains/losses are transparent

Global Markets

NZD Million	2022	2023	%△ [1]
Sales volume ('000 MT)	2,344	2,575	10%
Revenue	15,374	18,401	20%
Cost of goods sold	(13,832)	(16,565)	(20)%
Gross profit	1,542	1,836	19%
Gross margin (%)	10.0%	10.0%	
Operating expenses	(1,081)	(1,310)	(21)%
Other[2]	(15)	53	-
EBIT[3]	446	579	30%
Net finance costs and tax expense	(138)	(194)	(41)%
Profit after tax	308	385	25%

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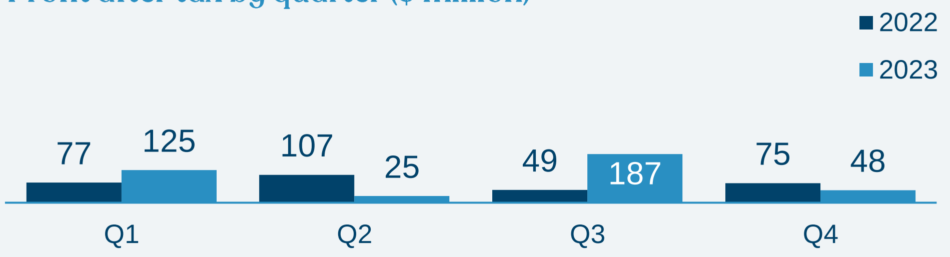
2. Comprises of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
3. Includes Corporate Costs attributed of $72 million for 2023 ($67 million for the comparative period)

- Sales volume increased due to new contracts and participating in tenders in the Asia Pacific and Africa regions
- Gross profit up $294 million mainly due to higher sales volumes and Foodservice in-market sales prices adjusting for higher cost of goods
- Operating expenses increased $229 million mainly due to recognising a $121 million and $55 million impairment of our New Zealand consumer business and Asia brands, respectively
- 'Other' is favourable mainly due to the prior year including $80 million adverse revaluation of the Sri Lankan business payables reflecting the devaluation of the rupee

Profit after tax by quarter ($ million)



Global Markets channel performance

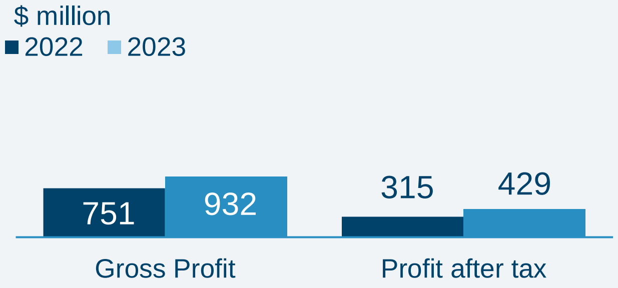
Ingredients

Volume ('000 MT)
1,732 from 1,498 ↑

Revenue ($ million)
13,516 from 11,127 ↑

Gross margin
6.9% from 6.7% ↑

EBIT ($ million)
582 from 410 ↑



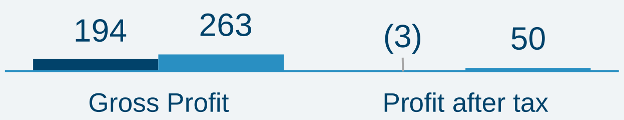
Foodservice

Volume ('000 MT)
280 from 274 ↑

Revenue ($ million)
1,845 from 1,543 ↑

Gross margin
14.3% from 12.6% ↑

EBIT ($ million)
74 from 5 ↑



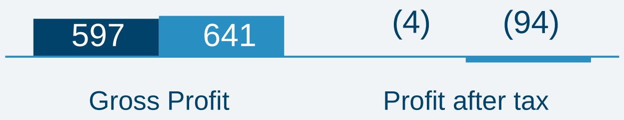
Consumer

Volume ('000 MT)
563 from 572 ↓

Revenue ($ million)
3,040 from 2,704 ↑

Gross margin
21.1% from 22.1% ↓

EBIT ($ million)
(77) from 31 ↓



Note: Figures are for the year ended 31 July. Comparative information has been restated and re-presented for consistency with the current period

Australia

NZD Million	2022	2023	%△ [1]
Milk collections (kgMS)	106	106	-
Sales volume (‘000 MT)	365	379	4%
Revenue	2,094	2,531	21%
Cost of goods sold	(1,811)	(2,237)	(24)%
Gross profit	283	294	4%
Gross margin (%)	13.5%	11.6%	
Operating expenses	(178)	(219)	(23)%
Other[2]	1	-	-
EBIT	106	75	(29)%
Net finance costs and tax expense	(41)	(52)	(27)%
Profit after tax	65	23	(65)%

- Flat milk collections despite a decline in the overall Australian milk pool
- Gross profit increased $11 million mainly due improved pricing in the Foodservice business
- Operating expenses increased $41 million due to:
  - inflationary pressures, and
  - impact of the class action settlement agreement with Fonterra Australia milk suppliers relating to milk price in the 2015/16 season
- EBIT decreased $31 million due to the improved gross profit being offset by the increase in operating expenses
- Profit after tax decreased $42 million due to:
  - lower EBIT, and
  - interest rate increases on borrowings

Note: Figures are for the year ended 31 July and are 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, net foreign exchange gains/(losses)

Greater China

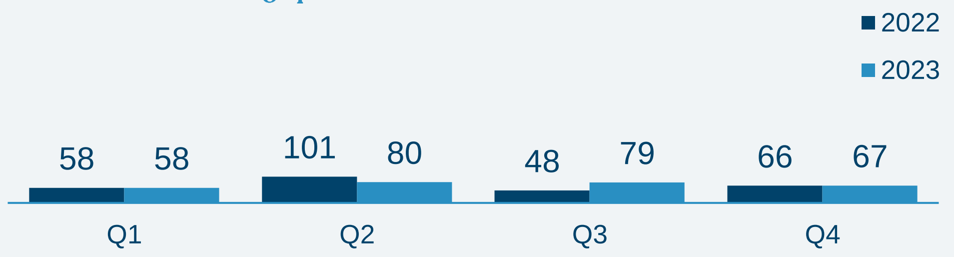
NZD Million	2022	2023	%△ [1]
Sales volume ('000 MT)	1,028	978	(5)%
Revenue	6,869	7,072	3%
Cost of goods sold	(6,238)	(6,356)	(2)%
Gross profit	631	716	13%
Gross margin (%)	9.2%	10.1%	
Operating expenses	(293)	(346)	(18)%
Other[2]	7	-	-
EBIT[3]	345	370	7%
Net finance costs and tax expense	(72)	(86)	(19)%
Profit after tax	273	284	4%

Note: Figures are for the year ended 31 July and are on a continuing operations basis. Comparative information has been restated for consistency with the current period

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. Comprises of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
3. Includes Corporate Costs attributed of $40 million for 2023 ($18 million for the comparative period)

- Lower sales volumes, particularly WMP, due to softer demand
- Gross profit increased $85 million mainly due to improved Foodservice gross margins reflecting higher in-market product prices adjusting for increased input costs
- Operating expenses increased $53 million mainly due to an impairment in the Consumer channel of our Asia brands
- EBIT increased $25 million due to increased gross profit, partially offset by higher operating expenses

Profit after tax by quarter ($ million)



Greater China channel performance

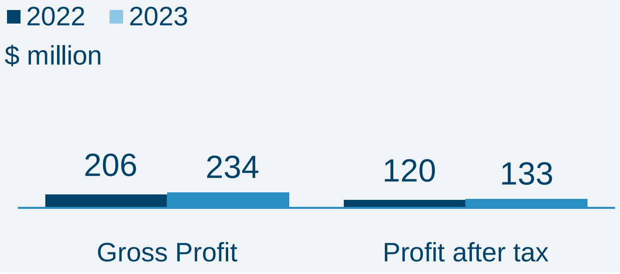
Ingredients

Volume ('000 MT)
632 from 697 ↓

Revenue ($ million)
4,460 from 4,646 ↓

Gross margin
5.2% from 4.4% ↑

EBIT ($ million)
172 from 155 ↑



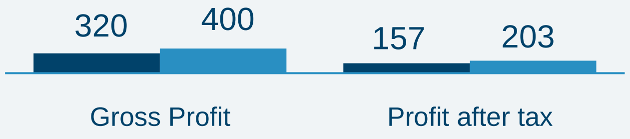
Foodservice

Volume ('000 MT)
274 from 259 ↑

Revenue ($ million)
2,236 from 1,855 ↑

Gross margin
17.9% from 17.3% ↑

EBIT ($ million)
263 from 194 ↑



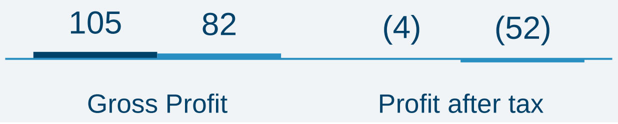
Consumer

Volume ('000 MT)
72 from 72

Revenue ($ million)
376 from 368 ↑

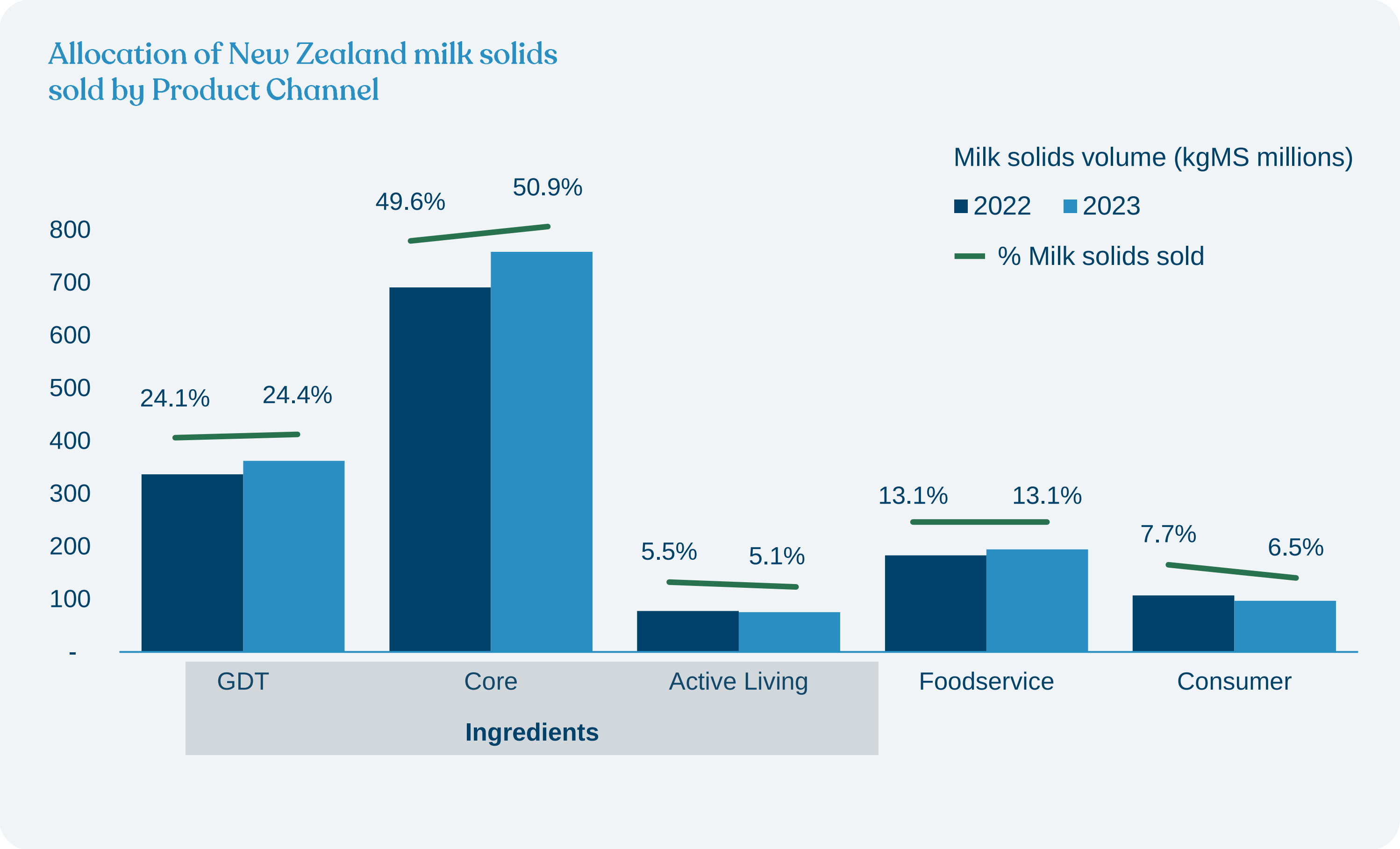
Gross margin
21.8% from 28.5% ↓

EBIT ($ million)
(65) from (4) ↓



Note: Figures are for the year ended 31 July. Comparative information has been restated and re-presented for consistency with the current period

Allocation of New Zealand milk solids



- The higher allocation to GDT and Core Ingredients mainly reflects the sell down of additional inventory held at 2022 year-end
- Active Living portfolio was impacted by lower demand from the USA due to customer manufacturing constraints and high in-market inventory
- Foodservice channel in line with last year with demand increasing across major product categories in the second half of the year due to COVID-19 restrictions lifting relative to the prior year
- Consumer channel down mainly due to lower sales volume into Sri Lanka as the economic crisis limited repatriation of USD currency

New Zealand and non-New Zealand milk

NZD Million[1]	31 July 2022 New Zealand Milk	31 July 2022 Non-New Zealand Milk	31 July 2022 Total	31 July 2023 New Zealand Milk	31 July 2023 Non-New Zealand Milk	31 July 2023 Total
Revenue	19,551	2,350	21,901	21,791	2,789	24,580
Cost of goods sold	(16,986)	(2,006)	(18,992)	(17,941)	(2,458)	(20,399)
Gross profit	2,565	344	2,909	3,850	331	4,181
Gross margin (%)	13.1%	14.6%	13.3%	17.7%	11.9%	17.0%
Operating expenses	(1,808)	(257)	(2,065)	(2,252)	(244)	(2,496)
Other[2]	95	7	102	69	1	70
EBIT	852	94	946	1,667	88	1,755
Net finance costs	-	-	(194)	-	-	(211)
Tax expense	-	-	(131)	-	-	(303)
Profit after tax	561	60	621	1,203	38	1,241
Discontinued operations profit after tax	-	(38)	(38)	-	336	336

1. Figures are for the year ended 31 July and are prepared on a continuing operations basis. Comparative information has been restated for consistency with the current period
2. Comprises of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees

Discontinued operations

NZD Million[1]	31 July 2022			31 July 2023		
	Hangu China farm	DPA Brazil	Soprole	Hangu China farm	DPA Brazil	Soprole
Revenue	27	445	1,052	15	599	852
Cost of goods sold	(31)	(317)	(745)	(27)	(405)	(616)
Gross profit	(4)	128	307	(12)	194	236
Gross margin (%)	(14.8)%	28.8%	29.2%	(80.0)%	32.4%	27.7%
Operating expenses	(9)	(161)	(220)	(12)	(137)	(154)
Other[2]	(1)	(1)	(9)	(1)	-	349
EBIT	(14)	(34)	78	(25)	57	431
Profit after tax	(14)	(64)	40	(25)	16	345

1. Comparative information has been re-presented for consistency with the current period
2. Consists of other operating income and net foreign exchange gains/(losses)

Earnings across markets and products

	Core Operations	Global Markets	Greater China	Total
External sales volume ('000 MT)		2,517 10% ↑	980 5% ↓	3,497 5% ↑
EBIT contribution from continuing operations				
Ingredients	$823m $575m ↑	$582m $172m ↑	$172m $17m ↑	$1,577m $764m ↑
Foodservice	$(3)m $79m ↑	$74m $69m ↑	$263m $69m ↑	$334m $217m ↑
Consumer	$(14)m $3m ↓	$(77)m $108m ↓	$(65)m $61m ↓	$(156)m $172m ↓
Total	$806m $651m ↑	$579m $133m ↑	$370m $25m ↑	$1,755m $809m ↑

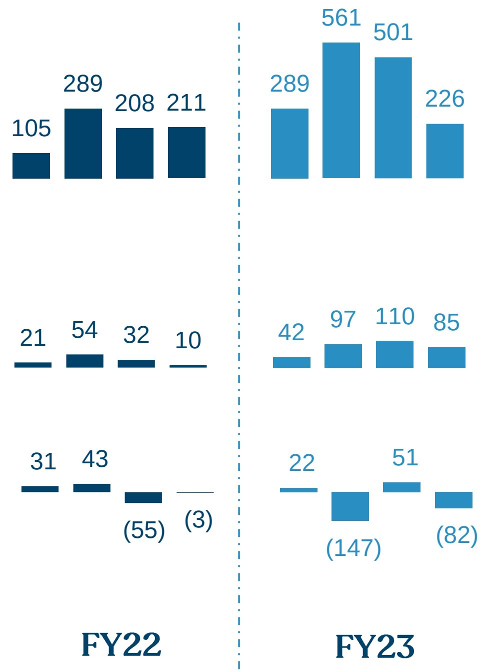
Note: Prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period

End-to-end earnings across markets and products

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

	Global Markets	Greater China	Totals
External sales volume ('000 MT)	2,517 10% ↑	980 5% ↓	3,497 5% ↑
EBIT contribution from continuing operations			
Ingredients	$1,200m $642m ↑	$377m $122m ↑	$1,577m $764m ↑
Foodservice	$63m $85m ↑	$271m $132m ↑	$334m $217m ↑
Consumer	$(67)m $93m ↓	$(89)m $79m ↓	$(156)m $172m ↓
Total	$1,196m $634m ↑	$559m $175m ↑	$1,755m $809m ↑

EBIT by Quarter



Note: Prepared on a continuing operations basis. Comparative information has been restated and re-presented for consistency with the current period

Other lease-related expenses recognised in the Income statement

NZD Million	2022	2023
Interest on lease liabilities	13	13
Variable lease payments not included in the measurement of lease liabilities	4	3
Expenses relating to short-term leases	10	12
Expenses relating to low value leases	10	6

FY23 Integrated Scorecard

For the year ended 31 July 2023

	Key Metrics	FY21	FY22	FY23 Scorecard	FY23
People	Serious harm	9	8	5	5
	Gender diversity (Band 12+)	36.3%	37.6%	38.8%	39.5%
Nature	GHG emissions (Scope 1,2)[1]	(6.6)%	(11.2)%	(10.6)%	(14.1)%
	FEP adoption (New Zealand)	53%	71%	84%	85%
	Water Improvement Plans in place	–	–	37.5%	44.0%
Relationships	Share of New Zealand milk collected for the season to 31 May	79.0%	79.1%	79.0%	79.0%
Intellectual Capital	EBIT from New Zealand value-add businesses ($ million)[2]	616	307	388	466
Assets & Infrastructure	Cost of quality (% of cost of golds sold)	0.45%	0.44%	0.35%	0.34%
Financial	Return on capital	6.6%	6.8%	7.0% to 7.5%	12.4%
	Farmgate Milk Price ($)	7.54	9.30	9.50	8.22

1. Relative to FY18 Baseline. Long-term will include Scope 3 but for now Scope 1&2 including farms under our operational control.
2. Reflects EBIT from Consumer and Foodservice, contribution from Active Living. Excludes Brazil, Australia and Chile.

FY24 Integrated Scorecard

For the year ended 31 July 2024

	Key Metrics	FY22	FY23	FY24 Scorecard
People	Serious harm	8	5	**4**
	Gender diversity (Band 12+)	37.6%	39.5%	**40.0%**
	Culture Measure	–	79	–[1]
Nature	GHG emissions (Scope 1,2)[2]	(11.2)%	(14.1)%	**(15.6)%**
	FEP adoption (New Zealand)	71%	85%	**92%**
	Water Improvement Plans in place	–	44.0%	**100.0%**
Relationships	Share of New Zealand milk collected for the season to 31 May	79.1%	79.0%	**79.0%**
	Delivered in full, on time (DIFOT, ex-New Zealand)	51.6%	53.2%	**80.0%**
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real)	1.34	1.39	**1.37**
	Gross profit from Core operations per kgMS (real)[3]	8.83	9.21	**8.52**
	Return on capital	6.8%	12.4%	**8.0% – 9.0%**
	Farmgate Milk Price ($)	9.30	8.22	**6.00 – 7.50[4]**
Alignment Rights	Total shareholder return (share price plus dividend)	$2.73 $0.20	$3.20 $1.00[5]	**Not Available**
	On-farm profitability ($ per hectare)[6]	4,150	2,063	**Not Available**

1. No target set for FY24. Next survey in September 2023
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 FY24 Forecast Farmgate Milk Price range is $6.00-$7.50 per kgMS, with a mid-point of $6.75 per kgMS (18 Aug 2023)
5. FY23 dividend includes 50 cent per share capital return following the sale of Soprole
6. DairyNZ Economic Survey 2021-2022 (Owner-Operator). FY23 is a modelled forecast

Glossary

Active living
represents ingredients & solutions sold to businesses who cater to consumers' health and wellness needs. It addresses three dimensions of wellbeing (Physical, Mental, Inner), extending to meet the nutrition needs of medical patients through to everyday people pursuing active lifestyles. This portfolio includes proteins, specialty ingredients such as probiotics, lactoferrin & lipids, and patented formulations.

Adjusted 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.

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

Cash operating expenses per kgMS
is continuing operations operating expenses, less non-cash costs (depreciation, amortisation, right of use asset costs, impairments). Shown by kilogram of New Zealand milk solids collected.

Glossary

Consumer
is 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, Group IT and Sustainability; Fonterra Farm Source™ retail stores; and the Strategy and Optimisation function.

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.

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 co-ordinated 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.

Earnings before interest and tax (EBIT)
is profit before net finance costs and tax.

Earnings per share (EPS)
is profit after tax attributable to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period.

EBIT margin
is EBIT divided by revenue from sale of goods.

Eliminations
represents eliminations of inter-business unit sales.

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.

Glossary

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.

Free cash flow

is the total of net cash flows from operating activities and net cash flows from investing activities.

Gearing ratio (%) (adjusted net debt)

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

Global markets

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

Greater China

represents the Ingredients, Foodservice and Consumer channels in Greater China.

Gross margin

is gross profit divided by revenue from sale of goods.

Gross profit from Core Operations per kgMS

is Core Operations business unit gross profit excluding Farm Source and the cost of New Zealand milk sold. Shown per kilogram of New Zealand milk solids sold by Core Operations.

Growth capital expenditure

is investments to drive business expansion or improvement toward our strategy and generate incremental revenue. This includes organic growth (existing business projects) and inorganic growth (mergers and acquisitions).

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

means adjusted net debt.

Glossary

Net working capital

is total trade and other receivables plus inventories, less trade and other payables. It excludes amounts owing to suppliers and employee entitlements.

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 Co-op's Reference Product portfolio and Non-reference Product portfolio. The difference between these two weighted average prices is a key driver of the Co-op's gross margin.

Product channel

Fonterra has three product channels, Ingredients, Foodservice and Consumer.

Profit after tax margin

is profit after tax attributable to equity holders of the Co-operative, divided by revenue from sale of goods.

Reference Commodity Products (or 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 included in the calculation of the Farmgate Milk Price.

Return on Capital (ROC)

means for Fonterra it 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.

Glossary

Sustaining capital expenditure

represents investments to maintain the capability of our existing assets from risk management, legislation/regulation commitments, business continuity and capital replacement, as well as projects that drive the Co-operative sustainability targets.

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.

Total Shareholder Return (TSR)

is the measure of share price movements and all economic distributions (e.g. dividends, capital returns) over a specified period of time, divided by the original investment amount. Expressed as an annualised percentage.

WACC

means weighted average cost of capital.

Working capital days

is calculated as 13-month rolling average 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. The working capital days calculation excludes other receivables, prepayments, other payables and includes working capital classified as held for sale.

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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.

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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 2023 Annual Review for reconciliation of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.