Fonterra Co-operative Group

2025 Interim Results

Content

2025 Interim Results Summary

- Strong milk flows on-farm and strengthening demand across all three product channels are supporting:
  - narrowed 2024/25 Farmgate Milk Price range to $9.70 – $10.30 per kgMS, from $9.50 - $10.50 per kgMS
  - increased FY25 earnings range to 55 – 75 cents per share, from 40 – 60 cents per share
  - fully imputed interim dividend of 22 cents per share, up from an unimputed 15 cents per share
- Profit after tax up $55m, or 8%, to $729m due to higher operating profit partially offset by an increase in tax expense
  - Operating profit up $154m, or 16%, to $1,107m due to improved product mix and gross margins in the Ingredients channel
  - Foodservice and Consumer channels had improved Q2 operating profit with stronger pricing and volumes, though year to date earnings are down due to margins impacted by higher input costs in Q1
  - Tax expense up $103m to $293m due to higher earnings and tax treatment change
- Earnings per share attributable to equity holders of 44 cents, up from 40 cents
- Balance sheet strength used to pay farmer owners earlier for milk collected
  - Net Debt up $1.3b to $5.5b reflecting the higher advance rate and higher milk price
  - Balance sheet remains strong with full year debt metrics on track to be within target range

Operating profit

$1,107m

↑ from 953m

Earnings per share

44c

↑ from 40c

Interim dividend

22c

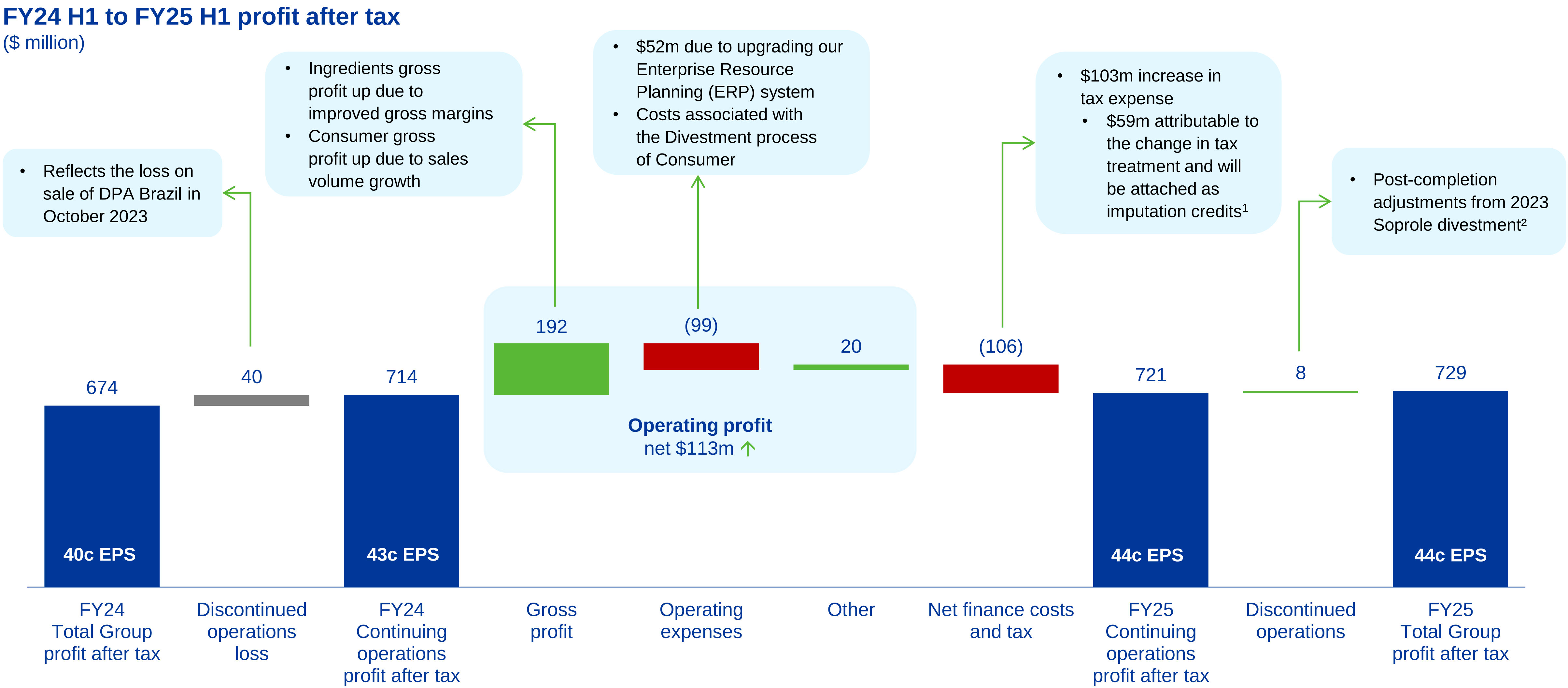
↑ from 15c

Return on capital

10.2%

↓ from 13.4%

Higher profit after tax driven by improved operating performance



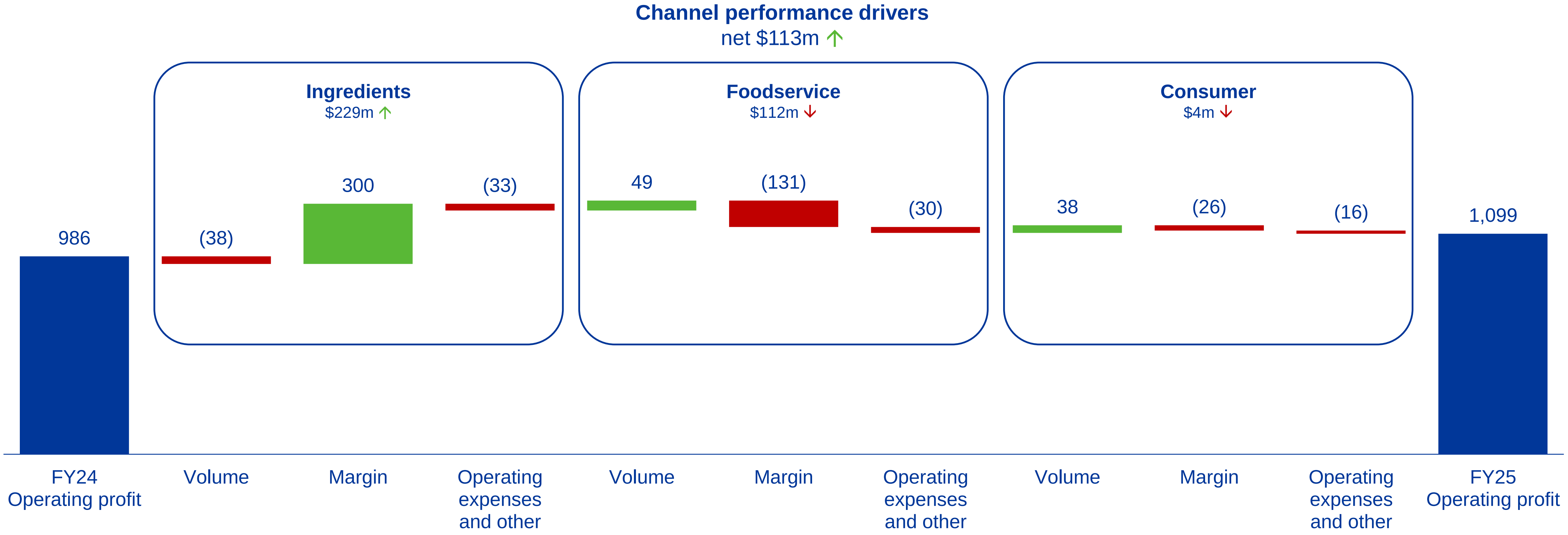
Note: Profit after tax presented in the graph includes profit attributable to non-controlling interests. EPS presented is for profit attributable to equity holders of the Co-operative

1. Tax treatment change announced in FY24, Fonterra has exhausted its NZ tax losses and NZ tax expenses will generate imputation credits from FY25 onwards. As part of the change, dividends on supply backed shares are no longer treated as a business expense by Fonterra
2. Additional income of $8m has been recognised in relation to customary post-completion adjustments from the 2023 Soprole business sale

Operating profit driven by strong performance in Ingredients

FY24 H1 to FY25 H1 continuing operations operating profit

($ million)

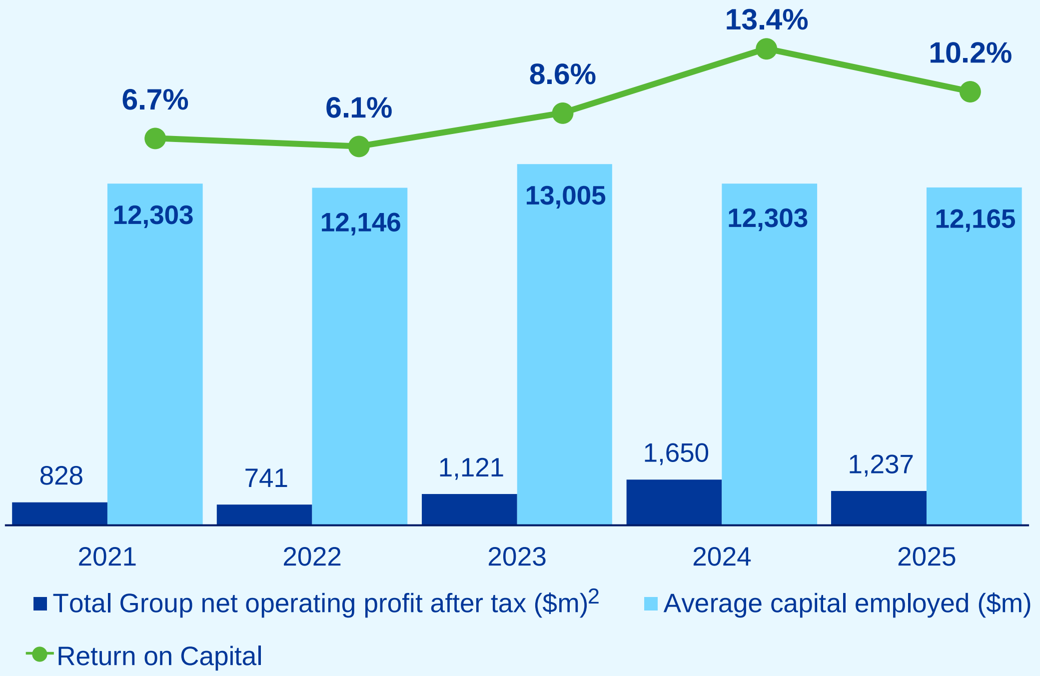


- Operating profit from the channels increased $113m
- Sales volumes growth from the butter portfolio in both Foodservice and Consumer across China and Southeast Asia, and Foodservice IQF mozzarella
- Ingredients gross margin increased due to favourable margin hedging in the Non-Reference portfolio, lower cost of milk in Australia and favourable milk expense phasing in New Zealand. Partially offset by a lower benefit from price relativities
- Foodservice and Consumer margins were impacted by the increase in the cost of milk in Q1 but recovered in Q2 as in-market pricing strengthened
- Higher operating expenses in Ingredients and Foodservice mainly due to the impact of costs associated with upgrading our ERP system
- Consumer operating expenses were impacted by costs associated with the proposed Consumer divestment

Return on capital

Total Group Return on Capital

For 12-month period to 31 January



- Return on capital of 10.2%, above the 5-year average and tracking towards the top end of the FY25 target range of 8 – 10%
- Change in notional tax rate from 16.1% to 27.0%, which increased the tax charge by $185m and a (1.5)% impact on return on capital

Return on Capital by channel[1]

Ingredients

11.0%

↓ from 12.8%

($ million)	2023	2024	2025
Average capital employed	8,092	7,855	7,509
Net operating profit after tax[2]	1,043	1,004	829
Return on Capital (%)	12.9%	12.8%	11.0%

Foodservice

11.7%

↓ from 23.6%

Average capital employed	1,750	1,886	2,204
Net operating profit after tax[2]	155	445	257
Return on Capital (%)	8.9%	23.6%	11.7%

Consumer

5.8%

↑ from 4.7%

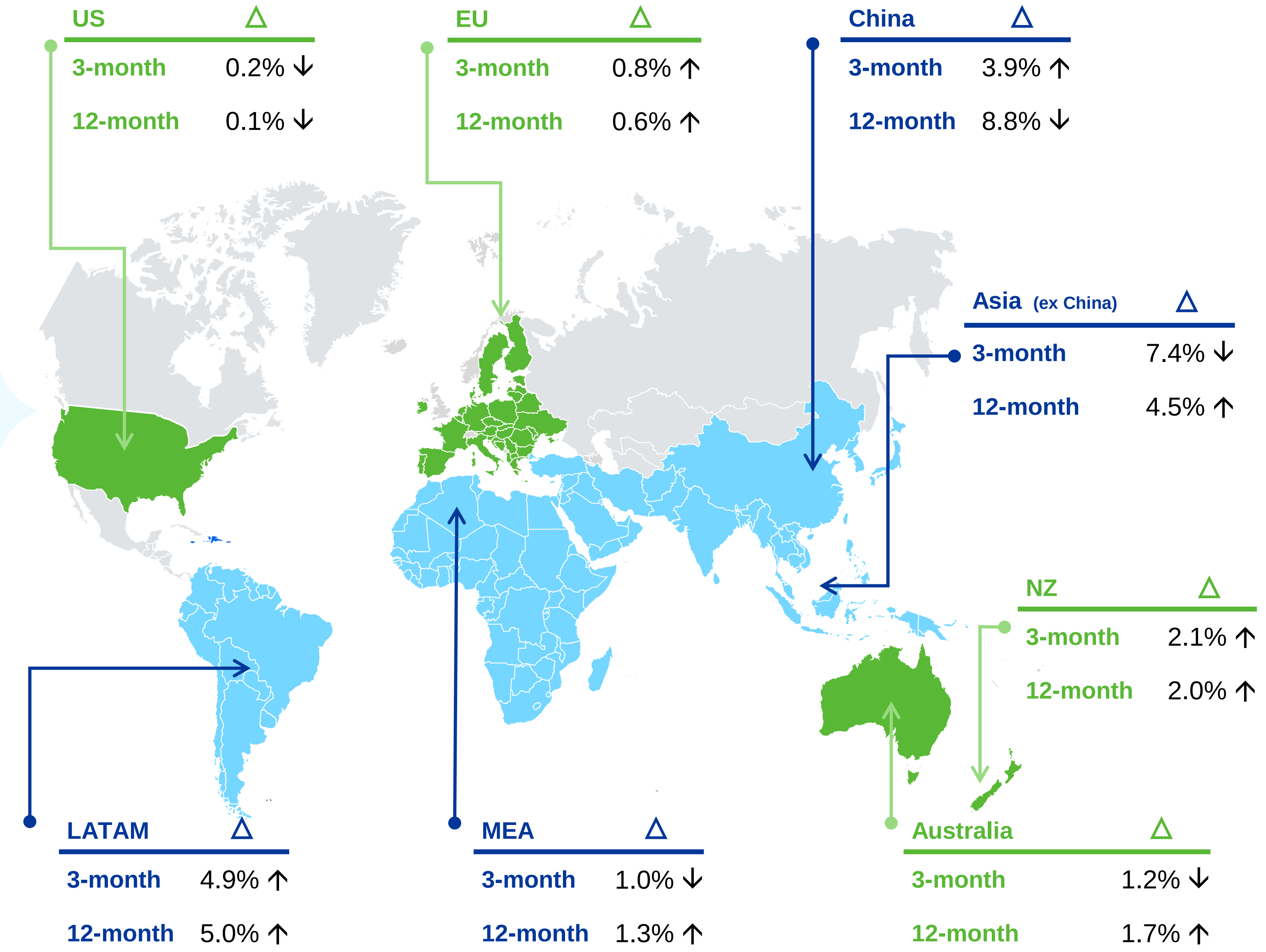
Average capital employed	2,456	2,344	2,452
Net operating profit after tax[2]	(159)	111	142
Return on Capital (%)	(6.5)%	4.7%	5.8%

Note: Figures presented are on a 12-month basis to 31 January and include impairments
1. Net operating profit after tax by channel is on a continuing operations basis
2. Normalised basis

Macro Environment & Outlook

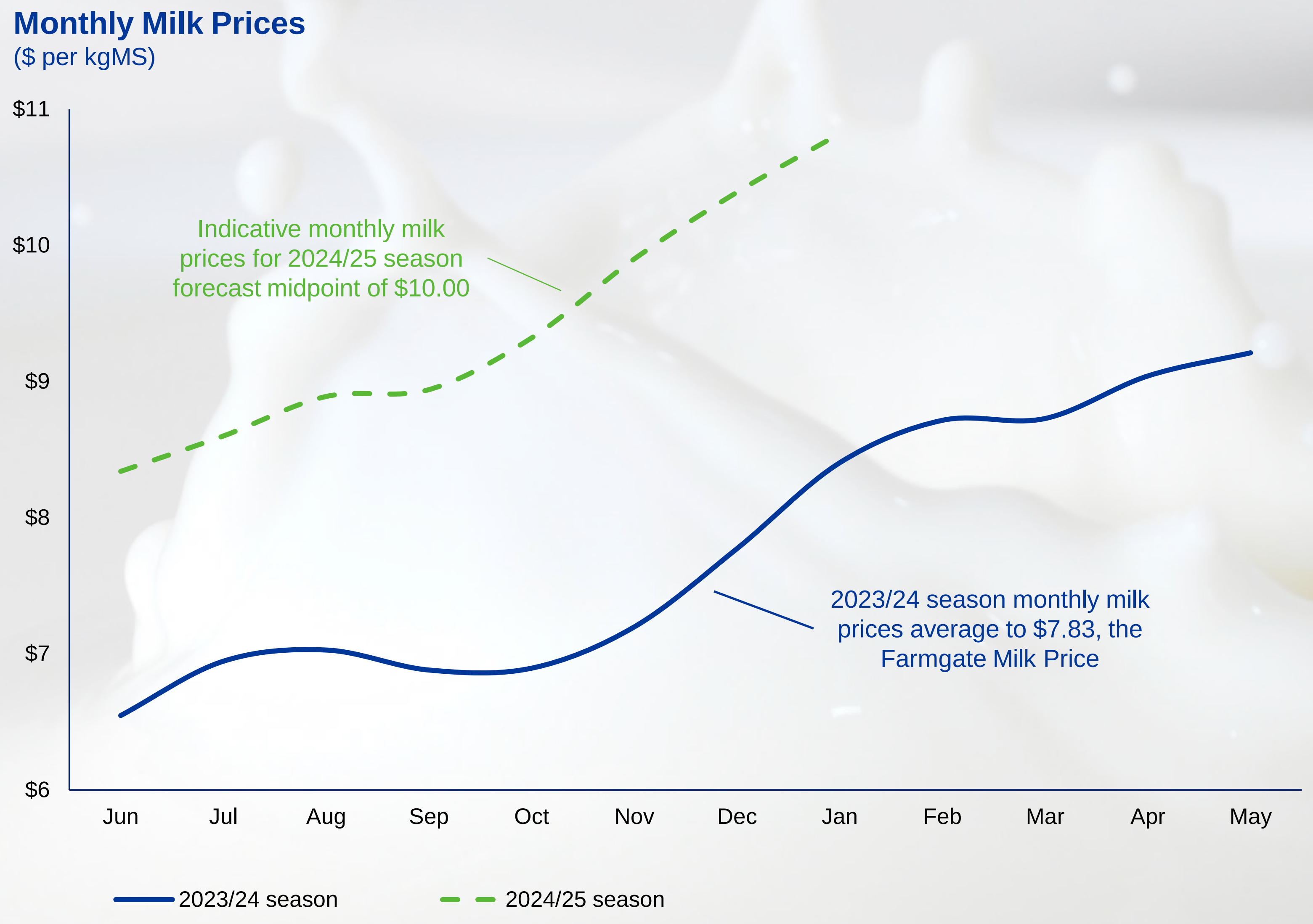
Improving supply and strong demand from key importing regions

- Dairy market conditions remain favourable:
  - Continued strong demand from key import regions, particularly Southeast Asia
  - Chinese dairy import demand improving mainly due to reduced domestic production
  - US milk production slowly recovering from impact of bird flu. Cheese production is projected to grow due to new processing capacity
  - EU production is improving as key member states recover from animal health issues. Structural issues, such as environmental regulations, may potentially limit future growth
  - Australian milk production up compared to last season, but drier conditions, lower incomes and farm exits may limit growth
  - New Zealand's milk production is higher mainly due to favourable weather



Note: Imports are total global imports, and production is total for each country. Refer to appendix for source data and date ranges

Monthly milk prices driven by strengthening demand for Reference Products



- Value of milk has materially increased season on season as Reference product prices increase
- The weighted average shipment price for GDT Reference products has increased 23% from last season[1]
  - with GDT shipment prices for WMP, butter and AMF increasing 17%, 38% and 47% over the same period, respectively
  - WMP has had sustained price increases since lows of ~USD2,500/MT at the start of the 2022/23 season; and
  - both GDT butter and AMF prices have reached 5-year record highs this season
- The Farmgate Milk Price also benefited from:
  - favourable currency movements
  - higher forecast milk collections of 1,510m kgMS, up 39m kgMS from 1,471m kgMS

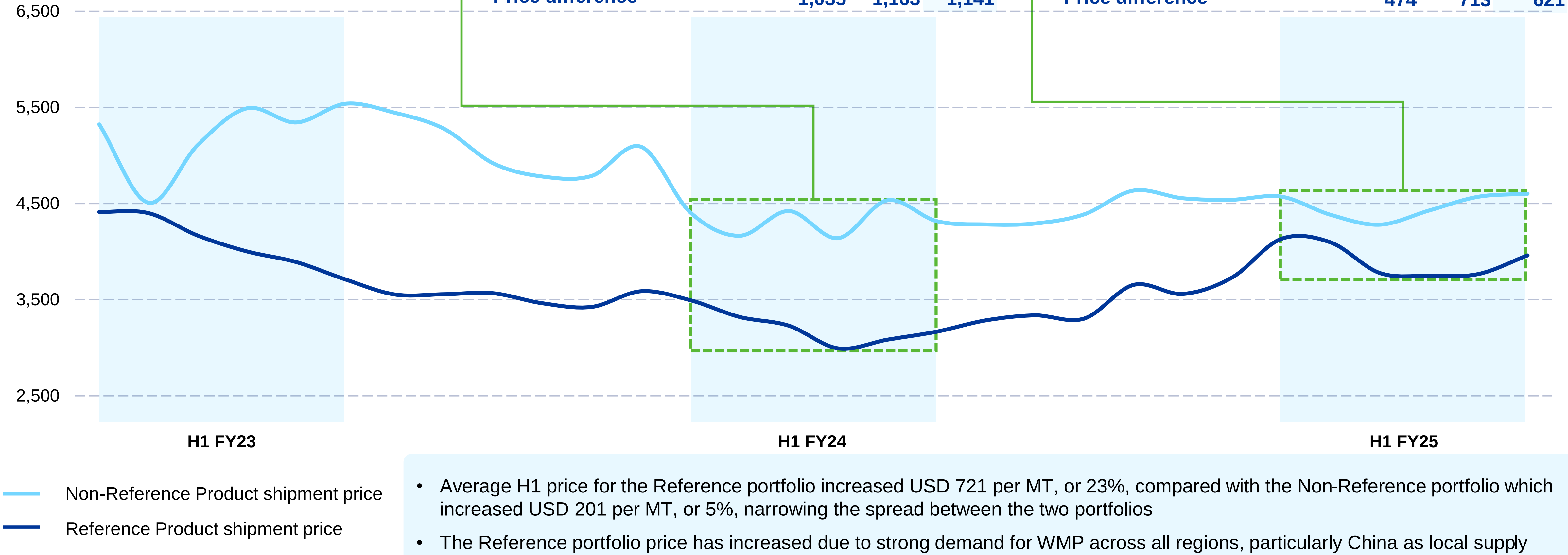
1. Weighted average shipment prices for the period June to January

Reference portfolio value higher due to WMP and butter demand

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

	Q1	Q2	H1
Average Non-Reference price	4,333	4,218	4,272
Average Reference price	3,298	3,055	3,131
Price difference	**1,035**	**1,163**	**1,141**

	Q1	Q2	H1
Average Non-Reference price	4,398	4,534	4,473
Average Reference price	3,924	3,821	3,852
Price difference	**474**	**713**	**621**



- Average H1 price for the Reference portfolio increased USD 721 per MT, or 23%, compared with the Non-Reference portfolio which increased USD 201 per MT, or 5%, narrowing the spread between the two portfolios
- The Reference portfolio price has increased due to strong demand for WMP across all regions, particularly China as local supply continues to rebalance. Butter prices also increased against strengthened global demand
- The Non-Reference portfolio price has been stable with strong demand for cheese at the start of H1 allowing strong cheese contracting over peak production, following constrained supply in the Northern Hemisphere

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

New Zealand-sourced Ingredients' product mix

	2024	2025	Change
Sales Volume ('000 MT)			
Reference Products	872	844	(3)%
Non-Reference Products	422	439	4%
Revenue (NZD)			
Reference Products ($ billion)	4.7	5.7	22%
Non-Reference products ($ billion)	2.9	3.3	11%
Reference Products ($ per MT)	5,398	6,783	26%
Non-Reference products ($ per MT)	6,956	7,395	6%
Cost of Milk (NZD)			
Reference Products ($ billion)	(3.5)	(4.5)	(31)%
Non-Reference Products ($ billion)	(1.4)	(1.8)	(22)%
Reference Products ($ per MT)	(3,957)	(5,352)	(35)%
Non-Reference Products ($ per MT)	(3,404)	(3,989)	(17)%

- Favourable product mix shift between Reference and Non-Reference portfolio, 17,000 MT more into higher value Non-Reference products and 28,000 MT less Reference products
- Reference portfolio revenue per MT increased materially more than the Non-Reference portfolio, 26% compared to 6%, due to the improved demand for WMP and butter
- Reference portfolio cost of milk per MT also increased materially more than the Non-Reference portfolio, 35% compared to 17%, due to the strong rise in the value of fat and the Reference portfolio having a higher fat component
- The relative movement year-on-year in the Reference and Non-Reference portfolios on a revenue less cost of milk per metric tonne basis are broadly in-line, down 1% and 4%, respectively
- The total value of both portfolios on a revenue less cost of milk basis are stable due to the favourable product mix shift

Note: Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
Table includes Ingredients' products that are on-sold to the Foodservice and Consumer channels and excludes bulk liquid milk. Bulk liquid milk for 2025 was 36,000 MT of kgMS equivalent (for the comparative period it was 35,000 MT of kgMS equivalent). Milk solids used in the Reference Products sold were 470m kgMS and 215m kgMS in the Non-Reference Products (for the comparative period 480m kgMS in Reference Products and 215m kgMS in Non-Reference Products)

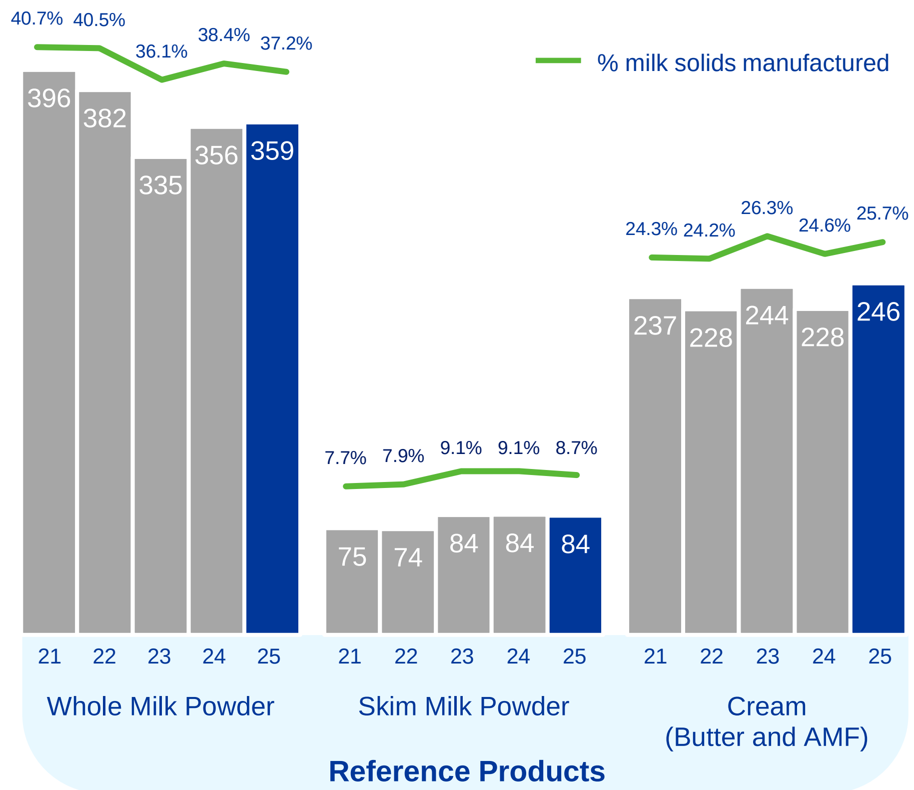
Breakdown of milk solids allocated to product groups

NZ milk solids manufactured (kgMS millions)

For 6 months to 31 January

Change in kgMS millions[1]

Total	Reference	Non-Reference
↑ 26	↑ 20	↑ 6



Whole Milk Powder:

- Strong demand for WMP across all regions, particularly China as local supply rebalances
- Small increase in milk solids allocated due to better prices and increased milk supply in 2025, though the percentage of the total allocation is below prior year reflective of Fonterra's strategy of continuing growth into high value products

Cream:

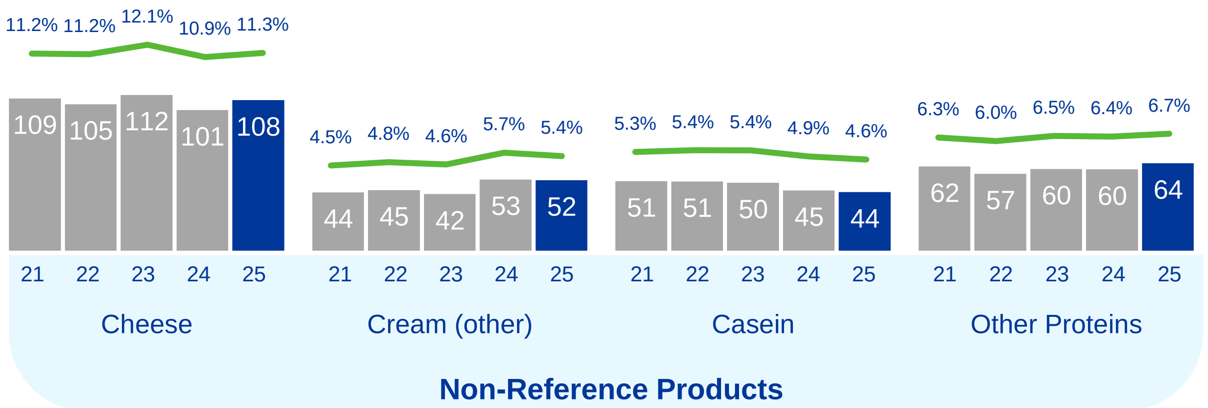
- Favourable returns for butter over AMF meant increased allocation of solids to butter in Reference portfolio
- Steady demand for cream in the Greater China Foodservice business resulted in similar solids allocated to Non-Reference cream to the prior period

Cheese:

- During peak contracting period, the Northern hemisphere supply of cheese was constrained, supporting better pricing in the cheese portfolio and better value relative to the WMP and cream portfolios
- Higher allocation of milk solids particularly to IQF mozzarella which has had strong demand and growth key Asia markets and new markets such as the United Kingdom.

Proteins:

- Increased allocation of solids with higher demand from strategic customers in the US for high concentration protein products, such as MPC85 used in RTD protein beverages



1. Changes in table present total NZ manufactured milk solids and does not align to charts which exclude Butter Milk Powder, and other smaller Non-Reference commodity groups

FY25 outlook

Forecast Farmgate Milk Price

$9.70 – $10.30

per kgMS

The range has narrowed reflecting:

- well contracted sales book
- approximately 93% of the full year forecast USD cash flows related to the 2024/25 season hedged
- finely balanced supply and demand for Reference Products

Forecast earnings

55 – 75 cents

per share

The forecast range reflects:

- Foodservice and Consumer margins in H2 are expected to be higher than prior year H2, but down on H1 this year due to higher input costs
- second half receiving a similar benefit to the first half from price relativities
- forecast costs associated with the Consumer divestment excluded

Note: The Fonterra Board considers, among other factors, the nature of the underlying earnings and whether it is appropriate to include any costs associated with asset sales incurred in the financial year when declaring a dividend. The Board will do this when considering a full year dividend for FY25

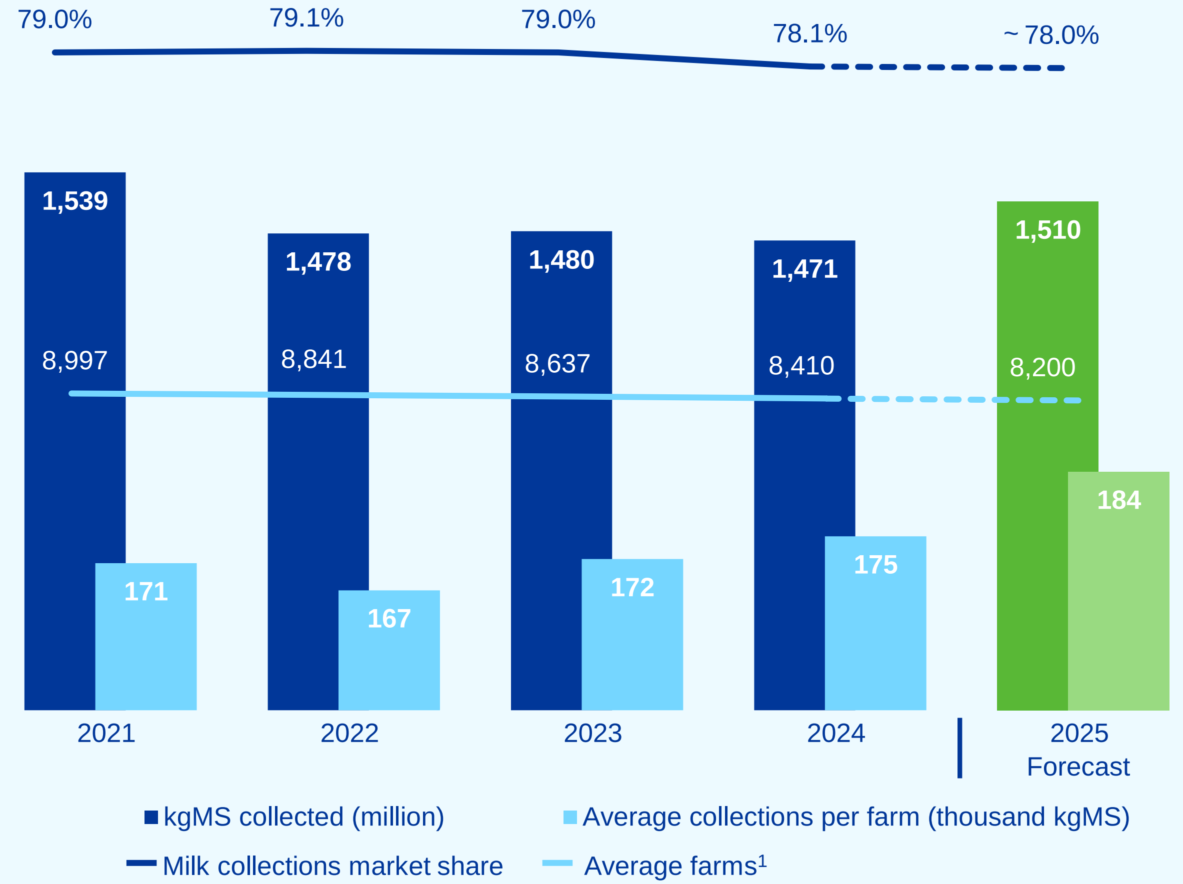
Strategic Focus

Key business drivers

Deliver strongest farmer offering

Fonterra supplier base and milk collections

Full season figures



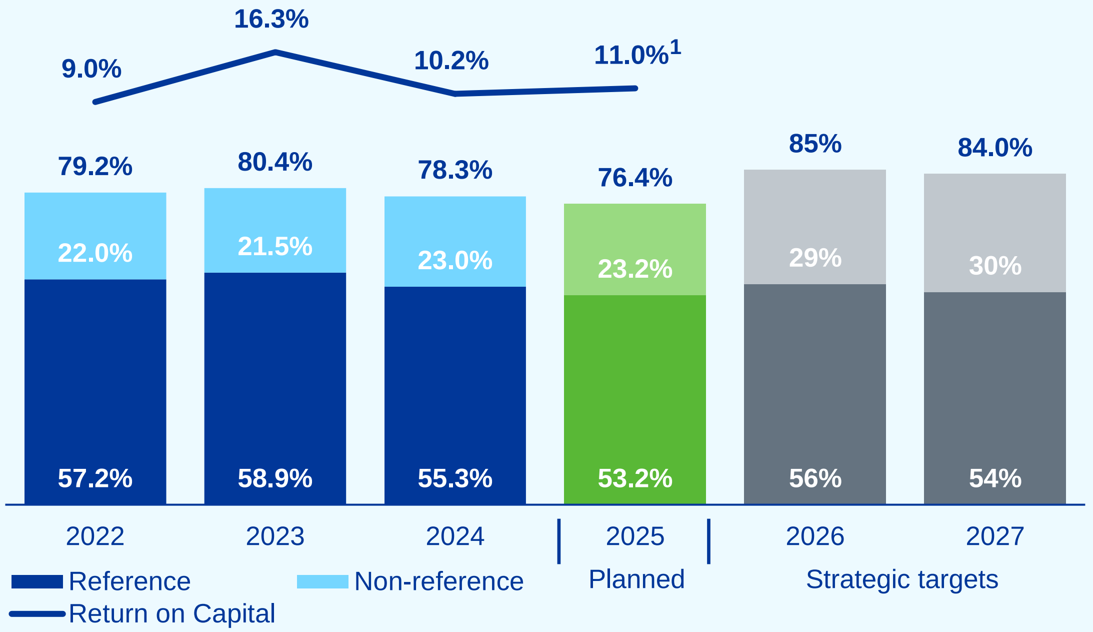
- The Co-op continues to adapt its commercial offering to be as competitive as possible
- This season we adjusted the Advance Rate Schedule to get cash to farmer shareholders sooner, and next season we're introducing new customer-funded incentives
- The Co-op is also working to extend the breadth and depth of our support to farmers, from making things easier on farm to more targeted engagement with the next generation of owners
- Season to date collections, 1 June – 31 January, were 1,048m kgMS, 3.6% ahead of the prior comparable period
- Forecast collections expected to be 1,510m kgMS, up 2.7% on the prior season
- Higher collections due to more favourable weather conditions across the majority of the country supporting pasture growth – noting exceptions such as early wet conditions in the south and more recent dry conditions in some regions
- Milk collections are forecast to be collected from around 8,200 farms, down on prior year due to consolidation of farms, conversions to other land uses and losses to competitors
- Higher production per farm due to favourable weather conditions, better production per cow and larger average farm size

1. Average number of farms supplying milk for the season

Unleash our Ingredients engine

Improved mix as solids shifted to high value ingredients

Full financial year figures



- On target to allocate around 76% of milk solids to Ingredients for FY25
  - Allocation of milk solids to Reference portfolio expected to reduce from 55% to 53% as we focus on high value opportunities across channels
  - Allocation to Non-Reference portfolio expected to be broadly stable year on year
- Higher milk allocations in 2026 and 2027 due to reclassification of current sales through Consumer channel into Ingredients following the proposed Consumer divestment

Strategy in Action: Studholme Expansion

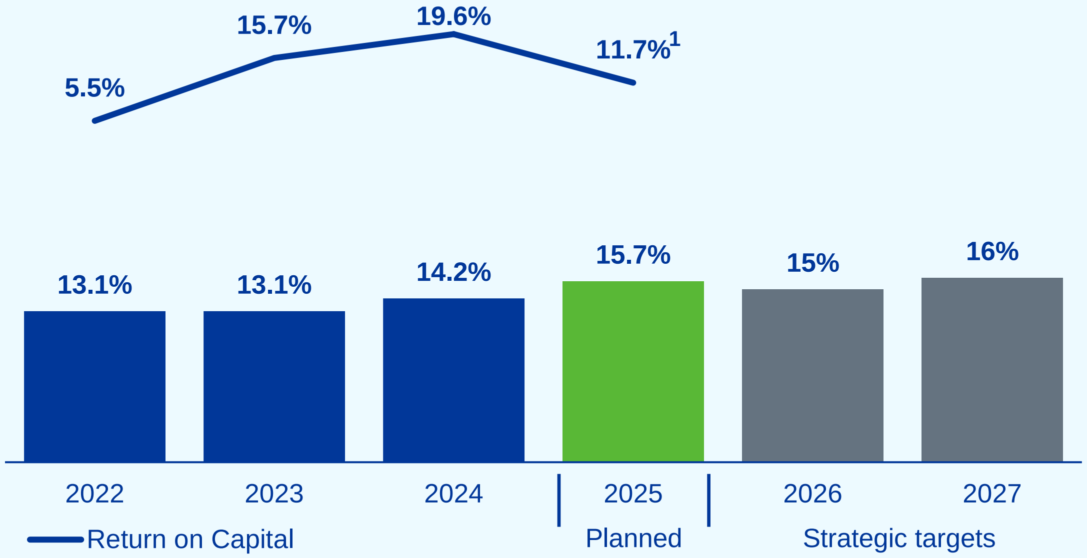
- $75m investment into high-value proteins
- Expansion in manufacturing capacity of higher value functional proteins enables us to deliver strong returns to our farmer shareholders
- High-protein dairy category is projected to grow by close to USD10b over the next four years
- Construction started and production expected to come online in early 2026

Note: All figures are to 31 July unless otherwise stated. kgMS data presented on a sales basis. Percentages are a proportion of total kgMS sold
1. 2025 Return on Capital is a 12-month average to 31 January

Keep momentum in Foodservice

Continued Foodservice growth driving higher milk allocation

Full financial year figures



- Milk allocation on target to reach just under 16% of total portfolio by end of FY25, with kgMS allocation up 12% from 210 last year to 235m kgMS
- Growth this year mainly from increase demand in cheese portfolio
- Key driver going forward is demand growth for high value products in major markets like China. Globally, the demand for UHT cream is forecast to grow 4% per annum till 2032
- Reduced allocation as a strategic target in 2026 is reflective of Foodservice businesses impacted by proposed sale as part of the Consumer divestment process

Note: All figures are to 31 July unless otherwise stated. kgMS data presented on a sales basis. Percentages are a proportion of total kgMS sold

1. 2025 Return on Capital is a 12-month average to 31 January

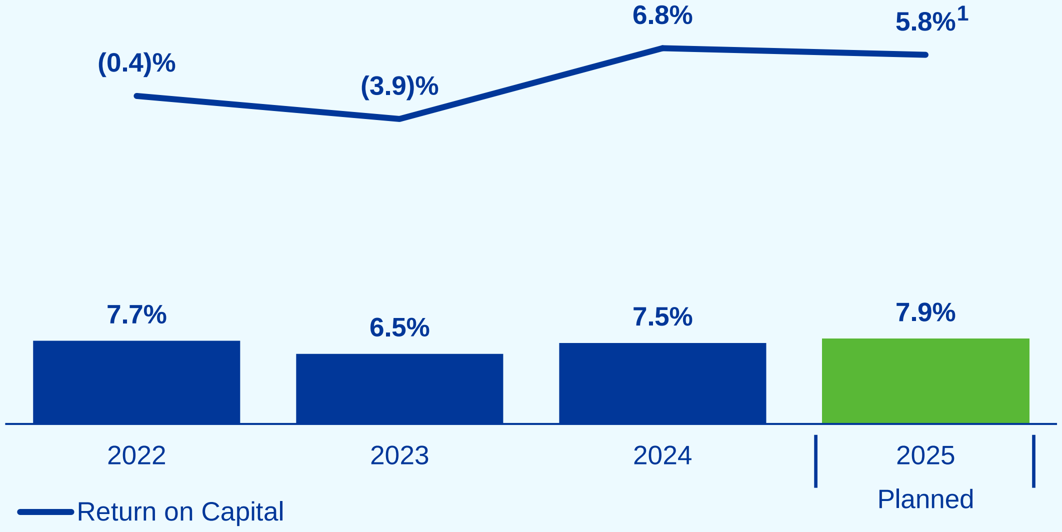
Strategy in Action: Edendale Expansion

- $150m investment in a new UHT plant
- Unlocking up to 20m kgMS additional processing capacity in the Foodservice portfolio in FY26
- Potential to increase capacity if the demand continues to grow as we expand our Foodservice business in and beyond China

Progressing Consumer

Increased milk allocation and sales through Consumer

Full financial year figures



- Milk solids allocated to Consumer channel on target to be around 8% by year end
- Expected sales growth of 7% from 111 to 118m kgMS mainly due to the incremental growth from China and South Asia
- Allocations beyond 2025 not shown, in line with the Co-op's strategic focus and Consumer divestment

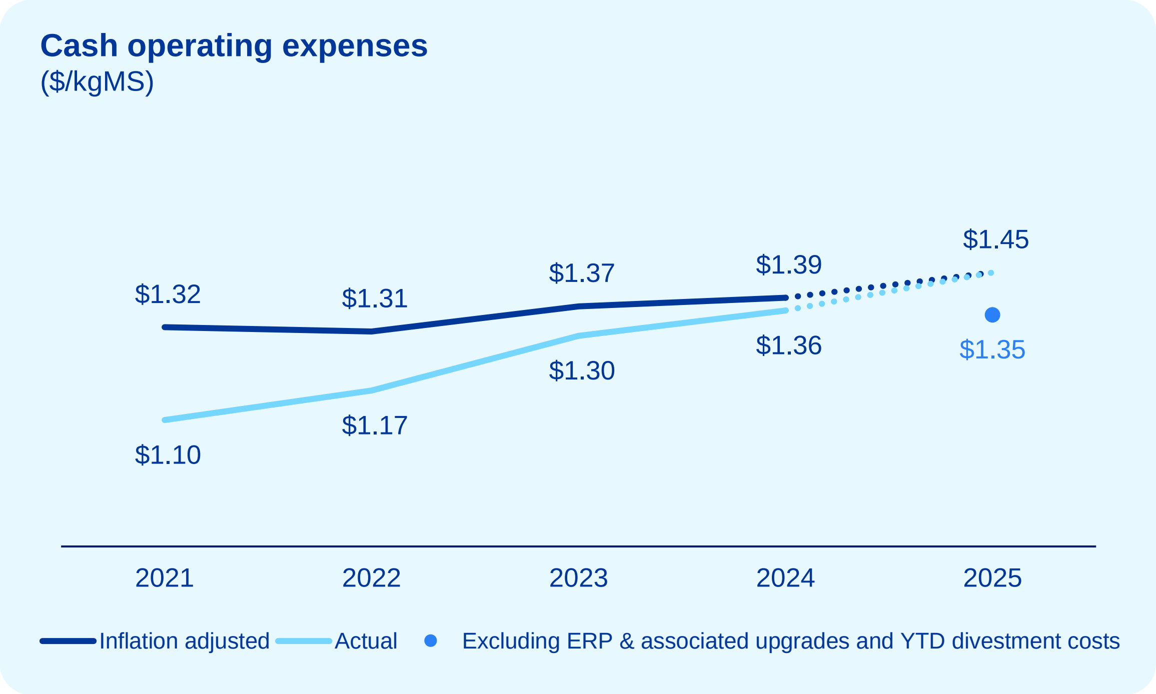
Note: All figures are to 31 July unless otherwise stated. kgMS data presented on a sales basis. Percentages are a proportion of total kgMS sold

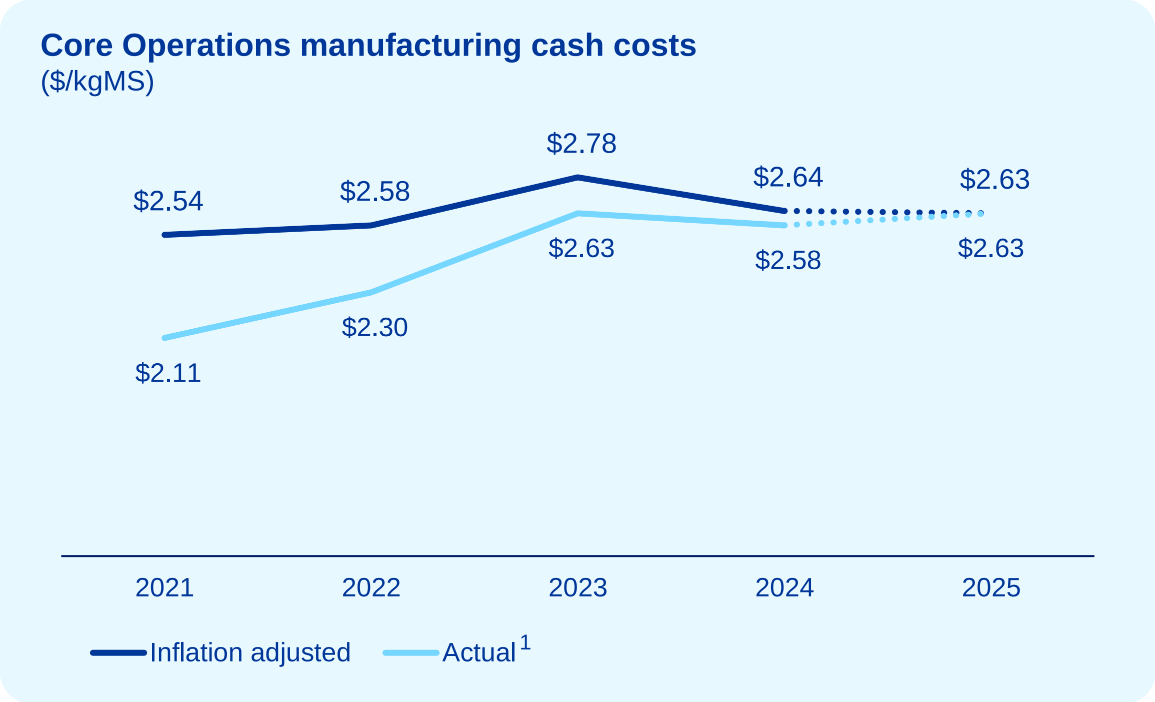
1. 2025 Return on Capital is a 12-month average to 31 January

Divestment update

- In November 2024 Fonterra confirmed it was pursuing a potential divestment of the Consumer channel via either an IPO or Trade Sale
- The divestment process continues alongside Fonterra's Separation Management Office, tasked with carving out a standalone entity. The work is on track with Fonterra's deal team and advisors
- In February 2025, we announced that the new standalone entity would be named Mainland Group should the IPO option proceed
- The Mainland Group will be led by CEO-elect René Dedoncker, Fonterra's Managing Director Global Markets Consumer & Foodservice, and CFO-elect Paul Victor
- René and Paul will lead roadshow meetings with potential investor groups, commencing in March 2025
- As the divestment process matures a farmer shareholder vote will be conducted, and if approved, the Co-operative would target a significant capital return

FY25 full year forecast efficiency metrics



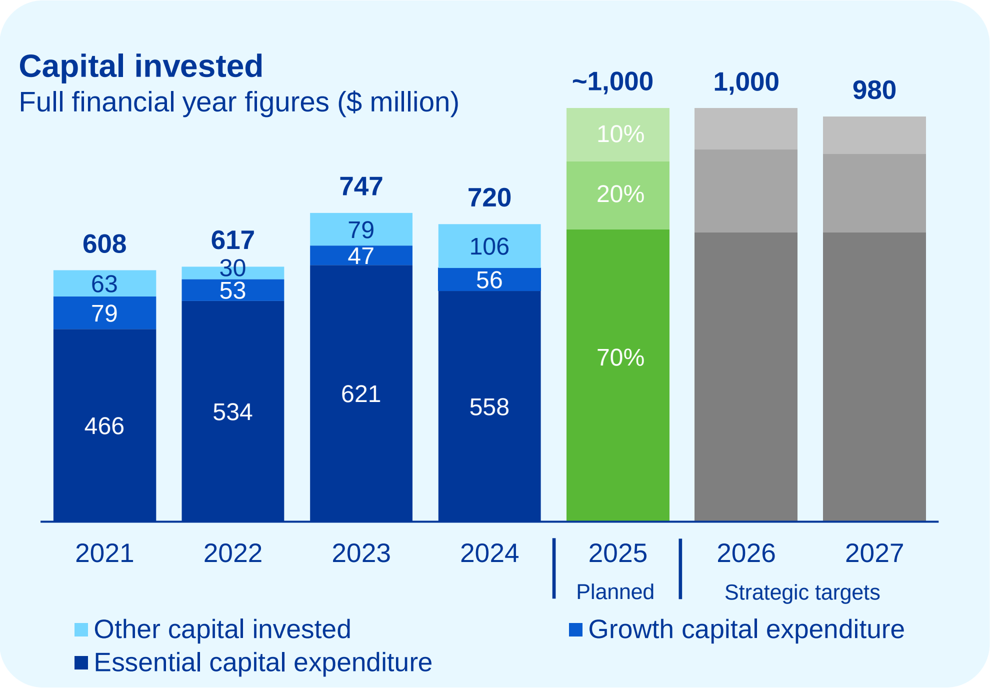


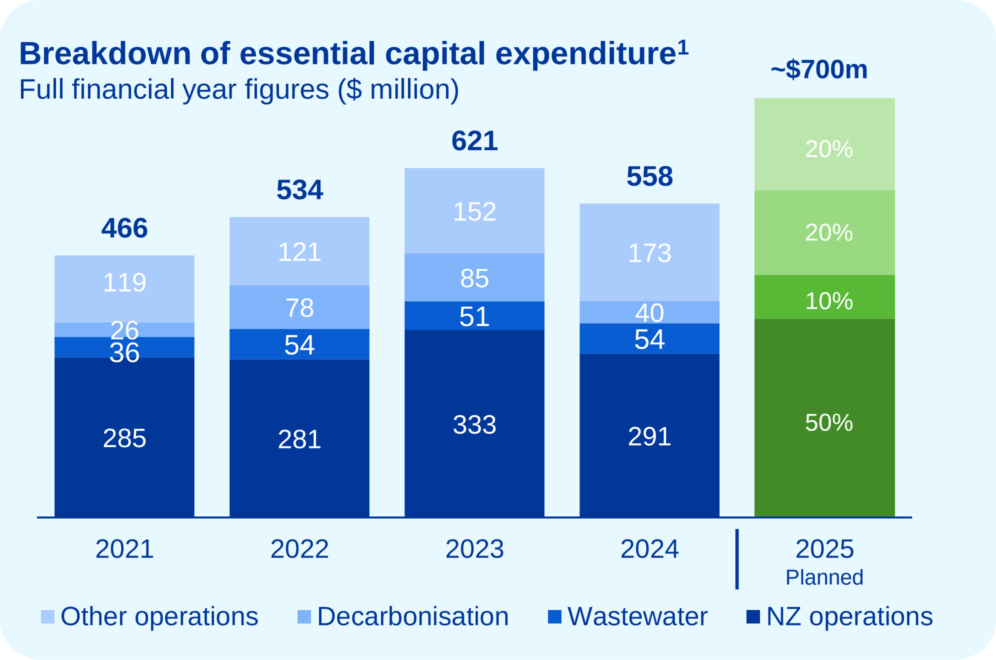
- FY25 cash operating expenses per kgMS are forecast to materially increase due to costs associated with upgrading our ERP system and the proposed Consumer divestment
- Underlying cash operating expenses are in line with prior year after adjusting for costs associated with ERP of $130m, or 8c/kgMS, and YTD proposed Consumer divestment costs[2]
- Total spend on ERP upgrade is expected to be $450-$500m over a 6-year period, with approximately $250m of the total spend expected to be incurred this year and the next
- Increase in cash expense slightly offset by the denominator effect of higher forecast FY25 milk production

- FY25 manufacturing cash costs per kgMS are forecast to increase 5c to $2.63 due to:
  - inflation, one-off staff costs and incremental costs relating to a more complex product mix, partially offset by
  - higher forecasted milk solids collections and efficiency gains through performance improvement programs
- Adjusting for inflation, manufacturing costs are forecast to be broadly in line with prior year

Note: data is on a full year forecast basis
1. Comparative information has been re-presented for consistency with the current period
2. Only YTD expenses related to Consumer divestment are included in the full year forecast as the total cost will vary based on the divestment outcome

Capital investments to support resilience and growth





- Forecasted FY25 total capital investment remains at around $1b with year-to-date capital invested of $304m (Essential $194m, Growth $50m and Other $60m).
- Majority of capital expenditure is weighted to the second half of the year due to the shape of the New Zealand milk supply curve, with the bulk of work on the manufacturing and distribution assets undertaken during the winter period
- Essential capital expenditure is forecasted to be ~70% of total allocation. Of this, ~20% will be invested on decarbonisation and energy security projects as a part of our roadmap to meet our sustainability commitments, ~10% on our wastewater assets to improve our environmental footprint and ~70% on maintaining and improving our asset network in New Zealand and globally
- Increased growth capital expenditure forecast to be ~20% of total allocation. This is to support the growth of our Foodservice and Ingredients businesses, including capacity expansion for high value products such as advanced proteins and UHT cream
- Other capital investment forecasted at ~10% of total allocation, includes Ki Tua Equity Investment Fund, Right of Use asset additions, and other equity investments

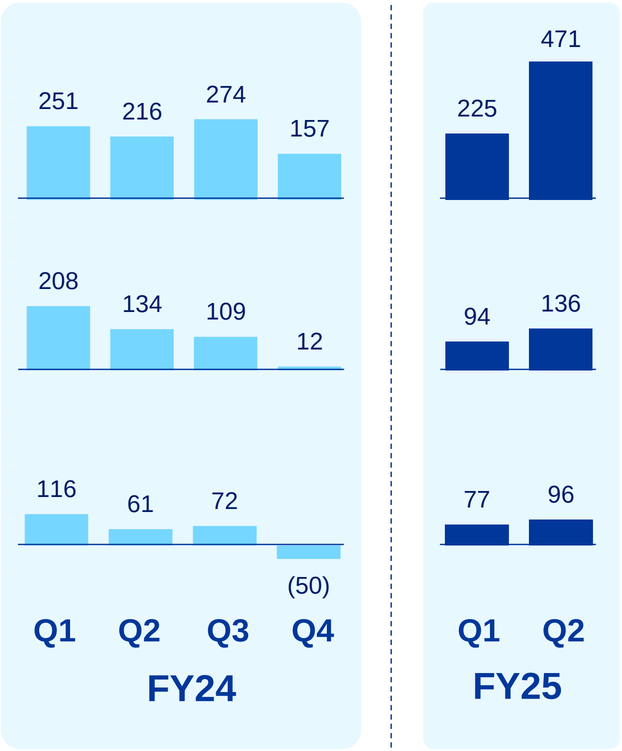
Additional Financial Information

Diversified across markets and products

Operating profit performance by reporting segment and channel

	Core Operations	Global Markets Ingredients	Global Markets Consumer & Foodservice	Greater China	Total
External sales volume (million kgMS)		340 4% ↓	200 7% ↓	249 11% ↑	789 1% ↓
Operating profit contribution from continuing operations					
Ingredients	$270m $136m ↑	$294m $37m ↑	$53m $35m ↑	$79m $21m ↑	$696m $229m ↑
Foodservice	$4m $28m ↓	$8m $ -	$57m $15m ↓	$161m $69m ↓	$230m $112m ↓
Consumer	$(7)m $7m ↓	$13m $1m ↑	$157m $2m ↑	$10m $ -	$173m $4m ↓
Total[1]	$267m $101m ↑	$315m $38m ↑	$267m $22m ↑	$250m $48m ↓	$1,099m $113m ↑

Operating profit by quarter



1. Includes corporate costs for Core Operations, Global Markets Ingredients, Global Markets Consumer & Foodservice and Greater China of $143m, $52m, $85m and $50m ($80m, $25m, $39m and $26m for the comparative period), respectively

Channel performance

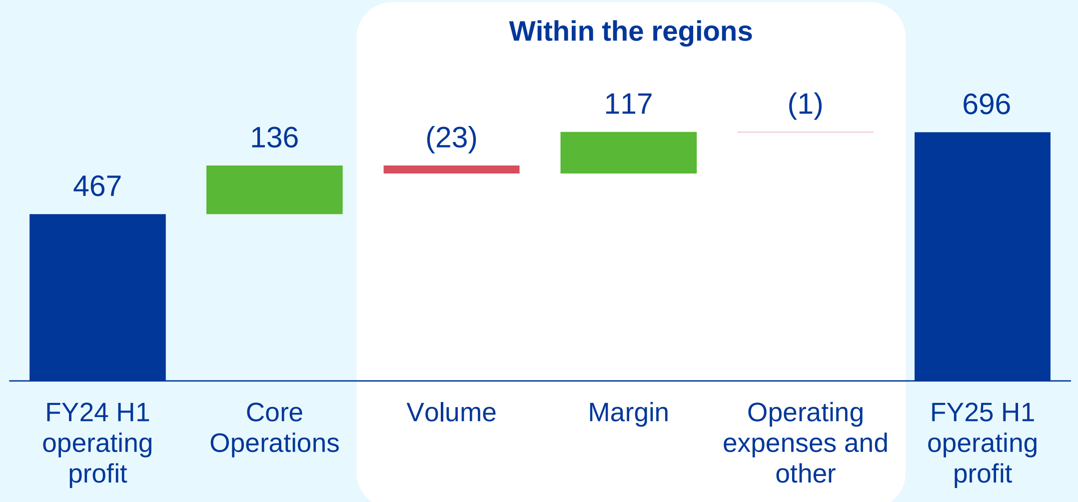
For the six months ended 31 January	Total continuing operations			Ingredients		Foodservice		Consumer	
NZD million	2024	2025	Δ%[1]	2024	2025	2024	2025	2024	2025
Sales volume ('000 MT)	1,721	1,723	-	1,083	1,055	295	310	343	358
Sales volume (million kgMS)	795	789	(1)%	592	569	121	131	82	89
Revenue	11,085	12,592	14%	7,077	8,062	2,134	2,450	1,874	2,080
Cost of goods sold	(9,049)	(10,364)	(15)%	(6,109)	(6,832)	(1,573)	(1,971)	(1,367)	(1,561)
Gross profit	2,036	2,228	9%	968	1,230	561	479	507	519
Operating expenses	(1,109)	(1,208)	(9)%	(539)	(585)	(228)	(260)	(342)	(363)
Other[2]	59	79	34%	38	51	9	11	12	17
Operating profit[3]	986	1,099	11%	467	696	342	230	177	173
Gross margin	18.4%	17.7%	-	13.7%	15.3%	26.3%	19.6%	27.1%	25.0%
Operating profit margin	8.9%	8.7%	-	6.6%	8.6%	16.0%	9.4%	9.4%	8.3%

1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
2. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
3. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $330m, $199m, $68m and $63m ($164m, $97m, $33m and $34m for the comparative period), respectively

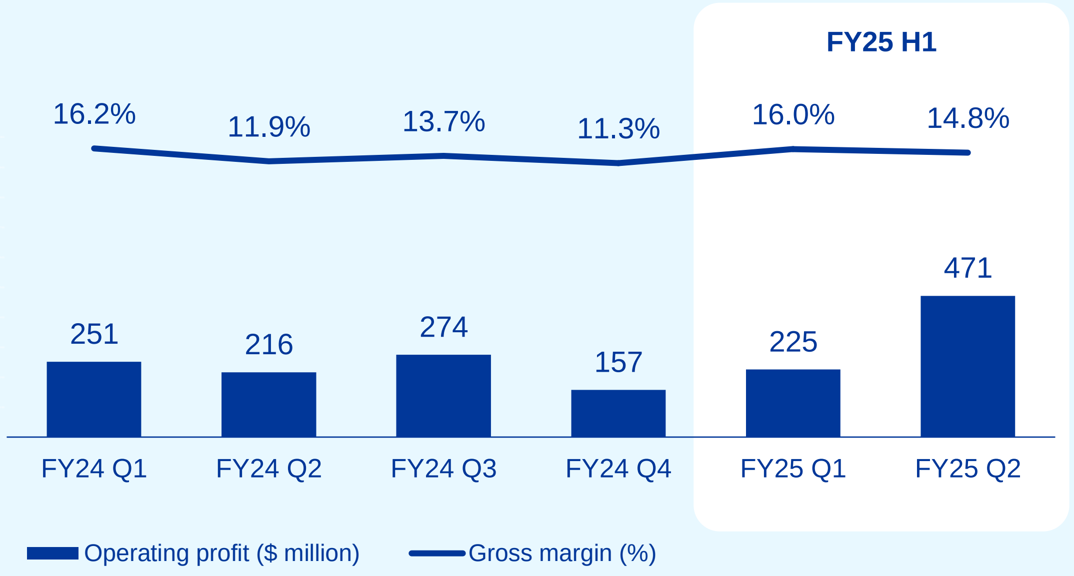
Ingredients contributing to stronger milk price and earnings

Key performance drivers

Operating profit ($ million)



Quarterly performance



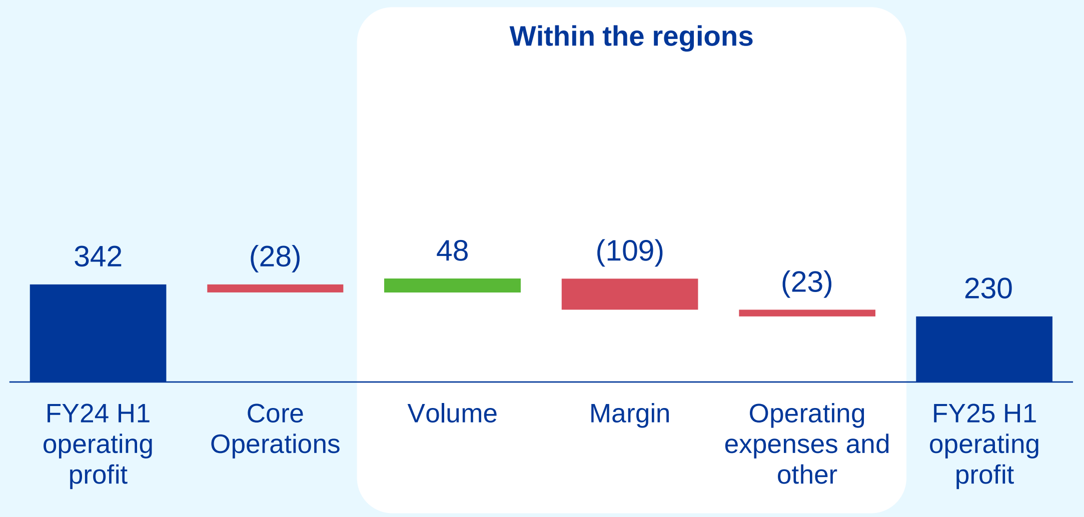
- Ingredients operating profit is up $229m, due to:
  - higher attribution from Core Operations reflecting favourable margin hedging in the Non-Reference portfolio and milk expense phasing in New Zealand which was partially offset by narrower price relativities
  - favourable in-market margins due to Australia having a stable milk price against higher global commodity prices and strong protein prices in Europe
- The impact of costs associated with upgrading our ERP system are in Core Operations allocation
- Lower in-market sales volumes due to the prior year having higher opening inventory levels in Asia Pacific and lower WMP volumes in Middle East and Africa

- FY25 Q2 experienced higher sales volumes and stronger pricing in the butter and cheese portfolios compared to last year. Year to date sales volumes remain behind the prior year
- Second half gross margins are expected to be broadly in line with first half, reflecting stable of price relativities

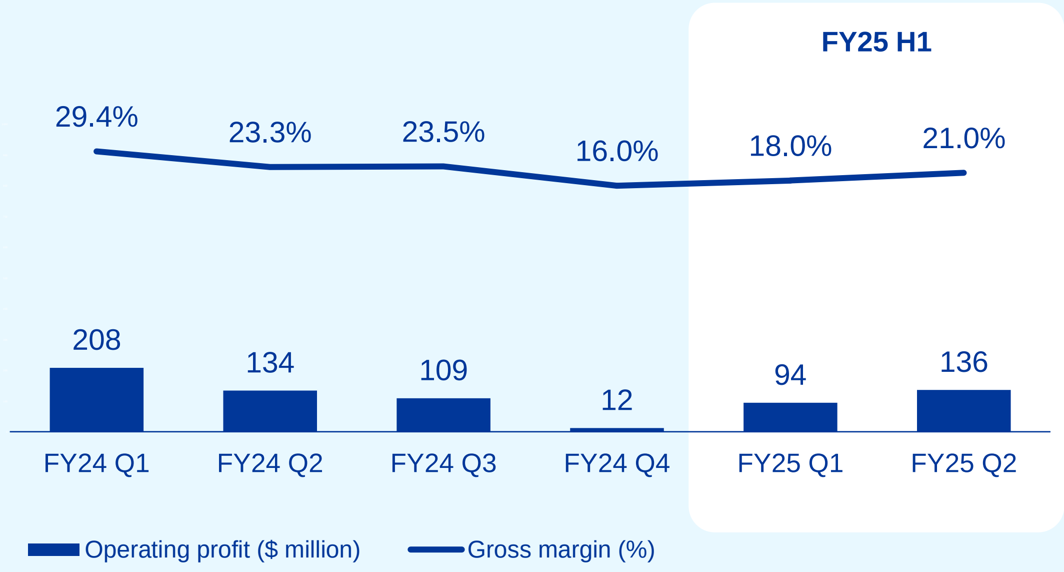
Note: For the six months ended 31 January. Prepared on a continuing operations basis

Volume growth in Foodservice continues

Key performance drivers
Operating profit ($ million)



Quarterly performance



- Foodservice operating profit is down $112m, due to:
  - lower attribution from Core Operations reflecting higher input costs from the rising cost of milk and allocation of costs associated with upgrading our ERP system
  - in-market margins down year on year reflecting pressure from the increase in cost of milk, particularly within Greater China UHT cream portfolio
  - operating expenses and other up $23m reflecting impact of costs associated with the Consumer divestment, increased staff costs and advertising and promotion
- Sales volume growth of 9%, mainly due to increased demand from Greater China for butter in bakery sector and IQF mozzarella

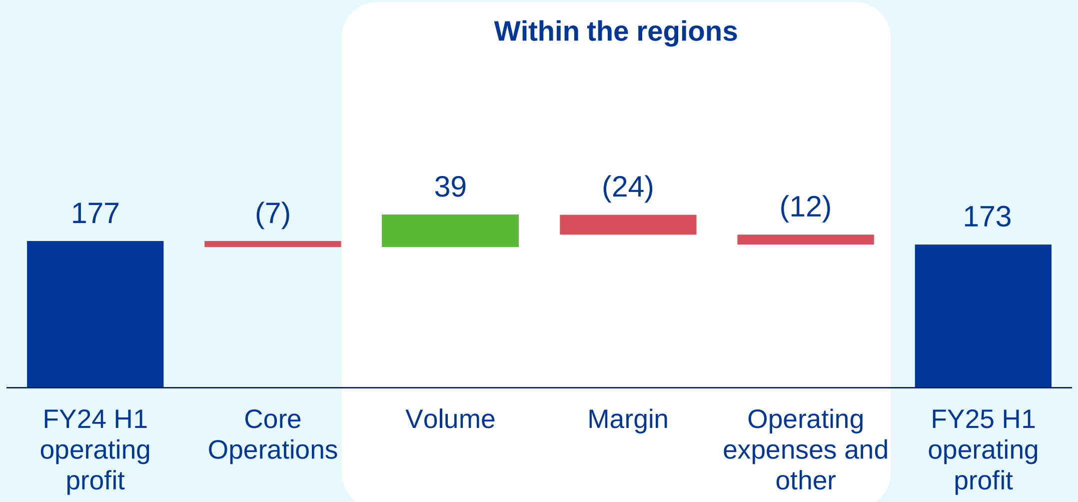
- Q2 operating profit up from Q1 reflecting higher volumes and in-market teams achieving better prices against higher input costs
- Key markets continue to strengthen, supporting improved pricing and ongoing volume growth while remaining in competitive market conditions

Note: For the six months ended 31 January. Prepared on a continuing operations basis

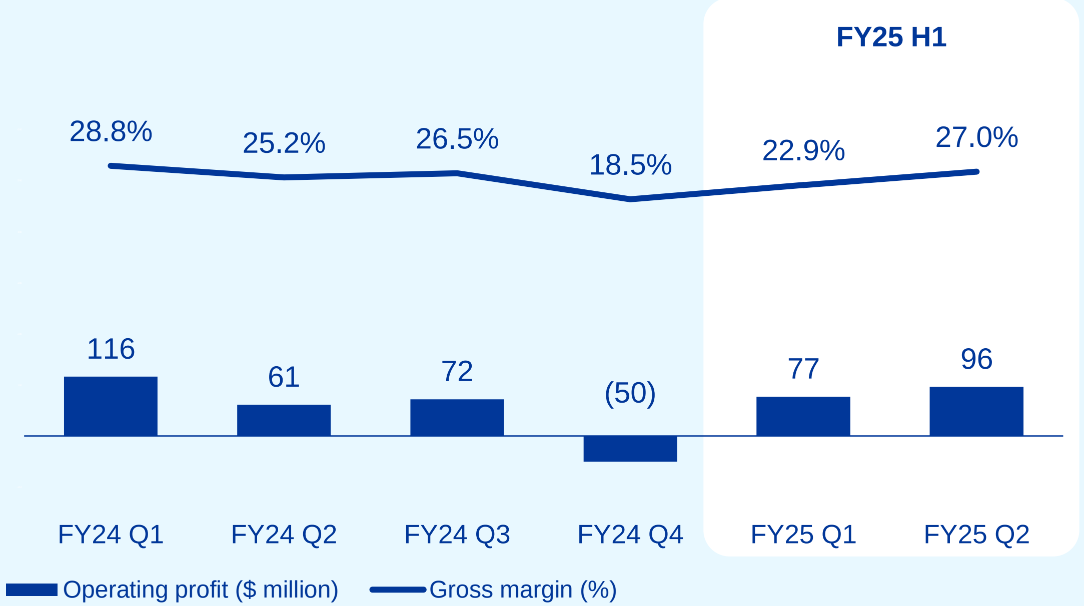
Consumer operating performance

Key performance drivers

Operating profit ($ million)



Quarterly performance



- Consumer operating profit is down $4m, due to:
  - lower attribution from Core Operations reflecting higher input costs from the rising cost of milk
  - in-market margins are down reflecting pressure from the increase in cost of milk and changes in product mix due to customers switching to value focused options
  - operating expenses are impacted by costs associated with Consumer divestment
- Sales volume growth of 7% due to higher South Asia powders and FBNZ butter volumes

- Higher Q2 gross margins due to proactive revenue management initiatives
- Key markets continue to strengthen, supporting improved pricing and ongoing volume growth while remaining in competitive market conditions

Note: For the six months ended 31 January. Prepared on a continuing operations basis

Operating earnings by In Scope and Out of Scope

	In Scope	Out of Scope	Total
External sales volume (million kgMS)	130 7% ↑	659 2% ↓	**789** **1% ↓**
Operating profit contribution from continuing operations			
Ingredients	$1m $27m ↑	$695m $202m ↑	**$696m** **$229m ↑**
Foodservice	$35m $5m ↓	$195m $107m ↓	**$230m** **$112m ↓**
Consumer	$172m $6m ↑	$1m $10m ↓	**$173m** **$4m ↓**
Total	**$208m** **$28m ↑**	**$891m** **$85m ↑**	**$1,099m** **$113m ↑**

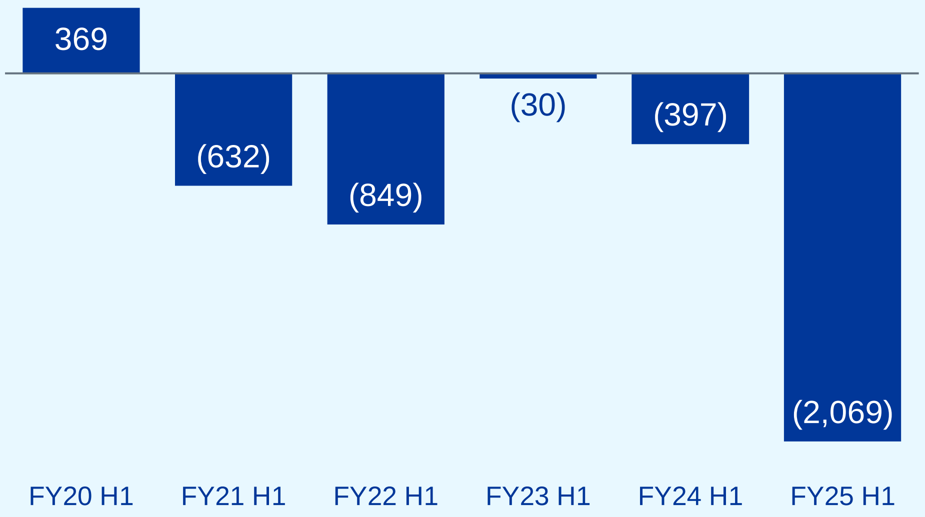
Note: For six months ended 31 January. Prepared on a continuing operations basis
Comparative changes are to FY24, and excludes impairments

- 'In Scope' represents businesses included in Fonterra's proposed Consumer divestment
- 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
  - reflected the refinement of what is included within the In Scope businesses (including removal of China Consumer business and Fonterra retaining the Dammam plant in Saudi Arabia and other perimeter adjustments)
  - reflected existing transfer pricing arrangements; and
  - attributed Core Operations operating profit/loss to the Out of Scope businesses
- This view differs from the divestment roadshow presentation released to the NZX on 10 March 2025 primarily due to the roadshow figures reflecting:
  - The proposed contractual arrangements post separation from Fonterra; and
  - a preliminary view on the stand-alone cost base of Mainland Group

Free cash flow remains a key focus

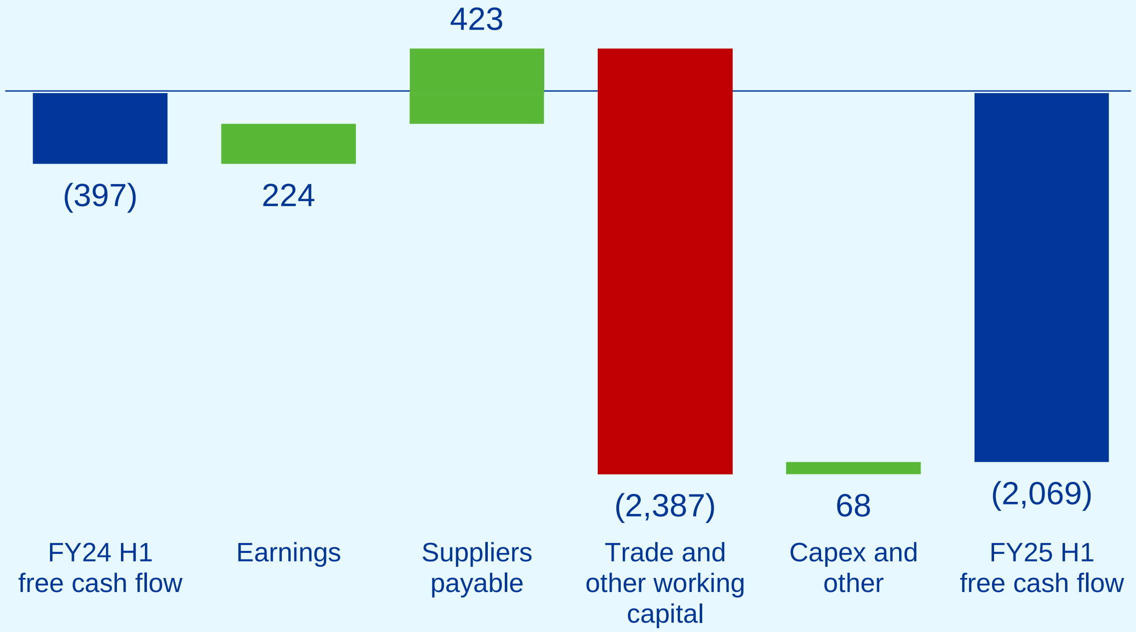
Five-year trend

($ million)



Movements in free cash flow

($ million)

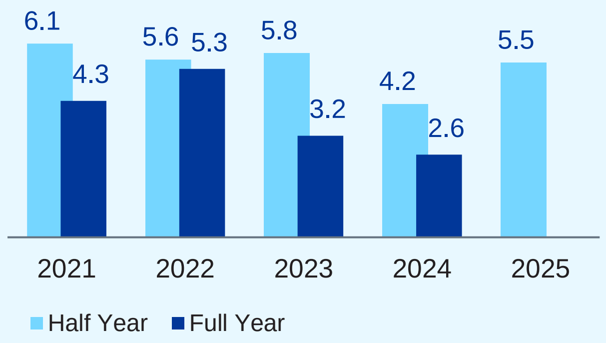


Free cash flow for the first six months is typically an outflow, reflecting the seasonal nature of the business

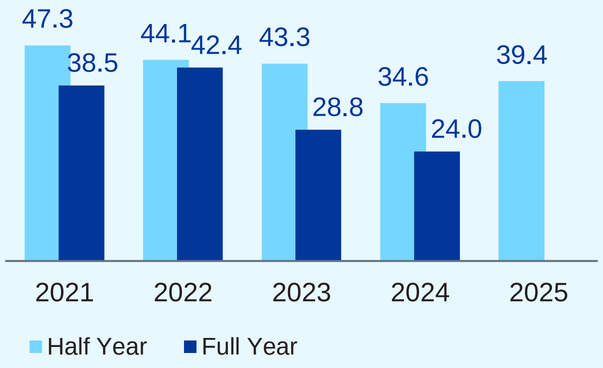
- Free cash flow for the first six months ending 31 January 2025 was a $2,069m outflow, this was a larger outflow from the prior period due to:
  - a larger increase in trade and other working capital primarily reflecting the impact of a higher Milk Price and higher inventory volume, partially offset by;
  - a larger increase in suppliers payable as a result of the higher Milk Price and milk collections, which was around $750m lower due to the accelerated advance rate, and
  - increased cash earnings against the comparative period

Resilience of the balance sheet reflected in key metrics and ‘A band’ credit rating

Net debt ($ billion)

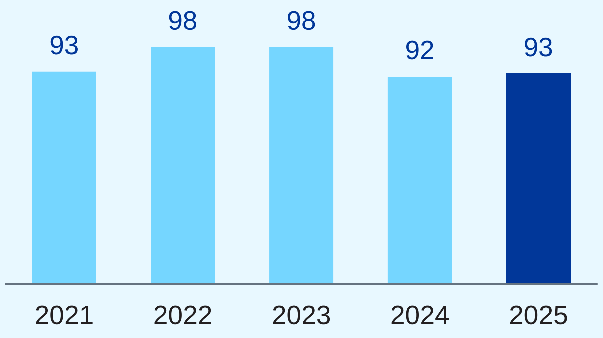


Gearing ratio (%)



- Net debt is $1.3b higher, due to:
  - an increase in working capital during the year reflecting higher milk prices and the accelerated advance rate
- Gearing ratio increased reflecting:
  - higher net debt partly offset by an increase in retained earnings
- Working capital days up reflecting higher volume and value of milk in inventory compared to prior year

Working capital days



Credit rating

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

Total Group performance

For the six months ended 31 January	Total Group			Continuing operations			Discontinued operations		
NZD million	2024	2025	Δ%	2024	2025	Δ%	2024	2025	Δ%
Sales volume ('000 MT)	1,780	1,723	(3)%	1,721	1,723	-	59	-	-
Sales volume (million kgMS)[1]	795	789	(1)%	795	789	(1)%	-	-	-
Revenue	11,257	12,592	12%	11,085	12,592	14%	172	-	-
Cost of goods sold	(9,155)	(10,364)	(13)%	(9,049)	(10,364)	(15)%	(106)	-	-
Gross profit	2,102	2,228	6%	2,036	2,228	9%	66	-	-
Gross margin (%)	18.7%	17.7%		18.4%	17.7%		38.4%	-	
Operating expenses	(1,208)	(1,208)	-	(1,109)	(1,208)	(9)%	(99)	-	-
Other[2]	59	87	47%	59	79	34%	-	8	-
Operating profit	953	1,107	16%	986	1,099	11%	(33)	8	124%
Net finance costs	(89)	(85)	4%	(82)	(85)	(4)%	(7)	-	-
Tax expense	(190)	(293)	(54)%	(190)	(293)	(54)%	-	-	-
Profit after tax[3]	**674**	**729**	**8%**	**714**	**721**	**1%**	**(40)**	**8**	**120%**
Earnings per share (cents)	40	44	10%	43	44	2%	(3)	-	-
Normalisations[4]	66	-	-	-	-	-	66	-	-
Normalised profit after tax[3]	**740**	**729**	**(1)%**	**714**	**721**	**1%**	**26**	**8**	**(69)%**
Normalised EPS (cents)	44	44	-	43	44	2%	1	-	(100)%

1. kgMS volumes only include continuing operations
2. Comprises of other operating income, net foreign exchange gains and share of profit or loss of equity accounted investees
3. Includes amounts attributable to non-controlling interests
4. Normalisations comprises of $(66)m in relation to the sale of DPA Brazil

Return on capital

For the 12 months ended 31 January NZD million	2024	2025
Total Group normalised operating profit	1,959	1,681
Finance income on long-term advances	8	14
Notional tax charge	(317)	(458)
Total Group net normalised operating profit after tax	1,650	1,237
Capital employed at 31 January	12,323	13,789
Impact of seasonal capital employed	(20)	(1,624)
Average capital employed	12,303	12,165
Return on capital	**13.4%**	**10.2%**

- Return on capital of 10.2%, above the 5-year average and tracking to be within FY25 target range of 8 – 10%
- The change relative to previous period reflects:
  - $278m lower operating profit as previous period includes higher H2 FY23 earnings; and
  - change in notional tax rate from 16.1% to 27.0% which increased the tax charge by $185m with (1.5)% impact on return on capital
- Average capital employed stable at around $12b

Global Markets Ingredients end-to-end performance

For the six months ended 31 January	Total Global Markets Ingredients[1]			Ingredients		Foodservice		Consumer	
NZD million	2024	2025	Δ%[2]	2024	2025	2024	2025	2024	2025
Sales volume ('000 MT)	630	616	(2)%	595	574	28	33	7	9
Sales volume (million kgMS)	355	340	(4)%	337	319	14	16	4	5
Revenue	4,632	5,178	12%	4,328	4,819	239	271	65	88
Cost of goods sold	(3,915)	(4,299)	(10)%	(3,663)	(3,976)	(205)	(247)	(47)	(76)
Gross profit	717	879	23%	665	843	34	24	18	12
Operating expenses	(369)	(388)	(5)%	(343)	(359)	(20)	(18)	(6)	(11)
Other[3]	35	44	26%	28	38	6	0	1	6
Operating profit[4]	383	535	40%	350	522	20	6	13	7
Gross margin	15.5%	17.0%		15.4%	17.5%	14.2%	8.9%	27.7%	13.6%
Operating profit margin	8.3%	10.3%		8.1%	10.8%	8.4%	2.2%	20.0%	8.0%

1. Global Markets Ingredients performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $116m, $108m, $5m and $3m ($57m, $52m,$3m and $2m for the comparative period), respectively

Global Markets Consumer and Foodservice end-to-end performance

For the six months ended 31 January	Total Global Markets Consumer & Foodservice[1]			Ingredients		Foodservice		Consumer	
NZD million	2024	2025	Δ%[2]	2024	2025	2024	2025	2024	2025
Sales volume ('000 MT)	609	582	(4)%	205	171	109	110	295	301
Sales volume (million kgMS)	215	200	(7)%	111	92	33	34	70	74
Revenue	3,432	3,652	6%	1,182	1,211	651	706	1,599	1,735
Cost of goods sold	(2,735)	(2,904)	(6)%	(1,095)	(1,071)	(476)	(541)	(1,164)	(1,292)
Gross profit	697	748	7%	87	140	175	165	435	443
Operating expenses	(462)	(499)	(8)%	(86)	(97)	(96)	(112)	(280)	(290)
Other[3]	17	19	12%	6	5	1	4	10	10
Operating profit[4]	252	268	6%	7	48	80	57	165	163
Gross margin	20.3%	20.5%		7.4%	11.6%	26.9%	23.4%	27.2%	25.5%
Operating profit margin	7.3%	7.3%		0.6%	4.0%	12.3%	8.1%	10.3%	9.4%

1. Global Markets Consumer and Foodservice performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $119m, $36m, $27m and $56m ($55m, $15m, $12m and $28m for the comparative period), respectively

Greater China end-to-end performance

For the six months ended 31 January	Total Greater China[1]			Ingredients		Foodservice		Consumer	
NZD million	2024	2025	Δ%[2]	2024	2025	2024	2025	2024	2025
Sales volume ('000 MT)	482	525	9%	283	310	158	167	41	48
Sales volume (million kgMS)	225	249	11%	143	159	74	81	8	9
Revenue	3,021	3,762	25%	1,567	2,032	1,244	1,473	210	257
Cost of goods sold	(2,399)	(3,161)	(32)%	(1,351)	(1,785)	(892)	(1,183)	(156)	(193)
Gross profit	622	601	(3)%	216	247	352	290	54	64
Operating expenses	(278)	(321)	(15)%	(110)	(129)	(112)	(130)	(56)	(62)
Other[3]	7	16	129%	4	8	2	7	1	1
Operating profit[4]	351	296	(16)%	110	126	242	167	(1)	3
Gross margin	20.6%	16.0%		13.8%	12.2%	28.3%	19.7%	25.7%	24.9%
Operating profit margin	11.6%	7.9%		7.0%	6.2%	19.5%	11.3%	(0.5)%	1.2%

1. Greater China performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of $95m, $55m, $36m and $4m ($52m, $30m, $18m and $4m for the comparative period), respectively

Appendix

FY25 Integrated Scorecard
as at 31 January 2025

	Key Metrics	FY23 Actual	FY24 Actual	FY25 Scorecard	FY25 YTD
People	Serious harm[1]	18	16	12	**1**
	Percentage of Health, Safety and Wellbeing priority actions fully completed by due date	76%	77%	95%	**98%**
	Culture Measure	79	79	81	**79**
Nature	GHG emissions (Scope 1,2)[2]	(14.1)%	(18.5)%	(21.1)%	**(21.2)%**
	Absolute water reduction across manufacturing sites (15% by FY30)[2]	(6.7)%	(12.4)%	(13.1)%	**(19.5)%**
Relationships	Share of New Zealand milk collected for the season to 31 May	79.0%	78.1%	78%	**78.2%**
	Delivered in full, on time (DIFOT, ex-New Zealand)	53.2%	70.8%	80%	**79.4%**
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real)[3]	1.37	1.36	1.46	**1.45**
	Core Operations manufacturing cash costs per kgMS (real)[4]	2.78	2.64	2.65	**2.63**
	Return on capital (FY)	12.4%	11.3%	8%-10%	**On-track**
	Farmgate Milk Price ($)	$8.22	$7.83	$7.75-$9.25	**$9.70-$10.30[5]**
Alignment Rights	Total shareholder return	$2.38	$2.66		**3.36**
	(12-month Volume Weighted Average Price of FCG share plus dividend)[6]	$1.00	$0.55		
	On-farm profitability ($ per hectare)[7]	3,017	Not Available	Not Available	

1. A broader definition, which also includes Contractors, has been adopted for FY25 resulting in an increased number of injuries captured under the revised definition.
2. Relative to FY18 Baseline.
3. Based on New Zealand and Australia milk solids. FY25 excludes divestment related costs. Efficiency measures have been restated using FY25 as the base year.
4. Based on New Zealand milk solids collected. Excludes the cost of milk.
5. Latest Forecast Farmgate Milk Price announced 20 March 2025 with midpoint of $10.00.
6. Volume Weighted Average Price (VWAP) for the period 1 October to 30 September. FY25 YTD is 12-month VWAP to 31 January 2025.
7. DairyNZ Economic Survey 2022-2023 (Owner-Operator). Publication of 2024 survey expected in July 2025.

Data sources

Dairy Production and Imports

- 12-month production
  - Australia, New Zealand, US (Jan 2024 to Jan 2025) Dairy Australia, DCANZ, USDA
  - EU (Dec 2023 to Dec 2024), Eurostat
- 3-month production
  - Australia, New Zealand, US (Nov 2023 – Jan 2024 to Nov 2024 – Jan 2025) Dairy Australia, DCANZ, USDA
  - EU (Oct 2023 – Dec 2023 to Oct 2024 – Dec 2024) Eurostat
- 12-month imports
  - China (Dec 2023 to Dec 2024) S&P Global
  - LATAM, Asia (excl. China), Middle East & Africa (Dec 2023 – Dec 2024) S&P Global
- 3-month imports
  - China (Oct 2023 – Dec 2023 to Oct 2024 – Dec 2024) S&P Global
  - LATAM, Asia (excl. China), Middle East & Africa (Oct 2023 – Dec 2023 to Oct 2024 – Dec 2024) S&P Global

Non-GAAP Measures

Fonterra uses several non-GAAP measures when discussing financial performance. Non-GAAP measures are not defined or specified by NZ IFRS.

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

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

Glossary

Attributable to equity holders of the Co-operative
is used to indicate that a measure or sub-total excludes amounts attributable to non-controlling interests

Average capital employed
is a 13-month rolling average of capital employed

Bulk liquids
means bulk raw milk that has not been processed and bulk separated cream

Capital employed
is adjusted net debt less the cash adjustment (used in calculating adjusted net debt), plus cash and cash equivalents held by subsidiaries for working capital purposes, plus equity excluding hedge reserves and net deferred tax assets

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

Cash operating expenses per kgMS
is continuing operations operating expenses, less non-cash costs (depreciation, amortisation and impairments. Shown by kilogram of New Zealand and Australia milk solids collected

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

Continuing operations
means operations of the Group that are not discontinued operations

Core Operations
represents core operating functions including New Zealand milk collection and processing operations and assets, supply chain, Fonterra Farm Source™ retail stores, and the physical and financial commodity portfolio management function

Core Operations manufacturing cash costs per kgMS
is the logistics costs, variable and fixed costs of the COO business unit less non-cash costs (depreciation, amortisation and impairment) shown by kilogram of New Zealand milk solids collected. Excludes milk, ocean freight and farm costs.

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

Discontinued operations
means a component of the Group that is classified as held for sale (or has been sold) and represents, or is part of a single coordinated plan to dispose of, a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale

Eliminations
represents eliminations of inter-business unit sales

Gearing ratio (%)
is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt

Global Markets Consumer & Foodservice
represents the Ingredients, Foodservice and Consumer channels in the Middle East and Africa, Oceania, South and South-East Asia regions

Global Markets Ingredients
represents the Ingredients, Foodservice and Consumer channels in the Middle East and Africa, Oceania, South and South-East Asia regions

Glossary

Greater China
represents the Ingredients, Foodservice and Consumer channels in Greater China

Ingredients
represents the channel comprising bulk and specialty dairy products such as milk powders, dairy fats, cheese and proteins manufactured in New Zealand, Australia and Europe, or sourced through our global network, and sold to food producers and distributors

Net debt
is calculated as total borrowings, plus bank overdraft, less cash and cash equivalents, plus a cash adjustment for 25% of cash and cash equivalents held by the Group's subsidiaries, adjusted for derivatives used to manage changes in hedged risks on debt instruments. Amounts relating to disposal groups held for sale are included in the calculation

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

Normalisation adjustments
means adjustments made for certain transactions that meet the requirements of the Group's Normalisation Policy. These transactions are typically unusual in size and nature. Normalisation adjustments are made to assist users in forming a view of the underlying performance of the business. Normalisation adjustments are set out in the Non-GAAP Measures section. Normalised is used to indicate that a measure or sub-total has been adjusted for the impacts of normalisation adjustments. E.g., 'Normalised EBIT'

Price relativities
refers to the difference in the weighted average price (in USD) between the Reference Product portfolio and Non-Reference Product portfolio. The difference between these two weighted average prices is a key driver of the Ingredients' gross margin

Reference Products
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)

Total Group
is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and non-controlling interests. E.g., 'Total Group operating profit'

Trade working capital
is total trade and associate receivables plus inventories, less trade and associate payables and accruals. It excludes amounts owing to suppliers and employee entitlements and includes trade working capital classified as held for sale

Working capital days
is calculated as 13-month rolling average 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. The working capital days calculation excludes other receivables, prepayments, other payables and includes working capital classified as held for sale

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 ProfessionalsTM brand

Fonterra™

Dairy for life