FONTERRA ANNUAL MEETING
12 NOVEMBER 2026
CHAIR'S ADDRESS

As you've just heard, the Co-op is forecasting another year of consistently strong earnings. While we rightfully put a lot of attention on the milk price and earnings, we know that the share price is also important to farmers at every stage of their farming careers.

I want to spend some time today highlighting our share price performance over the past few financial years.

Looking first at the 2026 financial year, which we reported back in September, the Co-op generated significant value for shareholders through a combination of earnings, distributions and the completion of the Mainland transaction.

To capture what FY26 delivered, we've looked at the 12 months to mid-October, when the final dividend was paid. You see that indicated on the slide.

Fonterra Co-operative Group shares started that period at $5.90 and finished at $5.37. But that's after we returned $2.00 per share to you through the Mainland capital return. Adding that back, the share price itself effectively rose by $1.47.

Add 73 cents of fully imputed dividends, and that's $2.20 of value per share. That's a 37% return, or around 42% including imputation credits.

In total, we returned $2.73 per share in cash over the year.

The longer-term picture is also important.

Since the capital structure review began in May 2021, Fonterra shares have moved from $4.56 to $5.37.

Adding back the $2.50 returned through capital returns, so we are comparing apples with apples, the share price itself has risen $3.31.

Add $2.70 in fully imputed dividends, and that's $6.01 of value for every share held in May 2021.

I know that's a lot of numbers to digest in one go. The punchline is that the value of a Fonterra share has more than doubled since 2021, a return of around 132%, or about 17% per year.

Given those returns, it's no surprise that many ceased suppliers are holding onto their shares for longer – and that could become a problem over time.

When we moved to Flexible Shareholding, we gave exiting farmers more time to sell down. Those who were shareholders at the December 2021 vote were given up to 15 seasons, reducing over time to 10, and those who joined later up to five seasons. Under our previous structure, it was three seasons.

That was a deliberate decision to help manage the transition, giving exiting farmers flexibility while the share price adjusted. Over time, the combination of these factors has led to a build-up of shares held by ceased suppliers and their permitted transferees, and we now need to address that.

The Board has been fielding an increasing number of concerns from Rural Professionals and farmers who follow the market for our shares closely. The concern we all have is that the current settings could result in a potential overhang of shares impacting the market by 2036. Also on our minds is that shares being owned by supplying members is foundational to our structure as a Co-operative.

The Board has developed, what we believe, is a solution that is in the best long-term interest of our Co-operative.

Our normal approach with these sorts of issues has been to consult with farmers and include an element of collaboration in developing solutions. Given the share price sensitivities, legal and market considerations involved in this conversation, that approach wasn't practical this time.

The solution we have developed and will be communicating to all shareholders this morning, is a more structured approach to share sell-downs for ceased shareholders. One that better balances the interests of supplying and ceased shareholders, while supporting a healthy, liquid share market for the future.

We believe it will further strengthen our Co-op's capital structure going forward.
ceased suppliers

The changes will come into effect next season and will impact ceased suppliers and permitted transferees.

For supplying shareholders, you don't need to take any action.

From the compliance date of the season beginning 1 June 2027, ceased suppliers will move to a more staged reduction requirement for shares held after ceasing supply. They will need to choose to either:

- Sell their shares progressively each year over their reduction period – either 3, 5, or 10 years – as set out on the slide you see now; or
- Waive their right to receive dividends going forward on shares they would otherwise be required to sell progressively each year – noting that all shares must still be sold before their reduction period ends in 3, 5 or 10 years.

The option to waive the dividend on the portion of sell-down shares gives farmers more ability to self-manage their exit. They can choose to hold more of their shares for longer if they prefer to try and 'time the market,' or to otherwise fit their personal circumstances. But all shares must still be sold before their reduction period ends.

The amount to be sold or subject to dividend waiver each year will depend on the length of the reduction period.

These requirements will also apply to permitted transferees, with their reduction period aligning to that of the ceased supplier who they obtained their shares from.

I know all of that is a lot to take in.

The communications you receive this morning will include all of this information, including where to go to ask questions specific to your situation.

Just to reiterate, supplying shareholders do not need to take any action.

ENDS