



Dairy for life

FONTERRA BOND OFFER

Unsecured, unsubordinated, fixed rate bonds

29 October 2024



Important information

Fonterra Co-operative Group Limited (**Fonterra** or **Issuer**) is offering up to \$250,000,000 (with the ability to accept up to \$100,000,000 in oversubscriptions at Fonterra's discretion) of unsubordinated, unsecured, fixed rate bonds maturing on 8 November 2029 (**Bonds**) (**Offer**) in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The Offer is an offer of Bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Fonterra's 4.15% NZ\$100,000,000 fixed rate bonds maturing on 14 November 2025 which are currently quoted on the NZX Debt Market under the ticker code FCG050 (**Quoted Bonds**). The Bonds are therefore of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

Fonterra is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/FCG.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

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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 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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An Indicative Terms Sheet dated 29 October 2024 has been prepared in respect of the Offer. The Indicative Terms Sheet is an important document and should be read carefully. Investors should not purchase the Bonds until they have read the Indicative Terms Sheet. Investors should consider the risks that are associated with an investment in the Bonds, particularly with regard to their personal circumstances (including financial and tax issues). Nothing in this presentation constitutes legal, financial, tax or other advice.

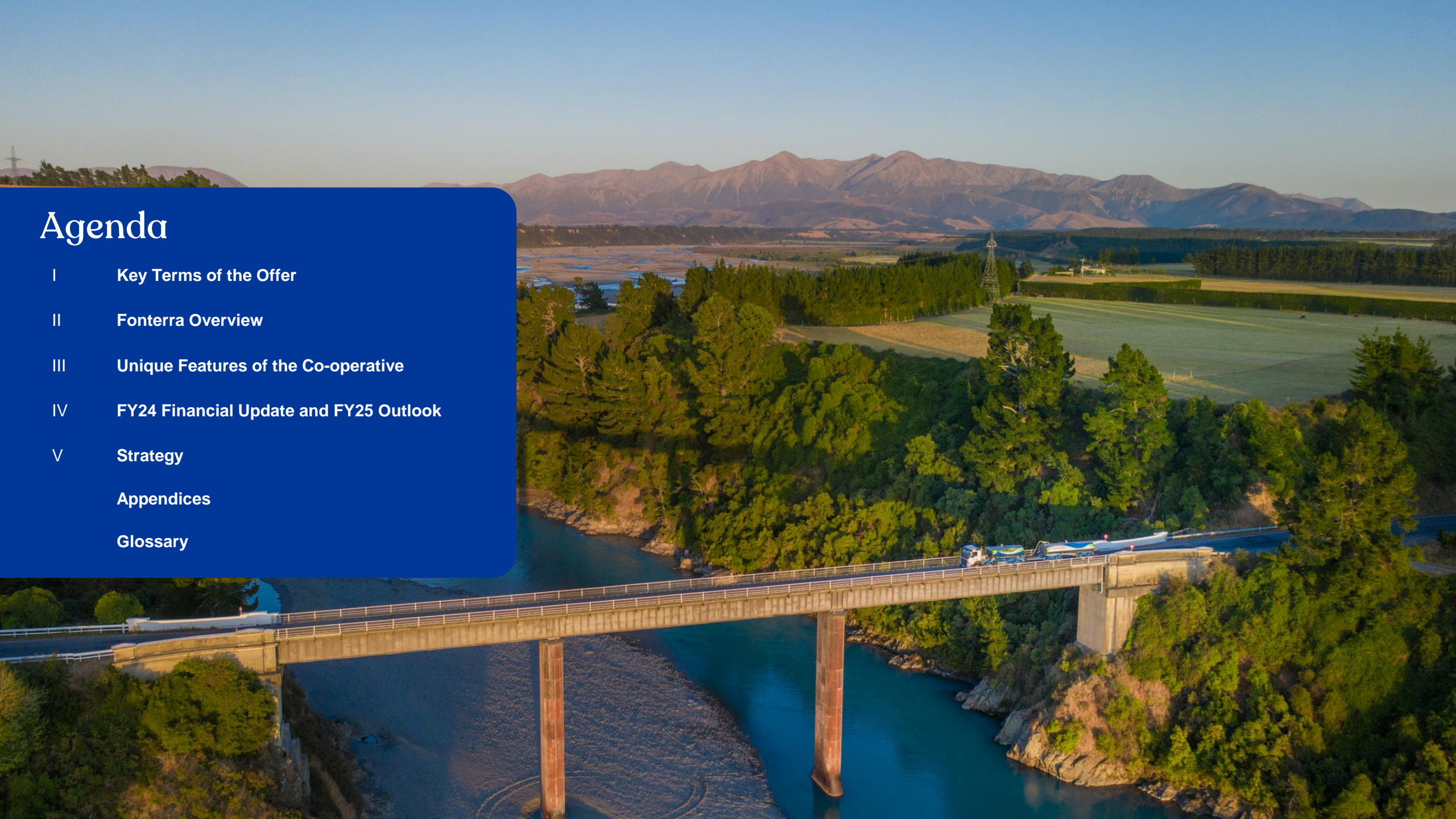
Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of the Indicative Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

The selling restrictions set out in the schedule to the Indicative Terms Sheet apply to the Bonds.

This presentation is dated 29 October 2024.

Agenda

- I Key Terms of the Offer
 - II Fonterra Overview
 - III Unique Features of the Co-operative
 - IV FY24 Financial Update and FY25 Outlook
 - V Strategy
- Appendices
- Glossary



I. Key Terms of the Offer

Description of the Bonds	Unsecured, unsubordinated, fixed rate debt obligations of Fonterra. The Bonds will rank equally and without any preference among themselves and equally with all other unsecured and unsubordinated indebtedness of Fonterra, except indebtedness preferred by law.
Issue Amount	Up to NZ\$250,000,000, with the ability to accept up to NZ\$100,000,000 in oversubscriptions at Fonterra's discretion.
Tenor	5 Years.
Interest Rate	The aggregate of the Base Rate plus the Margin determined following a bookbuild on Friday, 1 November 2024, and announced shortly thereafter by Fonterra via NZX.
Indicative Margin	0.85 to 0.95 per cent per annum.
Interest Payments	Semi-annually in arrear in two equal amounts on each Interest Payment Date.
Application Amounts	NZ\$5,000 and multiples of NZ\$1,000 thereafter.
Opening Date	Tuesday, 29 October 2024.
Closing Date	The offer is expected to close at 11.00am on Friday, 1 November 2024.
Issue Date	Friday, 8 November 2024.
Maturity Date	Thursday, 8 November 2029.
Listing	Ticker code FCG060 on the NZX Debt Market.
Issuer Credit Rating¹	A- (stable) by S&P Global Ratings & A (stable) by Fitch Ratings.
Expected Issue Credit Rating¹	A- by S&P Global Ratings & A by Fitch Ratings.

1. The ratings referred to in this presentation are not a recommendation to buy, sell or hold the Bonds, and each rating may be subject to revision or withdrawal at any time by S&P Global Ratings or Fitch Ratings, as the case may be. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. Neither S&P Global Ratings nor Fitch Ratings has been involved in the preparation of this presentation.

II. Fonterra Overview



Fonterra at a glance – “The source of the world's most valued dairy”

- Co-operative owned by New Zealand supplying farmers, collecting milk from around 8,200 shareholding and non-shareholding farms in New Zealand
- Fully integrated dairy business²
- Global scale and leadership
- 22% of globally traded dairy³
- Product portfolio diversified across markets and quality products
- Collects 78.1% of New Zealand’s milk⁴, which represents around 90% of Fonterra’s total milk collections
- 5.5% of GDP, around 22% of total goods exports⁵
- New Zealand’s largest company by revenue (FY24: NZ\$23b)

Market Cap FCG (NZ\$) ¹	6.9 billion
Market Cap FSF (NZ\$) ¹	0.5 billion
FY24 Sales Volume ('000 MT)	3,529
FY24 Total Assets (NZ\$)	16.7 billion
FY24 Normalised EBITDA (NZ\$)	2.2 billion
Credit rating S&P Global Ratings Fitch Ratings	A- stable A stable



1. Market Cap as at 25 October 2024. FCG = Fonterra Co-operative Group Limited and FSF = Fonterra Shareholders Fund.

2. Fonterra announced on 16 May 2024 that it is exploring full or partial divestment options for some or all of its global Consumer business, as well as its integrated businesses Fonterra Oceania and Fonterra Sri Lanka.

3. Fonterra exports for 2023 calendar year; major commodities (WMP, SMP, butter, AMF, cheese)

4. Milk season 2023/2024

5. Based on GDP and export goods data for the year to June 2024 from Stats NZ

Key drivers of credit rating strength

S&P Global Ratings¹ A- / A-2, Stable

- “Market leadership in the global trade of dairy products”
- “Competitive cost position”
- “Accounts for about 20% of the world’s dairy exports and is New Zealand’s largest company”
- “Effective subordination”
- “Significant flexibility in setting and revising price forecasts for milk sourced in New Zealand”
- “Supportive financial policy with balance sheet capacity and buffer in credit metrics”

- Full Annual Analysis Report issued 14 November 2023 confirming ‘A-’ rating with stable outlook

Fitch Ratings² A / F1, Stable

- “The world leader in dairy exports”
- “Defensive traits support profitability”
- “New Zealand’s largest dairy producer”
- “Effective subordination”
- “Can pass on global dairy-price and foreign exchange movements in its global ingredient business to farmers”
- “Among most competitive”

- Full Annual Analysis Report issued 6 December 2023 confirming ‘A’ rating with stable outlook

1. November 2023 update - only certain statements supporting the credit rating have been extracted and this does not represent all statements contained in the relevant rating report including risks that may result in downward rating pressure

2. December 2023 update - only certain statements supporting the credit rating have been extracted and this does not represent all statements contained in the relevant rating report including risks that may result in downward rating pressure

Fonterra – key investment attributes

Strong industry fundamentals

Co-operative with secure access to quality milk

Scale and world-class ingredients business

Focussed high-value foodservice business

Financial strength and discipline

A commitment to ESG

Unique Co-operative structure supports strong credit profile, including effective subordination

Highly experienced board and management team

III. Unique Features of the Co-operative



Transparent New Zealand Milk Price

Key Factors

GDT auctions

- Transparent bi-monthly pricing

Off-GDT pricing

Governance model

- Commerce Commission review
- External auditor

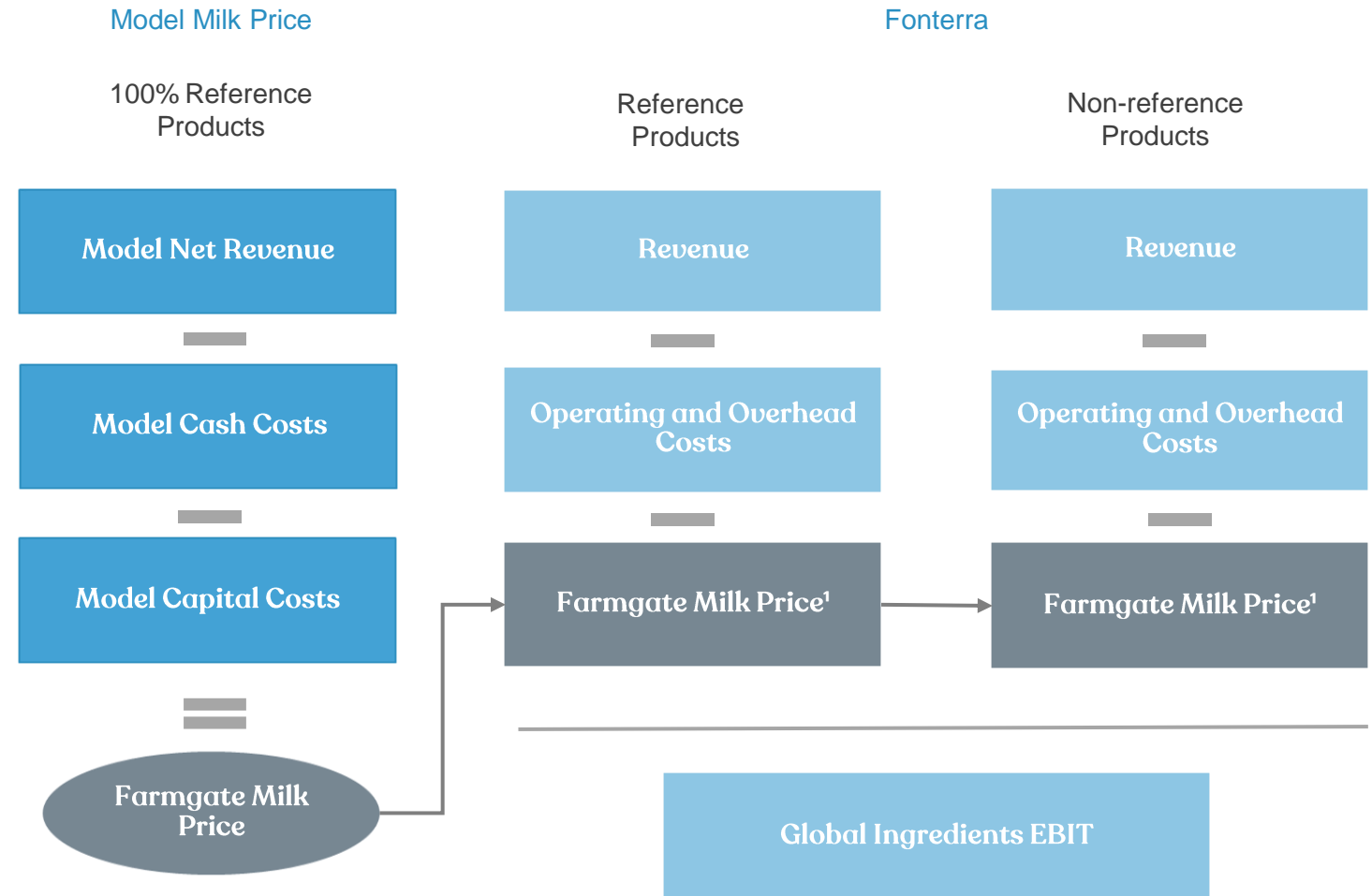
Farmgate Milk Price Manual

Efficient marginal competitor

- Basis for cost assumptions

WACC return on assets

- Allowed return in model



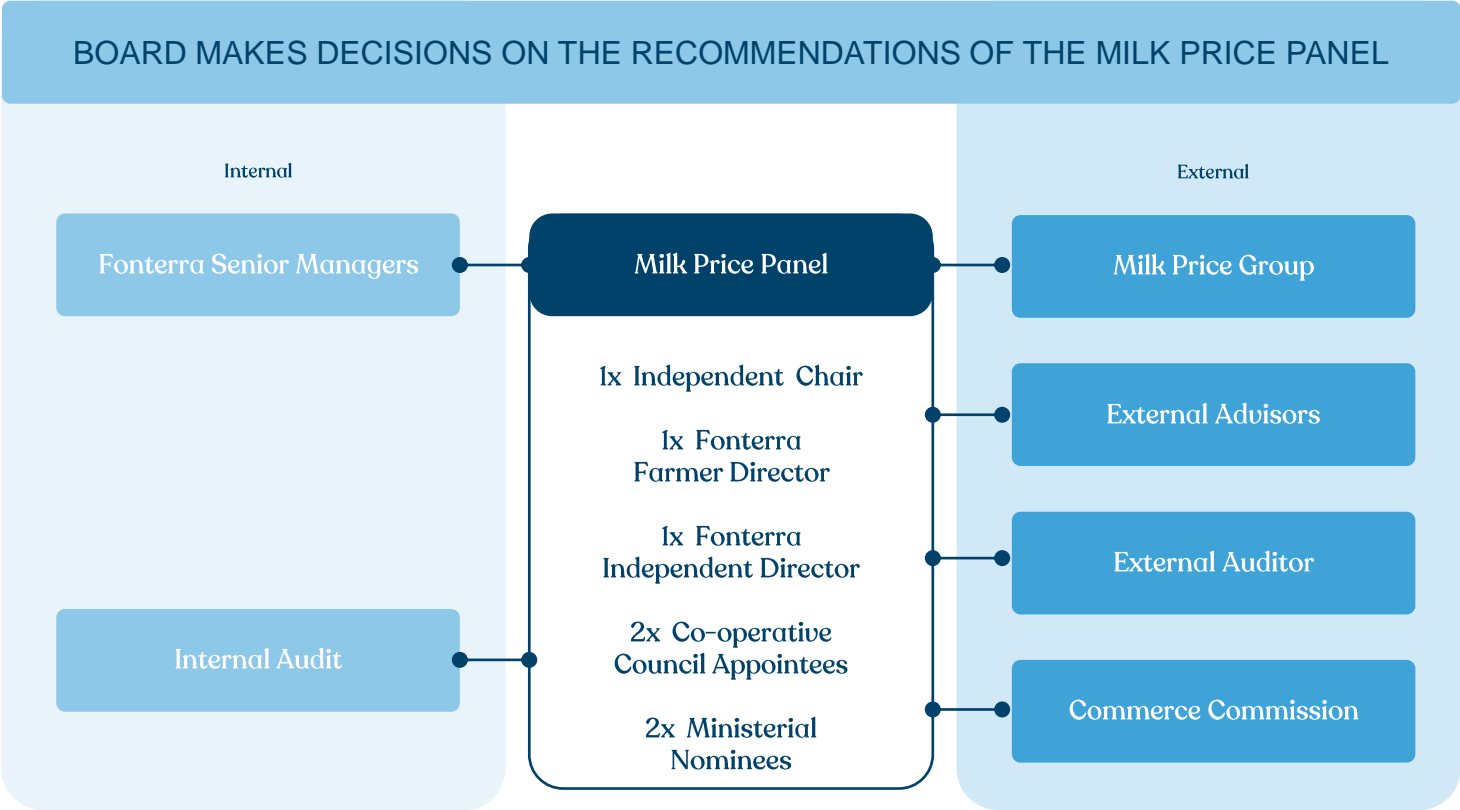
1. This also includes "approved adjustments" in respect of, for example, a portion of winter milk premiums paid

2. WMP: Whole Milk Powder, SMP: Skim Milk Powder, AMF: Anhydrous Milk Fat, BMP: Butter Milk Powder

Reference Products: Basket of commodities used in model – WMP/SMP/AMF/BMP/Butter²

Non-Reference Products: Other products produced by Fonterra e.g. proteins/higher-spec products/cheese

Farmgate Milk Price Overview

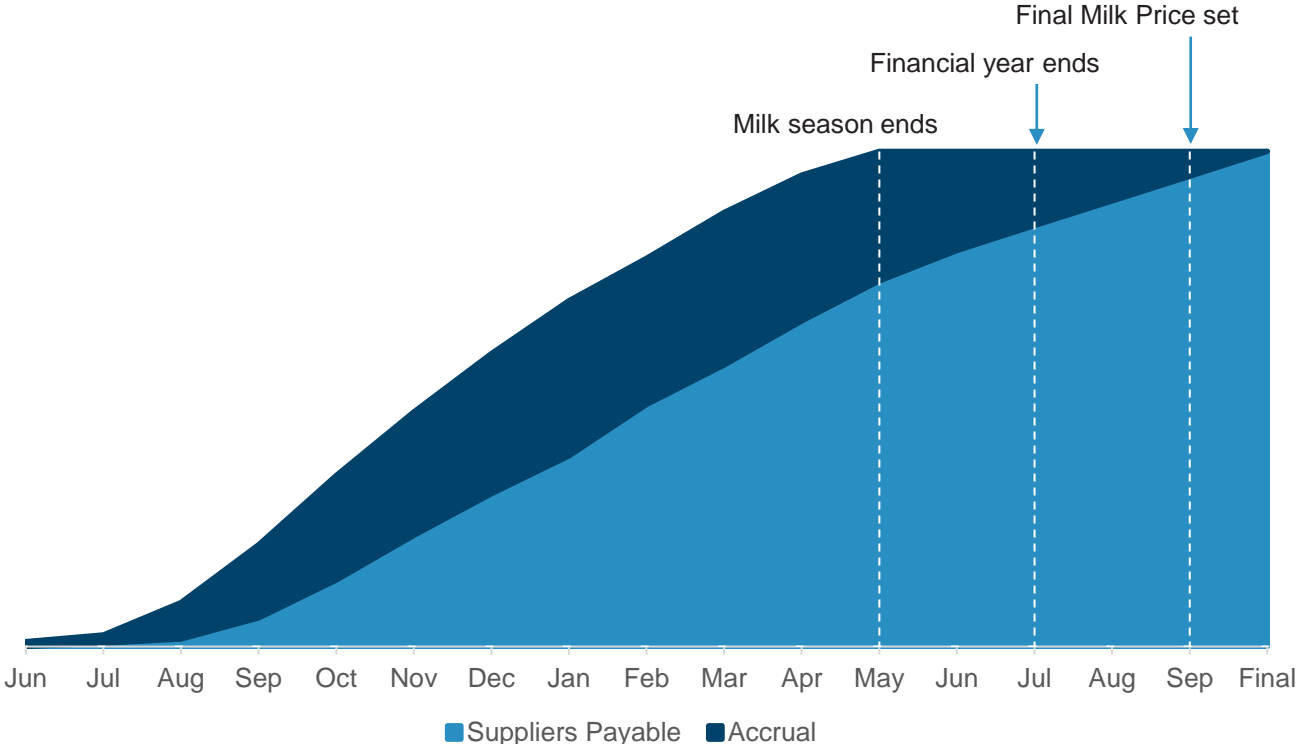


- The Farmgate Milk Price that Fonterra pays its suppliers is set by the Fonterra Board based on the recommendation of the Milk Price Panel.
- The Milk Price Panel oversees the calculation of the Farmgate Milk Price in accordance with the Milk Price Manual (a publicly available document).
- A detailed Milk Price Statement aims to help interested parties understand the Farmgate Milk Price.
- This statement is published annually and released with Fonterra's Annual Report.

Financial flexibility from effective subordination of New Zealand milk supply payments

Final Milk Price not determined until after the end of the milk season

Illustrative only

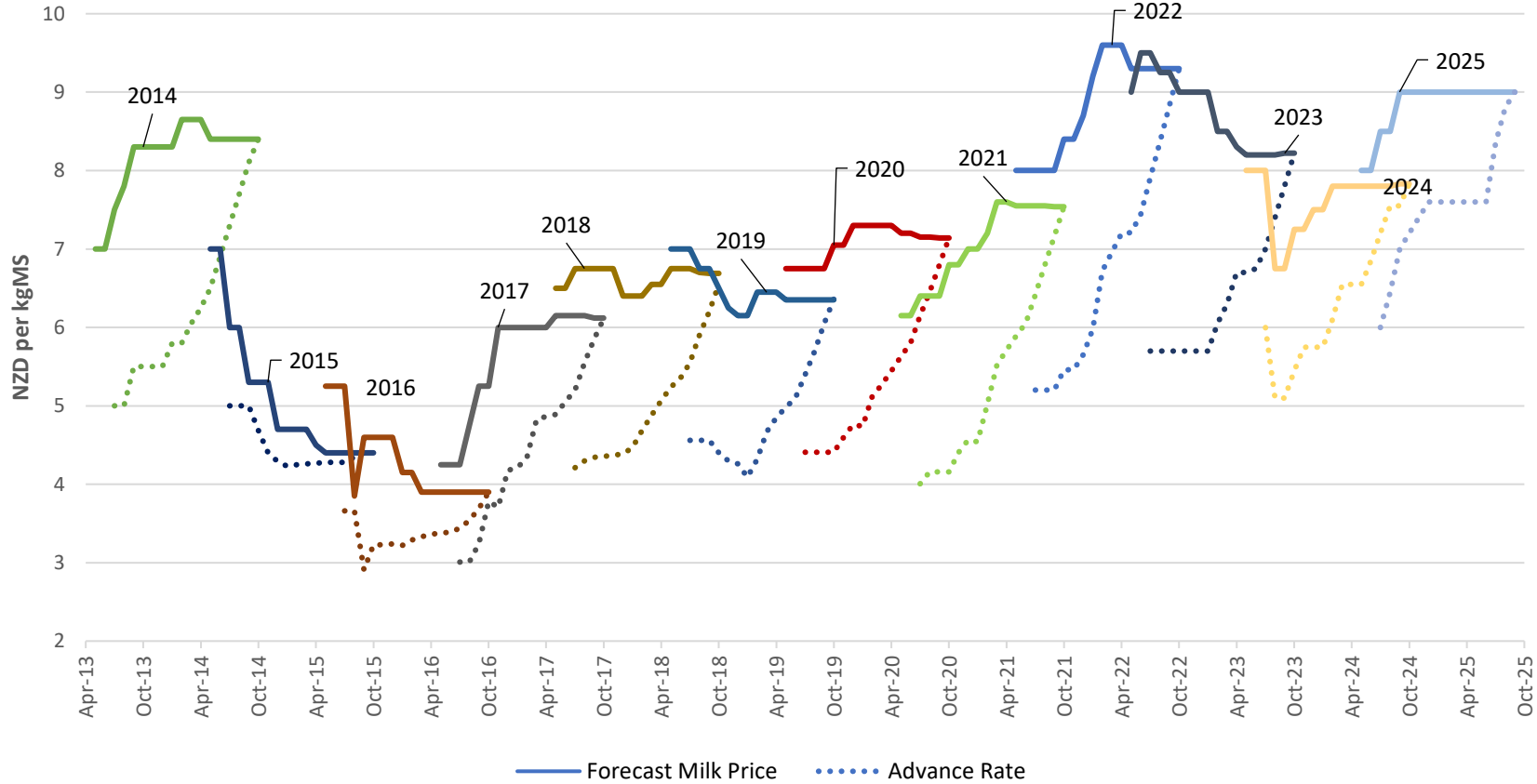


As at 31 July	2022	2023	2024
Milk Price	\$9.30	\$8.22	\$7.83
Total advance payments made during the year	\$7.90	\$7.00	\$6.81
Paid by July ¹	85%	85%	87%
Owing to suppliers	\$2.1bn	\$2.0bn	\$1.6bn

1. Amount advanced during the year as a percentage of the milk price for the season ended 31 May

Track record of using financial flexibility

Flexibility in amount and timing of payments to farmer suppliers in New Zealand



Track record of frequent and sizable changes in both Forecast Milk Price and Advance Rate

Demonstrated track record, willingness and ability to change milk payments under the Constitution to stabilise earning and cashflows:

- Season 2014: In order to protect the Co-operative, the Farmgate Milk Price was lowered by 53 cents per kgMS compared to the calculation under the Farmgate Milk Price Manual
- Season 2018: The Farmgate Milk Price was reduced by 5 cents per kgMS compared to the calculation under the Farmgate Milk Price Manual, in the best long-term interests of its farmer shareholders and unit holders

2025 includes forecast months based on the current announced mid-point Farmgate Milk Price and advance payment rates published on <https://nzfarmsource.co.nz/content/dam/farmsource/docs/pdf/advancerates/advance-rates.pdf>

IV. FY24 Financial Update and FY25 Outlook



Results at a glance

Continuing operations'
operating profit (EBIT)

\$1,560_m

↓ from 1,755m

Net earnings
(Profit after tax)

\$1,128_m

↓ from 1,577m

Continuing operations'
earnings per share

70_{cents}

↓ from 75c

Farmgate Milk Price

\$7.83

↓ from \$8.22

Gearing ratio

24.0%

↓ from 28.8%

Earnings per share

67_{cents}

↓ from 95c

Dividend

55_{cents}

↑ from 50c

Return on capital

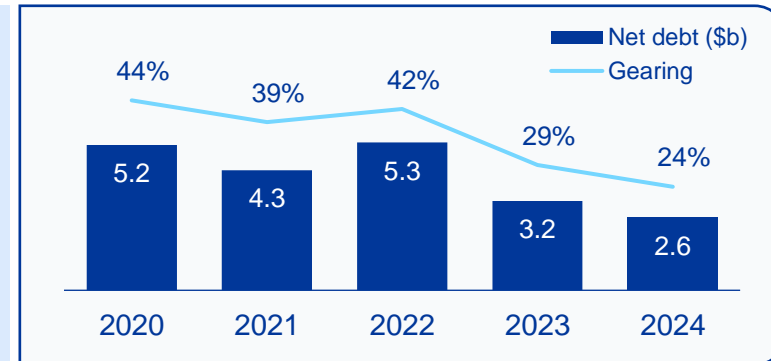
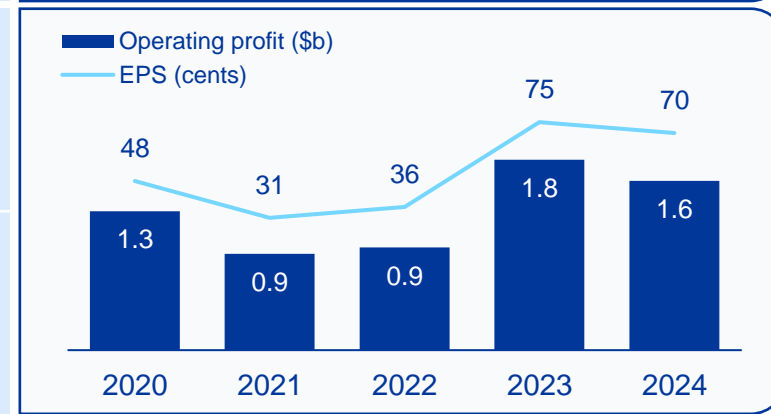
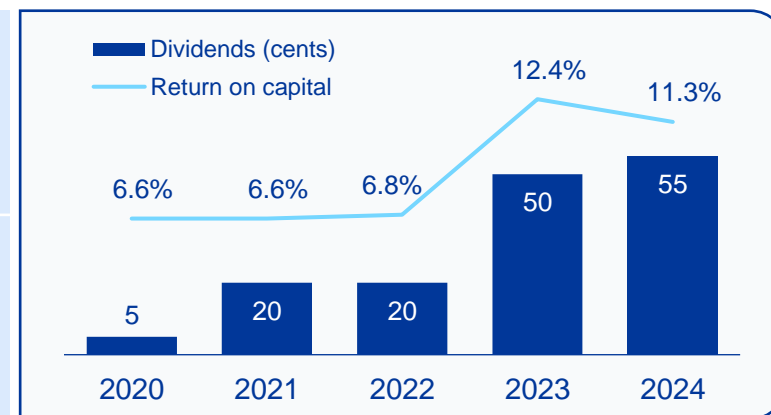
11.3%

↓ from 12.4%



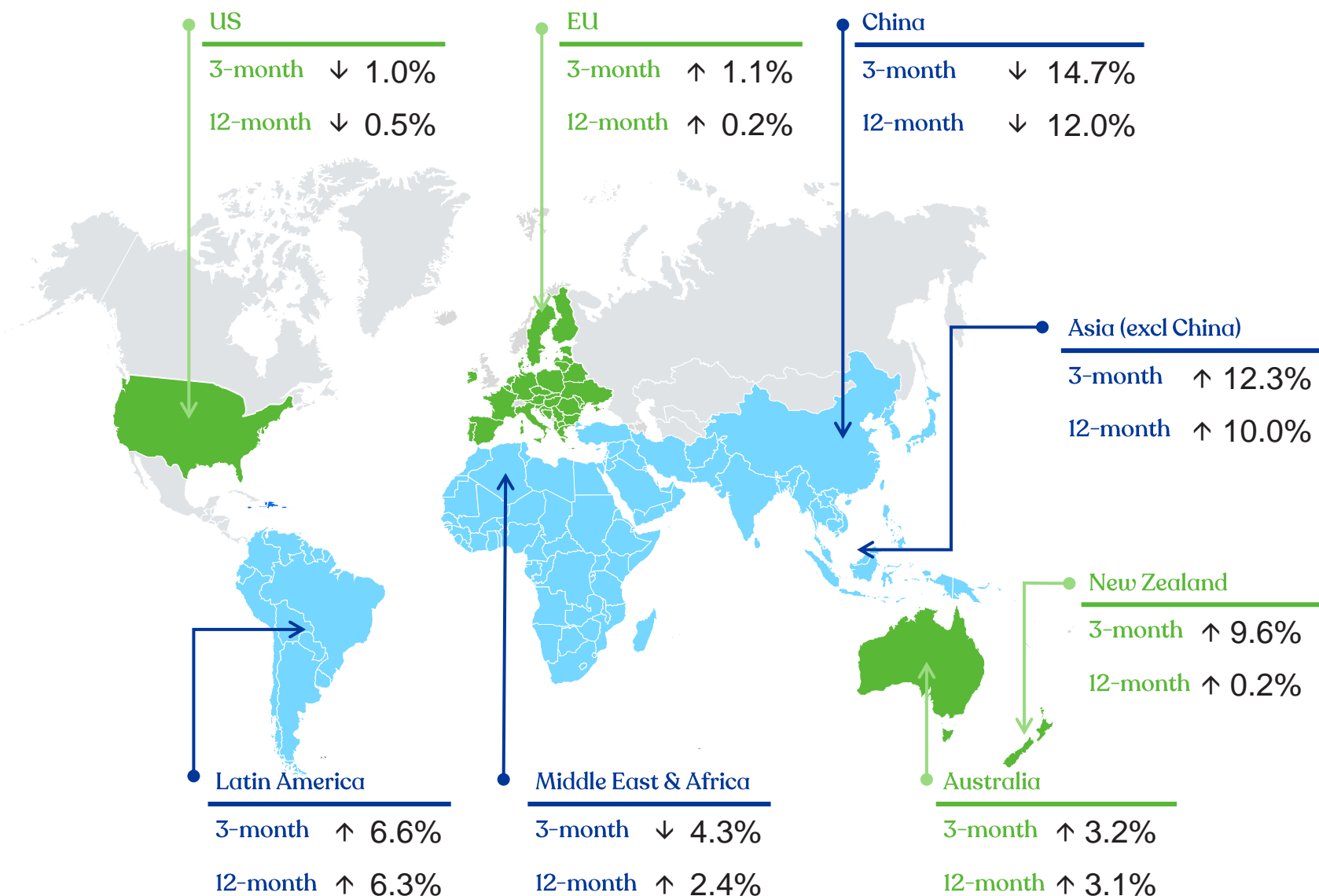
Step change in performance over the last two years

<h3>Return on capital</h3>	<ul style="list-style-type: none"> • 11.3% return on capital <ul style="list-style-type: none"> – Significantly above 5-year average and above FY24 target range
<h3>Dividends</h3>	<ul style="list-style-type: none"> • 55 cents per share <ul style="list-style-type: none"> – Full year dividend of 40c made up of 15c interim dividend and 25c final dividend – Special dividend of 15c reflecting capital management efficiency and robust balance sheet
<h3>Operating profit</h3>	<ul style="list-style-type: none"> • \$1.6b operating profit (EBIT) from continuing operations <ul style="list-style-type: none"> – Ingredients EBIT of \$898m, down \$657m; price relativities easing from prior year record high – Foodservice EBIT of \$463m, up \$138m; improved margins and higher allocation of milk solids – Consumer EBIT of \$199m, up \$324m; improved margins and lower operating expenses
<h3>Profit after tax</h3>	<ul style="list-style-type: none"> • 70c earnings per share from continuing operations <ul style="list-style-type: none"> – Equivalent to profit after tax of \$1.17b • (3) cents per share from discontinued operations
<h3>Resilient Co-op</h3>	<ul style="list-style-type: none"> • Resilience provides optionality and flexibility for future investments and mitigates volatility • Balance sheet strength <ul style="list-style-type: none"> – \$2.6b net debt, \$0.6b lower due to strong underlying operating performance and lower working capital. Year-end inventory was down 25k MT (4%), equivalent to \$0.2b – Gearing ratio of 24.0% reflecting lower net debt and higher equity due to strong earnings • Continued investment in essential and sustainability capital projects and strategic opex, including enterprise systems, energy and wastewater projects



Variable milk supply and strong demand from key importing regions

- Outlook for dairy trade is seen as positive
 - Continued strong demand from key import regions, particularly Southeast Asia, and Middle East and Africa
 - China import demand impacted by prioritisation of domestic milk supply
 - EU production recovered due to stable milk price and lower on-farm costs
 - US production impacted by lower herd sizes due to favourable beef prices
 - Australia production increased due to better weather conditions, high milk prices and lower on-farm costs
 - New Zealand current season production has started strong due to favourable weather conditions and early calving
- Lower production by litres in US offset by improved milk solids yield per cow
- Slower domestic demand growth and lower milk price in China impacting its local milk supply growth

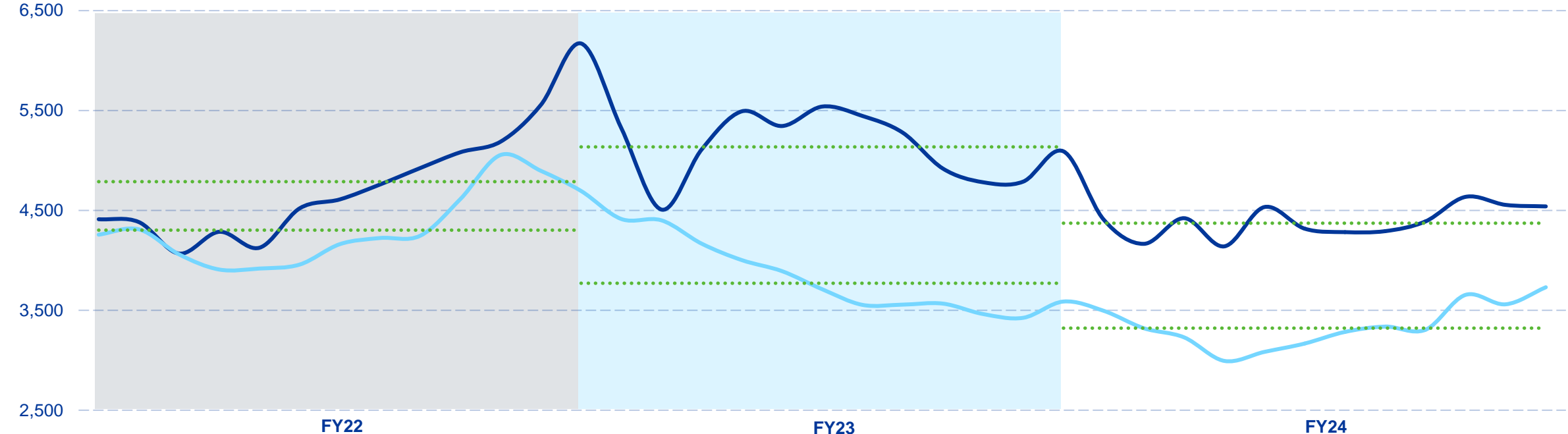


Production

Imports

Revenue price relativities unfavourable compared to prior year

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

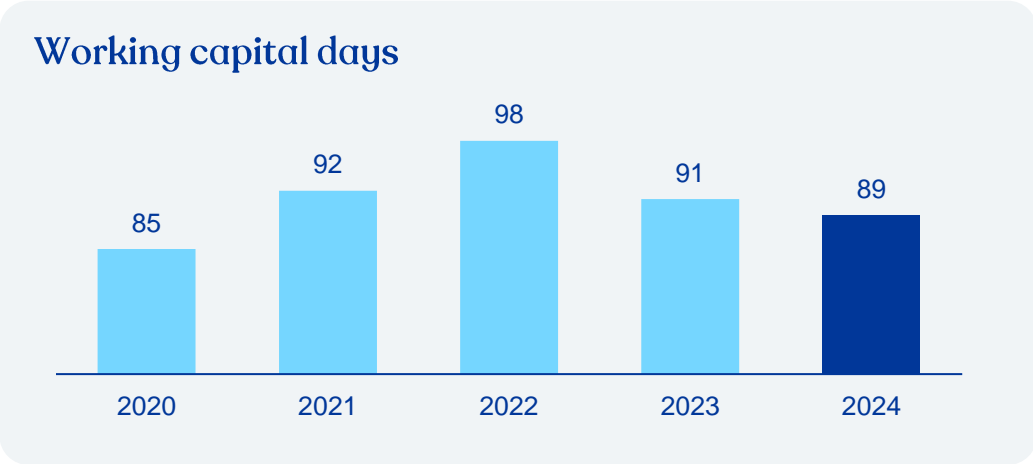
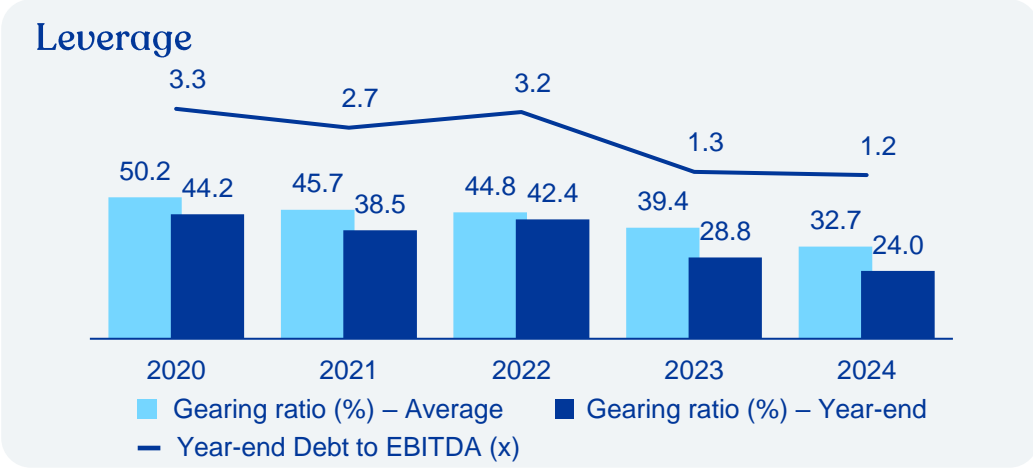
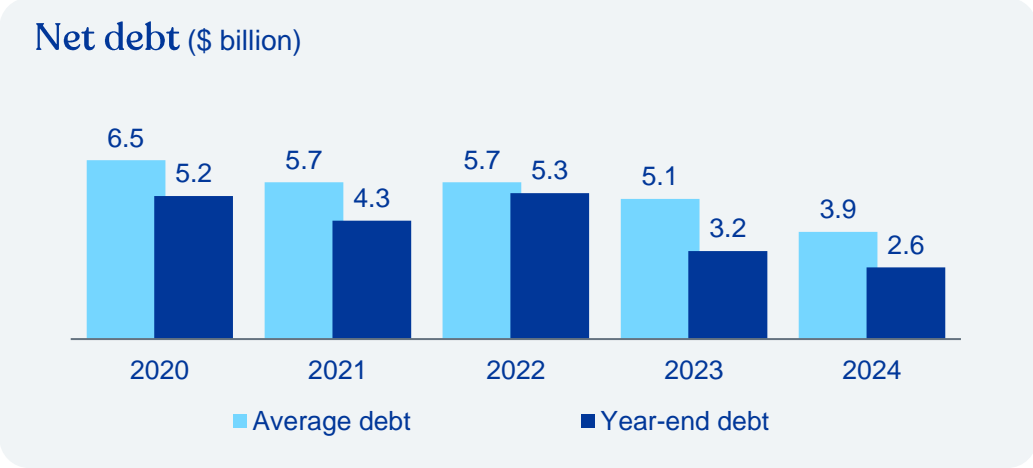


- Non-Reference Product shipment price
- Reference Product shipment price
- Annual average Non-Reference and Reference price

- The average price for the Reference portfolio declined USD 450 per MT or 12%, compared with the Non-Reference portfolio which declined by USD 764 per MT or 15% year-on-year, narrowing the spread between the two
- Stronger demand in the Reference portfolio in the second half. Greater demand for butter and AMF due to the market stabilising post-covid with growth in the bakery channel across all markets and continued strong demand for powders from Southeast Asia and Middle East markets
- Non-Reference pricing has remained relatively stable through FY24 after a significant decline in Q1

Note: Refer to additional information for source data and date ranges

Strong balance sheet provides resilience and flexibility



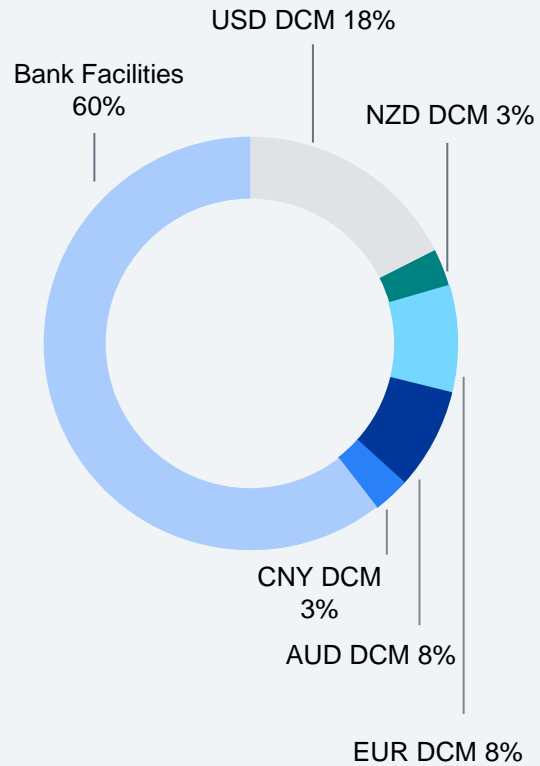
Credit rating

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

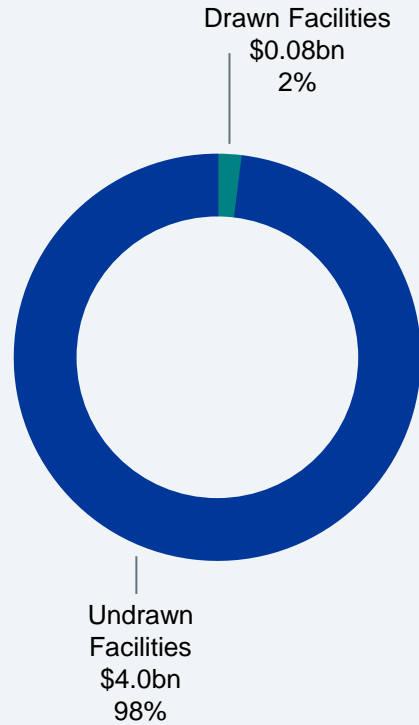
Figures presented for the Total Group

Diversified and prudent funding position

Diversified Profile¹

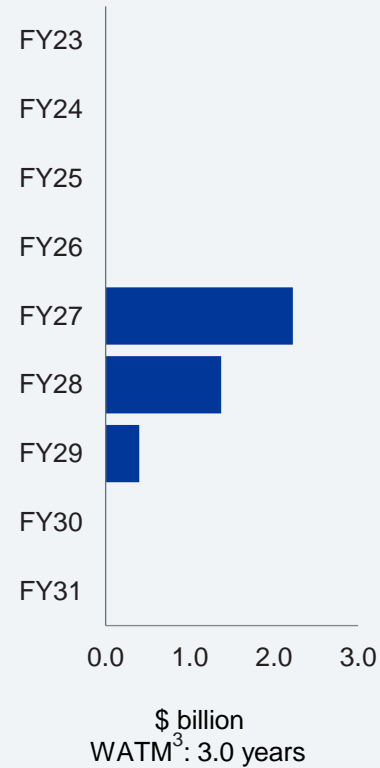


Prudent Liquidity



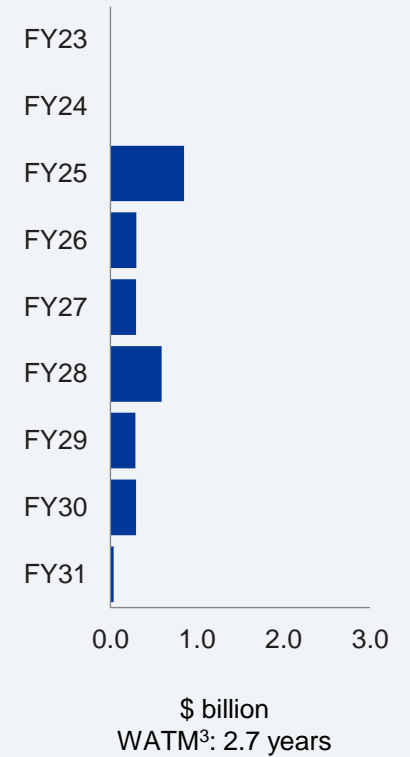
Bank Facilities

Maturity Profile



Debt Capital Markets²

Maturity Profile



Note: Figures are for as at 31 July 2024

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

2. Excludes commercial paper

3. Weighted average term to maturity (WATM)

Forecast 2024/25 season Farmgate Milk Price

Reference Product Prices



Forecast Farmgate Milk Price

\$8.25 – \$9.75

per kgMS

The range reflects:

- recent strengthening in GDT prices and constrained milk supply in key producing regions
- maintaining wide range given early stage of the season

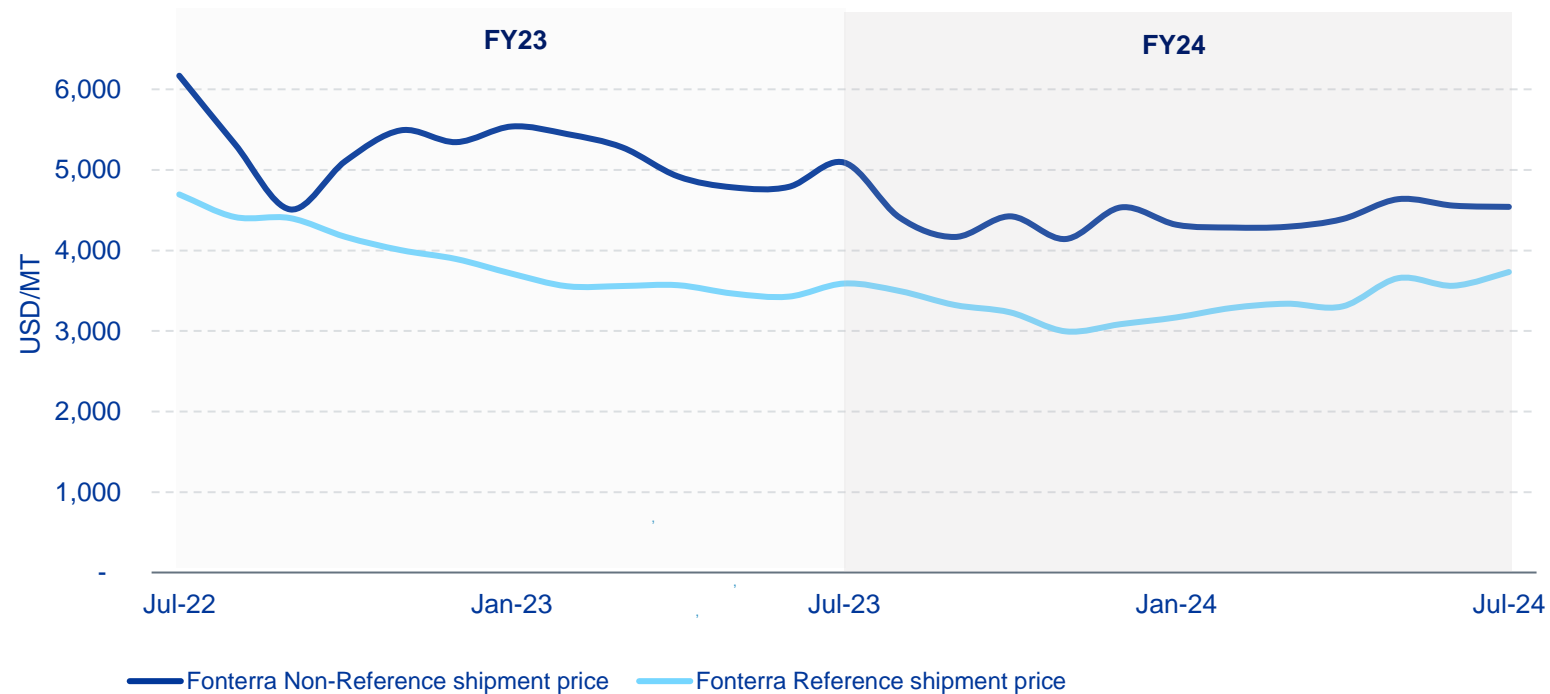
FY25 earnings outlook

FY25 forecast earnings

40 – 60_c

per share

Reference and Non-Reference Product Prices



The range reflects:

- an expectation that underlying performance will be similar to last year. Consumer operating profit forecast to increase through improved margins; Ingredients and Foodservice performance expected to be stable
- higher investment in IT & digital transformation and a higher tax expense, which will generate imputation credits

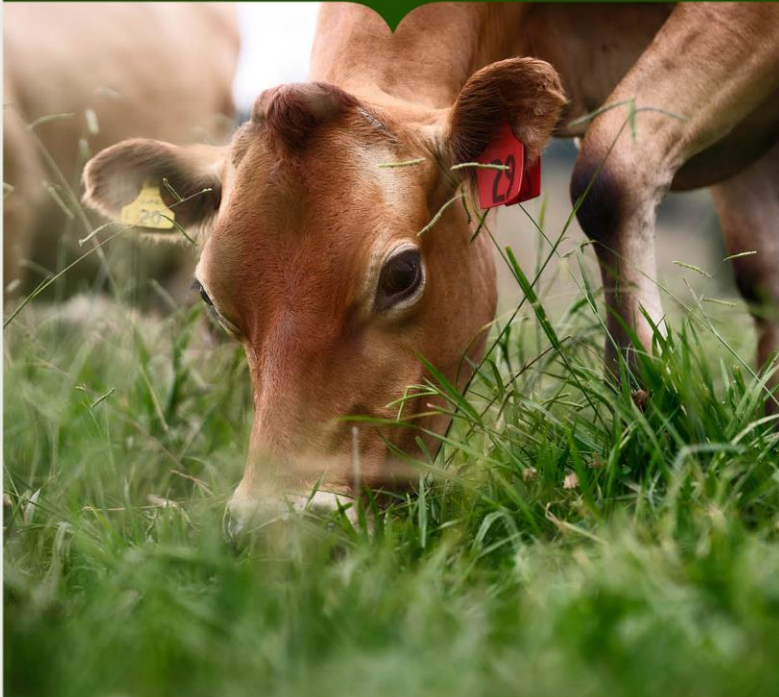
V. Strategy



The foundations of our strategy remain unchanged

We are clear on who we are and confident in our strengths

Focus on
New Zealand Milk



Be a leader in
sustainability



Be a leader in dairy
innovation and science



OUR PURPOSE

Our Co-operative, empowering people, to create goodness for generations. You, me, us together. Tātou, tātou.

OUR VISION

The source of the world's most valued dairy

OUR CHOICES

Deliver strongest farmer offering

Unleash our Ingredients engine

Keep momentum in Foodservice

Invest in operations for the future

Build on our sustainability position

Innovate to drive our advantage

OUTCOMES

Strong Shareholder returns

Stable balance sheet

Enduring Co-op

A strong Co-op, creating value

OUTCOMES	TARGETS & POLICY SETTINGS	FY18-23 AVERAGE	
Strong Shareholder returns	Return on capital ¹	10-12%	8.6%
	Dividend policy	60-80%	50%
	Capital distributions	Guided by Resource Allocation Framework	
Stable balance sheet	Gearing ratio	30-40%	35%
	Debt to EBITDA	2-3X	2.5X
Enduring Co-op	Capital investment requirements	~\$1+ billion per annum in Essential, Sustainability, Growth	\$650m
	Emissions reduction by 2030 ²	Absolute Scope 1 & 2 emissions	50%
		On-farm emissions intensity Scope 3	30%

¹ Average Return on Capital FY24-30

² From an FY18 base year

Key financial drivers to FY27

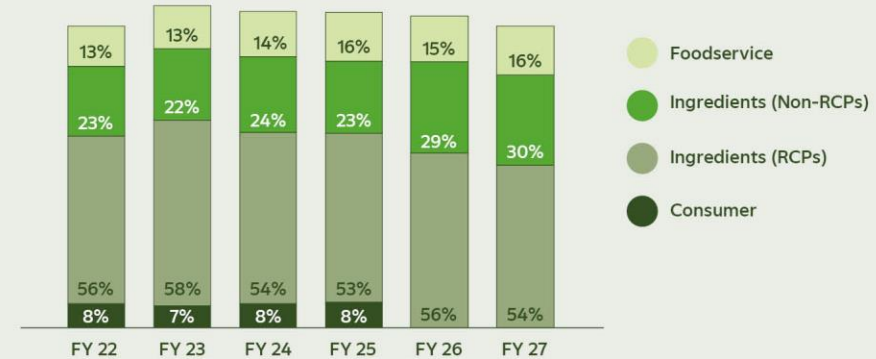
A stable milk supply¹

Strong farmer offering stabilises milk supply



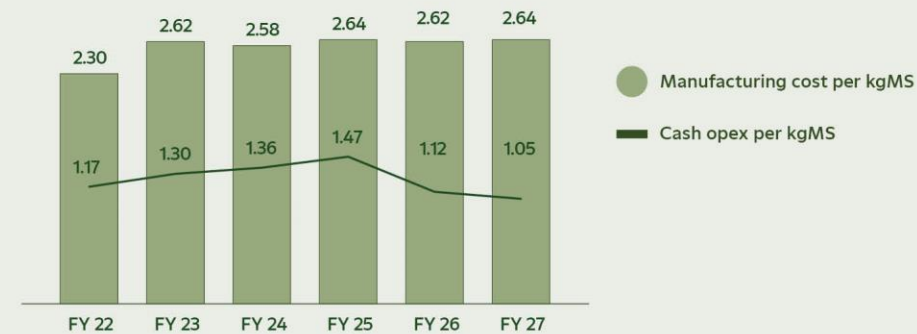
Improved product mix²

Underlying growth in Foodservice of ~5% per year



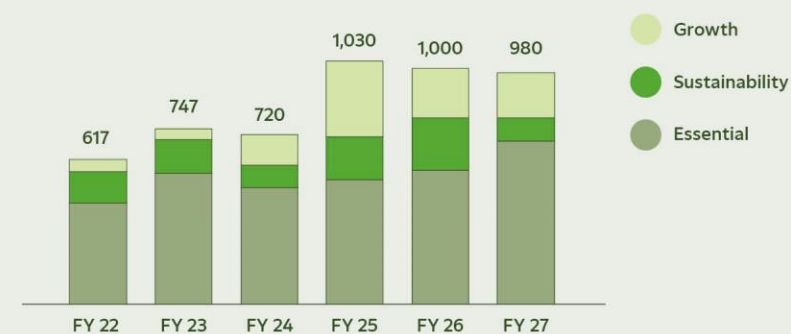
Efficient operations²

Efficiency improvements in NZ manufacturing offset cost inflation



A clear capital plan

Increase in spend to support resilience and growth



¹ New Zealand milk solids ² Indicative of post-divestment levels

Targeting a significant capital return if Consumer businesses divested

Currently exploring options for full or partial divestment of some or all of our global Consumer business, including Fonterra Oceania and Fonterra Sri Lanka.

Targeting a significant capital return, guided by Resource Allocation Framework.

If we proceed with a divestment of this size, we will seek shareholder support.

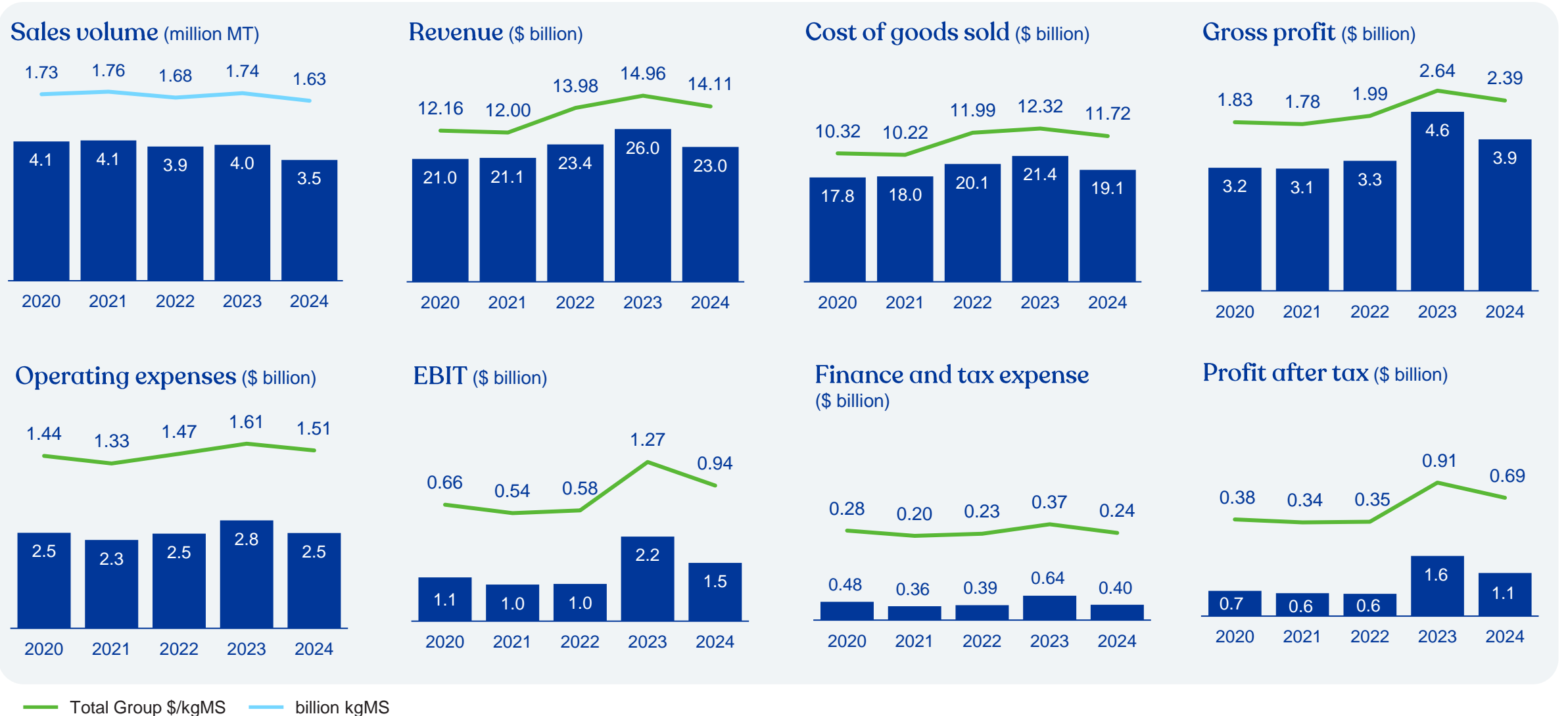


*Illustrative subset of our Consumer brands

Appendix 1 – Financial Outcomes



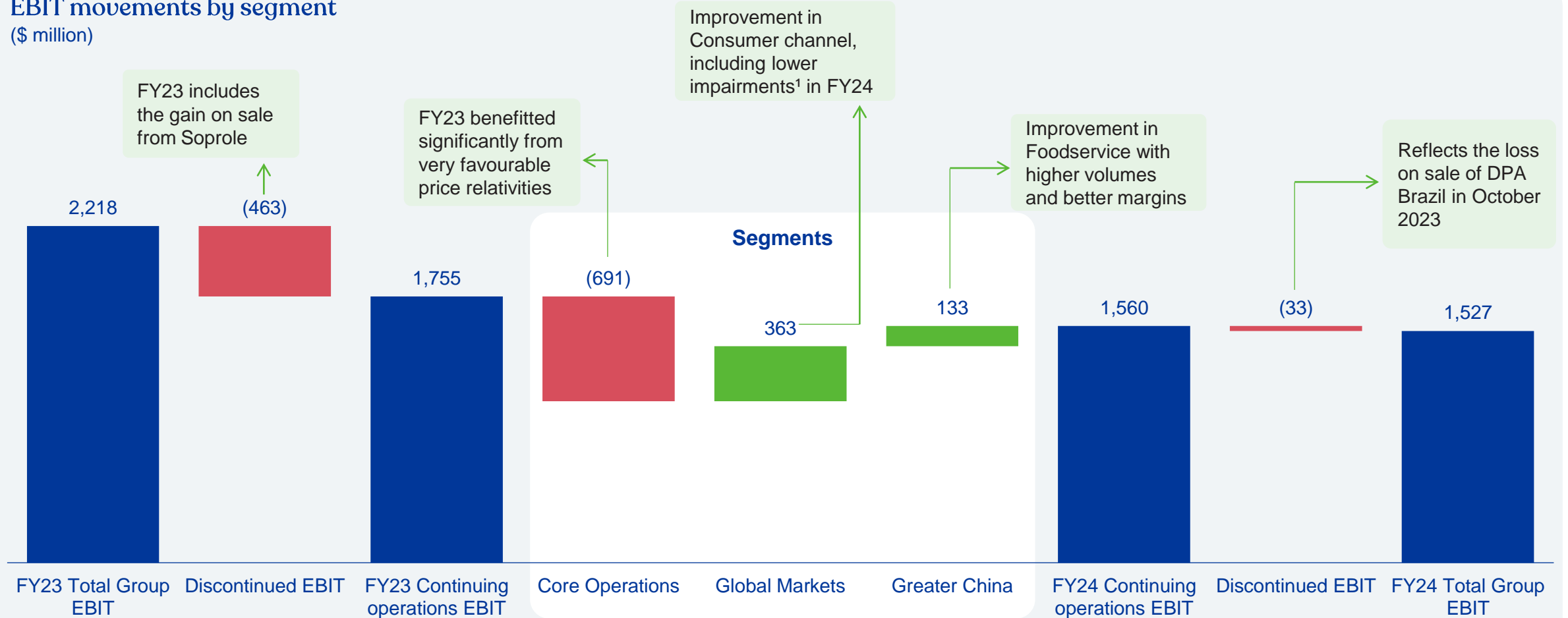
Step change in Group performance over the last two years



1. Note: All figures are for the year ended 31 July. 'Other' not included in the charts and is the reconciliation difference in calculating EBIT from gross profit

Improved operating earnings within markets offset by lower price relativities

EBIT movements by segment
(\$ million)

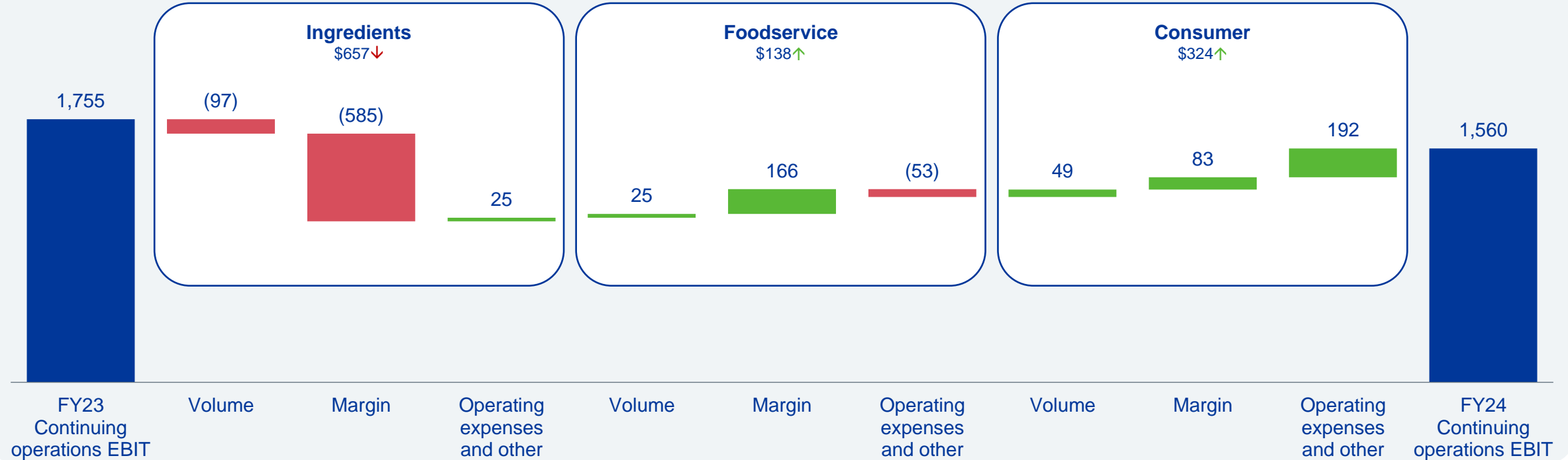


Note: For the year ended 31 July

1. Net impact of impairments in Global Markets is \$193m, with impairments of \$5m in FY24 and \$198m in FY23

Improvement in Foodservice and Consumer offset by lower Ingredients earnings

EBIT channel driver movements between FY23 and FY24 (\$ million)

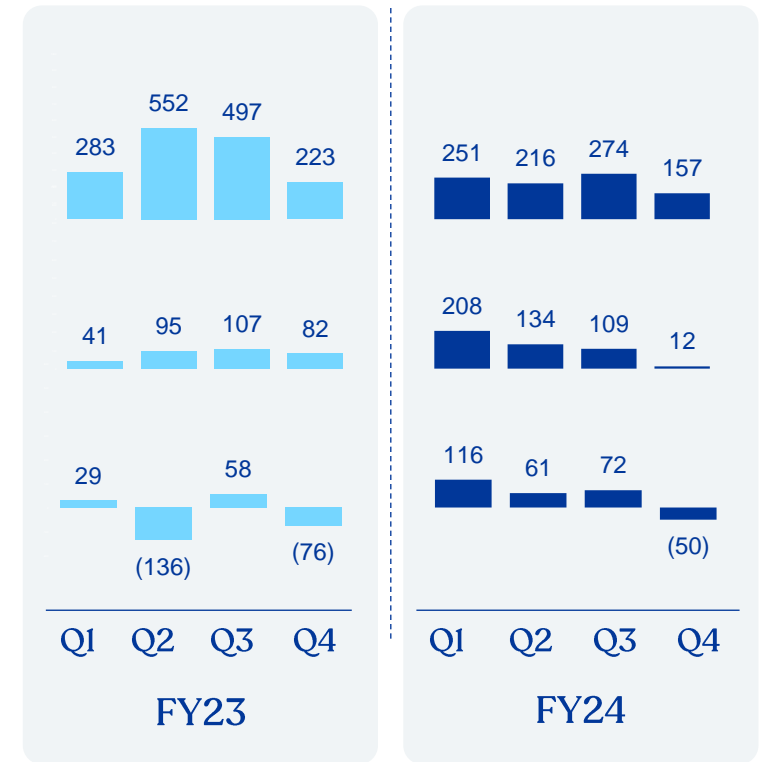


- Significant shift in composition of operating earnings between channels compared to prior year:
 - Ingredients earnings \$657m lower, due to narrower price relativities impacting margins and allocation of milk to higher value channels
 - Foodservice earnings up \$138m, due to increased sales volumes and higher margins as product prices maintained while input costs were lower
 - Consumer earnings up \$324m, due to higher sales volumes and increased margins. Adjusting for net impairments of \$213m (FY23, \$244m and FY24, 31m), underlying operating earnings improved \$111m in FY24

Diversified across markets and products

	Core Operations	Global Markets	Greater China	Total
External sales volume (million kgMS)		1,164 - %	449 4% ↓	1,613 1% ↓
EBIT contribution from continuing operations				
Ingredients	\$165m \$658m ↓	\$573m \$13m ↑	\$160m \$12m ↓	\$898m \$657m ↓
Foodservice	\$(22)m \$19m ↓	\$122m \$57m ↑	\$363m \$100m ↑	\$463m \$138m ↑
Consumer	\$(28)m \$14m ↓	\$247m \$293m ↑	\$(20)m \$45m ↑	\$199m \$324m ↑
Total	\$115m \$691m ↓	\$942m \$363m ↑	\$503m \$133m ↑	\$1,560m \$195m ↓

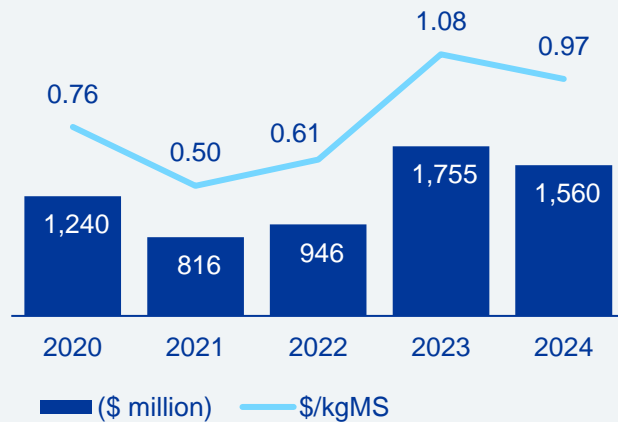
EBIT by quarter



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

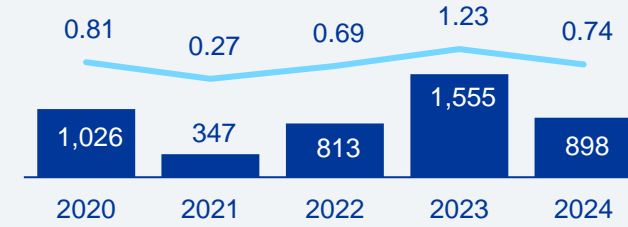
Earnings per kgMS reflect the step change in operating earnings

EBIT from continuing operations¹

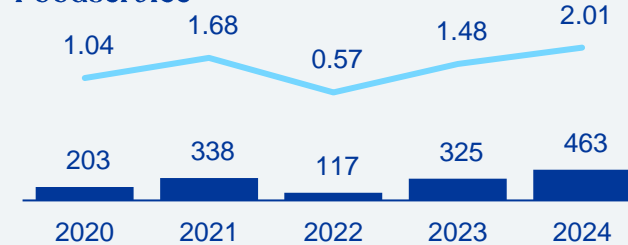


- EBIT per kgMS over the last 5 years reflects the overall lift in earnings on lower total kgMS
- In FY24 the change in EBIT per kgMS reflects the lower volumes and price relativities in Ingredients, partially offset by improved margins and volumes in Foodservice and Consumer
- The higher Consumer opex per kgMS in FY23 reflects the impairments

Ingredients²



Foodservice²



Consumer²



\$ per kgMS sold	FY20	FY21	FY22	FY23	FY24
Revenue	10.82	10.72	13.11	13.77	12.36
Gross profit	1.18	0.90	1.42	2.10	1.61
Opex	0.74	0.70	0.85	0.90	0.93
EBIT ⁴	0.81	0.27	0.69	1.23	0.74
kgMS sold	1,265	1,267	1,185	1,265	1,221

Revenue	13.73	14.48	16.21	17.66	17.60
Gross profit	2.77	3.34	2.43	3.42	4.08
Opex	1.77	1.72	1.93	1.95	2.14
EBIT ⁴	1.04	1.68	0.57	1.48	2.01
kgMS sold	195	201	204	219	230

Revenue	16.65	18.27	19.66	22.36	22.80
Gross profit	4.40	5.15	4.70	5.29	5.66
Opex ³	4.27	4.42	4.30	6.28	4.55
EBIT ⁴	0.06	0.76	0.10	(0.85)	1.23
kgMS sold	180	172	156	148	161

Note: Figures are for the year ended 31 July and do not include normalisations. All tables exclude other operating income, net foreign exchange gains/(losses) and share of profit/loss on equity accounted investees

1. Soprole was classed as a discontinued operation in 2023. Consequently, 2020, 2021 and 2022 was re-presented

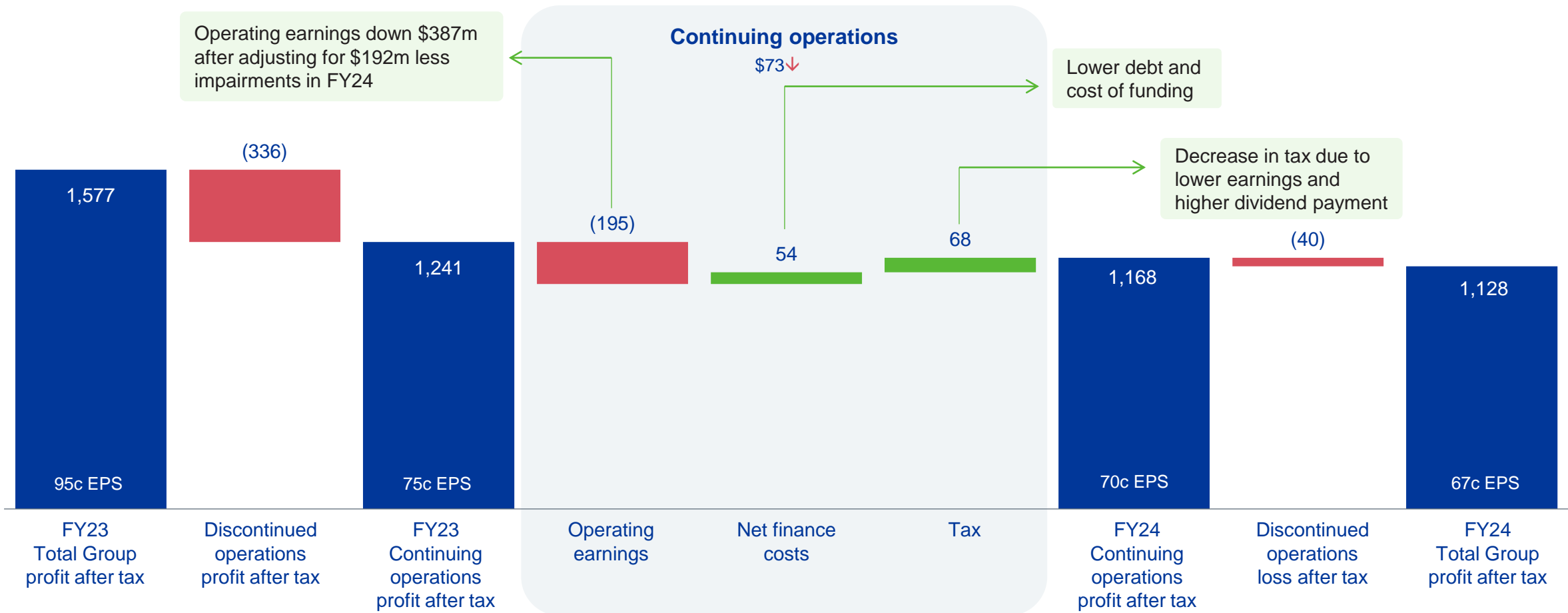
2. 2023 channel view has been re-presented for consistency with the current period

3. Impairment of \$1.65 per kgMS and \$0.19 per kgMS in FY23 and FY24, respectively

4. Other not included in the tables and is the reconciliation difference in calculating EBIT from Gross Profit

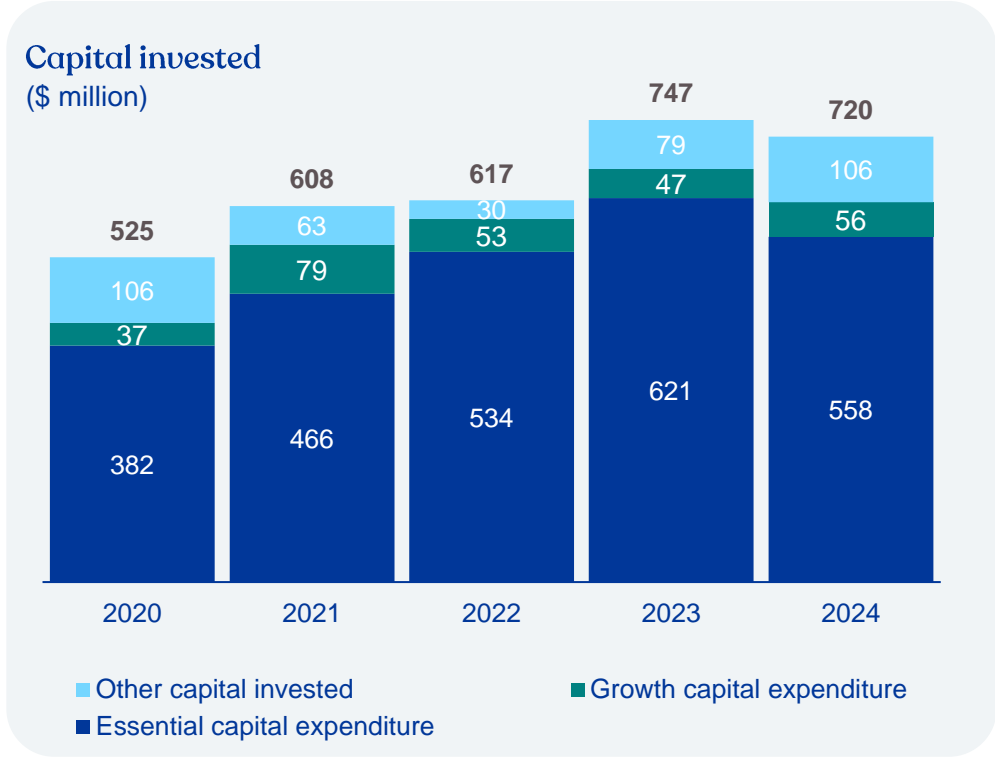
Lower operating earnings partially offset by lower finance costs and tax

FY23 to FY24 Profit after tax
(\$ million)



Note: For the year ended 31 July. Profit after tax presented in the graph includes profit attributable to non-controlling interests. EPS presented is for profit attributable to equity holders of the Co-operative

Capital invested



- Total Capital Invested was \$720 million for the 2024 financial year, made up of capital expenditure of \$614 million and other capital invested of \$106 million
- Capital expenditure comprised \$558 million of essential capital expenditure. This includes \$40 million on decarbonisation projects to meet commitments to sustainability, \$54 million on wastewater assets to improve environmental footprint and \$464 million on maintaining and improving our asset network in New Zealand and globally
- \$56 million was invested to support business growth for the Foodservice & Ingredients businesses, including capacity expansion for high value products such as lactoferrin, probiotics and hydrolysates
- Our “Other capital invested” included our Ki Tua Equity Investment Fund, right-of-use assets and other equity investments

1. Comparative information has been re-presented for consistency with the current period

Key capital expenditure projects across New Zealand

National

- Milk tanker replacements annual program
- Farm vats replacements annual program
- National distribution centers equipment replacements annual program

Lower North Island

Whareroa

- Improved milk powder manufacturing and process to reduce losses and manage product quality risk

Central North Island

Waitoa

- Investment in biomass boiler to replace coal

Tirau

- Upgraded infrastructure to better manage wastewater

Te Rapa

- Milk powder product transfer improvements

South Island

Stirling

- Investment in biomass boiler to replace coal

Hautapu

- Upgraded infrastructure to better manage wastewater
- Change from R22 based refrigeration to a sustainable alternative

Lichfield

- Upgrade refrigeration plant to improve performance

Edendale

- Investment in electrode boiler to replace coal



Asset health¹

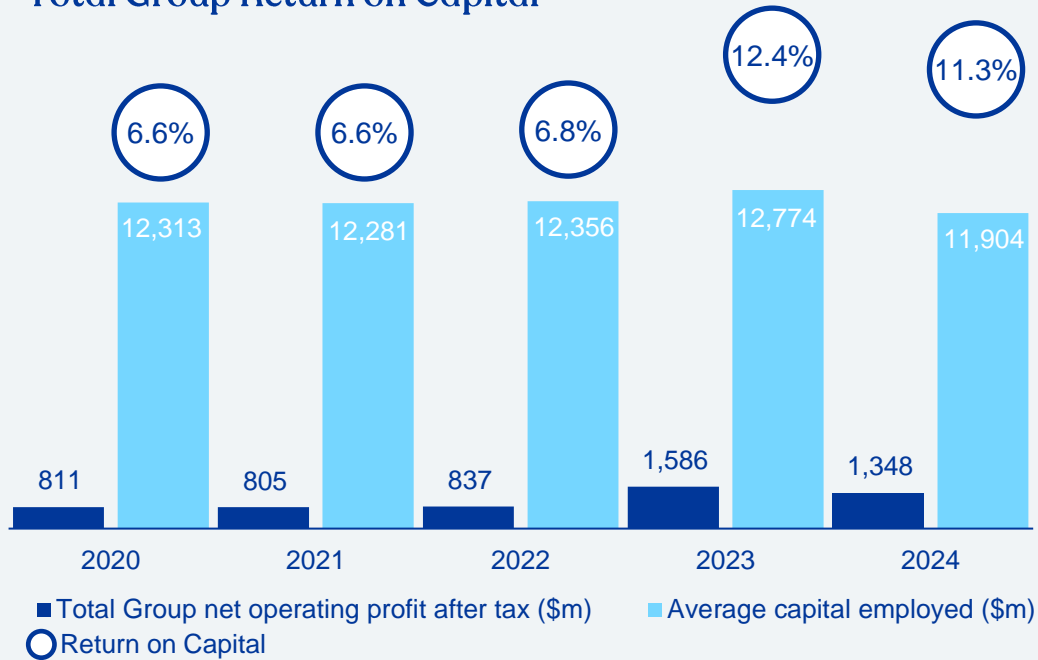


- Ongoing review and assessment of asset condition and risk profile, with targeted investment to improve condition and manage risk
- Implementing robust maintenance strategies with an emphasis on quality of execution to ensure regulatory compliance, and improve asset stability and performance

1. Asset health indicates the assessed condition of our manufacturing assets on a scale of 1 – 5, with 1 indicating the asset is in the best condition possible

Return on capital above FY24 target range

Total Group Return on Capital



- Return on capital of 11.3% significantly above the 5-year average and above the FY24 target range of 8-9%
- Average capital employed reduced due to lower working capital and divestments and associated capital return

Note: Figures presented for the Total Group

1. Comparative information has been re-presented for consistency with the current period
2. Ingredients and Consumer channels include impairments in FY22, FY23 and FY24

Return on Capital by channel¹

Ingredients²

10.2%

↓ from 16.3%

(\$ million)	2022	2023	2024
Average capital employed	7,527	7,990	7,480
Net operating profit after tax	676	1,302	765
Return on Capital (%)	9.0%	16.3%	10.2%

Foodservice

19.6%

↑ from 15.7%

Average capital employed	1,649	1,774	1,984
Net operating profit after tax	91	279	388
Return on Capital (%)	5.5%	15.7%	19.6%

Consumer²

6.8%

↑ from (3.9)%

Average capital employed	2,492	2,477	2,386
Net operating profit after tax	(10)	(96)	162
Return on Capital (%)	(0.4)%	(3.9)%	6.8%

Operating earnings by In Scope and Out of Scope

We are exploring divestment options for Consumer and associated businesses

In preparing the In Scope and Out of Scope breakdowns, we have applied the same principles and assumptions used in our externally published channel and segment reporting. They reflect existing transfer pricing arrangements and Core Operations is fully attributed to the Out of Scope businesses. These breakdowns are unaudited.

	In Scope	Out of Scope	Total
External sales volume (million kgMS)	231 6% ↑	1,382 2% ↓	1,613 1% ↓
EBIT contribution from continuing operations			
Ingredients	\$(33)m \$13m ↓	\$956m \$622m ↓	\$923m \$635m ↓
Foodservice	\$57m \$12m ↑	\$406m \$126m ↑	\$463m \$138m ↑
Consumer	\$258m \$126m ↑	\$(28)m \$14m ↓	\$230m \$112m ↑
Total	\$282m \$125m ↑	\$1,334m \$510m ↓	\$1,616m \$385m ↓

	In Scope		
	Consumer	Foodservice	Ingredients
Oceania	<ul style="list-style-type: none"> Fonterra Oceania 	<ul style="list-style-type: none"> FBNZ and Fonterra Australia Foodservice 	<ul style="list-style-type: none"> Fonterra Australia Ingredients
Sri Lanka		<ul style="list-style-type: none"> Sri Lanka 	
Southeast Asia	<ul style="list-style-type: none"> Indonesia Malaysia Philippines Singapore Thailand Vietnam 		
Greater China	<ul style="list-style-type: none"> China Taiwan Hong Kong 		
Rest of the World	<ul style="list-style-type: none"> Americas Middle East Africa 		

Note: For the year ended 31 July, comparative is FY23. Prepared on a continuing operations basis
Comparative changes are to FY23, and excludes impairments

Additional Information – Data sources

- **Dairy Production and Imports**

- 12-month production

- NZ, US (Aug 2023 to Aug 2024) DCANZ, USDA
- EU, Aus (Jun 2023 to Jun 2024) Eurostat, Dairy Australia

- 3-month production

- NZ, US (Jun 2023 – Aug 2023 to Jun 2024 – Aug 2024) DCANZ, USDA
- EU, Aus (Apr 2023 – Jun 2023 to Apr 2024 – Jun 2024) Eurostat

- 12-month imports

- LATAM, Asia (excl. China), Middle East & Africa, China (Jul 2023 to Jul 2024) S&P Global

- 3-month imports

- LATAM, Asia (excl. China), Middle East & Africa, China (May 2023 – July 2023 to May 2024 – Jul 2024) S&P Global

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

- Reference and Non-Reference actuals: Fonterra Free Alongside Ship (FAS) prices of the New Zealand Ingredients portfolio

Appendix 2 – Our strategic choices



Deliver strongest farmer offering

Work alongside farmers to help drive on-farm productivity and profitability.



Stronger payout

Continuous improvement across the Co-op to support the highest sustainable Farmgate Milk Price.

Improve on-farm cashflow

Optimise the Advance Rate Schedule to get cash to farmers sooner.

Increase farmer support

Deliver greater value in the way we support farmers to achieve their on-farm productivity and sustainability goals.

Next generation of farmers

Increase support for young and early-career farmers, and better connect them with those at the end of the farming lifecycle, to help keep land in dairy.

Unleash our Ingredients engine

Deepen our position as a world-leading provider of sophisticated dairy ingredients, to grow both the Farmgate Milk Price and earnings.



Strategic customer relationships

Deeper partnerships with customers who value our unique offering.

Rewire processes

From manufacturing through to pricing and sales, optimising as one, to unlock value.

Build trading capability

Integrating physical and financial portfolios to unlock new sources of value.

Manufacturing capacity

Invest growth capital in new capacity to increase milk allocated to high-value ingredients.

Grow nutrition portfolio

Invest in innovation to develop advanced ingredient products and solutions.

Keep momentum in Foodservice

Expand our successful Foodservice business in and beyond China to grow earnings.



China growth

Maintain our leadership position in China and expand our footprint into new cities.

Rest of world growth

Selectively accelerate Foodservice growth in markets outside China, with a capital-light approach.

Customer partnership

Continue to invest in local application centres to tailor our products to customer needs.

Product innovation

Deliver new product innovations to maintain and grow market share.

Manufacturing capacity

Invest growth capital in new capacity to increase milk allocated to Foodservice.

Invest in operations for the future

An efficient manufacturing and supply chain network that allows us to flexibly allocate milk to the highest returning product and sales channel.



Efficiency gains

Optimise manufacturing costs through continued improvement in collection, processing and distribution.

Asset capacity shift

Towards higher value Foodservice and Ingredients products.

Technology enhancements

Increase uptake of robotics, automation, AI and other new technologies.

Asset flexibility

Enable flexible allocation of milk across product, channel and customer mix.

Enduring assets

Continued investment of capital in operating efficiencies, energy and wastewater.

Build on our sustainability position

Further improve the Co-op's sustainability credentials, as we work towards our ambition to be net zero by 2050.

An aerial photograph showing a river winding through a lush green forest. The river is dark and narrow, with sandy banks. The trees are dense and vibrant green, with some yellowing foliage visible. The overall scene is a natural, undisturbed landscape.

Sustainable value

Strengthen strategic partnerships with customers who value our sustainability position.

Climate targets

Support farmers to reduce on-farm emissions by deploying new tools, services and technologies. Invest capital to continue reduction of operational emissions.

Nature

Help support the health of waterways, soil and biodiversity.

Animal wellbeing

Work alongside farmers to maintain high standards of animal wellbeing.

Innovate to drive our advantage

Use science and technology to solve the Co-op's challenges and build on our competitive advantages.



Product innovation

Invest in R&D and partner with customers to develop core dairy products and science-backed nutritional solutions.

Value chain improvements

From on-farm emissions reduction solutions through to manufacturing process improvements.

Innovation model

Work alongside customers through in-market application centres and R&D partnerships.

Ki Tua Fund

A standalone entity, investing in new businesses and technology.

Glossary

Acronyms and Definitions

Consumer

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

Core Operations

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

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

Farmgate Milk Price

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

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

GDT

GlobalDairyTrade, the online provider of the twice monthly global auctions of dairy ingredients

Gearing Ratio

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

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 (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

Non-Reference Products

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

Price Relativities

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

Reference Products

are the five commodity groups used to calculate the Farmgate Milk Price, being Whole Milk Powder (WMP) and Skim Milk Powder (SMP), and their by-products Butter, Anhydrous Milk Fat (AMF) and Buttermilk Powder (BMP)

Return on Capital (ROC)

is calculated as Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed

Season

New Zealand: A period of 12 months from 1 June to 31 May
Australia: A period of 12 months from 1 July to 30 June

Trade Working Capital

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

WACC

Weighted Average Cost of Capital

Working Capital Days

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

Thank you.