

FONTERRA SPECIAL MEETING
30 OCTOBER 2025
CHAIR'S ADDRESS

I want to start off this morning by thanking farmers for their engagement in this discussion, especially over the past month or so when the full details have been available.

We have had excellent numbers attend the webinars and a strong turn out at the 42 roadshow meetings held across the country.

A number of farmers have also taken advantage of the director-led drop-in days at their local Farm Source store, or had 1-1 conversations with the management team, directors, or Co-op Councillors.

As you know, the Board has unanimously recommended you support the proposed sale to Lactalis.

I appreciate that there's been a lot of information and opinions coming at you, and it's been a lot to take in. But it's been important you had all of the answers you needed to make an informed decision.

The decision to divest the Consumer and associated businesses is significant and one the Board did not take lightly.

We have examined the strategic context we operate in, our strengths, and how as a Co-op we create value for our owners.

By far, we do this best through our business-to-business (B2B) Ingredients and Foodservice channels, which collectively generate the majority of our returns to Shareholders through both the Farmgate Milk Price and dividends.

It is in this context that the Board commenced a process to explore divestment options for our global Consumer and associated businesses.

We have thoroughly tested the terms and value of both a trade sale and initial public offering as divestment options.

Following a highly competitive sale process with multiple interested bidders, your Board is confident that a sale to Lactalis is the highest value option for the Co-op, including over the long term.

The \$4.22 billion price now on the table from Lactalis exceeds all of the initial independent valuations and estimates, and I want to acknowledge Management and our advisors for their hard work on behalf of shareholders.

The sale allows for a full divestment of these assets, is lower risk, and enables a faster return of capital to the Co-op's owners. It is also significantly value accretive when compared with an IPO.

I know many of you have an emotional connection to the brands and may be mourning their potential change of ownership.

But it is a fantastic deal, where our Co-op gains a lot more than just \$4.22 billion.

In Lactalis we gain one of our most significant Ingredients customers who we'll partner with through a long-term supply relationship.

We also stand to gain a much deeper, more trusted relationship with our other large B2B customers that can now truly call us a partner, and not a competitor.

We expect that their consumer insights will be much deeper than what we ever had. Combined with our century of dairy science, I think together we'll innovate much faster.

Fonterra's own R&D spend will now be concentrated on Ingredients and Foodservice, accelerating our own innovation pipeline.

We will have a simplified and more focused business. The value of this cannot be overstated.

Fonterra's relative success in recent years comes from understanding where we have a comparative advantage that can deliver real value back to our farmers through the milk price or earnings.

The divestment will usher in an exciting new phase for the Co-op. We will be able to focus Fonterra's energy and efforts on where we do our best work and enabling the consumer brands to be fostered by a true global consumer giant for mutual gain.

The deal is not without risk and it's important that we acknowledge that.

The ingredients supply agreement is not exclusive. There is a risk that, in time, Lactalis may choose a different supplier for some ingredients.

Customer loyalty cannot be written into a contract forever. It's earned.

Lactalis is proud to partner with us for the long-term. They will be investing significantly in brands that are founded on high-quality Fonterra milk from New Zealand.

A number of you have also raised questions around the risk of less diversification.

Our geographic diversification is materially unchanged following divestment.

Through our Ingredients and Foodservice businesses, we will continue to sell products derived from New Zealand milk to more than 100 countries around the world.

And lastly, given it utilises less than 8% of our New Zealand milk, the Consumer business is not, and never will be, an effective hedge against the risk of milk price volatility.

The two most precious things in this Co-op are your milk and your capital.

The far greater risk to our Co-op is continuing to put scarce farmer capital into lower returning Consumer products.

Consumer is a riskier business. It requires much higher operational expenditure and is still well below our target return on capital.

This whole process has been about strategy – what Fonterra can be the best in the world at. Then having the focus and discipline to deliver on that.

The hard work of our farmers and global teams over many years has Fonterra in a position of real strength. That gives us choices.

We choose to focus on B2B Ingredients and Foodservice because we have a proven competitive advantage and global reach. We are confident this is the best option for our farmers' futures, and therefore New Zealand.