

Fonterra Shareholders' Fund Interim Report 2025

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

FONTERRA
SHAREHOLDERS'
FUND.



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Chair Report

Dear unit holders,

Fonterra's profit after tax for the first six months of the 2025 financial year increased \$55 million, or 8%, to \$729 million compared to the prior period and equates to 44 cents per share attributable to equity holders.

The improved performance has enabled Fonterra to declare a fully imputed interim dividend of 22 cents per share, up from 15 cents the prior year. As a result, unit holders will receive an interim distribution of 22 cents per unit. The record date for the interim distribution is 27 March 2025 and the payment date is 8 April 2025. The suspension of the distribution reinvestment plan remains in place.

Fonterra's business performance

The Fund, and the Board of FSF Management Company Limited (the Manager) that oversees it, have no direct involvement in Fonterra's operations. However, as a holder of economic rights in Fonterra, the performance of the Fund is tied directly to Fonterra's performance.

It is pleasing to see Fonterra maintain its momentum into FY25 and build on what was a strong performance in the prior period, with operating profit up \$154 million, or 16%, to \$1,107 million for the first six-months of FY25.

The higher operating profit was driven by a \$229 million, or 49%, increase in Fonterra's Ingredients channel operating profit to \$696 million. The Ingredients channel benefited from favourable margin hedging in its New Zealand non-reference product portfolio and from better alignment between domestic milk prices and global commodity prices in Australia.

It is good to see Fonterra's Foodservice and Consumer channels both had better operating profits in the second quarter following a tough first quarter, with materially better gross margins reflecting stronger pricing to offset the higher input costs. However, both channels remain down for the six-month period compared to the prior year.

Foodservice is down \$112 million to \$230 million, and Consumer is down \$4 million to \$173 million.

Fonterra CEO, Miles Hurrell, noted the prior year's Foodservice performance was a record for Fonterra when input costs were much lower, and that the Consumer channel had good sales volume growth, up 8.5%, to largely offset the impact of the lower margins experienced in the first quarter.

The growth in Fonterra's operating profit was partially offset by a \$103 million, or 54%, increase in its tax expense to \$297 million. Of the increase, \$59 million is attributable to the change in tax treatment that was announced last year and is reflected in the equivalent imputation credits.

Outlook for the remainder of FY25

Fonterra recently increased its forecast full year earnings range to 55-75 cents per share from 40-60 cents. Miles Hurrell said this increase reflects the underlying strength of Fonterra's core business as well as the resilience of the Consumer channel.

This is a promising outlook for unit holders, particularly in the context of the higher input costs relative to last year, with Fonterra maintaining and narrowing its forecast Farmgate Milk Price range from \$9.50 – \$10.50 to \$9.70 – \$10.30 per kgMS for the current season.

For further clarity and detail on Fonterra's performance, I encourage you to read the other interim results material released by Fonterra, that can be found on its Investor Relations webpage.

"The Fund, and the Board of FSF Management Company Limited that oversees it, have no direct involvement in Fonterra's operations. However, as a holder of economic rights in Fonterra, the performance of the Fund is tied directly to Fonterra's performance."

Delisting from the ASX

In the first half of FY25, as part of its focus to reduce costs and complexity, Fonterra engaged with the Manager on delisting the Fund from the ASX to be solely listed on the NZX.

The board of the Manager were supportive of the proposal and actively engaged in the process to ensure unit holders interests were considered.

Unit holders, in aggregate, benefited in the move to one listing from consolidating the liquidity on the NZX, as well as reducing costs, both directly from the secondary listing and due to reduced operational complexity. It's worth noting that at the time of delisting on the close of 27 February 2025 only a small volume of units, around 4%, were held through the ASX.

Potential divestment of Consumer business

Fonterra continues to progress the potential divestment of its Consumer business, pursuing both a trade sale and an initial public offering as divestment options.

Fonterra has indicated that a divestment remains subject to approval from Fonterra's farmer shareholders and that it continues to target a significant capital return to be made to farmer shareholders and unit holders following the divestment.



Mary Jane Daly
Chair



Interim Financial Statements

For the six months ended 31 January 2025



Drysdale Farm, Manawatū-Whanganui

Manager's Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

FSF Management Company Limited (the Manager) presents to the unit holders the interim financial statements for the Fonterra Shareholders' Fund (the Fund) for the six months ended 31 January 2025.

The Manager is responsible for presenting interim financial statements for the six months which fairly present the financial position of the Fund and its financial performance and cash flows for that period.

The Manager considers the interim financial statements of the Fund have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed. The Manager believes that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Fund and facilitate compliance of the interim financial statements with the Financial Markets Conduct Act 2013 and the Fonterra Shareholders' Fund Trust Deed.

The Manager considers that it has taken adequate steps to safeguard the assets of the Fund, and to prevent and detect fraud and other irregularities.

The Manager approves and authorises for issue the interim financial statements for the six months ended 31 January 2025 presented on pages 6 to 11.

For and on behalf of the Board of the Manager:

Mary Jane Daly

Chair
FSF Management Company
Limited

19 March 2025

Alastair Hercus

Director
FSF Management Company
Limited

19 March 2025

Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

(\$ MILLION)

	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JULY 2024 AUDITED
Net fair value gain on revaluation of Economic Rights of Fonterra shares	111	41	99
Dividend income	43	43	59
Investment income	154	84	158
Net increase in fair value of amounts attributable to unit holders	(111)	(41)	(99)
Distributions to unit holders	(43)	(43)	(59)
Finance cost	(154)	(84)	(158)
Profit before tax	-	-	-
Tax expense	-	-	-
Profit for the period	-	-	-

There are no items of other comprehensive income.

Statement of Changes in Amounts Attributable to Unit Holders

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

(\$ MILLION)

Amounts attributable to unit holders at 1 August 2024	424
Movements:	
Revaluation of amounts attributable to unit holders	111
Amounts attributable to unit holders at 31 January 2025 (unaudited)	535
Amounts attributable to unit holders at 1 August 2023	325
Movements:	
Revaluation of amounts attributable to unit holders	41
Amounts attributable to unit holders at 31 January 2024 (unaudited)	366
Amounts attributable to unit holders at 1 August 2023	325
Movements:	
Revaluation of amounts attributable to unit holders	99
Amounts attributable to unit holders at 31 July 2024 (audited)	424

Statement of Financial Position

AS AT 31 JANUARY 2025

(\$ MILLION)

	NOTES	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JULY 2024 AUDITED
Assets				
Economic Rights of Fonterra shares	2	535	366	424
Total assets		535	366	424
Liabilities				
Amounts attributable to unit holders	3	535	366	424
Total liabilities		535	366	424

Cash Flow Statement

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

(\$ MILLION)

	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JULY 2024 AUDITED
Cash flows from operating activities			
Cash was provided from:			
– Dividends received	43	43	59
– Capital return received	–	54	54
Net cash flows from operating activities	43	97	113
Cash flows from financing activities			
Cash was applied to:			
– Distributions paid to unit holders	(43)	(43)	(59)
– Capital return paid to unit holders	–	(54)	(54)
Net cash flows from financing activities	(43)	(97)	(113)
Net change in cash and cash equivalents	–	–	–
Cash and cash equivalents at the beginning of the period	–	–	–
Cash and cash equivalents at the end of the period	–	–	–

The accompanying basis of preparation and notes form part of these interim financial statements.

Basis of Preparation

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

a) General information

The Fonterra Shareholders' Fund (FSF or the Fund) is a New Zealand managed investment scheme established to be the 'Authorised Fund' referred to in Fonterra's Constitution. It is an FMC Reporting Entity registered under the Financial Markets Conduct Act 2013 and its governing document is the Fonterra Shareholders' Fund Trust Deed (the Trust Deed) dated 23 October 2012 (as amended) and has a life of 80 years. Under the Trust Deed, the Fund may invest only in authorised investments, which are the Economic Rights of Fonterra shares (Economic Rights), and issue units to investors. It may not invest directly in Fonterra shares (Shares).

At 31 January 2025, the Fund was listed on the NZX Main Board operated by NZX Limited and as a Foreign Exempt Listing on the Australian Securities Exchange operated by ASX Limited. The activities of the Fund and the issue of units to the public are managed by FSF Management Company Limited (the Manager). The immediate and ultimate parent of the Fund is Fonterra Co-operative Group Limited (Fonterra, or the Co-operative).

The New Zealand Guardian Trust Company Limited (the Trustee) acts as the trustee for the Fund. The Economic Rights assets are held on trust for the Trustee under the Fonterra Economic Rights Trust by Fonterra Farmer Custodian Limited (the Custodian). The trustees of the Fonterra Farmer Custodian Trust also hold one unit known as the Fonterra unit.

The registered office of the Manager is 109 Fanshawe Street, Auckland Central, Auckland 1010, New Zealand.

These interim financial statements were authorised for issue by the Manager on 19 March 2025.

Fonterra interim financial statements

Investors are encouraged to read the interim financial statements of Fonterra, together with the interim financial statements of the Fund, given that the performance of the Fund is driven by the performance of Fonterra. The Fonterra interim financial statements can be found in the 'Investors/Results & Reporting' section of Fonterra's website.

Fonterra's capital structure

Under Fonterra's Flexible Shareholding capital structure, the ability for the Fund to acquire Economic Rights and issue units to investors (i.e. to exchange shares for units) on a day-to-day basis is suspended. The Fonterra Board retains the right to regulate this process, and if, in the future, the Fonterra Board considered it was appropriate to increase the Fund size, it could do so up to the overall Fund size limit of 10% of the total number of Fonterra shares on issue as specified in Fonterra's Constitution. As at 31 January 2025, the Fund size is 6.7% (31 January 2024: 6.7%, 31 July 2024: 6.7%).

During the six months ended 31 January 2025 Fonterra did not buy back any shares from shareholders (31 January 2024: 54,114 shares bought back at a total cost of \$0.1 million, year ended 31 July 2024: 54,114 shares bought back at a total cost of \$0.1 million). The buybacks have not had a material impact to the Fund size percentage.

Information about Flexible Shareholding is available in the 'Investors/Capital Structure' section of Fonterra's website.

Activities

The principal activity of the Fund is to acquire and hold Economic Rights and issue units to investors to allow investors in the Fund an opportunity to earn returns based on the financial performance of Fonterra. As reflected in the previous section, the ability to exchange shares for units is suspended under Flexible Shareholding.

Delisting from ASX

In January 2025, the Manager received conditional approval to remove the Fund from the official list of the ASX. The Fund has complied with the conditions and was removed from the ASX at the close of ASX trading on 27 February 2025.

FSF units last traded on 25 February 2025. FSF units were placed into a two day voluntary suspension from close of trading on 25 February 2025 to enable ASX trades to settle and units from the ASX to be transferred to the NZX, before the Fund was removed from the official list of the ASX. Units continue to be available on the NZX to buy and sell and unit holders continue to be eligible to receive distributions.

b) Basis of preparation

These unaudited interim financial statements comply with International Accounting Standard 34 *Interim Financial Reporting* and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting*. They have also been prepared in accordance with Generally Accepted Accounting Practice (GAAP) applicable to for-profit entities. These interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the financial statements for the year ended 31 July 2024.

These interim financial statements are presented in New Zealand dollars (\$), which is the Fund's functional and presentation currency, and rounded to the nearest million, except where otherwise stated.

Basis of Preparation CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

c) Material accounting policies

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied in the financial statements for the year ended 31 July 2024.

d) Operating segments

The Fund's investments only include Economic Rights assets and the Fund's performance is evaluated on an overall basis. Therefore, the Fund is a single-segment entity. All of the Fund's income is from investments in the Economic Rights.

The internal reporting provided to the Board of the Manager, which is the Fund's chief operating decision maker, for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of NZ IFRS Accounting Standards. The Board of the Manager reviews the Fund's internal reporting in order to assess the performance and position of the Fund.

Notes to the Interim Financial Statements

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

1 Fair value measurement

The Fund measures the Economic Rights and amounts attributable to unit holders at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fund uses the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. The Fund has no Level 3 instruments.

The Fund's amounts attributable to unit holders is a Level 1 instrument as the unit price is quoted on the NZX Main Board, which is considered to be an active market. The Manager considers market prices to be the most representative measure of fair value as they are used by market participants as a practical expedient for fair value measurement.

Where there is a bid and ask price, the Fund uses the price within that range that is most representative of fair value. Where the last traded price is within that range, the Fund uses the last traded price as fair value. Where the last traded price falls outside that range the Fund uses the mid-point between the bid and ask prices.

The market is monitored on an on-going basis to confirm that it remains active for the purposes of establishing fair value.

Economic Rights are Level 2 instruments as Economic Rights are not listed and there is no active market for Economic Rights assets. Economic Rights are valued using the quoted price of units (which are considered to be a materially comparable instrument) in the Fund listed on the NZX Main Board.

There have been no transfers between the categories in the fair value hierarchy during any of the periods presented.

2 Economic Rights of Fonterra shares

The Economic Rights are held on trust for the Fund by the Custodian under the Fonterra Economic Rights Trust.

	AS AT 31 JAN 2025 UNAUDITED	AS AT 31 JAN 2024 UNAUDITED	AS AT 31 JULY 2024 AUDITED
Value of Economic Rights (\$ million)	535	366	424
Number of Economic Rights	107,410,984	107,410,984	107,410,984

The Economic Rights are measured at fair value, calculated as the number of Economic Rights held multiplied by the established fair value for each Economic Right.

	\$ MILLION		
	SIX MONTHS ENDED	YEAR ENDED	
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JULY 2024 AUDITED
Opening value of Economic Rights	424	325	325
Revaluation of Economic Rights	111	41	99
Closing value of Economic Rights	535	366	424

Notes to the Interim Financial Statements CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025

3 Amounts attributable to unit holders

	SIX MONTHS ENDED		YEAR ENDED
	31 JAN 2025 UNAUDITED	31 JAN 2024 UNAUDITED	31 JULY 2024 AUDITED
Value of amounts attributable to unit holders at the end of the period (\$ million)¹	535	366	424
Opening number of units on issue²	107,410,984	107,410,984	107,410,984
Movements:			
Number of units redeemed	-	-	-
Closing number of units on issue	107,410,984	107,410,984	107,410,984

1 The amounts attributable to unit holders is measured at fair value, calculated as the number of units on issue multiplied by the unit market price at 31 January 2025 of \$4.98 (31 January 2024: \$3.41, 31 July 2024: \$3.95).

2 Included in the total number of units is one Fonterra unit, held by the Custodian, which was issued at inception of the Fund. The key rights of the Fonterra unit holder are set out in the Fund's annual financial statements for the year ended 31 July 2024.

4 Net assets per security

As at 31 January 2025, the net assets per unit on issue was \$4.98 (31 January 2024: \$3.41, 31 July 2024: \$3.95).

5 Commitments and contingent liabilities

The Fund has no material commitments or contingent liabilities as at 31 January 2025 (31 January 2024: nil, 31 July 2024: nil).

6 Subsequent events

Declaration of distribution

On 19 March 2025, the Board of Directors of Fonterra declared a fully imputed interim dividend of 22 cents per share. Following Fonterra's dividend declaration, the Board of the Manager declared an interim distribution of 22 cents per unit. The distribution will be paid on 8 April 2025 to the unit holders on the register at 27 March 2025.

The Distribution Reinvestment Plan does not apply to this distribution.

Delisting from ASX

Subsequent to 31 January 2025, the Fund fulfilled all the conditions required for its removal from the ASX and was removed from the official list of the ASX at the close of ASX trading on 27 February 2025.

Changes in unit price

Units are traded on the NZX and accordingly the unit price changes regularly, including during the period between balance date and the date these interim financial statements were authorised for issue. Changes in the market price of the units result in a corresponding change in the value of the Economic Rights asset held by the Fund. Daily unit prices are available on the NZX website.

Independent Auditor's Review Report

FOR THE SIX MONTHS ENDED 31 JANUARY 2025



To the unit holders of Fonterra Shareholders' Fund

Report on the interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements on pages 6 to 11 do not:

- i. present fairly, in all material respects, the Fund'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) issued by the International Accounting Standards Board.

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

- the interim statement of financial position as at 31 January 2025;
- the interim statements of comprehensive income, changes in amounts attributable to unit holders 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 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 financial statements* section of our report.

We are independent of Fonterra Shareholders' Fund (Fund) 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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Fund.

Use of this Independent Auditor's Review Report

This report is made solely to the unit holders. Our review work has been undertaken so that we might state to the unit holders 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 unitholders for our review work, this report, or any of the conclusions we have formed.

Independent Auditor's Review Report CONTINUED

FOR THE SIX MONTHS ENDED 31 JANUARY 2025



Responsibilities of the Manager for the interim financial statements

The Manager on behalf of the Fund are responsible for:

- the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 and IAS 34; and
- implementing necessary internal control to enable the preparation of interim 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 financial statements

Our responsibility is to express a conclusion on the interim 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 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 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 financial statements.

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

For and on behalf of:

A handwritten signature of the KPMG firm, written in black ink. The letters 'KPMG' are written in a stylized, cursive font.

KPMG

Auckland

19 March 2025

Directory

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Alastair Hercus
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Company Secretary

Jackie Floyd

Supervisor

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