



Dairy for life

FONTERRA BOND OFFER

Unsecured, unsubordinated, fixed rate bonds

29 October 2024



Important information

Fonterra Co-operative Group Limited (**Fonterra** or **Issuer**) is offering up to \$250,000,000 (with the ability to accept up to \$100,000,000 in oversubscriptions at Fonterra's discretion) of unsubordinated, unsecured, fixed rate bonds maturing on 8 November 2029 (**Bonds**) (**Offer**) in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The Offer is an offer of Bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Fonterra's 4.15% NZ\$100,000,000 fixed rate bonds maturing on 14 November 2025 which are currently quoted on the NZX Debt Market under the ticker code FCG050 (**Quoted Bonds**). The Bonds are therefore of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

Fonterra is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/FCG.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Disclaimer

ANZ Bank New Zealand Limited (the **Arranger**) and Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch) (together, the **Joint Lead Managers**), The New Zealand Guardian Trust Company Limited (the **Trustee**) and each of their respective directors, officers, employees and agents:

- a) have not authorised or caused the issue of, or made any statement in, any part of this presentation;
- b) do not make any representation, recommendation or warranty, express or implied regarding the origin, validity, accuracy, adequacy, reasonableness or completeness of, or any errors or omissions in, any information, statement or opinion contained in this presentation; and
- c) to the extent permitted by law, do not accept any responsibility or liability for this presentation or for any loss arising from this presentation or its contents or otherwise arising in connection with the offer of Bonds.

This presentation does not constitute financial advice or a recommendation from the Issuer, the Arranger, any Joint Lead Manager, the Trustee or any of their respective directors, officers, employees, agents or advisers to purchase, any Bonds.

You must make your own independent investigation and assessment of the financial condition and affairs of the Issuer before deciding whether or not to invest in the Bonds.

This presentation is for preliminary information purposes only and is not an offer to sell or the solicitation of an offer to purchase or subscribe for the Bonds and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The information in this presentation is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed. All of the data provided in this presentation is derived from publicly available information in relation to the Issuer (including the annual report of the Issuer for its financial year ended 31 July 2024) unless otherwise indicated.

This presentation contains forward-looking statements, financial targets and ambitions (**Forward Statements**), each of which is based on a range of assumptions. 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. Fonterra's 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 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.

While all reasonable care has been taken in the preparation of this presentation, none of Fonterra, the Fonterra Group, or any of their respective subsidiaries, affiliates and associated companies (or any of their respective officers, employees or agents) (together **Relevant Persons**) makes any representation or gives any assurance or guarantee as to the accuracy or completeness of any information in this presentation or the likelihood of fulfilment of any Forward Statement or any outcomes expressed or implied in any Forward Statement. Accordingly, to the maximum extent permitted by law, none of the Relevant Persons accepts any liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in respect of any Forward Statements or for any loss, howsoever arising, from the use of this presentation or its contents or otherwise arising in connection with the Offer or any person's investment in the Bonds.

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

Except to the extent (if any) as required by applicable law or any applicable Listing Rules (including the Fonterra Shareholders' Market Rules), the Relevant Persons disclaim any obligation or undertaking to update any information in this presentation.

Any internet site addresses provided in this presentation are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this presentation.

An Indicative Terms Sheet dated 29 October 2024 has been prepared in respect of the Offer. The Indicative Terms Sheet is an important document and should be read carefully. Investors should not purchase the Bonds until they have read the Indicative Terms Sheet. Investors should consider the risks that are associated with an investment in the Bonds, particularly with regard to their personal circumstances (including financial and tax issues). Nothing in this presentation constitutes legal, financial, tax or other advice.

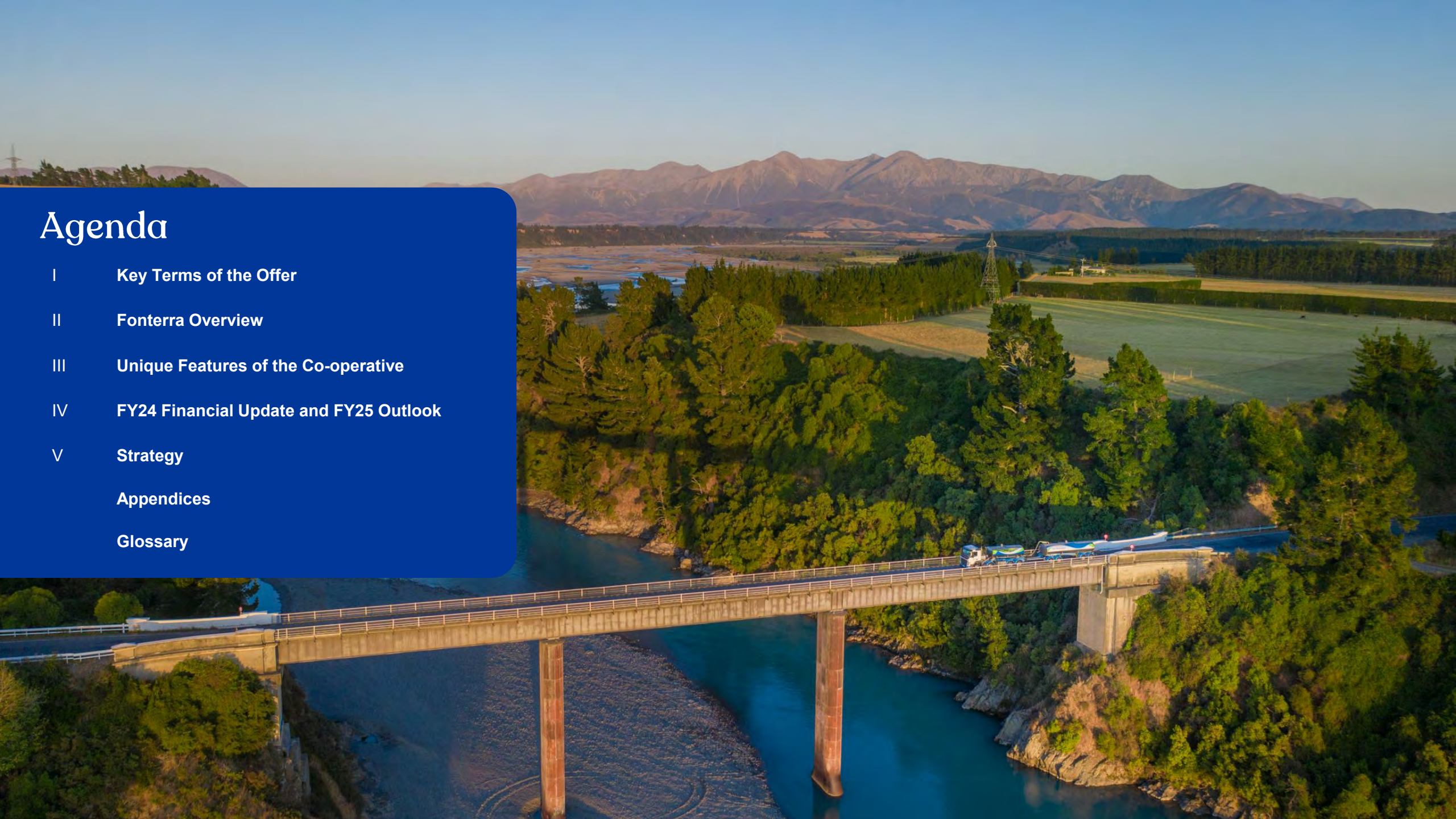
Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of the Indicative Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

The selling restrictions set out in the schedule to the Indicative Terms Sheet apply to the Bonds.

This presentation is dated 29 October 2024.

Agenda

- I Key Terms of the Offer
 - II Fonterra Overview
 - III Unique Features of the Co-operative
 - IV FY24 Financial Update and FY25 Outlook
 - V Strategy
- Appendices
- Glossary



I. Key Terms of the Offer

Description of the Bonds	Unsecured, unsubordinated, fixed rate debt obligations of Fonterra. The Bonds will rank equally and without any preference among themselves and equally with all other unsecured and unsubordinated indebtedness of Fonterra, except indebtedness preferred by law.
Issue Amount	Up to NZ\$250,000,000, with the ability to accept up to NZ\$100,000,000 in oversubscriptions at Fonterra's discretion.
Tenor	5 Years.
Interest Rate	The aggregate of the Base Rate plus the Margin determined following a bookbuild on Friday, 1 November 2024, and announced shortly thereafter by Fonterra via NZX.
Indicative Margin	0.85 to 0.95 per cent per annum.
Interest Payments	Semi-annually in arrear in two equal amounts on each Interest Payment Date.
Application Amounts	NZ\$5,000 and multiples of NZ\$1,000 thereafter.
Opening Date	Tuesday, 29 October 2024.
Closing Date	The offer is expected to close at 11.00am on Friday, 1 November 2024.
Issue Date	Friday, 8 November 2024.
Maturity Date	Thursday, 8 November 2029.
Listing	Ticker code FCG060 on the NZX Debt Market.
Issuer Credit Rating¹	A- (stable) by S&P Global Ratings & A (stable) by Fitch Ratings.
Expected Issue Credit Rating¹	A- by S&P Global Ratings & A by Fitch Ratings.

1. The ratings referred to in this presentation are not a recommendation to buy, sell or hold the Bonds, and each rating may be subject to revision or withdrawal at any time by S&P Global Ratings or Fitch Ratings, as the case may be. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. Neither S&P Global Ratings nor Fitch Ratings has been involved in the preparation of this presentation.

II. Fonterra Overview



Fonterra at a glance – “The source of the world's most valued dairy”

- Co-operative owned by New Zealand supplying farmers, collecting milk from around 8,200 shareholding and non-shareholding farms in New Zealand
- Fully integrated dairy business²
- Global scale and leadership
- 22% of globally traded dairy³
- Product portfolio diversified across markets and quality products
- Collects 78.1% of New Zealand’s milk⁴, which represents around 90% of Fonterra’s total milk collections
- 5.5% of GDP, around 22% of total goods exports⁵
- New Zealand’s largest company by revenue (FY24: NZ\$23b)

Market Cap FCG (NZ\$) ¹	6.9 billion
Market Cap FSF (NZ\$) ¹	0.5 billion
FY24 Sales Volume ('000 MT)	3,529
FY24 Total Assets (NZ\$)	16.7 billion
FY24 Normalised EBITDA (NZ\$)	2.2 billion
<i>Credit rating</i> S&P Global Ratings Fitch Ratings	A- stable A stable



1. Market Cap as at 25 October 2024. FCG = Fonterra Co-operative Group Limited and FSF = Fonterra Shareholders Fund.

2. Fonterra announced on 16 May 2024 that it is exploring full or partial divestment options for some or all of its global Consumer business, as well as its integrated businesses Fonterra Oceania and Fonterra Sri Lanka.

3. Fonterra exports for 2023 calendar year; major commodities (WMP, SMP, butter, AMF, cheese)

4. Milk season 2023/2024

5. Based on GDP and export goods data for the year to June 2024 from Stats NZ

Key drivers of credit rating strength

S&P Global Ratings¹ A- / A-2, Stable

- “Market leadership in the global trade of dairy products”
- “Competitive cost position”
- “Accounts for about 20% of the world’s dairy exports and is New Zealand’s largest company”
- “Effective subordination”
- “Significant flexibility in setting and revising price forecasts for milk sourced in New Zealand”
- “Supportive financial policy with balance sheet capacity and buffer in credit metrics”

- Full Annual Analysis Report issued 14 November 2023 confirming ‘A-’ rating with stable outlook

Fitch Ratings² A / F1, Stable

- “The world leader in dairy exports”
- “Defensive traits support profitability”
- “New Zealand’s largest dairy producer”
- “Effective subordination”
- “Can pass on global dairy-price and foreign exchange movements in its global ingredient business to farmers”
- “Among most competitive”

- Full Annual Analysis Report issued 6 December 2023 confirming ‘A’ rating with stable outlook

1. November 2023 update - only certain statements supporting the credit rating have been extracted and this does not represent all statements contained in the relevant rating report including risks that may result in downward rating pressure

2. December 2023 update - only certain statements supporting the credit rating have been extracted and this does not represent all statements contained in the relevant rating report including risks that may result in downward rating pressure

Fonterra – key investment attributes

Strong industry fundamentals

Co-operative with secure access to quality milk

Scale and world-class ingredients business

Focussed high-value foodservice business

Financial strength and discipline

A commitment to ESG

Unique Co-operative structure supports strong credit profile, including effective subordination

Highly experienced board and management team

III. Unique Features of the Co-operative



Transparent New Zealand Milk Price

Key Factors

GDT auctions

- Transparent bi-monthly pricing

Off-GDT pricing

Governance model

- Commerce Commission review
- External auditor

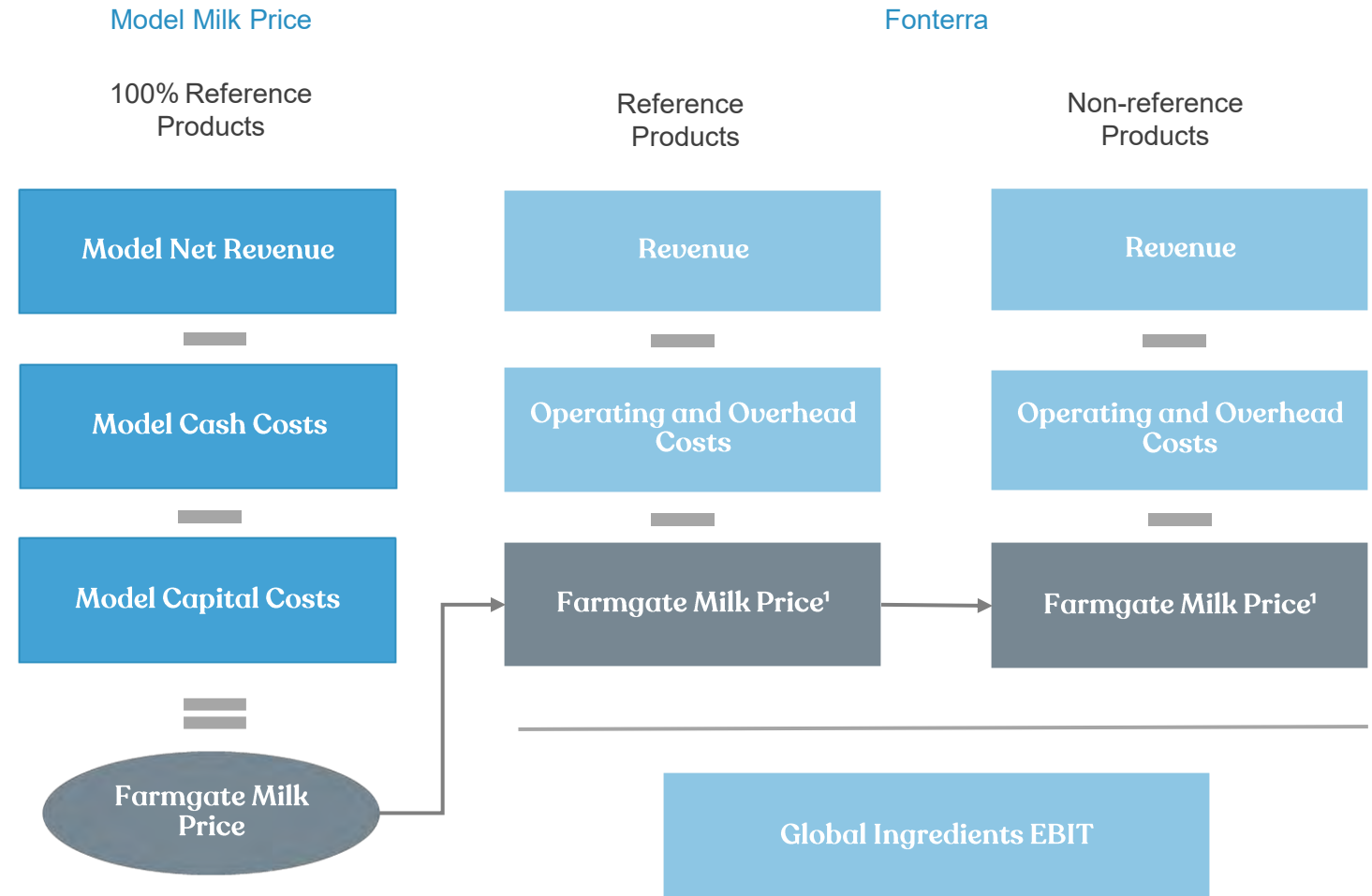
Farmgate Milk Price Manual

Efficient marginal competitor

- Basis for cost assumptions

WACC return on assets

- Allowed return in model



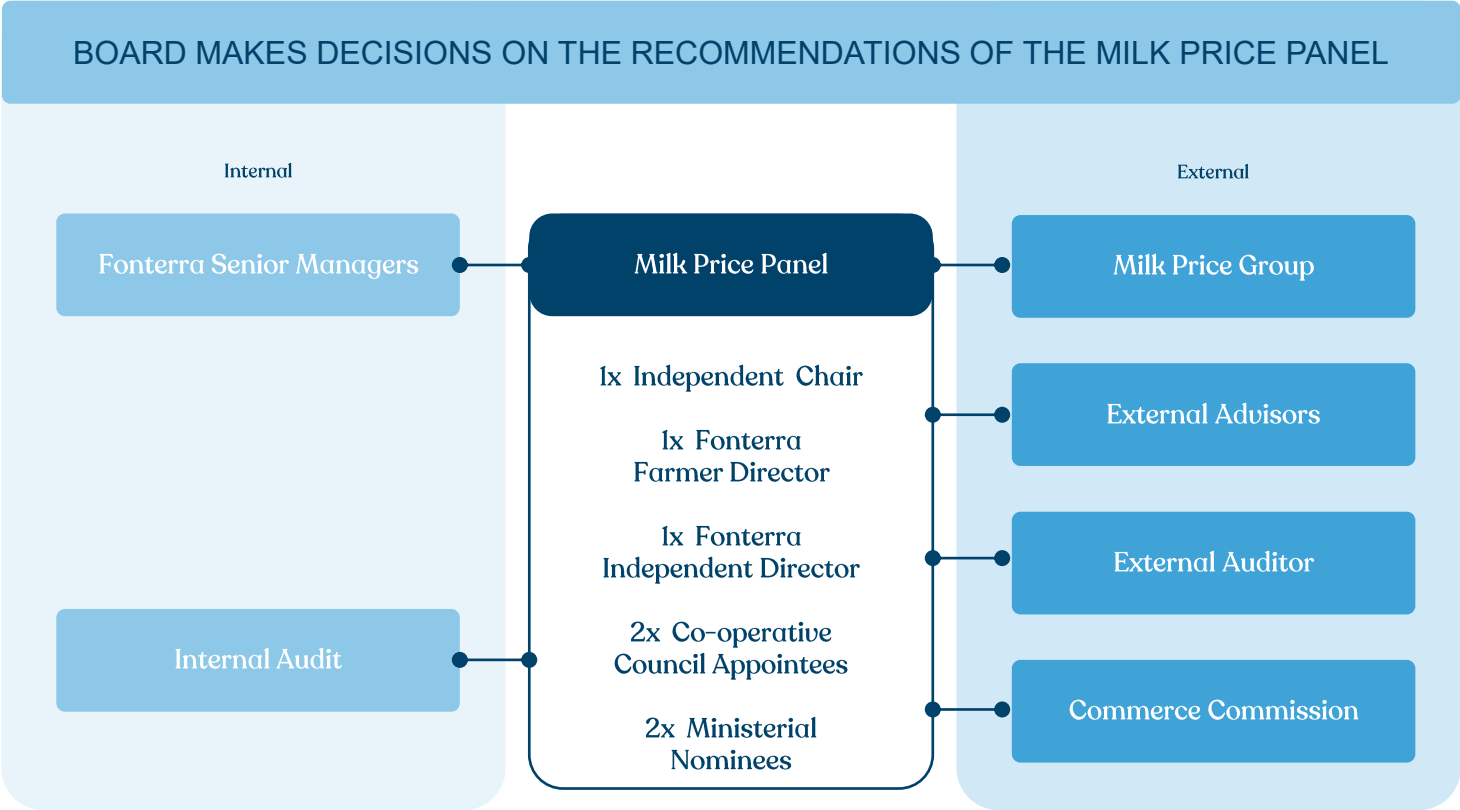
1. This also includes “approved adjustments” in respect of, for example, a portion of winter milk premiums paid

2. WMP: Whole Milk Powder, SMP: Skim Milk Powder, AMF: Anhydrous Milk Fat, BMP: Butter Milk Powder

Reference Products: Basket of commodities used in model – WMP/SMP/AMF/BMP/Butter²

Non-Reference Products: Other products produced by Fonterra e.g. proteins/higher-spec products/cheese

Farmgate Milk Price Overview

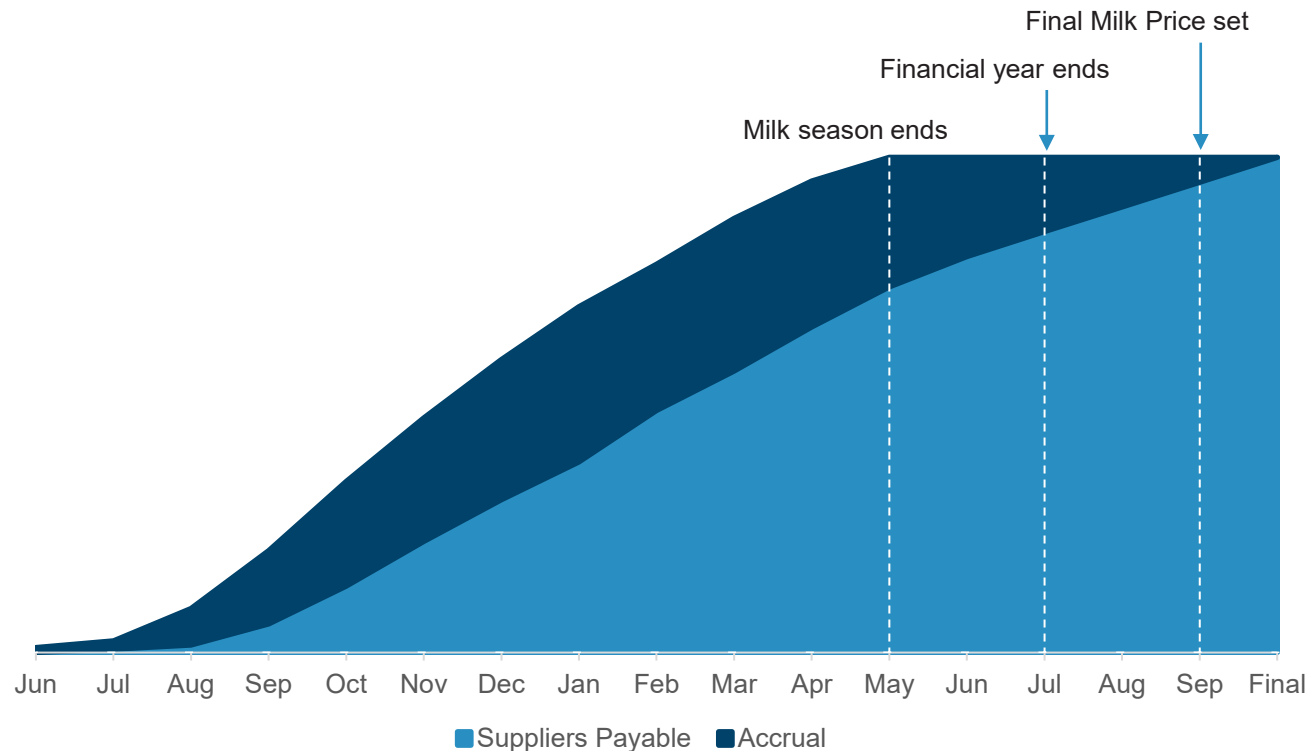


- The Farmgate Milk Price that Fonterra pays its suppliers is set by the Fonterra Board based on the recommendation of the Milk Price Panel.
- The Milk Price Panel oversees the calculation of the Farmgate Milk Price in accordance with the Milk Price Manual (a publicly available document).
- A detailed Milk Price Statement aims to help interested parties understand the Farmgate Milk Price.
- This statement is published annually and released with Fonterra's Annual Report.

Financial flexibility from effective subordination of New Zealand milk supply payments

Final Milk Price not determined until after the end of the milk season

Illustrative only

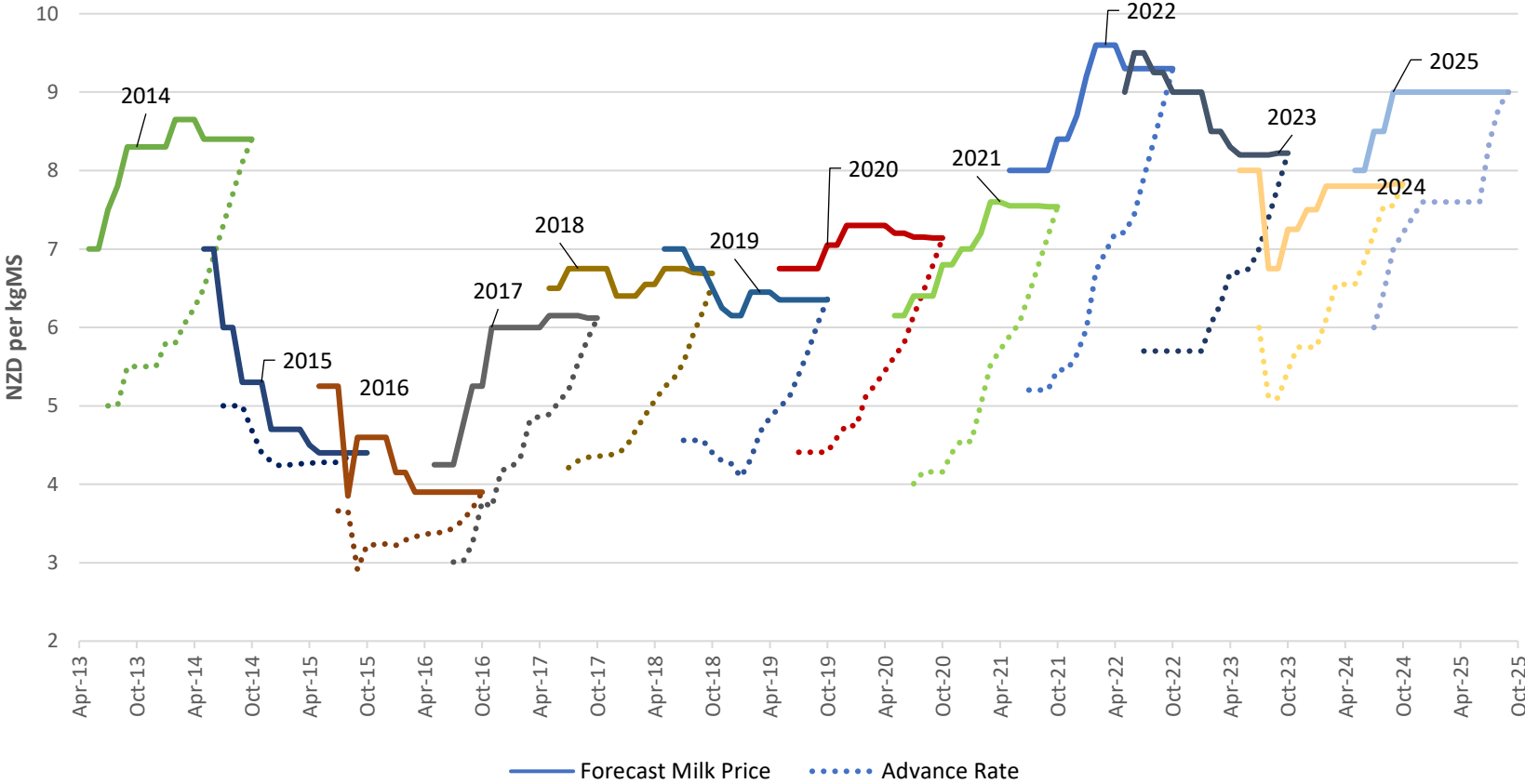


As at 31 July	2022	2023	2024
Milk Price	\$9.30	\$8.22	\$7.83
Total advance payments made during the year	\$7.90	\$7.00	\$6.81
Paid by July ¹	85%	85%	87%
Owing to suppliers	\$2.1bn	\$2.0bn	\$1.6bn

1. Amount advanced during the year as a percentage of the milk price for the season ended 31 May

Track record of using financial flexibility

Flexibility in amount and timing of payments to farmer suppliers in New Zealand



Track record of frequent and sizable changes in both Forecast Milk Price and Advance Rate

Demonstrated track record, willingness and ability to change milk payments under the Constitution to stabilise earning and cashflows:

- Season 2014: In order to protect the Co-operative, the Farmgate Milk Price was lowered by 53 cents per kgMS compared to the calculation under the Farmgate Milk Price Manual
- Season 2018: The Farmgate Milk Price was reduced by 5 cents per kgMS compared to the calculation under the Farmgate Milk Price Manual, in the best long-term interests of its farmer shareholders and unit holders

2025 includes forecast months based on the current announced mid-point Farmgate Milk Price and advance payment rates published on <https://nzfarmsource.co.nz/content/dam/farmsource/docs/pdf/advancerates/advance-rates.pdf>

IV. FY24 Financial Update and FY25 Outlook



Results at a glance

Continuing operations'
operating profit (EBIT)

\$1,560_m

↓ from 1,755m

Net earnings
(Profit after tax)

\$1,128_m

↓ from 1,577m

Gearing ratio

24.0%

↓ from 28.8%

Continuing operations'
earnings per share

70_{cents}

↓ from 75c

Earnings per share

67_{cents}

↓ from 95c

Farmgate Milk Price

\$7.83

↓ from \$8.22

Dividend

55_{cents}

↑ from 50c

Return on capital

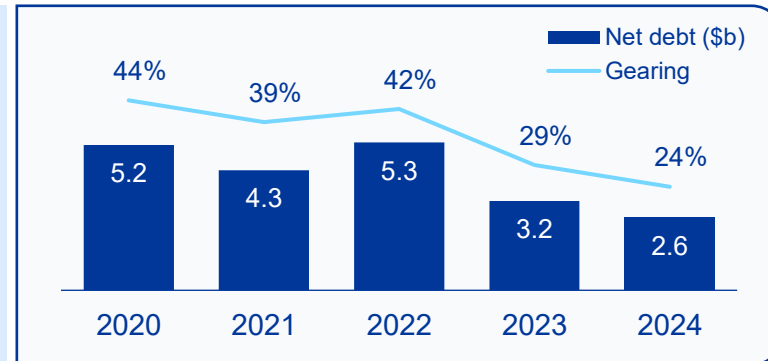
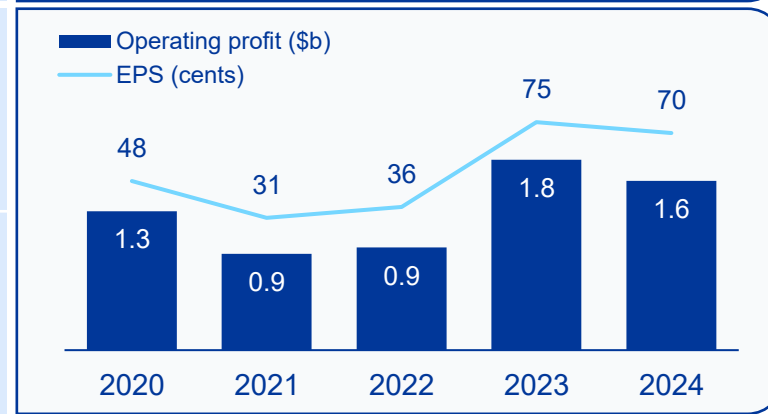
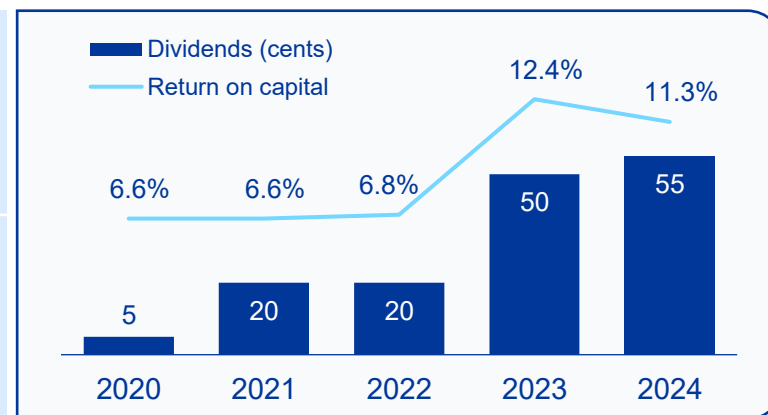
11.3%

↓ from 12.4%



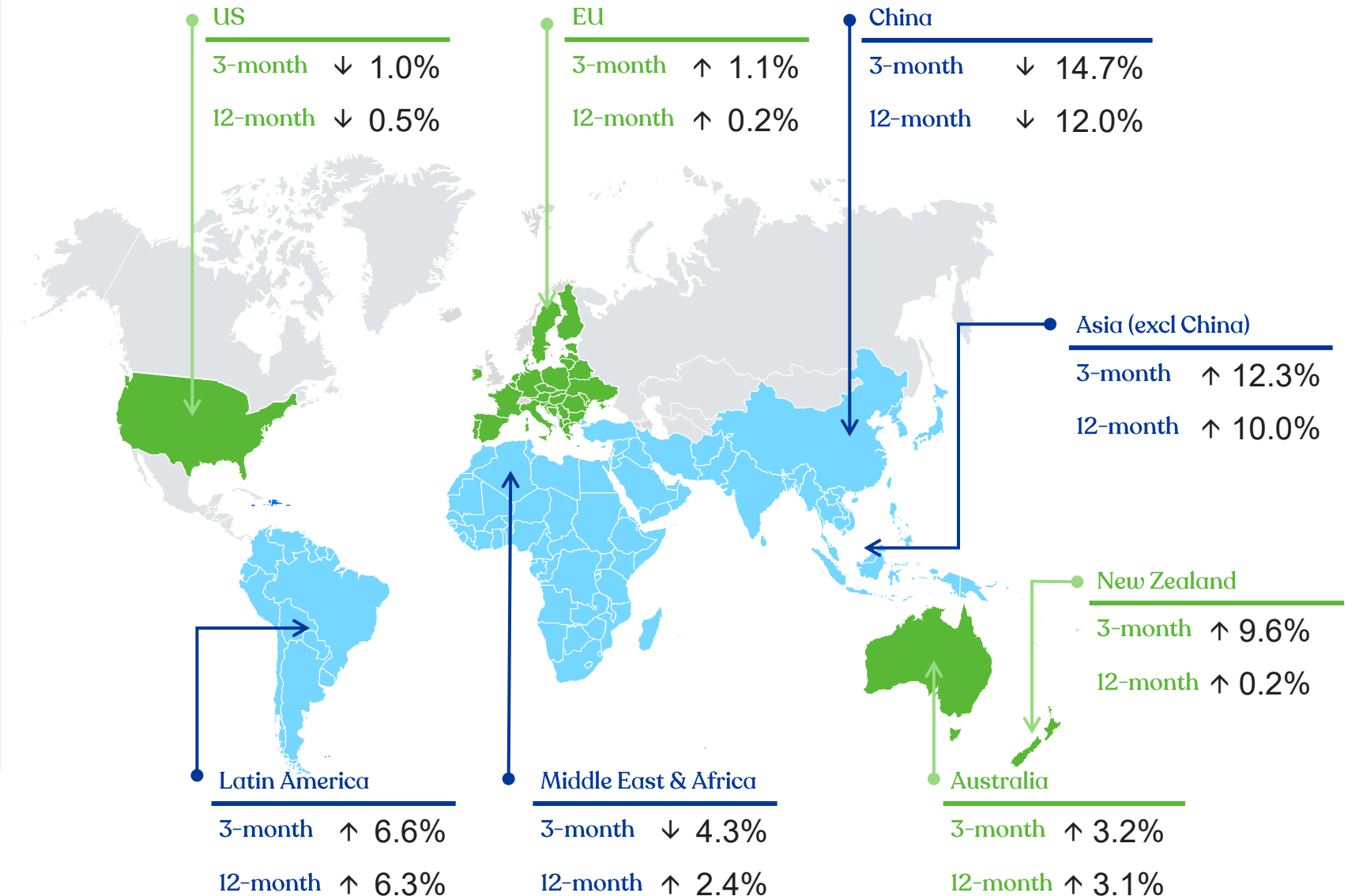
Step change in performance over the last two years

<p>Return on capital</p>	<ul style="list-style-type: none"> • 11.3% return on capital <ul style="list-style-type: none"> – Significantly above 5-year average and above FY24 target range
<p>Dividends</p>	<ul style="list-style-type: none"> • 55 cents per share <ul style="list-style-type: none"> – Full year dividend of 40c made up of 15c interim dividend and 25c final dividend – Special dividend of 15c reflecting capital management efficiency and robust balance sheet
<p>Operating profit</p>	<ul style="list-style-type: none"> • \$1.6b operating profit (EBIT) from continuing operations <ul style="list-style-type: none"> – Ingredients EBIT of \$898m, down \$657m; price relativities easing from prior year record high – Foodservice EBIT of \$463m, up \$138m; improved margins and higher allocation of milk solids – Consumer EBIT of \$199m, up \$324m; improved margins and lower operating expenses
<p>Profit after tax</p>	<ul style="list-style-type: none"> • 70c earnings per share from continuing operations <ul style="list-style-type: none"> – Equivalent to profit after tax of \$1.17b • (3) cents per share from discontinued operations
<p>Resilient Co-op</p>	<ul style="list-style-type: none"> • Resilience provides optionality and flexibility for future investments and mitigates volatility • Balance sheet strength <ul style="list-style-type: none"> – \$2.6b net debt, \$0.6b lower due to strong underlying operating performance and lower working capital. Year-end inventory was down 25k MT (4%), equivalent to \$0.2b – Gearing ratio of 24.0% reflecting lower net debt and higher equity due to strong earnings • Continued investment in essential and sustainability capital projects and strategic opex, including enterprise systems, energy and wastewater projects



Variable milk supply and strong demand from key importing regions

- Outlook for dairy trade is seen as positive
 - Continued strong demand from key import regions, particularly Southeast Asia, and Middle East and Africa
 - China import demand impacted by prioritisation of domestic milk supply
 - EU production recovered due to stable milk price and lower on-farm costs
 - US production impacted by lower herd sizes due to favourable beef prices
 - Australia production increased due to better weather conditions, high milk prices and lower on-farm costs
 - New Zealand current season production has started strong due to favourable weather conditions and early calving
- Lower production by litres in US offset by improved milk solids yield per cow
- Slower domestic demand growth and lower milk price in China impacting its local milk supply growth

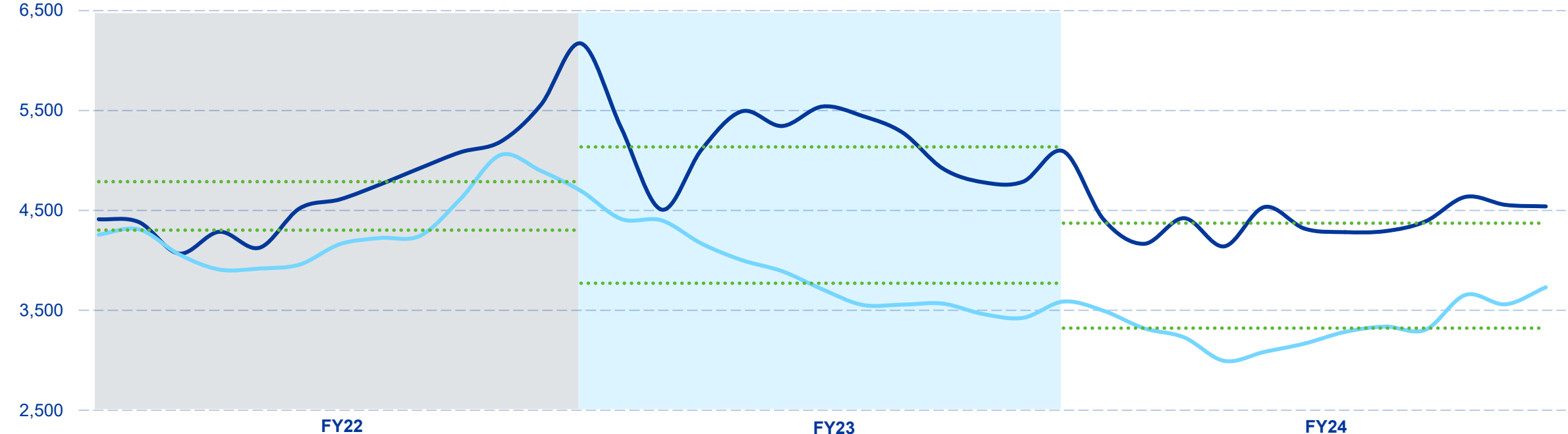


Production

Imports

Revenue price relativities unfavourable compared to prior year

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

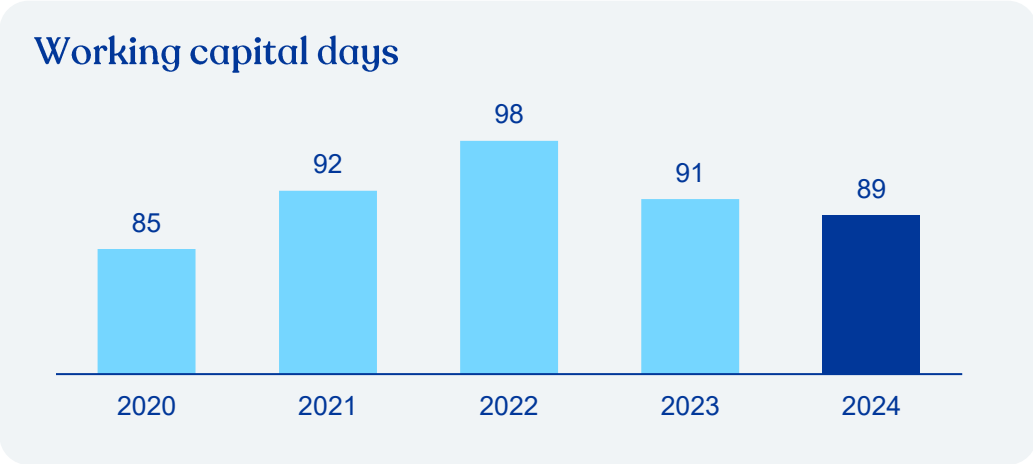
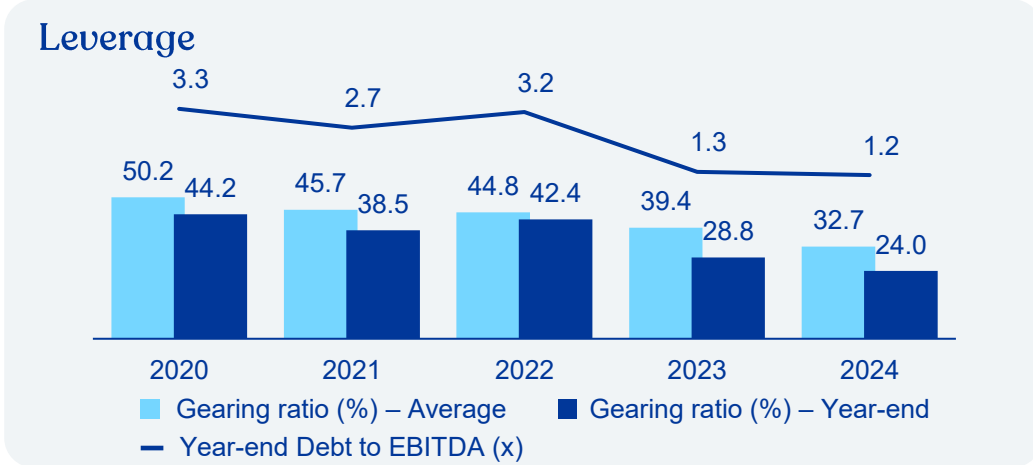
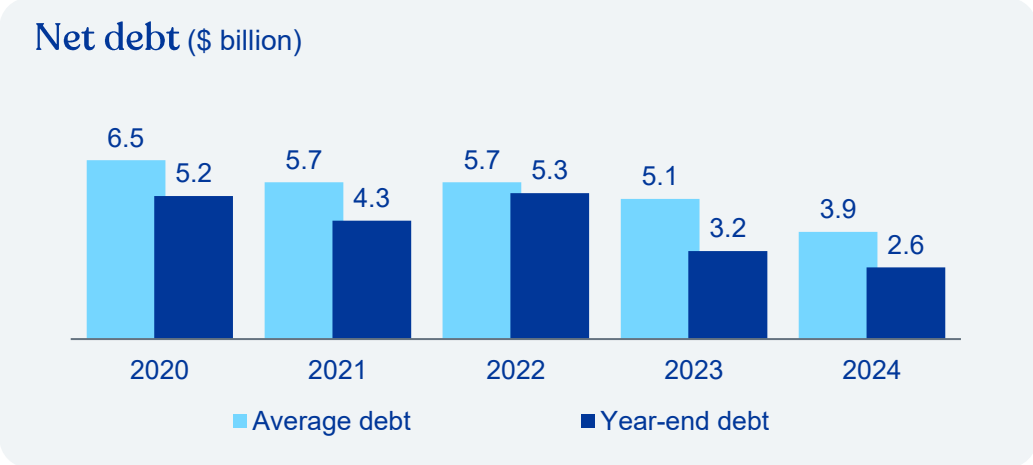


— Non-Reference Product shipment price
— Reference Product shipment price
⋯ Annual average Non-Reference and Reference price

- The average price for the Reference portfolio declined USD 450 per MT or 12%, compared with the Non-Reference portfolio which declined by USD 764 per MT or 15% year-on-year, narrowing the spread between the two
- Stronger demand in the Reference portfolio in the second half. Greater demand for butter and AMF due to the market stabilising post-covid with growth in the bakery channel across all markets and continued strong demand for powders from Southeast Asia and Middle East markets
- Non-Reference pricing has remained relatively stable through FY24 after a significant decline in Q1

Note: Refer to additional information for source data and date ranges

Strong balance sheet provides resilience and flexibility



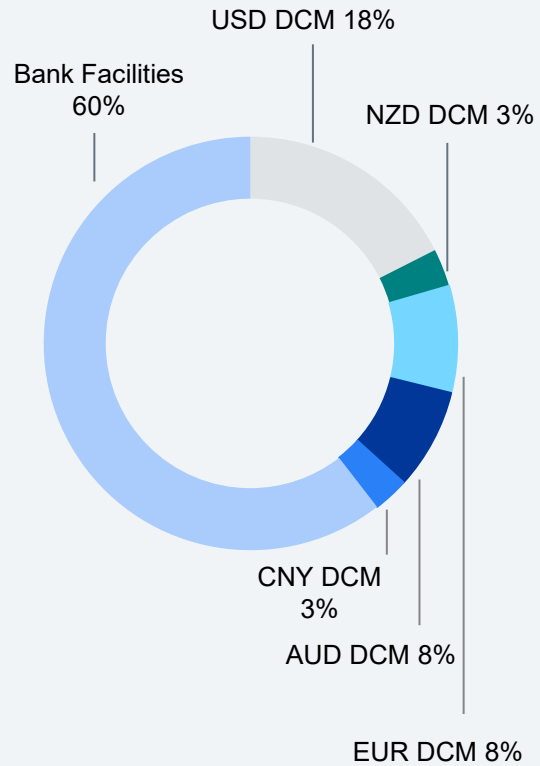
Credit rating

S&P Global Ratings	A-	Stable outlook
Fitch Ratings	A	Stable outlook

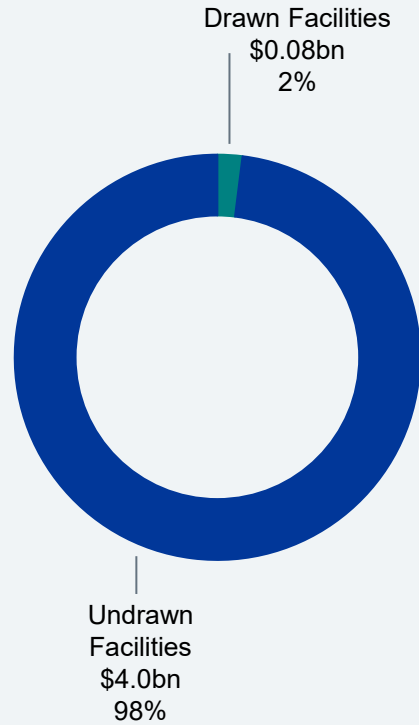
Figures presented for the Total Group

Diversified and prudent funding position

Diversified Profile¹

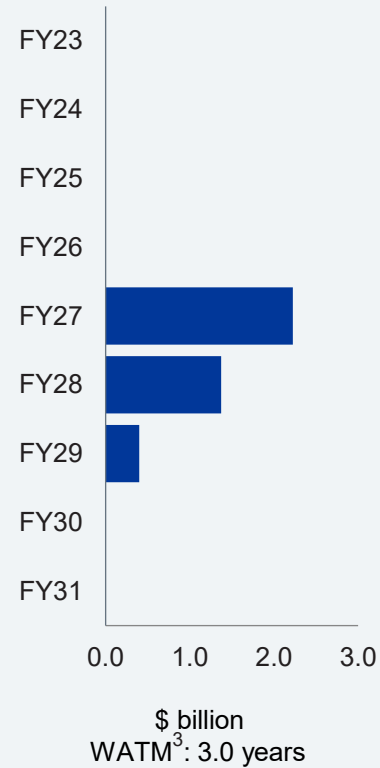


Prudent Liquidity



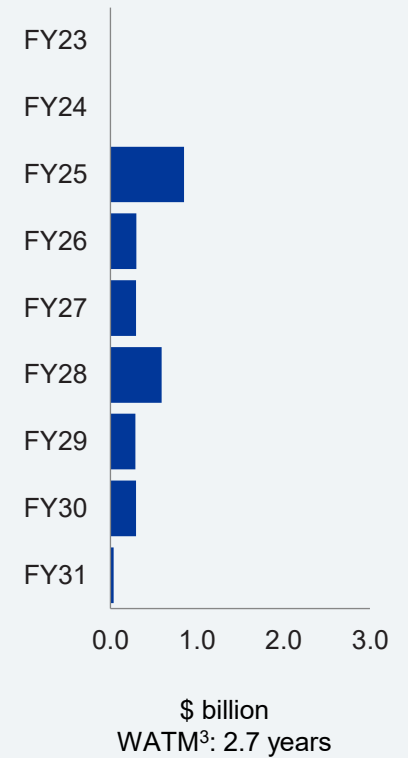
Bank Facilities

Maturity Profile



Debt Capital Markets²

Maturity Profile



Note: Figures are for as at 31 July 2024

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

2. Excludes commercial paper

3. Weighted average term to maturity (WATM)

Forecast 2024/25 season Farmgate Milk Price

Reference Product Prices



Forecast Farmgate Milk Price

\$8.25 – \$9.75

per kgMS

The range reflects:

- recent strengthening in GDT prices and constrained milk supply in key producing regions
- maintaining wide range given early stage of the season

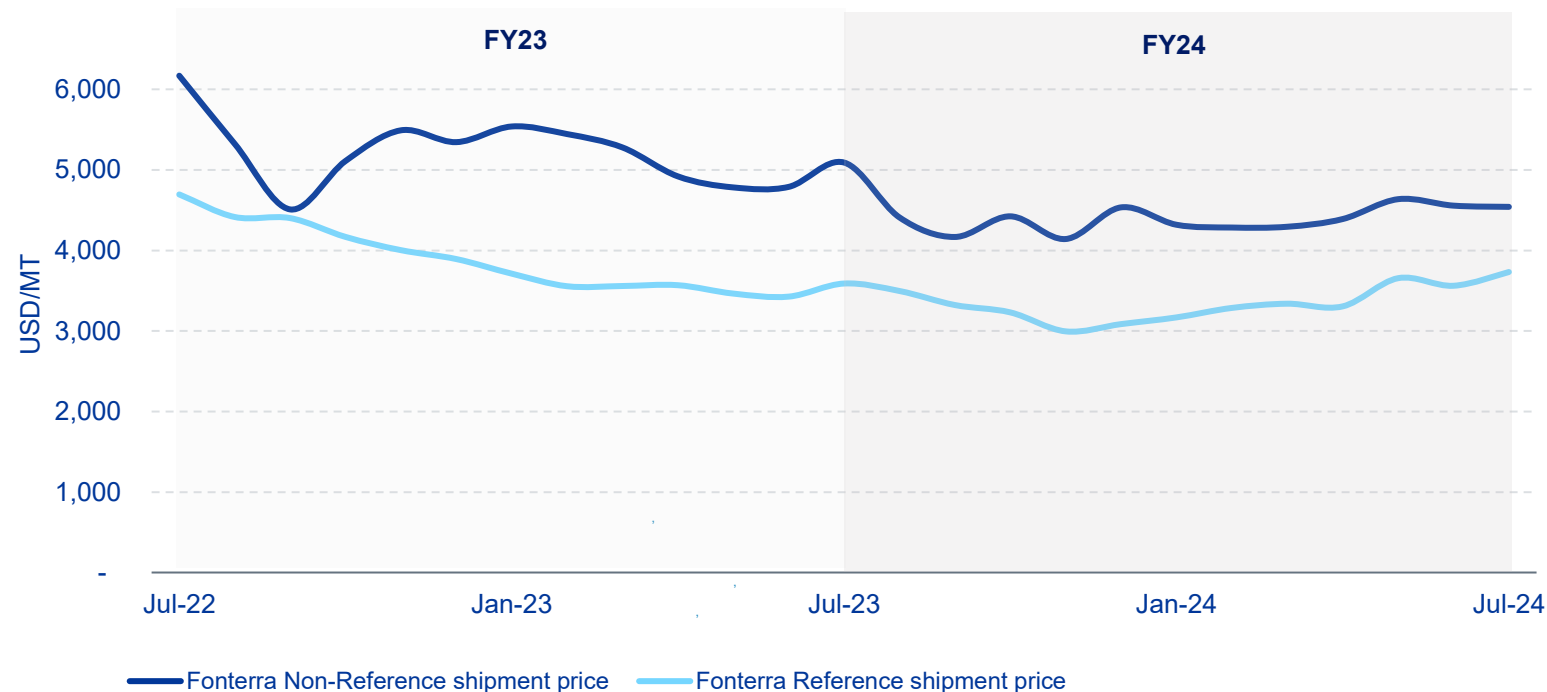
FY25 earnings outlook

FY25 forecast earnings

40 – 60_c

per share

Reference and Non-Reference Product Prices



The range reflects:

- an expectation that underlying performance will be similar to last year. Consumer operating profit forecast to increase through improved margins; Ingredients and Foodservice performance expected to be stable
- higher investment in IT & digital transformation and a higher tax expense, which will generate imputation credits

V. Strategy



The foundations of our strategy remain unchanged

We are clear on who we are and confident in our strengths

Focus on
New Zealand Milk



Be a leader in
sustainability



Be a leader in dairy
innovation and science



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

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%

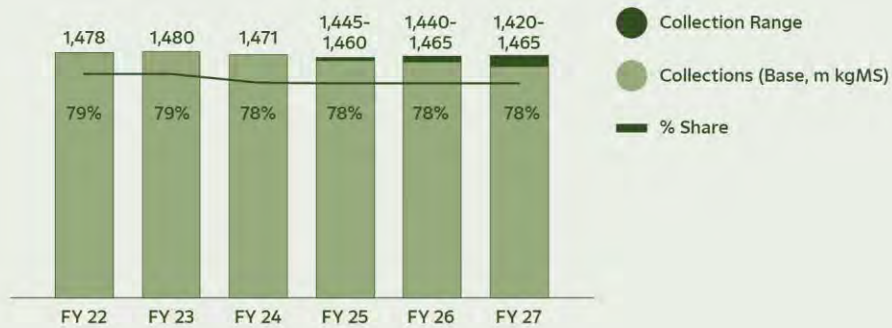
¹ Average Return on Capital FY24-30

² From an FY18 base year

Key financial drivers to FY27

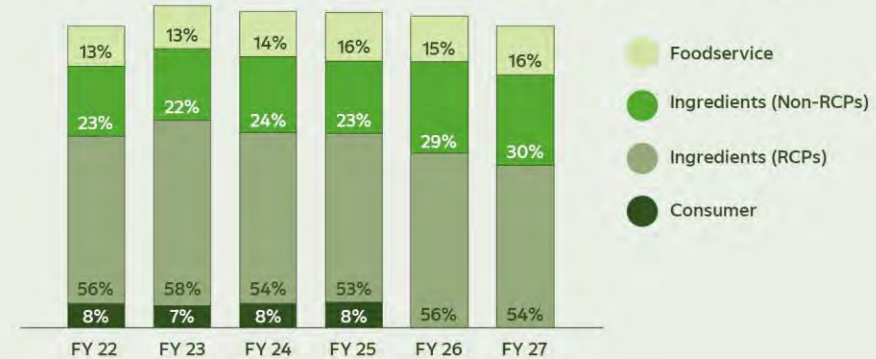
A stable milk supply¹

Strong farmer offering stabilises milk supply



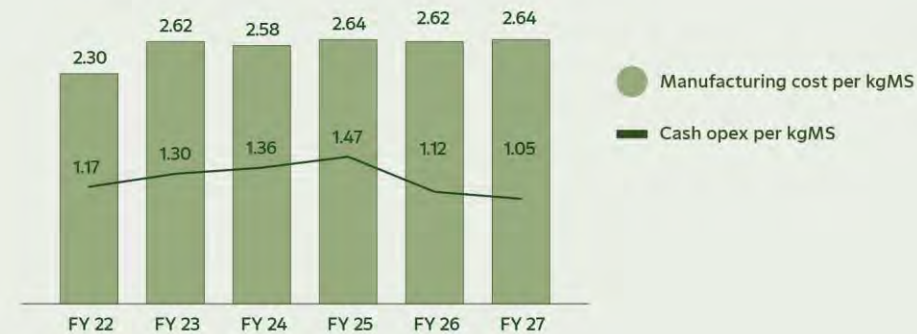
Improved product mix²

Underlying growth in Foodservice of ~5% per year



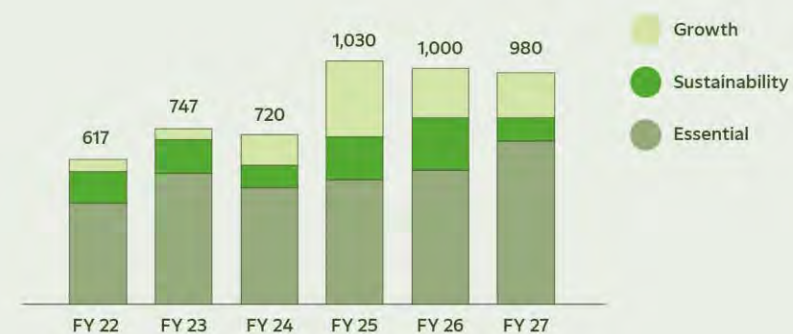
Efficient operations²

Efficiency improvements in NZ manufacturing offset cost inflation



A clear capital plan

Increase in spend to support resilience and growth



¹ New Zealand milk solids ² Indicative of post-divestment levels

Targeting a significant capital return if Consumer businesses divested

Currently exploring options for full or partial divestment of some or all of our global Consumer business, including Fonterra Oceania and Fonterra Sri Lanka.

Targeting a significant capital return, guided by Resource Allocation Framework.

If we proceed with a divestment of this size, we will seek shareholder support.

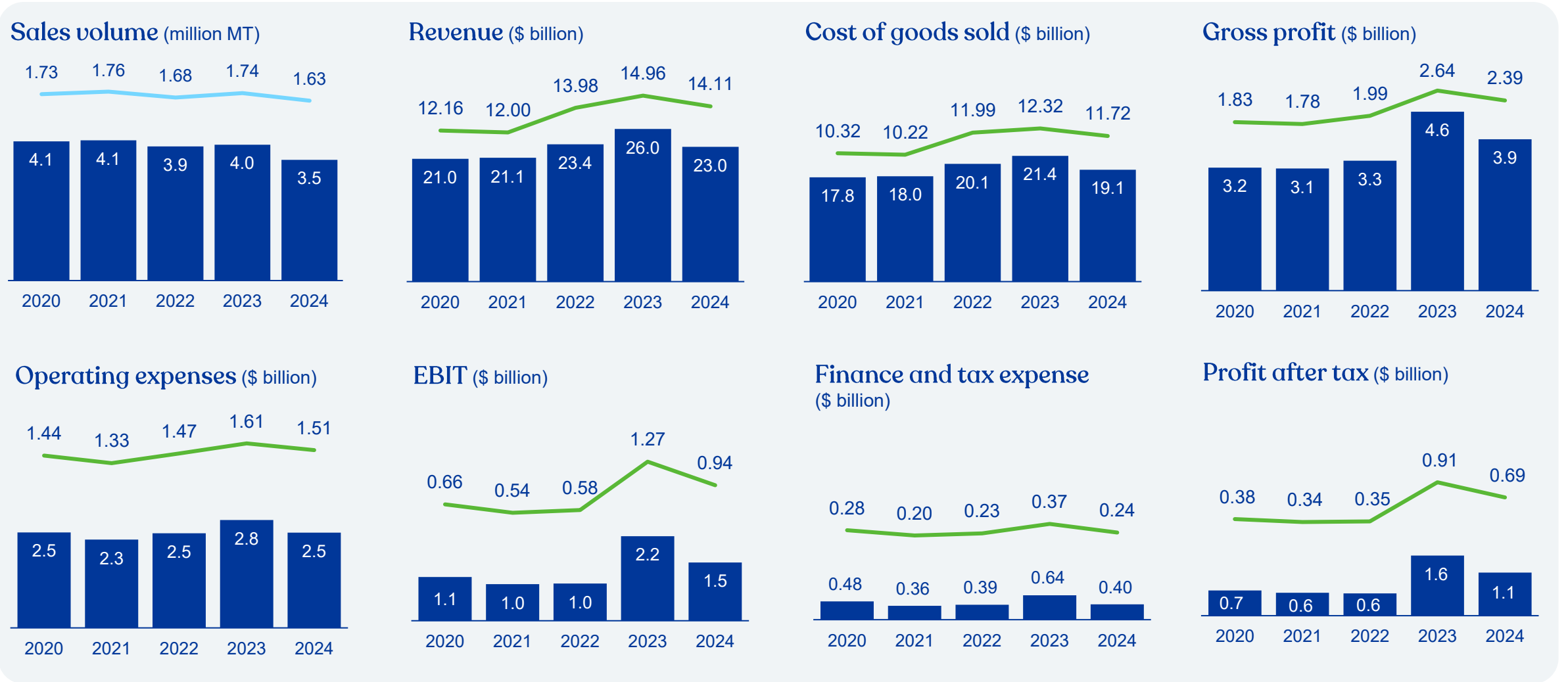


*Illustrative subset of our Consumer brands

Appendix 1 – Financial Outcomes



Step change in Group performance over the last two years

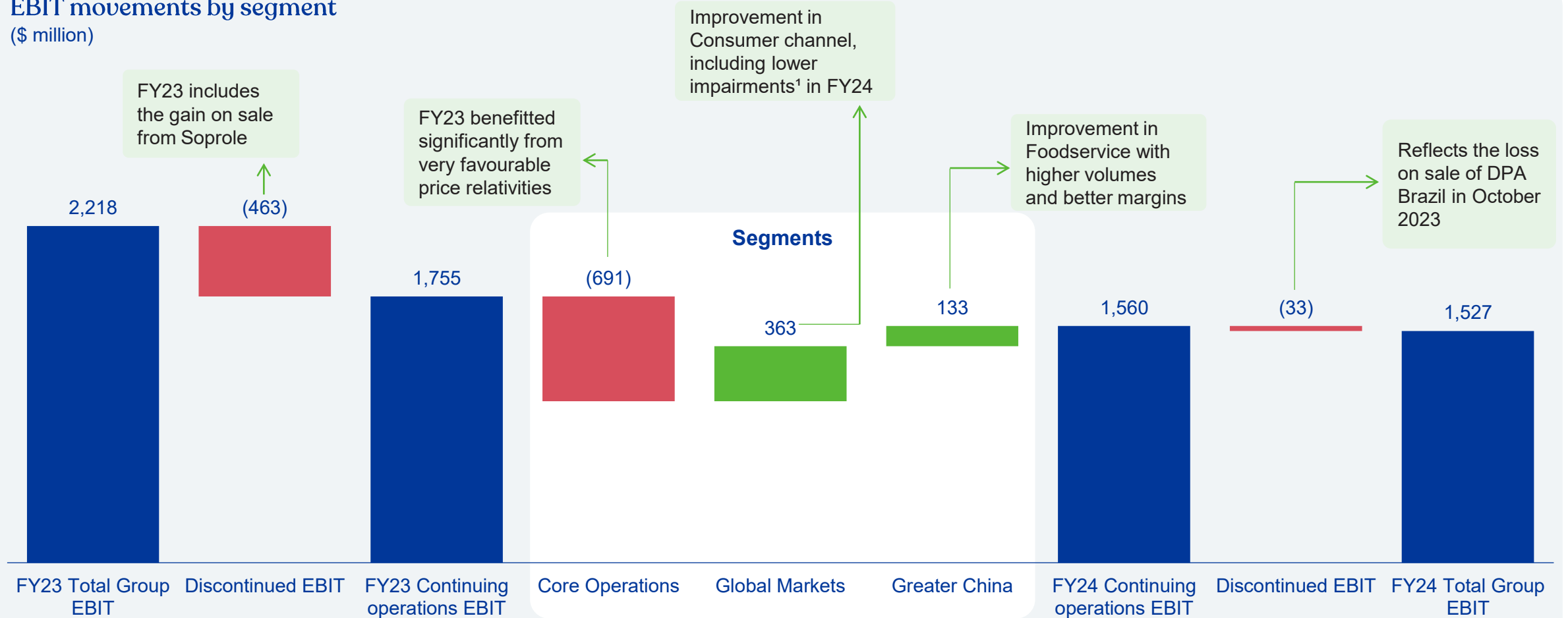


— Total Group \$/kgMS — billion kgMS

1. Note: All figures are for the year ended 31 July. 'Other' not included in the charts and is the reconciliation difference in calculating EBIT from gross profit

Improved operating earnings within markets offset by lower price relativities

EBIT movements by segment
(\$ million)

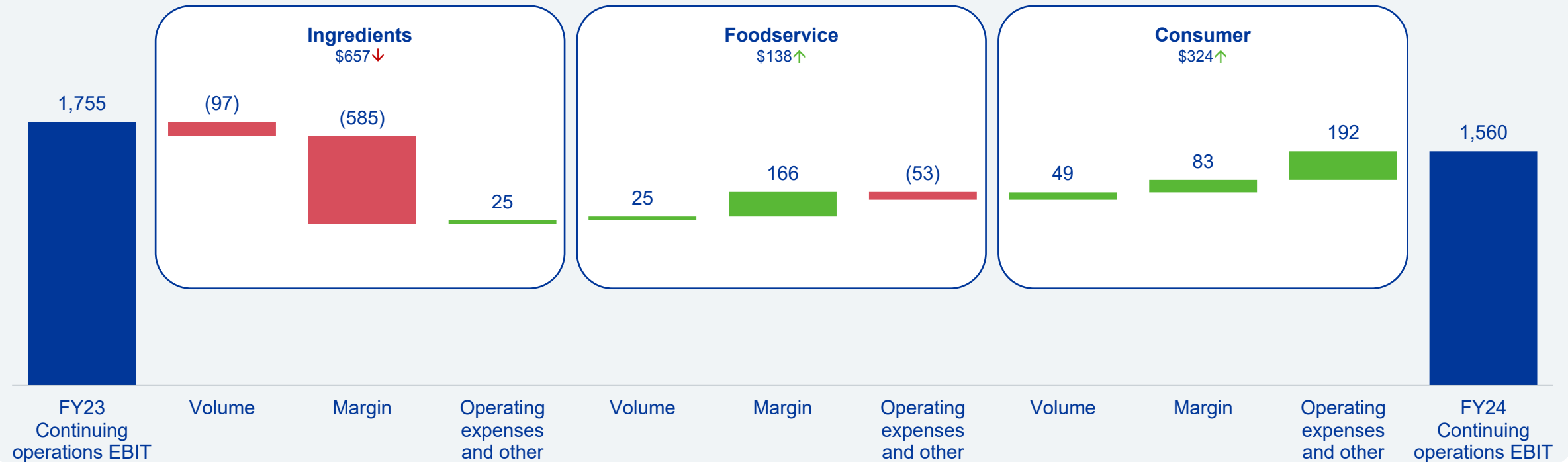


Note: For the year ended 31 July

1. Net impact of impairments in Global Markets is \$193m, with impairments of \$5m in FY24 and \$198m in FY23

Improvement in Foodservice and Consumer offset by lower Ingredients earnings

EBIT channel driver movements between FY23 and FY24 (\$ million)

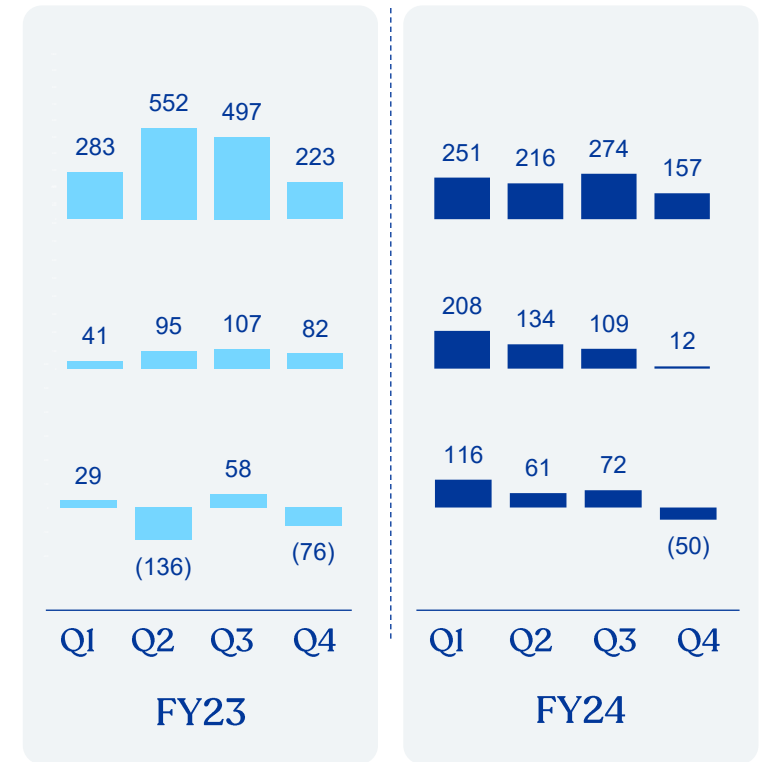


- Significant shift in composition of operating earnings between channels compared to prior year:
 - Ingredients earnings \$657m lower, due to narrower price relativities impacting margins and allocation of milk to higher value channels
 - Foodservice earnings up \$138m, due to increased sales volumes and higher margins as product prices maintained while input costs were lower
 - Consumer earnings up \$324m, due to higher sales volumes and increased margins. Adjusting for net impairments of \$213m (FY23, \$244m and FY24, 31m), underlying operating earnings improved \$111m in FY24

Diversified across markets and products

	Core Operations	Global Markets	Greater China	Total
External sales volume (million kgMS)		1,164 - %	449 4% ↓	1,613 1% ↓
EBIT contribution from continuing operations				
Ingredients	\$165m \$658m ↓	\$573m \$13m ↑	\$160m \$12m ↓	\$898m \$657m ↓
Foodservice	\$(22)m \$19m ↓	\$122m \$57m ↑	\$363m \$100m ↑	\$463m \$138m ↑
Consumer	\$(28)m \$14m ↓	\$247m \$293m ↑	\$(20)m \$45m ↑	\$199m \$324m ↑
Total	\$115m \$691m ↓	\$942m \$363m ↑	\$503m \$133m ↑	\$1,560m \$195m ↓

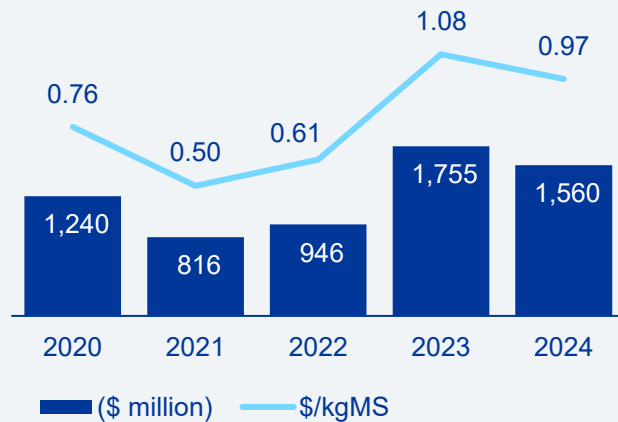
EBIT by quarter



Note: For the year ended 31 July. Prepared on a continuing operations basis. Comparative information has been re-presented for consistency with the current period

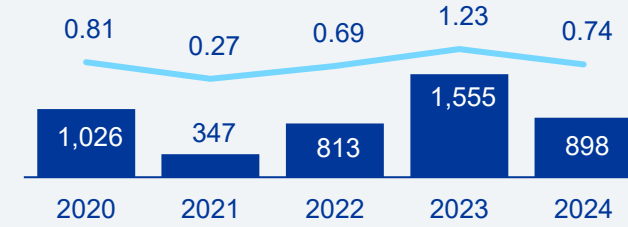
Earnings per kgMS reflect the step change in operating earnings

EBIT from continuing operations¹

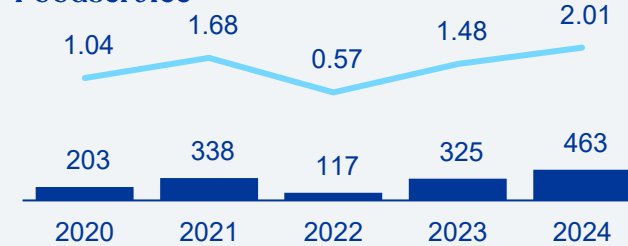


- EBIT per kgMS over the last 5 years reflects the overall lift in earnings on lower total kgMS
- In FY24 the change in EBIT per kgMS reflects the lower volumes and price relativities in Ingredients, partially offset by improved margins and volumes in Foodservice and Consumer
- The higher Consumer opex per kgMS in FY23 reflects the impairments

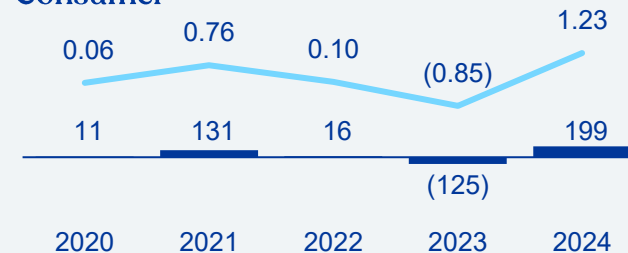
Ingredients²



Foodservice²



Consumer²



\$ per kgMS sold	FY20	FY21	FY22	FY23	FY24
Revenue	10.82	10.72	13.11	13.77	12.36
Gross profit	1.18	0.90	1.42	2.10	1.61
Opex	0.74	0.70	0.85	0.90	0.93
EBIT ⁴	0.81	0.27	0.69	1.23	0.74
kgMS sold	1,265	1,267	1,185	1,265	1,221

Revenue	13.73	14.48	16.21	17.66	17.60
Gross profit	2.77	3.34	2.43	3.42	4.08
Opex	1.77	1.72	1.93	1.95	2.14
EBIT ⁴	1.04	1.68	0.57	1.48	2.01
kgMS sold	195	201	204	219	230

Revenue	16.65	18.27	19.66	22.36	22.80
Gross profit	4.40	5.15	4.70	5.29	5.66
Opex ³	4.27	4.42	4.30	6.28	4.55
EBIT ⁴	0.06	0.76	0.10	(0.85)	1.23
kgMS sold	180	172	156	148	161

Note: Figures are for the year ended 31 July and do not include normalisations. All tables exclude other operating income, net foreign exchange gains/(losses) and share of profit/loss on equity accounted investees

1. Soprole was classed as a discontinued operation in 2023. Consequently, 2020, 2021 and 2022 was re-presented

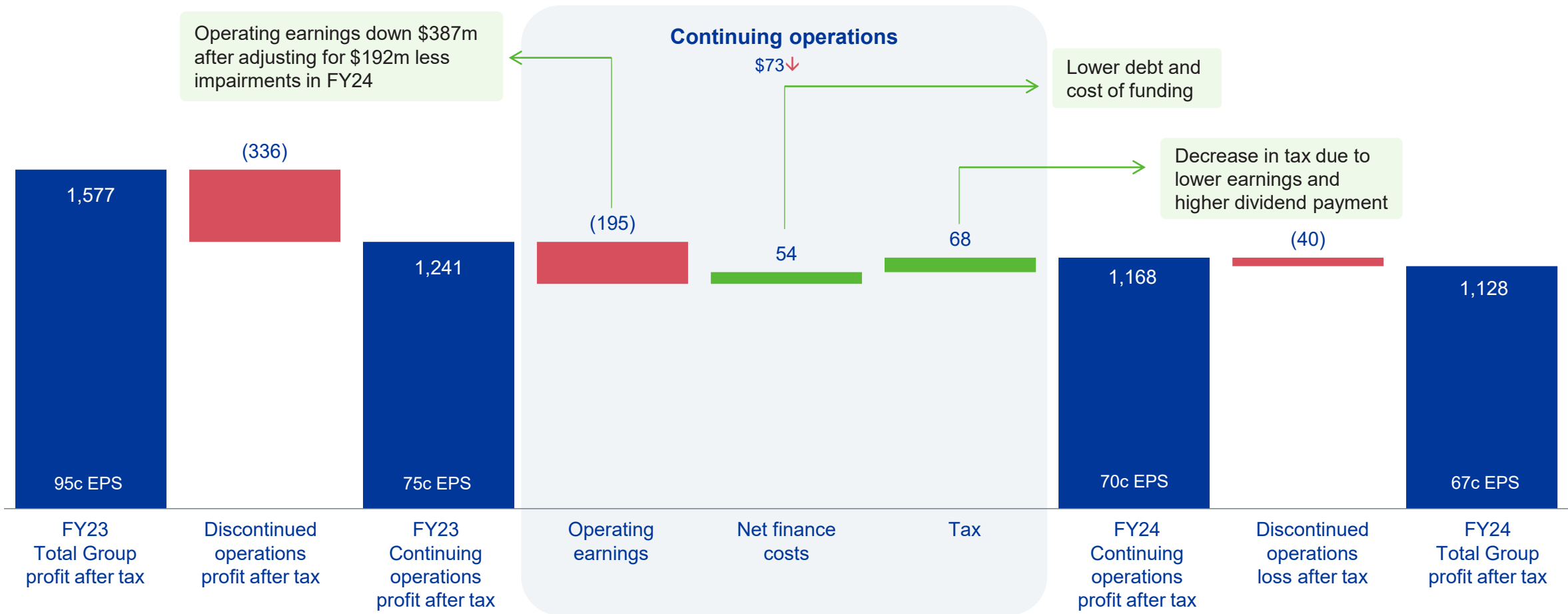
2. 2023 channel view has been re-presented for consistency with the current period

3. Impairment of \$1.65 per kgMS and \$0.19 per kgMS in FY23 and FY24, respectively

4. Other not included in the tables and is the reconciliation difference in calculating EBIT from Gross Profit

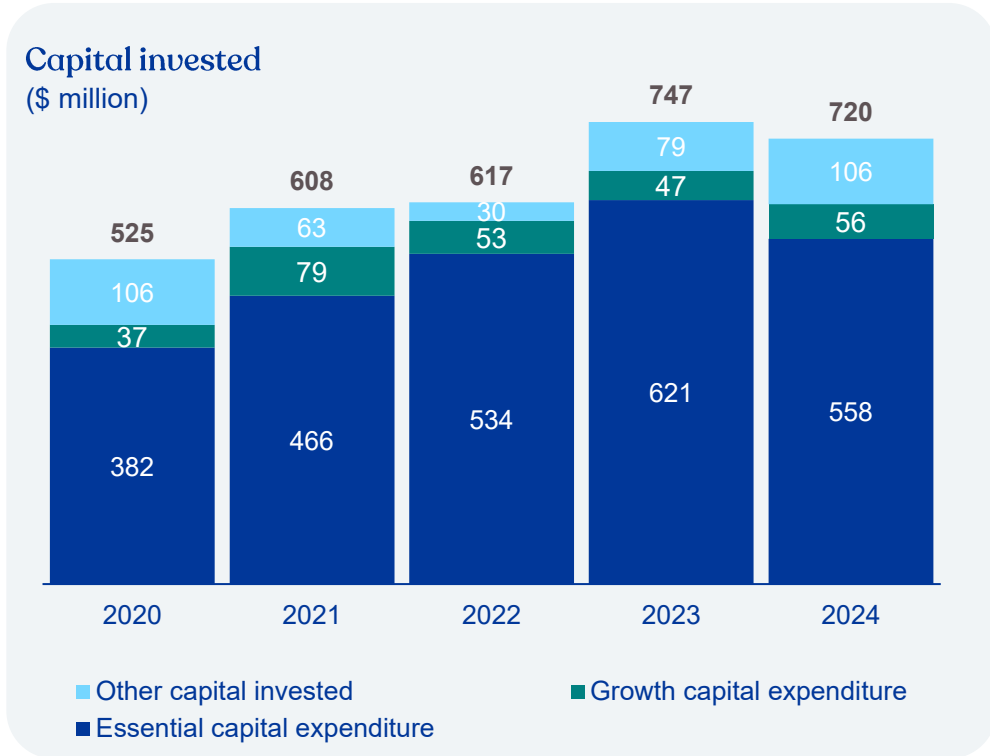
Lower operating earnings partially offset by lower finance costs and tax

FY23 to FY24 Profit after tax
(\$ million)



Note: For the year ended 31 July. 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

Capital invested



- Total Capital Invested was \$720 million for the 2024 financial year, made up of capital expenditure of \$614 million and other capital invested of \$106 million
- Capital expenditure comprised \$558 million of essential capital expenditure. This includes \$40 million on decarbonisation projects to meet commitments to sustainability, \$54 million on wastewater assets to improve environmental footprint and \$464 million on maintaining and improving our asset network in New Zealand and globally
- \$56 million was invested to support business growth for the Foodservice & Ingredients businesses, including capacity expansion for high value products such as lactoferrin, probiotics and hydrolysates
- Our “Other capital invested” included our Ki Tua Equity Investment Fund, right-of-use assets and other equity investments

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

Key capital expenditure projects across New Zealand

National

- Milk tanker replacements annual program
- Farm vats replacements annual program
- National distribution centers equipment replacements annual program

Lower North Island

Whareroa

- Improved milk powder manufacturing and process to reduce losses and manage product quality risk

Central North Island

Waitoa

- Investment in biomass boiler to replace coal

Tirau

- Upgraded infrastructure to better manage wastewater

Te Rapa

- Milk powder product transfer improvements

South Island

Stirling

- Investment in biomass boiler to replace coal

Hautapu

- Upgraded infrastructure to better manage wastewater
- Change from R22 based refrigeration to a sustainable alternative

Lichfield

- Upgrade refrigeration plant to improve performance

Edendale

- Investment in electrode boiler to replace coal



Asset health¹

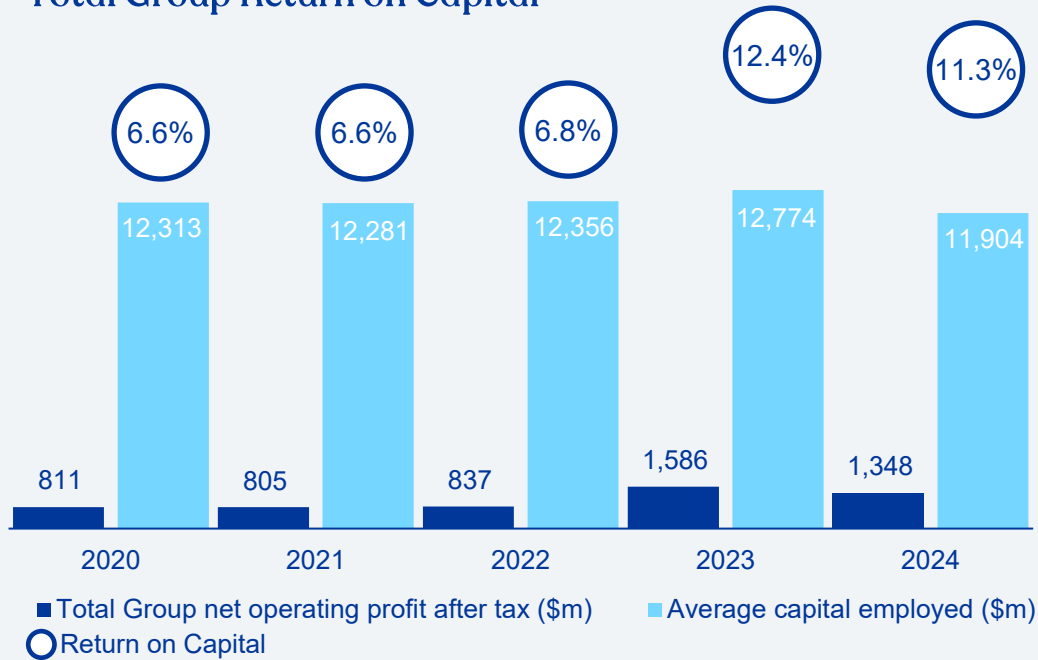


- Ongoing review and assessment of asset condition and risk profile, with targeted investment to improve condition and manage risk
- Implementing robust maintenance strategies with an emphasis on quality of execution to ensure regulatory compliance, and improve asset stability and performance

1. Asset health indicates the assessed condition of our manufacturing assets on a scale of 1 – 5, with 1 indicating the asset is in the best condition possible

Return on capital above FY24 target range

Total Group Return on Capital



- Return on capital of 11.3% significantly above the 5-year average and above the FY24 target range of 8-9%
- Average capital employed reduced due to lower working capital and divestments and associated capital return

Note: Figures presented for the Total Group

1. Comparative information has been re-presented for consistency with the current period
2. Ingredients and Consumer channels include impairments in FY22, FY23 and FY24

Return on Capital by channel¹

Ingredients²

10.2%

↓ from 16.3%

(\$ million)	2022	2023	2024
Average capital employed	7,527	7,990	7,480
Net operating profit after tax	676	1,302	765
Return on Capital (%)	9.0%	16.3%	10.2%

Foodservice

19.6%

↑ from 15.7%

Average capital employed	1,649	1,774	1,984
Net operating profit after tax	91	279	388
Return on Capital (%)	5.5%	15.7%	19.6%

Consumer²

6.8%

↑ from (3.9)%

Average capital employed	2,492	2,477	2,386
Net operating profit after tax	(10)	(96)	162
Return on Capital (%)	(0.4)%	(3.9)%	6.8%

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 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 (million kgMS)	231 6% ↑	1,382 2% ↓	1,613 1% ↓
EBIT contribution from continuing operations			
Ingredients	\$(33)m \$13m ↓	\$956m \$622m ↓	\$923m \$635m ↓
Foodservice	\$57m \$12m ↑	\$406m \$126m ↑	\$463m \$138m ↑
Consumer	\$258m \$126m ↑	\$(28)m \$14m ↓	\$230m \$112m ↑
Total	\$282m \$125m ↑	\$1,334m \$510m ↓	\$1,616m \$385m ↓

	In Scope		
	Consumer	Foodservice	Ingredients
Oceania	<ul style="list-style-type: none"> Fonterra Oceania 	<ul style="list-style-type: none"> FBNZ and Fonterra Australia Foodservice 	<ul style="list-style-type: none"> Fonterra Australia Ingredients
Sri Lanka		<ul style="list-style-type: none"> Sri Lanka 	
Southeast Asia	<ul style="list-style-type: none"> Indonesia Malaysia Philippines Singapore Thailand Vietnam 		
Greater China	<ul style="list-style-type: none"> China Taiwan Hong Kong 		
Rest of the World	<ul style="list-style-type: none"> Americas Middle East Africa 		

Note: For the year ended 31 July, comparative is FY23. Prepared on a continuing operations basis
Comparative changes are to FY23, and excludes impairments

Additional Information – Data sources

- **Dairy Production and Imports**

- 12-month production
 - NZ, US (Aug 2023 to Aug 2024) DCANZ, USDA
 - EU, Aus (Jun 2023 to Jun 2024) Eurostat, Dairy Australia
 - 3-month production
 - NZ, US (Jun 2023 – Aug 2023 to Jun 2024 – Aug 2024) DCANZ, USDA
 - EU, Aus (Apr 2023 – Jun 2023 to Apr 2024 – Jun 2024) Eurostat
 - 12-month imports
 - LATAM, Asia (excl. China), Middle East & Africa, China (Jul 2023 to Jul 2024) S&P Global
 - 3-month imports
 - LATAM, Asia (excl. China), Middle East & Africa, China (May 2023 – July 2023 to May 2024 – Jul 2024) 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

Appendix 2 – Our strategic choices



Deliver strongest farmer offering

Work alongside farmers to help drive on-farm productivity and profitability.



Stronger payout

Continuous improvement across the Co-op to support the highest sustainable Farmgate Milk Price.

Improve on-farm cashflow

Optimise the Advance Rate Schedule to get cash to farmers sooner.

Increase farmer support

Deliver greater value in the way we support farmers to achieve their on-farm productivity and sustainability goals.

Next generation of farmers

Increase support for young and early-career farmers, and better connect them with those at the end of the farming lifecycle, to help keep land in dairy.

Unleash our Ingredients engine

Deepen our position as a world-leading provider of sophisticated dairy ingredients, to grow both the Farmgate Milk Price and earnings.



Strategic customer relationships

Deeper partnerships with customers who value our unique offering.

Rewire processes

From manufacturing through to pricing and sales, optimising as one, to unlock value.

Build trading capability

Integrating physical and financial portfolios to unlock new sources of value.

Manufacturing capacity

Invest growth capital in new capacity to increase milk allocated to high-value ingredients.

Grow nutrition portfolio

Invest in innovation to develop advanced ingredient products and solutions.

Keep momentum in Foodservice

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



China growth

Maintain our leadership position in China and expand our footprint into new cities.

Rest of world growth

Selectively accelerate Foodservice growth in markets outside China, with a capital-light approach.

Customer partnership

Continue to invest in local application centres to tailor our products to customer needs.

Product innovation

Deliver new product innovations to maintain and grow market share.

Manufacturing capacity

Invest growth capital in new capacity to increase milk allocated to Foodservice.

Invest in operations for the future

An efficient manufacturing and supply chain network that allows us to flexibly allocate milk to the highest returning product and sales channel.



Efficiency gains

Optimise manufacturing costs through continued improvement in collection, processing and distribution.

Asset capacity shift

Towards higher value Foodservice and Ingredients products.

Technology enhancements

Increase uptake of robotics, automation, AI and other new technologies.

Asset flexibility


Enable flexible allocation of milk across product, channel and customer mix.

Enduring assets

Continued investment of capital in operating efficiencies, energy and wastewater.

Build on our sustainability position

Further improve the Co-op's sustainability credentials, as we work towards our ambition to be net zero by 2050.

An aerial photograph showing a river winding through a lush green forest. The river is dark and narrow, with sandy banks. The trees are dense and vibrant green, with some yellowing leaves visible. The overall scene is a natural, scenic landscape.

Sustainable value

Strengthen strategic partnerships with customers who value our sustainability position.

Climate targets

Support farmers to reduce on-farm emissions by deploying new tools, services and technologies. Invest capital to continue reduction of operational emissions.

Nature

Help support the health of waterways, soil and biodiversity.

Animal wellbeing

Work alongside farmers to maintain high standards of animal wellbeing.

Innovate to drive our advantage

Use science and technology to solve the Co-op's challenges and build on our competitive advantages.



Product innovation

Invest in R&D and partner with customers to develop core dairy products and science-backed nutritional solutions.

Value chain improvements

From on-farm emissions reduction solutions through to manufacturing process improvements.

Innovation model

Work alongside customers through in-market application centres and R&D partnerships.

Ki Tua Fund

A standalone entity, investing in new businesses and technology.

Glossary

Acronyms and Definitions

Consumer

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

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

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

Farmgate Milk Price

means the average price paid by Fonterra in New Zealand 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

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

GDT

GlobalDairyTrade, the online provider of the twice monthly global auctions of dairy ingredients

Gearing Ratio

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

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 (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

Non-Reference Products

means all NZ milk solids processed by Core Operations, except for Reference Commodity Products

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

are the five commodity groups used to calculate the Farmgate Milk Price, being Whole Milk Powder (WMP) and Skim Milk Powder (SMP), and their by-products Butter, Anhydrous Milk Fat (AMF) and Buttermilk Powder (BMP)

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

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

WACC

Weighted Average Cost of Capital

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

Thank you.



29 October 2024

Indicative Terms Sheet

**Fixed Rate Bonds maturing
8 November 2029**



This Indicative Terms Sheet sets out the key terms of the offer by Fonterra Co-operative Group Limited (**Fonterra**) of up to NZ\$250,000,000 (with the ability to accept up to NZ\$100,000,000 in oversubscriptions at Fonterra’s discretion) of fixed rate bonds maturing on 8 November 2029 (**Bonds**) under its master trust deed dated 18 November 2002 (as amended and restated from time to time) as modified and supplemented by the supplemental trust deed dated 21 October 2024 entered into between Fonterra and The New Zealand Guardian Trust Company Limited (**Trustee**) (together, **Trust Documents**).

Important notice

The offer of Bonds by Fonterra is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**).

The offer contained in this Indicative Terms Sheet is an offer of Bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Fonterra’s 4.15% NZ\$100,000,000 fixed rate bonds maturing on 14 November 2025 which are currently quoted on the NZX Debt Market under the ticker code FCG050 (**Quoted Bonds**). The Bonds are therefore of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014 (**FMC Regulations**).

Fonterra is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (**NZX**) for the purpose of that information being made available to participants in the market and that information can be found by visiting www.nzx.com/companies/FCG.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Investors should also read the ‘Important Information’ on page 5.

Address details

Issuer

Fonterra Co-operative Group Limited
109 Fanshawe Street
Auckland 1010

Arranger

ANZ Bank New Zealand Limited
Level 26, 23-29 Albert Street
Auckland 1010

Joint Lead Managers

ANZ Bank New Zealand Limited
Level 26, 23-29 Albert Street
Auckland 1010

Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch)
Level 8, 16 Takutai Square
Auckland 1010

Registrar

Computershare Investor Services Limited

Postal address:

Private Bag 92119
Victoria Street West
Auckland 1142

Physical address:

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Fixed Rate Bonds Indicative Terms Sheet

29 October 2024

Issuer	Fonterra Co-operative Group Limited		
Description of the Bonds	The Bonds constitute unsecured, unsubordinated, fixed rate debt obligations of Fonterra. The Bonds will rank equally and without any preference among themselves and equally with all other unsecured and unsubordinated indebtedness of Fonterra, except indebtedness preferred by law.		
Use of proceeds	The net proceeds from the issue of the Bonds will be used for general corporate purposes.		
Ratings		Issuer Credit Rating	Expected Issue Rating
	S&P Global Ratings	A- (stable)	A-
	Fitch Ratings	A (stable)	A
	The ratings referred to in this Indicative Terms Sheet are not a recommendation to buy, sell or hold the Bonds, and each rating may be subject to revision or withdrawal at any time by S&P Global Ratings or Fitch Ratings, as the case may be. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds. Neither S&P Global Ratings nor Fitch Ratings has been involved in the preparation of this Indicative Terms Sheet.		
Opening Date	Tuesday, 29 October 2024, immediately following the release on the NZX of the notice required by the FMC Regulations in connection with the offer.		
Closing Date	The offer is expected to close at 11.00am on Friday, 1 November 2024.		
Rate Set Date	Friday, 1 November 2024		
Issue Date and Allotment Date	Friday, 8 November 2024		
Maturity Date	Thursday, 8 November 2029		
Issue Amount	Up to NZ\$250,000,000, with the ability to accept up to NZ\$100,000,000 in oversubscriptions at Fonterra's discretion.		
Interest Rate	The aggregate of the Base Rate plus the Margin on the Rate Set Date. The Interest Rate will be announced by Fonterra via NZX on the Rate Set Date. The Interest Rate will not change after the Rate Set Date.		
Indicative Margin	0.85 to 0.95 per cent per annum.		
Margin	The Margin will be determined by Fonterra in consultation with the Joint Lead Managers following a bookbuild process. The actual Margin for the Bonds (which may be above or below the above mentioned indicative margin range) will be announced by Fonterra via NZX on the Rate Set Date.		
Base Rate	The mid-market rate for an interest rate swap of a term matching the period from the Issue Date to the Maturity Date as calculated by the Arranger on the Rate Set Date according to market convention with reference to the Bloomberg page 'ICNZ4' and expressed on a semi-annual basis, rounded to 2 decimal places, if necessary, with 0.005 being rounded up.		

Principal Amount and Issue Price	NZ\$1.00 per Bond.
Interest Payment Dates	8 May and 8 November of each year up to and including the Maturity Date, with the first Interest Payment Date being 8 May 2025. Interest will be payable semi-annually in arrear in two equal amounts on each Interest Payment Date.
Record Date	The date 10 calendar days before an Interest Payment Date or, if not a Business Day, the immediately preceding Business Day.
Business Day	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington. If an Interest Payment Date or the Maturity Date falls on a day that is not a Business Day, the due date for any payment to be made on that date will be the next following Business Day.
Minimum subscription amount and minimum holding	NZ\$5,000 and multiples of NZ\$1,000 thereafter.
ISIN	NZFCGDG006C2
New Zealand Registrar	Computershare Investor Services Limited
Quotation	Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market.
NZX Debt Market Ticker Code	FCG060
Expected date of initial quotation and trading on the NZX Debt Market	Monday, 11 November 2024
Early repayment	Upon the occurrence of any of the events of default (as set out in the Trust Documents) the Trustee may, and immediately upon being directed to do so by an extraordinary resolution of bondholders must, declare the Bonds to be immediately due and payable. If the Bonds are declared due and payable prior to their Maturity Date, interest will be payable at the Interest Rate from the most recent Interest Payment Date to and excluding the date of repayment.
Further issues	Fonterra may from time to time without the consent of the bondholders issue further notes so as to form a single class with the Bonds. Fonterra may also from time to time without the consent of bondholders issue notes having different terms to those applicable to the Bonds. There is no restriction on the amount of debt which Fonterra may issue or guarantee.
Repo-eligibility	Fonterra intends to apply to the Reserve Bank of New Zealand for the Bonds to be included as eligible securities for domestic market operations.
Governing law	New Zealand

Applications	<p>There will be no public pool for the offer. All of the Bonds are reserved for clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries.</p> <p>Accordingly, investors wishing to purchase the Bonds should contact a Joint Lead Manager or their usual financial advisor.</p> <p>Any allotment of Bonds will be at Fonterra's discretion, in consultation with the Joint Lead Managers. Fonterra reserves the right to refuse to make any allotment (or part thereof) without giving any reason. Fonterra may deal with oversubscriptions (if any) in its sole discretion.</p> <p>Each investor's financial adviser will be able to advise them as to what arrangements will need to be put in place for the investor to trade the Bonds including obtaining a common shareholder number (CSN), an authorisation code (FIN) and opening an account with a Primary Market Participant as well as the costs and timeframes for putting such arrangements in place.</p>
Selling restrictions	<p>It is a term of the offer of the Bonds that the selling restrictions included in this Indicative Terms Sheet apply.</p>
Joint Lead Managers	<p>ANZ Bank New Zealand Limited and Westpac Banking Corporation (ABN 33 007 457 141) (acting through its New Zealand branch).</p>
Arranger	<p>ANZ Bank New Zealand Limited</p>

Important Information

The dates, times and amounts set out in this Indicative Terms Sheet are indicative only and subject to change. Fonterra, in conjunction with the Arranger, may change the dates or times set out in this Indicative Terms Sheet. Fonterra has the right in its absolute discretion and without notice to amend the Indicative Margin and Issue Amount, close the offer early, to extend the Closing Date, or to choose not to proceed with the offer. If the Closing Date is changed, other dates (such as the Issue Date, the Maturity Date and the Interest Payment Dates) may be changed accordingly.

Any internet site addresses provided in this Indicative Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Indicative Terms Sheet.

Copies of the Trust Documents will be made available by Fonterra for inspection during usual business hours by any bondholder at Fonterra's registered office listed above (or such office as Fonterra may notify the bondholders from time to time). Copies of the Trust Documents and final post-offer Terms Sheet can also be found on Fonterra's website at www.fonterra.com/nz/en/investors/investor-services/debt-investors.html

Investors are personally responsible for ensuring compliance with all relevant laws and regulations applicable to them (including any required registration). Investors should seek qualified, independent financial and taxation advice before deciding to invest.

The Arranger, the Joint Lead Managers and their respective directors, officers, employees and agents:

- (a) have not authorised or caused the issue of, or made any statement in, any part of this Indicative Terms Sheet;
- (b) do not make any representation, recommendation or warranty, express or implied regarding the origin, validity, accuracy, adequacy, reasonableness or completeness of, or any errors or omissions in, any information, statement or opinion contained in this Indicative Terms Sheet; and
- (c) to the extent permitted by law, do not accept any responsibility or liability for this Indicative Terms Sheet or for any loss arising from this Indicative Terms Sheet or its contents or otherwise arising in connection with the offer of Bonds.

This Indicative Terms Sheet does not constitute financial advice or a recommendation from the Arranger, any Joint Lead Manager or any of their respective directors, officers, employees, agents or advisers to purchase, any Bonds.

You must make your own independent investigation and assessment of the financial condition and affairs of Fonterra before deciding whether or not to invest in the Bonds.

For further information regarding Fonterra, visit www.fonterra.com/nz/en/investors/investor-services.html or www.nzx.com/companies/FCG

Selling restrictions

The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Bonds may be offered for sale or sold in any other country or jurisdiction except in conformity with all applicable laws and regulations of that country or jurisdiction and the selling restrictions contained in this Indicative Terms Sheet. This Indicative Terms Sheet may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction and the selling restrictions contained in this Indicative Terms Sheet.

Without limiting the generality of the above, the following selling restrictions apply in respect of each relevant jurisdiction:

United States of America

The Bonds have not been and will not be registered under the Securities Act of 1933, as amended (the **Securities Act**), or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

None of Fonterra, any Joint Lead Manager nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts in relation to the Bonds, and each of Fonterra and the Joint Lead Managers has complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act.

The Bonds will not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the completion of the distribution of all Bonds of the Tranche of which such Bonds are part, as determined and certified by the Joint Lead Managers, except in accordance with Rule 903 of Regulation S. Any Bonds sold to any distributor, dealer or person receiving a selling concession, fee or other remuneration during the distribution compliance period require a confirmation or notice to the purchaser at or prior to the confirmation of the sale to substantially the following effect:

"The Bonds covered hereby have not been registered under the United States Securities Act of 1933, as amended (the Securities Act) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States, or to or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Bonds and the closing date except in either case pursuant to a valid exemption from registration in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S under the Securities Act."

Until 40 days after the completion of the distribution of all Bonds or the Series of which those Bonds are a part, an offer or sale of the Bonds within the United States by the Joint Lead Managers or any dealer or other distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Regulation S.

Member States of the European Economic Area

In relation to each Member State of the European Economic Area, no Bonds have been offered and no Bonds will be offered that are the subject of the offering contemplated by this Indicative Terms Sheet in relation thereto to the public in that Member State except that an offer of Bonds to the public in such Member State may be made:

- (a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the Joint Lead Managers nominated by Fonterra for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation, provided that no such offer of the Bonds referred to in (a) and (c) above shall require Fonterra or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression **offer of Bonds to the public** in relation to any Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds and the expression **EU Prospectus Regulation** means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of Sales to UK Retail Investors

No Bonds have been offered and no Bonds will be offered that are the subject of the offering contemplated by this Indicative Terms Sheet in relation thereto to the public in the United Kingdom except that an offer of Bonds to the public in the United Kingdom may be made:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the Joint Lead Managers nominated by Fonterra for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the Financial Services and Markets Act 2000, as amended (**FSMA**),

provided that no such offer of the Bonds referred to in (a) to (c) above shall require Fonterra or any Joint Lead Manager to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression **offer of Bonds to the public** in relation to any Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds and the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Other UK Regulatory Restrictions

Each Joint Lead Manager has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to Fonterra.

All applicable provisions of the FSMA with respect to anything done in relation to the Bonds in, from or otherwise involving the United Kingdom must be complied with.

Japan

The Bonds have not been and will not be registered in Japan pursuant to Article (4), Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the **FIEA**) in reliance upon the exemption from the registration requirements since the offering constitutes the small number private placement as provided for in "ha" of Article (2), Paragraph 3, Item 2 of the FIEA. A Japanese Person who transfers the Bonds shall not transfer or resell the Bonds except where the transferor transfers or resells all the Bonds en bloc to one transferee. For the purposes of this paragraph, **Japanese Person** shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

This Indicative Terms Sheet has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Indicative Terms Sheet and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds has not been, and will not be, circulated or distributed, nor have the Bonds been, nor will they be, offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA, or (b) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Hong Kong

No Bonds have been, and no Bonds will be, offered or sold in Hong Kong, by means of any document, other than (a) to **professional investors** as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O.

The Joint Lead Managers have not issued or had in their possession for the purposes of issue, and will not issue or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to **professional investors** as defined in the SFO and any rules made under the SFO.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (**Corporations Act**)) in relation to the Bonds (including this Indicative Terms Sheet) has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission (**ASIC**) or any other regulatory authority in Australia. No person may:

- (a) make or invite (directly or indirectly) an offer of the Bonds (or an interest in them) for issue, sale or purchase in, to or from Australia (including an offer or invitation which is received by a person in Australia); and
- (b) distribute or publish, any Indicative Terms Sheet, information memorandum, prospectus or any other offering material or advertisement relating to the Bonds (or an interest in them) in Australia,

unless:

- (i) the minimum aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternative currency and, in either case, disregarding moneys lent by the offeror or other person offering the Bonds or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
- (ii) the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act;
- (iii) such action complies with all applicable laws, regulations and directives in Australia (including, without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act); and
- (iv) such action does not require any document to be lodged with, or registered by, ASIC or any other regulatory authority in Australia.

By applying for the Bonds under this Indicative Terms Sheet, each person to whom the Bonds are issued (an **Investor**):

- (a) will be deemed by Fonterra and each of the Joint Lead Managers to have acknowledged that if any Investor on-sells the Bonds within 12 months from their issue, the Investor will be required to lodge a prospectus or other disclosure document (as defined in the Corporations Act) with ASIC unless either:
 - (i) that sale is to an investor within one of the categories set out in sections 708(8) or 708(11) of the Corporations Act to whom it is lawful to offer the Bonds in Australia without a prospectus or other disclosure document lodged with ASIC; or
 - (ii) the sale offer is received outside Australia; and
- (b) will be deemed by Fonterra and each of the Joint Lead Managers to have undertaken not to sell those Bonds in any circumstances other than those described in paragraphs (a)(i) and (a)(ii) above for 12 months after the date of issue of such Bonds.

This Indicative Terms Sheet is not, and under no circumstances is to be construed as, an advertisement or public offering of any Bonds in Australia.

Indemnity

By its subscription for or purchase of the Bonds, each bondholder agrees to indemnify Fonterra, the Arranger, the Joint Lead Managers and the Trustee and each of their respective directors, officers and employees for any loss, liability or expense sustained or incurred by Fonterra, the Arranger, the Joint Lead Managers or the Trustee, as the case may be, as a result of the breach by that bondholder of the selling restrictions set out above.