

Fonterra Co-operative Group

2025 Quarter One Business Update



Dairy for life



Results at a glance

Continuing operations'
operating profit (EBIT)

\$396_m

↓ from 575m

Profit after tax

\$263_m

↓ from 346m

Farmgate Milk Price forecast

\$9.50 – \$10.50

per kgMS

Earnings per share

16 cents

↓ from 20c

Full year FY25 forecast

40 – 60 cents

per share



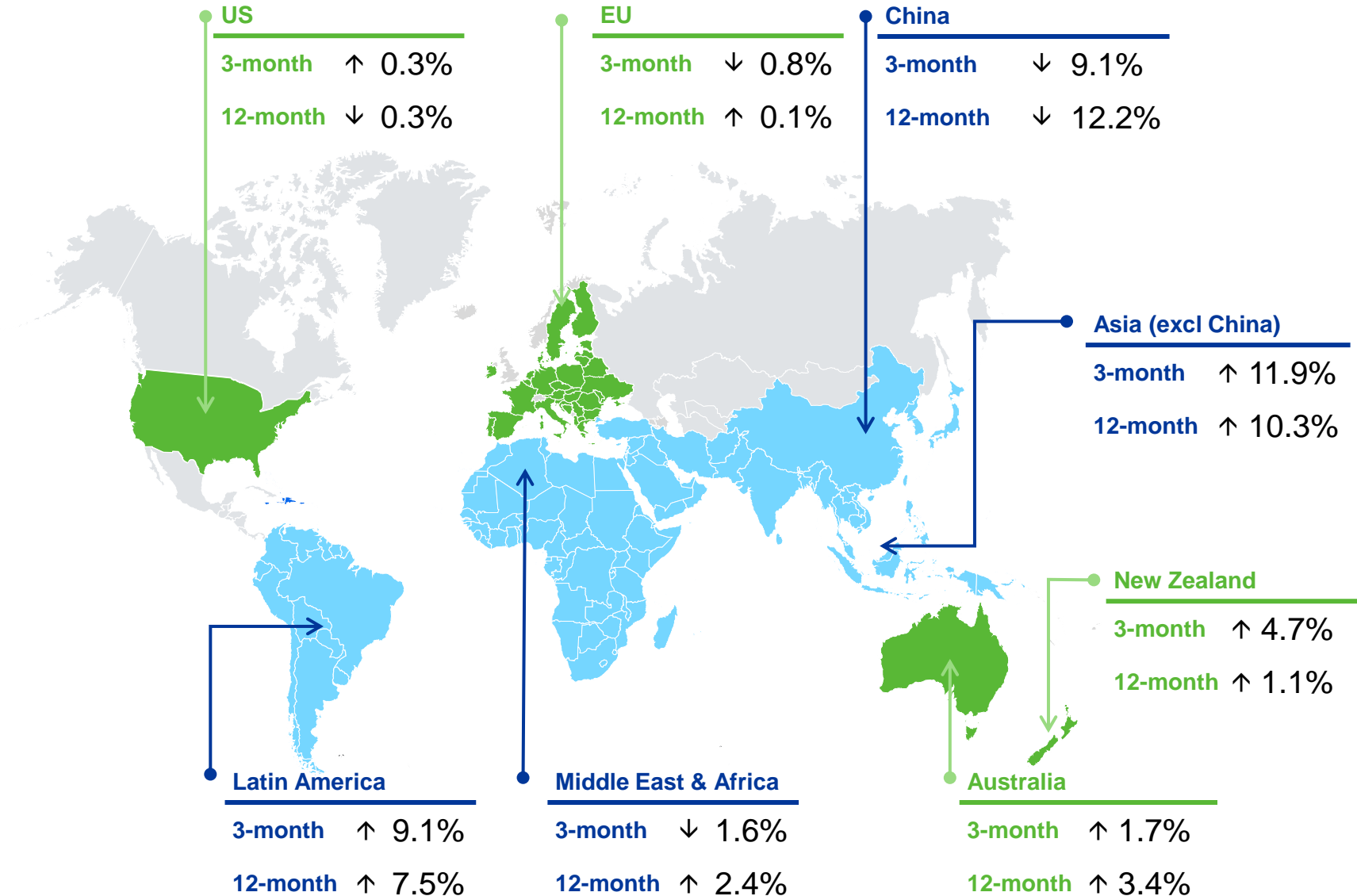
2025 Quarter One Business Update

- Progressing strategy to focus on Ingredients and Foodservice:
 - site work underway at Studholme to increase production capacity in high value protein ingredients
 - UHT cream plant at Edendale and Whareroa cool store works in advanced planning
- Pursuing both trade sale and IPO as options for divestment of global Consumer business, as well as integrated businesses Fonterra Oceania and Fonterra Sri Lanka
- Good progress on sustainability targets, no longer using coal as a fuel source in the North Island
- Innovation continues to support growth in the Co-op's higher value portfolios, with the launch of Easy Bakery UHT Cream expanding our Foodservice UHT cream portfolio into the mid-tier Greater China market
- Q1 profit after tax of \$263 million, equates to earnings per share of 16 cents, down on prior year due to:
 - lower sales volumes, reflecting the strong finish to FY24 and therefore lower FY25 opening inventory
 - gross margins impacted by higher cost of milk
- Season to date milk collections up on last year and revised full year forecast to 1,498m kgMS, up 1.8% on prior year
- Forecast Farmgate Milk Price increased to \$9.50 – \$10.50 per kgMS, midpoint of \$10.00 supported by strong demand from key importing regions and a well contracted sales book
- Maintained forecast earnings range of 40 – 60 cents per share



Variable milk supply and strong demand from key importing regions

- Current dairy market conditions remain favourable:
 - Continued strong demand from key import regions, particularly Southeast Asia
 - China import demand improving as local supply growth moderates
 - US production constrained to date, signs of growth as yield per cow increases and more recently total milking cows has grown
 - Favourable weather in Victoria and New South Wales driving improved Australian production, offsetting declines in smaller regions
 - Strong New Zealand production due to favourable weather and pasture conditions across most of the country
 - EU production continues to be adversely impacted by weather and animal health issues

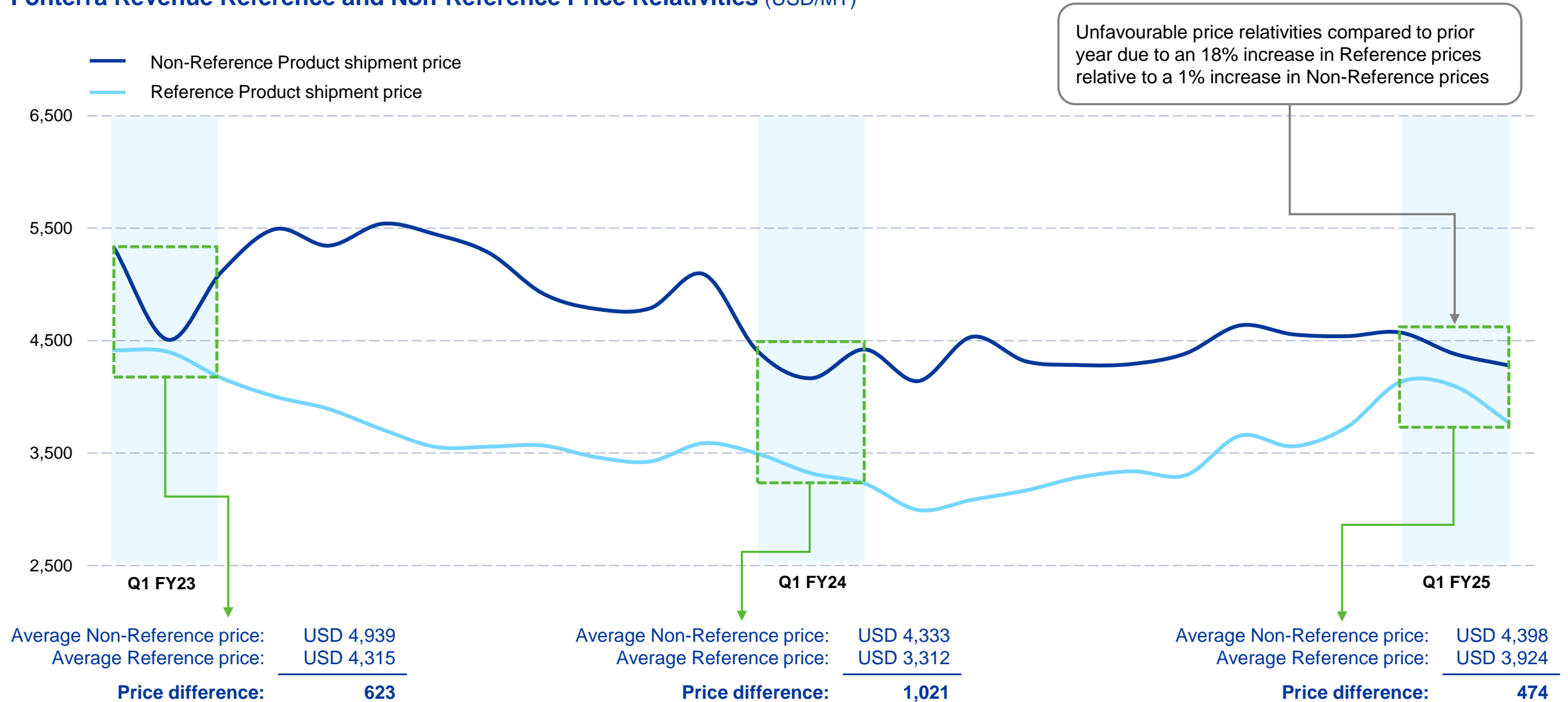


Production

Imports

Revenue price relativities unfavourable compared to Q1 prior year

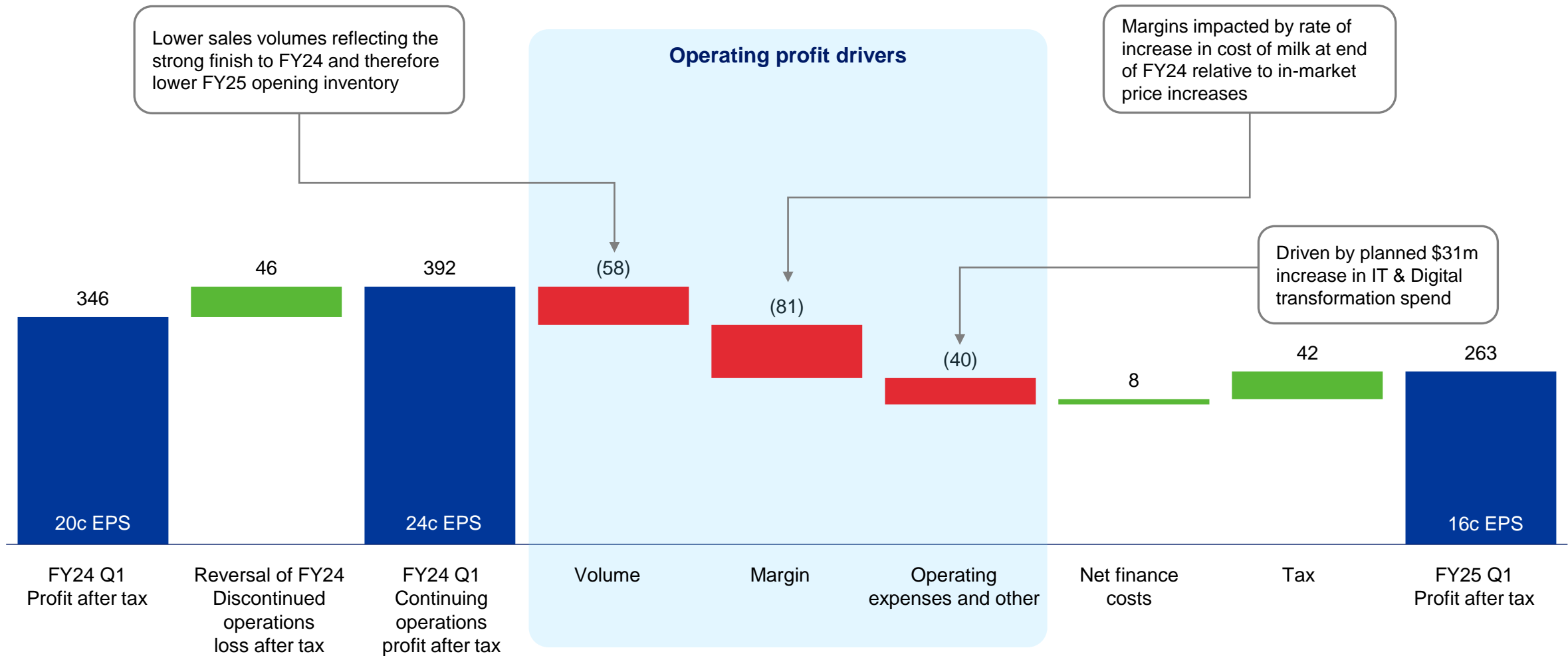
Fonterra Revenue Reference and Non-Reference Price Relativities (USD/MT)



Note: Data represents Fonterra's actual Reference and Non-Reference prices of the New Zealand Ingredients portfolio on a Free Alongside Ship (FAS) basis

Key performance drivers

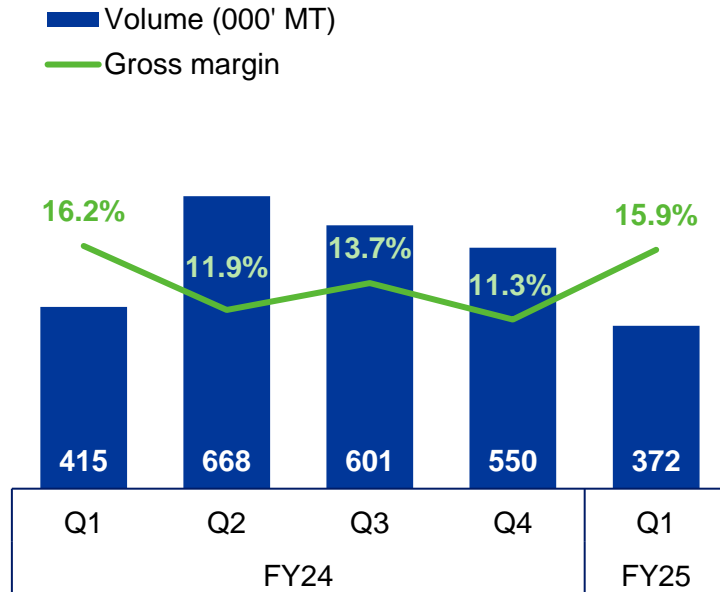
FY24 Q1 to FY25 Q1 profit after tax (\$ million)



Note: For the three months ended 31 October. 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

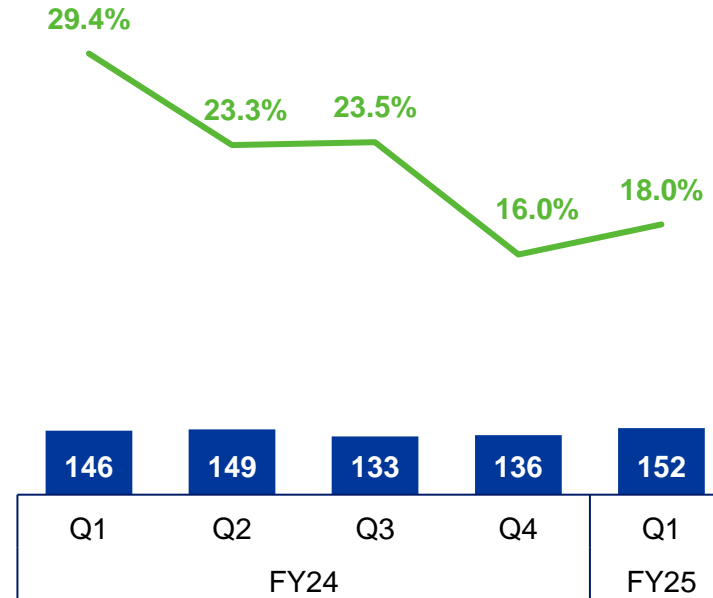
Stable Ingredients performance, recovery in Foodservice and Consumer

Ingredients



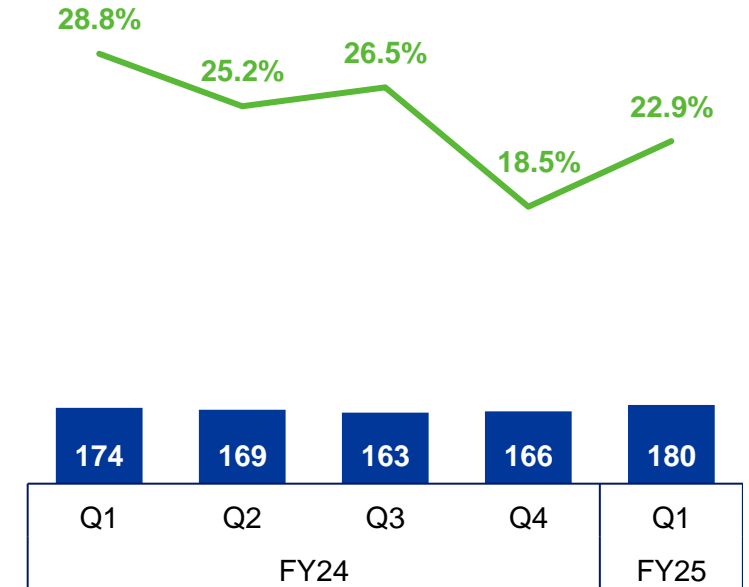
- Lower sales volumes compared to FY24 Q1 reflecting lower opening inventory and this year's greater allocation of milk to Foodservice and Consumer
- Lower gross margins compared to FY24 Q1 as price relativities narrow in NZ, partially offset by improved alignment between the domestic milk price and global commodity prices in Australia

Foodservice



- Higher sales volumes due to growth in Greater China and Southeast Asia
- Lower gross margins compared to FY24 Q1 due to materially higher cost of milk
- Margins improving following sharp increase in milk costs in FY24 Q4 as in-market teams successfully adjust pricing to reflect higher costs

Consumer



- Volume growth driven by successful brand promotion in Southeast Asia
- Gross margins impacted by sharp increase in milk costs in FY24 Q4
- FY25 Q1 margin recovery driven by price increases in Southeast Asia, partially offset by slower recovery in NZ

FY25 outlook

Forecast Farmgate Milk Price

\$9.50 – \$10.50

per kgMS

The forecast range reflects:

- US and EU milk supply continuing to be constrained relative to demand, and increased production in New Zealand
- recovery of demand in Greater China is maintained and strong demand in Southeast Asia continues

FY25 forecast earnings¹

40 – 60 cents

per share

The forecast range reflects:

- underlying operating profit stable as volume, product mix, and sales pricing offsets higher cost of milk in second half of financial year
- increased investment in IT & Digital transformation technology and higher effective annual tax rate, which will generate imputation credits

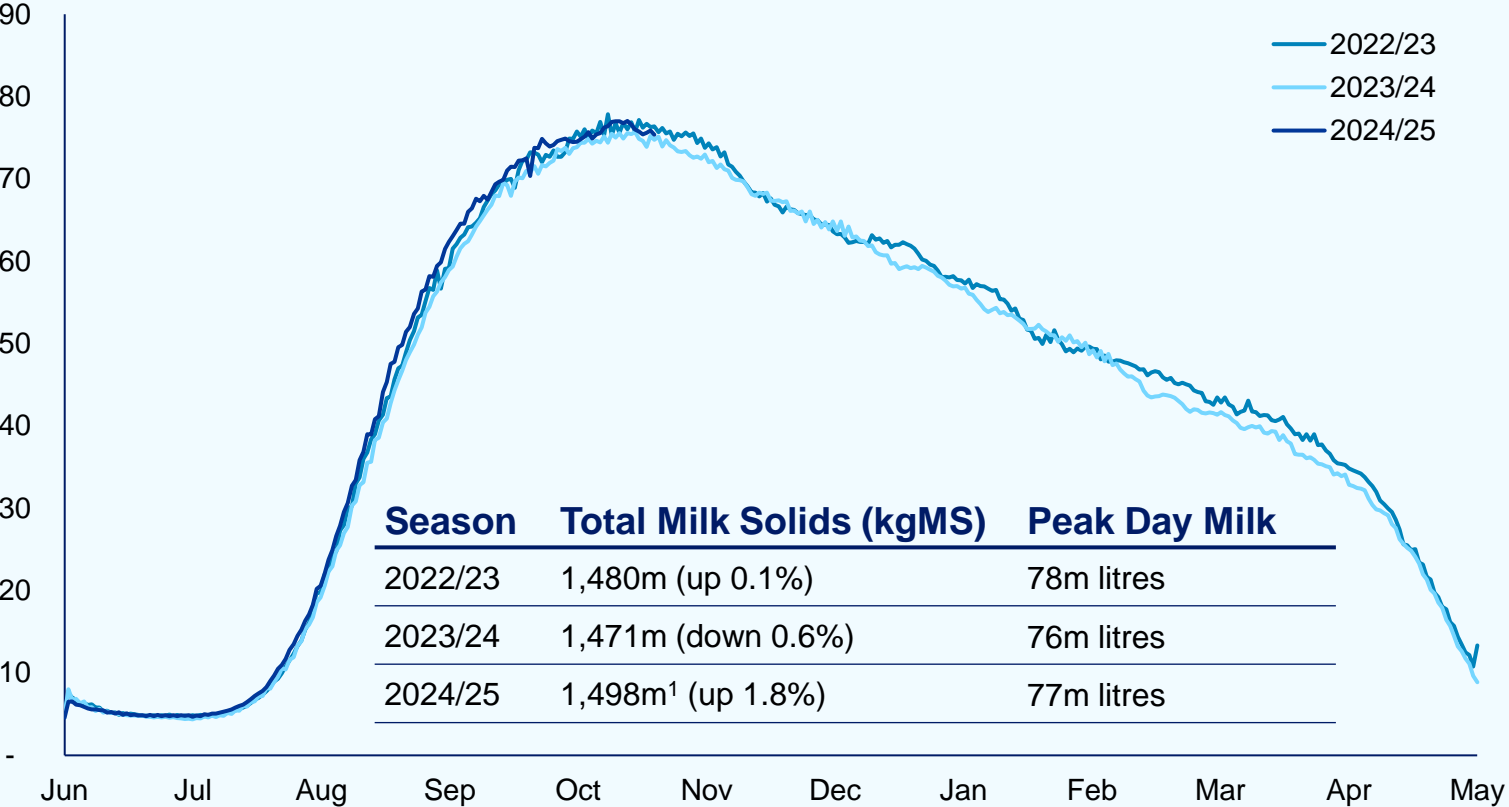
1. Forecast excludes costs associated with divestment of Consumer business and integrated businesses Fonterra Oceania and Fonterra Sri Lanka

Additional Information



Fonterra's New Zealand milk collections

Volume (million litres/day)



- Season to date collections, 1 June – 31 October, were 512 million kgMS, 4.7% ahead of the last season
- Higher collections due to
 - Favourable weather conditions in the North Island with above normal soil moisture levels. Sunlight levels and temperatures are tracking above average and contributing to strong pasture growth
 - South Island started the season with an earlier calving pattern and favourable weather conditions but experienced heavy rainfall in October
- Variable weather conditions across the South Island as some regions in lower South Island showing a large water table surplus

Continuing and discontinued operations

NZD million	2024	2025	Δ% ¹
Sales volume ('000 MT)	735	704	(4)%
Sales volume (million kgMS)	329	311	(5)%
Revenue	4,972	5,197	5%
Cost of goods sold	(3,908)	(4,272)	(9)%
Gross profit	1,064	925	(13)%
Operating expenses	(525)	(575)	(10)%
Other ²	36	46	28%
EBIT	575	396	(31)%
Net finance costs and tax expense	(183)	(133)	27%
Profit after tax from continuing operations	392	263	(33)%
Profit/(Loss) after tax from discontinued operations	(46)	-	-
Total Group profit after tax³	346	263	(24)%
Gross margin	21.4%	17.8%	
EBIT margin	11.6%	7.6%	

- Lower sales volumes reflecting the strong finish to FY24 and therefore lower FY25 opening inventory
- Increased allocation of milk solids to higher value products reducing impact of lower volumes and increased cost of milk
- Increased operating expenses reflect planned \$35m spend in Q1 on IT & Digital transformation
- Lower financing costs and lower taxable operating profit

Note: Total Group figures are for the three months ended 31 October

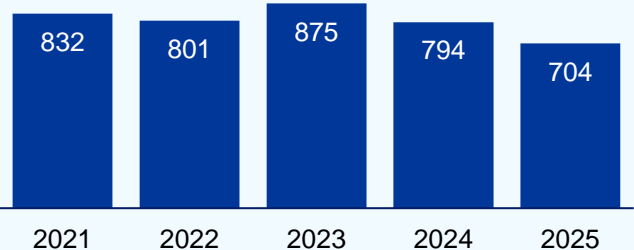
1. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

2. Consists of other operating income, net foreign exchange gains/(losses) and share of equity accounted investees

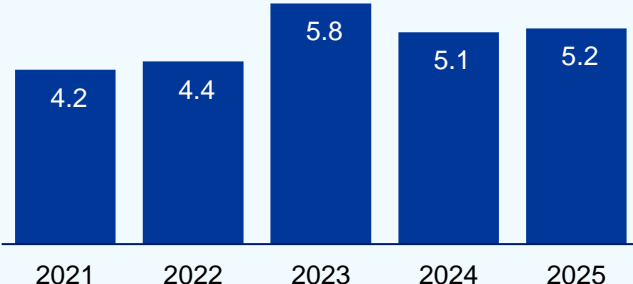
3. Includes amounts attributable to non-controlling interests

Key financial metrics for Total Group Q1

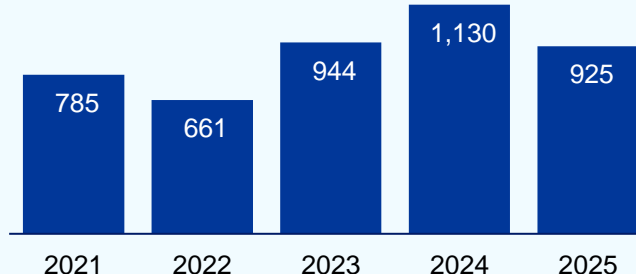
Sales volume ('000 MT)



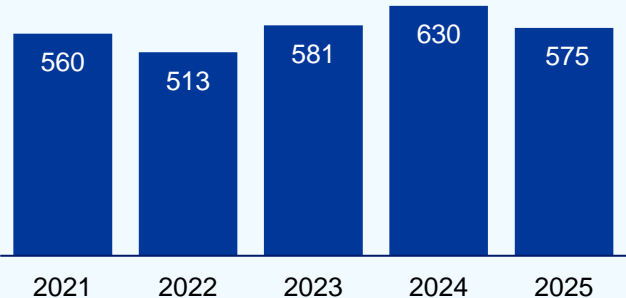
Revenue (\$ billion)



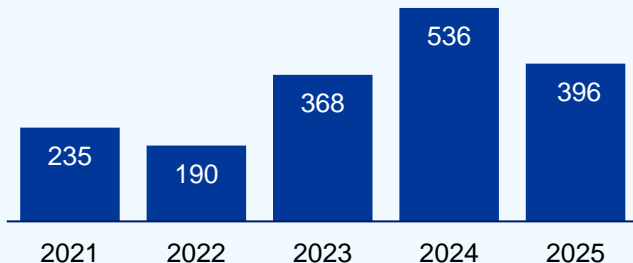
Gross profit (\$ million)



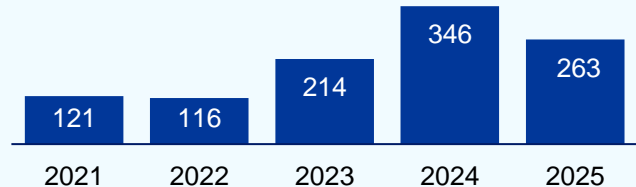
Operating expenses (\$ million)



EBIT (\$ million)



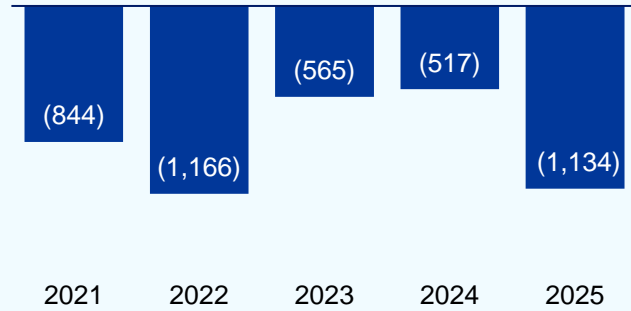
Profit after tax (\$ million)



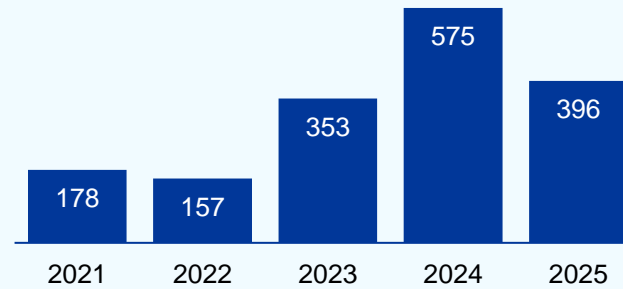
Note: Figures are for the 3 months ended 31 October and are presented on a reported basis, unless otherwise stated. Comparative information has been re-presented for consistency with the current period

Key financial metrics for Total Group Q1

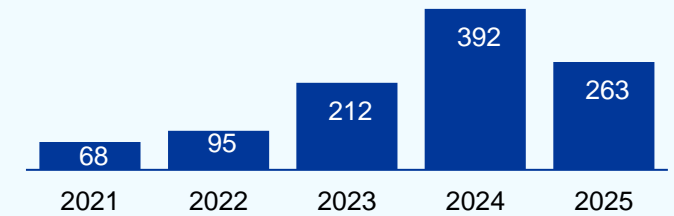
Free cash flow¹
(\$ million)



Continuing operations EBIT²
(\$ million)



Continuing operations profit after tax²
(\$ million)



Note: Figures are for the 3 months ended 31 October and are presented on a reported basis, unless otherwise stated

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

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

Data sources

Dairy Production and Imports

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

Glossary

Consumer

represents 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 and sustainability, Fonterra Farm Source™ retail stores, and the optimisation function

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

Farmgate Milk Price

means the average price paid by Fonterra in New Zealand for each kgMS supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply. The Farmgate Milk Price is set by the Board, based on the recommendation of the Milk Price Panel. In making that recommendation, the Panel provides assurance to the Board that the Farmgate Milk Price has been calculated in accordance with the Farmgate Milk Price Manual

Foodservice

represents the channel selling to businesses that cater for out-of-home consumption; restaurants, hotels, cafés, airports, catering companies etc. The focus is on customers such as; bakeries, cafés, Italian restaurants, and global quick-service restaurant chains. High performance dairy ingredients including whipping creams, mozzarella, cream cheese and butter sheets, are sold in alongside our business solutions under the Anchor Food Professionals™ brand

Gearing ratio (%)

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

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

Non-Reference Products

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

Price relativities

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

Reference Products

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

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'

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.



Dairy for life