



Market Announcement

8 June 2022

Fonterra announces share buyback programme

Fonterra Co-operative Group Limited (**Fonterra**) advises that it will allocate up to \$50m to an on-market share buyback programme commencing 30 June 2022.

Chairman Peter McBride says that in making this decision, Fonterra has looked at prevailing prices in the Fonterra Shareholders Market (**FSM**) alongside the Co-op's strategy and overall business performance.

"The Co-op considers the prevailing price particularly since late April has undervalued Fonterra shares, which is a key reason for announcing this buy-back," says Mr McBride.

The buyback programme will be made under section 65 of the Companies Act and may run for up to 12 months from commencement. Fonterra may acquire shares through the FSM at the prevailing market price from time to time in that period.

This programme is separate to the allocation of up to \$300m Fonterra announced last year to support liquidity in the FSM as farmer shareholders transition to the Flexible Shareholding capital structure, through an on-market buyback (**Transitional Buyback**) and other tools such as the market-making arrangements.

Mr McBride notes that Fonterra is preparing to implement the Flexible Shareholding structure as soon as possible but has not yet set a date for when it will be effective. In April, the Government announced its support for the structure and has signalled that it expects the amendments to progress through Parliament this year.

"We remind shareholders that even though share compliance obligations remain on hold until at least 6 months after the new structure is effective, shareholders can still buy or sell shares within Fonterra's current constitutional limits (which is generally 1x – 2x a supplying shareholders' three-season average milk supply). Shareholders should seek advice from their financial advisor, accountant, lawyer, or rural professional before making any decisions," says Mr McBride.

The maximum number of shares that may be acquired pursuant to this buyback programme and the Transitional Buyback (should that also proceed under section 65 of the Companies Act) taken together over the next 12 months is 80,667,893 shares. This number of shares is set in accordance with section 65 of the Companies Act and represents 5% of Fonterra's shares on issue 12 months prior to the acquisition of shares.

The number of shares purchased under the buyback from time to time, and the average price, will be notified to the NZX and ASX on the business day following the date on which those shares are bought

back. Shares bought back will be cancelled upon acquisition, so the number of shares on issue will reduce accordingly.

Throughout the buyback period, Fonterra will continue to assess market conditions, its prevailing share price, available investment opportunities and all other relevant considerations. Fonterra reserves the right to suspend without notice or terminate the buyback programme at any time.

The buyback programme will not run during the black-out period in respect of Fonterra's 2022 annual results, which (for this year) will run from 1 August 2022 until the first trading day after the Fonterra annual results announcement is made, unless Fonterra agrees other arrangements with the brokers who will execute the buyback.

This announcement is made in accordance with FSM Listing Rule 3.12.2.

Attachments

- Chairman's email to Fonterra Co-operative Group Limited farmers

ENDS

For further information contact:

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CHAIRMAN'S EMAIL

8 JUNE 2022

SUBJECT: Co-op to undertake up to \$50 million share buy-back

Dear [name]

This morning the Co-op has announced it will undertake a buy-back of up to \$50 million of shares in the Fonterra Shareholders' Market (FSM) commencing 30 June 2022.

In making this decision we have considered prevailing prices in the FSM, alongside the Co-op's strategy and overall business performance.

The Co-op considers the prevailing price particularly since late April has undervalued Fonterra shares, which is a key reason for announcing this buy-back.

When assessing the value of Fonterra shares the Board considers a range of factors, including the strong industry fundamentals and the Co-op's long-term strategy and performance targets.

We also consider the merits of a buy-back alongside other investment opportunities we have in the pipeline. These have a range of risk and return profiles, but overall we believe there is room in our portfolio of investments for buying back shares at a price that we consider to be undervalued.

Once purchased by the Co-op these shares will be cancelled, which means future earnings are distributed amongst a lower number of shares.

We will report how many shares we buy and the average price the day after, so you will know what we have bought.

This buyback is separate to the allocation of up to \$300m Fonterra announced last year to support liquidity in the FSM as farmer shareholders transition to the Flexible Shareholding capital structure, through an on-market buyback (**Transitional Buyback**) and other tools such as the market-making arrangements.

The maximum number of shares that may be acquired in total during the next 12 months is 5% of total shares on issue. This is set under s65 of the Companies Act and equates to a little over 80 million shares. This maximum will include any shares we acquire under the Transitional Buyback in that same 12-month period, if we do that buyback under s65 as well, which is our current intention.

As I mentioned in my previous email to you last week, the Co-op is preparing to implement the Flexible Shareholding structure as soon as possible but has not yet set a date for when it will be effective. In April, the Government announced its support for the structure and has signalled that it expects the amendments to progress through Parliament this year.

We remind shareholders that, even though share compliance obligations remain on hold until at least 6 months after the new structure is effective, shareholders can still buy or sell shares within Fonterra's current constitutional limits (which is generally 1x – 2x a supplying shareholders' three-season average milk supply).

You should seek advice from your financial advisor, accountant, lawyer, or rural professional before making any decisions.

You can read more details on the buy-back [here: [link to market announcement](#)].

Peter