

Northington Partners

Fonterra Dairy for life

Fonterra Co-operative Council

Review of FY26 Performance

Fonterra Co-operative Group

November 2026

Important Notice

Declarations

This report is dated 5 November 2026 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 FY26.

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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 Maia Trevelyan B.Com, M App Fin (Distinction). Each individual has a wealth of experience in providing independent corporate finance advice to a wide range of clients.

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FY26 Highlights

1 Earnings Ahead of Guidance and FY28 Target Achieved Early

Fonterra reported underlying FY26 earnings of 71 cents per share, up 17 cents (+31%) on FY25 (54 cents) and above the top of its earnings guidance range of 60 – 70 cents per share. Underlying earnings reflect continuing operations excluding Mainland (total Group Normalised EPS, including Mainland, was 87 cents per share).

Underlying operating profit increased $351m (+24%) to $1,840m and underlying profit after tax was up $268m (+29%) to $1,182m. The result was driven by stronger margins and higher milk volumes, with milk collections over the 2025/26 milking season up 4.1% to 1,571m kgMS (record high annual milk collections and second-half shipments representing the highest in more than a decade).

This means Fonterra has achieved its target of returning to pre-Mainland divestment operating profit levels (~$1.7bn in FY25) two years ahead of its FY28 timeframe. Fonterra will no longer report against this target and will revert to providing earnings guidance for the relevant financial year.

Underlying return on capital increased to 14.2% (from 11.7%), above Fonterra's 10% – 12% target range and the highest level recorded since Fonterra began reporting the metric in FY07.

2 Strong Earnings Growth Across Both Channels

Underlying operating profit for the Ingredients channel was up $85m (+7%) to $1,293m. In-market underlying operating profit increased $163m (to $1,087m), driven by higher sales volumes and prices, as well as increased solids allocated to higher value protein products, with Fonterra's European protein business contributing $67m of the uplift. This was partially offset by a $78m reduction in underlying operating profit for Core Operations (to $206m), reflecting the higher cost of protein expensed through FY26. ERP system costs within Core Operations were $135m for the FY26 year (FY25: $123m). Ingredients' underlying return on capital increased to 13.5% (from 12.8%).

Foodservice underlying operating profit almost doubled, up $266m (+95%) to $547m. Core Operations improved $110m (to $135m) reflecting easing milk costs, while in-market underlying operating profit increased $156m (to $412m) due to strong UHT cream and cream cheese margins and lower operating costs from rationalising the residual Greater China Consumer business. The FY25 comparative also included $67m of one-off costs to exit a product line. Foodservice underlying return on capital increased to 16.3% (from 8.5%).

Revenue price relativities between Reference and Non-Reference products widened over FY26, with the average price difference increasing to USD 490 per MT (FY25: USD 144 per MT). However, Fonterra's developing financial trading portfolio moderated the earnings impact, with hedging reducing the upside captured in FY26 (having supported earnings in FY25 when relativities narrowed).

3 Final 2025/26 Farmgate Milk Price and Dividends

Fonterra declared a final 2025/26 Farmgate Milk Price (FGMP) of $9.69 per kgMS (2024/25: $10.16), in line with the $9.70 midpoint of the $9.60 – $9.80 guidance range. Lower Reference product prices reduced the FGMP by $0.65 per kgMS as global milk supply recovered, partially offset by a lower average hedge rate (+$0.20) and higher milk volumes (+$0.05).

A fully imputed final dividend of 33 cents per share has been declared (payable 15 October 2026), bringing total FY26 dividends to 73 cents per share (24 cent interim, 16 cent special Mainland dividend and 33 cent final) compared to 57 cents in FY25. Ordinary dividends of 57 cents per share represent a payout of ~80% of underlying earnings, at the top of Fonterra's 60% – 80% dividend policy range.

Together, the FGMP and dividends deliver a total payout of $10.42 per share-backed kgMS (FY25: $10.73), or a total cash distribution of $12.42 including the $2.00 per share capital return. Total cash returns to farmers and unit holders were $19.6bn, up 21% on FY25.

FY26 Highlights (continued)

4	**Balance Sheet Strength Supports Step-Up in Investment**	Adjusted net debt reduced by $967m to $1,653m (FY25: $2,620m), reflecting strong operating cash flows and ~$0.8bn of Mainland sale proceeds retained to support resilience and growth. Gearing decreased to 20.8% (FY25: 23.9%), well below Fonterra's 30% – 40% target range, while net debt / EBITDA reduced to 0.7x (FY25: 1.1x). Capital invested increased to $1,035m in FY26 and is expected to step up to $1.3bn – $1.6bn per annum over the FY27 – FY29 period. This includes an incremental ~$1bn over three years to expand the South Island advanced protein manufacturing network (fully operational by 2029), ~$335m of committed growth projects (Studholme, Edendale, Clandeboye and Edgecumbe) and ~$600m per annum of sustaining capital expenditure. Fonterra expects the programme to result in debt remaining comfortably within Board-approved policy settings.
5	**FY27 Outlook**	Fonterra has provided FY27 earnings guidance of 65 – 85 cents per share. The 75 cent midpoint represents a 4 cent (~6%) increase on FY26 underlying earnings of 71 cents per share. The guidance reflects continued favourable price relativities (although these are expected to revert toward longer-run averages through the year), stronger contracting and hedging positions for Non-Reference products, higher first-half milk volumes and delivery of productivity initiatives. The 2026/27 forecast FGMP range is $8.50 – $10.50 per kgMS with a midpoint of $9.50 per kgMS, 25 cents below the $9.75 opening forecast (range of $8.00 – $11.00 per kgMS). The wide range reflects relatively low contracted volumes at this stage of the season, forecast milk collections of slightly over 1.6bn kgMS and El Niño drought risk later in the season. Demand is expected to remain resilient with recent improvements in WMP and SMP prices. The forecast 2026/27 organic milk price range has increased to $13.30 – $15.30 per kgMS (from an opening forecast range of $13.00 – $15.00 per kgMS).
6	**Mainland Divestment Completed**	The sale of Mainland Group to Lactalis was completed in March 2026, with total proceeds of $4,617m (including an estimated $160m post-completion adjustment receivable subject to Lactalis review). Fonterra recognised a gain on sale of $1,250m and a net Mainland divestment benefit of $1,160m after transaction, separation and tax-related costs. Including this gain, Total Group reported operating profit was $3,422m and reported profit after tax was $2,608m. The $2.00 per share tax-free capital return ($3.2bn in total) was paid on 14 April 2026, alongside the 16 cent special Mainland dividend. Full operational separation of Mainland is expected by the end of FY27.

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Section 1:

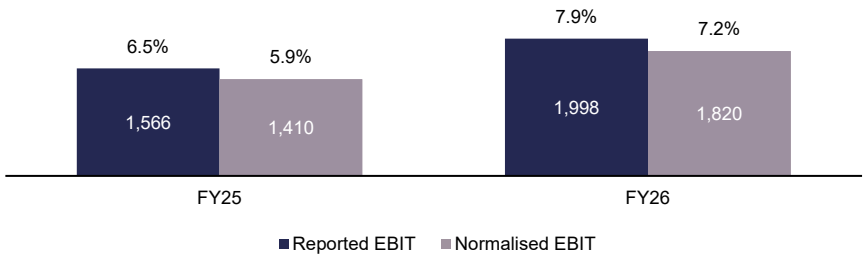
FY26 Results Review

Total Group Financial Performance

Fonterra reported FY26 earnings (EBIT) from continuing operations of $1,998m, a 28% increase on FY25's results. Continuing operations net profit after tax was up 33%, to $1,346m.

NZ$ Million (Underlying Operations)	FY26	FY25	% Change
Sales Volume ('000 MT)	3,024	2,933	*3%*
Total Revenue	**25,240**	**23,975**	***5%***
Cost of Goods Sold	(21,619)	(20,797)	*4%*
Gross Profit	**3,621**	**3,178**	***14%***
Gross Margin	*14.3%*	*13.3%*	*n/a*
Operating Expenses	(1,861)	(1,802)	*3%*
Other Items	80	113	*(29%)*
EBIT	**1,840**	**1,489**	***24%***
EBIT Margin	7.3%	6.2%	*n/a*
Net Finance Costs & Tax	(658)	(575)	*14%*
Net Profit After Tax (Underlying Ops)	**1,182**	**914**	***29%***
Pro Forma Adjustments	164	99	*66%*
Net Profit After Tax (Continuing Ops)	**1,346**	**1,013**	***33%***
Net Profit After Tax (Discontinued Ops)	1,262	66	*1812%*
Total Group Net Profit After Tax	**2,608**	**1,079**	***142%***
Earnings Per Share (Underlying Ops)	$0.71	$0.54	*31%*
Earnings Per Share (Continuing Ops)	$0.81	$0.61	*33%*
Dividend Per Share	$0.73	$0.57	*28%*

Reported vs Normalised EBIT and EBIT Margin (Continuing Operations)



Fonterra delivered a solid earnings result for FY26, with reported earnings (EBIT and earnings per share) at near record highs.

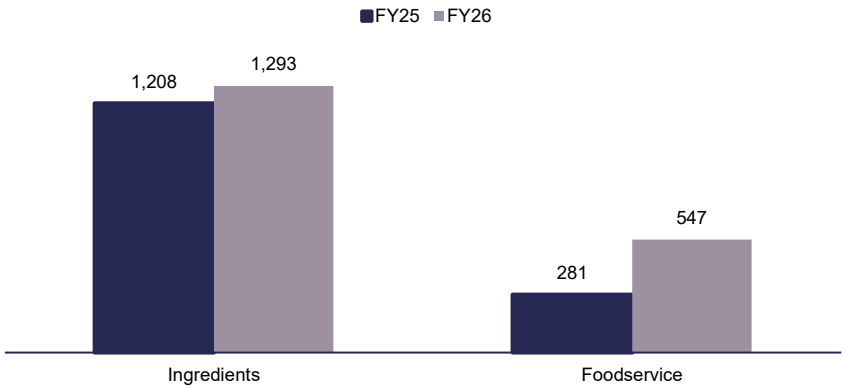
Similar to FY25, Fonterra's results for FY26 are complicated by earnings relating to discontinued businesses, with net profit after tax from discontinued operations of $1,262m relating mainly to the Mainland divestment (FY25: $66m). We have therefore focused on the results for underlying continuing operations, as summarised in the adjacent table and commentary below:

- Sales volumes increased 3% (3,024k MT in FY26 vs 2,933k MT in FY25) and revenue increased 5% ($25,240m in FY26 vs $23,975m in FY25).
- Gross profits from underlying operations increased to $3,621m (+14%), with gross margin improving to 14.3% (FY25: 13.3%). This was largely due to a $118m increase in Foodservice gross profit, with gross margin expanding to 15.8% (FY25: 14.3%), driven by improved pricing of UHT cream and cream cheese, easing milk costs and favorable foreign exchange. Ingredients gross profit increased $231m with a gross margin of 7.3%, due to higher sales volumes and favourable in-market margins that recovered the higher protein costs.
- Operating expenses increased by $59m (+3%). This primarily reflects higher IT costs and inflationary pressure.
- Reported EBIT from underlying operations was up $351m (+24%).
- Normalised FY26 earnings from Group operations of 87 cents per share were 16 cents per share higher than FY25's 71 cents per share (+23%). On an underlying basis, normalised earnings of 71 cents per share were above the top of Fonterra's guidance range (60 – 70 cents).
- Net finance costs & tax from underlying operations increased by $83m (14%), reflecting a higher earnings base, when compared to FY25.
- The resulting underlying operations NPAT for FY26 was $1,182m (71c per share), compared to an FY25 equivalent $914m (54c per share).
- The Group declared a final ordinary dividend of 33 cents per share for FY26, bringing the total FY26 dividend to 73 cents per share (including a special dividend of 16 cents per share). This represents a 16 cents per share increase compared to FY25 (57 cents per share, fully imputed).
- On a Group basis, the FY26 total dividend of 73 cents per share represents a ~84% payout ratio of Group normalised earnings per share (87 cents per share). Factoring the imputation credits of the ordinary dividend (28 cents per share) equates to a gross dividend of 101 cents per share, compared with 79 cents per share in FY25. On an underlying basis (excl. Mainland), ordinary dividends of 57 cents per share represent a payout of ~80% of underlying earnings (71 cents per share), at the top of Fonterra's 60% – 80% dividend policy range.

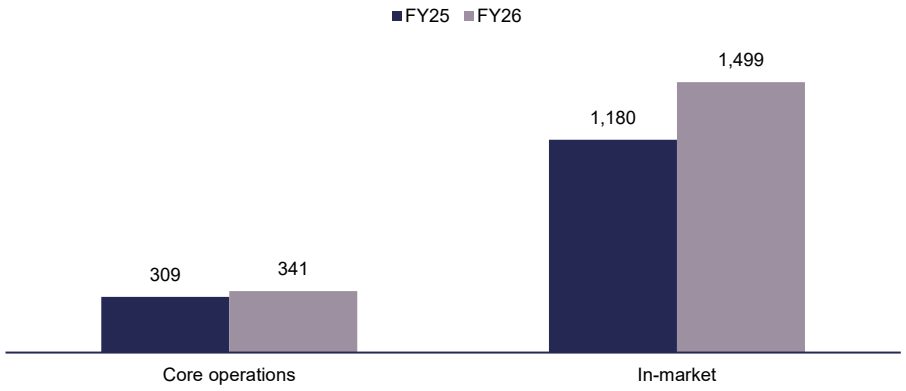
Financial Performance by Channel & Segment

EBIT improved in both channels in FY26, with Ingredients up $85m (+7%) and Foodservice up $266m (+95%).

Underlying EBIT by Channel (NZ$ million)



Underlying EBIT by Segment (NZ$ million)



Following the divestment of Mainland, Fonterra has simplified to two B2B Channels (Ingredients and Foodservice). Foodservice results include the Greater China consumer business and residual overheads following the Mainland divestment.

EBIT from the Ingredients channel was up by $85m in FY26, reflecting the following key factors:

- Higher sales volumes and favourable in-market margins that recovered the higher protein costs and lower attribution from Core Operations reflecting a higher cost of protein being expensed relative to prior year; and
- The Co-op's European protein business complemented the New Zealand sourced portfolio.

In addition, EBIT for Foodservice was up $266m in FY26, reflecting the following key factors:

- Higher attribution from Core Operations reflecting easing in milk costs expensed;
- Sustained strong product margins, particularly UHT cream and cream cheese;
- Lower operating costs, due to rationalising of the residual Consumer business in Greater China; and
- Moderately higher sales volumes, as growth was partially offset by the rationalising of remaining Consumer products.

FY26 saw EBIT improvements in both of its reported Segments:

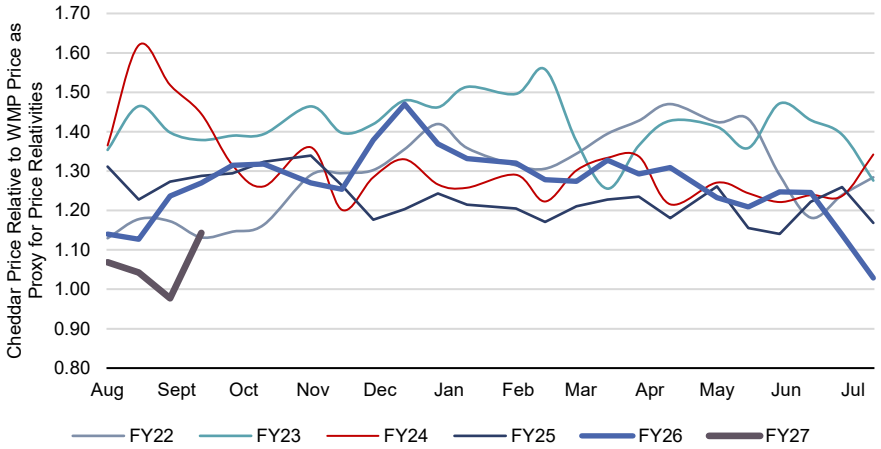
- Core Operations reported a $32m increase in EBIT to $341m, constrained by high costs of protein being expensed.
- In-market earnings reported a $319m increase in EBIT to $1,499m, driven by higher protein prices and casein/cheese volumes in Ingredients, and strong UHT cream and cream cheese pricing in Foodservice.

Note: Segment and Channel Information is available for underlying operations only

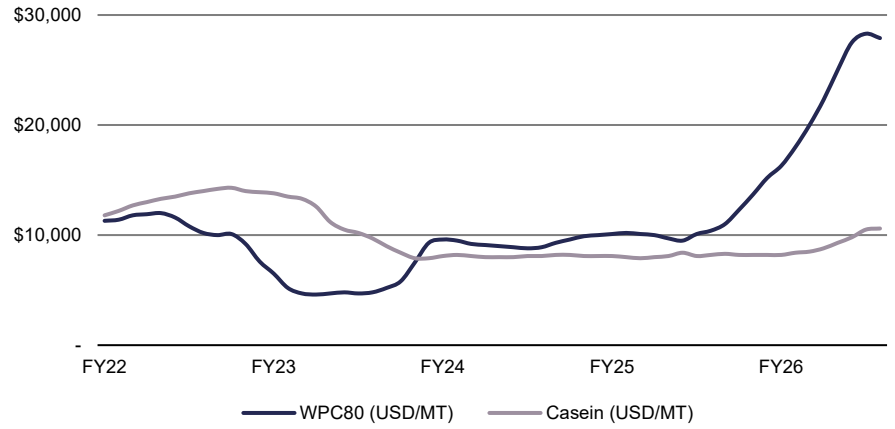
Price Relativities

Price relativities between reference and non-reference products widened in FY26, before narrowing early in FY27. However, much of the improvement in price relativities has been achieved in the protein portfolio, particularly for whey protein.

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



Historical Protein Prices (USD/MT)[1]



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 widened in FY26 to 1.3x when compared to FY25 (1.2x). Early trends in FY27 show a sharp narrowing, with levels currently around 1.1x.

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 management estimate that price relativities contributed ~$200m to FY26 earnings, above the FY25 contribution. While the ratio of WMP / Cheddar prices has historically been a good proxy for price relativities, the relationship is currently not as strong with increasing US cheddar exports largely contributing to cheddar prices underperforming WMP over the 2nd half of FY27. In addition, Fonterra contracted its FY26 cheese portfolio early in the season, meaning realised cheese returns followed early-season contract prices rather than the GDT averages shown on the left.

However, dairy proteins for which there is no GDT trading prices available have significantly contributed to price relativities over FY26. Protein is produced alongside cheese, and WPC80 prices rose from ~US$10,000/MT to ~US$28,000/MT through FY26. This explains why the Ingredients gross margin held at relatively strong levels of 12.2% in FY26 (FY25: 12.1%), above the level that historical cheddar / WMP price relativity patterns would imply. Strong global demand for protein supported both volume growth and higher sales prices, and Fonterra allocated more milk solids into high-value products.

Hedging may continue to reduce margin volatility, but we believe it is too early to assess the impact of price relativities on the FY27 result. Management currently expect price relativities to contribute a similar amount to FY27 earnings as in FY26.

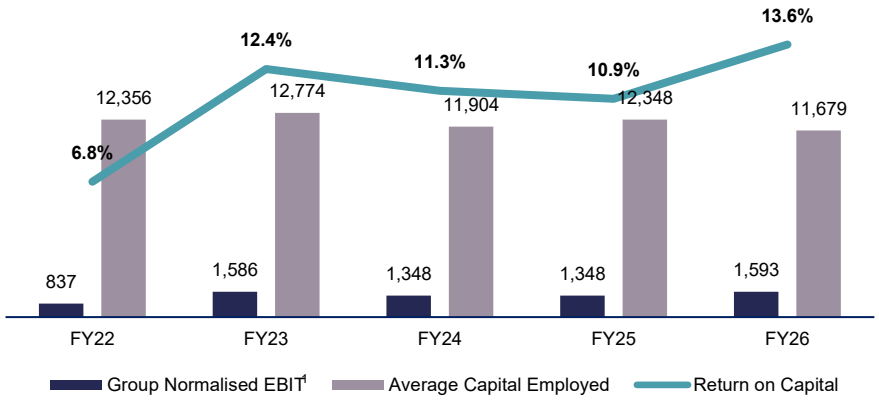
Source: Global Dairy Trade.
WMP and Cheddar used as proxies for Reference & Non-Reference Products.

[1] Fonterra annual results.

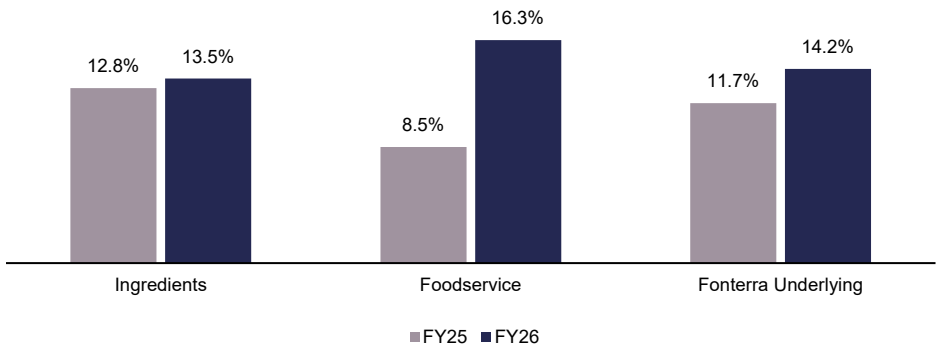
Return on Capital

A continuation of strong earnings in FY26 resulted in a return on capital employed of 13.6%, up on 10.9% in FY25, and above both the previous four-year average of 10.4% and Fonterra's FY26 target of 10-12%.

Historical Return on Capital (Based on Fonterra Estimates)



Historical Return on Capital by Channel (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 FY22.

These results are based on Fonterra's approach to calculating return on capital; it reflects normalised EBIT and is based on the book value of equity and debt. Normalised EBIT only includes normalisation adjustments relating to the Mainland divestment. Fonterra's FY26 ROCE was 13.6% vs 10.9% in FY25, with both years calculated on the same basis. The notional tax charge now includes the effect of Fonterra electing not to take a tax deduction for distributions to farmer shareholders; on the previous basis, FY25 ROCE would have been 12.5%.

The 2.7 percentage point increase in ROCE reflects an 18% increase in Group normalised EBIT after notional tax ($1,593m vs $1,348m in FY25) and a 5% reduction in average capital employed ($11,679m vs $12,348m in FY25).

Fonterra provided a breakdown of return on capital by channel (underlying basis) for FY26, along with the comparable data for FY25. Ingredients increased by 1.7% to $7,044m (FY25: $6,925m), and Foodservice remained relatively flat at $2,443m (FY25: $2,422m). Normalised EBIT increased by 24% across both channels, while Fonterra underlying average capital employed increased by ~1.5%. As a result, ROCE increased in both channels, to 13.5% in Ingredients (FY25: 12.8%) and 16.3% in Foodservice (FY25: 8.5%), with ROCE for Fonterra post divestment of 14.2% (FY25: 11.7%).

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.

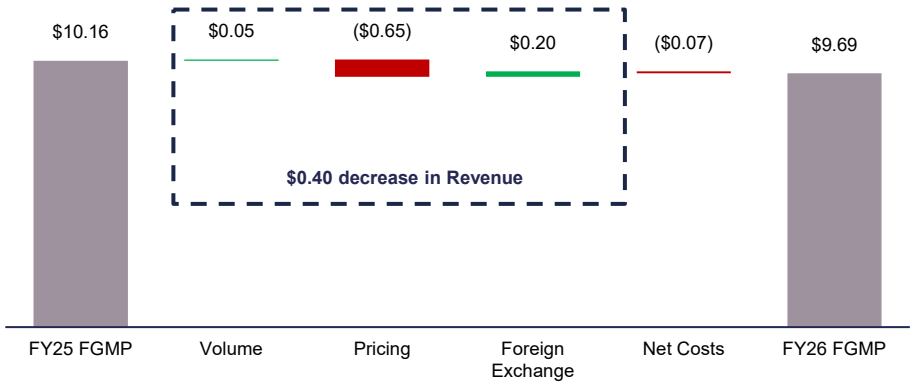
$$\text{ROCE} = \frac{\text{(Group Normalised EBIT + finance income on long term advances) x (1 – notional tax rate)}}{\text{Average Capital Employed (Seasonally-adjusted)}}$$

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

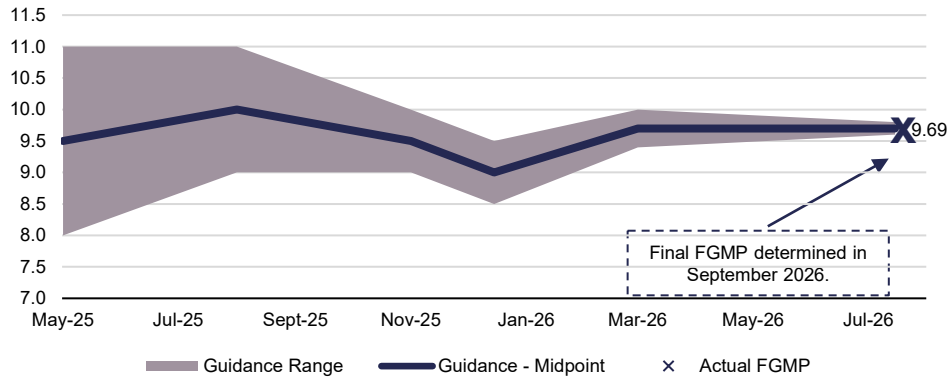
Final Milk Price

Fonterra declared a final 2025/2026 Farmgate Milk Price of $9.69 per kgMS and has estimated the 2026/27 season at $8.50 - $10.50, with a mid-point of $9.50 per kgMS[1].

FY25 – FY26 FGMP Bridge ($ per kgMS)



2025/2026 Farmgate Milk Price Guidance Range ($ per KgMS)



Fonterra declared a final Farmgate Milk Price of $9.69 per kgMS for the 2025/2026 season, a decrease from $10.16 in the prior year. The decrease was largely attributable to lower pricing, which reduced the milk price by $0.65 per kgMS. Favourable foreign exchange movements partly offset this, contributing approximately $0.20 per kgMS through the financial year, with higher volumes (+$0.05) and net costs (–$0.07) broadly offsetting each other.

Fonterra has set its forecast mid-point for the 2026/27 season at $9.50 per kgMS. 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 $8.79 per kgMS for the 2026/27 season, compared with $8.68 per kgMS for the 2025/26 season.[2]

As summarised above, the final milk price for the 2025/26 season finished within the final guidance range. The range opened at $8.00 – $11.00 per kgMS in May 2025 and was narrowed to $9.00 – $10.00 by November 2025, before being lifted to $9.60 – $9.80 in May 2026.

For the 2026/27 season, Fonterra opened with a forecast of $9.75 per kgMS within a range of $8.00 – $11.00 per kgMS in May 2026. This was reduced to $9.25 per kgMS ($8.00 – $10.50 per kgMS) in July 2026, before being lifted to $9.50 per kgMS ($8.50 – $10.50 per kgMS) in September 2026.

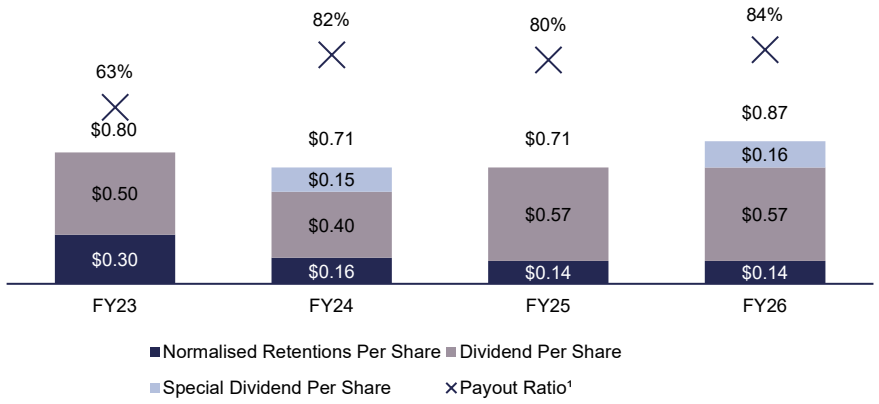
Advance rates have tracked the forecast. The opening Advance Rate for the 2026/27 season (June milk paid July 2026) was $7.30 per kgMS, 75% of the $9.75 opening forecast, compared to $7.50 per kgMS (75% of the $10.00 opening forecast) at the same point of the 2025/26 season. Following the reduction in the forecast midpoint, the rate for July milk paid August 2026 was reduced to $6.95 per kgMS (being 75% of the revised $9.25 forecast). Over the 2025/26 season as a whole, advance payments represented 85% of the final Farmgate Milk Price, compared to 89% in the 2024/25 season.

[1] As at 7 October 2026
[2] DairyNZ as at 7 October 2026

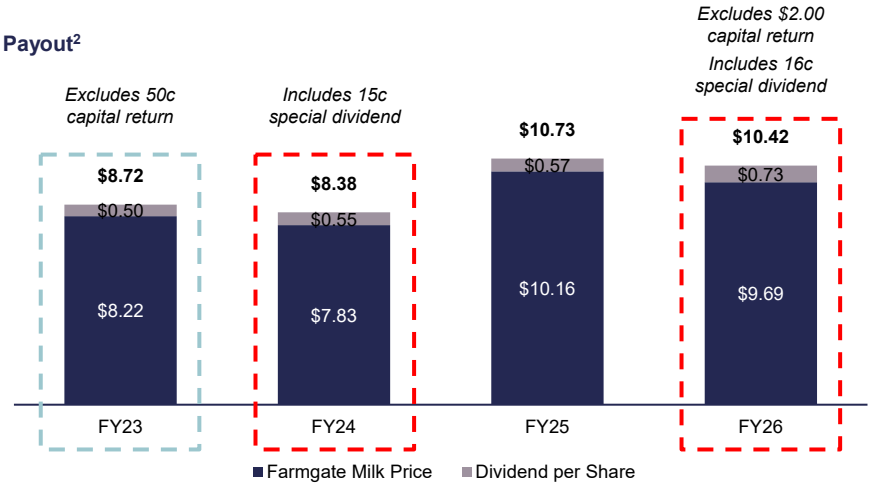
Total Payout and Payout Ratio

Total payout to fully shared up farmers for FY26 has decreased by $0.31 to $10.42. This reflects a lower FGMP, partly offset by an increased dividend.

Normalised Earnings Per Share and Payout Ratio



Total Payout²



Fonterra announced a final dividend of 33 cents per share for FY26, bringing the total dividend for the year to 73 cents per share (including a 16 cent special dividend). Excluding the Mainland special dividend, FY26 dividends are consistent with FY25.

Based on normalised earnings per share of 87 cents per share, the ordinary dividend of 57 cents per share plus the 16 cents per share special dividend, represents a payout ratio of 84%. On a continuing operations underlying earnings basis, the 57 cent dividend represents a payout ratio of ~80%, the top of Fonterra's 60% - 80% dividend policy range.

FY26 is the second period in which Fonterra has paid an imputed dividend, with imputation credits of 28 cents attached to the ordinary dividend. Distributions prior to FY25 were unimputed resulting in dividend payments being taxable in farmers' hands. After allowing for the imputation credits, the gross dividend of 101 cents per share in FY26 compares to 79 cents per share in FY25.

The chart above summarises the total payout per share since FY23 (see page 36 for further details). With a final 2025/2026 Farmgate milk price of $9.69 and the 73 cent total dividend, total payout reached $10.42 per share backed kgMS in FY26. This represents the second highest total payout achieved over the last ten years on a nominal basis (highest of $10.73 in FY25)[1] and well above the historic ten-year (FY17-FY26) average total payout of $8.23.

Fonterra has provided earnings guidance for FY27 of 65 – 85 cents per share (on a continuing operations basis). At a midpoint of 75 cents per share, the FY27 guidance represents a 4 cent per share increase on FY26's normalised earnings from continuing operations (71 cents per share).

Following completion of the Mainland divestment, Fonterra paid a tax-free capital return to shareholders of $2.00 per share ($3,213m), which is excluded from the total payout above.

[1] Based on removal of abnormal gains

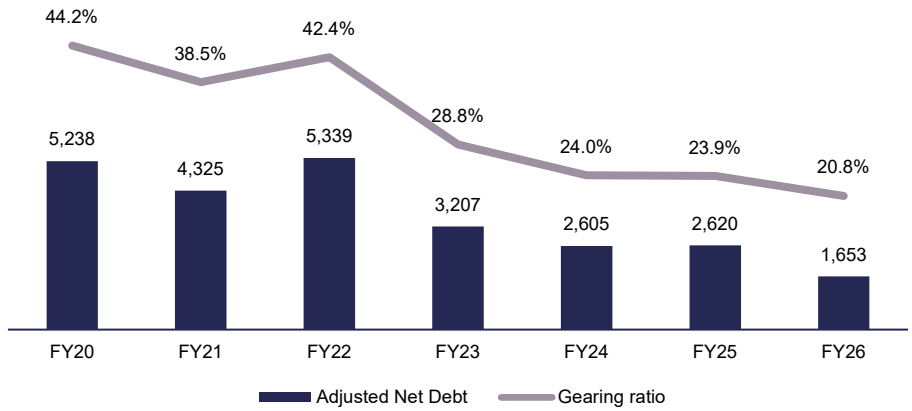
[2] Per share backed kgMS

Financial Position

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

NZ$ Million	FY26	FY25	% Change
Assets			
Cash and Cash Equivalents	947	309	206.5%
Receivables	1,841	1,462	25.9%
Inventories	4,122	4,272	(3.5%)
Other Current Assets	529	367	44.1%
Assets held for sale	6	3,815	(99.8%)
PP&E	6,019	5,595	7.6%
Intangible Assets	827	818	1.1%
Other Non-Current Assets	821	888	(7.5%)
Total Assets	**15,112**	**17,526**	**(13.8%)**
Liabilities			
Payables	2,464	2,367	4.1%
Owing to Suppliers	2,430	1,820	33.5%
Current Borrowings	564	470	20.0%
Other Current Liabilities	857	727	17.9%
Liabilities held for sale	-	969	(100.0%)
Non-Current Borrowings	2,283	2,668	(14.4%)
Other Non-Current Liabilities	248	161	54.0%
Total Liabilities	**8,846**	**9,182**	**(3.7%)**
Net Assets	**6,266**	**8,344**	**(24.9%)**
Non-Controlling Interests	84	93	(9.7%)
Equity Attributable to Co-op	**6,182**	**8,251**	**(25.1%)**

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



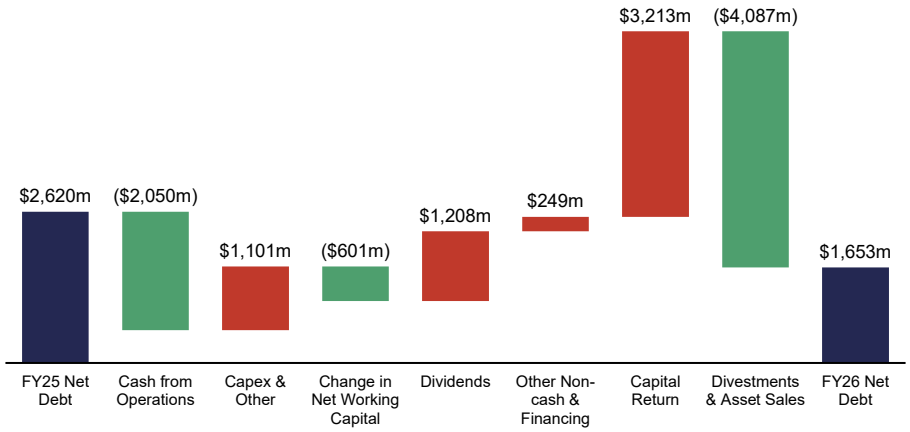
Net debt at the end of FY26 decreased by $967m (37%) on the prior year to $1,653m, with Mainland divestment proceeds more than offsetting the $2.00 per share capital return, higher dividend payments and ongoing capital expenditure requirements. This has reduced gearing to ~21% (FY25: ~24%).

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.

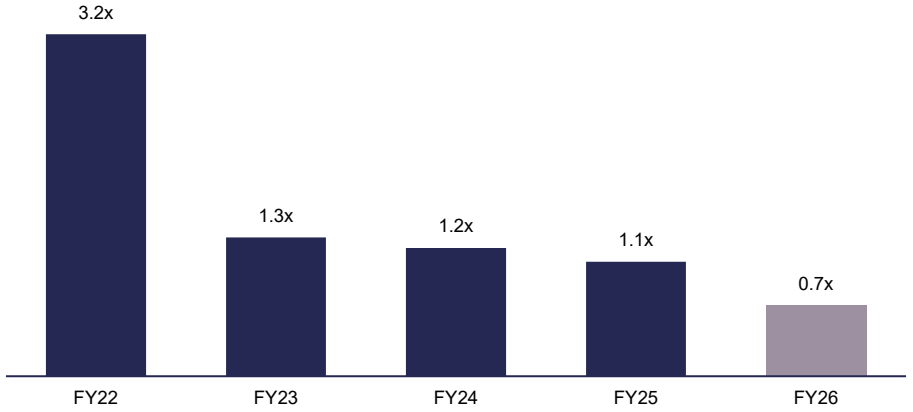
Net Debt Bridge (NZ$m)



Net Debt decreased to $1,653m at the end of FY26, representing a decrease of $967m (37%) from the previous year. Key cash movements influencing this outcome are summarised as follows:

- Cash from operations contributed $2,050m to the reduction in net debt.
- A reduction in net working capital released a further $601m.
- Capital expenditure and other investing outflows totalled $1,101m during FY26.
- Dividends paid during FY26 include the FY25 final dividend of 35 cents, the special dividend of 16 cents, and the FY26 interim dividend of 24 cents, together totalling $1,208m.
- Mainland divestment and asset sale proceeds of $4,087m, of which $3,213m was returned to shareholders through the capital return.

Debt / EBITDA[1]



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

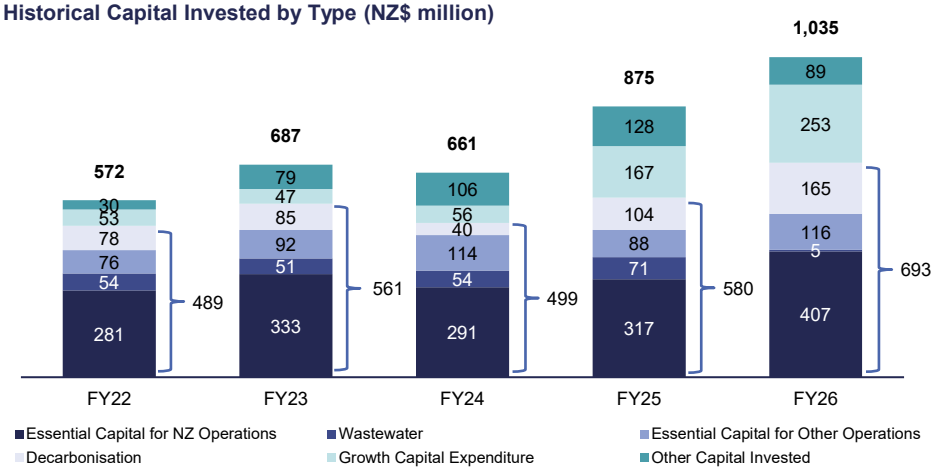
- Fonterra's FY26 debt to EBITDA ratio decreased further to 0.7x, significantly below its target of <3.0x.
- Fonterra remains well positioned with a robust balance sheet capable of supporting ongoing capex initiatives.
- Fonterra's strengthened balance sheet also affords significant flexibility to sustain 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 FY26 was $1,035m, representing an increase of $160m 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 FY26 was allocated to essential capital expenditure ($693m) which generally reflects the maintenance and improvement of existing assets. Fonterra has further broken down this category into four sub-components categories, as shown in the chart above. Also included within the essential capital expenditure for FY26:

- $165m spend on decarbonisation and energy security projects to support Fonterra's sustainability goals; and
- $5m spend on wastewater assets to improve the Company's environmental footprint and further support its license to operate.

A total of $253m 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. The $75m million advanced protein hub at Studholme was completed on time and in budget, with production validation concluded and full-scale commercial production nearing. The $150 million UHT cream plant at Edendale is nearing completion, with commissioning well advanced. During the year Fonterra also announced two further growth investments. a $75 million butter expansion at Clandeboye and a $35 million pastry butter sheet line expansion at Edgecumbe.

The $89m of other capital investment includes investments into the Ki Tua Equity Investment Fund, right-of-use assets and other equity investments.

The Mainland divestment completed in FY26 for net sales proceeds of $4.4bn, against a carrying value of ~$3.2bn. Fonterra reported net profit after tax from discontinued operations of $1,262m in FY26, which includes the gain on sale.

We note that the sale of Mainland brings 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)

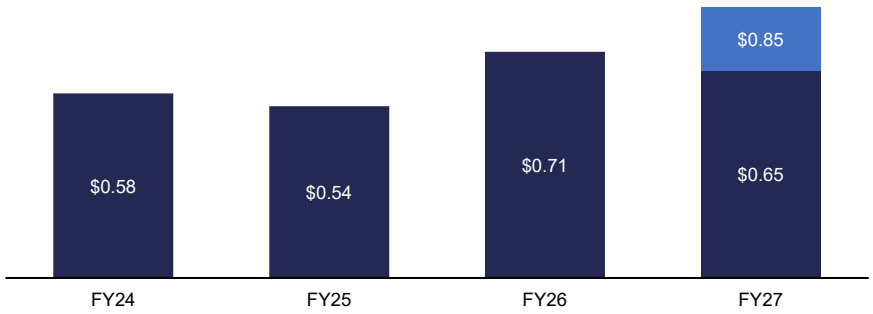
Business	Date	Price (NZ $m)
Mainland Group	Mar-26	$4,457
Soprole Inversiones S.A.	Mar-23	$1,055
China Farms	FY21	$640
Beingmate	FY21	$110
Beingmate	FY20	$127
DFE Pharma	Jan-20	$633
Tip Top Ice Cream	Aug-19	$380
Total Proceeds		**$7,402**

Source: CapitalIQ, Northington Partners estimates, Fonterra.

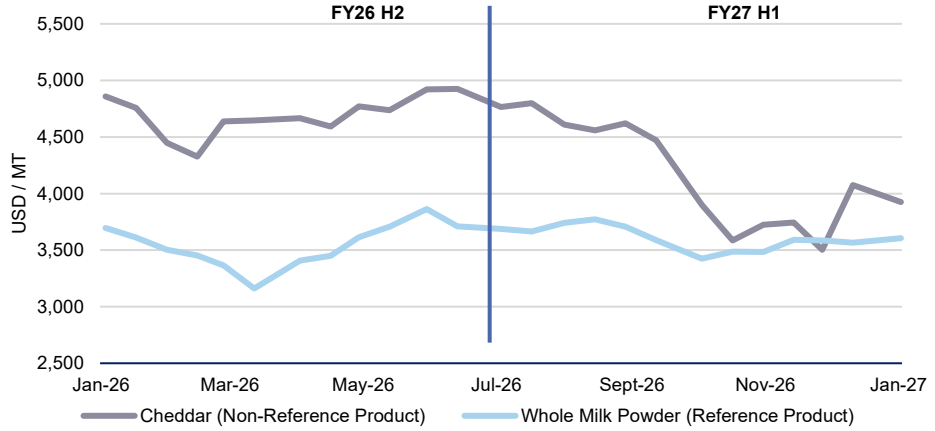
FY27 Outlook

Fonterra's opening EPS guidance for FY27 of 65c – 85c per share implies an underlying performance slightly higher than FY26 on an underlying operations basis.

Earnings Per Share (Underlying Operations)[1]



FY27 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 FY27 outlook reflects expectation of earnings consistent with FY26 on underlying continuing operations basis.

The 65 – 85 cents per share FY27 guidance range compares to underlying continuing operations 71 cents per share achieved in FY26. At a midpoint of 75 cents per share, this represents a 4 cent per share increase (+6%) on FY26's underlying continuing operations earnings. Key factors include:

- Continued favourable price relativities (although these are expected to revert toward longer-run averages through the year);
- Stronger contracting and hedging positions for Non-Reference products, higher first-half milk volumes and delivery of productivity initiatives; and
- ERP investment is expected to reduce to $70m – $90m in FY27, down from its FY26 peak ($135m).

Current expectations for underlying FY27 operations appear to be modestly above the FY26 outcome. Broker consensus estimates are consistent with this view, with a current average FY27 EBIT forecast of $1,904m[2], 3.5% above the $1,840m from underlying operations in FY26.

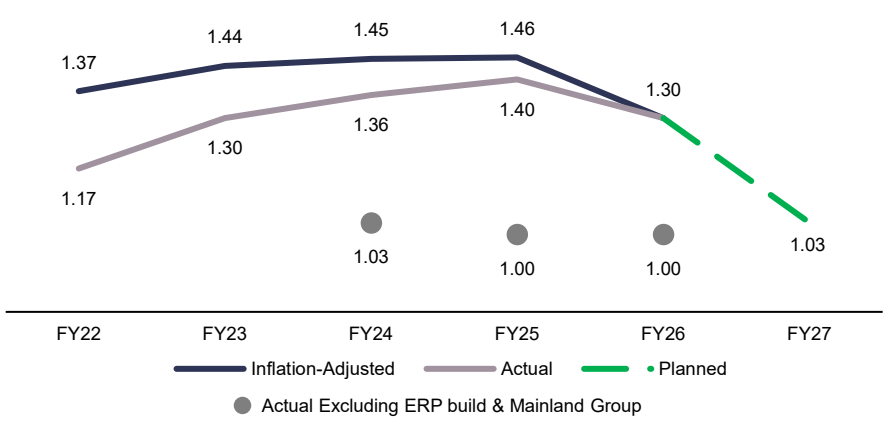
As with previous years, price relativities have the potential to significantly influence Fonterra's future performance. While the outlook for the FY27 full year remains uncertain, we note that traditional cheddar / WMP price relativities in the first months of FY27 (~1.1x) are below the second half of FY26 (~1.2x). However, this measure does not capture the shift in Fonterra's non-reference portfolio towards protein products, where both volumes and prices have increased. Therefore, we expect that the chart above potentially under-represents Fonterra's performance in the non-reference portfolio for FY27 year-to-date.

[1] FY24 EPS is based on Total Group
[2] S&P Capital IQ consensus as at 19 October 2026, mean of 4 analyst estimates.

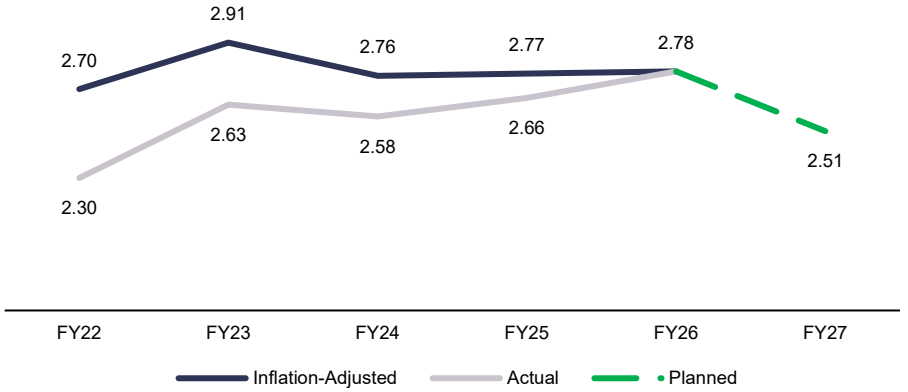
Operational Efficiency Metrics

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



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 FY26 were ~$2.0bn based on total Group operations, excluding depreciation, amortisation and impairments), implying a cost of $1.30 per kgMS vs $1.46 per kgMS in FY25 (inflation-adjusted). Performance in FY26 was impacted by the following:

- Increase in inflation of $0.06 per kgMS and ERP investment of $0.08 per kgMS (from $123m to $135m).

Fonterra's target (summarised in the chart above) implies a 21% reduction in nominal operating expenses to $1.03 per kgMS by FY27. This reduction is largely driven by:

- Cash operating expenses per kgMS improving following the Mainland divestment;
- Operating cost savings through a more focused operating model; and
- Shift to a market-led structure with single-point accountability per market for Foodservice and Ingredients.

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 FY26 were ~$4.4bn, implying a cost of $2.78 per kgMS vs $2.77 per kgMS in FY25 (inflation-adjusted). The higher cost in FY26 was impacted by the following:

- Higher lactose costs, with the price of lactose, an input to manufacturing, rising 25% season-on-season.
- Higher freight costs, including disruption across Middle East shipping routes during the year,
- These pressures were largely offset by efficiency gains from higher manufacturing throughput, as record milk collections of 1,571 kgMS (up 4.1%) spread fixed costs across a larger milk pool, leaving costs broadly flat in real terms.

The information provided by Fonterra (illustrated in the chart above) implies a 10% 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:

Return on Capital

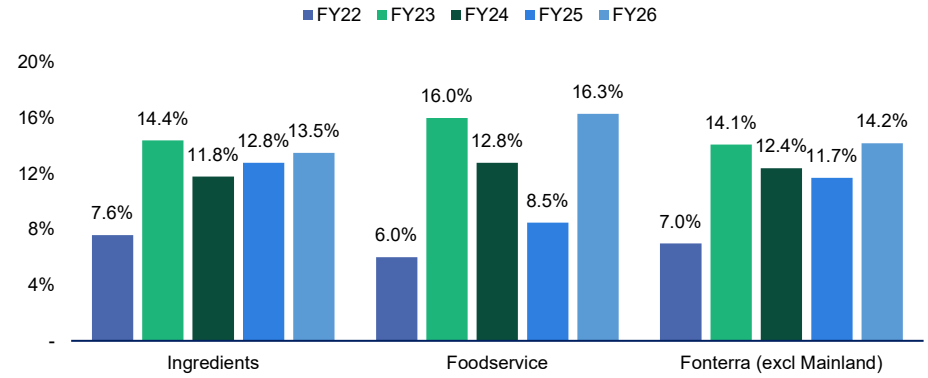
Post Divestment Return on Capital Target

Fonterra has maintained its 10%–12% return on capital targets post Mainland divestment after delivering 14.2% from underlying operations in FY26. With a focus on the simplified B2B Ingredients and Foodservice channels, the target returns reaffirm the cooperative's ambitions to direct milk to its highest value.

Fonterra Return on Capital (Underlying Operations)

NZD million	FY25	FY26
Underlying operating profit	1,489	1,840
Finance income on long-term advances	8	11
Notional tax charge	(404)	(500)
Net operating profit after tax	**1,093**	**1,351**
Capital employed at 31 July	8,020	8,075
Seasonal capital employed adjustment	1,327	1,412
Average capital employed (13-month)	**9,347**	**9,487**
Return on capital (post-tax)	**11.7%**	**14.2%**
Pre-tax equivalent	16.0%	19.5%

FY22 – F26 Channel and Fonterra ROC[1]



Post Mainland divestment, ROC is generated from a smaller, B2B-led Ingredients and Foodservice business:

- Underlying ROC for Fonterra of 14.2% covers continuing operations only, restated as if Mainland trade terms applied all year. Total Group ROC (13.6%) still includes Mainland capital to 31 March 2026.
- Total Group capital employed at year end fell from $11.0bn to $8.1bn allowing for the Mainland sale and capital return.
- Approximately $7.0bn of Fonterra's average capital is deployed to Ingredients returning 13.5% (up from 12.8% in FY25) while Foodservice has approximately $2.4bn of capital employed returning 16.3% (up from 8.5% in FY25).
- The change in tax structure in FY25 for dividends on "wet" shares (resulting in the notional tax increasing from ~16% in FY24 to ~27% in FY25) lowered reported ROC by about 2 points compared with the previous basis. Therefore, making direct comparison with periods prior to FY25 is difficult but does demonstrate recent performance is better than that reflected in reported ROC (ie. on a like-for-like tax basis, historic returns would be lower).

Channel Returns

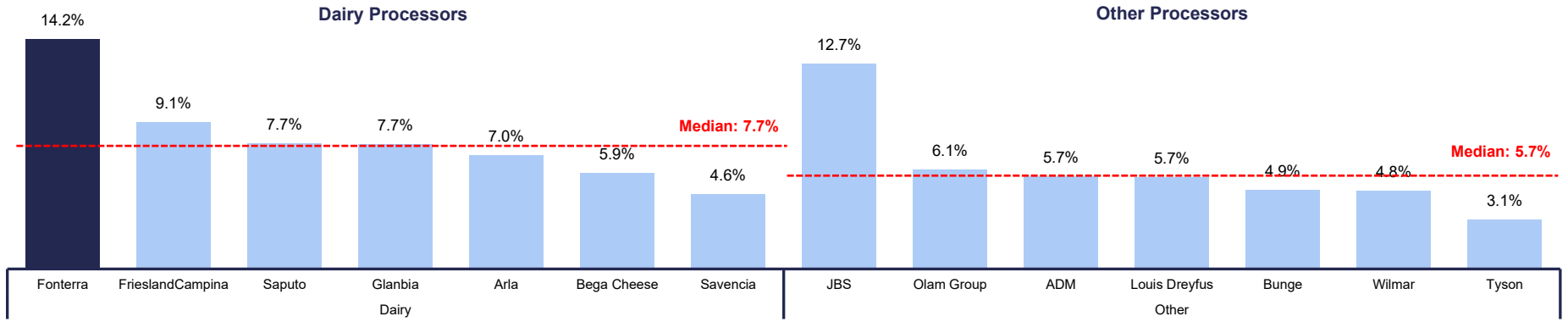
- Ingredients returns are largely driven by the Farmgate Milk Price WACC (currently 5.6%) for reference products and "stream returns" from non-reference products. Strong price relativities (including those for functional / specialised dairy proteins) is therefore supporting a strong overall Ingredients return where returns in the non-reference portfolio are >20% (i.e. blended Ingredients return of 13.5%).
- Conversely, Foodservice returns are largely fat-price driven with higher volatility ranging from 16.0% in FY23 to 6.0% in FY22 and 16.3% in FY26. This volatility reflects swings in fat commodity products (AMF, butter) relative to Foodservice's key product lines (UHT cream, cream cheese, butter sheets etc).
- Therefore, future ROC for Fonterra is likely to demonstrate ongoing volatility primarily from price relativities for Ingredients and any pricing lag between dairy fat pricing and Foodservice passing those price variations to customers.
- While the 10–12% range was set with the lower returning Mainland (8.8% ROC in FY25) in the group, this range should be considered a long-run target with volatility around these levels expected (i.e. FY26 being a favourable outlier in both Ingredients and Foodservice).
- We believe this level of target return is consistent with long-run average price relativities in Ingredients as well as stable AMF and butter commodity prices in Foodservice.

[1] FY22-23 includes NPL estimates

Return on Capital Peer Comparison

Fonterra's target returns and the underlying return on capital in FY26 appear exceptional relative to both dairy commodity and other broader food commodity processors. We believe this is partly due to structural benefits enjoyed by Fonterra that are not shared by its peers, with some additional cyclical benefits boosting returns over the past few years.

Post-tax Return on Invested Capital, Latest Financial Year[1]



Fonterra returns are significantly higher than its dairy processor peers:

- We have attempted to benchmark Fonterra's historic and target returns against other similar businesses. The chart above summarises returns on the same ROC basis (at a hypothetical 27% notational tax for comparability) for Fonterra's key peers. Although these peers are mainly focused on international B2B dairy processors, some also include consumer brands.
- This analysis demonstrates that Fonterra's FY26 underlying ROC of 14.2% and target ROC are both clearly above the dairy median of 7.7% (with a range between 4.6%–9.1%).
- However, we believe this outcome partly reflects Fonterra's structure with key commodity risks sitting with farmer suppliers (under the milk price setting framework) who also effectively part fund Fonterra's working capital. Conversely, many of the other peers carry merchant commodity risk which distorts direct comparison.
- Nonetheless, the comparison does demonstrate Fonterra's scale and network advantages which provide Fonterra with significant portfolio/product mix optionality and plant utilization advantages compared to its peers.
- We also note that the 10% - 12% target ROC would be higher than Fonterra's cost of capital and demonstrates Fonterra's strong capital discipline on new investments, ensuring farmer capital is deployed to its highest and best use.

Target returns are even higher than global food processors who also benefit from scale:

- The chart above also highlights that Fonterra's ROC is favourable compared to other global food processors who also benefit from scale (see Appendix 2 for further company details).
- Therefore, while scale is important, it reinforces the other advantages benefiting Fonterra and its ability to maintain high returns.
- Of the global food processors, JBS (global beef, chicken and animal protein processor) is the only company outside dairy generating returns close to Fonterra, at 12.7%. The remaining peers range between 3.1% (Tyson) and 6.1% (Olam), with a group median of 5.7%.

Overall peer group suggests Fonterra's 10% - 12% ROC target sets a high bar for performance:

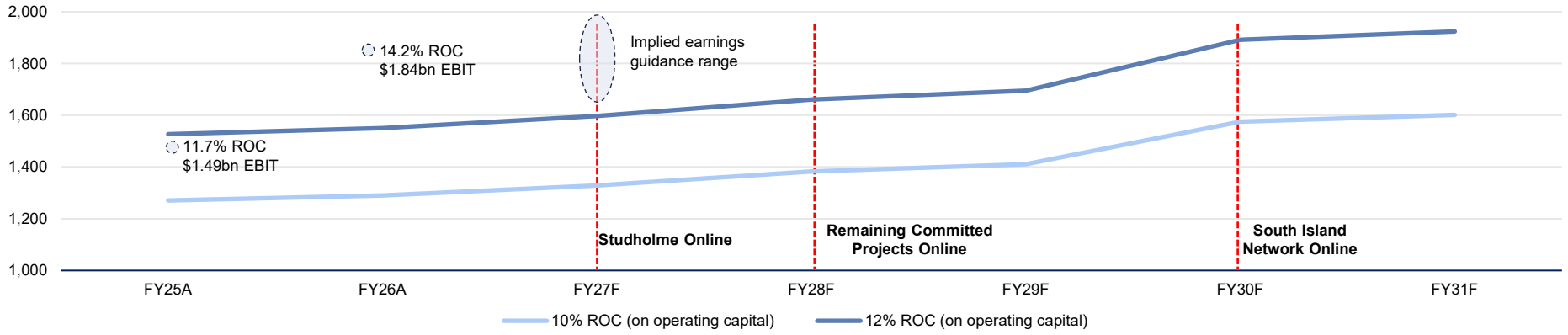
- Of the peer group assessed above, only Bega (>10%) and Glanbia (10% - 13%) appear to publish return targets. Both are currently generating returns below target.
- Based on the above evidence but noting the commodity and structural differences, Fonterra's target of 10% - 12% is favourable. This demonstrates clear conviction around long-run performance.
- It also highlights that FY26 performance benefited from price relativities and Foodservice tailwinds which are unlikely to persist in the long-run.

[1] Post-tax ROIC = EBIT × (1 – 27.1%) ÷ average capital (opening and closing). The same notional tax rate used by Fonterra is applied to every company. Fonterra's capital base is its 13-month rolling average capital employed. Fonterra is shown on an underlying operations basis (14.2%); its Total Group return is 13.6%.

Implied Future Earnings

Based on Fonterra's target returns and assuming ongoing price relativities normalise, we note that this implies Fonterra has limited scope to grow earnings beyond FY26 levels until the significant investment into the South Island network capacity comes online in FY30.

Forecast EBIT under different ROC assumptions (NZ$m)[1]



Limited growth from the existing asset base:

- While Fonterra has dropped longer term performance targets, its capex outlook and ROC targets provide a useful basis for determining the co-operative's medium to long term maintainable earnings outlook.
- The chart above reflects a simplified illustration of potential future earnings (EBIT) based on Fonterra's sustaining and growth capex forecasts (including $1bn into the South Island advanced protein network over 3 years) and Fonterra's 10% - 12% ROC target.
- This simple analysis shows:
  - FY27 earnings guidance of 65 – 85 cents per share implies ongoing ROC higher than 10% - 12% target levels due to ongoing favourable price relativities (Fonterra noting price relativities would have to be maintained at early season levels to hit the top of the range and decline towards longer-run averages to meet the low-end);
  - FY26 EBIT would have been ~$200m - $400m lower had Fonterra's ROC been between its 10% - 12% target range; and
  - If future returns reduce to the 10–12% target, short to medium term EBIT will reduce relative to FY26 levels to be more consistent with FY25 ($1.5bn). Even at the top of the target (12%), EBIT would not get back to FY26 levels until after FY29.

South Island network is the next likely step-change:

- We note that the majority of Fonterra's future capex relates to sustaining, energy and wastewater investment that largely reflects "stay in business" expenditure to maintain current earnings (i.e. will not necessarily contribute to earnings growth).
- However, Fonterra is committing ~$1b over FY27–FY29 to expand the South Island advanced protein network, which is expected to be fully operational in 2029 (assumed full contribution in FY30).
- $335m of committed growth projects (Edendale, Clandeboye, Edgecumbe) is also expected to be online during FY27.
- While it's being built, the South Island expenditure dilutes the reported return on capital due to the invested capital not contributing to earnings. However, it should deliver significant earnings from FY30.
- Therefore, outside of continued price relativity tailwinds, EBIT growth beyond FY27 is likely to be difficult until the South Island network investment is complete. We note that this is consistent with current consensus broker forecasts which indicates flat to modest EBIT growth for FY26 to FY30.

[1] Source: Northington Partners analysis. EBIT back-solved by applying target ROC rates to average capital employed (mean of opening and closing balances, with FY26 on a 13-month rolling basis). Capital employed assumes annual sustaining capex of $600m, energy and wastewater capex of $200m and D&A of $525m (in line with FY26), plus $335m of remaining committed growth spend in FY27 and $333m per annum of South Island network investment for three years.



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 increased ~6.8% from FY24 to FY26, an outcome that is broadly consistent with the overall market increases in milk production with 2025/26 being a record season (national collections up 4.1% on the prior season). Nothwithstanding that, over the last three years, total market share of collections has decreased modestly over the same period from 78.1% to 77.6%.

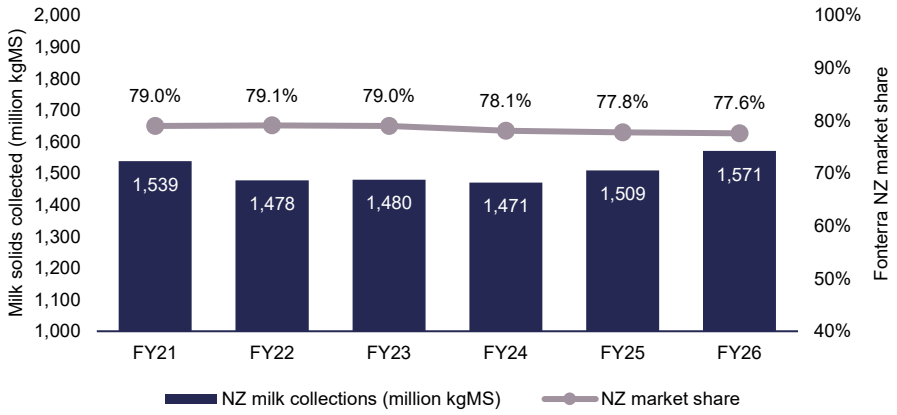
Recent changes to the minimum required shareholding (as outlined on page 24) should support a more sustainable supply of milk, particularly in an environment of increased competition from other processors who may not require farmers to invest capital to support supply (i.e. buy shares). However, restricting 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 ~45% difference)[1]. See page 26 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 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.

While Fonterra has gained significant volume recently, it has lost share at the margin. However, some of the lost share may be beneficial if it has reduced Fonterra's requirement to collect milk from suboptimal suppliers or in optimising its processing capacity. Fonterra's significant investment in the South Island network also demonstrates its confidence in capturing production growth in the region.

With Fonterra forecasting collections "just above 1.6bn kgMS" in the current 2026/27 season, the outlook for further collections growth looks positive.

Fonterra NZ Milk Collections and Market Share



[1] *As of October 2026*

Flexible Shareholding

Farmer shareholding levels relative to milk supply have changed materially since the introduction of Fonterra's flexible shareholding structure in April 2023, with a >4x increase in "undershared" suppliers.

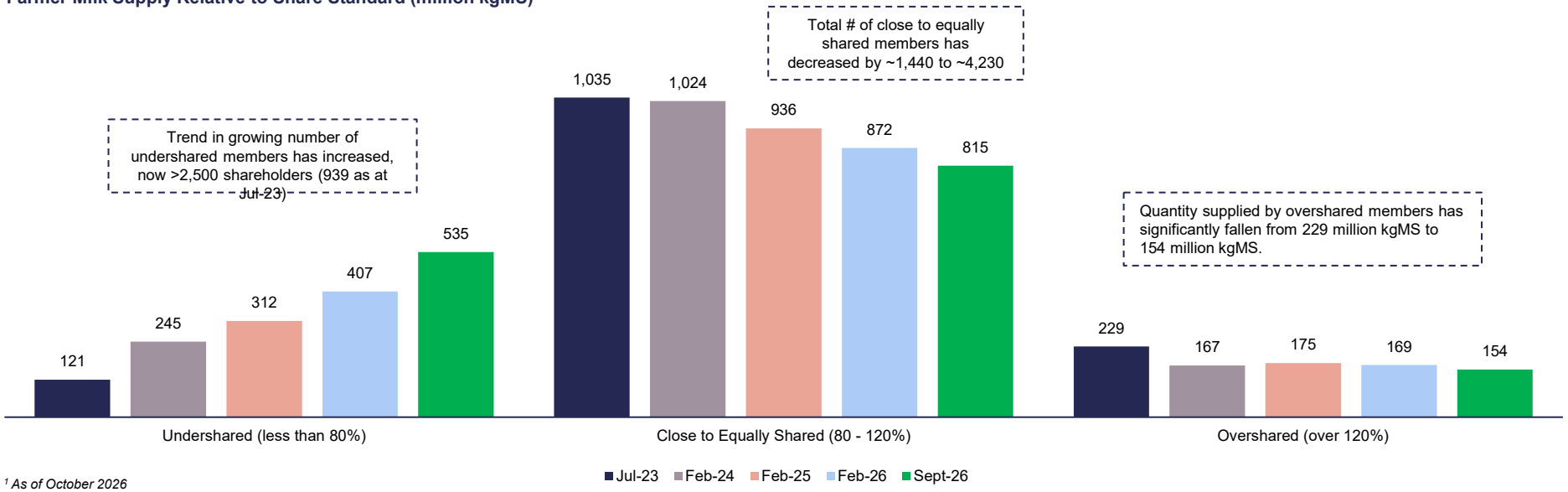
Consultation for Fonterra's Flexible Shareholding began in May 2021 and introduced in April 2023. Since then, Fonterra is required to periodically disclose certain shareholding metrics including ceased-farmer holdings and the distribution of farmer shareholders relative to the Share Standard (1 share per kgMS supplied). The September 2026 disclosure confirms that Fonterra has 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).

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[2]. Over the period since the changes were introduced, the data demonstrate 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 535m kgMS in September 2026 (342% increase). This reflects an increase in the number of farmers in this category (increased from 939 to 2,572), as well as an increase in the average milk supply per farmer (increased from 129,000 kgMS to ~208,000 kgMS vs an overall average supply of 188,000 kgMS[1]). We note that this category will include new farmers, farmers selling down shares and farmers where investment in shares is not keeping pace with lifts in production;
- The number of farms that are close to equally shared has decreased by 25% since July 2023, representing a decrease of ~1,440 farmers; and
- While the total number of overshared farmers has increased from 1,276 to 1,713 since July 2023, the total quantity of milk supplied by the cohort has decreased from 229m kgMS to 154m kgMS, reflective of a 50% decrease in average quantity supplied per farmer to 89,900 kgMS.

Farmer Milk Supply Relative to Share Standard (million kgMS)



[1] As of October 2026
[2] Northington Partners' definition of shared farmers

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)

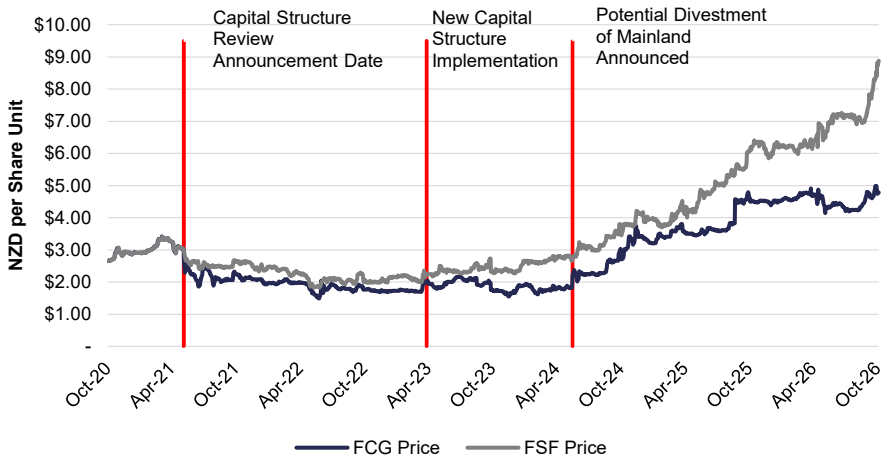
Since Flexible Shareholding came into effect April 2023, there hasn't been any material change to the Group's shareholding structure. As at September 2026, the Group was well within the specified thresholds for all three Flexible Shareholding metrics:

Metric	As at July 2023	As at Feburary 2024	As at Feburary 2025	As at Feburary 2026	As at September 2026	Threshold
Total Shares on Issue above the aggregate Share Standard	12.22%	12.08%	13.12%	11.12%	7.00%	+/- 15.00%
Shares Held by Ceased Shareholders and Permitted Transfers	9.23%	7.99%	9.22%	10.66%	13.79%	≤ 25.00%
Shares held for the Fonterra Shareholders' Fund ("Overall Limit")	6.67%	6.67%	6.67%	6.67%	6.67%	≤ 10.00%

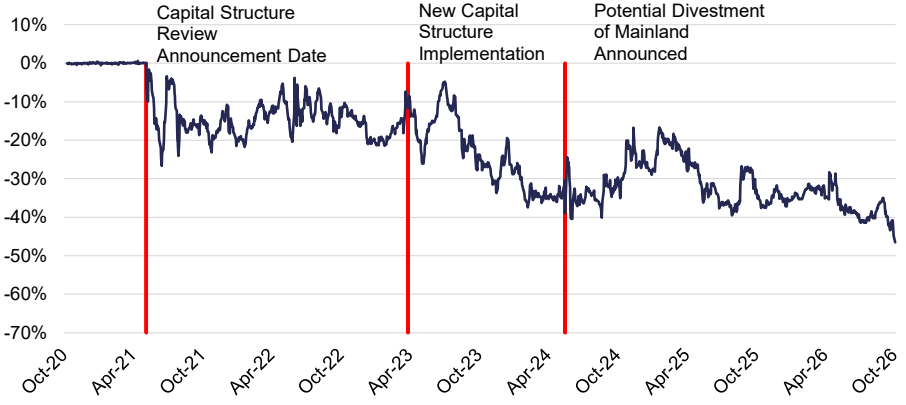
Restricted Market Discount

The restricted market discount has widened since the Mainland capital return. At ~45%, it is now at its widest since the flexible shareholding changes were implemented and well above the 20%–30% range seen historically.

Daily Share Price Comparison[1]



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

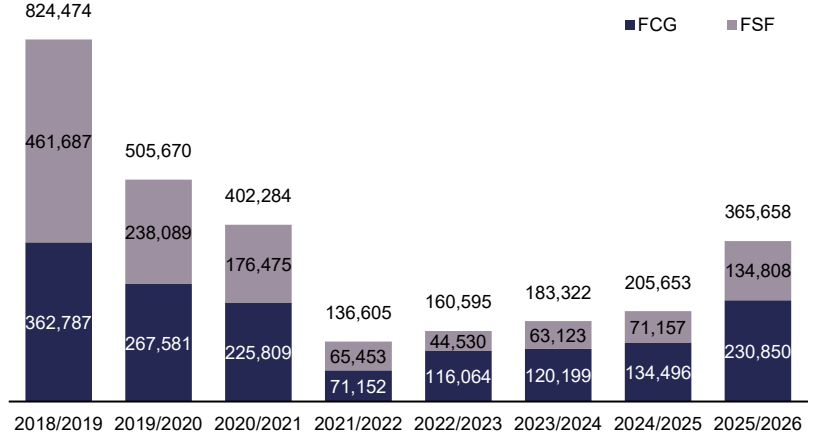


The discount of the FCG share price to the FSF unit price widened through FY26. It moved from ~25% at the start of the financial year to ~35%–40% by balance date. Since the FY26 result, it has widened further to ~45%. This was driven by a sharp rise in the FSF unit price (up ~25% since late July), which the FCG share price (up ~10%) has not matched.

In FY25, speculation about the Mainland Group divestment drove much of the volatility. This year's widening came after that uncertainty was resolved: the sale completed on 31 March 2026 and the $2.00 tax-free capital return was paid on 14 April 2026. In our view, the persistent discount reflects how the restricted market is built. Only farmer shareholders can hold FCG shares while the Fund is capped at 6.7% of shares on issue and the ability to exchange shares for units is suspended. This limits any arbitrage that could close the gap. The strong FY26 result appears to have been priced more fully by the wider investor base in the FSF market than by farmers in the FCG market.

While the discount reflects loss in value for farmers, 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).

Average Daily Trading Volume on NZX



[1] Uses daily close price, adjusted for capital distributions. Source: IRESS as at 5 October 2025
[2] Calculated as (FCG price per share / FSF price per share) - 1

Source: IRESS as at 5 October 2026



Appendix 2:

Supporting Information

How Peers Measure Return on Capital

On a common post-tax basis, Fonterra's 14.2% return is the highest of the 16 processors shown.

Company	Description	Metric	Company definition	Basis	Latest	Prior year	Published target	NPL post-tax calc[1]	Revenue (NZ$b)[2]
Dairy Processors									
Fonterra	New Zealand farmer owned dairy processor co-op	ROC	Normalised EBIT + finance income, less 27% notional tax / 13-month avg capital employed	Post-tax	14.2%	11.7%	10–12%	14.2%	$25.2
Friesland Campina	Dutch dairy processor co-op	ROIC	Operating profit / average invested capital including goodwill	Pre-tax	13.5%	13.5%	None	9.1%	$26.0
Saputo	Canadian dairy processor	–	No return metric reported	–	–	–	None	7.7%	$21.7
Glanbia	Irish dairy manufacturer	ROCE	EBIT less tax, plus amortisation, JV profits / avg capital	Post-tax	11.3%	12.4%	10–13%	7.7%	$6.7
Arla	Danish/Swedish farmer-owned co-op dairy processor	–	Not reported; targets profit share of revenue and leverage	–	–	–	None	7.0%	$29.3
Bega Cheese	Australian dairy processor	ROFE	Normalised EBIT / funds employed	Pre-tax	10.0%	8.4%	> 10%	5.9%	$4.2
Savencia	French dairy processor	–	No return metric reported	–	–	–	None	4.6%	$13.6
Lactalis	French dairy processor	–	No return metric reported	–	–	–	None	–	$60.6
Synlait	New Zealand dairy processor	Net ROCE	EBIT / capital employed (net return, pre-tax)	Pre-tax	(4.0%)	(1.0%)	None	(2.7%)	$1.9
Other Processors									
José Batista Sobrinho (JBS)	Brazilian meat processor	–	No return metric reported	–	–	–	None	12.7%	$148.2
Olam Group	Singaporean oilseed processor	EBIT / IC	EBIT / average invested capital	Pre-tax	8.4%	8.4%	None	6.1%	$88.2
Archer Daniels Midland	U.S. grain merchant and processor	Adj. ROIC	Adjusted ROIC, trailing four-quarter average	Post-tax	6.3%	8.3%	None	5.7%	$138.0
Louis Dreyfus	Dutch agricultural merchant and processor	ROE	NPAT / opening equity attributable to owners	Post-tax	9.8%	n/a	None	5.7%	$91.4
Bunge	Swiss oilseed processor and grain merchant	Adj. ROIC	Adjusted ROIC, trailing 12 months, vs 6.7% adjusted WACC	Post-tax	8.5%	n/a	None	4.9%	$120.8
Wilmar	Singaporean oilseed processor and grain merchant	ROE	NPAT attributable / avg shareholders' funds	Post-tax	6.8%	n/a	None	4.8%	$121.0
Tyson	U.S. meat processor	ROIC	EBIT × (1 − tax) / avg (debt + equity − cash)	Post-tax	2.8%	n/a	None	3.1%	$93.5

[1]Post-tax ROIC = EBIT × (1 – 27.1%) ÷ average capital (opening and closing). The same notional tax rate Fonterra uses is applied to every company. Fonterra's capital base is its 13-month rolling average capital employed. [2]Converted to NZD on 19 October 2026

Continuing and Discontinuing Operations

NZ$ Million	FY26			FY25		
	Continuing Operations	Discontinued Operations	Total Group	Continuing Operations	Discontinued Operations	Total Group
Sales Volume ('000 MT)	3,024	389	3,413	2,933	555	3,488
Total Revenue	25,398	2,034	27,432	24,052	2,398	26,450
Cost of Goods Sold	(21,619)	(1,406)	(23,025)	(20,797)	(1,462)	(22,259)
Gross Profit	**3,779**	**628**	**4,407**	**3,255**	**936**	**4,191**
Gross Margin (%)	14.9%	30.9%	16.1%	13.5%	39.0%	15.8%
Operating Expenses	(1,861)	(487)	(2,348)	(1,802)	(785)	(2,587)
Other Items	80	1,283	1,363	113	15	128
Reported EBIT	**1,998**	**1,424**	**3,422**	**1,566**	**166**	**1,732**
Reported EBIT Margin (%)	7.9%	70.0%	12.5%	6.5%	6.9%	6.5%
Normalisations	(178)	(1,073)	(1,251)	(156)	262	106
Normalised EBIT	1,820	351	2,171	1,410	428	1,838
Reported Net Profit After Tax	1,346	1,262	2,608	1,013	66	1,079
Normalisations (post tax adjustments)	(178)	(982)	(1,160)	(156)	262	106
Normalised Net Profit After Tax	1,168	280	1,448	857	328	1,185

FY26 Integrated Scorecard

	Key Performance Indicator (KPI)	FY24 Actual	FY25 Actual	FY26 Actual	FY26 Scorecard
People	Serious harm[1]	13	6	***5***	***5***
	Quality of post-Health, Safety and Wellbeing incident actions	0.41	0.39	***0.64***	***0.60***
	Culture Measure	79	81	***78***	***80***
Nature	GHG emissions reduction (Scope 1,2)[2]	(17.3)%	(20.2)%	***(28.7)%***	***(27.0)%***
	Additional percentage of New Zealand supplying Farms achieving Emissions Excellence[3]	-	(2.2)%	***6.6%***	***6%***
Relationships	Share of New Zealand milk collected for the season to 31 May	78.1%	77.8%	***77.6%***	***78%***
	Delivered in full, on time (DIFOT, at time of arrival)	66.1%	73.7%	***78.6%***	***77%***
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real)[4]	1.13	1.12	***1.08***	***1.08***
	Core Operations manufacturing cash costs per kgMS (real)[5]	2.76	2.77	***2.78***	***2.65***
	Return on capital[6]	12.4%	11.7%	***14.2%***	***10% - 12%***
	Farmgate Milk Price ($)	7.83	10.16	***9.69***	***9.00 - 11.00***
Alignment Rights	FCG Share Price (volume weighted average price) Dividends paid[7]	$2.66 $0.55	$4.70 $0.57	***$5.52*** ***$0.73***	***Not Available***
	On-farm profitability ($ per hectare)[8]	$2,845	$4,849	***Not Available***	***Not Available***

1. Includes Contractors.
2. Relative to the FY18 base year, restated to exclude Mainland Group. Comparative periods reflect a minor restatement relating to the Heerenveen site.
3. FY26 result reflects additional 535 farms, including 319 reducing emissions footprint, above the target of additional 490 farms with minimum of 270 reducing footprint.
4. Continuing operations, based on New Zealand milk solids collected, FY26 base year.
5. Based on New Zealand milk solids collected. Excludes the cost of milk. FY26 base year.
6. Results are on an underlying continuing operations basis to reflect comparable operating performance before and after the Mainland Group divestment.
7. For the period 1 October to 30 September. As an indication, FY26 is the 12-month VWAP to 10 September 2026, and FY26 Dividends.
8. DairyNZ Economic Survey 2024-2025 (Owner-Operator). 2026 expected to be published in June 2027.

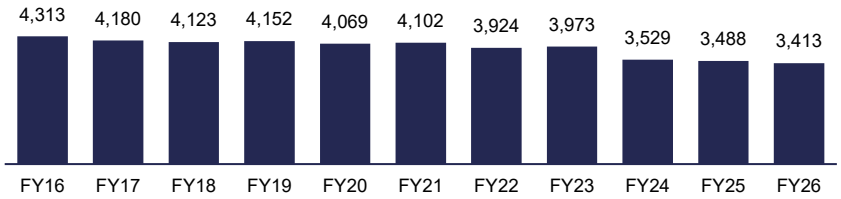
FY27 Integrated Scorecard

	Key Performance Indicator (KPI)	FY25 Actual	FY26 Actual	FY27 Scorecard
People	Serious harm[1]	6	5	***5***
	Quality of post-Health, Safety and Wellbeing incident actions	0.39	0.64	***0.65***
	Culture Measure	81	78	***79***
Nature	GHG emissions reduction (Scope 1,2)[2]	(20.2)%	(28.7)%	(33.2)%
	Percentage of supplier base achieving Emissions Excellence	-	84.6%	85%
Relationships	Share of New Zealand milk collected for the season to 31 May	77.8%	77.6%	***78%***
	Delivered in full, on time (DIFOT, at time of arrival)[3]	74.4%	78.4%	***80%***
Financial / Assets & Infrastructure	Cash operating expenses per kgMS (real)[4]	1.14	1.10	***1.03***
	Core Operations manufacturing cash costs per kgMS (real)[4,5]	2.70	2.61	***2.51***
	Return on capital[6]	11.7%	14.2%	***10% - 12%***
	Farmgate Milk Price ($)	10.16	9.69	***8.50 - 10.50***
Alignment Rights	FCG Share Price (volume weighted average price) Dividends paid[7]	$4.70 $0.57	$5.52 $0.73	***Not Available***
	On-farm profitability ($ per hectare)[8]	$4,849	*Not Available*	***Not Available***

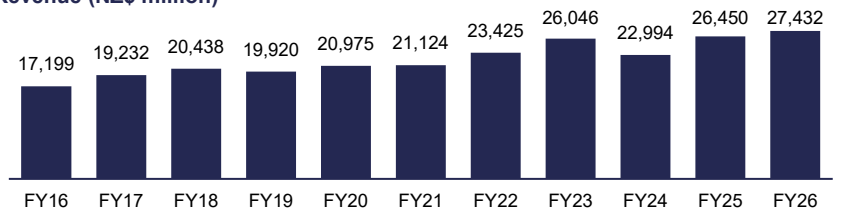
1. Includes Contractors.
2. Relative to the FY18 base year.
3. DIFOT comparatives have been restated to include New Zealand domestic orders, aligning the measure with the expanded FY27 methodology, and resulting in a slightly lower FY26 outcome than previously reported on an export-only basis.
4. Based on New Zealand milk solids collected across the financial year. Comparatives restated to FY27 base year.
5. Excludes the cost of milk and internally-generated lactose.
6. Prior year comparatives are on an underlying continuing operations basis to reflect comparable operating performance before and after the Mainland Group divestment.
7. For the period 1 October to 30 September. As an indication, FY26 is the 12-month VWAP to 10 September 2026, and FY26 Dividends.
8. DairyNZ Economic Survey 2024-2025 (Owner-Operator). 2026 expected to be published in June 2027.

Historical Financial Information

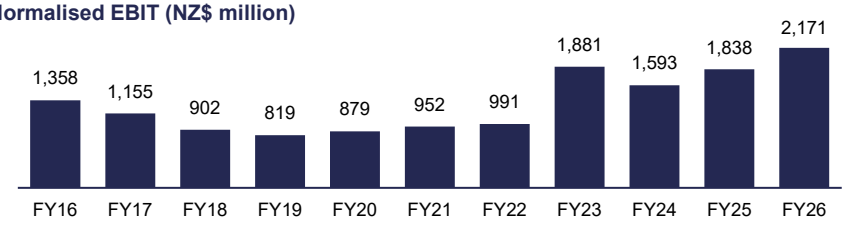
Sales Volume ('000 MT)



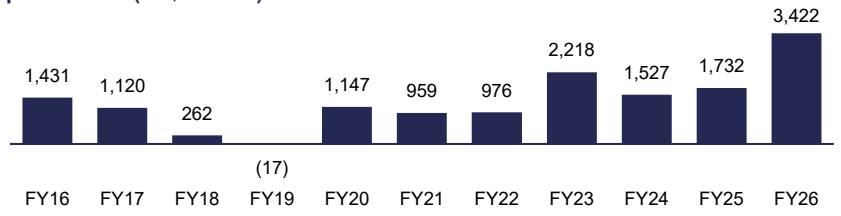
Revenue (NZ$ million)



Normalised EBIT (NZ$ million)

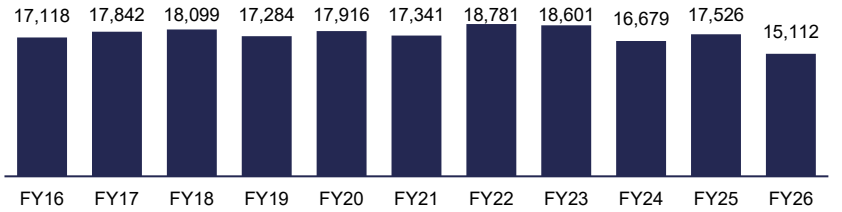


Reported EBIT (NZ$ million)

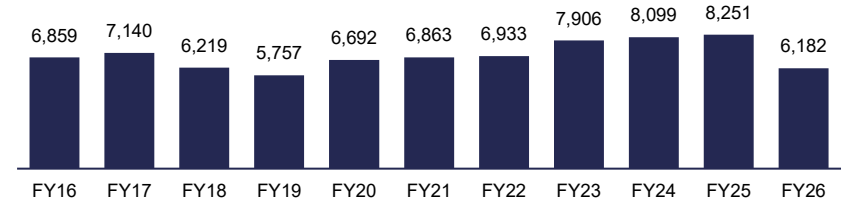


[1]Excluding non-controlling interests
Note: Includes continued & discontinued operations where known

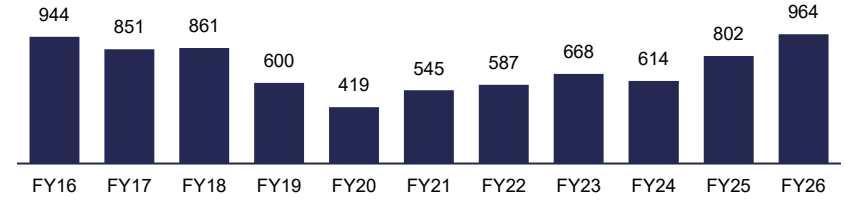
Total Assets (NZ$ million)



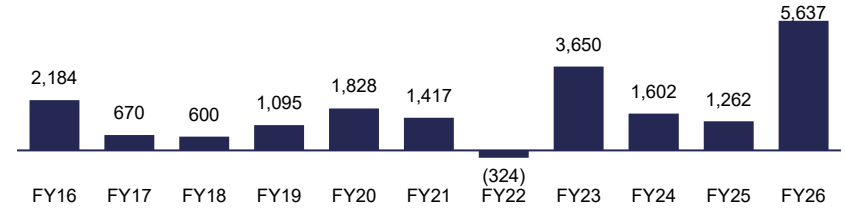
Total Equity (NZ$ million)[1]



Capital Expenditure (NZ$ million)

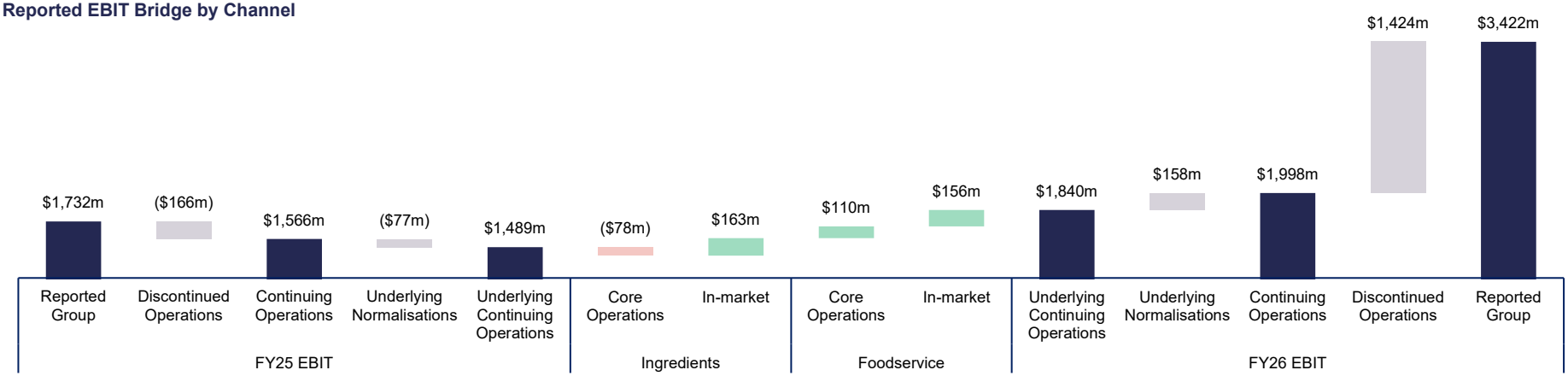


Free Cash Flow (NZ$ million)

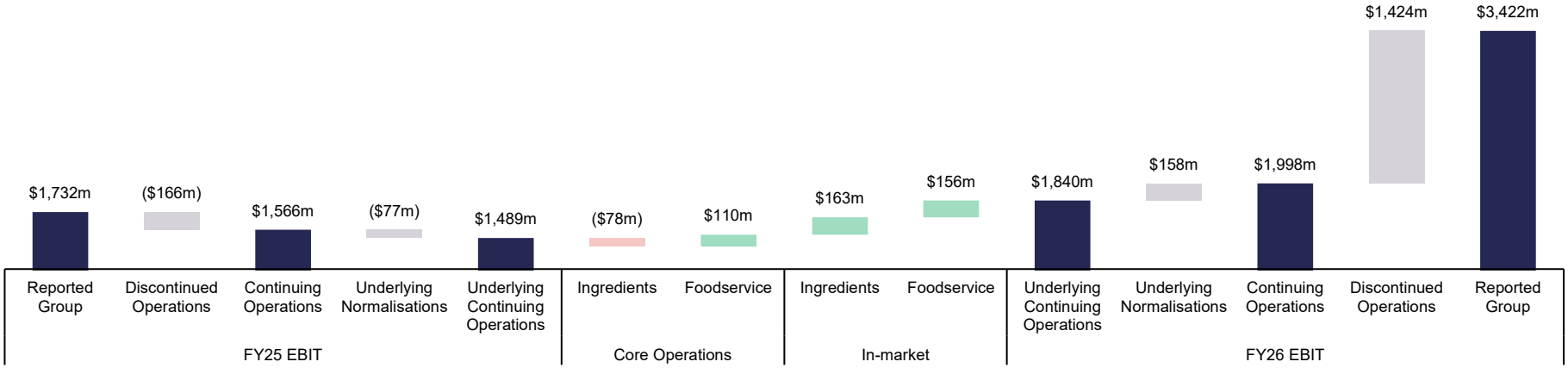


Reported EBIT Bridge by Segment and Channel

Reported EBIT Bridge by Channel



Reported EBIT Bridge by Segment



Summary of Normalisations

Total Group Impact of FY26 Normalisations

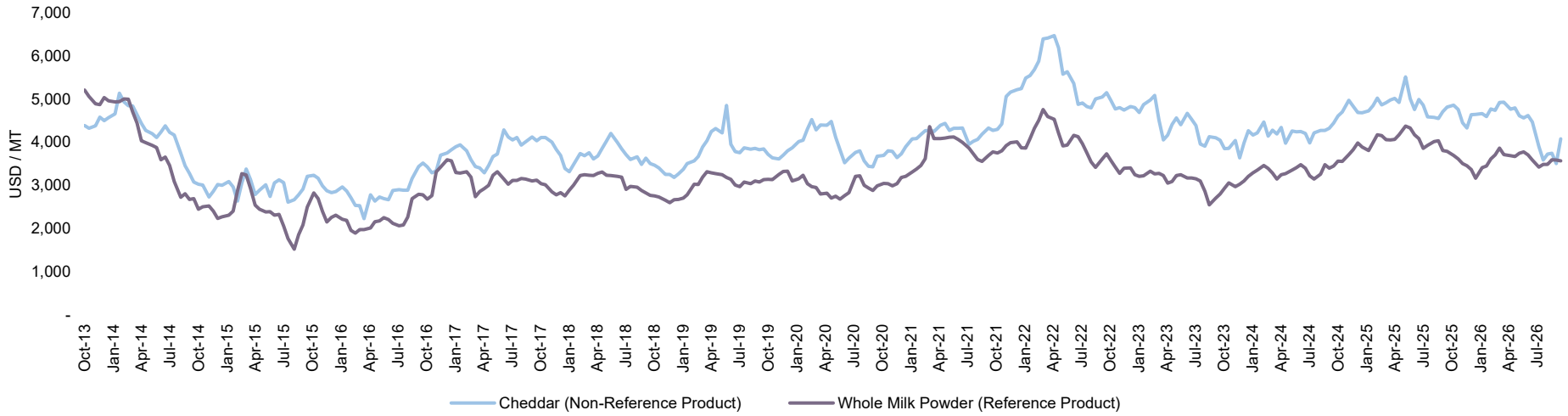
Item	Impact on EBIT		Impact on Gearing	
Gain on sale of Mainland Group, completed 31 March 2026.	▼	$1,250m gain removed from normalised EBIT	▼	Total proceeds of $4.6b. Adjusted net debt fell $967m to $1.7b and gearing fell from 23.9% to 20.8%.
Divestment and separation costs relating to the Mainland Group sale process.	▼	$1m net reversal in FY26 ($106m of costs normalised in FY25)	–	No material effect in FY26
Inter-Group normalisations of +/- $178m 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

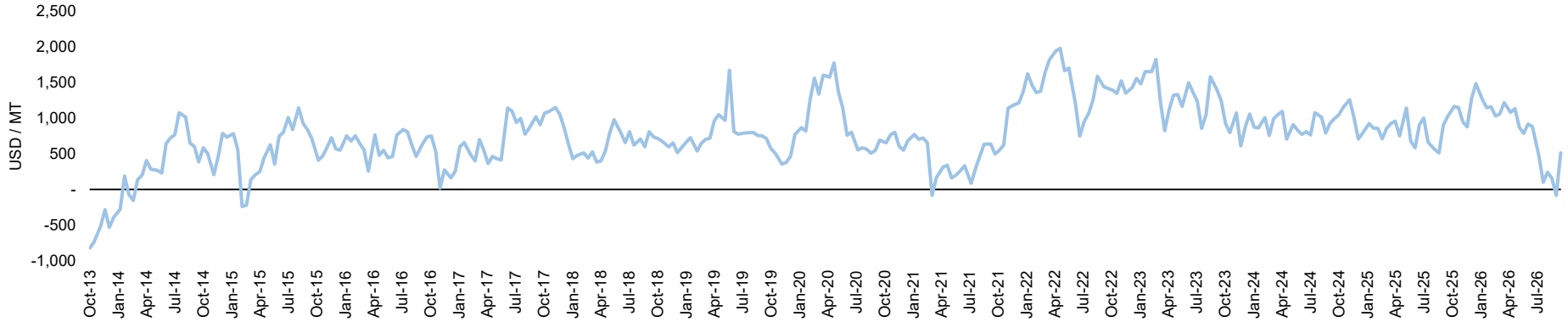
	Continuing Operations			Discontinued Operations			Total Group		
NZ$ million	**FY24**	**FY25**	**FY26**	**FY24**	**FY25**	**FY26**	**FY24**	**FY25**	**FY26**
Gain on sale of Mainland Group						(1,250)			(1,250)
Loss on sale of DPA Brazil	-	-	-	66	-	-	66	-	-
Divestment costs	-	-	-	-	106	(1)	-	106	(1)
Normalised terms of trade	(91)	(156)	(178)	91	156	178	-	-	-
Total	**(91)**	**(156)**	**(178)**	**157**	**262**	**(1,073)**	**66**	**106**	**(1,251)**
Reported EBIT	1,342	1,566	1,998	185	166	1,424	1,527	1,732	3,422
Normalisations	(91)	(156)	(178)	157	262	(1,073)	66	106	(1,251)
Normalised EBIT	**1,251**	**1,410**	**1,820**	**342**	**428**	**351**	**1,593**	**1,838**	**2,171**

Long Term Reference vs Non-Reference Price Relativities

Reference vs Non-Reference Price Relativity Proxies



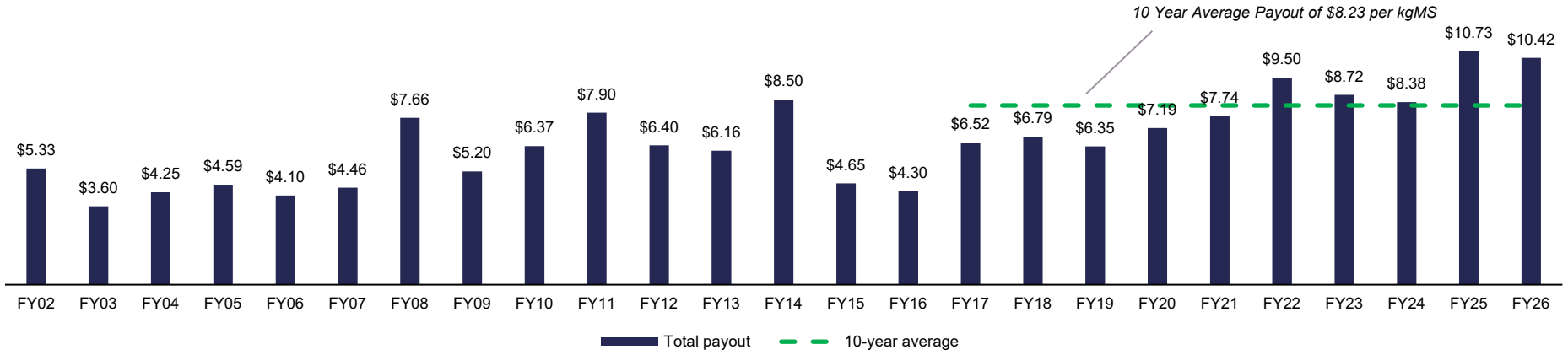
Price Margin between Reference and Non-Reference Proxies



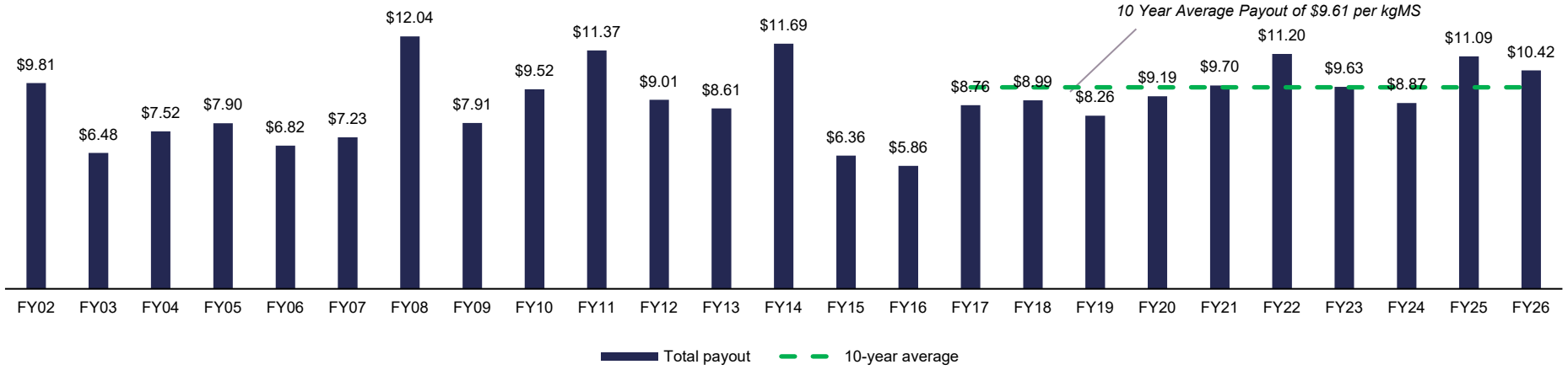
Source: GDT

Historical Total Payout

Total Payout (Nominal NZ$ per kgMS)



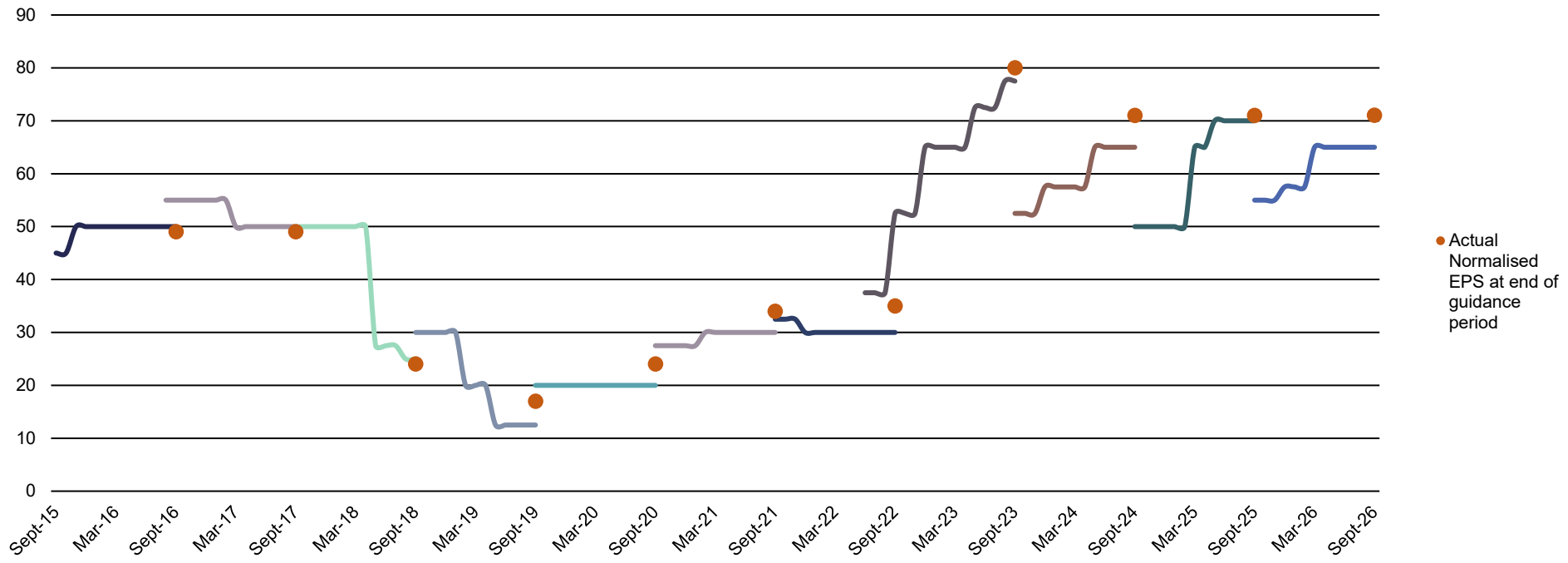
Total Payout[1] (Real NZ$ per kgMS)



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



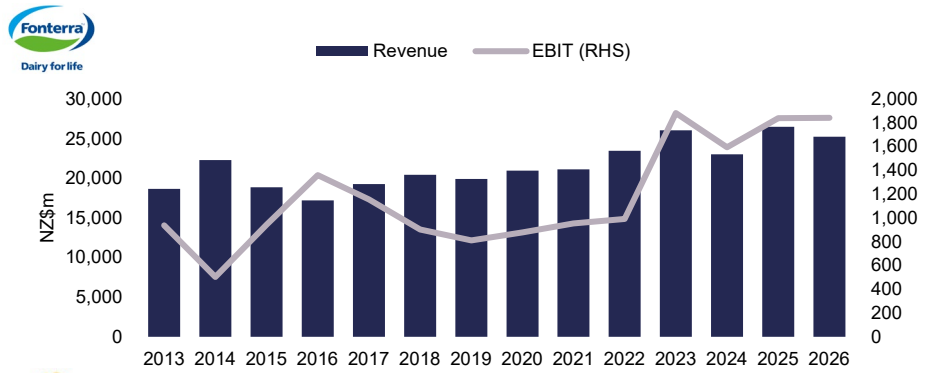
Comparable Company Performance

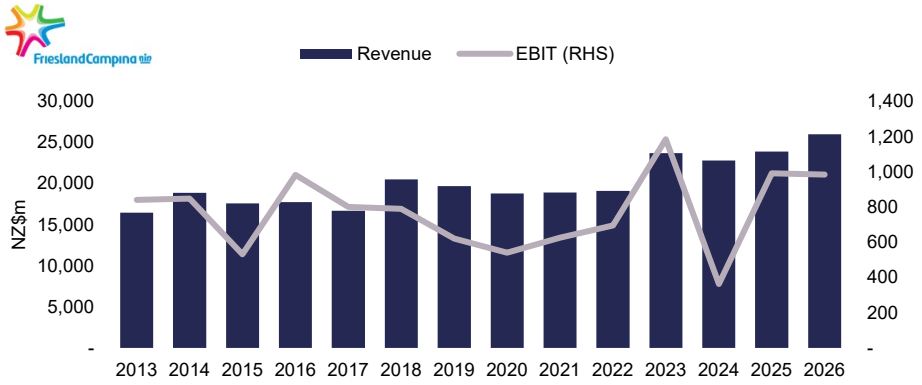
Fonterra is very different to other entities operating in the NZ dairy sector and to overseas dairy co-ops and companies. This is due to a range of factors including the DIRA regulatory regime, scale and product mix. Arguably the most comparable entities to Fonterra can be found overseas. This includes 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.

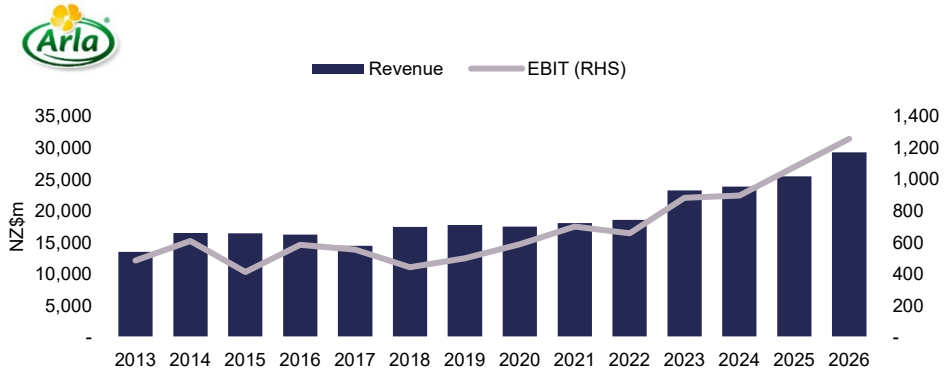
The comparisons on the following pages provide a high-level overview of revenue and earnings over time for companies in both dairy ingredients and value-add sectors, along with a single 'point in time' view of summary financial ratios. It is important to note that these comparisons do not take into account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

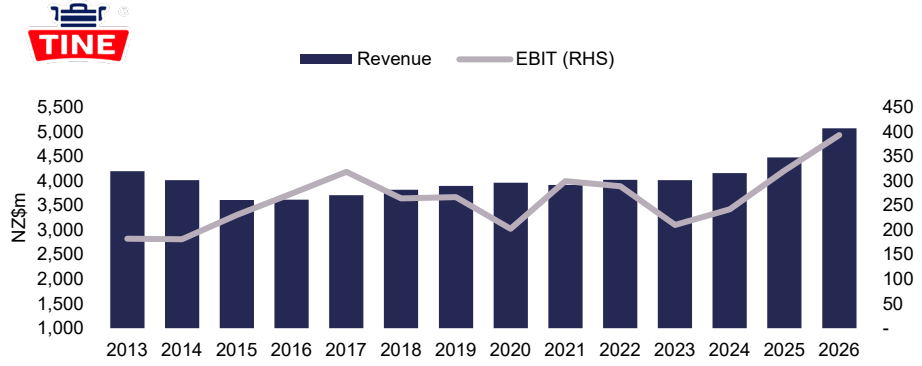
They also do not take into account different regulatory regimes for the other dairy co-operatives and the impact such regimes may have on margins, capital investment required and ultimate returns. Finally, the performance trends over time all reflect the currency exchange rates at the relevant time,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

Dairy Co-ops





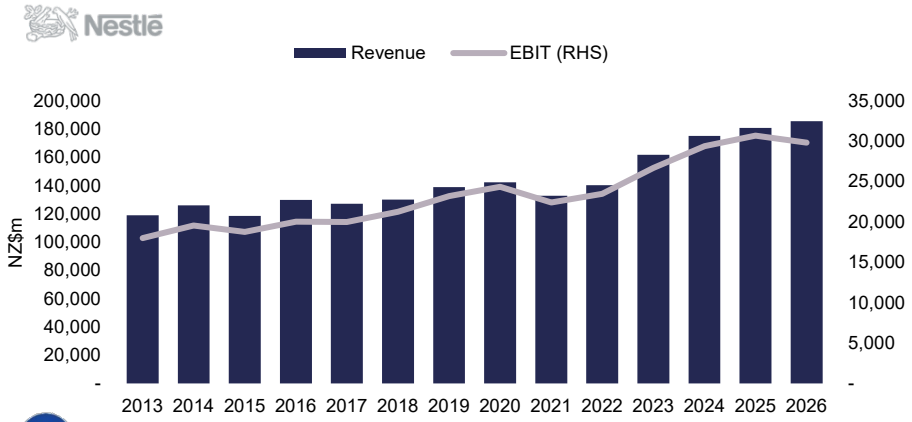


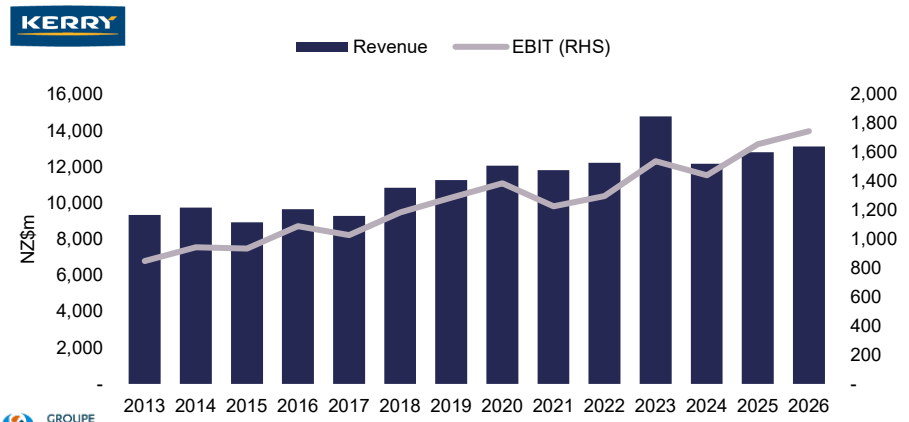


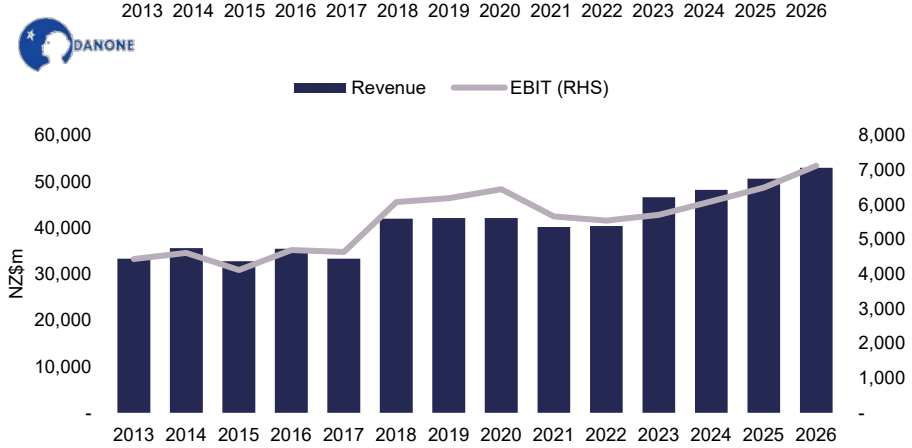
All figures are quoted in New Zealand dollars unless otherwise stated. Figures sourced from Capital IQ and Annual Reports. Fonterra FY26 is on an underlying operations basis.
Note: Companies presented here have a December financial year end compared to Fonterra's July year end.

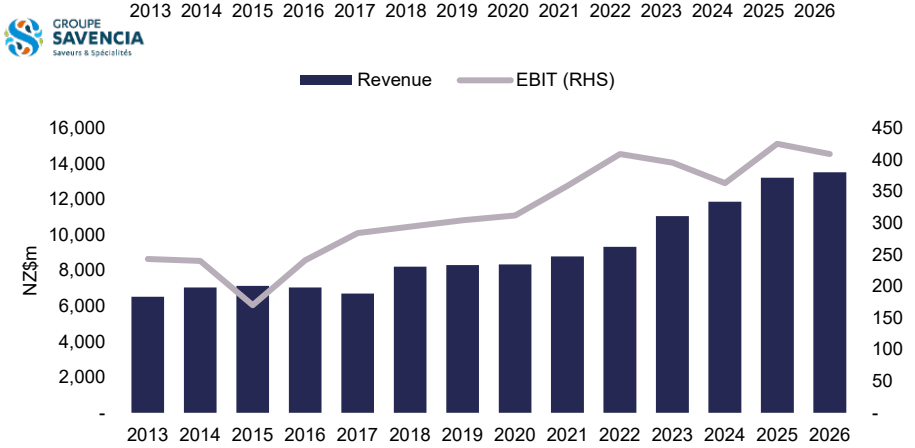
Comparable Company Performance (Continued)

Dairy Companies



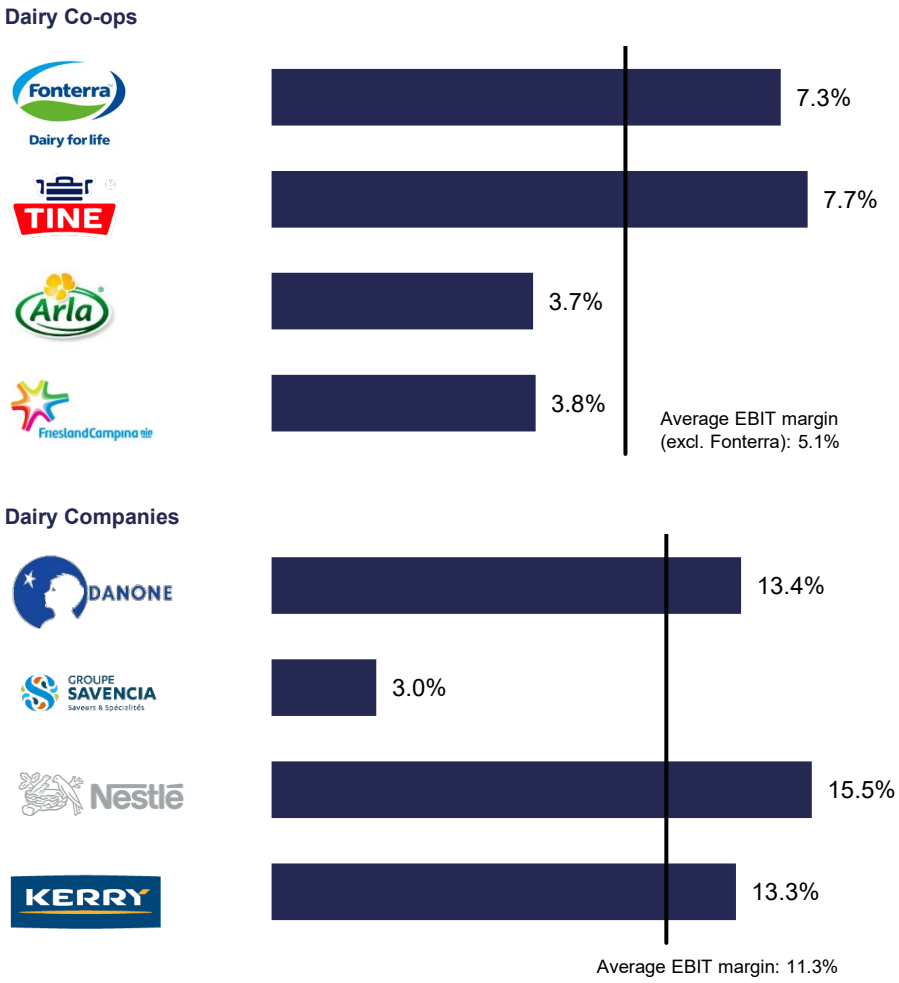




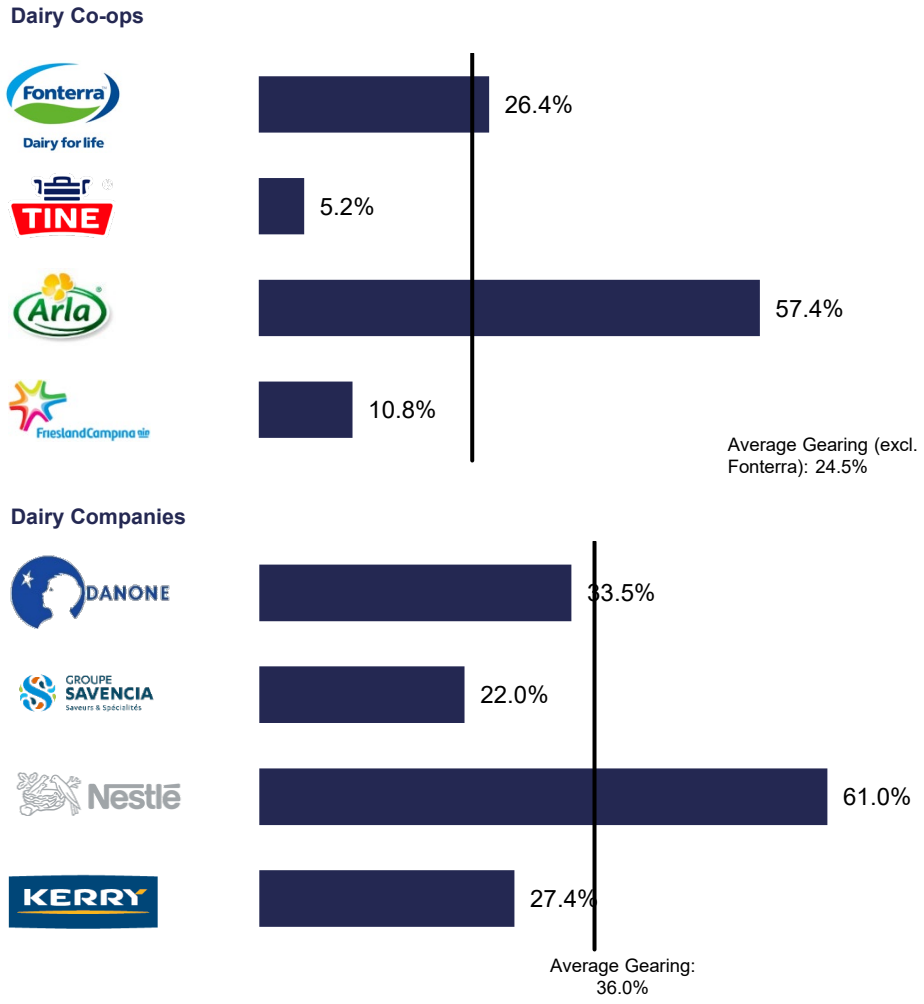


All figures are quoted in New Zealand dollars unless otherwise stated. Figures sourced from Capital IQ and Annual Reports
Note: Companies presented here have a December financial year end compared to Fonterra's July year end

EBIT Margin

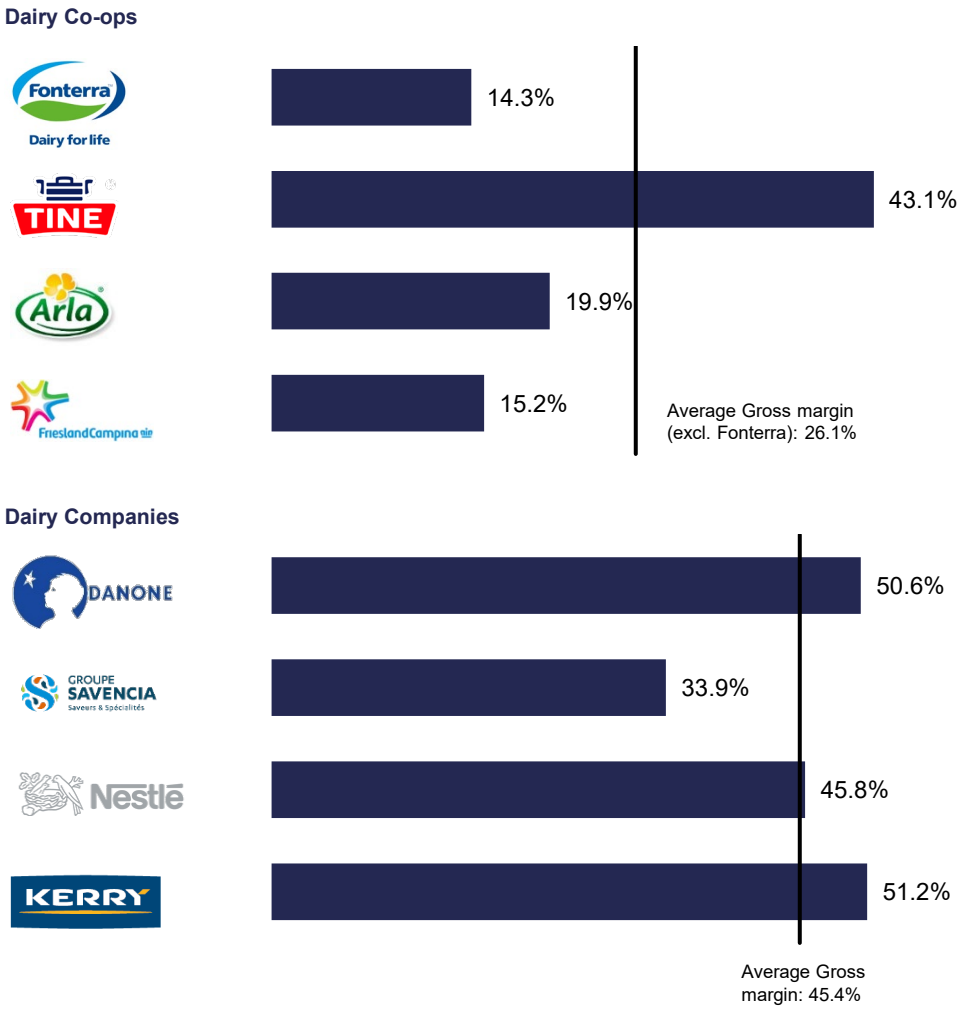


Gearing Ratio

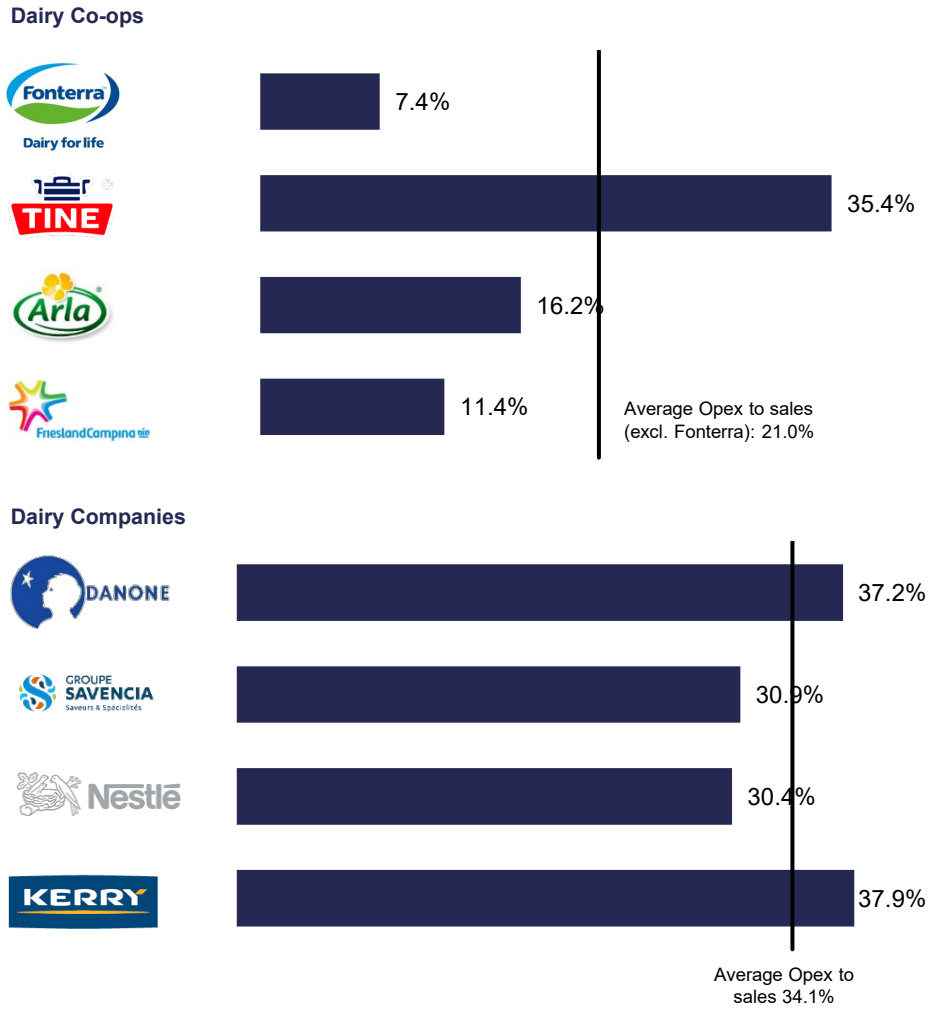


All figures are quoted in New Zealand dollars unless otherwise stated. Figures sourced from Capital IQ and Annual Reports. Fonterra is based on underlying operations performance.
Note: Companies presented here have a December financial year end compared to Fonterra's July year end

Gross Margin



Operating Expenses to Sales

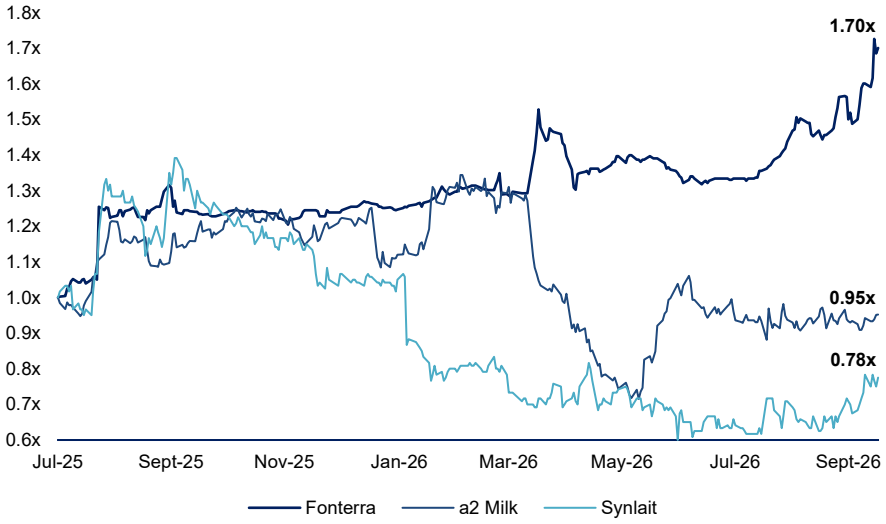


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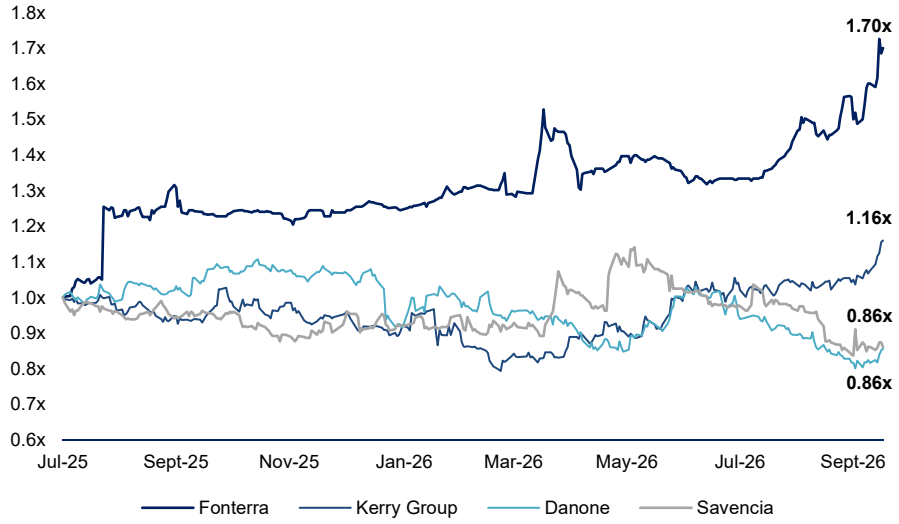
Share Price Performance – Dairy Competitors

- 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 2025 (start of FY26) to 14 October 2026 (adjusted for capital distribution) demonstrating a return of 70% over the period. This compares favourably to both Fonterra's domestic and international peers. This represents a very strong price return on the year.

New Zealand Dairy Manufacturers



Global Dairy Competitors



Daily price information has been rebased in NZD to 28 October 2025 for comparability between share price and local currency.
Source: Capital IQ as at 19 October 2026, 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 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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