Market Announcement

29 May 2024

Q3 business update and FY25 Farmgate Milk Price

- Continuing operations'* earnings per share: 61 cents
- Reported earnings per share: 58 cents
- Continuing operations' profit after tax: NZ $1,013 million up $20m, or 2%
- Reported profit after tax: NZ $973 million down 27% with the prior period including Soprole performance and net gain on divestments
- Continuing operations' EBIT: NZ $1,440 million down 6%
- Return on Capital: 11.9% up from 11.7% year on year
- Lift in forecast FY24 continuing operations' earnings range: from 50-65 cents per share to 60-70 cents per share
- Opening forecast Farmgate Milk Price for 2024/25 season: $7.25-$8.75 per kgMS with a mid-point of $8.00 per kgMS
- Current season forecast Farmgate Milk Price: midpoint maintained at $7.80 per kgMS, range narrowed to $7.70-$7.90 per kgMS

Fonterra Co-operative Group Ltd today provided its Q3 business update, announcing profit after tax from continuing operations'* of $1,013 million, up $20 million or equivalent to 61c per share. This result is driven by continued strong earnings across all three of the Co-op's product channels.

CEO Miles Hurrell says the Co-op's Foodservice and Consumer channels in particular had a strong third quarter with a lift in earnings compared to the same time last year.

"As a result of this performance, we have lifted our forecast FY24 continuing operations' earnings range to 60-70 cents per share, up from 50-65 cents per share" says Mr Hurrell.

Fonterra also announced an opening 2024/25 season forecast Farmgate Milk Price of $7.25-8.75 per kgMS with a midpoint of $8.00 per kgMS.

Farmgate Milk Price

Global Dairy Trade (GDT) prices have lifted over the past couple of months, back to levels seen around the start of the calendar year.

"Our current season forecast Farmgate Milk Price midpoint remains unchanged at $7.80 per kgMS and as we are nearing the end of the season, we have narrowed the range to $7.70-$7.90 per kgMS.

"Looking to the 2024/25 season, milk supply and demand dynamics remain finely balanced and China import volumes have not yet recovered to historic levels.

"Given the early point in the season, the uncertainty in the outlook and ongoing risk of volatility in global markets, we are starting the season with a cautious approach. Our opening forecast range is $7.25-$8.75 per kgMS with a midpoint of $8.00 per kgMS," says Mr Hurrell.

Business Performance

Fonterra's earnings from continuing operations'* year to date equates to 61 cents per share, up 1 cent on prior year.

"Fonterra's sales volumes were up slightly on last year by 38kMT, or 1%, due to higher sales volumes in our Foodservice and Consumer channels.

"We also saw price relativities ease over the quarter, and we anticipate them to narrow further in Q4 as they return to more historic levels.

"Gross margins remain strong across all three channels as our in-market teams continue to drive pricing and volume. Foodservice and Consumer volumes are up 4% and 7% respectively year on year, with margins consistent with Q2.

"Our EBIT of $1,440 million reflected improved performance in Foodservice and Consumer, with Ingredients down year on year following record highs in FY23.

"Our increased earnings range assumes softer earnings in Q4 due to the seasonality of our milk collections, the higher cost of inputs in the Foodservice and Consumer channels, and the impact of the investments in modernising our IT systems.

"Across Fonterra, operating expenses are up due to inflation, upfront costs of driving efficiency improvements and increased IT spend. Historically, some of this IT spend would have been treated as capex and capitalised on the balance sheet.

"We are heading into year end with a strong balance sheet, with Fonterra's underlying performance and lower debt position helping to further reduce our financing costs.

"For the 12 months rolling Return on Capital we are sitting at 11.9%, in line with our forecast. This is expected to be in our 10-11% target range for end of year," says Mr Hurrell.

Strategy update

"Following our announcement earlier this month of a step-change in our strategic direction, we have received a high volume of interest from parties looking to be involved in the potential divestment of our Consumer and associated businesses.

"It's still early days in this process, and we commit to providing farmer shareholders, unit holders, our people and the market updated on new developments as they occur.

"We are also progressing work on our updated strategy and expect to share further detail over the coming months," says Mr Hurrell.

*Continuing operations' earnings excludes earnings from discontinued operations. In FY24 discontinued operations were DPA Brazil and in FY23 discontinued operations were DPA Brazil, Soprole and China Farms.

ENDS

For further information contact:

James Kaufman
Fonterra Communications
Phone: +64 21 507 072

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.

Fonterra Co-operative Group

2024 Third Quarter Business Update

29 May 2024

Results at a glance

Continuing operations' operating profit (EBIT)

$1.4b

↓ from 1.5b

Profit after tax

$973m

↓ from 1.3b

Total Group earnings per share

58cents

↓ from 81c

Continuing operations' earnings per share

61cents

↑ from 60c

Return on capital

11.9%

↑ from 11.7%

Gearing Ratio

35.2%

↑ from 34.2%

2024 Third Quarter Business Update

- **Continuing operations' profit after tax of $1,013m, up $20m or 2%**
  - Equivalent to 61c earnings per share attributable to shareholders and unit holders
  - **Operating profit of $1,440m down $86m, or 6%**
    - Continued strong earnings performance in Foodservice and Consumer, with margins holding longer than anticipated
    - Ingredients down mainly due to price relativities trending back to historical levels
    - Prior year Consumer performance includes $162m of impairments
  - **Financing costs reduced $51m to $124m** reflecting lower average borrowings and cost of funds
  - **Tax expense reduced $55m to $303m** reflecting lower operating profit
- **Total Group profit after tax of $973m, down $353m, or 27%**
  - Impacted by discontinued operations' profit after tax down $373m to $(40)m, with prior year including Soprole performance and net gain on divestments
  - Equivalent to 58c earnings per share attributable to shareholders and unit holders
- **Return on capital 11.9%**, in line with forecast and expected to taper in Q4, to 10 – 11% for full year
- **Strong balance sheet due to underlying performance and lower debt position**

Outlook

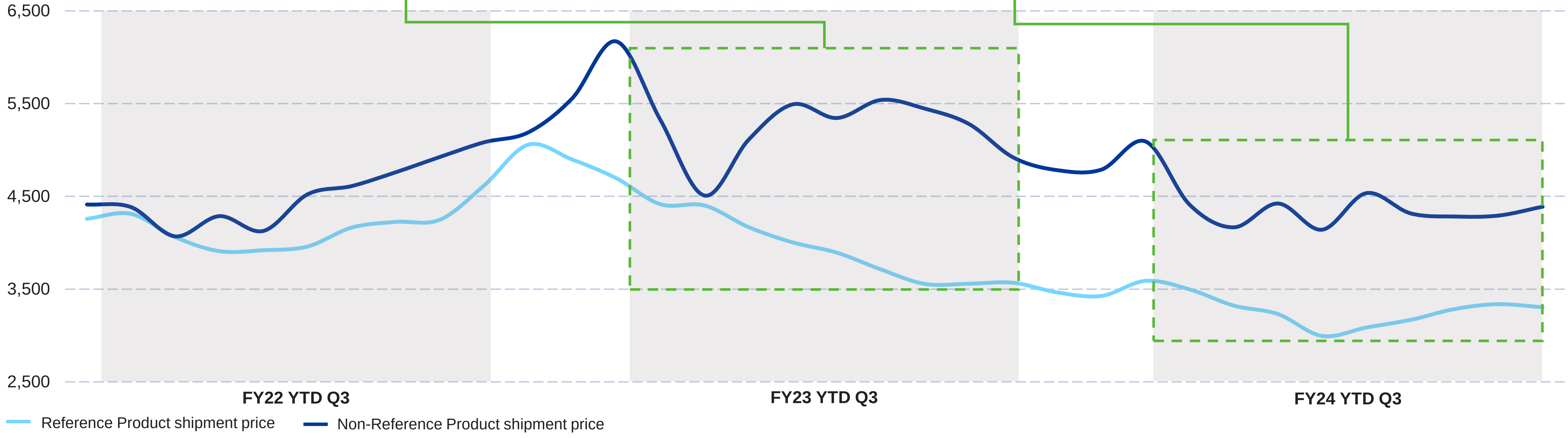
- Current season forecast Farmgate Milk Price range narrowed to $7.70 – $7.90 per kgMS
- Opening 2024/25 season forecast Farmgate Milk Price range of $7.25 – $8.75 per kgMS
- Lifted and narrowed FY24 continuing operations' earnings range to 60 – 70 cents per share

Price relativities narrowed over Q3

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

	Q1	Q2	Q3
Average Non-Reference price	4,939	5,458	5,204
Average Reference price	4,300	3,862	3,561
Price difference	**639**	**1,596**	**1,643**

	Q1	Q2	Q3
Average Non-Reference price	4,333	4,218	4,347
Average Reference price	3,298	3,055	3,395
Price difference	**1,035**	**1,163**	**952**

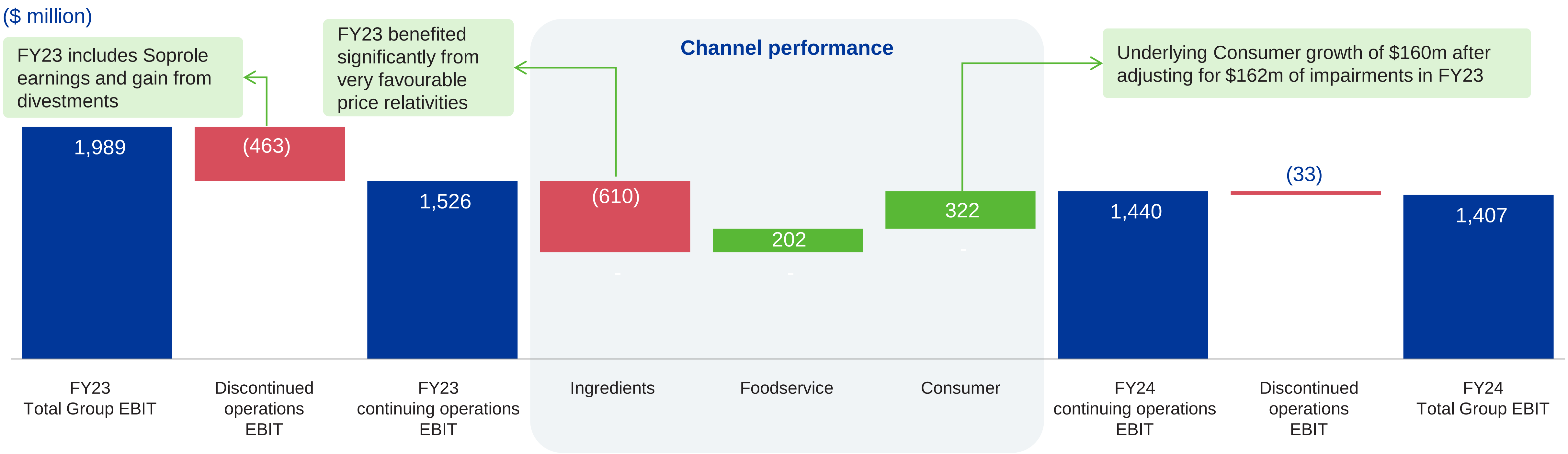


- Year to date, the average price for the Reference portfolio declined USD 652 per MT, relative to the Non-Reference portfolio which declined by USD 923 per MT compared to the prior year
- GDT contracts for the near term indicate a continued contraction of price relativities as demand for powders from the Middle East and Africa increases and stronger demand presence from Southeast Asia, lifting the average Reference price
- Non-Reference pricing has remained relatively stable through FY24. The outlook for GDT Cheddar remains flat with demand now holding and US pricing recovering

Note: Refer to appendix for source data and date ranges

Foodservice and Consumer performance offset by lower Ingredients margins

Change in channel operating profit (EBIT) compared to prior year



- Continuing operations' operating profit of $1,440m, down $86m. FY23 included $162m of impairments. Adjusting for impairments, FY23 underlying earnings is $1,688m, and operating profit is down $248m year-on-year
- Discontinued operations made a loss of $(33)m in 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
- Material shift in composition of operating profit between channels compared to prior year.
  - improved EBIT in Foodservice and Consumer due to volume growth, maintained pricing and lower milk cost inputs
  - Ingredients' EBIT in FY23 benefited significantly from very favourable price relativities. This year price relativities have narrowed as they shift back toward the long-term average

Note: For the nine months ended 30 April

Higher profit driven by lower net finance costs and tax

FY23 to FY24 Total Group performance

($ million)

- Continuing operations' operating earnings decreased due to:
  - higher Foodservice and Consumer earnings more than offset by lower Ingredients earnings
  - removing impact of $162m of impairments in the prior year, operating expenses increased $102m due to inflation, upfront costs of driving efficiency improvements and increased technology spend
- Continuing operations' net financing costs improved reflecting both lower average borrowings and cost of funds
- Discontinued operations made a loss of $(40)m in 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

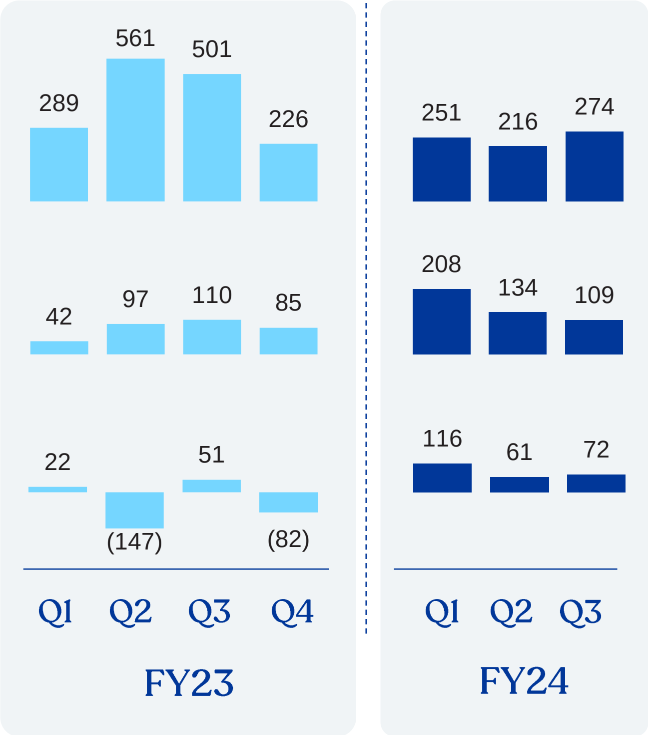
Note: For the nine months ended 30 April. Profit after tax presented in the graph includes profit attributable to non-controlling interests. EPS presented is for profit attributable to equity holders of the Co-operative

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)		1,898 2% ↑	720 1% ↑	2,618 1% ↑
EBIT contribution from continuing operations				
Ingredients	$204m $534m ↓	$436m $56m ↓	$101m $20m ↓	$741m $610m ↓
Foodservice	$15m $27m ↑	$113m $68m ↑	$323m $107m ↑	$451m $202m ↑
Consumer	$(1)m $14m ↑	$233m $267m ↑	$16m $41m ↑	$248m $322m ↑
Total	$218m $493m ↓	$782m $279m ↑	$440m $128m ↑	$1,440m $86m ↓

EBIT by quarter



Note: For the nine months ended 30 April. Prepared on a continuing operations basis

Forecast 2023/24 season Farmgate Milk Price

Forecast Farmgate Milk Price

$7.70 – $7.90

per kgMS

Reference Product Prices

The range has narrowed reflecting:

- increased certainty with over 90% of milk contracted for the season
- approximately 99% of the full year forecast USD cash flows related to the 2023/24 season hedged

Note: Refer to appendix for source data and date ranges

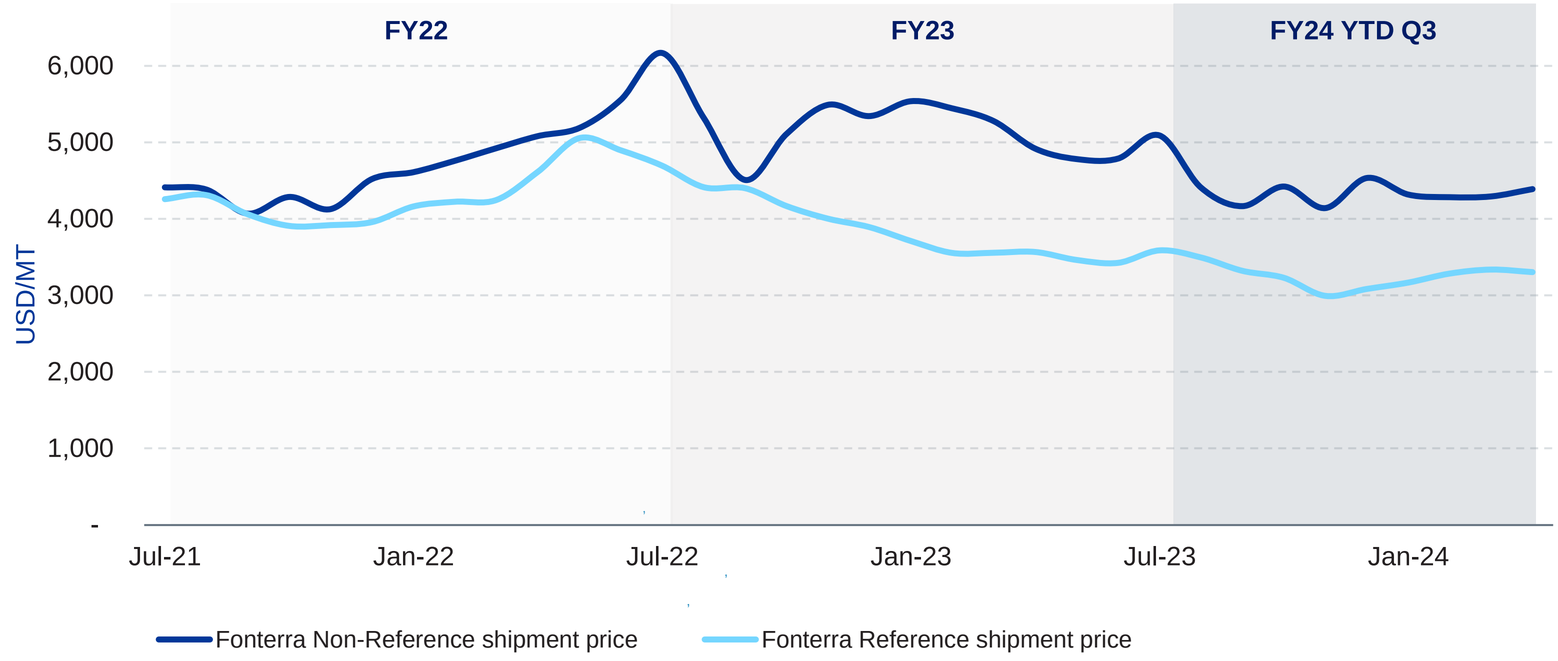
FY24 continuing operations' earnings outlook

FY24 forecast earnings

60 – 70c

per share

Reference and Non-Reference Product Prices



The lifted and narrowed range reflects:

- gross margins in Foodservice and Consumer holding for longer than expected. Margins are still expected to reduce in final quarter as higher input costs impact the business
- Ingredients earnings continue to be impacted by price relativities returning to long-term averages; and
- normal season factors such as the milk collection curve impacting manufacturing recoveries plus the increased technology spend expected in Q4

Note: Refer to appendix for source data and date ranges

Opening forecast for 2024/25 season Farmgate Milk Price

2024/25 season opening forecast Farmgate Milk Price

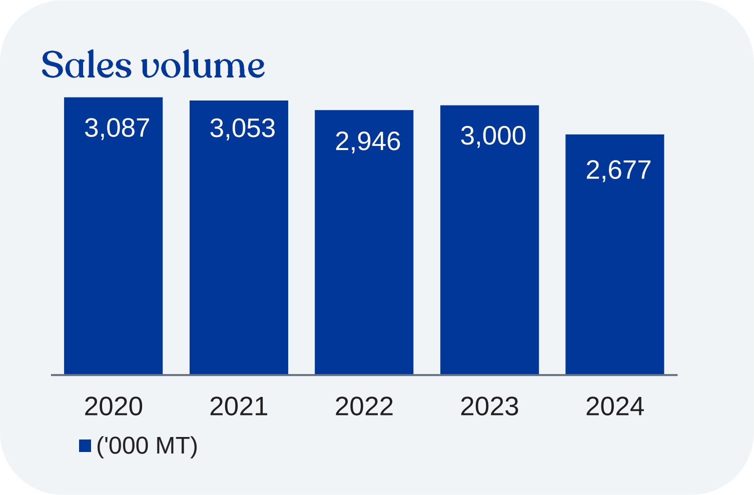
\$7.25 – \$8.75

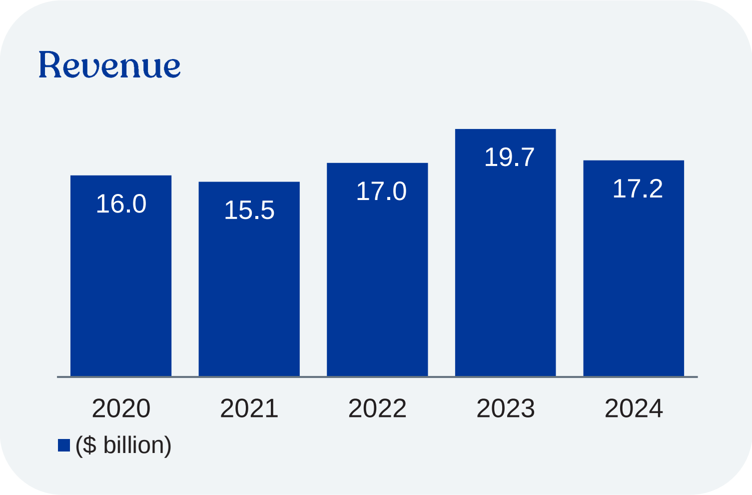
per kgMS

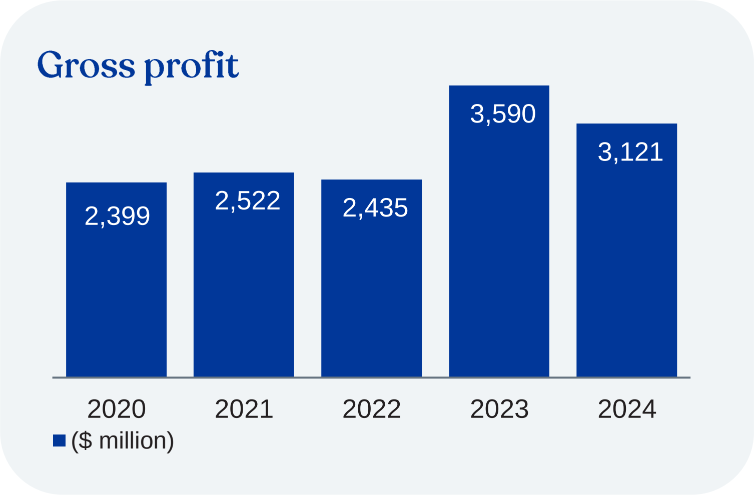
- Midpoint of \$8.00 per kgMS, \$7.25 – \$8.75 range reflects:
  - minimal new season production contracted, as is normal at the start of a new season, allowing for significant exposure to volatility in commodity prices
  - China import volumes have not yet recovered to historical levels
- Midpoint at \$8.00 per kgMS reflects a cautious approach due to the uncertainty in the outlook and ongoing risk of volatility in global markets

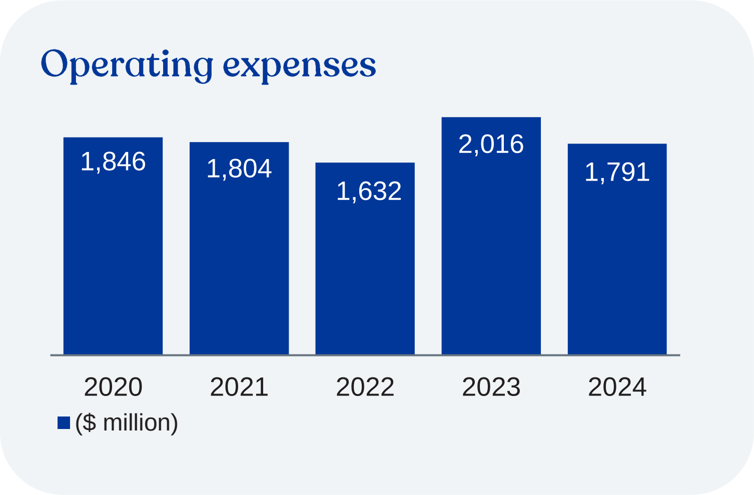
Additional Financial Information

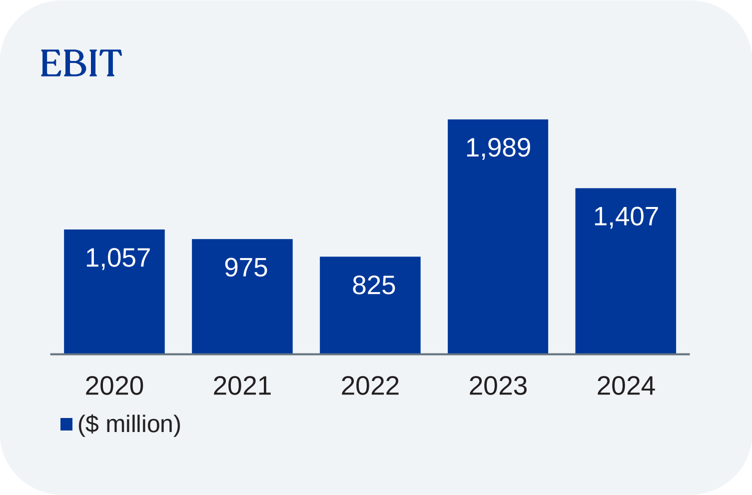
Total Group financial metrics

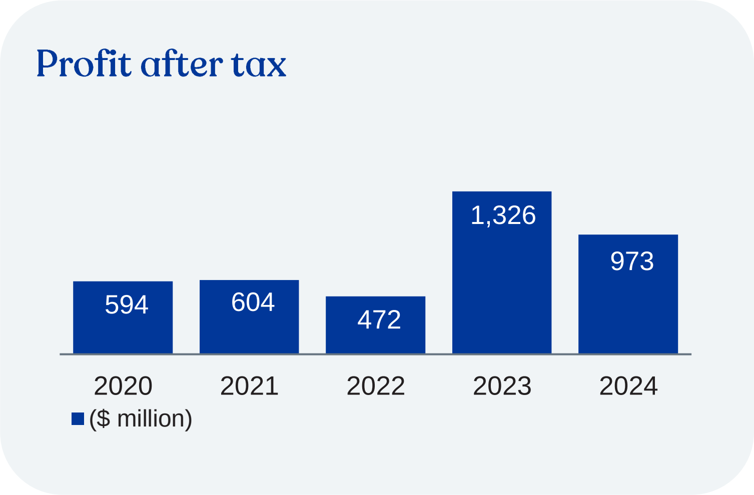






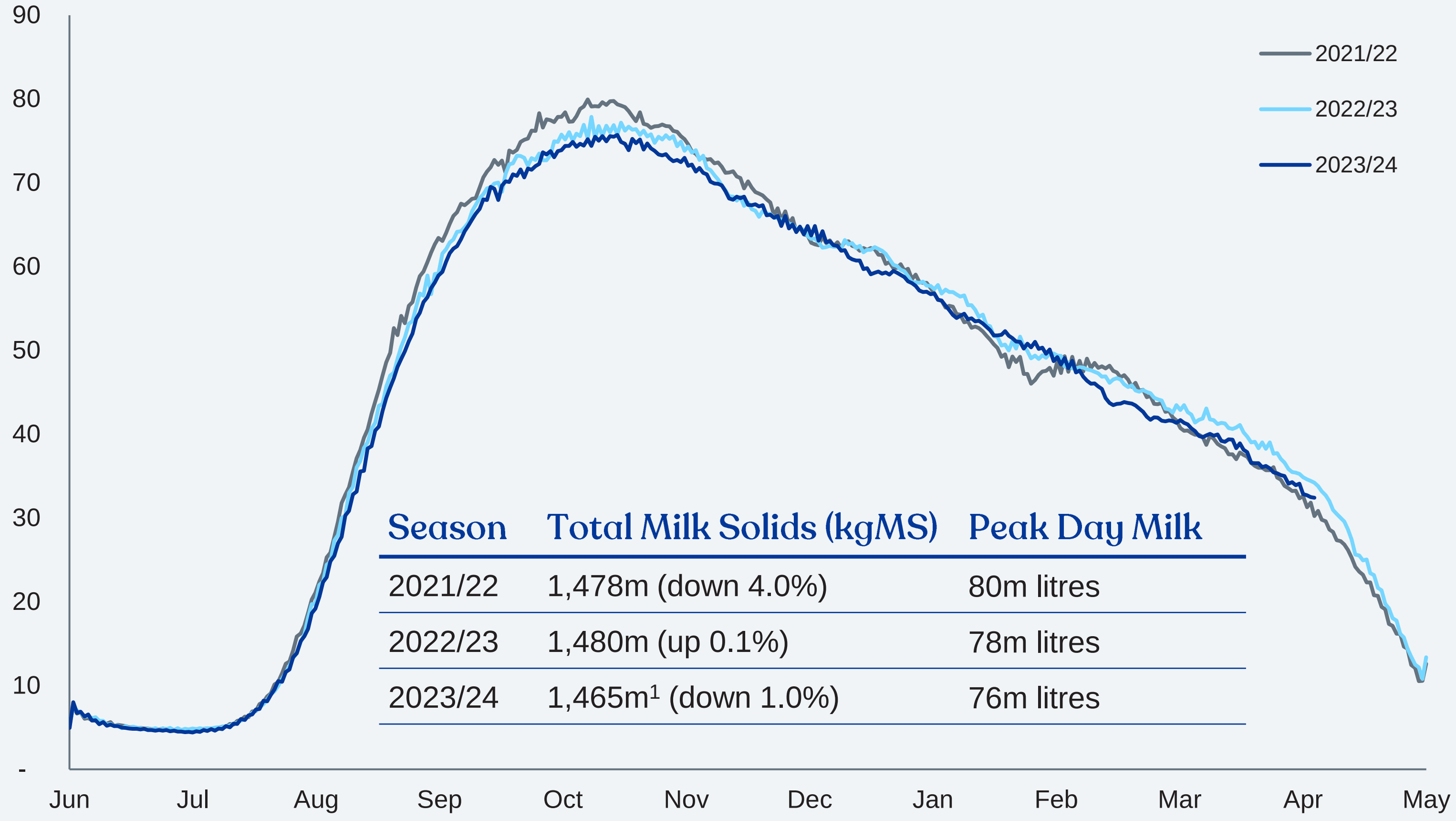






Note: Figures are for the nine months ended 30 April and are presented on a reported basis, unless otherwise stated

Fonterra's New Zealand milk collections



Season	Total Milk Solids (kgMS)	Peak Day Milk
2021/22	1,478m (down 4.0%)	80m litres
2022/23	1,480m (up 0.1%)	78m litres
2023/24	1,465m[1] (down 1.0%)	76m litres

- Season to date collections, 1 June – 30 April, were 1,404 million kgMS, 0.4% behind last season
- Challenging weather conditions leading up to peak production impacted soil moisture and temperatures, resulting in lower pasture growth and quality in the North Island
- End of season production has been performing above expectations:
  - lower South Island is particularly strong as farmers utilise excess feed before winter weather settles in
  - periods of strong pasture covers in the Waikato, partially offset by weaker pasture in the lower North Island, has resulted in more farms ceasing production earlier than prior seasons

1. Current full season forecast

Continuing and discontinued operations

NZD million	30 April 2023 Continuing operations	30 April 2023 Discontinued operations	30 April 2023 Total Group	30 April 2024 Continuing operations	30 April 2024 Discontinued operations	30 April 2024 Total Group
Sales volume ('000 MT)	2,580	420	**3,000**	2,618	59	**2,677**
Revenue	18,430	1,307	**19,737**	17,002	172	**17,174**
Cost of goods sold	(15,207)	(940)	**(16,147)**	(13,947)	(106)	**(14,053)**
Gross profit	3,223	367	**3,590**	3,055	66	**3,121**
Gross margin (%)	17.5%	28.1%	**18.2%**	18.0%	38.4%	**18.2%**
Operating expenses	(1,752)	(264)	**(2,016)**	(1,692)	(99)	**(1,791)**
Other[1]	55	360	**415**	77	-	**77**
EBIT	1,526	463	**1,989**	1,440	(33)	**1,407**
Net finance costs	(175)	(51)	**(226)**	(124)	(7)	**(131)**
Tax expense	(358)	(79)	**(437)**	(303)	-	**(303)**
Profit after tax[2]	993	333	**1,326**	1,013	(40)	**973**
Normalisations[3]	-	(248)	**(248)**	-	66	**66**
Normalised profit after tax[2]	993	85	**1,078**	1,013	26	**1,039**

1. Consists of other operating income, net foreign exchange gains/(losses) 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) million in relation to the sale of DPA Brazil (FY23 comprises of $260 million gain on sale of Soprole and $(12) million in relation to exiting Hangu China farm)

Continuing operations' profit & loss

NZD million	2023	2024	%△[1]
Sales volume ('000 MT)	2,580	2,618	1%
Revenue	18,430	17,002	(8)%
Cost of goods sold	(15,207)	(13,947)	8%
Gross profit	3,223	3,055	(5)%
Gross margin (%)	17.5%	18.0%	
Operating expenses	(1,752)	(1,692)	3%
Other[2]	55	77	40%
EBIT	1,526	1,440	(6)%
Net finance costs	(175)	(124)	29%
Tax expense	(358)	(303)	15%
Profit after tax from continuing operations	**993**	**1,013**	**2%**
Continuing operations' EPS (cents)	60	61	2%
Profit after tax from discontinued operations	333	(40)	-
Total Group profit after tax[3]	**1,326**	**973**	**(27)%**
Earnings per share (cents)	81	58	(28)%

- Increased sales volumes driven by optimisation of inventory levels. Higher sales volume through Foodservice and Consumer channels
- Revenue and gross profit both decreased due to lower product prices in the Ingredients channel
- Gross profit did not decline as much as revenue due to partially being offset by lower cost of goods sold, this meant our gross margin remains up on the prior year
- Operating expenses reduced, with the prior year including $162m of Consumer brand impairments
  - Adjusting for impairments, operating expenses increased $102m due to inflation, upfront costs of driving efficiency improvements and increased technology spend
- Other increased $22m mainly due to favourable net foreign exchange movements
- EBIT declined $86m due to reduced margins in the Ingredients channel as price relativities move back toward historical levels
- Net finance costs improved reflecting both lower average borrowings and cost of funds
- Discontinued operations made a loss of $(40)m 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
- Total Group profit after tax declined $353m mainly due to the prior year including the earnings and gain on divestment of Soprole

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Consists of other operating income, net foreign exchange gains/(losses) and share of equity accounted investees
3. Includes amounts attributable to non-controlling interests

Normalised Items

	30 April 2023			30 April 2024	
NZD million	Soprole	Hangu China farm	**Total**	DPA Brazil	**Total**
Gain/(loss) on sale	357	(12)	**345**	(66)	**(66)**
Profit/(loss) before net finance costs and tax	357	(12)	**345**	(66)	**(66)**
Net finance costs and tax	(97)	-	**(97)**	-	**-**
Profit/(loss) after tax	260	(12)	**248**	(66)	**(66)**
Profit/(loss) attributable to non-controlling interests	-	-	**-**	(3)	**(3)**
Profit/(loss) after tax attributable to equity holders of the Co-operative	260	(12)	**248**	(69)	**(69)**

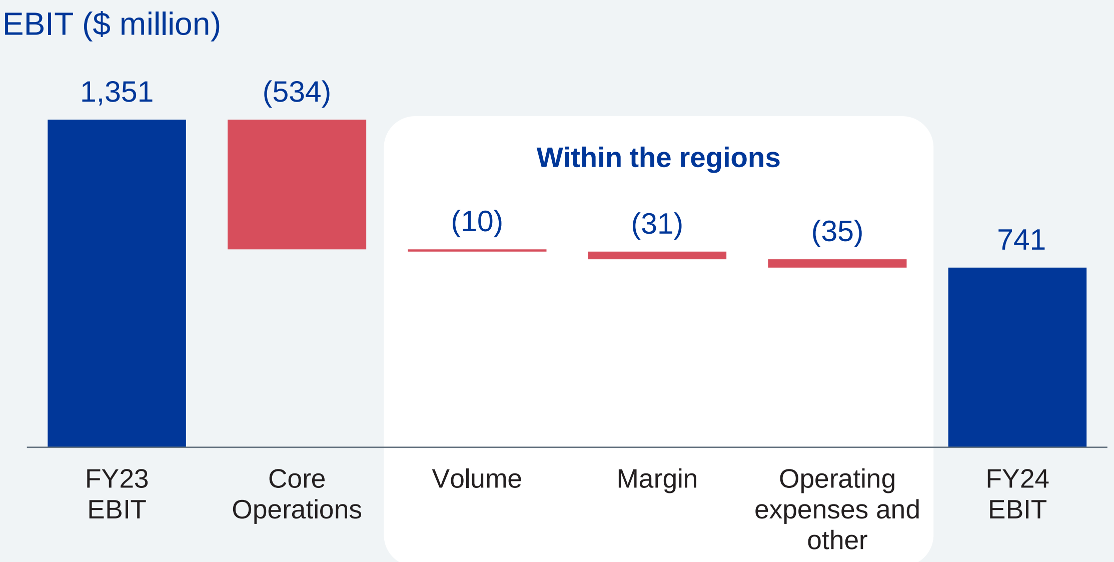
Channel performance

For the nine months ended 30 April	Ingredients[1]			Foodservice[1]			Consumer[1]		
NZD million	2023	2024	∆%[2]	2023	2024	∆%[2]	2023	2024	∆%[2]
Sales volume ('000 MT)	1,696	1,684	(1)%	411	428	4%	473	506	7%
Revenue	13,063	11,138	(15)%	2,900	3,088	6%	2,467	2,776	13%
Cost of goods sold	(10,958)	(9,614)	12%	(2,363)	(2,303)	3%	(1,886)	(2,030)	(8)%
Gross profit	2,105	1,524	(28)%	537	785	46%	581	746	28%
Operating expenses	(790)	(833)	(5)%	(288)	(347)	(20)%	(674)	(512)	24%
Other[3]	36	50	39%	-	13	-	19	14	(26)%
EBIT[4]	1,351	741	(45)%	249	451	81%	(74)	248	-
Net finance costs and tax expense	(448)	(237)	47%	(82)	(116)	(41)%	(3)	(74)	-
Profit after tax	**903**	**504**	**(44)%**	**167**	**335**	**101%**	**(77)**	**174**	**-**
Gross margin	16.1%	13.7%		18.5%	25.4%		23.6%	26.9%	
EBIT margin	10.3%	6.7%		8.6%	14.6%		(3.0)%	8.9%	

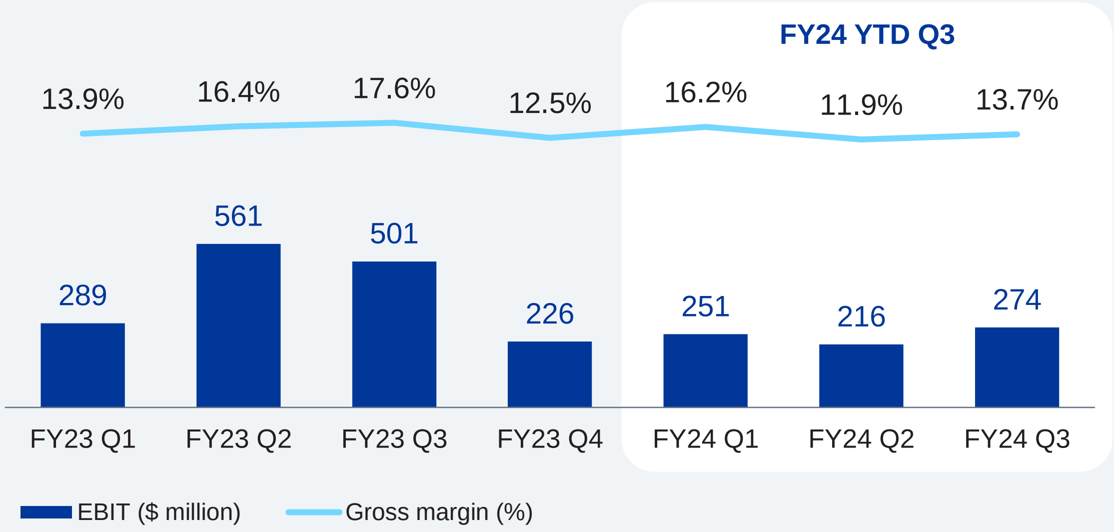
1. Channel performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Ingredients, Foodservice and Consumer of $152m, $36m and $44m ($90m, $48m and $51m for the comparative period), respectively.

Ingredients operating performance

Key performance drivers



Quarterly performance



- Ingredients EBIT is down $610m, due to:
  - the FY24 lactose price has materially declined 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 product prices declining at a higher rate for the Non-Reference portfolio relative to 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), cheese and cream in China

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

Note: For the nine months ended 30 April. Prepared on a continuing operations basis

New Zealand-sourced Ingredients' product mix

	2023	2024	Change
Sales Volume ('000 MT)			
Reference Products	1,314	1,341	27
Non-Reference Products	656	657	1
Revenue (NZD)			
Reference Products ($ billion)	8.4	7.5	-
Non-Reference Products ($ billion)	5.3	4.6	-
Reference Products ($ per MT)	6,375	5,591	(784)
Non-Reference Products ($ per MT)	8,153	7,031	(1,122)
Cost of Milk (NZD)			
Reference Products ($ billion)	(7.2)	(5.5)	-
Non-Reference Products ($ billion)	(2.7)	(2.3)	-
Reference Products ($ per MT)	(6,349)	(4,833)	1,516
Non-Reference Products ($ per MT)	(4,108)	(3,559)	549

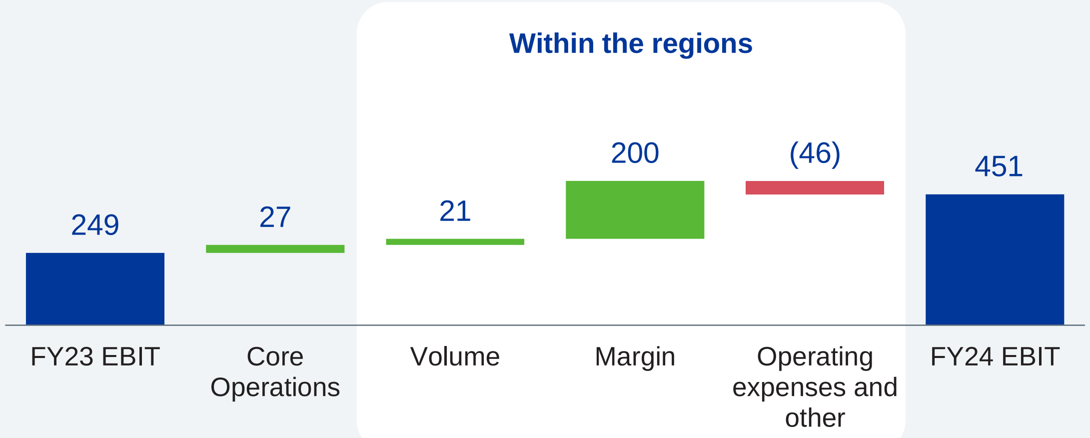
- Reference Products sales volume up 27,000 MT due to increasing shipment of powders
- Product prices in the Non-Reference portfolio have declined more relative to the Reference portfolio mainly due to reduced demand for Milk Protein Concentrate, cheese and cream in China
- Non-Reference portfolio cost 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 due to strong price increases in Anhydrous Milk Fat (AMF) and Butter

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 53,000 MT of kgMS equivalent (for the comparative period it was 54,000 MT of kgMS equivalent). Milk solids used in the Reference Products sold were 739 million kgMS and 334 million kgMS in the Non-Reference Products (for the comparative period 737 million kgMS in Reference Products and 328 million kgMS in Non-Reference Products)

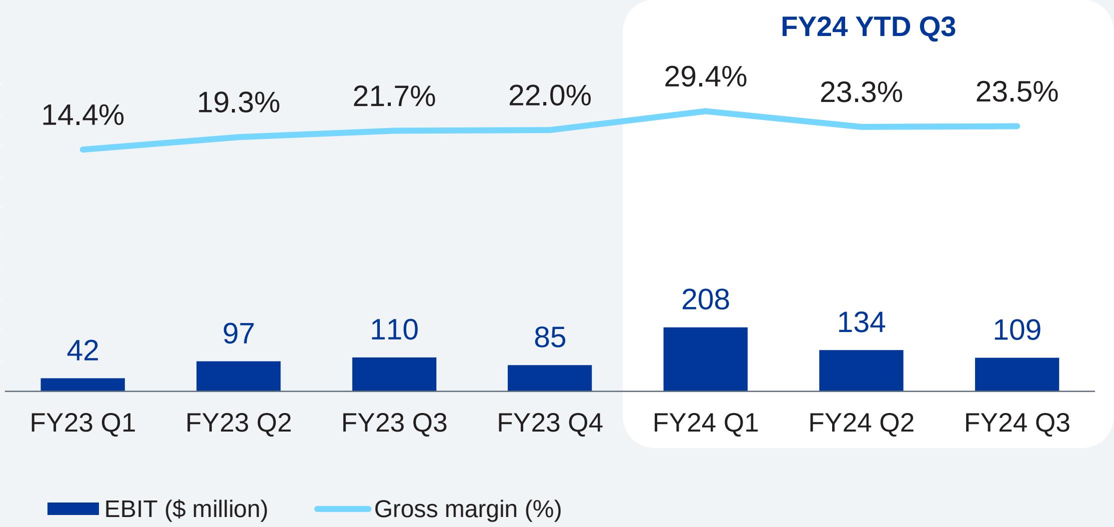
Foodservice operating performance

Key performance drivers

EBIT ($ million)



Quarterly performance



- Foodservice EBIT is up $202m, due to:
  - higher margins within Core Operations driven by lower milk input costs
  - sales volume growth of 4%, mainly driven by UHT cream sales in Greater China
  - favourable in-market margins predominately driven by the lower cost of milk, as well as benefit from higher in-market pricing particularly in our Southeast Asia markets

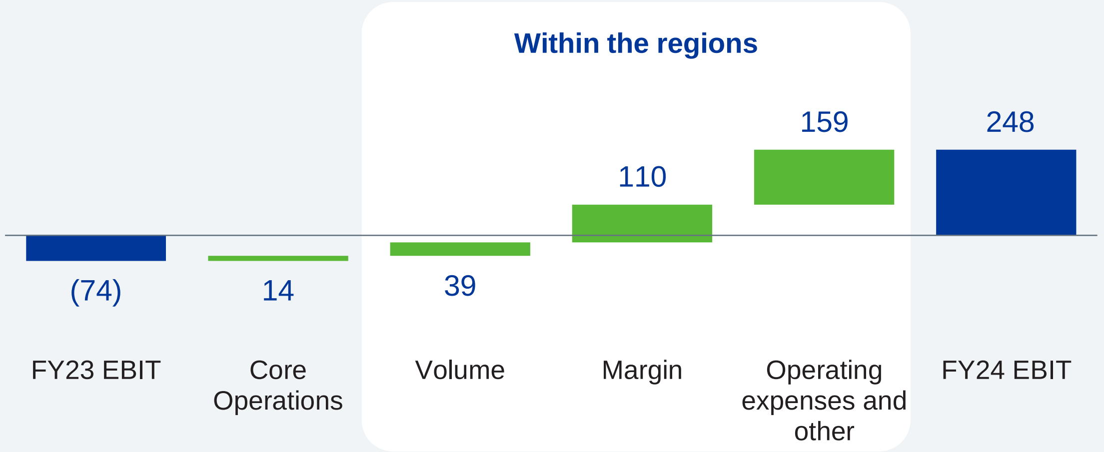
- Lower cost of milk during FY24 Q1, coupled with favourable pricing meant a strong FY24 Q1 gross margin and EBIT relative to FY23
- Gross margins tightened in Q2 due to a combination of lower prices achieved in-market and higher cost of goods sold as cost of milk increased
- Following strong sales volumes in Q2, Q3 volumes reflect historical averages and margins remain stable
- Gross margins are expected to tighten in the final quarter of FY24 reflecting the increasing price of Reference Products on GDT

Note: For the nine months ended 30 April. Prepared on a continuing operations basis

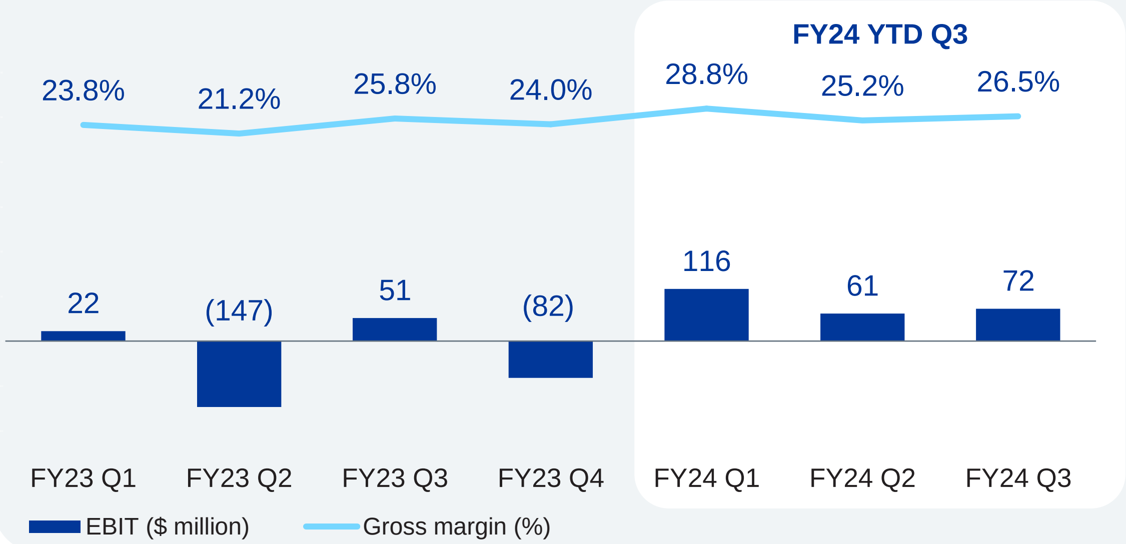
Consumer operating performance

Key performance drivers

EBIT ($ million)



Quarterly performance



- Consumer EBIT increased $322m, due to:
  - sales volume growth of 7%, with continued demand in Sri Lanka for consumer powders, and FBNZ demand increasing as competitors exit the mainstream yoghurt category and tourism returns in the Pacific
  - improved product mix as more premium products were sold in the third quarter, 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 $160m

- Lower cost of milk during FY24 Q1, coupled with favourable pricing meant a strong FY24 Q1 gross margin and EBIT relative to FY23
- FY24 Q2 gross margins tightened relative to Q1 due to a combination of lower in-market prices and higher cost of milk
- FY24 Q3 gross margins increased due to an improved product mix with more premium products sold compared to Q2
- Gross margins are expected to tighten in the final quarter of FY24 reflecting increasing price of Reference Products on GDT
- FY23 Q2 and Q4 EBIT was impacted by the accounting for impairments

Note: For the nine months ended 30 April. Prepared on a continuing operations basis

Segment performance

For the nine months ended 30 April	Core Operations[1]			Global Markets[1]			Greater China[1]		
NZD million	2023	2024	∆%[2]	2023	2024	∆%[2]	2023	2024	∆%[2]
Sales volume ('000 MT)	2,058	2,078	1%	1,909	1,936	1%	714	720	1%
Revenue	14,433	12,515	(13)%	13,983	12,569	(10)%	5,277	4,763	(10)%
Cost of goods sold	(13,142)	(11,721)	11%	(12,593)	(10,991)	13%	(4,735)	(4,080)	14%
Gross profit	1,291	794	(38)%	1,390	1,578	14%	542	683	26%
Operating expenses	(590)	(594)	(1)%	(930)	(853)	8%	(232)	(245)	(6)%
Other[3]	10	18	80%	43	57	33%	2	2	-
EBIT[4]	711	218	(69)%	503	782	55%	312	440	41%
Net finance costs and tax expense	(272)	(104)	62%	(166)	(215)	(30)%	(95)	(108)	(14)%
Profit after tax	**439**	**114**	**(74)%**	**337**	**567**	**68%**	**217**	**332**	**53%**
Gross margin	8.9%	6.3%		9.9%	12.6%		10.3%	14.3%	
EBIT margin	4.9%	1.7%		3.6%	6.2%		5.9%	9.2%	

1. 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 corporate costs for Core Operations, Global Markets and Greater China of $103m, $88m and $41m ($115m, $45m and $29m for the comparative period), respectively.

Global Markets end-to-end performance

For the nine months ended 30 April	Total Global Markets[1]			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	Δ%[2]	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	1,866	1,898	2%	1,247	1,245	203	204	416	449
Revenue	13,532	12,429	(8)%	10,028	8,634	1,324	1,318	2,180	2,477
Cost of goods sold	(11,166)	(10,278)	8%	(8,356)	(7,456)	(1,145)	(1,011)	(1,665)	(1,811)
Gross profit	2,366	2,151	(9)%	1,672	1,178	179	307	515	666
Operating expenses	(1,341)	(1,269)	5%	(630)	(662)	(147)	(180)	(564)	(427)
Other[3]	51	69	35%	32	45	-	11	19	13
EBIT[4]	1,076	951	(12)%	1,074	561	32	138	(30)	252
Net finance costs and tax expense	(378)	(287)	24%	(352)	(179)	(15)	(33)	(11)	(75)
Profit after tax	**698**	**664**	**(5)%**	**722**	**382**	**17**	**105**	**(41)**	**177**
Gross margin	17.5%	17.3%		16.7%	13.6%	13.5%	23.3%	23.6%	26.9%
EBIT margin	8.0%	7.7%		10.7%	6.5%	2.4%	10.5%	(1.4)%	10.2%

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 corporate costs for Total, Ingredients, Foodservice and Consumer of $158m, $98m, $19m and $41m ($112m, $62m, $9m and $41m for the comparative period), respectively.

Greater China end-to-end performance

For the nine months ended 30 April	Total Greater China[1]			Ingredients		Foodservice		Consumer	
NZD million	2023	2024	Δ%[2]	2023	2024	2023	2024	2023	2024
Sales volume ('000 MT)	714	720	1%	449	439	208	224	57	57
Revenue	4,898	4,573	(7)%	3,035	2,504	1,576	1,770	287	299
Cost of goods sold	(4,041)	(3,669)	9%	(2,602)	(2,158)	(1,218)	(1,292)	(221)	(219)
Gross profit	857	904	5%	433	346	358	478	66	80
Operating expenses	(411)	(423)	(3)%	(160)	(171)	(141)	(167)	(110)	(85)
Other[3]	4	8	100%	4	5	0	2	0	1
EBIT[4]	450	489	9%	277	180	217	313	(44)	(4)
Net finance costs and tax expense	(155)	(140)	10%	(96)	(57)	(67)	(83)	8	-
Profit after tax	**295**	**349**	**18%**	**181**	**123**	**150**	**230**	**(36)**	**(4)**
Gross margin	17.5%	19.8%		14.3 %	13.8%	22.7 %	27.0%	23.0 %	26.8%
EBIT margin	9.2%	10.7%		9.1 %	7.2 %	13.8 %	17.7 %	(15.3)%	(1.3)%

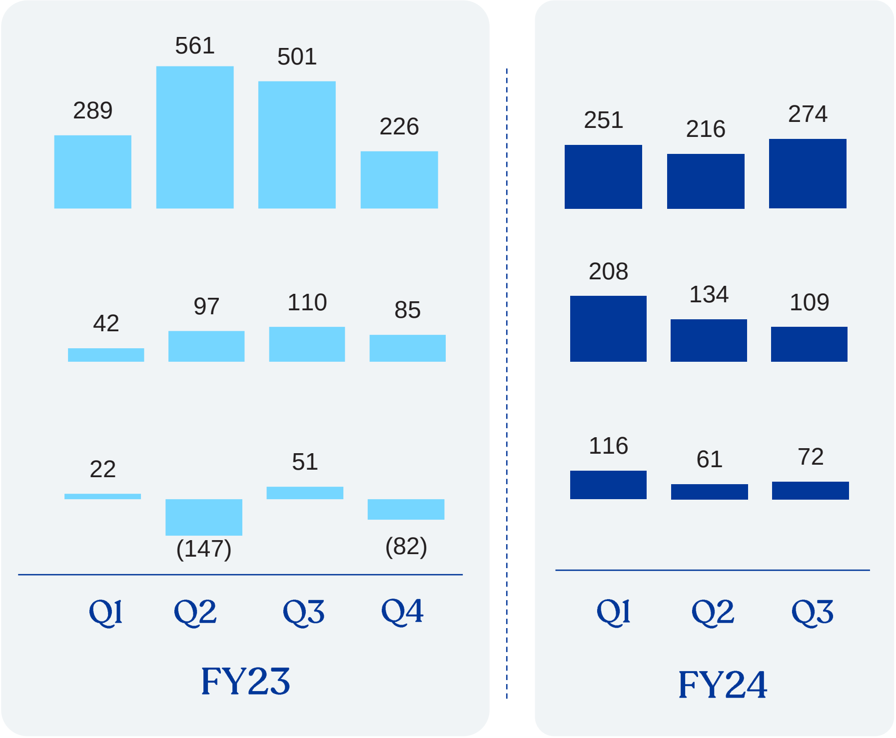
1. Greater China performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $74m, $43m, $27m and $4m ($77m, $30m, $37m and $10m for the comparative period), respectively.

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)	1,898 2% ↑	720 1% ↑	2,618 1% ↑
EBIT contribution from continuing operations			
Ingredients	$561m $513m ↓	$180m $97m ↓	$741m $610m ↓
Foodservice	$138m $106m ↑	$313m $96m ↑	$451m $202m ↑
Consumer	$252m $282m ↑	$(4)m $40m ↑	$248m $322m ↑
Total	$951m $125m ↓	$489m $39m ↑	$1,440m $86m ↓

EBIT by quarter



Note: For the nine months ended 30 April. Prepared on a continuing operations basis

Operating earnings by In Scope and Out of Scope

We are exploring divestment options for Consumer and associated businesses

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

	In Scope	Out of Scope	Total
External sales volume ('000 MT)	666 5% ↑	1,952 -	**2,618** 1% ↑
EBIT contribution from continuing operations			
Ingredients	$(35)m $80m ↓	$776m $530m ↓	**$741m** $610m ↓
Foodservice	$48m $25m ↑	$403m $177m ↑	**$451m** $202m ↑
Consumer	$249m $146m ↑	$(1)m $14m ↑	**$248m** $160m ↑
Total	**$262m** $91m ↑	**$1,178m** $339m ↓	**$1,440m** $248m ↓

Note: For the nine months ended 30 April, comparative is FY23. Prepared on a continuing operations basis
Comparative changes are to FY23, and presented on an underlying basis (adjusted for $162 million of impairments in Consumer)

In Scope

Consumer	Foodservice	Ingredients
Oceania • Fonterra Oceania	**Oceania** • FBNZ and Fonterra Australia Foodservice	**Oceania** • Fonterra Australia Ingredients
Sri Lanka	**Sri Lanka**	
Southeast Asia • Indonesia • Malaysia • Philippines • Singapore • Thailand • Vietnam		
Greater China • China • Taiwan • Hong Kong		
Rest of the World • Americas • Middle East • Africa		

Appendix

FY24 Q3 Integrated Scorecard

	FY22 Actual	FY23 Actual	FY24 Scorecard	FY24 Q3 YTD
Serious harm	8	5	4	2
Gender diversity (Band 12+)	37.6%	39.5%	40.5%	39.3%
Culture Measure	–	79	–[1]	79
GHG emissions (Scope 1,2)[2]	(11.2)%	(14.1)%	(15.6)%	(18.6)%
FEP adoption (New Zealand)	71%	85%	92%	91%
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%	78.3%
Delivered in full, on time (DIFOT, ex-New Zealand)	51.6%	53.2%	80.0%	69.6%
Cash operating expenses per kgMS (real)	1.34	1.39	1.37	Behind
Core Operations gross profit per kgMS (real)[3]	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	$7.70-$7.90[4]
Total shareholder return (share price plus dividend)	$2.73 $0.20	$3.20 $1.00[5]	Not Available	$2.45[6] $1.05[5]
On-farm profitability ($ per hectare)[7]	4,150	2,063	Not Available	Not Available

1. No target set for FY24.
2. Relative to FY18 Baseline. 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 (21 March 2024).
5. Includes 50-cent per share capital return.
6. FCG closing share price on 30 April 2024.
7. DairyNZ Economic Survey 2021-2022 (Owner-Operator). FY23 is a modelled forecast.

Data sources

- **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

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

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

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

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

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

Glossary

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

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

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Management believes that these measures provide useful information as they provide valuable insight on the underlying performance of the business. They may be used internally to evaluate the underlying performance of business units and to analyse trends. These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP measures are not subject to audit unless they are included in Fonterra's audited annual financial statements.

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

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