FONTERRA ANNUAL MEETING
14 NOVEMBER 2024
CHAIR'S ADDRESS

In a moment I will ask Miles to take us through a short summary of our financial performance. I know many of you will also be keen to hear his comments on our strategy refresh and the intended divestment of consumer.

Before we hear from Miles, I thought it would be informative to talk you through a couple of key insights that the board considers important in the development of strategy.

These form the background of the conversations we have as a leadership team when we consider our options around the strategy, including the decision to divest our wider consumer business.

The first insight is our global operating context – which continues to change.

And the second is risk – how we manage risk on your behalf and the way we treat your capital.

We are and always will be a New Zealand farmer-owned Co-op, but we are also a global export business.

When considering our strategy, we need to challenge ourselves to look beyond the back fence, and past the here and now.

The world is changing. We are moving out of an era of trade liberalisation and co-operation and into a world that is more expensive, competitive and volatile. Expectations are evolving and New Zealand milk is becoming scarce.

Customers are increasingly calling on us to partner with them to improve their sustainability and innovation capabilities. And there's even more focus on sustainability from banks, regulators, and from a market access perspective.

The cost of capital has increased, and many industries – including agriculture and our bankers – face higher capital requirements.

In this new global context, Fonterra also faces increasing competition for both milk and capital here at home.

That all sounds inherently negative, and it's certainly not without risk, but the opportunity for us still absolutely exists.

Demand for dairy continues to grow and, in a rapidly changing world, we are uniquely positioned to capitalise on any shifts.

We have high quality New Zealand milk which is becoming more scarce.

And most critically, we have scale.

That gives us great confidence in the future of our Co-op. Success will come by focusing on our comparative advantages, simplifying the business to meet that, and then aligning our people to achieve that singular vision.

The second insight we consider is risk.

Fonterra is an extension of your farming businesses. It exists to provide certainty and manage risk on your behalf, while also maximising returns via a competitive and sustainable milk price, and a respectable return on the capital you invest in the Co-op.

We govern Fonterra through a set of financial settings and a risk appetite that is now more appropriately aligned to that of our farmer owners.

As you've seen from our recent financial performance, this approach has served us well in recent years and has set a strong platform for this next phase in Fonterra's evolution.

Fonterra adds value for all dairy farmers by creating stability for the industry and de-risking the on-farm investment.

You and your bank manager know that your milk will be collected and you'll be paid on time each month – not every industry can say that.

We add value through the milk price - delivering a return on the $50 billion invested in on-farm capital.

And by generating a return on the $12 billion worth of capital you have invested in the Co-op.

This last piece is central to the conversation on our strategy and the divestment of our consumer business.

Right now, we estimate the weighted average cost of capital for a dairy farmer is somewhere around 10%.

Consumer businesses are inherently more capital intensive and riskier businesses to operate - you've seen that play out over time in our own operation.

Overlay that with the potentially higher geographic risk in the markets where our consumer businesses operate, and a respectable return on capital for the consumer business should be something north of 15%.

Our Consumer business had one of its better years in 2024, but despite that, its return on capital was just 6.8%, up from 3.9% in 2023 and 0.2% in 2022.

We cannot justify investing your money into a business that generates returns lower than your opportunity cost of capital, whilst at the same time exposing you to more risk.

We are better off returning that capital to you, reinvesting it into the parts of our business where we have a comparative advantage, or a mixture of both.

That might seem like a cold message to the many people in the room that have an emotional connection to those brands. We understand that. Those brands and the associated assets that go with them do hold a lot of value, but to the right owner.

Fonterra, as a farmer-owned co-operative and the associated cost of capital that comes with that model, is not the natural owner of a consumer business.

Having reached that conclusion, our focus from here is on running a process that maximises value in a way that is in the best long-term interests of farmer shareholders.

The evolved Fonterra that remains will be a simplified business focused on our comparative advantages. It will be lower risk, be less capital intensive, and achieve an increased return on capital overall.

I hope that’s a useful insight into the way the Board looks at these strategic choices. Having options is a good thing and you are right to want more information around these big decisions.

Ultimately this will be a decision for shareholders to make. We will keep you updated as much as possible along the way and then provide you with the details needed to make an informed decision.

Miles will give you his perspective shortly, but before we go there, I do need to quickly cover off some other governance matters.

Given the heightened uncertainty and volatility I mentioned earlier, the Co-op can be proud of the set of financial results it has put up this year.

We did have some tail winds in terms of favourable price relativities, but the team worked hard to take full advantage of those and our underlying performance has improved significantly through time.

The period of relatively consistent performance we are enjoying now is the culmination of a huge amount of hard work put in by everyone across the Co-op over a number of years.

To deliver consistently strong financial results within our global context is no easy feat, so it's important to acknowledge that effort, led by Miles, his management team, and indeed all of our people in Fonterra.

In my opinion, the shift in share price reflects performance, and the returning confidence farmers have in Fonterra.

Over the past 12 months the share price has increased from $2.18 to $4.93, both of which were the post dividend and capital return.

You should have seen an announcement last week that we are moving Fonterra Co-operative Group shares onto the NZX main board.

I want to reiterate that from a farmer perspective there are no changes to the way you trade shares, or who can buy shares in the Co-op.

This is a simple but important cost-saving exercise that we have initiated and is supported by the Co-operative Council.

Lastly I'd like to touch on the Board changes that will come into effect at the conclusion of today's meeting.

Last year, just over 88% of voting farmers supported the recommendation for the Board size to reduce from 11 down to 9 directors. At the conclusion of the meeting we will move to a Board comprising six farmer elected directors and three appointed independent directors.

One of those independent directors is Alistair Field, who we welcomed to the Board earlier this month. Alistair will address the meeting later as part of voting on the resolution confirming his appointment.

Today we also farewell two of our long-serving directors, Leonie Guiney and Clinton Dines who are retiring from the Board having both served nine-years.

Thank you, Leonie and Clinton, for your time and energy over so many years. Your contribution to Fonterra has been significant, but in particular your focus on risk and balance sheet management has been invaluable as we have reset the business.

If the measure of success for a director is leaving the organisation in better shape than you found it, then you have both unquestionably achieved that.

Our Co-op is in good health.

The sentiment we are receiving from farmers right now is overwhelmingly positive.

There will always be small but meaningful things to some farmers that we don’t get quite right, but overall there’s a huge amount of positive momentum in the Co-op.

Our teams are confident and energised, which is important as we look to lean into increasing competition overseas and back here at home.

On that note Miles, I’ll pass over to you.

FONTERRA ANNUAL MEETING
14 NOVEMBER 2024
CEO'S ADDRESS

Thank you, Peter.

And thank you to those who have travelled to be with us here in person and greetings to those joining us online.

Today I'll cover your Co-op's performance for FY24 and then our plans for the years ahead as we implement our revised strategy.

Looking first at our FY24 annual results.

We had a strong year and maintained the positive momentum we saw in FY23.

Our earnings of 1.6 billion dollars were driven by strong performance across all three of our sales channels.

We improved margins in our Foodservice business and allocated more milk to this high performing channel.

Our Consumer business also improved margins, while lowering operating expenses.

Our Ingredients earning were down when compared to last year's historic highs, but this channel still delivered a substantial proportion of our earnings for the year.

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

We paid a total dividend for the year of 55 cents per share, which included a 15 cent interim dividend and 25 cent final dividend from our earnings performance.

Our ongoing balance sheet strength also enabled us to return an extra 15 cents through a special dividend.

We ended the 2023/24 season with a final Farmgate Milk Price of $7.83 per kgMS.

When combined with the 55 cent dividend, this gave a total payout to fully shared-up farmers of $8.38 for FY24.

Looking at the rest of the year ahead, we have a forecast Farmgate Milk Price midpoint of $9.50 per kgMS and are forecasting an earnings range of 40-60 cents per share.

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

With Fonterra delivering consistent and reliable results, we've seen a lift in farmer confidence and sentiment.

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

Across the year we conducted a strategic review and released our revised strategy at the end of September.

It's a strategy grounded in our purpose, which is to create goodness for generations.

Our new strategic vision - to be the source of the world's most valued dairy – will see us focus on growing economic value for farmers from our Co-op's strengths.

This means taking a clear-eyed view of where we create the most value today and where there's further headroom for growth.

As Peter has mentioned, the Co-op exists to provide stability and manage risk on your behalf, while maximising the returns to you from your milk and capital.

Our innovative Ingredients and Foodservice businesses, supported by efficient and flexible operations, are the parts of the business that do this the best.

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

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

Last week, I was in China for the annual China International Importers Expo.

It's an impressive event, where we showcased our Greater China business to customers and stakeholders, with lots of energy around the potential for dairy nutrition.

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

We've made a strategic choice to maintain momentum in Foodservice by expanding our business in China and beyond, investing in product innovation and manufacturing capacity.

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

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

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

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

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

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

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

That's why we have lifted our target average return on capital to 10-12%, up from 9-10%.

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

At all times, we're committed to maintaining the highest sustainable Farmgate Milk Price.

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

We have untapped potential in our Foodservice and Ingredients businesses and we can go further, faster by focusing our resources on these businesses.

It's in this context that we believe a divestment of our global Consumer businesses is in the best interests of the Co-op.

We announced earlier this week that we have commenced a sales process, pursuing both a trade sale and IPO as divestment options.

Farmer shareholder support remains critical to proceeding with a divestment and we remain committed to presenting an option to you for a vote.

Before we do this, we need to thoroughly test the merits and value of both a trade sale and IPO, so that we can be clear on what we're seeking you to approve.

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

This is a pivotal time for the Co-op.

While we are confident in our strategic direction, we don't make decisions lightly.

Every choice we make is grounded in what's in the best interests of our farmer shareholders. This is your Co-op.

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

This is thanks to the people who make up the Co-op – the 8,000 farmer shareholders and the 15,000 employees.

Together, we can be the source of the world's most valued dairy.

Thank you.

Fonterra Co-operative Group Limited Annual Meeting 2024

Fonterra

Dairy for life

10.30am on Thursday, 14 November 2024

The Devon Hotel, 390 Devon Street East, New Plymouth, Taranaki and online

Agenda

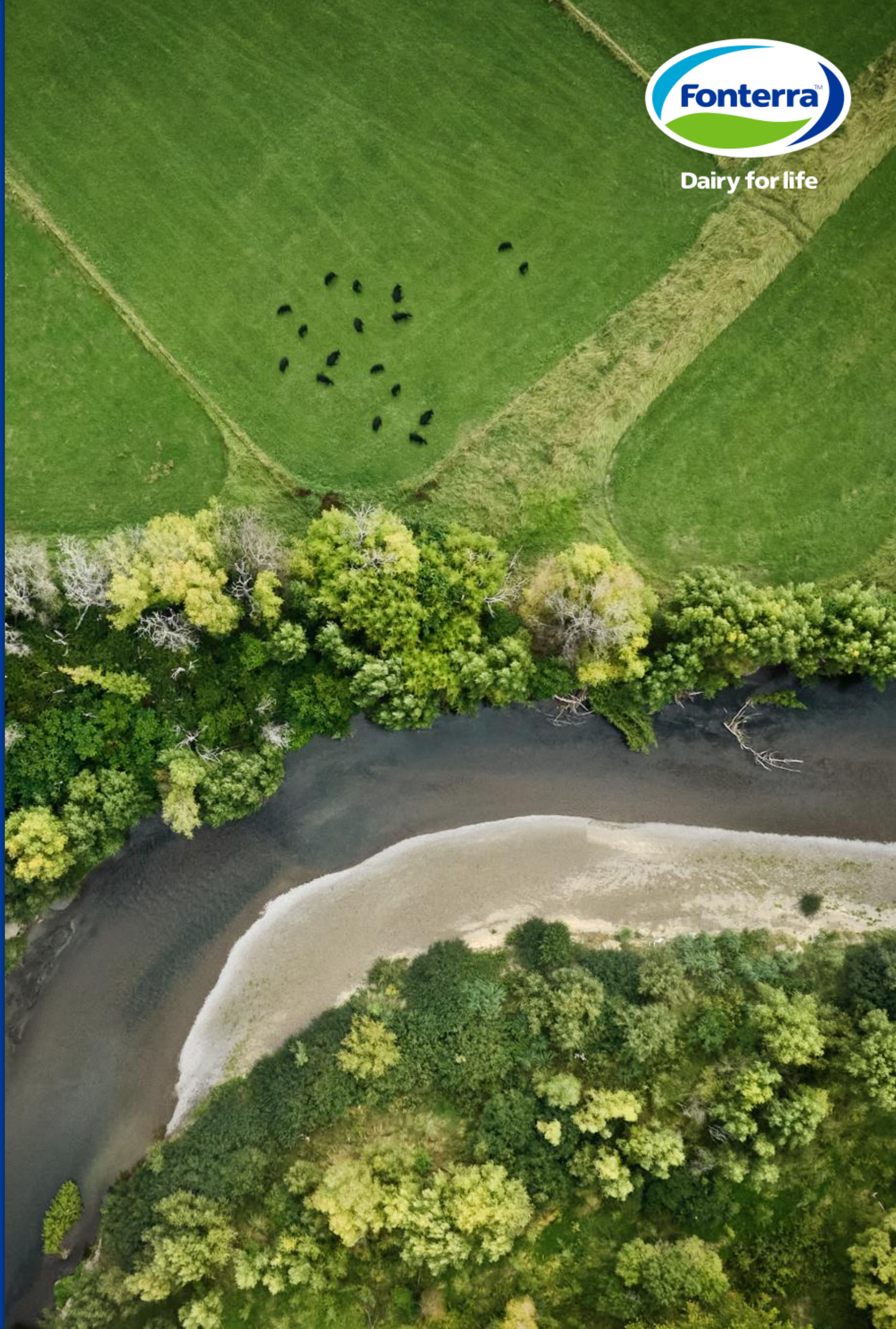
Welcome

Chair's Review

Chief Executive Officer's presentation

Agenda

Resolution 1:	Approval of changes to the remuneration of Elected Directors
Resolution 2:	Approval of changes to the remuneration of Co-operative Councillors
Resolution 3:	Approval of changes to the remuneration of members of the Directors' Remuneration Committee
Resolution 4:	Appointment of KPMG as auditor and authorisation of the Directors to fix the auditor's remuneration
Resolution 5:	Ratification of appointment of Mr Alistair Field
Resolution 6:	Approval of amendments to the Constitution relating to Permitted Transferees



Dairy for life

Agenda

Co-operative Council Report – John Stevenson

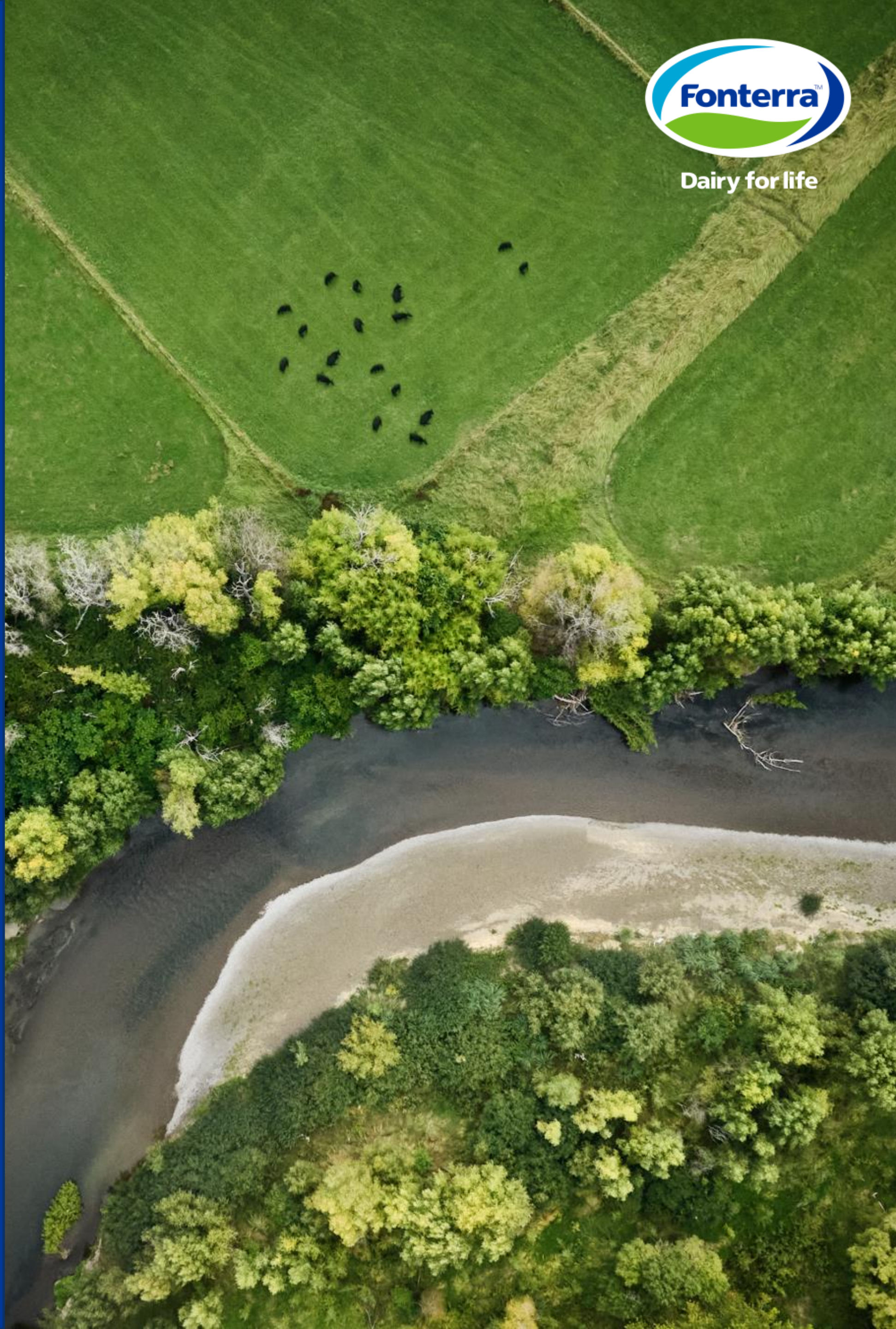
Resolution 7: Approval of amendments to the By-laws of the Co-operative Council

Resolution 8: Approval of the Co-operative Council programme and budget

Voting paper collection

General business

Closing



Fonterra Co-operative Group Limited Annual Meeting 2024

Peter McBride

Chair's review

Our context is changing so we're changing too

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The world we've come from

Defining features of the past

- Global co-operation and trade
- Rise of Asia and China
- Energy abundance
- Cheap capital

Fonterra set up to benefit

- Co-op with scope and scale
- Trade agreements, Asia adjacent
- NZ dairy comparative advantage
- Consolidation and growth

Where we're heading

Defining features of the future

- Nationalism and protectionism
- Game-changing tech
- Asia and China at scale, aging populations
- Global climate commitments
- Capital costs high

Implications for NZ dairy

- Geopolitical instability, trade advantages
- Competition for milk higher
- Sustainability imperative
- Farming more expensive, capital costs high
- Opportunities from volatility

How we create end-to-end value for farmers

Providing stability to New Zealand dairy industry

De-risking farm assets and earnings

Enabling the maximum sustainable Farmgate Milk Price through efficient collection and processing of milk

Providing additional returns from earnings through dividends and capital distributions

FY24 Return on Capital by channel

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Ingredients

10.2%

↓ from 16.3%

Foodservice

19.6%

↑ from 15.7%

Consumer

6.8%

↑ from (3.9%)

FY24 key performance outcomes

Total Payout

$8.38

↓ from $8.72

Return on capital

11.3%

↓ from 12.4%

FCG Share Price*

$4.93

↑ from $2.18

Gearing ratio

24.0%

↓ from 28.8%

*Share price as at 12 November.

Miles Hurrell
CEO’s address

FY24 results

Continuing operations' operating profit (EBIT)

$1,560m

↓ from 1,755m

Continuing operations' earnings per share

70c

↓ from 75c

Gearing ratio

24.0%

↓ from 28.8%

Return on capital

11.3%

↓ from 12.4%

$8.38 Total Payout

$0.55 Dividend ↑ from $0.50

$7.83 Farmgate Milk Price ↓ from $8.22

2024/25 forecast Farmgate Milk Price

$9-$10

per kgMS

FY25 forecast earnings

40–60

cents per share

OUR PURPOSE

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

OUR VISION

The source of the world's most valued dairy

OUR CHOICES

- Deliver strongest farmer offering
- Unleash our Ingredients engine
- Keep momentum in Foodservice
- Invest in operations for the future
- Build on our sustainability position
- Innovate to drive our advantage

OUTCOMES

- Strong Shareholder returns
- Stable balance sheet
- Enduring Co-op

Keep momentum in Foodservice

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

China growth

Rest of world growth

Customer partnership

Product innovation

Manufacturing capacity

A strong Co-op, creating value

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

[1] Average Return on Capital FY24-30 [2] From an FY18 base year

Targeting a significant capital return if Consumer business divested

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Anmum
Anchor New Zealand Since 1886
Fernleaf Since 1893
Anlene
Bega
Western Star Estd 1926
Good Things Mainland Take Time
fresh'n fruity
Perfect Italiano

*Illustrative subset of our Consumer brands

Fonterra Co-operative Group Limited Annual Meeting 2024

Resolution 1

Approval of changes to the remuneration of Elected Directors

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Approval of changes to the remuneration of Co-operative Councillors

Resolution 3

Approval of changes to the remuneration of members of the Directors’ Remuneration Committee

Resolution 4

Appointment of KPMG as auditor and authorisation of the Directors to fix the auditor’s remuneration

Resolution 5

Ratification of appointment of Mr Alistair Field

Resolution 6

Approval of amendments to the Constitution relating to Permitted Transferees

John Stevenson –

Chair, Fonterra Co-operative Council

Resolution 7

Approval of amendments to the By-laws of the Co-operative Council

Resolution 8

Approval of the Co-operative Council programme and budget

Fonterra Co-operative Group Limited Annual Meeting 2024

Dairy for life

General business

Fonterra Co-operative Group Limited Annual Meeting 2024