Review of FY25 Performance

Fonterra Co-operative Group

November 2025

Northington Partners

Fonterra Dairy for life

Fonterra Co-operative Council

Important Notice

Declarations

This report is dated 11 November 2025 and has been prepared by Northington Partners at the request of the Fonterra Co-operative Council ("**FCC**") on behalf of Fonterra Co-operative Group Limited ("**Fonterra**") for the purposes of s109LA of the Dairy Industry Restructuring Act 2001. The report is intended to provide Fonterra shareholders and unitholders with an independent review of Fonterra's performance for FY25.

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The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D, Jonathan Burke B.Com (Hons), Mathew Rooza B.Com, CPA and Ryan Barnes B.Com. Each individual has a wealth of experience in providing independent corporate finance advice to a wide range of clients.

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FY25 Highlights

1	**Continuation of Strong Earnings offset by tax change**	Fonterra reported normalised FY25 earnings from Group operations of 71 cents per share. This was slightly above the midpoint of its guidance (65 – 75 cents). While it is also in line with FY24's earnings outcome of 71 cents per share, the FY25 result is 13 cents per share higher than FY24's tax adjusted earnings of 58 cents per share (+22%). We estimate that FY25 normalised earnings represent Fonterra's highest ever result after adjusting for tax changes (FY25 being the first full year since supply-backed dividends are no longer a tax deduction).
2	**Strong Performance Across All Channels**	Although price relativities between Reference and Non-Reference products significantly narrowed when compared to FY24, Fonterra maintained its earnings performance due to strong Ingredients' margins and favourable hedging in the Non-Reference portfolio. Normalised EBIT for Ingredients (continuing operations) was up ~17% to $1,101m. Higher sales volumes contributed to improved performance for the Foodservice channel despite lower margins, with normalised EBIT from continuing operations of $340m, up ~9% on FY24. Normalised EBIT for discontinued operations' (Mainland) also saw a ~16% increase to $397m. This was driven by both higher volumes and improved pricing / margins, together with a more favourable milk price environment for the Australian business.
3	**Maintained 2025/26 Farmgate Milk Price and Advance Rates**	Fonterra declared a final 2024/2025 Farmgate Milk Price (FGMP) of $10.16 per KgMS and a total dividend for the year of 57 cents per share, generating an effective total cash return of $10.73 per share backed kgMS for the season. While the risks of volatility in commodity prices and exchange rates from geopolitical dynamics remain, continued GDT price strength and demand from customers through GDT has resulted in Fonterra maintaining its 2025/26 forecast FGMP midpoint at $10.00 per kgMS (~2% down on the final 2024/2025 milk price) with a range of $9.00 - $11.00 per kgMS. Fonterra previously raised the 2025/26 forecast FGMP midpoint from its opening midpoint price of $9.50 per kgMS. The strength of the balance sheet enabled the Co-operative to enhance the Advance Rate over the past two seasons. In the 2025/26 season, the higher milk price is also being accompanied by an uplift in Advance Rates, meaning suppliers will be paid more for their milk earlier for a third season in a row.
4	**Ongoing Balance Sheet Strength**	The strong underlying performance of the business has maintained the Co-operative's balance sheet strength, although that is partly offset by the higher intra-year working capital requirements (due to the higher milk price and accelerated advance rates). Net debt has remained constant at ~$2.6bn when compared to FY24 and total capital has increased to $10,947m, up $95m on last year ($10,852m). This has resulted in a stable gearing ratio of 23.9% (vs 24.0% in FY24, an average of 38% over the FY19-FY24 period and a target of 30%-40%). The continued balance sheet strength provides flexibility for Fonterra to return cash faster to farmers (as evident with the accelerated Advance Rate) and provides significant funding capacity for Fonterra's anticipated $1bn+ per annum of capital investment over the next three years. The net cash proceeds from the Mainland divestment (after the expected capital return) will also reduce debt and gearing levels further.
5	**Mainland Divestment**	Fonterra shareholders have approved a conditional agreement to sell Mainland to Lactalis for $4.22bn (subject to standard settlement adjustments). Representing more than just Fonterra's Consumer business, Mainland combines the integrated businesses in Oceania and Sri Lanka with the global Consumer channel (excluding Greater China) and the MEA Foodservice business. Mainland has $3.0bn of capital employed, representing 24% of the total capital employed by Fonterra in FY25. Based on pro-forma EBIT of $309m in FY25 (after an appropriate allowance for standalone costs), the transaction price represents an EV/EBIT multiple of 13.7x. Following completion of the transaction, Fonterra is targeting a tax-free capital return to shareholders of $2.00 per share, equating to $3.2bn in total or $360,000 to the average fully shared shareholder (assuming average production of 180,000 kgMS).
6	**FY26 Earnings Outlook**	The Fonterra Board has provided earnings guidance of 45 – 65 cents per share for the 2026 financial year (on a continuing operations basis, excluding Mainland). With a midpoint of 55 cents per share, this represents a 1 cent per share increase on FY25's normalised earnings from continuing operations (54 cents per share). Fonterra also provided a target of returning the business to FY25 earnings levels by FY28. This growth is expected through realignment of the business (including cost reductions), reduced ERP costs and an ongoing shift to higher value Ingredients and Foodservice products.

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Section 1:

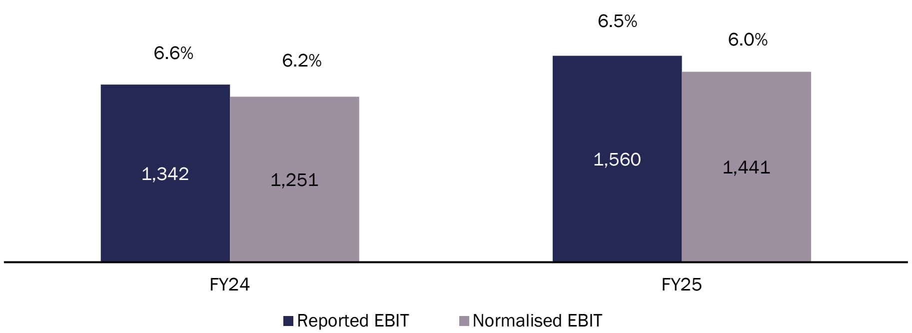
FY25 Results Review

Total Group Financial Performance

Fonterra reported FY25 earnings (EBIT) from continuing operations of $1,560m, a 16% increase on FY24's results. Continuing operations net profit after tax was down 4%, to $1,004m, reflecting a significant change in tax treatment.

NZ$ Million (Continuing Operations)	FY25	FY24	*% Change*
Sales Volume ('000 MT)	3,074	3,034	*1%*
Total Revenue	**24,111**	**20,423**	***18%***
Cost of Goods Sold	(20,826)	(17,428)	*19%*
Gross Profit	**3,285**	**2,995**	***10%***
Gross Margin	*13.6%*	*14.7%*	*n/a*
Operating Expenses	(1,838)	(1,746)	*5%*
Other Items	113	93	*22%*
Reported EBIT	**1,560**	**1,342**	***16%***
Reported EBIT Margin	6.5%	6.6%	*n/a*
Net Finance Costs & Tax	(556)	(295)	*88%*
Net Profit After Tax (Continuing Ops)	**1,004**	**1,047**	***(4%)***
Net Profit After Tax (Discontinued Ops)	75	81	*(7%)*
Total Group Net Profit After Tax	**1,079**	**1,128**	***(4%)***
Earnings Per Share (Continuing Ops)	$0.60	$0.63	*(5%)*
Dividend per Share	$0.57	$0.55	*4%*

Reported vs Normalised EBIT and EBIT Margin (Continuing Operations)



Fonterra delivered a solid earnings result for FY25, with reported earnings before interest and tax (EBIT) and reported net profit after tax (NPAT) above long-term historical averages.

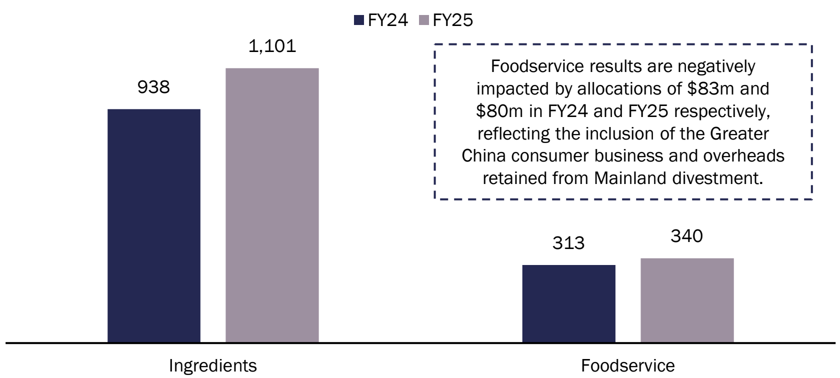
Similar to FY24, Fonterra's results for FY25 are complicated by earnings relating to discontinued businesses, with the main adjustments relating to Mainland in FY25 and DPA Brazil in FY24. We have therefore focused on the results for continuing operations, as summarised in the adjacent table and commentary below:

- Although sales volumes were relatively flat, a product mix shift from reference products to higher value non-reference products contributed to a 18% increase in revenue ($24,111m in FY25 vs $20,423m in FY24).
- Gross profits from continuing operations increased to $3,285m (+10%), despite the fact that price relativities between Reference and Non-Reference products significantly narrowed when compared to FY24. This was largely due to improved Ingredients' margins / product mix, favourable hedging in the Non-Reference portfolio and volume growth in Foodservice (offset by decreased in-market margins driven by the increase in cost of milk).
- Operating expenses from continuing operations increased by $92m (+5%). This primarily reflects an $84m increase in IT & Digital transformation costs ($123m in FY25 and $39m in FY24) and a $50m increase in staff expenses ($826m in FY25 and $776m in FY24).
- Reported EBIT from continuing operations was up $218m (+16%). Normalised EBIT from continuing operations was however $119m lower than reported EBIT ($1,560m) due to pricing elements relating to trade terms that are not expected to continue following the proposed divestment of Mainland.
- Reported normalised FY25 earnings from Group operations of 71 cents per share was slightly above the midpoint of its guidance (65 – 75 cents). While it is also in line with FY24's earnings outcome of 71 cents per share, the FY25 result is 13 cents per share higher than FY24's tax adjusted earnings of 58 cents per share (+22%).
- The Group declared a final ordinary dividend of 35 cents per share for FY25, bringing the total FY25 dividend to 57 cents per share (fully imputed). This represents a 2 cents per share increase compared to FY24 (including a special dividend of 15 cents per share), but we note that the FY24 dividend was unimputed.
- The FY25 dividend represents a 80% payout ratio of Group normalised earnings per share ($0.71), which is at the top end of Fonterra's dividend policy target payout range of 60% to 80%. Factoring the imputation credits of the ordinary dividend (22 cents per share) equates to a gross dividend of 79 cents per share, a ~44% increase on the 55 cents per share in FY24 on a like-for-like basis.

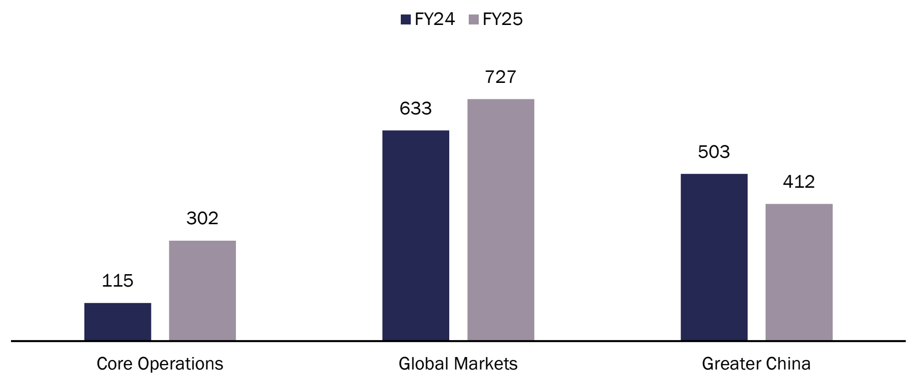
Financial Performance by Channel & Segment

Although price relativities narrowed when compared to FY24, earnings from the Ingredients channel improved due to strong margins and favourable hedging in the Non-Reference portfolio. Foodservice's higher sales volumes contributed to improved earnings despite lower margins.

Normalised EBIT by Channel (NZ$ million)



Normalised EBIT by Segment (NZ$ million)



Fonterra now reports on two Channels. Foodservice results include the Greater China consumer business and residual overheads following the Mainland divestment.

EBIT from the Ingredients channel was up by $163m in FY25, reflecting the following key factors:

- Lower sales volumes, offset by favourable in-market margins driven by strong protein prices;
- Favourable margins due to timing of contracting and hedging of the Non-Reference portfolio, more than offsetting narrowing price relativities;
- Higher allowance from milk price due to higher lactose input costs and working capital; and
- Overall gains offset by higher ERP costs, with $106m of the $123m allocated to Ingredients.

In addition, EBIT for Foodservice was up $27m in FY25:

- Strong Cream returns and sales volume growth mainly due to increased demand from Greater China for UHT cream, butter and IQF mozzarella;
- Favourable movement in operating expenses reflecting business growth; and
- Overall gains offset by decreased in-market margins, with 7% price lift offset by increase in cost of milk, particularly within Greater China UHT cream portfolio and Foodservice's share of ERP costs in Core Operations ($17m of the $123m).

FY25 saw EBIT improvements in two of if its reported Segments:

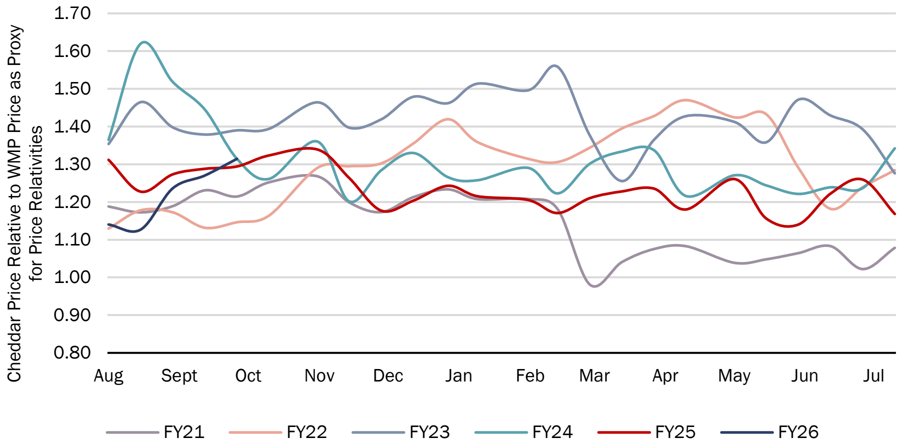
- Core Operations reported a $187m increase in EBIT, largely reflecting strong Ingredients margins, favourable hedging in the Non-Reference portfolio and strong cream returns.
- Global Markets earnings were up $94m to $727m, with improvements in both the Ingredients and Foodservice channels of $49m and $45m respectively.
- Greater China earnings decreased by $91m to $412m, primarily driven by a $112m reduction in Foodservice EBIT due to the higher cost of milk (particularly affecting the UHT cream portfolio).

Note: Segment and Channel Information is available for normalised continuing operations only

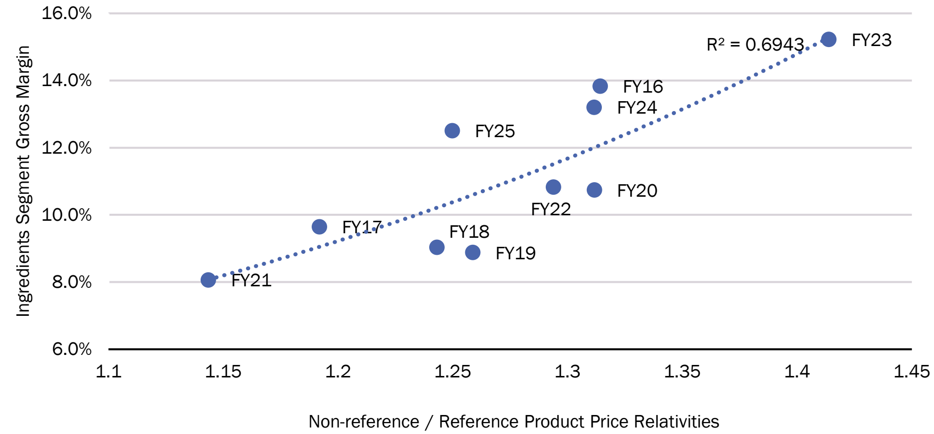
Price Relativities

Price relativities between reference and non-reference products narrowed significantly in FY25 from the highs of FY24-25.

Historical Price Relativities (Non-Reference / Reference Product Prices)



Relationship Between Price Relativities and the Ingredients Segment Gross Margin



The price relativities between Reference and Non-Reference Products have a significant influence on Fonterra's profitability, particularly within the Ingredients channel. The chart above summarises the price relativities by financial year using monthly GDT data for the prices of cheddar and WMP as proxies for Non-Reference and Reference products. This illustrates that the average price relativity eased in FY25 to 1.2x when compared to FY24 (1.3x). Early trends in FY26 show this reverting back to FY25 levels, with levels currently around 1.3x.

While it is difficult to reliably identify specific factors which drive the changes through time, the price relativity must ultimately be underpinned by changing supply and demand dynamics between the product categories. Without any evidence for a structural change in the market, we would expect that over the long-run, the price relativities will revert to average levels.

As is the case with general commodity prices, Fonterra is effectively a 'price-taker' in relation to price relativities. Year-to-year volatility in earnings will therefore continue to be exposed to the underlying variability in this key driver of performance.

Fonterra has not disclosed an estimate of the contribution to earnings derived from price relativities for FY25. However, due to the reduction in relativities through the year, we would expect the FY25 contribution was lower than the previous two years (40 cents in FY23 and 12 cents in FY24).

Despite the headwinds from weaker price relativities, Fonterra's Ingredients division demonstrated earnings resilience in FY25, supported by favourable outcomes from its commodity hedging programme. Historically, gross margins in the Ingredients segment have shown a strong correlation with price relativities, as illustrated in the chart above which covers results over the past decade. This year, however, margins were higher than the level implied by historical patterns. Management attributed this divergence to net gains from hedging activities, which more than offset relativities losses and temporarily sustained margins. Importantly, management also noted that these gains should not be considered to be recurring and that we should expect some level of mean reversion.

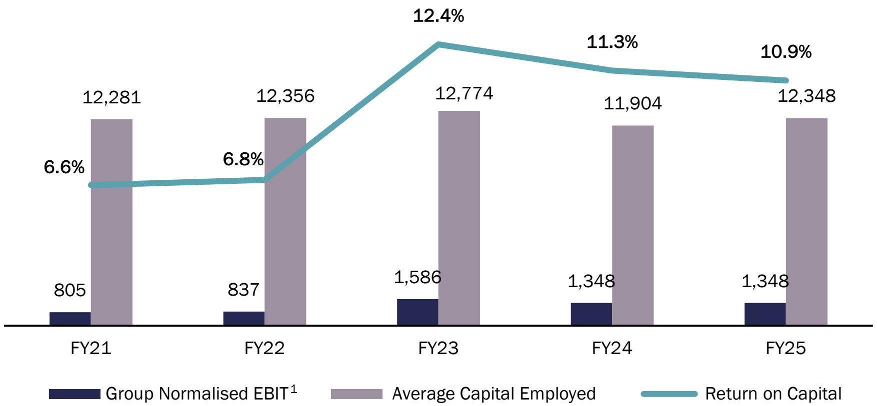
As at October 2025, price relativities have again increased to ~1.3x which is broadly in line with long-run averages. While hedging activities may continue to decrease margin volatility caused by price relativities, we believe it is too early to assess the likely impact of relativities on the FY26 result.

Source: Global Dairy Trade, adjusted forward 3 months to reflect shipment delay.
WMP and Cheddar used as proxies for Reference & Non-Reference Products.

Return on Capital

A continuation of strong earnings in FY25 resulted in a return on capital employed of 10.9% (12.5% adjusted for tax changes), down on 11.3% in FY24, but above both the previous four-year average of 9.3% and Fonterra's FY25 target of 8% - 10%.

Historical Return on Capital (Based on Fonterra Estimates)



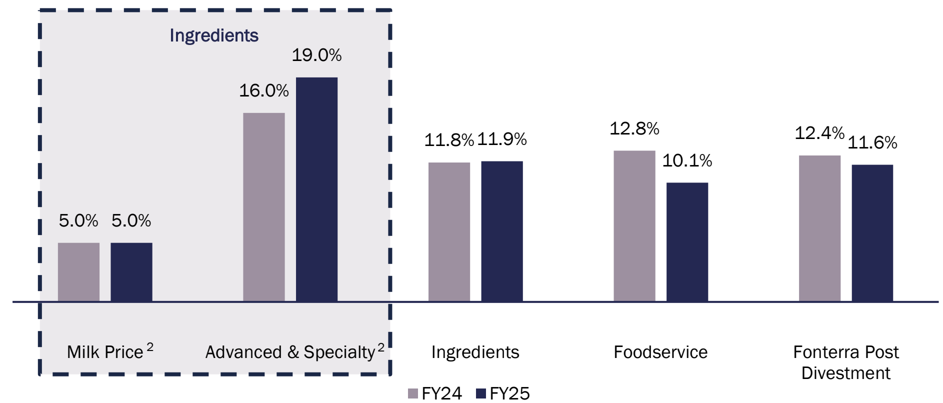
Our review of Fonterra's financial performance since inception (published in November 2018) noted that the average post-tax return on capital employed ("**ROCE**") was approximately 6.0%, below the assessed benchmark range of 6.9% - 7.7%. The chart above summarises ROCE since FY21 and shows the dramatic improvement recorded over the last three years.

These results are based on Fonterra's approach to calculating ROCE; it reflects normalised EBIT and is based on the book value of equity. Normalised EBIT excludes the $106m transaction costs related to the Mainland divestment. FY25 impairments totalling $26 million, recognised in the Group's Foodservice channel (previously the Consumer channel), are however included in the calculation of normalised EBIT. Fonterra's FY25 ROCE was 10.9% (12.5% adjusted for tax change) vs 11.3% in FY24.

Although price relativities between Reference and Non-Reference products significantly narrowed when compared to FY24, the increase in tax adjusted ROCE (up 1.2%) is due to improved Ingredients' margins / product mix, favourable hedging in the Non-Reference portfolio, volumes growth in Foodservice and improved Australia business performance and Consumer business sales volume growth within Mainland / discontinued operations.

[1] *Plus finance income on long term advances less notional tax charge*

Historical Return on Capital by Channel (Based on Fonterra Estimates)



Fonterra provided a breakdown of return on capital by channel (continuing operations basis) for FY25, along with the comparable data for FY24. Although normalised EBIT increased by 15% across both channels along with a smaller increase in Group average capital employed of ~4% (no channel breakdown provided), the reported ROCE did not increase as expected. This is due to the impact of the tax change, with the higher notional tax offsetting EBIT gains. If an adjustment is made for the change in tax treatment, the reported ROCE for FY25 of 10.9% increases to 12.5%.

Fonterra has also started providing a breakdown of ROCE for Ingredients split between the "Milk Price" FGMP regulated return and "Advanced Speciality" Ingredients returns. When adjusting for the portion of milk volumes and capital employed that earns the regulated return (~5% as per the Milk Price Manual), Advanced & Specialty Ingredients achieved a 19% ROCE in FY25 (16% in FY24), contributing to an overall uplift in the Ingredients ROCE to 11.9% (11.8% in FY24).

Explanation

Return on Capital (ROC) or Return on Capital Employed (ROCE) is a measure of how well capital has been invested. As shown below, this is assessed by looking at the post-tax return from the assets as a proportion of their book value.

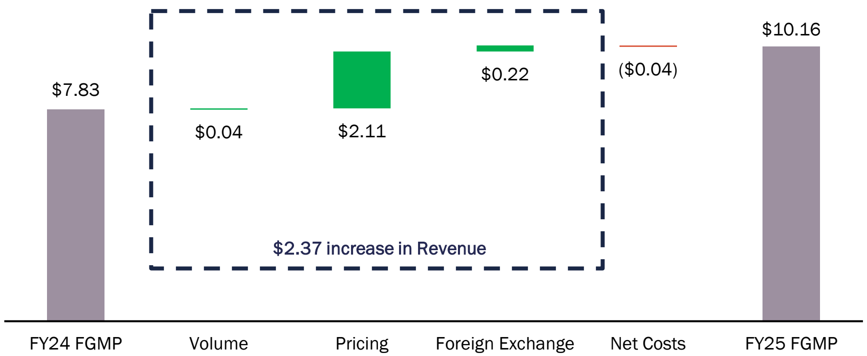
$$\text{ROCE} = \frac{(\text{Group Normalised EBIT} + \text{finance income on long term advances}) \times (1 - \text{notional tax rate})}{\text{Average Capital Employed (Seasonally-adjusted)}}$$

[2] *Based on Total Group (continuing + discontinued operations)*

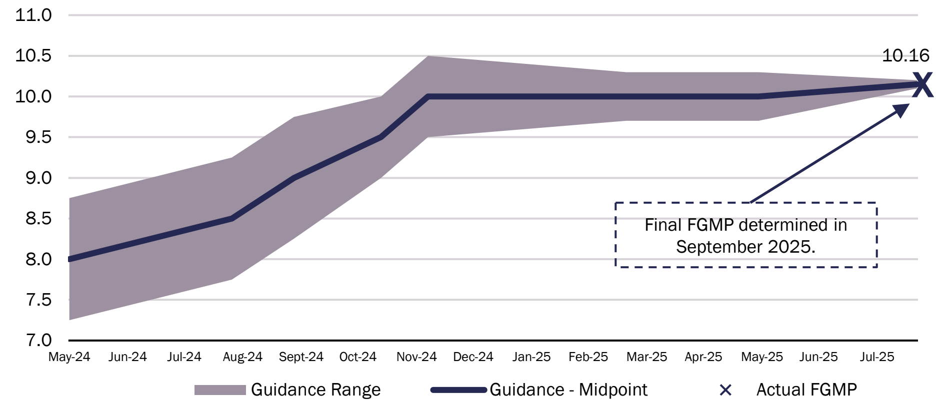
Final Milk Price

Fonterra declared a final 2024/2025 Farmgate Milk Price of $10.16 per kgMS and has estimated the 2025/26 at $9.00 - $11.00, with a mid-point of $10.00 per kgMS[1].

FY24 – FY25 FGMP Bridge ($ per kgMS)



2024/2025 Farmgate Milk Price Guidance Range ($ per KgMS)



Fonterra declared a final Farmgate Milk Price of $10.16 per kgMS for the 2024/2025 season, an increase from $7.83 in the prior year. The strong outcome was largely attributable to favourable pricing, which contributed $2.11 per kgMS of the overall increase, underpinned by sustained global demand and robust Global Dairy Trade auction results. The weak New Zealand dollar further aided FY25 performance, contributing approximately $0.22 per kgMS through the financial year, with the small changes in volume and net costs effectively offsetting each other.

Fonterra has set its initial forecast mid-point for the 2025/26 season at $10.00 per kgMS, broadly in line with the prior year. Management emphasised that while global demand for its products remains robust, persistent geopolitical risks could introduce volatility in both commodity prices and foreign exchange markets. This coincides with an increase in DairyNZ's estimated breakeven price of milk, which currently stands at $8.68 per kgMS for the 2025/26 season, a $0.27 increase on the prior season of $8.41 per kgMS.[2]

As summarised above, the final milk price for the 2024/25 season significantly overperformed early forecasts. The range opened at a mid-point of $8.00 per kgMS, representing a slight decrease on prior year actual results, but was subsequently increased over the first half of the financial year off the back of strong financial performance.

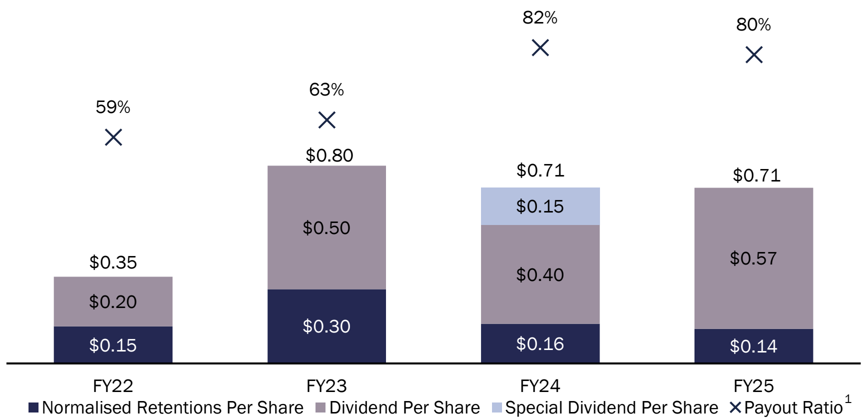
The higher milk price has also been accompanied by an uplift in Advance Payment Rates, ensuring that suppliers will be paid more for their milk earlier in the season. Fonterra's stronger balance sheet has enabled the Co-operative to enhance the Advance Rate over the past three seasons. The Advance Rate of $7.50 for September 2025 represents 75% of the forecast 2025/2026 FGMP mid-point of $10.00 compared to ~78% for the corresponding period in 2024.

[1] As at 28 October 2025
[2] DairyNZ as at 27 Jun 2025

Total Payout and Payout Ratio

Total payout to fully shared up farmers for FY25 has increased by $2.35 to $10.73. This reflects both a higher FGMP and an increased dividend.

Normalised Earnings Per Share and Payout Ratio



Fonterra announced a final dividend of 35 cents per share for FY25, bringing the total dividend for the year to 57 cents per share. This is a marginal increase on the total dividend paid in FY24 of 55 cents per share (including the 15 cent special dividend).

Based on normalised earnings per share of 71 cps, the dividend of 57 cps corresponds to a payout ratio at the top end of the 60% - 80% dividend policy range.

FY25 is the first period in which Fonterra has paid a fully imputed dividend, with imputation credits of 22 cents attached to the ordinary dividend. Distributions prior to FY25 were unimputed and this meant that the full dividend payment was taxable in farmers' hands. After allowing for the imputation credits, the gross dividend of 79 cents per share in FY25 represents a ~44% increase on the 55 cents per share (including 15 cent special dividend) paid in FY24.

Total Payout[2]

The chart above summarises the total payout per share since FY22 (see page 34 for further details). With a final 2024/2025 Farmgate milk price of $10.16 and the 57 cent total dividend, total payout reached $10.73 per share backed kgMS in FY25. This represents the highest total payout achieved over the last ten years on a nominal basis (second highest of $9.50 in FY22)[1] and well above the historic ten-year (FY15-FY24) average total payout of $7.62.

Fonterra has provided earnings guidance for FY26 of 45 – 65 cents per share (on a continuing operations basis). While the FY26 guidance range reflects a significant reduction on the 71 cents achieved in FY25, it is factoring the impact of the Mainland divestment. At a midpoint of 55 cents per share, the FY26 guidance represents a 1 cent per share increase on FY25's normalised earnings from continuing operations (54 cents per share).

Following completion of the Mainland divestment, Fonterra is targeting a tax-free capital return to shareholders of $2.00 per share.

[1] *Based on removal of abnormal gains*

[2] *Per share backed kgMS*

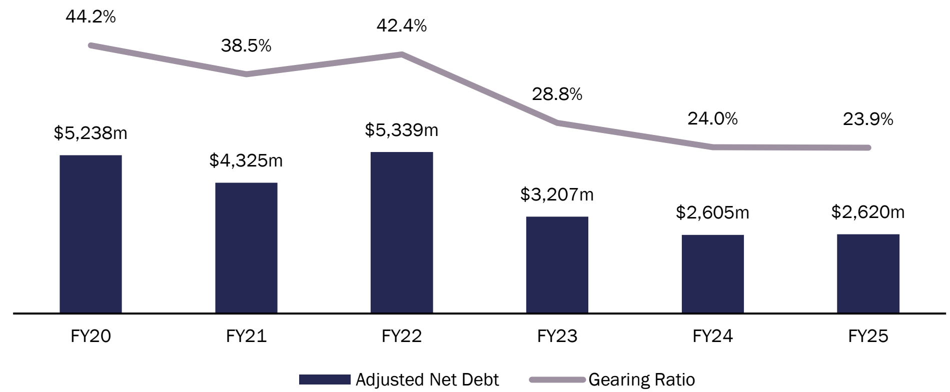
Financial Position

Fonterra's balance sheet remains conservatively managed, underpinned by modest debt levels.

NZ$ Million	FY25	FY24	*% Change*
Assets			
Cash and Cash Equivalents	309	540	(43%)
Receivables	1,462	2,123	(31%)
Inventories	4,272	4,458	(4%)
Other Current Assets	367	371	(1%)
Assets held for sale	3,815	3	nm
PP&E	5,595	6,400	(13%)
Intangible Assets	818	1,785	(54%)
Other Non-Current Assets	888	999	(11%)
Total Assets	**17,526**	**16,679**	***5%***
Liabilities			
Payables	2,373	2,573	(8%)
Owing to Suppliers	1,820	1,623	12%
Current Borrowings	470	1,032	(54%)
Other Current Liabilities	727	619	17%
Liabilities held for sale	969	-	na
Non-Current Borrowings	2,668	2,356	13%
Other Non-Current Liabilities	161	301	(47%)
Total Liabilities	**9,188**	**8,504**	***8%***
Net Assets	**8,338**	**8,175**	***2%***
Non-Controlling Interests	93	76	22%
Equity Attributable to Co-op	**8,245**	**8,099**	***2%***

Note: nm corresponds to not material, na corresponds to not applicable

Adjusted Net Debt (NZ$ million) and Gearing Ratio (%)



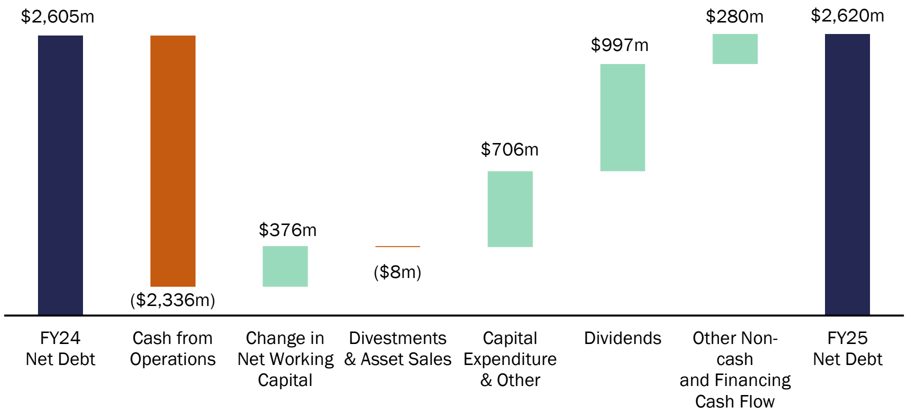
Net debt levels at the end of FY25 remained broadly flat on the prior year, with increased earnings offset by higher dividend payments and ongoing capital expenditure requirements. This has supported moderate gearing levels commensurate with the prior year of ~24%.

Further analysis of the ending net debt position is set out on the following page.

Debt Position

Fonterra's net debt and leverage position has remained at recent historical lows, providing financial flexibility and overall balance sheet resilience.

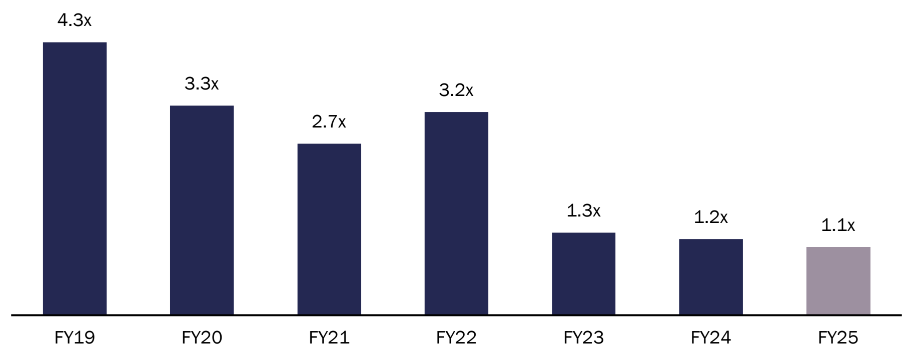
Net Debt Bridge (NZ$m)



Net Debt increased modestly to $2,620m at the end of FY25, representing an increase of $15m (<1%) from the previous year. Key cash movements influencing this outcome are summarised as follows:

- Operating cash flows of $2,336m are up $135m on $2,201m achieved in FY24.
- Investment in working capital has increased by $376m.
- Capital expenditure during FY25 decreased slightly ($5m) compared to FY24 ($711m).
- Dividends paid during FY25 includes the FY24 final dividend of $402m, the FY24 special dividend of $241m and the FY25 interim dividend of $354m, together totalling $997m.

Debt / EBITDA[1]



Fonterra's ongoing reduced debt levels, coupled with strong debt / EBITDA ratios provide significant financial flexibility for capital returns.

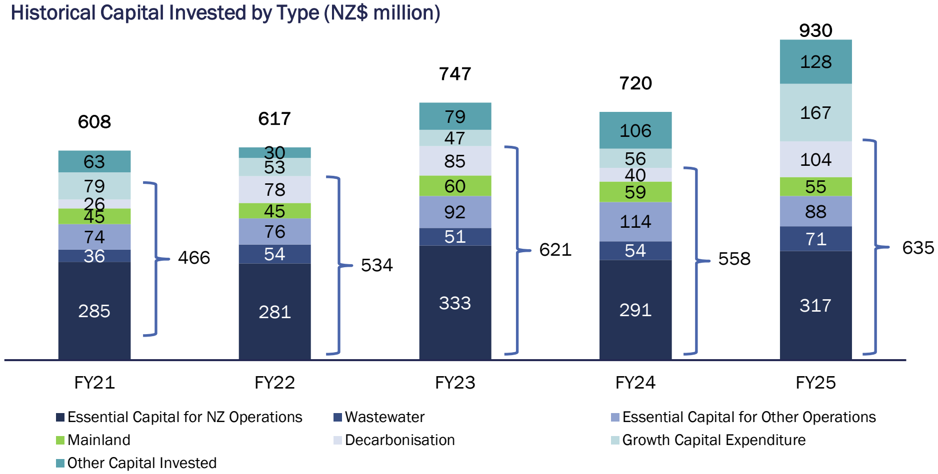
- Fonterra's FY25 debt to EBITDA ratio decreased further to 1.1x, significantly below its target of <2.5x and the FY19 – FY22 average of 3.4x.
- Taking into account Fonterra's moderate leverage and the anticipated cash inflow from the Mainland Group divestment (expected to settle in early 2026), the Co-operative remains well positioned, with a robust balance sheet capable of supporting both the proposed capital return and ongoing CAPEX initiatives.
- Fonterra's strengthened balance sheet affords the flexibility to sustain the higher dividend payout range of 60% - 80%, while also preserving capacity to respond to potential volatility in global commodity markets.

[1] *Calculated as Adjusted Net Debt / Normalised EBITDA*

Capital Expenditure & Divestments

Total capital invested during FY25 was $930m, representing an increase of $210m compared to the prior year.

Historical Capital Invested by Type (NZ$ million)



Capital investment has historically been broken down into three broad categories: essential capital expenditure, growth capital expenditure and other capital investment.

Most of the expenditure in FY25 was allocated to essential capital expenditure ($635m) which generally reflects the maintenance and improvement of existing assets. Fonterra has further broken down this category into five sub-components categories, as shown in the chart above. Also included within the essential capital expenditure for FY25:

- $104m spend on decarbonisation and energy security projects to support Fonterra's sustainability goals; and
- $71m spend on wastewater assets to improve the Company's environmental footprint and further support its license to operate.

A total of $167m was invested to support growth for the Foodservice and Ingredients business, including capacity expansion for high value products such as advanced proteins and UHT cream. Along with the three growth investments announced in FY24, Fonterra announced milkfat processing expansion due to start after August 2026. The three previously announced growth investments are; the $75 million high-value protein hub at Studholme (expected to be completed early 2026), $150 million new UHT cream plant at Edendale (expected to be completed August 2026) and $150 million new cool store at Whareroa (expected to be completed October 2027).

The $128m of other capital investment includes investments into the Ki Tua Equity Investment Fund ($20m), right-of-use assets and other equity investments.

There were no divestments to note in FY25, with the potential Mainland divestment expected to complete in early 2026 (and will be included in FY26 for reporting purposes). Based on a carrying value for Mainland of $2.8bn at the end of FY25 and a sales price of $4.22bn (prior to transaction and separation costs), we estimate that Fonterra will recognise a significant gain on sale in FY26.

We note that the sale of Mainland will bring the value of all asset realisations to >$7bn since the changes to the Fonterra leadership team and strategy in 2019. Despite a decrease in the size of the business as a result of the previous divestments (and a series of impairments), total earnings have materially increased over the same time period.

Summary of Recent Divestments (NZ$ million)

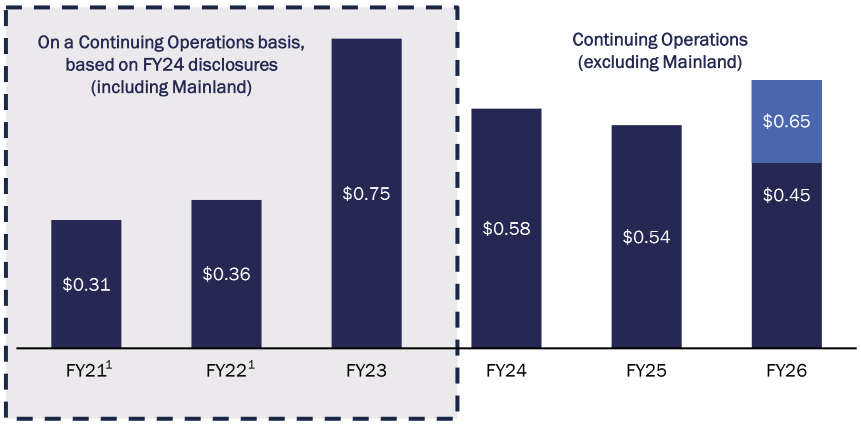
Business	Date	Price (NZ $m)
Mainland Group	Aug-25	$4,220
Soprole Inversiones S.A.	Mar-23	$1,055
China Farms	FY21	$640
Beingmate	FY21	$110
Beingmate	FY20	$127
DFE Pharma	Jan-20	$633
Tip Top Ice Cream	Aug-19	$380
Total Proceeds		**$7,165**

Source: CapitalIQ, Northington Partners estimates, Fonterra.

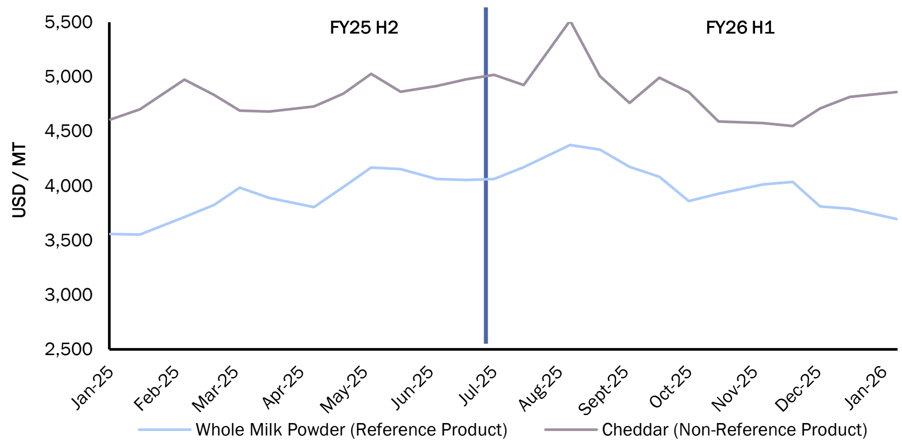
FY26 Outlook

Fonterra's opening EPS guidance for FY26 of 45c – 65c per share share implies an underlying performance broadly consistent with FY25 on a normalised continuing operations basis.

Earnings Per Share (Normalised)



FY26 Year-to-Date Price Relativities



Note: GDT prices are adjusted forward 3 months to reflect delay between GDT contracts struck and the shipment date (at which the invoice and revenue is recognised)

Fonterra's FY26 outlook reflects expectation of earnings consistent with FY25 on a normalised continuing operations basis.

While the 45 – 65 cents per share FY26 guidance range reflects a significant reduction on the Group normalised earnings per share of 71 cents achieved in FY25, the FY26 forecast reflects significant changes to the business. These include:

- The divestment of Mainland Group, currently reported in discontinued operations. With an EPS guidance midpoint of 55 cents per share, this represents a 1 cent per share increase on FY25's normalised earnings from continuing operations (54 cents per share); and
- Favourable pricing elements, totalling $119m in FY25, relating to trade terms that are not expected to continue following the proposed divestment of Mainland Group (normalised on continuing operations operating profit); and
- ERP investment is expected to be slightly higher in FY26 relative to the $123m in FY25. We understand that these costs expected to peak in FY26.

Current expectations for underlying FY26 performance appear to be in line with the FY25 outcome. Broker consensus estimates are also consistent with this view, with a current average FY26 EBIT forecast of $1,440m[1], compared to $1,441m from normalised continuing operations in FY25).

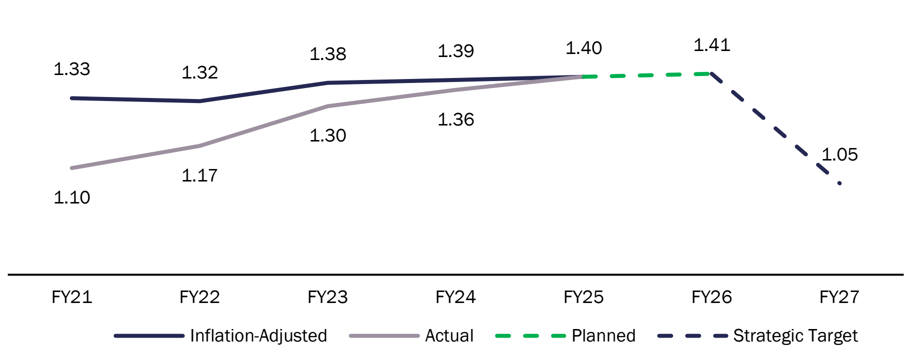
As with previous years, price relativities have the potential to significantly influence Fonterra's future performance. While the outlook for the FY26 full year remains uncertain, we note that relativities in the first half are broadly in line with the second half of FY25.

[1] *Reported earnings per share*

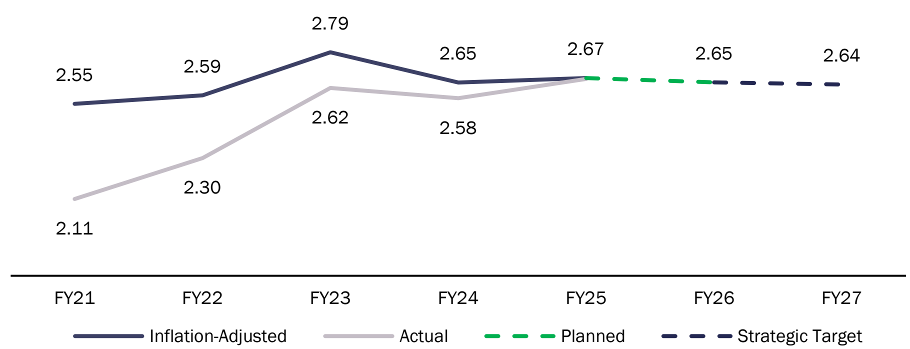
Operational Efficiency Metrics

Fonterra reports on two efficiency targets focusing on operating costs and manufacturing costs per kgMS. These efficiency metrics were introduced as part of Fonterra's drive to enhance efficiencies and reduce its cost base.

Cash Operating Expenses per kgMS Collected



Core Operations Manufacturing Cash Costs per kgMS NZ Milk Collections



Cash operating expenses represent the global overheads of the Group and include head office, selling, marketing, storage and distribution costs. In order to objectively assess cost efficiencies relative to varying milk volumes, the cash operating costs are assessed per kgMS of New Zealand and Australia milk solids collected.

Total cash operating expenses in FY25 were $2.3bn (based on total Group operations, excluding depreciation, amortisation and impairments), implying a cost of $1.40 per kgMS vs $1.39 per kgMS in FY24 (inflation-adjusted). Performance in FY25 was impacted by the following:

- Increase in inflation of $0.03 per kgMS and ERP investment of $0.06 per kgMS (increasing from $84m to $123m).
- $0.03 benefit from higher collections in FY25 and $0.02 cents benefit mainly due to reduced professional fees associated with one-off projects in FY24.

Fonterra's strategic target (summarised in the chart above) implies a 25% reduction in nominal operating expenses to $1.05 per kgMS by FY27. This reduction is largely driven by:

- The assumed Mainland divestment, with Mainland related costs still included in both FY25 and FY26 metrics; and
- Reduced ERP investment in FY27, with an expected ERP investment range of $70m to $90m, significantly down on the $123m ERP investment in FY25.

This metric measures the manufacturing performance of Fonterra. It is aimed at measuring targeted efficiencies in the core New Zealand processing and manufacturing cost base to improve gross profit margins on each kgMS. These costs largely represent materials, labour, energy & packaging and the other costs directly incurred in processing milk products to the point of sale. The measure has intentionally excluded the cost of milk (i.e. the FGMP) which is out of Fonterra's control and is assessed per kgMS of New Zealand milk solids collected.

The core manufacturing costs in FY24 were $4.0bn, implying a cost of $2.67 per kgMS vs $2.65 per kgMS in FY24 (inflation-adjusted). The higher cost in FY25 was impacted by the following:

- Increased manufacturing costs, primarily due to higher material and labour costs driven by inflation, changes in product mix and an increase in milk collection. In addition, there were some one-off costs recognised in relation to closing the Canpac facility.
- These increases were partially offset by ongoing efficiency gains, cost management initiatives, and optimisation of energy, ingredients, and packaging usage.

The information provided by Fonterra (illustrated in the chart above) implies a ~1% decrease in nominal operating expenses on a per kgMS basis by FY27. This suggests ongoing manufacturing efficiencies are expected over the medium term when backing out an allowance for future inflation.

Northington Partners

Fonterra Dairy for life

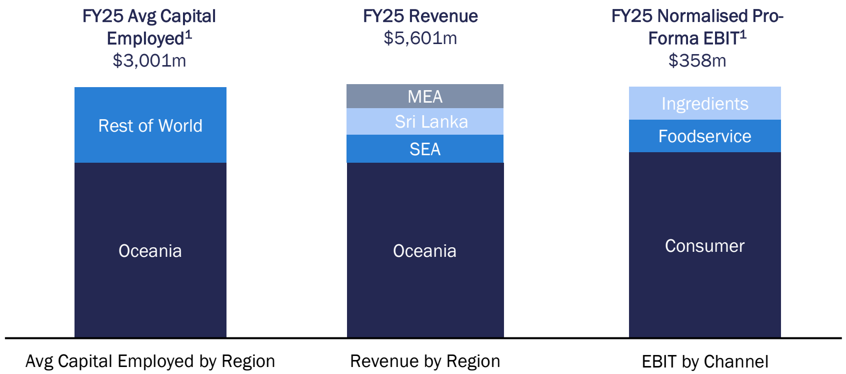
Fonterra Co-operative Council

Section 2:
Mainland Divestment

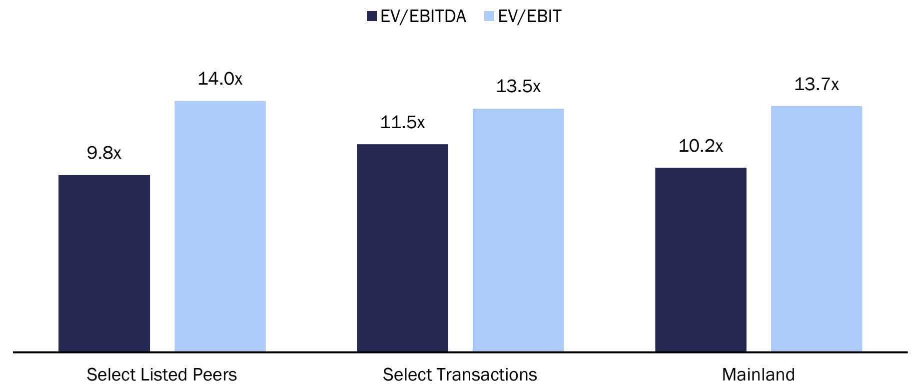
Mainland Divestment Summary

The Mainland business being sold to Lactalis combines the integrated businesses in Oceania and Sri Lanka with the global Consumer channel (ex-China) and the MEA Foodservice business.

Mainland Metrics



Assessed Multiple Range vs Mainland FY25 Transaction Multiples[2]



Mainland represents more than just Fonterra's Consumer business:

- Based on capital employed, Mainland primarily consists of the integrated Ingredients, Foodservice and Consumer business in Australia together with the Consumer and Foodservice business in New Zealand and the Pacific and Caribbean export business. While the South-East Asia ("**SEA**") (Consumer only), Sri Lanka (Consumer and Foodservice) and MEA (Consumer and Foodservice) components represent a lower level of capital employed, these geographies produce a disproportionately higher level of earnings and return on investment.
- The Mainland business has $3.0bn of capital employed, representing 24% of the total capital employed by Fonterra in FY25. We estimate that over 60% of this relates to the integrated business in Australia which operates in the Ingredients, Foodservice and Consumer channels.
- Collectively, we estimate that Mainland's Consumer channel makes up over 70% of earnings with the remaining earnings split between Ingredients (Australia only) and Foodservice.
- Following divestment of the Australian business, Fonterra will collect and process New Zealand sourced milk only, with a focus on its higher performing Ingredients and Foodservice channels.

[1] *Estimates of channel EBIT for Mainland based on reported discontinued operations for FY25. Our estimates of average capital employed based on New Zealand Milk Australasia (Pty) Limited financial disclosures for FY24 and historical group disclosures. See our Divestment Review report dated September 2025 for further information.*

The price that will be received for Mainland is attractive and consistent with peer companies and transactions:

- Lactalis will pay $4.22bn for Mainland (subject to standard settlement adjustments).
- Based on pro-forma earnings in FY25 (and after an appropriate allowance for standalone costs), the transaction price represents an EV/EBITDA and EV/EBIT multiple of 10.2x and 13.7x respectively.
- Compared to relevant transaction and trading data for similar businesses (and when adjusting for the FY25 improvement in Mainland's Australian business), we believe the price received for Mainland is attractive. For further details, see our separate report which reviews the Mainland Group Divestment dated September 2025.
- As part of the transaction, Fonterra will enter into supply and distribution agreements with Lactalis in relation to raw milk supply (NZ), global ingredients and finished product supply (global). These agreements lock in ongoing demand for NZ milk and dairy ingredients at commercial arms-length terms. These agreements mean that the Mainland divestment doesn't break the milk supply chain – instead, it re-routes consumer volumes into a commercial supply partnership. Lactalis will now be one of Fonterra's largest customers.

[2] *Mainland Group earnings include estimated allocation of standalone cost. See our Divestment Review report dated September 2025 for further information.*

Post Divestment Outlook

Fonterra expects that EBIT will be back to FY25 levels within 3 years despite the divestment of Mainland. Although this implies a ~17% increase on FY25 EBIT from continuing operations, we estimate the majority of the increase will be derived from cost savings.

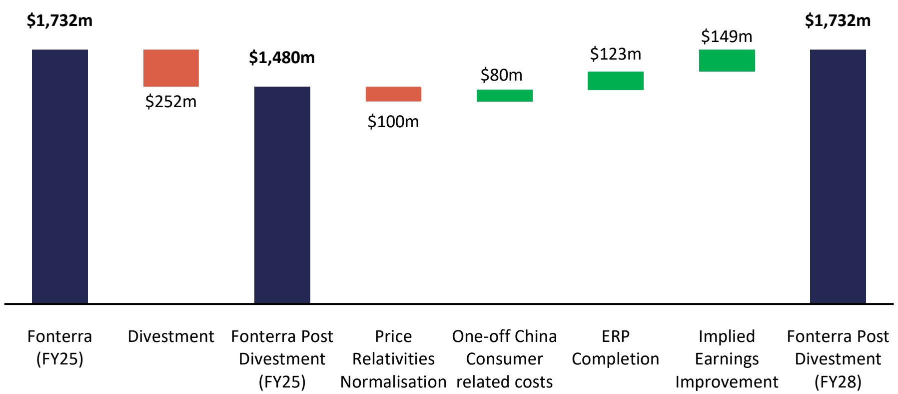
Fonterra has stated that it expects the residual business to deliver the same level of EBIT as the current business within three years of the Mainland divestment. Achieving EBIT of ~$1,730m (as reported in FY25) in three years will require ~5.4% EBIT growth per year relative to Fonterra's pro-forma FY25 EBIT of $1,480m (excluding Mainland). We note the following in relation to this target:

- Significant earnings improvement will be derived from completion of the current ERP upgrade by FY28 and the related reduction in expenses ($123m in FY25).
- Fonterra also expects that substantial earnings growth will be driven by ongoing operating efficiencies and expected cost savings in a simplified business.
- Investment in recent and future growth initiatives including UHT at Edendale, cheese at Whareroa, high-value proteins at Studholme and butter at Clandeboye (collectively representing >$400m of growth investment) should reasonably be expected to contribute to increased earnings.

Our break-down of the potential contributors to the earnings improvement is summarised in the chart below. After accounting for the expected operating cost reductions and recent one-off China consumer related costs, we believe that the level of earnings improvement needed to reach the target earnings goal by FY28 should be readily achievable.

This level of FY28 earnings and our estimate of forecast capital employed by FY28 of ~$10bn should also deliver an outcome towards the upper end of Fonterra's 10%-12% return on capital target.

Post Divestment Earnings Outlook and Indicative Contributions



Pro-Forma Financial Position Post Divestment

	Average Capital Employed	Net Debt
Total Group (FY25)	**$12,348m**	**$2,620m**
Adjustments:		
Transferred to Mainland	($3,001m)	($6m)
Sales Proceeds	n.a	($4,220m)
Transaction and Separation Costs	n.a	$200m
Capital Return	n.a	$3,220m
Post Divestment	**$9,347m**	**$1,814m**

As summarised above, Fonterra estimates pro-forma FY25 net debt of approximately $1.8bn following completion of the Mainland divestment and capital return. This represents a material reduction on debt levels from several years ago (>$6bn) and significantly improves the Co-operative's ability to manage volatility and deliver more sustainable returns. At a Debt/EBITDA ratio of 0.9x, the debt reduction also creates considerable headroom for Fonterra's on-going capital investment programme.

Post Divestment Fonterra Earnings and P/E Multiple

Fonterra shares currently trade at a FY26 mid-point forecast earnings multiple of ~7.2x in the farmer's market (after adjusting for the impact of the Mainland divestment). This compares to a 5-year average multiple of ~7.7x.

The table below assesses the implied trading multiple for Fonterra before and after divestment of Mainland and the associated capital return. We note that:

- Based on the current share price adjusted for the expected $2.00 per share capital return, the remaining business is currently trading at an implied 7.2x forecast FY26 earnings (based on the mid-point of Fonterra earnings per share guidance excluding Mainland of $0.55 per share).
- This compares to a historic price to earnings multiple of 7.7x and 10.6x forecast earnings over the last 5 and 10 years respectively.
- Assuming a 70% dividend payout for FY26 (consistent with Fonterra's policy of distributing 60% - 80% Reported Net Profit After Tax less abnormal gains) and earnings per share of $0.55, the dividend of $0.385 would translate to a cash dividend yield of 9.8%.

Price to Earnings post divestment

	Current	Impact of Divestment and Capital Return	Post Divestment
FCG Share Price[1]	$5.94	($2.00)	$3.94
FY26 mid-point EPS[2]			$0.55
P/E			7.2x

Fonterra (FCG) Price / Forward Earnings Estimate[2]

[2] Source: CapitalIQ. Multiple based on the FCG share price and consensus broker earnings forecasts.

[1] FCG Share Price as at 3 November 2025
[2] FY26 EPS based on mid-point FY26 guidance range of $0.45 - $0.65 per share excluding Mainland.

Appendix 1:

Flexible Shareholding

Competition for NZ Milk and Shareholder Flexibility

Fonterra's capital structure changes and strong financial performance should support greater flexibility for farmers while maintaining Fonterra's competitiveness for milk supply.

Given that Fonterra's revised strategy is designed to optimise the value of NZ milk volumes, maintaining stability in its future milk volumes will be critical to on-going performance. Fonterra's NZ milk collections have been relatively stable over the last five years, an outcome that is consistent with the overall market levelling off in terms of total milk production. Over the last two years, total share has decreased modestly from 79.0% to 77.8% with the decline largely attributed to increased competition within the North Island. While Fonterra reports that it is gaining more volume from competitors than is being lost, land use changes are sited as a challenge which is causing the overall volume decline.

The potential for further structural changes in addition to growing market competition poses the risk of excess processing capacity and could have a negative impact on margins in future.

Recent changes to the minimum required shareholding (as outlined on page 24) should support a more sustainable supply of milk, particularly in an environment of increased competition from other processors who may not require farmers to invest capital to support supply (i.e. buy shares). However, restricting share trading to meet Fonterra's new minimum required shareholding in the farmer-only market means that farmers now set the price for shares and this has resulted in a larger disconnect between the Fonterra share price and the FSF unit price (currently a 20% – 30% difference)[1]. See page 25 for a recent history of relative prices between the shares and units.

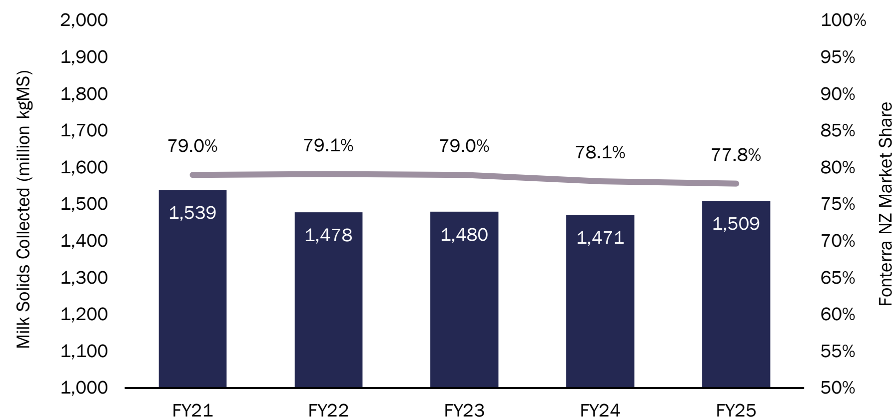
While the changes to the minimum required shareholding reduce the investment needed by farmers to continue to supply Fonterra, the investment in FCG shares remains material even at the minimum level. Fonterra must therefore ensure that the shares deliver long-term returns in line with the level of required investment and the risk profile of the business. The shares must be seen as a compelling, standalone investment opportunity rather than just a cost of remaining with the Co-op.

Any future loss of milk supply volumes could limit future earnings growth, but we also expect that it may provide some potential benefits, including:

- Reducing the requirement for Fonterra to collect milk from farmer suppliers that may be of marginal profitability (i.e. sub-optimal from a cost or volume basis, for instance, due to location and size); and
- Reduce the need to invest in processing capacity or provide the opportunity to shutdown marginal processing capacity and avoid capacity duplication with other milk processors.

Taking all factors into consideration, we consider that Fonterra's future collection volumes may decline further (through either or both of declines in total market collections and increased competition), but the net earnings impact may be limited and more than offset by Fonterra's other strategic objectives.

Fonterra NZ Milk Collections and Market Share



[1]As of October 2025

Flexible Shareholding

Farmer shareholding levels relevant to milk supply have changed since the introduction of Fonterra's flexible shareholding structure 18 months ago.

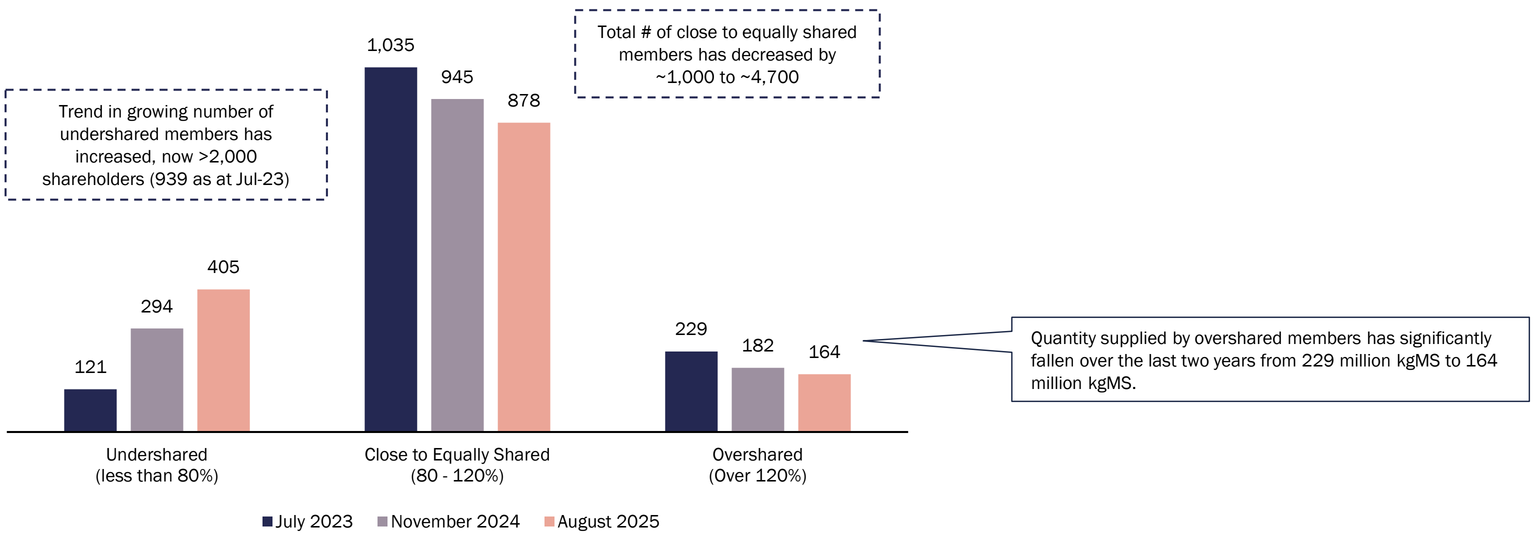
Fonterra's Flexible Shareholding was announced in May 2021 and introduced in April 2023. Since then, Fonterra is required to periodically disclose certain shareholding metrics including ceased-farmer holdings and the distribution of farmer shareholders relative to the Share Standard (1 share per kgMS supplied). The recent September 2025 disclosure confirms that Fonterra remained within its specified thresholds for the Flexible Shareholding metrics (shares on issue above the Share Standard, shares held by ceased farmers and shares held by the Fonterra Shareholders' Fund). For the purpose of this analysis, we view shareholders whose holding is below 80% of the Share Standard as being "undershared".

Changes to the distribution of farmer milk supply relative to shareholding levels are summarised in the chart below. Farmers described as "undershared" are those that have shares less than 80% relative to the Share Standard, "close to equally shared" being those that are 80% – 120% of the Share Standard and "overshared" being those with more than 120% of the Share Standard. Over the 14-month period since September 2024, the data demonstrates significant compositional changes at the undershared and close to equally shared cohorts.

While it is difficult to determine the drivers of changes in farmer shareholdings relative to milk supply, we note that:

- Milk supply from undershared farmers continues to increase, from 121m kgMS in July 2023 to 405m kgMS in August 2025 (234% increase). This reflects an increase in the number of farmers in this category (increased from 939 to 2,049), as well as an increase in the average milk supply per farmer (increased from 129,000 kgMS to ~198,000 kgMS vs an overall average supply of 179,500 kgMS);
- The number of farms that are close to equally shared has decreased by 18% since July 2023, representing a decrease of ~1,000 farmers; and
- Despite the total number of overshared farmers increasing from 1,276 to 1,348 since July 2023, the total quantity of milk supplied by the cohort has decreased from 229m kgMS to 164m kgMS, reflective of a 32% decrease in average quantity supplied per farmer to 121,702 kgMS.

Farmer Milk Supply Relative to Share Standard (million kgMS)



Flexible Shareholding Summary

A new Flexible Shareholding structure came into effect during FY23. The key changes between the old structure and the new structure are summarised in the table below.

Key Items	Old Structure	New Structure
Increased flexibility	Share minimum: 1:1 / 100%	Share minimum: 1:3 / 33%
Move to a farmer-only market with the Fund capped	Shares and units traded and exchanged between FSF and FCG.	Capped FSF, can only transfer units into shares
More types of farmers can hold shares	Supplying Farmer owners and sharemilkers if transferred	Addition of associated sharemilkers, contract milkers and farm lessors
Entry provision eased	Up to 3 seasons to enter Share-up & My Milk offered	Up to 6 seasons to enter No Share-up & My Milk
Exit provisions extended	Up to 3 seasons to exit, minimum 1/3 per year	Up to 5 seasons for new supplying farmer owners. 15 seasons initially for existing farmer owners, decreasing to 10 seasons.
Same voting rights	1 vote per 1,000 kgMS supplied (share-backed)	1 vote per 1,000 kgMS supplied (share-backed)

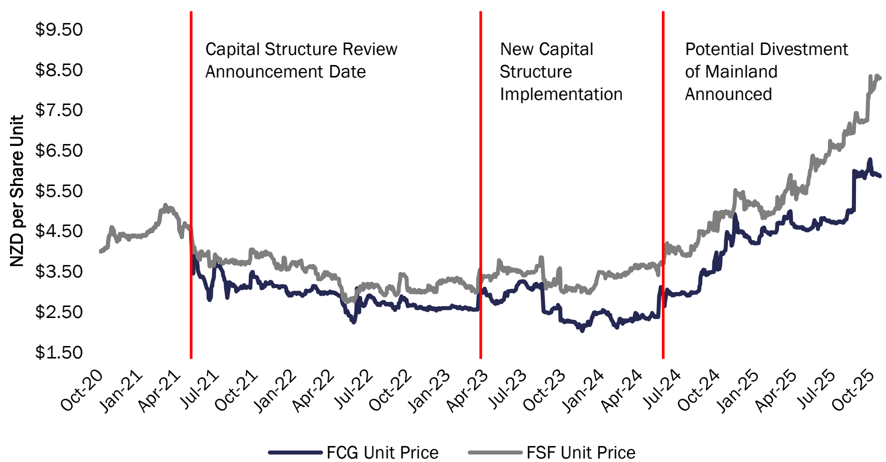
Since Flexible Shareholding came into effect on 28th March 2023, there hasn't been any material change to the Group's shareholding structure. As at 29th August 2025, the Group was well within the specified thresholds for all three Flexible Shareholding metrics:

Metric	As at July 2024	As at August 2025	Threshold
Total Shares on Issue above the aggregate Share Standard	13.13%	11.13%	+/- 15.00%
Shares Held by Ceased Shareholders and Permitted Transfers	10.19%	12.08%	≤ 25.00%
Shares held for the Fonterra Shareholders' Fund ("Overall Limit")	6.67%	6.67%	≤ 10.00%

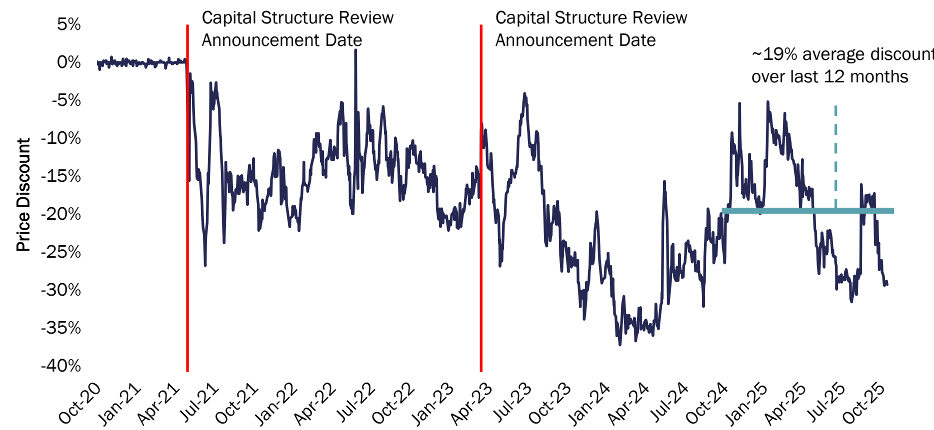
Restricted Market Discount

The restricted market discount has exhibited significant volatility over the financial year, although current levels are of ~30% are consistent with the average discount since implementation of the flexible shareholding changes.

Daily Share Price Comparison[1]



Discount of FCG Share Price to FSF Unit Price[1,2]

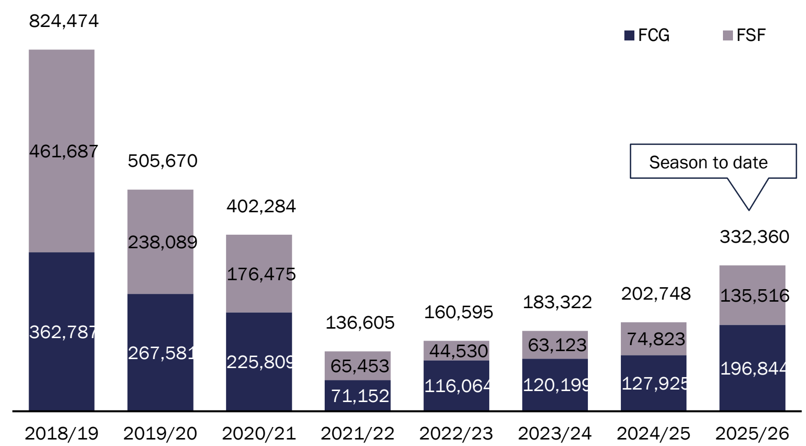


While the current level of discount for the farmer-only market reflects a discount comparable to historical trends (20% - 30%), the past year of trading has displayed significant volatility. This volatility resulted in two instances during the financial year when the discount reached 5%. We note that these peaks were short-lived, with prices reverting to historical levels in the months following.

The continued volatility in the discount can likely be attributed to market speculation regarding the Mainland Group divestment and associated capital return. We observed a sharp decrease in the discount from ~30% to ~15% immediately following the announcement of the deal with Lactalis on 22 August, 2025.

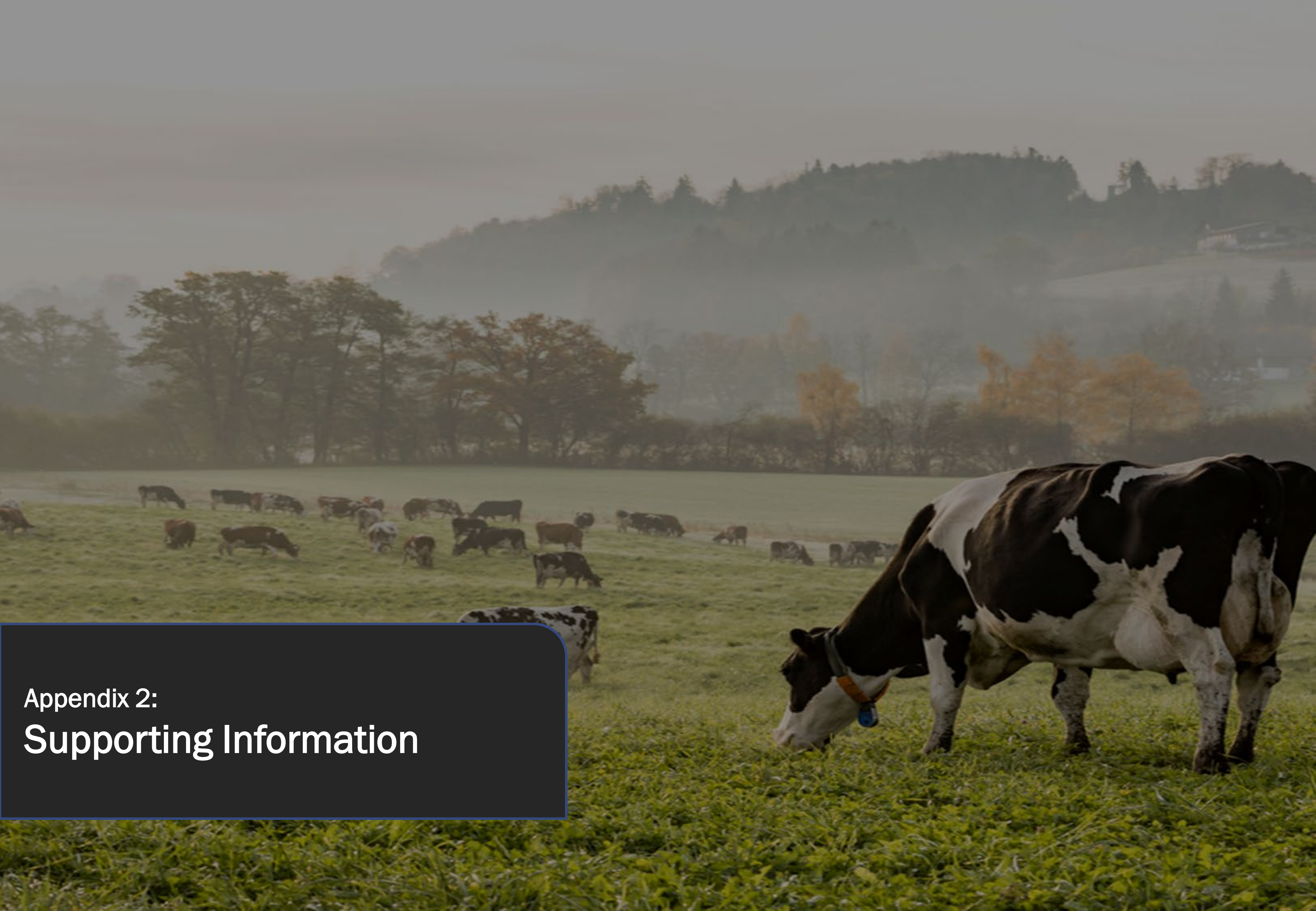
While the discount reflects loss in value for farmers who shared up before the announcement of the capital structure review, the change has made it easier for new suppliers to join the Co-op. Recent financial performance should also make ownership more attractive and affordable (on a per kgMS basis), particularly after the potential capital return which will reduce the cost of buying shares (all else equal),

Average Daily Trading Volume on NZX



[1]Uses daily close price. Source: CapitalIQ as at 22 October 2025
[2] Calculated as (FCG price per share / FSF price per share) - 1

Source: CapitalIQ as at 23 October 2025



Appendix 2: Supporting Information

Continuing and Discontinuing Operations

NZ$ Million	FY24			FY25		
	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group
Sales Volume (‘000 MT)	3,034	495	3,529	3,074	414	3,488
Total Revenue	20,423	2,571	22,994	24,111	2,339	26,450
Cost of Goods Sold	(17,428)	(1,678)	(19,106)	(20,826)	(1,433)	(22,259)
Gross Profit	**2,995**	**893**	**3,888**	**3,285**	**906**	**4,191**
Gross Margin (%)	14.70%	34.70%	16.90%	13.60%	38.70%	15.80%
Operating Expenses	(1,746)	(722)	(2,468)	(1,838)	(756)	(2,594)
Other Items	93	14	107	113	22	135
Reported EBIT	**1,342**	**185**	**1,527**	**1,560**	**172**	**1,732**
Reported EBIT Margin (%)	6.57%	7.20%	6.64%	6.47%	7.35%	6.55%
Normalisations	(91)	157	66	(119)	225	106
Normalised EBIT	1,251	342	1,593	1,441	397	1,838
Reported Net Profit After Tax	1,047	81	1,128	1,004	75	1,079
Normalisations (post tax adjustments)	(72)	138	66	(94)	200	106
Normalised Net Profit After Tax	975	219	1,194	910	275	1,185

FY25 Integrated Scorecard

	Key Performance Indicator (KPI)	FY23 Actual	FY24 Actual	FY25 Actual	FY25 Scorecard
People	Serious harm[1]	18	16	*6*	*12*
	Percentage of Health, Safety and Wellbeing priority actions fully completed by due date	76%	77%	*96%*	*95%*
	Culture Measure	79	79	*81*	*81*
Nature	GHG emissions (Scope 1,2)[2]	(14.1%)	(18.5%)	*(20.7)%*	*(21.1%)*
	Absolute water reduction across manufacturing sites (15% by FY30)[2]	(6.7%)	(12.4%)	*(14.7)%*	*(13.1%)*
Relationships	Share of New Zealand milk collected for the season to 31 May	79.0%	78.1%	*77.8%*	*78%*
	Delivered in full, on time (DIFOT, ex-New Zealand)	53.2%	70.8%	*81.5%*	*80%*
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real)[3]	1.38	1.39	*1.40*	*1.46*
	Core Operations manufacturing cash costs per kgMS (real)[4]	2.79	2.65	*2.67*	*2.65*
	Return on capital (FY)	12.4%	11.3%	*10.9%*	*8% - 10%*
	Farmgate Milk Price ($)	8.22	7.83	*10.16*	*7.75 – 9.25*
Alignment Rights	Total shareholder return (12-month Volume Weighted Average Price of Fonterra Co-operative Unit plus dividend)[5]	$2.38 ($1.00)	$2.66 ($0.55)	*$4.70 ($0.57)*	*Not Available*
	On-farm profitability ($ per hectare)[6]	$3,017	$2,845	*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 farms under Fonterra operational control
3. Based on New Zealand and Australia milk solids. FY25 includes IT and digital transformation costs
4. Based on New Zealand milk solids collected. Excludes the cost of milk
5. Volume Weighted Average Price (VWAP) for the period 1 October to 30 September. FY25 Actual is 12-month VWAP to 16 September 2025
6. DairyNZ Economic Survey 2023-2024 (Owner-Operator)

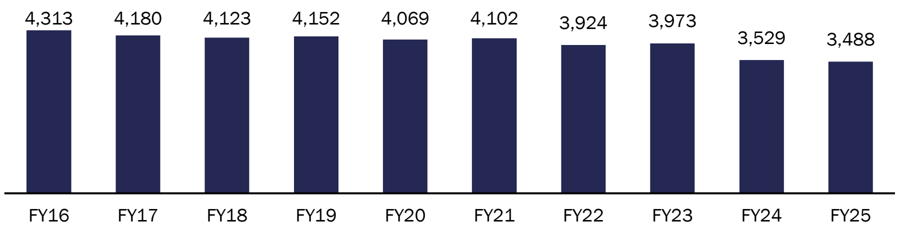
FY26 Integrated Scorecard

	Key Performance Indicator (KPI)	FY24 Actual	FY25 Actual	FY26 Scorecard
People	Serious harm[1]	16	6	*5*
	Quality of post-Health, Safety and Wellbeing incident actions	0.41	0.40	*0.6*
	Culture Measure	79	81	*80*
Nature	GHG emissions (Scope 1,2)[2]	(18.5)%	(20.7)%	(26.7)%
	Additional percentage of New Zealand supplying Farms achieving Emissions Excellence	-	(2.2)%	6%[3]
Relationships	Share of New Zealand milk collected for the season to 31 May	78.1%	77.8%	*78%*
	Delivered in full, on time (DIFOT, at time of arrival)	66.1%	73.7%	*77%*
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real)[4]	1.42	1.43	*1.41*
	Core Operations manufacturing cash costs per kgMS (real)[5]	2.71	2.74	*2.65*
	Return on capital (FY)	11.3%	10.9%	*10% - 12%*
	Farmgate Milk Price ($)	7.83	10.16	*9.00 - $11.00*
Alignment Rights	Total shareholder return (Volume weighted average share price plus distributions (dividend, capital returns))[6]	$2.66 ($0.55)	$4.70 ($0.57)	*Not Available*
	On-farm profitability ($ per hectare)[7]	$2,845	*Not Available*	*Not Available*

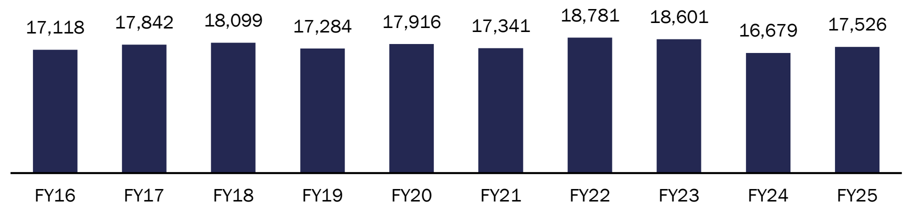
1. *Includes Contractors*
2. *Relative to FY18 Baseline. Scope 1&2 including farms under Fonterra operational control*
3. *Additional 490 farms with minimum of 270 reducing footprint*
4. *Based on New Zealand and Australia milk solids. FY25 includes IT and digital transformation costs. Targets are aligned to FY26 base year, comparisons aligned to a FY25 base year are FY24: $1.39, FY25: $1.40*
5. *Based on New Zealand milk solids collected. Excludes the cost of milk. Targets are aligned to FY26 base year; targets aligned to FY25 base year were FY24: $2.65, FY25: 2.66*
6. *Volume Weighted Average Price (VWAP) for the period 1 October to 16 September.*
7. *DairyNZ Economic Survey 2023-2024 (Owner-Operator)*

Historical Financial Information

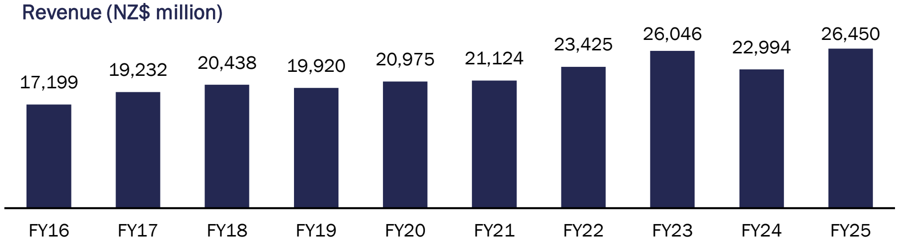
Sales Volume ('000 MT)



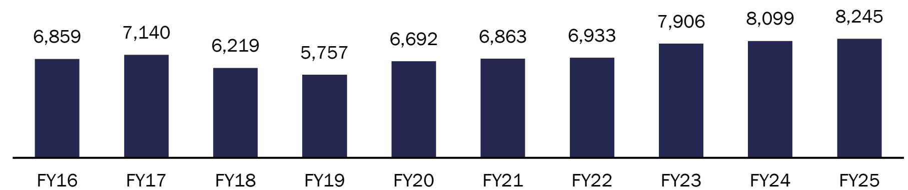
Total Assets (NZ$ million)



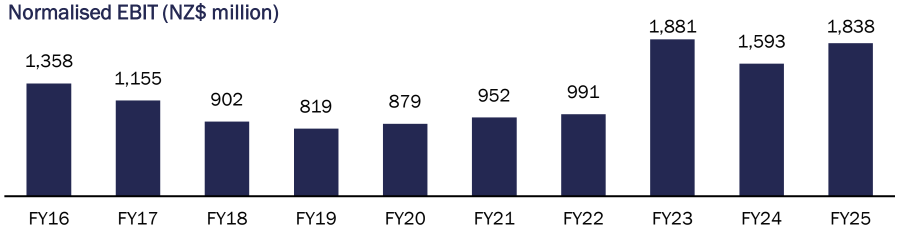
Revenue (NZ$ million)



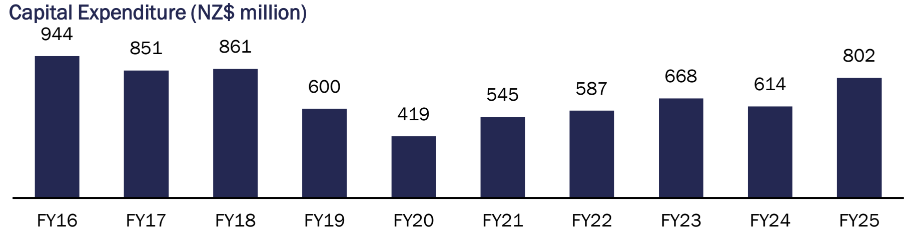
Total Equity (NZ$ million)[1]



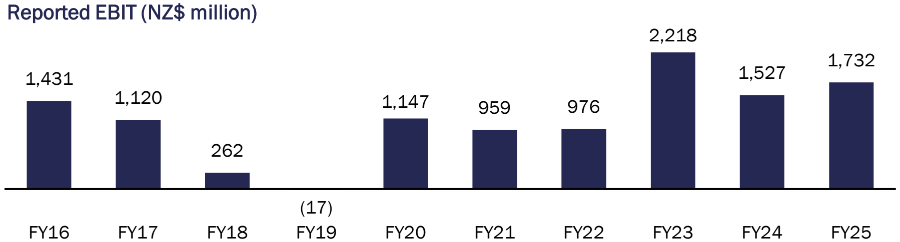
Normalised EBIT (NZ$ million)



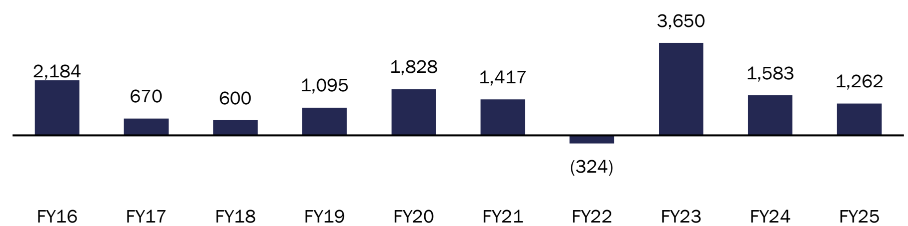
Capital Expenditure (NZ$ million)



Reported EBIT (NZ$ million)



Free Cash Flow (NZ$ million)

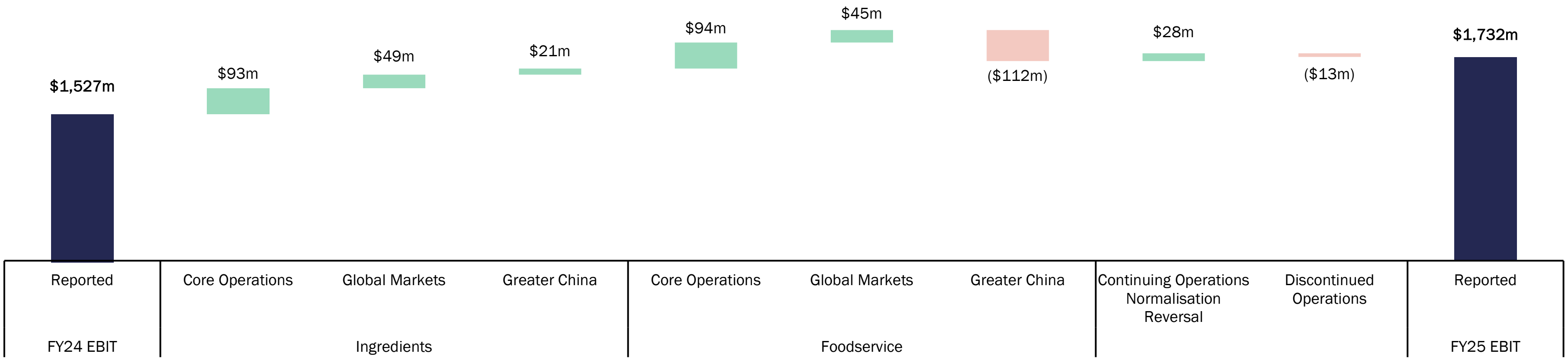


[1]*Excluding non-controlling interests*

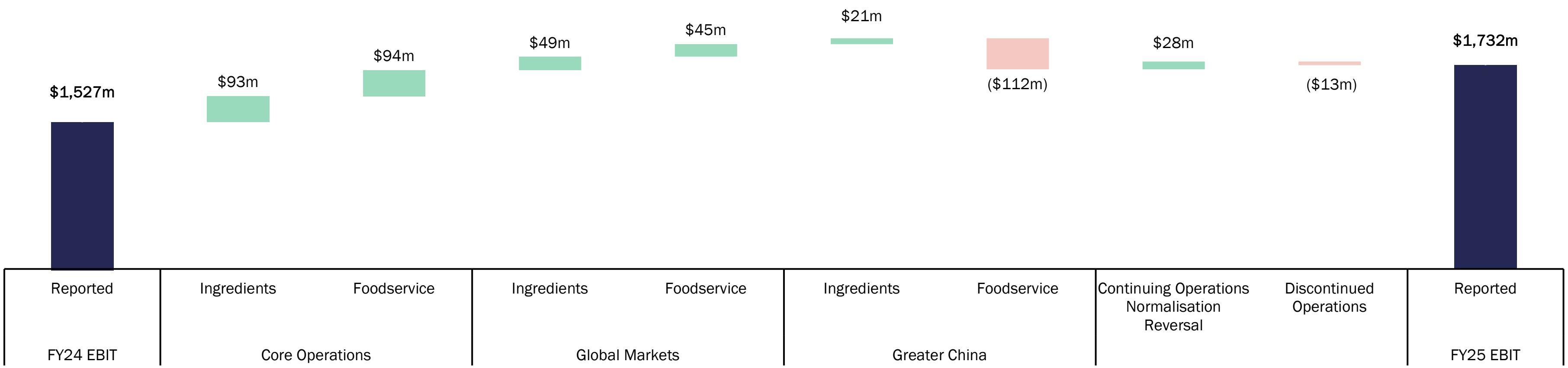
Note: Includes continued & discontinued operations where known

Reported EBIT Bridge by Segment and Channel

Reported EBIT Bridge by Channel



Reported EBIT Bridge by Segment



Summary of Normalisations

Total Group Impact of FY25 Normalisations

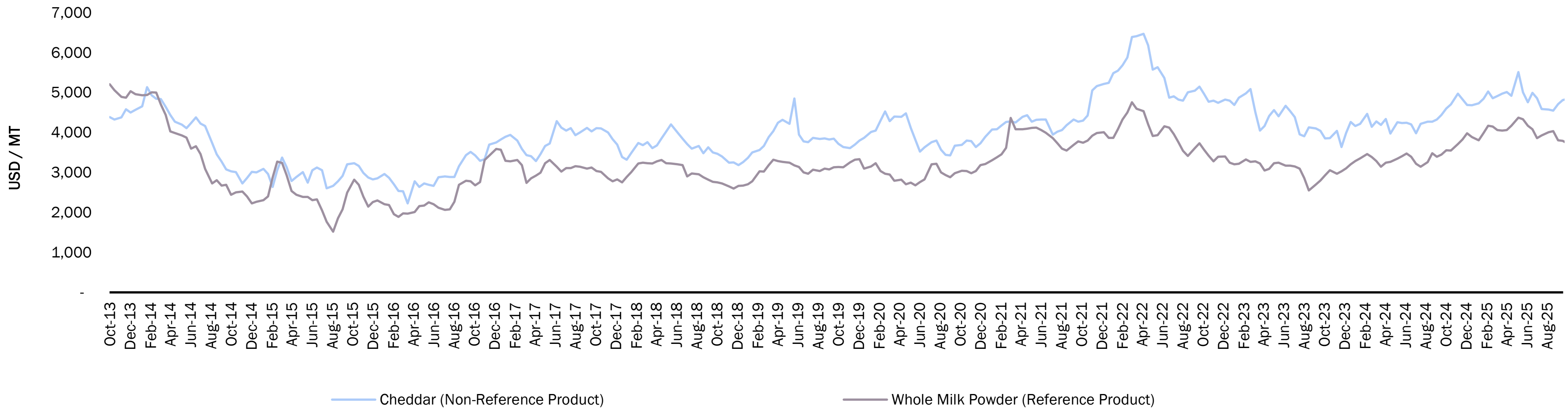
Item	Impact on EBIT		Impact on Gearing	
Divestment and separation costs relating to the Mainland Group sale process.	▲	$106m in total normalised costs	▼	Additional costs increase net debt while the sale proceeds will eventually be partially used to repay debt balances. Ultimately the transaction will reduce gearing.
Inter-Group normalisations of +/- $119m reflecting terms of trade between Fonterra and Mainland Group following the completion of the divestment.	–	Nil effect at Group level	–	Nil effect at Group level

Normalisation Adjustments to EBIT

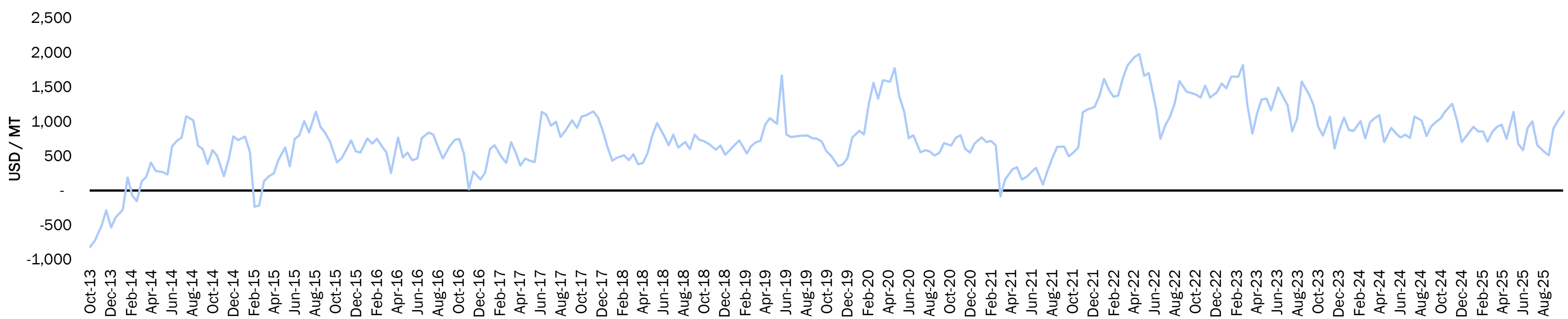
	Continuing Operations		Discontinued Operations		Total Group	
NZ$ million	FY24	FY25	FY24	FY25	FY24	FY25
Loss on sale of DPA Brazil	-	-	66	-	66	-
Divestment costs	-	-	-	106	-	106
Normalised terms of trade	(91)	(119)	91	119	-	-
Total	**(91)**	**(119)**	**157**	**225**	**66**	**106**
Reported EBIT	1,342	1,560	185	172	1,527	1,732
Normalisations	(91)	(119)	157	225	66	106
Normalised EBIT	**1,251**	**1,441**	**342**	**397**	**1,593**	**1,838**

Long Term Reference vs Non-Reference Price Relativities

Reference vs Non-Reference Price Relativity Proxies



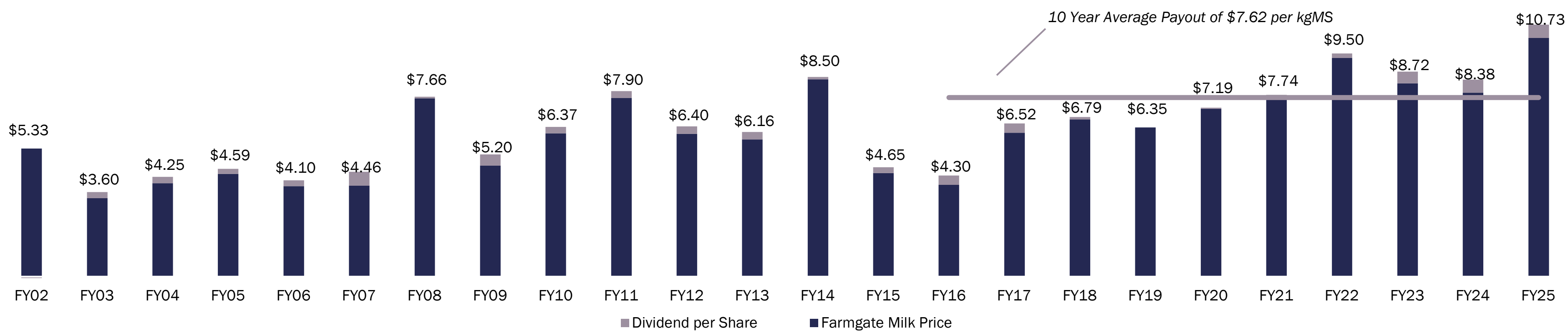
Price Margin between Reference and Non-Reference Proxies



Source: GDT

Historical Total Payout

Total Payout (Nominal NZ$ per kgMS)

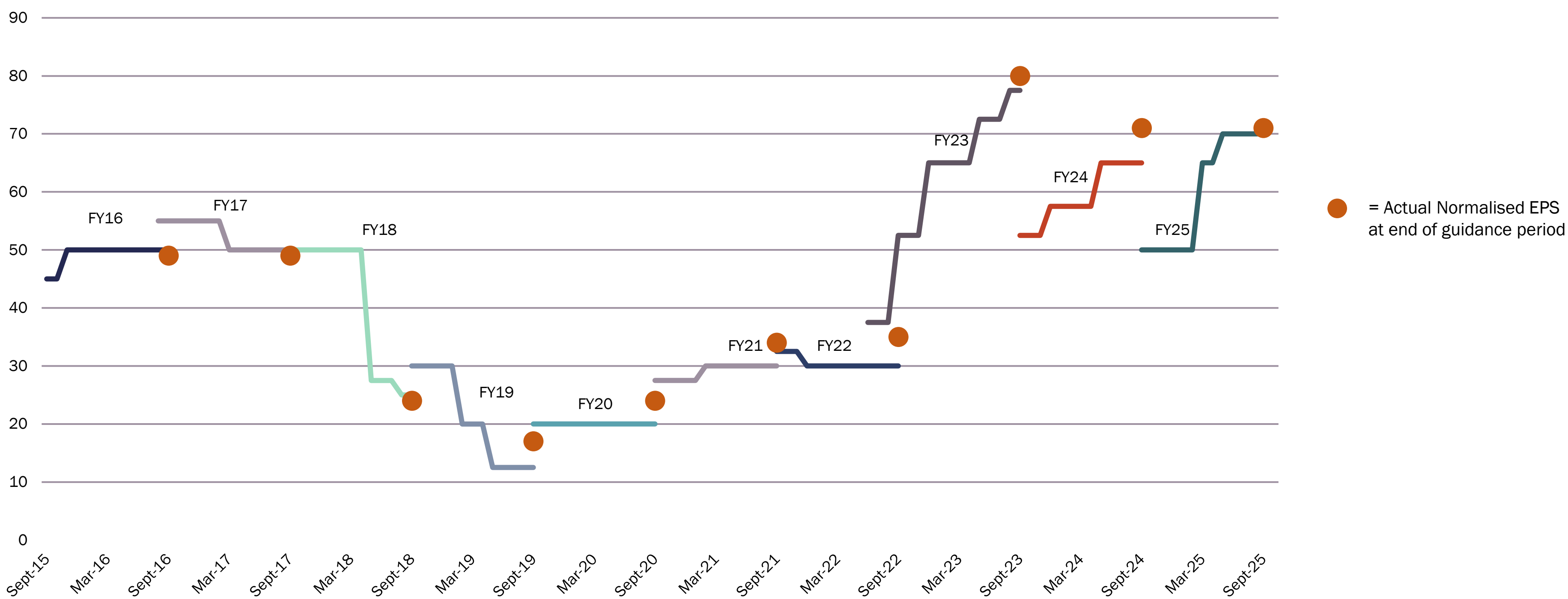


Total Payout[1] (Real NZ$ per kgMS)

Note: Figures reflect the average payout for a 100% share-backed supplier
[1]Adjustment made based on CPI average during relevant period, reflects price in today's dollars

Historical Earnings per Share Performance vs Guidance

Historical Earnings Per Share Guidance Midpoint vs Actual Normalised Earnings Per Share



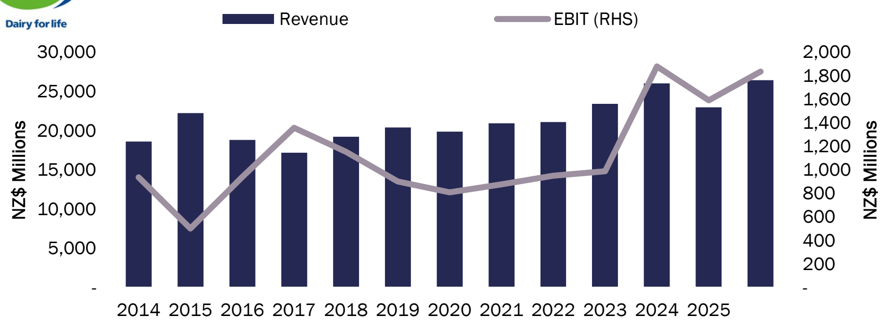
Comparable Company Performance

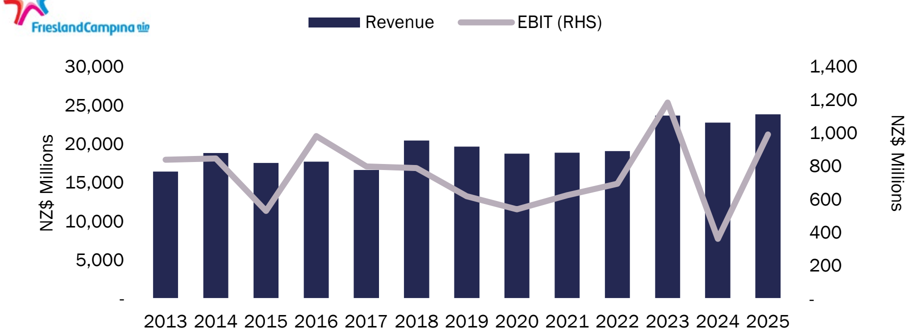
Fonterra is very different to other entities operating in the NZ dairy sector and to overseas dairy co-ops and companies. This is due to a range of factors including the DIRA regulatory regime, scale and product mix. Arguably the most comparable entities to Fonterra can be found overseas. This includes Arla and Friesland Campina, which are both farmer co-operatives (based in Denmark and the Netherlands respectively) with substantial commodity and consumer operations. However, neither company is subject to the same regulatory regime as Fonterra.

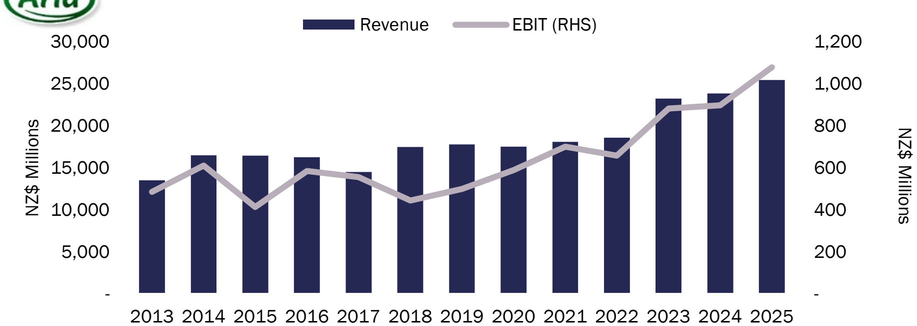
The comparisons on the following pages provide a high-level overview of revenue and earnings over time for companies in both dairy ingredients and value-add sectors, along with a single 'point in time' view of summary financial ratios. It is important to note that these comparisons do not take into account the differing mix of core dairy ingredients and value-add divisions for each company, which is a key driver of the differing margins and gearing.

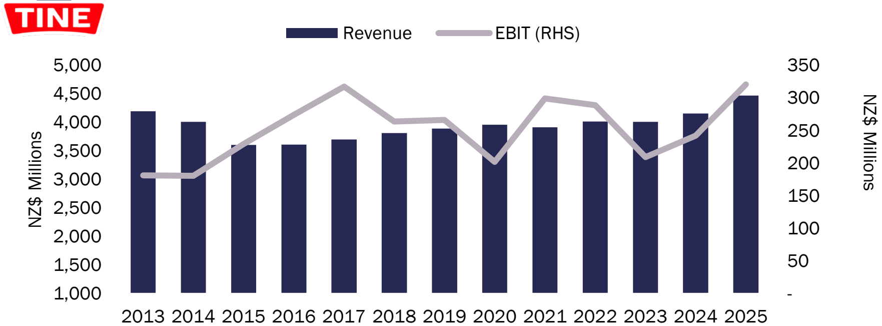
They also do not take into account different regulatory regimes for the other dairy co-operatives and the impact such regimes may have on margins, capital investment required and ultimate returns. Finally, the performance trends over time all reflect the currency exchange rates at the relevant time, and relative changes in those rates may affect the values presented.

Dairy Co-ops







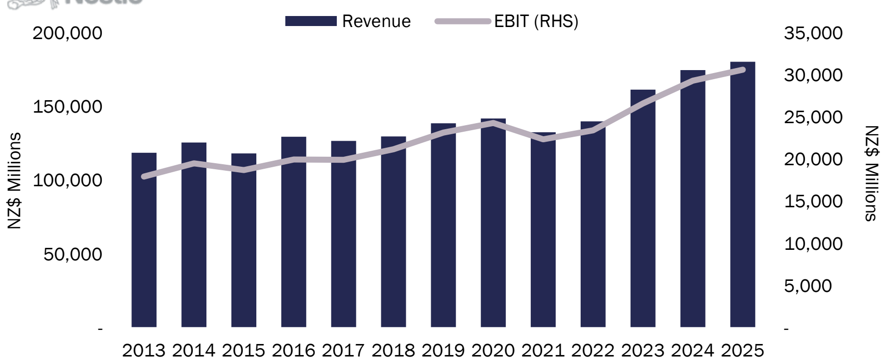


All figures are quoted in New Zealand dollars unless otherwise stated. Figures sourced from Capital IQ and Annual Reports
Note: Companies presented here have a December financial year end compared to Fonterra's July year end.

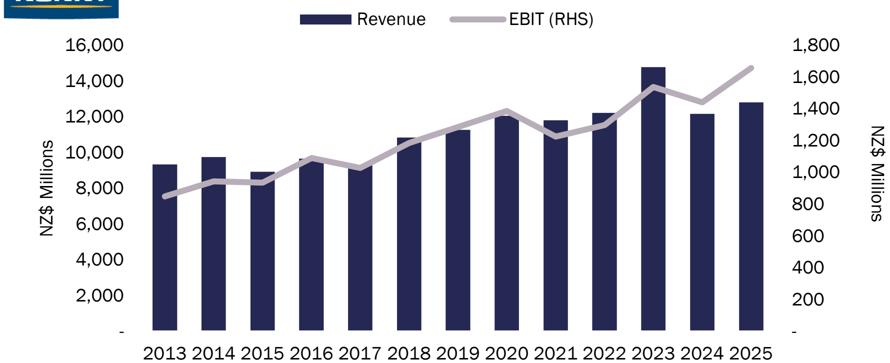
Comparable Company Performance (Continued)

Dairy Companies

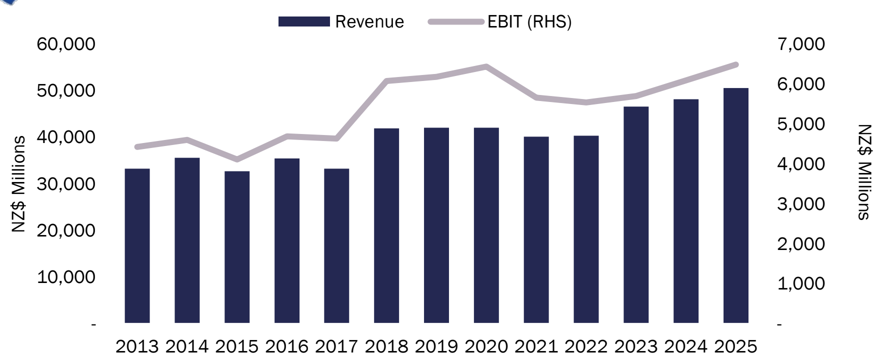
Nestlé



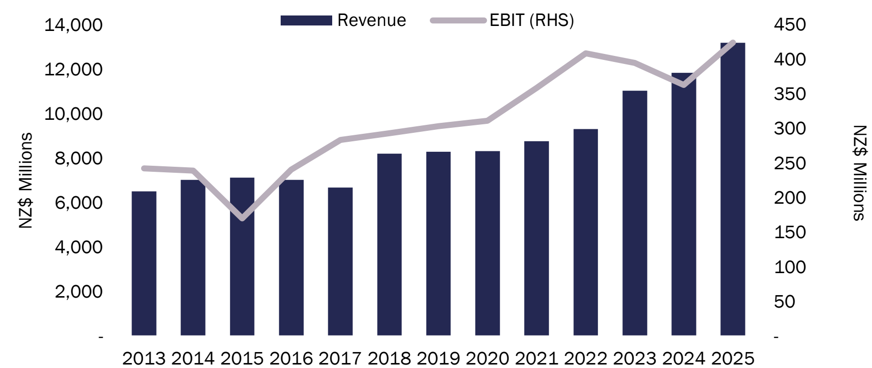
KERRY



DANONE



GROUPE SAVENCIA Saveurs & Spécialités



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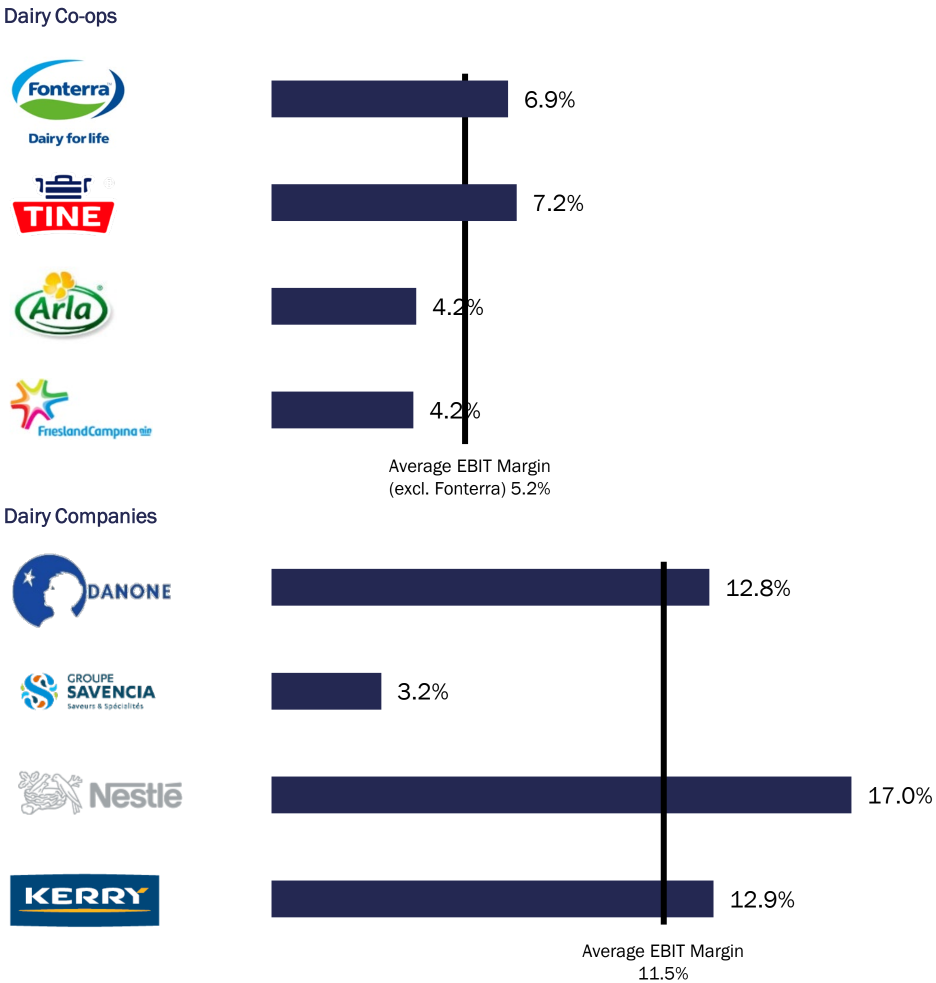
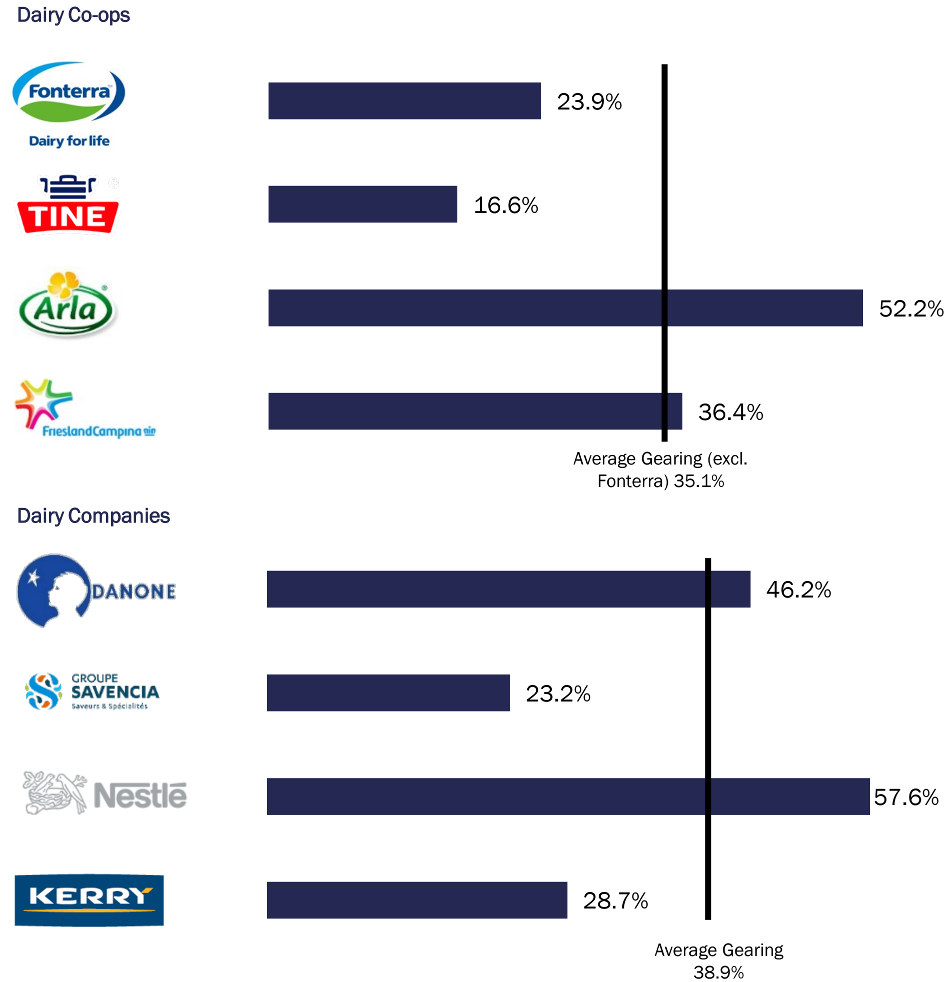
Note: Companies presented here have a December financial year end compared to Fonterra's July year end

EBIT Margin



Gearing Ratio



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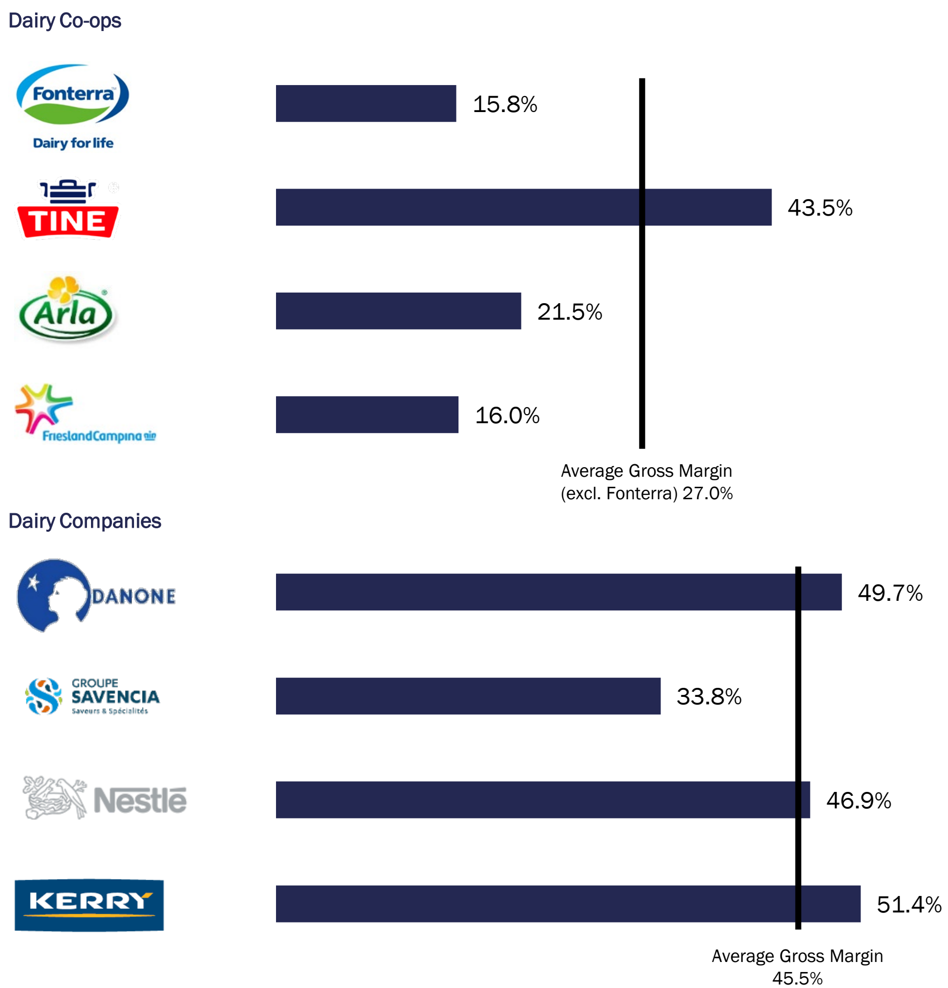
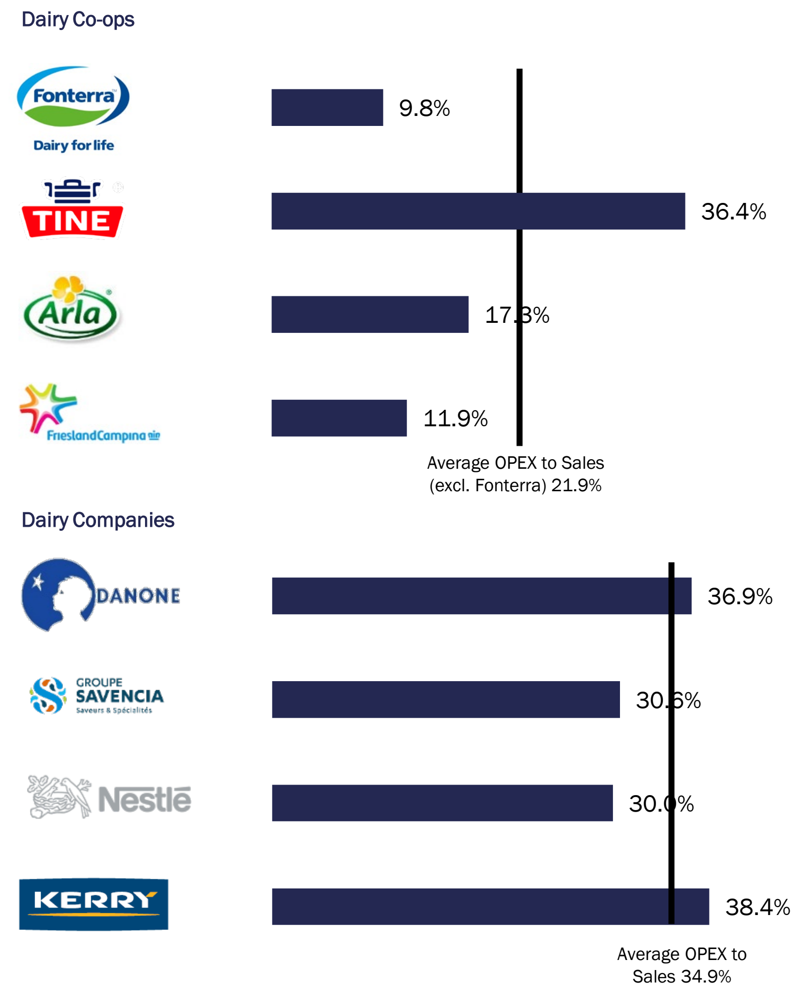
Note: Companies presented here have a December financial year end compared to Fonterra's July year end

Gross Margin



Operating Expenses to Sales

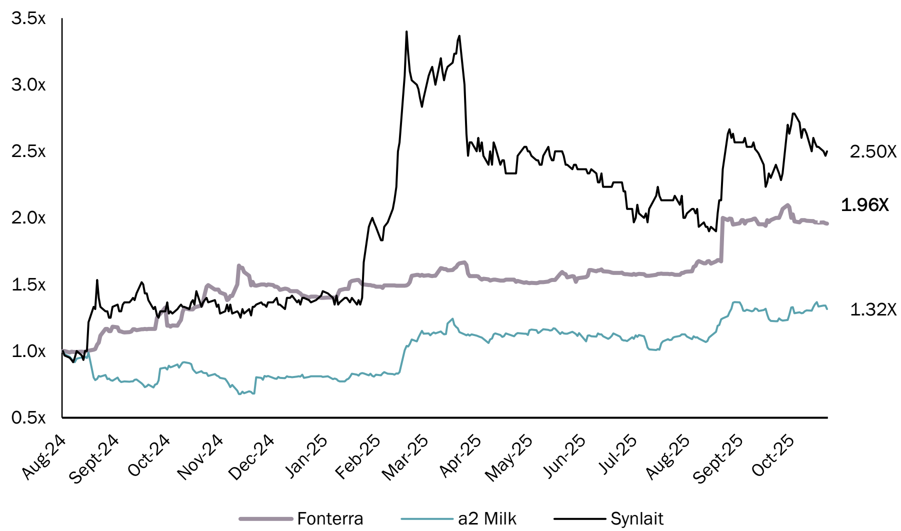


All figures are quoted in New Zealand dollars unless otherwise stated. Figures sourced from Capital IQ and Annual Reports
Note: Companies presented here have a December financial year end compared to Fonterra's July year end

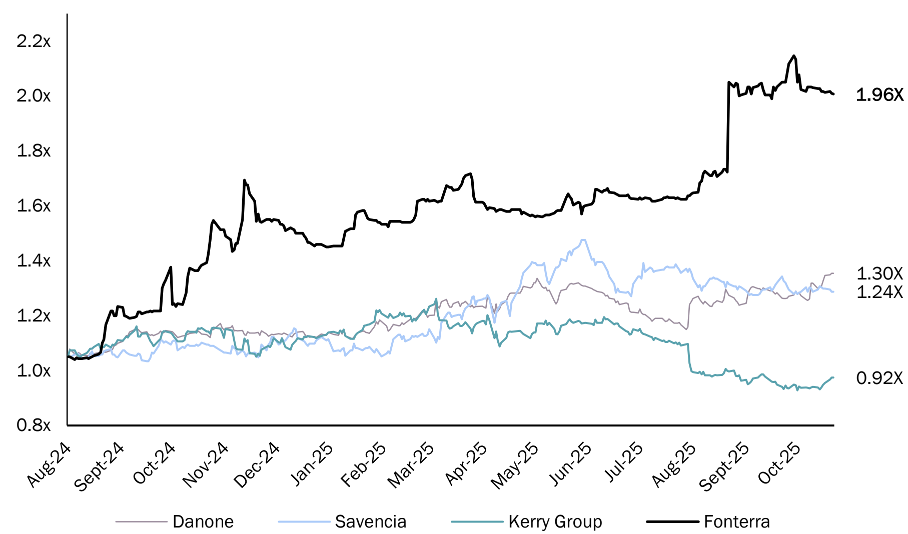
Share Price Performance – Dairy Competitors

- The share price data below provides comparisons to New Zealand and international dairy competitors to illustrate the performance of Fonterra's share price against some of the company's peers.
- Fonterra is the only entity within our Co-op set that is both a co-operative and a publicly listed company, therefore comparison of market pricing has only been completed against other publicly listed companies. Similar to prior analysis, it is important to note that this does not take into account any regulatory differences or local market conditions that may ultimately impact share price data. It also excludes dividends paid to shareholders or unitholders.
- The below chart demonstrates the performance of Fonterra Co-operative shares over the period from 1 August 2024 (start of FY24) to 22 October 2025 demonstrating a return of 96% over the period. This compares favourably to both Fonterra's domestic and international peers. This represents a very strong price return on the year, beaten only by Synlait, although we note that Sylait has been recovering from a highly distressed position and has exhibited significant volatility over this period.

New Zealand Dairy Manufacturers



Global Dairy Competitors



Daily price information has been rebased in NZD to 1 August 2024 for comparability between share price and local currency.
Source: Capital IQ as at 22 October 2025, Fonterra share price is represented by FCG.NZ

Abbreviations & Definitions

Term	Definition
CAGR	Compound average growth rate
Capex	Capital expenditure
Co-op, Group or the Company	Fonterra Co-operative Group Limited
CY	Calendar year ending 31 December
DIRA	Dairy Industry Restructuring Act
DPA Brazil	Dairy Partners Americas Brazil
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
ESG	Environmental, social and governance
FCG	Shares in Fonterra Co-operative Group Ltd (FCG.NZ)
FGMP	Farmgate Milk Price
FSF	Shares in Fonterra Shareholders' Fund (FSF.NZ)
Fund	Fonterra Shareholders' Fund (FSF.NZ)
FY	Financial year ending 31 July
GDT	Global Dairy Trade
kgMS	Kilograms of milk solids
Mainland or Mainland Group	The business being sold to Lactalis, combining the integrated businesses in Oceania and Sri Lanka with the global Consumer channel (excluding-China) and the MEA Foodservice business
MT	Metric tonnes
NPAT	Net profit after tax
Non-Reference Products	Products that are not included in the calculation of the Farmgate Milk Price
NTM	Next Twelve Months
NWC	Net working capital
NZD	New Zealand dollars
PP&E	Plant, property and equipment
Price Relativities	Refers to the difference in the weighted average price (in USD) between the Reference Product portfolio and Non Reference Product portfolio
Reference Products	Includes commodity products and groups that are included in the calculation of the Farmgate Milk Price
Share Standard	Means one share per one kgMS supplied
ROC or ROCE	Return on capital employed
SMP	Skim milk powder
TSR	Total shareholder return
USD	United States dollars
WACC	Weighted average cost of capital
WMP	Whole milk powder

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