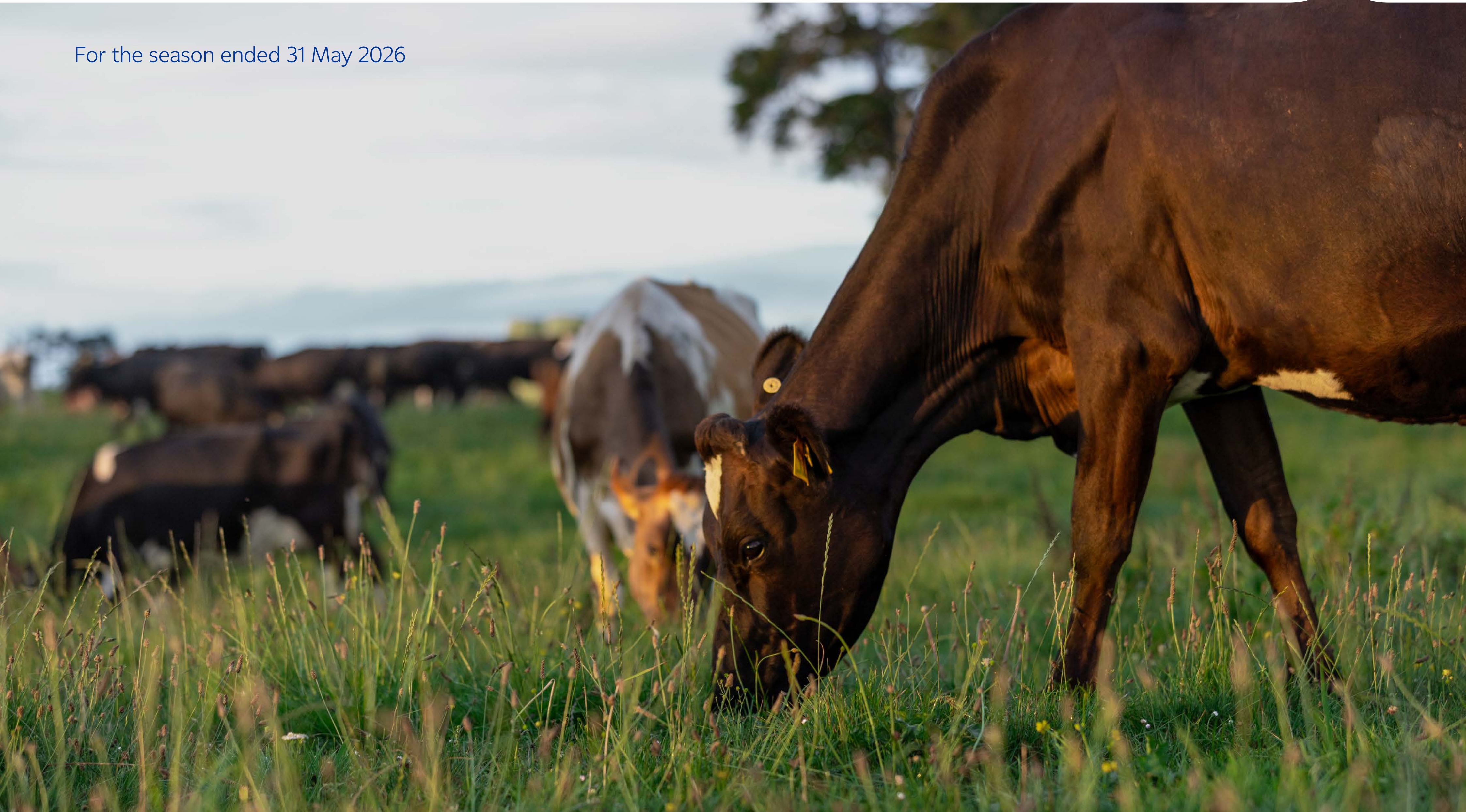
Farmgate Milk Price Statement
Pūrongo Utu Hoko Miraka Te Mātāpuna

Fonterra
Dairy for life



For the season ended 31 May 2026

Contents

Drysdale family farm, Manawatū-Whanganui

2026 Season Farmgate Milk Price

The primary purpose of this Statement is to help Fonterra farmer shareholders, unitholders in the Fonterra Shareholders' Fund and other interested parties better understand the Farmgate Milk Price.

The Farmgate Milk Price is the average price paid by Fonterra for each kilogram of milk solids (kgMS) supplied by Fonterra's farmer shareholders under Fonterra's standard terms of supply.[1]

It is calculated in accordance with the Farmgate Milk Price Manual (the Manual). The Manual is maintained by the Fonterra Board in accordance with the Dairy Industry Restructuring Act 2001 (DIRA) and the Fonterra Constitution.

The 2026 season Farmgate Milk Price of **$9.69** per kgMS is:

– The Aggregate Farmgate Milk Price of $15.259 billion; divided by

– New Zealand milk supplied to Fonterra in the 2026 season of 1.575[2] billion kgMS.

The Aggregate Farmgate Milk Price is calculated as revenue less costs. Revenue assumes:

– The entire volume of milk collected is processed into commodity specifications of the five Reference Commodity Products (RCPs) which are Whole Milk Powder (WMP) and Skim Milk Powder (SMP), and their by-products Butter, Anhydrous Milk Fat (AMF) and Buttermilk Powder (BMP).[3]

– The RCPs are sold in USD on and off GDT.

– USD sales revenue is converted into NZD at exchange rates achieved by Fonterra.

Costs comprise:

– **Cash Costs:** costs of collecting raw milk, efficiently manufacturing the five RCPs, delivering finished product to New Zealand export ports, and selling and administration expenses.

– **Capital Costs:** depreciation of fixed assets, an appropriate return on investment including on working capital, and corporate tax.

– **Additional Commodity Milk Payments and Standard Supply Adjustments:** adjustments for milk quality issues and additional payments or deductions for milk not supplied on standard terms, to the extent these would apply to the Notional Milk Price Business (NMPB).[4]

Numbers in this Statement have been rounded and, as a result, some tables may not exactly total or sum to 100%.

2026 Season Farmgate Milk Price

$9.69

per kgMS

1 This price may differ from the 'farm gate milk price' published in accordance with the Dairy Industry Restructuring (Raw Milk) Regulations 2012 due to the way 'farm gate milk price' is defined in those Regulations and the impact of Fonterra's Milk Price Risk Management services (for example fixed milk price) and Fonterra's Co-operative Difference Programme.

2 Total milk paid for was 1.575 billion kgMS, including 4 million kgMS of supply accepted from a third-party processor. Total milk paid for comprised 1.574 billion kgMS collected and available for manufacturing, while 1 million kgMS could not be collected due to disruptions to milk supply.

3 Most of the milk supplied over the past decade in New Zealand to Fonterra and its competitors used to manufacture commodity dairy products has been used to manufacture milk powders. As returns from the sale of milk powders and their by-products represent the marginal returns that would drive the price of milk in a competitive market in New Zealand, the Farmgate Milk Price is based on these products.

4 Additional Commodity Milk Payments are payments for milk supplied other than on standard terms of supply where it would be appropriate for the NMPB to source that milk for conversion into RCPs. Examples of these payments include the portion of Winter Milk premiums that would be payable by the NMPB and discounts for contract milk. Standard Supply Adjustments arise from adjustments to payments for milk supplied under Fonterra's standard terms of supply, such as where milk quality demerits have been applied.

2026 Season Farmgate Milk Price CONTINUED

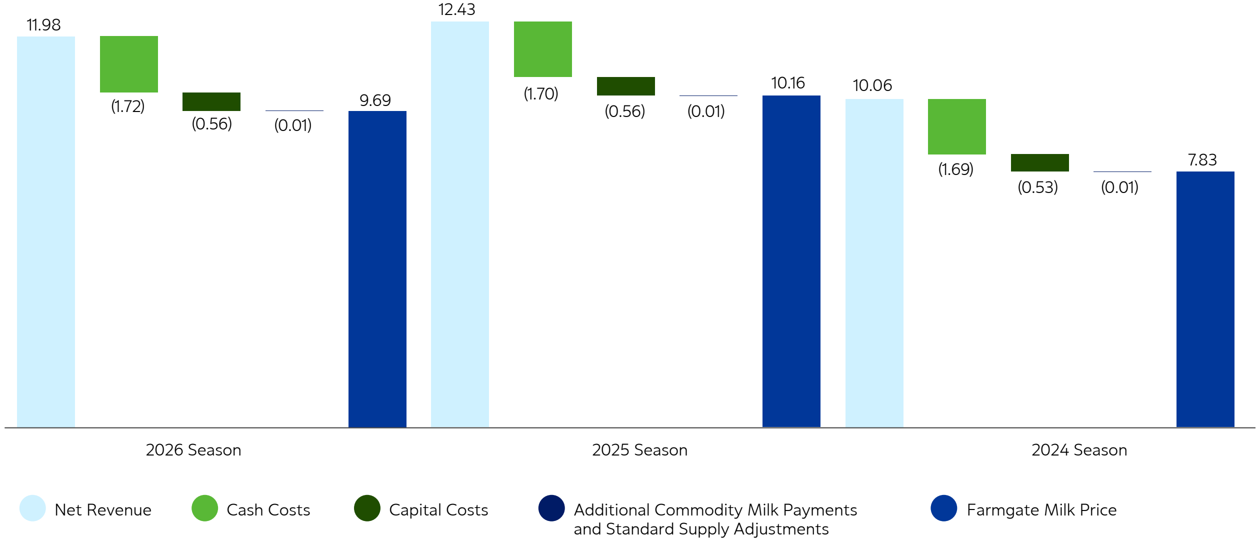
Figure 1 shows that changes in revenue are the most significant driver of the movements in the Farmgate Milk Price between seasons.

Revenue for a given season is a function of the volume of milk collected, the products that milk is manufactured into, the prices at which that product is sold, and the exchange rate at which the USD receipts from sales are converted back to NZD. Costs also move season on season, but will generally not be anywhere near as significant a factor in moving the Farmgate Milk Price.

The following sections provide more detail on revenue, costs and drivers of change between seasons.

Figure 1: Changes in the Farmgate Milk Price between seasons

$ per kgMS



2026 Season Farmgate Milk Price CONTINUED

Table 1 shows the summary Farmgate Milk Price calculation for the last three seasons. Lactose is shown in Table 1 as a deduction from Farmgate Milk Price Revenue.

Table 1: Farmgate Milk Price summary

SEASON	2026 $ MILLION	2025 $ MILLION	2024 $ MILLION
Farmgate Milk Price Revenue	**19,717**	19,406	15,374
Lactose	**(860)**	(652)	(570)
Net Revenue	**18,857**	**18,754**	**14,805**
Farmgate Milk Price Cash Costs	**(2,710)**	(2,564)	(2,490)
Farmgate Milk Price Capital Costs	**(874)**	(841)	(786)
Additional Commodity Milk Payments and Standard Supply Adjustments	**(14)**	(13)	(12)
Aggregate Farmgate Milk Price	**15,259**	**15,336**	**11,516**
Million kgMS	**1,575**	1,509	1,471
Farmgate Milk Price calculated under the Manual ($ per kgMS)	**$9.69**	**10.16**	**7.83**

Farmgate Milk Price Revenue

Farmgate Milk Price Revenue uses a combination of actual Fonterra results and key assumptions:

- 1.574 billion[5] kgMS of milk actually supplied to Fonterra during the 2026 season.
- All milk supplied is converted into the five RCPs based on Fonterra's actual mix of those products.
- Sales volumes are assumed to reflect Fonterra's actual shipments of RCPs.
- Selling prices reflect relevant prices achieved by Fonterra for RCPs sold on and off GDT.

Milk Supply, Production and Sales Volumes

Figure 2 shows the relationship between:

- Milk collected during a season (the light blue line). This shows very little milk is supplied in June and July and that supply peaks in late October.
- The volume of products manufactured from that milk (the dark blue line).
- When that product is sold (the green line). There is typically a lag of between one to three months between when milk is collected and manufactured into RCPs and when those RCPs are sold.

Sales of product manufactured in the 2026 season started in August 2025 and will be complete by the end of October 2026.

Revenue is recognised when sales are invoiced, which is at the time of shipment. Sales prices are always struck before the month of shipment. Figure 3 shows the average lag between when prices are struck and when products are shipped. This lag matches Fonterra's actual average lag for relevant sales.

5 Total milk paid for was 1.575 billion kgMS, including 4 million kgMS of supply accepted from a third-party processor. Total milk paid for comprised 1.574 billion kgMS collected and available for manufacturing, while 1 million kgMS could not be collected due to disruptions to milk supply.

Figure 2: Timing of supply, production and sales volumes

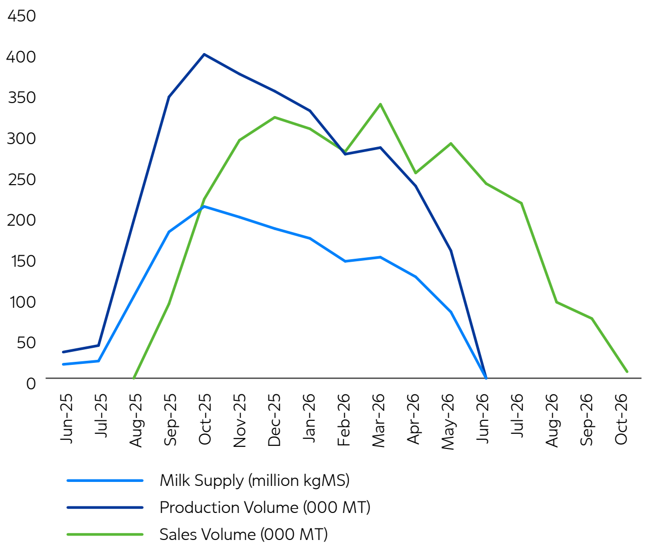
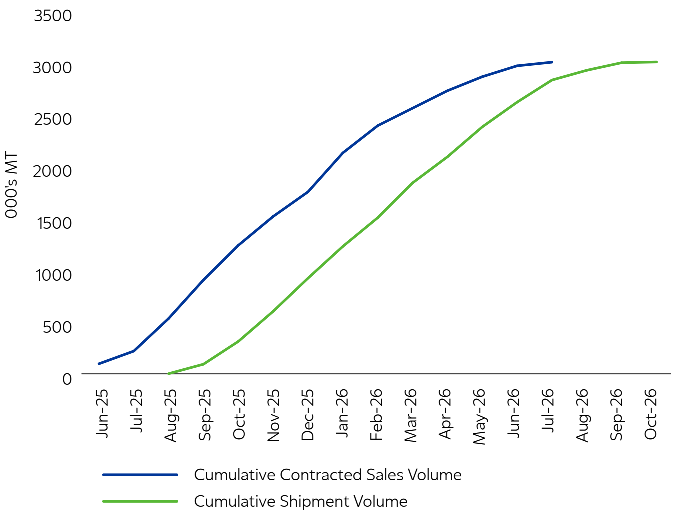


Figure 3: Average lag between when prices were struck and shipment



Farmgate Milk Price Revenue CONTINUED

Prices

The Farmgate Milk Price uses weighted average monthly prices achieved by Fonterra on sales of RCPs which satisfy the following criteria:

- Only arm's length sales at current market prices to customers in globally contested markets are included. Sales to Fonterra subsidiaries are excluded.
- Only sales contracted by Fonterra between one and five months before shipment are included.
- Off-GDT sales are only included when they are of commodity products with similar specifications to products sold on GDT.

In the 2026 season, off-GDT sales represented 40% of the sales used to determine the Farmgate Milk Price, up from 36% in 2025. The calculated contribution from off-GDT sales to the Farmgate Milk Price decreased from 11 cents to 3 cents per kgMS, reflecting the inclusion of certain tender sales and a change to sales now being priced relative to latest market pricing, which supports timely contracting[6]. As a result, the contribution may vary between seasons as market conditions change.

Table 2 shows weighted average selling prices for each RCP for the last three seasons. It shows that weighted average USD selling prices per metric tonne (MT) were 3.7% lower for the 2026 season than last season.

Table 2: Weighted average USD contract price[7]

WEIGHTED AVERAGE PRICE (USD) PER MT	2026	2025	2024	2026/2025 % CHANGE	2025/2024 % CHANGE
WMP	**3,623**	3,755	3,089	**(3.5%)**	21.5%
SMP	**2,895**	2,842	2,610	**1.8%**	8.9%
Butter	**6,288**	6,959	5,479	**(9.6%)**	27.0%
AMF	**6,733**	7,156	5,797	**(5.9%)**	23.4%
BMP	**3,244**	3,345	2,530	**(3.0%)**	32.2%
				(3.7%)	20.7%

Lactose

Lactose is contained in the raw milk supplied and additional lactose is used as an ingredient in the production of WMP, SMP and BMP. The NMPB manufactures greater quantities of these commodities than Fonterra, and therefore has greater lactose requirements to achieve a product composition in line with internationally recognised standards.

The NMPB assumes this further lactose is purchased on global markets.

Table 3 shows volume and average purchase prices of lactose over the past three seasons.

Table 3: Purchased lactose and price

SEASON	2026	2025	2024	2026/2025 % CHANGE	2025/2024 % CHANGE
Purchased Lactose (000s MT)	**387**	376	370	**3.0%**	1.7%
Average Price (USD per MT)	**1,315**	1,052	951	**25.0%**	10.6%
Total Lactose Purchases (USD million)	**509**	395	351	**28.7%**	12.5%

6 The market prices reference RCP futures contracts transacted on the Singapore Exchange and quoted on the New Zealand Exchange, which settle to GDT.

7 Average shipment prices include an allowance for lower prices received for downgrade product. These are products that do not meet standard manufacturing specifications, some of which may only be suitable for stock feed.

Farmgate Milk Price Revenue CONTINUED

Impact of NZD/USD foreign exchange rate movements

The primary objectives of hedging are to increase the visibility and certainty of the forecast Farmgate Milk Price throughout the season by reducing and smoothing the impacts from volatility in the NZD/USD spot exchange rate. The increased visibility and certainty supports a higher level of advance rate payments throughout the season relative to being unhedged.

Fonterra enters into foreign exchange hedge contracts over an 18-month period to hedge forecast USD exposures that arise from RCPs being sold in USD. The first 20% of hedges are entered into eighteen months out from when USD sales proceeds are forecast to be received, and increase progressively to 100% two months out from the forecast USD cash receipt.

Figure 4 demonstrates that the strategy of layering hedging contracts progressively over an 18-month period smooths the monthly conversion rates relative to the NZD/USD spot exchange rate, and that these conversion rates reflect historic spot rates on a lagged basis. Typically, when the spot rate is rising, the average hedge rate tends to be lower than the average spot rate. Conversely, when the spot rate is falling, the average hedge rate is generally higher than the average spot rate. This figure also illustrates the conversion rates for future periods, taking into account the hedging in place as of 31 July 2026.

The average conversion rate, average NZD/USD spot rate and the Farmgate Milk Price impact of hedging for the 2010 to 2026 seasons are shown in Table 4.

Figure 4: Average monthly conversion rate from hedging compared to average monthly NZD/USD spot exchange rate

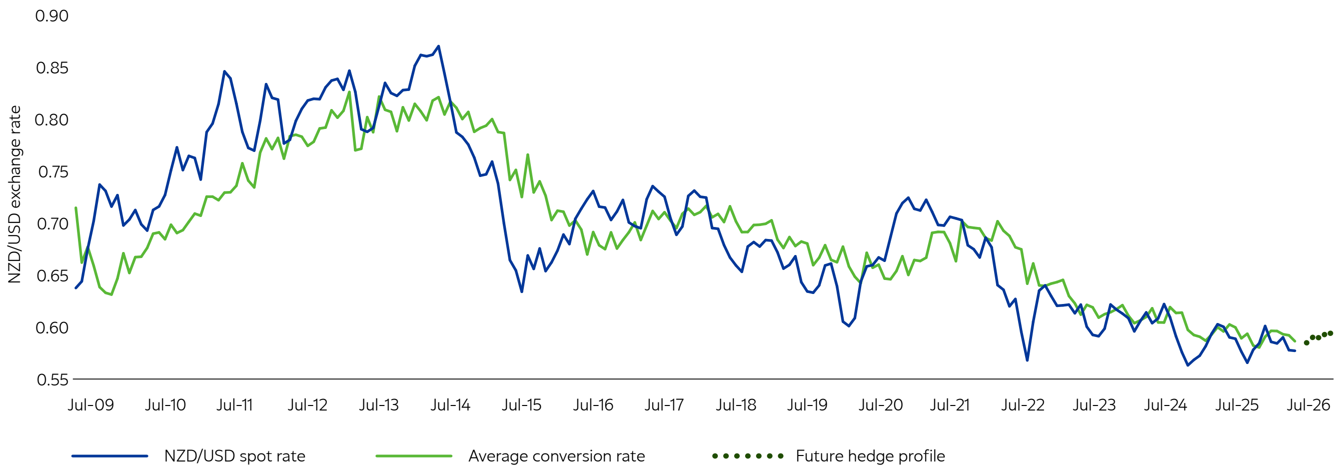


Table 4: Impact on the Farmgate Milk Price of Fonterra's hedging, relative to not hedging

SEASON	2010	2011	2012	2013	2014	2015	2016	2017
Average Hedged Rate (NZD/USD)	0.6661	0.7184	0.7706	0.7986	0.8086	0.7882	0.7082	0.6924
Average Spot Rate (NZD/USD)	0.7137	0.7879	0.8023	0.8214	0.8396	0.7329	0.6820	0.7137
Farmgate Milk Price impact ($ per kgMS)	**0.55**	**0.88**	**0.32**	**0.22**	**0.42**	**(0.50)**	**(0.21)**	**0.28**

SEASON	2018	2019	2020	2021	2022	2023	2024	2025[8]	2026
Average Hedged Rate (NZD/USD)	0.7074	0.6905	0.6638	0.6677	0.6884	0.6357	0.6120	0.5988	**0.5895**
Average Spot Rate (NZD/USD)	0.7014	0.6697	0.6375	0.7067	0.6574	0.6192	0.6084	0.5833	**0.5831**
Farmgate Milk Price impact ($ per kgMS)	**(0.08)**	**(0.26)**	**(0.38)**	**0.53**	**(0.56)**	**(0.26)**	**(0.06)**	**(0.34)**	**(0.14)**

8 The average spot rate and the Farmgate Milk Price impact for the 2025 season differ from those disclosed in the 2025 Farmgate Milk Price Statement, as forecast exchange rates at 31 July 2025 have been replaced with actual exchange rates.

Farmgate Milk Price Revenue CONTINUED

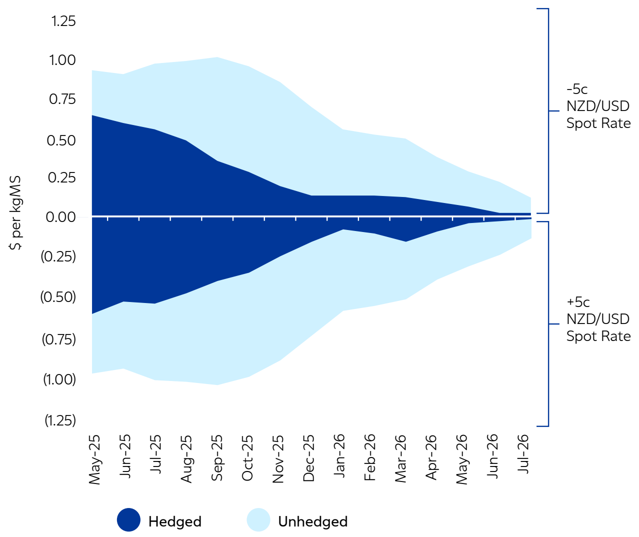
Figure 5 illustrates how hedging increases the visibility and certainty of the forecast Farmgate Milk Price throughout the season relative to not hedging foreign exchange volatility. The figure shows the sensitivity of the forecast Farmgate Milk Price at each month-end during the 2026 season with hedging executed as per Fonterra's policy to a scenario with no hedging in place, where both assume a +/- 5 cent movement in the exchange rate for the remainder of the season. The range under the hedged scenario starts the season significantly narrower than the unhedged range, and reduces more quickly throughout the season, which supports the payment of higher advance rates earlier than would be the case if the exposure was less hedged or unhedged altogether.

As at 31 July 2026, Fonterra had hedged approximately 65% of the net forecast USD cash flows related to the 2027 season Farmgate Milk Price. If the remaining 35% of the forecast USD cash flows were to be hedged at the 31 July 2026 spot rate of 0.5881, and if actual USD cash flows were to come in as forecast , the average NZD/USD conversion rate for the 2027 season would be 0.5906.

As an indication of the remaining sensitivity of the 2027 Farmgate Milk Price to future NZD/USD exchange rate movements, if the remaining forecast USD exposures were hedged at rates:

- 5 cents higher than the 31 July 2026 spot rate, the average conversion rate would be 0.6089.
- 5 cents lower than the 31 July 2026 spot rate, the average conversion rate would be 0.5682.

Figure 5: Comparison of ranges for the 2026 season Milk Price hedged vs. unhedged for NZD/USD[9]



9 This analysis isolates the impact of +/- 5 cents movements in the NZD/USD exchange rate. All other variables – e.g. commodity prices , costs, etc – are the same for both the hedged and unhedged scenarios.


Bridgeman family, Taranaki

Farmgate Milk Price Cash Costs

Farmgate Milk Price Cash Costs reflect:

- Fonterra's actual collection costs, and supply chain costs determined by reference to Fonterra's actual costs.
- Costs of operating modern plants capable of processing the same volume of milk Fonterra collects, but only manufacturing the five RCPs. These assume plant operating parameters consistent with manufacturers' specifications and Fonterra's per unit costs, and include the full range of overhead costs associated with running these plants.
- Overhead and selling costs that would be incurred by a business selling the five RCPs from New Zealand. These are determined by reference to Fonterra's actual costs for undertaking those activities.

Figure 6 and Table 5 summarise the major categories of cash costs and movements between the 2025 and 2026 seasons.

Movements between the 2025 and 2026 seasons were due to:

- $44 million of volume-related cost increases, primarily because of the higher quantity of milk collected.
- $110 million of inflationary increases, particularly affecting milk collection, energy, staff, and packaging costs.
- $7 million movement in non-recurring costs, driven by one-off benefit of accepting third-party milk at a discount to the Farmgate Milk Price offset by an increase in the cost of the NMPB replacing its core information system.

Figure 6: Sources of movements in average cash costs
$ per kgMS

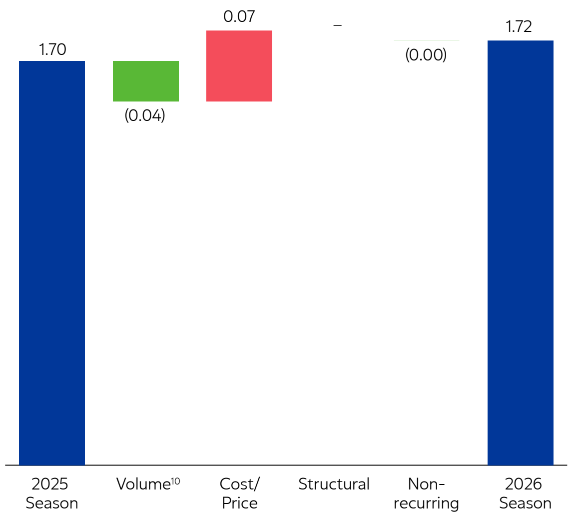


Table 5: Summary of movements in cash costs

$ MILLION	2025	VOLUME[10]	COST/PRICE	STRUCTURAL	NON-RECURRING	2026	% CHANGE COST/PRICE	TOTAL % CHANGE
Sales costs	124	1	2	–	–	**128**	**2.0%**	**2.8%**
Variable manufacturing and supply chain costs	931	42	66	–	–	**1,039**	**7.1%**	**11.6%**
Fixed manufacturing (including repairs and maintenance)/site overheads and supply chain costs	565	0	24	–	–	**589**	**4.2%**	**4.2%**
Collection costs	459	1	5	–	–	**465**	**1.0%**	**1.2%**
Other costs	484	–	13	–	(7)	**490**	**2.6%**	**1.1%**
Total Cash Costs	**2,564**	**44**	**110**	**–**	**(7)**	**2,710**	**4.3%**	**5.7%**
% Movement		1.7%	4.3%	0.0%	(0.3%)			

10 The 4 cent per kgMS reduction in volume-related costs is the result of two offsetting impacts. The first arises from allocating fixed costs over 1,575 million kgMS, an additional 66 million kgMS compared to the 2025 season, resulting in a 7 cents per kgMS decrease in fixed costs. The second reflects the $44 million incremental cost of processing the additional 66 million kgMS. When distributed across the entire 2026 milk supply, this resulted in a 3 cents per kgMS increase in costs.

Farmgate Milk Price Capital Costs

Farmgate Milk Price Capital Costs provide for:

- Depreciation of manufacturing and other assets.
- A return on the depreciated cost of those assets at a benchmark Weighted Average Cost of Capital (WACC).
- A WACC return on the monthly net working capital balances attributable to the lag between the receipt of cash on the sale of the RCPs and cash payments for operating costs and to suppliers for milk.
- Corporate income tax.

The NMPB manufactures RCPs in modern plants with current industry-standard technology. These plants have manufacturing capacities that approximate the average of Fonterra's RCP plants. The average daily processing capacity of the standard WMP and SMP plants installed prior to the 2013 season is approximately 1.9 million litres. Incremental and replacement WMP and SMP plants incorporated in the asset base since 2013 have an average daily processing capacity of approximately 2.5 million litres, equivalent to plants installed by Fonterra at Darfield in 2013 and Pahiatua in 2015. The NMPB ensures there is always sufficient capacity to process all milk collected by Fonterra and it does so by maintaining or adding incremental plants and, where required in the short-term, operating partially standardised production.[11]

Table 6 shows the capital costs and the opening book value of the NMPB's fixed assets and average net working capital for the last three seasons.

The WACC incorporates a five-year trailing average of the five-year New Zealand Government bond rates, which has increased from 2.5% (average for the five years ending June 2024) to 3.1% (average for the five years ending June 2025). As a result, the WACC increased from 5.1% to 5.6% for the 2026 season, increasing the WACC charge on fixed assets by $32 million.

Changes in the average age of the asset base do not result in material season-on-season movements in the capital charge. This is because the capital charge is calculated so that growth each season is approximately in line with long term capital goods inflation as long as the WACC does not change. This is achieved by using a 'tilted-annuity' methodology to calculate the capital charge. This approach means that depreciation can change between years due to a change in the WACC, or a change in long term capital goods inflation, or a change in the asset base. The increase in the WACC resulted in a $8 million decrease in depreciation expense in 2026 as shown in table 6.[12]

The movement between the 2025 and 2026 seasons in Net Working Capital and the associated WACC charge were due to higher inventory balances compared to prior season and an increase in the WACC rate.

Table 6: Capital costs, book value of fixed asset base and average net working capital

NZD $ MILLION	2026	2025	2024
WACC % (post-tax)[13]	**5.60%**	5.10%	5.30%
Depreciation	**282**	291	243
WACC Charge – Fixed Assets	**359**	327	339
WACC Charge – Net Working Capital	**113**	102	85
Tax	**119**	121	119
Total Capital Costs	**874**	**841**	**786**
Total Fixed Assets (Book Value)	**6,539**	6,508	6,502
Average Net Working Capital	**2,315**	1,866	1,285

11 Partially standardised production refers to changing operating settings to increase the throughput and process the peak milk volumes whilst forgoing yield performance.

12 For further explanation on the depreciation and capital charge using the 'tilted annuity' methodology and accompanying worked examples please refer to the following links: Explanation of the titled annuity calculation; Worked example of the tilted annuity calculation.

13 The WACC rate is 6.1% for the 2027 season, reflecting an increase in the risk-free rate to 3.8% for the five years ending June 2026.

Appendices

Appendix 1: Independent reasonable assurance report

KPMG

To Fonterra Co-Operative Group Limited

Opinion

Our reasonable assurance opinion has been formed on the basis of the matters outlined in this report.

In our opinion, the Farmgate Milk Price, in all material respects, has been prepared in accordance with the Farmgate Milk Price Manual, for the season ended 31 May 2026.

In our opinion, the information presented in the Farmgate Milk Price Statement is materially consistent with the data used in the calculation of the Farmgate Milk Price for the season ended 31 May 2026.

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to Fonterra Co-operative Group Limited's ("Fonterra") Farmgate Milk Price and Farmgate Milk Price Statement for the season ended 31 May 2026.

Criteria

The Farmgate Milk Price Calculation and the Farmgate Milk Price Statement are assessed against the requirements of the Farmgate Milk Price Manual for the season ended 31 May 2026, dated 1 August 2025.

As a result, this report may not be suitable for another purpose.

Key Assurance Matters

Key assurance matters are those matters that, in our professional judgement, were of most significance in our reasonable assurance engagement in relation to the Farmgate Milk Price and the Farmgate Milk Price Statement for the season ended 31 May 2026. We summarise below those matters and our key procedures to address those matters in order that Fonterra may better understand the process by which we arrived at our opinion. Our procedures were undertaken in the context of and solely for the purposes of our opinion on the Farmgate Milk Price and the Farmgate Milk Price Statement as a whole and we do not express discrete opinions on separate elements of the Farmgate Milk Price and the Farmgate Milk Price Statement.

NET SALES

We consider the calculation of Net Sales to be a key assurance matter due to the nature and detail of the policies and judgements included in the Principles and Rules of the Farmgate Milk Price Manual. In respect of Net Sales, there is complexity relating to (a) determining and calculating Benchmark Selling Prices from underlying Fonterra sales data, that are applied to notionally derived Referenced Commodity Product volumes and (b) the judgement in determining the phasing of sales volumes relating to actual Fonterra collections.

The procedures we performed to evaluate Net Sales include:

- examining the processes, judgements and models used to extract sales data from underlying Fonterra systems, considering whether there is manipulation of the transactional price and quantity data that forms the basis of the statutory financial statements of Fonterra. We also examined the bespoke IT program that extracts the data;
- evaluating the assumptions and judgements used in the models that calculate Net Sales. This involved challenging management and the Milk Price Group regarding the basis for each assumption. We examine the governance by the Milk Price Group and Milk Price Panel of Reference Commodity Products that are included /excluded in Benchmark Selling Prices; and
- assessing whether the requirements of the Fonterra Farmgate Milk Price Manual had been correctly applied in the models used to calculate Net Sales.

We did not identify any instances where the models and the judgements and assumptions therein, used to calculate Net Sales were inconsistent with the requirements of the Farmgate Milk Price Manual.

Appendix 1: Independent reasonable assurance report CONTINUED

Standards we followed

We conducted our reasonable assurance engagement in accordance with Standard on Assurance Engagements 3100 (Revised) Compliance Engagements **(SAE 3100 (Revised))** issued by the New Zealand Auditing and Assurance Standards Board (Standard). We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable opinion. In accordance with the Standard, we have:

- used our professional judgement to assess the risk of material misstatement and non-compliance and planned and performed the engagement to obtain reasonable assurance that the Farmgate Milk Price and Farmgate Milk Price Statement, are free from material misstatement and non-compliance, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express an opinion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

How to interpret reasonable assurance and material misstatement and non-compliance

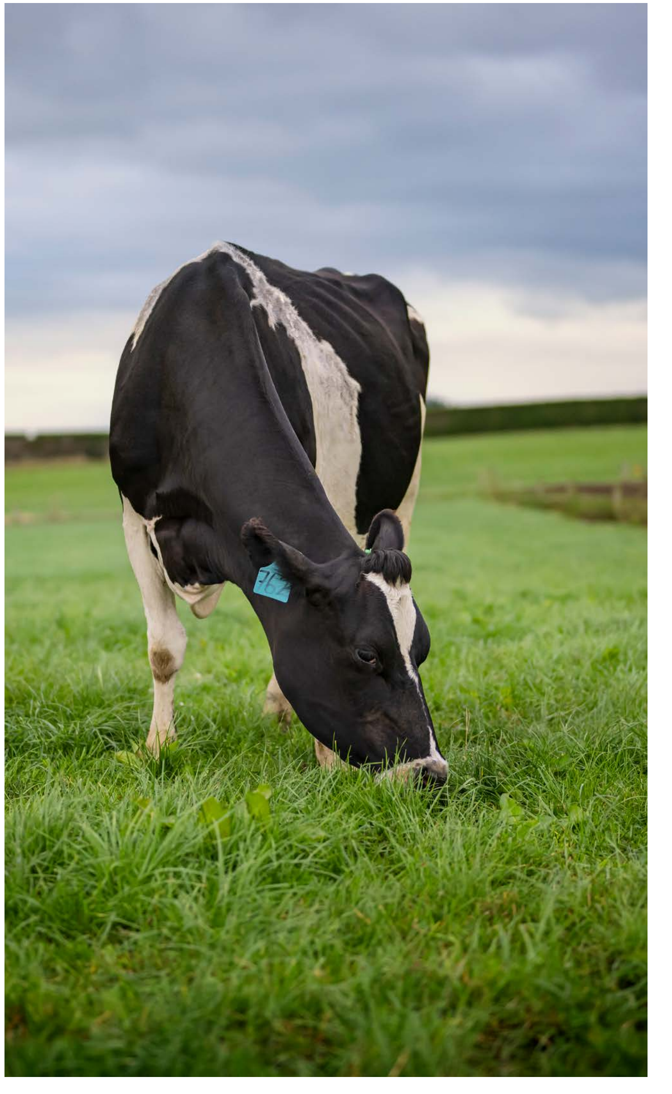
Reasonable assurance is a high level of assurance but is not a guarantee that it will always detect material misstatement and non-compliance, when it exists.

Misstatements, including omissions, within the Farmgate Milk Price and Farmgate Milk Price Statement and non-compliance are considered material if, individually or in aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the Farmgate Milk Price and Farmgate Milk Price Statement.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error or non-compliance with compliance requirements may occur and not be detected.

A reasonable assurance engagement for the season ended 31 May 2026 does not provide assurance on whether the Farmgate Milk Price Calculation and the Farmgate Milk Price Statement compliance with the requirements of the Farmgate Milk Price Manual will continue in the future.



Appendix 1: Independent reasonable assurance report CONTINUED

Use of this assurance report

Our report is made solely for Fonterra Co-operative Group Limited. Our assurance work has been undertaken so that we might state to Fonterra Co-operative Group Limited those matters we are required to state to them in the assurance report and for no other purpose.

Our report should not be regarded as suitable to be used or relied on by anyone other than Fonterra for any purpose or in any context. Any party other than Fonterra who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees accept or assume any responsibility and deny all liability to anyone other than Fonterra for our work, for this independent assurance report, and/or for the opinions or conclusions we have reached.

Our report is released to Fonterra Co-operative Group Limited on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent.

Milk Price Panel's responsibility for the Farmgate Milk Price and Farmgate Milk Price Statement

The Milk Price Panel of Fonterra Co-operative Group Limited are responsible for the preparation and fair presentation of the Farmgate Milk Price and Farmgate Milk Price Statement in accordance with the Farmgate Milk Price Manual. This responsibility includes such internal control as the Milk Price Panel determine is necessary to enable the preparation of the Farmgate Milk Price and Farmgate Milk Price Statement that are free from material misstatement and non-compliance whether due to fraud or error.

Our responsibility

Our responsibility is to express an opinion to Fonterra:

- whether the Farmgate Milk Price has been calculated, in all material respects, in accordance with the Farmgate Milk Price Manual, and
- whether the information presented in the Farmgate Milk Price Statement is materially consistent with the data in the calculation of the Farmgate Milk Price.

Our independence and quality management

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (**PES 1**) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (**PES 3**), which requires the firm to design, implement and operate a system of quality control including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has provided other services to the Group such as financial statement audit and review services, other assurance services and a review engagement over certain elements of the completion accounts of Mainland. The firm has no other relationship with, or interest in, Fonterra Co-operative Group Limited.

KPMG

KPMG
KPMG Auckland
23 September 2026

Appendix 2: Updates to the Farmgate Milk Price Manual and calculation

Minor refinements to address practical issues in a timely and efficient way have regularly been made to the Manual since it was introduced in the 2009 season.

These refinements play an important part in ensuring the Farmgate Milk Price methodology continues to be robust. Refinements to the Manual must be consistent with the Milk Price Principles.

Adjustments can be made to a number of parameters and inputs without any change being required to the Manual. An example is the rule that allows for new RCPs to be added if certain criteria are met. The Manual also provides for reviews of important aspects to be carried out at least every four years, and the Board or Milk Price Panel may initiate additional reviews if circumstances warrant.

Farmgate Milk Price Manual updates

The Fonterra Board approved amendments to the Manual for the 2027 season to address minor matters of clarification raised by the Commerce Commission in its 2026 review of the Manual for the 2027 season. None of the changes affect the calculation methodology, the quantum of the milk price or the administration and governance of the Farmgate Milk Price for the 2026 season. An explanation of the changes is provided in the 'reasons paper' provided by Fonterra to the Commerce Commission in support of the 2026/27 Manual, located at:

Fonterra Reasons paper in support of the 2026-2027 Milk Price Manual 1 August 2026

As part of its oversight role, the Commerce Commission reviews and reports annually on whether the Manual is consistent with ensuring Fonterra is operating efficiently, and whether it allows for competition in the market for farmers' milk. The Commerce Commission's final report on the 2025/26 Manual was released on 15 December 2025. That report can be found at:

Commerce Commission - Final report review of Fonterra's 2025-2026 base milk price manual

The Manual for the 2027 season is available at:
FY27 Milk Price Manual - 1 August 2026

Changes in approach to the calculation of the Farmgate Milk Price

During the 2026 season, Fonterra accepted additional milk from a third-party processor. It was determined that the NMPB would reasonably have entered the same arrangement under the same circumstances and terms, and that the milk qualified as milk supply under the Manual. The inclusion of this one-off benefit from third-party milk had an impact of less than 1 cent per kgMS.

Drysdale family farm, Manawatū-Whanganui

Appendix 3: Farmgate Milk Price overview

Rationale for the Farmgate Milk Price

Fonterra currently collects around 78% of New Zealand's milk production. Because Fonterra purchases a large proportion of New Zealand's total milk, there is no market price for milk that is independent of the price paid by Fonterra. As a result, since its formation in 2001, Fonterra has calculated a Farmgate Milk Price that enables total returns to be allocated between payments for milk and returns on the capital invested by Fonterra farmer shareholders and by unit holders in the Fonterra Shareholders' Fund.

The Aggregate Farmgate Milk Price is different from the cost of New Zealand sourced milk disclosed in Fonterra's financial statements due to:

- The financial statements report the cost of milk for the 12 months ending 31 July whereas the Aggregate Farmgate Milk Price relates to milk supplied in the 12 months of the season ending 31 May;
- Differences between what Fonterra is willing to pay in premiums for value added products such as organic milk which a commodity-only processor would not pay;
- The higher premium that Fonterra pays for Winter Milk compared to the premium that would be paid by a commodity only processor;
- The amount of Additional Commodity Milk Payments and Standard Supply Adjustments.

Rationale for Reference Commodity Products

Manufacture of the RCPs comprised approximately 65% of Fonterra's total New Zealand ingredients production in the 2026 season and a slightly higher proportion of other New Zealand processors' total production.

Returns from the sale of RCPs can therefore be regarded as reflecting the marginal returns that would drive the price of milk in a competitive market in New Zealand, and it is therefore appropriate that the Farmgate Milk Price is based on these products. Returns from non-powder commodities, such as cheese and casein, have largely been irrelevant in driving investment in the dairy industry over the past 10 years and are therefore not taken into account in determining the Farmgate Milk Price.

The Farmgate Milk Price does not include any returns earned by Fonterra from non-commodity or specialised ingredients or consumer-branded products. These types of products earn premiums over the returns to standard commodity products. It is appropriate that these premiums are recognised in Fonterra's earnings rather than in the Farmgate Milk Price.

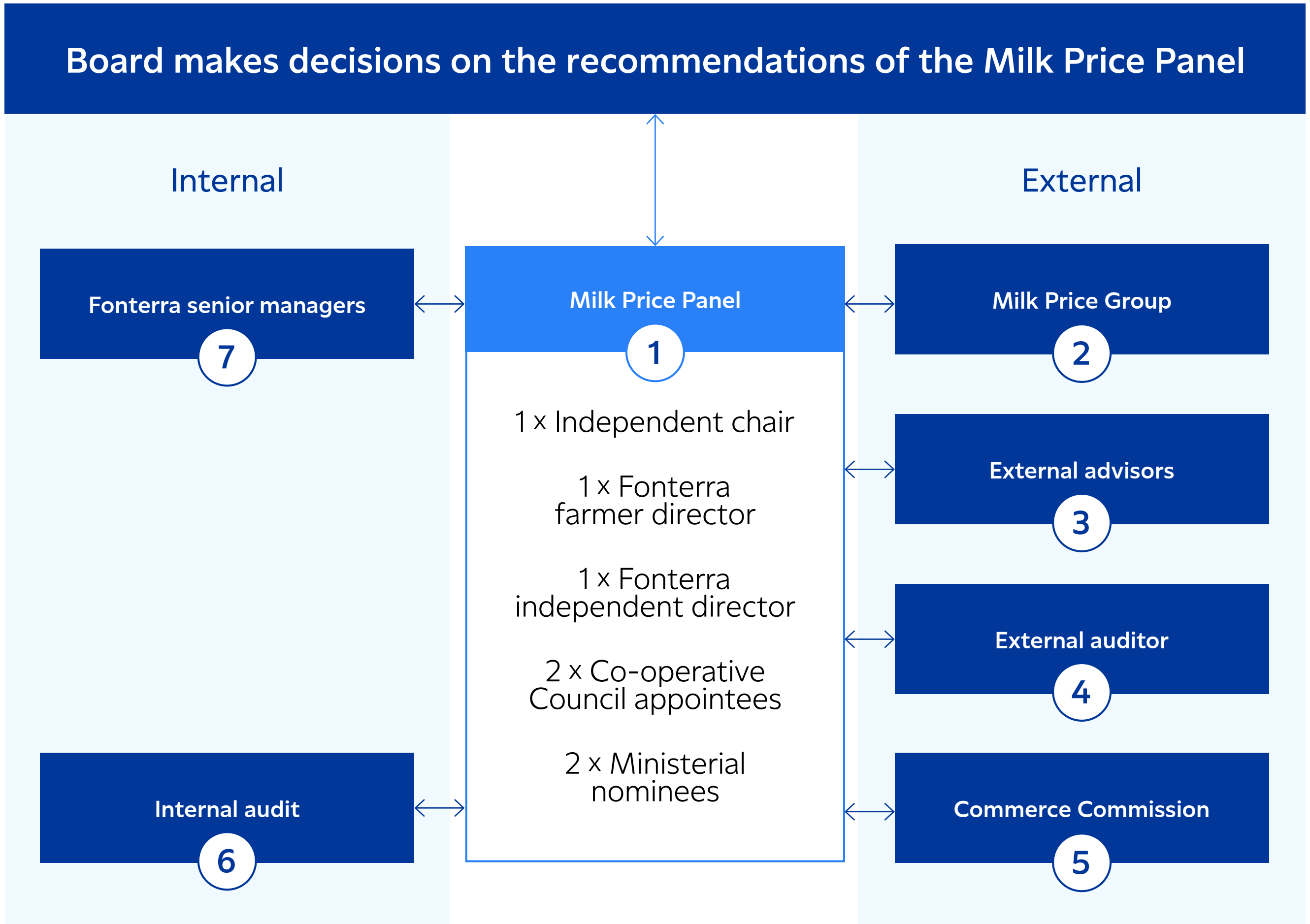
Farmgate Milk Price Governance

The Fonterra Board sets the total amount to be paid by Fonterra for all milk supplied to Fonterra in New Zealand in a season.

Both Fonterra's Constitution and DIRA require Fonterra to maintain the Manual, which sets out Fonterra's policies and methodology for determining the Farmgate Milk Price. The Manual must reflect the Milk Price Principles set out in Fonterra's Constitution. The Farmgate Milk Price has been calculated in accordance with the Manual since the 2009 season.

The Fonterra Board has established a robust governance structure to oversee the setting of the Farmgate Milk Price, which comprises the elements illustrated in the diagram on page 17.

Appendix 3: Farmgate Milk Price overview CONTINUED



1. Milk Price Panel

The Milk Price Panel plays a key role in overseeing the integrity of the Farmgate Milk Price. With effect from June 2023, the Government enacted changes to DIRA to enhance the independence of the Milk Price Panel. Following those changes, Fonterra is required to appoint an independent chair, approved by the Minister of Agriculture, and the Minister of Agriculture also nominates two panel members.

For the 2026 season, the Panel comprised David Pilkington (the chair, who is independent of Fonterra), Bruce Hassall (an appointed Fonterra director); John Nicholls (a farmer-elected Fonterra director); Professor Hamish Gow and Pat Duignan (both Ministerial nominees and independent of Fonterra); and Fred Ohlsson (nominee of the Fonterra Cooperative Council and independent of Fonterra); and Andrew Barlass (nominee of the Fonterra Co-operative Council).

The Panel oversees the governance of the Farmgate Milk Price and the Manual, including changes to the Manual and verification by independent external experts of key parameters (such as resource usage rates, product yields and fixed manufacturing costs).

The Panel is responsible for:

- Overseeing the calculation of the Farmgate Milk Price and making a recommendation on it to the Fonterra Board.
- Overseeing the preparation of the Farmgate Milk Price Statement and making a recommendation on it to the Fonterra Board.
- Providing recommendations to the Fonterra Board on changes to the Manual.
- Providing assurance to the Fonterra Board that the Farmgate Milk Price has been calculated in accordance with the Manual.

Appendix 3: Farmgate Milk Price overview CONTINUED

The Fonterra Board is responsible for setting the forecast of the annual Farmgate Milk Price, approving the terms of reference of the Panel and approving the Manual.

2. Milk Price Group

The Milk Price Group is appointed by Fonterra in accordance with DIRA, and is independent of Fonterra. Its role is to:

- Ensure that the Farmgate Milk Price is calculated in accordance with the Manual and to make recommendations in respect of the Farmgate Milk Price to the Panel.
- Consider any proposed amendments to the Manual, including those the Milk Price Group itself considers are appropriate, and ensure they are consistent with the Milk Price Principles in Fonterra's Constitution.
- Manage engagement with other external advisors.
- Engage with the Commerce Commission, including to ensure full disclosure of all material aspects of the Farmgate Milk Price derivation each year.

With effect from June 2023, the Government enacted changes to DIRA to enhance the independence of the Milk Price Group, and to require the periodic replacement of the firm undertaking the functions of the Milk Price Group. Deloitte has been appointed to fulfil the function of the Milk Price Group with effect from the 2026 season.

3. External Advisors

External advisors provide expert advice on various inputs and participate in reviews of key parameters of the Farmgate Milk Price at regular intervals (which can be up to every four years).

4. External Auditor

The external auditor examines the Farmgate Milk Price each year and provides assurance that the Farmgate Milk Price has been determined in accordance with the Milk Price Principles, Methodologies and Detailed Rules of the Farmgate Milk Price Manual. Fonterra's external auditor is KPMG.

5. Commerce Commission

Subpart 5A of DIRA, which was passed into law in July 2012, gives the Commerce Commission an oversight role with respect to Fonterra's Farmgate Milk Price.

The purpose of Subpart 5A is to promote the setting of a Farmgate Milk Price that provides an incentive to Fonterra to operate efficiently, while providing for contestability in the market for the purchase of milk from farmers (section 150A). Each year the Commission is required to review and report on the extent to which the Manual and Fonterra's actual Farmgate Milk Price are consistent with this purpose.

The DIRA changes that were enacted in 2023 also included measures to strengthen the Commerce Commission's oversight of Fonterra's Farmgate Milk Price setting regime. The Commerce Commission now has the power to issue binding directions to Fonterra on its use of inputs, assumptions, and processes, and matters arising from the Commerce Commission's reviews of the Manual and the Farmgate Milk Price, together with new enforcement powers. The changes also included a requirement for Fonterra to make publicly accessible all non-sensitive information provided to or requested by the Commerce Commission for its reviews.

6. Internal Audit

Fonterra's internal audit team provides assurance over the processes and controls relating to Fonterra data used in the calculation of the Farmgate Milk Price.

7. Fonterra Senior Managers

Fonterra senior managers provide internal oversight of the calculation of the actual and forecast Farmgate Milk Price in accordance with the Manual and detailed models and procedures. Fonterra management is also responsible for engagement with the Commerce Commission and full disclosure of all material aspects of the Farmgate Milk Price derivation each year.

Appendix 4: Milk Supplied and production volumes

				PRODUCTION (000 MT) OF FINISHED PRODUCT																	
MILK SUPPLIED (MILLION KGMS)				WMP			SMP			BUTTER			AMF			BMP			TOTAL		
	2026	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024
Jun to Aug	**137**	133	123	**158**	123	130	**62**	82	65	**25**	21	16	**13**	24	20	**5**	7	6	**264**	256	237
Sep to Nov	**587**	571	554	**723**	711	683	**218**	224	221	**103**	98	88	**51**	49	53	**16**	15	21	**1,111**	1,097	1,066
Dec to Feb	**497**	478	472	**577**	560	537	**216**	204	212	**92**	91	92	**50**	45	45	**16**	15	21	**951**	915	907
Mar to May	**353**	327	322	**369**	390	350	**174**	127	150	**66**	52	53	**46**	39	43	**18**	14	18	**673**	622	615
Total	**1,574**	**1,509**	**1,471**	**1,829**	**1,784**	**1,700**	**670**	**638**	**647**	**286**	**262**	**249**	**161**	**156**	**162**	**55**	**50**	**66**	**3,000**	**2,890**	**2,824**

Appendix 5: Sales volumes

	SHIPMENTS (000 MT) OF FINISHED PRODUCT																	
	WMP			SMP			BUTTER			AMF			BMP			TOTAL SALES		
	2026	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024
Aug to Oct	**193**	234	221	**79**	94	97	**15**	22	32	**17**	13	25	**5**	6	3	**310**	369	378
Nov to Jan	**559**	599	544	**213**	223	235	**92**	100	89	**40**	41	46	**11**	14	18	**915**	976	932
Feb to Apr	**526**	475	478	**201**	179	161	**74**	66	61	**46**	40	41	**16**	14	22	**863**	774	761
May to Jul	**453**	398	402	**149**	119	146	**70**	51	49	**47**	51	36	**20**	12	19	**739**	630	652
Aug to Oct	**98**	78	54	**29**	23	8	**33**	23	18	**11**	12	15	**2**	5	5	**174**	141	100
Total	**1,829**	**1,784**	**1,700**	**670**	**638**	**647**	**286**	**262**	**249**	**161**	**156**	**162**	**55**	**50**	**66**	**3,000**	**2,890**	**2,824**

Appendix 6: Average number of months prior to shipment that prices were struck

AVERAGE NUMBER OF MONTHS PRIOR TO SHIPMENT															
	WMP			SMP			BUTTER			AMF			BMP		
	2026	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024
Aug to Oct	**2.3**	2.2	2.1	**2.2**	2.3	3.0	**2.2**	1.9	2.7	**2.3**	2.2	2.9	**3.2**	2.2	2.8
Nov to Jan	**2.7**	2.6	2.6	**2.7**	2.6	3.0	**2.8**	2.9	2.9	**2.8**	2.7	3.2	**2.6**	2.8	2.8
Feb to Apr	**2.8**	2.6	2.5	**2.7**	3.0	2.9	**2.7**	2.8	3.1	**2.7**	2.6	2.8	**2.3**	2.8	3.0
May to Jul	**3.2**	2.4	2.5	**2.5**	2.7	2.8	**2.6**	2.7	2.7	**2.6**	2.7	2.7	**2.3**	2.6	3.3
Aug to Oct	**2.7**	2.6	2.9	**2.6**	2.7	3.4	**2.6**	3.0	2.5	**2.4**	2.8	2.6	**2.7**	2.6	3.2
	2.8	**2.5**	**2.5**	**2.6**	**2.7**	**2.9**	**2.7**	**2.8**	**2.8**	**2.6**	**2.6**	**2.9**	**2.5**	**2.7**	**3.0**

Appendix 7: Average % of sales contracted in each month prior to shipment

AVERAGE PERCENTAGE OF SALES CONTRACTED IN EACH OF MONTHS 1-5 PRIOR TO SHIPMENT															
	WMP			SMP			BUTTER			AMF			BMP		
NUMBER OF MONTHS	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024
1	**8%**	10%	14%	**13%**	10%	7%	**7%**	9%	9%	**13%**	13%	13%	**14%**	10%	10%
2	**38%**	46%	43%	**40%**	38%	32%	**49%**	42%	34%	**39%**	39%	29%	**49%**	43%	30%
3	**31%**	29%	28%	**28%**	32%	29%	**24%**	24%	30%	**25%**	25%	27%	**20%**	26%	24%
4	**16%**	10%	11%	**14%**	13%	20%	**13%**	16%	17%	**15%**	16%	19%	**11%**	12%	20%
5	**8%**	4%	4%	**5%**	7%	11%	**7%**	10%	11%	**8%**	6%	13%	**6%**	9%	16%

Appendix 8: Average USD prices

	USD PER MT OF FINISHED PRODUCT														
	WMP			SMP			BUTTER			AMF			BMP		
SHIPMENT PERIOD	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024	**2026**	2025	2024
Aug to Oct	**3,979**	3,346	2,849	**2,838**	2,690	2,619	**7,306**	6,682	4,937	**7,175**	7,335	4,873	**3,253**	3,058	2,486
Nov to Jan	**3,705**	3,505	2,878	**2,669**	2,785	2,523	**6,821**	6,583	4,823	**6,980**	7,309	4,941	**3,131**	3,235	2,413
Feb to Apr	**3,389**	3,894	3,224	**2,708**	2,900	2,671	**5,733**	6,858	5,384	**6,360**	7,133	5,825	**3,101**	3,503	2,511
May to Jul	**3,638**	4,136	3,307	**3,390**	2,967	2,671	**6,253**	7,618	6,527	**6,767**	6,963	6,896	**3,374**	3,495	2,597
Aug to Oct	**3,635**	4,100	3,377	**3,461**	2,927	2,699	**5,653**	7,686	7,187	**6,585**	7,332	7,222	**3,612**	3,186	2,820
Total Weighted Average Price	**3,623**	**3,755**	**3,089**	**2,895**	**2,842**	**2,610**	**6,288**	**6,959**	**5,479**	**6,733**	**7,156**	**5,797**	**3,244**	**3,345**	**2,530**
Full season GDT-only prices	**3,632**	**3,735**	**3,063**	**2,854**	**2,803**	**2,575**	**6,258**	**6,904**	**5,423**	**6,693**	**7,103**	**5,730**	**3,156**	**3,114**	**2,417**

Appendix 9: Average NZD/USD conversion and spot rates

	2026		2025		2024	
	FONTERRA'S AVERAGE CONVERSION RATE	SPOT EXCHANGE RATE	FONTERRA'S AVERAGE CONVERSION RATE	SPOT EXCHANGE RATE[14]	FONTERRA'S AVERAGE CONVERSION RATE	SPOT EXCHANGE RATE
Aug to Oct	**0.5923**	**0.5714**	0.6148	0.5994	0.6115	0.5957
Nov to Jan	**0.5844**	**0.5846**	0.6027	0.5704	0.6170	0.6166
Feb to Apr	**0.5953**	**0.5870**	0.5900	0.5798	0.6078	0.6039
May to Jul	**0.5891**	**0.5810**	0.5974	0.5980	0.6126	0.6085
Aug to Oct	**0.5872**	**0.5881**[15]	0.5951	0.5838	0.6046	0.6155
Revenue-weighted annual average rate	**0.5895**	**0.5831**	0.5988	0.5833	0.6120	0.6084

14 Certain average spot exchange rate figures for the 2025 season differ from those disclosed in the 2025 Farmgate Milk Price Statement, as forecast exchange rates have been replaced with actual exchange rates.
15 This Milk Price Statement presents the spot exchange rate for August 26 to October 26 as the spot rate at 9am on 31 July 2026, which is the last business day of Fonterra's financial year.

Glossary

In this Statement the following terms have the meanings as set out below:

TERM	DEFINITION
Additional Commodity Milk Payments	as defined in the Manual for the 2026 season.
Aggregate Farmgate Milk Price	as defined in the Manual for the 2026 season.
AMF	means anhydrous milk fat.
BMP	means buttermilk powder.
Detailed Rules	means the detailed rules for calculating the Farmgate Milk Price as set out in the Manual.
DIRA	means the Dairy Industry Restructuring Act 2001, which authorised Fonterra's formation and regulates its activities.
Farmgate Milk Price	means Fonterra's Farmgate Milk Price as determined under the Manual for the 2026 season.
Farmgate Milk Price Capital Costs	as defined in the Manual for the 2026 season.
Farmgate Milk Price Cash Costs	as defined in the Manual for the 2026 season.
Farmgate Milk Price Manual or Manual	means Fonterra's Farmgate Milk Price Manual which is available on: f26-milk-price-manual-1-august-2025
Farmgate Milk Price Revenue	as defined in the Manual for the 2026 season.
Financial year	means Fonterra's financial year, which runs from 1 August to the following 31 July.
Fixed Asset Capital Charges	as defined in the Manual for the 2026 season.
Fonterra	means Fonterra Co-operative Group Limited.
Global Dairy Trade or GDT	means the electronic auction platform that is used to sell commodity dairy products.

TERM	DEFINITION
IT	means information technology.
kgMS	means kilograms of milk solids.
Milk Price Principles or Principles	means the Milk Price Principles set out in Fonterra's Constitution.
MT	means metric tonnes.
Net Working Capital	as defined in the Manual for the 2026 season.
Notional Milk Price Business or NMPB	means a business that collects the Milk Supply and converts it into the Farmgate Milk Price Production Plan for sale at the New Zealand wharf as described in Section 1.1 of Part C of the Manual.
NZD	means New Zealand dollars.
Reference Commodity Products or RCP	means the commodity products used to calculate the Farmgate Milk Price, comprising WMP, SMP, BMP, AMF and butter.
Season	means the 12-month period from 1 June to the following 31 May.
SMP	means skim milk powder.
Standard Supply Adjustments	as defined in the Manual for the 2026 season.
USD	means United States dollars.
Winter Milk	means milk supplied by farmers in the months of May, June and July.
WMP	means whole milk powder.

Farmgate Milk Price Statement 2026
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