Interim Report 2025
Pūrongo Taupua

Contents

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 Non-GAAP Measures section of this report for reconciliations of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.

Front cover:
Shanelle & Harley, Canterbury

Bridgeman Farm, Taranaki

Sustained progress

As we transform our Co-op for tomorrow, we continue to perform today

Peter McBride
Chair

Miles Hurrell (right)
Chief Executive Officer

Kia ora,

Welcome to Fonterra Co-operative Group's FY25 Interim Report.

We're pleased to report that Fonterra has delivered a strong first half result, with the Co-op's milk collections, forecast Farmgate Milk Price and earnings performance all up on this time last year.

Fonterra's forecast Farmgate Milk Price is $9.70-$10.30 per kgMS with a midpoint of $10.00 per kgMS and we have announced an interim dividend of 22 cents per share.

This is a positive outcome for farmer shareholders and unit holders and demonstrates our focus on driving end-to-end value, which includes delivering strong financial performance while maintaining the highest sustainable Farmgate Milk Price.

Our teams have worked hard across the value chain to optimise production and drive demand for farmers' milk through our mix of sales channels across our global markets.

This has resulted in strong earnings performance in our Ingredients business. Our Foodservice earnings are down on last year's record result, but we have seen good growth in sales volumes and above average margins in both our Foodservice and Consumer businesses, despite the higher Farmgate Milk Price.

> "Our teams have worked hard across the value chain to optimise production and drive demand for farmers' milk."

Forecast Farmgate Milk Price range

NZ$9.70-$10.30

per kgMS

Earnings forecast

55-75 cents

per share

Profit after tax

NZ$729m ↑

up 8%

Interim dividend, fully imputed

22 cents

per share

At the same time, we're looking ahead as we implement our strategy and continue to invest for the future.

We're committed to delivering the strongest farmer offering, which includes getting cash into the hands of farmers faster, supported by our strong balance sheet. We have announced new funding for farmers producing lower emissions milk and have expanded the Fixed Milk Price programme that farmers can use to get more certainty around the Farmgate Milk Price.

We have commenced projects to unlock manufacturing production capacity for our Ingredients and Foodservice channels, with site works now underway at Studholme for high-value protein capacity and at Edendale for a new UHT cream plant.

We're also continuing to invest to future proof our operations and supply chain network, with work underway on a new Whareroa coolstore and decarbonisation projects at multiple manufacturing sites to secure energy supply and reduce the Co-op's emissions.

Continuous efficiency improvements within our manufacturing network remain a strategic priority for us, due to the influence this has on Farmgate Milk Price performance. We have more work to do in this area.

Alongside work to enhance our core business, we are progressing the process to explore divestment options for our global Consumer business as well as Fonterra Oceania and Sri Lanka.

We are pursuing both a trade sale and initial public offering (IPO) as potential divestment options, with good progress made in both processes.

The decision to pursue a divestment is grounded in an understanding of how to best create value for farmer shareholders and unit holders, which is our high performing Ingredients and Foodservice businesses. Ultimately this will be a farmer shareholder decision.

As we look out to the remainder of the financial year, the Co-op is in good shape, thanks to our first half earnings performance as well as the ongoing strength of our balance sheet.

Global markets are increasingly volatile, as geopolitical instability ramps up. Volatility creates both challenges and opportunities for the Co-op, which we are prepared to manage but continue to watch closely.

We have recently increased the Co-op's FY25 full year forecast earnings range to 55-75 cents per share, which reflects the underlying strength of our core business as well as the resilience in our Consumer channel.

Finally, a reminder that the tax treatment of dividends paid on supply-backed shares has changed due to the Co-op now paying tax in New Zealand. This includes the ability for farmer shareholders to use these imputation credits to offset their own tax liability.

Ngā mihi,

Peter McBride
Chairman

Miles Hurrell
Chief Executive Officer

Progress on strategy

We're playing to our strengths to be the source of the world's most valued dairy

Adam, Taranaki

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**
- **Investing 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**

Progress on Strategy

Deliver strongest farmer offering

- Updated the Co-operative Difference framework.
- Optimised Advance Rate schedule for current season.

Unleash our Ingredients engine

- Invested $75M to grow protein capacity at Studholme.
- Increased allocation of solids to our Non-Reference portfolio.

Keep momentum in Foodservice

- Invested $150M to build a new UHT cream plant at Edendale.
- Allocated more solids to Foodservice.

Invest in operations for the future

- Upgrading our Enterprise Resource Planning (ERP) system to build efficiency.
- Invested in a new coolstore at Whareroa to build further supply chain resilience.

Build on our sustainability position

- Released the 2nd edition of the Co-op's Climate Roadmap.
- Announced three decarbonisation initiatives at Clandeboye, Whareroa and Edgecumbe.

Innovate to drive our advantage

- Launched Anchor Easy Bakery UHT cream, targeting China's mid-tier cities.
- Opened our sixth Application Centre in Greater China at Wuhan.

Financial Overview

Increased milk flows on-farm and strong demand across all three product channels have enabled the Co-operative to deliver an improved operating profit for the first six months of FY25 and a fully imputed interim dividend of 22 cents

The Co-op's net profit is $729 million for the first six months of FY25, up $55 million on the prior comparable period due to improved operating profit and lower interest costs, partially offset by a higher tax expense. The increase in net profit is alongside a higher forecast Farmgate Milk Price for the 2024/25 season, with a midpoint of $10.00 per kgMS.

Adjusting for non-controlling interests, earnings per share attributable to equity holders is 44 cents. The Board has declared a fully imputed interim dividend of 22 cents per share, made possible by the earnings momentum and optionality created by Fonterra's strong balance sheet in the first six months of FY25. The dividend payment date is 8 April 2025.

Operating profit was $1,107 million, $154 million up on the prior comparable period.

- **Ingredients channel** operating profit of $696 million up $229 million, reflecting improved margins and product mix. Refer to Unleash our Ingredients engine for further information.
- **Foodservice channel** operating profit of $230 million down $112 million, cycling record growth in the prior period. Sales volume growth has continued in the first six months, with higher input costs impacting gross margins. Refer to Keep momentum in Foodservice for further information.
- **Consumer channel** operating profit of $173 million down $4 million, with good volume growth and gross margin offset by higher operating expenses as we prepare the business for sale. Refer to Progressing Consumer for further information.

Operational expenses of $1,208 million are in line with the last comparable period. Costs from continuing operations increased $99 million mainly due to the increased investment in upgrading our Enterprise Resource Planning (ERP) system as well as the costs associated with the divestment of the Consumer business, offset by no expenses from discontinued operations which included DPA Brazil last year.

Capital invested for the period was $304 million. The Co-op is forecast to invest slightly over $1 billion for the full year. For further information refer to the Investing in operations for the future section.

Net debt was $5.5 billion, up $1.3 billion mainly due to the Co-op using its balance sheet strength to pay its farmer owners sooner for milk collected.

Outlook

Fonterra's FY25 full year forecast earnings guidance is 55-75 cents per share, reflecting the momentum in the Ingredients business and resilience in the Foodservice and Consumer channels on the back of higher input costs.

FY25 Interim dividend fully imputed:

22 cents

up 7 cents

Deliver strongest farmer offering

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

Fonterra's strategy is focused on growing end-to-end value for farmer shareholders. This starts with providing the strongest farmer offering, that helps de-risk farming by providing the highest sustainable milk price enabled by efficient collection and processing, providing additional returns from earnings, increasing farmer support and more.

The Co-op is currently forecasting its highest[1] Farmgate Milk Price with a mid-point of $10.00 per kgMS for the 2024/25 season. In addition, Fonterra's underlying balance sheet strength meant the Co-op was also able to optimise the Advance Rate Schedule during the first half of the 2024/25 season. These changes were designed to get cash to farmers sooner and included an increase in the December paid January payment from 75% to 85%.

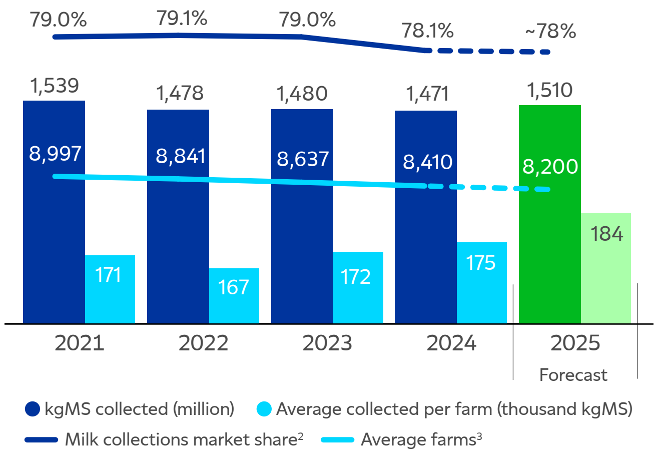
Fonterra's milk collections for the season are forecast to be 1,510 million kgMS with collections of 1,048 million kgMS as at 31 January due to favourable pasture conditions across the North Island and parts of the South Island. Supplying farms are down on the prior year due to increased competition in the central North Island and ongoing land use change. This will put pressure on our target market share for the 2025 season. We are committed to maintaining our market share, and there is a solid pipeline of new farms set to supply the Co-op next season, particularly in the South Island.

1 On a nominal basis.

The Co-op continues to look for innovative ways to support its farmer owners and in February we announced new funding designed to build a stronger Co-operative and continue to grow value for shareholders through helping farmers reduce on-farm emissions. Beginning on 1 June 2025, Fonterra will introduce a payment for farms that achieve certain emissions-related criteria as part of updates to the Co-operative Difference framework. Meanwhile, new incentives that benefit farmers will be funded through separate agreements with Mars and Nestlé. In November 2024, the Co-op ran a series of meetings looking at practical ways farmers could make efficiency gains that benefit their farm's bottom line. We also launched the On-Farm Efficiency Hub the same month, providing information to help make gains in productivity and profitability – while helping boost sustainability.

Fonterra supplier base and milk collection

Full season figures



2 Forecast milk collections market share for FY25.
3 Average number of farms supplying milk for the season.

Season to date collections

1,048m kgMS

up 3.6%

Forecast milk price mid-point

$10.00 per kgMS

Chris & Andrew, Canterbury

Unleash our Ingredients engine

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

Our Ingredients channel had a strong first six months with operating profit up $229 million to $696 million reflecting improved margins and product mix.

In line with the Co-op's strategic objectives, the Co-op is on target to allocate 53% of milk solids to the reference product portfolio within the Ingredients channel, compared to 55% the previous year. The reduction reflects an increased allocation to our higher margin Non-Reference Ingredients and Foodservice products. The Co-op is on track to allocate 23% of milk solids to the Non-Reference product portfolio.

The Co-op's Ingredients channel currently supplies more than 1,000 customers across 120 countries and has been focused on consistently building demand for high-returning products. An example of this has been the development of our functional protein range. This has been a key platform behind strong results in higher-value markets such as Europe, the USA, Japan and China. To cater to growing demand and strengthen our Ingredients channel offering, the Co-op is continuing to invest in capability, for example, the previously announced expansion at our Studholme site, transforming this factory into a hub for high-value protein production.

Ingredients operating profit

$696m

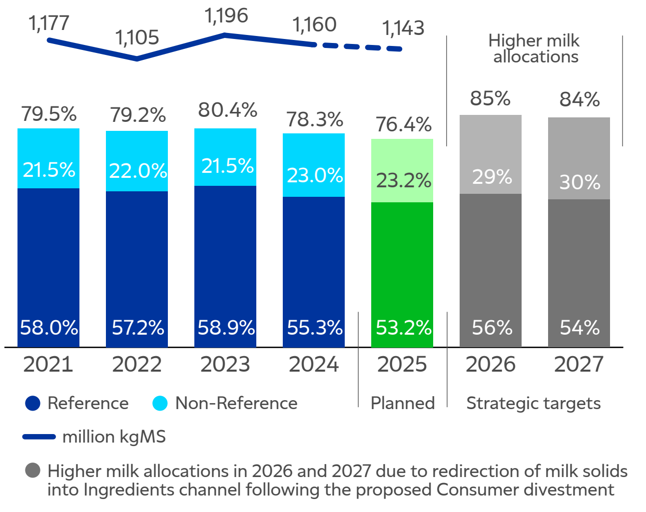
up 49.0%

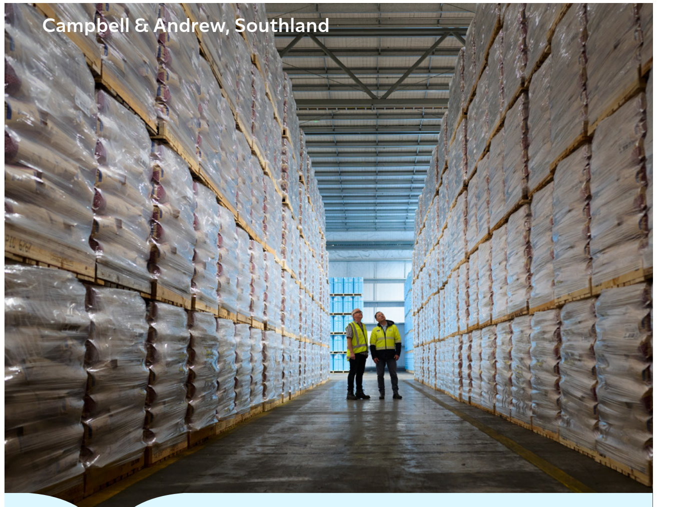
Ingredients Return on Capital

11.0%

from 12.8%

Improved mix as solids allocated to high value ingredients
Full financial year figures





Case study: Expanding production of high-demand ingredients

In August 2024, Fonterra announced a $75 million investment at its Studholme site to create a hub for high-value functional proteins. Studholme was chosen for its size, modern facilities, and growth potential. With the high-protein dairy market set to grow by nearly USD10 billion in four years, this investment aligns with the Co-op's strategy to grow value for customers who rely on its high-performance dairy proteins for premium applications like medical and sports nutrition. Construction is well underway with the first product set to come off the line in 2026. Following completion, the investment will unlock capacity in our Non-Reference portfolio to support the Co-op's strategic priorities.

Keep momentum in Foodservice

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

Our Foodservice channel delivered sales volume growth of 8.3% for the first six months due to strong demand in our cheese portfolio, particularly our Individually Quick Frozen (IQF) mozzarella in China and Southeast Asia. Gross margins in the first half were impacted by higher input costs and operating profit was down $112 million on the prior comparable period, which was a record result, to $230 million. Key markets continue to strengthen, supporting improved pricing and ongoing volume growth while remaining in competitive market conditions.

The growth in UHT cream sales in major markets like China is the key driver for the planned increased allocation of milk solids to the Foodservice channel from 210 million kgMS to 235 million kgMS.

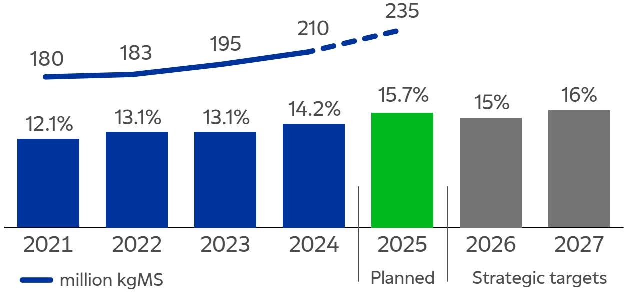
To maintain this momentum, we are building additional capacity to support demand in our UHT cream category. We announced in December 2024 that we would invest $150 million into the expansion of our Edendale site. Works are already underway, with the first product set to roll off the line in August 2026. Initially delivering over 50 million litres of UHT cream annually, which broadly equates to around 20 million kgMS in additional capacity, with plans to more than double this by 2030.

It is expected that the expanded Edendale site will make products similar to Fonterra's new Anchor Easy Bakery cream, launched at the China International Import Expo (CIIE) in Shanghai in November 2024.

Made with 100% New Zealand dairy, the Anchor Easy Bakery cream is designed for the mid-tier market in China where UHT cream demand continues to increase, driven largely by a growing middle class, urbanisation and increased awareness of the nutritional value of dairy.

Continued Foodservice growth driving higher milk allocation

Full financial year figures



Foodservice operating profit

$230m

down 32.7%

Foodservice Return on Capital

11.7%

from 23.6%

Singapore, Southeast Asia

Progressing Consumer

Our Consumer channel performed well for the first six months with sales volume growth of 8.5% due to higher South Asia powders and FBNZ butter volumes. Proactive revenue management initiatives mean that gross margins were maintained despite the higher cost of milk. However, operating profit was largely flat at $173 million as operating expenses included costs of preparing the Consumer business for a potential divestment.

The Co-op is on track to increase its allocation of milk solids by 7 million kgMS to 118 million kgMS, or just under 8% of total solids, in line with our strategic targets. Strong demand from South Asia and China along with the stable margins will be the key drivers for the increased allocation.

"A divestment remains subject to approval from Fonterra's farmer shareholders."

Consumer operating profit

$173m

down 2.3%

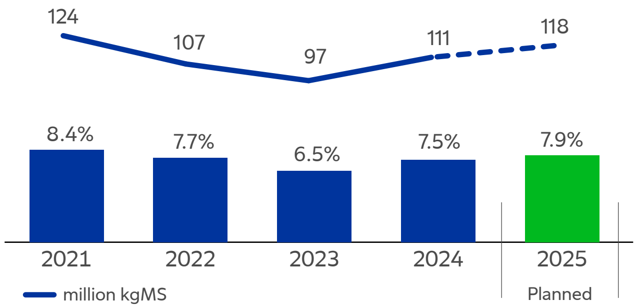
Consumer Return on Capital

5.8%

from 4.7%

Increased milk allocation and sales through Consumer

Full financial year figures



Update on potential divestment of Consumer and associated businesses

In November 2024, Fonterra confirmed it is pursuing a divestment of its global Consumer and associated businesses.

The decision to pursue a divestment is grounded in an understanding of where Fonterra best creates value for farmer shareholders and unit holders, which is through its Ingredients and Foodservice businesses.

Fonterra has identified both a trade sale and initial public offering (IPO) as divestment options and is currently pursuing both.

Since November 2024, Fonterra has:

- Engaged with potential trade sale purchasers;
- Announced Mainland Group as the corporate brand if an IPO is pursued;
- Named René Dedoncker as CEO-elect and Paul Victor as CFO-elect for Mainland Group; and
- Conducted non-deal investor roadshow meetings for Mainland Group.

Fonterra's chosen divestment option will balance:

- Maximising long term value for farmer shareholders, including the best return on capital invested;
- Cementing Fonterra's competitive advantage in Ingredients and Foodservice; and
- Expanding international channels to market for high-quality New Zealand dairy.

A divestment remains subject to approval from Fonterra's farmer shareholders.

Fonterra continues to target a significant capital return to be made to farmer shareholders and unit holders following the divestment.

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

Future-proofing through operational resilience and security of energy supply remains a focus of the Co-operative, with investments designed to create enduring assets fit for the future alongside renewable energy solutions that support long-term sustainability.

As the Co-op looks for ways to drive higher value for its farmer owners, having flexible asset capabilities gives Fonterra the ability to gear certain sites towards higher-value Foodservice and Ingredients products. Recent announcements include the construction of a new cool store at Whareroa, a new proteins hub at Studholme, and a new UHT cream plant at Edendale.

In addition, we are investing to upgrade the Co-op's Enterprise Resource Planning (ERP) software system to make it fit for purpose and improve operational efficiencies.

The forecast FY25 increase in cash operating expenses per kgMS from $1.36 to $1.45 includes 8 cents related to the planned investment in the Co-op's ERP upgrade. The Co-op's ERP software enables us to integrate our core business processes – everything from sales and logistics to invoicing – into one cohesive system. The spend is forecast to peak this financial year and the project remains on track. The upgrade will help drive efficiencies through standardised and streamlined systems and processes.

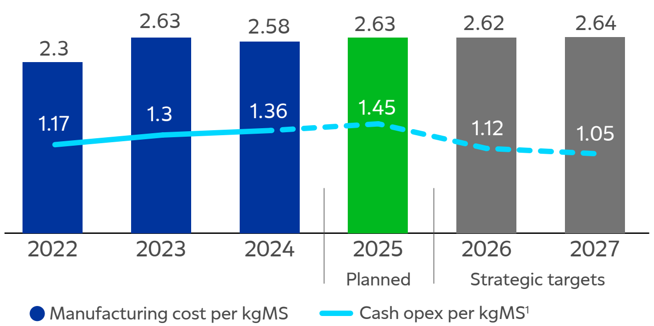
The Co-op is also focused on improving manufacturing processes to drive value for its farmer owners. In October 2024, the Operations Optimisation team was formed to improve operational performance through better integration, efficiency improvements, and implementing strategic changes to the way we work.

We've also optimised our transportation network, reducing the Co-op's tanker fleet by nine vehicles to date in FY25. This reduction was made possible through improved reliability, continued benefits from automated milk vat monitoring systems that optimise collection windows, and strategic fleet right-sizing to match kilometres and milk pools. This builds upon our previous efficiency initiatives that removed 26 trucks between FY21 and FY24.

The FY25 cash manufacturing costs per kgMS are forecast to increase by around 5 cents to $2.63 due to inflation, one-off staff costs and incremental costs relating to a move towards a more valuable product mix, as we move our portfolio up the value chain towards Non-Reference commodity products. This is forecast to be partially offset by higher milk solid collections and efficiency gains through performance improvement programs.

Cash expenses ($/kgMS)

Full financial year figures



Note: data is on a full year forecast basis

1 Only YTD costs related to the proposed Consumer divestment are included in FY25 full year forecast as the total cost will vary based on the divestment outcome.

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

Case study: Investing in renewable secure energy solutions

In January, Fonterra announced an investment of $120 million into renewable energy solutions with the installation of electrode boilers at its Whareroa and Edgecumbe sites in the North Island. Once all transition investments at both sites are complete the new boilers will reduce the Co-operative's annual carbon emissions by 79,000 tonnes – the equivalent of removing nearly 33,000 cars off New Zealand roads – reducing annual gas usage by 4.3PJ and 1 PJ respectively, and further support energy security.

Build on our sustainability position

Further improve the Co-op's sustainability credentials

The Co-operative remains committed to its decarbonisation pathway, transitioning from fossil fuels to achieve its ambition of net zero emissions by 2050 while balancing energy security, capital investment, and operational needs. A substantial portion of total capital expenditure is allocated to sustainability related projects in our Strategic Plan with around 30% of the essential capital expenditure earmarked for this purpose in FY25.

In November 2024, the Co-op released the second edition of its Climate Roadmap.

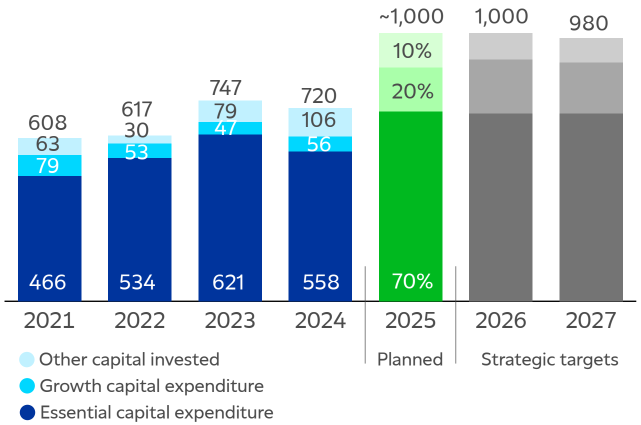
Progress towards targets includes:

- A 3.1% reduction in Scope 1 and 3 FLAG GHG emissions from a 2018 baseline. This is against a target of a 30% reduction per tonne of Fat and Protein Corrected Milk by 2030.
- A 21.2% reduction in absolute Scope 1 and 2 GHG emissions from a 2018 baseline. This is against an absolute target of a 50.4% reduction by 2030.

The Co-op has made further progress towards transitioning from coal to renewable energy with the closure of the last coal boiler at our Waitoa site in November 2024, meaning that Fonterra is officially out of coal in its North Island manufacturing. With only five sites left in the South Island to transition off coal - Takaka, Darfield, Clandeboye, Studholme and Edendale - plans are underway to secure renewable solutions so that the Co-op both secures energy supply and meets its commitment to be out of coal by 2037.

The Co-op's largest decarbonisation project to date was announced in December with an investment of $64 million to convert two coal boilers to wood pellets at Clandeboye, cutting the Co-op's overall manufacturing emissions by an estimated nine per cent and 155,000 tonnes of CO_2e. The investment follows successful boiler conversions at Te Awamutu and Hautapu with the new Clandeboye boilers scheduled to be operational by September 2025.

Capital invested ($million)
Full financial year figures



Reduction in Scope 1 and Scope 3 FLAG GHG emissions from dairy by 30.0% per tonne of fat-and-protein-corrected milk by FY2030 (from a FY2018 base year)

3.1%*

Reduction in absolute Scope 1 and 2 GHG emissions by 50.4% by FY2030 (from a FY2018 base year)

21.2%

Andrew & Michael, Southland

* as at the end of FY2024. This metric is only able to be updated annually

Innovate to drive our advantage

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

Innovation is essential to predict and respond to consumer and customer needs while helping address complex operational challenges, supporting the Co-op's six strategic choices. Innovation comes to life in-market alongside our customers to create new product solutions and through research and development at the Fonterra Research and Development Centre (FRDC).

In addition, the Ki Tua Fund is an important vehicle for innovation that enables Fonterra to access new technology, capabilities and business models across the rapidly changing food, science and technology landscape.

More broadly, innovation supports the Co-op's entire value chain from on-farm, operations right through to the end consumer. Two particular highlights this half were the launch of two new Foodservice products in Fonterra's high value cream category, Anchor Easy Bakery (AEB) UHT cream and Infiniti cream, a new product launched in Singapore that is in the early stages of commercial trials.

AEB was ideated and developed at the FRDC. This product had a swift journey to market, achieved in seven months thanks to broad collaboration across the Co-op. This cream is targeted at Foodservice customers in China's mid-tier cities, one of the fastest growing segments in this market.

Fonterra works closely with its customers in-market and in the first half of FY25 we opened our sixth application centre in China. The new facility in Wuhan, central China, adds further depth to our presence in this critical market. The newly opened facility will provide a platform to explore the use of Fonterra's dairy products across various foodservice channels, including bakery, dining and beverage. Fonterra's other application centres in China are in Beijing, Shanghai, Guangzhou, Chengdu and Shenzhen.

Yiying & Olivia, Palmerston North

Interim Financial Statements

Edendale Manufacturing Site, Southland

Independent Auditor's Review Report

KPMG

To the shareholders of Fonterra Co-operative Group Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 18 to 32 do not:

i. present fairly, in all material respects, the Group's financial position as at 31 January 2025 and its financial performance and cash flows for the six month period then ended; and

ii. comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) issued by the New Zealand Accounting Standards Board and IAS 34 *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board.

We completed a review of the accompanying interim consolidated financial statements which comprise:

– the interim consolidated statement of financial position as at 31 January 2025;

– the interim consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended; and

– notes, including material accounting policy information.

Basis for conclusion

We conducted our review of the interim consolidated financial statements in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the Auditor's Responsibilities for the *Review of the interim consolidated financial statements* section of our report.

We are independent of Fonterra Co-operative Group Limited (Group) in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Our firm has provided other services to the Group that are related to our role as the Group's auditor, such as assurance and agreed upon procedures services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Use of this Independent Auditor's Review Report

This report is made solely to the shareholders. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Auditor's Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders for our review work, this report, or any of the conclusions we have formed.

Independent Auditor's Review Report CONTINUED

Responsibilities of the Directors for the interim consolidated financial statements

The Directors on behalf of the Company are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 and IAS 34; and
- implementing necessary internal control to enable the preparation of interim consolidated financial statements that is fairly presented and free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim consolidated financial statements based on our review.

NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim consolidated financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 and IAS 34.

A review of interim consolidated financial statements prepared in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

The engagement partner on the audit resulting in this independent auditor's review report is Aaron Woolsey.

For and on behalf of:

KPMG

KPMG
Auckland
19 March 2025

Statement of Financial Position

AS AT 31 JANUARY
($ MILLION)

	NOTES	31 JAN 2025 UNAUDITED	31 JAN 2024[1] UNAUDITED	31 JUL 2024[1] AUDITED
ASSETS				
Current assets				
Cash and cash equivalents		**218**	239	540
Trade and other receivables		**2,499**	2,122	2,123
Inventories		**7,990**	6,460	4,405
Derivative financial instruments		**247**	217	282
Other assets		**109**	132	89
Assets held for sale		**–**	13	3
Total current assets		**11,063**	9,183	7,442
Non-current assets				
Inventories		**59**	39	53
Property, plant and equipment	4	**6,394**	6,283	6,400
Intangible assets		**1,779**	1,813	1,785
Deferred tax assets		**205**	181	208
Derivative financial instruments		**386**	347	344
Other assets		**462**	385	447
Total non-current assets		**9,285**	9,048	9,237
Total assets		**20,348**	18,231	16,679

	NOTES	31 JAN 2025 UNAUDITED	31 JAN 2024[1] UNAUDITED	31 JUL 2024[1] AUDITED
LIABILITIES				
Current liabilities				
Bank overdraft		**149**	26	42
Borrowings	4	**1,644**	1,244	1,032
Trade and other payables	4	**5,037**	4,790	4,196
Tax payable		**322**	178	107
Derivative financial instruments		**663**	124	362
Other liabilities		**136**	157	108
Liabilities held for sale		**–**	6	–
Total current liabilities		**7,951**	6,525	5,847
Non-current liabilities				
Borrowings	4	**4,163**	3,371	2,356
Derivative financial instruments		**132**	45	90
Deferred tax liabilities		**32**	145	135
Other liabilities		**78**	65	76
Total non-current liabilities		**4,405**	3,626	2,657
Total liabilities		**12,356**	10,151	8,504
Net assets		**7,992**	8,080	8,175
EQUITY				
Subscribed equity	3	**5,064**	5,073	5,064
Retained earnings		**3,025**	2,765	2,960
Foreign currency translation reserve		**186**	57	127
Hedge reserves		**(375)**	103	(72)
Other reserves		**10**	16	20
Non-controlling interests		**82**	66	76
Total equity		**7,992**	8,080	8,175

1 Comparative information includes re-presentations for consistency with the current period.

The Board approved and authorised for issue these Interim Financial Statements on 19 March 2025.

For and on behalf of the Board:

Peter McBride
Chairman

Bruce Hassall
Director

Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 31 JANUARY
($ MILLION)

	NOTES	31 JAN 2025 UNAUDITED	31 JAN 2024[1] UNAUDITED
Revenue from sale of goods	1	**12,592**	11,085
Cost of goods sold			
New Zealand sourced cost of milk		***(9,784)***	*(7,239)*
Non-New Zealand sourced cost of milk		***(603)***	*(620)*
Other collection and manufacturing costs		***(3,562)***	*(3,343)*
Increase in inventories		***3,585***	*2,153*
Total cost of goods sold[2]	2	**(10,364)**	(9,049)
Gross profit		**2,228**	2,036
Other operating income		**62**	44
Foreign exchange gains		**17**	15
Operating expenses	2	**(1,208)**	(1,109)
Net finance costs		**(85)**	(82)
Profit before tax from continuing operations		**1,014**	904
Tax expense	4	**(293)**	(190)
Profit after tax from continuing operations		**721**	714
Profit/(loss) after tax from discontinued operations		**8**	(40)
Profit after tax		**729**	674
Cash flow hedges and other costs of hedging, net of tax		**(303)**	60
Net investment hedges and translation of foreign operations, net of tax		**59**	(18)
Foreign currency translation reserve losses transferred to profit or loss		**–**	68
Other movements in reserves		**(15)**	2
Total items that may be reclassified subsequently to profit or loss		**(259)**	112
Total items that will not be reclassified subsequently to profit or loss		**8**	(1)
Total other comprehensive (expense)/income		**(251)**	111
Total comprehensive income		**478**	785
Earnings per share attributed to equity holders of the Co-operative			
Basic and diluted earnings per share from continuing operations ($)		**0.44**	0.43
Basic and diluted earnings/(loss) per share from discontinued operations ($)		**–**	(0.03)
Total basic and diluted earnings per share ($)		**0.44**	0.40

1 Comparative information includes re-presentations for consistency with the current period.
2 This Statement is presented on a functional basis. The shaded information provides an additional breakdown of Cost of goods sold by nature of expense.

Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 JANUARY
($ MILLION)

	NOTES	31 JAN 2025 UNAUDITED	31 JAN 2024[1] UNAUDITED
Cash flows from operating activities			
Profit after tax		**729**	674
Adjustments for:			
Net finance costs		**85**	89
Tax expense		**293**	190
Depreciation and amortisation		**317**	307
(Gain)/loss on sale of businesses		**(8)**	66
Foreign exchange losses/(gains)		**136**	(21)
Other		**(3)**	10
Total adjustments		**820**	641
Increase in working capital and other operating activities	4	**(3,319)**	(1,355)
Net taxes paid		**(54)**	(44)
Net cash flows from operating activities		**(1,824)**	(84)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(241)**	(233)
Acquisition of intangible assets		**(16)**	(56)
Acquisition of investments		**(15)**	(12)
Other cash outflows		**–**	(32)
Other cash inflows		**27**	20
Net cash flows from investing activities		**(245)**	(313)

	NOTES	31 JAN 2025 UNAUDITED	31 JAN 2024[1] UNAUDITED
Cash flows from financing activities			
Proceeds from borrowings		**4,792**	2,386
Other cash inflows		**–**	8
Repayment of borrowings		**(2,409)**	(1,928)
Capital return paid		**–**	(804)
Dividends paid		**(661)**	(674)
Interest paid		**(93)**	(125)
Net cash flows from financing activities		**1,629**	(1,137)
Net decrease in cash		**(440)**	(1,534)
Opening cash		**498**	1,750
Effect of exchange rate changes		**11**	(3)
Closing cash		**69**	213
Reconciliation of closing cash to the Statement of Financial Position			
Cash and cash equivalents		**218**	239
Bank overdraft		**(149)**	(26)
Closing cash		**69**	213

1 Comparative information includes re-presentations for consistency with the current period.

Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 JANUARY
($ MILLION)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE CO-OPERATIVE						
	SUBSCRIBED EQUITY	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE[1]	HEDGE RESERVES[1]	OTHER RESERVES[1]	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 August 2024	**5,064**	**2,960**	**127**	**(72)**	**20**	**76**	**8,175**
Profit after tax	**–**	**708**	**–**	**–**	**–**	**21**	**729**
Other comprehensive income/(expense)	**–**	**–**	**59**	**(303)**	**(10)**	**3**	**(251)**
Total comprehensive income/(expense)	**–**	**708**	**59**	**(303)**	**(10)**	**24**	**478**
Transactions with equity holders:							
Dividends paid	**–**	**(643)**	**–**	**–**	**–**	**(18)**	**(661)**
As at 31 January 2025 (unaudited)	**5,064**	**3,025**	**186**	**(375)**	**10**	**82**	**7,992**
As at 1 August 2023	5,073	2,774	7	43	9	62	7,968
Profit after tax	–	639	–	–	–	35	674
Transfer between reserves	–	(5)	–	–	5	–	–
Other comprehensive income/(expense)	–	–	50	60	2	(1)	111
Total comprehensive income	–	634	50	60	7	34	785
Transactions with equity holders:							
Dividends paid	–	(643)	–	–	–	(31)	(674)
Dairy Partners Americas Brasil Limitada capital contributions received	–	–	–	–	–	8	8
Derecognition of non-controlling interest in Dairy Partners Americas Brasil Limitada	–	–	–	–	–	(7)	(7)
As at 31 January 2024 (unaudited)	5,073	2,765	57	103	16	66	8,080

1 Comparative information includes re-presentations for consistency with the current period.

Basis of Preparation

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

AT A GLANCE

The basis of preparation describes changes in material accounting policies and significant judgements and estimates, in addition to providing explanatory comments on the seasonality of Fonterra's operations.

a) General information

Fonterra Co-operative Group Limited (Fonterra, the Company or the Co-operative) is incorporated and domiciled in New Zealand. Fonterra is registered under the Companies Act 1993 and the Co-operative Companies Act 1996, and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. Fonterra is also required to comply with the Dairy Industry Restructuring Act 2001 (DIRA).

b) Basis of preparation

These Interim Financial Statements comprise Fonterra and its subsidiaries (together referred to as the Group) and the Group's interests in its equity accounted investments.

These unaudited Interim Financial Statements:

- Comply with International Accounting Standard 34 *Interim Financial Reporting*;
- Comply with New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting*;
- Have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) applicable to for-profit entities;
- Are presented in New Zealand Dollars ($ or NZD), which is Fonterra's functional currency, and rounded to the nearest million, except where otherwise stated; and
- Do not include all the information and disclosures required in the Annual Financial Statements, and should be read in conjunction with the Group's Financial Statements for the year ended 31 July 2024.

The Group's operations are seasonal due to the profile of milk production in New Zealand. Milk production, and therefore the Group's milk collections and production volumes are higher in the New Zealand Spring (October and November). Consequently, the amount owing to suppliers, inventory balances and borrowings are higher at the 31 January interim reporting dates compared to the 31 July year-end reporting dates. This reflects the higher cash outflows required to support the business operations in the first six months of the financial year. Due to the seasonality of the Group's operations, additional comparative information for the Statement of Financial Position and associated Notes to the Interim Financial Statements has been presented in these Interim Financial Statements.

Re-presentations

At each balance date the Group reassesses the aggregation and disaggregation of individual line items. Reserves have been disaggregated, and the following changes have been made for consistency with re-presentations made to the Group's Financial Statements for the year ended 31 July 2024 (and comparative information has been re-presented for consistency with the current period):

- Tax payable is presented separately from other current liabilities (31 January 2024: $178 million) and deferred tax liabilities are presented separately from other non-current liabilities (31 January 2024: $145 million); and
- Emissions units held for compliance purposes that are expected to be consumed in production beyond one year from balance date are presented as non-current inventories, separately from current inventories (31 January 2024: $39 million).

In operating activities within the Statement of Cash Flows, the 31 January 2024 comparative amount of other adjustments and of working capital and other operating activities have decreased by $47 million, for consistency with the current period's presentation of emission units held for compliance purposes.

c) Material accounting policies

The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied in the Group's Financial Statements for the year ended 31 July 2024.

d) Significant judgements and estimates

In the process of applying the Group's accounting policies and the application of accounting standards, a number of judgements and estimates have been made. Sources of significant judgement and estimation uncertainty in preparing these Interim Financial Statements were consistent with those disclosed in the Group's Financial Statements for the year ended 31 July 2024.

Forecast Farmgate Milk Price

The Farmgate Milk Price is the average price paid by Fonterra in a season, which is the 12 months ending 31 May, for each kilogram of milk solids (kgMS) supplied by farmer shareholders under Fonterra's standard terms of supply. The Farmgate Milk Price for a season is finalised after the end of that milk season. Global dairy commodity prices that inform the Farmgate Milk Price revenue are the most significant driver of the level of each season's Farmgate Milk Price.

Within the forecast Farmgate Milk Price, the majority of the milk sourced up until 31 January 2025 is contracted for sale at hedged NZD/USD exchange rates. This means that the Farmgate Milk Price revenue that would be earned from the milk sourced during the six months ended 31 January 2025 is largely known.

Basis of Preparation CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

d) Significant judgements and estimates CONTINUED

The full season forecast Farmgate Milk Price remains uncertain. This is because the Farmgate Milk Price revenue that will be earned from milk supplied during the remainder of the milk season ending 31 May 2025 is impacted by future global dairy commodity prices. Future global dairy commodity prices in USD are uncertain as they are influenced by global supply and demand dynamics, and their conversion to NZD is uncertain because the conversion of these USD selling prices to NZD depends on the NZD/USD exchange rate and associated hedging.

e) Divestment of the extended Consumer businesses

In May 2024, the Group announced its intention to explore 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.

The Group has completed its detailed scoping and in November 2024 announced it will proceed with a sale process for these businesses, pursuing both a trade sale and an Initial Public Offering (IPO) divestment pathway. A final decision on the divestment pathway will be based on several factors including optimal long-term value, and the Group will seek support for the divestment from farmer shareholders prior to a sale.

As of 31 January 2025, these businesses do not meet the criteria to be classified as held for sale or discontinued operations.

f) Climate-related uncertainties

Climate change, Fonterra's response, and how farm shareholders, customers, regulators and others also respond may have significant impacts on the recognised amounts of assets and liabilities.

The Group has a number of climate-related targets, including:

- Reducing its global absolute Scope 1 and 2 greenhouse gas (GHG) emissions by 50.4% by financial year (FY) 2030 (from a FY2018 base year); and
- Reducing its Scope 1 and 3 Forest, Land and Agriculture (FLAG) GHG emissions from dairy by 30% per tonne of fat and protein corrected milk (FPCM) by FY2030 (from a FY2018 baseline).

The Group is committed to exiting coal by FY2037.

While the effects of climate change are a continuing source of uncertainty, climate-related risks and opportunities have been assessed as not having a material impact on these Interim Financial Statements.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 JANUARY 2025
($ MILLION)

Tomika & Tiaki-Jack, Bay of Plenty

Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025
($ MILLION)

1 Segment reporting and revenue

AT A GLANCE

This note provides information on the Group's organisational structure and segment performance, from continuing operations, together with information on the Group's external revenue. The Group's reportable segments are Global Markets - Ingredients, Global Markets - Consumer and Foodservice, Greater China, and Core Operations.

Segment information provided in this note reflects the Group's performance from continuing operations only. For the six months ended 31 January 2024 the financial performance of the Brazil consumer and foodservice businesses was recognised in profit after tax from discontinued operations and it has been excluded from the disclosures in this note.

Operating segments reflect the way financial information is regularly reviewed by the Fonterra Management Team (FMT). The FMT is considered to be the Chief Operating Decision Maker (CODM). The FMT consists of the Group's Chief Executive Officer (CEO), Chief Financial Officer, Chief Operating Officer, the President Global Markets - Ingredients, the Managing Director Global Markets - Consumer and Foodservice, the CEO Greater China, the Chief Innovation and Brand Officer, the Managing Director People and Culture and the Managing Director Co-operative Affairs.

The measure of profit or loss used by the FMT to evaluate the underlying performance of operating segments is earnings before interest and tax (EBIT).

In June 2024, Fonterra announced changes to its FMT, following the announcement in May 2024 of a step-change in its strategic direction. Two new FMT roles were created effective 1 August 2024, the President Global Markets - Ingredients and the Managing Director Global Markets - Consumer and Foodservice. These replaced the CEO Global Markets FMT role. Accordingly, the Global Markets business unit was split into two business units effective 1 August 2024, Global Markets - Ingredients and Global Markets - Consumer and Foodservice. In addition, the Managing Director Strategy and Optimisation FMT role was disestablished effective 1 October 2024.

The Group's operating model and the way financial information is presented to the FMT has been updated to align to this new organisational structure. This is now based around the three customer-facing regional business units, Global Markets - Ingredients, Global Markets - Consumer and Foodservice and Greater China; and Core Operations which comprises:

– Chief Operating Office (COO) which includes New Zealand milk collection, processing operations and assets, and Supply Chain;
– The physical and financial commodity portfolio management function which includes optimising the New Zealand milk pool, product pricing support for the regions, managing Fonterra's dairy and non-dairy price risk and providing price risk management tools to both our customers and farmer shareholders; and
– Fonterra Farm Source™ retail stores.

Corporate Services including Innovation and Brand, Group IT and Co-operative Affairs are allocated to Global Markets - Ingredients, Global Markets - Consumer and Foodservice, Greater China and Core Operations.

The operating model forms the basis for the Group's operating segments.

The Group has identified its reportable segments based on a number of factors, including how the CODM makes decisions about resource allocations and assesses performance. The Group has determined that its reportable segments are Global Markets - Ingredients, Global Markets - Consumer and Foodservice, Greater China and Core Operations. Comparative information within this note has been restated to reflect the change in the Group's reportable segments.

REPORTABLE SEGMENTS	DESCRIPTION
Global Markets - Ingredients	Represents the Ingredients, Foodservice and Consumer channels in the Atlantic and North Asia; and Asia Pacific Ingredients regions.
Global Markets - Consumer and Foodservice	Represents the Ingredients, Foodservice and Consumer channels in the Middle East and Africa, Oceania, South and South-East Asia regions.
Greater China	Represents the Ingredients, Foodservice and Consumer channels in Greater China.
Core Operations	Represents COO, the physical and financial commodity portfolio management function, and Fonterra Farm Source™ retail stores.

The performance of large multinational customers are reported within the reportable segment that they are managed by. This can differ from the geographical region of the destination of goods sold.

The performance of the Group's reportable segments includes transactions between the segments for the purchase and sale of goods, which are eliminated at the total Group level. Transactions between Core Operations and the other reportable segments are based on transfer pricing that is indexed where possible to observable market pricing (such as Global Dairy Trade prices). For products with specifications that vary from those with observable market pricing, incremental manufacturing and services costs are included in the transfer price.

External revenue presented in the following tables is determined in accordance with the accounting policy, estimates and judgements consistent with those disclosed in the Group's Financial Statements for the year ended 31 July 2024. Core Operations includes external revenue together with adjustments to reflect that it acts as an agent for other segments, and the volatility associated with the Group's sales hedging activities.

Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025
($ MILLION)

1 Segment reporting and revenue CONTINUED

	SIX MONTHS ENDED 31 JANUARY 2025 (UNAUDITED)					
	GLOBAL MARKETS – INGREDIENTS	GLOBAL MARKETS – CONSUMER AND FOODSERVICE	GREATER CHINA	CORE OPERATIONS	ELIMINATIONS	TOTAL
CONTINUING OPERATIONS						
Revenue from sale of goods	5,319	4,098	3,942	9,448	(10,215)	12,592
Cost of goods sold	(4,866)	(3,428)	(3,513)	(8,772)	10,215	(10,364)
Gross profit	453	670	429	676	–	2,228
Operating expenses	(167)	(420)	(180)	(441)	–	(1,208)
Other[1]	29	17	1	32	–	79
EBIT	315	267	250	267	–	1,099
Other segment information:						
– Inter-segment revenue	341	339	17	9,518	(10,215)	–
– External revenue						
Ingredients channel revenue	4,652	1,251	2,136	23	–	8,062
Foodservice channel revenue	236	752	1,524	(62)	–	2,450
Consumer channel revenue	90	1,756	265	(31)	–	2,080
Total external revenue	4,978	3,759	3,925	(70)	–	12,592
– Depreciation and amortisation	(19)	(62)	(13)	(223)	–	(317)
– Share of profit of equity accounted investees	7	–	–	–	–	7

1 Comprises other operating income (inclusive of the share of profit of equity accounted investees) and foreign exchange gains/(losses).

Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025
($ MILLION)

1 Segment reporting and revenue CONTINUED

	SIX MONTHS ENDED 31 JANUARY 2024 (UNAUDITED AND RESTATED)					
	GLOBAL MARKETS – INGREDIENTS	GLOBAL MARKETS – CONSUMER AND FOODSERVICE	GREATER CHINA	CORE OPERATIONS	ELIMINATIONS	TOTAL
CONTINUING OPERATIONS						
Revenue from sale of goods	4,735	3,775	3,157	7,943	(8,525)	11,085
Cost of goods sold	(4,315)	(3,151)	(2,697)	(7,411)	8,525	(9,049)
Gross profit	420	624	460	532	–	2,036
Operating expenses	(159)	(399)	(164)	(387)	–	(1,109)
Other[1]	16	20	2	21	–	59
EBIT	277	245	298	166	–	986
Other segment information:						
– Inter-segment revenue	270	248	16	7,991	(8,525)	–
– External revenue						
Ingredients channel revenue	4,191	1,219	1,644	23	–	7,077
Foodservice channel revenue	203	696	1,277	(42)	–	2,134
Consumer channel revenue	71	1,612	220	(29)	–	1,874
Total external revenue	4,465	3,527	3,141	(48)	–	11,085
– Depreciation and amortisation	(17)	(61)	(11)	(218)	–	(307)
– Share of profit/(loss) of equity accounted investees	5	(1)	–	(4)	–	–

1 Comprises other operating income (inclusive of the share of profit of equity accounted investees) and foreign exchange gains/(losses).

Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025
($ MILLION)

2 Expenses

AT A GLANCE

This note provides information on expenses and cost of goods sold by function that have been included in profit before tax from continuing operations, together with additional information on expenses by nature.

a) Expenses by function

	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED
Cost of goods sold	**10,364**	9,049
Administrative expenses	**548**	481
Selling and marketing expenses	**286**	276
Distribution expenses	**226**	218
Other operating expenses	**148**	134
Operating expenses	**1,208**	1,109

b) Expenses by nature

COST OF GOODS SOLD	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED
Cost of milk:		
– New Zealand sourced	**9,784**	7,239
– Non-New Zealand sourced	**603**	620
Other ingredient purchases and manufacturing costs	**1,662**	1,476
Employee benefits expense	**710**	683
Energy costs	**432**	453
Packaging	**315**	312
Storage and distribution	**223**	205
Depreciation and amortisation	**220**	214
Total other collection and manufacturing costs	**3,562**	3,343
Increase in inventories	**(3,585)**	(2,153)
Total cost of goods sold	**10,364**	9,049

OPERATING EXPENSES	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED
Employee benefits expense	**522**	501
Storage and distribution	**135**	128
Advertising and promotion	**109**	103
Information technology	**107**	113
Professional fees	**155**	105
Depreciation and amortisation	**97**	93
Other	**83**	66
Total operating expenses	**1,208**	1,109

Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025
($ MILLION)

3 Subscribed equity instruments

AT A GLANCE

This note provides information on the Group's capital structure, including shares of the Co-operative and Units of the Fonterra Shareholders' Fund.

a) Co-operative shares, including shares held within the Group

A reconciliation of movements in shares of the Co-operative is presented in the following table.

	SHARES			$ MILLION		
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JUL 2024 AUDITED	**31 JAN 2025 UNAUDITED**	31 JAN 2024 UNAUDITED	31 JUL 2024 AUDITED
Co-operative shares						
Co-operative shares on issue at beginning of period	**1,609,190,555**	1,609,244,669	1,609,244,669	**5,078**	5,078	5,078
Shares acquired (and cancelled) under buyback programmes	**–**	(54,114)	(54,114)	**–**	–	–
Co-operative shares on issue at end of period	**1,609,190,555**	1,609,190,555	1,609,190,555	**5,078**	5,078	5,078
Treasury shares						
Treasury shares at beginning of period	**(5,000,000)**	(2,000,000)	(2,000,000)	**(14)**	(5)	(5)
Additional treasury shares	**–**	–	(3,000,000)	**–**	–	(9)
Treasury shares at end of period	**(5,000,000)**	(2,000,000)	(5,000,000)	**(14)**	(5)	(14)
Co-operative shares on issue, excluding treasury shares	**1,604,190,555**	1,607,190,555	1,604,190,555	**5,064**	5,073	5,064

Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025
($ MILLION)

3 Subscribed equity instruments CONTINUED

b) Units in the Fonterra Shareholders' Fund

There are 107,410,984 units on issue at 31 January 2025 (31 January 2024: 107,410,984 units, 31 July 2024: 107,410,984 units).

c) Market capitalisation

The Group's market capitalisation has been below the carrying amount of net assets since Fonterra's capital review announcement in May 2021. At 31 January 2025, the Group's market capitalisation was $7.2 billion (31 January 2024: $3.5 billion, 31 July 2024: $4.8 billion) and the carrying amount of net assets was $8.0 billion (31 January 2024: $8.1 billion, 31 July 2024: $8.2 billion).

The share price is not considered an accurate reflection of the fair value of the Group's net assets for a number of reasons, including the nature of the Co-operative and its unique capital structure. For example, shares traded in a restricted market (i.e. Co-operative shares) are generally expected to trade at a discount compared to unrestricted markets, there is reduced liquidity in the market, supply and demand dynamics are impacted, and there is limited or no ability for investors to take a significant ownership interest or controlling interest.

However, accounting standards consider market capitalisation below the value of net assets to be an indicator of impairment. Impairment testing performed at 31 July 2024 identified significant headroom, and no events have occurred which would eliminate this headroom at 31 January 2025.

4 Other disclosures

AT A GLANCE

This note provides further information on other matters related to the Group's interim reporting.

a) Property, plant and equipment

Additions of $221 million (31 January 2024: $181 million, 31 July 2024: $545 million) were recognised during the period.

As at 31 January 2025 the Group was committed to spend $400 million (31 January 2024: $237 million, 31 July 2024: $229 million), primarily related to buildings, plant, vehicles and equipment.

b) Ki Tua Fund investments

At 31 January 2025 Ki Tua Fund investments included within Other non-current assets were $74 million (31 January 2024: $24 million, 31 July 2024: $61 million).

c) Owing to suppliers

At 31 January 2025 Owing to suppliers, included within Trade and other payables, was $2,461 million (31 January 2024: $2,412 million, 31 July 2024: $1,623 million).

Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025
($ MILLION)

4 Other disclosures CONTINUED

d) Borrowings

	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JUL 2024 AUDITED
Total current borrowings	**1,644**	1,244	1,032
Total non-current borrowings	**4,163**	3,371	2,356
Total borrowings	**5,807**	4,615	3,388
Opening balance	**3,388**	3,941	3,941
Proceeds	**4,792**	2,386	2,895
New lease liabilities	**40**	27	47
Repayments	**(2,476)**	(1,765)	(3,643)
Foreign exchange movements	**59**	(17)	83
Changes in fair values	**12**	40	52
Other	**(8)**	3	13
Closing balance	**5,807**	4,615	3,388

e) Net movement in working capital and other operating activities

A breakdown of the cash outflows resulting from the increase in working capital and other operating activities from the Statement of Cash Flows is presented in the following table.

	31 JAN 2025 UNAUDITED	31 JAN 2024[1] UNAUDITED
Trade and other receivables	**(586)**	298
Inventories	**(3,601)**	(2,154)
Trade and other payables	**878**	498
Other movements	**(10)**	3
Total increase in working capital and other operating activities	**(3,319)**	(1,355)

1 Comparative information includes re-presentations for consistency with the current period.

Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025
($ MILLION)

4 Other disclosures CONTINUED

f) Fair value measurement

The fair value hierarchy for financial assets and liabilities measured at fair value is presented in the following table.

	LEVEL 1			LEVEL 2			LEVEL 3		
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JUL 2024[1] AUDITED	**31 JAN 2025 UNAUDITED**	31 JAN 2024 UNAUDITED	31 JUL 2024[1] AUDITED	**31 JAN 2025 UNAUDITED**	31 JAN 2024 UNAUDITED	31 JUL 2024[1] AUDITED
Measured at fair value on a recurring basis									
Derivative assets	**133**	16	35	**500**	548	591	**–**	–	–
Derivative liabilities	**(18)**	(62)	(77)	**(777)**	(107)	(375)	**–**	–	–
Other	**46**	39	38	**–**	13	–	**85**	51	96
Measured at fair value on a non-recurring basis									
Net assets held for sale	**–**	–	–	**–**	–	–	**–**	7	3
Fair value	**161**	(7)	(4)	**(277)**	454	216	**85**	58	99

1 Comparative information includes re-presentations for consistency with the current period.

The fair value of financial assets and liabilities not measured at fair value approximates carrying value.

g) Effective tax rate

The effective tax rate for continuing operations is 28.9% (31 January 2024: 21.0%, 31 July 2024: 16.7%).

To allow imputation credits to be allocated to all Co-operative shares, the Group has elected not to take a deduction for distributions to farmer shareholders.

h) Dividend declared after the reporting period

On 19 March 2025, the Board declared a fully imputed interim dividend of 22 cents per share, to be paid on 8 April 2025 to all holders of Co-operative shares on issue at 27 March 2025.

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 following tables for reconciliations of NZ IFRS to non-GAAP measures, and the Glossary for definitions of non-GAAP measures referred to by Fonterra.

Reconciliation from profit after tax to total Group normalised EBITDA

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JUL 2024 AUDITED
Profit after tax	**729**	674	1,128
Net finance costs from continuing operations	**85**	82	157
Net finance costs from discontinued operations	**–**	7	7
Tax expense from continuing operations	**293**	190	235
Depreciation and amortisation from continuing operations	**317**	307	627
Total Group EBITDA	**1,424**	1,260	2,154
Loss on sale of DPA Brazil	**–**	66	66
Total normalisation adjustments	**–**	66	66
Total Group normalised EBITDA	**1,424**	1,326	2,220

Reconciliation from profit after tax to total Group normalised EBIT

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JUL 2024 AUDITED
Profit after tax	**729**	674	1,128
Net finance costs from continuing operations	**85**	82	157
Net finance costs from discontinued operations	**–**	7	7
Tax expense from continuing operations	**293**	190	235
Total Group EBIT	**1,107**	953	1,527
Normalisation adjustments (as detailed above)	**–**	66	66
Total Group normalised EBIT	**1,107**	1,019	1,593

Non-GAAP measures CONTINUED

Reconciliation from profit after tax to normalised profit after tax and normalised earnings per share

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JUL 2024 AUDITED
Profit after tax	**729**	674	1,128
Normalisation adjustments (as detailed on the previous page)	**–**	66	66
Normalised profit after tax	**729**	740	1,194
Profit attributable to non-controlling interests	**(21)**	(35)	(54)
Normalisation adjustments attributable to non-controlling interests	**–**	3	3
Normalised profit after tax attributable to equity holders of the Co-operative	**708**	708	1,143
Weighted average number of Co-operative shares (thousands of shares)[1]	**1,607,067**	1,607,808	1,607,734
Normalised earnings per share ($)[2]	**0.44**	0.44	0.71

Reconciliation from gross profit from continuing operations to total Group normalised gross profit

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JUL 2024 AUDITED
Gross profit from continuing operations	**2,228**	2,036	3,822
Gross profit from discontinued operations	**–**	66	66
Total Group normalised gross profit	**2,228**	2,102	3,888

1 Comparatives have been re-presented for consistency with the current period.
2 Normalised earnings per share is based on weighted average number of Co-operative shares.

The Group uses adjusted net debt, a non-GAAP debt measure in monitoring its net debt position and in calculating the Group's debt to EBITDA ratio, gearing ratio, and return on capital.

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.

The Group believes that adjusted net debt provides useful information as it is aligned with how certain rating agencies calculate the Group's leverage.

	GROUP $ MILLION		
	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JUL 2024 AUDITED
Total borrowings	**5,807**	4,615	3,388
Add: Bank overdraft	**149**	26	42
Less: Cash and cash equivalents	**(218)**	(239)	(540)
Add: Cash adjustments of 25% for cash held by subsidiaries (including cash and cash equivalents attributable to disposal groups held for sale)	**54**	58	47
Less: Derivatives used to manage changes in hedged risk on debt instruments	**(342)**	(236)	(332)
Adjusted net debt	**5,450**	4,224	2,605
Equity excluding hedge reserves	**8,367**	7,977	8,247
Total capital	**13,817**	12,201	10,852
Adjusted net debt gearing ratio	**39.4%**	34.6%	24.0%

Glossary

TERMS	DEFINITION
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.
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.
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.
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.

TERMS	DEFINITION
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.
DIRA	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities, subsequent amendments to the Act, and the Dairy Industry Restructuring (Raw Milk) Regulations 2012.
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 co-ordinated 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.
Earnings before interest, tax, depreciation and amortisation (EBITDA)	is profit before net finance costs, tax, depreciation and amortisation.
Earnings per share (EPS)	is profit after tax attributable to equity holders of the Co-operative divided by the weighted average number of shares on issue for the period.
EBITDA margin	is EBITDA divided by revenue from sale of goods.
Eliminations	represents eliminations of inter-business unit sales.
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.

Glossary CONTINUED

TERMS	DEFINITION
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.
Free cash flow	is the total of net cash flows from operating activities and net cash flows from investing activities.
Gearing ratio (%) (adjusted net debt)	is adjusted net debt divided by total capital. Total capital is equity excluding hedge reserves, plus adjusted net debt.
Global Dairy Trade (GDT)	means the electronic auction platform that is used to sell commodity dairy products.
Global Markets	represents the Ingredients, Foodservice and Consumer channels outside of Greater China.
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 Atlantic and North Asia; and Asia Pacific Ingredients regions
Greater China	represents the Ingredients, Foodservice and Consumer channels in Greater China.
Gross margin	is gross profit divided by revenue from sale of goods.

TERMS	DEFINITION
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	means adjusted net debt.
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'.
Operating profit (EBIT)	is profit before net finance costs and tax.
Operating profit (EBIT) margin	is EBIT divided by revenue from sale of goods.
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.
Product channel	Fonterra has three product channels, Ingredients, Foodservice and Consumer.

Glossary CONTINUED

TERMS	DEFINITION
Reference Commodity Products (also referred to as 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).
Reported	is used to indicate a sub-total or total is reported in the Group's Financial Statements before normalisation adjustments. E.g. 'Reported profit after tax'.
Return on Capital (ROC)	is calculated as Total Group normalised EBIT including finance income on long-term advances less a notional tax charge, divided by average capital employed.
Season	New Zealand: A period of 12 months from 1 June to 31 May. Australia: A period of 12 months from 1 July to 30 June.
Total Group	is used to indicate that a measure or sub-total comprises continuing operations, discontinued operations and non-controlling interests. E.g. 'Total Group EBIT'.
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
Weighted average share price	represents the average price Fonterra Co-operative Group Limited shares traded at, weighted against the trading volume at each price over the reporting period.
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.

Directory

Fonterra Board of Directors

Peter McBride
Alistair Field
Brent Goldsack
Bruce Hassall
Holly Kramer
Andy Macfarlane
John Nicolls
Cathy Quinn
Alison Watters

Fonterra Management Team

Miles Hurrell
Andrew Murray
Anna Palairet
Komal Mistry-Mehta
Kate Daly
Matt Bolger
René Dedoncker
Richard Allen
Teh-han Chow
Mike Cronin

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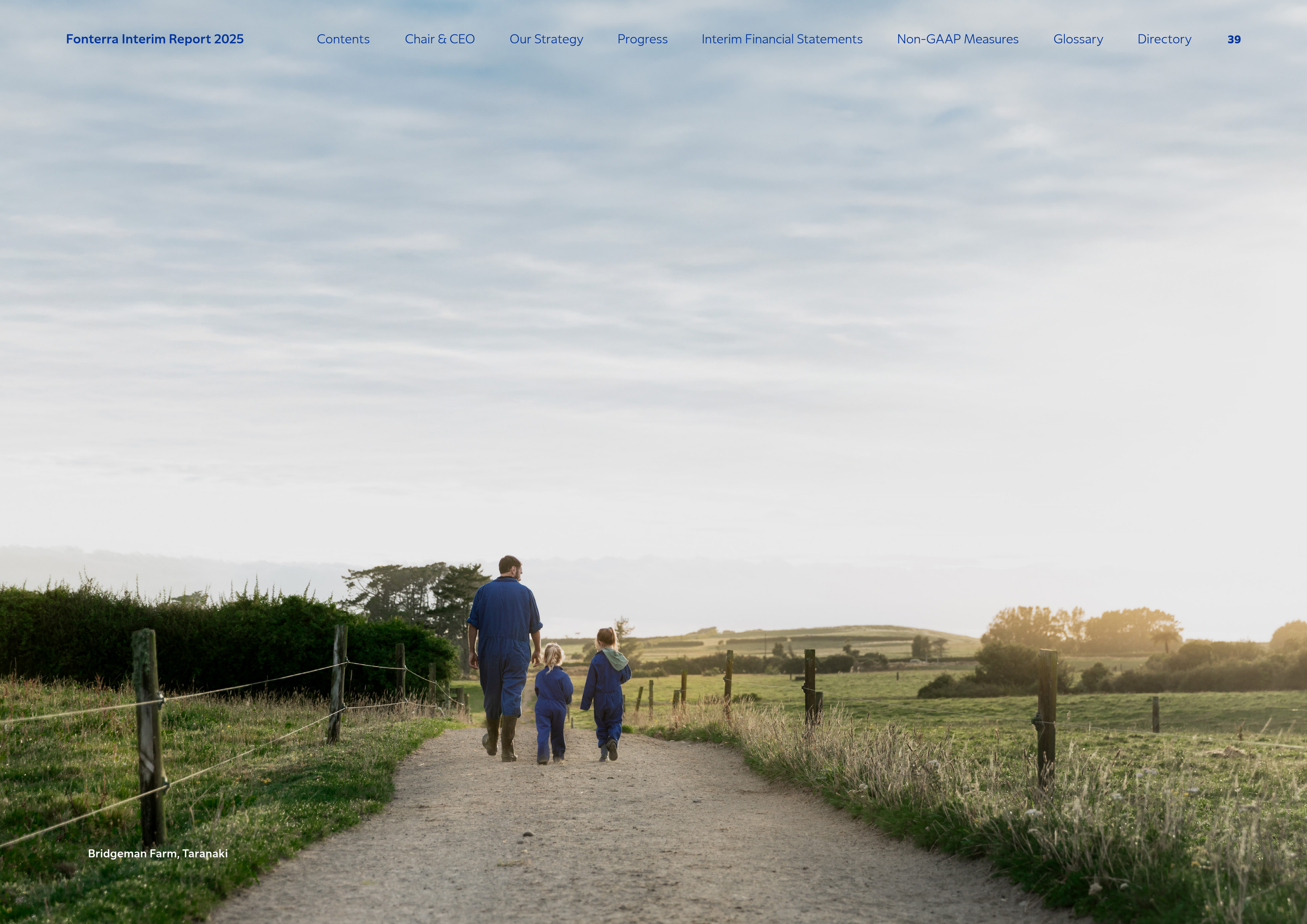

Bridgeman Farm, Taranaki

Interim Report 2025
Pūrongo Taupua

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