



Market Announcement

25 May 2023

Fonterra updates Farmgate Milk Price, FY23 earnings guidance, and brings forward capital return payment date

Fonterra has today announced an opening 2023/24 season forecast Farmgate Milk Price of \$7.25 to \$8.75 per kgMS, with a midpoint of \$8.00 per kgMS, updated its current season forecast Farmgate Milk Price, increased its full year earnings guidance, and brought forward the payment date of its proposed capital return.

CEO Miles Hurrell says while the forecast Farmgate Milk Price for this season has been impacted by reduced demand, the Co-op remains on track for a strong full year dividend.

Farmgate Milk Price

The reduced short-term demand, particularly from China, has had an impact on our 2022/23 forecast Farmgate Milk Price.

"We're well through the season now, with almost all of our milk contracted, giving us more certainty on where we'll end the season.

"Global Dairy Trade prices have not recovered to the levels required to hold the previous midpoint for this season. For these reasons, we have narrowed the forecast range for the 2022/23 season from \$8.00 - \$8.60 per kgMS to \$8.10 - \$8.30 per kgMS and reduced the midpoint from \$8.30 per kgMS to \$8.20 per kgMS.

"The opening forecast Farmgate Milk Price for next season of \$7.25 to \$8.75 per kgMS, with a midpoint of \$8.00 per kgMS, reflects an expectation that China's demand for whole milk powder will lift over the medium-term.

"We expect demand to gradually strengthen over the course of FY24 as China's economy continues to recover from COVID-19.

"However, the timing and extent of this remains uncertain, with China's in-market whole milk powder stocks estimated to be above normal levels following increased domestic production. This is reflected in our wide opening forecast range for the season.

"We recognise the pressure farmers are under and have designed a new Advance Rate guideline to get cash to farmers earlier in the season.

“Our strong balance sheet allows us to make these changes and we will be using this new Advance Rate guideline going forward, starting with the season about to commence” says Mr Hurrell.

Business performance

Fonterra has reported a profit after tax of \$1,326 million, equivalent to 81 cents per share, for the third quarter of FY23.

This is up \$854 million on the same period last year and includes the gain on sale from Soprole of \$260 million.

“Excluding the net gain from divestments, our normalised profit after tax improved on last year, up \$606 million to \$1,078 million, equivalent to 65 cents per share.

“This is due to strong performance in our Ingredients channel, with continued higher margins in our cheese and protein portfolio, particularly casein and caseinate.

“These favourable price relatives have continued longer than expected, and we’re also seeing improved performance coming through in our Foodservice and Consumer channels, in particular in Global Markets.

“As a result, we have lifted our FY23 full year forecast normalised earnings to 65-80 cents per share from 55-75 cents per share and remain on track for a strong full year dividend.

“Total Group normalised operating expenses are up in part due to the impact of impairments reported in our FY23 Interim Results in March, as well as ongoing inflationary pressures,” says Mr Hurrell.

Progress on strategy

In the third quarter of FY23, Fonterra continued to make progress on its long-term strategy.

“The Co-op has transitioned to its new Flexible Shareholding capital structure,” says Mr Hurrell.

“We have also completed the divestment of Soprole and finalised our exit of China Farms following the sale of the last remaining farm.

“With the sale of Soprole now complete, we are bringing forward the payment date of our proposed capital return of around 50 cents per share and unit, from October 2023 to August 2023.”

Implementation of the capital return, which is approximately \$800 million, remains subject to a Scheme of Arrangement being voted on by shareholders, and approval by the High Court, which is a common process for this type of transaction.

“We’re also continuing to take steps towards our sustainability goals, and are expecting to announce a scope 3, or on-farm emissions target, in the middle of this calendar year.

“Meetings are underway with farmers where we’re sharing more information on what a target will look like and how we can collectively achieve it.

“It’s also pleasing to see the Centre for Climate Action Joint Venture, of which Fonterra is a shareholder, is now operational.

“The JV has made its first investment, contributing \$1.8 million to Ruminant BioTech, a New Zealand-based start-up that is developing a slow-release, biodegradable, methane-inhibiting bolus,” says Mr Hurrell.

ENDS

Non-GAAP financial information

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.

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Fonterra Third Quarter Business Update

25 May 2023



**Good
Together**
from one generation
to the next



Third Quarter Business Update

- Current season forecast Farmgate Milk Price range narrowed and reduced to \$8.10 - \$8.30 per kgMS
- Profit after tax is \$1,326 million, up \$854 million
 - excluding the net gain from divestments of \$248 million, normalised profit after tax is \$1,078 million, equivalent to 65 cents per share
 - price relativities continue to be favourable compared to average historical levels
- Increased 2023 forecast normalised earnings range to 65 – 80 cents per share
- Proposed capital return of approximately \$800 million brought forward to August 2023
- Announced opening 2023/24 season forecast Farmgate Milk Price range of \$7.25 – \$8.75 per kgMS



Strategy update



Completed divestment of Soprole and finalised exit of China Farms

- The divestment of Soprole is complete. We are bringing forward our proposed capital return of approximately \$800 million to farmers and unit holders from October to August 2023
- Finalised the sale of the last remaining China farm



Transitioned to new Flexible Shareholding capital structure

- Transitional buyback of shares to continue until 9 June 2023 to support liquidity during the transition phase
- New market makers arrangement for Fonterra Shareholders Market in place and will continue over the long term



Scope 3 target progressing and Centre of Climate Action JV operational

- Meetings are underway with farmers on what an emissions target will look like and how we can collectively achieve it
- The JV has invested in Ruminant BioTech, a start-up developing slow-release, biodegradable, methane-inhabiting bolus



Third Quarter Business Update

Profit after tax

\$1,326 million

↑ from \$472m

Free cash flow

\$1,623 million

↑ from (1,455)m

Earnings per share¹

81c

↑ from 28c

Normalised earnings
per share²

65c

↑ from 28c

2022/23 forecast Farmgate Milk Price

\$8.10–\$8.30 per kgMS

NZ milk
collections (kgMS)

1,405m

↓ from 1,408m

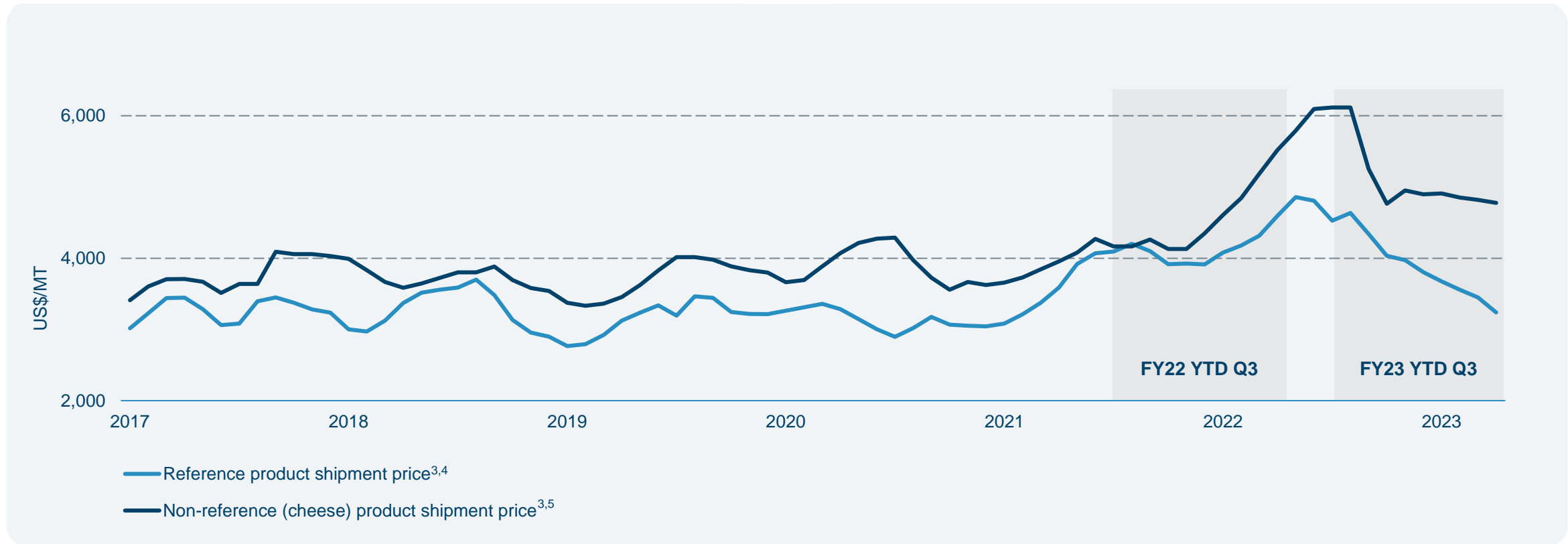
Return
on capital

11.7%

↑ from 5.7%



Favourable price relativities continue



Total Group performance

Million	2022	2023	%Δ
Sales volume ('000 MT)	2,946	3,000	2%
Revenue (\$)	16,982	19,737	16%
Cost of goods sold (\$)	(14,547)	(16,147)	(11)%
Gross profit (\$)	2,435	3,590	47%
Gross margin (%)	14.3%	18.2%	
Operating expenses (\$)	(1,632)	(2,004)	(23)%
Other ⁶ (\$)	22	58	164%
Normalised EBIT (\$)	825	1,644	99%
Net finance costs	(159)	(220)	(38)%
Tax expense	(194)	(346)	(78)%
Normalised profit after tax (\$)	472	1,078	128%
Normalisations (\$)	-	248	-
Reported profit after tax (\$)	472	1,326	181%
Reported EPS (cents)	28	81	189%

- Higher sales volumes reflect sell down of additional FY22 year-end inventory
- Increased sales volumes in Global Markets while sales volumes in Greater China are lower due to softer demand
- Gross margin and gross profit are up due to strong product prices in our Ingredients channel
- Operating expenses are up due to the impact of impairments recognised at FY23 Interim, and ongoing inflationary pressures
- Normalisations are comprised of a \$260 million gain on sale of Soprole, and \$(12) million in relation to exiting our Hangu China farm

Diversified across markets and products

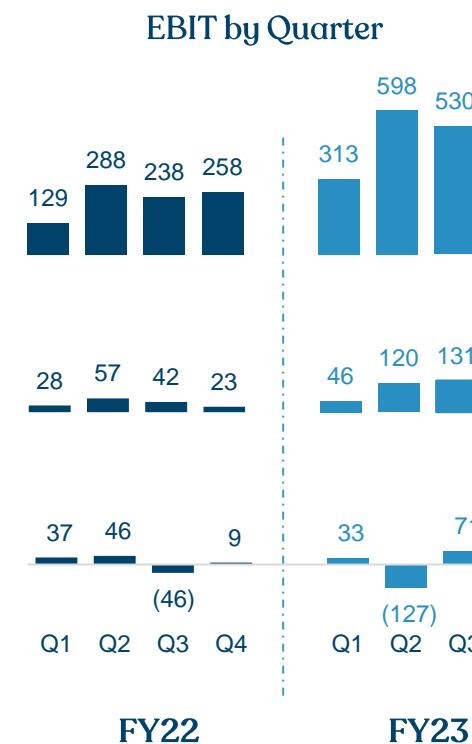
	Group Operations	Global Markets	Greater China	Total
External sales volume ('000 MT)		1,866 9% ↑	714 12% ↓	2,580 2% ↑
EBIT contribution (before unallocated costs & eliminations)				
Ingredients	\$788m \$583m ↑	\$521m \$195m ↑	\$132m \$8m ↑	\$1,441m \$786m ↑
Foodservice	\$22m \$88m ↑	\$46m \$27m ↑	\$229m \$55m ↑	\$297m \$170m ↑
Consumer	\$16m \$28m ↑	\$(19)m \$62m ↓	\$(20)m \$26m ↓	\$(23)m \$60m ↓
Total	\$826m \$699m ↑	\$548m \$160m ↑	\$341m \$37m ↑	

Note: Prepared on a continuing operations basis. EBIT contributions in the above table sum to \$1,715 million, and do not align to reported continuing operations of \$1,526 million due to excluding \$189 million of unallocated costs and eliminations

End-to-end view by region

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

	Global Markets	Greater China	Totals
External sales volume ('000 MT)	1,866 9% ↑	714 12% ↓	2,580 2% ↑
EBIT contribution (before unallocated costs & eliminations)			
Ingredients	\$1,134m \$677m ↑	\$307m \$109m ↑	\$1,441m \$786m ↑
Foodservice	\$43m \$38m ↑	\$254m \$132m ↑	\$297m \$170m ↑
Consumer	\$11m \$28m ↓	\$(34)m \$32m ↓	\$(23)m \$60m ↓
Total	\$1,188m \$687m ↑	\$527m \$209m ↑	



Note: Prepared on a continuing operations basis. EBIT contributions in the above table sum to \$1,715 million, and do not align to reported continuing operations of \$1,526 million due to excluding \$189 million of unallocated costs and eliminations



Forecast 2022/23 Season Farmgate Milk Price

Forecast Farmgate Milk Price

\$8.10-\$8.30
per kgMS

The range has narrowed and reduced, reflecting:

- 95% of milk contracted for the season increasing certainty
- GDT prices have not recovered to the levels required to hold the previous midpoint

Reference Product Prices



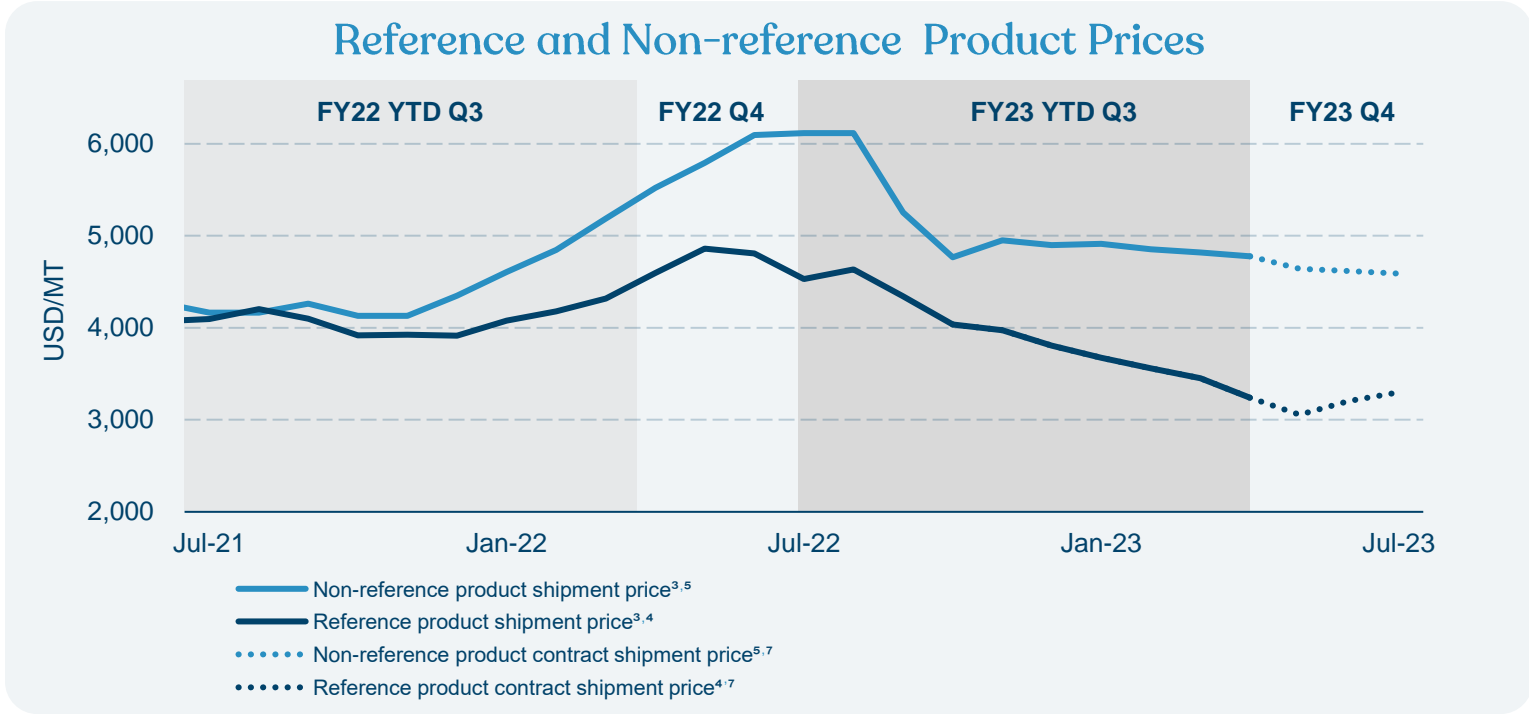


Strong protein margins underpin earnings outlook

2023 forecast
normalised earnings
65-80c
per share

The increased earnings range reflects:

- ongoing strong margins in protein and cheese portfolio
- recent margin improvement coming through Foodservice and Consumer channel margins



Source: GlobalDairyTrade. Data is up to GlobalDairyTrade event 332 on 16 May 2023

Forecast 2023/24 Season Farmgate Milk Price

2023/24 Season Opening
Forecast Farmgate Milk Price

\$7.25–\$8.75

per kgMS

- Midpoint of \$8.00 per kgMS reflects:
 - an expectation demand for whole milk powder, particularly from China, will lift over the medium-term
 - in the near-term, China's import demand has been impacted by its in-market whole milk powder levels, which are estimated to be above normal
- The wide range reflects:
 - the timing and extent of China's recovery from COVID-19
 - global outlook remains uncertain with inflationary pressures and risk of recession continuing to influence markets
 - continued volatility in financial and foreign exchange markets



Notes

1. Includes a \$260 million gain on sale of Soprole, and \$(12) million in relation to exiting our Hangu China farm
2. Normalisations are comprised of a \$260 million gain on sale of Soprole, and \$(12) million in relation to exiting our Hangu China farm
3. The shipment price is a weighted average price of GlobalDairyTrade contracts struck 1 to 5 months prior to the agreed shipment month. Shipment month is the month in which the sale would be deemed for financial reporting purposes to have been completed, and will normally be the month in which the sale is invoiced and the product is shipped
4. Reference product shipment price is represented by a weighted average of the whole milk powder, skim milk powder, anhydrous milk fat and butter prices achieved on GlobalDairyTrade
5. Non-reference product shipment price is represented by the cheddar prices achieved on GlobalDairyTrade. Non-reference includes other products such as casein and whey protein concentrate
6. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees
7. The contracted shipment price is the weighted average shipment price of GlobalDairyTrade contracts won 1 to 5 months prior on the GlobalDairyTrade platform. These contracts are yet to be shipped or invoiced and the weighted average price will change closer to the actual shipment date as new contracts are written

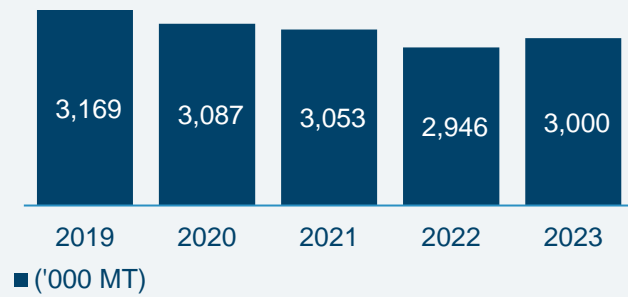


Appendix

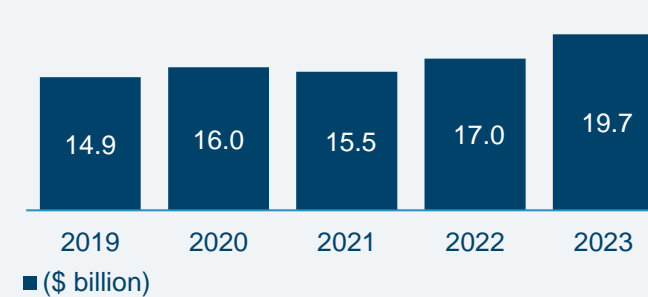


Key financial metrics for Total Group FY23 Q3

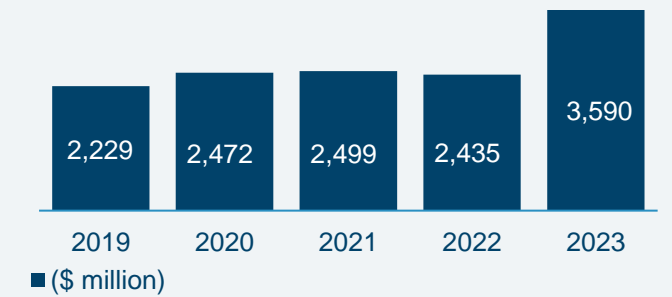
Sales volume



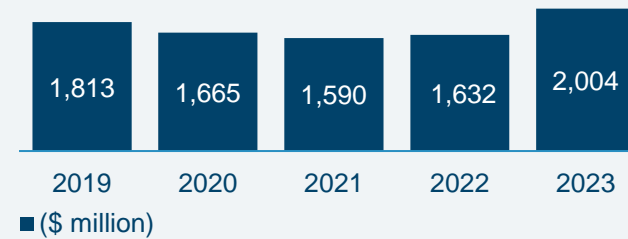
Revenue



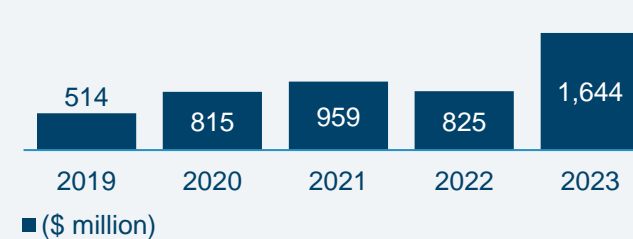
Gross profit



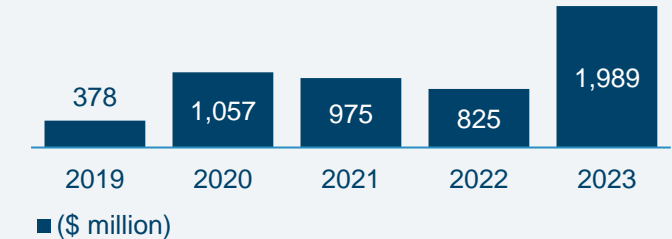
Operating expenses



Normalised EBIT

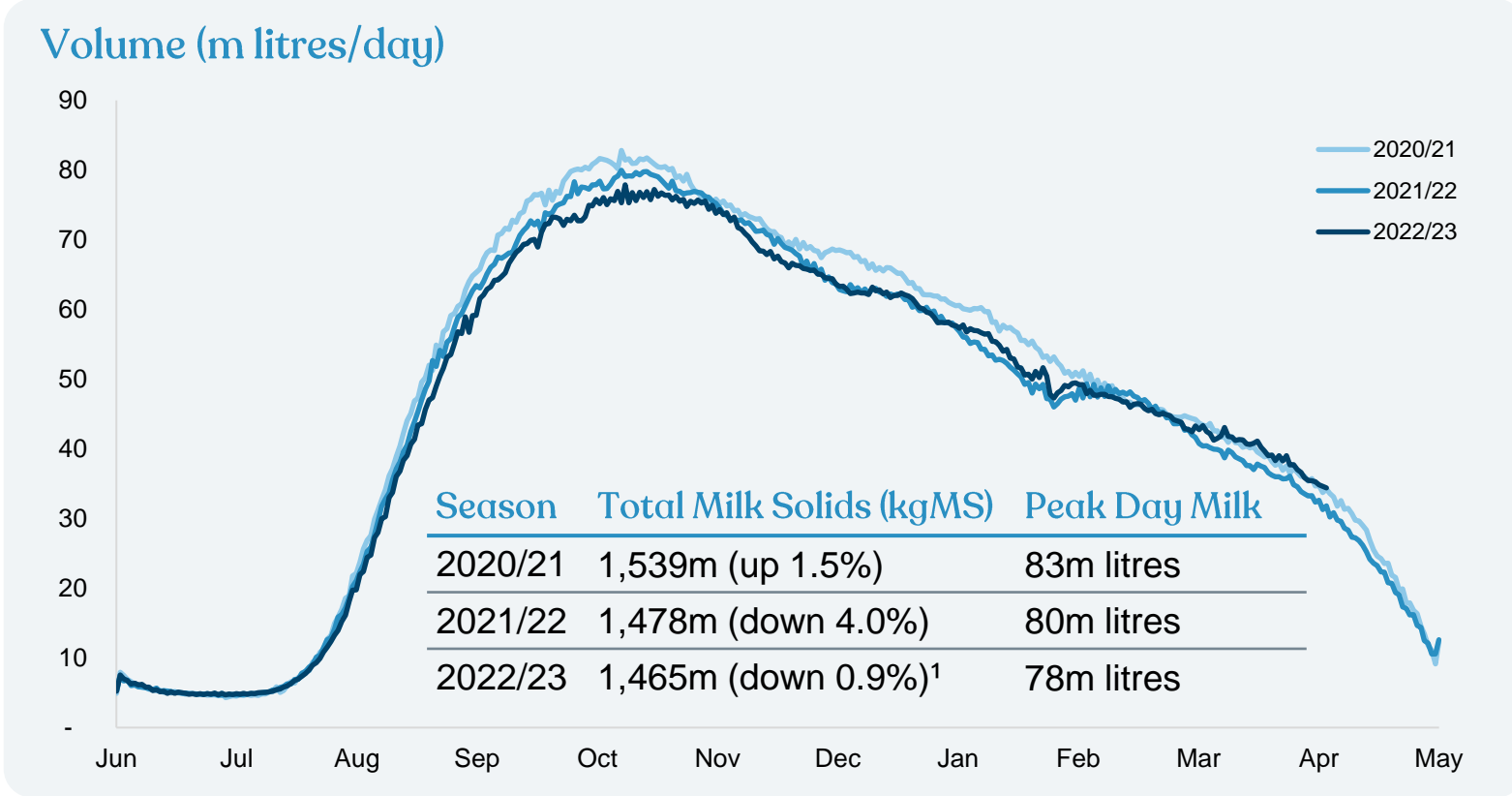


Reported EBIT





Fonterra's New Zealand milk collections



- Fonterra's New Zealand milk collections for the period 1 June to 30 April was 1,405 million kgMS, down 0.2% on last season
- Challenging wet weather conditions throughout the North Island, combined with a reduction in the number of cows, impacted peak production earlier in the season
- Recent weather has been conducive to strong pasture growth with intermittent rain and warmer temperatures, resulting in stronger milk supply towards the end of the season
- Full season forecast is 1,465 million kgMS

1. Current full season forecast



Reconciliation to Total Group EBIT

NZD Million	30 April 2022			30 April 2023		
	Continuing Operations ¹	Discontinued Operations ¹	Total Group	Continuing Operations ¹	Discontinued Operations ¹	Total Group
Revenue	15,876	1,106	16,982	18,430	1,307	19,737
Cost of goods sold	(13,773)	(774)	(14,547)	(15,207)	(940)	(16,147)
Gross profit	2,103	332	2,435	3,223	367	3,590
Gross margin	13.2%	30.0%	14.3%	17.5%	28.1%	18.2%
Operating expenses	(1,398)	(234)	(1,632)	(1,752)	(252)	(2,004)
Other ²	23	(1)	22	55	3	58
Normalised EBIT	728	97	825	1,526	118	1,644
Normalisations	-	-	-	-	345	345
Reported EBIT	728	97	825	1,526	463	1,989

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

2. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees



Normalised Items

NZD Million	Soprole	Hangu China farm	Total
Gain/(loss) on sale	357	(12)	345
EBIT	357	(12)	345
Net finance costs and tax	(97)	-	(97)
Profit after tax	260	(12)	248
Profit attributable to non-controlling interests	-	-	-
Profit after tax attributable to equity holders of the Co-operative	260	(12)	248



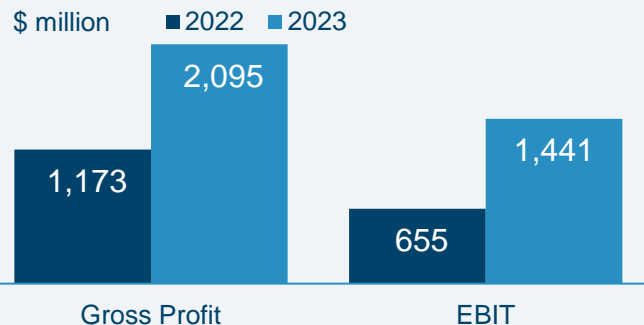
Product channel performance

Ingredients

Volume ('000 MT)
1,696 from 1,610 ↑

Revenue (\$ million)
13,067 from 11,146 ↑

Gross margin
16.0% from 10.5% ↑

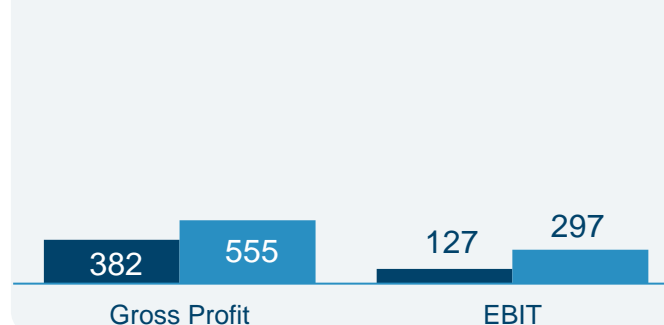


Foodservice

Volume ('000 MT)
411 from 395 ↑

Revenue (\$ million)
2,900 from 2,456 ↑

Gross margin
19.1% from 15.6% ↑

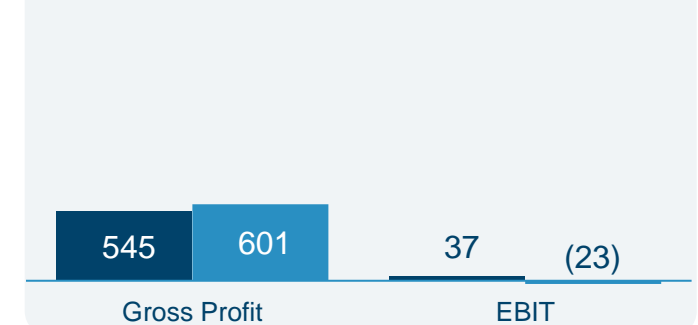


Consumer

Volume ('000 MT)
473 from 486 ↓

Revenue (\$ million)
2,468 from 2,274 ↑

Gross margin
24.4% from 24.0% ↑



Note: Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information has been restated for consistency with the current period

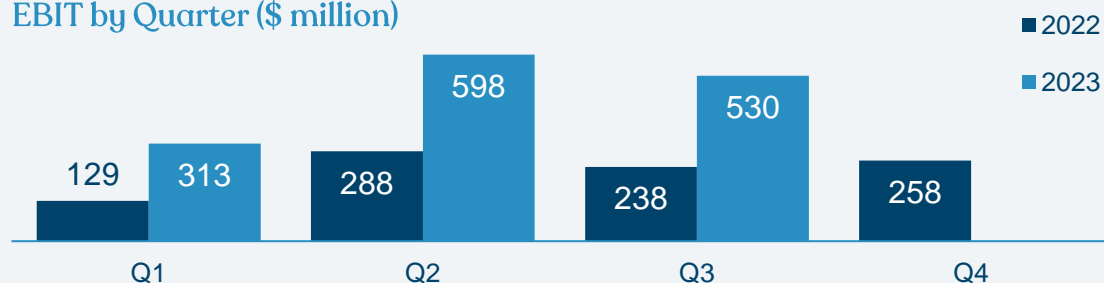


Ingredients

NZD Million	2022	2023	%Δ ¹
Sales volume ² ('000 MT)	1,610	1,696	5%
Revenue (\$)	11,146	13,067	17%
Cost of goods sold	(9,973)	(10,972)	(10)%
Gross profit (\$)	1,173	2,095	79%
Gross margin (%)	10.5%	16.0%	
Operating expenses (\$)	(596)	(692)	(16)%
Other ³ (\$)	78	38	(51)%
Normalised EBIT (\$)	655	1,441	120%

- Higher sales volumes reflect the sell down of additional inventory held at 2022 financial year-end
- Gross profit improved \$922 million due to continuing favourable margins in our protein and cheese portfolios, as well as higher sales volumes
- Operating expenses up 16% reflecting inflationary pressures and supply chain disruption
- Normalised EBIT increased \$786 million, or 120%

EBIT by Quarter (\$ million)



Note: Figures are on a normalised 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. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees

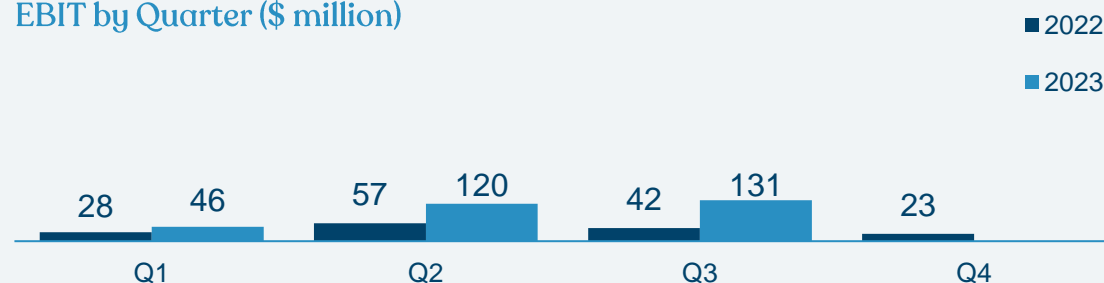


Foodservice

NZD Million	2022	2023	%Δ ¹
Sales volume ² ('000 MT)	395	411	4%
Revenue (\$)	2,456	2,900	18%
Cost of goods sold	(2,074)	(2,345)	(13)%
Gross profit (\$)	382	555	45%
Gross margin (%)	15.6%	19.1%	
Operating expenses (\$)	(262)	(259)	1%
Other ³ (\$)	7	1	(86)%
Normalised EBIT (\$)	127	297	134%

- Higher sales volumes reflect increased demand relative to prior period as lockdown restrictions eased, particularly in Greater China
- Gross profit increased \$173 million mainly due to:
 - the benefit of the price relativity between reference and non-reference product prices
 - higher product prices in Greater China adjusting for the higher input costs plus reduced tariffs from changes to the New Zealand-China Free Trade Agreement, which took effect 1 January 2022
- Normalised EBIT increased \$170 million, or 134%

EBIT by Quarter (\$ million)



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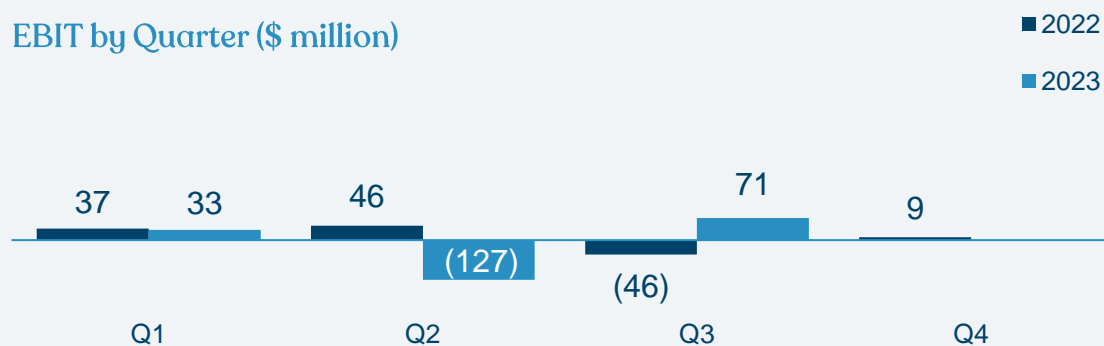


Consumer

NZD Million	2022	2023	%Δ ¹
Sales volume ² ('000 MT)	486	473	(3)%
Revenue (\$)	2,274	2,468	9%
Cost of goods sold	(1,729)	(1,867)	(8)%
Gross profit (\$)	545	601	10%
Gross margin (%)	24.0%	24.4%	
Operating expenses (\$)	(436)	(637)	(46)%
Other ³ (\$)	(72)	13	-
Normalised EBIT (\$)	37	(23)	-

- Lower sales volumes driven by Sri Lanka, as sales volume was limited while ability to access US dollars was constrained
- Gross profit improved \$56 million due to non-reference price products, particularly cheese, increasing relative to reference products that inform the cost of milk
- Operating expenses increased \$201 million due to the impact of \$162 million of impairments recognised at FY23 Interim and inflationary pressures
- 'Other' is favourable mainly due to the prior year including \$(81) million adverse revaluation of the Sri Lankan business payables reflecting the devaluation of the rupee
- Normalised EBIT down \$60 million

EBIT by Quarter (\$ million)



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

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3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees



New Zealand sourced ingredients product mix

	2022		2023	
Sales Volume ('000 MT)¹				
Reference products		1,243		1,314
Non-reference products		642		656
Revenue	\$ billion	\$ per MT	\$ billion	\$ per MT
Reference products	7.6	6,105	8.4	6,375
Non-reference products	4.2	6,522	5.3	8,153
Cost of Milk				
Reference products	6.1	4,902	7.2	5,464
Non-reference products	2.8	4,318	2.7	4,108

- The average product price per metric tonne increased:
 - 4% for reference products
 - 25% for non-reference products
- Cost of milk increased by 11% for reference products and decreased by 5% for non-reference products
 - 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 the lower milk costs relative to reference products, 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 54,000 MT of kgMS equivalent (for the comparative period it was 51,000 MT of kgMS equivalent). Milk solids used in the reference products sold were 737 million kgMS and 328 million kgMS in the non-reference products (for the comparative period 692 million kgMS in reference products and 321 million kgMS in non-reference products)



Group performance by segment



Note: Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information has been restated and re-presented for consistency with the current period

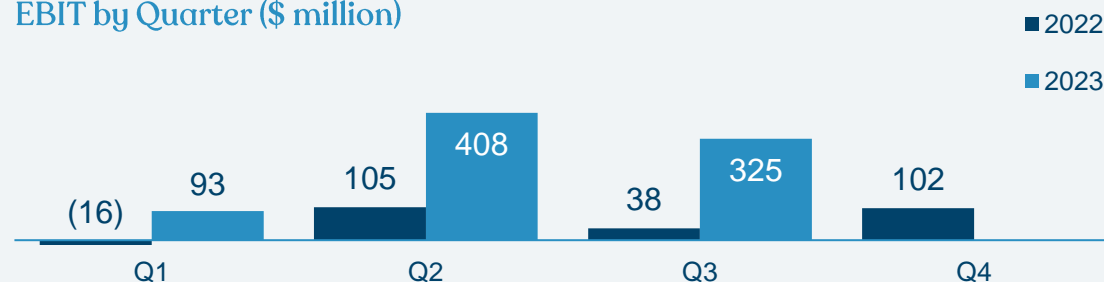


Group Operations

NZD Million	2022	2023	%Δ ¹
Sales volume ² ('000 MT)	1,969	2,058	5%
Revenue (\$)	12,483	14,423	16%
Cost of goods sold	(11,966)	(13,087)	(9)%
Gross profit (\$)	517	1,336	158%
Gross margin (%)	4.1%	9.3%	
Operating expenses (\$)	(438)	(518)	(18)%
Other ³ (\$)	48	8	(83)%
Normalised EBIT (\$)	127	826	550%

- Higher sales volumes reflect the sell down of additional inventory held at 2022 financial year-end
- Gross profit up \$819 million reflecting strong prices in our non-reference products, particularly in protein and cheese, relative to reference products
- Operating expenses up \$80 million reflecting inflationary pressures, supply chain disruption, and additional storage costs due to holding higher inventory at the start of the 2023 financial year
- 'Other' is down \$40 million, including unfavourable foreign exchange movements in our net receivables due to timing differences between the processing and hedging of invoices
- Normalised EBIT increased \$699 million, or 550%

EBIT by Quarter (\$ million)



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

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2. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees



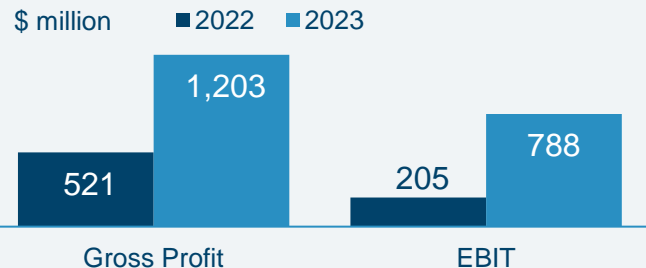
Group Operations channel performance

Ingredients

Volume ('000 MT)
1,615 from 1,522 ↑

Revenue (\$ million)
11,815 from 10,245 ↑

Gross margin
10.2% from 5.1% ↑

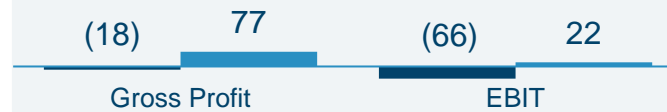


Foodservice

Volume ('000 MT)
256 from 286 ↓

Revenue (\$ million)
1,526 from 1,315 ↑

Gross margin
5.0% from (1.4)% ↑

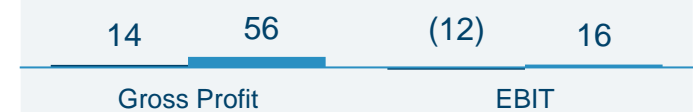


Consumer

Volume ('000 MT)
187 from 161 ↑

Revenue (\$ million)
1,082 from 923 ↑

Gross margin
5.2% from 1.5% ↑



Note: Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information has been restated for consistency with the current period

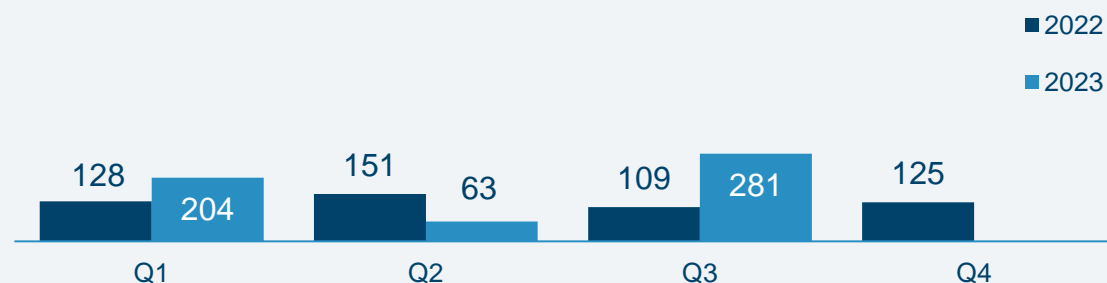


Global Markets

NZD Million	2022	2023	%Δ ¹
Sales volume ² ('000 MT)	1,714	1,909	11%
Revenue (\$)	10,757	13,976	30%
Cost of goods sold	(9,646)	(12,593)	(31)%
Gross profit (\$)	1,111	1,383	24%
Gross margin (%)	10.3%	9.9%	
Operating expenses (\$)	(675)	(875)	(30)%
Other ³ (\$)	(48)	40	-
Normalised EBIT (\$)	388	548	41%

- Higher sales volumes, which includes the sell down of additional inventory held at 2022 financial year-end
- Gross profit up \$272 million, mainly due to higher sales volumes and improved product pricing in the Ingredients channel
- Operating expenses up \$200 million, mainly due to impairments of our New Zealand consumer business and Asia brands (Anmum, Anlene and Chesdale) recognised at FY23 Interim
- 'Other' is favourable mainly due to the prior year including \$(81) million adverse revaluation of the Sri Lankan business payables reflecting the devaluation of the rupee
- Normalised EBIT increased \$160 million, or 41%

EBIT by Quarter (\$ million)



Note: Figures are on a normalised 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. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees



Global Markets channel performance

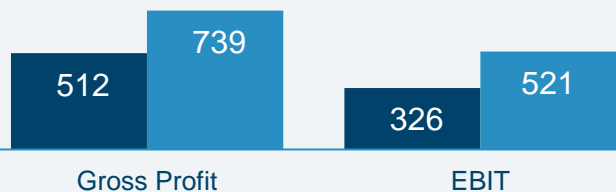
Ingredients

Volume ('000 MT)
1,280 from 1,081 ↑

Revenue (\$ million)
10,324 from 7,635 ↑

Gross margin
7.2% from 6.7% ↑

\$ million ■ 2022 ■ 2023

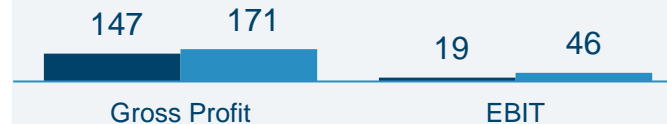


Foodservice

Volume ('000 MT)
209 from 202 ↑

Revenue (\$ million)
1,390 From 1,103 ↑

Gross margin
12.3% from 13.3% ↓



Consumer

Volume ('000 MT)
420 from 431 ↓

Revenue (\$ million)
2,262 from 2,019 ↑

Gross margin
20.9% from 22.4% ↓



Note: Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information has been restated for consistency with the current period

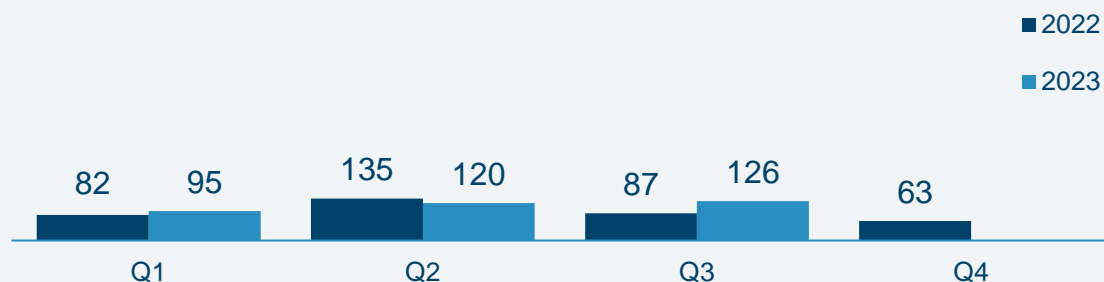


Greater China

NZD Million	2022	2023	%Δ ¹
Sales volume ² ('000 MT)	808	714	(12)%
Revenue (\$)	5,173	5,274	2%
Cost of goods sold	(4,682)	(4,727)	(1)%
Gross profit (\$)	491	547	11%
Gross margin (%)	9.5%	10.4%	
Operating expenses (\$)	(186)	(207)	(11)%
Other ³ (\$)	(1)	1	-
Normalised EBIT (\$)	304	341	12%

- Lower sales volumes, particularly WMP, due to softer demand
- Gross profit increased \$56 million, mainly driven by improved performance in the Foodservice channel, reflecting:
 - in-market product prices adjusting for the higher input costs
 - reduced tariffs from changes to the New Zealand-China Free Trade Agreement, which took effect 1 January 2022
- Operating expenses increased due to an impairment in the Consumer channel to our Anlene brand recognised at FY23 Interim
- Normalised EBIT increased \$37 million, or 12%

EBIT by Quarter (\$ million)



Note: Figures are on a normalised 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. Includes sales to other segments
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss on equity accounted investees



Greater China channel performance

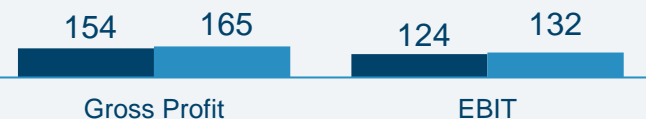
Ingredients

Volume ('000 MT)
449 from 556 ↓

Revenue (\$ million)
3,262 from 3,515 ↓

Gross margin
5.1% from 4.4% ↑

\$ million ■ 2022 ■ 2023

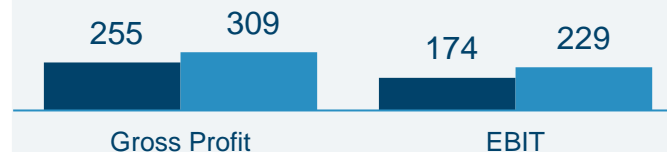


Foodservice

Volume ('000 MT)
208 from 197 ↑

Revenue (\$ million)
1,701 from 1,377 ↑

Gross margin
18.2% from 18.5% ↓

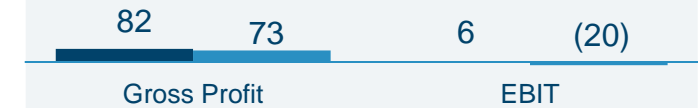


Consumer

Volume ('000 MT)
57 from 55 ↑

Revenue (\$ million)
311 from 281 ↑

Gross margin
23.5% from 29.2% ↓



Note: Does not add to Total Group as shown on a normalised continuing operations basis and excludes unallocated costs and eliminations. Comparative information has been restated for consistency with the current period



FY23 Integrated Scorecard

As at 30 April 2023

People

Providing a safe, healthy and inclusive place to work.
Able to attract and retain the best talent in the world.
Continuously developing people's skills for meaningful careers within the ever-changing nature of work.

Nature

Leading the transition to net-zero GHG emissions for dairy nutrition.
Demonstrating that dairy can be a net-positive contributor to nature.

Relationships

(Farmers, customers, New Zealand, consumer, government etc.)
Strong relationships with customers and consumers through the provision of high-quality, innovative products and services and sustainability credentials.
Processor of choice for farmers through competitive returns on their investment and value-adding support and services.
Trusted relationships with stakeholders, playing our part for positive social, environmental and economic outcomes that are recognised by New Zealanders.

Intellectual Capital

(What we know)
Leveraging our IP to deliver extra value for the Co-op.

Assets & Infrastructure

(How we do dairy)
Operational assets are resilient and can efficiently deliver our most valuable portfolio of products and services, with an ever-decreasing environmental footprint.

Financial

(Our Performance)
Consistently attractive for farmers to be members of the Co-op, both as suppliers and shareholders.

	Key Metrics	FY21	FY22	FY23 Scorecard	FY23 Q3 YTD
People	Serious harm	9	8	5	4
	Gender diversity (Band 12+)	36.3%	37.6%	38.8%	38.3%
Nature	GHG emissions (Scope 1,2) ¹	(6.6)%	(11.2)%	(10.6)%	(13.5)%
	FEP adoption (New Zealand)	53%	71%	84%	On track
	Water Improvement Plans in place	–	–	37.5% (18 sites)	37.5% (FYF)
Relationships	Share of New Zealand milk collected	79.0%	79.1%	79.0%	79.0% ²
Intellectual Capital	EBIT from New Zealand value-add businesses (\$ million) ³	616	307	388	On track
Assets & Infrastructure	Cost of quality (% of cost of goods sold)	0.45%	0.44%	0.35%	0.29%
Financial	Return on capital	6.6%	6.8%	7.0% to 7.5%	Ahead ⁴
	Farmgate Milk Price	\$7.54	\$9.30	\$9.50	\$8.10-\$8.30 ⁵

1. Relative to FY18 Baseline. Long-term will include Scope 3 but for now Scope 1&2 including farms under our operational control.
2. 12-month rolling share of collections.
3. Reflects EBIT from Consumer and Foodservice, contribution from Active Living. Excludes Brazil, Australia and Chile.

4. Reflects full year forecast position.
5. Latest announced Forecast Farmgate Milk Price range with a mid-point of \$8.20 per kgMS (25 May 2023).



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

Capital expenditure

Capital expenditure comprises purchases of property (less specific disposals where there is an obligation to repurchase), plant and equipment and intangible assets (excluding purchases of emissions units), net purchases of livestock, and includes amounts relating to disposal groups held for sale

Capital invested

For the relevant period comprises capital expenditure plus right-of-use asset additions and business acquisitions, including equity contributions, long-term advances, and investments

Consumer

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

Debt 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 and net foreign exchange gains/losses

Earnings before interest and tax (EBIT)

Is profit before net finance costs and tax

Farmgate Milk Price

Means the average price paid by Fonterra for each kilogram of milk solids (kgMS) supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. The season refers to the 12-month milk season of 1 June to 31 May. The Farmgate Milk Price is set by the Board, based on the recommendation of the Milk Price Panel. In making that recommendation, the Panel provides assurance to the Board that the Farmgate Milk Price has been calculated in accordance with the Farmgate Milk Price Manual

Foodservice

Represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, 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 alongside our business solutions under the Anchor Food Professionals brand

Free cash flow

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



Glossary

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

Group Operations

Comprises 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

Ingredients

Represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia, Europe and Latin America, or sourced through our global network, and sold to food producers and distributors

kgMS

Means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra

Normalised earnings per share (EPS)

Is calculated as normalised profit after tax attributed to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period

Return on capital

Is Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed. It is calculated on a 12-month basis

Season

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

Australia: A period of 12 months from 1 July to 30 June

Chile: A period of 12 months from 1 August to 31 July

Total Group

Is used to indicate that a measure or sub-total comprises continuing, discontinued operations and non-controlling interests. E.g. 'Total Group EBIT'

Unallocated costs and eliminations

Represents corporate costs including Co-operative Affairs and Group Functions; and any other costs that are not directly associated to the reporting segments; and eliminations of inter-segment transactions



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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.

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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 Glossary for definitions of non-GAAP measures referred to by Fonterra.