

Fonterra Co-operative Group

2025 Third Quarter Business Update



Dairy for life



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2025 Third Quarter Business Update

- Maintained current 2024/25 season forecast Farmgate Milk Price range of \$9.70 – \$10.30 per kgMS
- Profit after tax is \$1,081m, up \$108m or 11%, due to higher operating profit partially offset by an increase in tax expense
- Excluding consumer divestment costs of \$77m, normalised profit after tax is \$1,158m, equivalent to 70 cents per share
 - Ingredients normalised operating profit up \$276m to \$1,017m, due to higher margins on New Zealand milk and improved performance in Australia
 - Foodservice Q3 operating profit up 52% on Q3 last year due to strong sales volumes. Overall, YTD sales volume growth of 9% and normalised operating profit of \$396m, \$55m down on prior year's record performance
 - Strong performance in Consumer with 6% volume growth and normalised operating profit of \$319m, up \$71m or 29% on the prior period
- Balance sheet remains strong with full year debt metrics on track to be below target range
- Return on Capital for 12-months to 30 April of 11.0% compared to 11.9% prior period. Lower return reflects a 1.7 percentage point impact from increasing notional tax rate from 16.1% to 27.0%
- Narrowed FY25 normalised earnings range to 65 – 75 cents per share, at the upper end of the guidance provided in March of 55 – 75 cents
- Announced opening 2025/26 season forecast Farmgate Milk Price range of \$8.00 – \$11.00 per kgMS

Key metrics¹

Operating profit

\$1,740m

↑ from 1,473m

Profit after tax

\$1,158m

↑ from 1,039m

Earnings per share

70c

↑ from 62c

Return on capital

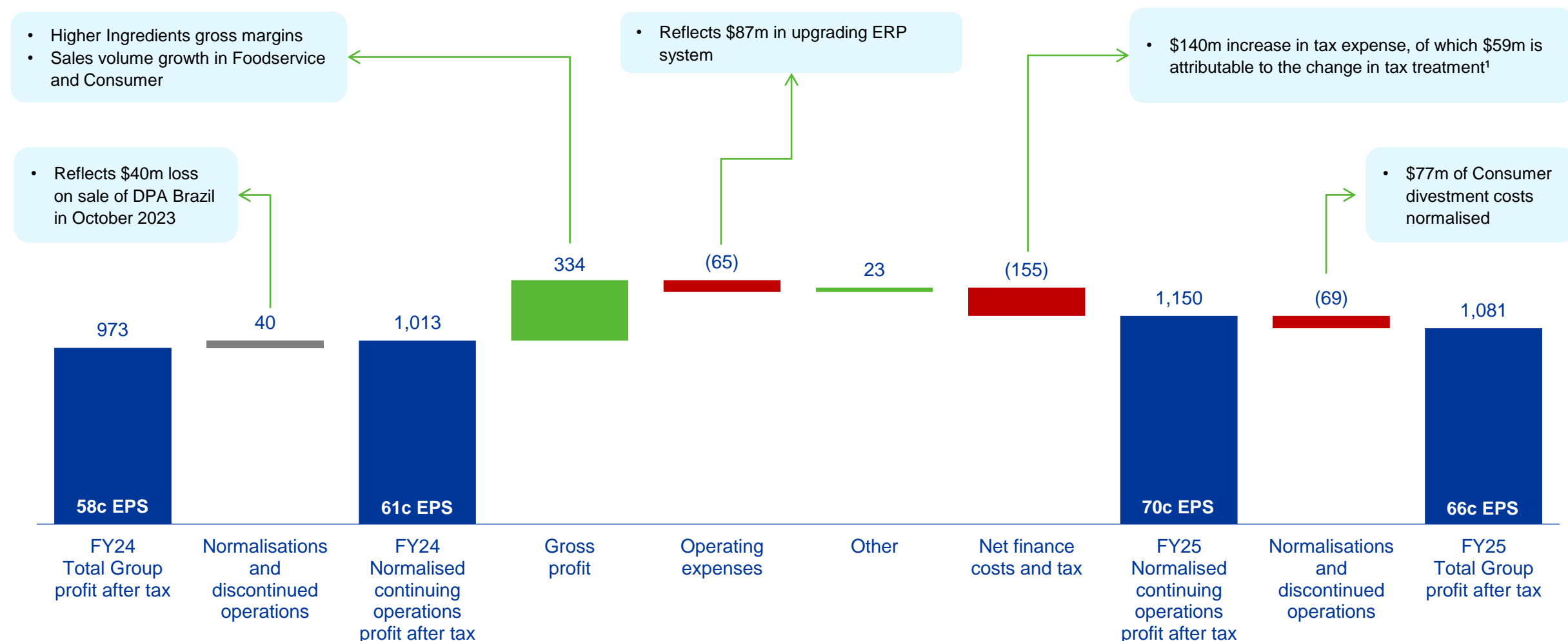
11.0%

↓ from 11.9%

Higher profit after tax driven by improved operating performance

FY24 YTD Q3 to FY25 YTD Q3 profit after tax

(\$ million)



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

1. Fonterra has exhausted its NZ tax losses and NZ tax expenses will generate imputation credits from FY25 onwards. As part of the change, dividends on supply backed shares are no longer treated as a business expense by Fonterra

Operating profit driven by Ingredients margin growth

FY24 YTD Q3 to FY25 YTD Q3 operating profit¹
(\$ million)

Channel performance drivers
net \$292m ↑

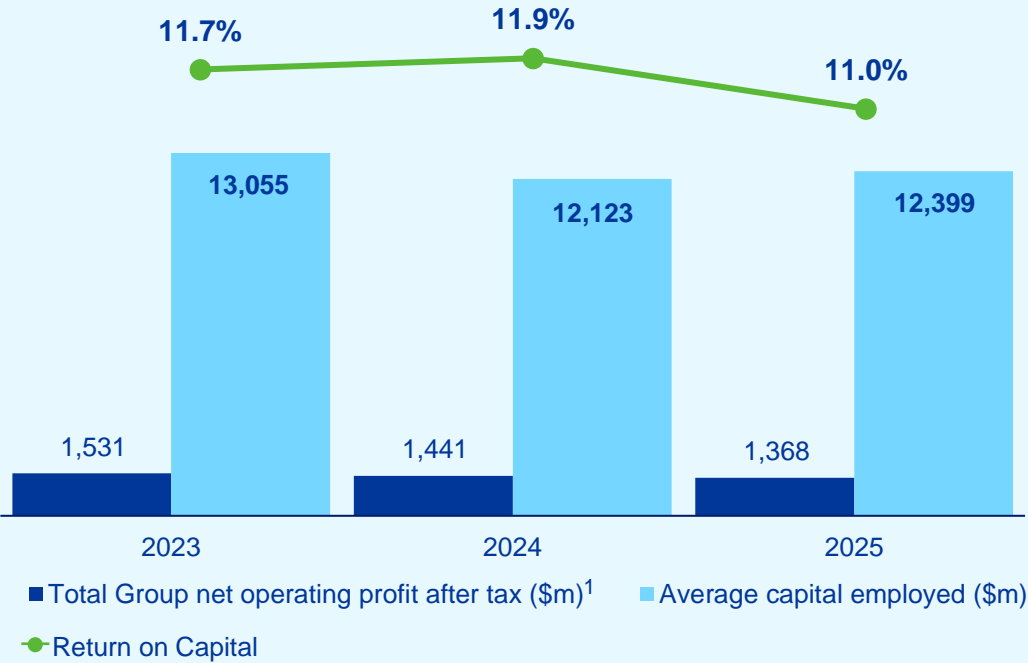


1. Figures presented are for continuing operations on a normalised basis. Consumer divestment costs pre-tax of \$79m are normalised

Return on Capital

Total Group Return on Capital

For 12-month period to 30 April



- Return on capital of 11.0% tracking to be above the FY25 target range of 8 – 10%
- Notional tax rate increased from 16.1% to 27.0%, increasing the tax charge by \$204m and a 1.7 percentage points adverse impact on return on capital

Note: Figures presented are on a 12-month basis to 30 April and include impairments
1. Net operating profit after tax is on a normalised continuing operations basis

Return on Capital by channel¹

Ingredients	(\$ million)			
		2023	2024	2025
	Average capital employed	7,541	7,835	7,639
	Net operating profit after tax	1,292	761	837
Return on Capital (%)		17.1%	9.7%	11.0%
11.0%		↑ from 9.7%		

Foodservice				
	Average capital employed	1,616	1,907	2,276
	Net operating profit after tax	216	455	303
	Return on Capital (%)	13.3%	23.8%	13.3%
13.3%		↓ from 23.8%		

Consumer				
	Average capital employed	3,292	2,288	2,485
	Net operating profit after tax	(71)	182	220
	Return on Capital (%)	(2.1)%	8.0%	8.8%
8.8%		↑ from 8.0%		

Forecast Farmgate Milk Prices

Current season

2024/25 Forecast Farmgate Milk Price

\$10.00 per kgMS

Maintained range of \$9.70 - \$10.30 per kgMS reflecting:

- heightened market volatility due to current geopolitical tension
- well contracted sales book

New season

2025/26 Forecast Farmgate Milk Price

\$10.00 per kgMS

Opening range of \$8.00 - \$11.00 per kgMS reflects:

- current strong demand for milk price reference products
- minimal new season production contracted, as is normal at the start of a new season
- heightened market volatility due to current geopolitical tension and potential for a wider range of outcomes across the season





FY25 earnings outlook

FY25 forecast normalised earnings range

65 – 75 cents

Narrowed range and lift in midpoint to 70c earnings per share reflects:

- Q4 in-market channel performance forecast to be up on prior year Q4, but fully offset by Core Operations due to seasonality of milk curve and impact of narrowed price relativities
- ongoing investment in ERP system and an increase in costs associated with shaping the Co-op post divestment to execute strategy
- normalised earnings range excludes year to date Consumer divestment costs of \$77m, or 5 cents per share
- the Fonterra Board considers, among other factors, the nature of the underlying earnings and whether it is appropriate to include any costs associated with asset sales incurred in the financial year when declaring a dividend. The Board will do this when considering a full year dividend for FY25

A large, cylindrical industrial storage tank made of metal panels. A vertical ladder with rungs and a platform is attached to the side of the tank. The tank is blue-grey in color, and the ladder is silver metal. The background is a clear blue sky.

**Channel
performance**

Channel performance

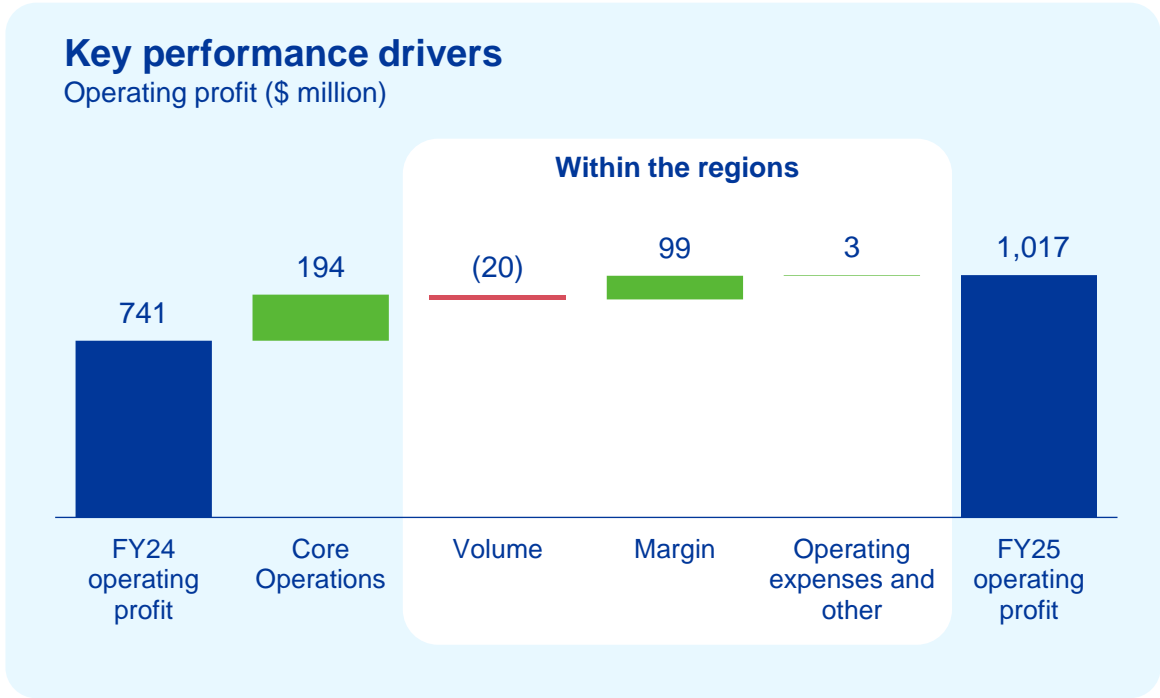
For the nine months ended 30 April	Total continuing operations			Ingredients		Foodservice		Consumer	
NZD million	2024	2025	Δ% ¹	2024	2025	2024	2025	2024	2025
Sales volume ('000 MT)	2,618	2,640	0.8%	1,684	1,660	428	455	506	525
Sales volume (million kgMS)	1,219	1,220	0.1%	921	898	176	192	122	129
Revenue	17,002	19,699	15.9%	11,138	12,986	3,088	3,644	2,776	3,069
Cost of goods sold	(13,947)	(16,310)	(16.9)%	(9,614)	(11,147)	(2,303)	(2,885)	(2,030)	(2,278)
Gross profit	3,055	3,389	10.9%	1,524	1,839	785	759	746	791
Operating expenses	(1,692)	(1,757)	(3.8)%	(833)	(881)	(347)	(375)	(512)	(501)
Other ²	77	100	29.9%	50	59	13	12	14	29
Operating profit ³	1,440	1,732	20.3%	741	1,017	451	396	248	319
Gross margin	18.0%	17.2%		13.70%	14.2%	25.4%	20.8%	26.9%	25.8%
Operating profit margin	8.5%	8.8%		6.70%	7.8%	14.6%	10.9%	8.9%	10.4%

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

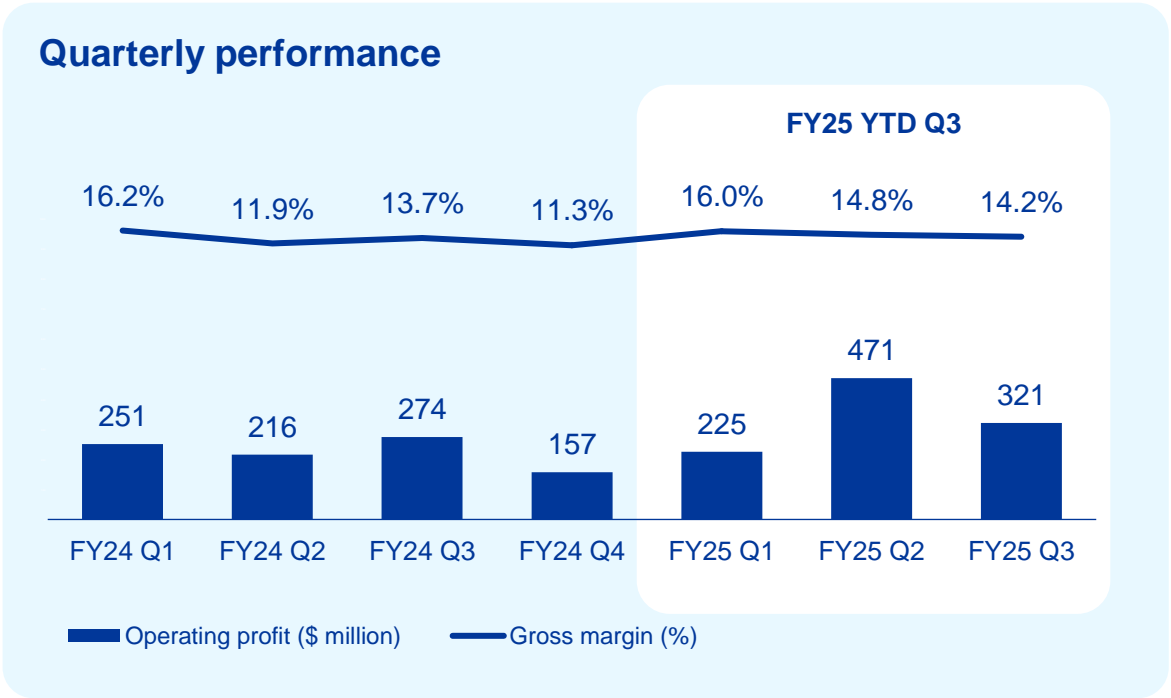
2. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees

3. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of \$432m, \$297m, \$87m and \$48m (\$256m, \$164m, \$42m and \$50m for the comparative period), respectively

Ingredients contributing to stronger milk price and earnings



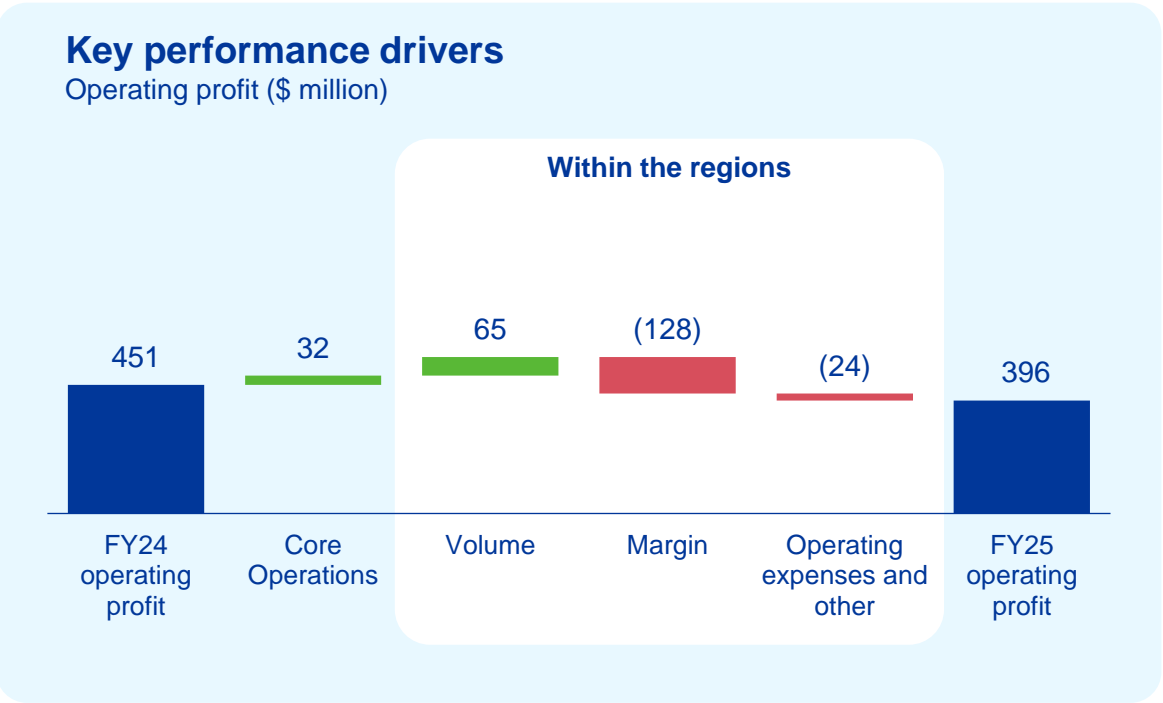
- Ingredients operating profit up \$276m, due to:
 - higher attribution from Core Operations reflecting favourable margin hedging in the Non-Reference portfolio and milk expense phasing in New Zealand
 - favourable in-market margins in Australia having a stable milk price against higher global commodity prices and strong protein prices in Europe
 - partially offset by lower sales volumes as more milk solids allocated to higher margin Foodservice and Consumer channels in-line with Fonterra’s strategy



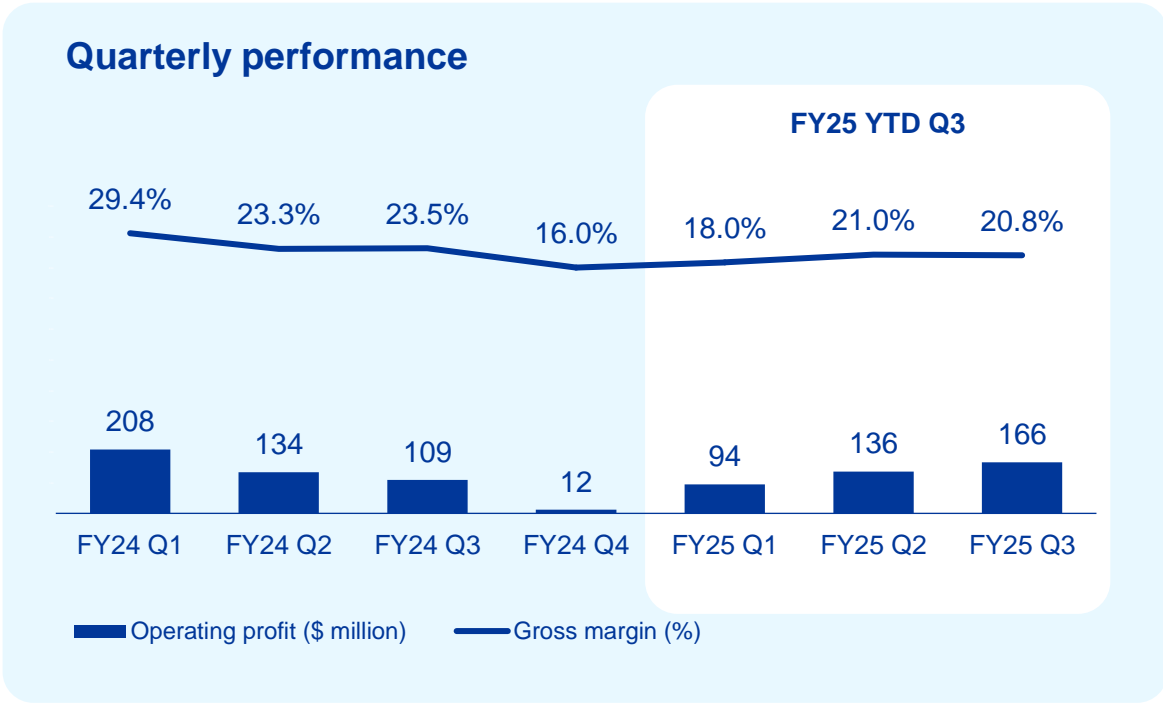
- Q3 operating profit up 17% on Q3 last year due to stronger pricing and higher sales volumes in the cheese and milk protein concentrate portfolios

Note: For the nine months ended 30 April. Prepared on a normalised continuing operations basis

Volume growth in Foodservice continues

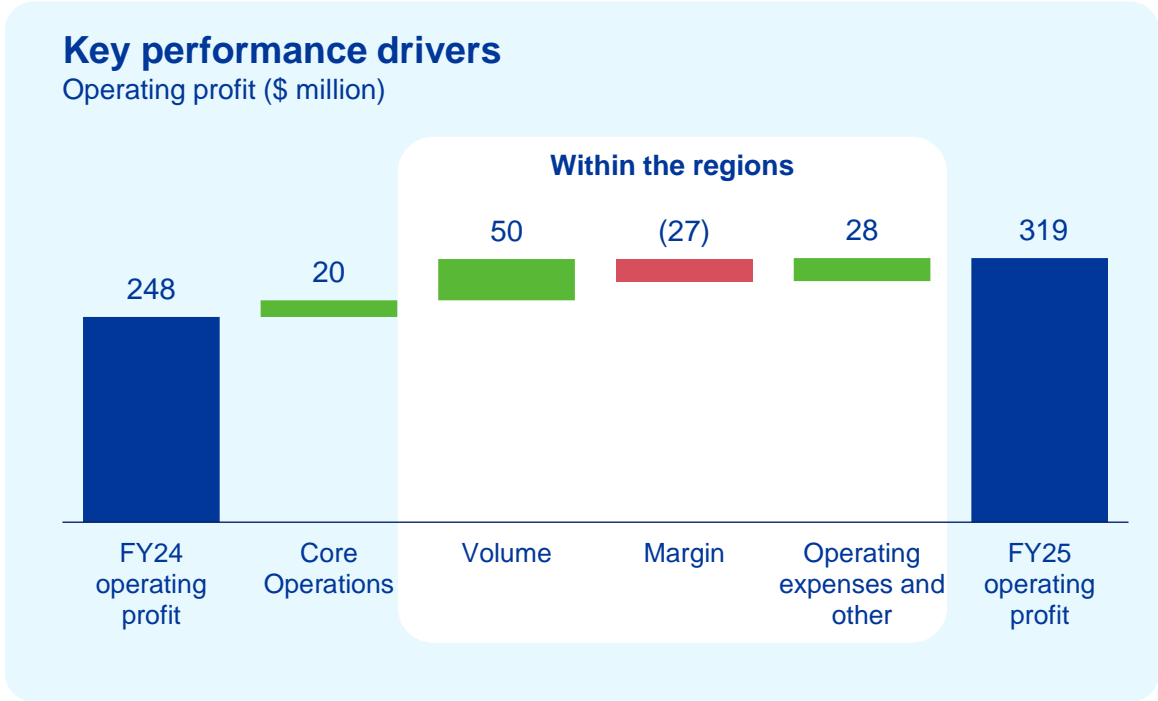


- Foodservice operating profit down \$55m, due to:
 - lower in-market margins year on year, reflecting pressure from rising input costs, particularly within Greater China’s UHT cream portfolio
 partially offset by:
 - sales volume growth of 9%, mainly from continued strong demand in Greater China for UHT cream, butter and IQF mozzarella
 - improved attribution from Core Operations reflecting steady price adjustments offsetting higher input costs

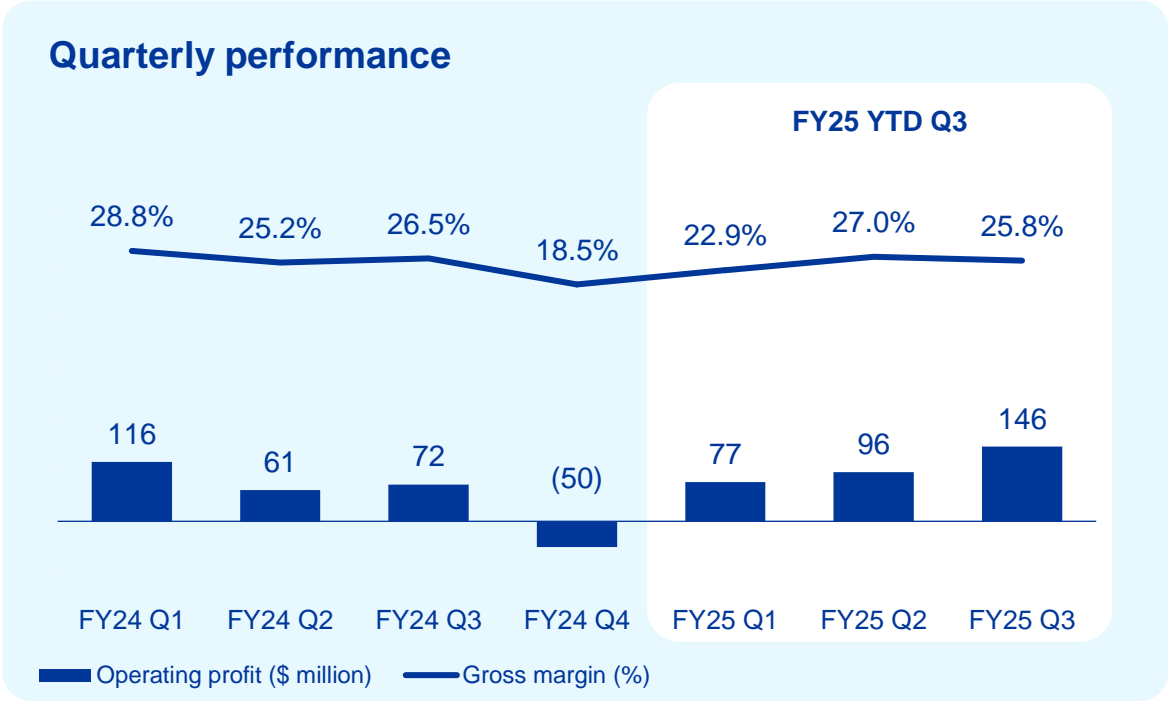


- Q3 operating profit improved on both Q1 and Q2, as steady in-market pricing adjustments offset higher input costs
- Robust demand in key markets supporting improved pricing and volume growth

Strong Consumer performance with sales growth and higher earnings



- Consumer operating profit up \$71m, due to:
 - volume growth of 6%, with higher South Asia packaged milk powders and UHT milk volumes in Greater China
 - improved attribution from Core Operations reflecting steady price adjustments offsetting higher input costs
 - lower operating expenses, comparative period incurred additional costs in Q3 relating to refocusing the business
 - partially offset by lower in-market margins reflecting higher input costs and change in product mix as customers switch to value focused options



- Q3 operating profit up 103% on Q3 last year due to higher sales volumes and in-market pricing, despite competitive conditions, offsetting rising input costs

Note: For the nine months ended 30 April. Prepared on a normalised continuing operations basis



Appendix

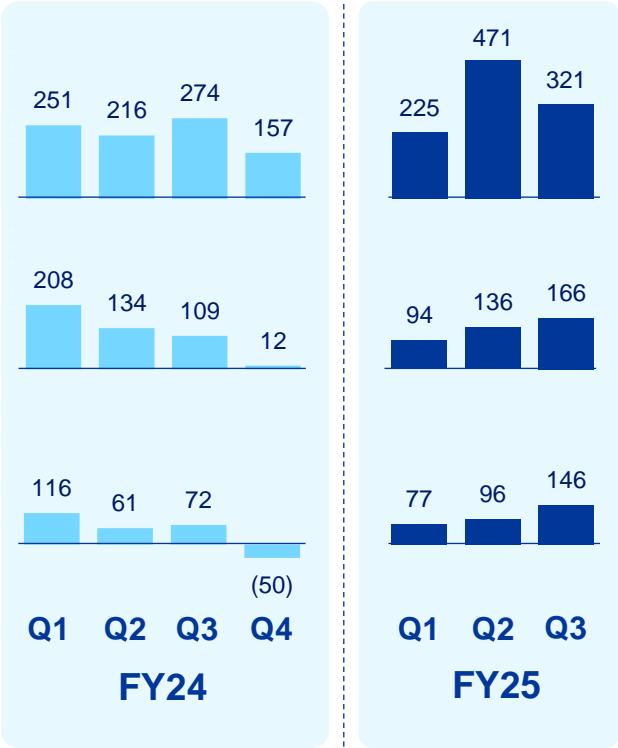
Diversified across markets and products

Operating profit performance by reporting segment and channel

For the nine months ended 30 April

	Core Operations	Global Markets Ingredients	Global Markets Consumer & Foodservice	Greater China	Total
External sales volume (million kgMS)		541 2% ↓	306 6% ↓	373 10% ↑	1,220 -% ↑
Operating profit contribution from continuing operations					
Ingredients	\$398m \$194m ↑	\$391m \$19m ↓	\$98m \$72m ↑	\$130m \$29m ↑	\$1,017m \$276m ↑
Foodservice	\$47m \$32m ↑	\$21m \$14m ↑	\$96m \$10m ↓	\$232m \$91m ↓	\$396m \$55m ↓
Consumer	\$19m \$20m ↑	\$27m \$10m ↑	\$274m \$58m ↑	\$(1)m \$17m ↓	\$319m \$71m ↑
Total ¹	\$464m \$246m ↑	\$439m \$5m ↑	\$468m \$120m ↑	\$361m \$79m ↓	\$1,732m \$292m ↑

Operating profit by quarter



Note: Prepared on a normalised continuing operations basis
 1. Includes corporate costs for Core Operations, Global Markets Ingredients, Global Markets Consumer & Foodservice and Greater China of \$214m, \$75m, \$70m and \$73m (\$119m, \$39m, \$55m and \$41m for the comparative period), respectively

Total Group performance

For the nine months ended 30 April	Total Group			Continuing operations			Discontinued operations		
NZD million	2024	2025	Δ%	2024	2025	Δ%	2024	2025	Δ%
Sales volume ('000 MT)	2,677	2,640	(1.4)%	2,618	2,640	0.8%	59	-	-
Sales volume (million kgMS)	1,219	1,220	0.1%	1,219	1,220	0.1%	0	-	-
Revenue	17,174	19,699	14.7%	17,002	19,699	15.9%	172	-	-
Cost of goods sold	(14,053)	(16,310)	(16.1)%	(13,947)	(16,310)	(16.9)%	(106)	-	-
Gross profit	3,121	3,389	8.6%	3,055	3,389	10.9%	66	-	-
Gross margin (%)	18.2%	17.2%		18.0%	17.2%		38.4%	-	
Operating expenses	(1,725)	(1,757)	(1.9)%	(1,692)	(1,757)	(3.8)%	(33)	-	-
Other ¹	77	108	40.3%	77	100	29.9%	0	8	-
Operating profit	1,473	1,740	18.1%	1,440	1,732	20.3%	33	8	(75.8)%
Net finance costs	(131)	(139)	(6.1)%	(124)	(139)	(12.1)%	(7)	-	-
Tax expense	(303)	(443)	(46.2)%	(303)	(443)	(46.2)%	0	-	-
Normalised profit after tax²	1,039	1,158	11.5%	1,013	1,150	13.5%	26	8	(69.2)%
Earnings per share (cents)	62	70	12.9%	61	70	14.8%	1	-	-
Normalisations ³	(66)	(77)	(16.7)%	0	(77)	-	(66)	-	-
Profit after tax²	973	1,081	11.1%	1,013	1,073	5.9%	(40)	8	-
Normalised EPS (cents) ⁴	58	66	13.8%	61	66	8.2%	(3)	-	-

1. Comprises of other operating income, net foreign exchange gains and share of profit or loss of equity accounted investees

2. Includes amounts attributable to non-controlling interests

3. Normalisations comprises of \$(66)m in relation to the sale of DPA Brazil and \$(77) for Consumer divestment costs

4. EPS presented is for profit attributable to equity holders of the Co-operative

Global Markets Ingredients end-to-end performance

For the nine months ended 30 April	Total Global Markets Ingredients ¹			Ingredients		Foodservice		Consumer	
NZD million	2024	2025	Δ% ²	2024	2025	2024	2025	2024	2025
Sales volume ('000 MT)	979	970	(0.9)%	927	908	41	49	11	13
Sales volume (million kgMS)	554	541	(2.5)%	527	509	20	24	7	8
Revenue	7,168	8,316	16.0%	6,766	7,757	288	431	114	128
Cost of goods sold	(6,036)	(7,029)	(16.5)%	(5,700)	(6,537)	(246)	(385)	(90)	(107)
Gross profit	1,132	1,287	13.7%	1,066	1,220	42	46	24	21
Operating expenses	(561)	(580)	(3.4)%	(527)	(549)	(26)	(24)	(8)	(7)
Other ³	40	50	25.0%	34	44	1	1	5	5
Operating profit ⁴	611	757	23.9%	573	715	17	23	21	19
Gross margin	15.8%	15.5%		15.8%	15.7%	14.6%	10.7%	21.1%	16.4%
Operating profit margin	8.5%	9.1%		8.5%	9.2%	5.9%	5.3%	18.4%	14.8%

1. Global Markets Ingredients performance is prepared on a normalised continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of \$172m, \$163m, \$6m and \$3m (\$97m, \$91m, \$3m and \$3m for the comparative period), respectively

Global Markets Consumer and Foodservice end-to-end performance

For the nine months ended 30 April	Total Global Markets Consumer & Foodservice ¹			Ingredients		Foodservice		Consumer	
NZD million	2024	2025	Δ% ²	2024	2025	2024	2025	2024	2025
Sales volume ('000 MT)	919	885	(3.7)%	318	276	163	164	438	445
Sales volume (million kgMS)	325	306	(5.7)%	171	146	50	52	104	109
Revenue	5,261	5,659	7.6%	1,868	2,009	1,030	1,065	2,363	2,585
Cost of goods sold	(4,242)	(4,503)	(6.2)%	(1,756)	(1,784)	(765)	(821)	(1,721)	(1,898)
Gross profit	1,019	1,156	13.4%	112	225	265	244	642	687
Operating expenses	(708)	(696)	1.7%	(135)	(137)	(154)	(156)	(419)	(403)
Other ³	29	31	6.9%	11	4	10	5	8	22
Operating profit ⁴	340	491	44.4%	(12)	92	121	93	231	306
Gross margin	19.4%	20.4%		6.0%	11.2%	25.7%	22.9%	27.2%	26.6%
Operating profit margin	6.5%	8.7%		(0.6)%	4.6%	11.7%	8.7%	9.8%	11.8%

1. Global Markets Consumer and Foodservice performance is prepared on a normalised continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of \$117m, \$48m, \$29m and \$40m (\$79m, \$27m, \$10m and \$42m for the comparative period), respectively

Greater China end-to-end performance

For the nine months ended 30 April	Total Greater China ¹			Ingredients		Foodservice		Consumer	
NZD million	2024	2025	Δ% ²	2024	2025	2024	2025	2024	2025
Sales volume ('000 MT)	720	785	9.0%	439	476	224	242	57	67
Sales volume (million kgMS)	339	373	9.8%	223	243	105	117	11	13
Revenue	4,573	5,724	25.2%	2,504	3,220	1,770	2,148	299	356
Cost of goods sold	(3,669)	(4,778)	(30.2)%	(2,158)	(2,826)	(1,292)	(1,679)	(219)	(273)
Gross profit	904	946	4.6%	346	394	478	469	80	83
Operating expenses	(423)	(481)	(13.7)%	(171)	(195)	(167)	(195)	(85)	(91)
Other ³	8	19	137.5%	5	11	2	6	1	2
Operating profit ⁴	489	484	(1.0)%	180	210	313	280	(4)	(6)
Gross margin	19.8%	16.5%		13.8%	12.2%	27.0%	21.8%	26.8%	23.3%
Operating profit margin	10.7%	8.5%		7.2%	6.5%	17.7%	13.0%	(1.3)%	(1.7)%

1. Greater China performance is prepared on a continuing operations basis and includes sales to other segments
2. Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures

3. Consists of other operating income, net foreign exchange gains/(losses) and share of profit or loss of equity accounted investees
4. Includes corporate costs for Total, Ingredients, Foodservice and Consumer of \$143m, \$86m, \$52m and \$5m (\$80m, \$46m, \$29m and \$5m for the comparative period), respectively

New Zealand-sourced Ingredients' product mix

	2024	2025	Change
Sales Volume ('000 MT)			
Reference Products	1,341	1,306	(2.6)%
Non-Reference Products	657	699	6.4%
Revenue (NZD)			
Reference Products (\$ billion)	7.5	9.2	22.3%
Non-Reference products (\$ billion)	4.6	5.3	14.8%
Reference Products (\$ per MT)	5,591	7,020	25.6%
Non-Reference products (\$ per MT)	7,031	7,591	8.0%
Cost of Milk (NZD)			
Reference Products (\$ billion)	(5.5)	(7.2)	(30.4)%
Non-Reference Products (\$ billion)	(2.3)	(2.9)	(25.1)%
Reference Products (\$ per MT)	(4,135)	(5,534)	(33.8)%
Non-Reference Products (\$ per MT)	(3,559)	(4,189)	(17.7)%

Note: Percentages as shown in table may not align to the calculation of percentages based on numbers in the table due to rounding of figures
 Table includes Ingredients' products that are on-sold to the Foodservice and Consumer channels and excludes bulk liquid milk. Bulk liquid milk for 2025 was 56,000 MT of kgMS equivalent (for the comparative period it was 53,000 MT of kgMS equivalent). Milk solids used in the Reference Products sold were 728m kgMS and 345m kgMS in the Non-Reference Products (for the comparative period 739m kgMS in Reference Products and 334m kgMS in Non-Reference Products)

FY25 Integrated Scorecard

as at 30 April 2025

	Key Metrics	FY23 Actual	FY24 Actual	FY25 Scorecard	FY25 YTD
People	Serious harm ¹	18	16	12	2
	Percentage of Health, Safety and Wellbeing priority actions fully completed by due date	76%	77%	95%	96%
	Culture Measure	79	79	81	81
Nature	GHG emissions (Scope 1,2) ²	(14.1)%	(18.5)%	(21.1)%	(21.2)%
	Absolute water reduction across manufacturing sites (15% by FY30) ²	(6.7)%	(12.4)%	(13.1)%	(16.7)%
Relationships	Share of New Zealand milk collected for the season to 31 May	79.0%	78.1%	78.0%	78.1% ³
	Delivered in full, on time (DIFOT, ex-New Zealand)	53.2%	70.8%	80.0%	79.9%
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real) ⁴	1.37	1.36	1.46	1.44
	Core Operations manufacturing cash costs per kgMS (real) ⁵	2.78	2.64	2.65	2.65
	Return on capital (FY)	12.4%	11.3%	8%-10%	Ahead
	Farmgate Milk Price (\$)	\$8.22	\$7.83	\$7.75-\$9.25	\$9.70-\$10.30 ⁶
Alignment Rights	Total shareholder return	\$2.38	\$2.66		3.82
	(12-month Volume Weighted Average Price of FCG share plus dividend) ⁷	\$1.00	\$0.55		TBC
	On-farm profitability (\$ per hectare) ⁸	3,017	Not Available	Not Available	

1. A broader definition, which also includes Contractors, has been adopted for FY25 resulting in an increased number of injuries captured under the revised definition

2. Relative to FY18 Baseline. Scope 1&2 including energy and industrial emissions from farms under our operational control

3. Colour-code based on full season forecast

4. Based on New Zealand and Australia milk solids. FY25 excludes divestment related costs. Restated using FY25 as the base year

5. Based on New Zealand milk solids collected. Excludes the cost of milk. Restated using FY25 as the base year

6. Latest Forecast Farmgate Milk Price announced 20 March 2025 with midpoint of \$10.00

7. Value Weighted Average Price (VWAP) for the period 1 October to 30 September. FY25 YTD is 12-month VWAP to 30 April 2025

8. DairyNZ Economic Survey 2022-2023 (Owner-Operator). Publication of 2024 survey expected in July 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 Glossary for definitions of non-GAAP measures referred to by Fonterra.

Glossary

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

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

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

Global Markets Consumer & Foodservice

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

Global Markets Ingredients

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

Greater China

represents the Ingredients, Foodservice and Consumer channels in Greater China

Ingredients

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

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.

Price relativities

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

Reference Products

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

Total Group

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

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



Dairy for life