

# Fonterra Co-operative Group Limited

## Results for Announcement to the Market

Results for announcement to the market		
Name of issuer	Fonterra Co-operative Group Limited	
Reporting Period	6 months to 31 January 2024	
Previous Reporting Period	6 months to 31 January 2023	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$11,085,000	(10%)
Total Revenue	\$11,257,000	(15%)
Net profit from continuing operations	\$714,000	31%
Total net profit	\$674,000	23%
Interim Dividend		
Amount per Quoted Equity Security	\$0.15	
Imputed amount per Quoted Equity Security	Not Applicable	
Record Date	28 March 2024	
Dividend Payment Date	11 April 2024	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$3.89	\$3.76
A brief explanation of any of the figures above necessary to enable the figures to be understood	Please refer to the unaudited interim financial statements for further explanation	
Authority for this announcement		
Name of person authorised to make this announcement	Anya Wicks	
Contact person for this announcement	Anya Wicks	
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Date of release through MAP	21/03/2024	

Unaudited interim financial statements accompany this announcement.



## Market Announcement

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21 March 2024

### Strong profit and dividend for FY24 interim results

- Reported profit after tax: NZ \$674 million, up 23%
- Continuing operations EBIT: NZ \$986 million, up 14%
- Earnings per share: 40 cents per share
- Return on capital: 13.4%, up from 8.6%
- Interim dividend: 15 cents per share, up from 10 cents per share
- Maintained forecast FY24 continuing operations earnings range of 50-65 cents per share
- Forecast Farmgate Milk Price range narrows: NZ\$7.50 - \$8.10 per kgMS
- Forecast milk collections: 1,465 million kgMS, down 1%

Fonterra Co-operative Group Ltd today released its FY24 interim results which show a continuation of strong earnings performance.

CEO Miles Hurrell says the Co-op's performance has been driven by higher margins and sales volumes across Fonterra's diversified product and category mix.

"I'm pleased to report we've continued the positive momentum seen in our earnings performance and delivered an interim dividend of 15 cents for our Co-op's farmer shareholders and unit holders, up from 10 cents this time last year.

"The forecast Farmgate Milk Price has also lifted recently, with a current midpoint of \$7.80 per kgMS, following volatility earlier in the season.

"While supply and demand dynamics remain finely balanced, with continuing global uncertainty, we are now well progressed through the season. This gives us the confidence to narrow our forecast Farmgate Milk Price range to \$7.50 - \$8.10 per kgMS.

"We have also maintained our forecast earnings guidance for the year of 50-65 cents per share," says Mr Hurrell.

### Business performance

Fonterra's reported profit after tax of \$674 million is up \$128 million on this time last year, with EBIT from continuing operations up 14% to \$986 million over the same period.

The Co-op has reported a return on capital for the last 12 months of 13.4%, up from 8.6% on this time last year, and earnings per share of 40 cents, up from 33 cents.

“Our FY24 earnings have been driven by higher margins and sales volumes in our Foodservice and Consumer channels, which have helped to offset lower returns in the Ingredients channel following historically high price relativities last year,” says Mr Hurrell.

“Sales volumes from continuing operations are up 22kMT or 1.3% to 1,721kMT and gross margins are up from 16.6% to 18.4%.

“At the same time, our balance sheet position remains resilient, with our strong underlying performance and low debt position helping to further lower our financing costs this year.

“Operating expenses for continuing operations are up \$52 million on last year after removing the impact of FY23 impairments, due to increased labour costs, professional fees and investment in IT infrastructure. The Co-op remains focused on reducing costs across the business.

“Looking at our channels and regions, our Consumer and Foodservice earnings are up year on year, due to improved pricing and higher sales volumes.

“Ingredients channel earnings are down year on year off the back of historically high price relativities in FY23 and lower margins in Australia Ingredients during FY24.

“Global Markets’ reported profit after tax is up \$230 million to \$380 million, due to lower input costs in Southeast Asia, Sri Lanka and Fonterra Brands New Zealand. Fonterra Australia’s performance has been impacted by the higher Australian milk price.

“In February, we announced plans to merge our Australia and Fonterra Brands New Zealand businesses from 1 May. These two units share many similarities, and we expect the integration to create scale efficiencies.

“Greater China reported profit after tax is up \$94 million to \$232 million, primarily due to strong performance in the Foodservice channel.

“Core Operations’ reported profit is down \$154 million to \$102 million due to lower price relativities compared to last year, which have been partially offset by New Zealand manufacturing efficiencies.

## **Progress on strategy**

“Across FY24, the Co-op has continued to make progress on its strategy with new initiatives in place to create value for farmers, commercialise our sustainability position and unlock capacity through innovation.

“Our new capital structure has been in place for a year and encouragingly, we’re seeing new Co-op farmers citing it as a reason for returning to the Co-op. Some are wanting to take advantage of the flexible shareholding options now available to them and this, coupled with the Co-op’s stability, means we have a strong pipeline of farmers wanting to join the Co-op.

“We have also been utilising our scale, optionality, and strong balance sheet to deliver benefits to farmers. This includes getting cash to farmers sooner through our revised Advance Rate guideline.

“Earlier this financial year, we returned \$800 million to farmer shareholders and unit holders following the divestment of Soprole. We also completed the sale of our DPA Brazil JV with Nestlé to Lactalis.

“Since announcing our on-farm emissions target, we have been working with customers to commercialise our farmers’ sustainability credentials. This includes introducing to customers our regenerative agriculture position, which recognises our farmers’ pastoral farming system.

“We’ve continued to decarbonise our New Zealand operations as we progress toward the Co-op’s scope 1 and 2 emissions reductions target, including commissioning our wood biomass boiler at Waitoa and announcing plans to electrify our Edendale site.

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“We’ve also deployed a new technology within our manufacturing base which has unlocked 8000 MT additional production capacity for our high-value UHT cream,” says Mr Hurrell.

## Outlook

“Looking out to the remainder of the year, while global inflationary pressures are easing, we are monitoring the potential for volatility as a result of geopolitical instability.

“Our partnership with Kotahi and diversification across markets means we’re well prepared for disruption in global supply chains or changes in demand from key importing regions.

“We’re pleased with our first half performance for FY24 and look forward to the second half as we continue to deliver for our farmer shareholders and unit holders,” 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.*

### **For further information contact:**

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# Fonterra Co-operative Group

2024 Interim Results

21 March 2024



Dairy for life



# Content

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# Results at a glance

Continuing operations'  
earnings (EBIT)

**\$986<sub>m</sub>**

↑ from 864m

Net earnings  
(Profit after tax)

**\$674<sub>m</sub>**

↑ from 546m

Earnings per share

**40<sub>cents</sub>**

↑ from 33c

Return on capital

**13.4%**

↑ from 8.6%

Gearing ratio

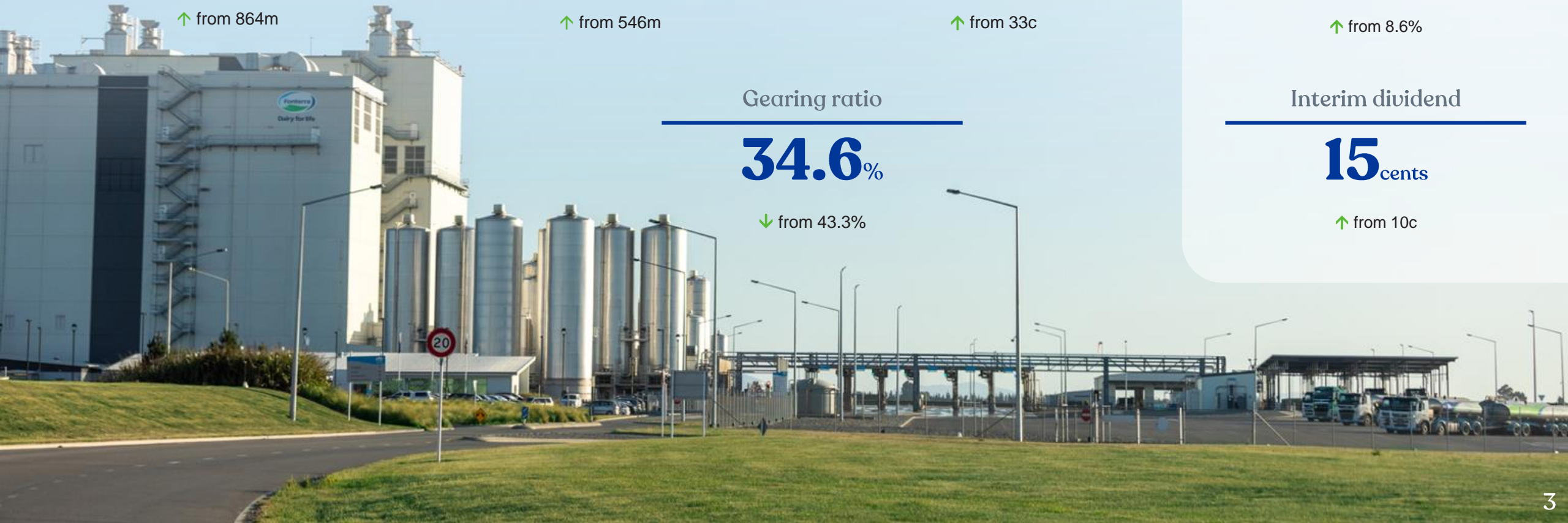
**34.6%**

↓ from 43.3%

Interim dividend

**15<sub>cents</sub>**

↑ from 10c



# 2024 Interim Results Summary

- **Profit after tax up \$128m, or 23%, to \$674m** due to higher operating earnings (EBIT) and lower financing costs
  - **EBIT up \$95m, or 11%, to \$953m**, with \$986m and \$(33)m from continuing and discontinued operations, respectively
    - Composition of earnings between channels materially different; with lower earnings from Ingredients offset by higher earnings in Foodservice and Consumer
    - Prior year Consumer performance includes \$162m of impairments, adjusting for the impairments operating earnings are behind the prior year
  - **Financing costs down \$68m to \$89m** reflecting lower average borrowings
- **Earnings per share attributable to equity holders of 40 cents**, up from 33 cents
  - 43 cents from continuing operations and (3) cents from discontinued operations
- **Balance sheet continues to be very strong**
  - Net Debt down \$1.6b to \$4.2b reflecting strong underlying performance, reduction in working capital during the year and divestments
- **Interim dividend of 15 cents per share**, up from 10 cents per share
- 2023/24 Farmgate Milk Price range narrowed from \$7.30 - \$8.30 per kgMS to \$7.50 – 8.10 per kgMS
- Maintained FY24 continuing operations earnings range of 50 – 65 cents per share

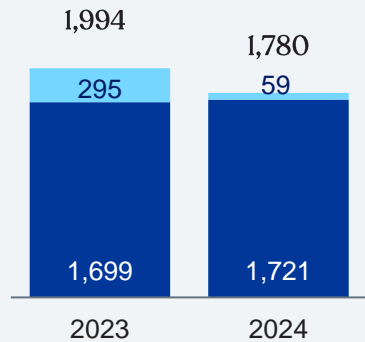




# Total Group operating performance

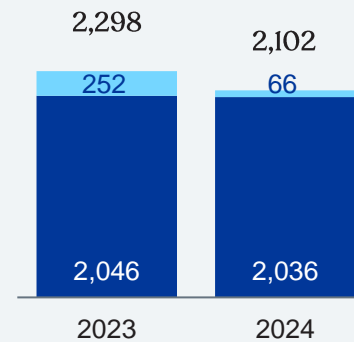
Discontinued operations performance is lower compared to prior year due to FY23 including Soprole for the first 8 months

## Sales volume ('000 MT)



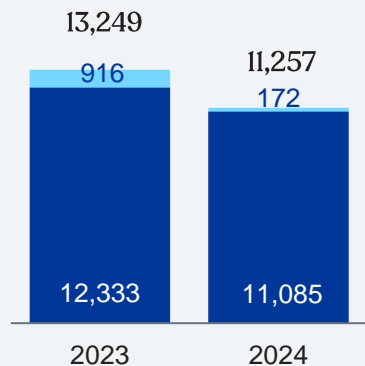
- Continuing operations up due to continued focus to optimise inventory levels

## Gross profit (\$ million)



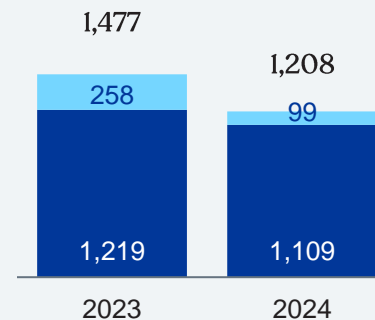
- Continuing operations down due to lower margins in Ingredients, partially offset by higher margins and sales volume in Foodservice and Consumer

## Revenue (\$ million)



- Continuing operations decreased mainly due to lower product prices in the Ingredients channel

## Operating expenses (\$ million)



- Favourable movement in continuing operations reflects prior year result including \$162m of impairments

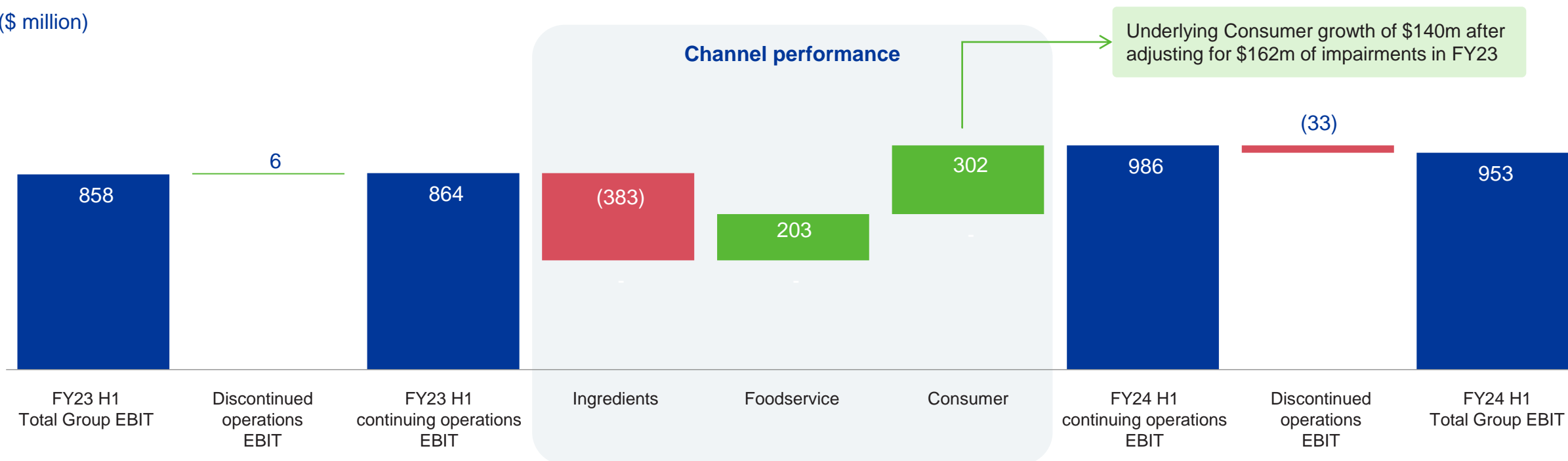
■ Continuing operations   ■ Discontinued operations

Note: All figures are for the six months ended 31 January

# Higher operating earnings and shift in earnings composition between channels

## EBIT channel movements between FY23 H1 and FY24 H1

(\$ million)



- Continuing operations earnings up \$122m to \$986m. FY23 earnings included \$162m of impairments. Adjusting for impairments, underlying earnings has decreased \$40m from \$1,026m to \$986m
- Material shift in composition of operating earnings between channels, reflecting:
  - Ingredients down due to reduced margins in both New Zealand and Australia
  - Foodservice and Consumer up due to volume growth, improved pricing and lower milk cost inputs

- Discontinued operations made a loss of \$(33)m for the first six months of FY24 reflecting the sale of DPA Brazil in October 2023. DPA Brazil was profitable over the period, but this was more than offset by the release of the \$(68)m foreign currency translation reserve as part of the sale

# Profit driven by higher operating earnings and lower financing costs

## FY23 H1 to FY24 H1 Total Group performance

(\$ million)



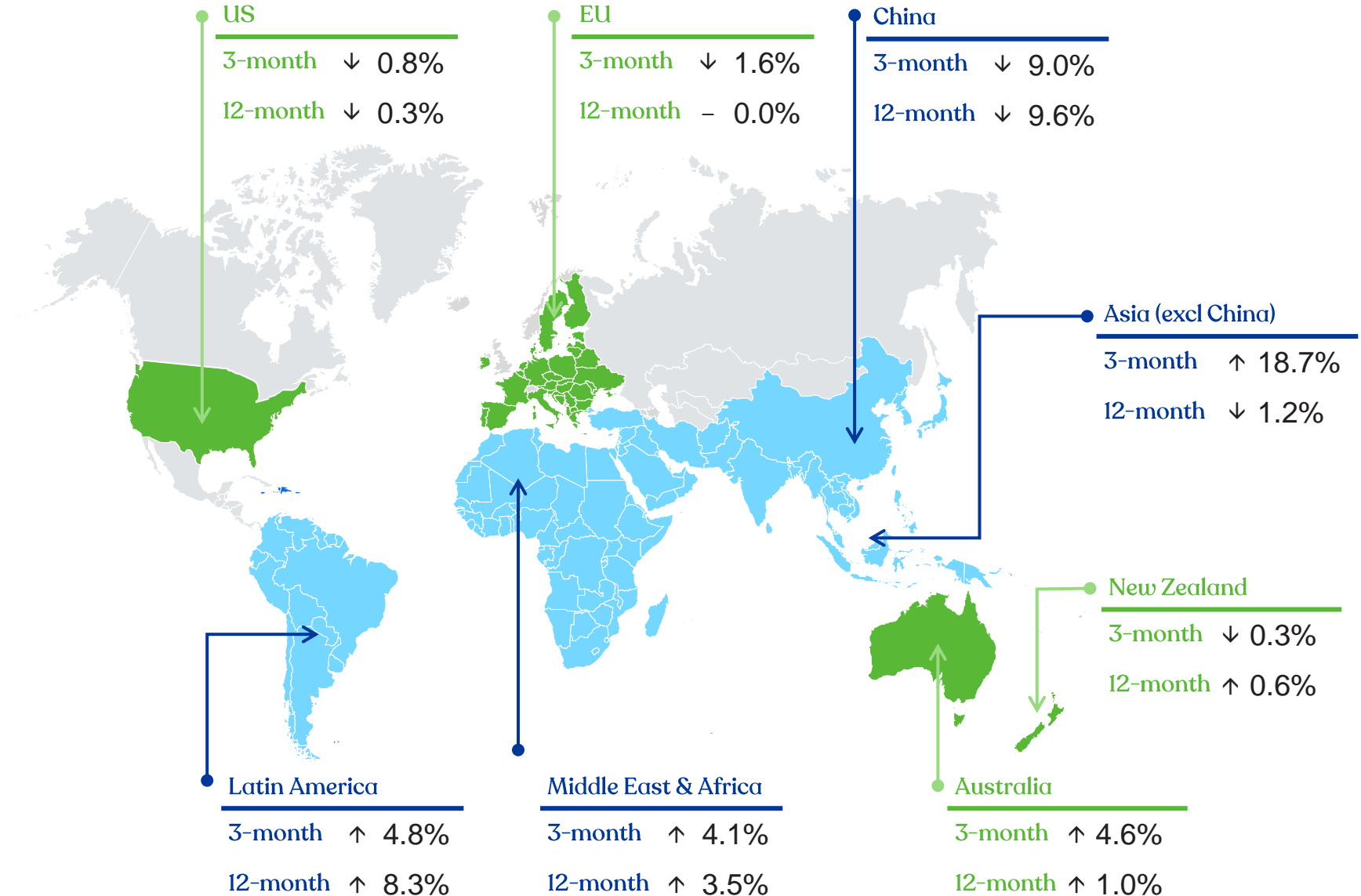
- Continuing operations' operating earnings increased due to:
  - prior year including \$162m of impairments
  - sales volumes and gross margin growth in the Foodservice and Consumer channels, offset by lower sales volumes and margins in the Ingredients channel
  - removing impact of impairments in prior year, operating expenses increased \$52m due to higher staff costs, and upfront costs of driving efficiency improvements
- Continuing operations' net financing costs improved reflecting lower average total borrowings mainly due to higher earnings, lower working capital and divestments
- Discontinued operations made a loss of \$(40)m for the first six months of FY24 reflecting the sale of DPA Brazil in October 2023. DPA Brazil was profitable over the period, but this was more than offset by the release of the \$(68)m foreign currency translation reserve as part of the sale

# Macro Environment



# Limited global milk growth supporting pricing while demand fluctuates

- Outlook for dairy trade is positive
  - Gradual rebalance of China domestic milk production, and import demand has improved but remains volatile with a soft economy
  - Increasing demand from key import regions, particularly Southeast Asia, and Middle East and Africa
  - EU and US production remains stifled due to high on-farm costs
  - New Zealand and Australia production has lifted mainly due to better weather conditions
- Current global economic uncertainty, exacerbated by geopolitical conflicts, impacting costs such as energy and feed, influencing milk supply in the EU and US
- Environmental regulations may further affect milk production, particularly in the EU

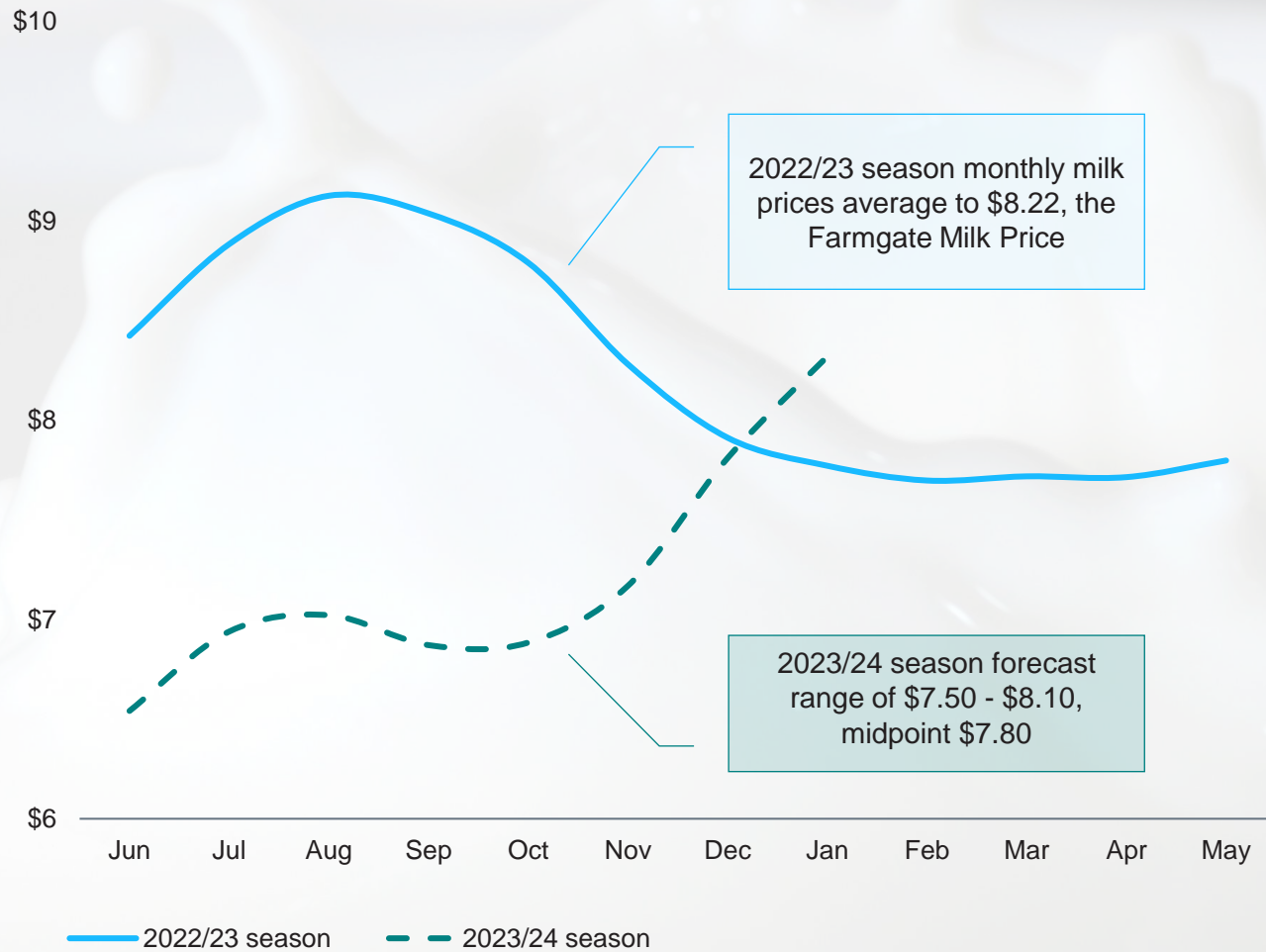


Production Imports

Note: Refer to appendix for source data and date ranges

# Increase in price over FY24 for our New Zealand sourced milk

Monthly Milk Prices (\$ per kgMS)



- Prior season milk price benefited from strong Reference Product prices leading into the season before declining over the season
- The lower product prices flowed into 2023/24 season, partially offset by favourable currency movements
- GDT WMP, SMP, AMF and butter prices from August to February increased 33%, 20%, 47% and 44%, respectively. This has increased the price of milk heading into the last half of the season
- Season-on-season increases in operating costs, mainly due to inflation, have also impacted the 2023/24 season milk price

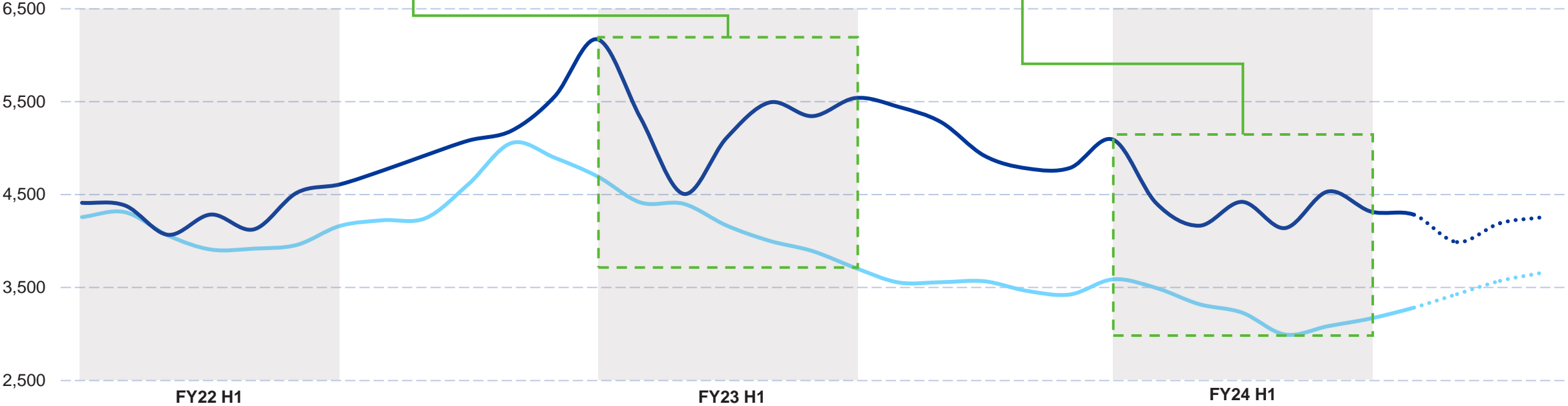
## Impact on Foodservice and Consumer channels

- FY24 Q1 gross margin and operating earnings are strong relative to prior quarters and FY24 Q2 due to lower cost of milk at start of financial year
- Direction of indicative monthly milk prices for 2023/24 season at a midpoint of \$7.80 will place margin pressure on Foodservice and Consumer channels in second half of FY24

# Price relativities unfavourable in second quarter compared to prior year

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

	Q1	Q2	H1		Q1	Q2	H1
Average Non-Reference price	4,939	5,458	5,230	Average Non-Reference price	4,333	4,218	4,272
Average Reference price	<u>4,300</u>	<u>3,862</u>	<u>4,023</u>	Average Reference price	<u>3,298</u>	<u>3,055</u>	<u>3,131</u>
<b>Price difference</b>	<b>639</b>	<b>1,596</b>	<b>1,207</b>	<b>Price difference</b>	<b>1,035</b>	<b>1,163</b>	<b>1,141</b>



- Reference Product shipment price
- Non-Reference Product shipment price
- GDT only Reference Product contract shipment price
- GDT only Non-Reference Product contract shipment price

- Average price for the Reference portfolio declined USD 892 per MT in FY24 H1 compared to the prior year, whereas the Non-Reference portfolio decreased by USD 958 per MT
- GDT contracts for the near term indicate a continued contraction of price relativities as improved demand for powders from the Middle East and Africa, and more recently Greater China lift the average Reference price
- GDT cheddar contracts are used as a proxy for Non-Reference prices in the near term. Cheddar prices have adjusted down to within a historical long-term range reflecting expectation of higher production volumes in the US

Note: Refer to appendix for source data and date ranges

## New Zealand-sourced Ingredients' product mix

	2023	2024	Change
<b>Sales Volume ('000 MT)</b>			
Reference Products	857	872	15
Non-Reference Products	430	422	(8)
<b>Revenue (NZD)</b>			
Reference Products (\$ billion)	5.6	4.7	-
Non-Reference products (\$ billion)	3.5	2.9	-
Reference Products (\$ per MT)	6,584	5,398	(1,186)
Non-Reference products (\$ per MT)	8,146	6,956	(1,190)
<b>Cost of Milk (NZD)</b>			
Reference Products (\$ billion)	(4.3)	(3.5)	-
Non-Reference Products (\$ billion)	(1.8)	(1.4)	-
Reference Products (\$ per MT)	(5,042)	(3,957)	1,085
Non-Reference Products (\$ per MT)	(4,256)	(3,404)	852

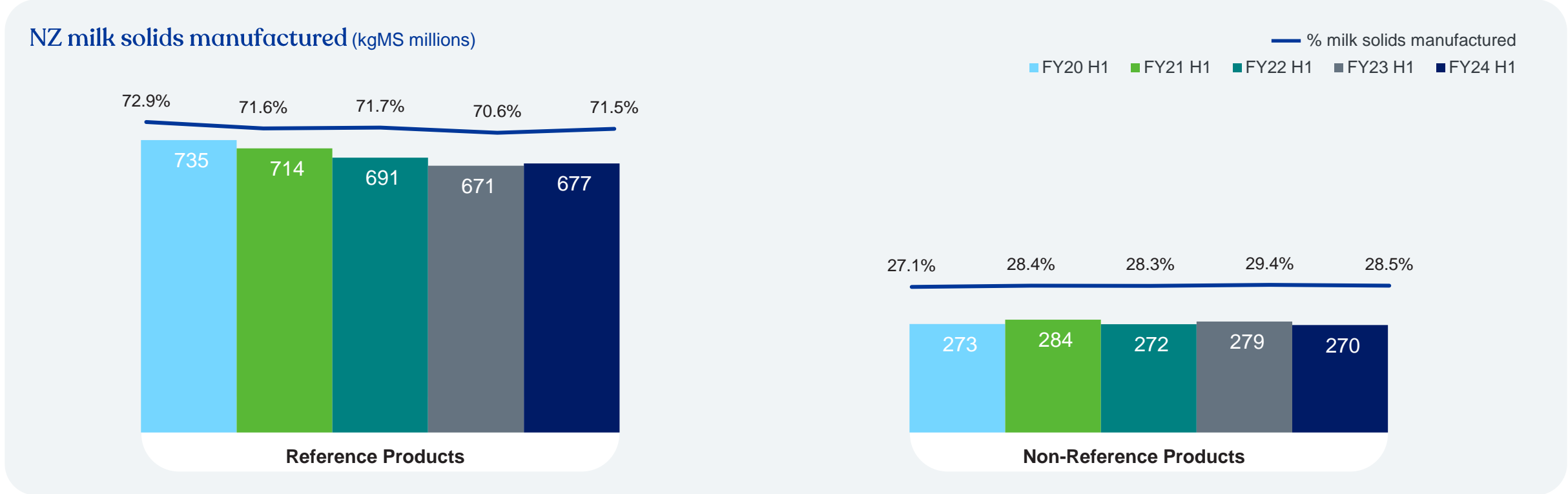
- 8,000 MT less of higher value Non-Reference products due to timing of shipments
- On an NZD basis, the relative price change per MT for the Reference and Non-Reference portfolio is flat
  - The sales profile and allocation of FX hedging between Reference and Non-Reference offset the unfavourable USD price relativity movements
- Non-Reference portfolio cost of milk did not decline as much as the Reference Portfolio
  - The cream products in the Non-Reference portfolio are manufactured and sold on a shorter timeframe due to their shorter shelf life, therefore, they get expensed at a more current milk cost
  - The cost of fat, which is the primary component of the milk cost in cream products, has increased significantly over the past 12 months

Note: Table includes Ingredients' products that are on-sold to the Foodservice and Consumer channels and excludes bulk liquid milk. Bulk liquid milk for 2024 was 35,000 MT of kgMS equivalent (for the comparative period it was 35,000 MT of kgMS equivalent). Milk solids used in the Reference Products sold were 480 million kgMS and 215 million kgMS in the Non-Reference Products (for the comparative period 482 million kgMS in Reference Products and 220 million kgMS in Non-Reference Products)



# Long-term trend of percentage of milk solids allocated to higher value products

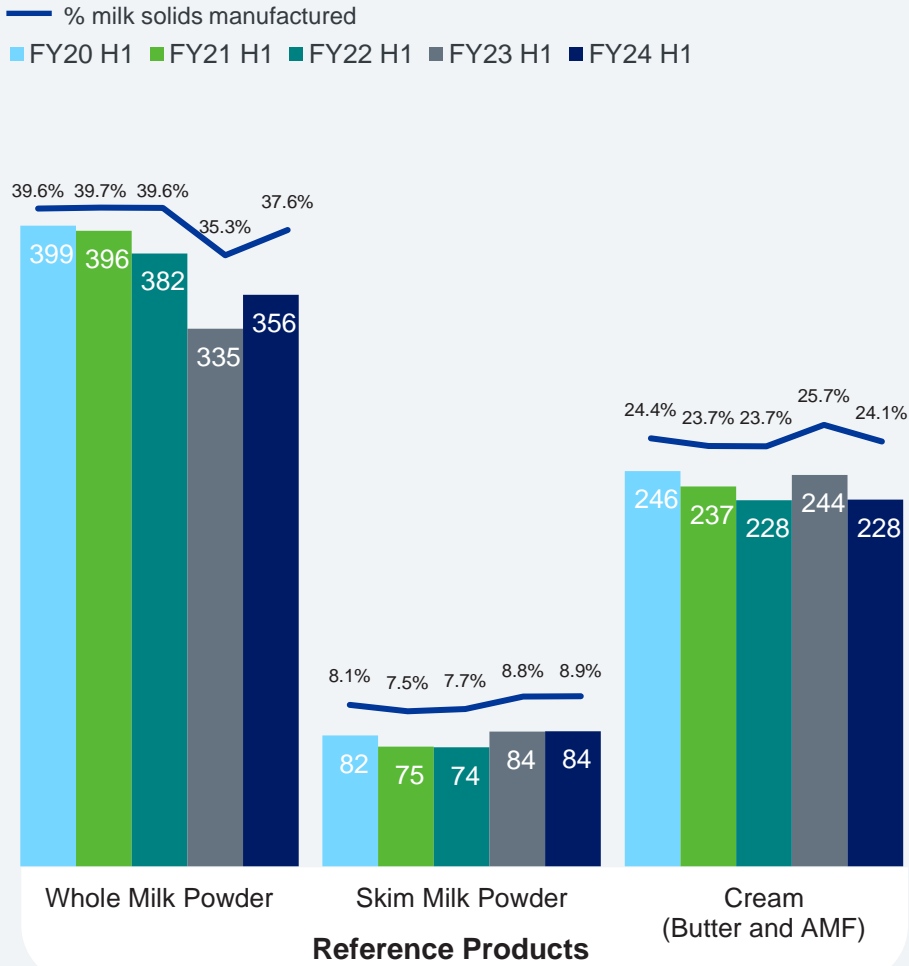
Deliver a strong Farmgate Milk Price and earnings growth



- Limited product mix flex over peak collection period, tends to mean a higher proportion of solids are allocated to the Reference portfolio in the first half of year relative to second half
- Long-term trend remains positive, allocating a greater proportion of milk solids to higher value products in the Non-Reference portfolio
- Lower milk collections over the past 5 years has meant total milk solids processed within the Non-Reference portfolio is relatively flat, despite the increased proportion of solids allocated
- Materially less milk was allocated to Reference portfolio in 2023 due to high whole milk powder inventory levels and strong domestic milk production in China. 2024 allocation is a return to a more gradual reduction in Reference portfolio allocation

# Breakdown of milk solids allocated to product groups

## NZ milk solids manufactured (kgMS millions)



### Whole Milk Powder:

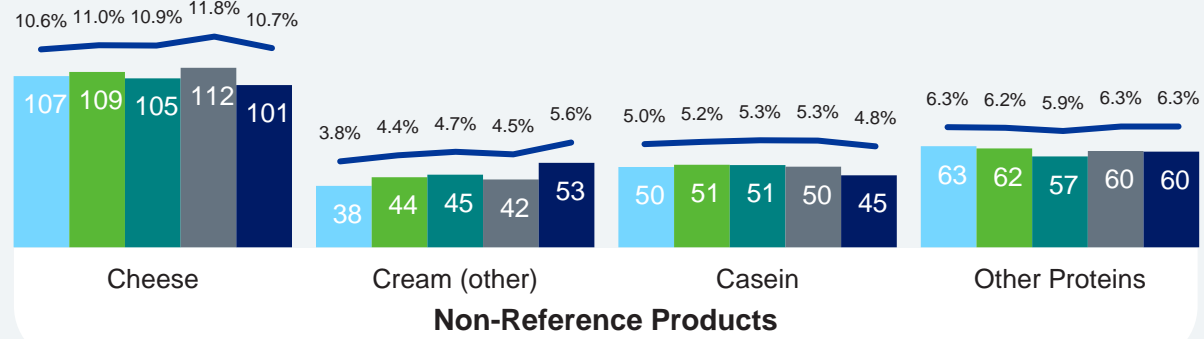
- FY23 and FY24 production significantly lower than prior years due to a conscious product mix decision to mitigate global demand risk by allocating away from WMP into product streams with higher value and more stable demand
- China demand is showing signs of stabilising with inventories normalising, however macroeconomic indicators continue to be weak. A key indicator of Chinese recovery will be post-Chinese New Year consumption and the extent of domestic WMP production occurring in China as it enters its milk season
- Overall WMP demand is finely balanced relative to supply with global WMP production across key export origins expected to remain flat

### Cream:

- Strong demand for cream in the Greater China Foodservice business, particularly UHT cream, has driven an increase in solids allocated to Non-Reference cream

### Cheese and Casein:

- Reduced allocation as value of these portfolios reduces relative to the WMP and cream portfolios that have experienced better pricing during the year
- Cheese and Casein supply and demand currently remains well balanced for the near term, with a reduction in production from New Zealand as US production increases



Note: Excludes Butter Milk Powder, and other smaller Non-Reference commodity groups

# Financial Overview

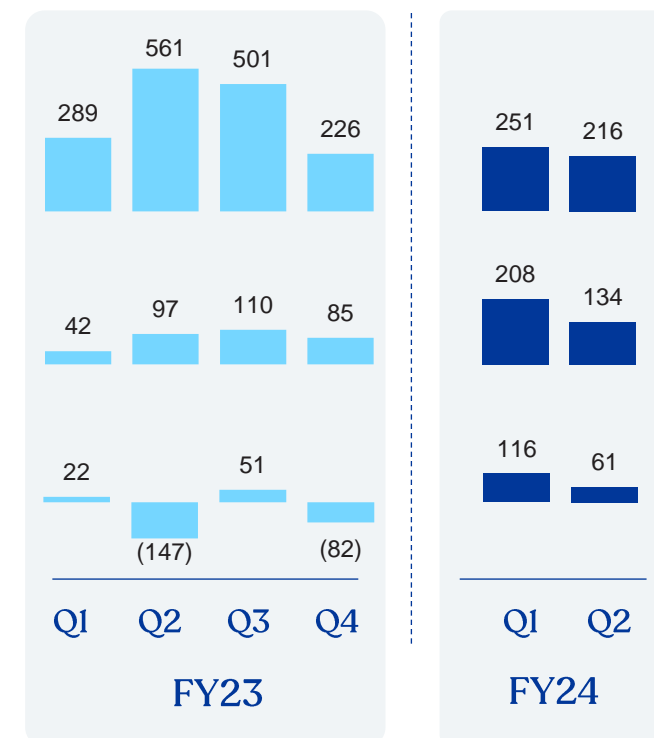


# Diversified across markets and products

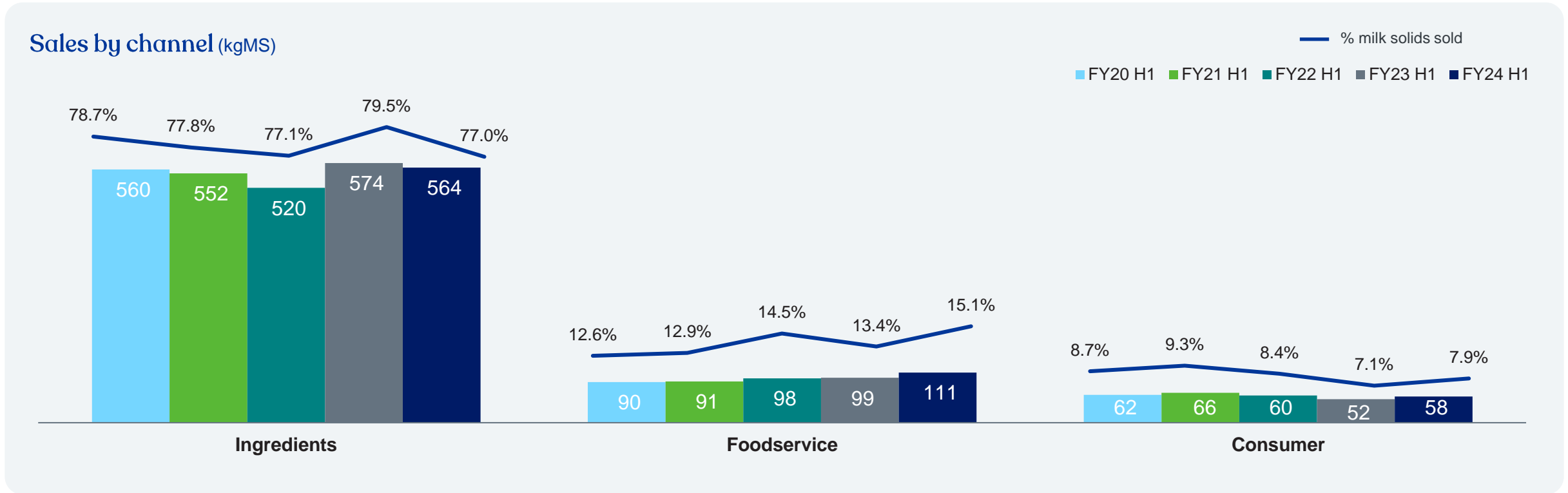
## Operating earnings performance by reporting segment and channel

	Core Operations	Global Markets	Greater China	Total
External sales volume ('000 MT)		1,239 0% -	482 6% ↑	1,721 1% ↑
EBIT contribution from continuing operations				
Ingredients	\$134m \$324m ↓	\$275m \$38m ↓	\$58m \$21m ↓	\$467m \$383m ↓
Foodservice	\$32m \$59m ↑	\$80m \$57m ↑	\$230m \$87m ↑	\$342m \$203m ↑
Consumer	\$0m \$7m ↑	\$167m \$261m ↑	\$10m \$34m ↑	\$177m \$302m ↑
<b>Total</b>	<b>\$166m</b> \$258m ↓	<b>\$522m</b> \$280m ↑	<b>\$298m</b> \$100m ↑	<b>\$986m</b> \$122m ↑

EBIT by quarter



# Increased solids sold through Foodservice and Consumer channels



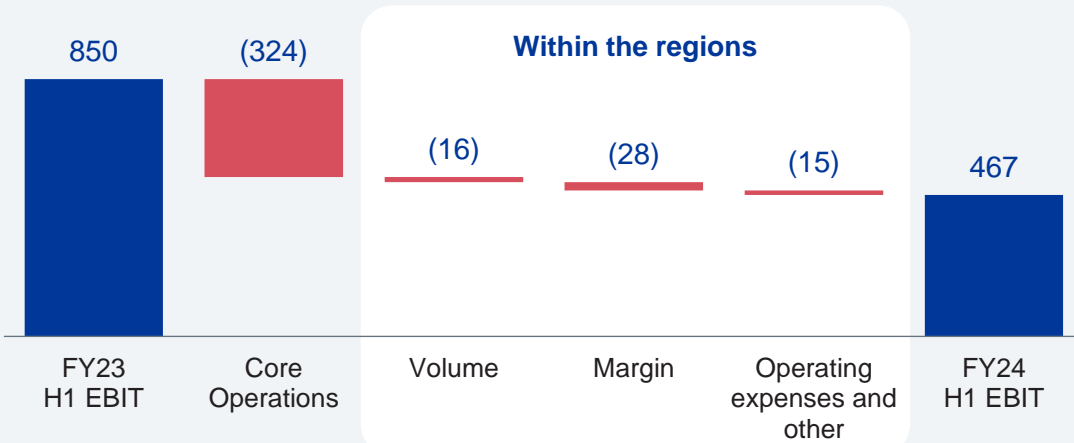
## Shifting New Zealand milk into higher margin products to deliver a strong Farmgate Milk Price and earnings growth

- Greater proportion of solids sold through Foodservice and Consumer due to the higher margins in these channels, as a result of improved pricing and lower cost of milk
- A higher proportion of Ingredients was sold last year due to the additional inventory carried over into the 2023 financial year
- A higher proportion of milk solids was sold through the Greater China Foodservice channel, particularly UHT cream

# Ingredients operating performance

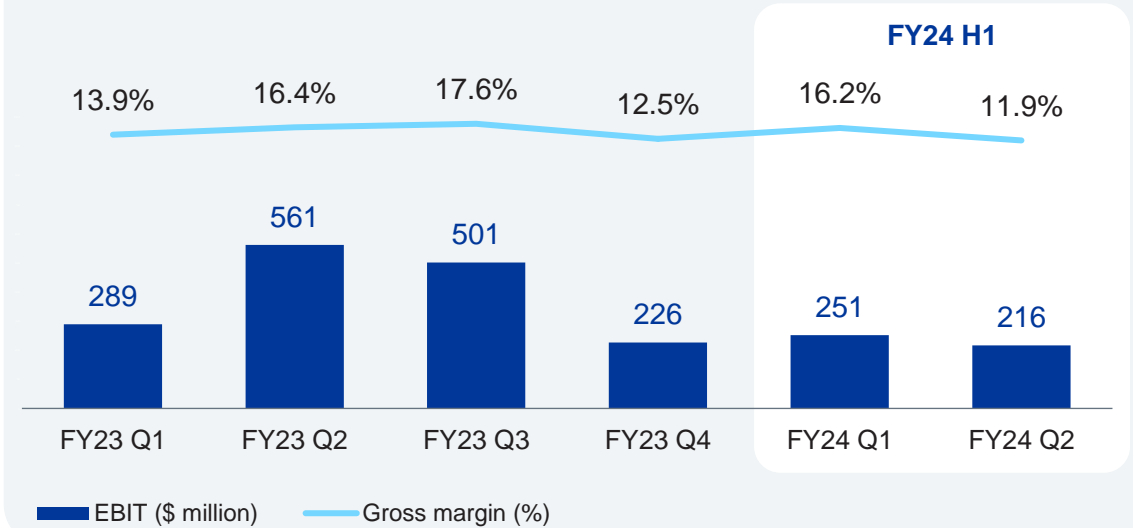
## Key performance drivers

EBIT (\$ million)



- Ingredients EBIT is down \$383m, due to:
  - the FY24 lactose price materially declining so the benefit to Core Operations of relatively higher lactose costs in the Milk Price calculation (due to requiring more lactose for standardisation of WMP, SMP and BMP) has significantly reduced
  - lower margins achieved in Core Operations reflecting lower sales volumes of higher value Non-Reference Products, and Non-Reference Portfolio cost of milk which did not decline as much as the Reference Portfolio
  - lower margins within the regions, mainly due to a higher milk price in Australia and weaker demand for Milk Protein Concentrate (MPC) and cheese in China

## Quarterly performance

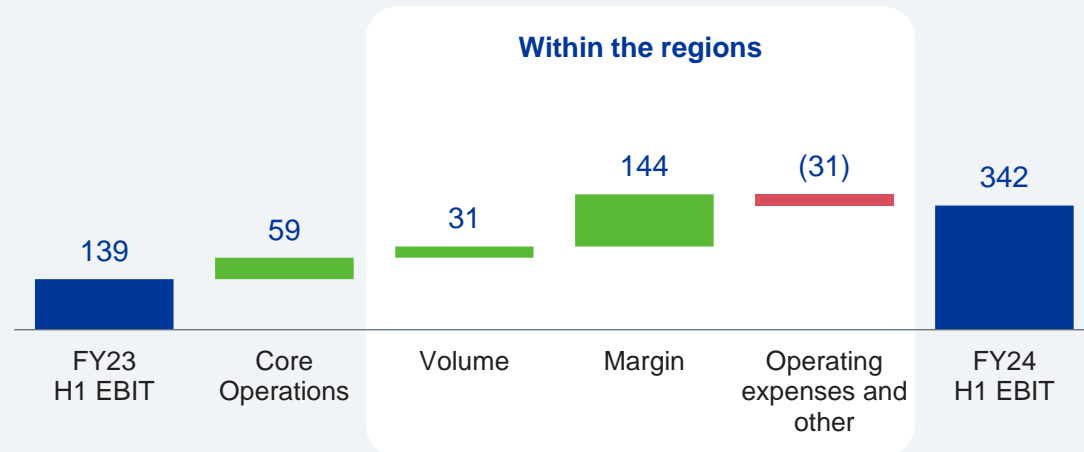


- Gross margins are expected to continue to tighten in the second half of FY24 reflecting the recent increase in the price of Reference Products on GDT relative to Non-Reference prices

# Foodservice operating performance

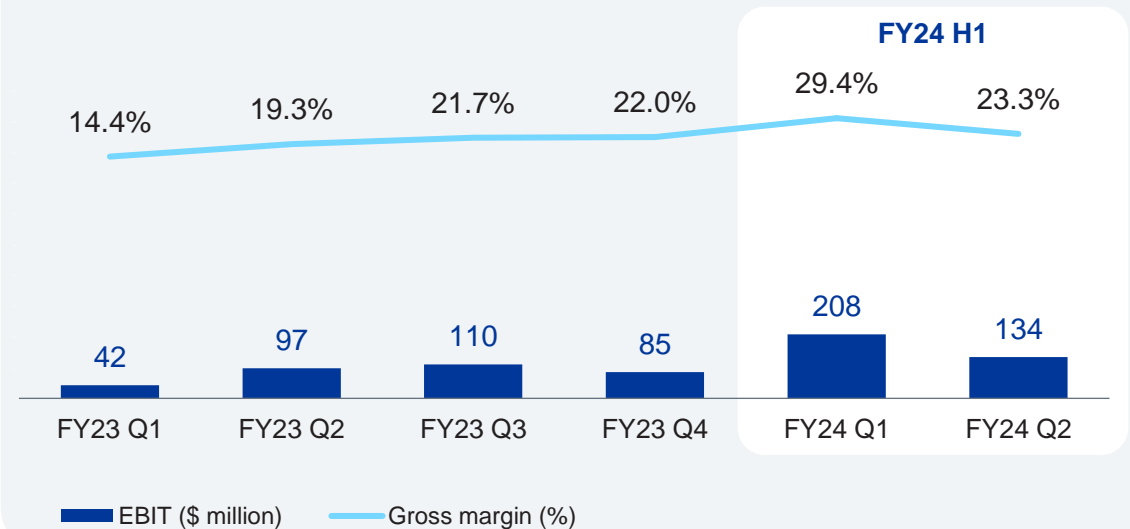
## Key performance drivers

EBIT (\$ million)



- Foodservice EBIT is up \$203m, due to:
  - higher margins within Core Operations driven by lower input costs
  - favourable margins predominately driven by the lower cost of milk, as well as benefit from higher in-market pricing particularly in our Southeast Asia markets
  - sales volume growth of 8%, mainly driven by UHT cream in Greater China

## Quarterly performance

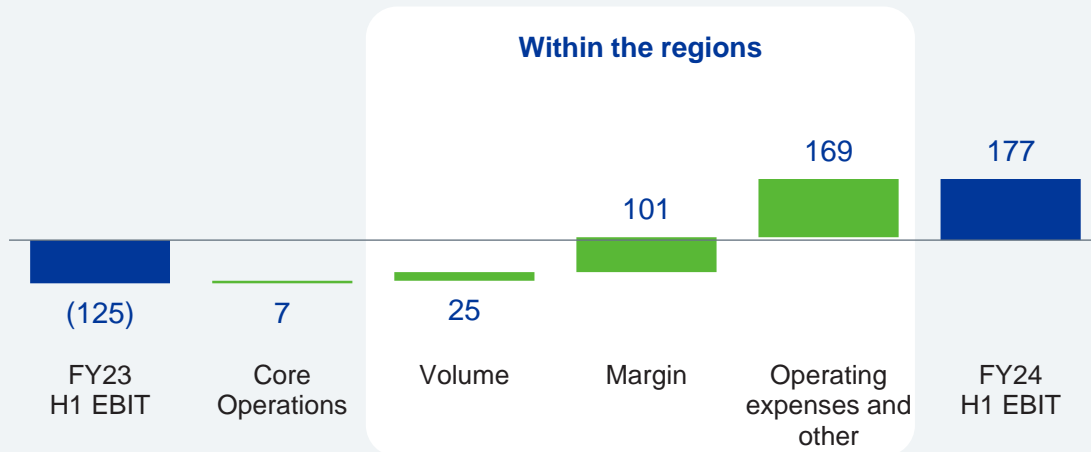


- The Foodservice channel experienced stronger earnings in FY24 Q1 relative to FY24 Q2 driven by higher gross margins in the Q1
- Gross margins tightened in Q2 due to a combination of lower prices achieved in-market and higher cost of goods sold as cost of milk increased
- Gross margins are expected to continue to tighten in the second half of FY24 reflecting the recent increase in the price of Reference Products on GDT

# Consumer operating performance

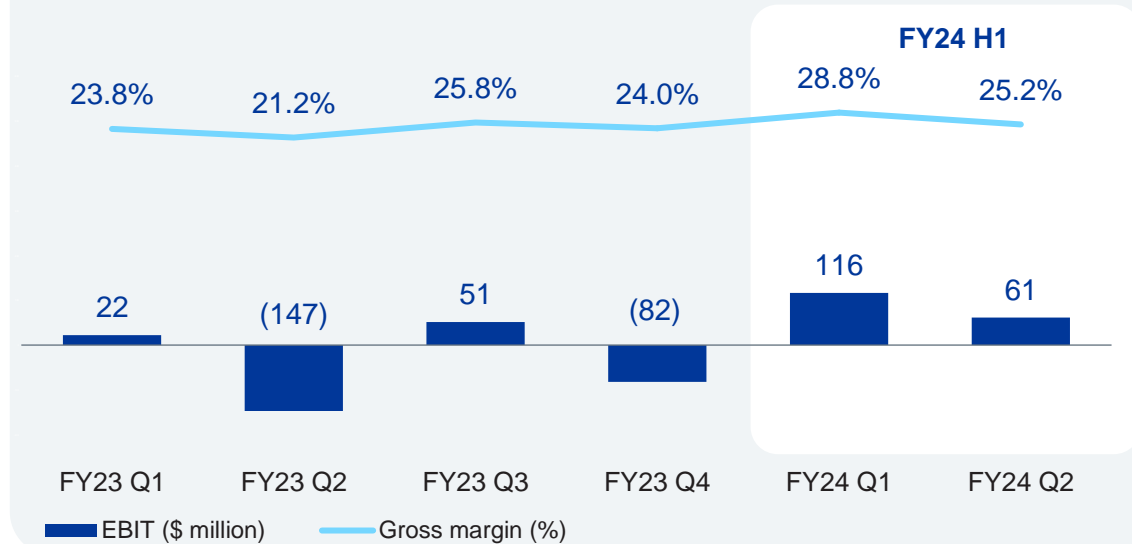
## Key performance drivers

EBIT (\$ million)



- Consumer EBIT increased \$302m, due to:
  - sales volume growth of 8%, mainly driven by demand in Sri Lanka and the Middle East
  - improved gross margins, driven by favourable pricing across most regions, and lower cost of milk
  - lower operating expenses due to prior year including \$162m of impairments
- Adjusting for impairments, Consumer EBIT increased \$140m

## Quarterly performance



- Lower cost of milk during FY24 Q1, coupled with favourable pricing meant a strong FY24 Q1 gross margin and EBIT relative to FY23 and FY24 Q2
- Gross margins tightened in the second quarter due to a combination of lower in-market prices and higher cost of milk
- Gross margins are expected to continue to tighten in the second half of FY24 reflecting the recent increase in the price of Reference products on GDT that inform the cost of milk
- FY23 Q2 and Q4 EBIT was impacted by the accounting for impairments



# Operating expenses

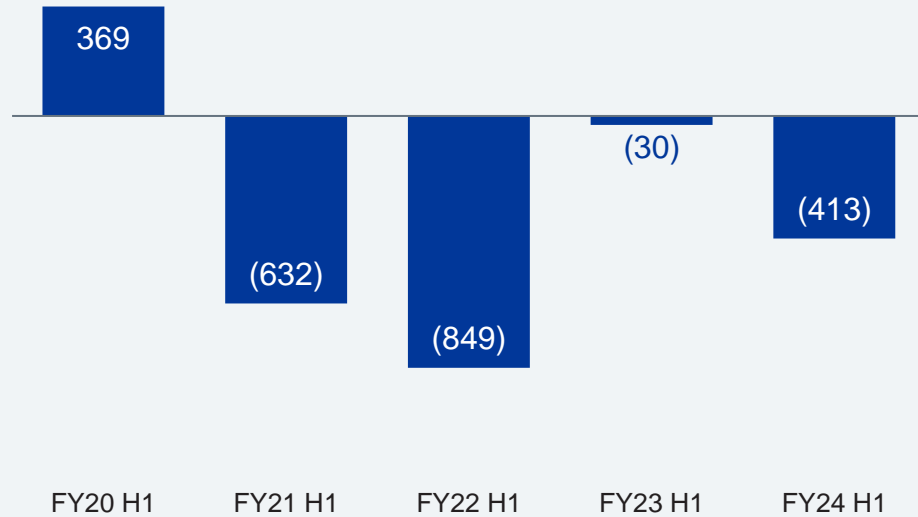
NZD million	2023	2024	%Δ <sup>1</sup>
Staff expenses	467	501	7%
Storage and distribution	127	128	1%
Advertising and promotion	96	103	7%
Information technology	99	113	14%
Technical and professional	71	105	48%
Depreciation & amortisation	89	93	4%
Impairments	162	-	-
Foreign exchange	19	-	-
Other	89	66	(26)%
<b>Continuing operations operating expenses</b>	<b>1,219</b>	<b>1,109</b>	<b>(9)%</b>
Discontinued operations operating expenses	258	99	(62)%
<b>Total Group operating expenses</b>	<b>1,477</b>	<b>1,208</b>	<b>(18)%</b>

- Total Group operating expenses reduced \$269m due to the prior year including \$162m of Consumer brand impairments and Soprole's operating expenses, which was sold in the second half of FY23
- Removing the impact of the impairments, operating expenses from continuing operations were up \$52m reflecting:
  - a \$34m increase in staff costs due to inflationary pressures and redundancies
  - a \$34m increase in technical and professional fees, mainly related to upfront costs of delivering future efficiencies
  - a \$14m increase in information technology mainly due to an increase in cloud software usage

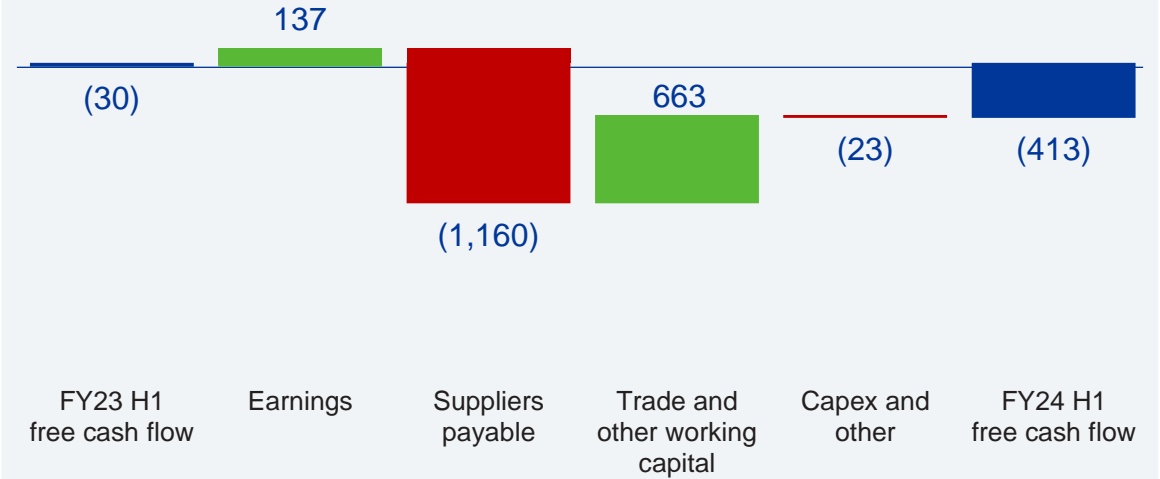
Note: Comparative information has been re-presented for consistency with the current period and prepared on a by nature basis. For operating expenses by function, refer to note 4a of the 2024 Interim Financial Statements  
 1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

# Free cash flow remains a key focus

Five-year trend  
(\$ million)



Movements in free cash flow  
(\$ million)

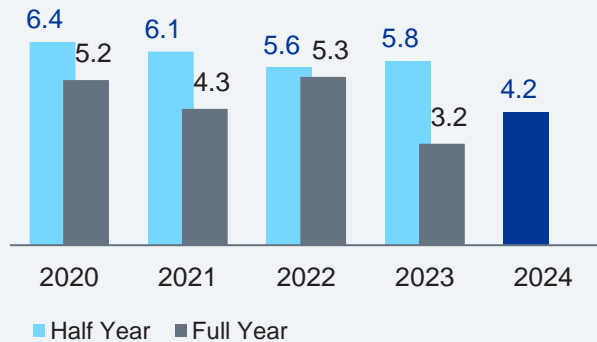


## Free cash flow for the first six months is typically an outflow, reflecting the seasonal nature of the business

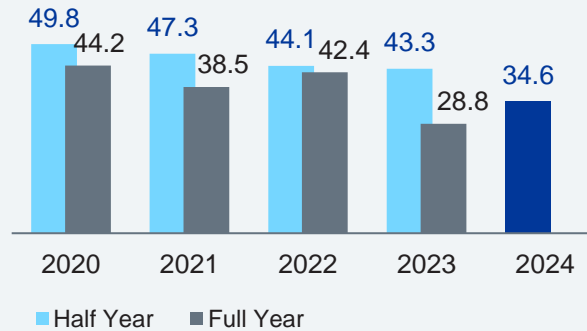
- Free cash flow for the first six months ending 31 January 2024 was a \$413m outflow.
- This was a larger outflow from the prior period due to a decrease in amounts owing to suppliers primarily due to the impact of a lower Milk Price and a higher advance rate for the current year compared to prior year, partly offset by
  - higher inflows from trade and other receivables as a result of lower revenue due to lower commodity prices
  - increased cash earnings against the prior year

# 'A band' credit rating and key metrics demonstrate ongoing strength of balance sheet

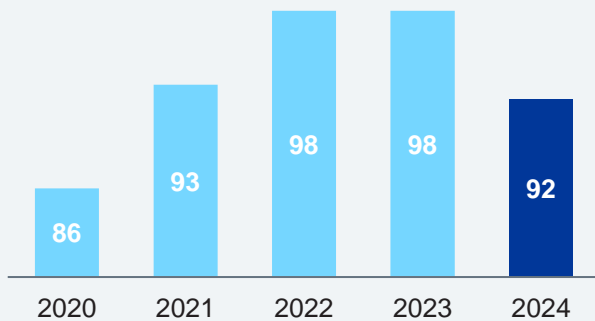
Net debt (\$ billion)



Gearing ratio (%)



Working capital days



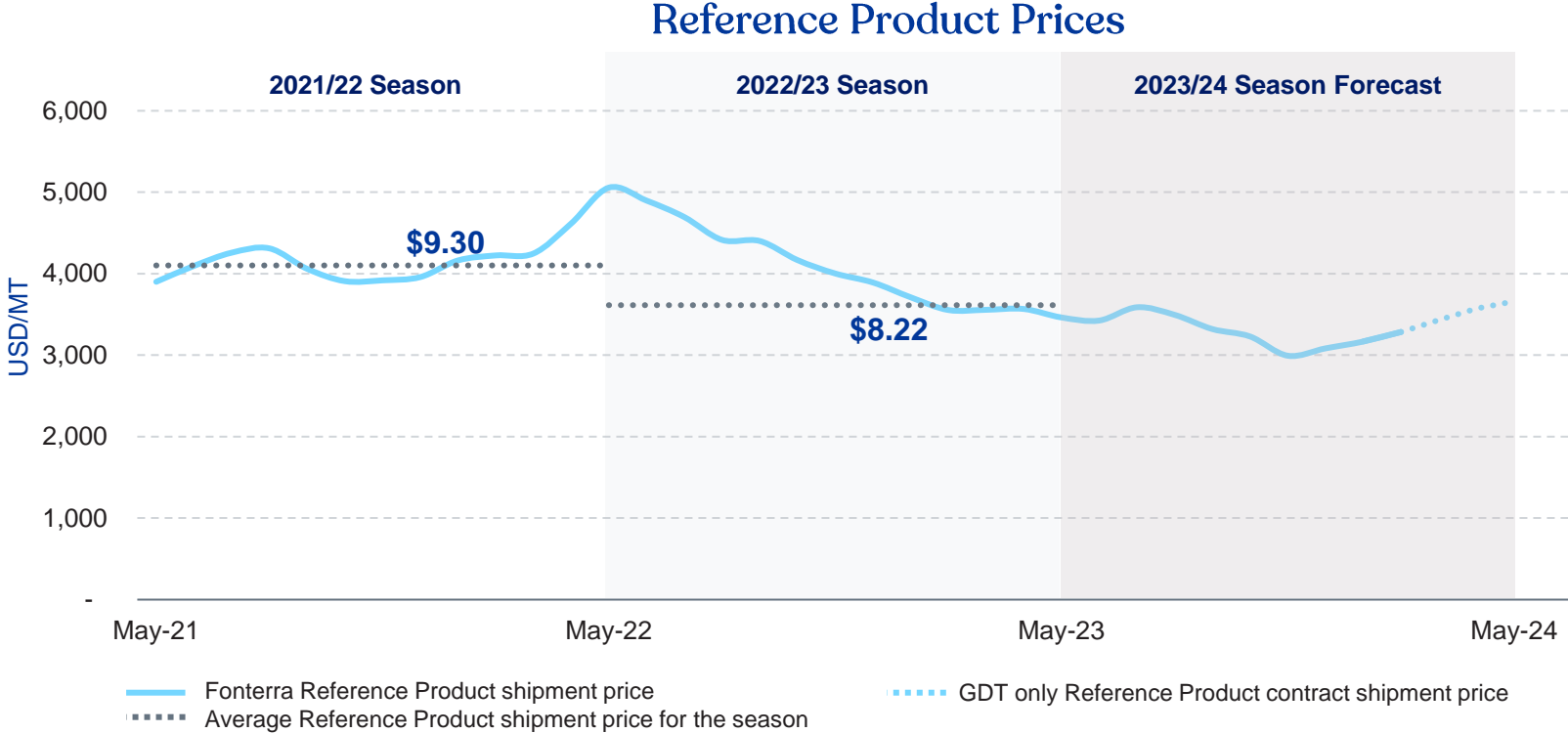
Credit rating

<b>S&amp;P Global Ratings</b>	A-	Stable outlook
<b>Fitch Ratings</b>	A	Stable outlook

- Net debt is \$1.6b lower, reflecting:
  - strong underlying performance of the business
  - reduction in working capital during the year
  - impact of divestments
- Gearing ratio reduced reflecting:
  - lower net debt
  - higher equity due to improved continuing operations earnings and gains from the disposal of Soprole, after distributing \$1.6b in dividends and through a capital return
- Working capital days reduced reflecting lower volume and value of milk in inventory compared to prior year

# Forecast 2023/24 season Farmgate Milk Price

Forecast Farmgate Milk Price  
**\$7.50-\$8.10**  
 per kgMS



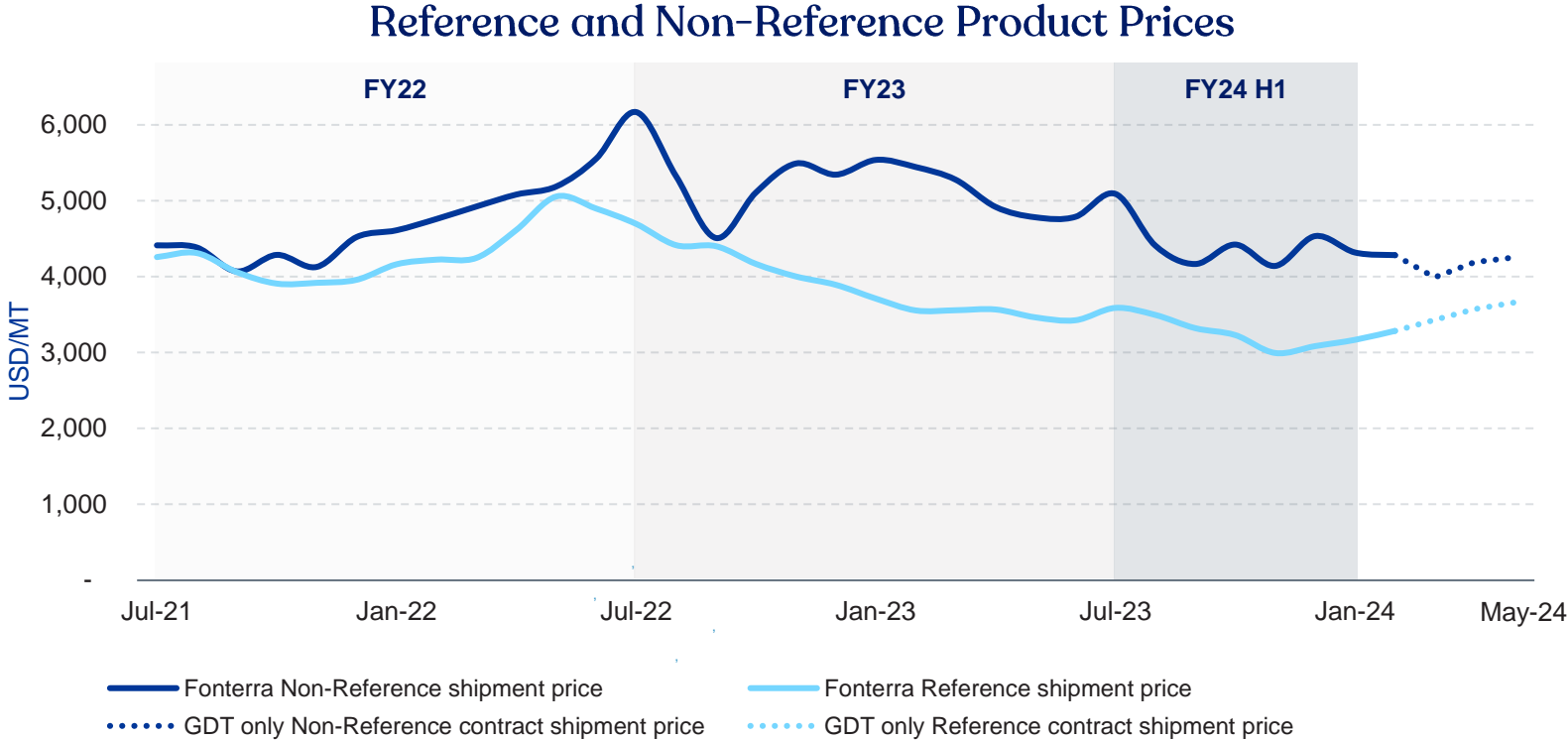
The range has narrowed reflecting:

- well contracted sales book
- approximately 90% of the full year forecast USD cash flows related to the 2023/24 season hedged
- finely balanced demand and supply for Reference Products

Note: Refer to appendix for source data and date ranges

# FY24 continuing operations' earnings outlook

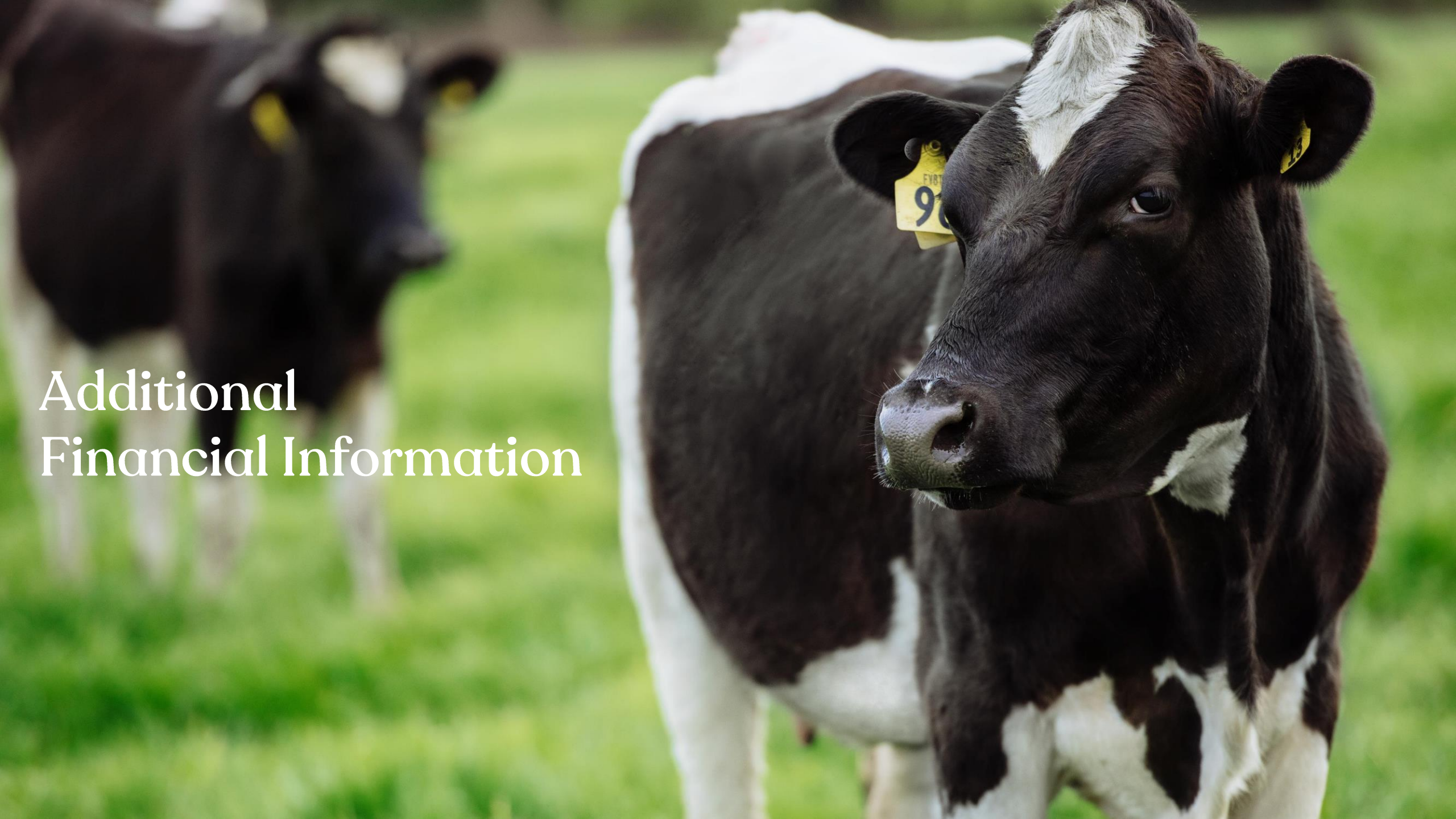
FY24 forecast earnings  
**50 – 65c**  
 per share



The range is maintained reflecting 43 cents per share earned in first half and an expectation that:

- year-to-go price relativities will materially reduce
- strong Foodservice and Consumer margins in the first half of FY24 will return to more historical levels in the second half
- normal seasonal factors will occur:
  - milk collection curve impacting Core Operations cost recoveries
  - lower sales volumes in the second half, particularly the fourth quarter

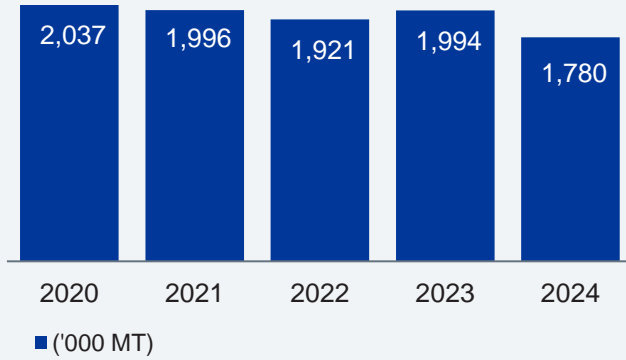
Note: Refer to appendix for source data and date ranges



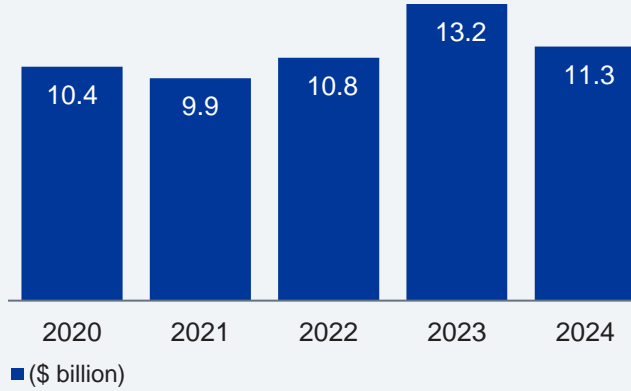
# Additional Financial Information

# Total Group financial metrics

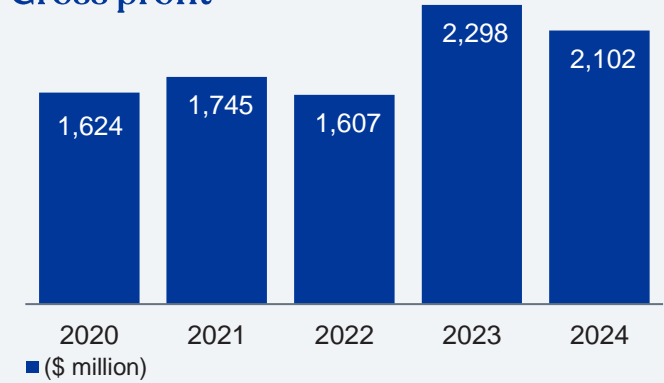
## Sales volume



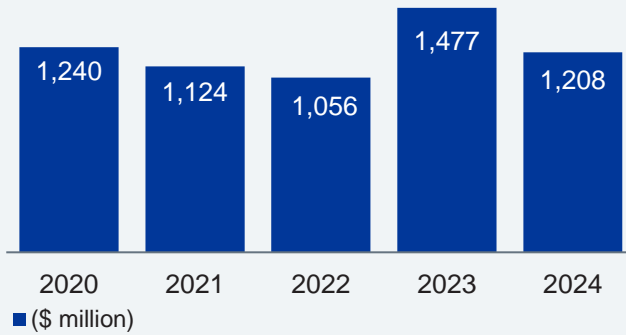
## Revenue



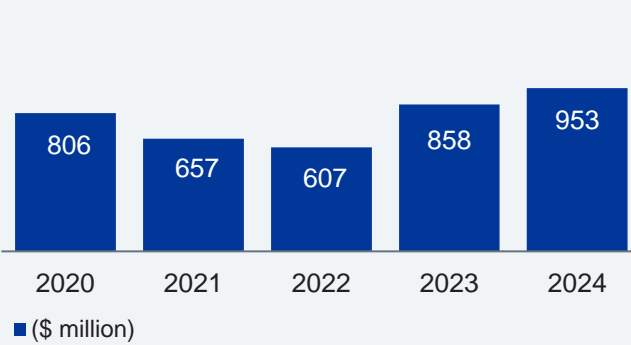
## Gross profit



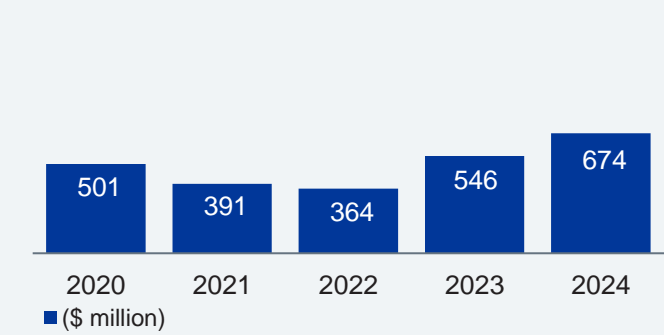
## Operating expenses



## EBIT

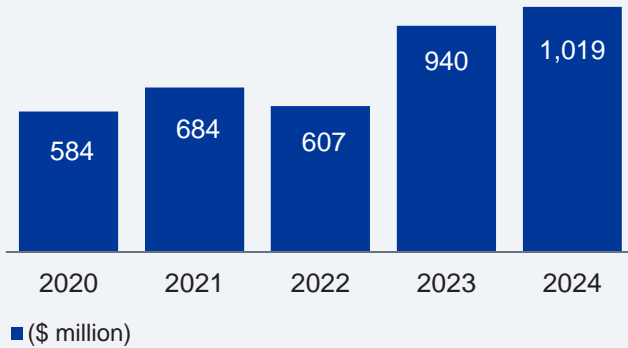


## Profit after tax

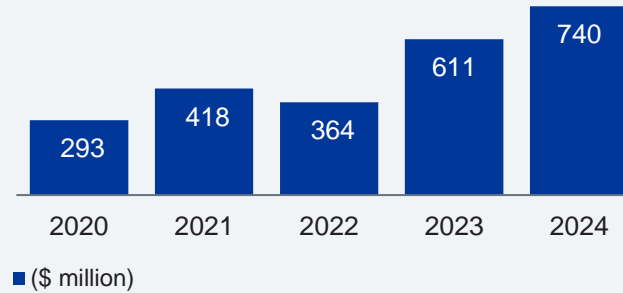


# Total Group financial metrics

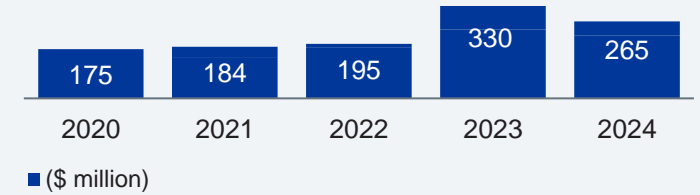
## Normalised EBIT



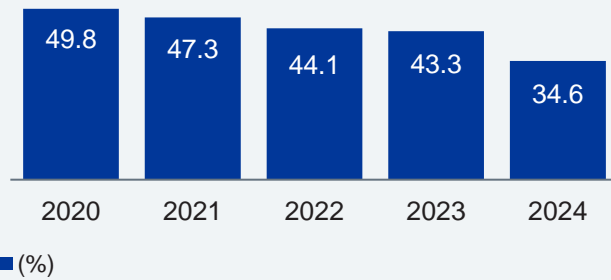
## Normalised profit after tax



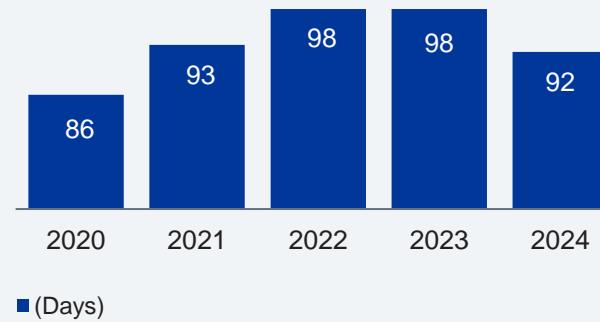
## Capital invested



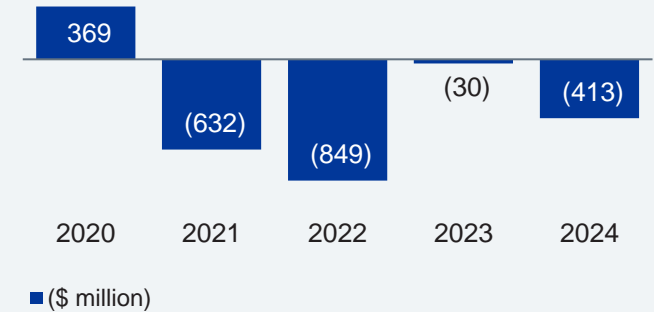
## Gearing ratio<sup>1</sup>



## Working capital days<sup>2</sup>



## Free cash flow



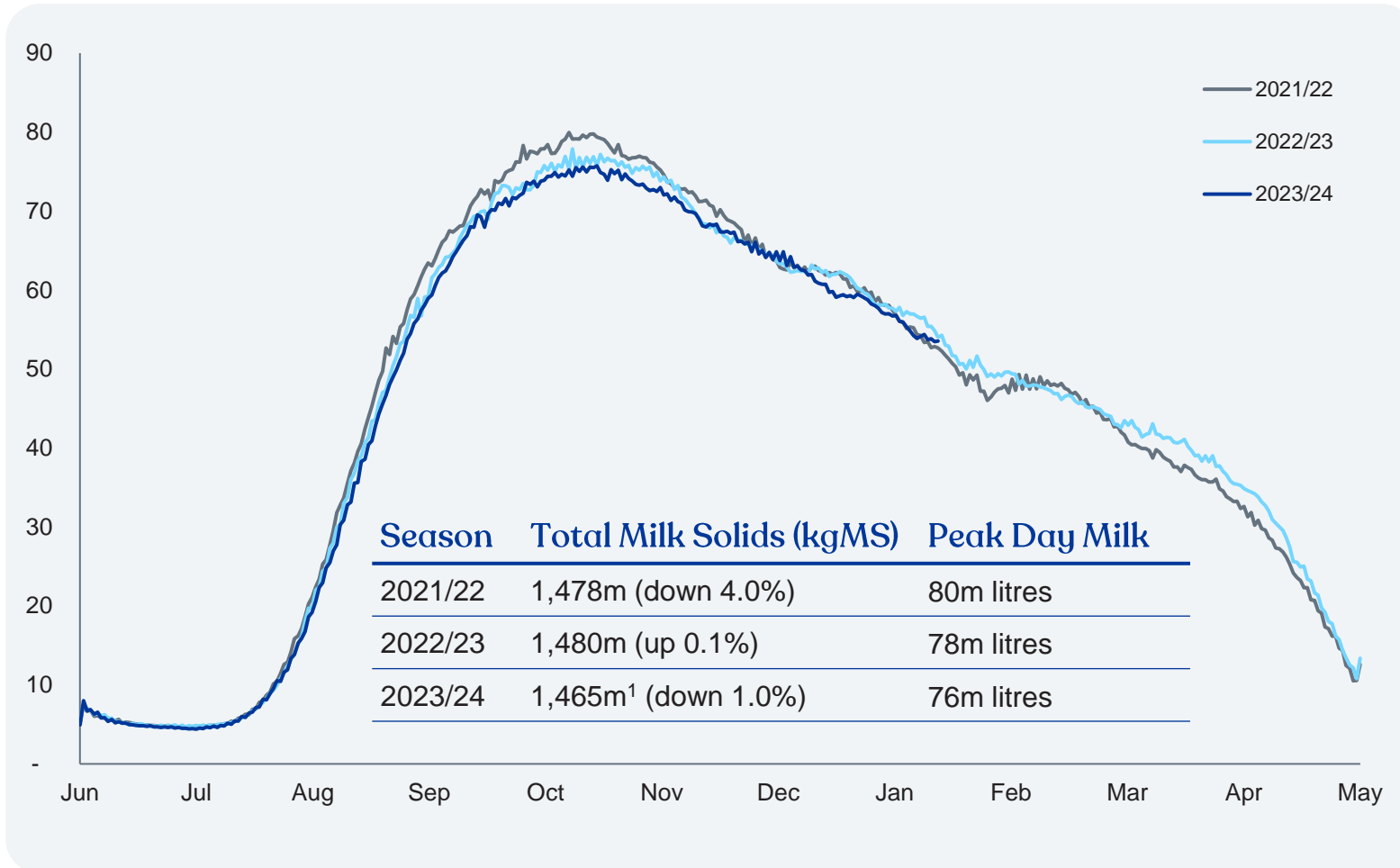
Note: For the six months ended 31 January unless otherwise stated

1. Gearing ratio is at 31 January

2. Working capital days are presented on a 13-month rolling average basis. Comparative information has been re-presented for consistency with the current period. Inventory has been restated to reflect the inclusion of emissions trading units which were previously held as intangible assets



# Fonterra's New Zealand milk collections



- Season to date collections, 1 June – 31 January, were 1,012 million kgMS, 0.4% behind last season
- The decrease in collections is due to lower collections in the North Island partially offset by improved collections in the South Island
  - Poor weather conditions in the North Island resulted in lower milk flows
  - Favourable weather conditions have resulted in stronger milk flows in all regions in the South Island
- Variable weather conditions continue to persist in the North Island through Autumn

# Continuing and discontinued operations

NZD million	31 January 2023			31 January 2024		
	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group
Sales volume ('000 MT)	1,699	295	<b>1,994</b>	1,721	59	<b>1,780</b>
Revenue	12,333	916	<b>13,249</b>	11,085	172	<b>11,257</b>
Cost of goods sold	(10,287)	(664)	<b>(10,951)</b>	(9,049)	(106)	<b>(9,155)</b>
Gross profit	2,046	252	<b>2,298</b>	2,036	66	<b>2,102</b>
Gross margin (%)	16.6%	27.5%	<b>17.3%</b>	18.4%	38.4%	<b>18.7%</b>
Operating expenses	(1,219)	(258)	<b>(1,477)</b>	(1,109)	(99)	<b>(1,208)</b>
Other <sup>1</sup>	37	-	<b>37</b>	59	-	<b>59</b>
EBIT	864	(6)	<b>858</b>	986	(33)	<b>953</b>
Net finance costs	(122)	(35)	<b>(157)</b>	(82)	(7)	<b>(89)</b>
Tax expense	(198)	43	<b>(155)</b>	(190)	-	<b>(190)</b>
<b>Profit after tax<sup>2</sup></b>	<b>544</b>	<b>2</b>	<b>546</b>	<b>714</b>	<b>(40)</b>	<b>674</b>
Normalisations <sup>3</sup>	-	65	65	-	66	66
<b>Normalised profit after tax<sup>2</sup></b>	<b>544</b>	<b>67</b>	<b>611</b>	<b>714</b>	<b>26</b>	<b>740</b>

1. Comprises of other operating income, net foreign exchange gains and share of profit or loss of equity accounted investees
2. Includes amounts attributable to non-controlling interests

3. Normalisations in FY24 comprise of \$(66)m in relation to the sale of DPA Brazil (FY23 comprises of \$(4)m impairment in relation to exiting Hangu China farm and \$(61)m FX movements in relation to the sale of Soprole)

# Diversified across markets and products

## Profit after tax by reporting segment and channel

	Core Operations	Global Markets	Greater China	Total
External sales volume ('000 MT)		1,239 0% -	482 6% ↑	1,721 1% ↑
Profit after tax contribution from continuing operations				
Ingredients	\$81m \$212m ↓	\$209m \$5m ↓	\$44m \$12m ↓	\$334m \$229m ↓
Foodservice	\$23m \$50m ↑	\$56m \$38m ↑	\$180m \$81m ↑	\$259m \$169m ↑
Consumer	\$(2)m \$8m ↑	\$115m \$197m ↑	\$8m \$25m ↑	\$121m \$230m ↑
<b>Total</b>	<b>\$102m</b> \$154m ↓	<b>\$380m</b> \$230m ↑	<b>\$232m</b> \$94m ↑	<b>\$714m</b> \$170m ↑

## Profit after tax by quarter



## Continuing operations' profit & loss

NZD million	2023	2024	%Δ <sup>1</sup>
Sales volume ('000 MT)	1,699	1,721	1%
Revenue	12,333	11,085	(10)%
Cost of goods sold	(10,287)	(9,049)	12%
Gross profit	2,046	2,036	(0)%
Gross margin (%)	16.6%	18.4%	
Operating expenses	(1,219)	(1,109)	9%
Other <sup>2</sup>	37	59	59%
EBIT	864	986	14%
Net finance costs	(122)	(82)	33%
Tax expense	(198)	(190)	(4)%
<b>Profit after tax from continuing operations</b>	<b>544</b>	<b>714</b>	<b>31%</b>
Profit after tax from discontinued operations	2	(40)	-
<b>Total Group profit after tax<sup>3</sup></b>	<b>546</b>	<b>674</b>	<b>23%</b>
Earnings per share (cents)	33	40	21%

- Sales volumes up due to continued focus to optimise inventory levels. Higher sales volume through Foodservice and Consumer channels, partially offset by lower volumes in Ingredients
- Revenue down mainly due to lower product prices in Ingredients channel
- Gross profit down slightly due to lower margins in Ingredients, partially offset by higher margins and sales volume in Foodservice and Consumer
- Gross margin increased due to more favourable product mix, with higher portion of sales volumes through Foodservice and Consumer
- Operating expenses down due to prior year including \$162m of Consumer brand impairments
  - Adjusting for impairments, operating expenses are up \$52m due to higher staff costs and technical and professional fees, mainly related to upfront costs of delivering future efficiencies
- Other up \$22m mainly due to favourable net foreign exchange movements
- EBIT up \$122m due to not repeating the impairments of \$162m in the prior year
- Net finance costs decreased \$40m due to reduced average borrowings
- Discontinued operations made a loss of \$(40)m for the first six months of FY24 reflecting the sale of DPA Brazil in October 2023. DPA Brazil was profitable over this period, but this was more than offset by the release of the \$(68)m foreign currency translation reserve as part of the sale

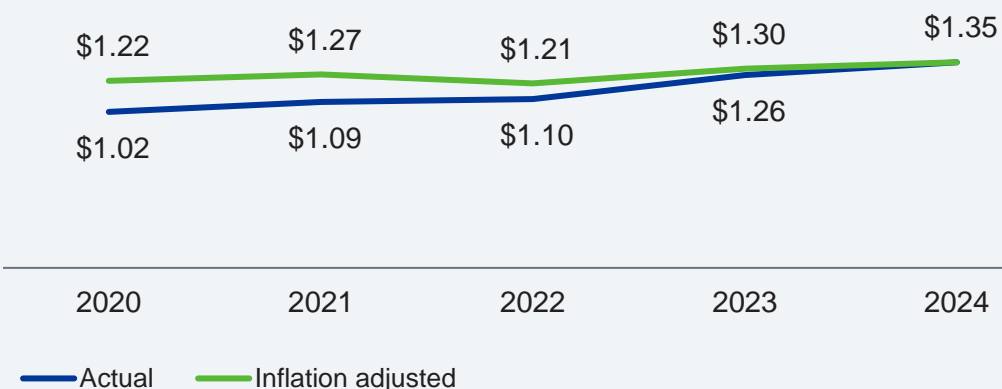
1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

2. Consists of other operating income, net foreign exchange gains and share of equity accounted investees

3. Includes amounts attributable to non-controlling interests

# Cash operating expense per kgMS

Cash operating expenses (\$/kgMS)



Channel	Allocation of collections ('000)	Actual cash operating expenses	Cash operating expenses
<b>Ingredients</b>	<b>1,206</b> kgMS ↓ 17 kgMS	<b>\$1,036</b> m ↑ \$48m	<b>\$0.86</b> /kgMS ↑ \$0.05 /kgMS
<b>Foodservice</b>	<b>225</b> kgMS ↑ 23 kgMS	<b>\$420</b> m ↑ \$66m	<b>\$1.87</b> /kgMS ↑ \$0.12 /kgMS
<b>Consumer</b>	<b>152</b> kgMS ↑ 12 kgMS	<b>\$674</b> m ↑ \$41m	<b>\$4.43</b> /kgMS ↓ \$0.08 /kgMS

Cash operating expenses	2020	2021	2022	2023	2024
Actual (\$ million)	1,662	1,753	1,773	1,975	2,130
Cumulative CPI	19.9%	16.6%	9.3%	3.3%	
Inflation adjusted (\$ million)	1,993	2,044	1,938	2,040	2,130

## Collections (kgMS million)

New Zealand	1,520	1,509	1,501	1,462	1,477
Australia	109	107	105	104	106
<b>Total</b>	<b>1,629</b>	<b>1,616</b>	<b>1,606</b>	<b>1,566</b>	<b>1,583</b>

- Actual operating expenses on a 12-month rolling average have increased by 9c/kgMS, due to:
  - 5c/kgMS on product mix, increased allocation of solids to Foodservice and Consumer channels, which have higher EBIT margins
  - 4c/kgMS mainly due to driving future efficiencies and underlying inflation
- By channel, Foodservice cash operating expenses increased the most due to higher selling and marketing spend, distribution costs and staff salaries and wages

## Normalised Items

NZD million	31 January 2023			31 January 2024	
	Hangu China farm	Soprole	<b>Total</b>	DPA Brazil	<b>Total</b>
Net foreign exchange	-	(78)	<b>(78)</b>	-	-
Other operating expenses	(4)	-	<b>(4)</b>	(66)	<b>(66)</b>
Profit before net finance costs and tax	(4)	(78)	<b>(82)</b>	(66)	<b>(66)</b>
Net finance costs and tax	-	17	<b>17</b>	-	-
Profit after tax	(4)	(61)	<b>(65)</b>	(66)	<b>(66)</b>
Profit attributable to non-controlling interests	-	-	-	(3)	<b>(3)</b>
Profit after tax attributable to equity holders of the Co-operative	(4)	(61)	<b>(65)</b>	(69)	<b>(69)</b>

## Total Group EBIT to normalised profit after tax reconciliation

NZD million	2023	2024
EBIT	858	953
Net finance costs	(157)	(89)
Tax expense	(155)	(190)
<b>Reported profit after tax</b>	<b>546</b>	<b>674</b>
Normalisation adjustments	89	66
Tax on normalisation adjustments	(24)	-
<b>Normalised profit after tax</b>	<b>611</b>	<b>740</b>
(Profit)/loss attributable to non-controlling interests	(16)	(35)
Less: Normalisation adjustments attributable to non-controlling interests	-	3
<b>Normalised profit after tax attributable to equity holder of the Co-operative</b>	<b>595</b>	<b>708</b>
Normalised earnings per share (cents)	37	44
Interim dividend per share (cents)	10	15

## Earnings per share reconciliation

NZD million	2023	2024
<b>Reported profit after tax</b>	<b>546</b>	<b>674</b>
Less: Profit attributable to non-controlling interests	(16)	(35)
Reported profit after tax attributable to equity holders of the Co-operative	530	639
Reported earnings per share (cents)	33	40
<b>Normalised profit after tax</b>	<b>611</b>	<b>740</b>
Less: Profit attributable to non-controlling interests	(16)	(35)
Less: Normalisation adjustments attributable to non-controlling interests	-	3
Normalised profit after tax attributable to equity holder of the Co-operative	595	708
<b>Normalised earnings per share (cents)</b>	<b>37</b>	<b>44</b>



## Cash flow and change in net debt

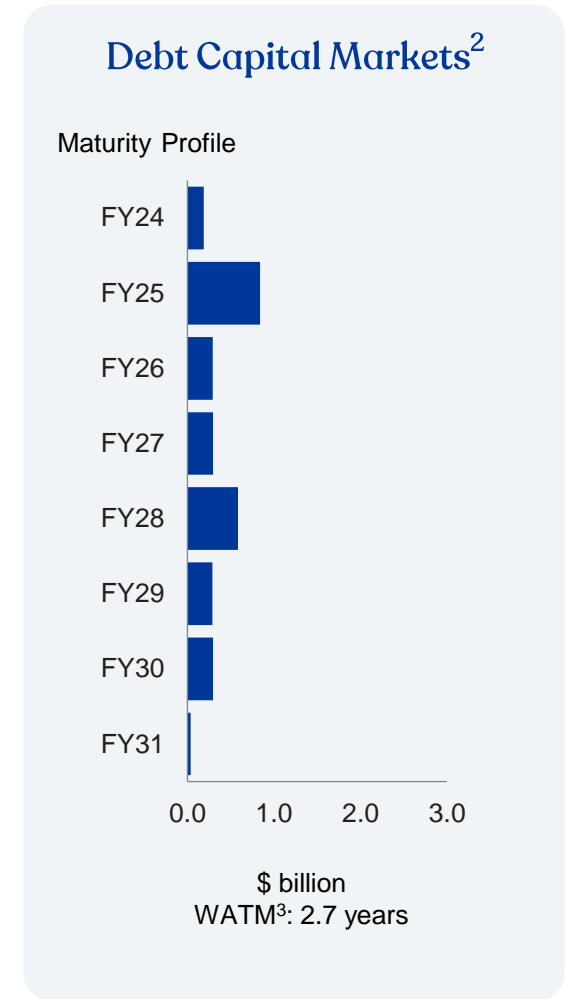
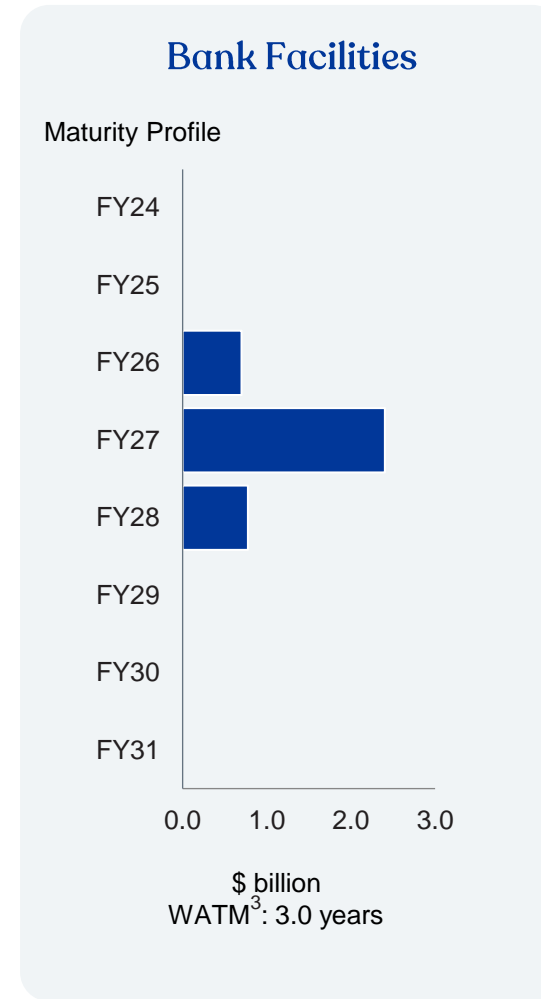
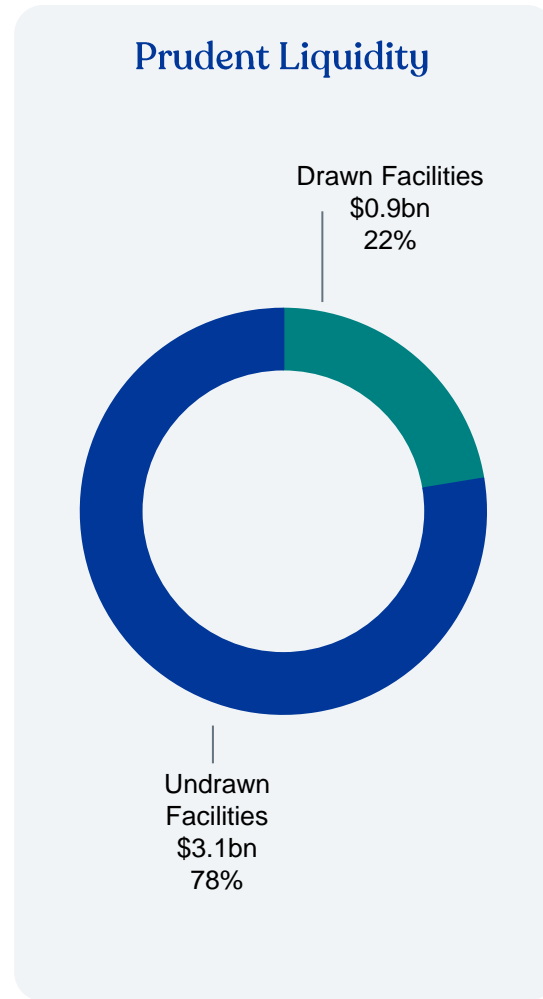
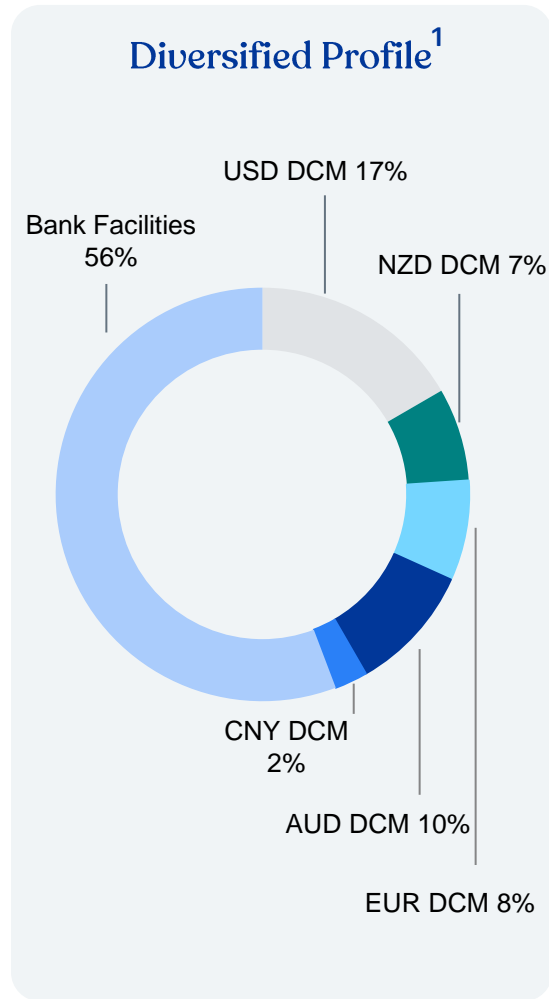
NZD million	2023	2024
Cash generated from operations	1,181	1,318
Net change in working capital	(905)	(1,402)
<b>A. Net cash flows from operating activities</b>	<b>276</b>	<b>(84)</b>
Cash flows from investing activities		
Divestments and asset sales	3	4
Capital expenditure and other	(309)	(333)
<b>B. Net cash flows from investing activities</b>	<b>(306)</b>	<b>(329)</b>
<b>Free cash flow (A+B)</b>	<b>(30)</b>	<b>(413)</b>
Dividends paid to equity holders of the Co-operative	(242)	(643)
Capital return paid	-	(804)
Other financing cash flows	(153)	(132)
Reversal of capital return payable accrual	-	804
Other non-cash changes in net debt	(47)	171
<b>Decrease/(increase) in net debt</b>	<b>(472)</b>	<b>(1,017)</b>

# Return on capital

For the 12 months ended 31 January NZD million	2023	2024
Total Group normalised EBIT	1,324	1,959
Finance income on long-term advances	13	8
Notional tax charge	(215)	(317)
Total Group normalised EBIT plus finance income on long-term advances less notional tax charge	1,122	1,650
Capital employed at 31 January	13,434	12,323
Impact of seasonal capital employed	(429)	(20)
Average capital employed	13,005	12,303
<b>Return on capital</b>	<b>8.6%</b>	<b>13.4%</b>

- Return on capital increased due to a \$635m increase in normalised EBIT for the 12 months
- On a pre-tax basis, normalisations consist of a \$66m loss related to the sale of DPA Brazil
- Average capital employed reduced due to divestments and lower levels of inventory carried forward compared to the prior year

# Diversified and prudent funding position



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

3. Weighted average term to maturity (WATM)

# Ingredients performance

For the six months ended 31 January	Total Ingredients <sup>1</sup>			Core operations		Global Markets		Greater China		Eliminations	
	NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024	2023
Sales volume ('000 MT)	1,106	1,083	(2)%	1,049	1,034	848	817	279	283	(1,070)	(1,051)
Revenue	8,735	7,077	(19)%	7,903	6,248	6,963	5,499	2,154	1,660	(8,285)	(6,330)
Cost of goods sold	(7,390)	(6,109)	17%	(7,146)	(5,824)	(6,484)	(5,048)	(2,045)	(1,567)	8,285	6,330
Gross profit	1,345	968	(28)%	757	424	479	451	109	93	-	-
Operating expenses	(511)	(539)	(5)%	(305)	(305)	(176)	(198)	(30)	(36)	-	-
Other <sup>3</sup>	16	38	138%	6	15	10	22	-	1	-	-
EBIT <sup>4</sup>	850	467	(45)%	458	134	313	275	79	58	-	-
Net finance costs and tax expense	(287)	(133)	54%	(165)	(53)	(99)	(66)	(23)	(14)	-	-
<b>Profit after tax</b>	<b>563</b>	<b>334</b>	<b>(41)%</b>	<b>293</b>	<b>81</b>	<b>214</b>	<b>209</b>	<b>56</b>	<b>44</b>	<b>-</b>	<b>-</b>
Gross margin	15.4%	13.7%		9.6%	6.8%	6.9%	8.2%	5.1%	5.6%		
EBIT margin	9.7%	6.6%		5.8%	2.1%	4.5%	5.0%	3.7%	3.5%		

1. Ingredients performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$101m for 2024 (\$61m for the comparative period)

# Foodservice performance

For the six months ended 31 January	Total Foodservice <sup>1</sup>			Core operations		Global Markets		Greater China		Eliminations	
	NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024	2023
Sales volume ('000 MT)	274	295	8%	171	179	141	141	137	158	(175)	(183)
Revenue	1,928	2,134	11%	1,034	1,036	942	925	1,128	1,277	(1,176)	(1,104)
Cost of goods sold	(1,602)	(1,573)	2%	(1,020)	(962)	(833)	(745)	(925)	(970)	1,176	1,104
Gross profit	326	561	72%	14	74	109	180	203	307	-	-
Operating expenses	(185)	(228)	(23)%	(40)	(45)	(85)	(105)	(60)	(78)	-	-
Other <sup>3</sup>	(2)	9	-	(1)	3	(1)	5	-	1	-	-
EBIT <sup>4</sup>	139	342	146%	(27)	32	23	80	143	230	-	-
Net finance costs and tax expense	(49)	(83)	(69)%	-	(9)	(5)	(24)	(44)	(50)	-	-
<b>Profit after tax</b>	<b>90</b>	<b>259</b>	<b>188%</b>	<b>(27)</b>	<b>23</b>	<b>18</b>	<b>56</b>	<b>99</b>	<b>180</b>	<b>-</b>	<b>-</b>
Gross margin	16.9%	26.3%		1.4%	7.1%	11.6%	19.5%	18.0%	24.0%		
EBIT margin	7.2%	16.0%		(2.6)%	3.1%	2.4%	8.6%	12.7%	18.0%		

1. Foodservice performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$25m for 2024 (\$27m for the comparative period)

# Consumer performance

For the six months ended 31 January	Total Consumer <sup>1</sup>			Core operations		Global Markets		Greater China		Eliminations	
	NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024	2023
Sales volume ('000 MT)	319	343	8%	125	133	283	305	39	41	(128)	(136)
Revenue	1,670	1,874	12%	759	659	1,525	1,700	217	220	(831)	(705)
Cost of goods sold	(1,295)	(1,367)	(6)%	(731)	(625)	(1,226)	(1,287)	(169)	(160)	831	705
Gross profit	375	507	35%	28	34	299	413	48	60	-	-
Operating expenses	(504)	(342)	32%	(34)	(37)	(398)	(255)	(72)	(50)	-	-
Other <sup>3</sup>	4	12	200%	(1)	3	5	9	-	-	-	-
EBIT <sup>4</sup>	(125)	177	-	(7)	-	(94)	167	(24)	10	-	-
Net finance costs and tax expense	16	(56)	-	(3)	(2)	12	(52)	7	(2)	-	-
<b>Profit after tax</b>	<b>(109)</b>	<b>121</b>	<b>-</b>	<b>(10)</b>	<b>(2)</b>	<b>(82)</b>	<b>115</b>	<b>(17)</b>	<b>8</b>	<b>-</b>	<b>-</b>
Gross margin	22.5%	27.1%		3.7%	5.2%	19.6%	24.3%	22.1%	27.3%		
EBIT margin	(7.5)%	9.4%		(0.9)%	0.0%	(6.2)%	9.8%	(11.1)%	4.5%		

1. Consumer performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$30m for 2024 (\$31m for the comparative period)

# Core Operations performance

For the six months ended 31 January	Total Core Operations <sup>1</sup>			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	1,345	1,346	0%	1,049	1,034	171	179	125	133
Revenue	9,696	7,943	(18)%	7,903	6,248	1,034	1,036	759	659
Cost of goods sold	(8,897)	(7,411)	17%	(7,146)	(5,824)	(1,020)	(962)	(731)	(625)
Gross profit	799	532	(33)%	757	424	14	74	28	34
Operating expenses	(379)	(387)	(2)%	(305)	(305)	(40)	(45)	(34)	(37)
Other <sup>3</sup>	4	21	425%	6	15	(1)	3	(1)	3
EBIT <sup>4</sup>	424	166	(61)%	458	134	(27)	32	(7)	-
Net finance costs and tax expense	(168)	(64)	62%	(165)	(53)	-	(9)	(3)	(2)
<b>Profit after tax</b>	<b>256</b>	<b>102</b>	<b>(60)%</b>	<b>293</b>	<b>81</b>	<b>(27)</b>	<b>23</b>	<b>(10)</b>	<b>(2)</b>
Gross margin	8.2%	6.7%		9.6%	6.8%	1.4%	7.1%	3.7%	5.2%
EBIT margin	4.4%	2.1%		5.8%	2.1%	(2.6)%	3.1%	(0.9)%	-

1. Core Operations performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$72m for 2024 (\$77m for the comparative period)

# Global Markets performance

For the six months ended 31 January	Total Global Markets <sup>1</sup>			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	1,272	1,263	(1)%	848	817	141	141	283	305
Revenue	9,430	8,124	(14)%	6,963	5,499	942	925	1,525	1,700
Cost of goods sold	(8,543)	(7,080)	17%	(6,484)	(5,048)	(833)	(745)	(1,226)	(1,287)
Gross profit	887	1,044	18%	479	451	109	180	299	413
Operating expenses	(659)	(558)	15%	(176)	(198)	(85)	(105)	(398)	(255)
Other <sup>3</sup>	14	36	157%	10	22	(1)	5	5	9
EBIT <sup>4</sup>	242	522	116%	313	275	23	80	(94)	167
Net finance costs and tax expense	(92)	(142)	(54)%	(99)	(66)	(5)	(24)	12	(52)
<b>Profit after tax</b>	<b>150</b>	<b>380</b>	<b>153%</b>	<b>214</b>	<b>209</b>	<b>18</b>	<b>56</b>	<b>(82)</b>	<b>115</b>
Gross margin	9.4%	12.9%		6.9%	8.2%	11.6%	19.5%	19.6%	24.3%
EBIT margin	2.6%	6.4%		4.5%	5.0%	2.4%	8.6%	(6.2)%	9.8%

1. Global Markets performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes total Corporate Costs of \$58m for 2024 (\$25m for the comparative period)



# Greater China performance

For the six months ended 31 January	Total Greater China <sup>1</sup>			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	Δ% <sup>2</sup>	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	455	482	6%	279	283	137	158	39	41
Revenue	3,499	3,157	(10)%	2,154	1,660	1,128	1,277	217	220
Cost of goods sold	(3,139)	(2,697)	14%	(2,045)	(1,567)	(925)	(970)	(169)	(160)
Gross profit	360	460	28%	109	93	203	307	48	60
Operating expenses	(162)	(164)	(1)%	(30)	(36)	(60)	(78)	(72)	(50)
Other <sup>3</sup>	-	2	-	-	1	-	1	-	-
EBIT <sup>4</sup>	198	298	51%	79	58	143	230	(24)	10
Net finance costs and tax expense	(60)	(66)	(10)%	(23)	(14)	(44)	(50)	7	(2)
<b>Profit after tax</b>	<b>138</b>	<b>232</b>	<b>68%</b>	<b>56</b>	<b>44</b>	<b>99</b>	<b>180</b>	<b>(17)</b>	<b>8</b>
Gross margin	10.3%	14.6%		5.1%	5.6%	18.0%	24.0%	22.1%	27.3%
EBIT margin	5.7%	9.4%		3.7%	3.5%	12.7%	18.0%	(11.1)%	4.5%

- Greater China performance is prepared on a continuing operations basis and includes sales to other segments
- Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

- Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
- Includes total Corporate Costs of \$26m for 2024 (\$17m for the comparative period)

# Australia

NZD million	2023	2024	%Δ <sup>1</sup>
Milk collections (kgMS)	66	67	2%
Sales volume ('000 MT)	181	180	(1)%
Revenue	1,253	1,165	(7)%
Cost of goods sold	(1,082)	(1,027)	5%
Gross profit (\$)	171	138	(19)%
Gross margin (%)	13.6%	11.8%	-
Operating expenses (\$)	(97)	(97)	-
Other <sup>2</sup> (\$)	-	1	-
EBIT (\$)	74	42	(43)%
Net finance costs and tax expense	(5)	(21)	(320)%
<b>Profit after tax (\$)</b>	<b>69</b>	<b>21</b>	<b>(70)%</b>

- Milk collections and sales volumes in line with prior year
  - Shift in volume favouring the Consumer channel, less sold through Ingredients and Foodservice with both impacted by reduced demand
- Improved Consumer channel operating earnings more than offset by reduced margins in Ingredients channel
  - Consumer growth due to annualisation of lagging pricing rises. Fonterra continues to hold #1 volume and value branded leadership position in Butter & Spreads and Fixed Weight Cheese
  - Ingredients margins impacted by competitive domestic milk price which is disconnected from global commodity prices

Note: Figures are prepared 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 and net foreign exchange gains/(losses)

# Discontinued Operations

For the six months ended 31 January	Total Discontinued Operations			China Farms		DPA Brazil		Soprole	
	NZD million	2023	2024	Δ% <sup>1</sup>	2023	2024	2023	2024	2023
Sales volume ('000 MT)	295	59	(80)%	1	-	112	59	182	-
Revenue	916	172	(81)%	11	-	291	172	614	-
Cost of goods sold	(664)	(106)	84%	(18)	-	(200)	(106)	(446)	-
Gross profit	252	66	(74)%	(7)	-	91	66	168	-
Operating expenses	(258)	(99)	62%	(6)	-	(62)	(99)	(190)	-
Other <sup>2</sup>	-	-	-	-	-	-	-	-	-
EBIT <sup>3</sup>	(6)	(33)	(450)%	(13)	-	29	(33)	(22)	-
Net finance costs and tax expense	8	(7)	-	-	-	(23)	(7)	31	-
<b>Profit after tax</b>	<b>2</b>	<b>(40)</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>6</b>	<b>(40)</b>	<b>9</b>	<b>-</b>
Gross margin	27.5%	38.4%		(63.6)%		31.3%	38.4%	27.4%	
EBIT margin	(0.7)%	(19.2)%		(118.2)%		10.0%	(19.2)%	(3.6)%	

1. Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.

2. Consists of other operating income and net foreign exchange gains/(losses)

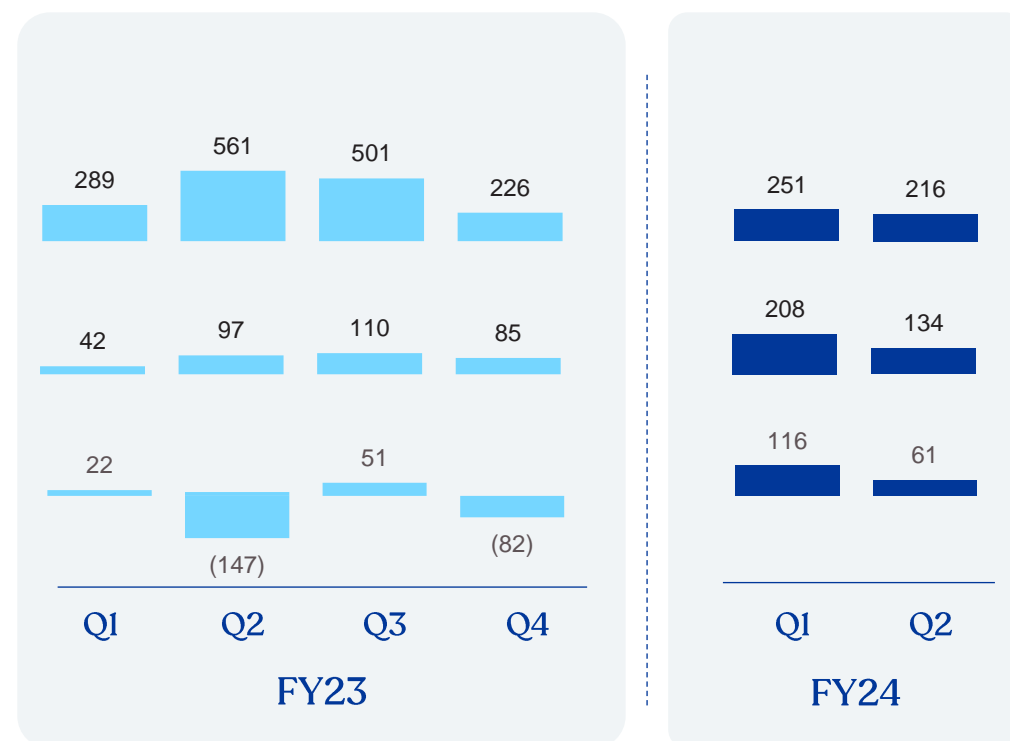
3. Depreciation is not recognised in discontinued operations from the date at which the operations are classified as held for sale

# End-to-end view by region

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

	Global Markets	Greater China	Total
External sales volume ('000 MT)	<b>1,239</b> 0% -	<b>482</b> 6% ↑	<b>1,721</b> 1% ↑
EBIT contribution from continuing operations			
Ingredients	<b>\$357m</b> \$298m ↓	<b>\$110m</b> \$85m ↓	<b>\$467m</b> \$383m ↓
Foodservice	<b>\$100m</b> \$91m ↑	<b>\$242m</b> \$112m ↑	<b>\$342m</b> \$203m ↑
Consumer	<b>\$178m</b> \$265m ↑	<b>\$(1)m</b> \$37m ↑	<b>\$177m</b> \$302m ↑
<b>Total</b>	<b>\$635m</b> \$58m ↑	<b>\$351m</b> \$64m ↑	<b>\$986m</b> \$122m ↑

EBIT by quarter





# Flexible Shareholding Metrics

# Flexible shareholding metrics

As at 31 January 2024, the Co-operative was within the specified thresholds for all three Flexible Shareholding metrics

Total shares on issue  
above the Share Standard

**12.10%**

↓ from 12.22%

- The percentage of Co-operative Shares on issue above or below the combined Share Standard of all Shareholders
- The threshold range is set at total Co-operative Shares on issue being within +/- 15% of the Share Standard

Shares held by  
Ceased Shareholders and  
Permitted Transferees

**8.01%**

↓ from 9.23%

- The percentage of shares held by shareholders who have ceased supplying milk to the Co-operative, and/or transferred their shares to a non-supplying person or entity in accordance with the permitted transferee rules
- The threshold is set at no greater than 25%

Shares held for the  
Fonterra Shareholders' Fund

**6.67%**

No change

- The size of the Fonterra Shareholders' Fund has been capped at 10% of shares on issue to protect farmer ownership and control of the Co-operative

# Shareholder distribution

## Shareholder Distribution

Shareholder	# of shares held as at 31 January 2024	% of total shares on issue
Supplying Shareholders	1,365,867,566	84.88%
Secondary Shareholders	3,372,726	0.21%
Associated Shareholders	1,240,126	0.08%
Ceased Shareholders	115,104,326	7.15%
Permitted Transferees	13,831,666	0.86%
Custodian shares, on behalf of the Fund	107,410,984	6.67%
Custodian shares, on behalf of the Market Makers	2,363,161	0.15%
Total shares on Issue	1,609,190,555	100.00%

# Shareholder compliance requirements

## Share compliance requirements

# of shares:	Season						
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
To be bought	3,454,281	3,711,572	3,767,948	3,173,134	2,071,268	-	-
To be sold	112,445	-	26,230	86,179	-	-	-

## Season (continued)

# of shares:	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	<b>Total</b>
To be bought	-	-	-	-	-	-	<b>16,178,203</b>
To be sold	-	-	-	-	-	129,010,511	<b>129,235,365</b>

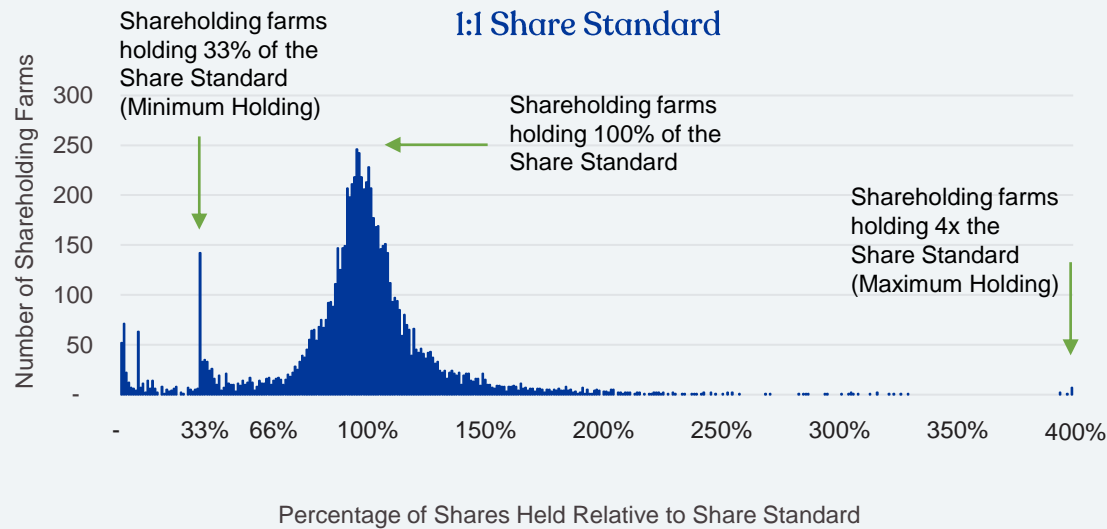


# Shareholdings relative to Share Standard

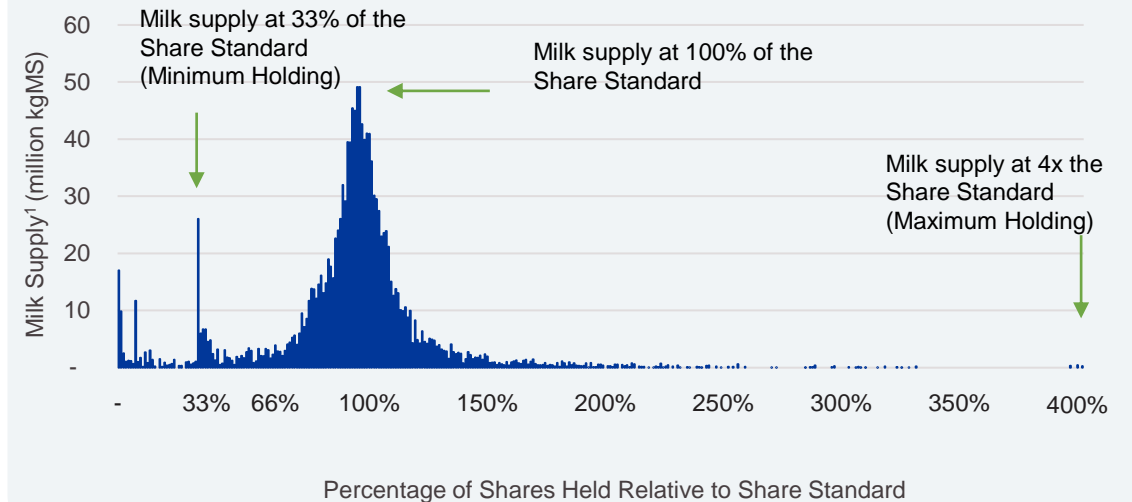
## Shareholding relative to Share Standard

	< 33%	33% - 79%	80% - 120%	> 120%	Total
# of shareholding farms	365	986	5,609	1,290	<b>8,250</b>
Milk Supply <sup>1</sup> (kgMS)	66,780,386	186,685,754	1,025,335,044	156,640,319	<b>1,435,441,503</b>

### Shareholdings by shareholding farms relative to 1:1 Share Standard



### Shareholdings by milk supply relative to 1:1 Share Standard



#### Note:

- Shareholding farms presented exclude Ceased Shareholders, Permitted Transferees, Associated Shareholders and shareholding farms over 4x the Share Standard
- Shareholdings can be less than 33% of Share Standard, under Flexible Shareholding new supplying entities have six years to reach 33% of Share Standard

1. Milk Supply is derived from each shareholding farm's Share Standard

# Appendix



# FY24 HI Integrated Scorecard

	FY22 Actual	FY23 Actual	FY24 Scorecard	FY24 HI YTD
Serious harm	8	5	4	0
Gender diversity (Band 12+)	37.6%	39.5%	40.5%	39.4%
Culture Measure	–	79	– <sup>1</sup>	78
GHG emissions (Scope 1,2) <sup>2</sup>	(11.2)%	(14.1)%	(15.6)%	(20.2)%
FEP adoption (New Zealand)	71%	85%	92%	89%
Water Improvement Plans in place	–	44.0%	100.0%	On track
Share of New Zealand milk collected for the season to 31 May	79.1%	79.0%	79.0%	78.5%
Delivered in full, on time (DIFOT, ex-New Zealand)	51.6%	53.2%	80.0%	Behind
Cash operating expenses per kgMS (real)	1.34	1.39	1.37	Behind
Core Operations gross profit per kgMS (real) <sup>3</sup>	8.82	9.21	8.52	Behind
Return on capital (FY)	6.8%	12.4%	8.0%-9.0%	Ahead
Farmgate Milk Price (\$)	9.30	\$8.22	\$6.50-\$7.50	\$7.30-\$8.30 <sup>4</sup>
Total shareholder return (share price plus dividend)	\$2.73 \$0.20	\$3.20 \$1.00 <sup>5</sup>	Not Available	Not Available
On-farm profitability (\$ per hectare) <sup>6</sup>	4,150	2,063	Not Available	Not Available

1. No target set for FY24

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 Forecast Farmgate Milk Price range with a mid-point of \$7.80 per kgMS (12 February 2024)

5. Includes 50-cent per share capital return

6. DairyNZ Economic Survey 2021-2022 (Owner-Operator). FY23 is a modelled forecast

# Data sources

- **Dairy Production and Imports**

- 12-month production

- NZ, Aus, US (Jan 2023 to Jan 2024) DCANZ, Dairy Australia, USDA
- EU (Dec 2022 to Dec 2023) Eurostat

- 3-month production

- NZ, Aus, US (Nov 2022 – Jan 2023 to Nov 2023 – Jan 2024) DCANZ, Dairy Australia, USDA
- EU (Oct 2022 – Dec 2022 to Oct 2023 – Dec 2023) Eurostat

- 12-month imports

- LATAM, Asia (excl. China), Middle East & Africa, China (Dec 2022 – Dec 2023) S&P Global

- 3-month imports

- LATAM, Asia (excl. China), Middle East & Africa, China (Oct 2022 – Dec 2022 to Oct 2023 – Dec 2023) 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
- GDT only Non-Reference contract shipment price uses GDT cheddar prices as a proxy

# Glossary

## Associated Shareholder

Is a Shareholder that is a Farm Lessor, Sharemilker or Contract Milker

## 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 invested

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

## Cash operating expenses per kgMS

is continuing operations operating expenses, less non-cash costs (depreciation, amortisation, impairments and net foreign exchange losses). Shown by kilogram of New Zealand and Australia milk solids collected

## Consumer

represents 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 and sustainability, Fonterra Farm Source™ retail stores, and the Strategy and Optimisation function

## Custodian

means the Fonterra Farmer Custodian, which is the legal holder of the shares in respect of which economic rights are held for the Fonterra Shareholders' Fund and any Market Makers

## 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

## DIRA

means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities, subsequent amendments to the Act, and the Dairy Industry Restructuring (Raw Milk) Regulations 2012

## 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 coordinated 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

## Eliminations

represents eliminations of inter-business unit sales

## Farmgate Milk Price

means the average price paid by Fonterra 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

## Fonterra's average NZD/USD conversion rate

is the rate that Fonterra has converted net United States Dollar receipts into New Zealand Dollars including hedge cover in place

## 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

## Gearing ratio (%)

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

## Global Dairy Trade (GDT)

means the electronic auction platform that is used to sell commodity dairy products

## Global Markets

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

# Glossary

## 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

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

## 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 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

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 used to calculate the Farmgate Milk Price

## Reported

is used to indicate a sub-total or total is reported in the Group's Financial Statements before normalisation adjustments. E.g. 'Reported profit after tax'

## 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

## Share standard

means one share per one kgMS of milk supplied, used to calculate a Supplying Shareholder's Minimum Holding and Maximum Holding

## Shareholding farm

means a farm where the owning entity of the farm has a minimum required shareholding of at least 1,000 shares in the Co-operative. This includes farms where the owning entity is in the process of sharing up on a Share Up Over Time contract

## 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

## Tradeable shares

represents shares on issue that are in excess of aggregate minimum shareholding

## 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

## 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

# Important information and disclaimer

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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Statements about past performance are not necessarily indicative of future performance.

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## Non-GAAP Measures

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 2024 Interim Report for reconciliation of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.



**Dairy for life**

[fonterra.com](https://fonterra.com)



# Interim Report 2024 Pūrongo Taupua



Dairy for life



# About this report

This report covers the activities of Fonterra Co-operative Group Limited for the first six months of Financial Year 2024, commencing 1 August 2023 and ending 31 January 2024.

More information about Fonterra and our previous years' performance can be found here: [www.fonterra.com](http://www.fonterra.com)



Stephanie & Teagan, Auckland

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Please refer to the Non-GAAP Measures section of this report for reconciliations of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.



# Sustained progress

As we transform our Co-op for tomorrow,  
we continue to perform today



Peter McBride  
Chair

Miles Hurrell  
Chief Executive Officer

## Kia ora

We are proud to present Fonterra's FY24 interim results, which show a continuation of the strong earnings performance delivered by the Co-op through FY23.

Total group profit after tax is up 23% to NZ\$674 million and EBIT from continuing operations is up 14% to NZ\$986 million, with a return on capital of 13.4%.

The underlying performance of our business is in good shape. This result has been driven by improved earnings in our Consumer and Foodservice channels, helping to offset lower returns in our Ingredients channel relative to last year, which benefited from historically high price relativities during FY23.

Our strong earnings put us in a position to pay an interim dividend of 15 cents per share to farmer shareholders and unit holders, up 50% from FY23.

We are also pleased to be forecasting an improved 2023/24 Farmgate Milk Price after volatility earlier in the season.

Our midpoint lifted by 30 cents in February to \$7.80 per kgMS following strengthening demand from the Middle East and Southeast Asia.

As we are now well progressed through the 2023/24 season, we have the confidence to narrow the forecast range to \$7.50 – \$8.10 per kgMS.

## Sustained financial performance provides stability

Our focus is always on utilising our Co-op's strengths and scale, including our diversification across products, markets and categories, to maximise overall returns to our owners.

This year, we have been able to utilise our strong balance sheet to get more of the Farmgate Milk Price payment to farmers earlier in the season through implementation of our new Advance Rate guideline.

We know supporting on-farm cash flow is important to farmers, especially during a time of increasing costs.

On-farm cash flow was further supported by the payment of the \$804 million capital return in August, equivalent to 50 cents per share and unit. This followed the divestment of Soprole and delivered on a commitment made by the Co-op to return capital to shareholders and unit holders by FY24.

We note the share price impact following the capital return. Over time we expect the share price will reflect the Co-op's financial performance. Ultimately, farmers will determine the value of the shares, given farmers can only buy from and sell to each other.

Our focus is always on utilising our Co-op's strengths and scale, including our diversification across products, markets and categories, to maximise overall returns to our owners.

The Co-op has given considerable focus to managing owners' capital, lowering our debt position and shoring up our balance sheet over the last few years.

We are pleased to be in a position where this work is allowing us to provide some financial stability to farmers, as well as allowing us to invest in the upgrades required to sustain and decarbonise our manufacturing assets.

This stability is one of our strengths, with feedback from farmers wanting to join Fonterra showing us that many are seeking the security of a stable Co-op.

Our new capital structure has now been in place for one year with some farmers citing the new flexible shareholding options as another reason for their interest in joining or remaining with us.

The combination of our strong performance, financial stability and flexible shareholding options mean we now have a waitlist of farmers in some regions who want to be part of the Co-op.

At the core of our principles is the promise to farmers that their milk will be collected every day and the highest possible return will be sought for that milk.

Right now, we are operating in a period of heightened geopolitical tensions, which is resulting in disruptions to global supply chains and presents the potential for further volatility in global demand.

Farmers can be confident that the Co-op is well positioned to navigate through these dynamics thanks to our stable financial position, scale and diversification across markets and categories, and strong partnerships, such as with global logistics provider, Kotahi.

In terms of the remainder of FY24, we have a positive outlook for dairy demand, which gives us confidence to maintain our forecast earnings guidance for the year of 50-65 cents per share.

Ngā mihi,

Peter & Miles



Peter McBride  
Chairman



Miles Hurrell  
Chief Executive Officer

Profit After Tax

**NZ\$674m** ↑

up 23%

Return on Capital

**13.4%** ↑

up from 8.6%

Earnings per share

**40 cents**

per share

Interim dividend

**15 cents**

per share

Forecast Farmgate Milk Price range

**NZ\$7.50-\$8.10**

per kgMS



# Progress on strategy

We are working alongside farmers to seek to make farming easier and partnering with customers to commercialise our sustainability credentials and unlock the potential of dairy through innovation.

## On-farm

At the heart of our Co-operative are the farmers who produce what we believe to be the world's best milk. To support them in doing this, we utilise our scale, optionality, and strong balance sheet to deliver benefits to farmers that are hard for others to replicate.

This includes getting cash to farmers sooner through our revised Advance Rate guideline, advocating on their behalf with the Government, and providing tailored tools to try to make things easier and more efficient on-farm.

Through the first six months of FY24, farmers have experienced high on-farm costs driven by inflation and increasing compliance expectations. To alleviate some of the pressure, our Farm Source team has introduced new solutions to save farmers time or money.

One new initiative is a collaboration with the Ministry for Primary Industries (MPI) which has resulted in simplifying MPI's Farm Dairy Assessments for Co-op farmers who meet certain criteria. This will help farmers to save time when completing the Farm Dairy Assessment process in future.

We also implemented a price cap on key on-farm products sold through our Farm Source retail stores, at a time when farmers have been facing significantly increasing on-farm costs.

## A stable milk supply

A stable milk supply is integral to the Co-op's long-term success. March 2024 marks one year since we introduced our new Flexible Shareholding capital structure, which has been designed to make it easier for new farmers to join our Co-op and for existing farmers to remain by allowing greater flexibility in the level of investment required.

While it's still early days, Flexible Shareholding is working as expected. We've seen interest in the more flexible shareholding options from both existing farmers and those looking to join the Co-op.

The two new categories of shareholding have seen growth across the last 12 months. Refer to the [Interim Results Presentation](#) for more detail.



Dave, Southland

## Driving value for farmers' milk

Fonterra's goal is to maximise the value of its farmers' milk. One way we do this is through the commercialisation of our sustainability story, which recognises the work of Fonterra farmers to produce grass-fed, low carbon milk.

In November, the Co-op announced an on-farm emissions reduction target and released a Climate Roadmap which details our plan for achieving our climate goals. This is a significant step in demonstrating to customers our commitment to sustainability and communicating the differentiating position of New Zealand milk when compared to offshore milk sources.

Having an on-farm emissions target will also support the Co-op and its farmers with accessing finance and meeting regulatory requirements.

The announcement of an on-farm emissions target followed extensive discussions with farmers about why a target is needed, and how we will collectively achieve it. We continue to work with farmers to find ways to make farming more efficient and are working with partners to develop novel technologies which could help to reduce on-farm emissions.

This year, we have introduced two new initiatives to support farmers with their on-farm sustainability action.

In December, we announced a partnership with Nestlé which will see them fund an additional payment to farmers who achieve The Co-operative Difference in the 2023/24 season.

The funding is to be shared evenly (on a per kgMS basis) across farmers who achieve any level of The Co-operative Difference. Depending on the number of farmers that qualify, Fonterra expects the additional payment to farmers to be about 1-2 cents per kgMS.

In February, we launched Greener Choices through our national network of Farm Source stores, which offers Fonterra farmers an incentive to buy products that help with on-farm sustainability. This initiative is part of a collaboration with a key customer, Mars.



Kiri, Michael & Alan, Bay of Plenty

## Overseas divestments completed

In the first six months of FY24, we achieved two milestones related to the divestment of offshore businesses.

In August, we completed a capital return following the sale of Soprole. This allowed us to deliver on a commitment we made to farmer shareholders and unit holders by returning 50 cents per share and unit from the sale proceeds.

Then in November, we announced the sale of our Brazilian JV with Nestlé, Dairy Partners Americas (DPA) Brazil, to Lactalis.

Both of these divestments have helped to streamline the business, allowing our people to focus on Fonterra's core business.



## Decarbonising our operations

In addition to working with farmers to reduce on-farm emissions, we are decarbonising our manufacturing operations. We have a target to reduce our Scope 1&2 emissions by 50% by 2030 and a commitment to get out of coal by 2037.

As progress towards these goals, in the first six months of FY24 we have:

- Commissioned a wood biomass boiler at our Waitoa site that reduces the site's annual emissions by at least 48,000 tonnes of CO<sub>2</sub>e, the equivalent of taking 20,000 cars off New Zealand's roads.
- Commissioned our first high temperature heat pump and solar thermal plant combination at our Palmerston North site, reducing natural gas reliance.
- Announced a new 20-megawatt electrode boiler that will be installed at our Edendale site, reducing Fonterra's overall carbon emissions by nearly 3%, or 47,500 tonnes of CO<sub>2</sub>e, per annum.

## Innovation across our value chain

Innovation sits at the core of our business and stretches across our value chain, driving the premiums we extract from farmers' milk. We're also utilising innovation in our manufacturing operations to unlock further production capacity of our high value products.

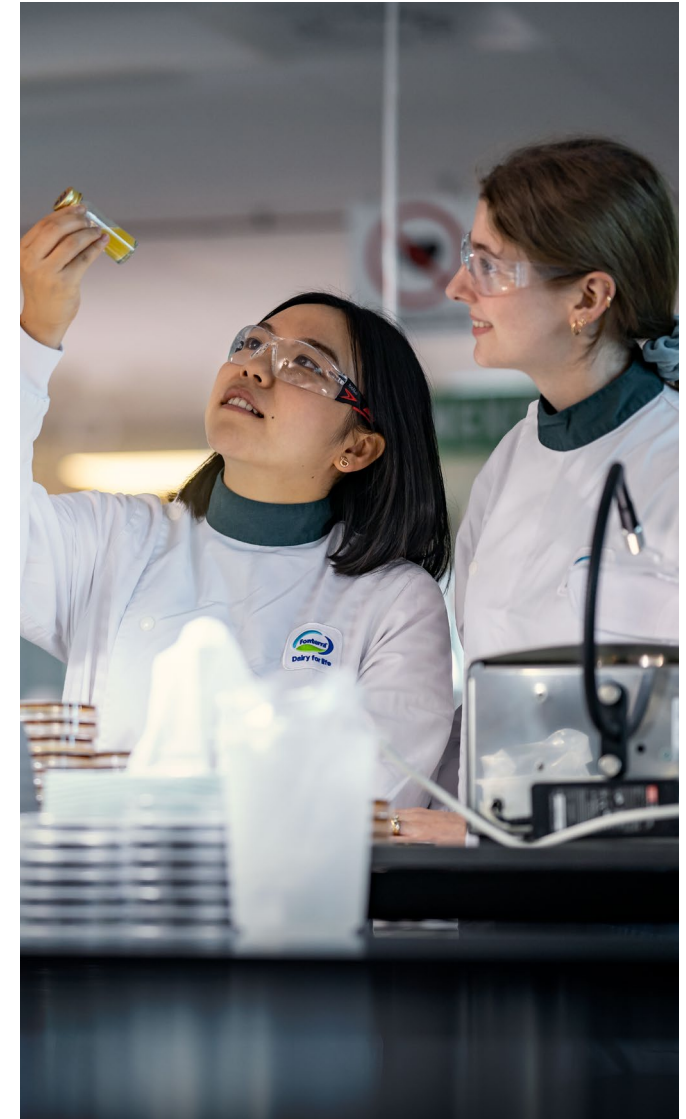
This year, we have optimised our Individual Quick Frozen (IQF) mozzarella process by addressing a blast freezing bottleneck, resulting in an 8.5% increase in throughput. IQF is a high value product sold through our Foodservice and Ingredients channels. The subsequent production runs have recorded the highest volumes ever achieved during a full run.

We also installed a new innovation at our Waitoa UHT site to increase production of Anchor Whipping Cream. While the technology itself is protected IP, it extends UHT cream production and has unlocked an additional 8,000 MT capacity.

## Microsoft partnership & exploring AI

We're looking for innovative ways to optimise our internal processes through the use of technology. In January, we completed a proof of concept with Microsoft to lift a whole genome sequencing process from our on-site data storage to the cloud. The result was 20x faster processing of data, demonstrating a pathway to apply in other R&D areas that have complex datasets and require large computing power.

We have also partnered with Microsoft to develop a number of AI solutions tailored for Fonterra. Primary amongst these is DairyDetective, a Generative AI platform which allows our researchers to access our bank of 96 years of dairy specific knowledge at speed with curated responses.



Yiyang & Olivia, Palmerston North



Emma & Daniel, Auckland

### Innovating with customers

---

We also innovate close to customers in our global markets to co-develop products utilising Fonterra's expertise.

For example, one of Fonterra's key customers in Greater China, a leading dairy brand, worked with our team to develop and launch six ready-to-drink (RTD) products in the sports market segment in the first half of FY24.

These products leverage Fonterra's grass-fed provenance and ingredients such as milk protein concentrate, whey protein concentrate and calcium caseinate.

The RTD market in China is strong, with good growth potential. Our team is supporting this key customer through Marketing Insights and Solutions. In addition, we focus on product iteration and formula optimisation at our Fonterra Application Centres throughout China.

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# Business performance summary

Additional interim results  
material can be found on the  
[Fonterra Investor Relations webpage](#).

**Our Total Group profit after tax increased 23%, or \$128 million, to \$674 million for the first six months of the 2024 financial year, and we have confirmed an interim dividend of 15 cents per share.**

Total Group EBIT increased \$95 million to \$953 million, reflecting higher margins and increased sales volume in our Foodservice and Consumer channels, partially offset by lower volumes and margins in our Ingredients channel. The prior year also included \$162 million of impairments.

In addition to the increase in EBIT, the higher profit after tax was driven by a \$68 million improvement in net financing costs. This reflects lower average total borrowings due to higher earnings and divestments, and the composition of total borrowings. The favourable net financing costs were partially offset by a \$35 million increase in tax expense.

The following business performance commentary has been provided on a continuing operations basis. It excludes the performance of discontinued operations, which made a \$40 million loss, reflecting the sale of the DPA Brazil consumer and foodservice business in October 2023. DPA Brazil was profitable over this period, but this was more than offset by the release of the \$(68)m foreign currency translation reserve as part of the sale.



	Core Operations	Global Markets	Greater China	Total
External sales volume (‘000 MT)		1,239 0% —	482 6% ↑	1,721 1% ↑
Profit after tax contribution from continuing operations				
Ingredients	\$81m \$212m ↓	\$209m \$5m ↓	\$44m \$12m ↓	\$334m \$229m ↓
Foodservice	\$23m \$50m ↑	\$56m \$38m ↑	\$180m \$8m ↑	\$259m \$169m ↑
Consumer	\$(2)m \$8m ↑	\$115m \$197m ↑	\$8m \$25m ↑	\$121m \$230m ↑
<b>Total</b>	<b>\$102m</b> \$154m ↓	<b>\$380m</b> \$230m ↑	<b>\$232m</b> \$94m ↑	<b>\$714m</b> \$170m ↑

**Ingredients profit after tax decreased \$229 million to \$334 million** due to reduced margins and sales volume in both New Zealand and Australia.

**Foodservice profit after tax increased \$169 million to \$259 million** due to volume growth, improved pricing and lower cost of milk.

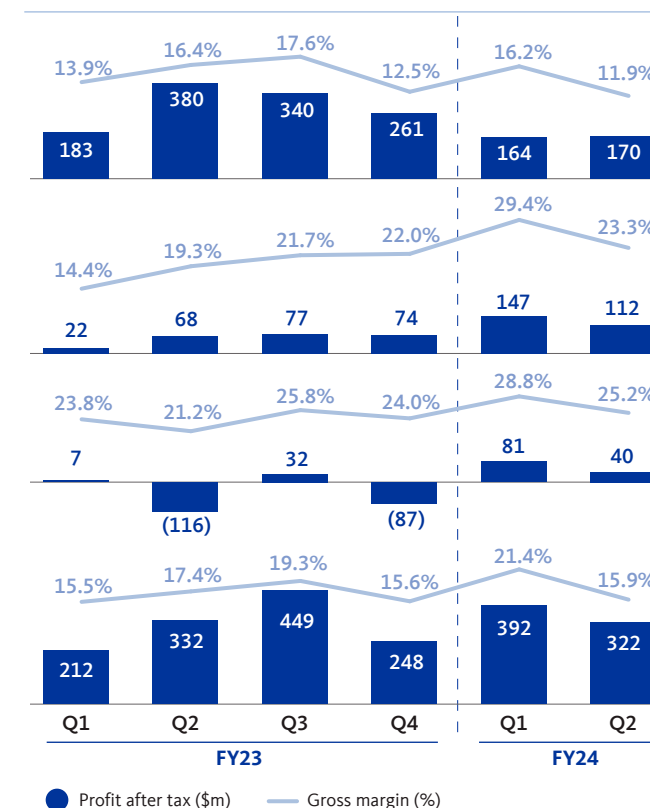
**Consumer profit after tax increased \$230 million to \$121 million** due to volume growth, improved pricing and lower cost of milk. Prior year also included \$150 million (after tax) of impairments.

**Core Operations’ profit after tax decreased \$154 million to \$102 million** due to lower earnings in the Ingredients channel.

**Global Markets’ profit after tax increased \$230 million to \$380 million** mainly due to improved earnings in the Consumer channel and impacts of impairments in FY23.

**Greater China’s profit after tax increased \$94 million to \$232 million** mainly due to improved earnings in the Foodservice channel and impacts of impairments in FY23.

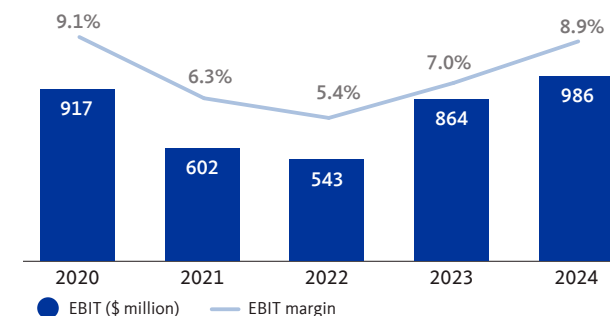
Profit after tax by quarter  
from continuing operations



● Profit after tax (\$m) — Gross margin (%)

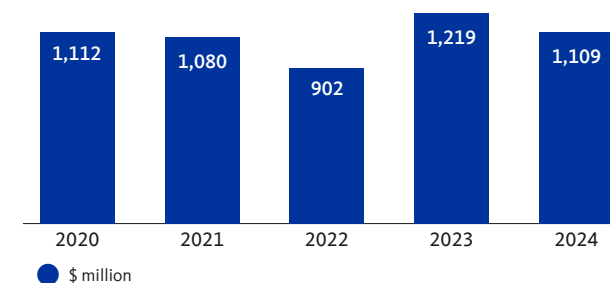


### Continuing Operations' Operating Earnings (EBIT) For the six months ended 31 January



The composition of earnings between channels has significantly changed with lower earnings from Ingredients offset by higher earnings in the Foodservice and Consumer channels. EBIT for the first six months of FY23 of \$864 million included \$162 million of consumer brands impairments. After adjusting for these impairments, underlying earnings for the first six months of FY24 are \$40 million behind the prior year, from \$1,026 million to \$986 million.

### Continuing Operations' Operating Expenses For the six months ended 31 January



Operating expenses reduced \$110 million due to the prior year including \$162 million of impairments. After adjusting for these impairments, operating expenses were up \$52 million due to an increase in staff expenses and an increase in technical and professional fees, mainly related to upfront costs of delivering future efficiencies.

Note: Soprole was classified as a discontinued operation in 2023, and 2022 was re-presented. Soprole operating earnings for 2020 and 2021 were \$22 million and \$38 million respectively, and Soprole operating expenses for 2020 and 2021 were \$105 million and \$98 million respectively.

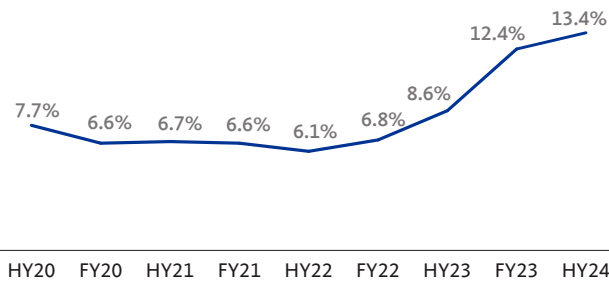


Michael, Southland

## Return on Capital

Our return on capital on a rolling 12-month basis has improved due to the increase in our normalised EBIT<sup>1</sup>. The average level of capital employed was lower due to a reduction in working capital during the year, together with the impact of divestments executed.

Key capital projects for 2024 include our Hautapu wastewater upgrades to improve discharge processes and the installation of an electrode boiler at Edendale as part of our decarbonisation program.

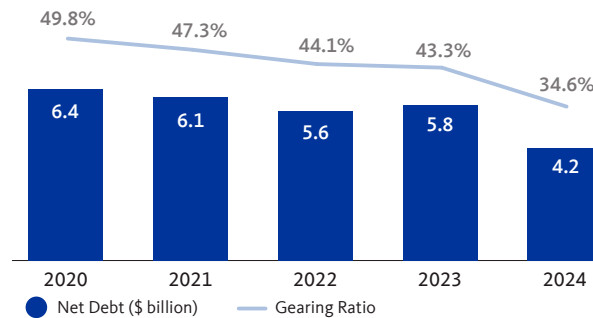


HY20 FY20 HY21 FY21 HY22 FY22 HY23 FY23 HY24

## Balance Sheet

The decrease in net debt reflects the strong underlying performance of the business, and a reduction in working capital during the year, together with the impact of divestments executed. The reduction in our gearing ratio reflects lower net debt, improved earnings and gains on divestment of Soprole, and after distributing \$1.6 billion in dividends and through a capital return.

### As at 31 January

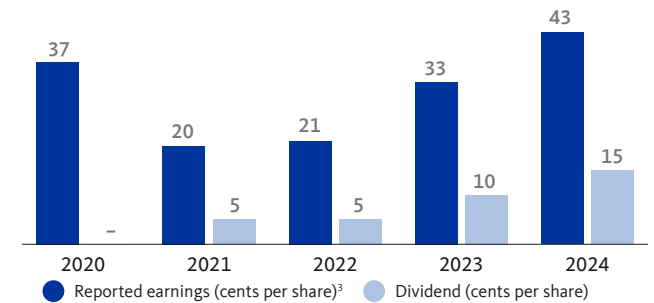


● Net Debt (\$ billion) — Gearing Ratio

## Earnings Per Share & Dividends

Continuing operations profit after tax of \$714 million equates to earnings per share attributable to equity holders of 43 cents.

### For the six months ended 31 January<sup>2</sup>



● Reported earnings (cents per share)<sup>3</sup> ● Dividend (cents per share)

The stronger earnings and continued strength of our balance sheet has resulted in an interim dividend of 15 cents per share, up 5 cents from the prior year interim dividend of 10 cents per share.

1. Normalisations for the first six months of the 2024 financial year include a \$66 million loss relating to the sale of DPA Brazil.

2. EPS is presented on a continuing operations basis.

3. Soprole was classified as a discontinued operation in 2023, and 2022 was re-presented. EPS prior to 2022 includes earnings from Soprole.



Michael & William, Southland

# Interim Financial Statements

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## Independent Review Report



### To the shareholders of Fonterra Co-operative Group Limited

#### Report on the interim financial statements

##### Conclusion

We have completed a review of the accompanying interim financial statements which comprise:

- the statement of financial position as at 31 January 2024;
- the statements of profit or loss and other comprehensive income, cash flows and changes in equity for the six month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 18 to 29 do not:

- present fairly, in all material respects, the Group's financial position as at 31 January 2024 and its financial performance and cash flows for the six month period ended on that date; and
- comply with NZ IAS 34 Interim Financial Reporting (NZ IAS 34) and IAS 34 Interim Financial Reporting (IAS 34).

##### Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410 (Revised)"). Our responsibilities are further described in the *Auditor's Responsibilities for the review of the interim financial statements* section of our report.

We are independent of Fonterra Co-operative Group Limited, in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

##### Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.

#### Responsibilities of the Directors for the interim financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 and IAS 34;
- implementing necessary internal control to enable the preparation of interim financial statements that are fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

#### Auditor's Responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 (Revised). NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410 (Revised)") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

KPMG  
Auckland

20 March 2024

## Statement of Financial Position

AS AT 31 JANUARY

(\$ MILLION)

	NOTES	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		239	319	1,822
Trade and other receivables		2,122	2,870	2,473
Inventories		6,499	7,034	4,346
Derivative financial instruments		217	527	190
Other assets		132	209	149
Assets held for sale		13	1,289	515
<b>Total current assets</b>		<b>9,222</b>	<b>12,248</b>	<b>9,495</b>
<b>Non-current assets</b>				
Property, plant and equipment	6	6,283	6,262	6,343
Intangible assets	3	1,813	1,881	1,824
Deferred tax assets		181	178	182
Derivative financial instruments		347	428	379
Other assets		385	394	378
<b>Total non-current assets</b>		<b>9,009</b>	<b>9,143</b>	<b>9,106</b>
<b>Total assets</b>		<b>18,231</b>	<b>21,391</b>	<b>18,601</b>

The Board approved and authorised for issue these Interim Financial Statements on 20 March 2024.

For and on behalf of the Board:



Peter McBride  
Chairman



Bruce Hassall  
Director

	NOTES	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft		26	57	102
Borrowings	6	1,244	2,063	785
Trade and other payables	6	4,790	5,906	4,370
Derivative financial instruments		124	570	415
Capital return payable	5	–	–	804
Other liabilities	6	335	247	249
Liabilities held for sale		6	972	536
<b>Total current liabilities</b>		<b>6,525</b>	<b>9,815</b>	<b>7,261</b>
<b>Non-current liabilities</b>				
Borrowings	6	3,371	3,426	3,156
Derivative financial instruments		45	65	106
Other liabilities	6	210	156	110
<b>Total non-current liabilities</b>		<b>3,626</b>	<b>3,647</b>	<b>3,372</b>
<b>Total liabilities</b>		<b>10,151</b>	<b>13,462</b>	<b>10,633</b>
<b>Net assets</b>				
		<b>8,080</b>	<b>7,929</b>	<b>7,968</b>
<b>EQUITY</b>				
Subscribed equity	5	5,073	5,882	5,073
Retained earnings		2,765	1,899	2,774
Reserves		176	132	59
Non-controlling interests		66	16	62
<b>Total equity</b>		<b>8,080</b>	<b>7,929</b>	<b>7,968</b>

## Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 31 JANUARY

(\$ MILLION)

	NOTES	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED
Revenue from sale of goods	1	11,085	12,333
Cost of goods sold			
<i>New Zealand sourced cost of milk</i>		(7,239)	(8,377)
<i>Non-New Zealand sourced cost of milk</i>		(620)	(633)
<i>Other collection and manufacturing costs</i>		(3,343)	(3,163)
<i>Increase in inventories</i>		2,153	1,886
Total cost of goods sold <sup>1</sup>	4	(9,049)	(10,287)
<b>Gross profit</b>		2,036	2,046
Other operating income		59	37
Operating expenses	4	(1,109)	(1,219)
Net finance costs		(82)	(122)
<b>Profit before tax from continuing operations</b>		904	742
Tax expense		(190)	(198)
<b>Profit after tax from continuing operations</b>		714	544
(Loss)/profit after tax from discontinued operations	2	(40)	2
<b>Profit after tax</b>		674	546
Cash flow hedges and other costs of hedging, net of tax		60	668
Net investment hedges and translation of foreign operations, net of tax		(18)	16
Foreign currency translation reserve losses transferred to profit or loss		68	-
Other movements in reserves		2	4
<b>Total items that may be reclassified subsequently to profit or loss</b>		112	688
Total items that will not be reclassified subsequently to profit or loss		(1)	13
<b>Total other comprehensive income</b>		111	701
<b>Total comprehensive income</b>		785	1,247
<b>Earnings per share attributed to equity holders of the Co-operative</b>			
Basic and diluted earnings per share from continuing operations (\$)		0.43	0.33
Basic and diluted loss per share from discontinued operations (\$)		(0.03)	-
<b>Total basic and diluted earnings per share (\$)</b>		0.40	0.33

1. This Statement is presented on a functional basis. The shaded information provides an additional breakdown of Cost of goods sold by nature of expense.

## Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 JANUARY

(\$ MILLION)

	NOTES	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED
<b>Cash flows from operating activities</b>			
Profit after tax		674	546
Adjustments for:			
Net finance costs		89	157
Tax expense		190	155
Depreciation and amortisation		307	313
Impairments		–	162
Loss on sale of businesses	2	66	–
Foreign exchange gains		(21)	(81)
Other		57	(24)
Total adjustments		688	682
Increase in working capital and other operating activities	6	(1,402)	(905)
Net taxes paid		(44)	(47)
<b>Net cash flows from operating activities</b>		<b>(84)</b>	276
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(233)	(256)
Acquisition of intangible assets		(56)	(42)
Acquisition of investments		(12)	(10)
Other cash (outflows)/inflows		(28)	2
<b>Net cash flows from investing activities</b>		<b>(329)</b>	(306)

	NOTES	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,386	2,346
Other cash inflows		24	62
Repayment of borrowings		(1,928)	(1,893)
Capital return paid	5	(804)	–
Dividends paid		(674)	(259)
Interest paid		(125)	(189)
Share buyback		–	(9)
<b>Net cash flows from financing activities</b>		<b>(1,121)</b>	58
<b>Net (decrease)/increase in cash</b>		<b>(1,534)</b>	28
Opening cash		1,750	281
Effect of exchange rate changes		(3)	(1)
<b>Closing cash</b>		<b>213</b>	308
<b>Reconciliation of closing cash to the Statement of Financial Position</b>			
Cash and cash equivalents		239	319
Bank overdraft		(26)	(57)
Cash balances included in assets and liabilities held for sale		–	46
<b>Closing cash</b>		<b>213</b>	308

## Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 JANUARY

(\$ MILLION)

	NOTES	ATTRIBUTABLE TO EQUITY HOLDERS OF THE CO-OPERATIVE			NON-CONTROLLING INTERESTS	TOTAL EQUITY
		SUBSCRIBED EQUITY	RETAINED EARNINGS	RESERVES		
<b>As at 1 August 2023</b>		<b>5,073</b>	<b>2,774</b>	<b>59</b>	<b>62</b>	<b>7,968</b>
Profit after tax		-	639	-	35	674
Transfer between reserves		-	(5)	5	-	-
Other comprehensive income/(expense)		-	-	112	(1)	111
<b>Total comprehensive income</b>		<b>-</b>	<b>634</b>	<b>117</b>	<b>34</b>	<b>785</b>
<b>Transactions with equity holders:</b>						
Dividends paid		-	(643)	-	(31)	(674)
Dairy Partners Americas Brasil Limitada capital contributions received		-	-	-	8	8
Derecognition of non-controlling interest in Dairy Partners Americas Brasil Limitada		-	-	-	(7)	(7)
<b>As at 31 January 2024 (unaudited)</b>		<b>5,073</b>	<b>2,765</b>	<b>176</b>	<b>66</b>	<b>8,080</b>
<b>As at 1 August 2022</b>		5,891	1,611	(569)	(27)	6,906
Profit after tax		-	530	-	16	546
Other comprehensive income		-	-	701	-	701
<b>Total comprehensive income</b>		<b>-</b>	<b>530</b>	<b>701</b>	<b>16</b>	<b>1,247</b>
<b>Transactions with equity holders:</b>						
Dividends paid		-	(242)	-	(17)	(259)
Dairy Partners Americas Brasil Limitada capital contributions received		-	-	-	44	44
Share buyback	5	(9)	-	-	-	(9)
<b>As at 31 January 2023 (unaudited)</b>		<b>5,882</b>	<b>1,899</b>	<b>132</b>	<b>16</b>	<b>7,929</b>

## Basis of Preparation

FOR THE SIX MONTHS ENDED 31 JANUARY 2024

### At a glance

The basis of preparation, describes changes in material accounting policies and significant judgements and estimates, in addition to providing explanatory comments on the seasonality of Fonterra's operations.

#### a) General information

Fonterra Co-operative Group Limited (Fonterra, the Company or the Co-operative) is incorporated and domiciled in New Zealand. Fonterra is registered under the Companies Act 1993 and the Co-operative Companies Act 1996, and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. Fonterra is also required to comply with the Dairy Industry Restructuring Act 2001 (DIRA).

#### b) Basis of preparation

These Interim Financial Statements comprise Fonterra and its subsidiaries (together referred to as the Group) and the Group's interests in its equity accounted investments.

These unaudited Interim Financial Statements:

- comply with International Accounting Standard 34 *Interim Financial Reporting*;
- comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting*;
- have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) applicable to for-profit entities;
- are presented in New Zealand Dollars (\$) or NZD, which is Fonterra's functional currency, and rounded to the nearest million, except where otherwise stated; and
- do not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the Group's Financial Statements for the year ended 31 July 2023.

The Group's operations are seasonal due to the profile of milk production in New Zealand. Milk production, and therefore the Group's milk collections and production volumes are higher in the New Zealand Spring (October and November). Consequently, the amount owing to suppliers, inventory balances and borrowings are higher at the 31 January interim reporting dates compared to the 31 July year-end reporting dates. This reflects the higher cash outflows required to support the business operations in the first six months of the financial year. Due to the seasonality of the Group's operations, additional comparative information for the Statement of Financial Position and associated Notes to the Interim Financial Statements has been presented in these Interim Financial Statements.

#### Re-presentations

##### *Simplification of Financial Statements*

To improve disclosure effectiveness and focus on the most relevant and material information, consistent with the Group's Financial Statements for the year ended 31 July 2023, the Group has made a number of simplifications to the Interim Financial Statements of the current period.

##### *Changes in accounting policies*

Consistent with the Group's Financial Statements for the year ended 31 July 2023, comparative information for interim periods has been re-presented to reflect a change in accounting policies implemented in the 2023 financial year. Emissions units held for compliance purposes are now presented as inventory (previously intangible assets). In the Statement of Financial Position, current intangible assets of \$88 million and non-current intangible assets of \$102 million at 31 January 2023 have been reclassified to inventory.

Subsequent to 31 July 2023, the Group has presented interest paid as a financing activity rather than an operating activity in the Statement of Cash Flows. This presentation is consistent with the policy applied at 31 January 2023, and no re-presentation of comparative information in these Interim Financial Statements is required.

#### c) Material accounting policies

The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied in the Group's Financial Statements for the year ended 31 July 2023.

#### d) Significant judgements and estimates

In the process of applying the Group's accounting policies and the application of accounting standards, a number of judgements and estimates have been made. Sources of significant judgement and estimation uncertainty in preparing these Interim Financial Statements were consistent with those disclosed in the Group's Financial Statements for the year ended 31 July 2023.

#### Forecast Farmgate Milk Price

The Farmgate Milk Price is the average price paid by Fonterra in a season, which is the 12 months ending 31 May, for each kilogram of milk solids (kgMS) supplied by farmer shareholders under Fonterra's standard terms of supply. The Farmgate Milk Price for a season is finalised after the end of that milk season. Global dairy commodity prices that inform the Farmgate Milk Price revenue are the most significant driver of the level of each season's Farmgate Milk Price.

Within the forecast Farmgate Milk Price, the majority of the milk sourced up until 31 January 2024 is contracted for sale at hedged NZD/USD exchange rates. This means that the Farmgate Milk Price revenue that would be earned from the milk sourced during the six months ended 31 January 2024 is largely known.

The full season forecast Farmgate Milk Price remains uncertain. This is because the Farmgate Milk Price revenue that will be earned from milk supplied during the remainder of the milk season ending 31 May 2024 is impacted by future global dairy commodity prices. Future global dairy commodity prices in USD are uncertain as they are influenced by global supply and demand dynamics, and their conversion to NZD is uncertain because the conversion of these USD selling prices to NZD depends on the NZD/USD exchange rate and associated hedging.

#### e) Climate risk

At 31 July 2023, the Group had committed to exiting coal by 2037 and reducing global absolute Scope 1 and 2 greenhouse gas emissions by 50% by 2030 (from a 2018 base year). In November 2023 the Group also announced the target of reducing its Scope 1 and 3 forest, land and agriculture (FLAG) greenhouse gas emissions from dairy by 30% per tonne of Fat and Protein Corrected Milk (FPCM) by 2030 (from a 2018 baseline).

While the effects of climate change are a continuing source of uncertainty, the impact of the Group's announcements during the period have been assessed as not having a material impact on these Interim Financial Statements.

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# Notes to the Interim Financial Statements



Chris & Andrew, Canterbury

## Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2024

(\$ MILLION)

### 1 Segment reporting and revenue

#### At a glance

This note provides information on the Group's organisational structure and segment performance, from continuing operations, together with information on the Group's external revenue. The Group's reportable segments are Core Operations, Global Markets, and Greater China, and are unchanged from those reported as at 31 July 2023.

	SIX MONTHS ENDED 31 JANUARY (UNAUDITED)									
	CORE OPERATIONS		GLOBAL MARKETS		GREATER CHINA		ELIMINATIONS <sup>1</sup>		TOTAL	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<b>CONTINUING OPERATIONS</b>										
Revenue from sale of goods	7,943	9,696	8,124	9,430	3,157	3,499	(8,139)	(10,292)	11,085	12,333
Cost of goods sold	(7,411)	(8,897)	(7,080)	(8,543)	(2,697)	(3,139)	8,139	10,292	(9,049)	(10,287)
<b>Gross profit</b>	<b>532</b>	<b>799</b>	<b>1,044</b>	<b>887</b>	<b>460</b>	<b>360</b>	<b>-</b>	<b>-</b>	<b>2,036</b>	<b>2,046</b>
Operating expenses	(387)	(379)	(558)	(659)	(164)	(162)	-	-	(1,109)	(1,200)
Other <sup>2</sup>	21	4	36	14	2	-	-	-	59	18
<b>EBIT</b>	<b>166</b>	<b>424</b>	<b>522</b>	<b>242</b>	<b>298</b>	<b>198</b>	<b>-</b>	<b>-</b>	<b>986</b>	<b>864</b>
<b>Profit after tax</b>	<b>102</b>	<b>256</b>	<b>380</b>	<b>150</b>	<b>232</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>714</b>	<b>544</b>
<b>Profit after tax attributable to equity holders of the Co-operative</b>	<b>102</b>	<b>256</b>	<b>373</b>	<b>143</b>	<b>218</b>	<b>129</b>	<b>-</b>	<b>-</b>	<b>693</b>	<b>528</b>
<i>Other segment information:</i>										
- Inter-segment revenue	7,991	10,093	132	174	16	25	(8,139)	(10,292)	-	-
- External revenue <sup>3</sup> :										
Ingredients channel revenue	23	(248)	5,410	6,836	1,644	2,147	-	-	7,077	8,735
Foodservice channel revenue	(42)	(97)	899	914	1,277	1,111	-	-	2,134	1,928
Consumer channel revenue	(29)	(52)	1,683	1,506	220	216	-	-	1,874	1,670
Total external revenue	(48)	(397)	7,992	9,256	3,141	3,474	-	-	11,085	12,333
- Depreciation and amortisation	(218)	(226)	(78)	(72)	(11)	(7)	-	-	(307)	(305)
- Share of (loss)/profit of equity accounted investees	(4)	2	4	6	-	-	-	-	-	8

1. The performance of the Group's reporting segments includes transactions between the regional business units and Core Operations for the purchase and sale of goods, which are eliminated at the total Group level.

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

3. External revenue is determined in accordance with the accounting policy, estimates and judgements consistent with those disclosed in the Group's Financial Statements for the year ended 31 July 2023. Core Operations includes external revenue together with adjustments to reflect that it acts as an agent for other segments, and the volatility associated with the Group's sales hedging activities.



## Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2024

(\$ MILLION)

### 2 Divestments

#### At a glance

This note provides information on components of the Group that have been divested.

The Group completed the sale of the Brazil consumer and foodservice business during the period ended 31 January 2024.

#### Sale of the Brazil consumer and foodservice business

In December 2022 the Group announced the sale of the Brazil consumer and foodservice business. The Brazil consumer and foodservice business is considered a discontinued operation and its performance has not been included in a reportable segment.

The divestment was completed in October 2023. Fonterra's share of sales proceeds amounted to \$4 million after adjustments for net debt and working capital, with a loss of \$66 million recognised in Profit after tax from discontinued operations in the Statement of Profit or Loss and Other Comprehensive Income, mainly comprised of a debit balance of \$68 million that was reclassified from the foreign currency translation reserve.

A breakdown of net assets disposed of is presented in the following table.

	UNAUDITED
Cash and cash equivalents	33
Trade receivables	69
Inventory	34
Property, plant and equipment	91
Intangible assets	123
Other assets	159
Borrowings	(183)
Trade and other payables	(219)
Other liabilities	(98)
<b>Net assets disposed</b>	<b>9</b>

### 3 Intangible assets

#### At a glance

This note provides information on the Group's assessment of indicators of impairment, and any subsequent impairment testing, of a cash-generating unit (CGU) that has goodwill allocated to it and indefinite life brands. An impairment is recognised when the carrying amount of the CGU or indefinite life brand is greater than its recoverable value.

At 31 January 2024 the Group assessed whether there were any indicators that its CGUs with goodwill or indefinite life brands could be impaired. It was determined that indicators did exist for the Australia CGU. An impairment test was performed and no impairment was identified (no indicators identified for the Australia CGU at 31 January 2023).

No impairments have been recognised within operating expenses in the Statement of Profit or Loss and Other Comprehensive Income (31 January 2023: \$162 million).

#### Australia CGU

This CGU represents a business which sells dairy products in the ingredients, consumer and foodservice channels, primarily in Australia.

At July 2023, the recoverable amount of the business was determined on a value in use basis using a discounted cash flow methodology, with the recoverable amount exceeding its carrying amount by \$197 million. As presented in the Group's Financial Statements for the year ended 31 July 2023, a reasonably possible change in certain key assumptions (including discount rate (post-tax)) used to determine the value in use would result in an impairment.

During the period the discount rate (post-tax) has increased from 7.0% to 7.9%, resulting in an indicator of impairment.

At 31 January 2024 the Group determined the recoverable amount of the business on a value in use basis using a discounted cash flow methodology. The model uses a cash flow forecast based on the business plan approved by the Board and growth expectations for the business adjusted for expected operational cost management. The business plan incorporates volume and margin growth above the long-term growth rate for the first three years and then reverts to the long-term growth rate.

There are two additional key drivers for the business to achieve the cash flows included in the impairment model:

- Operational cost management, including efficiencies created through the recently announced Fonterra Oceania business; and
- The return of the Australian milk price to long-term historical relativities to global dairy prices.

These assumptions reflect past experience and Management's future expectations for the business. A range of other possible scenarios were also considered, and a probability weighting applied to determine the recoverable amount.

The long-term growth rate applied to the future cash flows of the forecast was 2.5% (31 January 2023: 2.5%, 31 July 2023: 2.5%). This reflects the expected long-term economic growth rate for Australia.

## Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2024

(\$ MILLION)

The post-tax discount rate was 7.9% (31 January 2023: 7.0%, 31 July 2023: 7.0%). The pre-tax discount rate was 10.6% (31 January 2023: 9.3%, 31 July 2023: 9.3%).

The recoverable amount of the business exceeded its carrying amount by \$50 million. The Group has identified that a reasonably possible change in several key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the carrying amount to exceed estimated recoverable amount.

KEY ASSUMPTIONS	VALUE ATTRIBUTED	CHANGE REQUIRED FOR THE CARRYING AMOUNT TO EXCEED THE RECOVERABLE AMOUNT
Australian milk price relative to global dairy prices to normalise from 2025 milk price season	Long-term average from 2025	Continuation of 2024 season differential
Operational cost management	\$7 million per annum	Savings of \$4 million per annum not achieved
Discount rate (post-tax)	7.9%	An increase in the discount rate of 0.2%
Long-term growth rate	2.5%	A decrease in the long-term growth rate of 0.2%

## 4 Expenses

### At a glance

This note provides information on expenses and cost of goods sold by function that have been included in profit before tax from continuing operations, together with additional information on expenses by nature.

### a) Expenses by function

	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED
<b>Cost of goods sold</b>	<b>9,049</b>	10,287
Administrative expenses	481	429
Selling and marketing expenses	276	254
Distribution expenses	218	211
Other operating expenses	134	325
<b>Operating expenses</b>	<b>1,109</b>	1,219

### b) Expenses by nature

	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED
<b>COST OF GOODS SOLD</b>		
Cost of milk:		
– New Zealand sourced	7,239	8,377
– Non-New Zealand sourced	620	633
Other ingredient purchases and manufacturing costs	1,476	1,376
Employee benefits expense	683	636
Energy costs	453	371
Packaging	312	294
Storage and distribution	205	270
Depreciation and amortisation	214	216
Total other collection and manufacturing costs	3,343	3,163
Increase in inventories	(2,153)	(1,886)
<b>Total cost of goods sold</b>	<b>9,049</b>	10,287

	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED
<b>OPERATING EXPENSES</b>		
Employee benefits expense	501	467
Storage and distribution	128	127
Advertising and promotion	103	96
Information technology	113	99
Professional and management fees	105	71
Depreciation and amortisation	93	89
Impairments	–	162
Other	66	108
<b>Total operating expenses</b>	<b>1,109</b>	1,219

## Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2024

(\$ MILLION)

### 5 Subscribed equity instruments

#### At a glance

This note provides information on the Group's capital structure, including shares of the Co-operative and Units of the Fonterra Shareholders' Fund.

#### a) Co-operative shares, including shares held within the Group

A reconciliation of movements in shares of the Co-operative is presented in the following table.

	SHARES			(\$ MILLION)		
	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
Co-operative shares on issue at beginning of period	1,609,244,669	1,612,825,585	1,612,825,585	5,078	5,891	5,891
Shares acquired (and cancelled) under buyback programmes	(54,114)	(3,530,916)	(3,580,916)	–	(9)	(9)
Capital return payable	–	–	–	–	–	(804)
<b>Co-operative shares on issue at end of period</b>	<b>1,609,190,555</b>	1,609,294,669	1,609,244,669	<b>5,078</b>	5,882	5,078
Treasury shares <sup>1</sup>	(2,000,000)	–	(2,000,000)	(5)	–	(5)
<b>Co-operative shares on issue, excluding treasury shares</b>	<b>1,607,190,555</b>	1,609,294,669	1,607,244,669	<b>5,073</b>	5,882	5,073

1. The treasury shares relate to shares acquired by the Market Makers with the legal title held by Fonterra Farmer Custodian Limited, but which are treated as treasury shares for accounting purposes.

On 18 August 2023 the approved capital return of \$804 million was paid to shareholders. 268,208,181 shares were repurchased and cancelled. At the same time, one share held by each shareholder which was not repurchased was subdivided into such number of shares as were repurchased, plus one. Accordingly, there was no change in the number of shares on issue following this transaction.

## Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2024

(\$ MILLION)

### 5 Subscribed equity instruments CONTINUED

#### b) Units in the Fonterra Shareholders' Fund (the Fund)

A reconciliation of movements in units of the Fund is presented in the following table.

	UNITS		
	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
Units on issue at beginning of period	107,410,984	107,417,322	107,417,322
Units redeemed	–	(6,338)	(6,338)
<b>Units on issue at end of period</b>	<b>107,410,984</b>	107,410,984	107,410,984

#### c) Market capitalisation

The Group's market capitalisation has been below the carrying amount of net assets since Fonterra's capital review announcement in May 2021. At 31 January 2024, the Group's market capitalisation was \$3.5 billion (31 January 2023: \$4.2 billion, 31 July 2023: \$5.1 billion) and the carrying amount of net assets was \$8.1 billion (31 January 2023: \$7.9 billion, 31 July 2023: \$8.0 billion).

The share price is not considered an accurate reflection of the fair value of the Group's net assets for a number of reasons, including the nature of the Co-operative and its unique capital structure. For example, shares traded in a restricted market (i.e. Co-operative shares) are generally expected to trade at a discount compared to unrestricted markets, there is reduced liquidity in the market, supply and demand dynamics are impacted, and there is limited or no ability for investors to take a significant ownership interest or controlling interest.

However, accounting standards consider market capitalisation below the value of net assets to be an indicator of impairment and an impairment test has been performed. An external valuation was obtained to support the recoverable amount of the Group's net assets, using a multiples based approach on a fair value less costs of disposal basis. The valuation used key estimates including maintainable EBIT, earnings multiples of between 13.0x to 14.0x and seasonally adjusted net debt. This implied an equity valuation of between \$10.5 billion and \$11.6 billion which exceeds the net assets of the Group. As such, no impairment has been recognised.

### 6 Other disclosures

#### At a glance

This note provides further information on other matters related to the Group's interim reporting.

#### a) Property, plant and equipment

Additions of \$181 million (31 January 2023: \$206 million, 31 July 2023: \$589 million) were recognised during the period.

As at 31 January 2024 the Group was committed to spend \$237 million (31 January 2023: \$197 million, 31 July 2023: \$98 million), primarily related to plant, vehicles and equipment.

#### b) Owing to suppliers

At 31 January 2024 Owing to suppliers, included within Trade and other payables, was \$2,412 million (31 January 2023: \$3,693 million, 31 July 2023: \$1,997 million).

#### c) Borrowings

	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
Total current borrowings	1,244	2,063	785
Total non-current borrowings	3,371	3,426	3,156
<b>Total borrowings<sup>1</sup></b>	<b>4,615</b>	5,489	3,941
<b>Opening balance</b>	<b>3,941</b>	5,256	5,256
Proceeds	2,386	2,146	2,493
New lease liabilities	27	58	81
Repayments	(1,765)	(1,798)	(3,828)
Foreign exchange movements	(17)	(43)	98
Changes in fair values	40	(101)	(132)
Other	3	(29)	(27)
<b>Closing balance<sup>1</sup></b>	<b>4,615</b>	5,489	3,941

1. As at 31 January 2024, there were no borrowings attributable to disposal groups held for sale excluded from the table above (31 January 2023: \$481 million, 31 July 2023: \$199 million).

## Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2024

(\$ MILLION)

### 6 Other disclosures CONTINUED

#### d) Net movement in working capital and other operating activities

A breakdown of the cash outflows resulting from the increase in working capital and other operating activities from the Statement of Cash Flows is presented in the following table.

	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED
Trade and other receivables	298	(353)
Inventories	(2,172)	(2,118)
Trade and other payables	469	1,622
Other movements	3	(56)
<b>Total increase in working capital and other operating activities</b>	<b>(1,402)</b>	<b>(905)</b>

#### e) Fair value measurement

The fair value hierarchy for assets and liabilities measured at fair value is presented in the following table.

	LEVEL 1			LEVEL 2			LEVEL 3		
	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
<b>Measured at fair value on a recurring basis</b>									
Derivative assets	16	57	34	548	898	535	-	-	-
Derivative liabilities	(62)	(124)	(190)	(107)	(511)	(331)	-	-	-
Other	39	60	55	13	18	13	51	56	38
<b>Measured at fair value on a non-recurring basis</b>									
Net assets/(liabilities) held for sale	-	-	-	-	-	-	7	(65)	(21)
<b>Fair value</b>	<b>(7)</b>	<b>(7)</b>	<b>(101)</b>	<b>454</b>	<b>405</b>	<b>217</b>	<b>58</b>	<b>(9)</b>	<b>17</b>

The fair value of financial assets and liabilities not measured at fair value approximates carrying value.

#### f) Tax liabilities

At 31 January 2024 Tax payable, included within Other current liabilities, was \$178 million (31 January 2023: \$102 million, 31 July 2023: \$118 million).

At 31 January 2024 Deferred tax liabilities, included within Other non-current liabilities, was \$145 million (31 January 2023: \$89 million, 31 July 2023: \$36 million).

#### g) Dividend declared after the reporting period

On 20 March 2024, the Board declared an interim dividend of 15 cents per share, to be paid on 11 April 2024 to all holders of Co-operative shares on issue at 28 March 2024.

# Historical Summary

## Total Group Overview (continuing and discontinued operations)

	JAN 2020	JAN 2021	JAN 2022	JAN 2023	JAN 2024
<b>Income Statement Measures</b>					
Sales volumes ('000 MT)	2,037	1,994	1,921	1,994	<b>1,780</b>
Revenue (\$ million)	10,423	9,915	10,797	13,249	<b>11,257</b>
EBITDA (\$ million) <sup>1</sup>	1,129	977	921	1,171	<b>1,260</b>
EBIT (\$ million) <sup>1</sup>	806	657	607	858	<b>953</b>
Profit after tax (\$ million)	501	391	364	546	<b>674</b>
Normalised profit after tax attributable to equity holders of the Co-operative (\$ million)	283	399	348	595	<b>708</b>
Earnings per share	0.32	0.23	0.22	0.33	<b>0.40</b>
Normalised earnings per share	0.18	0.25	0.22	0.37	<b>0.44</b>
<b>Revenue Margin Analysis</b>					
EBITDA margin (%) <sup>1</sup>	10.8%	9.9%	8.5%	8.8%	<b>11.2%</b>
EBIT margin (%) <sup>1</sup>	7.7%	6.6%	5.6%	6.5%	<b>8.5%</b>
Profit after tax margin (%) <sup>1</sup>	4.8%	3.9%	3.4%	4.1%	<b>6.0%</b>
<b>Cash Flow (\$ million)</b>					
Operating cash flow	(124)	(544)	(617)	276	<b>(84)</b>
Free cash flow <sup>2</sup>	369	(632)	(849)	(30)	<b>(413)</b>
Trade working capital <sup>1,6</sup>	6,189	6,194	7,635	7,856	<b>6,440</b>
<b>Capital Measures</b>					
Equity excluding hedge reserve (\$ million)	6,492	6,807	7,093	7,607	<b>7,977</b>
Net debt (\$ million) <sup>1</sup>	6,442	6,108	5,607	5,811	<b>4,224</b>
Gearing ratio (%) <sup>1</sup>	49.8%	47.3%	44.1%	43.3%	<b>34.6%</b>
Average capital employed (\$ million) <sup>1</sup>	13,009	12,303	12,146	13,005	<b>12,303</b>
Capital expenditure (\$ million) <sup>1</sup>	112	147	180	245	<b>225</b>
Capital invested (\$ million) <sup>1</sup>	175	184	195	330	<b>265</b>
Return on capital (%) <sup>1</sup>	7.7%	6.7%	6.1%	8.6%	<b>13.4%</b>

## Notes to the Historical Summary

Note: Historical summary is presented on a reported basis. Previously presented on a normalised basis.

1. Refer to the Glossary for definition.
2. Percentages as shown in the table may not align to calculations of percentages based on numbers in the table due to rounding of figures.
3. Prepared on a continuing operations basis.
4. Includes inter-segment transactions.
5. The China Farms business, DPA Brazil consumer and foodservice businesses and Soprole meet the definition of a discontinued operation. The Group's China Farms business comprises the Hangu China farm and the two farming hubs in Ying and Yutian. Performance of discontinued operations are recognised up to the date of sale.
6. Comparative information has been re-presented for consistency with the current period. Inventory has been restated to reflect the inclusion of emissions trading units which were previously held as intangible assets.

## Historical Summary CONTINUED

### Core Operations<sup>2,3,4</sup>

	JAN 2022	JAN 2023	JAN 2024
<b>Ingredients</b>			
Sales volume ('000 MT)	963	1,049	<b>1,034</b>
Revenue (\$ million)	6,239	7,903	<b>6,248</b>
Gross profit (\$ million)	330	757	<b>424</b>
Gross margin (%) <sup>1</sup>	5.3%	9.6%	<b>6.8%</b>
EBIT (\$ million)	134	458	<b>134</b>
EBIT margin (%) <sup>1</sup>	2.1%	5.8%	<b>2.1%</b>
Profit after tax (\$ million)	68	293	<b>81</b>
Profit after tax margin (%)	1.1%	3.7%	<b>1.3%</b>
<b>Foodservice</b>			
Sales volume ('000 MT)	199	171	<b>179</b>
Revenue (\$ million)	865	1,034	<b>1,036</b>
Gross profit (\$ million)	(13)	14	<b>74</b>
Gross margin (%) <sup>1</sup>	(1.5)%	1.4%	<b>7.1%</b>
EBIT (\$ million)	(52)	(27)	<b>32</b>
EBIT margin (%) <sup>1</sup>	(6.0)%	(2.6)%	<b>3.1%</b>
Profit after tax (\$ million)	(45)	(27)	<b>23</b>
Profit after tax margin (%)	(5.2)%	(2.6)%	<b>2.2%</b>
<b>Consumer</b>			
Sales volume ('000 MT)	102	125	<b>133</b>
Revenue (\$ million)	605	759	<b>659</b>
Gross profit (\$ million)	5	28	<b>34</b>
Gross margin (%) <sup>1</sup>	0.8%	3.7%	<b>5.2%</b>
EBIT (\$ million)	(15)	(7)	<b>-</b>
EBIT margin (%) <sup>1</sup>	(2.5)%	(0.9)%	<b>-</b>
Profit after tax (\$ million)	(14)	(10)	<b>(2)</b>
Profit after tax margin (%)	(2.3)%	(1.3)%	<b>(0.3)%</b>

	JAN 2022	JAN 2023	JAN 2024
<b>Total</b>			
Sales volume ('000 MT)	1,264	1,345	<b>1,346</b>
Revenue (\$ million)	7,709	9,696	<b>7,943</b>
Gross profit (\$ million)	322	799	<b>532</b>
Gross margin (%) <sup>1</sup>	4.2%	8.2%	<b>6.7%</b>
EBIT (\$ million)	67	424	<b>166</b>
EBIT margin (%) <sup>1</sup>	0.9%	4.4%	<b>2.1%</b>
Profit after tax (\$ million)	9	256	<b>102</b>
Profit after tax margin (%)	0.1%	2.6%	<b>1.3%</b>

## Historical Summary CONTINUED

### Global Markets<sup>2,3,4</sup>

	JAN 2022	JAN 2023	JAN 2024
<b>Ingredients</b>			
Sales volume ('000 MT)	651	848	<b>817</b>
Revenue (\$ million)	4,503	6,963	<b>5,499</b>
Gross profit (\$ million)	323	479	<b>451</b>
Gross margin (%) <sup>1</sup>	7.2%	6.9%	<b>8.2%</b>
EBIT (\$ million)	179	313	<b>275</b>
EBIT margin (%) <sup>1</sup>	4.0%	4.5%	<b>5.0%</b>
Profit after tax (\$ million)	131	214	<b>209</b>
Profit after tax margin (%)	2.9%	3.1%	<b>3.8%</b>
<b>Foodservice</b>			
Sales volume ('000 MT)	132	141	<b>141</b>
Revenue (\$ million)	697	942	<b>925</b>
Gross profit (\$ million)	92	109	<b>180</b>
Gross margin (%) <sup>1</sup>	13.2%	11.6%	<b>19.5%</b>
EBIT (\$ million)	3	23	<b>80</b>
EBIT margin (%) <sup>1</sup>	0.4%	2.4%	<b>8.6%</b>
Profit after tax (\$ million)	-	18	<b>56</b>
Profit after tax margin (%)	-	1.9%	<b>6.1%</b>
<b>Consumer</b>			
Sales volume ('000 MT)	292	283	<b>305</b>
Revenue (\$ million)	1,353	1,525	<b>1,700</b>
Gross profit (\$ million)	305	299	<b>413</b>
Gross margin (%) <sup>1</sup>	22.5%	19.6%	<b>24.3%</b>
EBIT (\$ million)	82	(94)	<b>167</b>
EBIT margin (%) <sup>1</sup>	6.1%	(6.2)%	<b>9.8%</b>
Profit after tax (\$ million)	53	(82)	<b>115</b>
Profit after tax margin (%)	3.9%	(5.4)%	<b>6.8%</b>

	JAN 2022	JAN 2023	JAN 2024
<b>Total</b>			
Sales volume ('000 MT)	1,075	1,272	<b>1,263</b>
Revenue (\$ million)	6,553	9,430	<b>8,124</b>
Gross profit (\$ million)	720	887	<b>1,044</b>
Gross margin (%) <sup>1</sup>	11.0%	9.4%	<b>12.9%</b>
EBIT (\$ million)	264	242	<b>522</b>
EBIT margin (%) <sup>1</sup>	4.0%	2.6%	<b>6.4%</b>
Profit after tax (\$ million)	184	150	<b>380</b>
Profit after tax margin (%)	2.8%	1.6%	<b>4.7%</b>

### Global Market - Australia<sup>2,3</sup>

	JAN 2022	JAN 2023	JAN 2024
<b>Total</b>			
Milk collection (millions kgMS)	68	66	<b>67</b>
Sales volume ('000 MT)	172	181	<b>180</b>
Revenue (\$ million)	916	1,253	<b>1,165</b>
Gross profit (\$ million)	137	171	<b>138</b>
Gross margin (%) <sup>1</sup>	15.0%	13.6%	<b>11.8%</b>
EBIT (\$ million)	59	74	<b>42</b>
EBIT margin (%) <sup>1</sup>	6.4%	5.9%	<b>3.6%</b>
Profit after tax (\$ million)	40	69	<b>21</b>
Profit after tax margin (%)	4.4%	5.5%	<b>1.8%</b>



## Historical Summary CONTINUED

### Greater China<sup>2,3</sup>

	JAN 2022	JAN 2023	JAN 2024
<b>Ingredients</b>			
Sales volume ('000 MT)	377	279	<b>283</b>
Revenue (\$ million)	2,285	2,154	<b>1,660</b>
Gross profit (\$ million)	104	109	<b>93</b>
Gross margin (%) <sup>1</sup>	4.6%	5.1%	<b>5.6%</b>
EBIT (\$ million)	81	79	<b>58</b>
EBIT margin (%) <sup>1</sup>	3.5%	3.7%	<b>3.5%</b>
Profit after tax (\$ million)	59	56	<b>44</b>
Profit after tax margin (%)	2.6%	2.6%	<b>2.7%</b>
<b>Foodservice</b>			
Sales volume ('000 MT)	146	137	<b>158</b>
Revenue (\$ million)	1,005	1,128	<b>1,277</b>
Gross profit (\$ million)	182	203	<b>307</b>
Gross margin (%) <sup>1</sup>	18.1%	18.0%	<b>24.0%</b>
EBIT (\$ million)	124	143	<b>230</b>
EBIT margin (%) <sup>1</sup>	12.3%	12.7%	<b>18.0%</b>
Profit after tax (\$ million)	95	99	<b>180</b>
Profit after tax margin (%)	9.5%	8.8%	<b>14.1%</b>
<b>Consumer</b>			
Sales volume ('000 MT)	43	39	<b>41</b>
Revenue (\$ million)	211	217	<b>220</b>
Gross profit (\$ million)	61	48	<b>60</b>
Gross margin (%) <sup>1</sup>	28.9%	22.1%	<b>27.3%</b>
EBIT (\$ million)	7	(24)	<b>10</b>
EBIT margin (%) <sup>1</sup>	3.3%	(11.1)%	<b>4.5%</b>
Profit after tax (\$ million)	5	(17)	<b>8</b>
Profit after tax margin (%)	2.4%	(7.8)%	<b>3.6%</b>

	JAN 2022	JAN 2023	JAN 2024
<b>Total</b>			
Sales volume ('000 MT)	566	455	<b>482</b>
Revenue (\$ million)	3,501	3,499	<b>3,157</b>
Gross profit (\$ million)	347	360	<b>460</b>
Gross margin (%) <sup>1</sup>	9.9%	10.3%	<b>14.6%</b>
EBIT (\$ million)	212	198	<b>298</b>
EBIT margin (%) <sup>1</sup>	6.1%	5.7%	<b>9.4%</b>
Profit after tax (\$ million)	159	138	<b>232</b>
Profit after tax margin (%)	4.5%	3.9%	<b>7.3%</b>

## Historical Summary CONTINUED

### Product Channels<sup>2,3</sup>

	JAN 2022	JAN 2023	JAN 2024
<b>Ingredients</b>			
Sales volume ('000 MT)	1,013	1,106	<b>1,083</b>
Revenue (\$ million)	6,848	8,735	<b>7,077</b>
Gross profit (\$ million)	757	1,345	<b>968</b>
Gross margin (%) <sup>1</sup>	11.1%	15.4%	<b>13.7%</b>
EBIT (\$ million)	394	850	<b>467</b>
EBIT margin (%) <sup>1</sup>	5.8%	9.7%	<b>6.6%</b>
Profit after tax (\$ million)	258	563	<b>334</b>
Profit after tax margin (%)	3.8%	6.4%	<b>4.7%</b>
<b>Foodservice</b>			
Sales volume ('000 MT)	276	274	<b>295</b>
Revenue (\$ million)	1,674	1,928	<b>2,134</b>
Gross profit (\$ million)	261	326	<b>561</b>
Gross margin (%) <sup>1</sup>	15.6%	16.9%	<b>26.3%</b>
EBIT (\$ million)	75	139	<b>342</b>
EBIT margin (%) <sup>1</sup>	4.5%	7.2%	<b>16.0%</b>
Profit after tax (\$ million)	50	90	<b>259</b>
Profit after tax margin (%)	3.0%	4.7%	<b>12.1%</b>
<b>Consumer</b>			
Sales volume ('000 MT)	334	319	<b>343</b>
Revenue (\$ million)	1,563	1,670	<b>1,874</b>
Gross profit (\$ million)	371	375	<b>507</b>
Gross margin (%) <sup>1</sup>	23.7%	22.5%	<b>27.1%</b>
EBIT (\$ million)	74	(125)	<b>177</b>
EBIT margin (%) <sup>1</sup>	4.7%	(7.5)%	<b>9.4%</b>
Profit after tax (\$ million)	44	(109)	<b>121</b>
Profit after tax margin (%)	2.8%	(6.5)%	<b>6.5%</b>

### Discontinued Operations<sup>2,5</sup>

	JAN 2022	JAN 2023	JAN 2024
<b>China Farms</b>			
Sales volume ('000 MT)	1	1	–
Revenue (\$ million)	13	11	–
Gross profit (\$ million)	(2)	(7)	–
Gross margin (%) <sup>1</sup>	(15.4)%	(63.6)%	–
EBIT (\$ million)	(8)	(13)	–
EBIT margin (%) <sup>1</sup>	(61.5)%	(118.2)%	–
Profit after tax (\$ million)	(8)	(13)	–
Profit after tax margin (%)	(61.5)%	(118.2)%	–
<b>DPA Brazil</b>			
Sales volume ('000 MT)	105	112	<b>59</b>
Revenue (\$ million)	196	291	<b>172</b>
Gross profit (\$ million)	60	91	<b>66</b>
Gross margin (%) <sup>1</sup>	30.6%	31.3%	<b>38.4%</b>
EBIT (\$ million)	14	29	<b>(33)</b>
EBIT margin (%) <sup>1</sup>	7.1%	10.0%	<b>(19.2)%</b>
Profit after tax (\$ million)	1	6	<b>(40)</b>
Profit after tax margin (%)	0.5%	2.1%	<b>(23.2)%</b>
<b>Soprole</b>			
Sales volume ('000 MT)	192	182	–
Revenue (\$ million)	503	614	–
Gross profit (\$ million)	160	168	–
Gross margin (%) <sup>1</sup>	31.8%	27.4%	–
EBIT (\$ million)	58	(22)	–
EBIT margin (%) <sup>1</sup>	11.5%	(3.6)%	–
Profit after tax (\$ million)	19	9	–
Profit after tax margin (%)	3.8%	1.5%	–

# Non-GAAP measures

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 following tables for reconciliations of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.



## Reconciliation from profit after tax to total Group normalised EBITDA

	GROUP \$ MILLION		
	SIX MONTHS ENDED	YEAR ENDED	
	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
<b>Profit after tax</b>	<b>674</b>	<b>546</b>	<b>1,577</b>
Net finance costs from continuing operations	82	122	211
Net finance costs from discontinued operations	7	35	50
Tax expense from continuing operations	190	198	303
Tax (credit)/expense from discontinued operations	–	(43)	77
Depreciation and amortisation from continuing operations	307	305	654
Depreciation and amortisation from discontinued operations	–	8	8
<b>Total Group EBITDA</b>	<b>1,260</b>	<b>1,171</b>	<b>2,880</b>
Loss on sale of China Farm (Hangu)	–	4	12
Hedging loss/(gain on sale) of Chile business	–	78	(349)
Loss on sale of DPA Brazil	66	–	–
<b>Total normalisation adjustments</b>	<b>66</b>	<b>82</b>	<b>(337)</b>
<b>Total Group normalised EBITDA</b>	<b>1,326</b>	<b>1,253</b>	<b>2,543</b>

## Reconciliation from profit after tax to total Group normalised EBIT

	GROUP \$ MILLION		
	SIX MONTHS ENDED	YEAR ENDED	
	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
<b>Profit after tax</b>	<b>674</b>	<b>546</b>	<b>1,577</b>
Net finance costs from continuing operations	82	122	211
Net finance costs from discontinued operations	7	35	50
Tax expense from continuing operations	190	198	303
Tax (credit)/expense from discontinued operations	–	(43)	77
<b>Total Group EBIT</b>	<b>953</b>	<b>858</b>	<b>2,218</b>
Normalisation adjustments (as detailed above)	66	82	(337)
<b>Total Group normalised EBIT</b>	<b>1,019</b>	<b>940</b>	<b>1,881</b>

## Non-GAAP measures CONTINUED

### Reconciliation from profit after tax to normalised profit after tax and normalised earnings per share

	GROUP \$ MILLION		
	SIX MONTHS ENDED	YEAR ENDED	
	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
<b>Profit after tax</b>	<b>674</b>	<b>546</b>	<b>1,577</b>
Normalisation adjustments (as detailed on the previous page)	66	82	(337)
Normalisation adjustments to net finance costs	–	7	–
Tax on normalisation adjustments	–	(24)	89
<b>Normalised profit after tax</b>	<b>740</b>	<b>611</b>	<b>1,329</b>
Profit attributable to non-controlling interests	(35)	(16)	(40)
Normalisation adjustments attributable to non-controlling interests	3	–	–
<b>Normalised profit after tax attributable to equity holders of the Co-operative</b>	<b>708</b>	<b>595</b>	<b>1,289</b>
Weighted average number of Co-operative shares (thousands of shares)	1,607,212	1,612,291	1,610,507
<b>Normalised earnings per share (\$)¹</b>	<b>0.44</b>	<b>0.37</b>	<b>0.80</b>

### Reconciliation from gross profit from continuing operations to total Group normalised gross profit

	GROUP \$ MILLION		
	SIX MONTHS ENDED	YEAR ENDED	
	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
<b>Gross profit from continuing operations</b>	<b>2,036</b>	<b>2,046</b>	<b>4,181</b>
Gross profit from discontinued operations	66	252	418
<b>Total Group normalised gross profit</b>	<b>2,102</b>	<b>2,298</b>	<b>4,599</b>

1. Normalised earnings per share is based on weighted average number of Co-operative shares.

The Group uses adjusted net debt, a non-GAAP debt measure in monitoring its net debt position and in calculating the Group's debt to EBITDA ratio, gearing ratio, and return on capital.

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.

The Group believes that adjusted net debt provides useful information as it is aligned with how certain rating agencies calculate the Group's debt to EBITDA and gearing ratios.

	GROUP \$ MILLION		
	SIX MONTHS ENDED	YEAR ENDED	
	31 JAN 2024 UNAUDITED	31 JAN 2023 UNAUDITED	31 JUL 2023 AUDITED
<b>Total borrowings</b>	<b>4,615</b>	<b>5,489</b>	<b>3,941</b>
Add: Bank overdraft	26	57	102
Less: Cash and cash equivalents	(239)	(319)	(1,822)
Add: Capital return payable	–	–	804
Add: Borrowings attributable to disposal groups held for sale	–	481	199
Less: Cash and cash equivalents attributable to disposal groups held for sale	–	(46)	(30)
Add: Cash adjustments of 25% for cash held by subsidiaries (including cash and cash equivalents attributable to disposal groups held for sale)	58	68	50
Less: Derivatives used to manage changes in hedged risk on debt instruments	(236)	81	(37)
<b>Adjusted net debt</b>	<b>4,224</b>	<b>5,811</b>	<b>3,207</b>
Equity excluding hedge reserves	7,977	7,607	7,925
<b>Total capital</b>	<b>12,201</b>	<b>13,418</b>	<b>11,132</b>
Adjusted net debt gearing ratio	34.6%	43.3%	28.8%

# Glossary

TERMS	DEFINITION
<b>Adjusted net debt</b>	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.
<b>Attributable to equity holders of the Co-operative</b>	is used to indicate that a measure or sub-total excludes amounts attributable to non-controlling interests.
<b>Average capital employed</b>	is a 13-month rolling average of capital employed.
<b>Capital employed</b>	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.
<b>Consumer</b>	is the channel of branded consumer products, such as powders, yoghurts, milk, butter and cheese.
<b>Continuing operations</b>	means operations of the Group that are not discontinued operations.
<b>Core Operations</b>	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.
<b>DIRA</b>	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities, subsequent amendments to the Act, and the Dairy Industry Restructuring (Raw Milk) Regulations 2012.
<b>Discontinued operations</b>	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.
<b>Earnings before interest and tax (EBIT)</b>	is profit before net finance costs and tax.
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	is profit before net finance costs, tax, depreciation and amortisation.

TERMS	DEFINITION
<b>Earnings per share (EPS)</b>	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.
<b>EBIT margin</b>	is EBIT divided by revenue from sale of goods.
<b>EBITDA margin</b>	is EBITDA divided by revenue from sale of goods.
<b>Eliminations</b>	represents eliminations of inter-business unit sales.
<b>Farmgate Milk Price</b>	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.
<b>Foodservice</b>	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.
<b>Free cash flow</b>	is the total of net cash flows from operating activities and net cash flows from investing activities.
<b>Gearing ratio (%) (adjusted net debt)</b>	is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt.
<b>Global Dairy Trade (GDT)</b>	means the electronic auction platform that is used to sell commodity dairy products.
<b>Global Markets</b>	represents the Ingredients, Foodservice and Consumer channels outside of Greater China.
<b>Greater China</b>	represents the Ingredients, Foodservice and Consumer channels in Greater China.
<b>Gross margin</b>	is gross profit divided by revenue from sale of goods.

## Glossary CONTINUED

TERMS	DEFINITION
<b>Ingredients</b>	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.
<b>kgMS</b>	means kilograms of milk solids, the measure of the amount of fat and protein in the milk supplied to Fonterra.
<b>Net debt</b>	means adjusted net debt.
<b>Non-Reference Products</b>	means all NZ milk solids processed by Core Operations, except for Reference Commodity Products.
<b>Normalisation adjustments</b>	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'.
<b>Price Relativities</b>	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.
<b>Product channel</b>	Fonterra has three product channels, Ingredients, Foodservice and Consumer.
<b>Profit after tax margin</b>	is profit after tax attributable to equity holders of the Co-operative, divided by revenue from sale of goods.
<b>Reference Commodity Products (also referred to as Reference Products)</b>	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 used to calculate the Farmgate Milk Price.

TERMS	DEFINITION
<b>Reported</b>	is used to indicate a sub-total or total is reported in the Group's Financial Statements before normalisation adjustments. E.g. 'Reported profit after tax'.
<b>Return on Capital (ROC)</b>	is calculated as Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed.
<b>Season</b>	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.
<b>Total Group</b>	is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and non-controlling interests. E.g. 'Total Group EBIT'.
<b>Trade working capital</b>	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.
<b>Weighted average share price</b>	represents the average price Fonterra Co-operative Group Limited shares traded at, weighted against the trading volume at each price over the reporting period.
<b>Working capital days</b>	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.

# Directory

## Fonterra Board of Directors

Peter McBride  
Clinton Dines  
Brent Goldsack  
Leonie Guiney  
Bruce Hassall  
Holly Kramer  
Andy Macfarlane  
John Nicholls  
Cathy Quinn  
Scott St John  
Alison Watters

## Fonterra Management Team

Miles Hurrell  
Simon Till  
Judith Swales  
Teh-han Chow  
Kate Daly  
Mike Cronin  
Komal Mistry-Mehta  
Emma Parsons  
Anna Palairot

## Registered Office

### Fonterra Co-operative Group Limited

Private Bag 92032  
Auckland 1142  
New Zealand

109 Fanshawe Street  
Auckland Central 1010  
New Zealand

Phone +64 9 374 9000

## Auditor

**KPMG**  
18 Viaduct Harbour Avenue  
Auckland 1010  
New Zealand

## Farmer shareholder & supplier services

Freephone 0800 65 65 68

## Fonterra Shares & FSF Units Registry

### Computershare Investor Services Limited

Private Bag 92119  
Auckland 1142  
New Zealand  
  
Level 2, 159 Hurstmere Road Takapuna  
Auckland 0622  
New Zealand

## Investor Relations Enquiries

Phone +64 9 374 9000  
<https://www.fonterra.com/nz/en/investors.html>



Stephanie & Brent, Auckland



**Dairy for life**

[fonterra.com](http://fonterra.com)



# Fonterra Co-operative Group Limited

## Distribution Notice

Section 1: Issuer information				
Name of issuer	Fonterra Co-operative Group Limited			
Financial product name/description	Fonterra Co-operative Group Limited Shares			
NZX ticker code	FCG			
ISIN (If unknown, check on NZX website)	NZFCGE0001S7			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year		Quarterly	
	Half Year	X	Special	
	DRP applies			
Record date	28/03/2024			
Ex-Date (one business day before the Record Date)	27/03/2024			
Payment date (and allotment date for DRP)	11/04/2024			
Total monies associated with the distribution <sup>1</sup>	\$241,078,583			
Source of distribution (for example, retained earnings)	Retained earnings			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution <sup>2</sup>	\$0.15000000			
Gross taxable amount <sup>3</sup>	\$0.15000000			
Total cash distribution <sup>4</sup>	\$0.15000000			
Excluded amount (applicable to listed PIEs)	Not Applicable			
Supplementary distribution amount	Not Applicable			

<sup>1</sup> Continuous issuers should indicate that this is based on the number of units on issue at the date of the form

<sup>2</sup> "Gross distribution" is the total cash distribution plus the amount of imputation credits, per financial product, before the deduction of Resident Withholding Tax (RWT).

<sup>3</sup> "Gross taxable amount" is the gross distribution minus any excluded income.

<sup>4</sup> "Total cash distribution" is the cash distribution excluding imputation credits, per financial product, before the deduction of RWT. This should include any excluded amounts, where applicable to listed PIEs.

**Section 3: Imputation credits and Resident Withholding Tax<sup>5</sup>**

Is the distribution imputed	Fully imputed
	Partial imputation
	No imputation
If fully or partially imputed, please state imputation rate as % applied <sup>6</sup>	Not Applicable
Imputation tax credits per financial product	Not Applicable
Resident Withholding Tax per financial product	0.04950000

**Section 4: Distribution re-investment plan (if applicable)**

DRP % discount (if any)	Not Applicable	
Start date and end date for determining market price for DRP	Not Applicable	Not Applicable
Date strike price to be announced (if not available at this time)	Not Applicable	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	Not Applicable	
DRP strike price per financial product	Not Applicable	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	Not Applicable	

**Section 5: Authority for this announcement**

Name of person authorised to make this announcement	Anya Wicks
Contact person for this announcement	Anya Wicks
Contact phone number	(09) 374 9341
Contact email address	Anya.wicks@fonterra.com
Date of release through MAP	21/03/2024

<sup>5</sup> The imputation credits plus the RWT amount is 33% of the gross taxable amount for the purposes of this form. If the distribution is fully imputed the imputation credits will be 28% of the gross taxable amount with remaining 5% being RWT. This does not constitute advice as to whether or not RWT needs to be withheld.

<sup>6</sup> Calculated as (imputation credits/gross taxable amount) x 100. Fully imputed dividends will be 28% as a % rate applied.