Market Announcement

25 September 2025

Fonterra reports continued strong performance in FY25

- Total Group revenue: NZ $26 billion, up 15%
- Total cash returns to shareholders: $16 billion, up 30.6%
- Operating profit: NZ $1,732 million, up 13%
- Profit after tax: NZ $1,079 million, down 4%, up 13% tax-adjusted
- Normalised earnings per share: 71 cents, no change, up 13 cents tax-adjusted
- FY25 full year dividend, fully imputed: 57 cents per share, up from 55 cents unimputed
- Return on Capital: 10.9%, down from 11.3%, up from 10.0% tax-adjusted
- 2024/25 final Farmgate Milk Price: NZ $10.16 per kgMS
- 2024/25 season milk collections: 1,509 million kgMS, up 2.6%

- 2025/26 forecast Farmgate Milk Price range: NZ $9.00 – $11.00 per kgMS
- FY26 forecast earnings range: 45-65 cents per share
- 2025/26 season forecast milk collections: revised up to 1,525 million kgMS

Fonterra Co-operative Group Ltd has today released its FY25 annual results which show the Co-op generated $26 billion in revenue and delivered $16.2 billion in total cash returns to shareholders.

The final Farmgate Milk Price for the 2024/25 season was $10.16 per kgMS, equating to $15.3 billion in milk payments to New Zealand farmers, up $3.8 billion on last year.

The Co-op also announced a FY25 full year dividend of 57 cents fully imputed, and at the upper end of its dividend policy, equating to $916 million of cash to shareholders and unit holders. This is comprised of a 22 cent interim dividend and 35 cent final dividend.

CEO Miles Hurrell says FY25 has been one of the Co-op's strongest years yet in terms of shareholder returns.

"We continue to see good demand from global customers for our high-quality products made from New Zealand farmers' milk and this is driving returns through both the Farmgate Milk Price and dividends.

"Our vision is to be the source of the world's most valued dairy. Our strategy is designed to grow end-to-end value for farmers by focusing on being a B2B dairy nutrition provider, working closely with customers through our high-performing Ingredients and Foodservice channels.

"During the year, we've taken important steps towards this goal, including running a robust divestment process for global Consumer and associated businesses. This resulted in an agreement to sell the businesses to Lactalis for $4.22 billion, subject to approvals.

"We're also positioning the Co-op to deliver further value through our Foodservice and Ingredients businesses, including continuing to invest in new manufacturing capability to meet growing customer demand for our high-value products.

"We have a pipeline of potential growth investments we're assessing, with plans to invest up to $1 billion over the next three to four years in projects to generate further value and drive operational cost efficiencies," says Mr Hurrell.

Projects include:

- Growing the value of our existing protein portfolio, in addition to the recently announced investment at Studholme, to support our Ingredients business.
- Adding value to milkfat through new butter and cream cheese investments to support both our Foodservice and Ingredients businesses.
- Investments in site operations including our Enterprise Resource Planning system replacement, data, AI and automation.

Mr Hurrell says that through focused execution of strategy, the Co-op is targeting earnings to be back at current levels within three years, offsetting the earnings impact of divesting the Consumer and associated businesses.

"Our balance sheet strength gives us the confidence to return capital, invest in the future of the business and maintain our dividend policy," says Mr Hurrell.

Performance

Fonterra has delivered strong performance in FY25, with Total Group reported operating profit increasing to $1.7 billion, up from $1.5 billion the year prior.

Reported profit after tax was $1.1 billion, equivalent to earnings per share of 65 cents. This was down slightly on the prior year, reflecting Fonterra's higher tax expense in FY25 after the Co-op elected not to deduct distributions to farmer shareholders from taxable income and instead attach imputation credits to dividends.

When excluding the costs associated with the Consumer divestment, Fonterra's normalised earnings per share were 71 cents, in line with last year's result.

The Co-op delivered a Return on Capital of 10.9%, in line with the target range of 10-12%.

"This result was driven by higher operating profit in the Ingredients business, due to demand for our protein portfolio and our use of margin hedging tools and indexed-based pricing," says Mr Hurrell.

"Foodservice sales volumes continue to grow off the back of continued demand in Greater China for our high-value products including UHT cream, butter and mozzarella.

"The business proposed to be divested, Mainland Group, benefited from sales volume growth in the Consumer business and the Australia business having a stable milk price against higher global commodity prices.

"Operating costs largely increased due to investment in a once-in-a-generation Enterprise Resource Planning software replacement as well as costs associated with the Consumer divestment process.

"Fonterra's balance sheet and leverage metrics are in line with the prior year, maintaining the Co-op's robust position and providing optionality for the future," says Mr Hurrell.

Strategy

During FY25, Fonterra took further steps to support value growth through its global Ingredients and Foodservice businesses.

This included appointing Richard Allen as President, Global Ingredients and Teh-han Chow as President, Global Foodservice.

“Fonterra commenced construction on new manufacturing capacity at its Studholme and Edendale sites, with the first protein products from Studholme expected in early 2026, and UHT cream from Edendale expected late 2026,” says Mr Hurrell.

“The Co-op is also investing in its foundations, with construction underway on a new coolstore at its Whareroa site, and new coal-free boilers at its Clandeboye and Edendale sites to support secure energy supply.

“In addition to the investments at Studholme and Edendale, we’re also planning new manufacturing capacity investment for both specialty protein and butter. This will support further improvement in the Co-op’s product mix by allowing Fonterra to allocate more milk to Foodservice and non-reference Ingredients products,” says Mr Hurrell.

Divestment

In line with its strategy to focus on its Ingredients and Foodservice businesses, during FY25 Fonterra undertook a dual-track divestment process for its global Consumer and associated businesses.

This resulted in an announcement in August 2025 that the Co-op has agreed to sell the businesses to Lactalis for $4.22 billion, subject to approvals.

As previously shared, Fonterra is targeting a capital return of $2.00 per share from the divestment proceeds if it progresses, which is equivalent to $3.2 billion.

The Fonterra Board intends to make a final decision on the amount and timing of the capital return once the sale agreement is unconditional, cash proceeds are received in New Zealand and having regard to other relevant factors including Fonterra's debt and earnings outlook at the time.

The sale is subject to approval from farmer shareholders, certain regulatory approvals, and separation of the businesses from Fonterra. The farmer shareholder vote is due to take place via a Special Meeting on 30 October 2025.

Outlook

The Co-op has today revised its forecast milk collections for the 2025/26 season from 1,490 million kgMS to 1,525 million kgMS.

“Favourable weather conditions experienced during the previous season are forecast to continue through spring, supporting pasture growth,” says Mr Hurrell.

The 2025/26 forecast Farmgate Milk Price is $10.00 per kgMS with a range of $9.00 - $11.00 per kgMS.

“Global Dairy Trade prices continue to be robust, as does demand from customers for our products sold off GDT. However, the risk of potential volatility in commodity prices and exchange rates from geopolitical dynamics remains.”

Fonterra’s FY26 forecast earnings from continuing operations, which excludes the businesses to be divested, is 45-65 cents per share.

"Our forecast earnings for the year ahead exclude earnings from the businesses to be divested and is in line with the strong performance we've delivered in FY25."

Looking further ahead, as well as targeting earnings to return to current levels in three years, Fonterra has confirmed it is maintaining the strategic targets and policy settings announced in September 2024, if Mainland Group is divested.

This includes a target average Return on Capital of 10-12% from FY26, which is above Fonterra's 5-year average.

We have amended our Debt to EBITDA target to less than 3 times and maintained our target gearing ratio of 30-40%, reflecting an appetite to maintain conservative balance sheet settings.

While there are always risks that may impact future performance, Fonterra continues to target dividend payments within its policy range of 60%-80% of earnings in the medium term.

"Our ongoing balance sheet strength, combined with our focused strategic direction, means the Co-op is well prepared for the future and positioned to continue delivering positive returns to shareholders," says Mr Hurrell.

ENDS

Non-GAAP financial information
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.

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