



## Market Announcement

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5 December 2024

### Fonterra makes progress on strategic priorities in Q1

Fonterra Co-operative Group Ltd today provided its FY25 Q1 business update, which shows the Co-op has made significant progress on its shift in strategic direction while maintaining its focus on performance.

“During the first quarter of the year we released our revised strategy, which sees us focusing on our high performing Ingredients and Foodservice businesses to grow returns for farmer shareholders and unit holders,” says Fonterra CEO Miles Hurrell.

“We’ve announced investments to support this direction, including around \$75 million to increase production capacity for high value protein ingredients at our Studholme manufacturing site, with site works now underway.

“To support ongoing growth in our thriving Foodservice business, we announced that we’re investing around \$150 million in a new UHT cream plant at our Edendale site, with the project to create 70 new roles in Southland.

“We also launched a new Foodservice product, Anchor Easy Bakery UHT Cream, targeting China’s mid-tier market.

“Alongside this, we’re investing in strengthening our supply chain network, with around \$150 million allocated to build a new cool store with capacity to store 26,000 tonnes of cheese at our Whareroa site.

“These strategic investments underpin our future growth, and I’m pleased our balance sheet strength is enabling us to invest in our business,” says Mr Hurrell.

Fonterra has also progressed work to divest its global Consumer business, as well as integrated businesses Fonterra Oceania and Sri Lanka.

“Last month, we confirmed we are pursuing a divestment for these businesses. This work is now underway and we will share more information as it progresses.

“Our priority is maintaining momentum in our financial performance while the divestment process is underway,” says Mr Hurrell.

### Business performance

Fonterra's Q1 profit after tax was \$263 million, equivalent to earnings per share of 16 cents.

“This is a strong start to the year, especially when taking into consideration the higher cost of milk and narrower price relativities when compared to this time last year.

“While these factors have impacted our gross margins, this has been partially offset by improved product mix, with a greater allocation of milk to higher value products in our Foodservice and Consumer channels.

“We ended FY24 with well managed inventory levels, meaning we started this year with lower levels than the year prior.

“As a result, we have lower sales volumes in our Ingredients channel when compared to this time last year. This channel was also impacted by the continued narrowing of price relativities in New Zealand. This has been partially offset by the realignment of the Australian milk price with global commodity prices.

“While Foodservice and Consumer gross margins have been impacted by the higher cost of milk relative to Q1 last year, it is pleasing to see margins have improved in our global markets since the end of last financial year.

“Operating expenses for the first quarter of FY25 were in line with expectations as we continue to invest in core IT and digital infrastructure and transformation initiatives,” says Mr Hurrell.

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#### **For further information contact:**

James Kaufman  
Fonterra Communications  
Phone: +64 21 507 072

#### **About Fonterra**

*Fonterra is a co-operative owned and supplied by [thousands of farming families](#) across Aotearoa New Zealand. Through the spirit of co-operation and a can-do attitude, Fonterra’s farmers and employees share the goodness of [our milk](#) through innovative [consumer](#), [foodservice](#) and [ingredients](#) brands. [Sustainability](#) is at the heart of everything we do, and we’re committed to leaving things in a better way than we found them. We are passionate about supporting our communities by [Doing Good Together](#).*

#### **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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