FONTERRA ANNUAL MEETING
11 DECEMBER 2025
CEO'S ADDRESS

Thank you, Peter. And thank you to those who have travelled to be with us here in person and greetings to those joining us online.

Today I'll cover your Co-op's performance for FY25 and then our plans for the years ahead as we implement our strategy.

Looking first at FY25, I'm pleased to say we maintained the momentum in our performance that we've built over the last few years.

As Peter has shared, we ended the 2024/25 season with a final Farmgate Milk Price of $10.16 per kgMS.

I'll touch on our current season forecast shortly, which I acknowledge has stepped back from the $10.00 opening price we started the season with. And our full year dividend was 57 cents per share, fully imputed.

Looking more closely at the drivers, our operating profit increased 13% to 1.7 billion dollars. And reported profit after tax was 1.1 billion dollars, equivalent to earnings per share of 65 cents. When excluding the costs associated with the Consumer divestment, our normalised earnings per share were 71 cents.

That strong operating profit generated significant cash, allowing us to pay dividends at the upper end of our policy range. This performance was driven by a lift in all parts of our business.

Ingredients had improved margins and product mix, and Foodservice saw volume growth in UHT cream, butter and mozzarella.

In FY25 we allocated 76% of your milk solids to the Ingredients channel. Around 55% of those solids informed the Milk Price, which receives an average regulated return of around 5%.The other 45% of solids in that channel have been allocated to Advanced and Specialty Ingredients products. These products generate a much higher return on capital - around 19% in FY25.

We allocated 16% of your milk solids to the Foodservice channel, which delivered a return on capital of 12%.

The remaining 8% of your solids were allocated to the Consumer channel, which delivered a 9% return on capital in FY25. This was above the Consumer channel's historical average return.

Ultimately, this is the rationale for divesting Mainland Group. We can return capital to you and earn you a better return for your milk and invested capital.

As you're aware, during FY25, we pursued a dual-track divestment process for Mainland Group. This culminated in a proposal to sell the business to Lactalis for $4.22 billion.

Shareholders voted in October to approve the divestment, giving us a strong mandate to progress with our strategy to be a global B2B dairy provider.

I'm excited by the potential the divestment unlocks for our Co-op. We will still have global reach and scale, operating in more than 100 markets including North America, Greater China, Europe and Asia.

Our Ingredients brand NZMP and Foodservice brand Anchor Food Professionals are both world leading. They are recognised by customers for their New Zealand provenance and as the source of high-quality, innovative products.

We maintain a significant presence here in New Zealand, with 24 manufacturing sites, a network of Farm Source retail stores, and our Fonterra offices.

We're positioning the Co-op to deliver further value through our global Foodservice and Ingredients businesses. To support this, we're continuing to invest in new manufacturing capacity to meet growing demand for our high-value products.

During FY25, we started construction on an advanced protein hub at Studholme and new UHT cream capacity at Edendale. Products from these sites are expected to come online in the 2026 calendar year.

Looking ahead, we have plans to invest up to 1 billion dollars in further projects to grow value and drive operational efficiencies. We announced in October a $75 million investment in expanding butter capacity at Clandeboye. I look forward to sharing details of further projects as they are confirmed.

We know that we can deliver greater value for farmers through focused execution of our strategy. Our strategy is designed to drive a performance lift in our Ingredients and Foodservice businesses.

In September this year we shared information on the financial shape of the Co-op post-divestment, including targets out to FY28. The strength of our strategy gives us the confidence to target earnings being back to FY25 levels by FY28, offsetting the Mainland Group divestment.

We are also targeting a return on capital at the upper end of our 10-12% target, which is above the level the Co-op delivers today. Essentially, post-divestment we will be a more focused business, with a lower cost base, delivering a better return to farmer shareholders.

Looking at the year ahead, our forecast Farmgate Milk Price for the 2025/26 season is $9.00 - $10.00 per kgMS, with a midpoint of $9.50. While this is a reduction on our earlier forecast midpoint of $10.00 per kgMS, it remains in the middle of the $8.00 - $11.00 forecast range we opened the season with.

As shared, an increase in global milk production has put downward pressure on global commodity prices. Here in New Zealand, milk production is up. At the same time, milk production is up in the US, Latin America and Europe, meaning global supply is now outstripping global demand. Despite that, we're continuing to see good demand for our products from customers who value our unique offering.

Our forecast earnings for FY26 are 45-65 cents per share for continuing operations.

At all times, our priority is maximising returns for farmer shareholders through both the Farmgate Milk Price and earnings. We do this by building strong relationships with customers, utilising price risk management tools when we face volatility, and optimising our product mix towards higher value products.

We are firmly focused on strategic delivery in FY26 and meeting the commitments we've made to farmer shareholders.

Thank you.

ENDS