

FONTERRA SHAREHOLDERS' FUND 2024 ANNUAL MEETING
18 NOVEMBER 2024
FONTERRA CEO'S ADDRESS

Thank you.

Today I'll cover the Co-op's performance for F24 and then our plans for the years ahead as we implement our revised strategy.

Looking first at our F24 annual results.

I'm proud to say the Co-op had a strong year and maintained the positive momentum we saw in F23.

We delivered earnings of 1.6 billion dollars, which was driven by strong performance across all three of our sales channels.

Our Foodservice margins improved, and we allocated more milk to this high performing channel.

Our Consumer business also improved its margins and lowered its operating expenses too.

While our Ingredients earnings were down when compared to last year's historic highs, this channel still delivered a substantial proportion of our Co-op's earnings for the year.

As a result, our net earnings were at the top end of our guidance range, at 70 cents per share.

This allowed us to pay a 15 cent interim dividend during the year and a 25 cent final dividend.

Our ongoing balance sheet strength also enabled us to return an extra 15 cents through a special dividend, making the total dividend payment for F24 55 cents per share.

When combined with our final Farmgate Milk Price of \$7.83, our total payout to fully shared-up farmers was \$8.38.

Looking at the rest of the year ahead, I'm pleased to say we're forecasting a stronger Farmgate Milk Price.

Earlier this week, we lifted our midpoint by 50 cents to \$9.50, giving us a new forecast range of \$9 to \$10 per kgMS.

This lift was largely driven by demand out of China, where we are starting to see domestic milk production slow.

And we continue to monitor global factors including New Zealand milk supply.

Looking at our earnings for F25, we have a forecast range of 40-60 cents per share.

This outlook signals another year of stable performance from the Co-op.

With Fonterra delivering consistent and reliable results over the last few years, we've seen a steady lift in farmer confidence and sentiment.

It's this foundation that allows us to think ahead and have conversations about our strategy.

Recently, we conducted a strategic review, honing in on where we create value today and see long term growth.

This has resulted in us focusing even further on Foodservice and Ingredients.

By streamlining the business to focus on these areas, we can grow greater value for the Co-op, even if we divest our Consumer businesses.

As an example of this strategy in action, I want to touch on a recent announcement relating to our Foodservice business.

Recently I was in China for the annual China International Importers Expo.

It's an impressive event, where we showcased our business to customers and stakeholders, with lots of energy around dairy nutrition and our innovative products.

At this event, we launched a new Anchor UHT cream product, designed to grow our share of China's growing Foodservice market.

We already have a strong Foodservice business in China, primarily targeted at the premium end of the market.

This new cream product will target the mid-tier market, the fastest growing segment in the UHT cream category.

Often, to achieve the lower price point needed to access the mid-tier market, products are made using plant-based fats.

Using our innovation expertise, we've developed a 100% dairy product, with the right functionality and at a competitive price point.

This move will help us attract new Foodservice customers and consolidate our leadership position in the UHT market.

Our investment in a new UHT plant at our Edendale site will support this ongoing growth, as we look to allocate more milk to our Foodservice channel.

It's examples such as these that give us confidence in our revised strategy and our potential to create further value for shareholders and unit holders.

Our revised strategy has allowed us to lift our target average return on capital to 10-12%, up from 9-10%.

We've also committed to returning more of the Co-op's earnings, with an enhanced dividend policy of 60-80% of earnings, up from 40-60%.

We are confident we can achieve these outcomes while continuing to invest in the Co-op and maintaining the strong balance sheet we've worked so hard to rebuild over recent years.

We're making choices about where we want to focus, so we can go further, faster.

This is why we believe a divestment of our global Consumer businesses is in the best interests of the Co-op and are proceeding with a sales process.

As announced last week, we have assessed both a trade sale and IPO as attractive options and will now pursue both.

I recognise there is significant interest in this process, and we will keep you updated as this work progresses.

This is a pivotal time for the Co-op.

We're in a strong position today and have an exciting future.

Thank you.

ENDS